

# Town of Riverview

## COUNCIL REPORT FORM



Presented to: Mayor and Council

Department: Finance and Information Technology

Date: August 14, 2023

Subject: Long-term and Interim Borrowing – Riverview Recreation Complex

### **BACKGROUND**

Based on the most recent Ten-year Capital Plan (General Fund) distributed to council at the August 14<sup>th</sup>, 2023, Regular Council Meeting, the Town of Riverview is budgeting **\$48,270,000** in relation to the capital project: **Riverview Recreation Complex (RRC)**, which is set to start construction in early 2024.

As council is aware, we have secured grant funding from the provincial and federal government under the *Canada – New Brunswick Integrated Bilateral Agreement for the Investing in Canada Infrastructure Program*. As a reminder, the following is the project financing breakdown approved based on the application submitted:

<b>Funding Source</b>	<b>Fiscal Year 2023-2024</b>	<b>Fiscal Year 2024-2025</b>	<b>Fiscal Year 2025-2026</b>	<b>Fiscal Year 2026-2027</b>	<b>Total</b>	<b>Funding Percentage</b>
<b>Canada</b>	\$3,618,619	\$7,968,163	\$7,512,925	\$880,343	\$19,980,050	<b>50%</b>
<b>New Brunswick</b>	\$1,086,671	\$2,392,839	\$2,256,131	\$264,359	\$6,000,000	<b>15.01%</b>
<b>Town of Riverview</b>	\$2,531,949	\$5,575,323	\$5,256,794	\$615,984	\$13,980,050	<b>34.99%</b>
<b>Total</b>	<b>\$7,237,239</b>	<b>\$15,936,325</b>	<b>\$15,025,850</b>	<b>\$1,760,686</b>	<b>\$39,960,100</b>	<b>100%</b>

A total of 65.01% of eligible costs on each claim submitted will be reimbursed up to the approved project total of \$39,960,100. Since applying for the grant, the total project cost has risen due to an additional \$2.0 million added to the plan per a private donors request for two more pool lanes and due to market driven inflation.

As stated in the signed agreement, the Town of Riverview must demonstrate to New Brunswick's satisfaction that all funding to complete the project has been secured, prior to New Brunswick paying

any eligible costs. Since the project will require borrowing funds, we must secure an authorization to borrow the funds planned for the duration of the project build.

The Municipal Capital Borrowing Board (MCBB) explicitly states that “Municipalities cannot commit, contract, or otherwise obligate the municipality for an expenditure requiring money to be borrowed, guaranteed, capital leased or purchased, or enter into a purchase arrangement, until authorization is granted by Ministerial Order” (ss 6 (1) *Municipal Capital Borrowing Act*).

It further notes that “Negotiations may, however, proceed with an option to purchase, but authorization by Ministerial Order must be obtained prior to finalizing the agreement. Tenders, quotes, etc. for purchases or expenditures may likewise be invited and opened, but acceptance cannot be made prior to obtaining authorization to do so”.

Therefore, we must apply and be approved for funding with the MCBB for the RRC prior to awarding any tenders. And, hence, why I am seeking resolution from council for authorization to borrow based on the required funds planned in relation to this project over its construction period (2024 to 2026).

In discussions with Director Shea, the project timeline for the RRC is currently as follows:

Aug 2023	Contractor Prequalification
Sep 2023	Updated Costing Presented to Council
Oct 2023	Release of Tender
Dec 2023	Tender Period Closes
Jan 2024	Tender Awarded
Apr 2024	Site Work Begins

Based on the above timeline, we must apply for funding at the next MCBB hearing date to allow reasonable time ahead of awarding the tender in January of 2024. We will therefore apply for borrowing by the next deadline of September 6<sup>th</sup>, which requires council resolution.

The following is a breakdown of the project cost and related borrowing requested via the resolution submitted based on the latest cost estimates:

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Total</b>
Total Estimated Costs	\$1,880,000	\$20,260,000	\$22,730,000	\$3,400,000	\$48,270,000
Fundraising (Received to date)	\$370,264	\$564,278			\$934,542
Capital from Operating	\$287,548				\$287,548
Federal Funding	\$940,000	\$9,880,000	\$8,281,175	\$878,875	\$19,980,050
Provincial Funding	\$282,188	\$2,965,976	\$2,486,009	\$265,827	\$6,000,000
Estimated Borrowing Amount	\$0	\$6,849,746	\$11,962,816	\$2,255,298	<b>\$21,067,860</b>

*Note: The above breakdown of costs allocated over the course of the project are estimates. Until we get the tender awarded and the timeline determined, we will not know the exact amounts. Council can anticipate future updates from Director Shea on the most recent costing coming in September 2023 which will coincide with the above total budget of \$48.27M (which is also in the ten-year plan). The above total cost includes \$2M for the two additional pool lanes requested by the private donor. Since we do not have a formal and signed written agreement in place at the time of this application, the province has advised I must seek conditional authority to borrow the amount until it is official. The above fundraising figures only reflect funds received to date, as the PNB has advised me to only include funds received to date and seek conditional authority on those not received yet in case any arrangements fall through (and thus we have back up via authority to borrow any shortfall). The ten-year plan shown to council at this RCM has all pledges/contractual amounts known to date, hence the difference. We have received \$934,542 to date in the bank, which we will apply to 2023 and 2024 as a source of funding, as detailed above.*

The request before council is for authorization to borrow up to \$21,000,000 for long-term financing and \$10,000,000 for interim financing (interim financing explained further below). This is much more than we anticipate needing, however, gives us security to borrow any amount up to the total costs of the contract based on latest estimates, less the approved Federal and Provincial grants and community fundraising received to date. The total does not include planned usage of reserve funds or any other source of financing available (other than the 2023 Capital from Operating amount, which we already had in our 2023 plan as a source of financing).

This plan allows the Town to protect ourselves against any rising costs, it helps to manage cash flows, and helps in providing flexibility in deciding where we use our reserve funds.

The MCBB requires us to complete financial projections based on the amount we are requesting authority to borrow on. Included in Appendix A, you will see the projections based on their template. This spreadsheet must accompany the debt application for the board consideration process.

I must inform you that if we do actually borrow the full \$21.0 million long-term financing (which is not the plan, but I must make you aware), that the tax rate and debt ratio based on PNB templates is shown in purple on Appendix A. This is strictly for illustration/awareness purposes based on actual borrowing of the full \$21.0 million and not using any reserves or other sources of financing available to the Town.

The attached Resolution is required by the provincial Municipal Capital Borrowing Board (MCBB) to demonstrate that the Town Council has approved the *Application for Authorization to Borrow* for the Riverview Recreation Complex project.

The request is for approval for authorization to borrow **Long-term Financing for \$21,000,000** as well as **Interim Financing of \$10,000,000**. The MCBB allows municipalities to borrow via interim financing to help manage cash flow between when we have to pay for invoices and when we receive our grant money claimed. Interim financing is not additional borrowing, it is simply for the permission to have a line of credit to cover any cash timing differences and therefore adding security and flexibility. The municipal borrowing guidelines state we are not allowed to carry a line of credit balance at year end, therefore this ministerial order will give us authority to carry a balance as needed over the project duration, should we require it. This approach is common for large municipal projects to assist in managing cash flow timing.

This **Application is simply to obtain "pre-authorization" to actually borrow at a later date. We will assess annually the actual costs spent for the Riverview Recreation Complex** at which point the amount we need to actually draw down will be known with greater certainty. Each fall, the Director of Finance and Information Technology will inform Council of the intention to submit additional necessary paperwork to the MCBB for the amount we intend to draw down from our authority.

## **CONSIDERATIONS**

Legal: N/A

Financial:

The projected debt service costs and impact to the tax rate related to the proposed borrowing for the General Capital Budget are included here within. Also, council should reference the updated ten-year capital plan provided to council during the same Regular Council Meeting held August 14, 2023.

If interim financing is utilized, any carrying balance will result in an interest charge. This amount is not expected to be significant whereby it is just timing between paying and receiving grant funds.

Policy:

The Town must comply with the policies set out by the provincial MCBB each time borrowing is proposed.

Stakeholders: N/A

Strategic Plan:

The borrowing for the Riverview Recreation Complex will enable the Town to continue to provide the service level(s) that are consistent with our Strategic Plan. It will also enable staff to meet the related goals and objectives and address priorities as determined by Council.

Interdepartmental Consultation:

The Director of Finance and Information Technology has reviewed with the Chief Administrative Officer the amount deemed necessary to borrow as well as the specific capital expenditures to which the proposed borrowing relates.

Communication Plan:

As part of this application process, the Town will publish a notice in the local newspaper advising ratepayers of the intention to borrow funds for the Riverview Recreation Complex. The deadline to submit the application is September 6<sup>th</sup>, 2023, and the hearing date for the MCBB is October 10<sup>th</sup>, 2023. The results are typically communicated in 3-4 weeks post hearing date. As well, the approved Resolution shall be included in the published Minutes of the Regular Council Meeting of August 14, 2023.

## **OPTIONS**

- 1) Approve
- 2) Do Not Approve

*If Option 2 is chosen, that will mean that the Ten-Year Capital Plan and future outlook on the Riverview Recreation Complex will need to be reconsidered.*

**APPENDIX A**

<b>RIVERVIEW</b>				<b>GENERAL FUND: DEBT PROFILE &amp; BUDGET PROJECTIONS</b>			
Prepared By: Shannon Parlee, CPA		Hearing Date: October 10th, 2023		Variables		Projections (See Note*)	
		Interest Rate: 5.00%		CF&E Grant		0.47%	
				Non-tax Revenues		3.00%	
				Other Exps		3.00%	
				Municipal Tax Base		2024-25 3.00%	
				Municipal Tax Base		2026-27 2.50%	
(000)	ACTUAL 2022	BUDGET 2023	**** PROJECTIONS ****				
			2024	2025	2026	2027	
<b>REVENUE</b>							
NON-TAX REVENUE	\$2,243	\$2,281	\$2,291	\$2,302	\$2,313	\$2,324	
COMMUNITY FUNDING & EQUALIZATION GRANT (*)	1,498	1,303	1,303	1,303	1,303	1,303	
OTHER GRANTS		0	0	0	0	0	
OTHER TRANSFERS		0	500	400	0	0	
SURPLUS 2ND PREV YR	430	306	206				
<b>TOTAL REVENUE</b>	<b>\$4,171</b>	<b>\$3,889</b>	<b>\$4,300</b>	<b>\$4,005</b>	<b>\$3,616</b>	<b>\$3,627</b>	
<b>WARRANT</b>	<b>\$27,864</b>	<b>\$30,842</b>	<b>\$32,203</b>	<b>\$34,016</b>	<b>\$34,716</b>	<b>\$35,592</b>	
<b>EXPENDITURE</b>							
DEBT COST	\$2,705	\$3,115	3,802	\$5,065	\$5,247	\$5,486	
CAPITAL FROM BUDGET	6,192	4,510	5,400	4,875	3,500	3,300	
WATER COST TRANSFER	300	300	300	300	300	300	
TRANSFER TO RESERVE	0	2,000	1,000	1,000	1,000	1,000	
OTHER EXPENDITURES	22,632	24,807	26,001	26,781	28,284	29,133	
DEFICIT - 2ND PREVIOUS YEAR	0	0					
<b>TOTAL EXPENDITURE</b>	<b>\$31,830</b>	<b>\$34,731</b>	<b>\$36,502</b>	<b>\$38,021</b>	<b>\$38,331</b>	<b>\$39,219</b>	
<b>SURPLUS (DEFICIT)</b>	<b>\$206</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>MUNICIPAL TAX BASE</b>	<b>1,794,621</b>	<b>\$2,080,301</b>	<b>\$2,142,710</b>	<b>\$2,206,991</b>	<b>\$2,262,166</b>	<b>\$2,318,720</b>	
<b>TAX RATE</b>	<b>1.5526</b>	<b>1.4826</b>	<b>1.5029</b>	<b>1.5413</b>	<b>1.5346</b>	<b>1.5350</b>	
<b>DEBT COST PROJECTION</b>							
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	
PRESENT DEBT SERVICE COST	\$2,656	\$3,025	2,821	2,691	2,691	2,692	
INTERIM FINANCING & OTHER CHARGES	49	\$90	120	122	70	62	
<b>REFINANCING</b>							
<b>O/S AUTHORITY</b>							
O.I.C./M.O. #: 23-0034	2023	5.00%	15	\$3,161			
<b>PLANNED BORROWING</b>							
Application	2023	5.00%	20	\$21,000			
PLANNED BORROWING	2024	5.00%	15	5,000			
PLANNED BORROWING	2025	5.00%	15	\$150			
PLANNED BORROWING	2026	5.00%	15	\$2,560			
PLANNED BORROWING	2027	5.00%	15	\$3,400			
<b>TOTAL DEBT SERVICE COST</b>	<b>\$2,705</b>	<b>\$3,115</b>	<b>3,802</b>	<b>\$5,065</b>	<b>5,247</b>	<b>\$5,486</b>	
<b>MUNICIPAL ASSESSMENT</b>	<b>\$ 1,775,940</b>	<b>\$ 2,047,508</b>	<b>\$ 2,098,695</b>	<b>\$ 2,151,163</b>	<b>\$ 2,204,942</b>	<b>\$ 2,260,065</b>	
<b>BORROWING LIMITS:</b>							
Annual - 2% of Municipal Assessment		\$	40,950				
Cumulative - 6% of Municipal Assessment		\$	122,850				