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REPORT TO CAPITAL REGIONAL DISTRICT BOARD MEETING OF WEDNESDAY, JULY 12, 2017

SUBJECT **Bylaws No. 4198, 4199 and 4200: Municipal Finance Authority Security Issuing Bylaws – Fall 2017**

ISSUE

Approval of the security issuing bylaws for the Capital Regional District (CRD), District of Saanich and the Town of Sidney.

BACKGROUND

Under *Sections 410 and 411 of the Local Government Act (LGA)*, 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 Community, Sport and Cultural Development (MCSCD) for approval.

The CRD is requesting the issue of securities as follows:

TABLE 1: Capital Regional District - Financial Plan Borrowing – (\$ Millions)

Security Issuing Bylaw No.	Service	LOAN AUTHORIZATION				Term of issue	Issue amount	Notes
		Bylaw No.	Authorized	Borrowed	Remaining			
4198	Ganges Sewer Service	4007	\$3.9M	\$350K	\$3.55 M	20	\$1.5M	Wastewater System Renewal and Upgrade
	Regional Parks	4142	\$6.1M	\$0	\$6.1 M	15	\$560K	E&N Trail
	911 Call Answer	4119	\$16.0M	\$0	\$16.0M	15	\$7.0M	Consolidated call answer centre
	Magic Lake Estates Sewer Service	4048	\$1.53M	\$745k	\$785K	10	\$250K	Wastewater System Renewal and Upgrade
	TOTAL						\$9.31 M	

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 loan authorization bylaw of a municipality approved under the *Community Charter*. This will permit the municipality to access long-term borrowing through the Municipal Finance Authority for an upcoming issue.

Municipal requests for the fall MFA issue have been submitted by the District of Saanich and the Town of Sidney. The requests are outlined in Table 2 below.

TABLE 2: Municipal Borrowings (\$ Thousands)

Security Issuing Bylaw No.	Municipality	LOAN AUTHORIZATION				Term of issue	Issue amount	Notes
		Bylaw No.	Authorized	Borrowed	Remaining			
4199	Saanich	9380	\$1.5M	\$0	\$1.5M	15	\$1.5M	Sewer system improvements
4199	Saanich	9382	\$2.0M	\$0	\$2.0M	15	\$2.0M	Transportation Infrastructure
4199	Saanich	9384	\$195.8K	\$0	\$195.8K	15	\$196K	Improvements to Community Facilities
	TOTAL						\$3.696M	
4200	Sidney	2111	\$10.0M	\$0	\$10.0M	30	\$3.0M	Construction of Community Safety Building
	TOTAL						\$3.0M	

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 of 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). The MFA’s long term borrowing rate is currently 2.42%.

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4198, “Security Issuing Bylaw No. 4, 2017”, be introduced and read a first and second time;
2. That Bylaw 4198 be read a third time;
3. That Bylaw 4198 be adopted;
4. That Bylaw No. 4199, “Security Issuing Bylaw No. 5, 2017”, be introduced and read a first and second time;
5. That Bylaw No. 4199 be read a third time;
6. That Bylaw No. 4199 be adopted;

7. That Bylaw No. 4200, “Security Issuing Bylaw No. 6, 2017”, be introduced and read a first and second time;
8. That Bylaw No. 4200 be read a third time; and
9. That Bylaw No. 4200 be adopted.

Alternative 2

That adoption of Bylaw No’s. 4198, 4199 and 4200 be deferred back to staff for amendments.

IMPLICATIONS

The CRD funds large capital projects with long term borrowings in order to mitigate the risk of interest rate fluctuation and to spread the capital costs of facilities over current and future users. Municipal borrowings are supported by municipal resolution and debt servicing levels are below liability servicing limits. For the municipal borrowings, there is no direct impact to the CRD. The debt is issued to the municipalities through the regional district and all principal and interest payments are paid for by the respective municipalities.

CONCLUSION

The CRD is empowered to borrow from the MFA for capital projects through a security issuing bylaw. The requisite loan authorization bylaws, provincial certificates of approval and municipal resolutions for the proposed security issuing bylaws are in place. The services and municipalities requesting the borrowing will bear the resulting debt service costs. Approval of these bylaws is recommended to permit participation in MFA’s 2017 fall debt issuance.

RECOMMENDATION

1. That Bylaw No. 4198, “Security Issuing Bylaw No. 4, 2017”, be introduced and read a first and second time;
2. That Bylaw 4198 be read a third time;
3. That Bylaw 4198 be adopted;
4. That Bylaw No. 4199, “Security Issuing Bylaw No. 5, 2017”, be introduced and read a first and second time;
5. That Bylaw No. 4199 be read a third time;
6. That Bylaw No. 4199 be adopted;
7. That Bylaw No. 4200, “Security Issuing Bylaw No. 6, 2017”, be introduced and read a first and second time;
8. That Bylaw No. 4200 be read a third time; and
9. That Bylaw No. 4200 be adopted.

Submitted by:	Amber Donaldson, MA, CPA, CMA, A/Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

PD:ngm

Attachments: 1. Bylaw No. 4198
2. Bylaw No. 4199
3. Bylaw No. 4200