

STAFF REPORT TO COUNCIL

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DATE: AUGUST 3, 2017

TO: MAYOR AND COUNCIL

NAME AND TITLE: WALTER BABICZ, GENERAL MANAGER OF ADMINISTRATIVE SERVICES; AND KRIS DALIO, DIRECTOR OF FINANCE

SUBJECT: Proposed Loan Authorization Bylaws and Questions for Assent Voting (Referendum)

ATTACHMENTS: None

RECOMMENDATIONS:

That Council:

1. GRANT first three readings to “Four Seasons Leisure Pool Replacement Loan Authorization Bylaw No. 8888, 2017”;
2. GRANT first three readings to “Fire Hall #1 Replacement Loan Authorization Bylaw No. 8889, 2017”;
3. GRANT first three readings to “Election and Other Voting Procedures Bylaw No. 6067, 1993, Amendment Bylaw No. 8892, 2017”; and
4. APPROVE the following questions to be submitted to the electors of the City of Prince George on the ballot for the assent voting process (referendum):
 - a. Are you in favour of the City of Prince George adopting “Four Seasons Leisure Pool Replacement Loan Authorization Bylaw No. 8888, 2017” which will authorize Council to borrow a sum not exceeding thirty five million dollars (\$35,000,000), repayable over a period of no more than twenty (20) years, for the development and construction of a new pool building to replace the Four Seasons Leisure Pool?
 - b. Are you in favour of the City of Prince George adopting “Fire Hall #1 Replacement Loan Authorization Bylaw No. 8889, 2017” which will authorize Council to borrow a sum not exceeding fifteen million dollars (\$15,000,000), repayable over a period of no more than twenty (20) years, for the development and construction of a new fire hall building to replace Fire Hall #1?

PURPOSE:

To seek Council's authorization to proceed with loan authorization bylaws to fund the Four Seasons Leisure Pool replacement project and the Main Fire Hall (Fire Hall #1) replacement project, subject to a successful referendum vote on October 28, 2017, and to request Council's approval of the questions established for the assent voting process (referendum).

STRATEGIC PRIORITIES:

The proposed loan authorization bylaws support projects that contribute to sustainable infrastructure, sustainable fiscal management, organizational excellence and safe environment.

POLICY / REGULATORY ANALYSIS:

At the April 24, 2017 regular meeting, Council passed the following resolution:

THAT subject to Council giving first three readings to the loan authorization bylaws required to obtain Municipal Finance Authority ("MFA") debt funding for the Four Seasons Leisure Pool Replacement Project and for the Main Fire Hall (Fire Hall #1) Replacement Project, and subject to obtaining statutory approval from the Inspector of Municipalities for those respective bylaws:

- a) Council approves referendum as the process to obtain elector assent for the MFA Debt Funding required for the Four Seasons Leisure Pool Replacement Project;*
- b) Council approves referendum as the process to obtain elector assent for the MFA Debt Funding required for the Main Fire Hall (Fire Hall #1) Replacement Project;*
- c) Council appoints Walter Babicz as Chief Election Officer and Maureen Connelly as Deputy Chief Election Officer for the 2017 referendum as described in the report dated April 18, 2017 from the City Manager titled "Elector Assent for Municipal Finance Authority Debt for Four Seasons Leisure Pool and Main Fire Hall (Fire Hall #1) Replacement Projects"; and*
- d) Council concurs with the referendum being held on October 28, 2017.*

Pursuant to the *Local Government Act* and the *Community Charter*, long-term borrowing by local governments (i.e. loans with a term of more than five (5) years) cannot be undertaken without the loan authorization bylaw being approved by the Inspector of Municipalities after the bylaw is given first three readings by the local government. In addition, "approval of the electors" is required before Council may consider adopting a long term loan authorization bylaw.

As described in the staff report presented to Council at their April 24, 2017 regular meeting, the ballot for a referendum must be in the form of a question put to the electors that is phrased in a manner such that it may be answered by marking either "yes" or "no". The recommended wording for the ballot questions that would meet the legislative requirements is set out in recommendation 4 above.

A loan authorization bylaw is deemed to have received the assent of the electors if a majority of the votes counted are in favour of the question (i.e. if a majority of voters answer "yes"). If a majority of the votes counted are opposed to the question (i.e. if a majority of voters answer "no"), then a bylaw for the same purpose may not be submitted to the electors for approval within a period of six (6) months, except with the Province's approval.

FINANCIAL CONSIDERATIONS:

Four Season Leisure Pool Replacement Project

The borrowing of the \$35,000,000 will result in annual debt servicing costs of \$2,352,550 to the General Fund over 20 years and assumes an interest rate of 3.00% and a sinking fund rate of 3.00%.

Fire Hall #1 Replacement Project

The borrowing of the \$15,000,000 will result in annual debt servicing costs of \$1,008,236 to the General Fund over 20 years and assumes an interest rate of 3.00% and a sinking fund rate of 3.00%.

Debt Servicing Costs:

BC municipalities' financial liabilities (e.g. under leases, partnering, and long-term debt agreements) are subject to liability servicing limits. They also require elector approval if they are:

- a loan guarantee or are of a capital nature; and
- the agreement is for more than five years; or
- for more than five years if an extension were exercised.

A municipality cannot incur a liability that extends beyond the current year if it would cause the municipality's total annual cost of servicing (e.g. lease payments, partnering payments (if they're of a capital nature), long-term debt principal and interest payments) to exceed the regulated amount. The regulated amount is currently based on 25% of a municipality's controllable revenues such as:

- property taxes - a deduction is made to revenue received from Major Industry tax revenues for municipalities which are heavily dependent on that class;
- payments in lieu of taxes;
- user fees; and
- unconditional grants.

A municipality may only exceed its liability servicing limit with the prior approval of the Inspector of Municipalities in consultation with the MFA. The City relies on debt financing for new infrastructure and for major repair of existing infrastructure. The City enters into capital lease agreements for the purchase of mobile equipment and computer hardware and software. The following table provides the debt capacity and available capacity as determined by the Municipal Liabilities Regulation.

Debt Capacity and Available Capacity				
Municipal Liabilities Regulation (2011 - 2015)				
2016 figures were not available at the time of this report				
Year	Municipal Revenue	Liability Servicing Limit	Payment Capacity Available	Approximate Principal Borrowing Available
2011	\$134,335,837	\$33,583,959	\$13,316,129	\$147,956,989
2012	\$133,553,328	\$33,388,332	\$15,591,012	\$173,233,467
2013	\$143,685,547	\$35,921,387	\$17,879,497	\$198,661,078
2014	\$152,049,739	\$38,012,435	\$21,591,125	\$239,901,389
2015	\$160,816,299	\$40,204,075	\$24,889,275	\$276,547,500

The total amount of all loan authorization bylaws are included in the liability servicing limit regardless of whether the funds have actually been borrowed.

OTHER CONSIDERATIONS:

Election and Other Voting Procedures Amendment Bylaw No. 8892, 2017

The proposed amendment to the Election and Other Voting Procedures Bylaw relates to the form of ballots to be used with automated voting machines for both general local elections and assent voting (referendums). For efficiency and cost effectiveness, the desired form of the referendum ballot is to include both questions on a single ballot, generally as depicted in Appendix "B" attached to Bylaw No. 8892.

SUMMARY AND CONCLUSION:

The *Local Government Act* and the *Community Charter* set out the requirements that a local government must follow for a borrowing bylaw and the assent voting (referendum) process. Council is requested to approve the recommendations outlined in this report to grant first three readings to Bylaw No. 8888, Bylaw No. 8889 and Bylaw No. 8892, and to establish the two questions to be included on the referendum ballot.

Upon receiving approval from the Inspector of Municipalities for Bylaw No. 8888 and Bylaw No. 8889, Administrative Services will return a future report to Council outlining key dates and information related to the details of the referendum process, including advance voting, special (mobile) voting and mail ballot voting.

RESPECTFULLY SUBMITTED:

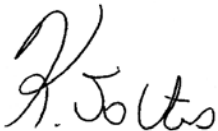


Walter Babicz, General Manager of Administrative Services



Kris Dalio, Director of Finance

APPROVED:



Kathleen Soltis, City Manager
Meeting Date: August 21, 2017