

**REPORT TO JUAN DE FUCA WATER DISTRIBUTION COMMISSION
MEETING OF TUESDAY, OCTOBER 06, 2020**

SUBJECT **Bylaw No. 4379: Juan de Fuca Water Distribution Loan Authorization Bylaw No. 5, 2020**

ISSUE SUMMARY

A Capital Regional District (CRD) Board resolution is required to approve loan authorization Bylaw No. 4379 for the purpose of financing the Juan de Fuca Water Distribution system five year 2021-2025 capital plan.

BACKGROUND

The last loan authorization for the Juan de Fuca Water Distribution service was under Bylaw 3981, to finance capital spending over 2015 to 2020. A loan authorization is typically prepared every five years, or as debt is required.

The Juan de Fuca Water Distribution capital plan (the "Capital Plan") includes planned replacement and improvements totaling \$49.7 million and will require borrowing of \$14.8 million from the Municipal Finance Authority of British Columbia (MFABC).

This borrowing will occur as required to meet cash flow needs for implementation of Commission-approved capital projects. Under the *Local Government Act*, participating area approval is required for the loan authorization and can be obtained through the Alternative Approval Process (AAP), which is the most efficient process regarding time and cost.

The following bylaw is proposed:

Service Area	Action	Purpose	Bylaw
2.680	Loan Authorization Bylaw	To create a loan authorization bylaw to permit long-term borrowing related to the capital plan for this service.	4379 Juan de Fuca Water Distribution Facilities Loan Authorization Bylaw No. 5, 2020

ALTERNATIVES

Alternative 1

The Juan De Fuca Distribution Commission recommends to the Capital Regional District Board:

1. That Bylaw No. 4379, Juan de Fuca Water Distribution Facilities Loan Authorization Bylaw No. 5, 2020, be introduced and read a first, second, and third time;
2. That elector assent for Bylaw No. 4379 in the entire service area be obtained via alternative approval process, according to section 345 of the *Local Government Act*, and if successful, referred to the Inspector of Municipalities for approval.

Alternative 2

That Bylaw No. 4379 be referred back to staff for additional information.

IMPLICATIONS

Legislative Implications

It is recommended that approval be obtained by AAP. The AAP can be initiated when the loan authorization bylaw has received third reading.

Financial Implications

Long-term borrowing (i.e. loans with a term of more than 5 years) cannot be undertaken without the loan authorization bylaw being approved by the Inspector of Municipalities after the bylaw is given three readings by the local government. In addition, in accordance with the *Local Government Act*, elector approval is required in order to approve the loan authorization bylaw by either consent on behalf of the service's participating areas or by AAP.

The loan authorization for the provisional Capital Plan is \$14.8 million and will support the planned five year capital plan expenditures commencing in January 2021. The estimated debt servicing costs for the borrowing are included in the 2021–2025 five-year operating budget. Capital funds on hand will provide additional funds as required.

This loan authorization covers planned spending contained within the next five years of the capital plan. Actual borrowings in each of the next five years will be based on the cash flow requirements for the year, subject to the availability of funds from consumption revenue (net of operating expenditures).

To ensure optimization of interest and timing of long term debt, issuance of a temporary borrowing will be proposed if the AAP proves successful and Ministerial Approval is obtained. The timing of the debt issuance will be based on the timing of expenditures and will be dependent on prevailing interest rates at the time. Before long term debt issuance can be exercised, a security issuing bylaw will be brought forward for approval. The term of any debt issuances under such loan authorization will be 15 years.

CONCLUSION

Capital program work on the Juan de Fuca water distribution system is planned for 2021 and ongoing. The work will be funded through a combination of capital funds on hand and borrowed funds. Access to the borrowed funds in 2021 is critical to meet capital program needs. A Capital Regional District (CRD) Board resolution is required to approve loan authorization Bylaw No. 4379 for the purpose of financing the Juan de Fuca Water Distribution system five year 2021-2025 capital plan. An Alternative Approval Process will be undertaken to obtain elector approval and can be initiated once the loan authorization bylaw has received third reading.

RECOMMENDATION

The Juan de Fuca Water Distribution Commission recommends to the Capital Regional District Board:

1. That Bylaw No. 4379, “Juan de Fuca Water Distribution Facilities Loan Authorization Bylaw No. 5, 2020”, be introduced and read a first, second, and third time;
2. That elector assent for Bylaw No. 4379 in the entire service area be obtained via alternative approval process, according to section 345 of the *Local Government Act*, and if successful, referred to the Inspector of Municipalities for approval.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
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Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT

Appendix A: Bylaw 4379, “Juan de Fuca Water Distribution Facilities Loan Authorization Bylaw No. 5, 2020”