



Legislation Details (With Text)

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Attachments:	1. Debenture Details, 2. Debt Limits, 3. Borrowing Bylaw Timelines, 4. Bylaw 41/2020 Borrowing Bylaw Community Amenities and Lakeview Business District Servicing				

Date	Ver.	Action By	Action	Result
11/2/2020	1	City Council	adopted	

Borrowing Bylaw Range Road 260 & Lakeview Business District Servicing (1st Reading)

Presented by: Diane McMordie, Director, Finance & Assessment/CFO

RECOMMENDATION(S)

That Bylaw 41/2020, being a Borrowing Bylaw to finance the design and construction of water, sanitary, stormwater and road infrastructure necessary to support the community amenities site and the Lakeview Business District, be read a first time.

PURPOSE OF REPORT

To secure the required financing, as per council direction, to provide servicing to the land donated by Rohit which has been designated by the City as the future community amenities site.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

Strategic Priority #4: Infrastructure Investment: Identify, build and/or enhance needed critical or strategic infrastructure and identify and implement associated optimal business and operating models and lifecycle strategies

Secure ownership of RR260 lands for a future community amenities site subject to Council approval.

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

N/A

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On January 20, 2020, Council passed the following motion

(AR-19-491)

That the Chief Administrative Officer be directed to proceed with a conditional offer and financing options to acquire the lands necessary for a community amenities site of at least 25 contiguous acres within the Range Road 260 Area Structure Plan, subject to Council approval.

On March 23, 2020, Council passed the following motion, a portion which reads

(AR-20-102)

That Administration prioritize accelerating the process of pre design and design for servicing the Range Road 260 lands that Council has approved as the site of a community recreation facility, and that Administration present for Councils consideration on April 6 or as soon as possible thereafter any additional or ancillary approvals needed to advance that initiative, including a borrowing bylaw, if needed, and a project charter.

BACKGROUND AND DISCUSSION

The City and Rohit, as the current owner of lands targeted to become the site of the new Community Amenities Facility, are currently working on the terms of an agreement to provide for City servicing of the subject lands and subdivision and transfer of the subject lands, as well as the adjacent parcel (Recreational Lands) to the City.

Rohit's Engineer has completed the servicing design. The servicing is, at this time, contemplated to be delivered by the City under two construction contracts. The first contract is expected to include the extension of the North Interceptor Trunk sewer (Phase 2B), already identified as Sanitary Off-Site Levy Project #8 in the Off-Site Levy Bylaw. The second contract is expected to include all of the remaining infrastructure required to service the Community Amenities site including 2 waterlines installed across Ray Gibbon Drive, and additional sanitary sewer and stormwater infrastructure along RR260.

The estimated cost of these projects is \$25,103,000. The City of St. Albert has submitted an application to the Province of Alberta related to this project for \$5,000,108 under the City's Municipal Stimulus Program (MSP) allocation. Once the grant approval has been confirmed, the City will still require additional funds in order to complete the project. To ensure flexibility, the borrowing bylaw being presented today is for \$25,000,000 to support this project. This will cover the remaining funding required of \$20.1 Million along with a 25% contingency. Although the bylaw would authorize borrowings up to \$25,000,000, Administration's actual spending authority (MSP + debt) is still restricted to the budget approved by Council through the project charter. Any significant changes to the project costs would be required to be presented to Council for further consideration. It is important that this borrowing bylaw be passed at this time as the City is required to complete the project by December 31, 2021 to ensure MSP eligibility.

Enactment of a borrowing bylaw does not compel the municipality to actually borrow the funds but rather pre-approves that option should the municipality choose to action it. Administration would only borrow the amount required to complete the projects up to the budget approved by Council.

Given that a significant portion of the cost of these projects is recoverable under the off-site levy program, Administration is recommending that the semi-annual payments on any debentures be funded through the Off-Site Levy Recovery Fund reserve. This reserve is augmented annually as the City recovers back monies from developers for projects that have been front-ended by the City in the past. Funding the debt payments through this method ensures that there are no tax impacts to the residents/businesses and supports a "growth pays for growth" philosophy. Council policy C-FS-20 Off-Site Levy Recovery Fund Utilization sets metrics that a project must meet to qualify for funding from this reserve. Administration has performed all of the tests in the model and can confirm that servicing the debt through this mechanism is viable.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

In order to action long term borrowing and begin construction, the Municipal Government Act (MGA) specifies a required process for engagement through advertising of the proposed bylaw. Details of these requirements are included under the Legal/Risk section of this report.

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

The City will be looking to borrow funds from the Alberta Capital Finance Authority (ACFA) on a 20 year term. The current interest rate (October 1, 2020) for a 20 year term with ACFA is 1.962%. The actual interest rate will be based on the current posted rates at the actual time of borrowing and the advancement of funds.

Provincial legislation requires municipalities to calculate a debt limit and a service on debt limit and to stay within those limits. In addition to the MGA regulations, the City of St. Albert Council Policy C-FS-03 Debt Management imposes further restrictions on the use of debt financing. Policy restriction stipulate that the City will stay within 85% of the provincial limits overall and further restricts tax-supported debt to an additional 50% of this level. The new levels of debt contemplated for the City against these various limits, presented in the attachment titled "Debt Limits - Debt Balances", demonstrates that the additional proposed debt for the Community Amenities & Lakeview Business District Servicing is well within both MGA regulatory and City policy limits.

Community Amenities & Lakeview Business District Servicing Debenture and Borrowing Bylaw

The Municipal Government Act also requires the Borrowing Bylaw to set out the amount of money to be borrowed, for what purpose, the maximum rate of interest, the term, and the terms of repayment. Based on the October 1, 2020 posted rates the debenture borrowing is as shown in the attachment titled "Debenture Details". The actual rate of interest will be determined when the financing is secured and could differ from what is presented in the attachment.

The total maximum borrowing for this capital project is proposed to be set at \$25,000,000. The City has room to borrow the required funds within the Provincial debt limits as well as the internal limits

prescribed through Council's debt policy.

Legal / Risk:

Section 254 of the Municipal Government Act states that, "No municipality may acquire, remove, or start the construction or improvement of a capital property that is to be financed in whole or in part through a borrowing unless the borrowing bylaw that authorizes the borrowing is passed."

In accordance with Section 251(3) a Borrowing Bylaw must be advertised, unless the term is five years or less (Section 257), then advertising is not required. Therefore, Bylaw 41/2020, being the Borrowing Bylaw for The Community Amenities & Lakeview Business District Servicing must be advertised in the local newspaper, with time given for petition before the bylaw is presented for second and third reading.

Council Policy C-CAO-22 Borrowing Bylaw Advertising further stipulates that an initial advertisement of the bylaw will take place immediately after 1st reading and that the 2 mandated advertisements will be delayed such that electors are afforded a full 60 days after first reading of the borrowing bylaw to mobilize a petition if desired.

Assuming a petition is not received, in accordance with Council Policy C-CAO-22 the planned timelines for advertisement and 2nd and 3rd reading of the Borrowing Bylaw Advertising are presented in the attachment titled "Borrowing Bylaw Timelines"

Program or Service:

- If the Borrowing Bylaw is not passed the City will be unable to secure the financing required to support the project. This would then require identification of other funding or the project would need to be cancelled or postponed. **If the borrowing bylaw was not passed and Council was unable to identify an alternate funding source, the \$5 Million in grant funding under the MSP program would be forfeited.**

Organizational:

- If 1st reading does not proceed, Project Management resources will be reassigned to other funded projects as timelines will likely not be met to achieve a 2021 construction start.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

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

- Alternative 1. Choose an alternate level of debt and identify sources for any potential funding shortfall.
- Alternative 2. Cancel/Postpone the project.

Report Date: November 2, 2020
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