



Committee of the Whole Report For the Meeting of May 10, 2018

To: Committee of the Whole
Date: April 26, 2018
From: Susanne Thompson, Director of Finance
Chris Coates, City Clerk
Subject: Board of Cemetery Trustees of Greater Victoria – Request to Increase Borrowing Authority

RECOMMENDATION

That Council direct staff to undertake formal notice under section 94 of the *Community Charter* of the intention to provide a loan guarantee for the amount of \$3 million, and authorize the Mayor and City Clerk to execute an amendment to the establishing agreement to increase the borrowing limit to \$3 million.

EXECUTIVE SUMMARY

The City of Victoria and the District of Saanich established the Board of Cemetery Trustees of Greater Victoria (the Board) in 1922 under the Municipal Cemeteries Act to operate the Royal Oak Burial Park. The agreement (attached as Appendix A) includes the Board's borrowing limit, which is currently \$1.59 million, and provides loan guarantees by both municipalities. To address needs associated with facility expansion, the Board has requested in their correspondence attached as Appendix B, to increase the borrowing limit to \$3 million.

In 2016 and 2017, the Board secured a \$1.9 million line-of-credit with the Bank of Montreal in addition to the \$1.5 million long-term debt through the Municipal Finance Authority (MFA) that the District of Saanich arranged in 2003. Due to an oversight, an amendment to the agreement with the City of Victoria and the District of Saanich was not requested at that time. While borrowing in addition to the line of credit and the MFA loan is not contemplated at this time, should the Board wish to borrow funds through the MFA (replacing the current Bank of Montreal line-of-credit), a separate request would be forwarded by the Board to both municipalities for consideration.

The Board has been paying all current debt payments and has a debt repayment plan in place that demonstrates the ability of the facility expansion to financially support the debt in place. Therefore, while there are inherent risks in guaranteeing this loan, these mitigating factors reduce the risk of default and the City's exposure.

Should Council approve this agreement amendment, pursuant to Section 24 of the *Community Charter*, the City must give notice of its intention to provide assistance in the form of guaranteeing repayment of borrowing or providing security for borrowing, and public notice will be conducted in

accordance with Section 94 prior to execution. This involves posting notice in the normal posting places at City Hall and newspaper notices in consecutive weeks.

Saanich Council is also considering the Board's request, and if approved, the District would undertake the required notification process as well.

PURPOSE

The purpose of this report is to request Council authorization to execute an amendment to the establishing agreement between the City and the District of Saanich to increase the borrowing limit for the Board of Cemetery Trustees of Greater Victoria.

BACKGROUND

The City of Victoria and the District of Saanich established the Board of Cemetery Trustees of Greater Victoria in 1922 under the Municipal Cemeteries Act. The Board is a not-for profit organization that operates the Royal Oak Burial Park.

The establishing agreement (attached as Appendix A) has been amended three times:

1. in 1924 to increase the borrowing limit set in the establishment agreement to \$90,000
2. in 1983 to undertake housekeeping changes
3. in 2003 to increase the borrowing limit to \$1,590,000.

After the increase in 2003, Saanich Council undertook the necessary steps to borrow \$1,500,000 in long term debt from the MFA and re-lend it to the Board. This process included a Loan Authorization Bylaw and a Loan Agreement with the Board. That loan has been in place since 2004 and is due to be fully repaid in 2028. The District of Saanich has confirmed that the Board has made all payments required under the loan.

ISSUES & ANALYSIS

The Board is requesting that the establishing agreement be amended to increase the borrowing limit from \$1.59 million to \$3 million to address needs associated with facility expansion. On January 26, 2016, the Board approved acquisition of a \$1.5 million line-of-credit with the Bank of Montreal for the purpose of funding the development and construction costs for Section T – Phase 3 of the burial park. On March 28, 2017, the Board approved an increase to this line of credit of \$400,000. The current balance of the line of credit is just over \$1.8 million bringing their total debt, inclusive of the MFA loan the District of Saanich holds, to \$2.761 million. As this is in excess of the current agreement, the Board has requested an amendment to align the agreement and loan guarantee with their current debt requirements.

The Board has provided a review of the historical debt and repayments as well as a debt repayment plan demonstrating the ability of the expansion to financially support the additional debt already in place. This plan contemplates full repayment of the line-of-credit by 2027. The plan uses a conservative approach in estimating revenue generation from sales based on available inventory and taking historical demand and estimated future demand into account.

While the Board has utilized a commercial bank for its line-of-credit, discussions have taken place with Victoria and Saanich staff regarding the pros and cons of this strategy vs. MFA borrowing. The option remains for the Board to approach Victoria and Saanich to convert their debt to an MFA instrument. Should this occur, and be approved by both Councils, a separate process would be

initiated. This is provided for information purposes only and does not impact the current decision before Council.

Staff are also recommending that the provision for submission of financial information be updated to refer to “Audited Financial Statements” and the provision for the submission deadline be changed to April 30 to recognize the increased complexity with financial statement preparation and resulting challenges the Board faces meeting the current March 31 deadline.

OPTIONS & IMPACTS

Option 1 - Direct staff to undertake formal notice under section 94 of the *Community Charter* of the intention to provide a loan guarantee for the amount of \$3 million, and authorize the Mayor and City Clerk to execute an amendment to the establishing agreement to increase the borrowing limit to \$3 million. (recommended)

This options amends the agreement to align with the current borrowing already in place. The risk to the City for guaranteeing the loan is low based on analysis of the consistent historical repayments by the Board and the conservative debt repayment plan in place.

Option 2 – Decline to authorize the execution of an amending agreement

This option would result in staff entering into discussions with the Executive Director and the Board to develop a plan to bring the borrowing levels down in alignment with the authorized borrowing limit in the current agreement.

Accessibility Impact Statement

The decision before Council does not involve any accessibility considerations.

2015 – 2018 Strategic Plan

Not applicable to this decision.

Impacts to Financial Plan

There are no impacts to the current financial plan as a result of this decision. However, guaranteeing debt of another organization carries with it the inherent risk that if the Board defaults on the loan, the City and the District of Saanich would be required to make the repayments. However, this risk has been lowered due to several mitigating factors including:

1. The longstanding relationship with the Board of Cemetery Trustees of Greater Victoria
2. No history of late or defaulted payments on the current loan with Saanich
3. The success of the recent expansion and revenue generation in excess of expectations
4. A debt repayment plan demonstrating the ability to manage current debt levels


Official Community Plan Consistency Statement


Not applicable to this decision.

CONCLUSIONS

The borrowing limit request from the Board is reasonable given the facility expansion they undertook and while it exposes the City to some financial risk, that risk is deemed to be low.

Respectfully submitted,


Susanne Thompson
Director of Finance


Chris Coates
City Clerk



Report accepted and recommended by the City Manager:

Date: May 3, 2018

List of Attachments

Appendix A: Establishing Agreement and Amendments

Appendix B: Correspondence from the Board of Cemetery Trustees of Greater Victoria dated November 22, 2017 and March 7, 2018