

**REPORT TO REGIONAL WATER SUPPLY COMMISSION
MEETING OF WEDNESDAY, OCTOBER 21, 2020**

SUBJECT **Bylaw 4382: Regional Water Supply Water Works Facilities Loan Authorization Bylaw**

ISSUE SUMMARY

A Capital Regional District (CRD) Board resolution is required to approve loan authorization Bylaw No. 4382 for the purpose of financing the Regional Water Supply five year 2021-2025 capital plan.

BACKGROUND

The most recent loan authorization for the Regional Water Supply was approved in 2013 under Bylaw 3902 to finance capital spending over 2015 to 2020. A loan authorization is typically prepared every five years, or as long-term debt is required. The Regional Water Supply capital plan (the "Capital Plan") includes planned replacement and improvements that will require borrowing of \$46 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.

The following bylaw is proposed:

Service Area	Action	Purpose	Bylaw
2.670	Loan Authorization Bylaw	To create a loan authorization bylaw to permit long-term borrowing related to the capital plan for this service.	4382 Regional Water Supply Loan Authorization Bylaw No. 5, 2020

ALTERNATIVES

Alternative 1

The Regional Water Supply Commission recommends to the Capital Regional District Board:

1. That Bylaw No. 4382 cited as "Regional Water Supply Water Works Facilities Loan Authorization Bylaw No. 5, 2020" be introduced and read a first, second and third time; and
2. That Bylaw No. 4382 be referred to the Inspector of Municipalities for approval, and if received, to proceed with elector approval by way of regional alternative approval process.

Alternative 2

The Regional Water Supply Commission recommends to the Capital Regional District Board:
That Bylaw No. 4382 be deferred to a future meeting pending further information.

IMPLICATIONS

Financial & Legislative Implications

The loan authorization for the provisional Capital Plan is \$46 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).

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. Electoral approval can be obtained through consent on behalf of two-thirds of municipal participants' councils and by alternative approval process in the Juan de Fuca Electoral Area; or by alternative approval process for the entire service area. It is recommended that elector approval be obtained by alternative approval process for the entire service area, as this process will need to be run for the Juan de Fuca Electoral Area in any event. This can be initiated when the loan authorization bylaw has received third reading.

To ensure optimization of interest and timing of long term debt, issuance of a temporary borrowing will be proposed if municipal consent is received 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 Regional Water Supply system is planned for 2021 and ongoing. The work will be funded through a combination of capital funds on hand and borrowed funds. Timely access to the borrowed funds in 2021 is critical to meeting the capital program spending needs. To that end, a Capital Regional District (CRD) Board resolution is required to commence the loan authorization process for Bylaw No. 4382 for the purpose of financing the Regional Water Supply system five year 2021-2025 capital plan. An elector consent process will be undertaken to obtain elector approval and can be initiated once the loan authorization bylaw has received third reading.

RECOMMENDATION

The Regional Water Supply Commission recommends to the Capital Regional District Board:

1. That Bylaw No. 4382 cited as "Regional Water Supply Water Works Facilities Loan Authorization Bylaw No. 5, 2020" be introduced and read a first, second and third time; and

2. That Bylaw No. 4382 be referred to the Inspector of Municipalities for approval, and if received, to proceed with elector approval by way of regional alternative approval process.

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(S)

Appendix A: Bylaw 4382, "Regional Water Supply Facilities Loan Authorization Bylaw No. 5, 2020"