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FINANCING FOR CHARACTER COMMUNITY FOUNDATION

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, October 31, 2007, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Region provide a 5-year unsecured loan to the Character Community Foundation of York Region to be funded from the General Capital Reserve in the amount of $50,000 with a repayment schedule as shown on Table 1 and simple interest at a rate of 4.75% per year.

2. The annual interest accruing on the loan will be forgiven provided that the Character Community Foundation of York Region is not in default of any of its obligations under the loan agreement.

3. The Regional Treasurer be authorized to execute the loan agreement together with any ancillary documents thereto, subject to the prior review by Legal Services.

4. Staff be authorized to take all actions necessary to implement these recommendations.

2. PURPOSE

This report outlines the details of the loan agreement for $50,000 to be executed between the Region of York and the Character Foundation of York Region as approved by Council at its meeting on April 19, 2007.

3. BACKGROUND

The Character Foundation of York Region ("the Foundation") was established in November 2002 to promote the Character Community initiative within York Region. A Character Community is defined as one in which its members work to nurture positive character attributes. With the endorsement of all nine area municipalities, York Region became the first municipality in Canada to declare a Character Community and has been the model for other municipalities throughout the province ever since. The province subsequently followed suit by declaring a Character Province and launching a character development initiative to support character building in schools.

Historically, the Region has provided formal support to the Foundation by offering many in-kind services and through a $100,000 ongoing grant included in its annual operating budget.

As part of its 2007 budget deliberations, Council received a request dated March 29, 2007 from the Foundation to increase the program's 2007 operating budget by $50,000. However, Council decided at its meeting of April 19, 2007 that in lieu of the additional annual funding to the Foundation that it would be prepared to offer a one time repayable loan.

4. ANALYSIS AND OPTIONS

The Foundation has now obtained approval for charitable status. Achieving such status should translate into increased contributions from major foundations in Canada which, in combination with other fundraising efforts, will provide a source of repayment for the loan. However, it is expected that these contributions will not materialize in the immediate term and thus, repayment of the loan will be structured such that a larger proportion will be repaid in the latter years. To this end, authorization is requested to set out the terms and conditions of the loan as follows:

a) The initial advance of funds will be December 14, 2007.
b) Principal will be repaid in annual instalments on the anniversary date and interest will be calculated based on an annual rate of 4.75% as follows:

Table 1
Loan Repayment Schedule

	Principal	Interest
Year 1	$5,000.00	$2,375.00
Year 2	$10,000.00	$2,137.50
Year 3	$10,000.00	$1,662.50
Year 4	$12,500.00	$1,187.50
Year 5	$12,500.00	$593.75
TOTAL	**$50,000.00**	**$7,956.25**

c) Interest payments will be forgivable annually provided the Foundation is not in default of any of its obligations under the loan agreement.
d) The Foundation will have the right to prepay the loan in full without penalties.

5. FINANCIAL IMPLICATIONS

Provision of funds by way of a loan (with forgivable interest) from the General Capital Reserve will help finance the short-term cash requirements of the Foundation while avoiding external borrowing costs. The financial implications for the Region are limited to the lost interest revenue for the General Capital Reserve on the funds advanced. The opportunity costs related to this lost interest is anticipated to total $7,956.25 over the term of the loan.

6. LOCAL MUNICIPAL IMPACT

Local municipalities benefit from the work carried on by the Foundation through educational workshops and seminars.

7. CONCLUSION

By approving the terms and conditions of the loan as presented, Council will provide cash resources that will allow the Foundation program to continue creating awareness of the Character Community initiative throughout York Region.

The Senior Management Group has reviewed this report.