Strathcona
REGIONAL DISTRICT

STAFF REPORT

DATE: February 7, 2020 **FILE**:0550-04

TO: Chair and Directors,
Regional Board

FROM: David Leitch
Chief Administrative Officer

RE: BYLAW NO. 381 - PUBLIC LIBRARY FINANCING AGREEMENT

PURPOSE/PROBLEM

To consider first 3 readings of Bylaw No. 381 which would set out the terms under which the Regional District would enter into an agreement with the Vancouver Island Regional Library (VIRL) for capital financing a new public library facility in Campbell River.

EXECUTIVE SUMMARY

At its January15, 2020 meeting the Regional Board considered the attached report regarding the capital financing of a new library facility in Campbell River. At that time the Board passed the following resolution:

> Evans/Leigh: SRD 14/20
>
> THAT a bylaw to authorize entering into a financing agreement with the Vancouver Island Regional Library be prepared for the Board's consideration.

The attached bylaw has been prepared in accordance with the Board's direction and would establish the terms under which the Regional District would provide capital funding for a new library facility. Notable provisions of the agreement include the following:

- the library facility would be managed by the VIRL which would be responsible for constructing the facility and for all operational costs.
- the Regional District's capital investment would be secured by registration of a mortgage in the Land Title office.
- the VIRL would make annual payments from its operating budget to cover costs incurred by the Regional District including borrowing costs, legal costs and the costs of seeking elector approval.
- the Regional District's obligations under the agreement would be conditional on the adoption of a service establishing bylaw and approval of the electors to borrow capital funds.

Before Bylaw No. 381 may be adopted the Regional District must notify the public and consider any feedback regarding the proposed funding agreement. With the current project schedule, it is anticipated that this process can be completed and Bylaw No. 381 returned for further consideration at the March 25, 2020 Board meeting. The Board could also consider at that time the process for establishing a service and seeking approval of the electors for the borrowing of capital funds for this project.

RECOMMENDATIONS

1. THAT the report from the Chief Administrative Officer be received.

2. THAT Bylaw No. 381, being a bylaw to authorize entering into an agreement with the Vancouver Island Public Library for the capital financing of a public library facility, be now introduced and read a first time.

3. THAT the rules be suspended and Bylaw No. 381 be given second and third readings.

4. THAT Bylaw No. 381 be returned for further consideration by the Board following the conclusion of the public notification process.

Respectfully:

David Leitch
Chief Administrative Officer

Prepared by: *T. Yates, Corporate Services Manager*

ATTACHMENTS: Bylaw No. 381
Copy of December 11, 2019 report to the Board

Schedule	Action
January 15, 2020	Regional Board directs the preparation of financing agreement between SRD and VIRL for proposed Campbell River library facility.
February 26, 2020	Campbell River Public Library Capital Financing Agreement Authorization Bylaw No. 381, 2020 given 3 readings and authorized for public notification.
March 5, 2020	First publication of Notice of Intention to adopt Bylaw No. 381.
March 11, 2020	Second publication of Notice of Intention to adopt Bylaw No. 381.
March 25, 2020	Regional Board adopts Bylaw No. 381.
	Regional Board authorizes preparation of service establishing bylaw and loan authorization bylaw.
April 15, 2020	Library Facility Capital Financing Service Establishing Bylaw ___, 2020 and Library Facility Capital Financing Loan Authorization Bylaw ___, 2020 given first 3 readings by Regional Board.
	Regional Board authorizes approval of the electors to be obtained by Alternative Approval Process (AAP) for Bylaws No. ___ and ___.
April 20, 2020	Bylaws No. ___ and ___ submitted to Inspector of Municipalities for approval under s.342 of *Local Government Act.*
April 29, 2020	Regional Board establishes elector response form, elector response deadline and determines total number of electors for AAP.
May 25, 2020	Inspector of Municipalities approval received for Bylaws No. ___ and ___.
May 29, 2020	First publication of AAP notice for Bylaws No. ___ and ___.
June 3, 2020	Second publication of AAP notice for Bylaws No. ___ and ___.
July 8, 2020	Deadline for filing AAP responses with Regional District.
July 22, 2020	If elector approval received, Regional Board adopts Bylaws No. ___ and ___ and advises VIRL.
August 24, 2020	Quashing period for Loan Authorization Bylaw No. ___ expired. Application made to Inspector of Municipalities for Certificate of Approval.
September 16, 2020	Temporary Borrowing Bylaw No. ___ given 3 readings and adopted by the Board.
November 18, 2020	Security Issuing Bylaw No. ___ given 3 readings and adopted by the Board.
February 12, 2021	Deadline for submitting Corporate Officer's certificate for debenture funding from the Municipal Finance Authority.
April 30, 2021	Debenture funds received from the Municipal Finance Authority.

BYLAW NO. 381

A BYLAW TO AUTHORIZE ENTERING INTO AN AGREEMENT WITH THE VANCOUVER ISLAND REGIONAL LIBRARY FOR THE CAPITAL FINANCING OF A PUBLIC LIBRARY FACILITY

WHEREAS the Regional District may, pursuant to Part 8 of the *Local Government Act*, make agreements with a public authority respecting activities, works or services within the powers of the public authority;

AND WHEREAS the Vancouver Island Regional Library has requested that the Regional District provide capital financing for the development of a public library facility in Campbell River;

AND WHEREAS the Regional Board believes that supporting the development of a public library facility in Campbell River is in the public interest;

AND WHEREAS the Regional District wishes to enter into an agreement with the Vancouver Island Regional Library to provide the aforesaid capital financing at no cost to the Regional District;

AND WHEREAS the requirements of Division 4 of Part 8 of the *Local Government Act* with respect to the lending of money have been met;

NOW THEREFORE the Board of Directors of the Strathcona Regional District, in open meeting assembled, enacts as follows:

Financing Agreement Authorized

1. The Strathcona Regional District is hereby authorized to enter into a capital financing agreement with the Vancouver Island Regional Library to provide assistance for development of a public library facility in Campbell River.

Form and Substance

2. The agreement referenced in section 1 shall substantially comply in form and substance with that shown in Schedule ‘A’, attached to and forming part of this bylaw.

Authority to Execute

3. The Chair and Corporate Officer shall have full authority to execute the agreement and such further documents as may be necessary to give effect to the agreement following adoption of this bylaw.

Effective Date

4. This bylaw shall take effect on the date of adoption.

Citation

5. This bylaw may be cited for all purposes as Bylaw No. 381, being Campbell River Public Library Capital Financing Agreement Authorization Bylaw 2020.

READ A FIRST TIME ON THE DAY OF , 2020

READ A SECOND TIME ON THE DAY OF , 2020

READ A THIRD TIME ON THE DAY OF , 2020

PUBLIC NOTICE OF INTENTION TO ADOPT BYLAW PUBLISHED ON THE AND DAYS OF , 2020

RECONSIDERED, FINALLY PASSED AND ADOPTED ON THE DAY OF , 2020

____

Chair

____

Corporate Officer

Schedule 'A'

INDEBTEDNESS AGREEMENT

THIS AGREEMENT dated for reference the _____ day of _______________, 2020.

BETWEEN:

Vancouver Island Regional Library, an entity incorporated under the laws of the Province of British Columbia and having its head office at Box 3333, 6250 Hammond Bay Road, Nanaimo, British Columbia

(hereinafter referred to as the "VIRL")

OF THE FIRST PART,

--and--

Strathcona Regional District, an entity incorporated under the laws of the Province of British Columbia and having its head office at 990 Cedar Street, Campbell River, British Columbia, V9W 7Z8

(hereinafter referred to as the "SRD")

OF THE SECOND PART.

WHEREAS the VIRL has requested that the SRD borrow, on VIRL's behalf, a maximum of 14 Million Dollars ($14,000,000), for the construction/renovation of a public library facility on land located at 1240 Shoppers Row, Campbell River (the "Property") in the Province of British Columbia;

AND WHEREAS the VIRL desires to provide the SRD with commitments with respect to obtaining such loan, and sufficient security and comfort for undertaking to secure the loan on behalf of the VIRL;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants and agreements of the parties contained herein, the sum of one dollar paid by each party hereto to each other party hereto, and other good and valuable consideration, (the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto), it is agreed as follows;

ARTICLE ONE – DEFINITIONS AND INTERPRETATION

1.1 Definitions. In this Agreement unless something in the subject matter or context is inconsistent therewith:

a) **"Business Day"** means any day other than a Saturday or Sunday, or holiday, on which Canadian chartered banks are open for business in Nanaimo, British Columbia.

b) **"Indebtedness"** means the obligations of the VIRL to the SRD, as detailed in Article 2.2 of this Agreement;

c) **"Loan"** means the loan that the SRD may obtain from the MFA, on behalf of the VIRL, to a maximum principal sum of 14 Million Dollars ($14,000,000), and interest thereon;

d) **"Loan Agreement"** means the agreement between the Municipal Finance Authority and the SRD, which sets out all terms and conditions of the Loan;

e) **"MFA"** means the Municipal Finance Authority of British Columbia, whose head office is located in the City of Victoria in the Province of British Columbia;

f) **"Mortgage"** means the mortgage to be granted by the VIRL in favour of the SRD and registered against title to the Property in the City of Campbell River in the Province of British Columbia.

ARTICLE TWO – THE LOAN AND INDEBTEDNESS

2.1 The Loan. The SRD hereby agrees that, on the terms and subject to the conditions set forth herein and the terms agreed to with the MFA, it will borrow the Loan from the MFA for the benefit of the VIRL and then advance the Loan to the VIRL as a form of assistance for construction/renovation of a public library facility.

2.2 The Indebtedness. The VIRL agrees to be liable to the SRD for the aggregate of the following obligations:

a) Payment of any and all obligations and liabilities, including interest, penalties and costs, owing by the SRD to the MFA pursuant to the Loan Agreement and any other documents or security granted by the SRD to the MFA pursuant thereto and all administrative costs of the SRD incurred by this Agreement, the Loan and the Mortgage;

b) Payment of any and all costs or outlays, or any nature whatsoever, incurred by the SRD with respect to the negotiation, preparation, execution and delivery of the Loan Agreement, the Mortgage and this Agreement, as well as all actions under the Loan Agreement and this Agreement including costs incurred to provide notification to the public and to seek electoral approval; and

c) The VIRL agrees to indemnify and hold the SRD harmless from any costs, claims, outlays, expenses, and liabilities, of any nature whatsoever, that the SRD may be responsible for, arising directly or indirectly out of this Agreement, or the negotiation, execution and delivery of the Loan Agreement, or the advancement of the Loan;

(all of which obligations, indebtedness and liabilities are herein collectively called the "Indebtedness").

ARTICLE THREE – FORM OF THE MORTGAGE

3.1 Mortgage. Prior to the SRD obtaining the Loan from the MFA, the VIRL shall secure the Indebtedness by granting the Mortgage, which shall be registered as a first financial charge over the Property located in the City of Campbell River, in the Province of British Columbia.

ARTICLE FOUR – REPAYMENT OF THE INDEBTEDNESS

4.1 Repayment of the Loan. The VIRL shall pay to the SRD all principal amounts of the Loan, together with any interest or other amounts payable, all in accordance with the terms and conditions of the Loan Agreement. It is the intent of the VIRL, that it will share in the costs of the borrowing amongst all its members as per all its other normal operating budget costs. It is also the intent of the VIRL to ensure full payment of the regular repayment amounts of the Loan due, prior to the payment due date set out in the Loan Agreement.

4.2 Prepayments and Early Payments. The VIRL shall be entitled to prepay any of the outstanding principal amount of the Loan, subject to the terms and conditions of the Loan Agreement, provided that the VIRL also pays whatever penalties or restrictions on prepayment are set out therein. However, any gains calculated by MFA, such as the early repayment of MFA gains earned though the investment of proceeds, shall be for the benefit of VIRL.

4.3 Repayment of other indebtedness. If there are any payments required to be made by the VIRL to the SRD in addition to payments on the Loan, then the VIRL shall make such payments to the SRD within (30) days of receipt of an invoice from the SRD detailing such obligations of the VIRL.

4.4 Type and Place of Payment. All payments by the VIRL shall be made or delivered to the SRD at its head office listed above.

ARTICLE FIVE –CONDITIONS PRECEDENT

5.1 Loan Agreement and Mortgage. The obligations of the parties with respect to the consummation of any arrangements under this Agreement are subject to the fulfillment, in writing, of the following conditions precedent on the dates set out:

a) The arrangement of the Loan Agreement between the SRD and the MFA, on terms and conditions that are acceptable to the SRD and the VIRL, in their sole respective discretions, on or before December 31, 2021, and

b) The agreement on the form and substance of the documents comprising the Mortgage, on terms and conditions acceptable to the SRD and the VIRL, in their sole respective discretions, on or before December 31, 2020;

In the event that the foregoing conditions precedent are not declared fulfilled in writing by both parties by the applicable dates set out above, then all obligations of the SRD and the VIRL hereunder shall be null and void.

5.2 SRD Approvals and Access to Funds. The obligations of the SRD with respect to the consummation of any arrangements under this Agreement are subject to the fulfillment, in writing, of the following conditions precedent on the dates set out:

a) The SRD obtaining the necessary approvals from its electors and from the Provincial Government, on terms and conditions that are acceptable to it in its sole discretion, on or before September 30, 2020; and

b) The SRD obtaining advance of the Loan from the MFA on or before June 30, 2022.

In the event that the foregoing conditions precedent are not declared fulfilled in writing by the SRD by the applicable dates set out above, then all obligations of the SRD and the VIRL hereunder shall be null and void except the obligation to reimburse the SRD for costs incurred in good faith by the SRD pursuant to paragraph 2.2(b) of Article 2 hereof.

ARTICLE SIX – REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the VIRL. To induce the SRD to enter into this Agreement and to make the Loan, the VIRL makes the following representations and warranties which shall survive the execution and delivery of this Agreement and the Mortgage:

a) Neither the execution and delivery of this Agreement nor compliance with the terms, conditions and provisions hereof, will conflict with or result in a breach of any of the terms, conditions, or provisions of:

i. any agreement, instrument or arrangement to which the VIRL is now a party or by which it is or may be bound, or constitute a default thereunder;

ii. any judgment or order, writ, injunction or decree of any court; or

iii. any applicable law or government regulation.

b) No action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with the execution, delivery and performance of this Agreement by the VIRL.

ARTICLE SEVEN – MORTGAGE COVENANTS

7.1 Covenants of the VIRL. From the date of this agreement and thereafter until the indebtedness is paid in full:

a) The VIRL will notify the SRD immediately if the VIRL shall default in a material manner in the payment of any of its indebtedness under this Agreement, whether such indebtedness now exists or shall hereafter be created. The VIRL also shall notify the SRD immediately if there shall occur a material event of default under any mortgage, indenture or instrument (including without limitation this Agreement) under which there may be incurred or evidenced, any indebtedness of the VIRL for borrowed money, whether such indebtedness now exists or shall hereafter be created;

b) The VIRL will comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, a breach of which would materially and adversely affect the financial condition or businesses of the VIRL, except where contested in good faith and by proper proceedings;

c) The VIRL will promptly give the SRD notice in writing of all litigation and all proceedings before any governmental or regulatory agencies or arbitration authorities affecting the VIRL, except those which, if adversely determined, would not have a material adverse effect on the financial condition or business of the VIRL; and

d) The VIRL shall use all portions of the Loan advanced to it, solely for the purpose of construction of a library building on the Property in the City of Campbell River, in the Province of British Columbia.

ARTICLE EIGHT – GENERAL PROVISIONS

8.1 Notices. All notices, requests, demands or other communications (collectively, “Notices”) by the terms hereof required or permitted to be given by one party to any other party, or to any other person shall be given in writing by personal delivery or by registered mail, postage prepaid, to such other party as follows:

To the VIRL at:	Box 3333 6250 Hammond Bay Road Nanaimo, BC V9R 5N3
To the SRD at:	990 Cedar Street, Campbell River, BC V9W 7Z8

or at such other address as may be given by such person to the other parties hereto in writing from time to time.

All such Notices shall be deemed to have been received when delivered or, if mailed, 48 hours after 12:01 a.m. on the day following the day of the mailing thereof. If any Notice shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such Notice shall be deemed to have been received 48 hours after 12:01 a.m. on the day following the resumption of normal mail service, provided that during the period that regular mail service shall be interrupted all Notices shall be given by personal delivery.

8.2 **Additional Considerations.** The parties shall sign such further and other documents, cause such meetings to be held, resolutions passed and bylaws enacted, exercise their vote and influence, do and perform and cause to be done and performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part thereof.

8.3 **Counterparts.** This Agreement may be executed in several counterparts, each of which when executed shall be deemed to be an original and such counterparts together shall be but one and the same instrument.

8.4 **Time is of the Essence.** Time shall be of the essence of this Agreement and of every part hereof and no extension or variation of the Agreement shall operate as a waiver of this provision.

8.5 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to all of the matters herein and its execution has not been induced by, nor do any of the parties rely upon or regard as material, any representations or writings whatever not incorporated herein and made a part hereof and may not be amended or modified in any respect except by written instrument signed by the parties hereto.

8.6 **Enurement.** This Agreement shall ensure to the benefit of and be binding upon the parties and their respective successors and assigns.

8.7 **Currency.** Unless otherwise provided for herein, all monetary amounts referred to herein shall refer to the lawful money of Canada.

8.8 **Headings for Convenience Only.** The division of this Agreement into articles and sections is for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

8.9 **Governing Law.** This agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and each of the parties hereto agrees irrevocably to conform to the exclusive jurisdiction of the Courts of such Province as located in Nanaimo, British Columbia.

8.10 **Gender.** In this Agreement, words importing the singular number shall include the plural and vice versa, and words importing the use of any gender shall include the masculine, feminine, and neuter genders and the word “person” shall include an individual, a trust, a partnership, a body corporate, an association or other incorporated or unincorporated organization or entity.

8.11 **Calculation of Time.** When calculating the period of time within which or following which any act is to be done or step taken pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, then the time period in question shall end on the first business day following such non-business day.

8.12 **Legislation References.** Any references in this Agreement to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory body shall be construed as a reference thereto as amended or re-enacted from time to time or as a reference to any successor thereto.

8.13 **Severability.** If any Article, Section or any portion of any Section of this Agreement is determined to be unenforceable or invalid for any reason whatsoever, that unenforceability or invalidity shall not affect the enforceability or validity of the remaining portions of this Agreement and such unenforceable or invalid Article, Section or portion thereof shall be severed from the remainder of this Agreement.

8.14 **Transmission by Facsimile.** The parties hereto agree that this Agreement may be transmitted by facsimile or such similar device and that the reproduction of signatures by facsimile or such similar device will be treated as binding as if originals and each party hereto undertakes to provide each and every other party hereto with a copy of the Agreement bearing original signatures forthwith upon demand.

IN WITNESS WHEREOF the parties have duly executed this Indebtedness Agreement this _______ day of _____________________, 2020.

STRATHCONA REGIONAL DISTRICT:

Per: ____________________________
Chair

Per: ____________________________
Corporate Officer

VANCOUVER ISLAND REGIONAL LIBRARY:

Per: ____________________________
Executive Director

Per: ____________________________
Director of Finance

Strathcona
REGIONAL DISTRICT

STAFF REPORT

DATE: December 11, 2019 **FILE:** 0360-20

TO: Chair and Directors,
Regional Board

FROM: Dave Leitch
Chief Administrative Officer

RE: **PUBLIC LIBRARY FINANCING – PROPOSED SERVICE**

PURPOSE/PROBLEM

To consider the process for providing capital financing from the Regional District for a new public library facility in Campbell River.

EXECUTIVE SUMMARY

The attached report was considered at the November 21, 2019 meeting of the Regional Board at which time the following resolution was passed:

> Leigh/Kerr: SRD 1053/19
>
> THAT staff be authorized to further investigate the matter of Regional District involvement in the proposed new Campbell River library facility, and
>
> THAT a further report be provided early in 2020 for the Board's consideration.

To reiterate, the proposal being considered would see the Regional District borrow the funds required for construction of a new library facility in Campbell River and re-lend those funds at cost to the Vancouver Island Regional Library (VIRL) which would oversee the construction process and own the library facility. The VIRL would reimburse the Regional District on an annual basis for all costs incurred by the Regional District (principal, interest and related costs) through the VIRL's operating budget. This would include the funds spent to seek the approval of the electors through an alternative approval process (AAP) or similar process.

Since the proposal is based on VIRL ownership of the facility at the outset, the Regional District would need to consider how the public will be protected over a lengthy debt amortization period in the unlikely event of a default in payment by the VIRL or a successor organization. The traditional method of securing repayment of funds used for real property purchases is through registration of a mortgage in the Land Titles Office although other forms of security may also be acceptable. These alternatives would be explored in more detail if the Board decides to move forward with this funding initiative.

A listing of the various steps that would need to be undertaken by the Regional District to finance this project is included in the table below, together with a preliminary schedule should the Board decide to proceed as requested by the VIRL. As a first step in the process, the Regional District would need to enter into an agreement with the VIRL pursuant to s.263 of *Local Government Act*. To protect its interests the Regional District should have the financing agreement reviewed by legal counsel to determine if there are issues that need to be further addressed. When the agreement is satisfactory to both parties, the Regional District must publish its intent to enter into such an agreement and provide an opportunity for the public to provide feedback. Once that step has been concluded the Regional District would prepare a service establishing bylaw and loan authorization bylaw, and then seek elector approval for those bylaws. For reasons of cost and efficiency an alternative approval process would typically be used for this type of region-wide initiative. Assuming the proposal is supported by the electors, the Board would be in a position to move forward with borrowing the required funding and re-lending the proceeds to the VIRL to cover the anticipated capital costs for the library facility. As noted earlier, all costs associated with the project, including legal costs and the costs of obtaining elector approval, would be reimbursed on an annual basis by the VIRL to the Regional District.

Depending on the outcome of further discussions with the VIRL and the resolution of any issues arising from those discussions, it is anticipated that a capital financing agreement could be returned for the Board's consideration in February should that be desired.

Recommendations

1. THAT the report from the Chief Administrative Officer be received.
2. THAT a bylaw to authorize entering into a financing agreement with the Vancouver Island Regional Library be prepared for the Board's consideration.

Respectfully:

Dave Leitch
Chief Administrative Officer

Background/History

The Regional District has been requested by the VIRL to provide capital financing for a new $14 million library facility in Campbell River. The capital cost of the proposed facility is beyond the ability of the VIRL to finance in a single year and, since the VIRL is prohibited by statute from debt financing its facilities, it has requested that the Regional District lend it the funds under an agreement wherein repayment would occur over a number of years. Under such an arrangement the Regional District would be reimbursed annually for all costs associated with the borrowing of funds and re-lending to the VIRL.

Policy Analysis

The arrangement proposed for funding a new Campbell River library facility is similar to those successfully employed by the VIRL in other parts of its jurisdictional area including the Capital, Cowichan Valley and Nanaimo regional districts. Before a regional district may finance library facilities on behalf of the VIRL it must enter into a financing agreement with the VIRL and receive approval of the electors to borrow the required capital funds. If a regional district has not already established a service for financing library facilities it must also adopt a bylaw pursuant to Part 10 of the *Local Government Act* to authorize spending public funds for this purpose.

Financial Implications

Since the proposed financing arrangement for the library project is based on the premise that the VIRL would annually reimburse the Regional District for all costs incurred, it is not anticipated that there will be any net cost to the Regional District. The cost of the new library facility would be covered over a multi-year period from the VIRL's operating budget which is funded throughout the entire VIRL jurisdiction.

LEGAL IMPLICATIONS

Before the Regional District may proceed with the borrowing or re-lending of funds for this project it must enter into a binding agreement with the VIRL that reflects the principal of cost neutrality to the Regional District. The Regional District is required to notify the public of its intent to enter into such an agreement and provide details on the nature, term and extent of the proposed financial assistance.

Once a financing agreement has been entered into with the VIRL, the Regional District will need to adopt a bylaw to establish a capital financing service for public library facilities. The intent at this time is to use the service to finance a new public library facility for Campbell River which means that the Board must also adopt a loan authorization bylaw for the anticipated cost of the library facility. Both of these bylaws will require that approval of the electors be obtained before they may be adopted.

In the event the Board wished to use the authority of the service bylaw to finance other library facility projects, the Board would need to prepare loan authorization bylaws for those other projects and obtain approval of the electors before proceeding.

INTERGOVERNMENTAL/REGIONAL IMPLICATIONS

Although the Regional District is not directly responsible the development and operation of public library facilities in the region, it does have an investment in these areas through participation on the VIRL Board of Trustees. By re-lending money at cost, the Regional District is able to assist the VIRL with the development of facilities that might not otherwise be feasible given the statutory limitations placed on the VIRL with respect to debt financing of its library facilities.

CITIZEN/PUBLIC RELATIONS IMPLICATIONS

The public highly values its public library facilities and the VIRL has advised that the Campbell River library serves a clientele from a broader region than the City of Campbell River municipal boundaries. Through its participation in this project, the Regional District demonstrates its willingness to support initiatives that align with the Board's commitment to improved health and well-being in the region.

Prepared by: *T. Yates, Corporate Services Manager*

Attachment: November 12, 2019 report to the Regional Board

Schedule	Action
January 15, 2020	Regional Board directs the preparation of financing agreement between SRD and VIRL for proposed Campbell River library facility.
February 12, 2020	Vancouver Island Regional Library Financial Assistance Authorization Bylaw No. given 3 readings and authorized for public notification.
February 14, 2020	First publication of Notice of Intention to adopt Bylaw No. .
February 19, 2020	Second publication of Notice of Intention to adopt Bylaw No. .
March 11, 2020	Regional Board adopts VIRL Financial Assistance Authorization Bylaw No. .
	Regional Board authorizes preparation of service establishing bylaw and loan authorization bylaw.
March 25, 2020	Library Facility Capital Financing Service Establishing Bylaw ___, 2020 and Library Facility Capital Financing Loan Authorization Bylaw ___, 2020 given first 3 readings by Regional Board.
	Regional Board authorizes approval of the electors to be obtained by Alternative Approval Process (AAP).
March 30, 2020	Bylaws No. ___ and ___ submitted to Inspector of Municipalities for approval under s.342 of *Local Government Act*.
April 15, 2020	Regional Board establishes elector response form, elector response deadline and determines total number of electors for AAP.
April 30, 2020	Inspector of Municipalities approval received for Bylaws No. ___ and ___.
May 8, 2020	First publication of AAP notice for Bylaws No. ___ and ___.
May 13, 2020	Second publication of AAP notice for Bylaws No. ___ and ___.
June 15, 2020	Deadline for filing AAP responses with Regional District.
June 24, 2020	If elector approval received, Regional Board adopts Bylaws No. __ and ___ and advises VIRL.
July 27, 2020	Quashing period for Loan Authorization Bylaw No. ___ expired. Application made to Inspector of Municipalities for Certificate of Approval.
August 19, 2020	Temporary Borrowing Bylaw No. given 3 readings and adopted by the Board.
November 18, 2020	Security Issuing Bylaw No. [redacted] given 3 readings and adopted by the Board.
February 12, 2021	Deadline for submitting Corporate Officer's certificate for debenture funding from the Municipal Finance Authority.
April 30, 2021	Debenture funds received from the Municipal Finance Authority.

STAFF REPORT

DATE: November 12, 2019 **FILE:** 0360-20

TO: Chair and Directors,
Regional Board

FROM: Dave Leitch
Chief Administrative Officer

RE: CAMPBELL RIVER PUBLIC LIBRARY FINANCING

PURPOSE/PROBLEM

To consider a proposal from the Vancouver Island Regional Library (VIRL) that the Regional District provide capital financing for a new public library facility in Campbell River.

EXECUTIVE SUMMARY

The attached correspondence has been received from the VIRL which provides a conceptual plan for financing a new library facility in Campbell River. The plan being offered would see the Regional District borrow the funds required for construction of the facility and the VIRL would reimburse the Regional District for all costs (principal, interest and related costs) on an annual basis through VIRL's operating budget.

Unlike many of the smaller community library facilities constructed by the VIRL over the past few years, the cost of the proposed Campbell River branch is beyond the capacity of VIRL to fund in a single year. Since the VIRL is prohibited by statute from debt financing its library facilities it must seek other mechanisms for development at this scale. This arrangement has been used successfully in other regional districts where the need to finance the cost of library facilities over multiple years is required.

If the Board wishes to advance this initiative, it will be necessary to further investigate the mechanisms by which the Regional District would raise capital for the library facility, how it would secure its investment, and the timelines involved. Since the VIRL has indicated that construction is anticipated to commence in 2020 it is reasonable to target early next year for concluding the investigation and sharing the results with the Board.

RECOMMENDATION

1. THAT the report from the Chief Administrative Officer be received.

2. THAT staff be authorized to further investigate the matter of Regional District involvement in financing the proposed new Campbell River library facility, and

   THAT a further report be provided early in 2020 for the Board's consideration.

Respectfully:

Dave Leitch
Chief Administrative Officer

Prepared by: *T. Yates, Corporate Services Manager*

Attachment: November 14, 2019 correspondence from Vancouver Island Regional Library

VANCOUVER ISLAND REGIONAL LIBRARY

Administration
Box 3333 | 6250 Hammond Bay Road
Nanaimo, BC Canada V9R 5N3
t: 250.758.4697 f: 250.758.2482
e: info@virl.bc.ca w: www.virl.bc.ca

November 14, 2019

David Leitch
Chief Administrative Officer, Strathcona Regional District

Dear Mr. Leitch,

Please accept this letter as a formal request for the Strathcona Regional District (SRD) to enter into a long-term loan with the Municipal Finance Authority (MFA) on behalf of Vancouver Island Regional Library (VIRL). VIRL is requesting a maximum of $14 million ($14,000,000) to support the construction of a new library branch in Campbell River.

Under this arrangement, the SRD would transfer the proceeds of the borrowing to VIRL, and VIRL would pay the SRD for all interest and principal repayments as they are due. VIRL will also reimburse the SRD for any costs of advertisements and other direct costs of an alternate approval process or other approval mechanism as required by the SRD. Additionally, VIRL includes long-term loan repayments in its annual budget, meaning that there is no tax increase or other costs for SRD taxpayers under this arrangement. The end result is that the net cost of this model to the SRD is nil.

Since the adoption of its Consolidated Facilities Master Plan in 2010, VIRL has successfully used this model to fund construction or major refurbishments for a number of its branches, including Lake Cowichan, Nanaimo Harbourfront, Nanaimo North, and Chemainus.

For the Campbell River branch, VIRL is planning approximately 19,000 square feet over two floors, at the location of the current branch on Shoppers Row. VIRL is in the early stages of planning, and anticipates construction starting in 2020.

If there is any other information you require, or if you would like to discuss further, please do not hesitate to contact me directly.

Sincerely,

Joel Adams, CPA CA
Director of Finance

Cc: Tom Yates, Corporate Services Manager, SRD
Rosemary Bonanno, Executive Director, VIRL
Melissa Legacy, Director of Library Services & Planning, VIRL
Melanie Barnum, Divisional Manager, Office of the Executive Director, VIRL
Mariah Patterson, Executive Assistant, VIRL