

## Request for Decision

<b>Title</b>	<b>Bylaw 1612/22 – Amendment to Bylaws 1530/21, 1573/22, 1574/22, 1575/22, 1576/22, 1577/22, 1578/22, 1579/22 and 1602/22 – Second and Third Reading</b>
<b>Proposed Motion</b>	<ol style="list-style-type: none"> <li>1. That Council give second reading of Bylaw 1612/22.</li> <li>2. That Council give third reading of Bylaw 1612/22.</li> </ol>
<b>Administrative Recommendation</b>	Administration recommends that Council give second and third reading of Bylaw 1612/22, to amend Bylaws 1530/21, 1573/22, 1574/22, 1575/22, 1576/22, 1577/22, 1578/22, 1579/22 and 1602/22 to amend the terms of borrowing for indebtedness incurred for the purpose of financing the associated projects.
<b>Previous Council / Committee Direction</b>	<p><u>December 13, 2022 Regular Council Meeting</u> Motion 484/22: That Council give first reading of Bylaw 1612/22.</p> <p><u>June 14, 2022 Regular Council Meeting</u> Motion 235/22: That Council give third reading of Bylaw 1602/22.</p> <p><u>March 8, 2022 Regular Council Meeting</u> Motion 073/22: That Council give third reading of Bylaw 1574/22.</p> <p>Motion 075/22: That Council give third reading of Bylaw 1573/22.</p> <p>Motion 077/22: That Council give third reading of Bylaw 1576/22.</p> <p>Motion 079/22: That Council give third reading of Bylaw 1575/22.</p> <p>Motion 081/22: That Council give third reading of Bylaw 1578/22.</p> <p>Motion 083/22: That Council give third reading of Bylaw 1577/22.</p> <p>Motion 085/22: That Council give third reading of Bylaw 1579/22.</p> <p><u>April 27, 2021 Regular Council Meeting</u> Motion 249/21: That Council give third reading of Bylaw 1530/21.</p>

**Report** Background Information

- Throughout 2021 and 2022, nine borrowing bylaws were passed. The projects, rates, and terms are as follows:

<b>Project</b>	<b>Bylaw</b>	<b>Authorized Borrow</b>	<b>Authorized Interest Rate</b>	<b>Structure</b>
Broadband Infrastructure Phase 1	1530/21	7,300,000	4%	Blended semi-annual payments
Bridge File 2212 Rehabilitation	1573/21	1,500,000	5%	Blended semi-annual payments
Meadowview Drive Phase 2 Rehabilitation	1574/22	8,000,000	5%	Blended semi-annual payments
Range Road 11 Improvement	1575/22	500,000	5%	Blended semi-annual payments
Range Road 234 Reconstruction	1576/22	890,000	5%	Blended semi-annual payments
Range Road 252 Upgrade	1577/22	1,835,000	5%	Blended semi-annual payments
Sturgeon Crest Subdivision Road Rehabilitation	1578/22	1,200,000	5%	Blended semi-annual payments
Coal Mine Road Reconstruction	1579/22	3,530,000	5%	Blended semi-annual payments
Trestle Ridge Water Utility Service Project	1602/22	232,772	9%	Blended semi-annual payments

- Sturgeon County's borrowing bylaws have historically been drafted with terms aligned to the loan structure offered through Alberta Capital Finance Authority (ACFA). As a provincial corporation, ACFA was able to offer below market lending rates to local authorities.
- At the end of December 2021, ACFA was dissolved. The Government of Alberta took over administration of the program and announced a change in the lending rates offered to local authorities. Interest rates on borrowings with Alberta Treasury Board and Finance are no longer offered at below-market rates.

- Loan applications are only accepted quarterly through Alberta Treasury Board and Finance. The next application date is May 2023.
- As of November 1, 2022, the current posted rate with Alberta Treasury was 5%. As of the October 31, 2022 application deadline, the posted lending rate 5.21%. As the market rates currently exceed the authorized interest rate within the bylaws, the proposed amending bylaw has maximum interest rates allowable of up to 10%.
- Since March 2022, the Bank of Canada has increased interest rates eight times, with the benchmark rate now sitting at 4.5%.
- With the upward pressure on lending rates through Alberta Treasury and Finance, other financial institutions providing lending options to municipalities are now positioned to offer competitive rates with more flexibility in repayment terms.
- Due to economic conditions impacting development in the Heartland Area, approximately \$6.47 million of the Alberta Industrial Heartland waterline construction debenture is available for use. The debenture has an average interest rate of 1.97% and is comprised of a 15-year blended (principal and interest paid down over life of debt) amortization debenture and a 10-year bullet (interest paid down over life of debt and principal in one lump sum on maturity date) debenture.
- Amending the terms and rates of the authorized borrowing would allow Administration to repurpose the remaining portion of the Alberta Industrial Heartland debenture and explore alternative borrowing solutions with the goal of keeping future debt servicing costs low while ensuring adequate funding to support ongoing investment in capital infrastructure.

External Communication

- Following first reading of Bylaw 1612/22 on December 13, 2022, advertisements were placed in the *Morinville Free Press* and the *Redwater Review* for two consecutive weeks starting January 4, 2023. The public notice was also posted on the Sturgeon County website.
- No petitions of the electors for a vote on Bylaw 1612/22 were received within 15 days after the last date the Bylaw was advertised.
- If Council passes Bylaw 1612/22, it will be published on the Sturgeon County website.

Relevant Policy/Legislation/Practices

*Municipal Government Act, RSA 2000 c.M-26*

Debt Management Policy

**Implication of Administrative Recommendation**

Strategic Alignment

**Operational Excellence** – Amending the approved borrowing rates and terms will provide greater flexibility in minimizing debt servicing costs and maximizing responsiveness to future needs while maintaining a strong alignment with the Debt Management Policy.

Organizational

Administration would continue work on the related projects to ensure timely completion and would work to secure the best available borrowing rates under the revised terms.

Financial

At a minimum, amending the borrowing terms would allow the repurposing of the Alberta Industrial Heartland debenture resulting in projected debt servicing cost savings of \$1.965 million.

	<b>Bylaw 1447/19</b>	<b>Equivalent Borrow at 5%</b>	
	Debt Servicing	Debt Servicing	Impact to Debt Servicing
2023	859,477.35	619,104.84	240,372.52
2024	859,477.35	619,104.84	240,372.52
2025	859,477.35	619,104.84	240,372.52
2026	859,477.35	619,104.84	240,372.52
	<b>Bylaw 1447/19</b>	<b>Equivalent Borrow at 5%</b>	
	Debt Servicing	Debt Servicing	Impact to Debt Servicing
2027	859,477.35	619,104.84	240,372.52
2028	859,477.35	619,104.84	240,372.52
2029	822,183.97	619,104.84	203,079.14
2030	244,014.88	619,104.84	(375,089.96)
2031	244,014.88	619,104.84	(375,089.96)
2032	244,014.88	619,104.84	(375,089.96)
2033	244,014.88	619,104.84	(375,089.96)
2034	244,014.88	619,104.84	(375,089.96)
2035	122,007.44	619,104.84	(497,097.40)
2036		619,104.84	(619,104.84)
2037		619,104.84	(619,104.84)
	<b>7,321,129.94</b>	<b>9,286,572.55</b>	<b>(1,965,442.61)</b>

Bylaw 1447/19 is a composed of a 15-year blended amortization debenture, with a remaining amortization period of 13 years and a 10-year interest only bullet debenture, with a remaining amortization period of 7 years.

The debt servicing costs for Bylaw 1447/19 assume an amortized principal portion on the 10-year bullet is transferred to reserves annually until maturity. Based on this assumption, when compared to budget, actual debt servicing costs would increase in years 1-7 and decrease in years 8-15.

**Alternatives Considered**

Council may defeat the Bylaw and pause further work on the related projects until alternative financing options can be explored.

**Implications of Alternatives**

Strategic Alignment

**Operational Excellence** – Deferral of the related projects until alternative funding options can be explored would increase the County’s available debt limit, leaving room for other projects. However, sourcing and securing

	<p>alternative funding sources would significantly delay the timing of key project deliverables.</p> <p><u>Organizational</u></p> <ul style="list-style-type: none"> <li>Administration would cease all further project development until alternative funding sources could be secured.</li> </ul> <p><u>Financial</u></p> <ul style="list-style-type: none"> <li>An alternative funding source, such as a draw from existing reserves, would be necessary.</li> </ul>
<b>Follow up Action</b>	<ol style="list-style-type: none"> <li>Obtain Mayor and CAO signatures on the Bylaw (Legislative Services, February 2023).</li> <li>Consolidate the various bylaws subject to Bylaw 1612/22 (Legislative Services, February 2023).</li> </ol>
<b>Attachment(s)</b>	<ol style="list-style-type: none"> <li>Attachment 1: Bylaw 1612/22</li> <li>Attachment 2: Bylaw 1530/21 Debenture for Broadband</li> <li>Attachment 3: Bylaw 1573/22 Bridge File 2212 Rehab Debenture</li> <li>Attachment 4: Bylaw 1574/22 Meadowview Drive Phase 2 Rehab Debenture</li> <li>Attachment 5: Bylaw 1575/22 Range Road 11 Improvement Debenture</li> <li>Attachment 6: Bylaw 1576/22 Range Road 234 Reconstruction Debenture</li> <li>Attachment 7: Bylaw 1577/22 Range Road 252 Upgrade Debenture</li> <li>Attachment 8: Bylaw 1578/22 Sturgeon Crest Subdivision Road Rehab Debenture</li> <li>Attachment 9: Bylaw 1579/22 Coal Mine Road Debenture</li> <li>Attachment 10: Bylaw 1602/22 Trestle Ridge Debenture 2022</li> <li>Attachment 11: Debt Management Policy</li> </ol>
<b>Report Reviewed by:</b>	<p>Sabrina Duquette, Manager, Corporate Finance &amp; Treasury</p> <p>Andrew Hayes, General Manager, Financial Services &amp; Chief Financial Officer</p> <p>Travis Peter, General Manager, Development &amp; Strategic Services &amp; 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
<b>Planned Growth</b>			
<ul style="list-style-type: none"> <li>Internationally competitive to attract, grow and sustain diverse businesses; tenacious focus on new growth and innovation</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Modern broadband and digital capabilities</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Low cost, minimal red-tape regulations</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Reliable and effective infrastructure planning; comprehensive land use and infrastructure planning</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Thriving Communities</b>			
<ul style="list-style-type: none"> <li>Beautiful, surprising places with high standards; integrated natural spaces &amp; trail systems; healthy and resilient</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Engaging cultural, historical, and civic amenities; strong community identity and pride</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Safe, welcoming, and diverse communities; small community feel and personal connection; commitment to high quality of life</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Environmental Stewardship</b>			
<ul style="list-style-type: none"> <li>Clean air, land, and water; Carbon neutral municipal practices; circular economy opportunities</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Conservation of natural areas and agricultural lands; enhanced greening and biodiversity; safekeeping ecosystems</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Sustainable development; partnerships with industry and others to drive emission reductions</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Collaborative Governance</b>			
<ul style="list-style-type: none"> <li>Predictable and stable external relationships; volunteer partnerships</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Meaningful connections with Indigenous communities</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Ongoing community consultation and engagement; transparent and action-oriented decision making based on sound rationale</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Respectful and informed debate; clear and supportive governance processes</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Operational Excellence</b>			
<ul style="list-style-type: none"> <li>Engaged and effective people – Council, Admin and Volunteers; continuous learning and improvement mindset; nimble and bold, with strong leadership</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>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</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Future focused thinking to proactively respond to emerging opportunities and challenges</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Alternative revenue generation and service delivery models integrated strategic and business planning</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>