



# Staff Report to Council

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**DATE: Monday, November 20, 2023**

**DEPARTMENT: Finance**

**SUBJECT: RCMP Detachment Expansion Financing Update**

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## EXECUTIVE SUMMARY:

On February 27, 2023, staff presented a summary report to Committee of the Whole (CoW) regarding the progress to date on the RCMP Detachment Expansion project. At this meeting, CoW passed the following resolution:

*THAT Committee of the Whole recommend to Council on March 6<sup>th</sup> OR through the budget process on March 27<sup>th</sup>, that the City:*

*approve a budget of \$721,560, which represents the City of Langford's (60.13%) of the total budget of \$1,200,000 required to further define the project requirements and goals, to arrive at a point where a decision on whether the project should proceed can be made;*

*AND*

*THAT Mayor Goodmanson and CAO Darren Kiedyk be appointed to a Joint Police Facilities Steering Committee to be made up of the Mayors and CAO's of the Town of View Royal, and the Cities of Langford and Colwood to oversee the process of advancement of further project definition,*

The \$721,560 is included in the 2023 Capital Budget in the approved 2023-2027 Five Year Financial Plan that was passed by Council at the May 1, 2023 Regular Council meeting and in the 2023-2027 Five Year Financial Plan Bylaw, adopted by Council in May 11, 2023.

The Joint Police Facilities Steering Committee has met regularly. One of the many complex factors associated with a capital project of this size, especially given the number of municipalities involved, is how to best debt finance the project. The purpose of this report is to propose to Council a recommended option for debt financing.

As discussions have progressed on the RCMP Detachment expansion, the Steering Committee has focused on the most equitable, lowest risk option for financing the project. Through discussions internally with the three communities, in addition to discussions with the Municipal Finance Authority (whom the borrowing would likely be through), the option of a sub-regional CRD service was brought forward as a possible option. A sub-regional service is a service provided by the Regional District where two or more jurisdictions are served, in this case City of Langford, City of Colwood and Town of View Royal. The boundary of the sub-regional service would include the entire municipal boundary for each of the three member municipalities. Through further discussions, including senior staff from the CRD, the option has progressed to be the recommended option.

#### **BACKGROUND:**

Jointly owned by the City of Langford, City of Colwood, and the Town of View Royal (“The Communities”), the West Shore RCMP Detachment is located at 698 Atkins Avenue in Langford. The existing detachment is approximately 37,000 sq ft, comprising of two largely separate, but connected facilities; one built in the 1960s (approx. 10,600 sq ft), and a newer structure built in 1999 (approx. 26,400 sq ft).

Investments have been made in the current detachment, but the facility is nearing capacity, especially given the growth that the West Shore has experienced and the continued growth that is projected in the years to come. Projections by the RCMP demonstrate the need for increased space in the next one to four years. As the Communities continue to grow, so too does the need for specialized, efficient, and diversified policing services, including but not limited to increased use of technology, modern facilities, and a larger staff contingent to maintain current policing level of service in the region.

The Mayors and CAOs of the Communities have worked together, as part of the Joint Police Facilities Steering Committee, to continue to progress this project forward. In addition to the CAOs, the Chief Financial Officers (CFOs) have also worked to draft this report. It is important to note that a similar report will be presented to each of the three Communities’ Councils.

#### **COMMENTARY:**

Langford Council will recall that the City of Langford’s approved 2023-2027 Financial Plan includes a tax increase in each of the five years of:

Year	Tax Increase Percentage
2023	1%
2024	3.5%
2025	3.5%

2026	3.5%
2027	3.5%

The projections indicate, that while these increases would initially be used to cover the financing costs associated with the proposed purchase of the YMCA Building, the funds collected through these increases would also then allow the City to debt finance the RCMP Detachment expansion. While the option of each municipality doing their own separate borrowing is still an alternative, there are a number of significant risks and complications associated with that option, and there are also a number of intangible benefits to the CRD sub-regional service for financing.

Perhaps the biggest risk associated with choosing separate borrowing processes is that each community must initiate their own separate electoral approval process, and the chance that one or two of the communities vote against the approval while one or two approve it would leave the project as a whole in uncertainty.

While the borrowing process and timeline will be virtually the same between the option of each municipality doing their own borrowing and proceeding with a sub-regional service through the CRD, the borrowing through the sub-regional service means there is only one electoral approval process, through the CRD. By narrowing the electoral approval process to a single process eliminates the risk that only a portion of the Communities approve the borrowing.

Additional benefits of proceeding through the CRD sub-regional service for the purposes of financing the construction of the RCMP Detachment Expansion include:

1. The taxpayer will pay for the cost of the borrowing through the Capital Regional District line on their tax notice, not the municipal line.
2. The proportionate share and impact on the taxpayer throughout the area will inherently adjust over time as populations grow. This would not have been the case if each individual municipality borrowed their independent portion.
3. For each municipality, especially for Langford, this option eliminates the timing challenges associated with other municipal projects and associated with increasing the municipal property taxes enough to cover the debt servicing. Eliminating the impact on the municipal property taxes results in not needing to “delay” the project to allow the municipality to build up the required funds through tax increases to cover the debt servicing.

In addition, the following chart summarizes and compares some of the risks and benefits for each of these two options:

Risk or benefit	Option 1: Independent Borrowing	Option 2: CRD Subregional Service Borrowing
<b>Complexity</b>	More complex, requires greater collaboration between municipalities to coordinate messaging and public engagement, and may give rise to implications that differ between constituents.	Less complex, requires collaboration between municipalities and CRD for messaging and public engagement, but is simpler to explain because implications are the same for all constituents.
<b>Electoral Approval</b>	Each municipality will seek electoral approval independently; there is some risk that electors in one or more of the municipalities will not approve, effectively preventing the project from proceeding until a remedy is found.	The CRD will hold one electoral approval process for the region comprising View Royal, Colwood, and Langford. Risk of non-approval is that of the project as a whole, not specific to any one of the three municipalities.
<b>Timing</b>	Project cannot proceed until all three municipalities have obtained electoral approval independently; a delay by one or more municipalities will delay the project for all three.	The CRD will hold a single electoral approval opportunity; project will only proceed if electoral approval is obtained.
<b>Debt Service Cost Recovery</b>	Principal and interest repayment is the responsibility of each municipality separately and would appear in their property tax notice either included in the general municipal tax or identified separately as a municipal tax for this purpose.	Principal and interest repayment is the responsibility of the CRD subregional service and would be included in the CRD requisition and identified as such on the property tax notices for all taxpayers in each of the three municipalities.
<b>Debt Limit implications <i>Legislation establishes debt limits: debt</i></b>	The debt is the responsibility of the municipality, and this borrowing would impact the	The debt is issued to the CRD. This debt issuance may not impact the municipalities debt

<b><i>servicing cannot exceed 25% of controllable/sustainable revenues. A liability servicing limit of 100% means that debt interest and principal payments equal 25% of controllable/sustainable revenues.</i></b>	municipalities' ability access to debt for other purposes.	limit and may not impact the municipalities' access to debt.
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In order to establish a sub-regional service, the CRD must adopt a service establishment bylaw. One of the requirements of that bylaw is to include the maximum amount that the service may cost (also the maximum amount that may be borrowed in order to pay for the service). At this time, the preliminary capital cost of the West Shore RCMP Detachment Expansion is estimated at \$82.4M (Appendix 1); as this is a preliminary cost estimate, it is recommended to consider a consider an additional contingency factor of 25% bringing the maximum estimate to \$103M.

Staff recommend establishing the service with a maximum dollar amount of \$103M; however, it is important to note that while this is the maximum that could be borrowed, it does not mean the full amount will need to be borrowed. The Communities continue to advance the work to arrive at a point where a more accurate cost is known. Given the timelines required for the establishment of the service and the loan authorization bylaws, combined with the time required to better understand the cost estimate as well as the need to ensure this project keeps moving forward in a timely manner, it is recommended that the Communities proceed with requesting the CRD service establishment with the \$103M figure.

#### **FINANCIAL IMPLICATIONS:**

Requesting the funding for the RCMP Detachment Expansion by way of a CRD sub-regional service allows for the borrowing to fall on the books and property taxes of the CRD, not the individual municipalities. The debt servicing costs will be included in the requisition the Communities receive each year from the CRD and would be collected via the Capital Regional District line item on the property tax notice; thus, not impacting the tax increases of the respective municipalities. It is expected that incremental municipal taxation would be required to fund the increased building operating costs of the facility expansion.

#### **OPTIONS:**

**Option 1**

THAT Council direct staff to write a letter to the Capital Regional District (CRD) requesting that the CRD establish a subregional service for the purposes of funding a joint capital project up to \$103M.

**OR Option 2**

THAT Council direct staff to write a letter to the City of Colwood and Town of View Royal to notify them that the City of Langford wishes to undertake the funding of the RCMP Detachment Expansion capital project individually.

**OR Option**

THAT Council receive this report for information and take no action.

<b>SUBMITTED BY:</b>	<b>Michael Dillabaugh, CPA, CA, Director of Finance</b>
<b>Concurrence:</b>	Donna Petrie, Senior Manager of Economic Development & Communications
<b>Concurrence:</b>	Yari Nielsen, Director of Parks, Recreation and Facilities
<b>Concurrence:</b>	Matthew Baldwin, MCIP, RPP, Director of Planning and Subdivision
<b>Concurrence:</b>	Katelyn Balzer, P.Eng., Director of Engineering and Public Works
<b>Concurrence:</b>	Marie Watmough, Deputy Director of Corporate Services
<b>Concurrence:</b>	Braden Hutchins, Director of Corporate Services
<b>Concurrence:</b>	Darren Kiedyk, Chief Administrative Officer