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# District of Lantzville

## REPORT TO COUNCIL

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**Regular Council Agenda Item  
April 10, 2017**

File: 5330-20-SPHIII

Q:\DISTRICT OF LANTZVILLE\Reports to Council\2017\2017 04 10 Phase III Sanitary Sewer  
Collection System – Financial Report.docx

**AUTHOR:** Jeannie Beauchamp, Director of Financial Services

**SUBJECT:** Phase III Sanitary Sewer Collection System – Financial Report

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### **RECOMMENDATION**

For information.

### **ALTERNATIVES**

Other direction, as provided by Council.

### **ATTACHMENT(S)**

1. Liability Servicing Limit Certificate, dated March 31, 2017.
2. Revised Preliminary Quantity & Cost Estimate – Phase 3, dated March 28, 2017.

### **PURPOSE**

To provide Council with information regarding the financial implication of the Phase III Sanitary Sewer Collection System.

### **BACKGROUND**

The Phase III Sanitary Sewer Collection System is currently included in the 2017-2021 Financial Plan in the amount of \$6,880,000.

The District of Lantzville has received a grant of \$4,373,332 through the New Building Canada Fund – Small Communities Fund. The balance of \$2,506,668 is to be funded by debenture debt. These are the maximum amounts and the project may come in under budget.

### **DISCUSSION**

The portion of the Phase III Sanitary Sewer Collection System project to be funded by debt is up to \$2,506,668. Currently 307 properties are to be included in the Local Area Service for this project. The maximum principal cost per property is \$8,165. Should the project come in under budget, only the

actual cost will be borrowed as debenture debt and charged to the residents. The \$2,506,668 is an up-to amount and may be less should the budget come in under budget.

It is expected that residents will be able to commute their payment, paying the full amount upfront, before the District acquires the debt or to make an annual parcel tax payment. After a set date commuting payments will no longer be allowed and all remaining residents will be placed on an annual parcel tax payment.

### Elector Approval

Section 180 of the *Community Charter* stipulates that a loan authorization bylaw may only be adopted with the approval of the electors. The District will use the Alternative Approval Process under Part 4, Division 2 of the *Community Charter*.

### Long-Term Debt Financing

The long-term debt financing will be provided through MFA. The MFA typically raises funds twice per year (Spring & Fall). The District may borrow on the long-term basis for a term ranging from 5 to 30 years. The interest rate will be set for a period of typically 10 years and then re-set every 5 to 10 years thereafter. Cash proceeds realized at the beginning of the loan is 99% of the gross amount requested. 1% is held back as a cash security, and refunded at the expiry of the loan obligation. The District will repay the loan obligation through the Regional District of Nanaimo. Interest will be billed semi-annually and the principal payments will occur on an annual basis. Typically, the first interest payment will be 6-months after the loan commencement and the first principal payment one year after the loan issuance. Additional payments against the loan will generally not be allowed, except for typically at the end of 10 years, and then every 5-10 years thereafter, depending on the terms of the loan.

The principal payments that the District make are invested by MFA until the debt is paid off at the end of the term. The current actuarial is set at 3%. This actuarial adjustment reduces the annual principal payments that would otherwise be required. MFA can issue forgiven notices should they be able to retire funding obligations earlier than forecasted.

The amount of funds the District requires will not be converted to long-term debt for a period of approximately 2 years. This will only occur once the project is complete and the total amount required is known. In the meantime, funds will be temporarily borrowed from MFA.

The interest rate when the District obtains the long-term debt (Fall 2018 or Spring 2019) is not currently known. The following information is provided regarding current indicative rates and recent historical rates.

The current indicative rate are as follows:

5 years	1.94%
10 years	2.72%
15 years	3.23%
20 years	3.47%
25 years	3.53%
30 years	3.53%

The estimated 2017 Spring rate for 10 years is 3.00%

Historical rates for 10+ years are as follows:

Fall 2016	2.100%
Spring 2016	2.600%
Fall 2015	2.750%
Spring 2015	2.200%
Fall 2014	3.000%
Spring 2014	3.300%
Fall 2013	3.850%
Spring 2013	3.150%

Assuming a 3.50%\* interest rate the impact for various terms are shown below:

Term	Total Payment	Total cost per home	Annual cost per home
Upfront payment	\$2,506,668	\$8,165	n/a
10 Years	\$3,063,913	\$9,980	\$998
15 Years	\$3,337,625	\$10,872	\$725
20 Years	\$3,620,416	\$11,793	\$590
25 Years	\$3,912,149	\$12,743	\$510
30 Years	\$4,212,651	\$13,722	\$457

\*The interest rate is not known at this time. A 3.50% interest rate is a conservative estimate.

A parcel tax, with a term of 20 years is recommended.

Approximate Timeline

- Creation of a Loan Authorization Bylaw under section 179 of the *Community Charter* - Loan authorization bylaws for long term borrowing. (March 2017)
- Council to provide three readings to District of Lantzville Phase III Sanitary Sewer Collection System Loan Authorization Bylaw No. 144, 2017. (April 2017)
- Staff to prepare Liability Servicing Limit Certificate. (April 2017)
- Staff to send the District of Lantzville Phase III Sanitary Sewer Collection System Loan Authorization Bylaw No. 144, 2017 at third reading and the Liability Servicing Limit Certificate to the Ministry. (April 2017)
- District to receive the Inspector’s Approval under section 179 (1) of the *Community Charter*. (May 2017)
- Obtain elector approval of District of Lantzville Phase III Sanitary Sewer Collection System Loan Authorization Bylaw No. 144, 2017. (June 2017)

- Council to adopt District of Lantzville Phase III Sanitary Sewer Collection System Loan Authorization Bylaw No. 144, 2017. (July 2017)
- One Month Quashing Period per section 262 (3) of the *Local Government Act*. (August 2017)
- Corporate Officers Certificate. (September 2017)
- Staff to send the Corporate Officers Certificate to the Ministry. (September 2017)
- Certificate of Approval from the Inspector of Municipalities. (October 2017)
- District to temporarily borrow funds until project is complete. (Beginning October 2017 through completion of project)
  - Council to provide three readings to District of Lantzville Phase III Sanitary Sewer Collection System Temporary Borrowing Bylaw.
  - Council to adopt District of Lantzville Phase III Sanitary Sewer Collection System Temporary Borrowing Bylaw.
  - Staff to obtain temporary borrowing funding through the Municipal Finance Authority of British Columbia as required.
- Municipal Security Issuing Resolution. (Late 2018)
- Regional District of Nanaimo Security Issuing Bylaw per section 825 of the *Local Government Act*. Three readings and adoption. (Late 2018)
- 10 Day Quashing Period. (Late 2018)
- Corporate Officers Certificate. (Late 2018)
- Security Issuing Certificate of Approval. (Late 2018)
- District to pay back Temporary Borrowing and receive Long Term Debenture Debt from the Municipal Finance Authority of British Columbia. (Fall 2018 or Spring 2019)
- District to begin annual parcel tax for the Local Area Service for Phase III. (Summer 2019)

### **FINANCIAL IMPLICATIONS**

Up to \$2,506,668 of the Phase III Sanitary Sewer Collection System will be funded by debenture debt through MFA.

### **COMMUNICATION STRATEGY**

This report will be available for review by the public in the April 10, 2017 Council meeting agenda package and available on the District of Lantzville website.

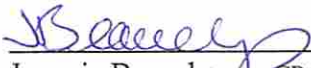
**STRATEGIC PLAN ALIGNMENT**

Sewer Phase III is included on Council’s 2016-2018 Strategic Priorities.


**SUMMARY**

To provide Council with financial information regarding the Phase III Sanitary Sewer Collection System.

Respectfully submitted,

  
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Jeannie Beauchamp, CPA, CGA, MBA  
Director of Financial Services  
District of Lantzville

Reviewed By:

Chief Administrative Officer		Director of Financial Services		Director of Public Works		Director of Corporate Administration	
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# LIABILITY SERVICING LIMIT CERTIFICATE

The District of Lantzville (the "Municipality")  
 In relation to District of Lantzville Phase III Sanitary Sewer Collection System Loan Authorization Bylaw No. 144, 2017

The undersigned Financial Officer assigned responsibility for financial administration under section 149 of the Community Charter, SBC 2003, Chapter 26 (the "Charter") or Auditor appointed for the Municipality under section 169 of the Charter hereby certifies as follows:

Calculation revenue for the previous year <i>(section 4 &amp; 5, BC Reg 254/2004)</i>	<u>\$3,628,498.00</u> a
Liability Servicing Limit (a x 25%) <i>(section 2, BC Reg 254/2004)</i>	<u>\$907,124.50</u> b
Annual Servicing cost for previous year	<u>\$0.00</u> c

Plus: New liabilities incurred, other than current request

Liability Type and reference	Annual servicing cost	
_____	_____	d
_____	_____	e
_____	_____	f
_____	_____	g
_____	_____	h
_____	_____	i
_____	_____	j
_____	_____	k
_____	_____	l
Total of lines d through l		<u>\$0.00</u> m

Less: Liabilities which have matured

Liability type and reference	Annual servicing cost	
_____	_____	n
_____	_____	o
_____	_____	p
_____	_____	q
_____	_____	r
Total of lines n through r		<u>\$0.00</u> s

Amount of new liability <i>(section 3, BC Reg 254/2004)</i>	<u>_____</u> t
Annual servicing cost of new liability <i>(section 3, BC Reg 254/2004)</i>	<u>_____</u> u
Total liability servicing cost including current request (lines c+m-s+u)	<u>\$0.00</u> v

which is less than the annual liability servicing limit stated on line b.

OR

which exceeds the annual liability servicing limit stated on line b, and the undersigned hereby requests approval of the Inspector of Municipalities under section 174 of the Charter to exceed the limit established under the section.

In accordance with section 179(5) or section 175(1)(b) of the Charter, as applicable, the debt to be contracted under the loan authorization bylaw, or other liability for which certification is being made, referred to above will not exceed the lesser of 30 years and the reasonable life expectancy of the capital asset, activity, work or service, or the remaining term of the applicable agreement, as the case may be, for which the debt is to be contracted.

The undersigned Financial Officer or Auditor also hereby authorizes Legal Counsel of the Municipal Finance Authority of British Columbia to rely on this Certificate in giving any opinion in connection with any borrowing by the Municipal Finance Authority of British Columbia ("MFA") and the issuance of bonds, debentures, and other securities by the MFA in respect of the loan authorization bylaw, or other liability for which certification is being made, referred to above.

DATED this 31 day of March, 2017.

  
 Financial Officer

OR

\_\_\_\_\_  
 Auditor

Jeannie Beauchamp  
 (Please print full name)

\_\_\_\_\_  
 (Please print full name & company)

DISTRICT OF LANTZVILLE					
REVISED PRELIMINARY QUANTITY & COST ESTIMATE - PHASE 3					
ITEM NO.	DESCRIPTION	ESTIMATED TENDER QUANTITY	UNIT	UNIT PRICE	TOTAL ESTIMATED PRICE
<b>PHASE 3 SEWER COLLECTION SYSTEM</b>					
1.0	Sewer Piping in backyard Right-of-ways				
1.1	200 mm	2,150	l.m.	\$210	\$451,500
2.0	Sewer Piping to 2.0 m depth				
2.1	200 mm	5,850	l.m.	\$242	\$1,412,775
2.2	200 mm / 100 mm Forcemain	320	l.m.	\$473	\$151,200
2.3	100 mm Forcemain	200	l.m.	\$158	\$31,500
3.0	Service Connection Inspection Assembly and Junctions				
3.1	100 mm dia. Sanitary (Gravity)	265	ea.	\$1,155	\$306,075
3.2	50 mm pumped connection	34	ea.	\$788	\$26,775
4.0	Service Connection Pipe				
4.1	100 mm dia. Sanitary	3,930	l.m.	\$105	\$412,650
4.2	50 mm SCH 40 for pumped services	615	l.m.	\$105	\$64,575
5.0	Manhole Base, Lid and Cover & Barrels				
5.1	1050 mm dia.	54	ea.	\$4,253	\$229,635
5.2	Connection to existing manholes	7	ea.	\$2,625	\$18,375
6.0	Sanitary Cleanouts	38	ea.	\$1,575	\$59,850
7.0	Seberston Pump Station				
7.1	Pumps and Equipment	1	LS	\$42,000	\$42,000
7.2	Excavate and Install Pump Station	1	LS	\$147,000	\$147,000
7.3	Electrical and Controls	1	LS	\$42,000	\$42,000
7.4	Signal Path Survey	1	LS	\$5,250	\$5,250
7.5	Landscaping and Fencing	1	LS	\$10,500	\$10,500
7.6	BC Hydro Upgrades	1	LS	\$21,000	\$21,000
7.7	Generator	1	LS	\$42,000	\$42,000
8.0	Surface Restoration				
8.1	Gravel Shoulder	6,850	m <sup>2</sup>	\$15	\$100,695
8.2	Asphalt Pavement 50 mm depth	5,400	m <sup>2</sup>	\$58	\$311,850
8.3	Backyard	3,225	m <sup>2</sup>	\$16	\$50,794
9.0	Trenching				
9.1	Import Granular Backfill	50,000	t	\$16	\$787,500
9.2	Trench Overexcavation	1	LS	\$40,425	\$40,425
9.3	Trench Rock Overexcavation	1	LS	\$35,175	\$35,175
10.0	Utility Restoration at Crossings				
10.1	AC watermain Replacement	24	ea.	\$2,100	\$50,400
11.0	Special Crossings				
11.1	Highway Crossing (Trenchless)	1	LS	\$157,500	\$157,500
11.2	Railroad Crossing (Open Cut)	1	LS	\$78,750	\$78,750
12.0	Allowances				
12.1	Landscaping and Fence Restoration	1	LS	\$136,500	\$136,500
12.2	Gas Main Relocations	1	LS	\$26,250	\$26,250
12.3	Geotechnical Review and Testing	1	LS	\$52,500	\$52,500
12.4	Abandoned Coal Mine Assessment	1	LS	\$52,500	\$52,500
12.5	Right-of-way Negotiation and Plan Preparation	1	LS	\$100,000	\$100,000
Subtotal					\$5,455,499
ENGINEERING ALLOWANCE					\$654,660
CONTINGENCY ALLOWANCE					\$769,225
<b>PHASE 3 SEWER COLLECTION SYSTEM</b>					<b>\$6,879,384</b>
GST (5%)					\$343,969
<b>TOTAL</b>					<b>\$7,223,353</b>
<p>This cost estimate is based on the current conceptual drawing 0830-141-02 Rev D and does not include allowances for any of the following:</p> <ul style="list-style-type: none"> <li>- Inflationary increases in material and construction costs</li> <li>- environmental control measures</li> <li>- additional or unforeseen agency requirements</li> <li>- BC Hydro, Telus, Shaw Cable, upgrades or re-locates</li> <li>- land access agreements or securing of statutory right-of-ways.</li> <li>- trench rock and over-excavation quantities shown are nominal only, further investigation is required to enable a more accurate quantities</li> </ul> <p>- Assumes that backyard right-of-ways can be secured for the following areas to avoid deep excavation or pumped service connections</p> <p>- Assumes that backyard right-of-ways can be utilized to avoid pumped service connections in the following areas.</p> <p style="text-align: center;">Clerk Drive, Fernmar, Andrea, Elizabeth, &amp; Harwood Road Areas.</p> <p>This cost estimate was prepared by Koers &amp; Associates Engineering for the account of the District of Lantzville. The material in it reflects the best judgment of Koers &amp; Associates in light of the information available to it at the time of preparation. Any use which a Third Party makes of this estimate, or any reliance on decisions to be made upon it, are the responsibility of such parties. Koers &amp; Associates Engineering Ltd. accepts no responsibility for damages, if suffered by any Third Party as a result of the decision made or actions based on this cost estimate.</p>					