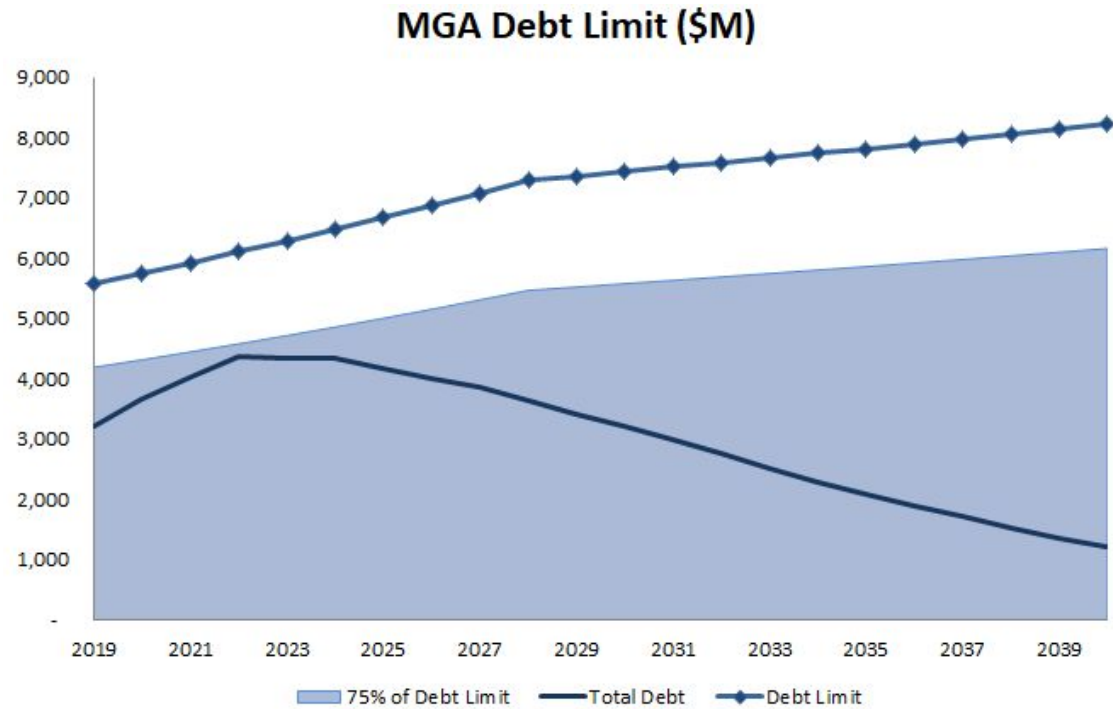
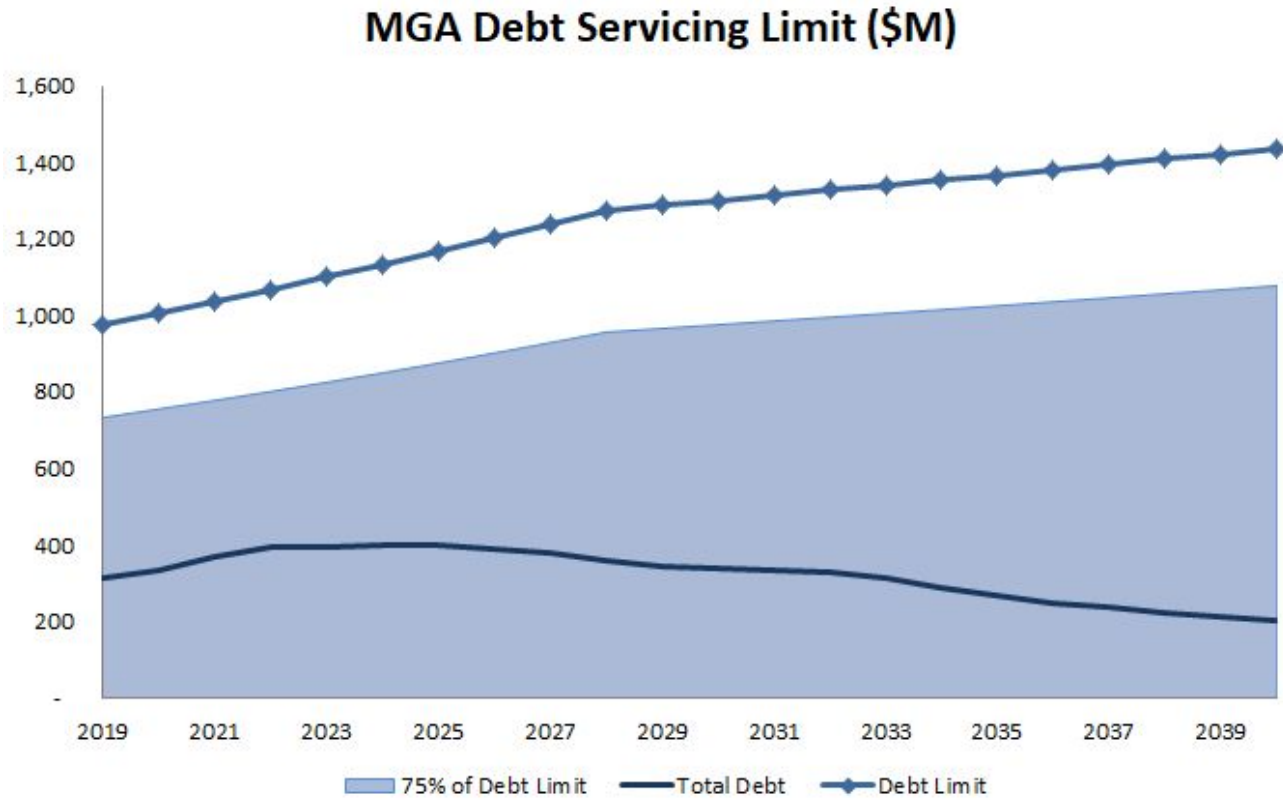


Debt Update - December 31, 2019

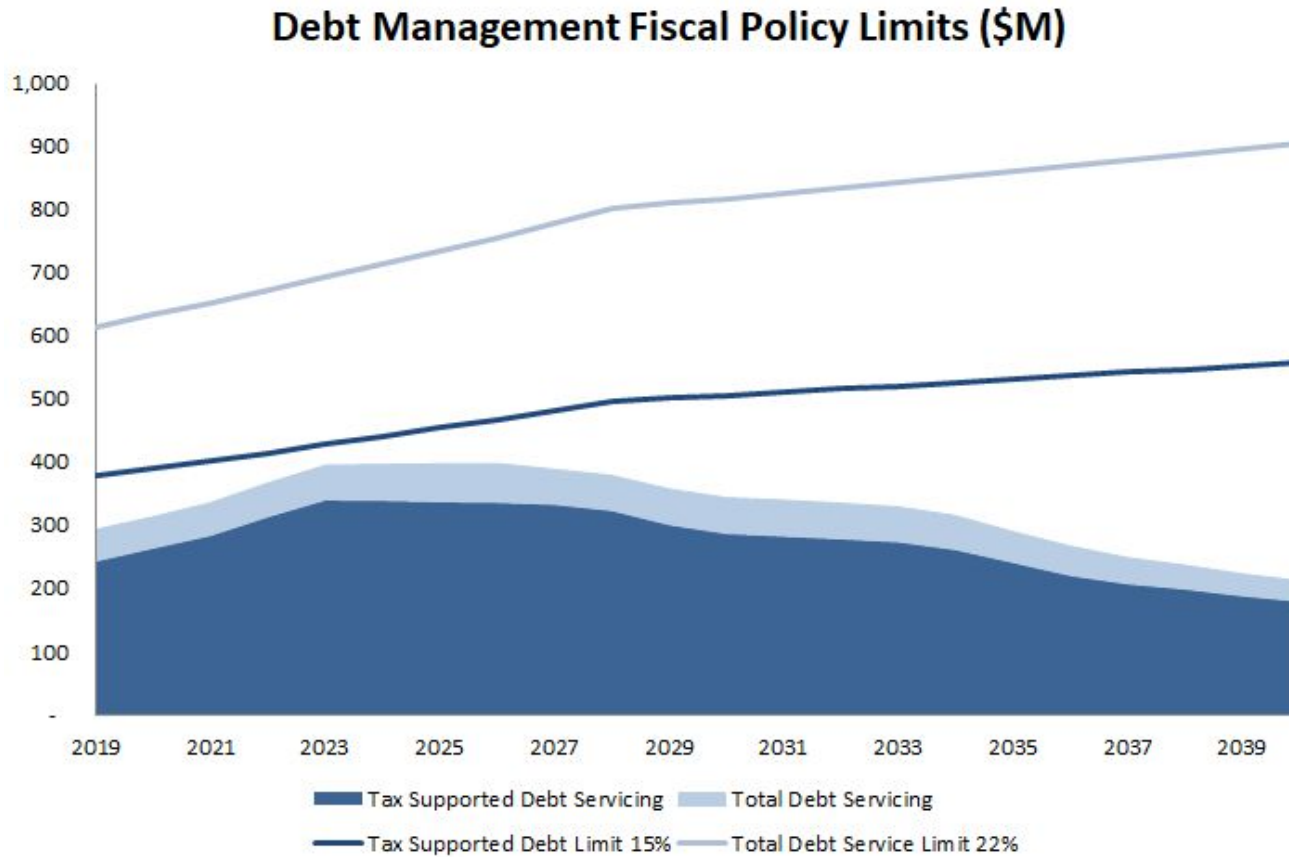
The Municipal Government Act (MGA) and related regulations establish limits for municipal debt levels and annual debt servicing costs. The following provides an update on the City’s compliance with the Municipal Government Act debt and debt servicing limits, as well as compliance with the internal Debt 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 2023 at \$4.38 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 internal 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, and 15 percent of tax levy revenues for tax-supported debt servicing.



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

The City borrows almost exclusively through the Alberta Capital Finance Authority (ACFA). ACFA maintains a credit review process for borrowers who:

- i) have exceeded borrowing limits established under the Municipal Government Act ,
- ii) are within 25% 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%, or have exceeded 75%, 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% of the limits as the credit rating is currently higher than an A rating.

The interest rate on 20 year debentures borrowed as of December 15, 2019 was 2.683 percent, down 0.571 percent from 3.254 percent on December 15, 2018.

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
December 31, 2019
(millions)

	Tax-Supported	Self-Liquidating	Total
Borrowing 2019			
March	60	7	67
June	29	-	29
September	42	-	42
December	27	25	51
Total	158	32	190

	Actual		Projection										
	Dec 2018	Dec 2019	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30
Outstanding Debt (Note 3)													
Tax-Supported Debt													
Long-Term	1,606	1,773	2,197	2,538	2,871	2,928	2,941	2,842	2,736	2,668	2,526	2,383	2,238
Self-Supporting Tax Guaranteed (Note 1)	989	981	994	985	992	934	859	781	702	623	554	500	456
	2,595	2,753	3,191	3,524	3,863	3,863	3,801	3,623	3,437	3,292	3,080	2,883	2,694
Self-Liquidating Debt (net of EPCOR)													
	451	450	474	503	503	519	556	577	571	570	567	551	530
Total Outstanding Debt	3,046	3,203	3,665	4,027	4,366	4,382	4,357	4,200	4,008	3,861	3,647	3,434	3,224
<i>Debt Limit (2x Revenue)(Note 2)</i>	5,587	5,587	5,755	5,928	6,106	6,289	6,477	6,672	6,872	7,078	7,290	7,363	7,437
<i>% used</i>	54.5%	57.3%	63.7%	67.9%	71.5%	69.7%	67.3%	63.0%	58.3%	54.6%	50.0%	46.6%	43.3%
<i>% available</i>	45.5%	42.7%	36.3%	32.1%	28.5%	30.3%	32.7%	37.0%	41.7%	45.4%	50.0%	53.4%	56.7%
Debt Servicing (MGA - Note 4)													
Tax-Supported Debt													
Long-Term	151	171	186	212	236	235	233	233	234	236	232	228	227
Self-Supporting Tax Guaranteed (Note 1)	84	93	98	102	106	107	107	105	101	89	71	60	58
	235	264	284	314	341	341	340	338	334	325	303	289	285
Self-Liquidating Debt (net of EPCOR)													
	50	50	52	53	55	57	60	61	55	55	56	56	56
Total Debt Servicing (MGA)	284	313	336	367	396	398	399	399	389	380	358	345	341
<i>MGA Debt Servicing Limit (35%)(Note 5, 7)</i>	978	978	1,007	1,037	1,068	1,101	1,134	1,168	1,203	1,239	1,276	1,289	1,301
<i>% used</i>	29.1%	32.1%	33.3%	35.4%	37.1%	36.2%	35.2%	34.2%	32.4%	30.7%	28.1%	26.7%	26.2%
<i>% available</i>	70.9%	67.9%	66.7%	64.6%	62.9%	63.8%	64.8%	65.8%	67.6%	69.3%	71.9%	73.3%	73.8%

	Actual Dec 2018	Actual Dec 2019	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30
Debt Servicing (DMFP - Note 4)													
Tax-Supported Debt													
Long-Term	133	154	171	186	212	236	235	233	233	234	236	232	228
Self-Supporting Tax Guaranteed (Note 1)	86	89	93	98	102	106	107	107	105	101	89	71	60
	219	243	264	284	314	341	341	340	338	334	325	303	289
Self-Liquidating Debt (net of EPCOR)													
	51	50	50	52	53	55	57	60	61	55	55	56	56
Total Debt Servicing (DMFP)	270	293	313	336	367	396	398	399	399	389	380	358	345
<i>DMFP Total Debt Servicing Limit (22%)(Note 6, 7)</i>	615	615	633	652	672	692	713	734	756	779	802	810	818
<i>% used</i>	43.9%	47.7%	49.5%	51.5%	54.6%	57.2%	55.9%	54.4%	52.8%	50.0%	47.4%	44.2%	42.1%
<i>% available</i>	56.1%	52.3%	50.5%	48.5%	45.4%	42.8%	44.1%	45.6%	47.2%	50.0%	52.6%	55.8%	57.9%
<i>DMFP Tax-supported Debt Servicing Limit (15%)(Note 6, 7)</i>	380	380	391	403	415	428	440	454	467	481	496	501	506
<i>% used</i>	57.6%	64.1%	67.4%	70.4%	75.5%	79.8%	77.5%	74.8%	72.3%	69.5%	65.5%	60.4%	57.1%
<i>% available</i>	42.4%	35.9%	32.6%	29.6%	24.5%	20.2%	22.5%	25.2%	27.7%	30.5%	34.5%	39.6%	42.9%

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 for 2018 is calculated as two times consolidated revenues (includes 8 months of drainage operations) net of capital government transfers and developer contributed tangible capital assets as reported in the 2018 audited financial statements.

3) Debt beyond 2018 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 cash flows beyond 2018. Borrowing beyond 2019 assumes borrowing in the second and fourth quarters, using the approved term for the project and the assumed interest rates per term.

4) 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.

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) Municipal Government Act debt servicing limit for 2018 is 35% of consolidated revenues net of capital government transfers and contributed tangible capital assets as reported in the 2018 audited financial statements.

6) The internal Debt Management Fiscal Policy (C203C) sets more conservative debt service limits at 22% (total debt) of 2018 consolidated City revenues and 15% (tax-supported debt) of 2018 tax levy revenues as reported in the 2018 audited financial statements.

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

<u>Projected Outstanding Debt Summary</u>	December 31, 2019				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
December 31, 2019					
Tax supported					
Valley Line Southeast	420	624	721	705	689
Arena	491	474	456	447	428
Valley Line West	71	162	225	413	432
YHT Freeway Conversion	32	103	230	346	400
SLRT	315	285	254	221	186
Multipurpose Rec Centres	238	229	219	209	198
Westwood Transit Garage (Kathleen Andrews)	169	184	178	172	165
Lewis Farms Community Rec Centre & Library	4	13	15	22	22
Downtown CRL	72	102	130	176	180
Walterdale Bridge	133	128	123	118	113
Metro Line (NLRT: Downtown to NAIT)	101	112	111	105	100
Whitemud/Quesnel Bridge	107	102	96	91	85
Police - North Campus	93	91	88	85	82
Great Neighbourhoods	81	85	84	81	73
Terwillegar Community Rec Centre	80	76	72	67	63
Quarters CRL	50	58	68	76	74
Terwillegar Drive Expressway	-	0	22	55	79
Co-located Dispatch and EOC	5	7	7	6	6
LRT Design: Metro Line (NAIT - Blatchford) Extension	-	19	62	70	68
Milner Library Renewal & Upgrades	45	44	43	40	37
Northlands Capital Construction	41	39	37	35	33
Valley Zoo	31	29	27	25	23
Transit Priority Improvements - Heritage Valley to Century Park	-	6	6	5	5
New Transit Bus Garage	-	1	3	5	6
	-	-	-	-	-
Other					
Other	173	220	247	287	315
Total Tax-Supported	2,753	3,191	3,524	3,863	3,863
Self Liquidating					
Waste Management	224	206	188	170	152
Local Improvements	128	134	139	144	149
Blatchford Development	72	69	65	62	58
Other	25	65	111	126	159
Total Self Liquidating	450	474	503	503	519
	-	-	-	-	-
Total Debt	3,203	3,665	4,027	4,366	4,382