

**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, JULY 03, 2024**

SUBJECT **Municipal Finance Authority 2024 Fall Issue - Capital Regional District Security Issuing Bylaws No. 4621, 4622 and 4623**

ISSUE SUMMARY

Approval of the security issuing Bylaws No. 4621, 4622 and 4623 for borrowings by the Capital Regional District (CRD) and for borrowings by the City of Colwood and the Town of Sidney.

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 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)			
4621	Land, Banking & Housing	3715	\$25.000	\$9.413	\$15.587	15	\$9.075	Capital projects and land acquisition
	Environmental Resource Management	4515	\$36.000	\$11.750	\$24.250	15	\$5.500	Solid waste capital projects
	Regional Parks	4506	\$25.000	\$0.000	\$25.000	15	\$5.000	Land acquisition
	Juan de Fuca Water Distribution	4379	\$14.800	\$6.000	\$8.800	15	\$1.500	Juan de Fuca capital projects
	TOTAL		\$100.800	\$27.163	\$73.637		\$21.075	

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 municipalities loan authorization bylaw approved under the *Community Charter*. For municipalities, the requisite loan authorization bylaws, provincial certificates of approval and municipal resolutions for the proposed security issuing bylaws are in place.

Municipal requests for the fall MFA issue have been submitted by the City of Colwood and the Town of Sidney. These requests are outlined in Table 2 and Table 3 below.

TABLE 2: Municipal Borrowings – City of Colwood – (\$ Millions)

Security Issuing Bylaw No.	Municipality	LOAN AUTHORIZATION				Term of issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4622	City of Colwood	2015	\$4.656	\$0.000	\$4.656	30	\$4.656	Road Infrastructure Improvements
	TOTAL		\$4.656	\$0.000	\$4.656		\$4.656	

TABLE 3: Municipal Borrowings – Town of Sidney– (\$ Millions)

Security Issuing Bylaw No.	Municipality	LOAN AUTHORIZATION				Term of issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4623	Town of Sidney	2262	\$1.300	\$0.000	\$1.300	20	\$1.300	Park land acquisition
	TOTAL		\$1.300	\$0.000	\$1.300		\$1.300	

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4621, Security Issuing Bylaw No. 2, 2024, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4621 be adopted.
3. That Bylaw No. 4622, Security Issuing Bylaw No. 3, 2024, be introduced and read a first, second, and third time; and
4. That Bylaw No. 4622 be adopted.
5. That Bylaw No. 4623, Security Issuing Bylaw No. 4, 2024, be introduced and read a first, second, and third time; and
6. That Bylaw No. 4623 be adopted.

Alternative 2

That adoption of Bylaw No. 4621, 4622 and 4623 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 the cost of capital over time. Financial implications for borrowings are included within the approved financial plan bylaw for the respective years.

For Land Banking and Housing service 1.310, participation in the fall issue is planned for the following projects, with a total funding amounting to \$9.075 million:

- The Village on the Green project requires \$2 million to cover predevelopment costs and to pay off the existing mortgage of approximately \$1.5 million by October 2024.
- The Campus View project requires \$2 million for predevelopment costs, with an estimated expenditure of around \$1.7 million by the end of 2024.
- The Verdier/Brentwood project requires \$5.075 million for land acquisition.

The Environmental Resource Management service is borrowing funds for three new capital plan items, with a total funding amounting to \$5.5 million. The allocated amounts are as follows: \$3 million for the 24-05 Cell 5 Liner Construction, \$2 million for the 24-06 Cell 1, 2 and 3 Transition Liner and \$500,000 for the 22-02 Cell 4 Liner Installation.

The Regional Parks service is converting short-term borrowing, originally used to purchase the Royal Oak Golf Course in 2023, into long-term borrowing. At the time of purchase, interest rates favored short-term funding over using reserves. However, current conditions are now more advantageous for converting \$5 million of this borrowing into long-term debt, with the remaining balance to be funded from reserves.

The Juan de Fuca water distribution service is borrowing to fund the Asbestos Concrete Pipe Replacement Program project, with a total funding amounting to \$1.5 million.

The amounts owed to the MFA are the responsibility of the City of Colwood and the Town of Sidney. However, both the MFA liabilities and the amounts due to the CRD from the municipalities for debt servicing are reflected in the CRD's financial statements. There is no funding impact to the CRD. Once the CRD receives funds from invoices submitted to the municipalities, payments are sent to the MFA.

Borrowing Terms

Each borrowing request will be funded by the MFA as part of the fall issue, with proceeds expected to be received in the period between October to December. The amortization period for each loan is stipulated in the respective loan authorization bylaw, which is based on the period established during the public approval process. The rate and initial term will be determined by the MFA at the time of issuance. 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.

The MFA provides current indicative market interest rates as an estimate of potential rates for the upcoming issue.

The indicative rates as of June 12, 2024, are:

Loan Amortization	MFABC – Indicative Rates
5 years	3.98%
10 years	4.32%
15 years	4.61%
20 years	4.64%
25 years	4.64%
30 years	4.64%

CONCLUSION

The CRD, through security issuing bylaws, 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 borrowing costs are funded by the requesting CRD service or the Municipality. Approval of these bylaws is recommended to permit participation in the MFA Fall 2024 Debt Issuance.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4621, Security Issuing Bylaw No. 2, 2024, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4621 be adopted.
3. That Bylaw No. 4622, Security Issuing Bylaw No. 3, 2024, be introduced and read a first, second, and third time; and
4. That Bylaw No. 4622 be adopted.
5. That Bylaw No. 4623, Security Issuing Bylaw No. 4, 2024, be introduced and read a first, second, and third time; and
6. That Bylaw No. 4623 be adopted.

Submitted by:	Angela Linwood, CPA, CMA, Controller
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: Bylaw No. 4621, Security Issuing Bylaw No. 2, 2024
Appendix B: Bylaw No. 4622, Security Issuing Bylaw No. 3, 2024
Appendix C: Bylaw No. 4623, Security Issuing Bylaw No. 4, 2024