

DATE OF MEETING February 20, 2019

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**SUBJECT AUTOMATED SOLID WASTE COLLECTION – EQUIPMENT FINANCING**

## **OVERVIEW**

### **Purpose of Report**

To have the Finance and Audit Committee recommend that Council approve a borrowing resolution to finance an automated garbage truck through the Municipal Finance Authority's equipment financing program.

### **Recommendation**

That the Finance and Audit Committee recommend that the Council of the City of Nanaimo authorizes up to \$432,396 be borrowed, under Section 175 of the *Community Charter*, from the Municipal Finance Authority, for the purpose of purchasing an automated garbage truck; and that the loan be repaid with five (5) years, with no rights of renewal.

## **BACKGROUND**

At the Special Council Meeting held 2019-JAN-14, Council adopted the Provisional 2019 – 2023 Financial Plan Bylaw. The Provisional 2019 – 2023 Financial Plan contains borrowing for two new automated garbage trucks for the expansion of sanitation routes.

The Sanitation department prepared a business case to support the inclusion of an additional new automated garbage truck and refuse collector in 2020 and 2022 to address growth. Based on the lead-time required for delivery, the unit required for 2020 will be ordered early this year. Delivery is anticipated in December and the unit would go into service January 2020. The sanitation department will also be acquiring a used automated garbage truck in 2019 to provide for a standby vehicle in case another one is out of service.

The Municipal Finance Authority (MFA) provides equipment, short and long term borrowing to local governments and public institutions in B.C. The MFA Equipment Financing Program provides short term borrowing (one to five years) under section 175 of the *Community Charter* and requires a Council resolution for borrowing. This program offers low interest rates and no fees.

Staff recommend borrowing through the MFA Equipment Financing Program in 2019 to purchase the required automated garbage truck for the additional route to be added in 2020, due to growth. Repayment will be through sanitation user fees. A summary of the key borrowing information is provided below.

Borrowing	Current Interest Rate	Term	Year Repaid	Annual Payment	Total Interest Expense	Estimated Cost per Household
\$432,396	2.625%	5 Years	2024	\$92,373	\$29,513	\$3.22

## **OPTIONS**

1. That the Finance and Audit Committee recommend “That the Council of the City of Nanaimo authorizes up to \$432,396 be borrowed, under Section 175 of the *Community Charter*, from the Municipal Finance Authority, for the purpose of purchasing an automated garbage truck; and that the loan be repaid with five (5) years, with no rights of renewal.”
  - **Budget Implication:** The Provisional 2019 – 2023 Financial Plan includes an estimate for the debt-servicing costs for both additional automated garbage trucks and refuse collectors required in the next five years.
2. The Finance and Audit Committee direct Staff to provide more information.
  - The tendering process for the acquisition of the additional automated garbage truck would be placed on hold pending Council's direction.

## **SUMMARY POINTS**

- The Provisional 2019 – 2023 Financial Plan includes two new automated garbage trucks and refuse collectors in the next five years to accommodate growth.
- The first of the two new automated garbage trucks will be acquired in 2019 to go in-service January 2020.
- Repayment costs for the borrowing will be funded from sanitation user fees.

### **Submitted by:**

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### **Concurrence by:**

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