



COUNCIL REPORT

To: Mayor and Council

Date: July 9, 2024

From: Ron Mattiussi, Interim CAO

Subject: **2024 Equipment Financing**

Report Prepared by: Warren Everton, Director of Finance, CFO

RECOMMENDATION to Consider and Resolve:

THAT Council approve the borrowing up to \$2,912,993 under Section 175 of the *Community Charter*, from the Municipal Finance Authority, for the purpose of funding equipment from the 2020, 2022 and 2023 Capital Plans;

AND THAT the loan be repaid within 5 years, with no rights of renewal.

STRATEGIC AREA OF FOCUS

Capital debt funding as part of financial planning is an integral component in achieving the objectives of Council's Strategic Priorities: Invest in Infrastructure, Pursue Economic Growth and Prosperity, Strengthen Our Community and Foster Safety and Well-Being. Careful management of the City's revenues, expenses, capital spending, debt levels and reserve funding ensures a healthy and progressive community.

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 five 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 June 2024.

Short-term borrowing rates are currently at 5.36% which would generate an annual payment of \$665,442 for five years on the \$2.91 million principal. These payments would be funded proportionally from the appropriate reserves over the life of the debt. Sewer reserve would be tasked with the bulk of the payments at approximately \$552,503 and Water reserve would see the balance at \$112,939 per year.

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 MFA funded projects would continue to be monitored for completion and brought forward for financing when appropriate.

| Project Code | Project Name | Total (Actual Spent + Committed) | Approved Budget | Budget Remaining (Over) | % of Budget Used | Capital Budget Applicable Equip MFA |
|--------------|---|----------------------------------|------------------|-------------------------|------------------|-------------------------------------|
| C2020-61 | WAT-Emergency Backup Generator Install, TCA | 117,846.03 | 155,200.00 | 37,353.97 | 76% | 155,200 |
| C2020-65 | WAT-Water Booster Stn Pumps & | 20,946.75 | | - 20,946.75 | - | 165,649 |
| C2022-63 | WAT-SCADA System Upgrades, TCA | 163,321.97 | 190,000.00 | 26,678.03 | 86% | 72,544 |
| C2023-76 | WAT-WKW-Electrical & Instrumentation, TCA | 217,811.47 | 351,025.00 | 133,213.53 | 62% | 101,000 |
| C2020-70 | SEW-Lift Stn Generator Power Connect, TCA | 246,917.08 | 314,600.00 | 67,682.92 | 78% | 314,600 |
| C2022-75 | SEW-Sunnyside LS-Safety & Elec Upgrd, TCA | 544,849.48 | 463,304.00 | - 81,545.48 | 118% | 400,000 |
| C2022-76 | SEW-Stevens Rd Lift Stn Construction, TCA | 1,160,448.91 | 1,150,000.00 | - 10,448.91 | 101% | 1,150,000 |
| C2023-78 | SEW-Stevens Rd Lift Stn Construction, TCA | 744,770.22 | 1,122,000.00 | 377,229.78 | 66% | 554,000 |
| | | 3,216,912 | 3,746,129 | 529,217 | 86% | 2,912,993 |

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 | C197/21 |
| <p>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.</p> <p><u>CARRIED UNANIMOUSLY</u></p> | | |
| Dec 13, 2022 | <p>THAT Council resolve to borrow up to \$1,869,192 under Section 175 of the <i>Community Charter</i>, from the Municipal Finance Authority, for the purpose of funding equipment from the 2019, 2020 and 2022 Capital Plans; and THAT Council resolve that the loan be repaid within 5 years, with no rights of renewal.</p> <p><u>CARRIED UNANIMOUSLY</u></p> | C314/22 |

Alternate Recommendation to Consider and Resolve:

THAT Council authorize only a portion of the proposed \$2,912,993 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

Corinne Boback, Legislative Services Manager / Corporate Officer
Trevor Seibel, Deputy CAO

APPROVED FOR THE AGENDA BY

Ron Mattiussi, Interim CAO

PowerPoint: Yes No