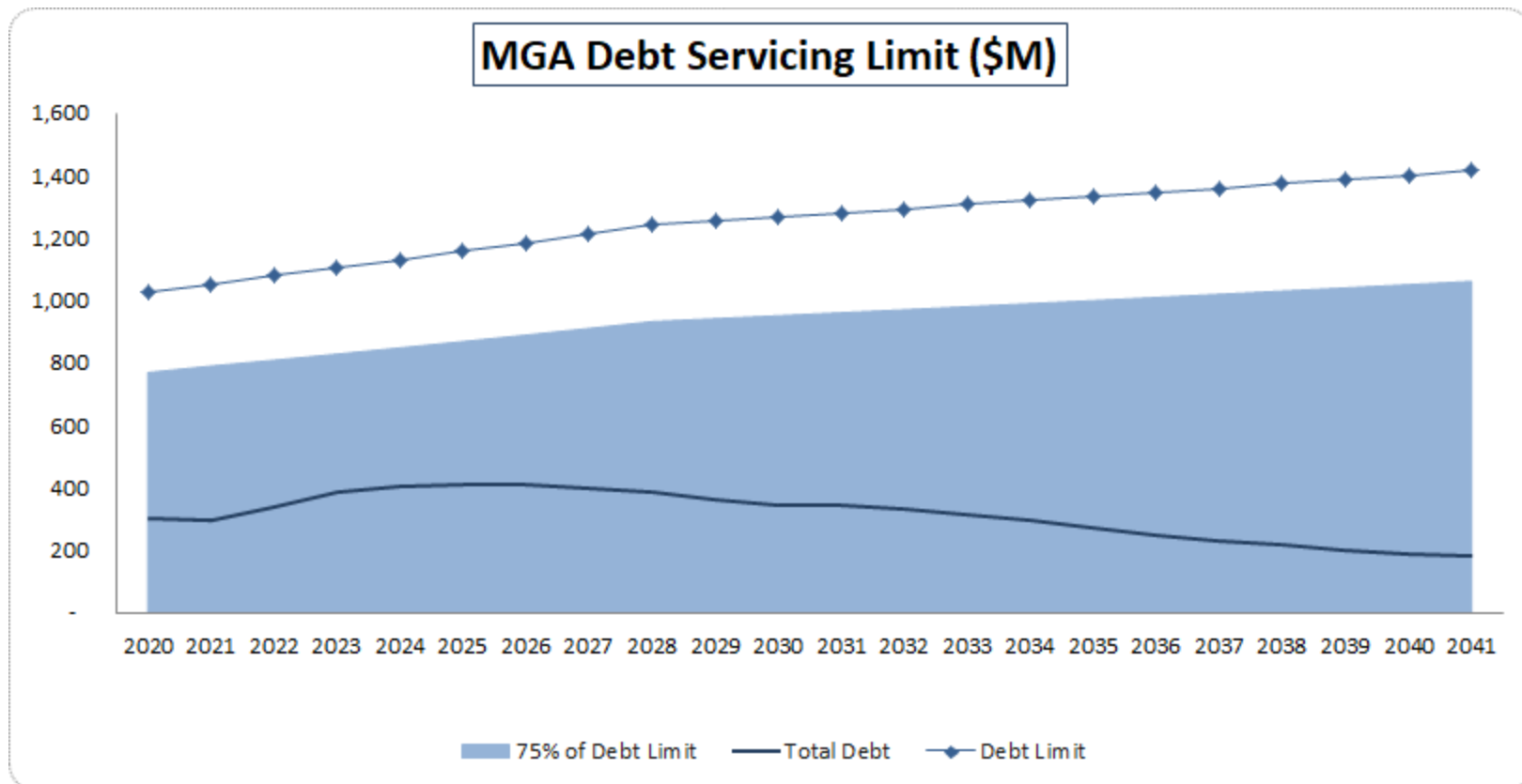
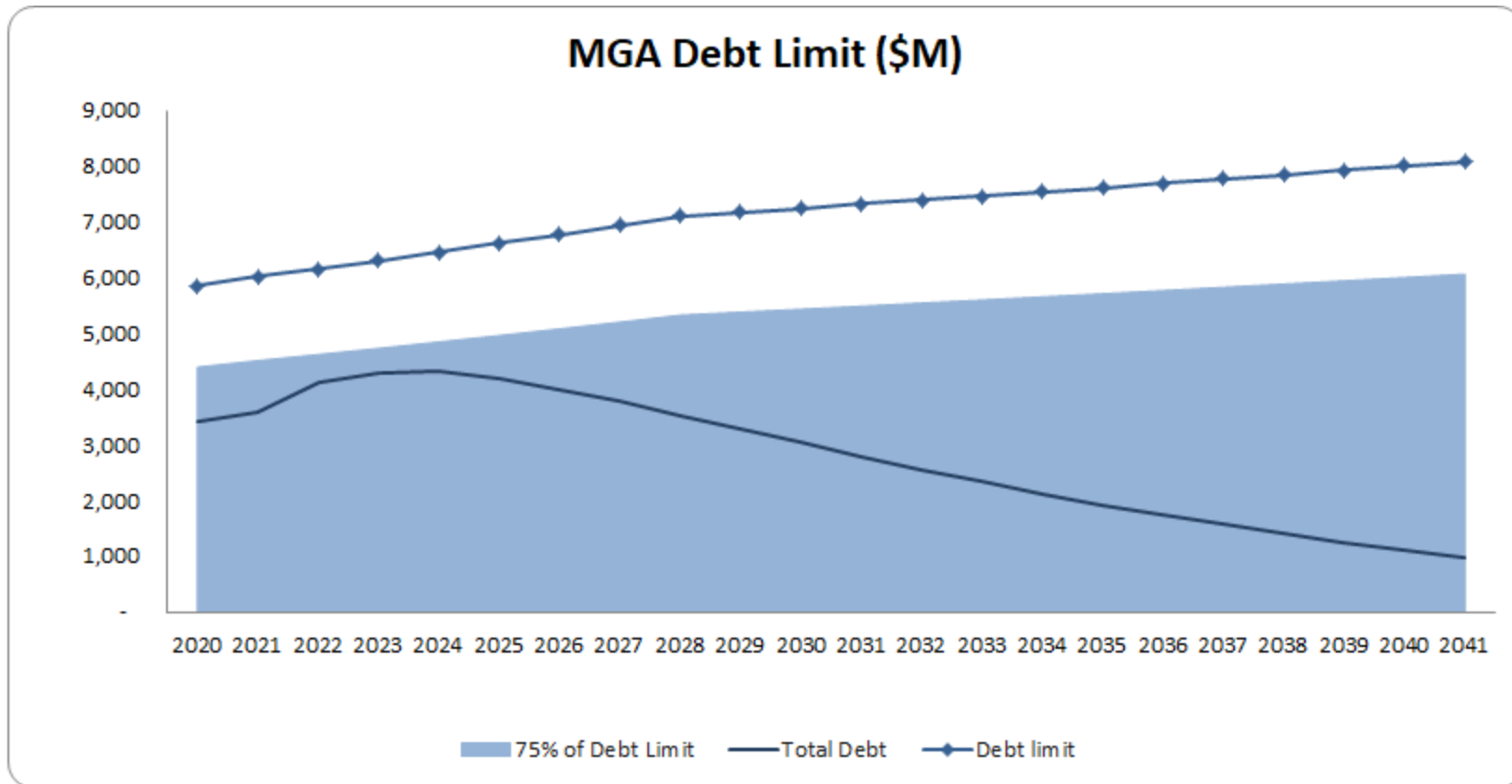


Debt Update - June 30, 2021

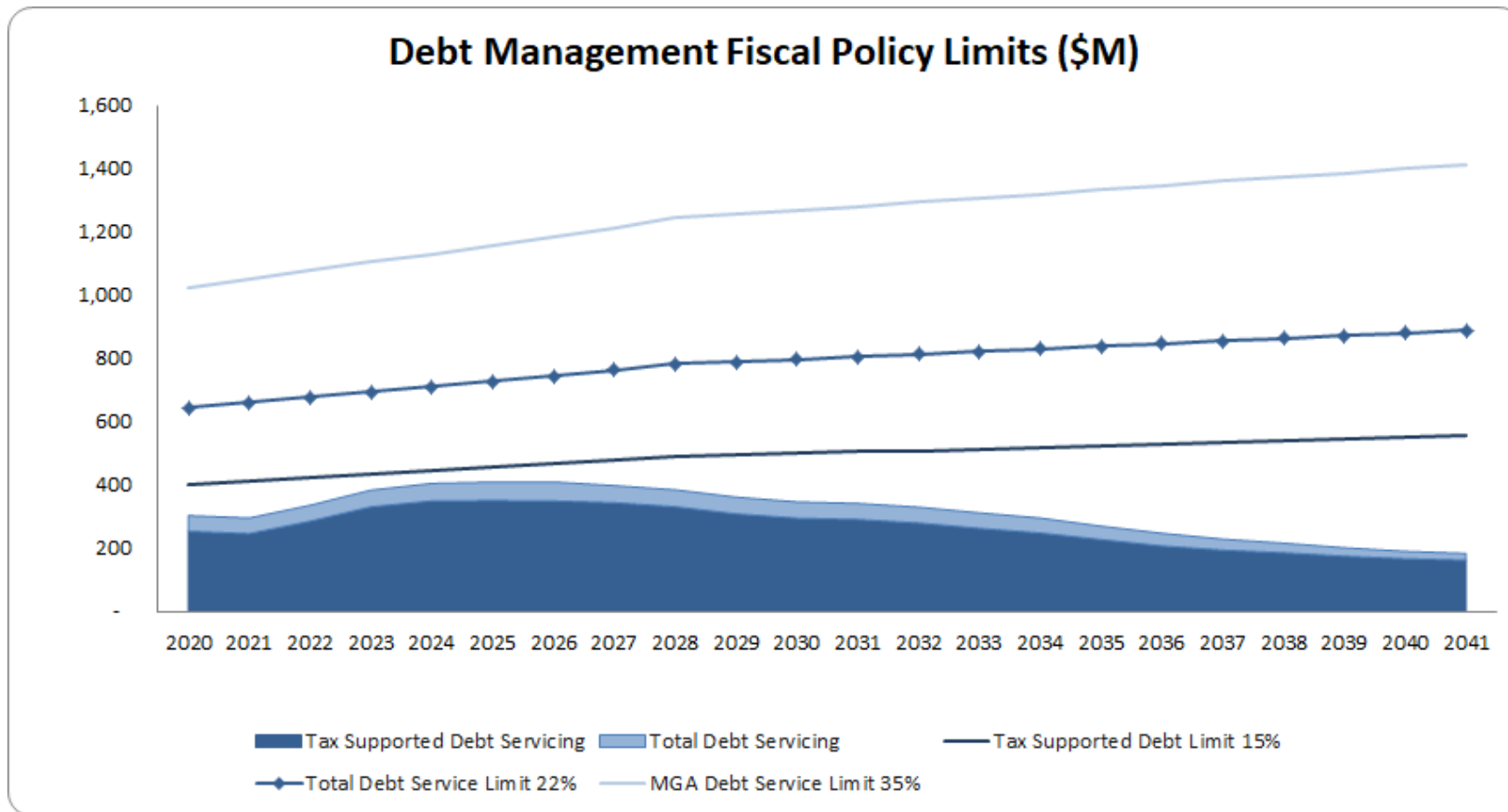
The *Municipal Government Act* (MGA) and related regulations establish limits for municipal debt levels and annual debt servicing costs. The following provides an update on the City’s compliance with the *Municipal Government Act* debt and debt servicing limits, as well as compliance with the Debt Management Fiscal Policy (DMFP) - C203C debt servicing limits. Forecasted debt in the following charts is based on currently approved debt projects.



Total projected debt peaks in 2024 at \$4.31 billion primarily due to matching funding from other levels of government for large transit and road projects such as Valley Line LRT and Yellowhead Trail Freeway Conversion projects.



The Debt Management Fiscal Policy (DMFP) - C203C sets more conservative debt service limits than those established in the MGA, with limits for all City operations and tax-supported operations. DMFP limits in the table below are 22 percent of City revenues for total debt servicing, 15 percent of tax levy revenues for tax-supported debt servicing and 35 percent of City revenues for total debt servicing under the MGA.



(includes debt related to Alberta Community Transit funded projects as well as Lewis Farms Recreation Center)

The City borrows almost exclusively through the Government of Alberta's Treasury Board and Finance (TBF), formerly known as Alberta Capital Finance Authority (ACFA). TBF maintains a credit review process for borrowers who:

- i) have exceeded borrowing limits established under the *Municipal Government Act* ,
- ii) are within 25 percent of the limit established under the *Municipal Government Act* and have a credit rating less than "A" , or
- iii) are considered to be in financial difficulty.

Based on the criteria, the City considers debt and debt servicing risk to be elevated when they are within 25 percent, or have exceeded 75 percent, of the debt and debt servicing limits established under the *Municipal Government Act*. The City may not fall under the credit review process when exceeding 75 percent of the limits as the credit rating is currently higher than an A rating.

The interest rate on 20 year debentures borrowed on June 15, 2020 was 2.257 percent, down 0.348 percent from 2.605 percent on June 15, 2019.

The following table provides a breakdown of the borrowing by quarter, as well as outstanding debt and debt servicing compared to both the MGA and DMFP debt limits.

Debt Update - City of Edmonton
Jun 30, 2021
(millions)

| | Tax-Supported | Self-Liquidating | Valley Line SE P3 Liability | Total | |
|----------------|---------------|------------------|-----------------------------|------------|-----------|
| Borrowing 2021 | | | | | |
| March | 16 | 31 | 13 | 60 | Actuals |
| June | 35 | 7 | 18 | 60 | Actuals |
| September | 29 | 23 | 19 | 71 | Projected |
| December | 102 | 23 | 9 | 135 | Projected |
| Total | 182 | 85 | 60 | 327 | |

| | Projections | | | | | | | | | | | | |
|--|-----------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual Dec 2019 | Actual Dec 2020 | Dec-21 | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-26 | Dec-27 | Dec-28 | Dec-29 | Dec-30 | Dec-31 |
| Outstanding Debt (Note 3) | | | | | | | | | | | | | |
| Tax-Supported Debt | | | | | | | | | | | | | |
| Long-Term | 1,772 | 2,009 | 2,227 | 2,618 | 2,865 | 2,921 | 2,879 | 2,773 | 2,637 | 2,495 | 2,352 | 2,207 | 2,059 |
| Self-Supporting Tax Guaranteed (Note 1) | 981 | 961 | 926 | 1,007 | 950 | 868 | 781 | 690 | 600 | 518 | 453 | 396 | 340 |
| | 2,753 | 2,969 | 3,153 | 3,625 | 3,816 | 3,790 | 3,661 | 3,463 | 3,237 | 3,013 | 2,805 | 2,603 | 2,399 |
| Self-Liquidating Debt (net of EPCOR) | 450 | 438 | 446 | 460 | 482 | 521 | 539 | 538 | 535 | 506 | 471 | 435 | 400 |
| Total Outstanding Debt | 3,203 | 3,407 | 3,599 | 4,084 | 4,297 | 4,311 | 4,200 | 4,001 | 3,772 | 3,519 | 3,275 | 3,038 | 2,798 |
| <i>Debt Limit (2x Revenue)(Note 2)</i> | 5,841 | 5,857 | 6,015 | 6,159 | 6,307 | 6,459 | 6,614 | 6,772 | 6,935 | 7,101 | 7,172 | 7,244 | 7,316 |
| <i>% used</i> | 54.8% | 58.2% | 59.8% | 66.3% | 68.1% | 66.8% | 63.5% | 59.1% | 54.4% | 49.6% | 45.7% | 41.9% | 38.2% |
| <i>% available</i> | 45.2% | 41.8% | 40.2% | 33.7% | 31.9% | 33.2% | 36.5% | 40.9% | 45.6% | 50.4% | 54.3% | 58.1% | 61.8% |
| Debt Servicing (MGA - Note 4) | | | | | | | | | | | | | |
| Tax-Supported Debt | | | | | | | | | | | | | |
| Long-Term | 155 | 161 | 152 | 185 | 215 | 234 | 235 | 235 | 234 | 233 | 228 | 225 | 223 |
| Self-Supporting Tax Guaranteed (Note 1) | 89 | 92 | 95 | 100 | 113 | 116 | 116 | 115 | 110 | 99 | 80 | 70 | 68 |
| | 244 | 254 | 246 | 286 | 329 | 350 | 351 | 350 | 344 | 331 | 309 | 295 | 291 |
| Self-Liquidating Debt (net of EPCOR) | 50 | 49 | 49 | 50 | 52 | 55 | 58 | 59 | 53 | 53 | 52 | 51 | 50 |
| Total Debt Servicing (MGA) | 294 | 303 | 295 | 336 | 381 | 404 | 408 | 409 | 398 | 384 | 361 | 346 | 341 |
| <i>MGA Debt Servicing Limit (35%)(Note 5, 7)</i> | 1,022 | 1,025 | 1,053 | 1,078 | 1,104 | 1,130 | 1,157 | 1,185 | 1,214 | 1,243 | 1,255 | 1,268 | 1,280 |
| <i>% used</i> | 28.7% | 29.6% | 28.1% | 31.1% | 34.5% | 35.8% | 35.3% | 34.5% | 32.8% | 30.9% | 28.8% | 27.3% | 26.7% |
| <i>% available</i> | 71.3% | 70.4% | 71.9% | 68.9% | 65.5% | 64.2% | 64.7% | 65.5% | 67.2% | 69.1% | 71.2% | 72.7% | 73.3% |

| | Projections | | | | | | | | | | | | |
|---|-----------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual Dec 2019 | Actual Dec 2020 | Dec-21 | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-26 | Dec-27 | Dec-28 | Dec-29 | Dec-30 | Dec-31 |
| Debt Servicing (DMFP - Note 4) | | | | | | | | | | | | | |
| Tax-Supported Debt | | | | | | | | | | | | | |
| Long-Term | 155 | 161 | 152 | 185 | 215 | 234 | 235 | 235 | 234 | 233 | 228 | 225 | 223 |
| Self-Supporting Tax Guaranteed (Note 1) | 89 | 92 | 95 | 100 | 113 | 116 | 116 | 115 | 110 | 99 | 80 | 70 | 68 |
| | 244 | 254 | 246 | 286 | 329 | 350 | 351 | 350 | 344 | 331 | 309 | 295 | 291 |
| Self-Liquidating Debt (net of EPCOR) | | | | | | | | | | | | | |
| | 50 | 49 | 49 | 50 | 52 | 55 | 58 | 59 | 53 | 53 | 52 | 51 | 50 |
| Total Debt Servicing (DMFP) | 294 | 303 | 295 | 336 | 381 | 404 | 408 | 409 | 398 | 384 | 361 | 346 | 341 |
| <i>DMFP Total Debt Servicing Limit (22%)(Note 6, 7)</i> | <i>642</i> | <i>644</i> | <i>662</i> | <i>678</i> | <i>694</i> | <i>710</i> | <i>727</i> | <i>745</i> | <i>763</i> | <i>781</i> | <i>799</i> | <i>797</i> | <i>805</i> |
| <i>% used</i> | <i>45.7%</i> | <i>47.0%</i> | <i>44.6%</i> | <i>49.6%</i> | <i>55.0%</i> | <i>56.9%</i> | <i>56.1%</i> | <i>54.8%</i> | <i>52.1%</i> | <i>49.2%</i> | <i>45.8%</i> | <i>43.4%</i> | <i>42.4%</i> |
| <i>% available</i> | <i>54.3%</i> | <i>53.0%</i> | <i>55.4%</i> | <i>50.4%</i> | <i>45.0%</i> | <i>43.1%</i> | <i>43.9%</i> | <i>45.1%</i> | <i>47.9%</i> | <i>50.8%</i> | <i>54.2%</i> | <i>56.6%</i> | <i>57.6%</i> |
| <i>DMFP Tax-supported Debt Servicing Limit (15%)(Note 6, 7)</i> | <i>398</i> | <i>403</i> | <i>414</i> | <i>424</i> | <i>434</i> | <i>445</i> | <i>455</i> | <i>466</i> | <i>478</i> | <i>489</i> | <i>494</i> | <i>499</i> | <i>504</i> |
| <i>% used</i> | <i>61.3%</i> | <i>62.8%</i> | <i>59.5%</i> | <i>67.3%</i> | <i>75.7%</i> | <i>78.6%</i> | <i>77.0%</i> | <i>75.0%</i> | <i>72.1%</i> | <i>67.7%</i> | <i>62.5%</i> | <i>59.2%</i> | <i>57.8%</i> |
| <i>% available</i> | <i>38.7%</i> | <i>37.1%</i> | <i>40.5%</i> | <i>32.7%</i> | <i>24.3%</i> | <i>21.4%</i> | <i>23.0%</i> | <i>25.0%</i> | <i>27.9%</i> | <i>32.3%</i> | <i>37.5%</i> | <i>40.8%</i> | <i>42.2%</i> |

Notes:

- 1) Self-Supporting Tax Guaranteed debt is issued to fund capital expenditures for tax-supported operations, which generate sufficient cash, other than tax-levy, to fund the debt obligation. Any funding shortfall to repay the debt will be funded through tax-levy revenues. The servicing costs for the SLRT debt is funded with the federal fuel tax. Other Self-Supporting Tax Guaranteed debt includes debt to be repaid through user fees, reserves, property sales and community revitalization levies.
 - 2) The *Municipal Government Act* debt limit is calculated as two times consolidated revenues net of capital government transfers and developer contributed tangible capital assets as reported in the prior year audited financial statements.
 - 3) Forecasted debt includes financing for capital projects approved by Council through the 2019-2022 Capital Budget, 2015-2018 Capital Budget and projects approved as a part of the 2012-2014 capital budget with current and future cash flows. Borrowing in the current year and beyond assumes borrowing in the second and fourth quarters, using the approved term for the project and the assumed interest rates per term.
 - 4) The *Municipal Government Act* Debt Limit Regulations state that debt servicing is the total amount of principal and interest that the municipality will be required to pay in respect of those borrowings during the 12 months after the calculation time. For purposes of monitoring compliance with the City's internal *Debt Management Fiscal Policy (C203C)*, debt servicing is assumed to be actual debt principal and interest paid in the year.
- The *Municipal Government Act* Debt Limit Regulations also state that borrowings in which the municipality is not required to pay in the following 12 months at the time of calculation, the debt servicing be reflected on a pro rata basis. The City's internal *Debt Management Fiscal Policy (C203C)* assumes debt servicing related to short-term borrowing be reflected in the year the debt servicing is incurred.
- 5) The *Municipal Government Act* debt servicing limit is 35% of consolidated revenues net of capital government transfers and contributed tangible capital assets as reported in the prior year audited financial statements.
 - 6) The internal *Debt Management Fiscal Policy (C203C)* sets more conservative debt service limits at 22% (total debt) of consolidated City revenues and 15% (tax-supported debt) of tax levy revenues as reported in the prior year audited financial statements.
 - 7) Debt and debt service limits for 2022 to 2041 assume annual increases to revenue of 2% until 2029, and 1% thereafter.

The following table provides a breakdown of projected outstanding debt by major project:

| <u>Projected Outstanding Debt Summary</u> | <u>Jun 30, 2021</u> | | | |
|---|---------------------|--------------|--------------|--------------|
| | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| Jun 30, 2021 | | | | |
| Tax supported | | | | |
| Valley Line Southeast | 539 | 573 | 648 | 668 |
| Arena | 474 | 456 | 447 | 428 |
| Valley Line West | 107 | 138 | 358 | 517 |
| YHT Freeway Conversion | 74 | 196 | 253 | 321 |
| SLRT | 285 | 254 | 221 | 186 |
| Multipurpose Rec Centres | 228 | 219 | 208 | 198 |
| Westwood Transit Garage (Kathleen Andrews) | 175 | 172 | 170 | 165 |
| Lewis Farms Community Rec Centre & Library | 21 | 21 | 20 | 20 |
| Downtown CRL | 87 | 98 | 194 | 194 |
| Walterdale Bridge | 128 | 123 | 118 | 113 |
| Metro Line (NLRT: Downtown to NAIT) | 148 | 143 | 137 | 130 |
| Whitemud/Quesnel Bridge | 102 | 96 | 91 | 85 |
| Police - North Campus | 91 | 92 | 89 | 86 |
| Great Neighbourhoods | 83 | 77 | 77 | 70 |
| Terwillegar Community Rec Centre | 76 | 72 | 67 | 63 |
| Quarters CRL | 56 | 57 | 77 | 74 |
| Terwillegar Drive Expressway | - | 10 | 33 | 56 |
| Co-located Dispatch and EOC | 5 | 5 | 5 | 5 |
| LRT Design: Metro Line (NAIT - Blatchford) Extension | - | 30 | 37 | 36 |
| Milner Library Renewal & Upgrades | 45 | 43 | 40 | 37 |
| Northlands Capital Construction | 39 | 37 | 35 | 33 |
| Valley Zoo | 29 | 27 | 25 | 23 |
| Transit Priority Improvements - Heritage Valley to Century Park | - | 2 | 5 | 5 |
| New Transit Bus Garage | - | 0 | 4 | 5 |
| Capital Line South LRT: Centruy Park to Ellersie Road | - | - | - | - |
| Other | | | | |
| Other | 177 | 205 | 251 | 285 |
| Total Tax-Supported | 2,969 | 3,146 | 3,611 | 3,803 |
| Self Liquidating | | | | |
| Waste Management | 220 | 202 | 184 | 165 |
| Local Improvements | 126 | 116 | 116 | 119 |
| Blatchford Development | 69 | 65 | 62 | 58 |
| Other | 23 | 70 | 111 | 152 |
| Total Self Liquidating | 438 | 453 | 473 | 494 |
| Total Debt | 3,407 | 3,599 | 4,084 | 4,297 |