



Making a difference...together

## FINANCE COMMITTEE

Notice of Meeting on **Wednesday, May 7, 2014, at 9:30 am**  
Board Room, 6<sup>th</sup> floor, 625 Fisgard Street, Victoria, BC

F Leonard (Chair)  
L. Cross  
J. Ranns

M. Alto (Vice Chair)  
B. Desjardins  
G. Young

D. Blackwell  
D. Howe  
A. Bryson (Board Chair, ex officio)

S. Brice  
N. Jensen

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### AGENDA

1. Approval of Agenda
2. Adoption of Minutes of April 2, 2014
3. Chair's Remarks
4. Presentations/Delegations
  - Presentation: Island Corridor Foundation, Director Ben Isitt
5. Island Corridor Foundation Funding Update
6. Investment Portfolio Annual Update
7. Bylaws No. 3914 and 3915: Vancouver Island Regional Library District Borrowing Service
8. Bylaw 3953: Temporary Borrowing Bylaw for Capital Financing (Regional Water Supply Water Works Facilities)
9. New Business
10. Motion to close the meeting in accordance with the Community Charter, Part 4, Division 3, 90(1)(e) the acquisition, disposition or expropriation of land or improvements.
11. Adjournment

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*To ensure quorum, please advise Nancy More at 250-360-3024 if you or your alternate cannot attend.*



**Minutes of a Meeting of the Finance Committee  
Held Wednesday, April 02, 2014, in the Board Room, 625 Fisgard St., Victoria, BC**

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**Present: Directors:** F. Leonard (Chair), M. Alto (Vice Chair), D. Blackwell, S. Brice, D. Howe, L. Hundleby (for B. Desjardins), J. Ranns, G. Young, A. Bryson (Board Chair, ex officio)

**Staff:** D. Lokken, General Manager, Finance and Technology; B. MacDonald, Manager, Financial Planning and Treasury; R. Sharma, Senior Manager, Financial Services; N. More, Committee Clerk (recorder)

**Also Present:** Director M. Hicks, Alternate Director P. Madoff, L. Fitzsimonds (Royal McPherson Theatre Society)

**Absent:** L. Cross, N. Jensen

The meeting was called to order at 9:30 am.

**1. Approval of Agenda**

**MOVED** by Director Blackwell, **SECONDED** by Director Alto,  
That the agenda be approved as circulated.

**CARRIED**

**2. Adoption of Minutes**

**MOVED** by Director Brice, **SECONDED** by Director Blackwell,  
That the minutes of the March 5, 2014, meeting be adopted as previously circulated.

**CARRIED**

**3. Chair's Remarks:** There were none.

**4. Presentations/Delegations:** There were none.

**5. Community Works Fund Allocation – Water Supply Infrastructure Upgrades for Pender Islands Fire Hall No.1**

**MOVED** by Director Howe, **SECONDED** by Director Ranns,  
That it be recommended to the Capital Regional District Board:  
That the allocation of \$75,000 in Community Works Funds to complete the water supply infrastructure upgrade for the Pender Islands Fire Hall No. 1 be authorized.

**CARRIED**

**6. Upcoming Insurance Renewals – Information**

The Committee sought clarification on earthquake and tsunami insurance.

**MOVED** by Director Alto, **SECONDED** by Director Howe,  
That the report be received for information.

**CARRIED**

**7. Capital Regional District (CRD) Schedule of Capital Reserves**

D. Lokken spoke to the report and provided clarification on the Central Saanich Wastewater Treatment Plant capital reserve and on how the capital reserve funds have been established and how they operate.

**MOVED** by Alternate Director Hundleby, **SECONDED** by Director Alto,  
That it be recommended to the Capital Regional District Board:  
That the report be received for information.

**CARRIED**

**8. McPherson Playhouse Heating, Ventilation and Air Conditioning Systems Upgrade and Dressing Room Area Renovations**

The Committee sought clarification on seismic upgrades.

**MOVED** by Alternate Director Hundleby, **SECONDED** by Director Howe,  
That it be recommended to the Capital Regional District Board:  
That the report be received for information.

**CARRIED**

**9. McPherson Playhouse Heating, Ventilation and Air Conditioning Systems Upgrade and Dressing Room Area Renovations – Award of Contract 14-1793**

D. Lokken spoke to the report. The Committee sought clarification on the following points:

- provisions in the long term budget that will also cover planned brickwork
- the value of lost productions during the closure time of three months and ten days
- penalty clause in the contract for finishing on time

On the motion, the Committee discussed the value of the upgrades to patron comfort, especially in the air quality of the balcony area.

**MOVED** by Director Alto, **SECONDED** by Director Young,  
That it be recommended to the Capital Regional District Board:  
That Contract 14-1793 *McPherson Playhouse Heating, Ventilation and Air Conditioning Systems Upgrade and Dressing Room Area Renovations* be awarded to Kinetic Construction Ltd. in the amount of \$1,735,650, including GST.

**CARRIED**

**10. Community Works Fund Allocation: Sherringham Water Works Ltd. Main Water Line Repair**

**MOVED** by Director Howe, **SECONDED** by Director Blackwell,  
That it be recommended to the Capital Regional District Board:

- 1) That the Board authorize a contribution of \$20,000 from the Juan de Fuca Electoral Area portion of the Gas Tax Community Works Fund (CWF) to Sherringham Water Works Ltd. (SWW) for repair of its main water line; and
- 2) That the SWW commit, under an agreement with the CRD, to continue operating SWW on a non-commercial basis and to return the funds to the CRD if it chooses to do otherwise.

**CARRIED**

**11. New Business:** There was no new business.

**12. Adjournment**

**MOVED** by Director Howe, **SECONDED** by Director Brice,  
That the meeting be adjourned at 9:55 am.

**CARRIED**

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
COMMITTEE CLERK

**REPORT TO FINANCE COMMITTEE  
MEETING OF MAY 7, 2014**

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**SUBJECT    ISLAND CORRIDOR FOUNDATION FUNDING – UPDATE**

**ISSUE**

The Island Corridor Foundation (ICF) has recently announced that a tentative service agreement between VIA Rail and Southern Rail has been reached.

**BACKGROUND**

At its November 2012 meeting, the Capital Regional District (CRD) Board conditionally approved \$1.2M in regional Grants-in-Aid funding for rail infrastructure improvements subject to establishment of the Southern Rail – VIA Rail train service agreement by March 1, 2013. When this deadline was not met, the CRD Board determined at its March 2013 meeting to phase its funding commitment to ICF over a two year period by levying the first half (\$600,000) in 2013 and the second half (\$600,000) in 2014 as included in the CRD Financial Plan. The CRD will commit these funds to ICF for the rail line infrastructure improvements once the train service agreement is established.

In the continued absence of the train service agreement, the CRD has held the first \$600,000 of funding in reserve. The approved 2014 Financial Plan phases the balance of the contribution over two years, with \$300,000 included in 2014 and the remainder in 2015.

The attached news release (Appendix I) was issued by ICF on April 8, 2014. Appendix 2 is a letter from Dr. James Lunney, Member of Parliament – Nanaimo-Alberni. The final sign off process has now begun and it is anticipated that the complete package for the federal treasury board approval will be ready by July 2014.

Staff will continue to keep the Board apprised of developments on this issue.

**IMPLICATIONS**

The 2014 Financial Plan includes \$300,000 of the funding commitment to ICF. The remaining \$300,000 will be requisitioned in 2015. A funding agreement will be established between the CRD and ICF.

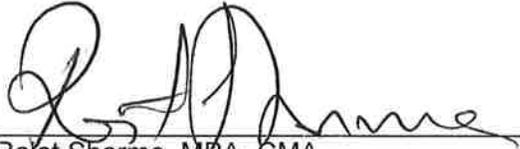
**CONCLUSION**

In early April 2014, the ICF announced that a tentative agreement has been reached between Southern Rail and Via Rail to restore passenger service on the E & N rail line. In 2012, the CRD Board conditionally approved contribution of a \$1.2 million Regional Grant-In-Aid for rail infrastructure improvements subject to the establishment of the Southern Rail – Via Rail agreement. The CRD prepared for this contribution by setting \$600,000 in reserve, requisitioning \$300,000 in the 2014 Financial Plan, with the remaining balance to be requisitioned in 2015. Upon finalization of the Southern Rail – Via Rail agreement, the CRD will establish its funding agreement with the ICF.

**RECOMMENDATION(S)**

That the Finance Committee recommend to the Capital Regional District Board:

That this staff report be received for information.



Rajat Sharma, MBA, CMA  
Senior Manager, Financial Services



Diana Lokken, CPA, CMA  
General Manager, Finance and Technology Dept.



Robert Lapham, MCIP, RPP  
Chief Administrative Officer  
Concurrence

Attachments: Appendix 1 – Press Release from ICF, April 8, 2014  
Appendix 2 – Letter from MP Dr. James Lunney

# Announcement: Tentative Agreement

Posted April 8, 2014

As Co- Chair of the Island Corridor Foundation, on behalf of our Board I am very pleased to announce that Southern Rail and VIA Rail have reached a tentative agreement to provide passenger rail service for the people of Vancouver Island.

With this train service agreement the Foundation is now able to access \$20 million in infrastructure funding for track and bridge improvements. Through the partnership of federal, provincial and regional governments, Southern Rail and ICF will be able to improve the tracks and get passenger rail re-started. It will also provide the opportunity to aggressively pursue new and expanded rail services over the next ten years.

On behalf of the ICF and all of you who have been so supportive, I would like to thank Southern and VIA for their hard work in reaching this agreement. Sometimes good things just take longer to accomplish but we are here today as proof that they can be done if we hold fast to our goals.

I'd also like you to acknowledge with me the employees of Southern Rail who are here today, and who have lived in hope of this announcement. For them, more than anyone it has been a long wait; they have comfort in knowing their jobs still exist. Give a great shout out for Frank Butzelaar, President of Southern Rail and Don McGregor SVI Project Manager who put together the business case we needed in order to proceed....well done!!

Train operations both passenger and freight will be centrally located here in Nanaimo, allowing for more frequency and an early morning southbound passenger train to Victoria. Over the next month the initial schedule will be fine-tuned. It is the aim of our operator to develop and provide a dynamic service that meets changing ridership needs, and to be able to adapt to the demand.

The ICF membership of First Nations and Regional Districts, the ICF Boards both past and present, and the "Friends of Rail" are to be commended for their strong and steadfast determination to protect this corridor for track and TRAIL use. To the many of you who have not wavered, I thank you so much.

We also thank the Federal Government, Minister Lisa Raitt and MP James Lunney for their assistance in encouraging the parties to find ways to meet their respective objectives, and for the matching federal infrastructure dollars that James Lunney and John Duncan worked so hard to deliver.

In the Spring of 2011 Premier Christy Clark rode the train to this station and announced the BC Government's financial support of \$7.5 million. She made the commitment that her government through Transportation Minister Todd Stone would assist in restoring the VIA Rail passenger service. We thank the Premier for her confidence and direction, and we thank Minister Stone and Minister Don McRae for their personal involvement.

In an unprecedented manner the five regional districts along the right of way came together to provide \$3.2 million for bridge improvements. Although the VIA agreement has taken longer than expected the continuing regional support on behalf of the citizens of Vancouver Island is greatly appreciated.

While we enjoy this moment there is still much work to do before the passenger train whistle blows again. The agreement is to be ratified by the three respective Boards; funding agreements will be signed off, tendering and awarding of bids will proceed, and there will be approximately nine months of track work.

That being said, over the past twelve years we have all worked together and we have saved rail on Vancouver Island! Let's savour the fulfillment of our goals to preserve the Island Corridor, and keep rail alive. Thank you, all.

Mary Ashley  
Co-Chair  
Island Corridor Foundation

HOUSE OF COMMONS



CHAMBRE DES COMMUNES

CANADA

## Dr. James Lunney

Member of Parliament - Nanaimo - Alberni

Association of Vancouver Island Coastal Communities  
AGM, Qualicum Beach

Attention Delegates,

**Re: Future of Rail on Vancouver Island**

I regret that I am not able to join you this weekend in Qualicum Beach for your annual conference. It is reported you will be debating the future of rail on Vancouver Island and a confidence motion regarding the Island Corridor Foundation. I understand the frustration of many in the room over a process that has taken far too long to complete. Like many of you, I have been engaged in this process for more than 10 years, from the time of the original roundtable discussions with Rail America and the eventual formation of the ICF.

Funding for the rail upgrades was an issue throughout the 2011 federal election. I said at that time that we would not be successful in attracting federal money without an expression of support and partnership from the provincial government. Both MP John Duncan and I, in speaking with Premier Christy Clark, advised her independently and spontaneously as she called to congratulate us on our respective victories that we would need funding for the rail. The premier came through.

By that time we were pulling out of the recession but federal money was tight; we fought to secure that funding from the federal government.

None of us anticipated the improbable lengthy process to secure a **Train Service Agreement (TSA)** from VIA. But, I can assure you that agreement is in the final days of completion. I urge you to put aside disappointments, and please do not take upon yourselves actions that would scuttle the future of rail on Vancouver Island. If you do, you will carry that responsibility into history. Rail on Vancouver Island has a proud history; it brought us into confederation. We have come too far and worked too long to falter at the finish line.

The new TSA will secure another chapter of rail on Vancouver Island. It will be up to all stakeholders, communities and individuals to use the enhanced schedule and build on the opportunity to extend that life well into the future. I hope that most of you will agree and stand together to see that future have a chance.

Sincerely,  
James Lunney, MP  
Nanaimo-Alberni

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Dr. James Lunney – (613) 992-5243 or (250) 390-7550

**REPORT TO FINANCE COMMITTEE  
MEETING OF WEDNESDAY, MAY 7, 2014**

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**SUBJECT**     Investment Portfolio Annual Update

**ISSUE**

Annual report on Capital Regional District (CRD) investments held and rates of return as at December 31, 2013.

**BACKGROUND**

The CRD follows a policy of investing surplus public funds according to guidelines set out in the *Local Government Act* (LGA) and policy approved by the CRD Board in September 2013. The policy is attached (Appendix A) with a summary of investments as of December 31, 2013 and comparative returns for the last three years (Appendix B).

The CRD's investment policy applies to the investment activities for all funds maintained by the CRD including operating funds, capital funds and reserve funds. The types and terms of any investments purchased are structured to meet the goals of security, income maximization and availability of the funds when they are likely to be required.

The CRD invests its short-term funds, primarily the annual requisition, in a mix of vehicles including its general bank account, the Municipal Finance Authority (MFA) pooled money-market fund and term deposits or bankers acceptances of various financial institutions. In practice, sufficient funds are maintained in our general bank account or MFA's money-market pooled fund to meet immediate needs. MFA's pooled investment funds provide a vehicle that has greater flexibility for short-term cash flow requirements than many products offered by other financial institutions. These investments may be supplemented with financial institution term deposits or bankers acceptances where the rates are favourable to the CRD and terms may be matched to the need for the funds.

MFA's external credit ratings are very high. It is presently rated Aaa "Stable" by Moody's and AAA "Stable" by both Fitch and Standard & Poor's. Short-term investments as at December 31, 2013 were \$55,028,110 and are detailed in Appendix B. MFA invests in fixed income securities that are secure, such as government bonds. Risk free investments with a decent return make investing with MFA more appealing and stable.

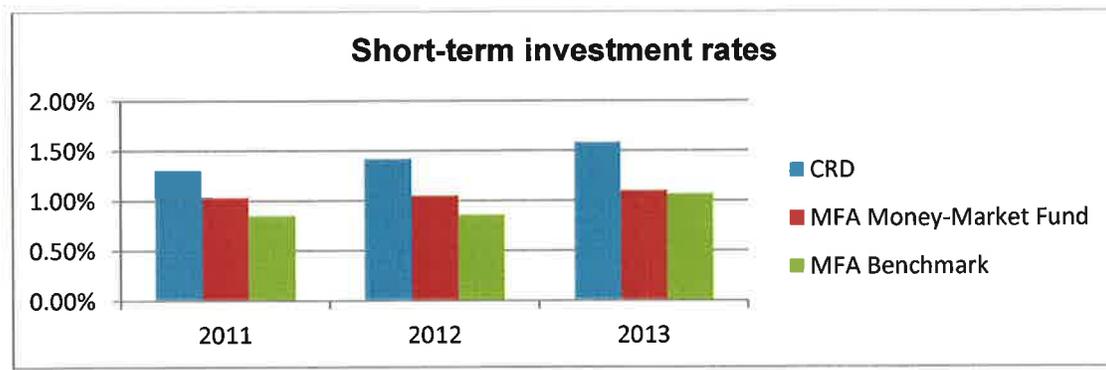
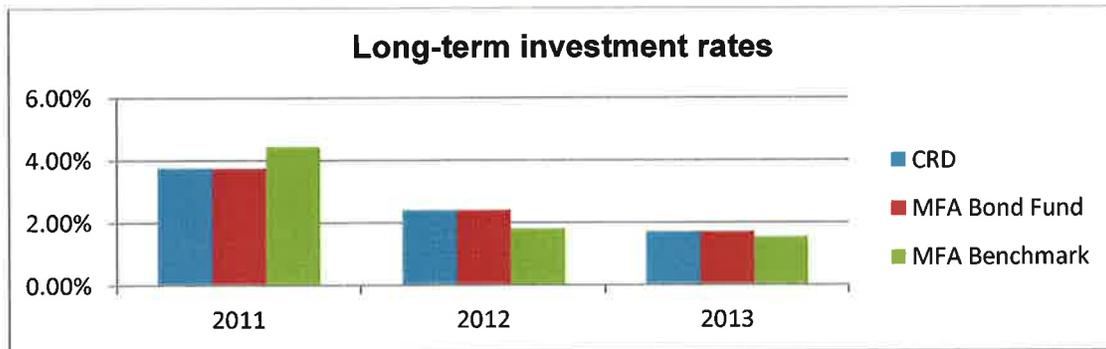
The CRD earned 1.6% on its short-term investments for 2013 and benchmarks its rate of return on short-term investments (those maturing within twelve months) to the rate paid by the CRD's banker on cash on deposit. The agreement with the CRD's banker provides for a tiered interest rate of interest on cash on deposit from a base of prime less 1.75% (currently 1.25%), depending on the amount of funds on deposit.

The CRD has, for the past several years, invested its longer term funds (primarily reserve funds, where the funds are not likely to be needed for a number of years) in MFA's Bond Funds to minimize interest and credit risk, and to provide more liquidity, versus purchasing individual institutional bonds. A portion of the longer-term funds has recently been shifted to MFA's Intermediate Fund which has shorter term holdings (up to 2 years versus 5 years for the Bond Fund) in order to minimize market value impact due to interest rate changes. The total long-term investments were \$56,758,527 as at December 31, 2013 and are detailed in Appendix B.

As part of the overall investment decision process staff regularly monitor the market trends through Bank of Canada interest rate announcements and reports, Government of Canada bond rates and other key metrics. Additionally staff communicates regularly with MFA BC on key financing and investing activities through regular market developments and outlook reports provided by Phillips, Hager and North Investment Management (PH&N). It is also important to note that MFA pooled

investment funds are managed externally by PH&N, recognized for an outstanding track record of long-term performance.

The summary charts below of long-term and short investment earnings yields for the past three years show the rates earned by the CRD, the bond and money market rates earned in MFA BC's pooled investment funds and benchmark DEX indices for Treasury Bills and Bonds (which are broad measures of the Canadian investment-grade fixed income market). The CRD rate of return follows MFA's closely for long-term funds (1.7% for 2013) because the funds are predominantly invested in the pooled Bond fund and tracks slightly above MFA's Money-market pooled fund for short-term funds. The MFA pooled fund rates are net of administration fees.



The Investment Policy followed by the CRD meets the statutory requirements under the *Local Government Act* and provides criteria to ensure the CRD's capital is preserved and rate of return maximized while maintaining sufficient liquidity. Investments are continuously monitored to ensure that they will continue to be relevant during future economic and financial conditions to achieve CRDs objectives.

**CONCLUSION**

The CRD investment policy meets the statutory requirements under the *Local Government Act*. The CRD investment portfolio is well diversified and is performing well. CRD staff will continue to ensure invested funds generate a favourable return while preserving CRDs capital and sufficient liquidity.

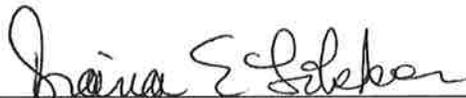
**RECOMMENDATION**

That the Finance Committee recommends to the Capital Regional District Board:

That the staff report be received for information.



Rajat Sharma, MBA, CMA  
Senior Manager, Financial Services



Diana E. Lokken, CPA, CMA  
General Manager, Finance and Technology Dept.  
Concurrence



Robert Lapham, MCIP, RPP  
Chief Administrative Officer  
Concurrence

Attachment: Appendix A – CRD Investment Policy  
Appendix B – Investment Summary as at December 31, 2013

## **Capital Regional District Revised Investment Policy**

### **1. Purpose**

The purpose of the investment policy of the Capital Regional District (CRD) is to provide the framework for investment portfolio management. It is the policy of the CRD to invest CRD funds in a manner that will provide the optimal blend of investment security and return while meeting the short and long term cash flow demands and comply with the statutory requirements of the *Local Government Act*.

### **2. Scope**

The investment policy applies to all cash operating funds, capital funds and reserve funds.

### **3. Objectives**

The investment of funds must reflect a conservative management philosophy based on three fundamental objectives, in the following order of priority:

#### **3.1 Safety of Principal**

Investments shall be made to ensure preservation of capital within the portfolio. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on individual securities and to maximize the yield from a blend of financial products.

#### **3.2 Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements.

#### **3.3 Return on Investment**

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints and liquidity requirements of the CRD.

### **4. Standard of Care**

#### **1.1 Prudence**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

#### 4.2 Ethics and Conflict of Interest

Staff responsible for investing shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

#### 4.3 Delegation of Authority

Authority to manage the CRD investment program is granted to the Financial Officer and is derived from Section 199 of the *Local Government Act* as follows:

Section 199: One of the officer positions established under section 196 must be assigned the responsibility of financial administration, which includes the following powers, duties and functions investing funds, until required, in investments referred to in section 183 of the *Community Charter* (investment of municipal funds).

### 5. Credit Risk Monitoring

In addition to in-house monitoring, the CRD make use of the credit analysis of the Dominion Bond Rating Service. It must be recognized that the use of any credit analysis is an assessment and not a guarantee for safety of principal.

### 6. Authorized and Suitable Investments

Money held by the Capital Regional District may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

- 6.1** Investments in securities of a chartered bank or savings institution or any province must:
- i) Have a Dominion Bond Rating Service (DBRS) rating of R-1 mid or higher for Short term debt and a rating of AA for Long-term debt or Bonds or comparable ratings of another rating organization, indicating superior credit quality (See Schedule A of the policy).
  - ii) Be purchased directly from the chartered bank, savings institution or province or from an investment dealer who is a member of the Investment Dealers Association who will act as an agent for the institutions with the approved DBRS rating.
- 6.2** Investments in credit union deposits must be covered by the *Financial Institution Act* of the Province of British Columbia which provides unlimited deposit insurance protection on all deposits in British Columbia credit unions.
- 6.3** Investments shall be held in the name of the CRD by approved institutions.
- 6.4** Investments in any one security issue shall not exceed 10% of that security issue.
- 6.5** Investments with any one financial institution shall not exceed 20% of the District's maximum annual investment portfolio.
- 6.6** The percentage limits specified in items 6.4 and 6.5 do not apply to investments made in securities of Canada, the Province, the Municipal Finance Authority of British Columbia (MFA) or pooled investments funds under section 16 of the *Municipal Finance Authority Act*.

## **7. Investment Parameters**

### **7.1 Diversification**

The CRD will diversify its cash reserve investments by security type and institution, taking into consideration the impact on return on investment.

### **7.2 Maturity**

To the extent possible the CRD shall attempt to match its investments with anticipated cash flow requirements. However, because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio shall be continuously invested in readily available funds to meet ongoing obligations. Long term investments may be acquired if the maturity is related to a specific program, and is made to coincide as nearly as practicable with the expected use of the funds attached to that program.

## **8. Competitive Bids**

The CRD shall solicit competitive verbal quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require immediate action. Under such circumstances competitive bids may not be sought provided that value can be substantiated by market data information services.

## **9. Safekeeping and Custody**

All security transactions entered into by the CRD shall be conducted on a delivery versus payment basis. The Treasurer must be satisfied that physical possession of the security is in possession or held by a custodial service.

## **10. Policy Review**

This policy shall be reviewed periodically by the Financial Officer to ensure congruence with changing activities of the CRD, market conditions, technology, evolving regulatory standards and private industry best practices. In addition, to insure periodic Finance and Corporate Services Committee review, this policy will be reconsidered each time the CRD tenders its banking services.

## **11. Reporting**

The Financial Officer must report to the Finance & Corporate Services Committee annually. The report must identify investment holdings and any deviations from policy.

## Schedule A

## Dominion Bond Rating Service (DBRS) ratings on credit quality

<b>Commercial Paper and Short Term Debt</b>	<b>Commercial Paper and Short Term Debt</b>	<b>Bond and Long Term Debt</b>	<b>Bond and Long Term Debt</b>
<b>DBRS Symbol</b>	<b>Credit Quality</b>	<b>DBRS Symbol</b>	<b>Credit Quality</b>
R-1 (high)	Highest	AAA	Highest
R-1 (mid)	Superior	AA	Superior
R-1 (low)	Satisfactory	A	Satisfactory
R-2 (high)	Adequate	BBB	Adequate
R-2 (mid)	Adequate	BB	Speculative
R-2 (low)	Adequate	B	Highly Speculative
R-3 (high)	Speculative	CCC	Very Highly Speculative
R-3 (mid)	Speculative	CC	Very Highly Speculative
R-3 (low)	Speculative	C	Very Highly Speculative
D	In Arrears	D	In Arrears
NR	Not Rated		

CAPITAL REGIONAL DISTRICT  
INVESTMENT SUMMARY  
DECEMBER 31, 2013

	Maturity	Rate %	Cost \$
Long-term Investments			
MFABC Pooled Bond Fund		1.70%	20,063,087
MFABC Pooled Intermediate Fund		1.44%	36,695,440
			<u>56,758,527</u>
Short-Term Investments			
Toronto Dominion Bank GIC	03-Feb-14	1.50%	7,528,110
Royal Bank GIC	07-Aug-14	1.50%	12,500,000
Scotiabank GIC	07-Feb-14	1.70%	7,500,000
Scotiabank GIC	07-May-14	1.87%	7,500,000
Scotiabank GIC	07-Aug-14	2.10%	10,000,000
Prospera Credit Union GIC	22-Jan-14	1.65%	5,000,000
Coast Capital Credit Union GIC	31-Mar-14	1.65%	5,000,000
			<u>55,028,110</u>
Total Investments			<u><u>111,786,636</u></u>

**REPORT TO FINANCE COMMITTEE  
MEETING OF WEDNESDAY, MAY 7, 2014**

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**SUBJECT     BYLAWS NO. 3914 AND 3915: VANCOUVER ISLAND REGIONAL LIBRARY  
DISTRICT BORROWING SERVICE**

**ISSUE**

The Vancouver Island Regional Library (VIRL) request for the Capital Regional District (CRD) to borrow funds on behalf of the VIRL for construction of a new library building.

**BACKGROUND**

VIRL has requested that the CRD Board approve the concept of borrowing money, on behalf of the VIRL, to finance the construction of a new library building for the jurisdictions it serves within the CRD region. Under Section 179(1)(b) of the *Community Charter*, the regional district is empowered to borrow money to lend to a person or public authority under an agreement.

To accommodate VIRL's request, the CRD needs a borrowing service establishment bylaw and a loan authorization bylaw. The borrowing service establishment bylaw will include:

- a) A service area that encompasses the region the VIRL serves, including the municipalities of Sooke, Sidney, and North Saanich, as well as a portion of the Juan de Fuca Electoral Area as per Bylaw No. 2248, cited as "Vancouver Island Regional Library District Participation Local Service Establishment Bylaw No. 1, 1994" as amended;
- b) A maximum requisition of \$700,000 as a safeguard to be levied only in the event that VIRL is unable to meet its debt servicing obligations under its agreement with the CRD.

Both the service establishment and loan authorization bylaws are subject to elector approval using the Alternative Approval Process (AAP). The VIRL is proposing a loan amount of \$6 million dollars, and under an agreement with the CRD, would service the debt and defray the AAP costs.

Under Section 801.6 of the *Local Government Act*, the establishing bylaw and the loan authorization bylaw must, for the purposes of obtaining participating area approval, be dealt with as if they were one bylaw. The AAP process can be initiated when both bylaws have received third reading and Inspector approval.

**ALTERNATIVES**

That the Finance Committee recommends to the Capital Regional District Board:

1. a) That Bylaw No. 3914, cited as "Vancouver Island Regional Library District Borrowing Service Establishment Bylaw No. 1, 2014" be introduced and read a first time, read a second time and read a third time; and  
b) That Bylaw No. 3915, cited as "Vancouver Island Regional Library District Borrowing Service Loan Authorization Bylaw No. 1, 2014" be introduced and read a first time, read a second time and read a third time; and  
c) That CRD Staff be directed to initiate elector approval by Alternative Approval Process under Section 801.3 of the *Local Government Act*.
2. That Bylaws No. 3914 and 3915 be deferred pending additional information from staff.

**IMPLICATIONS**

This proposal does not directly affect the CRD’s budget. Any borrowing that may occur would be by way of repayment agreement between the VIRL and CRD. VIRL will also re-imburse the CRD for any direct costs related to the AAP process including the required advertising and other related costs.

A maximum requisition amount is identified in the borrowing service establishment bylaw as a safeguard to be levied only in the event that VIRL becomes unable to meet its debt servicing obligations.

Additionally, the VIRL has successfully established similar partnerships with other Vancouver Island regional districts (e.g. Cowichan Valley Regional District).

**CONCLUSION**

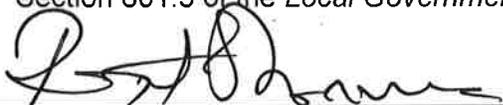
The VIRL is planning the construction of a new library building for the jurisdictions it serves in the CRD region. It would like to access funding for this project by having the CRD take out a loan on its behalf. CRD is empowered to borrow funds on behalf of VIRL under Section 179(1)(b) of the *Community Charter*. An agreement between the CRD and VIRL would outline the VIRL’s obligation to defray the debt servicing charges and related costs.

This VIRL-CRD partnership requires a borrowing service establishment bylaw and a loan authorization bylaw for \$6 million dollars. The maximum requisition of \$700,000 is a safeguard and would be levied only if VIRL becomes unable to meet its debt servicing obligations. Both bylaws are subject to approval using the AAP; they must be submitted together for Inspector approval and then elector approval. VIRL would defray the AAP cost.

**RECOMMENDATION**

That the Finance Committee recommend to the Capital Regional District Board:

- a) That Bylaw No. 3914, cited as "Vancouver Island Regional Library District Borrowing Service Establishment Bylaw No. 1, 2014" be introduced and read a first time, read a second time and read a third time; and
- b) That Bylaw No. 3915, cited as "Vancouver Island Regional Library District Borrowing Service Loan Authorization Bylaw No. 1, 2014" be introduced and read a first time, read a second time and read a third time; and
- c) That CRD Staff be directed to initiate elector approval by Alternative Approval Process under Section 801.3 of the *Local Government Act*.

  
Rajat Sharma, MBA, CMA  
Senior Manager, Financial Services

  
Diana Lokken, CPA, CMA  
General Manager, Finance and Technology Dept.  
Concurrence

  
Robert Lapham, MCIP, RPP  
Chief Administrative Officer  
Concurrence

**CAPITAL REGIONAL DISTRICT**

**BYLAW NO. 3914**

\*\*\*\*\*  
TO ESTABLISH A SERVICE WITHIN THE CAPITAL REGIONAL DISTRICT FOR THE  
PURPOSE OF BORROWING FUNDS ON BEHALF OF THE VANCOUVER ISLAND  
REGIONAL LIBRARY DISTRICT FOR A NEW LIBRARY BUILDING.  
\*\*\*\*\*

**WHEREAS:**

- A. Section 179 (1)(b) of the *Community Charter* empowers a regional district to borrow money to lend to a person or public authority under an agreement;
- B. The Board of the Capital Regional District wishes to establish a service for the purpose of borrowing funds on behalf of the Vancouver Island Regional Library District for design and construction of a new library building (the "Service");
- C. The District of Sooke, Town of Sidney, District of North Saanich, and a portion of the Juan de Fuca Electoral Area wish to participate in this service (the "Service Area");
- D. The Vancouver Island Regional Library will be responsible for servicing the debt under an agreement with the Capital Regional District. Should the Vancouver Island Regional Library default on its obligations under this agreement, the Capital Regional District will levy the requisition needed to service the debt;
- E. Participating area approval is required and shall be obtained by alternative approval process under Section 801.3 of the *Local Government Act*;
- F. Pursuant to Section 801(4) of the *Local Government Act*, the Board of the Capital Regional District has authorized, by resolution adopted by at least 2/3 of the votes cast, that participating area approval is to be obtained for the entire service area;
- G. The approval of the Inspector of Municipalities has been obtained under Section 801(1) (a) of the *Local Government Act*.

**NOW THEREFORE** the Board of the Capital Regional District in open meeting assembled enacts as follows:

**Service**

- 1. The Capital Regional District is hereby empowered and authorized to borrow upon the credit of the Regional District, in order to lend to the Vancouver Island Regional Library District under an agreement, a sum not exceeding Six Million Dollars (\$6,000,000) for the Project;

**Boundaries**

- 2. The boundaries of the service area shall be coterminous with the boundaries of the District of Sooke, the Town of Sidney, the District North Saanich and the portion of the Juan de Fuca Electoral Area as shown in Schedule "A" attached hereto and forming part of this bylaw.

**Participating Area**

- 3. The participating area for this service comprises the District of Sooke, the Town of Sidney, the District North Saanich and the Juan de Fuca Electoral Area.

**Cost Recovery**

- 4. As provided in Section 803 of the *Local Government Act*, the annual costs of providing the Service may be recovered by one or more of the following:
  - a) Property value taxes imposed in accordance with Division 4.3 [*Requisition and Tax Collection*];
  - b) parcel taxes imposed in accordance with Division 4.3 of Part 24 of the *Local Government Act*;
  - c) fees and charges imposed under Section 363 of the *Local Government Act*;
  - d) revenues raised by other means authorized under this or another Act;
  - e) revenues received by agreement, enterprise, gift, grant or otherwise.

**Maximum Requisition**

- 6. The maximum amount that may be requisitioned annually for the Service shall be Seven Hundred Thousand Dollars (\$700,000).

**Citation**

- 7. This Bylaw may be cited as the "Vancouver Island Regional Library District Borrowing Service Establishment Bylaw No. 1, 2014".

READ A FIRST TIME THIS \_\_\_\_\_ day of \_\_\_\_\_

READ A SECOND TIME THIS \_\_\_\_\_ day of \_\_\_\_\_

READ A THIRD TIME THIS \_\_\_\_\_ day of \_\_\_\_\_

APPROVED BY THE INSPECTOR OF MUNICIPALITIES THIS \_\_\_\_\_ day of \_\_\_\_\_

RECEIVED PARTICIPATING AREA  
APPROVAL UNDER SECTION 801.3  
OF THE LOCAL GOVERNMENT ACT THIS \_\_\_\_\_ day of \_\_\_\_\_

ADOPTED THIS \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
CORPORATE OFFICER

FILED WITH THE INSPECTOR OF MUNICIPALITIES THIS \_\_\_\_\_ day of \_\_\_\_\_



Making a difference...together

**REPORT TO FINANCE COMMITTEE  
MEETING OF WEDNESDAY, MAY 7, 2014**

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**SUBJECT BYLAW 3953: TEMPORARY BORROWING BYLAW FOR CAPITAL FINANCING (REGIONAL WATER SUPPLY WATER WORKS FACILITIES)**

**ISSUE**

Temporary financing for development of regional water supply water works facilities.

**BACKGROUND**

On March 12, 2014, the Board adopted loan authorization Bylaw No. 3902 for the purpose of financing development of regional water supply water works facilities. Pending issuance of Municipal Finance Authority (MFA) funds based on this bylaw, temporary borrowing is required to finance the work in progress.

A temporary loan allows borrowing of money for capital expenditures that are incurred before the long-term funding is issued by the Municipal Finance Authority. The proposed temporary borrowing bylaw is an authorization to borrow short-term in accordance with the loan authorization Bylaw No. 3902.

**ALTERNATIVES**

That the Finance Committee recommend to the Capital Regional District Board:

1. That Bylaw No. 3953, "Temporary Loan (Regional Water Supply Water Works Facilities) Bylaw No. 1, 2014" be introduced and read a first and second time, read a third time, and adopted.
2. That spending on this project be delayed until long-term funds are issued by the MFA.

**IMPLICATIONS**

The proposed temporary borrowing bylaw will enable the CRD's immediate access, pending the next MFA issue of long-term debentures, to financing according to the terms specified in loan authorization Bylaw No. 3902.

**CONCLUSION**

A temporary loan allows the borrowing of money, in compliance with a loan authorization bylaw, for capital expenditures that are incurred before the long term funding is issued by the Municipal Finance Authority. Now that the Board has adopted loan authorization Bylaw No. 3902 to finance development of regional water supply water works facilities, the proposed bylaw enables the CRD's immediate access to financing, pending the MFA's next issue of long-term funding.

**RECOMMENDATION**

That the Finance Committee recommend to the Capital Regional District Board:

That Bylaw No. 3953, "Temporary Loan (Regional Water Supply Water Works Facilities) Bylaw No. 1, 2014" be introduced and read a first and second time, read a third time, and adopted.



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Rajat Sharma, MBA, CMA  
Senior Manager, Financial Services



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Diana Lokken, CPA, CMA  
General Manager, Finance and Technology Dept.  
Concurrence



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Robert Lapham, MCIP, RPP  
Chief Administrative Officer  
Concurrence

Attachment: (1) Bylaw 3953

CAPITAL REGIONAL DISTRICT

BYLAW NO. 3953

\*\*\*\*\*  
A BYLAW TO AUTHORIZE TEMPORARY BORROWINGS PENDING THE ADOPTION OF  
SECURITY ISSUING BYLAWS (REGIONAL WATER WORKS FACILITIES)  
\*\*\*\*\*

WHEREAS:

- A. It is provided by Section 823.2 of the *Local Government Act* that the Board 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;
- B. The Board has adopted Bylaw No. 3902, cited as "Regional Water Supply Water Works Facilities Loan Authorization Bylaw No. 1, 2013" in the amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000), and intends to adopt a bylaw under Section 825 of the *Local Government Act* ("Security Issuing Bylaw"); and
- C. The issuance of the said Security Issuing Bylaw has been temporarily deferred.

NOW THEREFORE the Board of the Capital Regional District, in open meeting assembled, enacts as follows:

- 1. The Board is hereby authorized and empowered to borrow an amount or amounts not exceeding the sum of Twelve Million Five Hundred Thousand Dollars (\$12,500,000) as the same may be required, at the prevailing interest rate.
- 2. The money so borrowed shall be used solely for the purpose set out in the said Bylaw No. 3902.
- 3. The proceeds from the Security Issuing bylaw, or so much thereof as may be necessary, shall be used to repay the money so borrowed.
- 4. This Bylaw may be cited as "Temporary Loan (Regional Water Supply Water Works Facilities) Bylaw No. 1, 2014".

READ A FIRST TIME THIS	th	day of	2014
READ A SECOND TIME THIS	th	day of	2014
READ A THIRD TIME THIS	th	day of	2014
ADOPTED THIS	th	day of	2014

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
CORPORATE OFFICER