



CORPORATION OF THE TOWNSHIP OF ESQUIMALT

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5/17/2021	1	Council	approved	Pass

REQUEST FOR DECISION

DATE: May 12th, 2021 Report No. CSS-21-011

TO: Laurie Hurst, Chief Administrative Officer

FROM: Blair McDonald, Director of Community Safety Services

SUBJECT:

Alternative Approval Process, Bylaw 3021 - Report and Next Steps

RECOMMENDATION:

That the Public Safety Building Improvements Loan Authorization Bylaw, 2021, No. 3021, be adopted.

RELEVANT POLICY:

Community Charter
Local Government Act
Financial Plan Bylaw, 2021, No. 3016

STRATEGIC RELEVANCE:

Healthy, Livable and Diverse Community: fully utilize the McLoughlin amenity funds to maximum potential.

BACKGROUND:

In February 2017 negotiations with the Capital Regional District (CRD) on an amenity package for hosting a regional wastewater treatment facility were concluded. The CRD and the Township entered

into the Host Community Impact 5-Year Agreement which created the capital improvement amenities and reserve funds and detailed how they were to be utilized. The Amenity Reserve Fund Administration Agreement then stipulated how the reserve funds were to be administered. With this information, the Township pursued robust public consultation as to what other uses could potentially be integrated into a new emergency services and public safety facility. On March 25, 2019 at a special committee of the whole, Council selected projects for additional work and analysis which included a new public safety building that may include an emergency coordination centre, commercial space, public meeting space and housing.

Based on Council's direction, staff initiated the first steps to proceed with the construction of a new Public Safety Building (PSB) including establishing an advisory committee, contracting a Project Manager, completing a feasibility study, contracting an architecture firm to produce preliminary construction drawings, public consultation processes including Advisory Planning Commission, Design Review Committee and Council meetings, developing a project budget, initiating a rezoning amendment process for the land upon which the new PSB will be situated as well as an OCP amendment process.

During 2020 budget deliberations \$35 million in long term debenture debt to fund this project was detailed in the approved financial plan capital expenditures with borrowing to occur in 2021.

At the February 23, 2021 meeting, Council gave first, second and third readings to Public Safety Building Improvements Loan Authorization Bylaw, 2021, No. 3021. Council also resolved to have the Corporate Officer undertake an Alternate Approval Process (AAP) to determine the opinion of the electors regarding the loan bylaw.

The AAP response period ran from April 9th until May 10th at 4:30 p.m. The Corporate Officer and Deputy Corporate Officer counted electoral response forms and declared that a total of 684 response forms had been received. This number represents less than 5% of eligible voters, which by legislation means that electoral approval has been achieved for Bylaw No. 3021 to permit long-term borrowing to fund the PSB. At a Special Council meeting on May 11th, 2021, Council unanimously passed a motion directing the Corporate Officer to publicly release the detailed results of the AAP. (Certification of Results - Attachment #1)

The AAP is governed by provincial legislation, which identifies circumstances where the elector approval may be obtained. The AAP process is expansively laid out in Staff Report CSS-21-005 (Attachment #2).

ISSUES:

1. Rationale for Selected Option

The AAP, as conducted by staff, rigorously followed the procedure as set out in legislation of the Province of BC. The number of electoral response forms received was well below the 10% threshold of eligible voters. Therefore, electoral approval to proceed with long-term borrowing as per Bylaw No. 3021 has been received.

2. Organizational Implications

This project can be accomplished within existing department work plans and staffing levels.

3. Financial Implications

As the Township does not have sufficient statutory reserves to fund this project, debt borrowing would be required. Obtained through the Municipal Finance Authority (MFA), the debt issuance of \$35,000,000 would be repaid over a maximum duration of 30 years. During this term, interest and principal payments would be made annually and would be funded using the existing statutory capital reserves.

The exact amount of interest over the borrowing period can only be estimated. The borrowing can only be locked in for a period of 5 or 10 years at a time at the interest rate in effect at the time of borrowing by MFA. We would plan to lock in for a 10-year term. The rates as of the commencement of the AAP for such a term was 1.81% however when this term expires, we would have to lock in for another term at the rate in effect at that time. Based on this rate, the annual debt servicing for the first 10 years of the loan is projected to cost approximately \$1,530,000 for borrowing proceeds of \$35,000,000. While their rate projections are constantly changing, MFA includes a 30-year indicative rate of 2.66% which could be used to project an annual servicing amount of \$1,828,000.

The annual servicing amount could be funded from the existing capital reserves and would not necessarily require increased taxation. However, this annual repayment would represent a significant portion of the reserve balance and could potentially impact the number and magnitude of other capital projects. Council would have the option of using taxation revenue to increase the capital reserves.

While the debt funding is ultimately secured by the Municipal Finance Authority, the Township's request must be made through the Capital Regional District. To do so, the Township will be required to provide a number of documents in advance of the CRD deadline. In addition to an adopted Loan Authorization Bylaw, Council must submit a certified copy of a Municipal Security Issuing Resolution which will serve as the trigger for the CRD to include the request in their security issuing bylaw. To complete the submission package, a Certificate of Approval from the Ministry of Municipal Affairs and a Liability Servicing Limit Certificate documenting that the Township will not exceed the provincially established borrowing limits must also be included.

4. Sustainability & Environmental Implications

The PSB will be designed and built to Zero Carbon Building standards.

5. Communication & Engagement

The Township website has a significant amount of information relating to the proposed design of the PSB, the AAP process and financial ramifications relating to construction costs and borrowing, as well as a complete project timeline, going as far back as the initial public consultation surrounding the McLoughlin Amenity Funding.

There will be several forthcoming steps in the public safety building project that will involve public consultation. The final building design, the rezoning of the land and other decisions are still to be determined by council and will involve multiple public input opportunities.

ALTERNATIVES:

1. That the Public Safety Building Improvements Loan Authorization Bylaw, 2021, No. 3021, be adopted.
2. That Council does not adopt Bylaw No. 3021 and direct staff to proceed with the legislated process to seek electoral assent for Bylaw No. 3021.
3. That Council provides alternate direction to staff.