

DATE OF MEETING July 9, 2018

AUTHORED BY WENDY FULLA, MANAGER, BUSINESS, ASSET & FINANCIAL PLANNING

SUBJECT INTERNAL BORROWING RESOLUTION

OVERVIEW

Purpose of Report

To have Council approve an internal borrowing resolution for Sanitary Sewer project DCC SS45: Chase River Pump Station and Forcemain.

Recommendation

That Council approve internal borrowing from the Development Cost Charge (DCC) City Wide Drainage Reserve in the amount of \$4,915,000 to fund the Sanitary Sewer DCC project DCC SS45: Chase River Pump Station & Forcemain, for a 20 year term at an interest rate of 2% with repayment of the internal borrowing to be from sewer operations.

BACKGROUND

At the Special Council Meeting held May 9, 2018 Council adopted the "Financial Plan Amendment Bylaw 2017 No. 7253.02" to amend the 2018-2022 Financial Plan. The 2018-2022 Financial Plan contains internal borrowing between Sanitary Sewer and the Drainage Development Cost Charge reserve for planned projects in 2018, 2019, 2020 and 2022.

Sections 189 (4.1) and (4.2) of the *Community Charter* govern borrowing between capital reserve funds. These subsections allow borrowing between any capital reserves, including those established for DCCs. Section 189(4.2) of the *Community Charter* provides as follows:

"189(4.2) If money from one reserve fund is used under subsection (4.1) for the purposes of another reserve fund, the municipality must repay to the first reserve fund, no later than the time when the money is needed for the purposes of that reserve fund,

- (a) the amount used, and
- (b) an amount equivalent to the interest that would have been earned on the amount used had it remained in the first reserve fund."

The temporary borrowing between reserve funds does not require a bylaw or Ministry approval; however, best practice would be for Council to authorize the borrowing by resolution.

The current balance in the Sewer DCC Reserve is insufficient to fund the project. Council approved the new DCC bylaw and rates this spring in an effort to increase the reserve to meet future funding requirements. In the future, if sufficient funding is available, repayment from the Sewer DCC Reserve for the portion of the project related to growth will be considered. Staff will return to Council for a resolution for planned internal borrowing in each fiscal year.

OPTIONS

1. That Council approve internal borrowing from the Development Cost Charge (DCC) City Wide Drainage Reserve in the amount of \$4,915,000 to fund the Sanitary Sewer DCC project DCC SS45: Chase River Pump Station & Forcemain for a 20 year term at an interest rate of 2% with repayment of the internal borrowing to be from sewer operations.
 - **Budget Implication:** The approved 2018-2022 Financial Plan contains internal borrowing between these reserve funds.

SUMMARY POINTS

- The City will fund the Sanitary Sewer DCC SS45 Chase River Pump Station and Forcemain project with internal borrowing from the DCC City Wide Drainage Reserve Fund.
- Section 189 (4.1) and (4.2) of the *Community Charter* allow internal borrowing between capital reserves.
- Full amount of the borrowing must be repaid plus an equivalent to the interest that would have been earned on the monies had it remained in the first reserve fund.

Submitted by:

Wendy Fulla
Manager, Business, Asset & Financial
Planning

Concurrence by:

Laura Mercer
Manager, Accounting Services