



Legislation Details (With Text)

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Presented by: Diane McMordie, Director of Financial Services

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Date	Ver.	Action By	Action	Result
4/3/2017	1	City Council	approved	Pass

TAMRMS#: B06

**Bylaw 24/2017 - Borrowing Bylaw for Branch Library - 1st Reading**

Presented by: Diane McMordie, Director of Financial Services

**RECOMMENDATION(S)**

That Bylaw 24/2017, Being a Borrowing Bylaw to finance the Construction of the Branch Library, be read a first time.

**PURPOSE OF REPORT**

During the 2017-2019 budget deliberations, Council approved the advancement of a new Branch Library and approved funding through debt financing. The cost of the project is currently estimated at approximately \$20 million dollars (including the cost of land) based at a conceptual design level. The intent is to fund this project through a 20 year debenture with the Alberta Capital Finance Authority (ACFA).

**COUNCIL DIRECTION**

On March 13, 2017 Council passed the following motions:

INC-17-014

That the City Manager be authorized to negotiate purchase of lands for the Community Branch Library as per recommendation 1 contained within the Confidential Administrative Report entitled “St. Albert Branch Library - Proposed Location”, provided as an attachment to the March 13, 2017 Standing Committee of the Whole Agenda Report titled “Land Matter”.

That Administration report back to Council the result of negotiations by May 23, 2017.

On December 12, 2016 Council passed the following motion:

AR-16-485

That the 2017 Municipal Operating Budget, in the amount of \$148.8 million detailed in the attachment titled “2017 Municipal Operating Budget” be approved.

That the 2017 Municipal Capital Budget, in the amount of \$55.2 million detailed in the attachment titled “2017 Municipal Capital Funding” be approved.

That the 2017-2019 Business Plans, provided as part of the Proposed 2017 Budget document, be approved.

PM68a-2017

That OA-005 Community Library Branch in the amount of \$17,492,159 be advanced and funded through debt servicing; and that Administration be directed to prepare, for Council consideration, the required borrowing bylaw(s) in accordance with the provisions of the *Municipal Government Act*.

## **BACKGROUND AND DISCUSSION**

The new branch library is a vital component to support a growing community and address residents need for additional public spaces and will provide a place for families to learn, to play, to build and create and to improve themselves. The branch library is envisioned as an active, family-focused facility, with a strong collection of children’s materials and space for youth and family programming.

The current estimates for this project are indicating a construction/land cost of approximately \$20 million dollars at a conceptual design level. The intent is to secure approval for up to \$25 million dollars in debt financing on a 20 year term.

The purpose of the approval of the borrowing bylaw for an amount in excess of the current project estimate is to ensure any future budget adjustments approved by Council due to cost refinements at the detailed design stage can be accommodated without the issuance of a subsequent bylaw.

The amount established in the bylaw represents a maximum amount and is not a commitment by the municipality to borrow the full amount. The actual amount borrowed will be restricted to the current approved Council budget.

No work on the branch library will commence until a borrowing bylaw has been established. Any delays to the timelines identified in this agenda report related to the borrowing for the branch library may put at risk a 2018 construction start.

Bylaw 24/2017 is provided as an attachment to the agenda report entitled “Bylaw 24/2017 - Borrowing Bylaw for Branch Library - 1st Reading”.

## **STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT**

In order to action a long term borrowing and begin construction, the *Municipal Government Act*

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 (AFCA) on a 20 year term. The current interest rate (March 1, 2017) for a 20 year term with ACFA is 2.95%. 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. The debt limit is calculated at 1.5 times revenue of the City (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. 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 restrictions 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 below, demonstrates that the additional proposed debt for the branch library is well within MGA and City policy limits.

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<b>Debt Limits</b>		<b>Council Policy C-FS-03</b>	
	<b>MGA Limit</b>	<b>Overall Debt (85%)</b>	<b>Tax Supported Debt (50% of 85%)</b>
Debt	262,195,905	222,866,519	111,433,260
Debt Servicing	44,532,651	37,852,753	18,926,377

<b>Actual/Forecasted Debt</b>		<b>Overall Debt (85%)</b>	<b>Tax Supported Debt (50% of 85%)</b>
Debt			
Current Dec 31, 2016		41,586,240	41,586,240
Estimated Project 9		20,000,000	n/a
Estimated Library		25,000,000	25,000,000
<b>Forecasted Debt Total</b>		<b>86,586,240</b>	<b>66,586,240</b>
Debt Servicing			
Current Dec 31, 2016		6,000,400	6,000,400
Estimated Project 9		1,338,107	n/a
Estimated Library		1,672,634	1,672,634
<b>Forecasted Debt Servicing Total</b>		<b>9,011,141</b>	<b>7,673,034</b>

**Library 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 March 1, 2017 posted rates the debenture borrowing is as shown below. The actual rate of interest will be determined when the financing is secured and could differ from what is presented below.

Library Project Cost	\$25,000,000
Amount Borrowed	\$25,000,000
Estimated Interest rate	2.95%
Amortization Term	20 Years
Estimated Annual Payment (Principle & Interest)	\$1,672,634
Estimated Total Interest over 20 year Loan Term	\$8,452,685

The total maximum borrowing for this capital project is proposed to be set at \$25,000,000. The City has the 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 24/2017, being the Borrowing Bylaw for The Branch Library must be advertised in the local paper, with time given for petition before the bylaw is presented for second and third reading. Assuming a petition is not received, the planned timelines for advertisement and 2<sup>nd</sup> and 3<sup>rd</sup> reading of the bylaw are presented below.

*Borrowing Bylaw Timeline:*

1 <sup>st</sup> Advertisement	April 8, 2017 (St. Albert Gazette)
2 <sup>nd</sup> Advertisement	April 15, 2017 (St. Albert Gazette)
Start of 15-day petition period	April 30, 2017
End of 15-day petition period	May 15 2017
2 <sup>nd</sup> and 3 <sup>rd</sup> Reading of Bylaw 24/2017	June 12, 2017 (Council Meeting)

Note: As per the Procedure Bylaw, Council may not give a bylaw more than two readings at a meeting unless members of council unanimously agree to consider third reading at that meeting.

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.

Organizational:

- If first reading does not proceed, Project Management resources will be reassigned to other funded projects as timelines will likely not be met to achieve a 2018 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 or postpone the project.

**STRATEGIC CONNECTIONS**

SOCIAL - We are a friendly and inclusive community of passionate equals, where everyone feels a sense of belonging. We believe that community starts with the person next door.

**BUILT ENVIRONMENT** - We build our community towards the future to sustain balanced development, with a reverent eye to the past, honouring our unique settlement history and distinct identity..

**CULTURE** - We are proud of our storied history that has fed and nurtured our festive and culturally-rich community.

*Governance Strategy*

Council is committed to ensuring that the City of St. Albert is a responsive, accountable government that delivers value to the community.

*Service Delivery Strategy*

Council is committed to ensuring that the City of St. Albert is engaging residents to identify opportunities to improve delivery of services to the community.

*Long Term Plans (e.g. MDP, Social Master Plan, Cultural Master Plan, etc.)*

N/A

*Corporate Objectives (See Corporate Business Plan)*

Deliver programs and services that meet or exceed our standards

Exercise strong fiscal management

Ensure our customers are very satisfied

*Council Policies, Bylaws or Federal/Provincial statutes*

a. C-FS-03 Debt Management

b. C-FS-05 Budget and Taxation Guiding Principles

*Other Plans or Initiatives (Business Plans, Implementation Strategies, etc.)*

N/A

Report Date (Council Meeting Date): April 3, 2017

Author(s): Stanley Chan, Divisional Controller

Committee/Department: Financial Services

General Manager: Maya Pungur-Buick, GM of Corporate Services

City Manager: Kevin Scoble