

STAFF REPORT: Finance & IT Services



REPORT TO: Council
MEETING DATE: October 24, 2011
REPORT NO.: FIT.11.53
SUBJECT: Highway 26 - Local Water Servicing Extension
PREPARED BY: Darcy Chapman, Capital Accountant

A. Recommendations

THAT Council receive Staff Report FIT.11.53 “Highway 26 - Local Water Servicing Extension” for information purposes.

B. Background

The Highway 26 Local Water Servicing Extension Project was constructed to provide a watermain loop in four phases from Arrowhead Road easterly along Highway 26 to a location on Highway 26 near the base of Chamonix Crescent and the Georgian Trail. With construction complete and final costs known, the Town calculated the Capital Charges for the project.

After holding a Public Information Centre and Public Meeting, concerns were raised over the draft By-law calculations relating to the total number of benefitting units and the interest rate charged in providing residents long term financing. Based on the dialogue with Council and the public, the following changes have been made to the final By-law and are illustrated below.

| | July Draft By-law | October Final By-law | Difference |
|-------------------------|----------------------|-------------------------|------------------|
| Capital Charge | | | |
| Watermain Extension | \$ 7,712.72 | \$ 7,011.57 | \$ 701.15 |
| Equivalent Plant Charge | \$ 2,184.00 | \$ 2,184.00 | \$ - |
| TOTAL | \$ 9,896.72 | \$ 9,195.57 | \$ 701.15 |

| | July Draft By-law @ 5% | October Final By-law @ 3.1% | Difference |
|---------------------------|---------------------------|--------------------------------|------------------|
| Annual Repayment | | | |
| Average Capital Repayment | \$ 989.67 | \$ 919.58 | \$ 70.09 |
| Average Interest Charges | \$ 292.00 | \$ 163.95 | \$ 128.05 |
| TOTAL | \$ 1,281.67 | \$ 1,083.53 | \$ 198.14 |

As can be seen, the capital charge saving for the typical unit that had not made a prepayment is \$701.15. As well, by utilizing the current prevailing 10 year interest rate of 3.1%, residents that choose to finance the charge through the Town will see an additional estimated saving of \$198.14 annually through the reduced interest rate.

C. The Blue Mountains' Strategic Plan

Ensuring long-term financial sustainability and providing a strong, well managed municipal government.

D. Environmental Impacts

Provide safe drinking water.

E. Financial Impact

Total construction and capital costs of \$991,149 are currently held unfinanced by the Town. Passage of the By-law will ensure invoicing will be completed in 2011 and the outstanding unfinanced project will be finalized for the 2011 audit.

F. Attached

1. Infrastructure Ontario prevailing interest rate sheet as of October 17, 2011

Respectfully submitted,

Darcy Chapman, Capital Accountant

Robert Cummings, Director of Finance & IT Services

For more information, please contact:

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Lending Rates: Municipalities

Indicative Lending Rates as of October 17, 2011**

| Term | Construction | Serial | Amortizer |
|---------|--------------|--------|-----------|
| 1 Month | 1.55% | - | - |
| 5 Year | - | 2.11% | 2.21% |
| 10 Year | - | 3.00% | 3.10% |
| 15 Year | - | 3.49% | 3.59% |
| 20 Year | - | 3.78% | 3.88% |
| 25 Year | - | 3.96% | 4.06% |
| 30 Year | - | 4.07% | 4.17% |
| 35 Year | - | 4.13% | 4.23% |
| 40 Year | - | 4.18% | 4.28% |

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.

Debentures - rates on debentures are fixed for the entire life of the loan once the debenture is purchased by Infrastructure Ontario. Clients seeking debenture terms longer than 30 years for amounts greater than \$25 million, are subject to capital market conditions. Please contact Infrastructure Ontario for details.

Construction Loans - for construction loans, rates float throughout the term of the loan until they are replaced by a debenture. 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