Appendix C: Supplementary Information

Question from Director Holman at Hospitals and Housing Committee relating to the term of borrowing for the Westshore Urgent Primary Care Centre (WUPCC); the bylaw is for a 5 year amortization period, why isn't it 10 or 15 years as it would be more affordable for residents?

To expand on Mr. Chan's answer to committee; typically, borrowing bylaws are set to an amortization period of 15 years. While legislation allows financing terms of up to 30 years, it's often a balance of affordability in annual debt servicing payments vs the total cost of borrowing. The longer the term/amortization period, the lower the annual payments will be. However, as you increase the term, the total cost of debt will increase as you'll pay interest over a longer period of time.

For the WUPCC consider the debt borrowing is for **$1,272,000**, the following table summarizes the cost of MFA financing and hence, why we recommended a 5 year term – balancing cost per household with total cost of borrowing.

Amortization Period	**5 Years**	**10 Years**	**15 years**
Cost per household (annual)	$1.51	$0.85	$0.64
Cost of Borrowing (interest paid)	$197,160	$461,736	$747,936

As mentioned, while we typically set amortization periods to 15 years. There have been exceptions to this, most notably;

1. The Summit Project (25 years) – the exception/extension to 25 years was made to align the operating lease back from VIHA to CRHD, essentially matching revenue collected to debt servicing payments going out. If we shortened the financing term to 15 years, CRHD would have needed to requisition the shortfall for the first 15 years. The benefit would have been revenue for the last 10 years with no lease payments. Direction from committee and board in 2017 was to execute a 25 year term borrowing.
2. South Galiano Fire Hall (25 years) – the options of 10-15-25 years was presented in a public meeting where the direction was to take 25 years due to constituent affordability despite significantly higher total cost of borrowing. The key consideration was a relatively small service area with a large $2.4M borrowing.

As we continue to enhance financial management controls and practices, I will add a review and development of debt servicing guidelines to establish and formalize the relationship between affordability and cost of borrowing. Thanks for the opportunity to clarify my response and to earmark areas for improvement of our practices.