

Report

Date	May 18, 2022	File:
Subject	Long Term Borrowing for North Cowichan/Duncan Integrated RCMP Facility	

PURPOSE

To obtain a security issuing resolution that will enable long-term borrowing for the North Cowichan/Duncan Integrated RCMP Facility through the Cowichan Valley Regional District (CVRD).

BACKGROUND

Section 182 of the *Community Charter* requires a municipality borrowing under a loan authorization bylaw to have its regional district undertake the financing through the Municipal Finance Authority (MFA) of British Columbia. This provides joint and several liability for the debt, helping ensure that all local governments in BC benefit from low-interest rates as a result of the MFA's triple A credit rating.

A security issuing resolution adopted by Council is required to be sent to the regional district in order for the Board to consider adoption of the Security Issuing Bylaw required to obtain financing. The MFA issues long term debt twice per year, in the spring and the fall. In order to be included in the fall 2022 issue, municipal security issuing resolutions are required to be received by the CVRD by June 10, 2022.

DISCUSSION

On July 15, 2020, Council adopted North Cowichan/Duncan Integrated RCMP Facility Loan Authorization Bylaw No. 3787, 2020 authorizing borrowing a sum not exceeding \$48,000,000 for a term of 20 years. Work has been proceeding on the facility, and it is anticipated that spending by the end of 2022 will total \$22-\$24 million.

Typically, long term debt is not secured until the project is complete and the exact amount of required debt is known. In this case, the final costs are unlikely to be known in time for the fall 2023 issue, delaying long term borrowing until the spring of 2024. However, the Municipality does not have cash resources to support capital construction and ongoing operations until the project is complete.

Some temporary financing has been undertaken to assist with cash flow, but given the potential for rising interest rates, staff recommend securing \$22 million in long term debt in the fall of 2022 and the remainder at the completion of the project.

OPTIONS

1. **(Recommended Option)** THAT Council approve borrowing from the Municipal Finance Authority of British Columbia, as part of the 2022 Fall Borrowing Session, \$22,000,000 as authorized through North Cowichan/Duncan Integrated RCMP Facility Loan Authorization Bylaw No. 3787, 2020, and that the Cowichan Valley Regional District be requested to consent to our borrowing over a 20-year term and include the borrowing in a Security Issuing Bylaw.

- This resolution contains the MFA required wording and asks the CVRD Board to secure the funding on our behalf.
2. THAT Council direct staff to continue interim financing until the North Cowichan/Duncan Integrated RCMP Facility is complete.
- This option signals to staff that Council prefers to obtain all of the required long term debt at one time once the project is complete, and directs staff to use interim financing to assist with cash flows in the interim.

IMPLICATIONS

The current economic climate makes interest rates difficult to predict. MFA debt issues contain set interest rates for a 10-year term and then are renegotiated at that time. The current 10-year loan rate through the MFA is 3.65%. It is impossible to predict what the loan rate will be in the spring of 2024 when the final project costs are known.

Undertaking some of the long-term debt now allows the Municipality to take advantage of the relatively low interest rates that are available and to begin paying down the principle on the debt.

Staff are recommending borrowing \$22 million at this time as this is not more than will have been spent by the end of the year but is sufficient to ensure that cash flows will not be adversely affected.

RECOMMENDATION

THAT Council approve borrowing from the Municipal Finance Authority of British Columbia, as part of the 2022 Fall Borrowing Session, \$22,000,000 as authorized through North Cowichan/Duncan Integrated RCMP Facility Loan Authorization Bylaw No. 3787, 2020, and that the Cowichan Valley Regional District be requested to consent to our borrowing over a 20-year term and include the borrowing in a Security Issuing Bylaw.

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