



**Village of Rycroft
Request for Decision**

Council Meeting Date: April 16, 2024

TOPIC: Funding for the East Side Paving Project

RECOMMENDED ACTION: That Council borrows money from its own other reserve funds accounts to fund to the East Side Paving project.

BACKGROUND: Council has taken all the necessary steps and has passed Borrowing Bylaw 241-23 and Revised Borrowing Bylaw 245-24 to borrow up to \$1.6 Million dollars (at up to a 10% interest rate) to pay for the 2023/24 paving capital project.

The deadline to apply for the loan is April 30 to have the funds issued by June 17. The next application date is July 31, and the issue date is September 16. As the project is to be completed August 31, and progress payments may need to be paid, if we are getting the loan, we should have the money to pay within our 30 day payment policy.

The current interest rate we will be getting for a 30 year loan is 5.48%. Borrowing the \$1.6M translates to 30 years of annual payments amounting to \$109,261 for principal and interest each year. The total repayment after 30 years amounts to \$3,277,830, which is an extra \$1,677,830 in interest costs paid by our rate payers.

Administration is recommending that we borrow the funds at 0% from our own reserve funds.

RESTRICTED CAPITAL RESERVE ACCOUNT

<i>Operating Fund (separate account)</i>	\$354,045
<i>Administration Building</i>	\$72,983
<i>Administration Equipment</i>	\$72,883
<i>Fire Equipment Replacement</i>	\$82,883
<i>Public Works Building and Equipment</i>	\$411,527
<i>Road Project</i>	\$733,754
<i>Water</i>	\$448,164
<i>Sewer</i>	\$139,197
<i>Parks and Recreation</i>	\$70,870
<i>Recreation Building (Hall, Library, Seniors)</i>	\$160,650
<i>Arena</i>	\$210,911
<i>General Municipal Capital</i>	\$180,249
TOTAL	\$2,900,039
 <i>Capital Accounts Only</i>	 \$2,584,071

On April 1, we had \$2,584,071 in our reserve accounts. \$733,754 of that amount will be used to pay for the paving project this summer. That leaves \$1.85M left in our restricted reserve accounts. If we used \$1.6M to pay for the rest of the paving project, then that would leave the account at \$250,000, plus the interest money we would make in the meantime. We would have our operating reserve account of \$354,045 as another cushion for emergency purposes. Then we would plan to replenish the reserve accounts with the \$750,000 of the Saddle Hills County Unconditional Grant Agreement for the next 3 years, that would put back \$2.25M into our reserve accounts.

This is contingent on a light capital budget program for the next few years. We should plan to replace the water main line down 51 street next year for \$600,000. That would be paid partially with the LGFF capital project grant (\$283K for 2024 going to paving project, and that amount should be similar in 2025, and going forward) then plan to spend ~ \$300K or less on capital works for the next few years. By then reserves and grants funds will be replenished and available. Other than the water main line, we do not have anything on the horizon requiring immediate attention.

This would not change the cost of the paving project, or the local improvement tax amounts. The improvement taxes collected will be managed accordingly for operation purposes, or put back into reserve accounts.

FINANCIAL IMPLICATIONS: As listed above. Either borrow the funds and pay back over 30 years or realign priorities and redesignate existing reserve dollars.

POLICY AND/OR LEGISLATIVE IMPLICATIONS: FIN.05 Reserve Fund Policy – Council motion can override in the best interest of the citizenship.

ALTERNATIVE OPTIONS:

1. Borrow the funds required as per the borrowing bylaw.
2. Borrow less than \$1.6M and partially subsidize with re-aligned reserve funds.

ATTACHMENTS: None.

Peter Thomas

Chief Administrative Officer

April 12, 2024

Date