



REPORT TO COUNCIL

Council Meeting: March 15, 2022

500 Matterson Drive, Ucluelet, BC V0R 3A0

FROM: DONNA MONTEITH, CHIEF FINANCIAL OFFICER **FILE NO:** 1760-10
SUBJECT: LOAN AUTHORIZATION BYLAW No. 1304, 2022 **REPORT NO:** 22-35
WATER SYSTEM AND FILTRATION IMPROVEMENTS PROJECT
ATTACHMENT(S): LIABILITY SERVICING LIMIT CERTIFICATE
LOAN AUTHORIZATION BYLAW No. 1304, 2022

RECOMMENDATION(S):

THAT Council abandon District of Ucluelet Loan Authorization Bylaw No. 1268, 2020.

THAT Council approve Option A, to give first, second and third reading of Loan Authorization Bylaw No. 1304, 2022.

THAT Council direct staff to submit District of Ucluelet Loan Authorization Bylaw No. 1304, 2022 to the Inspector of Municipalities for approval.

ADDITIONAL RECOMMENDATION FOR CONSIDERATION

THAT Council direct staff to revise the District of Ucluelet's five-year financial plan to include a 3% property tax increase to be placed into the Water Capital Reserve fund for future debt servicing of the water system and filtration improvements project.

BACKGROUND:

At the February 22, 2022 meeting of Council, Council directed staff to undertake an Alternative Approval Process (AAP) for the borrowing of up to \$13,000,000 to be utilized for the completion of the District Water System and Filtration Improvements project.

The purpose of this report is to begin the process for borrowing the required funds for the project. At the time of this report the cost of borrowing the maximum \$13M over a (30) thirty-year period would exceed \$729,290 annually based on a current 10-year interest rate of 3.24%. Add this to our current and pending loans, our yearly debt servicing could exceed \$991,000. The BC Government mitigates borrowing risk by capping annual liability servicing costs for each municipality. A municipality may not incur a liability if the total annual servicing cost of the aggregate liabilities is greater than 25 percent of annual revenues. Based on 2021 information our limit yearly limit is \$1,461,612. Borrowing the maximum \$13M could put the District in a position where we are using 67% or more of our borrowing capacity. Ultimately borrowing the maximum amount will impede our ability to complete future projects. Since we know the District will

require a large yearly payment regardless of the loan amount, it is suggested we collect extra taxes now, in order to meet the payments later on.

In order to proceed with the borrowing process the following steps must be undertaken, as per [Section 179 and 180](#) of the *Community Charter*, long term borrowing:

1. Give first three readings to the loan authorization borrowing bylaw;
2. Submit the loan authorization bylaw to the Inspector of Municipalities for statutory approval; and,
3. Seek approval of the electors.

Upon confirmation of approval of the electors, Council may then proceed to consider for final reading and adoption the loan authorization borrowing bylaw.

Alternate Approval Process - Undertaking an alternative approval process takes approximately eight (8) weeks, including a 30-day period where the electors may show their objection to the borrowing bylaw. An objection is demonstrated if 10% or more of the total number of electors indicate their dissent for the proposed borrowing bylaw through submission of a signed form. If this occurs, Council may not proceed with adoption of the bylaw unless approval of the electors is subsequently obtained through a referendum.

Referendum - The referendum process requires a minimum of 80-days to complete and that a majority of voters be in support of the question posed by Council. If the AAP is unsuccessful, it is possible that a referendum could be incorporated into the fall municipal election.

ANALYSIS OF OPTIONS

A	Give first three readings to new loan authorization bylaw, and approve tax increase	<u>Pros</u>	<ul style="list-style-type: none"> • Establishes the needed funding to undertake the water treatment system project in its entirety. • Most expeditious means of gaining approval of the electorate. • Confirms the project and borrowing prior to the fall election.
		<u>Cons</u>	<ul style="list-style-type: none"> • AAP’s generally see lower levels of electorate participation. • Reduces the borrowing capacity of the District for future projects. • Substantial increase to utilities and/or property taxes
		<u>Implications</u>	<ul style="list-style-type: none"> • Commits the District to \$13M in long term borrowing • Commitment to increase utilities and/or property taxes
B	Revise the project plan to fit existing budget, and approve tax increase	<u>Pros</u>	<ul style="list-style-type: none"> • Maintains the current project at existing costs. • Reduced debt servicing costs
		<u>Cons</u>	<ul style="list-style-type: none"> • Grant funder may withdraw the grant funds in their entirety. • High probability that the project will remain substantially over budget.
		<u>Implications</u>	<ul style="list-style-type: none"> • Commits the District to \$7.9M in long term borrowing • Commitment to increase utilities and/or property taxes
		<u>Suggested Motion</u>	<p>THAT Council approve option B, to direct staff to revise the water treatment project scope to fit within the existing \$15 million-dollar budget;</p> <p>THAT Council amend the water treatment system loan authorization bylaw 1304, 2022 to reflect a maximum loan of \$7.9 million; and,</p>

LIABILITY SERVICING LIMIT CERTIFICATE

The District of Ucluelet (the "Municipality")
 In relation to Loan Authorization Bylaw No. 1304, 2022

The undersigned Financial Officer assigned responsibility for financial administration under section 149 of the Community Charter, SBC 2003, Chapter 26 (the "Charter") or Auditor appointed for the Municipality under section 169 of the Charter hereby certifies as follows:

Calculation revenue for the previous year <i>(section 4 & 5, BC Reg 254/2004)</i>	<u>\$5,846,450.00</u> a
Liability Servicing Limit (a x 25%) <i>(section 2, BC Reg 254/2004)</i>	<u>\$1,461,612.50</u> b
Annual Servicing cost for previous year	<u>\$190,494.00</u> c

Plus: New liabilities incurred, other than current request

Liability Type and reference	Annual servicing cost	
<u>2022 Equipment Loan in progress</u>	<u>\$71,613.00</u>	d
_____	_____	e
_____	_____	f
_____	_____	g
_____	_____	h
_____	_____	i
_____	_____	j
_____	_____	k
_____	_____	l
Total of lines d through l	<u>\$71,613.00</u>	m

Less: Liabilities which have matured

Liability type and reference	Annual servicing cost	
_____	_____	n
_____	_____	o
_____	_____	p
_____	_____	q
_____	_____	r
Total of lines n through r	<u>\$0.00</u>	s

Amount of new liability <i>(section 3, BC Reg 254/2004)</i>	<u>\$13,000,000.00</u> t
Annual servicing cost of new liability <i>(section 3, BC Reg 254/2004)</i>	<u>\$729,291.00</u> u
Total liability servicing cost including current request (lines c+m-s+u)	<u>\$991,398.00</u> v

which is less than the annual liability servicing limit stated on line b.

OR

which exceeds the annual liability servicing limit stated on line b, and the undersigned hereby requests approval of the Inspector of Municipalities under section 174 of the Charter to exceed the limit established under the section.

In accordance with section 179(5) or section 175(1)(b) of the Charter, as applicable, the debt to be contracted under the loan authorization bylaw, or other liability for which certification is being made, referred to above will not exceed the lesser of 30 years and the reasonable life expectancy of the capital asset, activity, work or service, or the remaining term of the applicable agreement, as the case may be, for which the debt is to be contracted.

The undersigned Financial Officer or Auditor also hereby authorizes Legal Counsel of the Municipal Finance Authority of British Columbia to rely on this Certificate in giving any opinion in connection with any borrowing by the Municipal Finance Authority of British Columbia ("MFA") and the issuance of bonds, debentures, and other securities by the MFA in respect of the loan authorization bylaw, or other liability for which certification is being made, referred to above.

DATED this 8 day of March, 2022

Donna J Monteith OR _____
 Financial Officer Auditor

Donna J Monteith
 (Please print full name)

 Auditor

 (Please print full name & company)

DISTRICT OF UCLUELET
Loan Authorization Bylaw 1304, 2022

A bylaw to authorize the borrowing to complete a water treatment project.

WHEREAS it is deemed desirable and expedient to construct a water treatment system for the District's well fields, surface water supply and increase water storage capacity;

AND WHEREAS the estimated cost of the water treatment project including expenses incidental thereto is the sum of twenty million dollars (\$20,000,000) of which the sum of thirteen million dollars (\$13,000,000) is the maximum amount of debt intended to be borrowed by this bylaw;

1. **NOW THEREFORE** the Council of the District of Ucluelet in open meeting assembled enacts as follows: This bylaw may be cited as the "Loan Authorization Bylaw No. 1304, 2022".
2. The District of Ucluelet is hereby authorized to borrow upon the credit of the Municipality a sum not to exceed thirteen million (\$13,000,000).
3. The entire amount authorized to be borrowed pursuant to this bylaw is for the purpose of carrying out the development of a water treatment system for the District well fields, surface water supply and increased water storage capacity and to acquire all such real property, easements, rights-of-way, licenses, rights or authorities as may be requisite or desirable for or in connection with the development of a water treatment system for the Districts well fields, surface water supply and increasing of the Districts water storage capacity.
4. The maximum term of which debentures may be issued to secure the debt created by this bylaw is thirty (30) years.

Read a first time this ** day of ***, 20**.

Read a second time this ** day of ***, 20**.

Read a third time this ** day of ***, 20**.

Received the approval of the Inspector of Municipalities this _____ day of _____ 2022.

Received the Assent of the Electors of the District of Ucluelet this ___ day of _____ 2022.

Reconsidered and ADOPTED this ** day of ***, 20**.

Mayor

Deputy Corporate Officer

CERTIFIED CORRECT; "District of Ucluelet Loan Authorization Bylaw No. 1304, 2022".

THE CORPORATE SEAL of the
District of Ucluelet was hereto affixed
in the presence of:

Deputy Corporate Officer