

October 15, 2019

Special Committee of the Whole Meeting

Bryan Lambert

➤ Context and Perspective

➤ Restructuring the

LUI \$7M Note

The perspective of both the Staff and LUI's proposals:

- are appropriate given who they are
- present a limited focused view of the issue

A larger perspective is needed

A consolidated perspective

This view considers the issue participants and stakeholders:

- LUI
- LUI's Customers
- Town
- Cobourg Taxpayers & Residents

Stakeholders

The needs of LUI's Customers and Cobourg Taxpayers have to be considered as they are the ones paying the bill. At times they may be wearing different hats, but the wallet is the same

Needs

The Stakeholders expect and deserve the following:

- Treated with Respect
- Treated as Adults
- Informed
- Consulted

Characteristics

Transparency:

- Provide the information needed to make an informed decision

➤ Accountability:

Consult and Listen:

- Ask what they want, listen, and act

Primary Questions

- Why is LUI doing this?
- How does LUI benefit?
- How do LUI's customers benefit?
- How does the Town Benefit?
- How do Cobourg Taxpayers & Residents benefit?

Stealth Tax

- \$650K - \$1M+ per year siphoned off from LUI's Customers to Town Coffers
- Roughly \$19M since 2000
- Totally unproductive in regards to LUI's operations: providing services to it's customers
- Hidden, no Transparency
- No Accountability

Council Opportunity

Leadership Opportunity

Campaigned on:

- Listening
- Transparency

Walk the Talk

Alternatives

Staff & LUI:

- Keep Promissory note
- lower interest rate
- perhaps repay some principal

CTA:

- Debt Equity Swap
- Refinance & repay note

Why?

LUI has a Cashflow problem:

- Why?
- Limits infrastructure projects
- Limits Dividends (Stealth Tax)

Town Concern

The Town is understandably concerned about losing the LUI interest revenue.

Why?

The town's 2018 Audited FS indicate:

- Total revenue of \$54.4M was 10.1% higher than budget
- Actual property tax of \$23.7M was 3.35% over budget
- Provincial grant reduction of \$748K

What to Do?

Best Financial Alternative

Debt Equity Swap:

- Increased Cashflow
- No interest
- Reduced COS, therefore potential to reduce delivery rates
- Dividend at Board's discretion

2nd Best Financial Alternative for LUI

- Keep the note and reduce the interest:
- 3% Bank fixed rate
- Open note for principal repayment
- Increases useful Cashflow
- Perpetuates a reduced **Stealth Tax**

Alternate rate:

- 3.72% for now, then OEB deemed rate (4%+)
- Doesn't provide best Cashflow

