



## CITY COUNCIL AGENDA REPORT

**Subject: BYLAW 12/2016 - BORROWING BYLAW – PHASE 3  
NORTH INTERCEPTOR (PROJECT 9)**

### **Recommendation(s)**

That Bylaw 12/2016, being a Borrowing Bylaw for Phase 3 North Interceptor, be read a first time.

### **Purpose of Report**

After a series of presentations, discussions and consideration of funding options surrounding the Phase 3 North Interceptor (Project 9) over the last several years, Council has directed administration to:

- Commence detailed design work
- Bring forth a Borrowing Bylaw to allow this project to proceed

As per Administrations recommendation, Council concurred that the estimated project cost of \$40 million dollars should be funded through the following two mechanisms:

- \$10 million dollars from the Off-site Levy Recovery Fund (OLRF)
- \$30 million dollar, 20 year debenture

### **Council Direction**

On April 4, 2016 Council passed the following motion

(C187-2016)

1. The estimated \$40 million cost of the Phase 3 North Interceptor (Project 9) be financed using \$10 million from the Offsite Levy Recovery Fund (OLRF) with the balance of the final project budget of approximately \$30 million to be funded through debenture borrowing;

The annual debt costs relating to the debenture be paid using funds remaining in the OLRF plus future offsite levy recoveries as described in the March 14, 2016 agenda report entitled “Project 9 Funding Options”; and

2. Develop a policy for the OLRF that includes options for mitigating the inherent cash flow risks involved with this funding model until the completion of the debenture term;
3. That Administration prepare a borrowing bylaw for Council's consideration, in accordance with the provisions of the Municipal Government Act;
4. That Administration proposes to Standing Committee of the Whole in October 2016 amendments to all relevant Council policies to allow for the debt financing of Utility growth infrastructure.

### **Background and Discussion**

The Phase 3 North Interceptor is a vitally important utility growth project that will facilitate the continued growth of population and jobs in the city over the next 20 years.

There are several imminent developments with approved Area Structure Plans that require this sanitary line to be built to support this growth. Some of these areas include Riverside, Range Road 260, DARP, Grandin Mall Redevelopment and South Riel. This project will also support future developments in the Badger and Employment Lands.

The current estimates for this project are indicating a construction cost of \$40 million dollars. Based on Council motion C187-2016, the intent is to borrow \$30 million dollars on a 20 year term and use \$10 million dollars of the current uncommitted balance in the OLRF. The remaining balance in this fund along with future off-site levy reimbursements will be used to service the principle/interest payments on the debt. This funding model allows for retirement of the debt with no anticipated impact on property taxes.

### **Stakeholder Communications or Engagement**

An open information session for interested parties was held on April 7, 2016 from 3:00pm – 7:00pm at St. Albert Place in the Douglas Cardinal Boardroom.

### **Implications of Recommendation(s)**

In order to action a long term borrowing and begin construction, a borrowing bylaw is required by section 254 of the MGA. Details of this and any other relevant sections of the MGA can be found under the Legal/Risk Section.

a) Financial:

The City will likely be looking to borrow funds from the Alberta Capital Finance Authority (AFCA) but may investigate the potential of using a traditional lender should a comparable product with more positive terms be available.

If first reading of the Borrowing Bylaw is approved, Administration will begin the process to select a financing partner and will provide the final details of the borrowing for 2nd and 3rd reading at the June 6, 2016 Council meeting.

Provincial legislation requires municipalities to calculate a debt limit and a service on debt limit and to stay within those limits. With this increase in borrowing, the City is well within its debt limits as shown below:

**City Debt Limits as at December 31, 2015**

Total Debt Limit: \$280,586,515  
Service on Debt Limit: \$ 46,764,419

**City Debt as at December 31, 2015**

Total City Debt: \$ 45,515,135  
Percentage Used: 16%  
City Service on Debt: \$ 6,000,417  
Percentage Used: 13%

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. Since the initial information presented to Council on December 14, 2015, ACFA rates have dropped slightly. Based on the April 1, 2016 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.

Project Cost	\$40,000,000
Amount Borrowed	\$30,000,000
Estimated Interest rate	2.769%
Amortization Term	20 Years
Estimated Annual Payment (Principle & Interest)	\$1,963,593
Estimated Total Interest over 20 year Loan Term	\$9,271,864

The total borrowing for this capital project is \$30,000,000. 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. The annual payments of principle and interest to service the loan will come directly from the OLRF with no anticipated impact to property taxes.

b) 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 12/2016, being the Borrowing Bylaw for Phase 3 North Interceptor must be advertised in the local paper, with time given for petition before the bylaw is presented for second and third reading.

***Borrowing Bylaw Timeline:***

1 <sup>st</sup> Advertisement	April 30 <sup>th</sup> , 2016 (St. Albert Gazette)
2 <sup>nd</sup> Advertisement	May 7 <sup>th</sup> , 2016 (St. Albert Gazette)
Start of 15-day petition period	May 8 <sup>th</sup> , 2016
End of 15-day petition period	May 22 <sup>th</sup> , 2016
2 <sup>nd</sup> and 3 <sup>rd</sup> Reading of Bylaw 12/2016	June 7 <sup>th</sup> , 2016 (Council Meeting)

c) Program or Service:

- If the Borrowing By-law 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.

d) Organizational:

- None at this time.

**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 the project

**Strategic Connections**

- Council’s Strategic Outcomes and Priorities (See Policy C-CG-02)
  - CULTIVATE ECONOMIC PROSPERITY: A diversified, robust and resilient economic foundation to support growth and community service delivery.
  - CULTIVATE A GREEN COMMUNITY: A healthy natural environment for future generations that preserves and promotes enjoyment, conservation and responsible development.

- CULTIVATE EXCELLENCE IN GOVERNMENT: A responsive, accountable government that delivers value to the community.
- CULTIVATE SUSTAINABLE INFRASTRUCTURE AND SERVICES: A growing community that has balanced development and management of civic facilities, transportation networks and related services.
  
- Long Term Plans (e.g. MDP, Social Master Plan, Cultural Master Plan, etc.)
  - Utility Master Plan
  - MDP
  
- 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
  - a. C-FS-01 Financial Reserves
  - b. C-FS-03 Debt Management
  - c. C-FS-05 Budget and Taxation Guiding Principles
  - d. C-FS-14 Utility Fiscal Policy
  - e. C-P&E-Off-Site Levy Framework
  - f. C-P&E-Off-Site Levy City Front-Ending Prioritization Criteria
  - g. C-P&E-10 Intermunicipal Utility Infrastructure Excess Capacity
  
- Other Plans or Initiatives (Business Plans, Implementation Strategies, etc.)
  - N/A.

**Attachment(s)**

1. Attachment 1 - Bylaw 12-2016 Borrowing Bylaw Phase 3 North

Originating Department(s):	<i>Financial Services</i>
Author(s):	<i>Diane McMordie, Director of Finance</i>
General Manager Approval:	<i>Mike Dion, GM &amp; CFO</i>
City Manager Signature:	Date:

CITY OF ST. ALBERTBYLAW 12/2016

Being a Borrowing Bylaw to finance the Construction of the  
Phase 3 North Interceptor (Project 9)

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## WHEREAS:

- i. The Council of the City of St. Albert has decided to issue a bylaw pursuant to Section 258 of the *Municipal Government Act* to authorize the financing of the construction of the Phase 3 North Interceptor (“Project”);
- ii. The Council of the City of St. Albert has estimated that the total cost of the said Project is Forty Million (\$40,000,000) Dollars;
- iii. The Council of the City of St. Albert has estimated that the following internal reserves and contributions will be received or applied to the Project:

Off-Site Levy Recovery Fund	\$	10,000,000
Borrowing(s)	\$	30,000,000
Total Cost	\$	40,000,000

- iv. In order to finance the Project it will be necessary to borrow the sum of Thirty Million (\$30,000,000) Dollars (“the indebtedness”) for a period not to exceed Twenty (20) Years from the Alberta Capital Finance Authority (“ACFA”) or other authorized financial institution, by the issuance of a borrowing and on the terms and conditions referred to in this Bylaw;
- v. The principal amount of the outstanding debt of the City of St. Albert at December 31, 2015, is Forty Five Million Five Hundred Fifteen Thousand One Hundred and Thirty Five (\$45,515,135) Dollars, no part of which is in arrears;
- vi. The estimated life of the Project financed under this Bylaw is equal to, or in excess of Twenty (20) Years; and
- vii. All required approvals for the Project have been obtained and the development is in compliance with all *Acts* and *Regulations* of the Province of Alberta.

NOW THEREFORE the Council of the City of St. Albert hereby ENACTS AS FOLLOWS:

1. For the purpose of the Project, a sum not exceeding Thirty Million (\$30,000,000) Dollars be borrowed from ACFA or other authorized financial institution by way of

borrowing on the credit and security of the City of St. Albert at large, of which the full amount borrowed is to be paid by the City of St. Albert at large.

2. The borrowing to be issued under this Bylaw may be in any denomination, not exceeding the amount authorized by this Bylaw and shall be dated having regard to the date of the borrowing.
3. The Municipality shall repay the indebtedness according to the repayment structure in effect, namely semi-annual or annual equal payments of combined principal and interest installments over a period not to exceed Twenty (20) Years calculated at a rate not exceeding the interest rate fixed by the Alberta Capital Finance Authority or another authorized financial institution on the date of the borrowing, and not to exceed Ten (10%) Percent.
4. The borrowing instrument shall be signed by the Chief Elected Official and the Chief Administrative Officer or the Chief Administrative Officer's delegate of the City of St. Albert. In the absence of the Chief Elected Official, the Deputy Mayor shall sign and in the absence of both the Chief Elected Official and the Deputy Mayor, the next available Councillor on the Deputy Mayor roster shall sign in the place of the Chief Elected Official. The Chief Administrative Officer or the Chief Administrative Officer's delegate shall affix the corporate seal of the municipality to the documents.
5. During each year of the term of the borrowing, principal and interest payments shall be serviced by the existing uncommitted balance of the off-site levy recovery fund ( Twenty One Million Seven Hundred Forty Nine Thousand Four Hundred and One (\$21,749,401) as at December 31, 2015) and future off-site levy recoveries as they become available.
6. The indebtedness incurred is contracted on the credit and security of the City of St. Albert at large.
7. The net amount realized by the issuance of the borrowing authorized under this Bylaw shall be applied only for the purposes for which the indebtedness was created.

READ a first time this \_\_\_\_ day of \_\_\_\_\_ 2016

READ a second time this \_\_ day of \_\_\_\_\_, 2016.

READ a third time this \_\_ day of \_\_\_\_\_, 2016.

SIGNED AND PASSED this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CHIEF LEGISLATIVE OFFICER