



Loans to Local Authorities – Loan Pricing Announcement

Historically, loans have been provided to local authorities with low interest rates and generous other terms by the government, directly or through a provincial corporation. Unfortunately, Alberta can no longer afford to continue lending money to local authorities below market interest rates. Starting in December 2021, the interest rates charged on new loans to local authorities will be revised to better reflect the market cost of borrowing for local authorities, using rates for large municipalities in the bond market as the proxy for municipal costs. As a result of this change, lending rates will increase by approximately 0.50 per cent to 0.75 per cent over what rates were in the past. The indicative interest rates table on the local authorities loan web page (<https://acfa.gov.ab.ca/loan-form-script/rates.html>) has shown the new rates since October 15, 2021.

Alberta will continue to lend money to local authorities. For most borrowers, the rates and other terms, such as being able to borrow at fixed rates for periods beyond five years, will continue to be attractive when compared to other methods of borrowing.

As a result of the pandemic and other fiscal and economic impacts over the past several years, Alberta's debt has grown substantially, and Alberta's Loans to Local Authorities program is funded by provincial borrowing. This change will help ensure the program is sustainable going forward.

My contact information is provided below. Please contact me if you have any questions.

Lowell Epp, Assistant Deputy Minister
Treasury Board and Finance
Phone: (780) 422-4052
Email: lowell.epp@gov.ab.ca