

**REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, FEBRUARY 09, 2022**

SUBJECT **Bylaw No. 4478: Cedars of Tuam Loan Authorization Bylaw No. 2, 2022**

ISSUE SUMMARY

A Capital Regional District (CRD) Board resolution is required to approve Loan Authorization Bylaw No. 4478 for the purposes of financing the non-grant portion of the project costs for Cedars of Tuam Water System Upgrade.

BACKGROUND

The Cedars of Tuam Water System service provides potable water to 16 residences. The water system obtains its drinking water from a well located 200m southwest of Roland Road. The existing well and water treatment plant are at the end of their useful life and have seen declining production over the past number of years. During the summer 2021 drought, water had to be trucked in to meet the demand of the residents. Funds are required to complete the new well and water treatment plant upgrade project. This will provide a safe and secure supply of potable water to the community.

To fund this project, the Cedars of Tuam Water Service will be submitting an application to the Investing in Canada Infrastructure Program – Environmental Quality Stream (ICIP-EQ). The ICIP-EQ program requires a loan authorization bylaw prior to submitting an application if local governments use debt borrowing to fund the non-grant portion of the project. A certified copy of the loan authorization bylaw at third reading is required with the application package. The deadline for the grant program is February 23, 2022.

The total borrowing up to \$600,000 over a 30-year term to fund the non-grant portion of the project is recommended by Cedars of Tuam Water Service Commission (the “Commission”) to the Electoral Areas Committee and CRD Board for approval.

Borrowing from the Municipal Finance Authority of British Columbia (MFABC) under this bylaw will only occur if the grant application is successful.

The following bylaw is proposed:

Service Area	Action	Purpose	Bylaw
2.622	Loan Authorization Bylaw	To create a loan authorization bylaw to permit long-term borrowing related to the capital plan for this service.	4478 “Cedars of Tuam Loan Authorization Bylaw No. 2, 2022”

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4478, “Cedars of Tuam Loan Authorization Bylaw No. 2, 2022”, be introduced and read a first, second and third time; and
2. That the referral of Bylaw No. 4478 to the Inspector of Municipalities for approval be withheld until staff report back on the result of the grant application.

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

Legislative Implications

Long-term borrowing (i.e. loans with term of more than 5 years) cannot be undertaken without the loan authorization bylaw being approved by the Inspector of Municipalities. In addition, in accordance with the Local Government Act, elector approval is required in order to approve the loan authorization bylaw by consent on behalf of the service’s participating areas, by Alternative Approval Process (AAP) or by petition. The method of elector approval process will be presented at a future CRD Board meeting for approval.

The recommendation is to give third reading to the loan authorization bylaw to support the grant application. The request for approval by the Inspector of Municipalities will be withheld pending a successful grant application.

Financial Implications

The total estimated project cost is \$1,743,500 to be funded by potential ICIP-EQ grant (\$1,143,500) for eligible portion and the debt (\$600,000) for in-eligible portion. The estimated debt servicing costs for borrowing \$600,000 and the Water System Upgrade project are included in the final 2022-2026 financial plan. Based on MFABC’s indicative interest rate, the estimated annual debt servicing cost of \$600,000 over an amortization term of 30 years is \$32,160 or \$2,010 per taxable folio (based on 16 taxable folios in the service). This would be an additional parcel tax requisition for taxpayers in the service area. This project will not likely proceed without ICIP-EQ grant award. Other grant opportunities could be sought in the future.

The timing of the actual debt issuance and commencement of payments will be based on grant approval and the subsequent timing of expenditures. The parcel tax amount will be dependent on prevailing interest rates at the time.

To ensure optimization of interest and timing of long term debt, issuance of a temporary borrowing bill is proposed if the grant is approved, electoral assent is received and the Ministerial Approval is obtained. The timing of the debt issuance will be based on the timing of expenditures and will be dependent on the prevailing interest rates at that time. Before long term debt issuance can be exercised, a security issuing bylaw will be brought forward for approval. The term of any debt issuance under such loan authorization will be 30 years.

CONCLUSION

The Salt Spring Island Cedars of Tuam Water System requires upgrade to provide a safe and secure supply of potable water to the community. To fund the project costs estimated at \$1,743,500, CRD will be submitting a grant application through ICIP-EQ for \$1,143,500. The non-grant funded portion of \$600,000 will require long-term borrowing. The ICIP-EQ grant program requires a loan authorization bylaw to receive its three readings prior to application submission. The elector approval process for the loan authorization bylaw will be determined by staff if the ICIP-EQ grant application is successful.

RECOMMENDATION

1. That Bylaw No. 4478, “Cedars of Tuam Loan Authorization Bylaw No. 2, 2022”, be introduced and read a first, second and third time; and
2. That the referral of Bylaw No. 4478 to the Inspector of Municipalities for approval be withheld until staff report back on the result of the grant application.

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. 4478, “Cedars of Tuam Loan Authorization Bylaw No. 2, 2022”