

Request for Decision

Title	Amendment to Debt Management Policy and Bylaw 1583/22 - Short-Term Debt Borrowing Bylaw (Repeal and Replacement of Bylaw 1512/20) – First Reading
Proposed Motion(s)	<ol style="list-style-type: none"> 1. That Council approve the amended Debt Management Policy as presented. 2. That Council give first reading of Bylaw 1583/22.
Administrative Recommendation	Administration recommends that Council approve the amended Debt Management Policy as presented and that Council give first reading of Bylaw 1583/22.
Previous Council / Committee Direction	<p><u>November 24, 2020 Regular Council Meeting</u> Motion 505/20: That Council approve the amended Debt Management Policy as presented.</p> <p><u>August 25, 2020 Regular Council Meeting</u> Motion 397/20: That Council give third reading of Bylaw 1512/20.</p>
Report	<p><u>Background Information</u></p> <p>Reserve Analysis for Financial Planning and Sustainability</p> <ul style="list-style-type: none"> • The Reserve analysis review consists of a three-pronged approach: <ul style="list-style-type: none"> ○ Part 1: Contingency Reserve (2022, Q1); ○ Part 2: Tax Stabilization Reserve (2022, Q2); and ○ Part 3: Asset Lifecycle/Replacement and Special Purpose (2022, Q3). • Administration has worked over the past months to perform financial and a risk assessment for Part 1: Contingency Reserve requirements for the County to bring forward recommendations to Council for consideration. • The analysis takes a risk-based approach to determine the appropriate level of reserve funds and further encompasses: <ul style="list-style-type: none"> ○ Risk management alignment to financial toolbox and targets ○ In scope, out of scope and methodology ○ Funding and financing strategy ○ Analysis of Reserves and Extraordinary Risks <ul style="list-style-type: none"> ▪ Climatic Analysis <ul style="list-style-type: none"> • Past events (wildfires) • Potential events (wildfire, flood, storms)

- Financial outcomes and assumptions
- Industrial Analysis
 - Past events (train derailment)
 - Potential events (refining, fertilizer, energy value chain, rail, pipeline, trucking)
 - Financial outcomes and assumptions
- Operational Analysis
 - Past events (uncollectible revenue)
 - Potential events (uncollectible revenue, revenue reductions)
 - Financial outcomes and assumptions
- Recommendation 1 – Temporary Cash Flow Impact
 - Financial analysis conclusion is to establish a \$25 million financing facility to be used as a temporary cash flow financing facility.
 - \$15 million climatic contingency
 - \$4 million industrial contingency
 - \$6.2 million operational contingency
 - Financial analysis conclusion is to establish a \$12 million uncommitted reserve balance target.
 - Government Finance Officers Association (GFOA) recommendation is to have two months of budgeted operating costs uncommitted.
 - Amend the debt management policy to commit \$25 million for contingency financing.
 - Amend the short-term borrowing bylaw to allow for \$25 million in interim financing if required.
- Recommendation 2 – Permanent Costs
 - Financial analysis conclusion is to establish a \$4.5 million funding plan to establish a contingency reserve balance, on hand.
 - \$1.9 million operational contingency
 - \$1.8 million flood contingency
 - \$0.8 million wildfire contingency

Debt Management Policy

- On November 24, 2020, Council amended the Debt Management Policy to provide greater financial flexibility and clarity in the use of debt as a short-term financing solution.
- Proposed amendments to the Debt Management Policy include:
 - Sturgeon County shall restrict \$25 million of the total debt capacity provided under the debt limit regulation to provide short term debt financing as a contingency for emergencies or extraordinary events.
 - Minor formatting and wording adjustments.

Short Term Debt Borrowing Bylaw

- On August 25, 2020, Council approved Short-term Debt Borrowing Bylaw 1512/20 that provided financing flexibility for short-term borrowing needs should they arise.
- Proposed adjustments to the Short-Term Borrowing Bylaw include:
 - Most recent financial information.

	<ul style="list-style-type: none"> ○ The ability to establish a short-term credit facility of \$25 million (increased from \$6 million currently). ○ Interest rate limit increase from 4 percent to 9 percent. ○ Minor formatting and wording adjustments to reflect current Bylaw template. <p><u>External Communication</u></p> <ul style="list-style-type: none"> • Post the amended Debt Management Policy on the County’s website. • Local media coverage of Council deliberation. <p><u>Relevant Policy/Legislation/Practices:</u></p> <ul style="list-style-type: none"> • <i>Municipal Government Act</i> • Debt Management Policy • Short-term Borrowing Bylaw
Implication of Administrative Recommendation	<p><u>Strategic Alignment:</u></p> <p>Operational Excellence – Updates to the Short-term Debt Borrowing Bylaw are based on qualitative and quantitative analysis and establish flexibility in executing funding for emergent needs or at Council’s discretion and ensures compliance with the <i>Municipal Government Act</i>. These recommendations are future focused and consider long-term financial planning and sustainability.</p> <p><u>Organizational:</u></p> <ul style="list-style-type: none"> • Approving the updated Short-term Debt Borrowing Bylaw would allow Administration to act quickly should the need arise for emergent or short-term funding needs. <p><u>Financial:</u></p> <ul style="list-style-type: none"> • The debt management policy amendment to commit \$25 million against the County’s debt limit for extraordinary events would not have a financial impact unless or until Council approved the financing usage which would result in a debt servicing obligation. • Sturgeon County’s financial institution has confirmed that the County would qualify for financing up to \$60 million; however, through the contingency review, the County would be establishing a facility up to only \$25 million.
Alternatives Considered	<p>Council may consider maintaining the Debt Management Policy and Short-term Debt Borrowing Bylaw in their current form or propose an alternative structure.</p>
Implications of Alternatives	<p><u>Strategic Alignment:</u></p> <p>Operational Excellence – Postponing a decision to establish contingency limits flexibility in the event of an extraordinary event occurrence; however, the necessary recommendations, policies, and bylaws can be brought forward at an alternate time should Council determine necessary.</p> <p><u>Organizational:</u></p> <p>Postponing the approval of the amended debt management policy and updated short-term borrowing bylaw would not impede current operations; however, it may require future steps to review, analyze, prepare, and present this information to Council at a later point in time. Should an</p>

	<p>extraordinary event occur, emphasis should be placed on managing the event needs with appropriate bylaws and policies in place to support flexibility.</p> <p><u>Financial:</u> None.</p>
Follow up Action	<ol style="list-style-type: none"> 1. Obtain Mayor and CAO signatures on the amended Debt Management Policy (Legislative Services, March 2022). 2. Post the amended Debt Management Policy to the Sturgeon County website (Corporate Communications, March 2022). 3. Return to future Council meeting for second and third reading of Bylaw 1583/22 (Corporate Treasury & Financial Services, April 2022).
Attachment(s)	<ol style="list-style-type: none"> 1. Attachment 1: Debt Management Policy - Redlined 2. Attachment 2: Debt Management Policy – Final 3. Attachment 3: Bylaw 1512/20 – Current Short-term Debt Borrowing Bylaw 4. Attachment 4: Short-term Debt Borrowing Bylaw 1583/22 – Redlined 5. Attachment 5: Short-term Debt Borrowing Bylaw 1583/22 – Final 6. Attachment 6: Contingency Reserves Presentation
Report Reviewed by:	<p>Sabrina Duquette, Manager, Corporate Finance & Treasury</p> <p>Andrew Hayes, General Manager, Financial Services & Chief Financial Officer</p> <p>Scott MacDougall, Acting County Commissioner – CAO</p>

Strategic Alignment Checklist

Vision: *Offering a rich tapestry of historical, cultural, and natural experiences, Sturgeon County is a municipality that honours its rural roots and cultivates desirable communities. Uniquely situated to provide world-class agricultural, energy, and business investment opportunities, the County prioritizes responsible stewardship and dreaming big.*

Guiding Principles: Collaboration | Accountability | Flexibility | Excellence | Safety | Future Readiness | Affordability | Innovation

Community Outcome	Not consistent	Consistent	N/A
Planned Growth			
<ul style="list-style-type: none"> Internationally competitive to attract, grow and sustain diverse businesses; tenacious focus on new growth and innovation 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Modern broadband and digital capabilities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Low cost, minimal red-tape regulations 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Reliable and effective infrastructure planning; comprehensive land use and infrastructure planning 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thriving Communities			
<ul style="list-style-type: none"> Beautiful, surprising places with high standards; integrated natural spaces & trail systems; healthy and resilient 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Engaging cultural, historical, and civic amenities; strong community identity and pride 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Safe, welcoming, and diverse communities; small community feel and personal connection; commitment to high quality of life 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environmental Stewardship			
<ul style="list-style-type: none"> Clean air, land, and water; Carbon neutral municipal practices; circular economy opportunities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Conservation of natural areas and agricultural lands; enhanced greening and biodiversity; safekeeping ecosystems 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Sustainable development; partnerships with industry and others to drive emission reductions 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Collaborative Governance			
<ul style="list-style-type: none"> Predictable and stable external relationships; volunteer partnerships 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Meaningful connections with Indigenous communities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Ongoing community consultation and engagement; transparent and action-oriented decision making based on sound rationale 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Respectful and informed debate; clear and supportive governance processes 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Operational Excellence			
<ul style="list-style-type: none"> Engaged and effective people – Council, Admin and Volunteers; continuous learning and improvement mindset; nimble and bold, with strong leadership 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Quality cost-effective service delivery; robust procurement and operational practices and policies; asset management and performance measurement; careful debt and reserve stewardship; long-term financial planning and sustainability 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Future focused thinking to proactively respond to emerging opportunities and challenges 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Alternative revenue generation and service delivery models integrated strategic and business planning 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>