



COUNCIL REPORT

To: Paul Gipps, CAO

Date: December 13, 2022

From: Warren Everton, Director of Finance, CFO

Subject: **2022 Equipment Financing**

RECOMMENDATION

THAT Council consider and resolve to borrow up to \$1,869,192 under Section 175 of the *Community Charter*, from the Municipal Finance Authority, for the purpose of funding equipment from the 2019, 2020 and 2022 Capital Plans; and

THAT Council consider and resolve that the loan be repaid within 5 years, with no rights of renewal.

STRATEGIC AREA(S) OF FOCUS

Invest in Infrastructure – We will invest in building, improving and maintaining quality infrastructure to meet the needs of, and to provide a high quality of life for, current and future generations.

Economic Growth and Prosperity – We will work with our partners on the Westside and throughout the region to advocate for and support efforts aimed at helping West Kelowna businesses prosper. With a focus on the future, we will advance opportunities to expand our economy, increase employment, and develop the community in ways that contribute towards prosperity for all.

BACKGROUND

LEGISLATIVE REQUIREMENTS:

Section 175 of the *Community Charter* facilitates short-term borrowing for equipment financing through the Liability under Agreement process. The requirements of the process include an application to the Municipal Finance Authority for short-term borrowing, a report to Council confirming that the project has been included in the financial plan and a liability-limiting certificate.

DISCUSSION

During the last four financial planning seasons Council approved ten-year Capital Plans and carried over incomplete projects including a range of expenditures funded through short-term equipment financing provided by the Municipal Finance Authority (MFA). The funding was planned in this manner to spread out the yearly cash demands on capital reserves and take advantage of the MFA's flexible borrowing program.

FINANCIAL IMPLICATIONS

The following chart represents the status of completed equipment purchases and the corresponding financing requirements as of the end of November 2022. The three projects are substantially complete amongst a larger list of eleven MFA eligible equipment projects. C2019-67 and -68 are actually part of the same water storage project completed in the 2022 with nearly a third of the funding from debt and the balance from DCCs and reserves. C2021-55 pertains to the Fire Services SCBA (Self Contained Breathing Apparatus) replacement regime that completed in the 2nd quarter of 2022.

Short-term borrowing rates are currently at 4.57% and would generate an annual payment of \$438,000 for five years on the \$1.87 million principal. These payments would be funded proportionally from the appropriate capital reserves over the life of the debt.

Council's approval would allow the City to meet the requirements of debt financing contained in the budget and offset the cash outlay to date. The remaining eight projects would continue to be monitored for completion and brought forward for financing when appropriate.

Project Code	Project Name	YTD Total	Budget Amount	Applicable MFA Financing
C2021-55	2021 Self Contained Breathing Apparatus	\$ 714,374	\$ 1,072,000	\$ 714,374
C2019-67	2019 Westbank Storage PZ673	3,325,253	3,350,000	1,004,818
C2022-68	2022 Glenrosa Reservoir Re-chlorination	150,000	150,000	150,000
	Total	\$ 4,189,627	\$ 4,572,000	\$ 1,869,192

COUNCIL REPORT / RESOLUTION HISTORY

Date	Report Topic / Resolution	Resolution No.
November 26, 2019	Turf Mowing Equipment Borrowing THAT the Council of the City of West Kelowna authorizes up to \$365,000 be borrowed, under Section 175 of the Community Charter, from the Municipal Finance Authority, for the purpose of Turf Mowing Program Equipment Purchase; and THAT the loan be repaid within 5 years, with no rights of renewal. CARRIED UNANIMOUSLY	C380/19
May 25, 2021	2020 Equipment Financing THAT the Council of the City of West Kelowna authorizes up to \$2,195,894 be borrowed, under Section 175 of the Community Charter, from the Municipal Finance Authority, for the purpose of funding the 2020 Equipment Capital Plan; and THAT the loan be repaid within 5 years, with no rights of renewal. CARRIED UNANIMOUSLY	C197/21

Alternate Motion:

THAT Council consider and resolve to authorize only a portion of the proposed \$1,869,192 to be borrowed, under Section 175 of the *Community Charter*, from the Municipal Finance Authority, for the purpose of Turf Mowing Program Equipment Purchase.

REVIEWED BY

Warren Everton, Director of Finance/CFO

Corinne Boback, Manager of Legislative Services/Corporate Officer

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

PowerPoint: Yes ☐ No ☒