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**REPORT TO FINANCE COMMITTEE  
MEETING OF WEDNESDAY, JULY 06, 2022**

**SUBJECT Bylaws Related to Municipal Finance Authority Security Issuing, Fall 2022**

**ISSUE SUMMARY**

Approval of the security issuing Bylaw Nos. 4503 and 4504 for borrowings by the Capital Regional District (CRD) and for borrowings by the District of Saanich.

**BACKGROUND**

Under Sections 410 and 411 of the *Local Government Act*, the CRD must adopt a security issuing bylaw to provide for the issue of debentures or other debt for all or any part of the debt authorized under loan authorization bylaws for its own borrowings and on behalf of municipalities requesting debt.

Debt issuance is undertaken twice annually by the Municipal Finance Authority (MFA). The process requires the CRD Board to adopt separate security issuing bylaws for each borrower. The approved bylaws are then submitted to the Ministry of Municipal Affairs for approval.

The CRD is requesting the issue of securities as follows in Table 1 below:

**TABLE 1: Capital Regional District Financial Plan Borrowing – (\$ Millions)**

Security Issuing Bylaw No.	Service	LOAN AUTHORIZATION				Term of issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4503	SGI Harbour Services	4408	\$1.180	\$0.710	\$0.470	20	\$0.470	Southern Gulf Islands Harbour Improvements
	Core Area Wastewater Treatment	4204	\$665.000	\$80.000	\$585.000	10	\$8.900	Core Area Wastewater Treatment Project
	South Galiano Fire	4239	\$2.400	\$2.100	\$0.300	25	\$0.135	South Galiano Fire Hall
	<b>TOTAL</b>						<b>\$9.505</b>	

Pursuant to Section 182 of the *Community Charter*, municipality borrowing under a loan authorization bylaw must be undertaken by the applicable regional district on behalf of the municipality. Pursuant to Section 410 of the *Local Government Act*, the regional district will finance the loan authorization bylaw of a municipality approved under the *Community Charter*.

Municipal requests for the Fall MFA issue have been submitted by the District of Saanich. The requests are outlined in Table 2 below. Each municipal borrowing is issued under a separate security issuing bylaw to ensure the MFA can administer each borrowing individually.

**TABLE 2: Municipal Borrowings – District of Saanich – (\$ Millions)**

Security Issuing Bylaw No.	Municipality	LOAN AUTHORIZATION				Term of issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4504	District of Saanich	9633	\$2.2000	\$0.0000	\$2.2000	15	\$0.3500	Drainage Capital Program
		9708	\$1.1000	\$0.0000	\$1.1000	15	\$0.7000	Sewer Capital Program
		9709	\$2.1000	\$0.0000	\$2.1000	15	\$1.6000	Drainage Capital Program
		9710	\$3.9294	\$0.0000	\$3.9294	15	\$2.0800	Transportation Capital Program
		9711	\$0.9500	\$0.0000	\$0.9500	15	\$0.6250	Parks Capital Program
	<b>TOTAL</b>		\$10.2794	\$0.0000	\$10.2794		<b>\$5.3550</b>	

**ALTERNATIVES**

*Alternative 1*

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4503, “Security Issuing Bylaw No. 2, 2022”, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4503 be adopted.
3. That Bylaw No. 4504, “Security Issuing Bylaw No. 3, 2022”, be introduced and read a first, second, and third time; and
4. That Bylaw No. 4504 be adopted.

*Alternative 2*

That adoption of Bylaw Nos. 4503 and 4504 be deferred back to staff for amendments.

## **IMPLICATIONS**

### *Financial Implications*

The CRD funds capital projects through various sources including long term borrowing. Debt is one financing tool utilized to spread costs of capital over time. Financial implications for borrowings are included within the approved financial plan bylaw for the respective years.

The SGI Harbour Service borrowing is the final draw of funding to facilitate capital expenditures related to major harbour improvements, whereas the South Galiano Fire service request is to fund the fire hall construction.

The Core Area Wastewater Treatment Service request is expected to be the final borrowing required to complete the project. Consistent with the CAWTP Financing Strategy approved by the Board in January 2019, total estimated long-term debt after this approval will be approximately \$110 million, where all outstanding debt is expected to be retired by 2032.

For the municipal borrowings, there is no direct financial impact to the CRD; all payments are made by the municipality.

### **Borrowing and Rate Details**

Each borrowing request will be funded by the MFA as part of the fall issue, with proceeds anticipated in October. The amortization period of the loan is stipulated in the loan authorization bylaws which are based on the period established during the public approval process. The rate and initial term will be determined by the MFA at time of issue in October. As of 2021, the period with which rates will be locked in will no longer follow the general 10-year initial term, with 5-year renewal terms thereafter. Depending on market conditions at the time of issuance, the MFA may use longer initial and renewal periods under certain market conditions.

Current indicative market interest rates are provided by the Municipal Finance Authority of BC and these form the starting point for internal CRD budget purposes:

<b>Loan Amortization</b>	<b>MFABC – Indicative Rates</b>
5 years	3.65%
10 years	4.03%
15 years	4.24%
20 years	4.30%
25 years	4.30%
30 years	4.30%

## **CONCLUSION**

The CRD through security issuing bylaw is enabled to borrow from the MFA for both regional district and municipal borrowings. For municipalities, the requisite loan authorization bylaws, provincial certificates of approval and municipal resolutions for the proposed security issuing

bylaws are in place. The services and municipalities requesting the borrowing will bear the resulting debt service costs. Approval of these bylaws is recommended to permit participation in the MFA Fall 2022 debt issuance.

**RECOMMENDATION**

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4503, "Security Issuing Bylaw No. 2, 2022", be introduced and read a first, second, and third time; and
2. That Bylaw No. 4503 be adopted.
3. That Bylaw No. 4504, "Security Issuing Bylaw No. 3, 2022", be introduced and read a first, second, and third time; and
4. That Bylaw No. 4504 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Kevin Lorette, Acting Chief Administrative Officer

**ATTACHMENT(S)**

Appendix A: Bylaw No. 4503, Security Issuing Bylaw No. 2, 2022

Appendix B: Bylaw No. 4504, Security Issuing Bylaw No. 3, 2022