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**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, JULY 05, 2023**

SUBJECT Municipal Finance Authority 2023 Fall Issue - Capital Regional District Security Issuing Bylaws No. 4562 and 4563

ISSUE SUMMARY

Approval of the security issuing Bylaw No. 4562 and 4563 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 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)			
4562	Environmental Resource Management	4515	\$36.00	\$0.00	\$36.00	15	\$7.45	Solid Waste capital projects
	Core Area Wastewater	4374	\$22.70	\$0.00	\$22.70	15	\$10.47	Core Area capital projects
	Juan de Fuca Water Distribution	4379	\$14.80	\$0.00	\$14.80	15	\$6.00	Juan de Fuca Capital Projects
	TOTAL		\$73.50	\$0.00	\$73.50		\$23.92	

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 District of Saanich. The requests are outlined in Table 2 below.

TABLE 2: Municipal Borrowings – (\$ Millions)

Security Issuing Bylaw No.	Municipality	LOAN AUTHORIZATION				Term of issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4563	District of Saanich	9632	\$1.3000	\$0.0000	\$1.3000	15	\$1.3000	Sewer Capital Program
		9633	\$2.2000	\$0.3500	\$1.8500	15	\$1.8500	Drainage Capital Program
		9709	\$2.1000	\$1.6000	\$0.5000	15	\$0.5000	Drainage Capital Program
		9710	\$3.9294	\$2.0800	\$1.8494	15	\$1.8494	Transportation Capital Program
		9711	\$0.9500	\$0.6250	\$0.3250	15	\$0.3250	Parks Capital Program
		9768	\$2.1000	\$0.0000	\$2.1000	15	\$0.8000	Drainage Capital Program
		9769	\$3.5000	\$0.0000	\$3.5000	15	\$3.5000	Transportation Capital Program
		9770	\$0.9000	\$0.0000	\$0.9000	15	\$0.2000	Parks Capital Program
		9541	\$4.0404	\$0.0000	\$4.0404	30	\$1.9254	Land Acquisition
	TOTAL		\$21.0198	\$4.6550	\$16.3648		\$12.2498	

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4562, Security Issuing Bylaw No. 2, 2023, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4562 be adopted.
3. That Bylaw No. 4563, Security Issuing Bylaw No. 3, 2023, be introduced and read a first, second, and third time; and
4. That Bylaw No. 4563 be adopted.

Alternative 2

That adoption of Bylaw No. 4562 and 4563 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.

The Environmental Resource Management service is borrowing for two new capital plan items, the first being the Cell 4 Liner installation with a borrowing of \$6.7 million, which is \$0.5 million less than the approved capital plan due to delays in design and tendering. The other is \$0.750 million is for construction related to the Gravity Retaining Wall. The total planned borrowing for this project is \$2.0 million, with the remaining \$1.25 million issue anticipated in 2024.

The Core Area Wastewater service plans to finance their capital plan items through the long-term borrowing request included in this issue; however, they intend to borrow around \$8.6 million less than initially projected in the approved financial plan. This is due to the deferment of certain capital projects.

The Juan de Fuca Water Distribution service is borrowing funds for capital plan items. However, they intend to borrow around \$3 million less than previously projected, mainly because of the deferral of some capital projects that were initially scheduled for 2023. The deferrals include the Coppermine Pump Station and specific segments of the A/C Replacement Program, which are now scheduled to complete in 2024.

For the municipal borrowings, the amounts owed and due are the responsibility of the District of Saanich. However, both the liabilities and amounts due from municipalities are reflected in the accounts and financial statements of the CRD. There is no funding impact to the CRD; the CRD invoices and received funds from the municipalities and then the CRD remits payments 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 of each loan is stipulated in the respective loan authorization bylaw, which are 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 14, 2023 are:

Loan Amortization	MFABC – Indicative Rates
5 years	4.16%
10 years	4.20%
15 years	4.53%
20 years	4.56%
25 years	4.56%
30 years	4.56%

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 2023 Debt Issuance.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4562, Security Issuing Bylaw No. 2, 2023, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4562 be adopted.
3. That Bylaw No. 4563, Security Issuing Bylaw No. 3, 2023, be introduced and read a first, second, and third time; and
4. That Bylaw No. 4563 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
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ATTACHMENTS

- Appendix A: Bylaw No. 4562, Security Issuing Bylaw No. 2, 2023
Appendix B: Bylaw No. 4563, Security Issuing Bylaw No. 3, 2023