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**REPORT TO THE SAANICH PENINSULA WATER COMMISSION
MEETING OF THURSDAY, MAY 20, 2021**

SUBJECT Bylaw No. 4411: Saanich Peninsula Water Supply Water Works Facilities Loan Authorization Bylaw

ISSUE SUMMARY

A Capital Regional District (CRD) Board resolution is required to approve loan authorization Bylaw No. 4411 for the purpose of financing the Saanich Peninsula Water Supply five year 2021-2025 capital plan.

BACKGROUND

The most recent loan authorization for the Saanich Peninsula Water Supply was approved in 1993 under Bylaw No. 2140 to finance capital spending. A loan authorization is typically prepared every five years, or as long-term debt is required. The Saanich Peninsula Water Supply capital plan (the “Capital Plan”) includes planned system upgrades and expansion that will require borrowing of \$12.9 million from the Municipal Finance Authority of British Columbia (MFABC). This borrowing will occur as required to meet cash flow needs for implementation of Commission approved capital projects. Under the *Local Government Act*, participating area approval is required.

The following bylaw is proposed:

Service Area	Action	Purpose	Bylaw
2.610	Loan Authorization Bylaw	To create a loan authorization bylaw to permit long-term borrowing related to the capital plan for this service.	4411 Saanich Peninsula Water Supply Water Works Facilities Loan Authorization Bylaw No. 1, 2021

ALTERNATIVES

Alternative 1

The Saanich Peninsula Water Commission recommends to the Capital Regional District Board:

1. That Bylaw No. 4411 cited as “Saanich Peninsula Water Supply Water Works Facilities Loan Authorization Bylaw No. 1, 2021” be introduced and read a first, second and third time; and
2. That Bylaw No. 4411 be referred to the Inspector of Municipalities for approval, and if received, to proceed with elector approval by way of the municipal consent process.

Alternative 2

That Bylaw No. 4411 be deferred to a future meeting pending further information.

IMPLICATIONS

Legislative & Financial Implications

Long-term borrowing (i.e. loans with a term of more than 5 years) cannot be undertaken without the loan authorization bylaw being approved by the Inspector of Municipalities after the bylaw is given three readings by the local government. In addition, in accordance with the *Local Government Act*, elector approval is required in order to approve the loan authorization bylaw. Electoral approval can be obtained through consent on behalf of two-thirds of municipal participants' councils or by alternative approval process. It is recommended that elector approval be obtained by the municipal consent process. In a service area of this size municipal council consent would require less administrative resources. This can be initiated when the loan authorization bylaw has received a third reading.

The loan authorization for the provisional Capital Plan is \$12.9 million and will support the planned five year capital plan expenditures commencing in January 2022. The estimated debt servicing costs for the borrowing are included in the 2021–2025 five-year operating budget. Capital funds on hand will provide additional funds as required beginning in 2022.

This loan authorization covers planned spending contained within the next five years of the capital plan. Actual borrowings in each of these years will be based on the cash flow requirements for the year, subject to the availability of funds from consumption revenue (net of operating expenditures).

To ensure optimization of interest and timing of long term debt, issuance of a temporary borrowing will be proposed if municipal consent is received and Ministerial Approval is obtained. The timing of the debt issuance will be based on the timing of expenditures and will be dependent on prevailing interest rates at the time. Before long term debt issuance can be exercised, a security issuing bylaw will be brought forward for approval. The term of any debt issuances under such loan authorization will be 15 years.

CONCLUSION

Capital program work on the Saanich Peninsula Water Supply system is planned for 2021 and ongoing. The work will be funded through a combination of capital reserve funds on hand and borrowed funds. Timely access to the borrowed funds in 2022 is critical to meeting the capital program spending needs. To that end, a Capital Regional District (CRD) Board resolution is required to commence the loan authorization process for Bylaw No. 4411 for the purpose of financing the Saanich Peninsula Water Supply system five year 2021-2025 capital plan. An elector consent process will be undertaken to obtain elector approval and can be initiated once the loan authorization bylaw has received third reading.

RECOMMENDATION

- The Saanich Peninsula Water Commission recommends to the Capital Regional District Board:
1. That Bylaw No. 4411, cited as “Saanich Peninsular Water Supply Water Works Facilities Loan Authorization Bylaw No. 1, 2021”, be introduced and read a first, second and third time; and
 2. That Bylaw No. 4411 be referred to the Inspector of Municipalities for approval, and if received, to proceed with elector approval by way of the municipal consent process.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
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ATTACHMENT(S)

Appendix A: Bylaw 4411, “Saanich Peninsula Water Supply Facilities Loan Authorization Bylaw No. 1, 2021”