

Bylaw 24-2016 – a bylaw to amend various borrowing bylaws to allow for greater flexibility in borrowing.**Report Purpose**

To give first reading to Bylaw 24-2016 to amend existing borrowing bylaws to allow flexibility in the type of borrowing from Alberta Capital Finance Authority (ACFA).

Recommendation

THAT Bylaw 24-2016, a bylaw to amend various borrowing bylaws to allow for a greater flexibility in borrowing including fixed principal payments, be given first reading.

Strategic Plan Priority Areas

Economy: Debt is a financing tool that provides the County the ability to invest in capital projects that contribute towards effective and efficient infrastructure to meet the needs of our growing community.

Governance: n/a

Social: n/a

Culture: n/a

Environment: n/a

Other Impacts

Policy: Fin-001-025: Debt Management Policy

Legislative/Legal: Section 191 of the Municipal Government Act (MGA), R.S.A. 2000, c.M-26 sets out the requirements for amending existing bylaws including advertising the proposed amendments.

Interdepartmental: Financial Services, Legislative and Legal Services

Summary

Strathcona County has always borrowed long term for capital infrastructure from the Alberta Capital Finance Authority (ACFA). This agency of the Alberta Government provides a valuable service to municipalities across Alberta to allow them to borrow at one of the most competitive interest rates available. The borrowing rates are established based on the Province of Alberta's credit rating which has been at or near the best credit rating in the country for many years.

Historically, Strathcona County has borrowed from ACFA based on a blended type of debt repayment plan. This type of repayment plan provides for equal payments over the term of the debt whereby the principal increases and the interest decreases with each payment, while the payment itself stays fixed.

Strathcona County is proposing to move to a fixed principal type of borrowing whereby the principal portion is fixed over the term of the debt and the interest portion reduces with each payment; resulting in the payments decreasing as the debt is paid down.

The advantage of changing the type of repayment plans from blended to fixed principal is lower total interest charges over the term of the debt. The annual repayments at the beginning of the loan are higher but continue to reduce in the later years, resulting in an overall savings to Strathcona County.

A savings of approximately \$2.7 million will be realized over the life of the debt currently approved but still pending to borrow (\$79.8 million) for Strathcona County.

A breakdown of the pending \$79.8 million of borrowing is as follows:

- \$35.5 million Municipal – 44%
- \$22.5 million Pioneer Housing – 28%
- \$21.8 million Utilities – 27%

Pioneer Housing will continue with the blended rate type of borrowing to allow for consistent payments for their budgeting purposes. However, Strathcona County will borrow on their behalf with fixed principal rate borrowing plans, but will keep their re-payment schedule blended. The higher payments over the first part of the loan will be covered by Strathcona County to be repaid by Pioneer Housing later in the term of the debt. The total savings over a 25 year term, approximately \$1,050,000, will be reimbursed to Pioneer Housing Foundation at the end of the 25 years.

To transition from blended to fixed principal borrowing plans, 15 existing borrowing bylaws require an amendment to the wording. Within the existing bylaws, the word “equal”, referring to the semi-annual payments of combined principal and interest, needs to be deleted. This will then allow for the flexibility of fixed principal payments, where the repayments become variable.

The affected borrowing bylaws are:

Bylaws 92-2007, 94-2007, 40-2008, 19-2011, 65-2011, 59-2012, 60-2012, 34-2013, 26-2014, 44-2014, 45-2014, 14-2015, 27-2015, 48-2015, 68-2015

Communication Plan

Newspaper Advertisement

Enclosure

1 Bylaw 24-2016 (Document: 8787159)