
CITY OF KELOWNA

MEMORANDUM

Date: October 9, 2007
File No.: 1760-03
To: City Manager
From: Financial Planning Manager
Subject: 2007 Borrowing Requirements

RECOMMENDATION:

THAT Council receive the October 9th, 2007 Borrowing Requirements report from the Financial Planning Manager;

AND THAT Loan Authorization Bylaw No.'s 9878, 9879, and 9880 be advanced for Council consideration.

BACKGROUND:

In the 2007 Financial Plan there were several capital projects approved that were to be partially funded through borrowing. Each of the three separate borrowing requirements will be described in further detail below:

1. The 2007 Development Cost Charge road program is over \$40 million with many of the larger projects occurring in the town centre area. The DCC Reserve balance for Sector I is not sufficient to provide the appropriate share of funding for these projects. A total of \$10.4 million was budgeted to be borrowed for the Clifton Road, Pandosy Street, High Road, Richter Street and the Central Okanagan Bypass (Cerise to Spall) projects. This debt, principal and interest, will be repaid from future DCC revenues.
2. The Cedar Creek Pump Station and UV Treatment Facility is a project that is cost shared between the Water Utility and the Sector B Water DCC program. The loan authorization bylaw provides for the borrowing required for the Water Utility portion of the funding. This is a \$12.4 million project that is approximately 1/3 funded through DCC's. Water Utility revenues will be used to repay this debt.
3. The Wastewater Treatment Facility plant expansion is a \$60.7 million project that is cost shared between the Wastewater Utility and the Wastewater Treatment DCC program. In this case the borrowing is required on behalf of the DCC program and will be repaid from future DCC revenues. The stage 2 Phase 1 upgrade will expand the treatment capacity of the Wastewater Treatment Facility from 40 to 60 million litres per day.

None of the three loan authorization bylaws involves any repayment from taxation as they are either utility or DCC funded. They do however impact the City's overall borrowing capacity. The liability servicing limit authorized by the Community Charter is based on 25% of previous year's revenues

(excludes some revenue types). At the start of 2007 the liability servicing limit was just under \$46 million based on 25% of revenues and this figure is considered what the annual debt payments could be. Our current annual servicing cost, including the recent 2010 Airport capital program, is \$25.6 million. This leaves approximately \$20.4 million of servicing capacity available for future borrowings of which these three loan authorizations will use \$5.6 million.

The remaining servicing capacity of \$14.8 million will allow for future borrowing of \$148 million based on a 15 year term and current MFA borrowing rates of 5.0%. The borrowing required under the 10 Year Capital Plan was estimated at \$25 million from 2008 to 2017 and there will be further utility or DCC borrowing requirements as well.

EXISTING POLICY:

Council's current Debt Management Strategy is that the maximum debt servicing from taxation should not exceed 5% of the annual tax demand. For 2007 the funding from taxation is at 1.6% including the internal financing of the Capital News Center. This will increase to approximately 4.2% in 2008 with the taxation funded debt on the Mission Aquatic Facility.

LEGAL/STATUTORY AUTHORITY:

Section 174 of the Community Charter establishes the limit on borrowing and other liabilities.

FINANCIAL/BUDGETARY CONSIDERATIONS:

The projects covered by the three loan authorization bylaws have been approved by Council and are in the 2007 Financial Plan.

Considerations that were not applicable to this report:

INTERNAL CIRCULATION TO: N/A

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS: N/A

PERSONNEL IMPLICATIONS: N/A

TECHNICAL REQUIREMENTS: N/A

EXTERNAL AGENCY/PUBLIC COMMENTS: N/A

ALTERNATE RECOMMENDATION: N/A

Submitted by:

K. Grayston, Financial Planning Manager

Approved for Inclusion:

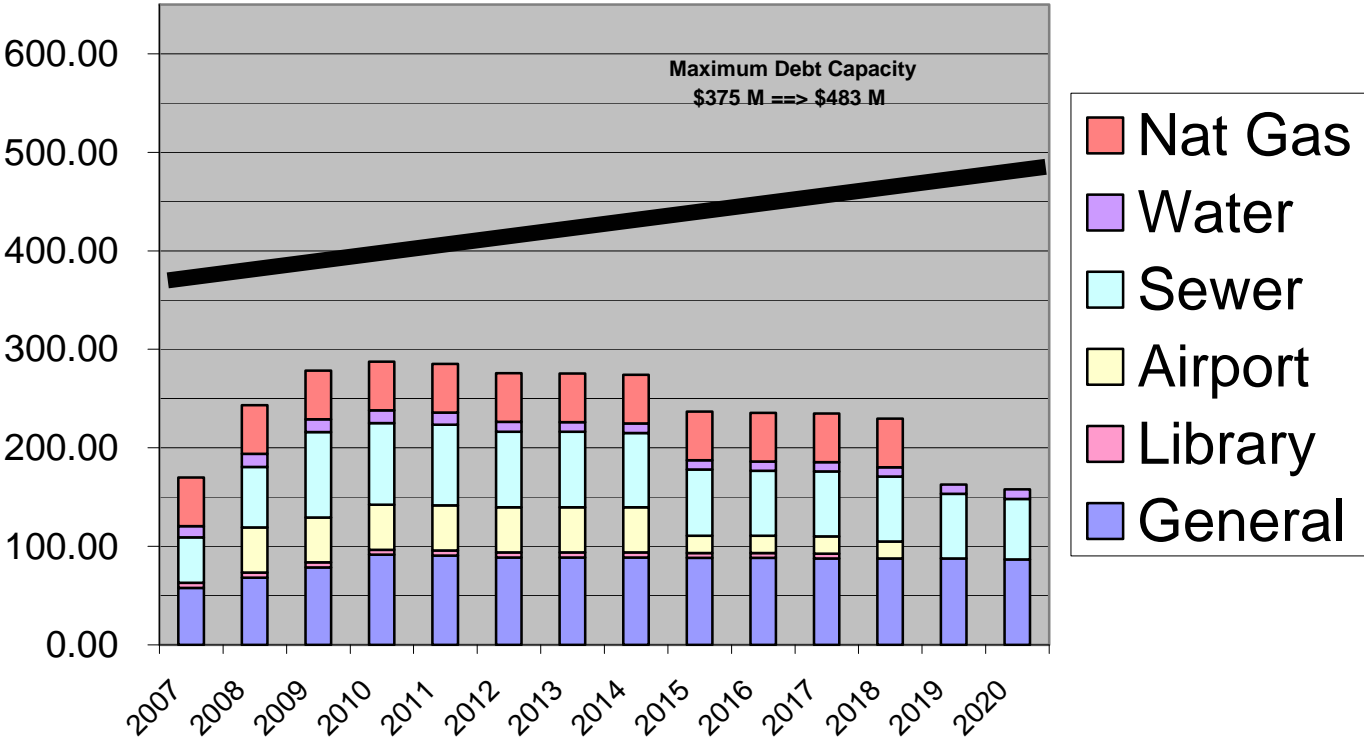


Director of Financial Services

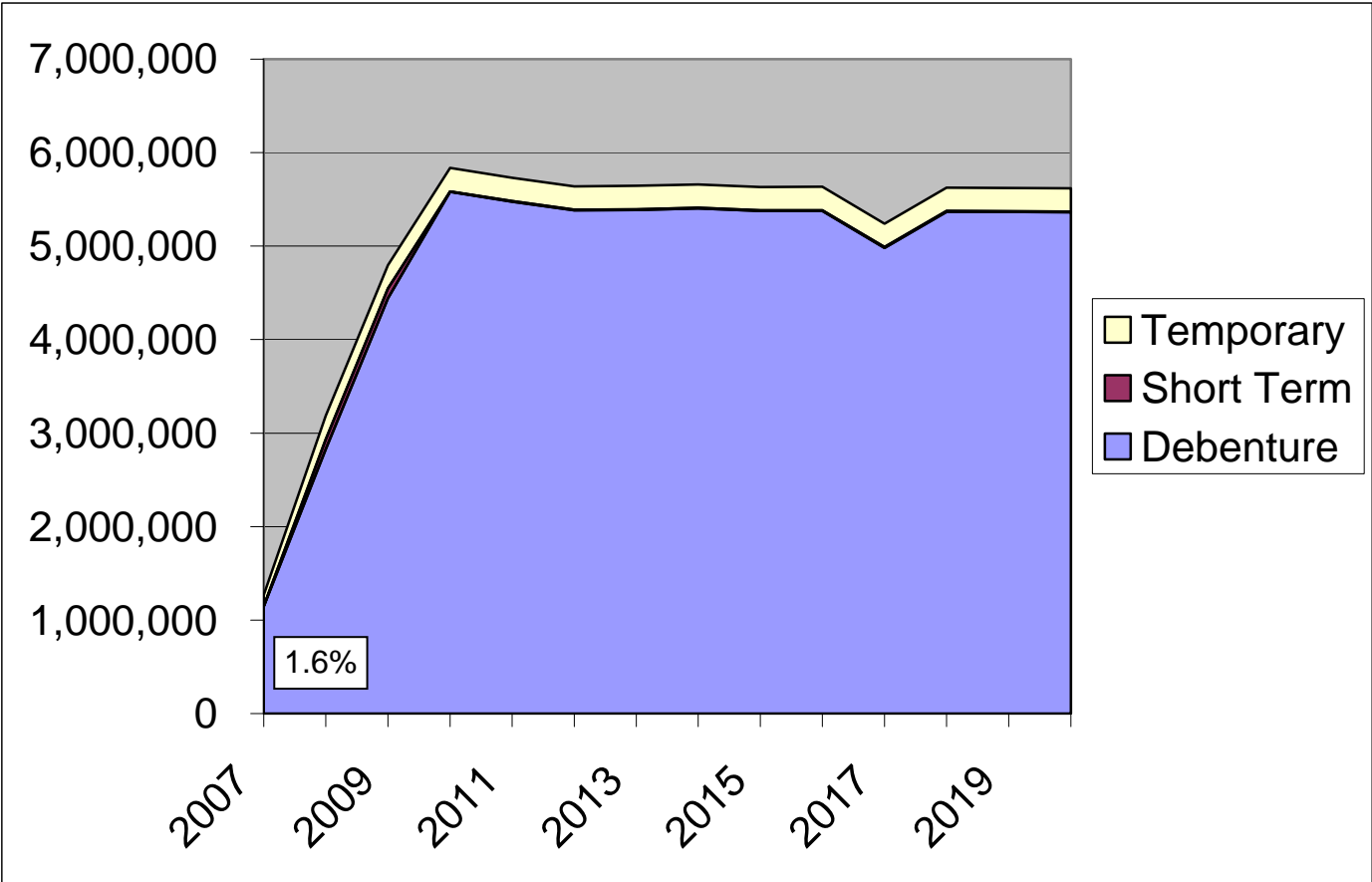
Attach.

Cc:

Existing Debt



TAXATION FUNDED DEBT



FROM 1.6% IN 2007 TO 6.3% IN 2010 AND THEN 4.0% IN 2020.