



STAFF REPORT TO COUNCIL

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DATE: January 26, 2024

TO: MAYOR AND COUNCIL

NAME AND TITLE: Kris Dalio, Director of Finance and IT Services, and
Ethan Anderson, Corporate Officer/Manager of Legislative Services

SUBJECT: 2024 Loan Authorization, Equipment Financing Bylaw and Approval of the
Electors' Options

ATTACHMENT: Appendix A – Proposed Elector Response Form for Bylaw No. 9451 & 9452

RECOMMENDATIONS:

THAT Council:

1. GIVES FIRST THREE READINGS to “City of Prince George Equipment Financing Bylaw No. 9451, 2024”.
2. AUTHORIZES an alternative approval process in accordance with section 86 of the *Community Charter* be used for the purpose of seeking approval of the electors in relation to “City of Prince George Equipment Financing Bylaw No. 9451, 2024”.
3. AUTHORIZES Elector Response Form for City Of Prince George Equipment Financing Bylaw No. 9451, 2024 as attached to report dated January 26, 2024 titled “2024 Loan Authorization, Equipment Financing Bylaw and Approval of the Electors’ Options.”
4. GIVES FIRST THREE READINGS to Stormwater System Renewal Loan Authorization Bylaw No. 9452, 2024.
5. Subject to obtaining statutory approval from the Inspector of Municipalities for Stormwater System Renewal Loan Authorization Bylaw No. 9452, 2024, an alternative approval process in accordance with section 86 of the *Community Charter* be used for the purpose of seeking approval of the electors in relation to Stormwater System Renewal Loan Authorization Bylaw No. 9452, 2024.
6. AUTHORIZES Elector Response Form for Stormwater System Renewal Loan Authorization Bylaw No. 9452, 2024 as attached to report dated January 26, 2024 titled “2024 Loan Authorization, Equipment Financing Bylaw and Approval of the Electors’ Options.”
7. ESTABLISHES the deadline of 5:00 p.m. on Tuesday, May 14, 2024 for receiving Elector Response Forms for the alternative approval processes for Bylaws 9451 and 9452, 2024.
8. APPROVES the determination of the total number of electors of the area to which the two (2) alternative approval processes apply for Bylaws 9451 and 9452, 2024 as 56,480 electors, on the basis described in the report dated January 26, 2024 from the Director Finance and IT Services and Manager of Legislative Services titled “2024 Loan Authorization, Equipment Financing Bylaw and Approval of the Electors’ Options.”
9. DIRECTS the Corporate Officer to report the results of the two (2) alternative approval processes for Bylaws 9451 and 9452, 2024 and if approval of the electors has been obtained, to return Bylaws 9451 and 9452, 2024 for Council’s consideration of final reading and adoption.

PURPOSE:

At the January 23, 2024 regular Council Budget meeting, Council approved capital projects in the Five Year (2024 – 2028) Capital Financial Plan with the funding source designated as “MFA Debt Proceeds” and “MFA Lease Proceeds”. The purpose of this report is to request Council to grant first three readings to Bylaws 9451 and 9452, 2024 for the required borrowing bylaw associated with those capital projects requiring Municipal Finance Authority (“MFA”) debt and lease funding. Further the report seeks to obtain Council’s approval for using the alternative approval process to obtain approval of the electors for both bylaws.

POLICY/REGULATORY ANALYSIS:

The MFA has established an equipment financing program that is available to municipalities under section 175 of the *Community Charter*, and Bylaw No. 9451 contemplates the City entering into equipment

financing agreements with the MFA under that program. Statutory approval from the Inspector of Municipalities is not required for Bylaw No. 9451. However, because the proposed loan agreements with the MFA are for terms of more than five (5) years, Bylaw No. 9451 does require approval of the electors after first three readings. After obtaining approval of the electors, Council may consider final reading and adoption of Bylaw No. 9451.

There is a slightly different process for Bylaw 9452. Section 180 of the *Community Charter* provides that after giving first three readings to loan authorization bylaws for long term borrowing (loan terms that exceed five (5) years), Council may not proceed with adoption of Bylaw 9452 without first obtaining statutory approval from the Inspector of Municipalities, and without also obtaining approval of the electors.

The two options for seeking approval of the electors for each of the loan authorization bylaws and the equipment financing bylaw, and the process for each option, is described below.

STRATEGIC PRIORITIES:

Debt and lease financing of the City’s capital program supports Council’s priorities of Sustainable Infrastructure, Sustainable Fiscal Management and Organizational Excellence.

FINANCIAL CONSIDERATIONS:

All of the loan authorization bylaws referenced in this report will incur annual debt servicing costs to the General Operating Fund. Equipment Financing Bylaw 9451 assumes an effective annual rate of 5.61%. Stormwater System Renewal Loan Authorization Bylaw No. 9452 assumes an interest rate of 4.73%. These figures are compiled below:

Bylaw No.	Project Name	Cost of Project	Annual Debt Servicing Costs
9451	Equipment Financing Bylaw	\$ 5,239,000	\$ 646,977
9452	Stormwater System Renewal	2,550,000	215,938
TOTAL		\$ 7,789,000	\$ 862,915

In terms of tax levy implications, annual debt servicing costs of \$862,915 would result in 0.62% of future tax levy increases. The timing of when these costs would impact the levy depends on when the work is completed and the funds are borrowed, but it is expected that these costs will impact the 2025 tax year levy.

Project Descriptions:

City of Prince George Equipment Financing Bylaw No. 9451, 2024

The annual replacement and addition of vehicles and capital equipment are financed through the MFA Equipment Financing Program. Through these loan agreements, the City retains ownership of the asset and is charged a low variable interest rate based on the Canadian Dealer Offered Rate with fixed payment schedules. The MFA Equipment Financing Program has no fees to set up or discharge leases, no taxes on payments, and no penalties or fees for paying out early or making extra principal payments. All loan agreements will be for a term no longer than fifteen (15) years to match the expected service life of the new mobile equipment.

The approved projects from the 2024 – 2028 Capital Plan that will be part of the Equipment Financing Program request include:

- #0431 – Mobile Equipment Replacement - \$3,476,000
- #3208 – Janitorial Equipment – Replace Floor Scrubbers - \$42,000
- #3388 – Fire Srv – Rapid Deployment Tents - \$44,000
- #3405 – Fire Srv – Thermal Cameras – 125,000

- #3406 – Fire Srv – Hose Package - \$52,000
- #3426 – Facility Maintenance Fleet Van New - \$100,000
- #3430 – Fire Services Apparatus Pumper Truck New - \$1,400,000

The total amount for this Bylaw is \$5,239,000.

Stormwater System Renewal Loan Authorization Bylaw No. 9452, 2024

Project #3321 is for the annual stormwater system renewal program and includes activities that return the service capability of an asset up to that which it had originally provided, this includes relining, full replacement of existing assets and disposal of old assets, lowering of operating costs, and bringing an asset up to current code/standards. The renewal program will include, but not limited to, stormwater green infrastructure, ponds, outfalls, storm mains, culverts, armoring, recharge chambers, catch basins, manholes, service connections, flood pumps, oil grit separators, ditch renewal, electrical, SCADA, communications, property acquisitions and necessary encumbrances. Renewing the stormwater system is essential to prevent flooding, erosion, sedimentation/degradation of water quality and negative impact on aquatic life.

The Loan Authorization Bylaw is for \$2,550,000.

Debt Servicing Costs:

BC municipalities’ financial liabilities (e.g., under leases, partnering, and long-term debt agreements) are subject to liability servicing limits. They also require elector approval if they are:

- a loan guarantee or are of a capital nature; and
- the agreement is for more than five (5) years; or
- the agreement could be for more than five (5) years if an extension were exercised.

A municipality cannot incur a liability that extends beyond the current year if it would cause the municipality’s total annual cost of servicing (e.g., lease payments, partnering payments (if they’re of a capital nature), long-term debt principal and interest payments) to exceed the regulated amount. The regulated amount is currently based on 25% of a municipality’s controllable revenues such as:

- property taxes - a deduction is made to revenue received from Major Industry tax revenues for municipalities which are heavily dependent on that class;
- payments in lieu of taxes;
- user fees; and
- unconditional grants.

A municipality may only exceed its liability servicing limit with the prior approval of the Inspector of Municipalities in consultation with the MFA. The City relies on debt financing for new infrastructure and for major repair of existing infrastructure. The City also enters into financing agreements for the purchase of mobile equipment. The following table provides the debt capacity and available capacity as determined by the Municipal Liabilities Regulation. 2023 figures are not available at this time.

Year	Municipal Controllable Revenue	Liability Servicing Limit	Payment Capacity Available	Approximate Principal Borrowing Available
2018	\$172,759,289	\$43,189,822	\$25,154,282	\$279,492,022
2019	\$177,512,689	\$44,378,172	\$23,982,421	\$266,471,344
2020	\$171,514,757	\$42,878,689	\$15,422,526	\$194,975,044
2021	\$178,208,247	\$44,552,062	\$24,965,473	\$289,622,657
2022	\$188,567,032	\$47,141,758	\$33,029,835	\$369,048,436

The total amount of all approved loan authorization bylaws are included in the liability servicing limit regardless of whether the funds have actually been borrowed.

OTHER CONSIDERATIONS:

Overview of Approval of the Electors

Long-term borrowing by local governments (i.e., loans with a term of more than five (5) years) cannot be undertaken without the loan authorization bylaw being approved by the Inspector of Municipalities after the bylaw is given first three readings by the local government. In addition, “approval of the electors” is then required before Council may consider adopting the long-term loan authorization bylaw.

The Province provides a legislative framework for local governments that recognizes that elected officials are democratically elected, autonomous, responsible, and accountable. The Province recognizes that elected officials are in the strongest position to weigh the needs of their municipality and to make informed decisions for the benefit of their electors. Accordingly, under the *Community Charter*, the Province has provided the option for local governments to seek approval of the electors for long-term loan authorization bylaws in one of two ways:

- (a) by holding a referendum to obtain “assent of the electors”; or
- (b) by holding an alternative approval process.

A summary of both the assent of the electors (referendum) process, and the alternative approval process is provided below.

(a) Assent of the Electors through the Referendum Process

Assent of the electors is obtained through a referendum, also known by other terms such as an assent vote or plebiscite. A referendum is a voting process that is governed by the *Local Government Act* and is similar in many ways to the process for conducting a general local election.

To conduct a referendum, Council must appoint a Chief Election Officer and Deputy Chief Election Officer who are responsible for the administration and conduct of the referendum. The Chief Election Officer then sets the general voting day for the referendum, which must be a Saturday within 80 days of the loan authorization bylaw receiving third reading and receiving approval from the Inspector of Municipalities (if required). In addition, at least two (2) advance voting opportunities must be held – one on the 10th day before general voting day, and one on the 4th day before general voting day. Special voting opportunities (e.g., at long term care facilities) and mail ballot voting processes would also be organized at the Chief Election Officer discretion.

The ballot for a referendum must be in the form of a question put to the electors that is phrased in a manner such that it may be answered by marking either “yes” or “no”. Council must approve of the wording of the question to be printed on the ballot. Wording would typically begin with “Do you approve Council for the City of Prince George adopting Bylaw No. xxxx, which will authorize Council to borrow ...” A loan authorization bylaw is deemed to have received the assent of the electors if a majority of the votes counted are in favour of the question (i.e., if a majority of voters answer “yes”). If a majority of the votes counted are opposed to the question (i.e., if a majority of voters answer “no”), then a bylaw for the same purpose may not be submitted to the electors for approval within a period of six (6) months, except with the Province’s approval.

In order to estimate the cost of conducting a referendum, it may be useful to refer to the cost of conducting the 2017 referendum for the Fire Hall #1 and Four Season Leisure Pool replacement loan authorization bylaws. The cost of holding that referendum was approximately \$91,000. Since City staff would be responsible to conduct the referendum, it would mean those resources would be diverted

during the referendum process, and existing projects would be re-prioritized. Staff would need to begin planning and organizing a referendum promptly after Council's decision to proceed, given the legislative time frame to hold a referendum. If Council directs that assent of the electors for this loan authorization bylaw be obtained through a referendum, then Administration will return a report to Council setting out the next steps and further resolutions required from Council to undertake that process.

Administration is recommending the alternative approval process outlined below as the preferred method to seek elector assent rather than elector approval through an assent voting process (referendum). Statutory approval from the Inspector of Municipalities is not required for proposed Bylaw No. 9451.

(b) Approval of the Electors through the Alternative Approval Process

The alternative to holding a referendum is the alternative approval process, which is governed by the *Community Charter* requirements. Local governments have been able to use the alternative approval process for quite some time. The process was previously known as the "counter petition method."

The alternative approval process involves publication of a notice in accordance with section 94 of the *Community Charter*. The City of Prince George has adopted *City of Prince George Public Notice Bylaw No. 9329, 2022* as its bylaw permitting publication of notice by alternative means which includes publishing to the City's Public Notice Posting Place, Public Notice Page on the City's website, and Facebook Page. Administration may also publish additional public notice in a newspaper, in accordance with the Bylaw.

As part of the alternative approval process, Council must make a fair determination of the total number of electors within the City. Typically, the calculation of the number of electors in the City is based on information provided by Elections BC, a non-partisan independent public agency that maintains a current list of registered voters. More information on this determination is included below. Electors would then be given the opportunity to indicate they are opposed to Council proceeding with adoption of a loan authorization bylaw by signing and submitting an Elector Response Form, the wording of which must be approved by Council.

Council must set a deadline for Elector Response Forms to be submitted. The deadline must be at least thirty (30) days after the publication of the notice by the City's second of two alternative means noted in the "City of Prince George Public Notice Bylaw No. 9329, 2022." If an elector is in favour of Council adopting the loan authorization bylaw, then they would not have to do anything. If an elector is opposed to the bylaw, or they do not want Council to proceed to adopt the bylaw without a referendum being held, then they must express that opinion to the City by signing and submitting an Elector Response Form by the deadline.

The Corporate Officer is responsible for determining and certifying the results of the alternative approval process. If 10% or more of the total number of electors within the City submit valid Elector Response Forms by the deadline, then Council may not proceed with adoption of the bylaw unless approval of the electors is obtained through the "assent of the electors" process described above. In other words, a referendum would then be required to be held on the matter in order for Council to proceed to adopt the bylaw.

Alternative Approval Process Considerations

The alternative approval process allows an extended period for the opinion of the electors to be expressed (at least 30 days).

The cost of holding an alternative approval process amounts to the cost of printing Elector Response Forms which is dependent on the number of forms requested by electors. More significantly, the staff

resources needed to administer the alternative approval process are minimal in comparison to the considerable staff resources required to conduct a referendum.

The time period to hold an alternative approval process is approximately eight (8) weeks from the date that the notice is published up to the date that the results of the process are certified by the Corporate Officer and reported to Council.

REPORT FOR DETERMINATION OF TOTAL NUMBER OF ELECTORS WITHIN THE CITY:

As outlined above, section 86 of the *Community Charter* requires that Council make a fair determination of the total number of electors in the City. The purpose of this part of the report is to show the basis for determining the total number of electors in relation to the alternative approval processes proposed for Bylaws 9451 and 9452.

To be consistent with past practice, it is recommended that the calculation of the number of electors in the City be based on information provided by Elections BC, a non-partisan independent public agency that maintains an up-to-date list of registered electors. According to Elections BC, the total number of registered voters within the City of Prince George as of January 17, 2024 is 56,480.

Administration therefore recommends that Council approve the determination of the total number of electors for the purposes of the alternative approval process for Bylaw No. 9451 and Bylaw No. 9452 to be 56,480. Approval of the electors for this Bylaw would be obtained if the number of Elector Response Forms received by the deadline is less than 5,648 (10% of 56,480).

Administration recommends the following schedule regarding the alternative approval processes for proposed Bylaw 9451 and 9452:

Date	Activity
Friday, March 22, 2024	Publication of the Notice in accordance with “City of Prince George Public Notice Bylaw No. 9329, 2022”
5:00 p.m. on Tuesday, May 14, 2024	Deadline for Submitting Elector Response Forms
Monday, May 27, 2024	Corporate Officer reports results of Alternative Approval Process at Regular Council Meeting

SUMMARY AND CONCLUSION:

If Council wishes to proceed with the debt financed projects detailed in this report, then it would be in order for Council to pass the recommendations set out above. Administration is recommending the alternative approval process as the preferred method to seek elector assent.

RESPECTFULLY SUBMITTED:

Kris Dalio, Director of Finance and IT Services
Ethan Anderson, Manager of Legislative Services/Corporate Officer

APPROVED:

Walter Babicz, City Manager

Meeting Date: [2024/02/05]