

REPORT

Finance & Information Technology

To: Mayor and Council in
Committee of the Whole

Date: May 28, 2012

From: Colleen Ponzini,
Acting Director of Finance &
Information Technology

File: 264708

Subject: Debt Financing for Civic Facilities, Road Maintenance and Park
Development Programs

RECOMMENDATION

THAT *the Civic Facilities, Road Maintenance and Park Development Loan Authorization Bylaw No. 7528, 2012 be forwarded to Council for three readings and;*

THAT *the Civic Facilities, Road Maintenance and Park Development Temporary Borrowing Bylaw No. 7530, 2012 be forwarded to Council for three readings and;*

THAT *assurances be provided through this resolution to the Ministry and the Municipal Finance Authority (MFA) that the City will not issue any further debt against the remaining balance on the Moody Park Outdoor Pool Loan Authorization Bylaw No. 7209, 2008*

PURPOSE

The purpose of this report is to obtain the authority to debt finance for the purpose to construct and maintain the City's Civic Facilities, Roads and Parks.

BACKGROUND

On April 30th, 2012, Council announced that the City is proceeding with the construction of the Multi-Use Civic Facility (MUCF) / Office Development; that the City will continue to seek a partnership agreement for the Office Development that would satisfy the City's goals, benefits and objectives; and that the City will move forward with the financing strategy for the MUCF / Office Development which includes debt financing from the MFA.

The total budget for the MUCF and Office Development is \$94M which includes the \$41.5M for the MUCF, \$12.5M for the Parking Structure which will be used by the MUCF and the Office Tower, and \$40M for the Office Development.

On May 16th, 2012 Council adopted Five-Year Financial Plan (2012 – 2016) Amendment Bylaw No. 7522, 2012 (the "Financial Plan") to include the following financing strategy for the MUCF and Office Development:

- Defer tenant improvements until tenants are secured
- Fund the MUCF / Parking portion of the building from DAC to the extent possible
- Seek debt financing from the Municipal Finance Authority of BC (MFA) to fund the portion of the MUCF / Parking not funded by DAC
- Fund the Office Development (without tenant improvements) from reserves
- Seek MFA debt financing to fund traditional capital projects for the amount that reserves would be funding the Office Development

DISCUSSION

Long-Term Debt Financing

The MFA capital financing program is a mechanism that municipalities have available to them to debt finance their capital projects that are considered to be core services for their municipalities at excellent rates. As of December 31st, 2011, the City's long-term debt through the MFA was \$26.1M which includes debt financing for the Police Building, Westminster Pier Park, and the Moody Park Outdoor Pool.

The financing strategy as outlined above has been incorporated into the Financial Plan and includes the following programs that the City plans to finance through long-term debt from the MFA:

MUCF and Parking Structure	\$ 11,000,000
Civic Facilities	10,150,000
Road Maintenance	14,850,000
Park Development	<u>8,000,000</u>
Total Long-Term Debt Financing	<u>\$ 44,000,000</u>

Interim Financing

The Civic programs listed in the long-term debt section above are included in the five-year capital program over the years 2012 to 2014. As such, the City does not have an immediate need to borrow the full \$44M. It is estimated that in any one year, the City will incur up to \$12M for these projects that are intended to be financed through long-term debt.

The process to secure debt proceeds from the MFA can take upwards of 8 months which in part relates to the various steps involved and in part relates to the fact that the MFA has only 2 long-term debt issuances per year, one in the spring and one in the fall. In order to proceed with the capital programs as planned, the City may need to interim finance up to \$12M in any one year.

While the City could use funds that it has invested in MFA investments to deal with these cash flow issues, doing so would require that the City liquidate those investments which would result in having to realize any gains or losses.

DAC Interim Financing

The original DAC Agreement projected up to \$60.5M would be available to fund the City's five DAC projects. The DAC funds accrue to the City annually through to 2019. The payments are administered as reimbursement after funds are expended.

The City's DAC projects are scheduled to be completed well before the date of 2019. Based on anticipated cash flows for the DAC projects and the DAC funding, it is estimated that the City will need to provide up to \$15M in interim financing until the DAC funds are received.

The mechanism to Interim Finance is discussed in the Temporary Borrowing Bylaw section below.

Borrowing Capacity

In accordance with the Community Charter, the City's total debt capacity net of existing debt commitments is approximately \$350M as of December 2011.

Upon adoption, Civic Facilities, Road Maintenance and Park Development Loan Authorization Bylaw No. 7528, 2012 (Attachment 1, "LA Bylaw") would authorize the City to borrow up to \$59M; \$44M relating to the Long-Term Debt and \$15M relating to the DAC Interim Financing as discussed above. Once the LA Bylaw has been adopted, the City has up to five years to issue all or part of the authorized debt before the bylaw expires.

Financial Impact

The proposed LA Bylaw seeks approval to debt finance up to \$59M of which \$44M relates to potential long-term debt, and \$15M relates to short term financing for the DAC projects which will be repaid as the DAC funds are received.

Should the City approve a debt issuance of \$44M in long-term debt, the estimated annual principal plus interest costs, given MFA's current rates, is \$3.14M over a 20 year term. The estimated total interest payments related to the \$15M in short financing for DAC cash flows is \$1.14M.

The City's strategy is to continue to seek a partnership agreement for the Office Development that would satisfy the City's goals, benefits and objectives. The proceeds from that agreement would be used to replenish the reserves and or to reduce the debt.

In order to minimize any impact on property tax rate increases, Council could consider funding part or all of the annual debt repayment costs from annual gaming revenues. It should be noted, however, that using gaming revenues would defer planned enhancements to annual funding envelopes for facilities and transportation infrastructure capital maintenance programs.

Temporary Borrowing Bylaw

To address immediate cash flow needs relating to the projects to be funded through debt under the Civic Facilities, Road Maintenance and Park Development Loan Authorization Bylaw 7528, 2012, staff is recommending that Council consider Civic Facilities, Road Maintenance and Park Development Temporary Borrowing Bylaw, No. 7530, 2012 (Attachment 2, "Temporary Borrowing Bylaw").

Under Section 181 of the Community Charter, this Temporary Borrowing Bylaw will allow the City to use interim financing through MFA to borrow up to \$27M (current variable rate for interim borrowing is 1.73%) under the authority of the LA Bylaw once both Bylaws are adopted. The \$27M identified on this Temporary Borrowing Bylaw is the maximum amount that the City may need to Interim Finance in one year for the Civic Programs (\$12M) and the DAC cash flows (\$15M) as discussed in the Interim Financing sections above.

Interim financing must be converted to long term debt once the project is complete and final costs are known. The projects identified under the LA Bylaw are scheduled to be completed between 2012 and 2014. The City's efforts to secure a partnership agreement for the Office Development have the potential to make it unnecessary to secure any or all of the planned long-term financing.

This Temporary Borrowing Bylaw is being brought forward for Council's consideration at this time to streamline the process for adoption at a future date.

Moody Park Outdoor Pool Loan Authorization

In May of 2008, the City adopted the Moody Park Outdoor Pool Loan Authorization Bylaw No. 7209, 2008 which authorized the City to borrow up to \$6,000,000 from the MFA for the purpose of constructing the Moody Park Outdoor Pool. The City secured a total of \$4,430,000 in debt financing from the MFA under the authority of this bylaw.

The project is now complete and the City has no further need to issue any of the remaining \$1,570,000 in debt. The authority to borrow under this bylaw will expire in May of 2013. Unissued debt reduces the amount that the City could borrow under other Loan Authorization bylaws, and as such, it is recommended that the City advise the MFA and the Ministry that there will be no further borrowing under this Loan Authorization Bylaw.

Process to Secure Debt Financing

To secure the debt financing as outlined in this report, the City must begin by Council giving three readings to the *Civic Facilities, Road Maintenance and Park Development Loan Authorization Bylaw, No. 7528, 2012* (Attachment 1). The LA Bylaw will then be sent to the Ministry of Community, Sport and Cultural Development (Ministry) for preliminary approval by the Inspector of Municipalities.

Once the LA Bylaw is approved by the Ministry, which is estimated to take up to 3 weeks, Staff will provide a report to Council so that Council can establish the dates and details of the Alternative Approval Process as per Section 86 of the Community Charter.

The Borrowing Process, including the Alternative Approval Process, can take up to 3 months to obtain the Certificate of Approval from the Municipal Inspector. If the Alternative Approval Process is not successful, the City would need to consider alternative funding solutions, including deferring projects in order to ensure City reserves are available.

INTERDEPARTMENTAL LIASON

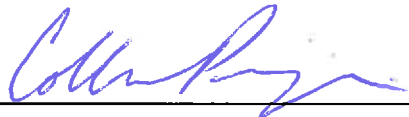
This report has been reviewed by the MUCF Management Committee and the City's solicitors.

CONCLUSION

The 2012 capital programs, including the MUCF / Office Development are well under way. In order to move forward with securing and optimizing the financing as outlined in this report, Staff is proposing the following approvals from Council:

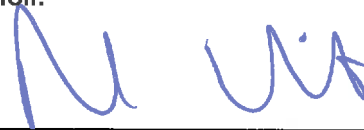
1. Forward the Civic Facilities, Road Maintenance and Park Development Loan Authorization Bylaw No. 7528, 2012 to the regular meeting of Council for three readings.
2. Forward the Civic Facilities, Road Maintenance and Park Development Temporary Borrowing Bylaw No. 7530, 2012 to the regular meeting of Council for three readings.
3. That the City informs the Ministry and the Municipal Finance Authority (MFA) that the City will not issue any further debt against the remaining balance on the Moody Park Outdoor Pool Loan Authorization Bylaw No. 7209, 2008.

Respectfully prepared by:



Colleen Ponzini, CGA
Acting Director of Finance &
Information Technology

Approved for presentation to
Council:



Paul Daminato
City Administrator

Attachment 1

Civic Facilities, Road Maintenance and Park Development
Loan Authorization Bylaw No. 7528, 2012

CORPORATION OF THE CITY OF NEW WESTMINSTER

Civic Facilities, Road Maintenance and Park Development
Loan Authorization Bylaw No. 7528, 2012

A Bylaw to Authorize Borrowing for
Constructing and Improving Civic Facilities, Roads and Parks

WHEREAS pursuant to section 179 of the Community Charter a council may by a loan authorization bylaw, adopted with the approval of the inspector and, pursuant to section 180 of the *Community Charter*, the approval of the electors, incur a liability by borrowing for purposes of a capital nature.

AND WHEREAS Council considers it desirable to construct and improve the City's Civic Facilities, Roads and Parks as set out in Schedule A;

AND WHEREAS the estimated cost of construction and improving the City's Civic Facilities, Roads and Parks, including all incidental expenses is the sum of fifty nine million dollars (\$59,000,000) which is the amount of debt created by this bylaw.

NOW THEREFORE, the Council of the Corporation of the City of New Westminster in open meeting assembled enacts as follows:

1. This Bylaw may be cited as "Civic Facilities, Road Maintenance and Park Development Loan Authorization Bylaw No. 7528, 2012".
2. The City is hereby empowered and authorized to borrow upon its credit a sum not exceeding fifty nine million dollars (\$59,000,000) for the purposes of constructing and improving Civic Facilities, Roads and Parks, including expenses incidental thereto as set out in Schedule A attached to this bylaw and forming a part thereof.
3. The maximum term for which debentures may be issued to secure the debt created by this Bylaw is 20 years.

GIVEN THREE READINGS this _____ day of _____ 2012.

ADOPTED and the Seal of the Corporation of the City of New Westminster affixed this _____ day of _____ 2012.

MAYOR

CITY CLERK

CORPORATION OF THE CITY OF NEW WESTMINSTER

**Schedule 'A' to Civic Facilities, Road Maintenance and
Park Development Loan Authorization Bylaw No. 7528, 2012**

The estimated cost of construction and improving the City's Civic Facilities, Roads and Parks, including all incidental expenses is the sum of fifty nine million dollars (\$59,000,000) as outlined below:

Construction of the MUCF and Parking Structure	\$ 11,000,000
Major Improvements to various City owned Recreation and Civic Facilities that relate to Structural and Roofing Repairs, Electrical and Mechanical Systems; and Interior Finishing	10,150,000
Road Maintenance Program	14,850,000
Major Park Development and Repairs to various City Parks that relate to Park Accessibility; Washroom and Concession Facilities; Playgrounds and Water Park Refurbishments; Field Lighting; and Picnic Shelters	8,000,000
DAC interim financing to construct the portion of the MUCF and Parking Structure that is to be funded through DAC. Based on anticipated cash flows for the DAC projects and the DAC funding, it is estimated that the City will need to provide up to \$15M in interim financing until the DAC funds are received.	<u>15,000,000</u>
Total Debt Financing	<u>\$ 59,000,000</u>

Attachment 2

Civic Facilities, Road Maintenance and Park Development
Temporary Borrowing Bylaw No. 7530, 2012

CORPORATION OF THE CITY OF NEW WESTMINSTER

**Civic Facilities, Road Maintenance and Park Development
Temporary Borrowing Bylaw No. 7530, 2012**

A Bylaw to Authorize Temporary Borrowing Pending Sale of Debentures

WHEREAS it is provided by section 181 the Community Charter that the Council may, where it has adopted a loan authorization bylaw, without further assents or approvals, borrow temporarily from any person under the conditions therein set out;

And WHEREAS the Council has adopted Civic Facilities, Road Maintenance and Park Development Loan Authorization Bylaw No. 7528, 2012, authorizing the amount of fifty nine million dollars (\$59,000,000) for the purposes of constructing and improving the City's Civic Facilities, Roads and Parks.

AND WHEREAS the sale of debentures has been temporarily deferred:

NOW THEREFORE, the Council of the Corporation of the City of New Westminster in open meeting assembled enacts as follows:

1. The Council is hereby authorized and empowered to borrow an amount or amounts not exceeding the sum of twenty seven million dollars (\$27,000,000), as the same may be required.
2. The form of obligation to be given as acknowledgement of the liability shall be a promissory note or notes bearing the corporate seal and signed by the Mayor and the Financial Administration Officer.
3. The money so borrowed shall be used solely for the purposes set out in said Bylaw No. 7528, 2012.
4. This Bylaw may be cited as "Civic Facilities, Road Maintenance and Park Development Temporary Borrowing Bylaw No. 7530, 2012".

GIVEN THREE READINGS this _____ day of _____ 2012.

ADOPTED and the Seal of the Corporation of the City of New Westminster affixed this _____ day of _____ 2012.

MAYOR

CITY CLERK