



Report Presented To:	Township of Southgate Council Meeting
Meeting Date:	2024-12-04
Report Number	CAO2024-023
Title:	Loan for Unfinanced Capital – Victoria Street Project – Phase 2
Open/Closed Session:	Open Session
Prepared By:	Insert Name of Staff Member Who Prepared the Report
Approved By:	Dina Lundy Chief Administrative Officer

Executive Summary:

This report is presented to provide background information and financing options for unfinanced capital from 2023 and 2024 for the Victoria Street Rehabilitation project. The loan requested is for the 2024 unfinanced amount, until requirements are met to apply to Infrastructure Ontario. At that time, the bank loan will be paid in full and a debenture issued by Infrastructure Ontario (IO) for the full amount outstanding for unfinanced capital from both 2023 and 2024 for the Victoria Street Rehabilitation project.

Recommendation:

Be it resolved that Staff Report CAO2024-023 be received for information; and
That Council direct staff to secure a loan for unfinanced capital from 2024 in the amount of \$4,066,295.00 for Victoria Street Rehabilitation Phase 2; and
That Council approve financing option 1, for a one-year term fixed rate loan at 4.64%, with a 10-year amortization; and
That council consider the adoption of a borrowing by-law to authorize the loan.

Background:

The 2023 Roads budget includes debt financing for the project for \$5,213,968.00, estimated interest rate at 5% for 10 years. The 2024 Roads budget includes debt financing for \$4,066,295.00. The project debt for 2023 and 2024 has not been financed to date, which is affecting the township’s cash flow position.

Analysis

Requirements for obtaining a loan from Infrastructure Ontario (IO), include latest year financial statements posted, and the yearly approval of the Asset Management Plan. The township has not completed these for the 2023 fiscal year.

Staff obtained approval from CIBC for a loan in the amount of \$4,066,295.00 and are recommending Option 1 below.

10 Year Amortization, Fixed Term Loan Options

*rates as of November 20th, 2024, subject to change

Option	Amort. (Yrs)	Term (yrs)	Rate	Payment (Monthly)	Payment (Annual Total)	Total Payable to CIBC	Total Interest over Life of Loan
1	10	1	4.64%	\$ 42,417	\$ 509,009	\$ 5,090,087.01	\$ 1,023,792.01
2	10	2	4.57%	\$ 42,280	\$ 507,357	\$ 5,073,573.40	\$ 1,007,278.40
3	10	3	4.59%	\$ 42,319	\$ 507,829	\$ 5,078,288.27	\$ 1,011,993.27
4	10	4	4.65%	\$ 42,437	\$ 509,245	\$ 5,092,448.74	\$ 1,026,153.74
5	10	5	4.76%	\$ 42,654	\$ 511,847	\$ 5,118,471.23	\$ 1,052,176.23

Infrastructure Ontario (IO) can provide direct to debenture funding for completed projects five years after the last expense was incurred for the project. The project is currently in its last stages of completion, therefore can still be funded through IO within the next 5 years. The application process can take 2 months once we receive our FIRs and have an updated AMP in place. Currently, an IO loan is slightly lower than the bank interest rate, with the 10 year amortization rate at 3.97%.

Amortization (Yrs)	Rate	Payment (Monthly)	Payment (Annual Total)	Total Payable to IO	Total Interest over Life of Loan
10	3.97	\$41,111.31	\$493,335.70	\$4,933,357.02	\$867,062.02

Staff will bring forward the refinancing options once the criteria for securing a loan through IO are met, and the term of the loan is nearing. Additionally, staff will finance the 2023 unfinanced capital through IO as soon as the criteria has been met.

Internal Policy and Legislated Requirements:

The Municipal Act, 2001 sets out provisions for long term borrowing under [Part XIII – Debt and Investment](#).

Financial and Resource Implications:

Option 1 as recommended, is a one-year term at a total cost of \$509,009.00. The borrowing cost over the term is \$102, 379.20. Once approved by by-law, the total cost will be added to the 2025 budget.

Annual Repayment Limit:

The 2024 Annual Repayment Limit (ARL) estimated annual repayment ceiling is \$2,872,509.70. The above loan brings our annual repayments to \$690,063.76. After taking this into consideration, this would leave \$2,182,445.94 annually available for other debt funded projects.

Strategic Priorities:

Priority: Operational Excellence

Goal: Goal 12: Ensure Diligent Maintenance and Long-Term Sustainability of Township Assets and Infrastructure

Action Item: 12 b) Continue to Foster Partnerships and Explore Opportunities to Access Funding for Municipal Infrastructure Projects Throughout Southgate