

**DATE:** August 6, 2020**FILE:** 1855-03**TO:** Directors  
Electoral Areas Services Committee**FROM:** Russell Dyson  
Chief Administrative OfficerSupported by Russell Dyson  
Chief Administrative Officer**R. Dyson****RE: Hornby Island Community Economic Enhancement Corp. request for CVRD support/assistance with Investing in Canada Infrastructure Program grant application**

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**Purpose**

The purpose of this report is to provide the Directors with options in regards to the recent request from the Hornby Island Community Economic Enhancement Corporation (HICEEC) for Comox Valley Regional District (CVRD) support and assistance with an application to the Investing in Canada Infrastructure program (ICIP) for the Hornby and Denman Digital Roadmap & Implementation Plan project.

**Recommendation from the Chief Administrative Officer:**

THAT the request from HICEEC for grant application sponsorship by the CVRD to the current intake of the ICIP – RNC program, be declined; AND FURTHER THAT staff be directed to work with and support HICEEC and its partners towards the potential establishment of high-speed broadband infrastructure (FTTP) to Denman and Hornby Islands.

**Executive Summary**

At the July 13<sup>th</sup> regular meeting of the Electoral Areas Services Committee a delegation from HICEEC updated the Directors on the Denman – Hornby Connectivity Project. These efforts have resulted in a recently completed \$50,000 study entitled “Digital Roadmap and Implementation / Business Plan” comprised of two-parts, the first being the Connectivity Research and Public Consultation with the second outlining the Broadband Feasibility Study.

As part of this presentation, HICEEC requested the CVRD’s assistance and sponsorship with an application for senior government funding under the Rural and Northern Communities stream of the Investing in Canada Infrastructure Program (ICIP - RNC) for the purposes of building, installing and commissioning high-speed broadband infrastructure (Universal Fibre to the Premise (FTTP)) to Denman and Hornby Islands. The estimated costs for this project total ten million dollars (\$10M), with a maximum of two million dollars (\$2M) being requested from the ICIP - RNC program.

HICEEC has requested that the CVRD investigate opportunities for funding the balance required to complete this project, up to \$8 million, through the acquisition of a “municipal bond or similar financial instrument”.

At the conclusion of this presentation, Directors approved the following motion:

*“THAT staff prepare a report for the August 10, 2020 Electoral Areas Services Committee meeting outlining options and implications in regards to the request from the Hornby Island Community Economic Enhancement Corporation for CVRD support and assistance with an application for the provincial / federal funding for the Hornby / Denman Digital Roadmap & Implementation Plan project.”*

Staff have reviewed HICEEC's request, in concert with a review of the ICIP – RNC program guide and eligibility criteria, and have provided herein additional information and options for the Directors' consideration, particularly given the limited timeline available and scope of the finances required.

Prepared by:	Concurrence:	Concurrence:
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### **Government Partners and Stakeholder Distribution (Upon Agenda Publication)**

Hornby Island Community Economic Enhancement Corporation (HICEEC)	✓
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### **Background/Current Situation**

The goals of the ICIP are to create long-term economic growth, build inclusive, sustainable communities and support a low carbon, green economy. The ICIP - RNC stream is focused on improving the quality of life in rural communities by responding to the specific needs of these communities. The program targets capital infrastructure projects in a variety of areas, including broadband connectivity, and in communities with a population of 25,000 or less, and provides additional funding towards projects in communities with populations of 5,000 or less, with Local Governments, Indigenous ultimate recipients, not-for-profit and for-profit applicants eligible to apply for this merit-based funding.

For submissions under this program, projects are required to be completed within five years of receiving grant approval. the Hornby / Denman Digital Roadmap & Implementation Plan project is still within the early planning stages and therefore would benefit from further advancement, community consultation and due diligence prior to applying for this grant. For example, the recently completed Denman and Hornby Digital Roadmap feasibility study outlines many steps yet to be undertaken including:

- Securing a willing service provider with annual estimated operating system costs of \$700,000; and
- Obtaining approvals from a variety of jurisdictions and completion of a thorough route analysis

HICEEC has formally requested the CVRD's assistance and sponsorship with an application to the ICIP - RNC program for establishment of high-speed broadband infrastructure (FTTP) to Denman and Hornby Islands comes with an estimated total project cost of ten million dollars (\$10M), with up to an expected maximum of two million dollars (\$2M) being requested from the ICIP - RNC program. HICEEC has further requested the CVRD investigate opportunities for funding the balance needed (\$8M) to complete this project through the acquisition of a "municipal bond or similar financial instrument".

Staff have reviewed HICEEC's request in conjunction with the program guide and eligibility criteria for the ICIP – RNC program and offer the following for the Directors' consideration:

- Regional Districts may submit **one** application for each community, defined as a settlement area within a regional district electoral area or an established or proposed service area. This could result in either one or two applications being required.
- The average grant request under the first intake of the ICIP – RNC program was \$2.07M.
- The **application deadline** for this second intake of the ICIP – RNC program is **October 22, 2020 at 11:59pm PDT** which would prove very challenging to meet with a low probability of success given:

- Applicants are required to provide evidence that their full share of funding has been or will be secured as part of their grant submission and this is as yet unknown.
- Projects may not be funded if they present risks to the program funders such as:
  - Potential for the project to not proceed due to applicant funding difficulties; and
  - The applicant does not demonstrate they are able to manage, maintain and finance the project over the long term.
- If the CVRD were to consider providing up to the remaining eight million dollars (\$8M) required to complete this project, this would need to be done by way of long-term borrowing through the Municipal Finance Authority of BC as only the City of Vancouver, under the Vancouver Charter, can directly issue municipal debenture bonds.
- Under the ICIP – RNC program, if a local government intends to borrow a share of its costs, a bylaw to authorize the borrowing of funds should receive third reading by a local government prior to applying to the program, with a copy of that bylaw to accompany the application. There would be insufficient time available to complete this fulsome process, including initial community consultation, prior to the October 2020 grant application deadline.
  - Furthermore, as a regional district loan authorization bylaw must identify the service to which the borrowing relates, an appropriate service(s) would need to be identified and/or established, for which the participants would be those ratepayers on both Hornby and Denman Islands, and elector assent obtained to authorize borrowing for such a purpose. Again, this could not be duly accomplished within the next 2.5 months.
    - The CVRD does not currently have a single service covering both islands established for such a purpose, and in which to house such borrowing, with the existing Denman and Hornby feasibility study services (functions #154 and #155 respectively) or existing Denman and Hornby economic development services (functions #555 and #556) not seen as viable options.
- A request was sent out to all CVRD departments to ascertain those projects / priorities that may be considering applications to the ICIP program. The internal initiatives put forward as potential applications are:
  - The Royston – Union Bay Sewer Extension project was already submitted for consideration in February 2020 under the 2<sup>nd</sup> intake of the ICIP - Environmental Quality Program stream. While this project would not be a good fit for this specific RNC funding stream, it remains a very high priority for the CVRD.
  - Comox Valley Recreation Complexes service, function #645, under the ICIP Community, Culture and Recreation Infrastructure stream for the purchase of a portable building to provide space for year-round programming and activities or alternatively for mezzanine renovations at the Comox Valley Sports Centre to provide space for year round programming, events, etc.
  - The Hornby Island Boat ramp to provide a reliable boat ramp in the event of an emergency or for increased recreational use. Currently the renewal plan does not envision these upgrades using tax requisitions only.
  - Seal Bay Parking lot improvements along Bates Road to expand the lot and complete improvements to user safety.

The last three projects listed above range from \$300,000 to \$500,000.

### **Policy Analysis**

On February 28, 2007, Directors adopted the following motions authorizing the regional district to act as a sponsor to non-profit organizations when required for grant application purposes:

1. *“THAT the report from the manager of financial services dated February 14, 2007 regarding the CSRD as grant sponsor for non-profit organizations be received.”*
2. *“THAT the Comox Strathcona Regional District sponsor non-profit organizations in their grant processes as long as the purpose of the grant fits within an established service of the Comox Strathcona Regional District.”*

### **Financial Factors**

The 2020 overall regional district service tax impact for a household with a taxable assessed value of \$500,000, prior to application of the provincial 5.25% administration levy, on each island is:

- Denman Island = \$1,242.80
- Hornby Island = \$1,357.75

If the entire remaining \$8 million in required funding was to be borrowed, the resulting annual debt servicing would be \$459,423 based on a 25-year amortization and 3% annual rate of interest. The cost per Denman and Hornby Island household would be \$0.4317 / \$1,000 of taxable assessed value or \$215.85/year for a home assessed at \$500,000. This represents an approximate tax increase of 16% over 2020 levels.

If less than the full remaining \$8 million in required funding was to be borrowed, the resulting annual debt servicing for each \$1 million increment of borrowing would be \$57,428 or \$0.0540 per \$1,000 of taxable assessed value. For a home assessed at \$500,000, the annual tax impact would be \$27.00.

### **Regional Growth Strategy Implications**

This initiative would be consistent with meeting or leading towards the following goals of the Regional Growth Strategy:

- Local economic development: Achieve sustainable, resilient and dynamic economic that supports businesses and entrepreneurship.

### **Options**

The following two options are being presented to the Directors:

1. Support the request from HICEEC and direct staff to assist them on an application to the second intake of the ICIP - RNC program for the establishment of high-speed broadband infrastructure (FTTP) to Denman and Hornby Islands, which must be submitted no later than October 22, 2020; or
2. Decline the request from HICEEC at this time for grant application sponsorship by the CVRD to the current intake of the ICIP – RNC program but instead direct staff to work with and support HICEEC and its partners towards the potential establishment of high-speed broadband infrastructure (FTTP) to Denman and Hornby Islands. These efforts would include:
  - a. Identification of all necessary due diligence to form part of investigating the feasibility of establishing an appropriate service; and
  - b. Ensuring a fulsome public engagement process can be undertaken in the lead up to pursuing future grant funding in conjunction with elector assent for both the service establishment and for any potential borrowing.
  - c. Staff could also provide recommendations as to the anticipated feasibility costs for consideration as part of the 2021 – 2025 financial planning process for the Denman and Hornby Island Feasibility Study services, functions #154 and #155 respectively.