



# The Corporation of the District of Central Saanich

## REGULAR COUNCIL REPORT

For the Regular Council meeting on Monday, May 27, 2024

Re: Loan Authorization Bylaws for 2024 and 2025 Financial Plan

---

### **RECOMMENDATION(S):**

1. That Loan Authorization Bylaw No. 2198, 2024 be introduced and given first reading.
2. That Bylaw No. 2198, 2024 be read a second and third time.
3. That Loan Authorization Bylaw No. 2199, 2024 be introduced and given first reading.
4. That Bylaw No. 2199, 2024 be read a second and third time.
5. That Loan Authorization Bylaw No. 2200, 2024 be introduced and given first reading.
6. That Bylaw No. 2200, 2024 be read a second and third time.

### **PURPOSE:**

To provide the first three readings for 2024 and 2025 Loan Authorization Bylaws, subsequent to 2024-2028 Financial Plan approval.

### **BACKGROUND:**

As the District has not taken on any new long-term debt since 2015 after completion of Fire Station No.1, and the process perhaps being new/refresher to most of Council, a more fulsome background has been provided to inform on the process and timelines of borrowing, and incorporation into the annual Financial Plan approval process.

Incurring debt and the process for municipalities is governed by the *Community Charter* sections 178 through 182 and the *Local Government Act*. Securing long-term debt for municipalities is a relatively complex and lengthy process involving multiple steps and coordination as legislated through the Capital Regional District (CRD), Municipal Finance Authority (MFA) and the Province of BC. Appendix A outlines the process steps for long and short term loan authorization bylaws, security issuing procedures, and flow of security issuing paperwork.

There are several steps in the process to undertake long-term borrowing, each of which can take several weeks or months to complete. Local government loan authorization bylaws are valid for five years from the date of adoption.

Steps in the long-term debt process:

1. Loan authorization bylaw drafted, and **Council** gives it three readings
2. Municipal Council provide consent (if applicable, for RDs generally)
3. Provincial review and statutory approval certificate issued by the Inspector of Municipalities (6-8 weeks)
4. Approval of the electors (if applicable, 8-11 weeks)

5. Adoption of the bylaw by **Council**
6. Challenge period (1 month)
7. Provincial review and certificate of approval by the Inspector of Municipalities (2-4 weeks)
8. Municipal **Council** passes security issuing resolution and agreement
9. Regional District drafts security issuing bylaw and board gives it three readings and adoption
10. Challenge period for Regional District security issuing bylaw (10 days)
11. Provincial review of the security issuing bylaw and certificate of approval by the Inspector of Municipalities (2-4 weeks)
12. Security issuing by the Municipal Finance Authority

As per the timelines noted above, at minimum the process is approximately 6-7 months for a process not including elector approval, or 8 to 11 months where elector approval is required. The Provincial review and approval of bylaws also requires supporting information such as,

- Financial Plan
- Capital Budget
- Other funding sources for the project
- Methods of cost recovery
- Property Tax Impact
- Background information
- Audited Liability Servicing Certificate
- Method of electoral approval (if applicable)

Electoral consent is required when total debt servicing (principal and interest payments) exceeds 20% of the Districts liability serving limit. Electoral consent may be by way of referendum or Alternate Approval Process. The liability service limit is 25% of the Districts eligible revenues. Electoral consent is not required for any of the following purposes,

- Borrowing for court or arbitration requirements
- Compensation for property expropriation or land injured from entry to mitigate land damage
- Work to be carried out under order of the Environmental Management Act
- Implementing a waste management plan requested or approved under the Environmental Management

Currently the District has a very low amount of debt which includes,

Project	Start	Term	Borrowed	Outstanding	Servicing
Fire Hall No.1	2015	25 years	\$ 8,523,540	\$ 6,542,726	\$ 453,231
East Saanich Road	2010, 2011	15 years	\$ 2,333,333	\$ 499,739	\$ 157,657

The District’s annual Liability Service Limit (maximum annual principal and interest payments) is approximately \$8,500,000, with current servicing of \$610,888 or 7%. With debt funding included in the 2024 Five-Year Financial Plan it is forecast that the District would remain under the electoral consent requirement. However, it is forecast that within the next five to ten years, or with incurring debt for major facilities replacement that the District will exceed 20% of the liability service limit and require electoral consent for all borrowing subsequent to exceeding the threshold.

**DISCUSSION:**

The District’s adopted 2024 to 2028 Financial Plan includes \$16,606,900 of debt funding for capital projects over the five-year period. Debt funding is identified for the following capital projects,

- Four-year escalated Active Transportation Plan work (new)
- Highway 17 and Keating Flyover (new)
- Brentwood Sewer mains and pump stations replacement (replacement)
- Wallace bike lane (new)
- Tanner Road improvements (replacement and new)
- Annual Water and Sewer mains replacement (replacement)

Generally, the District uses debt for asset replacement where reserve balances are not sufficient to fund periods of high replacement volumes, for significant dollar value projects (e.g. Facilities, Brentwood sewer) that exceed reserve savings, and for new assets/infrastructure when there are not reserve savings to support.

Within the current 2024 Financial Plan new debt servicing for replacement is funded within the existing asset replacement annual funding, and debt servicing for new infrastructure funded from the new infrastructure levy funding and reserves. The current Plan does not include any new taxation funding for debt servicing. Asset Management Plan funding includes both annual taxation for replacement and new assets, and existing debt servicing for prior asset management projects. As Council is aware, the District's Asset Management Plan is scheduled for its next five-year update in 2026, which will include a review of current and longer-term debt funding strategies.

Council approves the use of debt funding as part of the annual Financial Plan adoption. As identified in the 2024 Plan, it's forecast that debt funding will be required regularly over the next decade or longer as we go through a major replacement cycle for most of the District's underground infrastructure and facilities, as well as large new infrastructure projects actioned such as active transportation. Loan Authorization Bylaws, for one to three years in advance, will be brought forward with the Financial Plan and Tax Rate Bylaws in the future, due to the length of the borrowing authorization process and to be ready when funding is required. Long term debt funding is only advanced twice a year through the MFA in a spring and fall issue.

#### **OPTIONS:**

##### **Option 1 (recommended):**

That Loan Authorization Bylaws No. 2198 for Brentwood Bay Sewer Project, No. 2199 for Wallace Drive Bike Lane, and No. 2200, 2024 for Highway 17 and Keating Cross Road Flyover project, be given the first three readings each and continue with the loan authorization process.

##### **Option 2:**

Not proceed with some or all Loan Authorization Bylaws and direct staff to amend the 2024 Financial Plan and related capital projects and funding sources.

##### **Option 3:**

Provide staff other direction.

#### **CONCLUSION:**

Staff recommend that Loan Authorization Bylaw No. 2198, 2024 for Brentwood Bay Sewer Project, Loan Authorization Bylaw No. 2199, 2024 for Wallace Drive Bike Lane, and Loan Authorization Bylaw No. 2200, 2024 for Highway 17 and Keating Cross Road Flyover project be introduced, given three readings and continue through the authorization process.

Respectfully written and submitted by:	Troy Ziegler, Director of Finance and Information Technology, Acting Chief Administrative Officer
Concurrence by:	Emilie Gorman, Director of Corporate Services

**ATTACHMENTS:**

Appendix A: Loan Authorization process flowcharts

Appendix B: Loan Authorization Bylaw No. 2198, 2024

Appendix C: Loan Authorization Bylaw No. 2199, 2024

Appendix D: Loan Authorization Bylaw No. 2200, 2024