



# REPORT

To: Chair and Directors

Report Number: FN-BRD-028

From: Teri Vetter, Chief Financial Officer

Date: November 16, 2020

**Subject: Budget Amendment – Service Function 702 Area B Potable Water**

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## **RECOMMENDATION: [Corporate Weighted]**

That the Regional Board amend the 2020 budget for Function 702 Electoral Area B Potable Water to:

- Increase Transfer from Peace River Agreement Reserve - \$1.9 million
- Increase Transfer from Gas Tax Reserve - \$1 million
- Increase Short-Term Principal Payments - \$2.9 million

## **BACKGROUND/RATIONALE:**

On October 15, 2020, the Rural Budgets Administration Committee passed the following resolution:

*MOVED, SECONDED and CARRIED*

That the Rural Budgets Administration Committee authorize that the \$2.9 million loan from the Municipal Finance Authority for the Area B Potable Water Capital Project be paid out using \$1.9 million dollars from Area B Peace River Agreement – Spending Item #1 – Potable Water and Water Security/Studies, and \$1 million from the Community Works Gas Tax fund.

Currently, annual interest only payments of approximately \$41,500 - \$45,000 are required. The loan will convert to long-term borrowing once the capital project is complete, requiring both principal and interest payments to be made. Annual payments are estimated to be \$122,355 principal and \$70,470 interest.

## **ALTERNATIVE OPTIONS:**

1. That the Regional Board provide further direction.

## **STRATEGIC PLAN RELEVANCE:**

☒ Not Applicable to Strategic Plan.

## **FINANCIAL CONSIDERATION(S):**

There are currently no reserves for this function. Staff is trying to establish both operating and capital reserves for repairs and maintenance needed for this capital infrastructure. If the Board wishes to, monies can be requisitioned in 2021, to establish these reserves as taxpayers will not be paying the MFA debt.

The Five Year Financial Plan Bylaw will also have to be amended as this amount is material. An amendment to the Financial Plan has been prepared to capture this change and will appear on the December 11 Board agenda under Section 11 - Bylaws.

**COMMUNICATIONS CONSIDERATION(S):**

None.

**OTHER CONSIDERATION(S):**

None.