

**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, JULY 07, 2021**

SUBJECT **Bylaw Nos. 4437-4439: Security Issuing Bylaws, Fall 2021**

ISSUE SUMMARY

Approval of the security issuing bylaws for borrowings by the Capital Regional District (CRD) and for borrowings by the District of Saanich and the Township of Esquimalt.

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. The approved bylaws are then submitted to the Ministry of Municipal Affairs for approval.

The CRD is requesting the issue of securities as follows in Table 1 below:

TABLE 1: 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)			
4437	Magic Lake Estates Wastewater System	4320	\$6.00	\$2.50	\$3.50	30	\$1.26	Magic Lake Estates Wastewater System Upgrade
	TOTAL						\$1.26	

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*.

Municipal requests for the Fall MFA issue have been submitted by the District of Saanich and the Township of Esquimalt. The requests are outlined in Table 2 below. Each municipal borrowing is issued under a separate security issuing bylaw to ensure the MFA can administer each borrowing individually.

TABLE 2: 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)			
4438	District of Saanich	9634	\$2.20	\$0.00	\$2.20	15	\$2.20	Transportation Capital Program
	District of Saanich	9635	\$1.00	\$1.00	\$1.00	15	\$1.00	Parks Capital Program
	SUB-TOTAL						\$3.20	
4439	Township of Esquimalt	3021	\$42.00	\$0.00	\$42.00	30	\$35.00	Public Safety Building
	SUB-TOTAL						\$35.00	
	TOTAL						\$38.20	

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4437, "Security Issuing Bylaw No. 3, 2021", be introduced and read a first, second, and third time; and
2. That Bylaw No. 4437 be adopted.
3. That Bylaw No. 4438, "Security Issuing Bylaw No. 4, 2021", be introduced and read a first, second, and third time; and
4. That Bylaw No. 4438 be adopted.
5. That Bylaw No. 4439, "Security Issuing Bylaw No. 5, 2021", be introduced and read a first, second, and third time; and
6. That Bylaw No. 4439 be adopted.

Alternative 2

That adoption of Bylaw Nos. 4437, 4438 and 4439 be deferred back to staff for amendments.

IMPLICATIONS

Financial Implications

The CRD funds capital projects in some cases 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 uses.

Municipal borrowings are supported by municipal resolution and debt servicing levels are below liability servicing limits. For the municipal borrowings, there is no direct financial impacts to the CRD; all payments are made by the municipality. However, the debt is issued to the municipalities through the security of the regional district and all principal and interest payments are a liability of the District.

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 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 2.25%.

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	1.32%
10 years	2.25%
15 years	2.60%
20 years	2.87%
25 years	2.87%
30 years	2.87%

CONCLUSION

The CRD through security issuing bylaw is enabled to borrow from the MFA for both regional district and municipal borrowings. For municipalities, 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 Fall 2021 debt issuance.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4437, "Security Issuing Bylaw No. 3, 2021", be introduced and read a first, second, and third time; and
2. That Bylaw No. 4437 be adopted.
3. That Bylaw No. 4438, "Security Issuing Bylaw No. 4, 2021", be introduced and read a first, second, and third time; and
4. That Bylaw No. 4438 be adopted.
5. That Bylaw No. 4439, "Security Issuing Bylaw No. 5, 2021", be introduced and read a first, second, and third time; and
6. That Bylaw No. 4439 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, 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. 4437, Security Issuing Bylaw No. 3, 2021
Appendix B: Bylaw No. 4438, Security Issuing Bylaw No. 4, 2021
Appendix C: Bylaw No. 4439, Security Issuing Bylaw No. 5, 2021