



CITY OF ST. ALBERT ADMINISTRATIVE BACKGROUNDER

TITLE: AMENDMENT TO BYLAW 24/2017 BORROWING BYLAW FOR BRANCH LIBRARY

On April 3, 2017 Mayor Crouse provided notice in accordance with Section 23 of Procedure Bylaw 22/2016 that he intended to bring forward the proposed motion below.

In order for Council to debate the motion, the motion must be formally moved.

That Bylaw 24/2017 be amended to change the amount of the borrowing from 25 million dollars to 17.5 million dollars.

BACKGROUND:

During the 2017 budget deliberations, Council approved the design and construction of a Branch Library for \$17,492,000 (excluding land costs) and identified that the funding source for the project would be debt financing.

As the project is deemed to be at the concept phase, Council Policy C-P&E-02 Capital Project Management Standard 4 states:

“Phases of Capital Cost Estimation for Projects

The estimation of the costs for Capital Projects occur and are revised throughout three phases of a Capital Project, with increasing detail and accuracy achieved in each subsequent stage:

a. Concept Phase: Preparation of a problem/needs and scope statement and assessment of feasible alternatives allowing analogous and/or parametric cost estimates with a target of $\pm 50\%$ level of accuracy.

b. Design Phase: Post-approval of the Project Charter. A thorough review of scope is completed and technical reports have been completed to understand all criteria and impacts to the approved capital project and may be conducted in multiple stages. Allows for design cost estimates with a target of $\pm 25\%$ level of accuracy.

c. Construction Phase: Contract Tendering, Evaluation and Award, Contract Implementation, contract supervision, Quality Control and Assurance and Construction Completion. Post-tender cost estimates with a target $\pm 10\%$ level of accuracy.

Should a project cost estimate fall out of the Original Scope of Projects, as outlined in Section 5 c. vii. of City Council Policy C-CAO-01 City Manager Delegations, in any phase prior to the Construction Phase, the project shall be re-evaluated.”

Additionally, as per the Capital Project Cost and Process Review report by SMA Consulting Ltd, which was provided to Council on October 3, 2017 ., the project would be defined as a Class 5/4 estimate can be described as follows:

Level of Project Definition	0% - 15%
Purpose of estimate	Concept/Feasibility
Expected Accuracy Range	+/- 50%

This means that with the total project cost estimate (including estimated land costs) at \$19.9 million, the project at best/worst case scenario could range from \$10 million to \$30.0 million at a concept phase. These values represent extreme scenarios so the “likely” outcome is probably within a more narrow range. The current approved budget is set at \$17,492,000. There is currently no approved budget for land.

Council Policy C-CAO-01 City Manager Delegations restricts the authority of the City Manager to approve scope/budget changes to a maximum of \$250,000. This means that any required budget change would need to come to Council for approval. At that time, Council would be required to identify a funding source. There will be less options available to Council if the Borrowing Bylaw is set at a lower amount.

This motion seeks to limit the amount of debt that can be accessed for the project. The impact of possible future events, in terms of the options that Council will have available to them to deal with the situation, is presented below for both the amount identified in the motion as well as Administrations original recommendation.

Situation**Bylaw Passed at \$17.5 million****Bylaw passed at \$25.0 million**

Purchase of Land	Council must identify a funding source(reserve) before project can move forward	Council has the option to choose between funding through debt or funding through a reserve.
Further project definition through design phase indicates an increase budget is required to maintain scope.	Council must identify an alternate funding source for the additional requirement or; (i.)	If increase budget approved, Council has the option to fund the additional requirement through debt or through a reserve. (iii.)
	Reduce the scope of the project or;	
	Issue a subsequent Borrowing Bylaw (ii.)	

(i.) There may be inadequate uncommitted funds within an appropriate reserve.

(ii.) If the bylaw was successfully petitioned, Council would need to identify an alternate funding source. If an alternate was not available the project would be stalled.

(iii.) As long as estimated budget increase did not exceed \$25.0 million (unlikely) a subsequent Borrowing Bylaw would not be required.

The issuance/approval of a Borrowing Bylaw for a specific amount does not commit the municipality to actually taking on that debt but rather sets an upper limit for borrowing. Interest is only payable on the amount actually borrowed.

Report Date: April 18, 2017

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