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STAFF REPORT: Finance & IT Services



REPORT TO: Council
MEETING DATE: May 28, 2012
REPORT NO.: FIT.12.36
SUBJECT: Marsh Street Community Centre
 Funding Request
PREPARED BY: Robert Cummings, CMA
 Director of Finance & IT Services

A. Recommendations

THAT Council receive Staff Report FIT.12.36 “Marsh Street Community Centre Funding Request”; and,

THAT Council consider the request from the Marsh Street Community Centre.

B. Background

The Board of the Marsh Street Community Centre (MSCC) is requesting a \$20,000 infusion of cash to provide the MSCC the opportunity to complete and implement its new strategic direction and future fundraising initiatives that aim to ensure the MSCC becomes a self-sustaining community organization in the future.

The Town has had a long history of support for the MSCC as noted below.

- In 2010, the Town loaned \$10,000 to the MSCC in order to assist the Board in their short term financial challenges. The MSCC began repayment of this loan in 2012.
- March 22, 2004 - The Town partnered with the MSCC to provide interim (non-interest bearing) financing in the form of a first charge/mortgage in the amount of \$150,000. As part of the SCTP Funding Agreement (May 26, 2003), financial assistance to the MSCC for the intended works would flow to the Town and be applied to the outstanding amount of the loan. There was no long term burden to Town since the funds were received from SCTP by 2006.
- September 25, 2000 – Town subsidized the purchase of the MSCC Lands by \$78,000.

For the evaluation of the \$20,000 request, Staff has provided the following options for Council to consider.

Option 1

Council approves a mortgage secured, interest free \$20,000 loan.

Pros:

- MSCC could sustain short-term operations and commence strategic plan initiatives for long term success.
- MSCC provides a cultural benefit to the Town.
- Town has some security in the building and the site in the event of default.

Cons:

- Loan payments are an additional cash outflow that the MSCC may have difficulty in managing in the short-medium term given the current cash flow from operations. MSCC's current business plan does not account for loan payments or include a cash flow projection; therefore it is difficult to assess the risk as low.
- This is no guarantee of 3-5 year success. Past cost control and revenue generation have been insufficient to sustain the MSCC's initiatives.
- If there is a default, it could put the Town in a politically distasteful position.
- If there is a default, there will be work required to determine the future use of the site and determine the pros and cons of operating the MSCC as a Town facility (promoting the cultural and intangible benefits the MSCC can provide to the Town vs. the additional level of service and cost required for operations)
- The Town has no need for the use of the space or the building.
- There is a minor opportunity cost to the Town.

Option 2

Council approves an unsecured open loan at 6% interest per annum.

Pros:

- MSCC could sustain short-term operations and commence strategic plan initiatives for long term success.
- MSCC provides a cultural benefit to the Town.
- There is no opportunity cost since the risk is offset by the interest rate.

Cons:

- Loan payments are an additional cash outflow that the MSCC may have difficulty in managing in the short-medium term given the current cash flow from operations. MSCC's current business plan does not account for loan payments or include a cash flow projection; therefore it is difficult to assess the risk as low.
- Interest is an additional expense that the MSCC will have difficulty in managing in the short term. The current business plan does not include interest payments.
- This is no guarantee of 3-5 year success. Past cost control and revenue generation have been insufficient to sustain the MSCCs initiatives.
- Town has less recourse in the event of non-payment.

Option 3

Council approves a grant to the MSCC for \$20,000.

Pros:

- MSCC could sustain short-term operations and commence strategic plan initiatives for long term success.
- The cultural benefit the Centre provides to residents and visitors is supported by the Town.

Cons:

- There is a policy issue with how the Town deals with grants as part of its budget process. The MSCC has never requested funds through the formal “Grants and Donation Program” and now the Town is providing funds upon request. This does not put the Town in good light for those organizations that follow the grants and donation program.
- This is no guarantee of 3-5 year success. Past cost control and revenue generation have been insufficient to sustain the MSCC’s initiatives. Will a \$20,000 grant be supportive enough or simply a short-term insufficient effort.

C. The Blue Mountains’ Strategic Plan

Provide a strong well-managed municipal government.

D. Environmental Impacts

n/a

E. Financial Impact

According to the MSCC Project 2012 business plan, the MSCC is in need of “an immediate infusion of cash ...in the amount of \$50,000.” Generally speaking, consideration should be given regarding the request for \$20,000 being sufficient to meet the short-term needs of the MSCC given the need outlined in their business plan.

If the Town provides an interest free loan of \$20,000 for 10 years, the cash flow requirements for debt are now at \$4000/year because of the prior \$10,000 Town loan. This represents 7% of the prior year’s revenue. More significantly, operating at a net loss makes it difficult to make loan payments.

F. In Consultation With

MSCC representatives
Kris Couture, Tax Collector
Lisa Kidd, Communications & Economic Development Coordinator
Troy Speck, CAO

G. Attached

nil

Respectfully submitted,

Robert Cummings, CMA
Director of Finance & IT Services

For more information, please contact:

Robert Cummings
rcummings@thebluemountains.ca
519-599-3131 x245