



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: Wastewater Treatment Plant Primary Clarifier – Financing Options

STAFF RECOMMENDATION:

That Council pass the following resolution:

THAT staff be directed to initiate the process of debt financing for Option ‘ _____ ’ as outlined in the December 19, 2023 Wastewater Treatment Plant Primary Clarifier – Financing Options Report to Council from the Director Finance, with annual debt payments to be collected through a sewer rate increase.

STRATEGIC PRIORITY:

To Protect and Enhance Core Infrastructure and Essential Services

CULTURAL IMPACT STATEMENT:

N/A

PURPOSE:

To select one of the proposed financing options for the Wastewater Treatment Plant Primary Clarifier 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 Wastewater Treatment Plant Primary Clarifier project, 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.

The Primary Clarifier is the second part of the Wastewater treatment process, after the fine screening. It removes solids before the biological treatment begins. The equipment includes some mechanical moving parts and a large sedimentation tank. Regulations now require that the Primary Clarifier be redundant, meaning two need to be in operation. This allows one to be taken out of service while still having a Primary Clarifier in operation. The additional Primary Clarifier will also assist Summerland with working towards increasing the overall plant capacity.

LEGISLATION and POLICY:

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

FINANCIAL IMPLICATIONS:

Council reviewed the 2024 utility budgets at a Committee of the Whole meeting on November 20, 2023. During this review Council was presented with the sewer fund 5-year capital plan. Initially the full amount of the primary clarifier project, \$2,732,000 was budgeted to be financed through debt. However, Council resolved to utilize \$1,500,000 of capital reserves to lower the proposed debt borrowing to **\$1,232,000**. 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 scope of work, which includes construction of the new primary clarifier at the Summerland Wastewater Treatment Plant.

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 sewer rate increase.

Option A:

15 Year Borrowing Scenario

Annual debt payments	<u>\$ 119,188</u>
Sewer rate increase required	6.87%
<i>Estimated Cost to Property Owners & Rate Payers</i>	
	Total
Entire portion as a parcel tax	\$ 32.39
Entire portion as a sewer rate increase	\$ 30.27

Option B:

20 Year Borrowing Scenario

Annual debt payments	<u>\$ 98,240</u>
Sewer rate increase required	5.66%
<i>Estimated Cost to Property Owners & Rate Payers</i>	
	Total
Entire portion as a parcel tax	\$ 26.70
Entire portion as a sewer rate increase	\$ 24.94

Option C:

25 Year Borrowing Scenario

Annual debt payments	<u>\$ 86,361</u>
Sewer rate increase required	4.98%
<i>Estimated Cost to Property Owners & Rate Payers</i>	
	Total
Entire portion as a parcel tax	\$ 23.47
Entire portion as a sewer rate increase	\$ 21.94

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