



City of Richmond




Report to Committee

To: Finance Committee **Date:** December 1, 2021
From: Ivy Wong **File:** 03-0900-01/2021-Vol
 Acting Director, Finance 01
Re: **Steveston Community Centre and Branch Library Loan Authorization Bylaw**
No. 10334

Staff Recommendation

That the Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334 be introduced and given first, second, and third readings.

Ivy Wong
Acting Director, Finance
(604-276-4046)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Law	<input checked="" type="checkbox"/>	 Acting GM, F&CS
SENIOR STAFF REPORT REVIEW	INITIALS:	APPROVED BY CAO
		

Staff Report

Origin

At the November 29, 2021 Finance Committee Meeting, Council endorsed funding strategy Option 3 (external borrowing) and borrowing Option C (\$95 million for 20 years) as outline in the staff reported titled “Alternative Sources of Funding Referral Response” dated November 2, 2021 from the Acting Director, Finance.

The purpose of this report is to obtain Council’s approval of the attached Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334.

This report supports Council’s Strategic Plan 2018-2022 Strategy #3 One Community Together, Strategy #5 Sound Financial Management and Strategy #6 Strategic and Well-Planned Growth:

3.1 Foster community resiliency, neighbourhood identity, sense of belonging, and intercultural harmony.

5.1 Maintain a strong and robust financial position.

5.2 Clear accountability through transparent budgeting practices and effective public communication.

6.6 Growth includes supports and/or services for Richmond's vulnerable populations, including youth, seniors, individuals with health concerns, and residents experiencing homelessness.

Findings of Fact

Under section 179 of the *Community Charter*, Council may, by a loan authorization bylaw adopted with the approval of the inspector, undertake long-term capital borrowing with a maximum 30-year term through the MFA. After Council’s three readings of the loan authorization bylaw, it will then be sent to the Ministry of Municipal Affairs for review and statutory approval by the Inspector of Municipalities. This approval must be obtained prior to Council’s final adoption of the bylaw.

Under section 180 of the *Community Charter* and the *Municipal Liability Regulation (B.C. Reg. 254/2004)*, if a municipality’s annual liability servicing cost (i.e. the annual interest and principal debt repayments) is no greater than five percent of the municipality’s last year’s controllable revenues, then the municipality qualifies for the elector approval free exemption. The elector approval free exemption permits a municipality to adopt a loan authorization bylaw without elector’s consent (i.e. without a referendum or an alternative approval process).

Analysis

Loan Authorization Bylaw

Under the MFA Long-Term Borrowing program for its local municipal members, the MFA is required to withhold one percent (1%) of the gross loan amount as a security against loan default. The one percent is held in trust by the MFA in a Debt Reserve Fund and will be refunded, with interest, at loan expiry. Therefore, in order for the City to receive net loan proceeds of \$95 million for the budgeted construction cost of the Steveston Community Centre and Branch Library, staff propose the Loan Authorization Bylaw in the amount of \$96 million be approved by Council.

Gross Loan Authorization Amount	\$96,000,000
Less: 1% Debt Reserve Fund	<u>(\$ 960,000)</u>
Net Loan Proceeds Available for Use	\$95,040,000

Potential Annual Debt Servicing Costs of the Proposed MFA Loan

The annual debt servicing costs of the proposed MFA loan will depend on the interest rate and the term of the loan. The terms and interest rates of future MFA debt issues are unknown at this time as they are dependent on various external factors at the time of debt issuance, such as market conditions (e.g. bond market, economic conditions, interest rate environment etc.) and the size and term of the debt requests that MFA receives at the time. More information will be provided to Council for consideration prior to the finalization of the term of the loan at the Municipal Security Issuing Resolution and Agreement stage of the loan process (see Table 1 for the anticipated timeline of the borrowing process).

The City currently has an outstanding balance of \$17.4 million in MFA long-term debt for the Minoru Centre for Active Living Building (original borrowing amount was \$50.8 million). This current debt has an annual debt servicing cost of \$6 million, which is scheduled to be fully repaid by April 2024.

As outlined in the staff report titled “Alternative Sources of Funding Referral Response” dated November 2, 2021 from the Acting Director, Finance, the estimated debt servicing cost for the proposed 20-year \$96 million MFA loan for the Steveston Community Centre and Branch Library is approximately \$6 million. This proposal would allow the City to take advantage of the current low interest rate environment to finance the replacement of an aging community facility, while preserving healthy and sustainable reserve balances without additional tax impact to the taxpayers.

Elector Approval Exemption

Under the *Municipal Liability Regulation (B.C. Reg. 254/2004)*, a municipality can qualify for elector approval free exemption for a loan authorization bylaw if a municipality’s annual liability servicing cost is no greater than 5% of the municipality’s last year’s controllable revenues.

Taking into consideration the potential annual liability servicing costs of the proposed \$96 million loan (estimated to be \$6 million), the City's existing annual debt servicing costs (less than \$10 million), as well as the City's controllable revenue in 2020 (approximately \$480 million), the City's aggregate annual liability servicing cost (with the proposed loan authorization bylaw) will be approximately 3% of last year's controllable revenues. Therefore, Council has the option to proceed with the Loan Authorization Bylaw adoption process without elector's consent.

It is anticipated that the proposed loan authorization will not result in an additional tax impact, as the debt repayment will be funded by existing available budgets. Therefore, staff recommend that Council proceed with the proposed Loan Authorization Bylaw without a referendum or an alternative approval process.

Borrowing Timeline

Table 1 below provides a summary and timing of the full loan process if the City participates in the upcoming MFA Fall Debt Issue that is scheduled to take place in October 2022:

Required Steps	Performed By	Timeline
Three readings of the loan authorization bylaw	City of Richmond	December 2021
Approval of the loan authorization bylaw	Ministry	January 2022
Adoption of the loan authorization bylaw	City of Richmond	January 2022
One month quashing period	No action	February 2022
Application of Certificate of Approval to the Ministry	City of Richmond	March 2022
Approval of Certificate of Approval from the Ministry	Ministry	March 2022
Passing of Municipal Security Issuing Resolution and Agreement	City of Richmond	April 2022
Delivery of all necessary documents to Metro Vancouver	City of Richmond	May 2022
Readings and adoption of Regional District Security Issuing bylaw	Metro Vancouver	June 2022
Application of Certificate of Approval of the Regional District Security Issuing bylaw from the Ministry	Metro Vancouver	July 2022
MFA Annual General Meeting	MFA	September 2022
Advance of funds to the City	MFA	October 2022

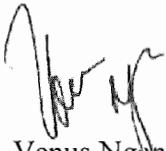
Table 1. Borrowing Process and Timeline

Financial Impact

None.

Conclusion

That Loan Authorization Bylaw No.10334 be approved by Council in order to enable the external borrowing option to fund the Steveston Community Centre and Branch Library project.



Venus Ngan
Manager, Treasury and Financial Services
(604-276-4217)

Att. 1: Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334



Steveston Community Centre and Branch Library
Loan Authorization Bylaw No. 10334

WHEREAS Council considers it desirable to construct the new Steveston Community Centre and Branch Library;

AND WHEREAS the City of Richmond wishes to fund the construction of the new Steveston Community Centre and Branch Library by borrowing the sum of \$96,000,000, which is the amount of debt intended to be borrowed by this bylaw;

NOW THEREFORE, the Council of the City of Richmond, in open meeting assembled, enacts as follows:

- 1. The City of Richmond is hereby empowered and authorized to borrow upon the credit of the City of Richmond a sum not exceeding \$96,000,000 for the purpose of constructing the new Steveston Community Centre and Branch Library, including all expenses incidental thereto.
2. The maximum term for which debentures may be issued to secure debt created by this bylaw is thirty (30) years.
3. This bylaw may be cited as "Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334".

FIRST READING

SECOND READING

THIRD READING

RECEIVED the approval of the Inspector of Municipalities

ADOPTED

Four horizontal lines for signatures corresponding to the reading stages.

CITY OF RICHMOND
APPROVED for content by originating dept.
VN
APPROVED for legality by Solicitor
ACI

MAYOR

CORPORATE OFFICER