

Debt Update - September 30, 2022

Debt Management Fiscal Policy Debt Servicing Limits

The City of Edmonton Charter, 2018 Regulation (the Charter) was formally approved by the Alberta Cabinet in April 2018.

The Charter permits the City of Edmonton to set its own debt limit and debt servicing limit, so long as the City obtains an external credit rating and establishes its own debt limit policy and debt servicing policy. The Charter also specifies that, before establishing a debt limit policy and debt servicing policy, City Council must hold a Statutory Public Hearing.

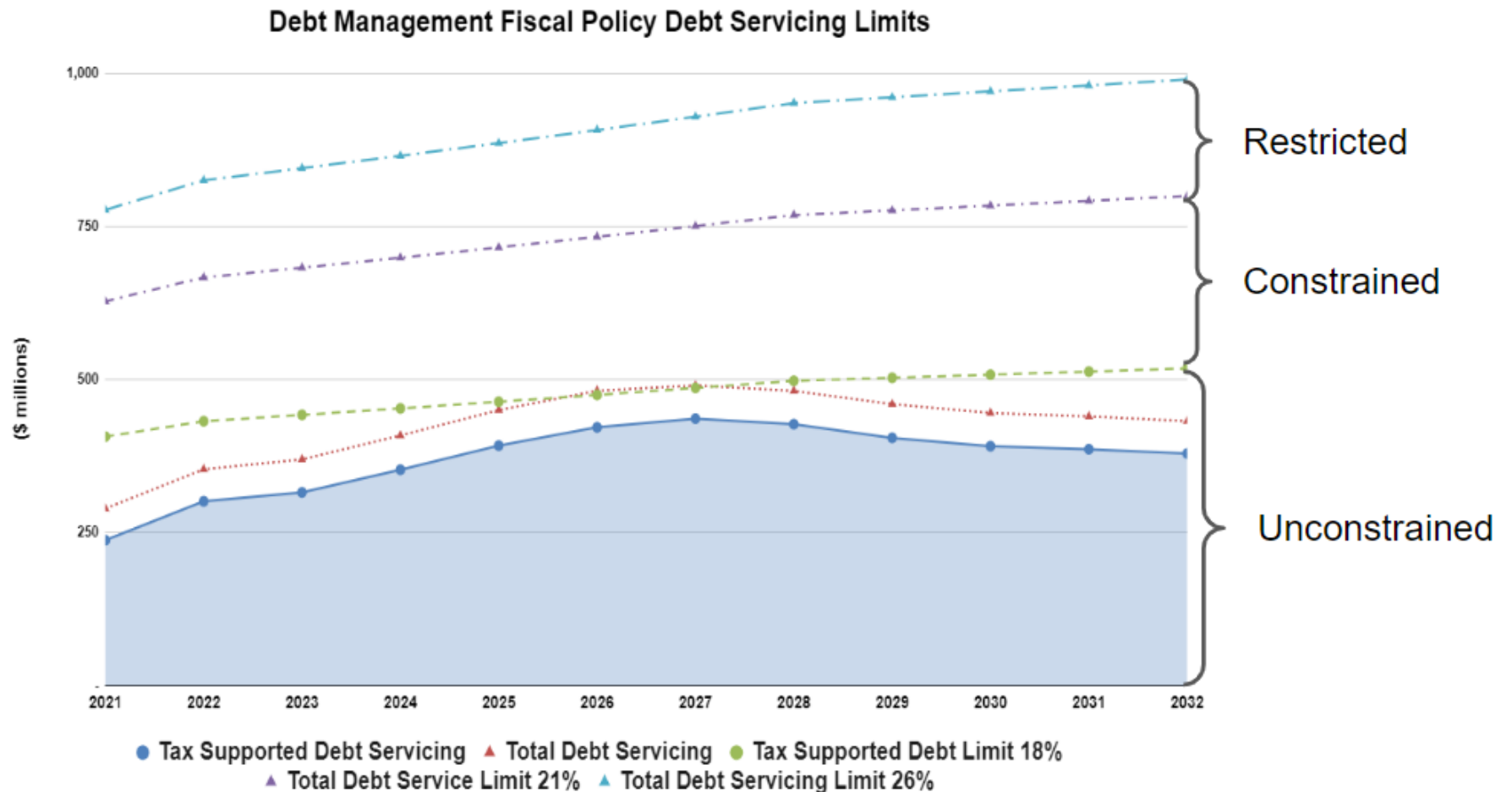
The new Policy - C203D Debt Management Fiscal Policy (DMFP) was approved by City Council on November 14, 2022. The limits set out in the policy supersede the limits specified in the MGA regulation. The new policy sets similar limits to debt servicing that were included in the previous policy, as well as providing some flexibility on debt usage above those limits under certain restrictions.

The new debt servicing limits are outlined in the table below:

Debt Servicing Limit	Description
Tax-Supported Debt Servicing Limits	
Less than 18% of tax-supported net expenditures (Unconstrained)	<ul style="list-style-type: none"> • Tax-supported borrowing in this range, including self-supported tax-guaranteed debt, is <u>unconstrained</u> and can be used for the following types of capital projects: <ul style="list-style-type: none"> ○ Large infrastructure projects with long-term benefits ○ Projects with benefits to the community at large ○ Growth related projects ○ Projects aligned with corporate priorities and approved strategic plans ○ Major rehabilitation of existing assets as a short-term strategy to eliminate a significant backlog and address urgent renewal needs ○ Borrowing for emergency capital purposes as defined in DMFP C203D. ○ Projects financed through self-supported tax-guaranteed debt <p><i>Allows for 100% tax-supported debt financed projects</i></p>

<p>Equal to or greater than 18% of tax-supported net expenditures</p> <p>(Constrained - tax supported borrowing only)</p>	<ul style="list-style-type: none"> • Tax-supported borrowing in this range, including self-supported tax-guaranteed debt, is <u>constrained</u> and can be used for the following types of capital projects: <ul style="list-style-type: none"> ○ Projects that have a minimum of one-third funding from external sources, or ○ Borrowing for emergency capital purposes <p><i>Unless for emergency purposes or for projects financed through self-supported tax-guaranteed debt, tax-supported borrowing in this range prohibits 100% tax-supported debt financed projects. If the project is financed through tax-supported debt, at minimum the project must have one-third funding from an external source.</i></p>
<p>Total Debt Servicing Limits</p>	
<p>Less than 21% of City revenues</p>	<ul style="list-style-type: none"> • Total debt servicing includes all tax-supported, self-supported tax-guaranteed and self-liquidating debt servicing. • Borrowing in this range is <u>unconstrained</u>, with exception of constrained tax-supported borrowing, and can be used for the following types of capital projects: <ul style="list-style-type: none"> ○ Large infrastructure projects with long-term benefits ○ Projects with benefits to the community at large ○ Growth related projects ○ Projects aligned with corporate priorities and approved strategic plans ○ Major rehabilitation of existing assets as a short-term strategy to eliminate a significant backlog and address urgent renewal needs ○ Borrowing for emergency purposes <p><i>Tax-supported borrowing within this range must follow the tax-supported debt service limits and related constraints where applicable.</i></p>
<p>Equal to or greater than 21% of City revenues and up to 26% of City revenues</p> <p>(Restricted)</p>	<ul style="list-style-type: none"> • Borrowing in this range is restricted and is only permitted for emergency purposes. <p><i>Allows for 100% tax-supported debt financed projects for emergency purposes.</i></p>

The chart below shows a snapshot of debt servicing compared to the new debt servicing limits. The proposed new projects including approval of the new southeast transit garage would push debt servicing slightly above the 18 per cent tax-supported debt servicing limit, meaning that future projects being considered for debt financing would have to be eligible under constrained borrowing.



The following table provides a breakdown of debt servicing compared to the DMFP debt limits.

Sept 30, 2022												
	Actual				Projections							
	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	142	202	211	243	276	303	321	323	319	316	314	311
Self-Supporting Tax Guaranteed (Note 1)	96	99	104	110	116	119	115	104	85	75	72	68
	<u>237</u>	<u>301</u>	<u>316</u>	<u>353</u>	<u>392</u>	<u>422</u>	<u>436</u>	<u>427</u>	<u>405</u>	<u>391</u>	<u>386</u>	<u>379</u>
Self-Liquidating Debt (net of EPCOR)	52	52	54	56	58	60	54	54	55	54	54	53
Total Debt Servicing (DMFP)	<u>289</u>	<u>353</u>	<u>369</u>	<u>409</u>	<u>450</u>	<u>482</u>	<u>490</u>	<u>481</u>	<u>460</u>	<u>445</u>	<u>440</u>	<u>432</u>
<i>DMFP Tax-supported Debt Servicing Limit (18%)(Note 5)</i>	407	432	442	453	464	475	486	498	503	508	513	518
<i>% used</i>	58.4%	69.7%	71.4%	77.9%	84.5%	88.8%	89.7%	85.8%	80.5%	77.0%	75.3%	73.2%
<i>% available</i>	41.6%	30.3%	28.6%	22.1%	15.5%	11.2%	10.3%	14.2%	19.5%	23.0%	24.7%	26.8%
<i>DMFP Total Debt Servicing Limit (21%)(Note 5)</i>	628	667	683	699	716	733	751	769	776	784	792	800
<i>% used</i>	46.1%	53.0%	54.1%	58.4%	62.9%	65.7%	65.3%	62.6%	59.2%	56.8%	55.5%	54.0%
<i>% available</i>	53.9%	47.0%	45.9%	41.6%	37.1%	34.3%	34.7%	37.4%	40.8%	43.2%	44.5%	46.0%
<i>DMFP Total Debt Servicing Limit (26%)(Note 5)</i>	777	825	845	866	886	908	929	952	961	971	981	990
<i>% used</i>	37.2%	42.8%	43.7%	47.2%	50.8%	53.1%	52.7%	50.6%	47.8%	45.9%	44.8%	43.6%
<i>% available</i>	62.8%	57.2%	56.3%	52.8%	49.2%	46.9%	47.3%	49.4%	52.2%	54.1%	55.2%	56.4%

1) Long-Term **Tax Supported 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) For purposes of calculating debt limits, City Revenues are net of capital government transfers and developer contributed tangible capital assets as reported in the prior year audited financial statements. Tax-Supported Net Operating Expenditures are defined in the DMFP as expenditures for Tax-Supported Operations less amortization of tangible capital assets and loss (gain) on disposal, impairment and transfer of tangible capital assets as reflected in the most recent audited financial statements.

3) Forecasted debt includes financing for capital projects approved by Council through the Capital Budget. 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) For purposes of monitoring compliance with the City's internal Debt Management Fiscal Policy (C203D), debt servicing is assumed to be actual debt principal and interest paid in the year.

5) The internal Debt Management Fiscal Policy (C203D) sets debt service limits at 21% and 26% of consolidated City revenues and 18% (tax-supported debt) of tax-supported net operating expenditures as reported in the prior year audited financial statements.

6) Debt and debt service limits for 2022 are based on budgeted revenues, and 2023 to 2041 assume annual increases to revenue and expenditures of 2% until 2028, and 1% thereafter.

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

Projected Outstanding Debt Summary (\$ millions)	2021	2022	2023	2024	2025	2026
Tax supported						
Valley Line Southeast	592	674	658	642	625	607
Multi-Purpose Recreation Centres	219	208	198	187	175	164
Kathleen Andrews Transit Garage	170	172	167	161	155	148
Valley Line LRT: Downtown to Lewis Farms	139	202	284	406	506	542
Walterdale Bridge	123	118	113	108	103	97
NLRT (Downtown to NAIT)	142	158	154	148	140	132
Yellowhead Trail Freeway Conversion	105	250	321	389	434	458
Whitemud Drive/Quesnell Bridge Rehab/Grw	96	91	85	79	73	67
Northwest Campus	92	90	87	85	82	78
Great Neighbourhoods	78	71	72	66	57	48
Terwillegar Community Recreation Centre	72	67	63	59	54	50
Lewis Farms Community Recreation Centre and Library	22	29	75	160	250	285
Capital Line South LRT: Century Park to Ellersie Road	0	26	64	161	240	309
Coronation Park Sports and Recreation Centre	-	15	39	69	109	137
Terwillegar Drive Expressway Upgrades - Alternate Staging	3	13	30	61	93	107
50 Street CPR Grade Separation	8	14	19	26	38	78
New Transit Bus Garage (In abeyance - proposed)	-	-	-	-	-	-
High Level Bridge Rehabilitation (proposed)	-	-	-	-	-	-
William Hawrelak Park Rehabilitation (proposed)	-	-	-	-	-	-
Other	252	260	294	335	358	354
Total Tax-Supported	2,113	2,458	2,724	3,142	3,493	3,660
Self-Supported Tax Guaranteed						
Arena	459	441	427	409	388	367
South LRT	254	221	186	150	112	73
Downtown Community Revitalization Levy	105	117	129	163	188	183
Quarters Community Revitalization Levy	57	66	70	67	60	53
Blatchford District Energy System [DES]	18	19	18	17	17	16
Other	43	46	49	46	42	37
Total Self-Supported Tax Guaranteed	938	909	879	852	807	729
Self Liquidating						
Waste Management	235	222	202	181	159	138
Local Improvements Prop. Share	141	141	140	142	144	146
Blatchford Redevelopment Implementation	65	62	58	55	51	47
Other	54	71	99	131	140	161
Total Self Liquidating	496	496	499	508	494	492
Total Debt	3,547	3,863	4,102	4,502	4,794	4,881