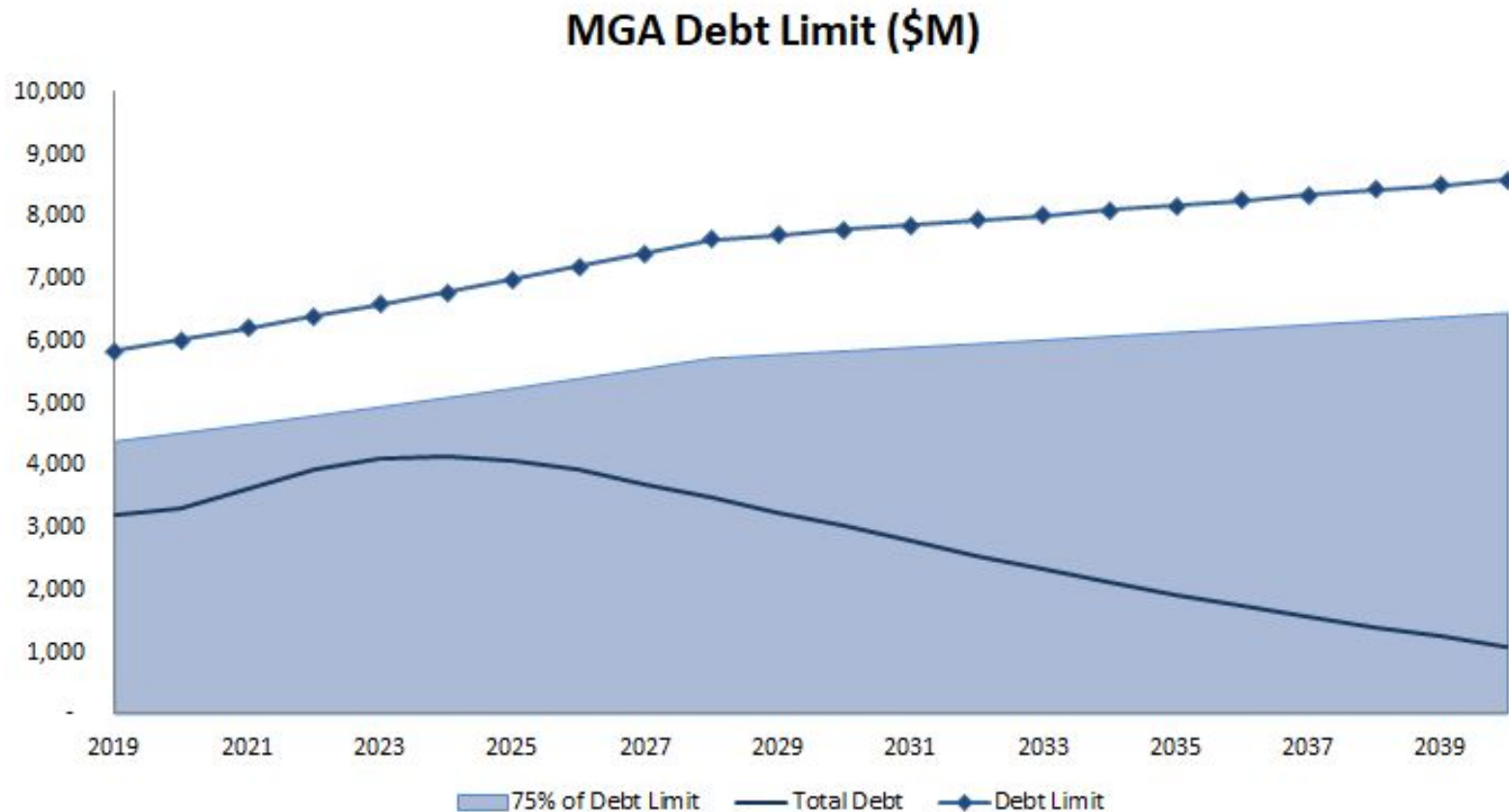
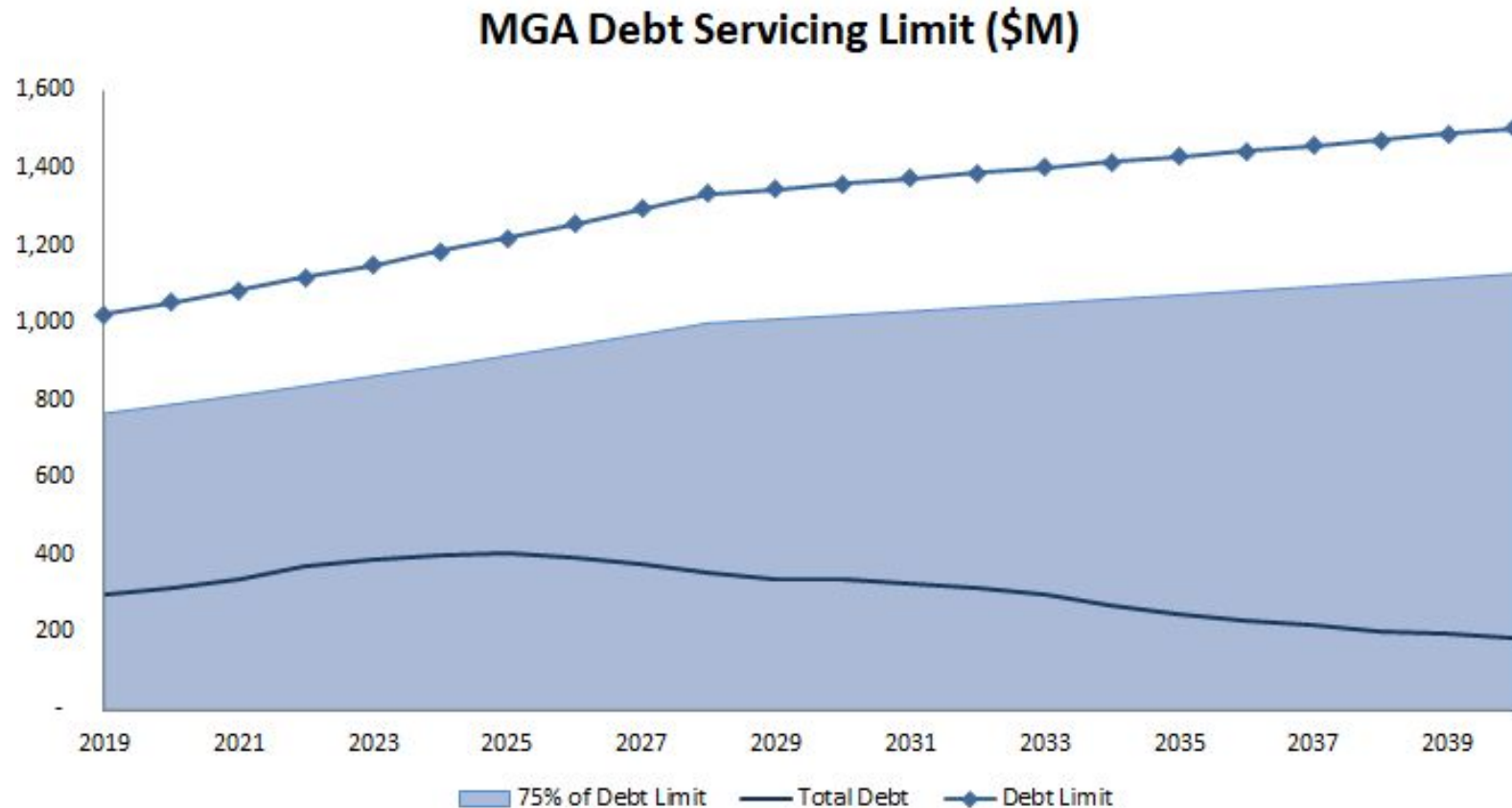


Debt Update - September 30, 2020

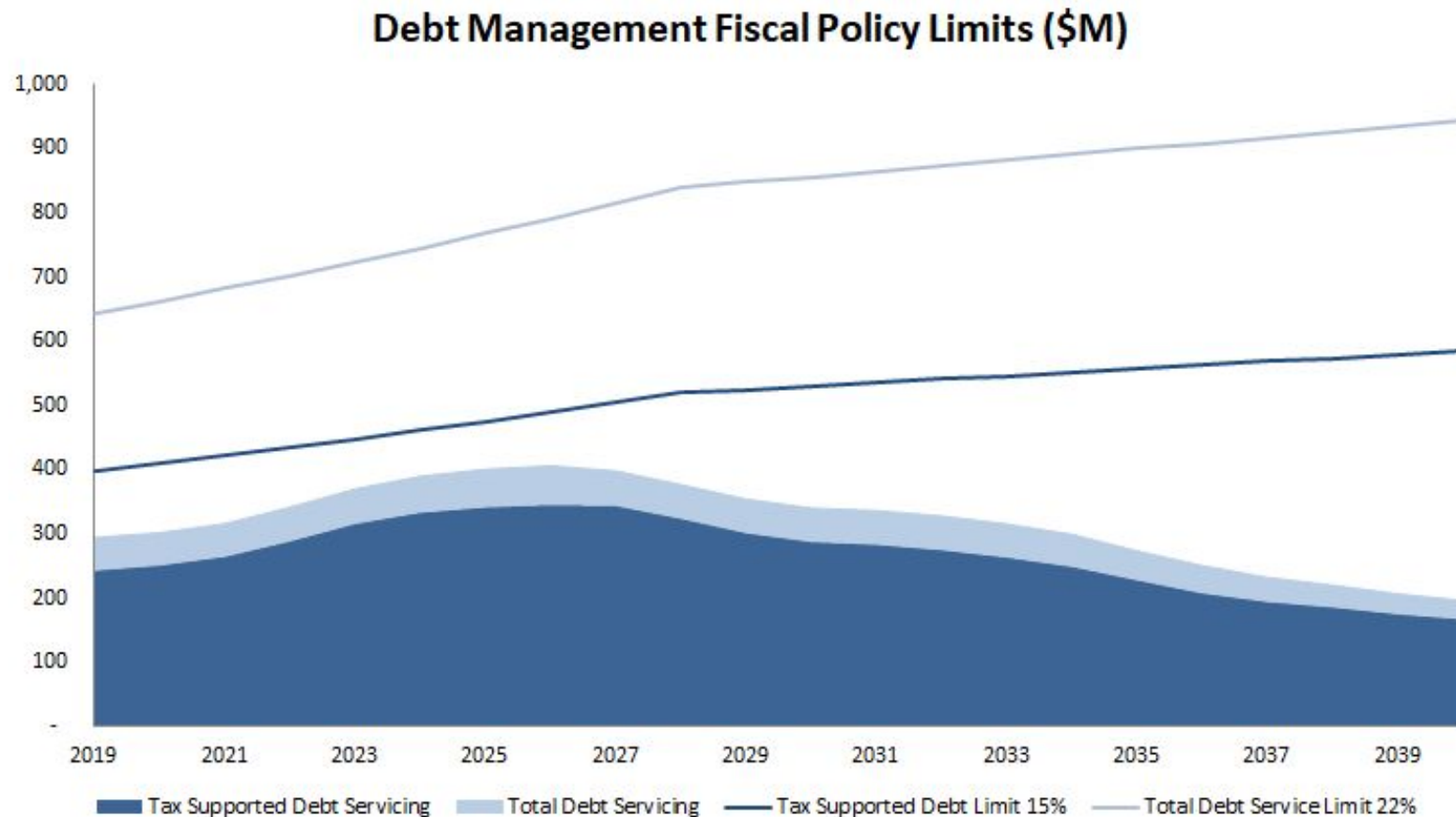
The Municipal Government Act (MGA) and related regulations establish limits for municipal debt levels and annual debt servicing costs. The following provides an update on the City's compliance with the Municipal Government Act debt and debt servicing limits, as well as compliance with the internal Debt 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 2024 at \$4.09 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 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 September 15, 2020 was 1.882 percent, down 0.582 percent from 2.464 percent on September 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

Sept 30, 2020

(millions)

	Tax-Supported	Self-Liquidating	Total
Borrowing 2020			
March	50	7	58
June	28	8	36
September	58	6	64
December	-	-	-
Total	136	21	157

	Projection												
	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
Outstanding Debt (Note 3)													
Tax-Supported Debt													
Long-Term	1,606	1,772	1,902	2,193	2,493	2,675	2,769	2,746	2,702	2,566	2,425	2,282	2,139
Self-Supporting Tax Guaranteed (Note 1)	989	981	957	952	972	922	845	763	676	590	514	453	401
	2,595	2,753	2,858	3,146	3,465	3,597	3,614	3,509	3,378	3,157	2,938	2,735	2,539
Self-Liquidating Debt (net of EPCOR)													
	451	450	444	475	475	504	540	562	557	539	522	501	480
Total Outstanding Debt	3,046	3,203	3,302	3,621	3,940	4,101	4,154	4,071	3,935	3,696	3,460	3,236	3,020
Debt Limit (2x Revenue)(Note 2)	5,593	5,841	6,016	6,196	6,382	6,574	6,771	6,974	7,183	7,399	7,621	7,697	7,774
% used	54.5%	54.8%	54.9%	58.4%	61.7%	62.4%	61.3%	58.4%	54.8%	50.0%	45.4%	42.0%	38.8%
% available	45.5%	45.2%	45.1%	41.6%	38.3%	37.6%	38.7%	41.6%	45.2%	50.0%	54.6%	58.0%	61.2%
Debt Servicing (MGA - Note 4)													
Tax-Supported Debt													
Long-Term	151	160	170	189	208	223	231	236	239	231	226	223	221
Self-Supporting Tax Guaranteed (Note 1)	84	92	95	101	109	111	111	110	106	94	76	66	63
	235	252	266	289	317	334	342	346	345	325	302	289	284
Self-Liquidating Debt (net of EPCOR)													
	50	49	50	51	53	55	58	59	53	52	51	51	51
Total Debt Servicing (MGA)	284	301	316	341	369	389	400	406	397	376	354	340	336
MGA Debt Servicing Limit (35%)(Note 5, 7)	979	1,022	1,053	1,084	1,117	1,150	1,185	1,220	1,257	1,295	1,334	1,347	1,360
% used	29.1%	29.5%	30.0%	31.4%	33.1%	33.8%	33.8%	33.2%	31.6%	29.1%	26.5%	25.2%	24.7%
% available	70.9%	70.5%	70.0%	68.6%	66.9%	66.2%	66.2%	66.8%	68.4%	70.9%	73.5%	74.8%	75.3%

	Projection												
	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	155	160	170	189	208	223	231	236	239	231	226	223
Self-Supporting Tax Guaranteed (Note 1)	86	89	92	95	101	109	111	111	110	106	94	76	66
	219	244	252	266	289	317	334	342	346	345	325	302	289
Self-Liquidating Debt (net of EPCOR)	51	50	49	50	51	53	55	58	59	53	52	51	51
Total Debt Servicing (DMFP)	270	294	301	316	341	369	389	400	406	397	376	354	340
<i>DMFP Total Debt Servicing Limit (22%)(Note 6, 7)</i>	615	642	662	682	702	723	745	767	790	814	838	847	855
% used	43.8%	45.7%	45.5%	46.3%	48.6%	51.1%	52.3%	52.2%	51.3%	48.8%	44.9%	41.8%	39.7%
% available	56.2%	54.3%	54.5%	53.7%	51.4%	48.9%	47.7%	47.8%	48.7%	51.2%	55.1%	58.2%	60.3%
<i>DMFP Tax-supported Debt Servicing Limit (15%)(Note 6, 7)</i>	380	398	410	422	435	448	461	475	489	504	519	524	530
% used	57.6%	61.3%	61.5%	62.9%	66.6%	70.7%	72.4%	72.1%	70.7%	68.4%	62.5%	57.6%	54.5%
% available	42.4%	38.7%	38.5%	37.1%	33.4%	29.3%	27.6%	27.9%	29.3%	31.6%	37.5%	42.4%	45.5%

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> Sept 30, 2020	Sept 30, 2020			
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Tax supported				
Valley Line Southeast	440	580	588	593
Arena	474	466	447	428
Valley Line West	107	118	259	353
YHT Freeway Conversion	60	125	231	321
SLRT	285	254	221	186
Multipurpose Rec Centres	228	219	208	198
Westwood Transit Garage (Kathleen Andrews)	175	177	172	166
Lewis Farms Community Rec Centre & Library	21	22	22	21
Downtown CRL	83	101	160	166
Walterdale Bridge	128	123	118	113
Metro Line (NLRT: Downtown to NAIT)	130	126	121	115
Whitemud/Quesnel Bridge	102	96	91	85
Police - North Campus	91	88	85	82
Great Neighbourhoods	83	83	84	76
Terwillegar Community Rec Centre	76	72	67	63
Quarters CRL	56	60	74	73
Terwillegar Drive Expressway	-	22	56	82
Co-located Dispatch and EOC	5	7	7	6
LRT Design: Metro Line (NAIT - Blatchford) Extension	18	49	53	52
Milner Library Renewal & Upgrades	45	42	39	36
Northlands Capital Construction	39	37	35	33
Valley Zoo	29	27	25	23
Transit Priority Improvements - Heritage Valley to Century Park	-	4	5	4
New Transit Bus Garage	0	2	5	5
Other				
Other	181	240	277	304
Total Tax-Supported	2,856	3,139	3,452	3,584
Self Liquidating				
Waste Management	218	199	181	163
Local Improvements	132	136	140	144
Blatchford Development	69	65	62	58
Other	27	81	105	152
Total Self Liquidating	446	482	488	517
Total Debt	3,302	3,621	3,940	4,101