

**THE CORPORATION OF THE TOWN OF COBOURG**

**JOINT PUBLIC WORKS / PARKS OPERATION FACILITY RENOVATION**

**ATTACHMENT #5 – FINANCING STRATEGY**

**Page 1**

**1.0 RECOMMENDATION**

That Council authorize staff to arrange financing through Infrastructure Ontario in the amount of \$3,000,000, to finance the portion of the project that is not eligible to be funded through Development Charges, repayable over a 5 year period with an indicative interest rate of 1.72%.

**2.0 BACKGROUND**

The staff recommended option to create a renovated Joint Public Works / Parks Operation Facility is to retro-fit the existing Building #7 in the Northam Industrial Park at an estimated cost of \$4,000,000. (Copy of the Park Map showing location of Building #7 attached)

This project is eligible for partial funding through Development Charges as noted earlier in this report. Included with this attachment is the page from the 2011 Development Charges Background Study to support the D/C recoverable amount as approximately 25% of the Gross Capital Cost of the Project which in this case would be \$1,000,000 based on a \$4,000,000 total project. The D/C Reserve balance was \$6,522,993 as at December 31, 2014 as previously reported to Council.

The remaining funding for the project, estimated at \$3,000,000 will require a longer term financing strategy.

**3.0 ANALYSIS**

Attached to this report is a page from the Infrastructure Ontario website providing current lending rates to Municipalities as of November 4, 2015. The rate for Construction financing which fluctuates on a monthly basis is currently 1.4%. As the project progresses during 2016 the Municipality would drawdown as required to complete the project

It is expected that the project would be completed during 2016 and permanent financing put in place by the end of 2016 to take out the construction financing. It should be noted that if the majority of the construction costs are incurred in the first half of the year, the Municipality may be able to fund the costs from internal sources and then proceed with the permanent financing.

For purposes of this analysis, a 5 year amortization period has been selected for the long-term financing. This is a conservative approach given that it is expected that this facility will meet the needs of the Municipality for at least the next 20 years. The indicative lending rate from Infrastructure Ontario for a 5 year term is currently 1.72%.

The remaining 4 pages of this attachment illustrate Debt Payment Schedules for 2015, 2016, 2017 and 2018. These are the same schedules provided to Council during annual budget deliberations. The top half of the page provides a listing of current outstanding long term debt including the addition of 2 new loans starting in 2017 for the WPCP Headworks Project and for the Public Works / Parks Facility. There are no new payments added to this schedule for 2016 as it is anticipated that permanent financing will not be taken out until the end of 2016.

The bottom half of the page provides the Sources of Funding used to make the debt payments including Development Charges, Sewer Reserve, Holdco Reserve and Property Taxes.

The amount required from the Property Tax Base to fund the debt repayments through 2018 are as follows:

2015 - \$817,200

2016 - \$792,900

2017 - \$800,000

2018 - \$800,000

The amount required from the Holdco Reserve to fund debt repayments through 2018 as follows:

2015 - \$207,500

2016 - \$ Nil

2017 - \$132,800

2018 - \$ 23,400

The purpose of the above illustration is to show that the financing of this project can be completed within the current budget allotment for debt servicing included in the 2015 operating budget.

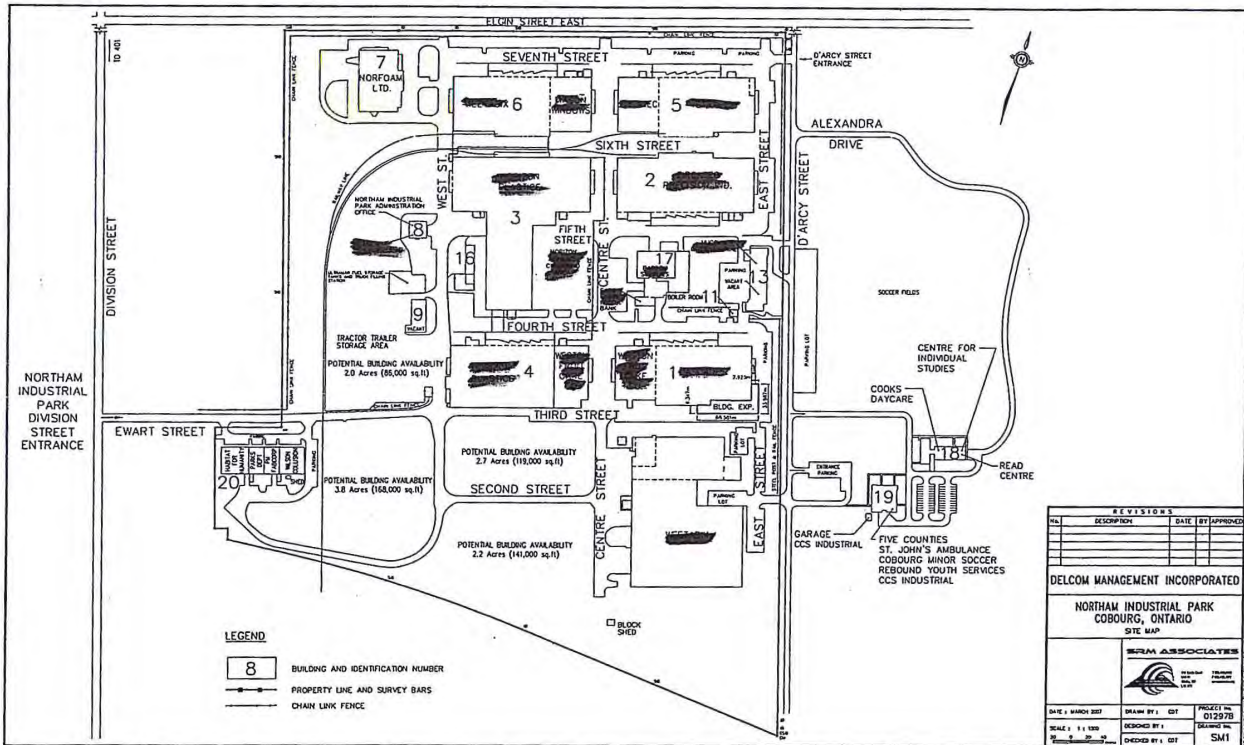
The rationale for a five year amortization is to take advantage of the low interest rate of 1.72% and to minimize the payback period in the event that additional borrowing is required for future projects. The total loan interest over the five year period is calculated as \$132,516.00.

There are 2 additional loans on the Debt Payments Schedule which will come off with Debenture 051-19 being completed in 2019 and 072-10 paid in 2020.

**4.0 CONCLUSION**

The Joint Public Works / Parks Operation Facility Renovation project should be financed by way of a Construction loan from Infrastructure Ontario which can be drawn upon as needed during 2016.

At the completion of the renovations the project should be permanently financed by way of \$1,000,000 from the Development Charges Reserve and a \$3,000,000 debenture through Infrastructure Ontario with a 5 year amortization period.



INFRASTRUCTURE COSTS COVERED IN THE DC CALCULATION

Town of Cobourg  
Service: Depots and Domes

Prj. No	Increased Service Needs Attributable to Anticipated Development  2011-Build Out	Timing (year)	Gross Capital Cost Estimate	Post Period Benefit	Net Capital Cost	Less:		Potential DC Recoverable Cost		
						Benefit to Existing Development	Grants, Subsidies and Other Contributions Attributable to New Development	Total	Residential Share 75%	Non-Residential Share 25%
1	Public Works/Parks Operations Facility		6,000,000	2,092,228	3,907,772	2,366,474		1,541,298	1,149,240	392,058
2				-	-	-		-	-	-
3				-	-	-		-	-	-
4				-	-	-		-	-	-
5				-	-	-		-	-	-
6				-	-	-		-	-	-
7				-	-	-		-	-	-
8				-	-	-		-	-	-
9				-	-	-		-	-	-
10				-	-	-		-	-	-
11				-	-	-		-	-	-
12				-	-	-		-	-	-
13				-	-	-		-	-	-
14				-	-	-		-	-	-
15				-	-	-		-	-	-
16				-	-	-		-	-	-
17				-	-	-		-	-	-
18				-	-	-		-	-	-
19				-	-	-		-	-	-
20				-	-	-		-	-	-
	<b>Total</b>		<b>6,000,000</b>	<b>2,092,228</b>	<b>3,907,772</b>	<b>2,366,474</b>	<b>-</b>	<b>1,541,298</b>	<b>1,149,240</b>	<b>392,058</b>

ATTACHMENT # 5 - FINANCIAL STATEMENT

↑  
Project Cost

↑  
DC Recoverable

$$\frac{1,541,298}{6,000,000} = \underline{\underline{25.69\%}}$$

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## Lending Rates: Municipalities

Indicative Lending Rates as of 04/11/2015

	Term	Construction	Serial	Amortizer
Lending Rates	1 Month	1.40%	-	-
	5 Year	-	1.72%	1.72%
Loan Payment Calculator	10 Year	-	2.44%	2.47%
	15 Year	-	2.95%	3.01%
Strategic Partnership Program	20 Year	-	3.26%	3.35%
	25 Year	-	3.46%	3.56%
	30 Year	-	3.57%	3.67%

### About our Lending Rates

Our online lending rates are updated frequently as we track the movement of our cost of borrowing in the capital markets.

Debtentures - rates on debtentures are fixed for the entire life of the loan once the debtenture is purchased by Infrastructure Ontario.

Construction Loans - for construction loans, rates float throughout the term of the loan until they are replaced by a debtenture. Construction loan requests over \$75 million are subject to funding availability and interest rates may vary from those posted.

\*\*These interest rates are the all-in cost for loans of the term and type selected

## Infrastructure Ontario

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# Loan Amortization



### Inputs

Loan Principal Amount  
 Annual Interest Rate  
 Loan Period in Years  
 Base Year of Loan  
 Base Month of Loan

Loan 1	
\$3,000,000.00	?
1.72%	?
5	?
2017	?
1	

### Key Figures

Annual Loan Payments \$626,503.20  
 Monthly Payments \$52,208.60  
 Interest in First Calendar Year \$46,877.06  
 Interest Over Term of Loan \$132,516.00  
 Sum of All Payments \$3,132,516.00

### Payments in First 12 Months

Year	Month	Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2017	Jan	\$3,000,000.00	\$52,208.60	\$47,923.93	\$4,284.67	\$47,923.93	\$4,284.67	\$2,952,076.07
	Feb	\$2,952,076.07	\$52,208.60	\$47,992.37	\$4,216.23	\$95,916.30	\$8,500.90	\$2,904,083.70
	Mar	\$2,904,083.70	\$52,208.60	\$48,060.92	\$4,147.68	\$143,977.22	\$12,648.58	\$2,856,022.78
	Apr	\$2,856,022.78	\$52,208.60	\$48,129.56	\$4,079.04	\$192,106.78	\$16,727.62	\$2,807,893.22
	May	\$2,807,893.22	\$52,208.60	\$48,198.30	\$4,010.30	\$240,305.08	\$20,737.92	\$2,759,694.92
	Jun	\$2,759,694.92	\$52,208.60	\$48,267.14	\$3,941.46	\$288,572.22	\$24,679.38	\$2,711,427.78
	Jul	\$2,711,427.78	\$52,208.60	\$48,336.07	\$3,872.53	\$336,908.29	\$28,551.91	\$2,663,091.71
	Aug	\$2,663,091.71	\$52,208.60	\$48,405.11	\$3,803.49	\$385,313.40	\$32,355.40	\$2,614,686.60
	Sep	\$2,614,686.60	\$52,208.60	\$48,474.24	\$3,734.36	\$433,787.64	\$36,089.76	\$2,566,212.36
	Oct	\$2,566,212.36	\$52,208.60	\$48,543.47	\$3,665.13	\$482,331.11	\$39,754.89	\$2,517,668.89
	Nov	\$2,517,668.89	\$52,208.60	\$48,612.80	\$3,595.80	\$530,943.91	\$43,350.69	\$2,469,056.09
	Dec	\$2,469,056.09	\$52,208.60	\$48,682.23	\$3,526.37	\$579,626.14	\$46,877.06	\$2,420,373.86

### Yearly Schedule of Balances and Payments

Year	Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2018	\$2,420,373.86	\$626,503.20	\$589,810.25	\$36,692.95	\$1,169,436.39	\$83,570.01	\$1,830,563.61
2019	\$1,830,563.61	\$626,503.20	\$599,730.71	\$26,772.49	\$1,769,167.10	\$110,342.50	\$1,230,832.90
2020	\$1,230,832.90	\$626,503.20	\$610,127.79	\$16,375.41	\$2,379,294.89	\$126,717.91	\$620,705.11
2021	\$620,705.11	\$626,503.20	\$620,705.11	\$5,798.09	\$3,000,000.00	\$132,516.00	\$0.00

THE CORPORATION OF THE TOWN OF COBOURG

2015 debt repayment

2015 DEBT PAYMENTS SCHEDULE

By-Law	Description	Original Loan Amt	General Govt	Police	Roads	Sewer	Parks	Library	Landfill	Total
<b>Gross Expenditure</b>										
40-05	Sewers	\$1,250,000				78,000.00				78,000.00
48-06	Police / Roads	\$3,150,000		162,000.00	243,000.00					405,000.00
26-07	Police / Roads / Landfill	\$3,313,000		38,000.00	218,000.00				165,000.00	421,000.00
101-07	Roads	\$500,000			76,000.00					76,000.00
051-09	Sewers	\$2,375,000				296,000.00				296,000.00
072-10	Landfill	\$1,000,000							118,500.00	118,500.00
027-13	Community Centre (20 Yr)	\$4,000,000					276,000.00			276,000.00
050-13	Digester Roof WPCP 1	\$1,500,000				174,000.00				174,000.00
051-13	Street Sweeper	\$208,083			44,200.00					44,200.00
	<b>Subtotal</b>		0.00	200,000.00	581,200.00	548,000.00	276,000.00	0.00	283,500.00	1,888,700.00
<b>Sources of Funding</b>										
	Development Charges						-276,000.00	-40,000.00		-316,000.00
	Sewer Rates					-548,000.00				-548,000.00
	Holdco Reserve		0.00	-62,500.00	-145,000.00	0.00	0.00	0.00	0.00	-207,500.00
	Northam Industrial Park		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Subtotal</b>		0.00	-62,500.00	-145,000.00	-548,000.00	-276,000.00	-40,000.00	0.00	-1,071,500.00
	<b>Net Expenditure from tax base</b>		0.00	137,500.00	436,200.00	0.00	0.00	-40,000.00	283,500.00	817,200.00

THE CORPORATION OF THE TOWN OF COBOURG

2016 debt repayment

2016 DEBT PAYMENTS SCHEDULE

By-Law Description	Original Loan Amt	Police	Roads	Sewer	Parks	Library	Landfill	Streetlights	Total
<b>Gross Expenditure</b>									
48-06 Police / Roads	\$3,150,000	68,100.00	102,100.00						170,200.00
26-07 Police / Roads / Landfill	\$3,313,000	38,000.00	218,000.00				165,000.00		421,000.00
051-09 Sewers	\$2,375,000			296,000.00					296,000.00
072-10 Landfill	\$1,000,000						118,500.00		118,500.00
Streetlights (CNI) (20 Yr)	\$900,000							79,000.00	79,000.00
027-13 Community Centre (20 Yr)	\$4,000,000				276,000.00				276,000.00
050-13 Digester Roof WPCP 1	\$1,500,000			174,000.00					174,000.00
051-13 Street Sweeper	\$208,083		44,200.00						44,200.00
Jan 2017 WPCP #1 Headworks (20 Yr)	\$6,000,000								0.00
Jan 2017 Parks/Public Works #7	\$3,000,000								0.00
<b>Subtotal</b>		<b>106,100.00</b>	<b>364,300.00</b>	<b>470,000.00</b>	<b>276,000.00</b>	<b>0.00</b>	<b>283,500.00</b>	<b>79,000.00</b>	<b>1,578,900.00</b>
<b>Sources of Funding</b>									
Development Charges					-276,000.00	-40,000.00			-316,000.00
Sewer Rates				-470,000.00					-470,000.00
Holdco Reserve		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal</b>		<b>0.00</b>	<b>0.00</b>	<b>-470,000.00</b>	<b>-276,000.00</b>	<b>-40,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-786,000.00</b>
<b>Net Expenditure from tax base</b>		<b>106,100.00</b>	<b>364,300.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-40,000.00</b>	<b>283,500.00</b>	<b>79,000.00</b>	<b>792,900.00</b>



THE CORPORATION OF THE TOWN OF COBOURG

2017 debt repayment

2017 DEBT PAYMENTS SCHEDULE

By-Law	Description	Original Loan Amt	Police	Roads	Sewer	Parks	Library	Landfill	Streetlights	Total
<b>Gross Expenditure</b>										
26-07	Police / Roads / Landfill	\$3,313,000	9,700.00	55,300.00				42,000.00		107,000.00
051-09	Sewers	\$2,375,000			296,000.00					296,000.00
072-10	Landfill	\$1,000,000						118,500.00		118,500.00
	Streetlights (20 Yr)	\$900,000							76,600.00	76,600.00
027-13	Community Centre (20 Yr)	\$4,000,000				276,000.00				276,000.00
050-13	Digester Roof WPCP 1	\$1,500,000			174,000.00					174,000.00
051-13	Street Sweeper	\$208,083		44,200.00						44,200.00
Jan 2017	WPCP #1 Headworks (20 Yr)	\$6,000,000			412,000.00					412,000.00
Jan 2017	Parks/Public Works #7 (5 Yr)	\$3,000,000		418,000.00		208,500.00				626,500.00
<b>Subtotal</b>			<b>9,700.00</b>	<b>517,500.00</b>	<b>882,000.00</b>	<b>484,500.00</b>	<b>0.00</b>	<b>160,500.00</b>	<b>76,600.00</b>	<b>2,130,800.00</b>
<b>Sources of Funding</b>										
	Development Charges					-276,000.00	-40,000.00			-316,000.00
	Sewer Rates				-882,000.00					-882,000.00
	Holdco Reserve		0.00	-88,500.00	0.00	-44,300.00	0.00	0.00		-132,800.00
<b>Subtotal</b>			<b>0.00</b>	<b>-88,500.00</b>	<b>-882,000.00</b>	<b>-320,300.00</b>	<b>-40,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-1,330,800.00</b>
<b>Net Expenditure from tax base</b>			<b>9,700.00</b>	<b>429,000.00</b>	<b>0.00</b>	<b>164,200.00</b>	<b>-40,000.00</b>	<b>160,500.00</b>	<b>76,600.00</b>	<b>800,000.00</b>

THE CORPORATION OF THE TOWN OF COBOURG 2018 debt repayment

2018 DEBT PAYMENTS SCHEDULE

By-Law Description	Original Loan Amt	Roads	Sewer	Parks	Library	Landfill	Streetlights	Total
<b>Gross Expenditure</b>								
051-09 Sewers	\$2,375,000		296,000.00					296,000.00
072-10 Landfill	\$1,000,000					118,500.00		118,500.00
Streetlights (20 Yr)	\$900,000						74,200.00	74,200.00
027-13 Community Centre (20 Yr)	\$4,000,000			276,000.00				276,000.00
050-13 Digester Roof WPCP 1	\$1,500,000		174,000.00					174,000.00
051-13 Street Sweeper	\$208,083	44,200.00						44,200.00
Jan 2017 WPCP #1 Headworks (20 Yr)	\$6,000,000		412,000.00					412,000.00
Jan 2017 Parks/Public Works #7 (5 Yr)	\$3,000,000	418,000.00		208,500.00				626,500.00
<b>Subtotal</b>		462,200.00	882,000.00	484,500.00	0.00	118,500.00	74,200.00	2,021,400.00
<b>Sources of Funding</b>								
Development Charges				-276,000.00	-40,000.00			-316,000.00
Sewer Rates			-882,000.00					-882,000.00
Holdco Reserve		-15,600.00	0.00	-7,800.00	0.00	0.00		-23,400.00
<b>Subtotal</b>		-15,600.00	-882,000.00	-283,800.00	-40,000.00	0.00	0.00	-1,221,400.00
<b>Net Expenditure from tax base</b>		446,600.00	0.00	200,700.00	-40,000.00	118,500.00	74,200.00	800,000.00