



Legislation Text

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9.1

Bylaw 35/2021 - Solar Farm Borrowing Bylaw (1st Reading)

Presented by: Diane McMordie, Director, Financial Services & Information Technology/CFO

RECOMMENDED MOTION(S)

That Bylaw 35/2021, being a Borrowing Bylaw to design and construct a Solar Farm, be read a first time.

PURPOSE OF REPORT

To start the process of securing debenture financing for the construction of a Solar Farm on the City owned Badger Land in northwest St. Albert.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

Strategic Priority #4: Infrastructure Investment: Identify and build needed capital assets.

Related Corporate Business Plan Initiative: Identify and recommend opportunities for investment in long-term revenue generating infrastructure.

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

N/A

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On August 17, 2020 Council passed the following motions:
(CB-20-054)

1. That \$200K be funded from the stabilization reserve to support the preliminary and detailed design requirements of the full-scale Solar Farm.

2. That Administration provide an update to Council, upon the completion of the detailed design of the Solar Farm, by Q2 2021.
3. That a borrowing bylaw be brought forward to support the implementation of the presented Solar Farm Business Case in 2021.
4. That the back third of the Badger Lands to be allocated to support the long-term development of solar as a green industry within the City.
5. In 2021, Administration be directed to bring back a report to rescind all previous Council motions pertaining to the Badger Lands that are not consistent with dedication of those lands to development of a solar power industry in St. Albert.

BACKGROUND AND DISCUSSION

To ensure flexibility to deal with unanticipated events, it is our standard practice to secure a borrowing bylaw with a 25% contingency added to the approved projects total. While the borrowing bylaw is proposed to be set at \$33.75 million, Administration is held to the total project budget approved by Council which is \$26.1 million. Should events unfold that would require use of the 25% contingency in the bylaw, Administration would be required to obtain Council approval for a project budget increase before any additional amounts could be borrowed.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

In order to action a long term borrowing and begin design and construction, the *Municipal Government Act* ("MGA") specifies a required process for engagement through advertising of the proposed bylaw. Details of these requirement 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 Treasury Board on a 20 year term. The actual interest rate will be based on the current posted rates at the actual time of borrowing and the advancement of funds.

The solar farm business case supports that the revenue generated from the solar farm will fully fund the required payments on the debentures. There is always a risk (evaluated by Administration as very small in this case) that the funds obtained through sales of electrical power generated by the solar farm will be insufficient to cover the debenture payments which would then require any shortfall to be funded through municipal taxes or reserves.

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 Solar Farm is well within MGA and City policy limits.

The MGA 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. 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 project is proposed to be set at \$33.75 million. 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 35/2021, being the Borrowing Bylaw for construction of a Solar Farm must be advertised in the local paper, 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 must take place within 10 days after 1st reading (the "Policy initial advertisement stipulation") and that the two mandated advertisements will be delayed such that electors are afforded a full 60 days 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. An alternate funding source would need to be identified or the project would need to be cancelled or postponed.

Organizational:

- If 1st reading does not proceed, Project Management resources will be reassigned to other funded projects.

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: June 21, 2021

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