



Regional Board Report

TO: Regional Board

FROM: Lyle Smith
Director of Financial Services

DATE: December 06, 2021

SUBJECT: Bylaw No. 1497, 1498, 1499 and 1500: Municipal Finance Authority Security Issuing Bylaws – Spring 2022

Voting Entitlement: *All Directors – Weighted Vote – 2/3rds Majority - LGA 210*

Purpose: Approval of security issuing bylaws for the Regional District of the Central Okanagan (RDCO) on behalf of the Okanagan Regional Library and for the District of Peachland, the City of Kelowna and the District of Lake Country.

Executive Summary:

The RDCO is borrowing on behalf of the Okanagan Regional Library to mitigate the risk of interest rate fluctuation and to spread the capital costs of facilities over current and future users. Municipal borrowings are supported by municipal resolution and debt servicing levels are below liability servicing limits. For the municipal borrowings, there is no direct impact to the RDCO. The debt is issued to the municipalities through the regional district and all principal and interest payments are paid for by the respective municipalities.

The RDCO is empowered to borrow from the MFA for capital projects through a security issuing bylaw. The requisite loan authorization bylaws, provincial certificates of approval and municipal resolutions for the proposed security issuing bylaws are in place. The services and municipalities requesting the borrowing will bear the resulting debt service costs. Approval of these bylaws is recommended to permit participation in MFA's 2022 Spring debt issuance.

RECOMMENDATIONS:

Recommendation #1:

THAT City of Kelowna Security Issuing Bylaw No. 1497, 2021 be read a first, second, and third time and be adopted.

Recommendation #2:

THAT District of Peachland Security Issuing Bylaw No. 1498, 2021 be read a first, second and third time and be adopted.

Recommendation #3:

THAT District of Lake Country Security Issuing Bylaw No. 1499, 2021 be read a first, second and third time and be adopted.

Recommendation #4:

THAT Okanagan Regional Library Security Issuing Bylaw No. 1500 be read a first, second and third time and be adopted.

Respectfully Submitted:



Lyle Smith
Director of Financial Services

Approved for Board's Consideration



Brian Reardon, CAO

Attachment(s):

1. Bylaw No. 1497
2. Bylaw No. 1498
3. Bylaw No. 1499
4. Bylaw No. 1500
5. Spring 2022 MFA Borrowing PowerPoint

Implications of Recommendation:

General: Municipality borrowing under a loan authorization bylaw must be undertaken by the applicable regional district on behalf of the municipality.

Financial: Debt payments will be paid to MFA semi-annually and recovered from the ORL or respective municipality

Legal/Statutory Authority: *Local Government Act, S. 410 and 411 and Community Charter, S. 182*

Background:

Under Sections 410 and 411 of the Local Government Act (LGA), the RDCO must adopt a security issuing bylaw to provide for the issue of debentures or other debt for all or any part of the debt authorized under loan authorization bylaws for its own borrowings and on behalf of municipalities requesting debt.

Debt issuance is undertaken twice annually by the Municipal Finance Authority (MFA). The process requires the RDCO Board to adopt separate security issuing bylaws for each borrower. The approved bylaws are then submitted to the Ministry of Municipal Affairs for approval.

The RDCO is requesting the issue of securities as follows in Table 1 and 2 below:

Security Issuing	Service	LOAN AUTHORIZATION				Term of	Issue amount	Notes
		Bylaw	Authorized	Borrowed	Remaining			

Bylaw No.		No.	(\$M)	(\$M)	(\$M)	Issue	(\$M)	
1500	Okanagan Regional Library	1478	\$8.000	\$0.000	\$8.000	30	\$6.000	Constructing and renovating a library facility
	Total						\$6.000	

Pursuant to Section 182 of the Community Charter, municipality borrowing under a loan authorization bylaw must be undertaken by the applicable regional district on behalf of the municipality. Pursuant to Section 410 of the LGA, the regional district will finance the loan authorization bylaw of a municipality approved under the Community Charter. This will permit the municipality to access long-term borrowing through the Municipal Finance Authority for an upcoming issue.

Municipal requests for the Spring 2022 MFA issue have been submitted by the District of Peachland and Lake Country as well as the City of Kelowna. The requests are outlined in Table 2 below:

Security Issuing Bylaw No.	Municipality	LOAN AUTHORIZATION				Term of Issue	Issue amount (\$M)	Notes
		Bylaw No.	Authorized (\$M)	Borrowed (\$M)	Remaining (\$M)			
1497	City of Kelowna	11746	\$0.441	\$0.000	\$0.441	20	\$0.441	Water Capital Program
1498	District of Peachland	2208	\$9.285	\$0.000	\$9.285	25	\$9.285	Water Capital Program
1499	District of Lake Country	1062	\$6.600	\$0.000	\$6.600	20	\$6.124	Facilities Capital Program
	Total						\$15.850	

Term and Rate Details

The MFA often funds new issues by issuing a 10-year bond, locking in a fixed interest rate for ten years. As clients may borrow for up to thirty years, loans longer than ten years are typically refinanced every five years, following the initial ten years. The MFA's current 10-year indicative lending rate is currently 2.43%.

RDCO's multi-year budgets establish a longer-term focus including budgeting for current and future debt. Current indicative market interest rates are provided by the Municipal Finance Authority of BC and form the starting point for rates used in financial planning:

Term (years)	MFABC – Indicative Rates
5	1.94%
10	2.43%
15	2.77%
20	2.94%
25	2.94%
30	2.94%

Financial Considerations:

For the municipal borrowings, there is no direct impact to the RDCO. The debt is issued to the municipalities through the regional district and all principal and interest payments are paid for by the respective municipalities.

As per the ORL – RDCO Indebtedness Agreement signed between the ORL and the RDCO, the ORL has agreed to pay all principal amounts of the loan, together with any interest or other amounts payable, all in accordance with the terms and conditions of the loan agreement.

Considerations not applicable to this report:

- *Alternative Recommendation*
- *Strategic Plan*
- *General*
- *Organizational*
- *Policy*