

**Bylaw 40-2022, Amending Bylaw No. 2 to Borrowing Bylaw 37-2020****Report Purpose**

To seek Council approval on three readings of Bylaw 40-2022, a bylaw to amend Borrowing Bylaw 37-2020 for the purpose of the Winfield Heights low-pressure trickle system through a local improvement tax levy financed by debenture borrowing.

**Recommendations**

THAT Bylaw 40-2022, a bylaw to increase the maximum interest rate in in Part II Section 4 from FIVE (5) percent to SIX (6) percent, be given first reading.

THAT Bylaw 40-2022 be given second reading.

THAT Bylaw 40-2022 be considered for third reading.

THAT Bylaw 40-2022 be given third reading.

**Our Prioritized Strategic Goals**

Goal 1 - Build strong communities to support the diverse needs of residents

Goal 2 - Manage, invest and plan for sustainable municipal infrastructure

Goal 6 - Provide facilities and services that are available and accessible to residents

**Report**

When Bylaw 37-2020 was passed on July 21, 2020, the rates Strathcona County were able to obtain on debentures were much lower (bylaw stated maximum interest rate of 2.60%). Since that time, the Government of Alberta has shared that they can no longer afford to continue lending money to local authorities below market interest rates in a letter dated November 2021.

Before Strathcona County could borrow on this project there was a requirement to know the project cost, and how many residents would choose to pay their share of the cost in one lump as it is a local improvement project. On March 4, 2022, residents were sent a letter with the final construction cost and were given up to April 15, 2022, to exercise the prepayment option. At that point, the rates exceeded the maximum interest rate specified in Bylaw 37-2020, requiring an amendment. When the amendment of Bylaw 7-2022, was passed on March 22, 2022, the indicative interest rate for a debenture with a 25-year amortization as published by Alberta Treasury Board and Finance was 3.76%. It was believed that the rate of 5.00% would provide sufficient cushion, however with increasing inflation and the Bank of Canada continuing to raise the basis points this has resulted in higher borrowing for municipalities. When an application was submitted to Alberta Treasury Board and Finance for a June 15, 2022 borrow, the rate offered was 5.08%; above the allowable maximum. This increase means another amendment is required.

The proposed rate of 6.0% in our bylaw provides a cushion, should rates climb higher between now and the time of the next borrowing opportunity (September). The actual rate will be known around mid September.

**Council and Committee History**

March 22, 2022	Council approved Bylaw 7-2022, a bylaw to increase the maximum interest rate in Part II Section 4 from TWO AND SIX-TENTHS (2.6) percent to FIVE (5.0) percent.
July 21, 2020	Council approved Bylaw 37-2020, a bylaw to authorize the Council of Strathcona County to incur indebtedness by the issuance of debenture(s) in the amount of \$452,375 for the purpose of financing the design and construction of a low-pressure trickle system for the residents of Winfield Heights.
July 21, 2020	Council approved Bylaw 36-2020, a bylaw to authorize a local improvement tax levy to pay for the Winfield Heights low-pressure trickle system.
July 21, 2020	Council approved an amendment to increase the 2020 Capital Budget in the amount of \$627,375, to be funded \$175,000 from the Utilities Reserve (1.4440.5) and \$452,375 through a Local Improvement Tax, for the purpose of constructing the Winfield Heights – Rural Water Service.

**Other Impacts**

**Policy:** FIN-001-025: Debt Management Policy; FIN-001-027: Tangible Capital Assets Financial Reporting; Capital Cost Recovery for Water Servicing in the Country Residential Area

**Legislative/Legal:** Section 397 of the Municipal Government Act, RSA 2000, c. M-26 (MGA) authorizes a local improvement tax levy. Sections 251 through 263 of the Municipal Government Act (MGA), R.S.A. 2000, c.M-26 govern municipal borrowing. Notice of the borrowing bylaw is not required pursuant to Section 263 of the MGA, as the amount to be borrowed will be covered by the local improvement tax levy.

**Interdepartmental:** Financial and Strategic Services, Utilities, Assessment & Tax, Legislative and Legal Services.

**Master Plan/Framework:** n/a

**Enclosures**

1	Bylaw 40-2022
2	Bylaw 7-2022
3	Bylaw 37-2020
4	Historical Interest Rates
5	Loan Pricing Announcement
6	Notice to Residents