

**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, JANUARY 05, 2022**

SUBJECT **Bylaw No. 4476: Security Issuing Bylaw, Spring 2022**

ISSUE SUMMARY

Approval of the security issuing bylaw for borrowings by the Capital Regional District (CRD).

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. No municipal requests for the Spring MFA 2022 issue have been submitted to the CRD.

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
		BL No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4476	Regional Parks	4142	\$6.10	\$5.60	\$0.50	10	\$0.50	E&N Rail Trail-Humpback Connector
	Magic Lake Estates Wastewater System	4320	\$6.00	\$3.76	\$2.24	30	\$1.00	Magic Lake Estates Wastewater System Upgrade
	South Galiano Fire Protection & Emergency Response Service	4239	\$2.40	\$0.00	\$2.40	25	\$2.10	South Galiano Fire Hall
	SGL Small Craft Harbour Facilities	4408	\$1.18	\$0.00	\$1.18	20	\$0.71	SGL Harbour Facility Improvements
	Vancouver Island Regional Library - Debt	3915	6.00	0.00	6.00	30	6.00	Vancouver Island Regional Library Construction
	TOTAL						\$10.31	

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4476, "Security Issuing Bylaw No. 1, 2022", be introduced and read a first, second, and third time; and
2. That Bylaw No. 4476 be adopted.

Alternative 2

That Bylaw No. 4476 be referred back to staff for further review.

IMPLICATIONS

Financial Implications

The CRD funds capital projects in some cases with long term borrowings to mitigate the annual revenue requirements and to spread costs to users over time, over the life of the asset.

Borrowing and Rate Details

Each new issue will generally be for a 10-year term, which means the lending rate is set from the date of funding for a period of 10 years. Local governments have the option to borrow for periods ranging from 5 to 30 years; therefore, any terms that exceed the 10 year period will have the lending rate reset starting in year 11. Typically, the rate will be reset for the next 5 years covering the start of year 11 to the end of year 15, and this "5-year reset process" will continue as required (i.e. until loan obligations mature). While new issues are generally funded for a 10-year initial term, the MFA evaluates how best to finance each issue based on market conditions, requests received and future refinancing risk.

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:

TABLE 2: Indicative Market Interest Rates

Time Horizon	MFABC Indicative Rates
5 years	1.80%
10 years	2.23%
15 years	2.55%
20 years	2.68%
25 years	2.68%
30 years	2.68%

The rate and length of the initial term, on each request, is confirmed only after the security issuing bylaw receives approval and after the MFA Board approves the issue terms. Each borrowing request has been included in the approved financial plan based on revenue and cost estimates calculated using a 10-year initial term. Any differences will be incorporated into a financial plan amendment if they are considered material.

CONCLUSION

The CRD, through security issuing bylaw, is enabled to borrow from the Municipal Finance Authority (MFA) for both regional district and municipal borrowings. No municipal requests for the Spring MFA 2022 issue have been submitted to the CRD. The services requesting the borrowing will bear the resulting debt service costs. Approval of the bylaw is recommended to permit participation in the MFA's Spring 2022 debt issuance.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4476, "Security Issuing Bylaw No. 1, 2022", be introduced and read a first, second, and third time; and
2. That Bylaw No. 4476 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:	Larisa Hutcheson, Acting Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Bylaw No. 4476, Security Issuing Bylaw No. 1, 2022