



Council Report

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Date: February 17, 2026
To: Anthony Haddad, City Manager
From: Courtney Jones, Manager of Financial Planning

File No: 1610

Subject: Firehalls Replacement and Upgrades Loan Authorization Bylaw No. 2026-15

Staff Recommendation

THAT Council give first, second and third reading to "Firehalls Replacement and Upgrades Loan Authorization Bylaw No. 2026-15", a bylaw to borrow up to \$38.0M for replacement and upgrades to current Firehalls for a term of thirty (30) years.

Strategic priority objective

Mission: Penticton will serve its residents, businesses and visitors through organizational excellence, partnership and the provision of effective and community focused services.

Background

Twice a year, the Municipal Finance Authority (MFA) issues long-term debentures on behalf of municipalities that have borrowing requirements. Municipalities must pass a security issue resolution and request that the corresponding regional district include the borrowing in its security-issuing bylaw prior to the issue date. The MFA directs all funds through regional districts, in turn the regional districts deal directly with each municipality.

Section 179 of the *Community Charter* provides that after giving first three readings to loan authorization bylaws for long term borrowing (loan terms that exceed five (5) years) for capital, and prior to adoption of the bylaws by Council, statutory approval from the Inspector of Municipalities must be obtained, and approval of the electors, if applicable, must be obtained. The maximum borrowing term allowed is 30 years.

Section 180 of the *Community Charter* provides that electoral approval is required for some loan authorization bylaws, however in some instances electoral approval is not required. Section 7 of the *Municipal Liabilities Regulation* provides that electoral approval is not required if the annual costs of the total liabilities for the year does not exceed 10% of the annual calculation of revenues of the

municipality for the previous year. There are other exemptions that are found in this regulation, that are specific to drinking water protection orders and liquid waste management plans. This section also provides temporary funding under a loan authorization bylaw to secure funding if required between the bi-annual long-term debt issuances.

Section 182 of the *Community Charter* provides that all municipal financing must be undertaken by the applicable regional district under section 410 of the *Local Government Act* through the Municipal Financing Authority (MFA) of British Columbia.

In 2021 the City of Penticton completed an assessment of its assets and infrastructure (Asset & Amenity Management Plan – AAMP), looking at its long term needs to ensure financial sustainability and ensure high quality services are provided to the community. Based on 2022 City’s asset management investment plan, the City has an asset replacement value of \$1.4B, and recommended an average annual life cycle investment of \$29.5M. These figures have not been adjusted for inflationary impacts. Following the adoption of the AAMP, the City embarked on the Civic Places and Spaces project to help prioritize facility capital investment. Coming out of that work, four projects were identified for the City to proceed with. These projects were prioritized by Council as follows:

1. Public Safety Facilities– Development of a new Public Safety and Protective Services Centre downtown (CSB) to replace the Fire Hall Headquarters and provide space for Bylaw Services, Community Policing and the City’s Emergency Operations Centre. Ensure both Fire Halls are upgraded.
2. Twin Arena - Consolidation of the City’s arenas onto the SOEC property, with a new twin rink facility to replace McLaren and Memorial arenas.
3. Arts & Culture – Create a new Arts and Culture Centre in the downtown to house the library, museum, art gallery and other arts groups.
4. City Hall – Retain City Hall as a downtown civic and employment hub, continue to modernize and upgrade as required.

On May 21, 2024, Council received a project update on the first priority project and provided staff with the following resolution:

	8.3 <u>Civic Places & Spaces: Priority #1 – Community Safety Building Update</u>
146/2024	It was MOVED and SECONDED THAT Council receive into the record the report dated May 21, 2024, titled “Civic Places & Spaces: Priority #1 - Community Safety Building Update”; AND THAT Council direct staff to proceed with the next phase of the project, which includes detailed design and the development of a business case for each of the following protective service facilities and site locations: <ul style="list-style-type: none">• Fire Hall Headquarters located at Fire Hall #2 (Dawson Avenue)• Satellite Fire Hall located at Fire Hall #1 (Nanaimo Avenue)• Community Safety Building located at 450 Martin Street CARRIED UNANIMOUSLY

Council received further updates on the progress of Civic Places and Spaces projects at the July 15, 2025 and August 19, 2025 meetings and subsequently at the August 19, 2025 meeting, Council provided staff with the following resolution:

9.5 Fire Hall Renewals – Project Update
214/2025 It was MOVED and SECONDED
THAT Council direct staff to submit an application to the 2025 Strategic Priorities Fund Grant Capital Infrastructure Stream for the Fire Hall Headquarters;
AND THAT Council supports the project and commits to funding the remaining share of the Fire Hall Headquarters to ensure project completion should the 2025 Strategic Priorities Fund Grant application be successful;
AND THAT Council direct staff to include the Fire Hall Renewals project capital cost and funding strategy in the upcoming 2026-2030 draft financial plan to be considered during budget deliberations.
CARRIED UNANIMOUSLY

In the 2026 – 2030 Financial Plan, which was adopted by Council on December 16, 2025, the Fire Hall replacement and upgrades were approved for funding by debt borrowing in the overall amount of \$38.0M, spanning from the years 2026-2028. Debt payments are to be funded by the General fund through taxation with a plan to phase in required increases over 2 years.

The first step to move forward with the planned borrowing for this project is Council's approval of the first three readings of the Loan Authorization Bylaws for debt financing from the MFA. The MFA Loan Authorization Bylaw Procedure flowchart is detailed in Attachment A.

Once the Certificate of Approval is received the City has the option to either issue Temporary Borrowing or a Security Issuing resolution. A Temporary Borrowing resolution allows municipalities to temporarily borrow smaller amounts of funds, up to the Loan Authorization Bylaw maximum, before locking in the long-term debt borrowing. This allows flexibility of completing the project and only borrowing the required funds to complete the project, before moving into the long-term debenture, which is described next. This is an ideal method of borrowing, in particular in this instance as the City awaits the results of the Strategic Priorities Grant Application for this project.

Analysis

The Fire Hall replacement and upgrades project total planned budget is \$38.0M. The City is awaiting a decision on a possible grant, of up to \$7.0M from the 2025 Strategic Priorities Fund, however the decision on the grant is not anticipated until June 2026. As the borrowing process is lengthy, the City is moving forward with the borrowing bylaw based on the "up to the full project amount", with borrowing being reduced if the grant is successful. When borrowing for large projects that span several years, a Temporary Borrowing Resolution is utilized to obtain funds in stages, and upon completion of the project, a Security Issuing Resolution would be obtained based on the actual funds borrowed. Council can approve at that time to release any funds remaining from the original Loan

Authorization Bylaw amount. All funds committed through this process impact the City's borrowing limits until they are released.

For this project, terms of 20, 25 or 30 years have been analyzed, with the table below detailing the calculations based on the current MFA market rate and the annual debt payment and the overall estimated debt interest. The market rates are the same for all three examples as they are the same for any period over 20 years. This is because after the first 10 years, the market rates are renewed, and every five years thereafter, for the life of the borrowing term, so the rates are an estimated based on a combination of the current market and historical trends.

Borrowing based on the full \$38.0M:

	Market Rate (Jan 29, 2025)	Annual Debt Payments (principal & interest)	Estimated Total Debt Interest
20 years	4.73%	\$3.1M	\$24.7M
25 years	4.73%	\$2.8M	\$31.1M
30 years	4.73%	\$2.5M	\$37.8M

Borrowing based on \$31.0M, if full \$7.0M grant received:

	Market Rate (Jan 29, 2025)	Annual Debt Payments (principal & interest)	Estimated Total Debt Interest
20 years	4.73%	\$2.6M	\$20.1M
25 years	4.73%	\$2.3M	\$25.4M
30 years	4.73%	\$2.1M	\$30.9M

Cost to Taxpayers

The additional costs for annual debt payments for this project are not currently incorporated into the Property Tax Rates, during the 2026-2030 Financial Planning process it was forecasted these would be phased in over the years 2027 and 2028. As a result, these will need to be incorporated during the 2027 Budget process at which time the result of the grant will be known and finalized impacts will be provided. Below is a table of the estimated total costs to taxpayers phased in over two years, for each of the terms analyzed.

Borrowing based on the full \$38.0M a total estimated tax increase of 5.08%-6.30% is required, which phased in over 2 years would result in the following impacts:

Term	Annual Debt Payments (principal & interest)	Estimated Overall % Tax Rate Increase	Estimated Average Cost <i>Based on 2025 average annual property assessment Residential = \$644,947 & Business = \$1,429,658</i>	
			Residential	Business

20 years	\$3.1M	~3.15%/year (Total - 6.30%)	<i>Phased in over 2 years</i> \$6/month, \$72/year (each year) <i>Total costs</i> \$12/month, \$145/year	<i>Phased in over 2 years</i> \$23/month, \$281/year (each year) <i>Total costs</i> \$47/month, \$563/year
25 years	\$2.8M	~2.78%/year (Total - 5.56%)	<i>Phased in over 2 years</i> \$5/month, \$64/year (each year) <i>Total costs</i> \$11/month, \$128/year	<i>Phased in over 2 years</i> \$21/month, \$248/year (each year) <i>Total costs</i> \$41/month, \$497/year
30 years	\$2.5M	~2.54%/year (Total - 5.08%)	<i>Phased in over 2 years</i> \$5/month, \$58/year (each year) <i>Total costs</i> \$10/month, \$117/year	<i>Phased in over 2 years</i> \$19/month, \$227/year (each year) <i>Total costs</i> \$38/month, \$454/year

Borrowing based on \$31.0M, if full \$7.0M grant received, would result in a total estimated tax increase of 4.14-5.14%, which phased in over 2 years would result in the following impacts:

Term	Annual Debt Payments (principal & interest)	Estimated Overall % Tax Rate Increase	Estimated Average Cost <i>Based on 2025 average annual property assessment Residential = \$644,947 & Business = \$1,429,658</i>	
			Residential	Business
20 years	\$2.6M	~2.57%/year (Total - 5.14%)	<i>Phased in over 2 years</i> \$5/month, \$59/year (each year) <i>Total costs</i> \$10/month, \$118/year	<i>Phased in over 2 years</i> \$19/month, \$230/year (each year) <i>Total costs</i> \$38/month, \$459/year
25 years	\$2.3M	~2.27%/year (Total - 4.54%)	<i>Phased in over 2 years</i> \$4/month, \$52/year (each year) <i>Total costs</i> \$9/month, \$104/year	<i>Phased in over 2 years</i> \$17/month, \$203/year (each year) <i>Total costs</i> \$34/month, \$405/year
30 years	\$2.1M	~2.07%/year (Total - 4.14%)	<i>Phased in over 2 years</i> \$4/month, \$48/year (each year) <i>Total costs</i> \$8/month, \$95/year	<i>Phased in over 2 years</i> \$15/month, \$185/year (each year) <i>Total costs</i> \$31/month, \$370/year

Staff are recommending a 30-year term based on life of the asset, substantial borrowing amount, cost to the taxpayers and estimated debt servicing costs.

Electoral Approval Exemption (Assent Free Zone)

The City’s debt borrowing is in a favorable position, and meets the conditions for Assent Free Zone, also known as the Electoral Approval Exemption. This means that once the Inspector’s approval is received, bylaw adoption can proceed without seeking electoral approval. Staff estimate the available loan principal borrowing capacity, after issuance of this loan request, would be in the range of approximately \$76M, for loan terms between 15-25 years using current interest rates.

Financial implication

Staff are recommending a loan term of 30 years, with annual estimated debt servicing payments of \$2.1M to 2.5M, depending on the outcome of the grant application. The overall approximate percent increase to taxpayers would be between 4.14% to 5.08% which is planned to be phased in over 2 years, 2027-2028. The following table shows the increase to taxpayers assuming equal phased in increases over two years.

30 Year Term	Year 1 Increase		Year 2 Increase*	
	Residential	Business	Residential	Business
Phased in equally over 2 years	\$5 per month \$58 annually	\$19 per month \$227 annually	\$5 per month \$58 annually	\$19 per month \$227 annually

The total overall increase to taxpayers is \$10/month for the average residential property or \$117 annually and \$38/month or \$454 annually for the average business property.

These increase amounts would be reduced if the City is successful in receiving a grant. Council will determine the tax increase as part of the 2027 budget deliberations scheduled for December 2026.

Alternate recommendations

THAT Council provide alternate directions to staff.

Attachments

Attachment A – MFA Loan Authorization Bylaw Procedures

Attachment B – MFA Current Market Rates

Attachment C - MFA Historic Debt Issue Rates

Attachment D – Firehalls Replacement and Upgrades Loan Authorization Bylaw No. 2026-15

Respectfully submitted,

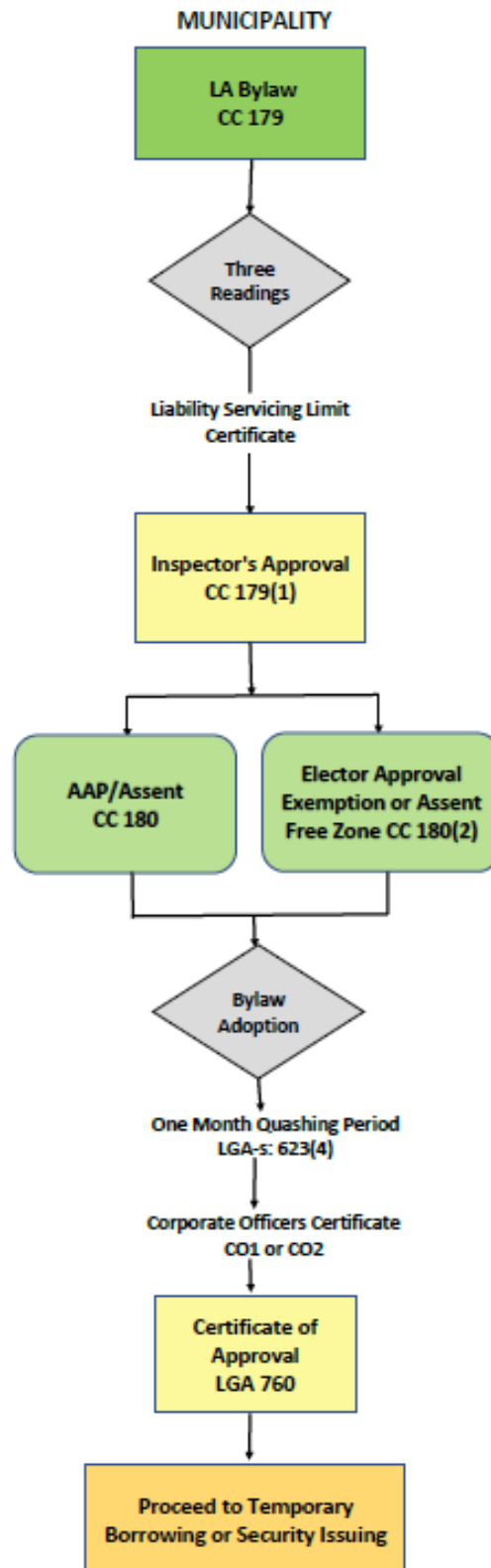
Courtney Jones

Courtney Jones
Manager of Financial Planning

Concurrence

General Manager, Corporate Services <i>AMC</i>	General Manager, Community Services <i>KJ</i>	City Manager <i>AB</i>
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Attachment A – MFA Loan Authorization Bylaw Procedures



Attachment B – MFA Current Market Rates – as of January 29, 2026

INDICATIVE LENDING RATE

5 years*	3.24%
10 years**	4.00%
<i>15 years</i>	<i>4.51%</i>
<i>20 years</i>	<i>4.73%</i>
<i>25 years</i>	<i>4.73%</i>
<i>30 years</i>	<i>4.73%</i>

Attachment C – MFA Historic Debt Issue rates

Year	Issue #	5 yr	10 yr	15 yr	20 yr	25 yr	30 yr
2025 Fall	167	-	3.73%	3.73%	3.73%	3.73%	3.73%
2025 Spring	166	-	4.13%	4.13%	4.13%	4.13%	4.13%
2025 Spring	165	-	3.88%	3.88%	3.88%	3.88%	3.88%
2024 Fall	162	-	3.83%	3.83%	3.83%	3.83%	3.83%
2024 Spring	161	4.05%	4.44%	4.44%	4.44%	4.44%	4.44%
2023 Fall	160	4.73%	4.97%	4.97%	4.97%	4.97%	4.97%
2023 Spring	159	3.90%	4.15%	4.15%	4.15%	4.15%	4.15%
2022 Fall	158	3.82%	4.09%	4.09%	4.09%	4.09%	4.09%
2022 Spring	157	3.07%	3.36%	3.36%	3.36%	3.36%	3.36%
2021 Fall	156	1.25%	1.98%	1.98%	2.58%	2.58%	2.58%
2021 Summer	154	1.47%	2.41%	2.41%	2.41%	2.41%	2.41%
2021 Spring	153	1.53%	2.41%	2.41%	2.41%	2.41%	2.41%