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**REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, JANUARY 08, 2025**

SUBJECT Bylaw No. 4664: Regional Water Watershed Land Acquisition Loan Authorization Bylaw No. 1, 2025

ISSUE SUMMARY

At the direction of the Capital Regional District (CRD) Board, this report brings forward a loan authorization bylaw for the purpose of financing a Regional Water Supply land acquisition at the south end of the Sooke Lake watershed.

BACKGROUND

In 2024, the Regional Board approved a recommendation from the Regional Water Supply Commission (RWSC) that a loan authorization bylaw be prepared to provide financing for a watershed land acquisition. This land acquisition has been included in the 2025 capital plan. Following the CRD Board approval of the provisional 2025 budget on October 30, 2024, loan authorization and security issuing bylaws were prepared by staff.

Loan authorization bylaws specify the maximum amount, restricted use and debt repayment amortization period. Since these bylaws expire after five years, they are drafted to cover the five-year financial plan for services requiring borrowing to fund capital.

The watershed land acquisition requires borrowing of \$32.3 million from the Municipal Finance Authority of British Columbia (MFABC). Requests for funds to be drawn against the loan authorization bylaw will only be authorized upon Board approval of a subsequent temporary borrowing and/or security issuing bylaw.

The following bylaw is proposed:

Service Area	Action	Purpose	Bylaw
Regional Water Supply	Loan Authorization Bylaw	To create a loan authorization bylaw to permit long-term borrowing related to the acquisition of land for this service.	4664

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4664, "Regional Water Watershed Land Acquisition Loan Authorization Bylaw No. 1, 2025", be introduced and read a first, second, and third time;
2. That participating area approval be obtained by alternative approval process for the entire service area; and
3. That Bylaw No. 4664 be forwarded to the Inspector of Municipalities for approval.

Alternative 2

That the proposed bylaw be referred back to staff for further information.

IMPLICATIONS

Legislative and Financial Implications

Before adoption by the Board, a loan authorization bylaw requires three readings, elector approval, and approval by the Inspector of Municipalities. Upon final approval, borrowings of \$32.3 million will be authorized and will support the planned five-year capital plan expenditures commencing in January 2025. The estimated debt servicing costs for borrowing are included in the approved 2024 CRD final financial plan.

With MFABC's current indicative interest rate of 4.37% as of December 16, 2024, the estimated annual debt servicing payments are \$2 million with a 30-year amortization term. The total debt servicing payments are expected to be \$59.9 million. Debt servicing payments within the plan are funded from the sale of bulk water through the Regional Water Supply service. Actual borrowings in each of the next five years will be based on the cash flow requirements for the year.

As part of the loan authorization approval process, the bylaw requires elector approval. Elector approval can be obtained through a referendum, by an alternative approval process (AAP) for the entire service area, or by consent on behalf of municipal participant and electoral area specific AAP in the electoral participating area. It is recommended to obtain consent for the entire service area by way of AAP.

To ensure optimization of interest and timing of long-term debt, issuance of a temporary borrowing bylaw will be proposed if Ministerial approval is obtained, and the AAP proves successful. 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 debt issuance under the loan authorization will be 30 years.

CONCLUSION

The RWSC recommended to the CRD Board that a loan authorization bylaw be prepared to provide the financing of a watershed land acquisition. Bylaw No. 4664, "Regional Water Watershed Land Acquisition Loan Authorization Bylaw No. 1, 2025", is presented now in preparation for future borrowing to enable the watershed land acquisition included in the service's five-year (2025-2029) capital plan.

RECOMMENDATION

1. That Bylaw No. 4664, "Regional Water Watershed Land Acquisition Loan Authorization Bylaw No. 1, 2025", be introduced and read a first, second, and third time;
2. That participating area approval be obtained by alternative approval process for the entire service area; and
3. That Bylaw No. 4664 be forwarded to the Inspector of Municipalities for approval.

Submitted by:	Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO
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ATTACHMENT

Appendix A: Bylaw No. 4664, “Regional Water Watershed Land Acquisition Loan Authorization Bylaw No. 1, 2025”