



STAFF REPORT

Title: Bylaw No. 765-FN-22 - Bylaw to Amend Debenture Borrowing Bylaw Public Works Operations Centre Phase 1 Bylaw No. 733-FN-22

Meeting Date: January 24, 2023

Executive Summary:

Bylaw No. 733-FN-22 to borrow \$11,000,000 for the construction of Public Works Operations Centre Phase 1 was passed by City Council on March 22, 2022. An amendment to the Bylaw (Bylaw No. 754-FN-22), to change the options for repayment frequency of the loan was passed by Council on August 22, 2022.

Bylaw No. 765-FN-22 provides an amendment to Bylaw No. 733-FN-22 to increase the total borrowing for the project, increase the maximum interest rate permitted and clarify the repayment requirements.

Administration is requesting second and third reading of the Bylaw No. 765-FN-22 to amend Bylaw No. 733-FN-22, Incur Indebtedness for Constructing the Public Works Operating Centre. Council passed first reading of Bylaw No. 765-FN-22 at the December 13, 2022 regular council meeting. The bylaw amendment has been in the Cold Lake Sun for the January 10 and 17 issues.

Background:

Bylaw No. 733-FN-22 was passed on March 22, 2022 to borrow \$11,000,000 at a maximum interest rate of 6% over 25 years for the construction of Public Works Operations Centre Phase 1, indicating that the total cost of the project was \$22 million. In the 2023 Capital Budget proposed for Council's consideration this evening, an increase of \$7 million in the project costs of the Construction of the Public Works Operations Centre Phase 1 is included. The additional \$7 million is to be funded through increasing the debenture from \$11 million to a total of \$18 million.

Historically, the City has done its long term borrowing through a provincial corporation such as the Alberta Capital Finance Authority with low interest rates. At the end of 2021, municipalities were notified that the province can no longer afford to continue lending money to local authorities below market interest rates. Starting December 2021, the interest rates charged on new loans to local authorities were revised to better reflect the market cost of borrowing for local authorities.



In light of these changes, the City has explored the opportunity to borrow from other financial institutions at rates that are better than the rates being provided currently by the province. The loans provided by these institutions require greater flexibility in the wording utilized in the borrowing bylaw. Additionally, for consistency with the City's proposed short-term borrowing bylaw (maximum interest rate of 15%) and physician line of credit incentive arrangement with the Lakeland Credit Union (maximum interest rate of 10%), Administration is recommending that the maximum interest rate permitted under the Bylaw be increased from 6% to 10%, and the term of borrowing be increased from a maximum of 25 years to 30 years to ensure flexibility in meeting the terms of the loan. It is not anticipated that the borrowing rates will be as high as 10%, but a maximum ceiling is required to be set as per the *Municipal Government Act*.

As such, Bylaw No. 765-FN-22 provides an amendment to Bylaw No. 733-FN-22 to:

- Amend the second "whereas" clause in the preamble to state:

WHEREAS plans and specifications have been prepared and the total cost of the Public Works Operations Centre Phase 1 has a total estimated cost of **thirty** million dollars (\$**30,000,000**) and in order to complete the project it will be necessary for the City to borrow **eighteen** million (\$**18,000,000**) for a period not to exceed **30** years from the Province of Alberta or another financial institution by the issuance of debentures on the terms and condition referred to in this bylaw;

- Amend section 2.1 to Increase the maximum borrowing by \$7 million dollars to a maximum of \$18 million:

That for the purpose of constructing the Public Works Operations Centre Phase 1 the sum of **EIGHTEEN MILLION DOLLARS (\$18,000,000.00)** be borrowed from The Province of Alberta or another authorized financial institution by way of debenture on the credit and security of the City at large, of which amount the full sum of **EIGHTEEN million (\$18,000,000.00)** is to be paid by the City at large.

- Amend the wording of section 2.3 to increase the term of repayment to thirty (30) years and increase the maximum interest from 6% to 10% to allow additional flexibility:

The City shall repay the indebtedness according to the repayment structure in effect, namely monthly, quarterly, semi-annual or annual **equal** payments of **combined** principal and interest instalments **to repay the indebtedness over a period** not to exceed **THIRTY (30)** years calculated at a rate not **to exceed** ~~ing the interest rate fixed by The Province of Alberta or another authorized financial institution on the date of the borrowing, and not to exceed~~ **TEN (10)** percent.



This amendment to Bylaw No. 733-FN-22 will allow the City to borrow additional funds for the project and allow the City to pursue a loan from financial institutions that could have lower rates than what the province is offering.

Council approved first reading to Bylaw No. 765-FN-22, as presented, on December 13, 2022 and the Bylaw has been advertised in accordance with the *Municipal Government Act*.

Alternatives:

Council may:

- Give second and third reading to Bylaw No. 765-FN-22, Amendment to Bylaw No. 733-FN-22 Incur Indebtedness for Constructing the Public Works Operating Centre, as presented.
- Not give second and third reading to Bylaw No. 765-FN-22, Amendment to Bylaw No. 733-FN-22 Incur Indebtedness for Constructing the Public Works Operating Centre, as presented.

Recommended Action:

That Council give second as well as third and final reading to Bylaw No. 765-FN-22, being a Bylaw to Amend Debenture Borrowing Bylaw No. 733-FN-22 for the Construction of the Public Works Operations Centre Phase 1, in the City of Cold Lake, as presented.

Budget Implications (Yes or No):

Yes

Submitted by:

Kevin Nagoya, Chief Administrative Officer