S&P Global
Ratings

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Research Update:

City of Edmonton Upgraded To 'AA+' From 'AA' On Strong Financial Performance; Outlook Stable

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Overview

- We expect that the City of Edmonton will maintain strong budgetary performance with narrowing after-capital deficits as light rail transit (LRT) projects near completion by 2028.
- In addition, Edmonton's debt burden will remain high but relatively stable as capital grants will help mitigate new debt issuance.
- As a result, S&P Global Ratings raised its long-term issuer credit and senior unsecured debt ratings on Edmonton to 'AA+' from 'AA'.
- The stable outlook reflects our view that a steady economy and prudent management will enable Edmonton to sustain its strong budgetary performance and advance its large capital plan without materially increasing its debt burden.

Rating Action

On July 22, 2025, S&P Global Ratings raised its ratings on the City of Edmonton, including its long-term issuer credit and senior unsecured debt ratings, to 'AA+' from 'AA'. At the same time, S&P Global Ratings affirmed its 'A-1+' short-term rating and 'A-1(High)' Canada scale commercial paper rating on the city. The outlook is stable.

Outlook

The stable outlook reflects our expectation that the city's strong management, in addition to capital grants received from the province, will strengthen after-capital deficits in the next two years and beyond averaging less than 5% of total revenues. We expect that Edmonton's tax-supported debt burden will rise slightly by fiscal 2027 and that free cash will well exceed the next 12 months' debt service costs.

Downside scenario

We could lower the ratings if, over the next two years, a deterioration in management practices or higher-than-expected capital leads to sustained after capital deficits of more than 5% of total revenues and an increasing debt burden.

Upside scenario

Although we view it as unlikely in the next two years, we could raise the ratings if Edmonton sustains a strong financial position with consistent after-capital surpluses accompanied by a reduction in its debt burden.

Rationale

We expect that Edmonton will maintain strong budgetary performance as the LRT projects wind down and capital investment stabilizes at a lower level beyond our outlook horizon. In addition to prudent fiscal management, capital support from senior levels of government will help to offset new debt issuance. As a result, we expect that the city's deficits will remain below 5% of total revenues, and the city's debt burden will only modestly increase to fiscal 2027. Furthermore, Edmonton's robust liquidity position and strong institutional framework will continue to support the city's creditworthiness.

The economy, although concentrated in the energy sector, remains robust despite slower population growth.

Edmonton, the capital of Alberta, is a major urban center for research, manufacturing, and supply services that support the province's oil sands and energy sector. While the city is working to diversify its economy into other industries, it remains concentrated in energy-related activities.

Edmonton's population growth surged by 5.7% between 2023 and 2024. However, we expect it will slow to 3.1% in 2025, due to a decrease in international immigration. Nevertheless, we expect the city's economy to remain robust.

In addition, our base-case assumption is that the local economy will largely remain stable in the face of increased uncertainty associated with international trade disputes, given recent experience weathering the effects of tariffs (for further information, see "Economic Outlook Canada Q3 2025: U.S. Tariff Uncertainty And Slower Population Growth Weigh On Momentum," June 24, 2025). We estimate the city's GDP per capita will be higher than Canada's US$55,300 in 2025.

In our opinion, the management team is experienced and qualified to implement appropriate fiscal policies and the city is willing to raise taxes when needed. Edmonton has a robust set of financial policies and a well-documented financial plan. In addition, it provides transparent disclosure of pertinent information.

Management prepares detailed four-year operating and capital budgets, as well as 10-year capital and 10-year operating investment plans. In addition, it reports on capital and operating progress throughout the fiscal year. Debt and liquidity management is prudent. Management also has detailed business plans and formal risk management strategies and policies. The city follows a carbon budget, alongside financial budgets, to achieve emissions reduction targets. We expect these practices to persist over the next two years and will remain in effect beyond the October 2025 elections.

As do other Canadian municipalities, Edmonton benefits from an extremely predictable and supportive local and regional government framework that has demonstrated high institutional stability and evidence of systemic extraordinary support in times of financial distress. Although provincial governments mandate a significant proportion of municipal spending, they also provide operating fund transfers and impose fiscal restraint through legislative requirements to pass balanced operating budgets. Municipalities generally have the ability to match expenditures well with revenues, except for capital spending, which can be intensive. Any operating surpluses can fund capital expenditures and future liabilities (such as postemployment obligations) through reserve contributions. Municipalities have demonstrated a track record of strong budget results and, therefore, debt burdens, on average, are low relative to those of global peers and growth over time has been modest.

Strong budgetary performance will sustain a moderate debt burden as the city executes its capital plan.

In recent years, Edmonton has consistently demonstrated strong financial performance largely fueled by growth in property tax revenues. We anticipate that this trend will continue in the coming years, with both an expanding tax base and effective expenditure management. As a result, we project that the city will achieve an average operating surplus of approximately 16% of operating revenues during 2025-2027.

We believe that the city prudently manages its capital plan and this, coupled with senior level government grants, allows Edmonton to post, on average, deficits after-capital accounts of 5% of total revenues from 2025 to 2027. We expect these to strengthen further beyond 2027. While slower population growth may reduce tax assessment growth, it will also ease pressure on operating and capital expenditures. As a result, we expect Edmonton to maintain focus on fiscal sustainability in future budget discussions.

Key capital projects of the city include the LRT expansion, notably the Valley Line West and the Metro Line to Blatchford, as well as the Yellowhead Trail Freeway conversion and the Blatchford redevelopment project. Under our base-case scenario, we estimate that the city will incur approximately C$5.3 billion in capital expenditures between 2025 and 2027. In addition, we anticipate that the city will issue C$1.9 billion in debt during the same period, primarily to fund renewal projects related to road and transit infrastructure. This will lead to an increase in tax-supported debt, reaching 133% of operating revenues by 2027, which is higher than that of domestic peers. We expect interest expenses to reach 5% of operating revenues in the forecast period.

Our estimation of tax-supported debt in 2027 includes C$330 million in debt issued by Edmonton for EPCOR Utilities Inc. EPCOR is 100% owned by the city. The city's contingent liabilities are low. We do not consider the debt EPCOR issues in its own name as a contingent liability, because we believe the likelihood of the city providing the utility with extraordinary support in a stress scenario is low.

Edmonton's credit profile is bolstered by what we view as an exceptional liquidity position and strong access to external liquidity, largely due to the city's access to the Province of Alberta for term-debt financing. It can also draw up to C$250 million in promissory notes and C$250 million on its line of credit. We estimate that the city's free cash will total about C$2 billion in the next 12 months, sufficient to cover about 4x estimated debt service for the period.

City of Edmonton Selected Indicators

Mil. C$	2022	2023	2024	2025bc	2026bc	2027bc

City of Edmonton Selected Indicators

Operating revenue	3,231	3,498	3,768	3,961	4,157	4,365
Operating expenditure	2,686	2,933	3,105	3,283	3,469	3,669
Operating balance	545	565	664	678	687	697
Operating balance (% of operating revenue)	16.9	16.2	17.6	17.1	16.5	16.0
Capital revenue	552	682	739	790	899	759
Capital expenditure	1,315	1,432	1,586	1,752	1,827	1,689
Balance after capital accounts	(219)	(185)	(184)	(283)	(241)	(233)
Balance after capital accounts (% of total revenue)	(5.8)	(4.4)	(4.1)	(6.0)	(4.8)	(4.6)
Debt repaid	261	288	312	339	303	314
Gross borrowings	654	564	536	627	781	486
Balance after borrowings	175	91	40	4	238	(61)
Direct debt (outstanding at year-end)	4,430	4,676	4,855	5,143	5,621	5,793
Direct debt (% of operating revenue)	137.1	133.7	128.9	129.8	135.2	132.7
Tax-supported debt (outstanding at year-end)	4,430	4,676	4,855	5,143	5,621	5,793
Tax-supported debt (% of consolidated operating revenue)	137.1	133.7	128.9	129.8	135.2	132.7
Interest (% of operating revenue)	4.1	4.9	4.4	4.7	5.0	5.3
Local GDP per capita ($)	--	--	--	--	--	--
National GDP per capita ($)	56,256.8	54,220.3	54,340.4	55,309.7	59,043.9	62,291.8

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. C$--Canadian dollar. $--U.S. dollar.

Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	2
Financial management	1
Budgetary performance	2
Liquidity	1
Debt burden	4
Stand-alone credit profile	aa+
Issuer credit rating	AA+

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators, July 7, 2025. An interactive version can be found at https://disclosure.spglobal.com/sri/.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Canada Q3 2025: U.S. Tariff Uncertainty And Slower Population Growth Weigh On Momentum, June 24, 2025
- Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption, June 2, 2025
- Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief, May 15, 2025
- Subnational Government Outlook 2025: Canadian LRG Revenues Will Play Catchup To Meet Higher Operating Costs And Stabilize Debt Growth, Jan. 16, 2025
- S&P Global Ratings Definitions, Dec. 2, 2024
- Institutional Framework Assessment: Canadian Municipalities Employ Flexibilities Within Fiscal Framework To Temper Cost Pressures, April 2, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings list		
Upgraded; Outlook Action		
	To	**From**
Edmonton (City of)		
Issuer Credit Rating	AA+/Stable/A-1+	AA/Positive/A-1+
Ratings Affirmed		
Edmonton (City of)		
Commercial Paper	A-1+	
Commercial Paper	A-1(HIGH)	