



The Corporation of the City of Courtenay

# Staff Report

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**To:** Council

**File No.:** 1760-05

**From:** Director of Finance

**Date:** May 21, 2025

**Subject:** Fall 2025 Municipal Security Issuing Resolution

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## **PURPOSE:**

To seek council approval for a municipal security issuing resolution (MSIR) to secure long term debt through the Municipal Finance Authority (MFA) in the Fall 2025 long term debt issue for loan authorization bylaws "Sewer Infrastructure Projects 2023 Loan Authorization Bylaw No. 3093, 2023" and "Loan Authorization Bylaw No. 3136 - Strategic Land Acquisition 2024"

## **BACKGROUND:**

### **1<sup>st</sup> Street Lift Station**

Council adopted "Sewer Infrastructure Projects 2023 Loan Authorization Bylaw No. 3093, 2023" on June 28, 2023 for a maximum loan amount of \$2,500,000 towards the 1<sup>st</sup> Street Lift Station Sewer project. The project saw the majority of work completed in 2024, however planning and design started in 2018 with some final touches completed in 2025. The total cost of the project was \$4,334,606 funded through the following:

- Debt - \$2,500,000
- Sewer Asset Management Reserve - \$1,364,325
- Sewer User Fees and Frontage tax - \$470,281

Council adopted "Temporary Borrowing Bylaw 3104, 2023" which was used to provide interim funding for the project.

### **2024 Strategic Land Acquisition**

Council adopted Loan Authorization Bylaw 3136, 2024 - Strategic Land Acquisition 2024 on January 24, 2024 for a maximum loan amount of \$2,176,000 towards strategic land acquisitions. Strategic Land Acquisitions completed in 2024 consisted of the following properties:

- 426 Anderton Ave (Anderton Arms)
- 440 Anderton Ave (Cona Hostel)
- 971 Cumberland Rd

The total project cost was \$2,884,115 and funded through debt the following:

- Debt - \$2,176,000
- Land Sale Reserve - \$708,115

Council adopted Temporary Borrowing Bylaw 3148, 2024 which was used to provide interim funding for the project.

## **DISCUSSION:**

Borrowing Process:

Section 179 of the Community Charter provides Council with the authority to incur a liability by borrowing funds for any purpose of a capital nature. The local government borrowing process is highly regulated and closely monitored by the Province. All loan authorization bylaws must be approved by the Inspector of Municipalities and approval of the electors is required before adoption of the bylaw. In addition, sections 623 and 760 of the Local Government Act require a one-month quashing period after approval of the electors has been received, where an application can be made to the Supreme Court to set aside the loan authorization bylaw before final approval will be provided by the Inspector of Municipalities.

The Section 179 portion of the borrowing process has been completed as the City has been granted the authority by the Province to adopt the Loan Authorization Bylaws.

Finally, Section 182 of the Community Charter restricts local governments to financing long term debt with their local regional district through the Municipal Finance Authority of British Columbia (MFA). Once a certificate of approval has been received by the Inspector of Municipalities, Council must then pass a Municipal Security Issuing Resolution and forward it to the Comox Valley Regional District to be included in the next Regional District Security Issuing Bylaw that will go through further adoption at the regional level.

The MSIR must be submitted to the Regional District by June 12, 2025 to provide adequate time for the Region District to process and pass the required bylaws and resolutions. The MFA has set an August 8<sup>th</sup> deadline for regional districts to be included in the Fall 2025 debt issue.

**POLICY ANALYSIS:**

The 2023-2027 Consolidated Financial Plan Bylaw No. 3096, 2024-2028 Consolidated Financial Plan Bylaw No. 3130, 2024 and the 2025-2029 Financial Plan Bylaw No. 3165, 2025 contain the authorizations for spending on projects and accompanying funding sources.

**FINANCIAL IMPLICATIONS:**

The MFA 10-year loan rate as at May 1, 2025 was 3.91%, this rate represents the interest rate that will be charged on the loans for the first 10 years. After 10 years the loans will have their interest rate updated for 5-year periods until the loans are paid off (maximum of 30 total years).

<b>Project</b>	<b>Current Interest rate</b>	<b>Annual Interest</b>	<b>Principal 20 Years</b>	<b>Total</b>
1st Street	3.91%	\$ 97,750	\$ 88,403	\$ 186,153
Strat Land	3.91%	\$ 85,082	\$ 76,946	\$ 162,028
		\$ 182,832	\$ 165,349	\$ 348,181

In the 2025-2029 Financial Plan debt interest rates were updated from 5% to 3.8% which represented the interest rate at the time of Financial Plan preparation. The expected interest rate of 3.91% will result in 2025's interest expense being over budget by \$2,752 (\$1,375 + \$1,197).

A loan amortization period of 20 years is being recommended as it provides an affordable annual debt payment and spreads the life of the loan over a portion of the expected life of the asset.

If we reduce the amortization period of the loan, the annual principal payments will increase, there will be no changes to the annual interest payment however, we will see interest savings over the life of the loan.

The total cost of borrowing is reduced when a shorter amortization period is used however the annual principal loan payments are higher.

Project	Current Interest Rate	Annual Interest	Principal 15 Year	Total
1st Street	3.91%	\$ 97,750	\$ 130,522	\$ 228,272
Strat Land	3.91%	\$ 85,082	\$ 113,606	\$ 198,688
		\$ 182,832	\$ 244,128	\$ 426,960

Moving to a 15-year amortization period would increase annual debt servicing costs by \$78,779 (\$348,181 to \$426,960) but save \$559,218 in interest (\$298,980 + \$260,238) over the life of the loans.

It is not recommended to move to a 10, 25, or 30-year amortization period for these loans as the annual debt servicing payments substantially vary from budget and the overall cost to borrow becomes higher and not representative of the projects.

**ADMINISTRATIVE IMPLICATIONS:**

If Council passes the MSIR, staff will forward the request to the Comox Valley Regional District and they will start their process of issuing a Security Issue Bylaw. The Security Issue Bylaw is then forwarded onto the MFA.

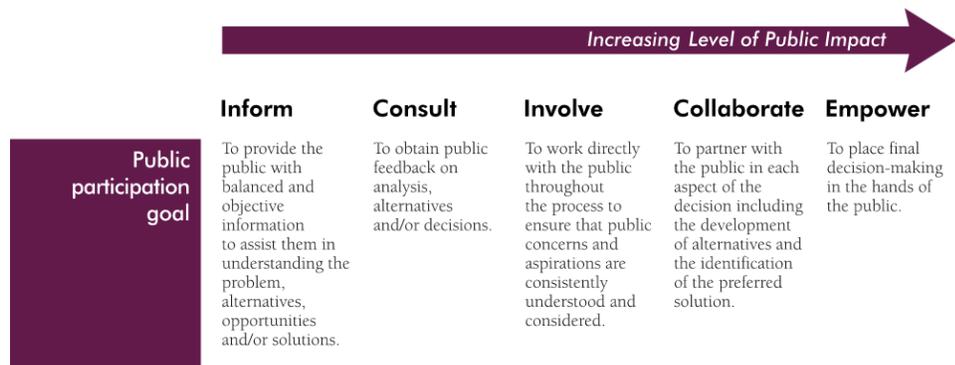
**STRATEGIC PRIORITIES REFERENCE:**

These items meet the following cardinal points of the City of Courtenay

- COURTENAY WILL BE RESPONSIBLE FOR THE FUTURE by being more thoughtful, strategic, and efficient in all resources that we use whether it be land, energy, or public infrastructure, to ensure that actions deliver on multiple goals of fiscal responsibility, economic resilience, social equity, and ecological health.

**PUBLIC ENGAGEMENT:**

Staff would inform the public based on the IAP2 Spectrum of Public Participation:



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**OPTIONS:**

1. THAT Council approve borrowing from the Municipal Finance Authority of British Columbia, as part of the 2025 Fall Borrowing Session, \$2,500,000 as authorized through “Sewer Infrastructure Projects

2023 Loan Authorization Bylaw No. 3093,2023” and that the Comox Valley Regional District be requested to Consent to our borrowing over 20-year term and include the borrowing in a Security Issuing Bylaw.

and

THAT Council approve borrowing from the Municipal Finance Authority of British Columbia, as part of the 2025 Fall Borrowing Session, \$2,176,000 as authorized through “Loan Authorization Bylaw 3136, 2024 - Strategic Land Acquisition 2024” and that the Comox Valley Regional District be requested to Consent to our borrowing over 20-year term and include the borrowing in a Security Issuing Bylaw.

2. THAT Council approve borrowing from the Municipal Finance Authority of British Columbia, as part of the 2025 Fall Borrowing Session, \$2,500,000 as authorized through “Sewer Infrastructure Projects 2023 Loan Authorization Bylaw No. 3093, 2023” and that the Comox Valley Regional District be requested to Consent to our borrowing over 15-year term and include the borrowing in a Security Issuing Bylaw.

and

THAT Council approve borrowing from the Municipal Finance Authority of British Columbia, as part of the 2025 Fall Borrowing Session, \$2,176,000 as authorized through Loan Authorization Bylaw 3136, 2024 - Strategic Land Acquisition 2024 and that the Comox Valley Regional District be requested to Consent to our borrowing over 15-year term and include the borrowing in a Security Issuing Bylaw.

3. THAT Council provide alternative direction to staff.

**ATTACHMENTS:**

Appendix 1 - MFABC Historical Long Term Interest Rates

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