



The Corporation of the City of Courtenay

Staff Report

To: Council
From: Director of Finance
Subject: 2026 Loan Authorization Bylaws

File No.: 1760-02
Date: April 15, 2026

PURPOSE:

To seek first, second and third reading of loan authorization bylaws 3213, 3214 and 3215 to provide funding for the following projects:

- Braidwood Road - Storm & Road (3213)
- Ryan Road Sidewalk Sandwick to Braidwood (3214)
- Eastside Firehall (3215)

BACKGROUND:

Council adopted the 2026-2030 Financial Plan Bylaw No. 3211, 2026 on February 25, 2026. The Financial Plan bylaw authorizes all spending and sources of revenue. Borrowing is a key source of revenue for three capital projects in 2026.

DISCUSSION:

Borrowing Process:

Section 179 of the Community Charter provides Council with the authority to incur 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 typically 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.

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 for the proposed loan authorization bylaw has been received by the Inspector of Municipalities, Council must then pass a Municipal Security Issuing Resolution. The Municipal Security Issuing Resolution is 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 borrowing process takes several months to complete; therefore, it is recommended to begin the process early to ensure appropriate approvals are in place before significant project spending occurs.

Elector Approval:

Section 180 of the Community Charter requires elector approval of a loan authorization bylaw before it can be adopted. The two options available to gain elector approval are through referendum or the Alternative Approval Process (AAP). However, the Municipalities have the option to use the approval-free zone that does not require electoral approval per Part 2 Section 7 of the Municipal Liabilities Regulation.

The approval-free zone is for municipalities with annual debt servicing costs below 10% of the annual calculation of revenue (normal recurring revenue). The City of Courtenay's annual calculation of revenue for 2024 is \$70,878,312 (\$65,453,269 -2023) this would provide for an additional \$4,011,103 in annual debt services cost prior to exceeding the approval-free limit.

The 2026 year of the Financial Plan contains three projects that are funded by debt (\$23.5M).

- Braidwood Road - Storm & Road - \$3.5M
- Ryan Road Sidewalk Sandwick to Braidwood - \$2.0M
- Eastside Firehall - \$18.0M

The total consumption of the approval-free limit will increase to 54% if all proposed loans are taken in 2026 (\$1.67M principal and interest payments). Although the City is consuming more of the approval-free limit there is an expected \$2.34M of annual debt servicing capacity available to be utilized through the approval-free limit. The remaining approval-free capacity represents \$33.8M in additional borrowing capacity prior to seeking electoral approval.

The total debt capacity given a 5% interest rate and 30-year loan amortization period is an additional \$211M which would result in annual debt servicing costs of \$14.6M. To access debt that exceeds the approval-free zone, electoral approval is required through AAP or referendum.

The 2027 year of the Financial Plan currently requires \$16.2M of debt for several projects. This new debt will push the City closer to its approval free limit.

- Anderton Dike Phase 2 - \$3.5M
- Cousins Ave Complete Street – General portion - \$5M
- 6th Street Multi-Modal Corridor Enhancement (grant dependent) - \$1.9M
- Lewis Centre Roof - \$0.8M
- Anderton Lift Station - \$5M

POLICY ANALYSIS:

2026-2030 Financial Plan bylaw no. 3211, 2026

FINANCIAL IMPLICATIONS:

Financial implications for each loan authorization bylaw and accompanying project are listed below.

Braidwood Road - Loan Authorization Bylaw 3213 - \$3.5M

The Braidwood Road project includes components that fall into the General fund, Sewer fund and Water fund. Only the portion of work related to the storm and road system falls into the General fund and only this portion is relying on debt towards total project funding. The Braidwood Road project is a complete street project that will renew the existing street scape, this includes the road and sidewalk.

The table below outlines the project costs and funding sources.

Braidwood Road				
	General	Sewer	Water	Total
Project Cost	\$ 3,945,300	\$ 1,315,100	\$ 1,315,100	\$ 6,575,500
Funding				
Debt	\$ 3,500,000	\$ -	\$ -	\$ 3,500,000
Reserves	445,300	1,315,100	1,000,000	2,760,400
Tax / Fees	-	-	315,100	315,100
Total Funding	\$ 3,945,300	\$ 1,315,100	\$ 1,315,100	\$ 6,575,500

Debt Servicing

The debt servicing cost for the Braidwood project to borrow \$3.5M at 4.8% over 20 years is \$291,129, this is comprised of \$123,129 of principal payments and \$168,000 of interest payments annually.

Ryan Road Sidewalk Sandwick to Braidwood - Loan Authorization Bylaw 3214 - \$2.0M

The Ryan Road project only includes components that fall into the General fund. The project will construct a sidewalk along Ryan Road from Sandwick Ave to Back Rd.

The table below outlines the project cost and funding sources.

Ryan Road Sidewalk	
	General
Project Cost	\$ 2,558,500
Funding	
Debt	\$ 2,000,000
Reserve	558,500
Total Funding	\$ 2,558,500

Debt Servicing

The annual debt servicing cost for the Ryan Road Sidewalk project to borrow \$2.0M at 4.8% over 20 years is \$166,360, this is comprised of \$70,360 of principal and \$96,000 of interest payments.

Eastside Firehall - Loan Authorization Bylaw 3215 - \$18.0M

The Eastside Firehall project only includes components that fall into the General fund. The project will construct a Firehall on the east side of town, located at 220 Waters Place.

The table below outlines the project cost and funding source.

Eastside Firehall	
	General
Project Cost	\$ 18,000,000
Funding	
Debt	\$ 18,000,000
Total Funding	\$ 18,000,000

Debt Servicing

The annual debt servicing cost for the Eastside Firehall project to borrow \$18M at 4.8% over 30 years is \$1,209,824 comprised of \$345,824 of principal payments and \$864,000 of interest payments.

The Eastside Firehall project is expected to cost less than the \$18M being authorized. The rationale for not reducing the total amount authorized by the loan authorization bylaw is to ensure that if costs exceeded expectations the City would have access to funding to complete the project. Since the project is 100% funded by debt, this limits the ability for the City to rely on other funding sources to function as a buffer for changing project costs. Due to the lengthy process to secure long-term debt, it is recommended for this project to maintain a loan authorization of \$18M even though the project cost is expected to be lower.

Summary

The table below summarizes the total borrowing required for 2026.

	Loan	Principal	Interest	Total	Term	Rate
Braidwood Road	\$ 3,500,000	\$ 123,129	\$ 168,000	\$ 291,129	20	4.80%
Ryan Road Sidewalk	\$ 2,000,000	\$ 70,360	\$ 96,000	\$ 166,360	20	4.80%
Eastside Firehall	\$ 18,000,000	\$ 345,824	\$ 864,000	\$ 1,209,824	30	4.80%
Total	\$ 23,500,000	\$ 539,313	\$ 1,128,000	\$ 1,667,313		

The 2026-2030 Financial Plan includes these debt servicing costs at 50% for 2026 and moving to 100% for 2027 and beyond. The interest rate from the MFA as of report drafting is 4.78% for a 20-year period. Given the current rate environment, it is challenging to forecast the actual long-term interest rates, however, 4.8% is reasonable when compared to the historical 20-year interest rate average.

Next Steps

The loan authorization bylaw is the first step in formalizing long-term debt to fund a capital project. Once the loan authorization bylaws are adopted staff will return with temporary borrowing bylaws.

A temporary borrowing bylaw lets the City borrow funds up to the limit set in the loan authorization bylaw, similar to a line of credit. This borrowing would be used to fund construction while the project is underway. Once the project is complete, staff will return to Council for direction on converting the temporary borrowing to long-term debt. At that time, the City can choose how much of the authorized amount to convert. For example, if the project comes in under budget or other funding is secured, the City may convert a smaller amount and use existing cash to pay down the balance first. Converting less debt would reduce annual debt servicing costs

ADMINISTRATIVE IMPLICATIONS:

Once Council gives first three readings to the proposed borrowing bylaw, the bylaw and liability servicing limit certificate are sent to the Inspector of Municipalities for approval. Once the approval is given, Council

can adopt the loan authorization bylaw and move to adopt a temporary borrowing bylaw to allow the City to access funds. The typical approval time from the Province is 8 weeks.

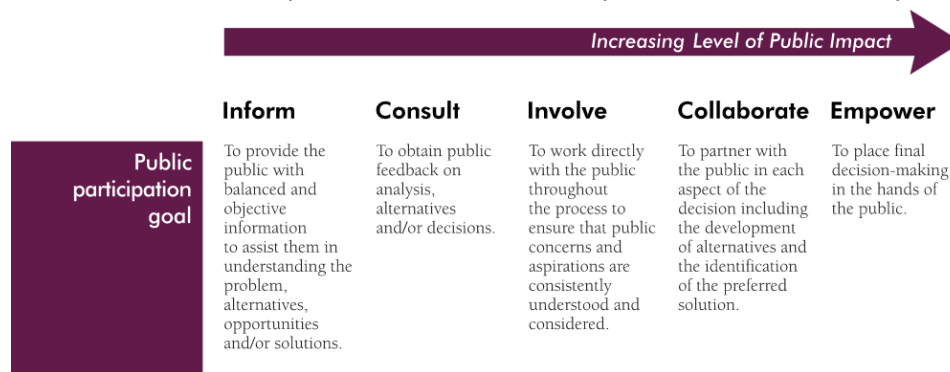
STRATEGIC PRIORITIES REFERENCE:

This initiative addresses the following strategic priorities:

- Streets and Transportation - Develop traffic calming plans, related policies, and specific implementation when and where, speed limits, school zones, cycling education/awareness
- Streets and Transportation - Implementation of traffic calming plans
- Streets and Transportation - Update cycling network plan and implementation strategy
- Public Safety - East Side Fire Hall: Construction

PUBLIC ENGAGEMENT:

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



© International Association for Public Participation www.iap2.org

OPTIONS:

1. To be made as separate Resolutions

1) THAT Council give first, second, and third readings to “Loan Authorization Bylaw 3213, 2026 - Braidwood Road - Storm & Road”;
and

THAT Council proceed to adoption of “Loan Authorization Bylaw 3213, 2026 - Braidwood Road - Storm & Road” through the Approval-free Liability Zone granted by the Municipal Liabilities Regulation, section 7

2) THAT Council give first, second, and third readings to “Loan Authorization Bylaw 3214, 2026 - Ryan Road Sidewalk Sandwick to Braidwood”;
and

THAT Council proceed to adoption of “Loan Authorization Bylaw 3214, 2026 - Ryan Road Sidewalk Sandwick to Braidwood” through the Approval-free Liability Zone granted by the Municipal Liabilities Regulation, section 7

3) THAT Council give first, second, and third readings to “Loan Authorization Bylaw 3215, 2026 - Eastside Firehall”;
and

THAT Council proceed to adoption of “Loan Authorization Bylaw 3215, 2026 - Eastside Firehall” through the Approval-free Liability Zone granted by the Municipal Liabilities Regulation, section 7

2. THAT Council provide alternative direction to staff.

ATTACHMENTS:

1. Loan Authorization Bylaw 3213, 2026 - Braidwood Road - Storm & Road
2. Loan Authorization Bylaw 3214, 2026 - Ryan Road Sidewalk Sandwick to Braidwood
3. Loan Authorization Bylaw 3215, 2026 - Eastside Firehall

Prepared by: Adam Langenmaier, BBA, CPA, CA, Director of Finance

Concurrence: Geoff Garbutt, M.PI., MCIP, RPP, City Manager (CAO)