

**REPORT TO CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE  
MEETING OF WEDNESDAY, OCTOBER 07, 2020**

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**SUBJECT**     **Bylaw Nos. 4374 and 4375: Core Area Wastewater Loan Authorizations**

**ISSUE SUMMARY**

A Capital Regional District (CRD) Board resolution is required to commence the loan authorization process for Bylaw No. 4374, planned borrowing as set out in the Liquid Waste Management Plan; and Bylaw No. 4375, borrowing required to implement a long-term capital program for the Core Area Wastewater program.

**BACKGROUND**

On August 12, 2020, the Board agreed to a cost-apportionment system for the Core Area and Western Communities Liquid Waste management service, per Liquid Waste Management Core Area and Western Communities Service Establishment Bylaw No. 1, 1995, Amendment Bylaw No. 3, 2020 (Bylaw No. 4304). All conveyance and treatment capital is to be cost apportioned on the basis of treatment capacity as outlined in Schedule C to Bylaw No. 4304.

As of January 1, 2021, the entire conveyance and treatment system will be administered under one regulatory and administrative framework. Long term system infrastructure renewal and capacity upgrades will be a 'one-system' model. Capital projects are prioritized together across the entire system.

The 2021 - 2025 Provisional Financial Plan includes planned projects totaling \$57.0 million. The plan reflects infrastructure renewal projects required on existing conveyance systems and are planned in each of the major asset categories including pump stations upgrades, gravity sewer and manhole upgrades and replacements, pressure pipe upgrades, flow meter installations and replacements, system control and communications upgrades, and outfall retrofits.

To fund the provisional capital program, long-term borrowing is required. The following two bylaws are proposed:

Service Area	Action	Purpose	Bylaw
3.798C	Loan Authorization Bylaw	To permit long-term borrowing related to the capital plan for this service, to conduct planned works approved by the Province in the CRD's Liquid Waste Management Plan (LWMP).	4374 Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 1, 2020

3.798C	Loan Authorization Bylaw	To permit long-term borrowing related to the capital plan for this service, to conduct planned works arising since the approval of the LWMP.	4375 Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 2, 2020
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A portion of these upgrades were approved by the Province in the CRD's LWMP after public consultation and Ministerial review in accordance with the *Environmental Management Act*. These works are reflected in Bylaw No. 4374, the \$22.7 million. Additional capital upgrades and maintenance works arising since the approval of the LWMP are reflected in Bylaw No. 4375, the \$34.3 million.

## **ALTERNATIVES**

### *Alternative 1*

The Core Area Liquid Waste Management Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4374, "Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 1, 2020" be introduced and read a first, second, and third time;
2. That Bylaw No. 4374 be referred to the Inspector of Municipalities for approval.
3. That Bylaw No. 4375, "Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 2, 2020" be introduced and read a first, second, and third time;
4. That Bylaw No. 4375 be referred to the municipal councils of the participants for approval, and if two-thirds of approval is received, to the Inspector of Municipalities.

### *Alternative 2*

The Core Area Liquid Waste Management Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4374, "Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 1, 2020" be introduced and read a first, second, and third time;
2. That Bylaw No. 4374 be referred to the Inspector of Municipalities for approval.
3. That Bylaw No. 4375, "Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 2, 2020" be introduced and read a first, second, and third time;
4. That Bylaw No. 4375 be referred to alternative approval process for the entire service area, and if approval is received, to the Inspector of Municipalities.

### *Alternative 3*

The Core Area Liquid Waste Management Committee recommends to the Capital Regional District Board:

That Bylaw Nos. 4374 and 4375, “Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 1, 2020” and “Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 2, 2020”, be deferred pending further information.

## **IMPLICATIONS**

### *Legislative Implications*

Long-term borrowing (i.e. loans with a term of more than 5 years) must be supported by a loan authorization bylaw, requiring elector approval and the approval of the Inspector of Municipalities.

Pursuant to the *Regional District Liabilities Regulation*, BC Reg 261/2004, as elector consultation and Provincial approval has occurred as part of establishing a LWMP, elector approval is not required for the \$22.7 million loan, as it is for works implementing the plan. CRD may proceed with Bylaw No. 4374, provided the Inspector of Municipalities approves.

For the additional borrowing of \$34.3 million, elector approval or a LWMP amendment is required. Elector approval can be obtained through consent on behalf by two-thirds of municipal participants’ councils; or by alternative approval process for the entire service area. In a service area of this size municipal counsel consent would require less administrative resources.

Obtaining elector approval will address the legislated requirements through this transitional period. CRD continues to undertake an amendment of the LWMP to reflect the updated long term capital plan.

### *Financial Implications*

The loan authorizations for the provisional capital program total \$57 million and will support the planned 5 year capital plan starting 2021. There are no existing capital reserves in place requiring borrowings to fund the capital plan. To enable optimization of interest and timing of long term debt issuance a temporary borrowing is also being proposed.

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 this loan authorization will be 15 years.

The cost of borrowing is included in the Provisional Budget to be presented on October 28 with an estimated impact of \$117k in 2021.

## **CONCLUSION**

Capital program work is planned for 2021 and ongoing. The work will be funded through a combination of requisition and borrowed funds. Timely access to the borrowed funds in 2021 is critical to meeting the capital program spending needs. To that end, a CRD Board resolution is required to commence the loan authorization process for Bylaw No. 4374, planned borrowing as set out in the Liquid Waste Management Plan; and Bylaw No. 4375, borrowing required to implement a long-term capital program for the Core Area Wastewater program.

**RECOMMENDATION**

The Core Area Liquid Waste Management Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4374, “Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 1, 2020” be introduced and read a first, second, and third time;
2. That Bylaw No. 4374 be referred to the Inspector of Municipalities for approval.
3. That Bylaw No. 4375, “Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 2, 2020” be introduced and read a first, second, and third time;
4. That Bylaw No. 4375 be referred to the municipal councils of the participants for approval, and if two-thirds of approval is received, to the Inspector of Municipalities.

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

**ATTACHMENT(S)**

Appendix A: Bylaw 4374, “Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 1, 2020”

Appendix B: Bylaw 4375, “Liquid Waste Management Core Area and Western Communities Service Loan Authorization Bylaw No. 2, 2020”