

DATE OF MEETING MAY 11, 2020

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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 additional internal borrowing from the Development Cost Charge (DCC) City Wide Drainage Reserve Fund in the amount of \$672,600 in 2020 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

Council passed an internal borrowing resolution at the 2019-DEC-16 Council Meeting approving 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.

At the 2020-MAR-18 Finance and Audit Committee meeting staff brought forward a report to modify the 2020 Sewer Project Plan in the 2020 – 2024 Financial Plan. The Finance and Audit Committee approved decreasing the budget for Comox Area Sanitary Project by \$1,140,000, funded from the Sewer Asset Management Reserve Fund, and increasing the budget for DCC SS19: Millstone Trunk South by \$1,140,000, funded from internal borrowing and the Sewer Asset Management Reserve Fund.

Best practice requires an internal borrowing resolution for the additional funding. |

OPTIONS

1. That Council approve additional internal borrowing from the Development Cost Charge (DCC) City Wide Drainage Reserve Fund in the amount of \$672,600 in 2020 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 considered 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.

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