



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council

File No.: 1760-02

From: Chief Administrative Officer

Date: November 4, 2019

Subject: 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw

PURPOSE:

The purpose of this report is to begin the process of borrowing funds to complete the construction of the Greenwood Trunk Connection to the sanitary sewer system identified in the 2019-2023 Financial Plan.

POLICY ANALYSIS:

Council adopted the 2019-2023 Consolidated Financial Plan Bylaw No. 2967, 2019 on May 6, 2019. The Greenwood Trunk Connection is a sanitary sewer project identified in the consolidated financial plan bylaw and is primarily funded by new debt. Section 179 of the *Community Charter* provides Council with the authority to incur a liability by borrowing funds for any capital nature. Section 180 of the *Community Charter* requires elector approval of a loan authorization bylaw before it can be adopted.

EXECUTIVE SUMMARY:

The Greenwood Sewer Trunk Connection is an important project required to support growth in East Courtenay, and to enhance capacity and support continued development. This project has been vetted through the Asset Management Working Group, approved by the CAO, and identified as a high priority project. Council was presented with and approved the Greenwood Trunk Connection project through the regular budget process in early 2019. This project is slated for construction in 2020 and requires new borrowing to proceed. The statutory borrowing process is estimated to take upwards of eight months, therefore starting early to ensure all approvals are in place for the spring of 2020 before the construction season is recommended.

CAO RECOMMENDATIONS:

That based on the November 4, 2019 staff report "2020 Greenwood Trunk Connection Sanitary Sewer Capital Borrowing", Council approve OPTION 1 and endorse the 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw No. 2985, 2019; that Bylaw No. 2985 proceed to 1st, 2nd, and 3rd reading; and,

That Council approve the Alternative Approval Process (AAP) to gain approval of the electors.
[Recommended]

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM
Chief Administrative Officer

BACKGROUND:

On February 25, 2019 Council was presented with and approved the 2019-2023 Sewer Fund Financial Plan which was later consolidated and included in the 2019-2023 Consolidated Financial Plan adopted on May 6, 2019. Table 1 identifies the Greenwood Trunk Connection project included in the financial plan and requires completion of the statutory borrowing process to commence construction:

Table 1: 2020 Greenwood Trunk Connection Capital Project Funded with Debt

Project description	2020 Proposed Budget	2020 Debt	2020 New Works Reserve	2020 General Revenues	2020 DCC Reserve
Greenwood Trunk Connection	4,100,000	3,000,000	600,000	50,000	450,000

The borrowing process can take up to eight months to complete, therefore starting the process as soon as possible will ensure the funds are approved and secured to allow for construction in the spring of 2020 without delay.

DISCUSSION:**Greenwood Trunk Connection:**

The City is embarking on the extension of the Greenwood Trunk sewer through the construction of gravity sewers, two pump stations and parallel force mains to convey flows to the newly constructed Comox Valley Regional District (CVRD) Greenwood Trunk. The installation of these works will allow the City to decommission three existing temporary sanitary sewer pump stations and create the ability to service existing and future development within the northeast area of the City.

Detailed design was an approved project for 2019 and is complete and tender ready. The Comox Valley Regional District has completed their section of the main and the only remaining part of the project is for the City to complete their portion.

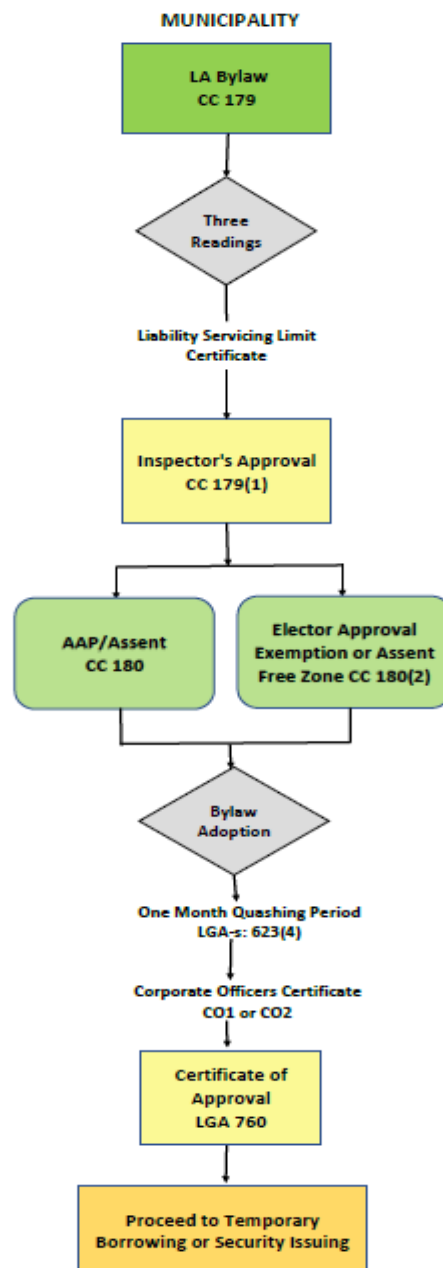
Borrowing Process:

Section 179 of the *Community Charter* provides Council with the authority to incur a liability by borrowing funds for any purpose of a capital nature. The local government borrowing process is highly regulated and closely monitored by the Province. All loan authorization bylaws must be approved by the Inspector of Municipalities and approval of the electors is required before adoption of the bylaw. In addition, Sections 623 and 760 of the *Local Government Act* require a one month quashing period after approval of the electors has been received, where an application can be made to the Supreme Court to set aside the loan authorization bylaw before final approval will be provided by the Inspector of Municipalities.

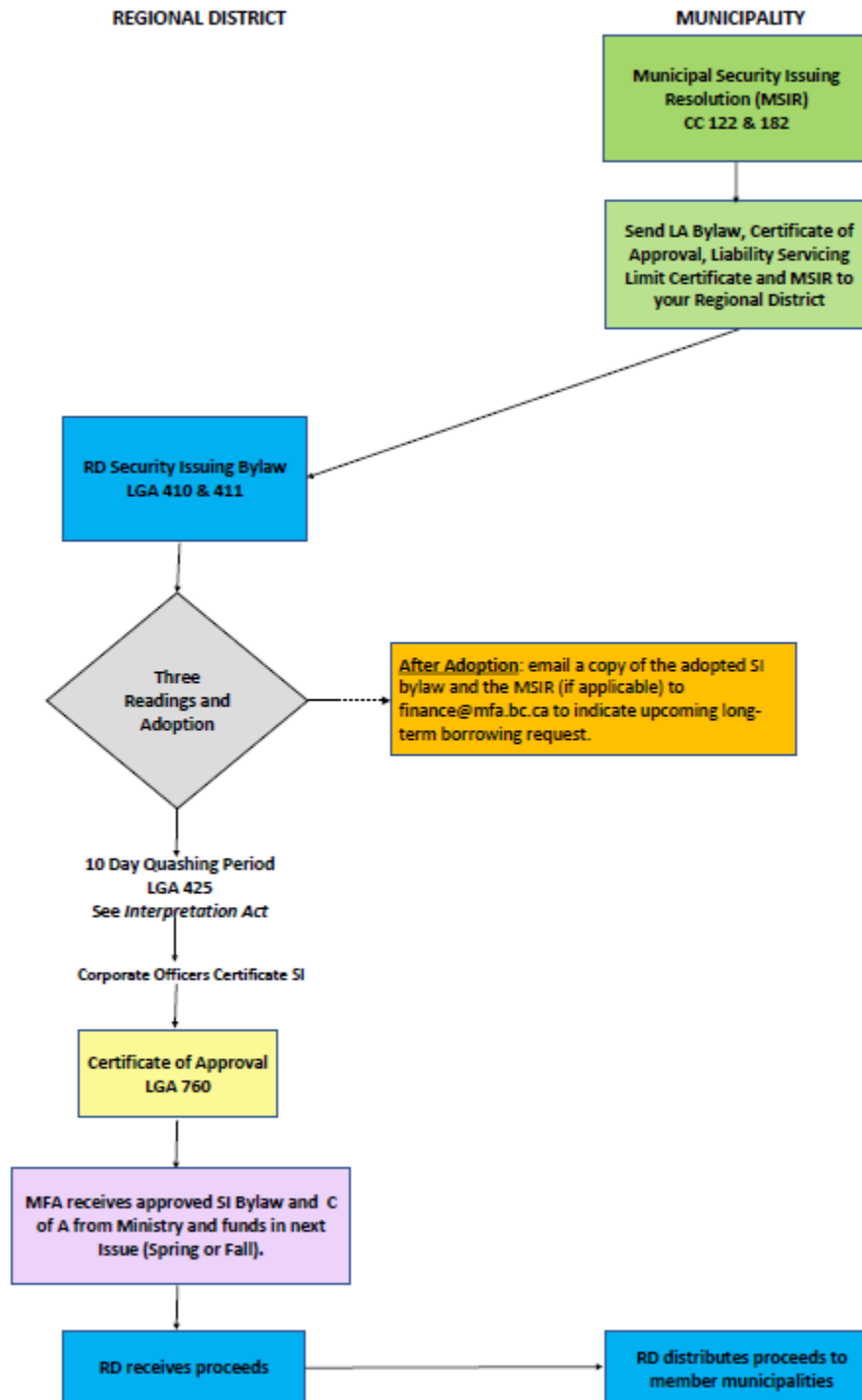
Finally, Section 182 of the *Community Charter* restricts local governments to financing long term debt with their local regional district through the Municipal Finance Authority of British Columbia (MFA). Once a certificate of approval has been received by the Inspector of Municipalities, Council must then pass a Municipal Security Issuing Resolution and forward it to the Comox Valley Regional District to be included in the next Regional District Security Issuing Bylaw that will go through further adoption at the regional level.

The borrowing process can take several months to complete, therefore it is recommended to begin the process as early as possible to ensure all the appropriate approvals are in place before projects are ready for construction. The following flowcharts provided by the Municipal Finance Authority outlines the steps involved for a loan authorization bylaw:

Loan Authorization Bylaw Procedures



Security Issuing Procedures



Elector Approval:

Section 180 of the *Community Charter* requires elector approval of a loan authorization bylaw before it can be adopted. There are two options available to gain elector approval as follows:

Alternative Approval Process (AAP)

An AAP requires that ten percent or more of the eligible electors must sign and submit response forms in opposition to the proposed loan authorization bylaw to the local government to obtain assent of the electors in order to proceed. If ten percent of the electors sign forms in opposition to the AAP, there are two choices; proceed to referendum within eighty days, or the loan authorization bylaw could be put on hold and consider alternatives.

Referendum

A referendum involves asking electors to cast their vote in relation to the loan authorization bylaw. Assent of the electors is achieved if a majority of votes counted are in favour of proceeding with the bylaw. If elector assent is not granted the loan authorization bylaw could not be adopted and Council would need to consider alternatives.

A referendum is a much more costly and time consuming than the Alternative Approval Process, therefore staff recommend gaining elector approval through the AAP process for this loan authorization bylaw.

Timelines:

Table 2 outlines the estimated schedule that would be followed in order to adopt the loan authorization bylaw and secure funding for the Greenwood Trunk Connection for spring 2020 construction. This schedule is subject to change depending on how long it takes to receive approvals from the Province. The schedule will be updated throughout the process and Council will be updated during each phase of the process as necessary.

Table 2: 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw Schedule:

Date	Charter Section	Action
November 4, 2019	179	Three readings by Council
November 7, 2019	180	Send to Inspector of Municipalities
December 16, 2019	86, 135, 180	Establish elector response forms Determine total number of electors Establish deadline for responses as February 17, 2020
January 9, 2020	94	First of two notices published Make response forms available to public at City Hall
January 16, 2020	94	Second and last notice published (must be at least 30 days prior to the deadline of February 17, 2020)
February 17, 2020	86	Deadline for elector responses
March 2, 2020	86	Council Meeting - Report to Council regarding elector responses If 10% threshold not reached, final adoption of bylaw
April 3, 2020	623,760 <i>LGA</i>	Send to Inspector for certificate of approval after quashing period
May 18, 2020	CC S.122&182	Council passes Security Issuing Resolution
May 25, 2020		Forward to Regional District and the MFA

FINANCIAL IMPLICATIONS:

Construction of the Greenwood Trunk Connection is estimated to cost \$4,100,000 and is funded in the 2019-2023 Financial Plan using \$450,000 of DCC reserves, \$50,000 of general revenue, \$600,000 from the New Works Reserve, and \$3,000,000 using new debt. Debt servicing costs for this project have been calculated using the latest Municipal Finance Authority annual interest rate of 2.79% with a 25 year amortization. Annual debt servicing costs are estimated to be \$165,984 and will commence in 2021.

Annual debt servicing costs remain within the Sewer fund and do not affect the general taxation debt levy. These costs would be fully recovered through the sewer user fees and frontage taxes and have already been incorporated in the 2019-2023 Financial plan and proposed fees for 2021.

ADMINISTRATIVE IMPLICATIONS:

After three readings of the loan authorization bylaw staff will send it along with all supporting documentation to the Inspector of Municipalities for the first review. Once the first review is complete, staff will report back to Council on the next steps to begin the Alternative Approval Process (AAP). The borrowing process involves several departments and is estimated to take approximately eighty hours of staff time from start to finish.

ASSET MANAGEMENT IMPLICATIONS:

The Greenwood Sewer Trunk Connection is an important project required to support growth in East Courtenay, and to enhance capacity and support continued development. This project has been vetted through the Asset Management Working Group, approved by the CAO, and identified as a high priority project.

The City's Sewer Master Plan identifies the Greenwood Trunk as the number 1 priority project. The construction of this trunk main has a number of significant positive impacts to the City's wastewater collection system, but also to the Sewage Commission infrastructure and the environment.

1. When constructed the Greenwood trunk will allow the City to decommission three (3) smaller temporary lift stations and redirect those flows by gravity into the CVRD trunk main on Anderton Road. The CVRD (approved Sewage Commission project in 2019) completed their section in anticipation of the City's project. The two (2) new lift stations along the Greenwood trunk will be designed with improved technology and monitoring (SCADA) and will be much more efficient than the older three (3) temporary lift stations.
2. When constructed the Greenwood trunk will allow the City to re-direct substantial flows away from the Regional Courtenay lift station, alleviating capacity concerns and deferring future Sewage Commission capital upgrades that are contemplated for the Courtenay Lift Station.

3. By diverting flows to the Greenwood Trunk and thereby increasing capacity at the Courtenay lift station, the potential for impact on the Environment (overflow during peak storm events) in the estuary will be greatly reduced.

STRATEGIC PRIORITIES REFERENCE:

The following 2019-2022 Council strategic priorities relate to the 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw:

We focus on organizational and governance excellence

- Responsibly provide services at levels which the people we serve are willing to pay

We proactively plan and invest in our natural and built environment

- Focus on asset management for sustainable service delivery

- **AREA OF CONTROL:** The policy, works and programming matters that fall within Council's jurisdictional authority to act
- ▲ **AREA OF INFLUENCE:** Matters that fall within shared or agreed jurisdiction between Council and another government or party
- **AREA OF CONCERN:** Matters of interest that are outside Council's jurisdictional authority to act

OFFICIAL COMMUNITY PLAN REFERENCE:

Section 6.3 Sanitary Sewer Treatment to follow policies to reduce infiltration, consider downstream capacity of existing sewer mains, and to provide an effluent network that is limited to areas within the City's municipal boundaries.

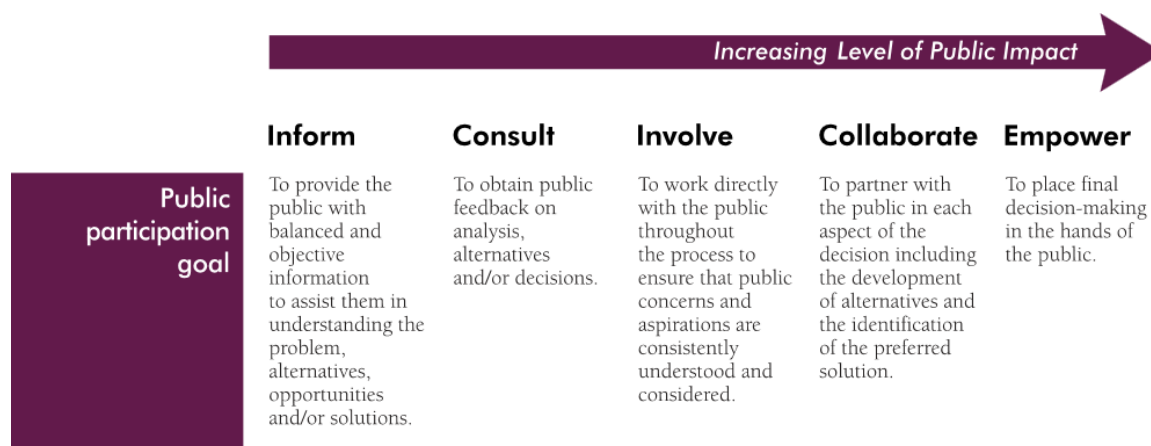
REGIONAL GROWTH STRATEGY REFERENCE:

These sewer projects provide the public with infrastructure that addresses public health needs and concerns and provides equal service to all residents within the municipality and region (per Comox Valley Regional Growth Strategy Bylaw No. 120, 2010, Part 3.2.5, Objective 5-D Page 56).

CITIZEN/PUBLIC ENGAGEMENT:

Section 180 of the *Community Charter* requires that a council gain approval of the electors before a loan authorization bylaw can be adopted. The City will **empower** the public based on the IAP2 Spectrum of Public Participation:

http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf

**OPTIONS:**

OPTION 1: That Council endorse the 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw No. 2985, 2019;

That Council proceed to 1st, 2nd, and 3rd reading of the 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw No. 2985, 2019; and

That Council approve the Alternative Approval Process (AAP) to gain approval of the electors for the 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw No. 2985, 2019. [Recommended]

OPTION 2: That Council defer endorsing the 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw No. 2985, 2019 to allow for further discussion.

OPTION 3: That Council not endorse the 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw No. 2985, 2019.

Prepared by:

Jennifer Nelson, CPA, CGA
Director of Financial Services

Concurrence:

Ryan O'Grady, P. Ag, P. Eng.
Director of Engineering Services

Attachments: #1: Sewer Capital Projects 2019-2023 (excerpt from 2019-2023 Financial Plan)
#2: Greenwood Trunk Connection – Capital Asset Dashboard Project ID 2019-SAN-02
#3: 2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw
No. 2985, 2019

Attachment #1

Sewer Capital Projects 2019-2020

Sewer Capital Projects 2019-2020			2019 Funding				2020 Funding				
		Values									
		2019 Budget	2019 General Revenues	2019 New Works Reserve	2019 Reserve for Future Expenditures	2019 DCC Reserve	2020 Proposed Budget	2020 Debt	2020 New Works Reserve	2020 General Revenues	2020 DCC Reserve
Category	Project description										
New	20 St & Riverside Lane - Chamber	300,000	120,700		179,300						
	Greenwood Trunk Connection	151,800	3,300		35,800	112,700	4,100,000	3,000,000	600,000	50,000	450,000
	North Sandwick sewer						50,000			50,000	
	South Courtenay Sewer						200,000			200,000	
New Total		451,800	124,000		215,100	112,700	4,350,000	3,000,000	600,000	300,000	450,000
Renewal	Riverside Sanitary Trunk - 8 St to 19 St - Trunk Main Upgrade	1,500,000	170,100	1,200,000	129,900						
	1 St Lift Station Replacement	350,000	217,500		132,500		2,300,000	2,300,000			
	Comox Rd, Lewis Park, River Crossing - Sanitary Main Replacement	200,000	102,100		97,900		1,400,000		1,300,000	100,000	
	Braidwood Rd - Road & Utility Reconstruction - Sanitary	36,300			36,300		500,000			500,000	
	Cliffe Ave - Mansfield to Anfield ph 1 - Design 2019						50,000			50,000	
Renewal Total		2,086,300	489,700	1,200,000	396,600		4,250,000	2,300,000	1,300,000	650,000	
Grand Total		2,538,100	613,700	1,200,000	611,700	112,700	8,600,000	5,300,000	1,900,000	950,000	450,000

Sewer Capital Projects 2021-2023

Sewer Capital Projects 2021-2023			2021 Funding		2022 Funding			2023 Funding		
		Values								
Category	Project description	2021 Proposed Budget	2021 General Revenues	2022 Proposed Budget	2022 General Revenues	2022 New Works Reserve	2023 Proposed Budget	2023 General Revenues	2023 New Works Reserve	2023 Debt
Renewal	Sewer - Projects identified through Asset Management Strategy	500,000	500,000							
	Cliffe Ave - Mansfield to Anfield ph 1 - Design 2019	404,300	404,300							
	Cliffe Ave - Mansfield to Anfield ph 2	150,000	150,000	750,000	250,000	500,000	750,000	250,000	500,000	
	Anderton Ave Lift Station			250,000	250,000		2,200,000			2,200,000
	Arden Central Trunk Main			200,000	200,000		2,000,000			2,000,000
	Mansfield Lift Station Upgrade						50,000	50,000		
	Courtenay Riverway - 21st to Mansfield						50,000	50,000		
Renewal Total		1,054,300	1,054,300	1,200,000	700,000	500,000	5,050,000	350,000	500,000	4,200,000
Grand Total		1,054,300	1,054,300	1,200,000	700,000	500,000	5,050,000	350,000	500,000	4,200,000

Sewer Debt Servicing Costs

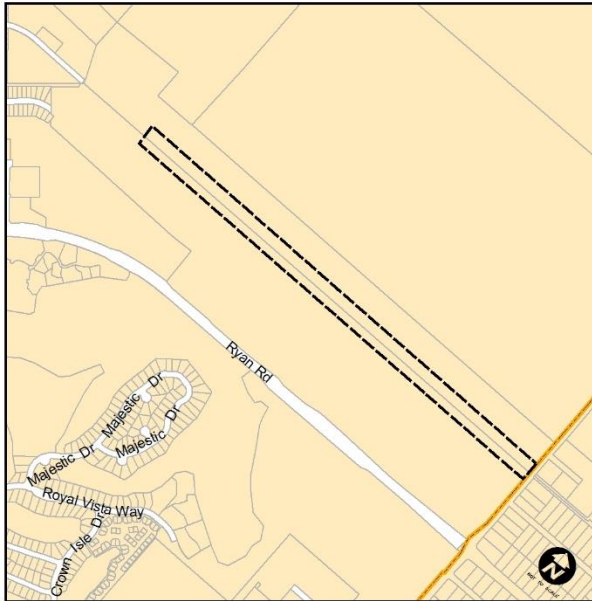
		Values				
Account	Department	2019 Budget	2020 Proposed Budget	2021 Proposed Budget	2022 Proposed Budget	2023 Proposed Budget
Interest	Existing Debt Interest	56,600	56,600	56,600	56,600	56,600
	New Debt Interest		186,600	186,600	186,600	334,400
Interest Total		56,600	243,200	243,200	243,200	391,000
Principal	Existing Debt Principal	75,200	75,200	75,200	75,200	75,200
	New Debt Principal		197,200	197,200	197,200	353,500
Principal Total		75,200	272,400	272,400	272,400	428,700
Grand Total		131,800	515,600	515,600	515,600	819,700

Project ID: 2019-SAN-02

Project Lead: Engineering

SANITARY – GREENWOOD TRUNK CONNECTION

TRUNK MAIN CONNECTION - DESIGN



Project Description:

- 2018 APPROVED PROJECT – DESIGN ONLY
- DESIGN OF GRAVITY SANITARY SEWER TRUNK MAIN TO CONNECT EAST COURTENAY TO ANDERTON RD.
- 2019 PROJECT – COMPLETE DESIGN AND INFORM ANTICIPATED 2020 CONSTRUCTION COSTS

Project Budget

Year	Approved Budget	Total Spent	Carry Forward	Requested Budget	Total Budget
2018	\$341,250	\$189,422	\$151,800		
2019				\$0	
					\$151,800

THE CORPORATION OF THE CITY OF COURTENAY

BYLAW NO. 2985

A bylaw to authorize the borrowing of the estimated cost of constructing the Greenwood Trunk Connection to the sanitary sewer system.

WHEREAS it is deemed desirable and expedient to construct the Greenwood Trunk Connection to the sanitary sewer system servicing East Courtenay.

AND WHEREAS the estimated cost of constructing the Greenwood Trunk Connection to the sanitary sewer system including expenses incidental thereto is the sum of \$4,100,000 of which the sum of \$3,000,000 is the amount of debt intended to be borrowed by this bylaw;

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

1. The Council is hereby empowered and authorized to undertake and carry out or cause to be carried out the construction of the Greenwood Trunk Connection to the sanitary sewer system generally in accordance with the general plans on file in the municipal office and to do all things necessary in connection therewith and without limiting the generality of the foregoing:
 - a) To borrow upon the credit of the Municipality a sum not exceeding \$3,000,000.
 - b) To acquire all such real property, easements, rights-of-way, licenses, rights or authorities as may be requisite or desirable for or in connection with the construction of the said Greenwood Trunk Connection to the sanitary sewer system.
2. The maximum term for which debentures may be issued to secure the debt created by this bylaw is twenty five years.
3. This bylaw may be cited as **“2020 Greenwood Trunk Connection Sanitary Sewer Capital Loan Authorization Bylaw No. 2985, 2019”**.

Read a first time this day of , 2019

Read a second time this day of , 2019

Read a third time this day of , 2019

Received the approval of the Inspector of Municipalities this day of , 20

Received the approval of the electors of City of Courtenay on the _____ day of _____, 20

Reconsidered and finally passed and adopted this _____ day of _____, 20

Mayor

Corporate Officer

Certified a true copy of Bylaw No. 2985 as at third reading.

Corporate Officer

Certified a true copy of Bylaw No. 2985 as adopted.

Corporate Officer

