



THE CORPORATION OF THE
DISTRICT OF SUMMERLAND
REQUEST FOR DECISION

DATE: December 19, 2023 FILE: 5330-144
TO: Graham Statt, Chief Administrative Officer
FROM: David Svetlichny, Director of Finance
SUBJECT: Prairie Valley Road Upgrades (Morrow Avenue to Cartwright Avenue) –
Financing Options

STAFF RECOMMENDATION:

That Council pass the following resolution:

THAT Council direct Staff to initiate the process of debt financing for Option '_____' as outlined in the December 19, 2023 Prairie Valley Road Upgrades (Morrow Avenue to Cartwright Avenue) – Financing Options Report to Council from the Director of Finance, with annual debt payments to be collected through a property tax increase.

STRATEGIC PRIORITY:

Infrastructure Investment – This project is required for upgrades along Prairie Valley Road between Morrow Avenue and Cartwright Avenue, including road structure and asphalt upgrades, multi-use pathway installation, watermain replacement and potentially developer funded sewer works.

CULTURAL IMPACT STATEMENT:

N/A

PURPOSE:

To select one of the proposed financing options for the Prairie Valley Road Upgrade project in order to proceed with debt financing through an Alternative Approval Process (AAP) for the project.

BACKGROUND and DISCUSSION:

To move forward with debt financing through an Alternative Approval Process (AAP) for the Prairie Valley Road Upgrades (Morrow Avenue to Cartwright Avenue), 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 through an AAP 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 and brought back .

The full construction project includes road reconstruction of approximately 1.2km of collector road between Morrow Avenue and Cartwright Avenue along Prairie Valley Road. The construction will include two full travel lanes and a 3m wide separated multi-use pathway. Underground infrastructure upgrades include the replacement of a watermain from the 1930's, as well as a new, developer funded, sanitary sewer main for the easternmost section. The sanitary sewer project has yet to be confirmed by the developer. Figure 1 below shows the overall project extents and figure 2 shows a preliminary typical cross section for the corridor.



Figure 1: Prairie Valley Road Reconstruction Project Extents (Morrow Avenue to Cartwright Avenue)

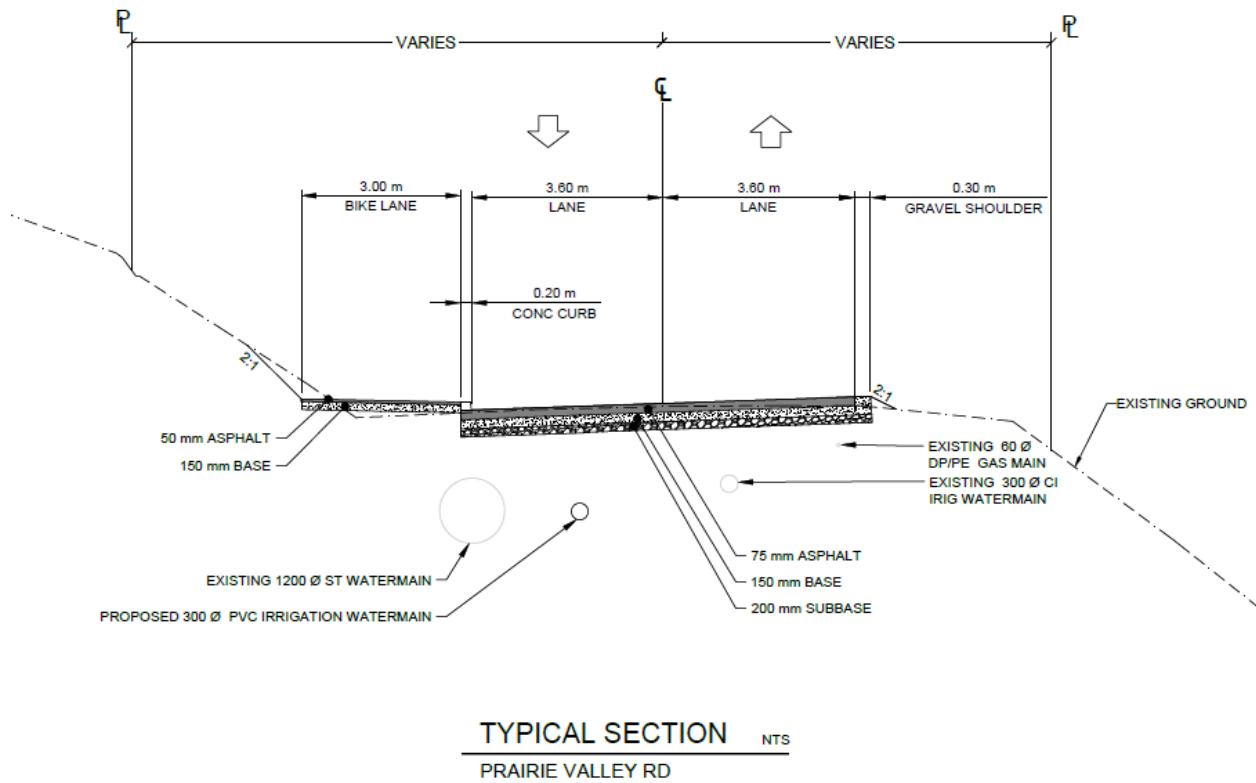


Figure 2: Preliminary Typical Road Cross Section

The portions of the project proposed to be funded via loan include road reconstruction, drainage infrastructure and a multi-use pathway. The watermain is proposed to be funded through water reserves and the sewer would be developer funded.

LEGISLATION and POLICY:

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

FINANCIAL IMPLICATIONS:

Based on the most up to date cost estimates, the overall project budget is \$3,315,000. As noted previously in the report, there are multiple components within this project that cross into different funds. The watermain replacement has been budgeted at \$815,000 with the water capital reserve funding this portion of the project. The remaining \$2,500,000 needs to be funded through debt borrowing in order to complete the project. The interest rate used in the calculations in this report is estimated at **4.51%** (based on the Municipal Finance Authorities 20-year indicative rate as of December 5, 2023). The debt borrowing covers the projected cost of completing the general fund scope of work including road reconstruction, drainage infrastructure and a multi-use pathway.

The following tables provide Council with estimated debt repayment schedules as well as the estimated financial impact on property owners. Regardless of which term Council chooses, it is staff's recommendation that the annual debt payments be recovered through a property tax increase.

Option A:*15 Year Borrowing Scenario*

Annual debt payments	<u>\$ 241,859</u>
Property tax increase required	2.38%
<i>Estimated Cost to Property Owners</i>	
	Total
Entire portion as a parcel tax	\$ 41.77
Entire portion as a property tax increase	\$ 41.98

Option B:*20 Year Borrowing Scenario*

Annual debt payments	<u>\$ 199,351</u>
Property tax increase required	1.96%
<i>Estimated Cost to Property Owners</i>	
	Total
Entire portion as a parcel tax	\$ 34.43
Entire portion as a property tax increase	\$ 34.60

Option C:*25 Year Borrowing Scenario*

Annual debt payments	<u>\$ 175,246</u>
Property tax increase required	1.72%
<i>Estimated Cost to Property Owners</i>	
	Total
Entire portion as a parcel tax	\$ 30.27
Entire portion as a property tax increase	\$ 30.42

SUPPORTING DOCUMENTS:

N/A

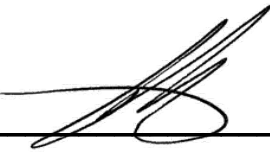
CONCLUSION:

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. Council may proceed with Option A as outlined in the report.
2. Council may proceed with Option B as outlined in the report.
3. Council may proceed with Option C as outlined in the report.
4. Refer to staff for other options.

Respectfully submitted,



*David Svetlichny, CPA, CA
Director of Finance*

Endorsed by,



*Graham Statt
Chief Administrative Officer*

Presentation: Yes No