

COUNCIL REPORT



REPORT DATE: September 2, 2019
MEETING DATE: September 9, 2019

TO: Mayor and Councillors
FROM: Michelle Mason, Chief Financial Officer/Deputy CAO
SUBJECT: Extension for Water Supply Short-term Debt

RECOMMENDATION

THAT Council receive the Extension for Water Supply Short-term Debt report.

AND THAT Council request a one-year extension from Municipal Finance Authority for interim construction borrowing against "The Corporation of the Village of Cumberland Water Improvements Temporary Borrowing Bylaw No. 982, 2013".

SUMMARY

The purpose of this report is to recommend that Council request an extension from Municipal Finance Authority (MFA) for interim construction borrowing against "The Corporation of the Village of Cumberland Water Improvements Temporary Borrowing Bylaw No. 982, 2013". The Village can then levy one parcel tax for the water supply projects ensuring simplicity for the taxpayer and efficiencies.

BACKGROUND

After a successful Alternative Approval Process in 2013, Council adopted the long-term borrowing bylaw for the original water improvements which included dam stability reconstruction for Steven's Lake Dam, Cumberland No. 2 Dam and a ultraviolet sterilization treatment system along with the temporary borrowing bylaw "The Corporation of the Village of Cumberland Water Improvements Temporary Borrowing Bylaw No. 982, 2013". Staff then proceeded to complete the Steven's Lake Dam stability reconstruction and started interim construction borrowing at the end of 2014. Temporary borrowing bylaws expire after five years; therefore, this bylaw will expire December 31, 2019. In 2016 the Village received the Clean Water and Wastewater grant for an increased scope for water supply improvements that included the construction of a reservoir, construction of a treatment plant and twinning of the supply line. In addition the Village's Long-term Water Strategy determined that the scope of the Cumberland No. 2 Dam project increased to an estimated value of \$3.2 million which the Village cannot complete without additional grant funding. The Village is currently waiting for grant approval results for this project. In 2017

approval from the electors was sought to borrow for the Village's share of the new water supply improvements in the amount of \$1,050,100.

The original intention was to merge the interim construction debt for the Steven's Lake Dam project with the interim construction debt for the updated water supply projects (water treatment, reservoir and watermain duplication) so that the taxpayer would have one parcel tax over a 20 to 30-year term. However, the updated water supply projects have been delayed due to complications with BC Hydro for electricity to the treatment plant. Staff expect the water supply projects to be finalized in 2020 and the Village would be ready to transfer all of the interim construction debt (including the Steven's Lake Dam debt) to long-term debt in the 2020 fall issue with the corresponding parcel tax to start in 2021.

In order to transfer all water supply interim construction debt to long-term borrowing together in the fall issue, the Village would need to request an extension from MFA for the temporary borrowing bylaw number 982 that is set to expire December 31, 2019. The request for an extension to MFA will be reviewed at their next monthly Credit Committee meeting. Given that the Village extension request is based on timing and not on financial distress, staff expect MFA to grant the extension. If the extension is granted, MFA will issue a new one-year contract. However if MFA does not approve the extension for any reason, the Village can internally fund the short-term debt with the water financial stabilization reserve until it is time to transfer to the long-term debt for the other water supply projects. Then the Village will pay back the reserve with the long-term debt proceeds in 2020.

FINANCIAL IMPLICATIONS

Interim construction debt with borrowing bylaw 982 for the Steven's Lake Dam stability project totals \$447,020. The maximum borrowing for the water supply projects under bylaw number 1063 is \$1,050,100. Therefore, final borrowing is expected to be a maximum \$1,497,120 with estimated annual payments being \$116,000 for an estimated \$74 annual parcel tax.

OPERATIONAL IMPLICATIONS

Borrowing and parcel tax levies are administered through the Finance Department.

STRATEGIC OBJECTIVE

None.

ATTACHMENTS

None.

CONCURRENCE

Rob Crisfield, Manager of Operations

OPTIONS

1. Council request an extension from Municipal Finance Authority for interim construction borrowing against “The Corporation of the Village of Cumberland Water Improvements Temporary Borrowing Bylaw No. 982, 2013”.
2. Council does not request a one-year extension from Municipal Finance Authority for interim construction borrowing against “The Corporation of the Village of Cumberland Water Improvements Temporary Borrowing Bylaw No. 982, 2013” and funds the interim construction debt with reserve funds to be paid back with long-term debt in 2020.
3. Any other action deemed appropriate by Council.

Respectfully submitted,

Michelle Mason
Chief Financial Officer/Deputy CAO