

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

SUBJECT **Bylaw No. 4361: Security Issuing Bylaw No. 4, 2020**

ISSUE SUMMARY

Approval of the security issuing bylaw for the District of Saanich.

BACKGROUND

Under Sections 410 and 411 of the *Local Government Act*, the Capital Regional District (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 for approval.

A municipal request for the Fall 2020 MFA issue has been submitted by the District of Saanich. The request is outlined in Table 1 below.

TABLE 1: 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)			
4361	Saanich	9499	\$1.5	\$0.550	\$0.950	15	\$0.950	Sewer Capital Program
	Saanich	9432	\$1.5	\$0.850	\$0.650	15	\$0.650	Storm Drainage Capital Program
	Saanich	9433	\$2.0	\$1.665	\$0.335	15	\$0.335	Transportation Capital Program
	Saanich	9500	\$2.0	\$1.35	\$0.650	15	\$0.650	Storm Drainage Capital Program
	Saanich	9503	\$1.35	\$0.655	\$0.695	5	\$0.695	Community Facilities Capital Project
	TOTAL						\$3.28	

Pursuant to Section 182 of the *Community Charter*, municipal 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. 4361, Security Issuing Bylaw No. 4, 2020, be introduced and read a first, second and third time; and
2. That Bylaw No. 4361 be adopted.

Alternative 2

That Bylaw No. 4361 be deferred back to staff for amendments.

IMPLICATIONS

Financial Implications

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 estimated at 1.80%.

CRD 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	1.28%
10 years	1.80%
15 years	2.31%
20 years	2.58%
25 years	2.58%
30 year	2.58%

CONCLUSION

The CRD is empowered to borrow from the MFA for capital projects and on behalf of member municipalities through a security issuing bylaw. The requisite loan authorization bylaw, provincial certificate of approval and municipal resolution for the proposed security issuing bylaw is in place. The municipality requesting the borrowing will bear the resulting debt service costs. Approval of this bylaw is recommended to permit participation in MFA's 2020 Fall debt issuance.

RECOMMENDATION

1. That Bylaw No. 4361, Security Issuing Bylaw No. 4, 2020, be introduced and read a first, second and third time; and
2. That Bylaw No. 4361 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:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Bylaw No. 4361, Security Issuing Bylaw No. 4, 2020