

**REPORT TO THE GOVERNANCE AND FINANCE COMMITTEE
MEETING OF WEDNESDAY, JULY 3, 2019**

SUBJECT **Bylaws No. 4318 and 4319: Municipal Finance Authority Security Issuing Bylaws – Fall 2019**

ISSUE

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

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 Municipal Affairs & Housing (MMAH) for approval.

The CRD is requesting the issue of securities as follows in Table 1 and 2 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)			
4318	911 Call Answer	4119	\$16.000	\$7.000	\$9.000	15	\$5.900	Consolidated Call Answer Centre
	Ganges Sewer Service	4007	\$3.900	\$3.650	\$0.250	25	\$0.250	Wastewater System Renewal and Upgrade
	TOTAL						\$6.150	

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 *LGA*, 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. The requests are outlined in Table 2 below.

TABLE 2: Municipal Borrowings – District of Saanich – (\$ Millions)

Security Issuing Bylaw No.	Municipality	LOAN AUTHORIZATION				Term of issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4319	Saanich	9431	\$1.500	\$0.130	\$1.370	15	\$1.370	Sewer Capital Program
	Saanich	9432	\$1.500	\$0.550	\$0.950	15	\$0.300	Storm Drainage Capital Program
	Saanich	9433	\$2.000	\$1.365	\$0.635	15	\$0.300	Transportation Capital Program
	Saanich	9434	\$1.300	\$1.150	\$0.150	15	\$0.150	Parks Capital Program
	Saanich	9499	\$1.500	\$0.000	\$1.500	15	\$0.550	Sewer Capital Program
	Saanich	9500	\$2.000	\$0.100	\$1.900	15	\$1.250	Storm Drainage Capital Program
	Saanich	9501	\$2.400	\$0.800	\$1.600	15	\$1.600	Transportation Capital Program
	Saanich	9502	\$0.900	\$0.510	\$0.390	15	\$0.390	Parks Capital Program
	Saanich	9503	\$1.350	\$0.000	\$1.350	5	\$0.655	Community Facilities Capital Projects
	TOTAL						\$6.565	

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 10 year borrowing rate is currently 2.49%.

CRD’s multi-year budgets establish a longer-term focus including budgeting for current and future debt. Current indicative market interest rates are provided by the Municipal Finance Authority of BC and form the starting point for rates used in financial planning:

Time Horizon (years)	MFABC – Indicative Rates
5	2.14%
10	2.49%
15	2.77%
20	2.87%
25	2.87%
30	2.87%

ALTERNATIVES

Alternative 1

That the Governance and Finance Committee recommend to the Capital Regional District Board:

1. That Bylaw No. 4318, “Security Issuing Bylaw No. 5, 2019”, be introduced and read a first, second, and third time;
2. That Bylaw No. 4318 be adopted;
3. That Bylaw No. 4319, “Security Issuing Bylaw No. 6, 2019”, be introduced and read a first, second, and third time;
4. That Bylaw No. 4319 be adopted.

Alternative 2

That adoption of Bylaw No’s. 4318 and 4319 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 2019 Fall debt issuance.

RECOMMENDATION

That the Governance and Finance Committee recommend to the Capital Regional District Board:

1. That Bylaw No. 4318, “Security Issuing Bylaw No. 5, 2019”, be introduced and read a first, second, and third time;
2. That Bylaw No. 4318 be adopted;
3. That Bylaw No. 4319, “Security Issuing Bylaw No. 6, 2019”, be introduced and read a first, second, and third time;
4. That Bylaw No. 4319 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

AH:nm

Attachments: 1. Bylaw No. 4318
2. Bylaw No. 4319