



District of Peachland

Request for Decision

To: Mayor and Council

From: Director of Finance Doug Pryde

Date: September 19, 2017

Subject: 2017 Financial Plan Amendment Bylaw and Water Treatment Plant and Water Interconnect Loan Authorization Bylaw

Recommendation: **THAT 2017 Financial Plan Bylaw 2179, Amendment Bylaw Number 2207, 2017 be read a first, second, and third time;**

AND THAT Water Treatment Plant and Water Interconnect Loan Authorization Bylaw Number 2208, 2017 be read a first, second, and third time.

Chief Administrative Officer's Comments:

I support the recommendation: _____

Implications of Recommendation:

General: N/A

Organizational: N/A

Financial: It is estimated the construction of the District's water treatment plant and water interconnect will have no financial impact on total water parcel tax levies.

Policy: N/A

Strategic Plan: Water quality is ranked highest in the District's strategic plan.

Background:

Council identified quality drinking water as one of the top priorities within the District's strategic plan, consistent with the 2007 Water Master Plan & Strategy and the results of the 2016 Citizen Survey. To that end, Council approved the construction of a conventional water treatment plant costing \$18.8 million funded from approved senior government grants in the amount of \$6.9 million, long term borrowings in the amount of \$4.3 million, with the balance of \$7.6 million funded from water reserves as identified in the original 2017 Financial Plan.

In an effort to service the entire District with a conventional water treatment process, Council approved directing staff to apply for \$4.9 million in grant funding under the Strategic Priorities Fund – Capital Infrastructure Projects Stream for the design and construction of the Trepanier Creek Water System Interconnect.

The Ministry, through the loan authorization bylaw inspection process, requires that unapproved grants be excluded from the Financial Plan as a source of funding. Therefore, the Trepanier Creek Water System Interconnect must be funded through an alternative funding source including borrowings and reserves. In order for this project to proceed with the alternative approval process to be completed in 2017, the 2017 Financial Plan requires amendment to add \$4.9 million to water capital in 2019 funded by borrowings as there is no additional reserve funding available, and no certainty of grant funding approval in the foreseeable future for this project. This amendment will increase the total project cost to \$23.7 million increasing funding from borrowings from \$4.3 million to \$9.2 million as identified in the attached amended budget summary.

The proposed loan authorization bylaw includes borrowings in the amount of \$9,285,456 million to include the 1% that is deducted by the Municipal Finance Authority of BC to be placed in a debt reserve fund that is refunded with interest at the end of the borrowing term. The recommended borrowing term is 25 years consistent with other loan authorization bylaws prepared by the District. With the current interest rate of 3.53% for this term, the estimated annual debt servicing cost amounts to \$582,457. This converts to parcel taxation in the amount of \$206 per year. It is estimated this parcel tax requirement plus the annual parcel tax for other water capital improvement projects identified in the 2017 Financial Plan would not exceed the current \$350 Water Improvement Parcel Tax levy. It is planned that commencing in 2021, the new \$206 parcel tax for this project will be offset by a reduction of the current \$350 parcel tax by \$206. Therefore, the amended Water Improvement Parcel Tax will be approximately \$144 assuming no major increases in the interest rate by 2021.

Prior to securing the long-term borrowing requirements, there will be a commutation opportunity for property owners to prepay their portion of this project estimated to be in the amount of \$3,248. This commutation opportunity will be available once the project is complete, and the total amount commuted will be deducted from the borrowing requirement. The remaining property owners choosing to finance this through borrowings will pay a total of approximately \$5,150 assuming the initial parcel tax of \$206. However, this parcel tax will likely decrease over time as a result of growth.

The next step after 3rd reading of the loan authorization bylaw is to deliver it to the Ministry for statutory approval of the Inspector of Municipalities, which normally takes between 4 to 6 weeks. It is anticipated that approval will be received by November 3rd. If so, a Special Council meeting will be scheduled on November 7th to approve the Elector Response Forms which authorizes the Alternative Approval Process (AAP) for elector assent. The AAP will then commence on November 20th after satisfying the advertising requirements of the AAP. If the AAP fails (meaning 10% or more of the electors advise the District by December 21, that in their opinion this bylaw is of such significance that a referendum should be held), then the loan authorization bylaw cannot be adopted. This is interpreted to mean: *if 10% of the qualified electors sign the AAP elector response forms, opposing the District borrowing money for the construction of a Water Treatment Plant, Council will not be able to proceed without then, going to a referendum. If less than 10% sign the AAP Elector Response Forms, then the loan authorization bylaw can be adopted.* Following the one-month quashing period of this bylaw, a Corporate Officers Certificate is sent to the Ministry who will then grant a Certificate of Approval of this bylaw. Once the final borrowing amount is identified by the District after project construction and commutation opportunity, a resolution is generated by Council approving the District's borrowing requirement to be added to the Regional District of Central Okanagan security issuing bylaw to secure long-term borrowings with the Municipal Finance Authority.

Report/Document: Attached: **X** Available: Nil:

2017 Financial Plan Budget Amendment Summary

2017 Financial Plan Bylaw 2179, Amendment Bylaw Number 2207, 2017.

Water Treatment Plant and Water Interconnect Loan Authorization Bylaw Number 2208, 2017

- Options:**
- 1. COUNCIL MAY CHOOSE TO SUPPORT THE RECOMMENDATION**
 - 2. COUNCIL MAY CHOOSE TO REFER BACK TO STAFF FOR ADDITIONAL INFORMATION**
 - 3. COUNCIL CAN CHOOSE TO NOT SUPPORT THE RECOMMENDATION**

THE CORPORATION OF THE DISTRICT OF PEACHLAND

BYLAW NUMBER 2208

A Bylaw of the Corporation of the District of Peachland to authorize borrowing for the purpose of providing a water treatment plant facility and a water Interconnect for the provision of treated water to service the District of Peachland

WHEREAS the District of Peachland has adopted its Water Master Plan identifying the need for water infrastructure improvements including a water treatment plant;

AND WHEREAS to provide for the financing of a water treatment plant and a water interconnect, it is necessary to borrow a sum not exceeding Nine Million, Two Hundred and Eighty-Five Thousand, Four Hundred and Fifty-Six Dollars (\$9,285,456), which is the amount of debt intended to be created by this bylaw;

AND WHEREAS the approval of the Inspector of Municipalities has been obtained;

AND WHEREAS the approval/assent of the electors has been obtained;

NOW THEREFORE, the Council of the Corporation of the District of Peachland, in open meeting assembled,

HEREBY ENACTS AS FOLLOWS:

1. The Corporation of the District of Peachland is hereby authorized to borrow upon the credit of the Corporation of the District of Peachland, a sum not exceeding Nine Million, Two Hundred and Eighty-Five Thousand, Four Hundred and Fifty-Six Dollars (\$9,285,456) for the purpose of constructing Peachland Creek Water Treatment Plant and Trepanier Creek Water System Interconnect to provide treated water through a conventional water treatment process within the boundaries of the District of Peachland.
2. The total amount borrowed comprises of Four Million, Three Hundred and Thirty-Five Thousand, Nine Hundred and Sixty-One Dollars (\$4,335,961) for the purpose of constructing Peachland Creek Water Treatment Plant, and Four Million, Nine Hundred and Forty-Nine Thousand, Four Hundred and Ninety-Five Dollars (\$4,949,495) for the purpose of constructing the Trepanier Creek Water System Interconnect;
3. The maximum term for which debentures may be issued to secure the debt created by this bylaw is twenty-five (25) years;
4. This bylaw shall be cited as "Water Treatment Plant and Water Interconnect Loan Authorization Bylaw Number 2208, 2017."

READ A FIRST TIME, this 3rd day of October, 2017.

READ A SECOND TIME, this 3rd day of October, 2017.

READ A THIRD TIME, this 3rd day of October, 2017.

RECEIVED the approval of the Inspector of Municipalities, this 13th day of October, 2017.

RECEIVED the approval/assent of electors, this

ADOPTED, this

Mayor

Corporate Officer

Dated at Peachland, BC.
This ____ day of _____, 2017.

Certified to be a true copy of Bylaw No. 2208 as at Third Reading.

Corporate Officer

Date

Certified to be a true copy of Bylaw No. 2208 as adopted.

Corporate Officer

Date