



RPT 21-321

TITLE: Increase Approved Debt Limit

DATE: July 19, 2021

TO: Executive Committee

PUBLIC: X

INCAMERA:

RECOMMENDATION:

- 1) That Administration be authorized to proceed with an application to the Saskatchewan Municipal Board (SMB) for a ten million dollar (\$10M) increase to the City of Prince Albert's approved debt limit; and
- 2) That the Director of Financial Services be allowed to execute any documents related to the application on behalf of The City.

TOPIC & PURPOSE:

To increase the City of Prince Albert's approved debit limit from \$65,000,000 to \$75,000,000.

BACKGROUND:

The City currently has an approved debt limit of \$65,000,000.

The City's long-term debt as of December 31, 2020 is \$20,626,393.

Transit Buses	\$ 1,867,000
Cooke Municipal Golf Course irrigation system	2,033,000
West Hill Redevelopment (General Fund 10%)	164,900
West Hill Redevelopment (Land Fund 90%)	1,484,100
Water Reservoir	6,441,000
Reservoir Upgrades	6,027,000
Water Treatment Plant	2,609,393
Long-term Debt as of December 31, 2020	\$ 20,626,393

The City currently has a line of credit of \$12,000,000.

Debt financed projects approved for the 2021 budget are \$39,189,720.

Arena and Aquatic Recreation Centre	\$16,000,000
Raw Water Pump House	\$12,802,325
Landfill Cell Expansion	\$6,587,395
Marquis Road West Extension	\$2,700,000
WWTP Upgrade - Detailed Design Year 1	\$1,100,000
2021 Debt Financed Projects	\$39,189,720

PROPOSED APPROACH AND RATIONALE:

The required debt financing for the 2021 projects will result in long-term debt exceeding the current approved debt limit.

Approved debt Limit	\$ 65,000,000
Long-term debt as of December 31, 2020	(20,626,393)
Line of credit	(12,000,000)
2021 Debt Financed Projects	(39,189,720)
Over the City's Approved Debt Limit	\$ (6,816,113)

Under Section 133 of the Cities Act, "No city shall borrow moneys if the borrowing will cause the city to exceed its debt limit, unless the borrowing is approved by the Saskatchewan Municipal Board", therefore Administration is seeking Council's approval to increase the approved debt limit by ten million dollars (\$10M) to seventy-five million dollars (\$75M).

Once Council grants approval to increase the debt limit an application will be completed and sent to SMB for the increase to be approved. Before new long-term debt is incurred

Administration must send out an RFP and update the borrowing bylaw. The borrowing bylaw for the new debt will be presented to Council for approval.

CONSULTATIONS:

Debt financing for the 2021 projects was approved by City Council.

Consultation was held with the City Manager and Mayor to determine the debt limit required for the approved 2021 projects.

POLICY IMPLICATIONS:

There are no immediate policy implications to increase the debt limit, but a new long-term debt bylaw will be sent to Council for approval prior to new debt being established.

FINANCIAL IMPLICATIONS:

There are no financial implications to increasing the approved debt limit.

There are no financial implications until new long-term debt is incurred.

Interest rates are subject to change but at the time of writing this report the estimated rate of interest for municipal borrowing is 2.6% per year for 10 years and 3.1% per year for 25+ years.

Annual loan payments for the debt funded projects approved during the 2021 budget are funded by the Capital Projects Levy, Gas Tax Funding, Sanitation Improvement Fund, Development Levies Reserve, and the Water Utility Improvement Fund. None of these payments will be funded by taxation. For a more detailed description of each project and how they are funded please see the attachment "Funding for Annual Loan Payments"

OTHER CONSIDERATIONS/IMPLICATIONS:

There are no privacy implication, communication plan, official community plan, or other considerations.

STRATEGIC PLAN:

This report supports the fiscal management and accountability strategic priorities of developing funding strategies for expenses related to new capital expenditures including core services such as fire halls, roadways and underground services and long term funding for the replacement of facilities.

OPTIONS TO RECOMMENDATION:

Internal financing is not an option as it could put cash flow management at risk.

PUBLIC NOTICE:

Public Notice pursuant to the Public Notice Bylaw No. 24 of 2015 is not required.

PRESENTATION:

Verbal presentation by Cheryl Tkachuk, Director of Financial Services.

ATTACHMENTS:

1. Funding for Annual Loan Payment

Written by: Jerri Hoback, Assistant Director of Financial Services

Approved by: Director of Financial Services & City Manager