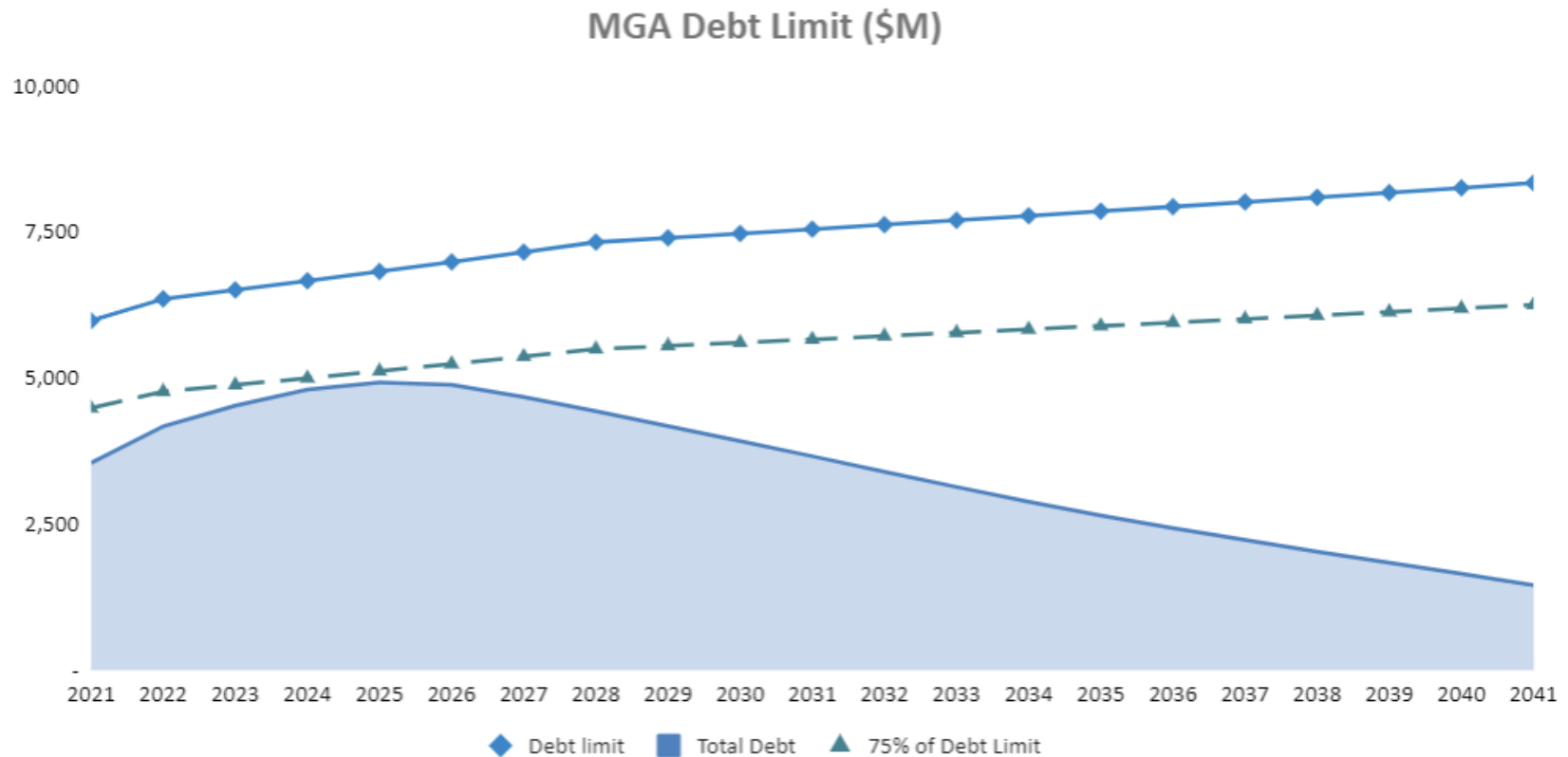


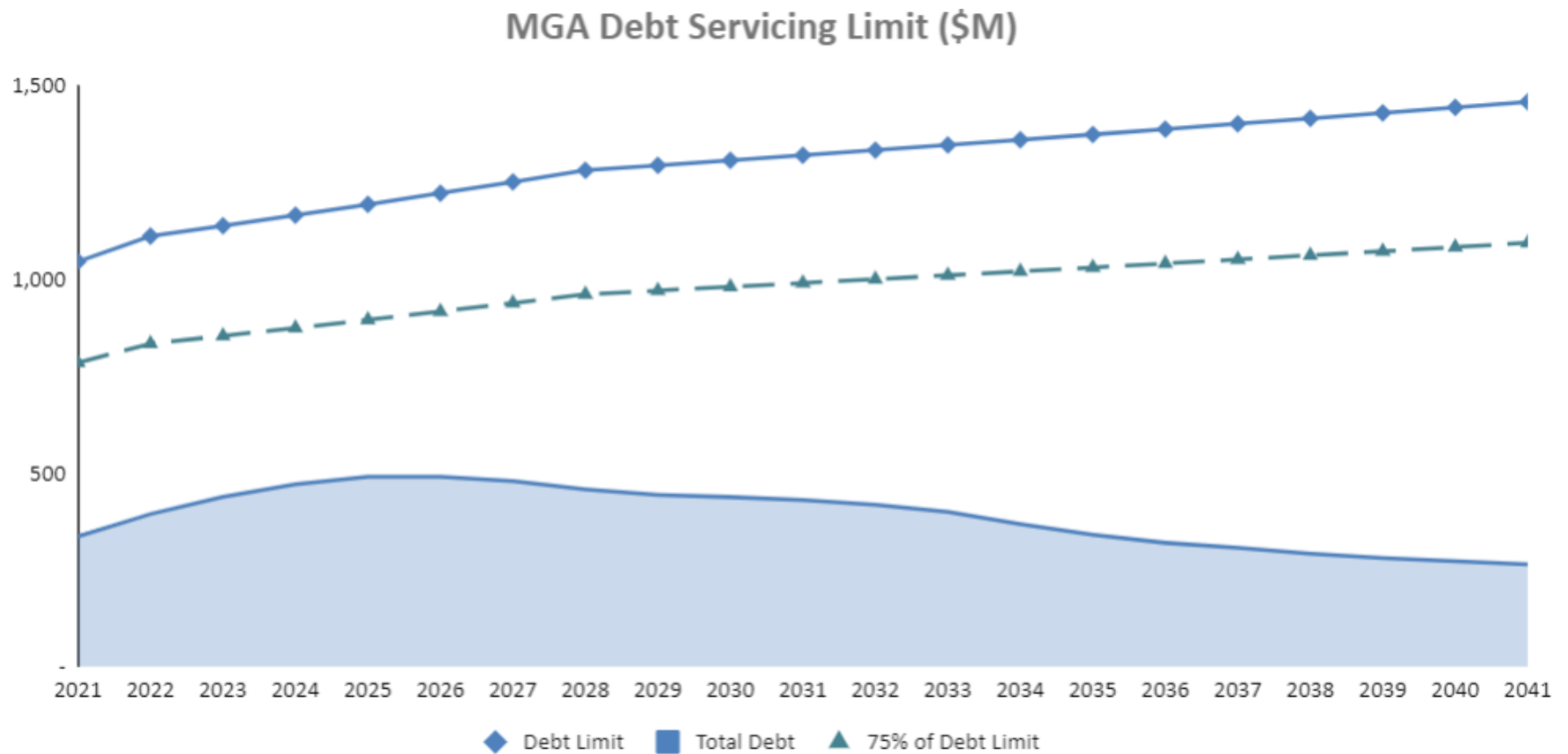
Debt Update - June 30, 2022

Municipal Government Act Debt & Debt Servicing Limits

The *Municipal Government Act* (MGA) and related regulations establish limits for municipal debt levels to two times revenue and annual debt servicing costs to 35 per cent of revenue. The following provides an update on the City's compliance with the *Municipal Government Act* debt and debt servicing limits. Forecasted debt in the following charts is based on currently approved debt projects.



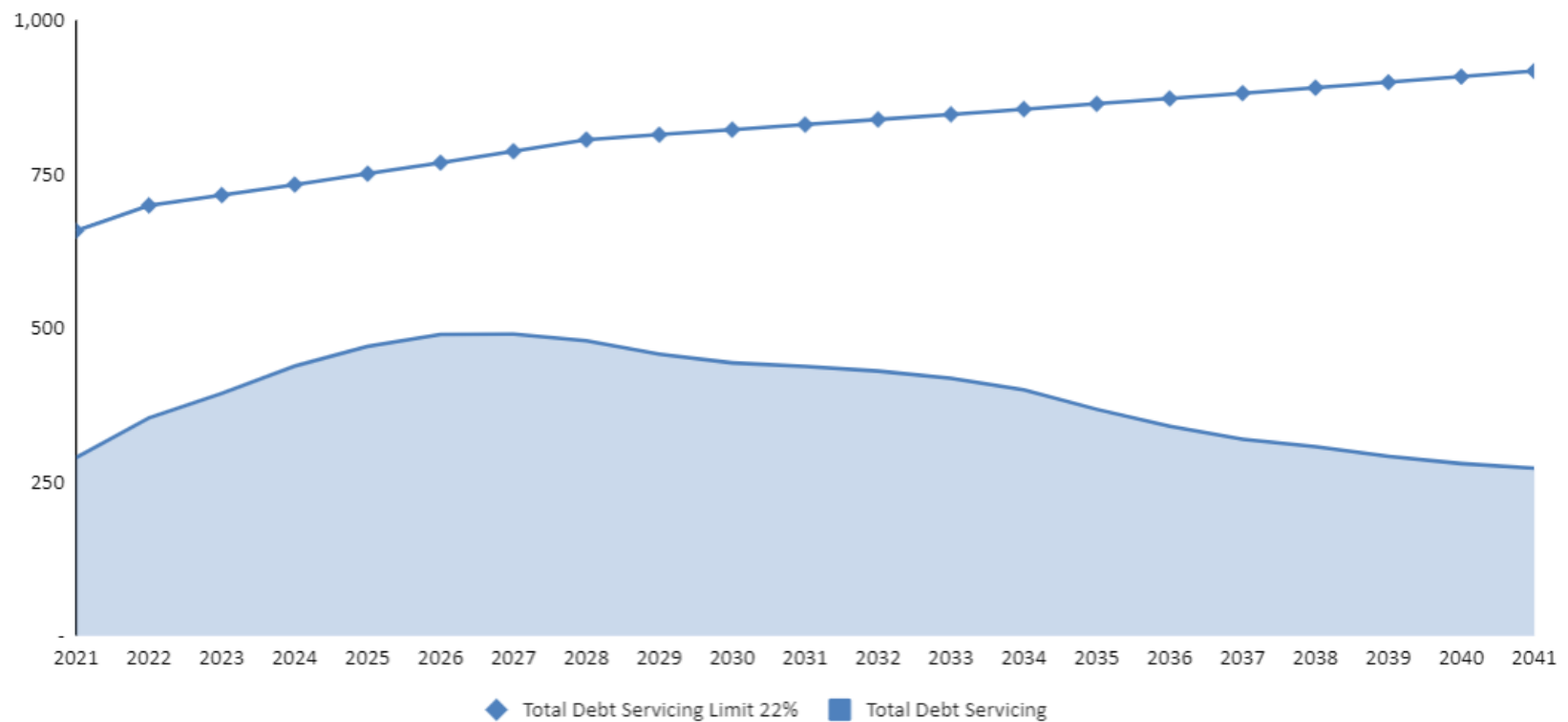
Total projected debt peaks in 2025 at \$4.92 billion primarily due to matching funding from other orders of government for large transit and road projects such as Valley Line LRT, Valle Line West and Yellowhead Trail Freeway Conversion projects.



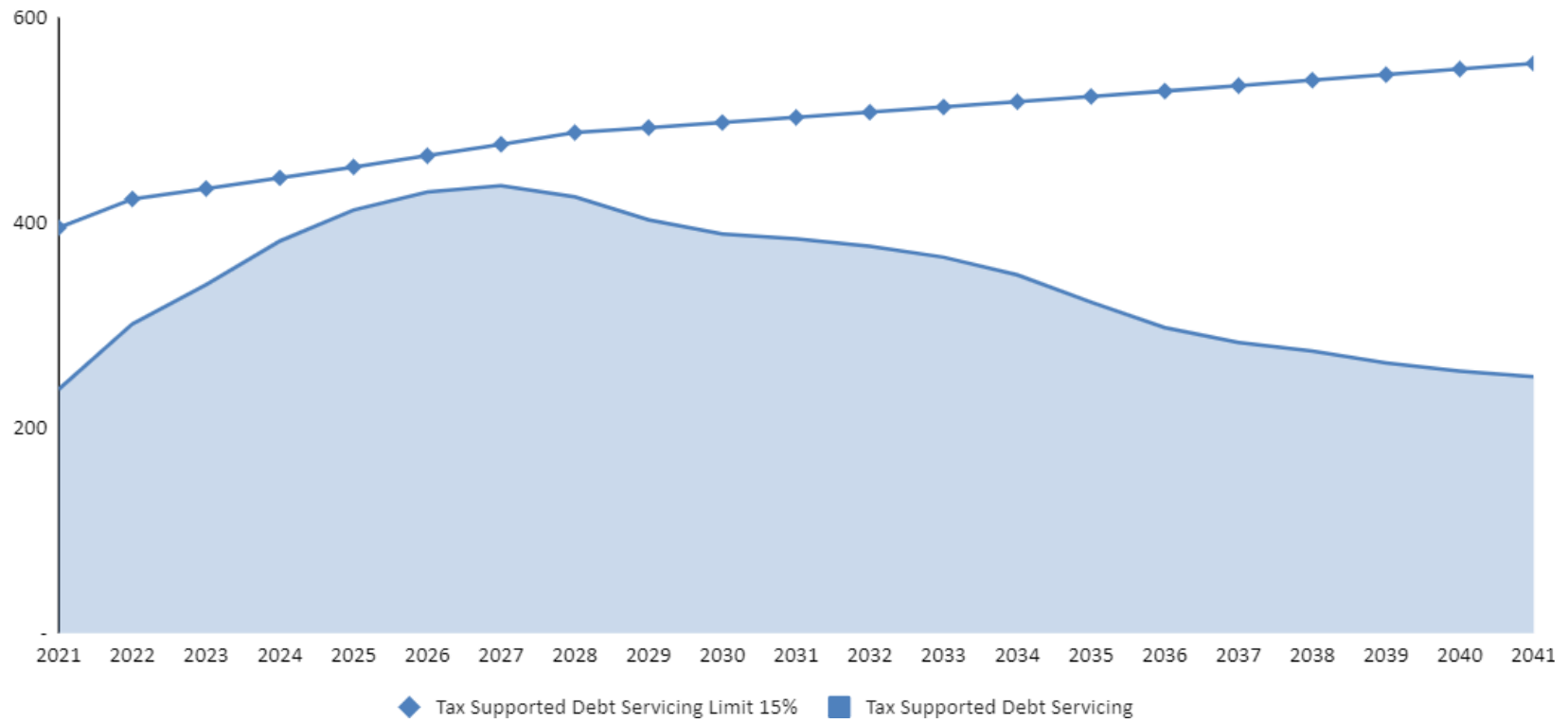
Debt Management Fiscal Policy Debt Servicing Limits

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 per cent of City revenues for total debt servicing and 15 per cent of tax levy revenues for tax-supported debt servicing.

Debt Management Fiscal Policy - Debt Servicing Limit (\$M)



Debt Management Fiscal Policy - Tax Supported Debt Servicing Limit (\$M)



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 per cent 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 per cent, or have exceeded 75 per cent, 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 per cent of the limits as the credit rating is currently higher than an A rating.

The interest rate on 20 year debentures borrowed on Jun 15, 2022 was 4.990 per cent, up 2.471 per cent from 2.519 per cent on Jun 15, 2021. In December 2021, the Province announced new loan pricing for local authorities, which includes an increase of approximately 0.5 per cent to 0.75 per cent over rates the City received in the past.

Debt and Debt Servicing Update - June 30, 2022

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.

Borrowing 2022**Jun 30, 2022***(millions)*

	Tax-Supported	Self-Liquidating	Valley Line SE P3 Liability	Total
March	110	20	2	132
June	74	2	3	79
September (projection)	208	0	15	223
December (projection)	205	15	-	220
Total	597	36	20	653

	Actual		Projections										
	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
Outstanding Debt (Note 3)													
Tax-Supported Debt													
Long-Term	2,009	2,113	2,767	3,147	3,445	3,625	3,664	3,545	3,388	3,229	3,065	2,897	2,725
Self-Supporting Tax Guaranteed (Note 1)	961	938	909	879	852	806	728	640	558	492	434	377	322
	2,969	3,051	3,676	4,026	4,297	4,431	4,392	4,185	3,947	3,721	3,500	3,274	3,047
Self-Liquidating Debt (net of EPCOR)	438	496	495	498	507	493	492	486	482	454	420	385	349
Total Outstanding Debt	3,407	3,547	4,172	4,524	4,804	4,924	4,884	4,671	4,429	4,175	3,919	3,659	3,396
<i>Debt Limit (2x Revenue)(Note 2)</i>	5,857	5,978	6,353	6,505	6,661	6,821	6,985	7,153	7,324	7,397	7,471	7,546	7,622
<i>% used</i>	58.2%	59.3%	65.7%	69.5%	72.1%	72.2%	69.9%	65.3%	60.5%	56.4%	52.5%	48.5%	44.6%
<i>% available</i>	41.8%	40.7%	34.3%	30.5%	27.9%	27.8%	30.1%	34.7%	39.5%	43.6%	47.5%	51.5%	55.4%
Debt Servicing (MGA - Note 4)													
Tax-Supported Debt													
Long-Term	171	186	235	272	296	311	321	321	317	314	312	308	303
Self-Supporting Tax Guaranteed (Note 1)	92	96	104	110	116	119	115	104	85	75	72	68	63
	263	282	340	382	412	430	436	425	403	389	384	377	366
Self-Liquidating Debt (net of EPCOR)	50	54	54	56	58	60	54	54	55	54	53	53	52
Total Debt Servicing (MGA)	313	336	394	438	470	490	490	479	458	443	437	430	418
<i>MGA Debt Servicing Limit (35%)(Note 5, 7)</i>	1,025	1,046	1,112	1,138	1,166	1,194	1,222	1,252	1,282	1,295	1,308	1,321	1,334
<i>% used</i>	30.6%	32.1%	35.4%	38.5%	40.3%	41.0%	40.1%	38.3%	35.7%	34.2%	33.5%	32.5%	31.3%
<i>% available</i>	69.4%	67.9%	64.6%	61.5%	59.7%	59.0%	59.9%	61.7%	64.3%	65.8%	66.5%	67.5%	68.7%

Attachment 3

	Actual		Projections										
	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
Debt Servicing (DMFP - Note 4)													
Tax-Supported Debt													
Long-Term	149	142	202	235	272	296	311	321	321	317	314	312	308
Self-Supporting Tax Guaranteed (Note 1)	92	96	99	104	110	116	119	115	104	85	75	72	68
	241	237	301	340	382	412	430	436	425	403	389	384	377
Self-Liquidating Debt (net of EPCOR)	51	52	53	54	56	58	60	54	54	55	54	53	53
Total Debt Servicing (DMFP)	292	289	354	394	438	470	490	490	479	458	443	437	430
<i>DMFP Total Debt Servicing Limit (22%)(Note 6, 7)</i>	644	658	699	716	733	750	768	787	806	814	822	830	838
<i>% used</i>	45.3%	44.0%	50.6%	55.0%	59.8%	62.7%	63.7%	62.3%	59.5%	56.2%	53.9%	52.7%	51.3%
<i>% available</i>	54.7%	56.0%	49.4%	45.0%	40.2%	37.3%	36.3%	37.7%	40.5%	43.8%	46.1%	47.3%	48.7%
<i>DMFP Tax-supported Debt Servicing Limit (15%)(Note 6, 7)</i>	406	395	423	433	443	454	465	476	488	493	497	502	507
<i>% used</i>	59.4%	60.1%	71.2%	78.4%	86.1%	90.8%	92.4%	91.5%	87.2%	81.7%	78.2%	76.4%	74.3%
<i>% available</i>	40.6%	39.9%	28.8%	21.6%	13.9%	9.2%	7.6%	8.5%	12.8%	18.3%	21.8%	23.6%	25.7%

Notes:

- 1) **Long-Term Tax Supported Debt** debt is issued to fund capital expenditures for tax-supported operations funded by tax levy revenues. **Self-Supporting Tax Guaranteed** debt is issued to fund capital expenditures for tax-supported operations, with the debt obligation being repaid through other non-tax-levy revenue sources. Any funding shortfall to repay the debt will be funded through tax-levy revenues. Other Self-Supporting Tax Guaranteed debt includes debt to be repaid through user fees, reserves, property sales and community revitalization levies. **Self-Liquidating** debt is issued to fund capital expenditures for programs which are self-funded, including but not limited to Utilities and local improvements.
- 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 forecasts assume 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.
- 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 are based on budgeted revenues, and 2023 to 2041 assume annual increases to revenue of 2% until 2029, and 1%

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

<u>Projected Outstanding Debt Summary (\$ millions)</u>	<u>Jun 30, 2022</u>				
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Jun 30, 2022					
Tax supported					
Valley Line Southeast	674	658	642	625	607
Multi-Purpose Recreation Centres	208	198	187	175	164
Kathleen Andrews Transit Garage	172	167	161	155	148
Valley Line LRT: Downtown to Lewis Farms	450	549	563	549	533
Walterdale Bridge	118	113	108	103	97
NLRT (Downtown to NAIT)	162	155	148	140	131
Yellowhead Trail Freeway Conversion	287	383	428	442	455
Whitemud Drive/Quesnell Bridge Rehab/Grw	91	85	79	73	67
Northwest Campus	90	87	85	82	78
Great Neighbourhoods	71	72	66	57	48
Terwillegar Community Recreation Centre	67	63	59	54	50
Lewis Farms Community Recreation Centre and Library	33	86	173	264	287
Capital Line South LRT: Century Park to Ellersie Road	36	128	239	294	321
Coronation Park Sports and Recreation Centre	20	48	83	124	140
Other	286	352	424	489	538
Total Tax-Supported	2,767	3,146	3,445	3,624	3,664
Self-Supported Tax Guaranteed					
Arena	441	427	409	388	367
South LRT	221	186	150	112	73
Downtown Community Revitalization Levy	117	129	163	188	183
Quarters Community Revitalization Levy	66	70	67	60	53
Blatchford District Energy System [DES]	19	18	17	17	16
Other	46	49	46	42	37
Total Self-Supported Tax Guaranteed	909	879	852	807	729
Self Liquidating					
Waste Management	222	202	181	159	138
Local Improvements Prop. Share	141	140	142	144	146
Blatchford Redevelopment Implementation	62	58	55	51	47
Other	70	98	130	139	160
Total Self Liquidating	495	498	507	493	492
Total Debt	4,171	4,524	4,804	4,924	4,884