

DATE OF MEETING DECEMBER 16, 2019

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 the portion allocated to growth for Sanitary Sewer project DCC SS19: Millstone Trunk South

Recommendation

That Council approve internal borrowing from the Development Cost Charge (DCC) City Wide Drainage Reserve Fund in the amount of \$1,165,265 in 2020 and \$2,088,600 in 2021 to fund the Sanitary Sewer DCC project SS19: Millstone Trunk South, for a 20 year term at an interest rate of 2%. Repayment of the internal borrowing to be from sewer operations.

BACKGROUND

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.

DISCUSSION

The 2020 - 2024 Financial Plan contains internal borrowing between Sanitary Sewer and the Drainage Development Cost Charge Reserve Fund for DCC SS19: Millstone Trunk South in 2020 and 2021.

The current balance in the City Wide Sewer DCC Reserve Fund is insufficient to fund the project. Council approved a new "City of Nanaimo Development Cost Charge Bylaw 2017 No. 7252" at the regular Council meeting 2018-APR-23 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 debt servicing costs will be considered.

OPTIONS

- 1. That Council approve internal borrowing from the Development Cost Charge (DCC) City Wide Drainage Reserve Fund in the amount of \$1,165,265 in 2020 and \$2,088,600 in 2021 to fund the Sanitary Sewer DCC project SS19: Millstone Trunk South, for a 20 year term at an interest rate of 2%. Repayment of the internal borrowing to be from sewer operations.
 - The advantages of this option: An internal borrowing resolution is consider best practice and supports governance excellence one of Council's strategic themes in their 2019 2022 Strategic Plan)

SUMMARY POINTS

- The City will fund the portion of the project allocated to growth for the Sanitary Sewer DCC SS19: Millstone Truck South project with internal borrowing from the City Wide Drainage DCC 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:

Concurrence by:

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