

**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 03, 2021**

SUBJECT **Bylaw No. 4463: Temporary Borrowing (Florence Lake Water System Upgrades) Bylaw No. 1, 2021**

ISSUE SUMMARY

Approval of a Temporary Borrowing Bylaw authorizing short-term funds for projects included in the approved five-year capital plan for the Florence Lake water system upgrades.

BACKGROUND

At its meeting of July 14, 2021, the Capital Regional District (CRD) Board adopted Loan Authorization Bylaw No. 4394 intended to fund the upgrade to the existing Florence Lake Water system and facilitate integration of the upgraded system with the Juan de Fuca Water Distribution Service. A temporary borrowing bylaw is required to facilitate capital expenditures authorized for debt funding by the loan authorization bylaw.

Temporary borrowing bylaws allow interim financing during construction of capital projects before the long term debt is issued. Long term debt will be issued near or at completion of the project when the total borrowing amount is known. The conversion of temporary borrowings to long term debt will require Board approval of a Security Issuing Bylaw, which are brought forward in advance of the annual MFA spring or fall debt issuances.

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4463, "Temporary Borrowing (Florence Lake Water System Upgrades) Bylaw No. 1, 2021", be introduced and read a first, second and third time; and
2. That Bylaw No. 4463 be adopted.

Alternative 2

That Bylaw No. 4463 be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

The proposed temporary borrowing bylaw will give CRD access to interim financing according to the terms specified in Loan Authorization Bylaw No. 4394. Temporary borrowing will not exceed the difference between the total \$300,000 authorized by the loan authorization bylaw and the amount previously borrowed under this authority. The use of the temporary borrowing will be based on the timing of approved capital expenditures. The associated financing costs will be monthly variable interest-only payments. Currently, MFA's short term borrowing rate is 0.94%

(variable rate as of October 14, 2021). Construction is expected to take less than one year to complete, during which the construction costs are expected to be financed by this temporary borrowing bylaw. The cash flows required to service short-term debt are in the approved financial plan.

CONCLUSION

Temporary borrowing authority, through the approval of the Temporary Borrowing (Florence Lake Water System Upgrades) Bylaw No. 4463, is required to access interim financing to fund the Florence Lake water system upgrades. Timely access to borrowed funds is critical to meeting the approved five-year capital program. All temporary borrowings will be either repaid within five years or converted to long-term debt up to the maximum stated in the approved Loan Authorization Bylaw No. 4394.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4463, "Temporary Borrowing (Florence Lake Water System Upgrades) Bylaw No. 1, 2021", be introduced and read a first, second and third time; and
2. That Bylaw No. 4463 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., General Manager, Integrated Water Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Bylaw 4463, "Temporary Borrowing (Florence Lake Water System Upgrades) Bylaw No. 1, 2021"