

From: [Minister Travis Toews](#)
To: [President](#)
Cc: [MA Minister](#)
Subject: Municipal Bonds
Date: Thursday, January 28, 2021 4:04:29 PM

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His Worship Barry Morishita
Mayor of City of Brooks
President, Alberta Urban Municipalities Association

Dear Mr. Mayor:

Thank you for writing to the Minister of Municipal Affairs and me regarding municipal bonds. I am pleased to respond on behalf of both ministries.

Thank you for providing us with a copy of the Alberta Urban Municipalities Association's 2020 resolution dealing with the Continuation of Municipal Bonds in Alberta. I can assure you that ensuring the financial health of all municipalities in Alberta remains an important priority of government.

As you know, the Alberta Capital Finance Authority (ACFA) was dissolved on October 31, 2020. This decision reflected government's commitment to make government more efficient and to reduce red tape. Government will continue its policy of low-cost loans to local authorities that previously borrowed from ACFA. In addition, this will improve management of credit risk of the ACFA portfolio for government by integrating the management of loans, debt and cash resources to the Province.

The Ministry of Treasury Board and Finance is responsible for administering the lending program to local authorities. This will not affect the lending processes, policies and structures that ACFA had in place, and have been retained by the Province.

The Province does not currently have a position with respect to the issuance of tax-free bonds by municipalities. Our goal is to ensure that all of our municipalities have access to adequate levels of funding. As you note in your letter, this type of program would require the cooperation of the federal government through the Canada Revenue Agency. There have been no recent precedents of such a program being supported by the federal government, despite attempts by some provinces to establish such programs.

It is also worth noting that it is most likely that the costs to municipalities would still be greater under a tax-exempt model than through our current lending model. This would be particularly true for smaller municipalities that would have a more difficult time attracting investor interest.

We continue to believe that the current lending method of providing low cost loans to

municipalities allows for the best access to adequate supply of capital at the lowest possible cost of funds.

Thank you for taking the time to write.

Sincerely,

Travis Toews
President of Treasury Board and
Minister of Finance

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