

REGIONAL DISTRICT OF NANAIMO

**SPECIAL BOARD MEETING
TUESDAY, SEPTEMBER 9, 2008
(immediately following the Committee of the Whole)**

(RDN Board Chambers)

A G E N D A

CALL TO ORDER

ADMINISTRATOR'S REPORTS

- 2-4 Interest Component of Northern & Southern Community Development Cost Charges Program.
1. Bylaw No. 1442.02 - Northern Community (EAs 'E', 'F', 'G', 'H', Parksville, Qualicum Beach – Weighted Vote)
 2. Bylaw No. 1547 - Southern Community (EA 'C', Nanaimo, Lantzville – Weighted Vote)
- 5 2008 Local Government Elections – Appointment of CEO & DCEO. (All Directors – One Vote)
- Islands Trust Funding Support for Affordable Housing Study. (All Directors – One Vote) (to be circulated)

ADDENDUM

NEW BUSINESS

ADJOURNMENT

IN CAMERA

That pursuant to Section 90(1) (g) of the Community Charter the Board proceed to an In Camera Committee of the Whole meeting to consider items related to legal issues.



RDN REPORT	
CAO APPROVAL	
EAP	
COW	
AUG 29 2008	
RHD	
BOARD	<i>✓ Special Sept 9 '08</i>

MEMORANDUM

TO: C. Mason
Chief Administrative Officer

DATE: August 29, 2008

FROM: N. Avery
General Manager, Finance & Information Services

FILE:

SUBJECT: Interest component of Northern and Southern Community Development Cost Charges Programs

PURPOSE

To adopt resolutions regarding the inclusion of interest charges in the calculation of Development Cost Charges for the Northern and Community Sewer Services.

BACKGROUND

At its meeting held June 24, 2008 the Board approved third reading of two development cost charge (DCC) bylaws – Bylaw No. 1442.02 (Northern Community) and Bylaw No. 1547 (Southern Community). The bylaws have been forwarded to the Ministry of Community Development for review and approval. The Ministry has requested that we submit a Board resolution regarding the inclusion of interest charges in the calculations of the revised DCCs. This is a recommendation in their Best Practices Guide and will assist their staff and the Minister as they complete their review of the bylaws.

In staff reports submitted in April 2008, interest charges were identified as being included in the DCC rate calculations. Interest charges may be included as part of a DCC program in exceptional circumstances where the fixed capacity infrastructure must be built before all of the growth which will use the infrastructure has occurred.

Both plants are today at their technical capacity. In the case of treatment plants and similar capacity driven infrastructure, expansions take place in advance of growth in order to allow the growth to occur. Incremental DCC funded projects are planned over the next three to five years to extend that capacity and to allow more time to collect DCC revenues.

The cost of the upgrades has also increased substantially because of construction inflation and while DCC's have been collected since 1995, they have also been used for projects within that timeframe. A financing shortfall is currently projected at the time construction will take place. In the April staff reports the following amounts were estimated to be borrowed to meet the timelines for both wastewater treatment upgrading programs:

Northern Community Sewer borrow \$24,000,000 (plant upgrade value in DCC program \$29,155,000)

Southern Community Sewer borrow \$23,000,000 (plant upgrade value in DCC program \$30,500,000)

The financing projections do indicate that the cost of borrowing if the interest charges are included, can be recovered from future collections of DCCs. At the time that the DCC estimates were being worked on (early 2007) 20 year borrowing rates were about 5.5%. The calculation of the DCC rates in Bylaws No. 1442.02 and 1547, includes interest at 6% on the above noted amounts.

ALTERNATIVES

1. Approve resolutions to include interest at a rate of 6% on amounts projected to be borrowed for the Northern and Southern DCC programs prior to collecting DCC's for the next major expansions.
2. Do not approve the inclusion of interest in the calculation of DCC's at this time.

FINANCIAL IMPLICATIONS

Alternative 1

Staff have been advised that the Ministry's consultation group on the Best Practices Guide felt that if interest was to be included, it should only affect rates after the point at which borrowing is undertaken. Staff's observation is that every new unit created after today creates the need to borrow when the infrastructure is built – so development today is expected to cover some of that ultimate future cost.

Mathematically, adjusting the amount of interest charges has three associated impacts. If interest charges are removed or reduced, the DCC rates would be lower than presented in the bylaws, the amounts required to be borrowed would be higher than projected and beyond the year in which the borrowing takes place there is a high probability that the DCC collections would be insufficient to cover the cost of servicing the debt.

Staff examined the spreadsheet model by removing interest charges for a period between 2014 and 2018 (a period of time equivalent to 2009 and 2013 before borrowing takes place). Northern Community Sewer single family residential DCC rates would be about \$880 per unit lower, about \$1,000,000 more would be borrowed and the DCC collections would not cover the cost of servicing the debt during the period between 2014 and 2018. Southern Community Sewer single family DCC rates would be about \$260 dollars lower, about \$1.8 million more would be borrowed. In the Southern Community where growth volumes are simply on a greater scale, the DCC collections after borrowing are just enough to cover the cost of debt servicing.

Having said that, the DCC rates will be reviewed before the plant upgrades are undertaken to ensure that the most accurate construction values and timing points are considered – hence, the DCC rates which are proposed reflect our best information at this time.

Alternative 2

As noted above, excluding interest charges from the DCC calculations will compromise the overall objectives of the program, which is to collect sufficient funds to pay for the infrastructure upgrades over its capacity lifespan.

SUSTAINABILITY IMPLICATIONS


The sustainability implications have been addressed in previous reports – there are no changes to those prior comments.


SUMMARY/CONCLUSIONS

Bylaws reflecting revised DCC rates for the Northern and Southern Sewer Services are in Victoria for review and approval. Ministry staff have requested that we provide separate resolutions regarding the inclusion of interest charges in the DCC rates, something which they recommend in their Best Practices Guide. The inclusion of interest rates in the DCC program calculations was reported in earlier staff reports and this report summarizes that aspect in order to ensure the Board has the context it needs for the resolutions.

RECOMMENDATIONS:

1. That the Board approve the inclusion of interest charges at a rate of 6% (based on borrowing approximately \$24,000,000) in the calculation of revised development cost charge rates with respect to "Northern Community Sewer Service Area Development Cost Charges Amendment Bylaw No. 1442.02, 2008"
2. That the Board approve the inclusion of interest charges at a rate of 6% (based on borrowing approximately \$23,000,000) in the calculation of revised development cost charge rates with respect to "Southern Community Sewer Service Area Development Cost Charges Bylaw No. 1547, 2008"


Report Writer


C.A.O. Concurrence

COMMENTS



RDN REPORT	
CAO APPROVAL <i>CPW</i>	
EAP	
COW	
SEP 02 2008	
RHD	
BOARD	✓ Sept 9 '08

MEMORANDUM

TO: Carol Mason
Chief Administrative Officer

DATE: August 28, 2008

FROM: Maureen Pearse
Senior Manager, Corporate Administration

FILE:

SUBJECT: 2008 Local Government Elections – Appointment of CEO & DCEO

PURPOSE

To appoint a Chief Election Officer and Deputy Chief Election Officer for the November 15, 2008 local government elections.

BACKGROUND

In accordance with Section 41 of the *Local Government Act*, the local government must appoint a chief election officer and a deputy chief election officer for the purpose of conducting the November 15, 2008 local government elections. For the last number of years, internal staff members have been appointed to these positions, however, the Board may wish to consider contracting externally for these services.

ALTERNATIVES

1. That Maureen Pearse, Senior Manager of Corporate Administration, be appointed as the Chief Election Officer and Jane Armstrong, Legislative Coordinator, be appointed as the Deputy Chief Election Officer.
2. That the Board contract externally for the services of Chief Election Officer and/or Deputy Chief Election Officer.

RECOMMENDATION

That Maureen Pearse, Senior Manager of Corporate Administration, be appointed as the Chief Election Officer and Jane Armstrong, Legislative Coordinator, be appointed as the Deputy Chief Election Officer for the purpose of conducting the November 15, 2008 local government elections and referendums.

m.pearse

Report Writer

CPW

CAO Concurrence