

REPORT TO: Mayor and Members of Council

PREPARED BY: Ralph D'Alessandro, Director of Finance/Treasurer

DEPARTMENT: Administration & Finance

DIVISION: Treasury

MEETING DATE: December 4, 2024

SUBJECT: By-Law #99 of 2024

PROPOSED MOTION

That Council approve and pass By-Law #99 of 2024 being a by-law to authorize borrowing from Ontario Infrastructure and Lands Corporation (OILC) for capital works through the issuance of a debenture.

STAFF RECOMMENDATION

That Council receive, review, approve and pass By-Law #99 of 2024.

EXECUTIVE SUMMARY

In 2021, By-Law #56 of 2021 authorized staff to apply to OILC and enter into a Financing Agreement with a limit of \$8,000,000 to provide cash advances towards capital work(s) relating to the Ailsa Craig water tower project. Over the past three years, several advances have been received with a total value of \$6,503,568 and whereas the capital work(s) are deemed completed, staff is seeking direction to finalize the agreement with the issuance of debentures to OILC for the value advanced.

Prosper: To Support Economic Strength, Foster Entrepreneurship And Attract Investment By Promoting Economic Growth Through Implementation Of The Economic Development Plan

BACKGROUND

In 2021, the Council of-the-day approved By-Law #56 of 2021 being a by-law to authorize the submission of an application to Ontario Infrastructure and Lands Corporation (OILC) for financing of certain ongoing capital work(s) of the municipality; to authorize temporary borrowing (advances) from OILC to meet expenditures in connection with such capital work(s); and to authorize long-term borrowing for such capital work(s) through the issue of debentures to OILC. The application was approved by OILC and a Financing Agreement entered into with a limit of \$8,000,000.

Over the past three years, several advances have been received with a total value of \$6,503,568 and whereas the capital work(s) are deemed completed, staff is seeking direction to finalize the agreement with the issuance of debentures to OILC for the value advanced. To that end, staff have initiated the process with OILC and received the attached terms and amortization schedule showing the debenture of \$6,503,568, an interest rate of 4.59%, a term of 20 years and a closing date of December 16, 2024. The first payment will be due June 16, 2025, in the amount of \$250,313.38 and will continue semi-annually on June 16th and December 16th each year until December 16, 2044. Over the course of the debenture, the municipality will make payments totalling \$10,008,535.20 which will include \$3,504,967.21 in interest charges.

DISCUSSION

This debenture does not provide any new cash flow but rather formalizes the repayment of the advances received during the completion of the capital work(s). The municipality would either have to self-finance this amount or seek other debt arrangements to repay OILC's advances and interest accumulated to date. Alternative financing options are not plentiful nor more attractive as far as rate and terms. Furthermore, not following through with the Financial Agreement as signed in 2021 would jeopardize future financing options with the province.

FINANCIAL

In 2025, the municipality will make payments totalling \$500,426.76 (as they will annually until 2044) of which \$204,229.94 will reduce the principal amount of the debenture and \$296,196.82 will be interest expense. Although the payments each year will remain constant, the portion repaying the principal versus the portion that is interest expense will follow the amortization table at the end of Schedule A.

ATTACHMENT

Prepared By: Ralph D'Alessandro, Director of Finance /Treasurer

Approved By: Carolyn Tripp, Chief Administrative Officer