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Title: Bylaw 39/2021 - Guarantee Bylaw - EMTSC (1st Reading)
Presented by: Diane McMordie, Director, Financial Services and Information Technology/CFO

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Attachments: 1. BL39-2021 EMTSC Loan Guarantee (FINAL - clean).pdf

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5/31/2021	1	City Council	adopted	

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Bylaw 39/2021 - Guarantee Bylaw - EMTSC (1st Reading)

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RECOMMENDED MOTIONS

WHEREAS the Province of Alberta has approved the establishment of the Edmonton Metropolitan Transit Services Commission (the "EMTSC");

AND WHEREAS the EMTSC requires a loan in the form of an Operating Line of Credit (the "loan") to support organizational costs until responsibility for transit services and the associated revenues transfer to the ETMSC in 2022;

AND WHEREAS the lender requires that the loan be guaranteed by the municipality;

AND WHEREAS section 266 of the *Municipal Government Act* requires that Council pass a guarantee bylaw in order to allow the City to provide a guarantee of the loan;

NOW THEREFORE BE IT RESOLVED:

1. That Bylaw 39/2021, being a Bylaw to guarantee repayment of a loan to the EMTSC, be read a first time;
2. That Council affirms that the money obtained by the EMTSC under the loan to be guaranteed by the City pursuant to Bylaw 39/2021 will be used for a purpose that benefits the City of St. Albert;
3. That the CAO be directed to cause the City of St. Albert to provide to the EMTSC an interim advance on levies in the amount of \$1,700,000, drawn from the Stabilization Fund, pursuant to an

agreement that provides for return of the advance to the City upon the EMTSC being approved for the loan and upon such other terms as are acceptable to the CAO.

PURPOSE OF REPORT

To provide first reading to a bylaw that will allow the City of St. Albert to guarantee \$1,700,000 of a \$5,000,000 Line of Credit for which the EMTSC has applied, and to seek Council approval for a short-term interim advance on levies agreement that will provide the EMTSC with funding that will allow them to meet their immediate cash obligations to vendors and employees as they await the City's passing of a guarantee bylaw and subsequent approval of their Line of Credit from TD Canada Trust.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

In the 2019-21 Corporate Business Plan

Strategic Priority #3: Building a Transportation Network: Integrated transportation systems.

Continue to pursue an Integrated Regional Transit Commission through the transition phase

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

N/A

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

Section 264 and 266 of the MGA set out the parameters under which a guarantee for repayment of a loan can be made.

Purpose of loans and guarantees

264(1) A municipality may only lend money or guarantee the repayment of a loan if

- (a) the loan or guarantee is made under subsection (2) or (3),
- (b) the loan is made to one of its controlled corporations, or
- (c) the guarantee is made in respect of a loan between a lender and one of its controlled corporations.

(2) A municipality may

- (a) lend money to a non-profit organization, or
- (b) guarantee the repayment of a loan between a lender and a non-profit organization.

if the council considers that the money loaned or money obtained under the loan that is guaranteed will be used for a purpose that will benefit the municipality.

Guarantee bylaw

- 266 (1) A municipality may only guarantee the repayment of a loan between a lender and a non-profit organization or one of its controlled corporations if the guarantee is authorized by bylaw.
- (2) The bylaw authorizing the guarantee must set out
- (a) the amount of money to be borrowed under the loan to be guaranteed and, in general terms, the purpose for which the money is borrowed;
 - (b) the rate of interest under the loan or how the rate of interest is calculated, the term and the terms of repayment of the loan;
 - (c) the source or sources of the money to be used to pay the principal and interest owing under the loan if the municipality is required to do so under the guarantee.
- (3) The bylaw that authorizes the guarantee must be advertised.

Proposed Guarantee Bylaw 39/2021 meets all of the above legislated requirements.

BACKGROUND AND DISCUSSION

With the official establishment of the EMTSC on January 26, 2021 under Part 15.1 of the *Municipal Government Act*, the Commission has been working to establish key corporate positions and systems, processes and contracts to prepare for the transfer of responsibility for defined transit services from member municipalities in 2022. In order to support operations during this transition phase, the EMTSC will be securing an operating line of credit (LOC) through a traditional lender. To secure the approval of the LOC, the lender is requiring a guarantee for the full amount of the LOC from one or more of the member municipalities. For ease of administration, an understanding has been reached whereby guarantees will be provided, on a proportionate basis, by the City of St. Albert (\$1,700,000) and the City of Edmonton (\$3,300,000) which are the two largest members of the Commission and represent approximately 85% of transit services. It is anticipated the City of St. Albert will remain a guarantor of the loan until such time as the EMTSC has adequate assets (likely rolling stock) to provide their own collateral for the LOC which is anticipated to happen within 2-3 years.

The City of St. Albert had initially planned to provide this guarantee through another process and both the City and the EMTSC had anticipated that this could be accomplished by the end of May 2021. However it has been determined that a mandatory pre-requisite to offer this guarantee is passage of a Guarantee Bylaw, 1st reading of which is before Council today. Given the advertising requirements set out within the MGA, the earliest that this Guarantee Bylaw can come back to Council for 2nd and 3rd readings is July 5, 2021.

To support the EMTSC with their immediate cash flow needs, Administration is therefore also recommending that an interim advance on levies agreement be entered into with the EMTSC for \$1.7M (the ultimate amount of our loan guarantee). This agreement will bridge the timeline to the approval of the guarantee bylaw at which time the lender will issue the LOC to the EMTSC and the City of St. Albert will be repaid.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

N/A

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

The City of St. Albert will advance \$1.7M (tagged to the Stabilization fund) as an advance on levies to support the EMTSC in meeting their immediate financial obligations. Once the guarantee bylaw is passed, the EMTSC will draw on their LOC and the City will be reimbursed.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

If Council does not wish to support the recommendation, the following alternatives could be considered:

There are no viable alternatives. If Council chooses not to provide an advance on levies, the EMTSC will be unable to meet their financial commitments creating strained vendor relationships which ultimately will reflect badly on all member municipalities.

Report Date: May 31, 2021

Authors: Diane McMordie and Marta Caufield

Department: Financial Services & Information Technology/Legal and Legislative Services

Deputy Chief Administrative Officer: Kerry Hilts

Chief Administrative Officer: Kevin Scoble