

Bylaw 18859

To authorize the City of Edmonton to undertake and finance the construction of the Citadel Theatre Construction Project

Recommendation

1. That the Corporate Expenditures and Revenues 2019-2022 Operating Budget be increased by the revenue and expenditure amounts identified in Table 1 of Attachment 2 to the April 16, 2019, Financial and Corporate Services report CR_7131.
2. That Bylaw 18859 be read a first time.

Purpose

To authorize the City of Edmonton to borrow the sum of \$2,600,000 to undertake and finance the Citadel Theatre Construction Project.

Readings

Bylaw 18859 is ready for first reading only.

Advertising and Signing

This Bylaw will be advertised in the Edmonton Journal on Saturday, April 20, 2019, and Saturday, April 27, 2019. The Bylaw cannot be signed and thereby passed prior to Monday, May 13, 2019.

Position of Administration

Administration supports this Bylaw.

Report Summary

This Bylaw provides for borrowing to undertake and finance a loan to The Citadel Theatre for the purposes of replacing and rehabilitating the roof.

Report

Citizen Services report CR_5816 Citadel Theatre Roof Rehabilitation, received for information at the February 13, 2019 Community and Public Services Committee meeting, provided background on funding options for critical roof repairs of

\$4,420,000. The Citadel Theatre Board, having secured funding through the Community Facility Partner Capital Grant for up to 33% of project costs and having identified \$500,000 of internal funding, will borrow up to \$2,600,000 from the City of Edmonton to finance the remaining cost of the roof rehabilitation. A separate lending bylaw (CR_7132 - Bylaw 18860) to authorize the City to lend up to \$2,600,000 for a term of 20 years is also on the agenda. The Citadel is seeking a loan of up to \$2,600,000 for a term of up to 20 years, with interest only payments for the first 3 years and blended principal and interest payments for the remaining 17 years. The City intends to borrow from its lender under the same terms.

Although Administration would normally recommend the loan be contingent on the lease being extended past the life of the loan, a full review of the current model and leasing arrangement is needed. Administration and the Citadel are committed to working together in 2019 to review the current capital and operating agreements to ensure a new lease is signed prior to the expiry of the current lease in 2024. If the lease is not extended or a new lease is not signed, responsibility for ownership of the building will revert to the City following the expiry of the existing lease. If the building reverts to the City and the loan payments are not recovered by the City, funding for the underlying loan payments to the Alberta Capital Finance Authority will need to come from the tax levy. To mitigate this risk, the terms of the lending agreement will require the loan to be secured by a form of guarantee or security that is in a form and content acceptable to the City Manager.

This Bylaw authorizes the City to borrow money to lend to the Citadel Theatre for the Citadel Theatre Roof Rehabilitation. The operating budget impacts of this borrowing and lending would have a net zero impact to the tax levy as the payments received from the Citadel Theatre are intended to be consistent with the terms of the borrowing from the Alberta Capital Finance Authority, as shown in Attachment 2 this report (Financial and Corporate Services report CR_7131). If City Council chooses to lend money to the Citadel Theatre then this borrowing Bylaw is available for first reading.

Bylaw 18859 will be submitted for second and third readings after the advertising and the expiration of the associated petition period.

Corporate Outcomes and Performance Management

Corporate Outcomes: The City of Edmonton has sustainable and accessible infrastructure and The City of Edmonton has a resilient financial position

Outcomes	Measures	Results	Targets
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Ensure transparent, conservative and reasonable debt financing as a source of funding to support the City's long-term capital plans and strategies while maintaining long-term financial affordability, flexibility and sustainability.	<ul style="list-style-type: none"> The City of Edmonton is subject to limits both for total debt and debt servicing by the <i>Municipal Government Act</i> and by the City's internal <i>Debt Management Fiscal Policy (C203C)</i>. <ul style="list-style-type: none"> The <i>Municipal Government Act</i> debt limit is 2 times the revenue of the City and the debt servicing limit is 35% of City revenues. For this calculation, revenues are net of capital government transfers and contributed tangible capital assets. The internal <i>Debt Management Fiscal Policy (C203C)</i> sets more conservative debt service limits at 22% (total debt) of City revenues and 15% (tax-supported debt) of Tax Levy Revenues. 	<ul style="list-style-type: none"> Based on the limits set under the <i>Municipal Government Act</i>, as of December 31, 2017, the City had used 51.5% of its debt limit and 26.8% of its debt servicing limit. Based on the limits under the <i>Debt Management Fiscal Policy</i>, as of December 31, 2017, the City had used 73.0% of its tax-supported debt servicing limit and 53.6% of its total debt servicing limit. 	Total debt and debt servicing are in line with the limits set by the <i>Municipal Government Act</i> and by the internal <i>Debt Management Fiscal Policy (C203C)</i> .
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Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Exceeding regulated debt and debt servicing limits.	Exceeding debt and debt servicing limits regulated by the <i>Municipal Government Act</i> and the internal <i>Debt Management Fiscal Policy (C203C)</i> . Exceeding the Debt Limit Regulations requires approval from the minister. Failure by a municipality to fall within the Debt Limit Regulations may result in the refusal of an application to the Alberta Capital Finance Authority to purchase the City's debentures in order to finance a capital project.	1-Rare	4-Severe	4-Low	Quarterly monitor the City's debt borrowings, debt positions and debt servicing to ensure compliance with the debt and debt servicing limits regulated by the <i>Municipal Government Act</i> and the internal <i>Debt Management Fiscal Policy (C203C)</i> . The City considers and models the impact to the debt position and debt servicing limits due to future unapproved borrowings and potential changes to interest rates.	Long term forecasts are used to determine the impact of approved and potential future unapproved projects and their impact on debt limits.

Public Engagement

Borrowing bylaws reflect a legislative requirement of the borrowing process and as a result, no public engagement is undertaken with respect to the borrowing bylaw

process. Where required by the *Municipal Government Act* borrowing bylaws are advertised.

Attachments

1. Bylaw 18859
2. Citadel Theatre Roof Rehabilitation - Operating Budget Expenditure