



THE CORPORATION OF THE  
DISTRICT OF SUMMERLAND  
**REQUEST FOR DECISION**

DATE: December 13, 2021  
TO: Graham Statt, Chief Administrative Officer  
FROM: David Svetlichny, Director of Finance  
SUBJECT: Giants Head Road Upgrades – Financing Options

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FILE: 5330-144

STAFF RECOMMENDATION:

That Council pass the following resolution:

***THAT Council direct Staff to initiate the process of debt financing for Option 'B' as outlined in the December 13, 2021 Giants Head Road Upgrades – Financing Options Report to Council from the Director Finance, with annual debt payments to be collected through a parcel tax.***

STRATEGIC PRIORITY:

**Infrastructure Investment** – This project combines various infrastructure improvements into one full reconstruction project which is ultimately more cost effective in the long run. An optional item to only complete road upgrades is provided as a lower capital cost option, although there will be higher costs over time.

**Active Lifestyle** – Cycling Master Plan recommendations are included in the scope of this project to extend the active transportation network along Giants Head Road.

CULTURAL IMPACT STATEMENT:

Quality of Life – A well-founded cultural community is inclusive, accessible and affordable. This project will improve physical connections and flows around the community.

PURPOSE:

To select one of the proposed financing options for the Giants Head Road Upgrades.

BACKGROUND and DISCUSSION:

The following resolutions were passed at the November 22, 2021 Council meeting:

***THAT Council direct Staff to initiate the process of debt financing for Option 'B' as outlined in the November 22, 2021 Giants Head Road Upgrades – Project Options Report to Council from the Director of Works & Infrastructure;***

***AND THAT Council direct Staff to include pulverize paving of Giants Head Road from Gartrell Road to Hillborn Street as part of the Giant Head Road Upgrades Project.***

To move forward with debt financing, the District will be required to follow the provisions of the *Community Charter* to ensure the process is legal and provides residents with an opportunity to provide their input. The borrowing process is extremely prescribed and detailed and can take up to three to six months to complete in its entirety.

A summarized process is as follows:

- Description of work, amount to be borrowed, term of borrowing and how debt payments are to be collected from residents are incorporated into a loan authorization bylaw and read three times.
- Loan authorization and back up documents are sent to the Minister's office for approval and signoff of on the bylaw.
- Once approved by the Minister, voter assent is required and can be obtained through either a referendum or an alternate approval process.
- Upon voter assent, Council can approve the bylaw; however, a 30-day quashing period exists in case there is a bylaw challenge.
- After the quashing period, the Corporate Officer signs off and a certificate of approval is received.
- Council then needs to approve a municipal security issuing resolution, which is forwarded to the Regional District (along with all other documents), who are required to adopt their own security issuing bylaw.
- The Regional District has a 10-day quashing period, after which a certificate of approval is issued.
- All documents are sent to the Municipal Finance Authority who will issue the funds as part of their spring or fall borrowing.

To fulfill the first step of this process, direction is required from Council regarding the term of borrowing and how debt payments are to be collected from residents. This information will then be incorporated into a loan authorization bylaw.

#### LEGISLATION and POLICY:

- Community Charter s. 179
- Community Charter s. 180

#### FINANCIAL IMPLICATIONS:

Based on revised cost estimates, debt borrowing of **\$6,464,500** is required to complete this project. The interest rate is estimated at **3%** (based on the Municipal Finance Authorities 10-year loan rate of 2.43% and also taking into account inflationary pressures as the debt will not be issued until the fall of 2022). The debt amount covers the projected cost of completing the scope of work, as amended by Council, and includes watermains, active transportation and upstream works from Harris Road to Gartrell Road, along with pulverize paving of Giants Head Road from Gartrell Road to Hillborn Street.

The following tables provide Council with estimated debt repayment schedules as well as the estimated financial impact on property owners and rate payers. Regardless of which Term Council chooses, it is staff's recommendation that the annual debt payments be recovered through a parcel tax. This method is the least administrative and can be accomplished through the creation of one parcel tax bylaw.

Should Council choose to collect the water portion from the actual users of the water system, and not the property owners, staff's recommendation would be to collect the water debt payments through a rate increase and the roads debt payments through a property tax increase.

**Option A:**

*20 Year Borrowing Scenario*

Annual debt payments - Water	\$230,241
Annual debt payments - Roads	223,192
	<u>\$453,433</u>

Water rate increase required	<b>5.56%</b>
Property tax increase required	<b>2.39%</b>

*Estimated Cost to Property Owners & Rate Payers*

	<b>Total</b>
Entire portion as a parcel tax	\$ 79.34
Roads portion as a parcel tax and water portion as a rate increase	\$ 85.12
Roads portion as a property tax increase and water portion as a rate increase	\$ 85.23

**Option B:**

*25 Year Borrowing Scenario*

Annual debt payments - Water	\$197,724
Annual debt payments - Roads	191,671
	<u>\$389,396</u>

Water rate increase required	<b>4.77%</b>
Property tax increase required	<b>2.05%</b>

*Estimated Cost to Property Owners & Rate Payers*

	<b>Total</b>
Entire portion as a parcel tax	\$ 68.14
Roads portion as a parcel tax and water portion as a rate increase	\$ 73.06
Roads portion as a property tax increase and water portion as a rate increase	\$ 73.15

**Option C:**

*30 Year Borrowing Scenario*

Annual debt payments - Water	\$176,268
Annual debt payments - Roads	170,871
	<u>\$347,139</u>

Water rate increase required	<b>4.26%</b>
Property tax increase required	<b>1.83%</b>

*Estimated Cost to Property Owners & Rate Payers*

	<b>Total</b>
Entire portion as a parcel tax	\$ 60.74
Roads portion as a parcel tax and water portion as a rate increase	\$ 65.20
Roads portion as a property tax increase and water portion as a rate increase	\$ 65.28

**SUPPORTING DOCUMENTS:**

- November 22, 2021 – Giants Head Road Upgrade Options


**CONCLUSION:**

Prior to moving forward with a loan authorization bylaw, Council direction is needed regarding the term of borrowing as well as how annual debt payments are proposed to be collected from residents.

**OPTIONS:**

1. Move the motion as recommended by staff.
2. Refer to staff for other options.

Respectfully submitted,



*David Svetlichny, CPA, CA*  
*Director of Finance*

Approved for agenda,



*Graham Statt*  
*Chief Administrative Officer*

Presentation: Yes  No