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BOARD		

## MEMORANDUM

**TO:** C. Mason  
Chief Administrative Officer

**DATE:** April 1, 2011

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

**FILE:**

**SUBJECT:** Bylaws 1632, 1633, 1634 and 1635 – to establish a service to borrow funds for the Vancouver Island Regional Library

### PURPOSE:

To introduce for three readings bylaws which will establish a service and borrowing authority to provide the Vancouver Island Regional Library capital financing for improving library facilities.

### BACKGROUND:

The Vancouver Island Regional Library (VIRL) has approached the Regional District of Nanaimo seeking assistance to borrow up to \$8 million to undertake the renovation and expansion of the building located at 6250 Hammond Bay Road in the City of Nanaimo.

The Regional Library has identified the north end of the City of Nanaimo as significantly underserved by library facilities. Typically the Regional Library leases or rents space for its library facilities but is proposing to renovate and expand the facility it owns as an administrative headquarters in the City of Nanaimo. By renovating the existing facility, the Regional Library will be able to fix the base operating cost (through an annual debt payment) for the facility and at the end of the debt repayment term, use the budget room for other capital purposes.

A Regional District can borrow funds on behalf of another public authority and in this case, the borrowing would be secured by a mortgage on the library property.

There is a Regional Library Service in existence for the Electoral Areas of the Regional District of Nanaimo. This service covers the annual requisition from the Vancouver Island Regional Library for the electoral areas only. Each municipal member receives its own requisition levy from the VIRL.

A new service to provide the requested capital financing and annual debt repayment would be established and would include all members of the Regional District of Nanaimo. The service will have a nil tax requisition as the Regional Library would be entirely responsible for all costs to service the borrowing as well as any out of pocket costs the Regional District might incur to undertake the approvals necessary for this initiative.

In addition to the bylaws required for the initiative, the Regional District of Nanaimo and VIRL will enter into an agreement which commits the Regional District to borrow on behalf of the VIRL, commits the VIRL to registering a mortgage as security on the property and requires the VIRL to pay all costs associated with the debt and obtaining elector approval.

Elector approval for the bylaws and the agreement are recommended to be obtained following the alternative approval process provided by the *Local Government Act*. For this purpose, the number of electors in the service area is established at 110,180. If more than 10% (11,018) of the electors oppose the initiative, the bylaws can only be adopted by referendum. The deadline for responses to this initiative has been established as June 27, 2011.

**ALTERNATIVES:**

1. Approve the bylaws and agreement as presented and authorize an alternative approval process.
2. Do not approve the bylaws and do not proceed at this time.

**FINANCIAL IMPLICATIONS:**

Alternative 1

Under this alternative the Regional District of Nanaimo will borrow up to \$8 million dollars to be repaid over 30 years and transfer the funds to the VIRL. The VIRL will transfer to the Regional District of Nanaimo cash in the amount of \$543,000 to cover the annual debt payment.

The new service which will borrow the funds will have no requisition because the debt repayment will be fully covered by the transfer from the VIRL. A service can be established by an alternative approval process if the cost per \$1,000 does not exceed \$0.50 – which is the case with the proposed new service established under Bylaw No. 1632.

Alternative 2

Under this alternative the bylaws would be held to be included as a referendum question in connection with the 2011 local government elections. This alternative is considerably more expensive because costs associated with ballots, advertising and staffing polls would be incurred. The alternative approval process has been successfully undertaken in the Central Okanagan Regional District and is currently underway in the Cowichan Valley Regional District for similar purposes. The Okanagan approval was virtually uncontested and the same result is expected in the Cowichan Valley. Library services are a very desirable community amenity and acknowledged to be inadequate in the north end of the City. Staff recommends approving the bylaws and seeking consent under an alternative approval process

**SUMMARY/CONCLUSIONS:**

The Vancouver Island Regional Library (VIRL) has approached the Regional District of Nanaimo seeking assistance to borrow up to \$8 million to undertake the renovation and expansion of the building located at 6250 Hammond Bay Rd. in the City of Nanaimo. A Regional District can borrow funds on behalf of another public authority. The borrowing in this case would be secured by a mortgage on the library property. The Regional District and the VIRL would enter into an agreement which commits the Regional District to borrow the funds and for the VIRL to cover the annual debt cost.

A new service to provide the requested capital financing would be established and would include all members of the Regional District of Nanaimo. The service will have a nil tax requisition as the Regional Library would be entirely responsible for all costs to service the borrowing as well as any out of pocket costs the Regional District might incur to undertake the approvals necessary for this initiative.

The estimated cost for the financing is \$543,000. This would be added to the VIRL operating budget and be cost shared among all of the VIRL members. Cash in the amount of \$543,000 raised from all the

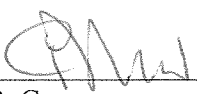
members of the VIRL will be transferred to the Regional District of Nanaimo to cover the annual debt cost.

If the Board supports this initiative it is recommended that elector approval be obtained under the alternative approval process provided by the *Local Government Act*. For this purpose the number of electors is established at 110,180 – if more than 10% (11,018) electors oppose the initiative, the bylaws and agreement may only be approved by referendum. The date for submitting Elector Response Forms has been established as June 27, 2011.

**RECOMMENDATIONS:**

1. That the Regional District of Nanaimo support borrowing funds to be provided to the Vancouver Island Regional Library.
2. That “Regional Library Capital Financing Service Establishment Bylaw No. 1632, 2011” be introduced, read three times and forwarded to the Inspector of Municipalities for approval and proceed to the Alternative Approval Process to receive elector assent.
3. That “Regional Library Capital Financing Service Loan Authorization Bylaw No. 1633, 2011” be introduced, read three times and forwarded to the Inspector of Municipalities for approval and proceed to the Alternative Approval Process to receive elector assent.
4. That “Regional Library Capital Financing Service Security Issuing Bylaw No. 1634, 2011” be introduced and read three times.
5. That “Regional Library Capital Financing Service Temporary Borrowing Bylaw No. 1635, 2011” be introduced and read three times.
6. That elector assent for Bylaws No. 1632 and 1633 and the Indebtedness Agreement be obtained by using the alternative approval process for the entire service area.
7. That the Chair and Senior Manager, Corporate Administration be authorized to execute the Indebtedness Agreement attached to this report if approved.
8. That the Elector Response Form as attached to this report be approved.

  
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Report Writer

  
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C.A.O. Concurrence

**COMMENTS:**