DISTRICT OF SUMMERLAND

THE CORPORATION OF THE
DISTRICT OF SUMMERLAND
REQUEST FOR DECISION

DATE: June 26, 2023 FILE: 3900-20

TO: Graham Statt, Chief Administrative Officer

FROM: Kendra Kinsley, Corporate Officer

SUBJECT: Loan Authorization (Recreation Centre) Bylaw No. 2023-016

STAFF RECOMMENDATION:

That Council pass the following resolution:

> ***THAT Loan Authorization (Recreation Centre) Bylaw No. 2023-016 receive first, second and third reading.***

STRATEGIC PRIORITY:

To Enhance Our Quality of Life

CULTURAL IMPACT STATEMENT:

N/A

PURPOSE:

To consider the first three readings for Loan Authorization (Recreation Centre) Bylaw No. 2023-016.

DISCUSSION:

Council's published Strategic Priorities (2022-2026) indicate that a referendum (assent vote) is to take place in Q4 of 2023 to secure borrowing for the recreation centre project. Long term borrowing (loan authorization) requires approval of the electors prior to a decision being finalized and the bylaw being adopted. As Council has directed Staff to proceed with a Fall 2023 referendum to borrow the funds necessary to construct a new recreation centre, before Council is the required Loan Authorization Bylaw to be considered for its first three readings.

Should the Bylaw receive its first three readings, the Bylaw and any supporting materials will then be sent to the Inspector of Municipalities to be reviewed for statutory approval. The general voting day of the referendum must be held on a Saturday within 80 days from the date of receipt of approval. Below is an estimated general timeline for a Fall 2023 referendum:

Loan Authorization Bylaw (first 3 readings):	Submitted to Inspector:	Inspector Review/Approval (6-8 weeks):	Potential General Voting Days (80 days following approval):
June 26, 2023	June 27, 2023	August 8 – August 22, 2023	Saturday October 14, October 21, October 28, November 4

Next Steps:

The next steps in the referendum process are for Staff to bring forward the referendum question and select a date for the referendum (general voting day). Staff anticipate these considerations to be brought before Council in an upcoming Council meeting.

If the public votes in favour to borrow for the construction of a new recreation centre, the bylaw will the be brought back to Council for final consideration and adoption to continue with the borrowing process.

BACKGROUND:

At the May 15, 2023 Regular (afternoon) Meeting of Council, Council resolved the following:

THAT staff be directed to conduct a Fall 2023 referendum for the Recreation Centre project for borrowing up to 50 million dollars;

AND THAT staff return to Council with a proposed Referendum Plan including borrowing bylaws, funding options, and timelines.

At the June 5, 2023 Committee of the Whole/Regular (evening) Meeting of Council, Council resolved the following:

THAT staff be directed, upon electoral assent, to include the expenditure to pay debt servicing costs for the Recreation Centre project through a 50% parcel tax and a 50% property taxation increase to ensure the full amount of annual debt servicing costs are funded in this manner;

AND FURTHER THAT staff be directed, upon electoral assent, to create an Accumulated Reserve Loan account to internally borrow sufficient funds to pay annual debt servicing costs, in excess of the annual leveled parcel tax amount and annual taxation increases of 3.70%, 3.74%, 3.74% and 3.70%, from 2024 to 2027, with full repayment of the Accumulated Reserve Loan account by year end 2027.

LEGISLATION and POLICY:

- *Community Charter*, s. 179 “Loan Authorization bylaws for long term borrowing”
- *Community Charter*, s. 180 “Electoral approval required for some loan authorization bylaws”

FINANCIAL IMPLICATIONS:

Reviewed by Financial Services:

Staff have calculated the cost to borrow up to $50,000,000 to fully fund the projected cost to build the Recreation Centre project. Based on a 30-year amortization schedule and a long-term interest rate of 4.62% (Municipal Finance Authority's [MFA] 30-year indicative lending rate as of June 19, 2023), it is estimated that annual debt servicing costs will be $3,239,381 once the full amount of debt has been issued from MFA. This works out to $929,381 in principal and $2,310,000 in interest.

Should electoral assent be received, the expenditure to pay the debt servicing costs for the Recreation Centre project will be funded through a leveled 50% parcel tax and a leveled 50% property taxation increase.

This will equate to the following estimated annual increases for the below noted assessed homes.

	Tax Rate Leveling & 50% Parcel Tax Leveling Estimated Annual Tax Increases				
	2024	**2025**	**2026**	**2027**	**Total**
Assessed Value - $ 600,000	114.17	116.00	117.74	119.41	**467.34**
Assessed Value - $ 899,173	136.23	138.97	141.57	144.08	**560.87**
Assessed Value - $1,100,000	151.03	154.39	157.57	160.64	**623.65**

To ensure the full amount of annual debt servicing costs are funded staff will create an Accumulated Reserve Loan account to internally borrow sufficient funds to pay annual debt servicing costs, in excess of the annual leveled parcel tax amount and annual taxation increases, from 2024 to 2027, with full repayment of the Accumulated Reserve Loan account by year end 2027.

Based on the indicative interest rate of 4.62% as of June 19, 2023, taxation increases of 3.76%, 3.77%, 3.77% and 3.76% will be needed in order to cover 50% of the estimated debt. Should interest rates change during any of the four estimated debt draws during construction, the projected tax rate increases will need to be adjusted (either up or down depending on how the interest rate moves) in order to ensure the appropriate amount is collected through taxation to cover off the actual debt payments.

SUPPORTING DOCUMENTS:

1. Loan Authorization (Recreation Centre) Bylaw No. 2023-16

CONCLUSION:

Staff recommend that Loan Authorization (Recreation Centre) Bylaw No. 2023-016 be given its first three readings.

OPTIONS:

1. Move the motion as recommended by staff.
2. Refer to staff for other options.

Respectfully submitted,

Kendra Kinsley
Corporate Officer

Endorsed by,

Graham Statt
Chief Administrative Officer

Presentation: Yes ☐ No ☒