



## **FINANCIAL SERVICES**

<b>TO:</b>	Council	
<b>DATE:</b>	December 22, 2020	<b>DIVISION:</b> All
<b>FILE:</b>	0650	<b>APPLICATION:</b> N/A
<b>SUBJECT:</b>	2020 Water and Wastewater Debt Repayment	

### **POLICY DIRECTION:**

Section 242 of the *Municipal Government Act* prescribes that Council must adopt a budget for each calendar year. Once the base budget is approved by Council, all subsequent adjustments are considered and approved by Council.

### **EXECUTIVE SUMMARY:**

Rocky View County is required to make interest and principal payments each year with respect to capital infrastructure debt (East Balzac water and wastewater systems). Payments are based on developer levies collected for the year with an additional \$1M in tax support. In order to make the required interest and principal payment for 2020, Administration is requesting that Council consider:

- 1) directing a transfer from the Tax Stabilization Reserve in the amount of \$2,194,519.37 to pay the off-site levy shortfall; or
- 2) directing Administration to request a principal payment deferral from Alberta Treasury Branch (ATB) for the same amount.

### **ADMINISTRATION RECOMMENDATION:**

Administration recommends approval in accordance with Option #1.

### **BACKGROUND:**

Rocky View County started the construction of the East Balzac wastewater system in 2003 and the East Balzac water system in 2009. These capital projects utilized a combination of grant and debt financing. The amount borrowed for the wastewater systems was \$59,289,537, and for the East Balzac water system was \$21,357,178. Developer levies collected have been used to service the capital debt for these systems. Since construction of these systems, there have been periods of slower development resulting in less than anticipated levies required to service the debt. Various strategies have been employed to ensure minimum amounts have been applied to satisfy banking agreements, including an additional \$1 million of tax support.

At a minimum, interest payments on the debt are required to maintain the credit facilities. Since 2013, and through a Council motion, Administration has applied \$1M of tax-supported payments to ensure minimum interest payments are met. If sufficient levies are collected to pay the interest payments, the \$1M tax-supported dollars would be used to accelerate the principal payments. In previous years, if developer levies fell short, the County would request a debt principal payment deferral. Required principal payments would then be added to the remaining term of the outstanding debt amounts.

Approximate amounts owing for these two systems as at December 31, 2019, were: East Balzac wastewater system \$33M, and East Balzac water system \$8M, with the corresponding amount owing to the Tax Stabilization reserve at \$10.3M.



Currently, for 2020, there is a required payment for the water and wastewater systems of \$1,030,358.24 in interest and \$3,355,593.13 in principal payments, for a total payment amount of \$4,385,951.37. The County has collected \$1,191,432.00 in off-site levy payments in 2020 and will also apply the tax supported payment amount of \$1.0M, leaving a remainder of \$2,194,519.37 owing.

Administration is requesting that Council consider directing the amount of \$2,194,519.37 to be transferred from the Tax Stabilization Reserve to make the required debt servicing for the 2020 year. Alternatively (Option 2), Rocky View County would request from Alberta Treasury Branch that this amount be deferred for the 2020 year and be added to future water and wastewater debt servicing.

**BUDGET IMPLICATIONS:**

Option #1: transfer from the Tax Stabilization Reserve in the amount of \$2,194,519.37.

Option #2: no budget implications.

**OPTIONS:**

Option #1: THAT the Budget Adjustment as presented in Attachment 'A' be approved

Option #2: THAT Administration be directed to request a principal payment deferral for the 2020 year from Alberta Treasury Branch in the amount of \$2,194,519.37.

Option #3: THAT alternative direction be provided.

Respectfully submitted,

"Kent Robinson"

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Executive Director  
Corporate Services

Concurrence,

"Al Hoggan"

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Chief Administrative Officer

BW/rp

**ATTACHMENTS:**

ATTACHMENT 'A': Budget Adjustment Request Form