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**REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, JANUARY 08, 2020**

SUBJECT Bylaw Nos. 4344, 4345 and 4346: Municipal Finance Authority Security Issuing Bylaws, Spring 2020

ISSUE SUMMARY

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

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 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 and in the case of Core Area Wastewater Treatment a separate bylaw has been created for consideration. The approved bylaws are then submitted to the Ministry of Municipal Affairs & Housing for approval.

In addition to MFA debenture debt issue, the MFA also administers local government debt issued by the Federation of Canadian Municipalities (FCM). In 2019 the CRD applied for financing from FCM through the Green Municipal Fund program. The program loans money to local governments at competitive borrowing rates and offers a grant of up to 15% of the loan value for projects that improve environmental performance in municipal, energy, transportation, waste, or water, or some combination of these sectors.

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)	(\$M)Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4344	Juan de Fuca Water Distribution	3981	\$14.8	\$5.0	\$9.8	15	\$5.1	Water distribution facilities
	TOTAL						\$5.1	

TABLE 2: 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)			
4345*	Core Area Wastewater Treatment	4204	\$665.0	\$60.0	\$605.0	20	\$20.0	FCM Loan Wastewater Treatment Plant
	TOTAL						\$20.0	

* Security Issuing Bylaw and Agreement standard language amended to reflect FCM funding relationship.

Municipal requests for the Spring MFA issue have been submitted by the Town of Sidney. The requests are outlined in Table 3 below.

TABLE 3: Municipal Borrowings – Sidney – (\$ Millions)

Security Issuing Bylaw No.	Service	LOAN AUTHORIZATION				Term of issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
4346	Sidney	2111	\$10.0	\$5.5	\$4.5	30	\$3.0	Construction of Community Safety Building
	TOTAL						\$3.0	

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.

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4344, “Security Issuing Bylaw No. 1, 2020”, be introduced and read a first, second, and third time;
2. That Bylaw No. 4344 be adopted;
3. That Bylaw No. 4345, “Security Issuing Bylaw No. 2, 2020”, be introduced and read a first, second, and third time;
4. That Bylaw No. 4345 be adopted;
5. That Bylaw No. 4346, “Security Issuing Bylaw No. 3, 2020”, be introduced and read a first, second, and third time;
6. That Bylaw No. 4346 be adopted.

Alternative 2

That adoption of Bylaw Nos. 4344, 4345 and 4346 be deferred back to staff for amendments.

IMPLICATIONS

Financial 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.

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 2.46%.

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 these form the starting point for internal CRD budget purposes:

Time Horizon	MFABC – Indicative Rates
5 years	2.17%
10 years	2.46%
15 years	2.70%
20 years	2.81%
25 years	2.81%
30 year	2.81%

FCM interest rates are not publically published and the interest rate on the current FCM 20 year loan application is subject to negotiation. Financing analysis indicates the \$3 million FCM grant, if approved, would result in a lower cost of financing compared with a 20 year traditional MFA loan.

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 2020 Spring debt issuance.

RECOMMENDATION

1. That Bylaw No. 4344, “Security Issuing Bylaw No. 1, 2020”, be introduced and read a first, second, and third time;
2. That Bylaw No. 4344 be adopted;
3. That Bylaw No. 4345, “Security Issuing Bylaw No. 2, 2020”, be introduced and read a first, second, and third time;
4. That Bylaw No. 4345 be adopted;
5. That Bylaw No. 4346, “Security Issuing Bylaw No. 3, 2020”, be introduced and read a first, second, and third time;
6. That Bylaw No. 4346 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Kevin Lorette, Acting Chief Administrative Officer

ATTACHMENT(S)

- Appendix A: Bylaw No. 4344, Security Issuing Bylaw No. 1, 2020
- Appendix B: Bylaw No. 4345, Security Issuing Bylaw No. 2, 2020
- Appendix C: Bylaw No. 4346, Security Issuing Bylaw No. 3, 2020