



The Corporation of the City of Courtenay

Staff Report

To: Council

File No.: 1760-02

From: Director of Financial Services

Date: May 8, 2024

Subject: Loan Authorization Bylaw 3128 Anderton Dike Remediation

PURPOSE:

To secure funding for phase 1 of the Anderton Dike Remediation project through adoption of loan authorization bylaw 3128, 2024.

BACKGROUND:

The 2024-2028 Five Year Financial Plan includes \$2,000,000 towards the phase 1 of the Anderton Dike Remediation project. This project is funded through a combination of taxation \$250,000 and debt \$1,750,000.

Anderton Dike Remediation project has been split into two main portions, Phase 1 - pre-work (2024-2027) and then Phase 2 - major work of dike remediation set for 2027. The pre-work is expected to be completed over the next few years and is set to be funded mostly by debt. The rationale for this is it is expected that the work will take time to see appropriate approvals and the ability to seek funding (debt) early in the process will aid in the ability to deliver the pre-work portion of the project. Phase 2 remediation work will be seeking grant funding, but at this time it is not confirmed, nor is the final value of the project but for budget purposes it has been estimated at \$6,700,000.

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.

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 borrowing process can take 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. However, the City has the option to use the approval-free zone that does not require electoral approval per section Part 2 Section 7 of the Municipal Liabilities Regulation. The approval-free zone is for municipalities with annual debt servicing costs below 5% of the annual calculation revenue which is \$58,873,858 for 2022 that would limit annual debt servicing costs to \$2,943,693.

At December 31, 2022 the City has consumed 54% of its approval-free limit. With the expiring debt issue 104 (2023) and 93 (2024) this will reduce the approval-free limit consume however with addition of the following existing and proposed loan authorization bylaws:

- 1st Lift station, Puntledge Sanitary Catchment Replacement (Comox Rd Sewer Crossing)
- Anderton Dike Remediation Phase 1,
- 6th Street Bridge
- Strategic Land Acquisition

The total consumption of the approval-free limit is increased to 81%. Although the City is consuming more of the approval-free limit there is still \$555,830 of annual debt servicing costs that could be passed using the approval-free limit, this represents a maximum of about \$8 million in borrowing capacity under the approval-free limit.

Debt Servicing Summary 2024

Total Revenue for Purposes of Limit 2022	\$ 58,873,858
	25%
25% of Revenue for Debt Servicing limit 2022	14,718,465
Add Expiring Debt to Servicing Limit:	
Expiring Issue 104 - 2023	\$ 36,116
Expiring Issue 93 - 2024	30,026
Subtract New Debt from Servicing Limit:	
Current Debt Servicing costs 2022	\$ (1,589,356)
1st Lift Station \$2.5M @ 4.2% 20yr	(191,155)
Putledge Sanitary Catchment \$3.5M @ 4.69% 30yr	(229,748)
Strategic Land \$2.176M @ 5% 30yr	(150,263)
Anderton Dike \$1.75m @ 5% 30yr	(120,846)
6th Street Bridge \$2.5m @ 5% 30yr	(172,637)
Available Debt Servicing Limit	\$ 12,330,602
Annual Debt Servicing Cost \$	\$ 2,387,863
Total Debt Servicing Limit Consumed %	16.2%

Approval-Free Limit

Approval-free 5% of limit (\$58.9M)	\$ 2,943,693
Less: Current debt servicing consumed	(2,387,863)
Remaining Approval-free	555,830

Per the 2024-2028 Financial Plan there are a number of capital projects set to be funded by debt, their debt servicing costs have been included in the calculation of approval-free limit consumption and the overall available debt servicing limit. Given the expected debt servicing costs if all proposed loans are taken on the City will consume 16% of its total debt servicing limit, which is an increase of 5% over the prior year’s 11% consumption. The annual debt servicing costs of \$2,387,863, is an increase of \$798,507 over 2022 debt servicing cost. Due to the timing of statistical information gathered and released by the province the debt servicing calculation is based on 2022 figures.

The table below summarizes the authorized borrowing for the 2024 Capital plan.

Borrowing Summary 2024			
Project	Borrowing	Other Funding	Total
Sewer - Comox Rd Sewer Crossing	\$ 3,500,000	\$ 729,200	\$ 4,229,200
Sewer - 1st Street Lift Station Replacement	2,500,000	1,042,100	3,542,100
6th St Bridge	2,500,000	4,342,800	6,842,800
Strategic Land Acquisition	2,176,000	752,300	2,928,300
Anderton Dike Remediation - Phase 1	1,750,000	250,000	2,000,000
Total	\$ 12,426,000	\$ 7,116,400	\$ 19,542,400

POLICY ANALYSIS:

Council gave first three readings the 2024-2028 Consolidated Financial Plan Bylaw No. 3130, 2024, on April 24th 2024. The 2024-2028 Financial plan contains the Phase 1 Anderton Dike Remediation project within the General fund which is partially funded through debt.

FINANCIAL IMPLICATIONS:

Per the 2024-2028 Consolidated Financial Plan the Phase 1 Anderton Dike Remediation project is budgeted at \$2,000,000 of which \$1,750,000 is coming from debt. The anticipated debt servicing costs at an interest rate of 5% over 30 years is \$120,846, this consists of \$33,346 in principal and \$87,500 in interest annually.

When the project is completed and the loan is ready to be finalized Council will be presented with a report and recommendation on total amount of money to go to long term debt and the choice of amortization period (10,20,30 years).

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 then 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 6 to 8 weeks.

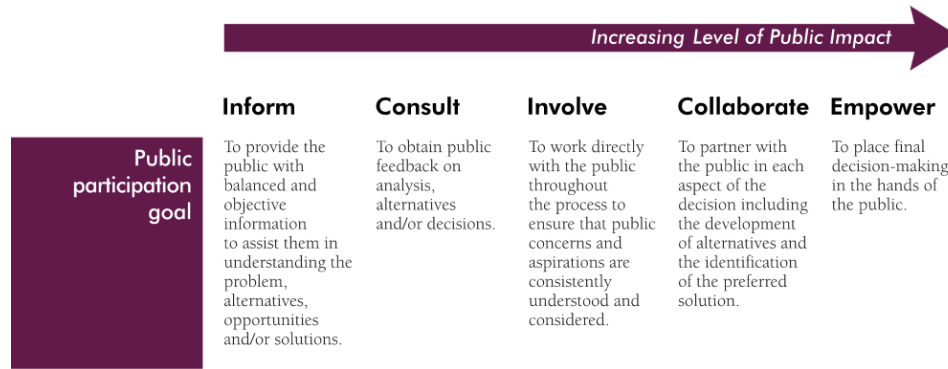
STRATEGIC PRIORITIES REFERENCE:

This initiative addresses the following cardinal direction:

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 give first, second and third readings to “Loan Authorization Bylaw 3128, 2024 – Anderton Dike Phase 1”.
AND
THAT Council proceed to adoption of “Loan Authorization Bylaw 3128, 2024 – Anderton Dike Phase 1” 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 No. 3128, 2024 - Anderton Dike Phase 1

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