



## REQUEST FOR DECISION

**MEETING DATE:** February 26, 2024

**TITLE:** C-1291-24 - Meridian Housing Foundation Borrowing Bylaw - Second and Third Reading

**DIVISION:** Corporate Services

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### **SUMMARY:**

The City of Spruce Grove has received a request from the Meridian Housing Foundation to advance committed funds for their Spruce Grove Lodge project.

An amendment to the 2024 Operating Budget and a borrowing bylaw is required to debt finance the project contribution approved by Council on March 14, 2022.

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### **PROPOSED MOTION:**

THAT second reading be given to C-1291-24 - Meridian Housing Foundation Borrowing Bylaw.

THAT third reading be given to C-1291-24 - Meridian Housing Foundation Borrowing Bylaw.

THAT the 2024 Operating Budget be amended to include debt servicing costs of \$230,000.

### **BACKGROUND / ANALYSIS:**

On March 14, 2022, Council approved the capital equity contribution of \$2,871,850 for the development of Meridian Housing Foundation's Spruce Grove Lodge project. The total municipal contribution of \$9.5 million is being shared by the three Tri-Region municipalities and was prorated based on 2021 equalized assessment. The funding source for this project is debt financing.

On January 8, 2024, the Meridian Housing Foundation requested a \$1.8 million advance on the \$9.5 million municipal contribution from the three municipalities. The requested advance was

also prorated based on 2021 equalized assessment. The City of Spruce Grove portion of the requested advance is \$544,140.

The Meridian Housing Foundation Borrowing Bylaw will enable the City to borrow up to a maximum of \$2,871,850 for a 20-year period at an interest rate not to exceed eight per cent. The current interest rate for a 20-year term borrowing with the Government of Alberta is 5.03 per cent.

The debenture debt servicing payments for this borrowing bylaw will be funded through municipal taxation.

### **OPTIONS / ALTERNATIVES:**

Council could choose not to support the Meridian Housing Foundation Borrowing Bylaw, which would require the City to find an alternative source of funding to finance the capital contribution request.

### **CONSULTATION / ENGAGEMENT:**

Administration will engage with financial institutions to ensure minimization of cost and risk exposure to the City when undertaking this borrowing process.

### **IMPLEMENTATION / COMMUNICATION:**

In accordance with the *Municipal Government Act*, the bylaw was advertised following first reading on the City's webpage starting January 23, 2024 and in the Spruce Grove Examiner on January 26, 2024. A 15-day petition period followed, ending February 16, 2024. No petitions were received.

The tax amount per property owner related to the annual debt servicing cost of this project contribution will be shown as a separate line on the property tax notice.

### **IMPACTS:**

If this borrowing bylaw is approved, funding will be secured to provide the requested contribution to Meridian Housing Foundation.

**FINANCIAL IMPLICATIONS:**

The annual debt servicing costs are estimated to be \$230,000 commencing in 2024, calculated based on borrowing \$2,871,850 for 20 years at an annual interest rate of 5.03 per cent. A budget adjustment motion is included if the borrow bylaw is passed.

The increase in annual debt servicing costs of \$230,000 would result in an increase to the 2024 municipal tax revenue requirement that equates to a 0.46 per cent tax increase for 2024.

While the borrowing bylaw limits the borrowing rate to not exceed an interest rate of eight per cent, the expectation is that the fixed borrowing rate will be under six per cent; however, it is difficult to predict with precision how much interest rates may change.