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FCM LOAN APPROVAL - TOWN OF NEWMARKET

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated January 21, 2010, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. Council approve long term financing for the Town of Newmarket for an amount not to exceed $2.0 million with the Federation of Canadian Municipalities for a term not to exceed 20 years to assist the Town in constructing its new Operations Centre to a LEED Silver Standard.
2. The Regional Chair, Treasurer, and Clerk be authorized to execute all documents required by the Region to effect the foregoing subject to the Region receiving the Town Council's acceptance of the Agreement.

2. PURPOSE

The purpose of this report is to seek Council approval for long term financing for the Town of Newmarket with the Federation of Canadian Municipalities in an amount not to exceed $2.0 million to assist the Town in constructing its new Operations Centre to a LEED Silver Standard

3. BACKGROUND

The Town of Newmarket has been informed by the Federation of Canadian Municipalities that it is a successful recipient of a grant and financing under the Federation's Green Municipal Fund. The funding will be used to upgrade the facility to a LEED Silver standard.

4. ANALYSIS

The terms of the Agreement with the Federation of Canadian Municipalities (FCM) are that FCM is lending the Region up to $2.0 million, which will then in turn be lent by the Region to the Town of Newmarket. By entering into the Agreement, the Town is promising to make all required payments to the Region. The Town is also responsible for all performance obligations in the Agreement concerning meeting required energy efficiencies and standards for the building. The loan amount will be equal to the lesser of

$2.0 million or 69.57% of eligible project costs. The Town has estimated the eligible project costs to be $23.7 million. At this level the loan will be set at $2.0 million.

The loan is to be repaid over 20 years. The interest rate will be set shortly before the loan is disbursed. The rate will be set at the 20 year Canada Bond rate in place at the time of disbursement less 1.5%. At current rates this would equate to a rate of 2.6% with annual payments of $129,000 a year. This compares favourably with the Region's current borrowing rate of about 5% for a 20 year loan.

As required by provincial regulation the Town's Treasurer has indicated that based on estimated payments arising from entering into this Agreement the, Town will not exceed its annual debt and financial obligation limit calculated by the Ministry of Municipal Affairs and Housing.

Under the terms of the Agreement the Town will also be eligible to receive a grant in an amount equal to the lesser of $300,000 or 10.43% of eligible project costs if it meets additional energy savings criteria.

FCM has requested a sign-back of the Agreement by the Region and the Town by March 11, 2010. Town Council will give its approval to the terms of the Agreement during the month of February and forward its approval to the Region prior to the Region's execution of the Agreement.

5. FINANCIAL IMPLICATIONS

There are no financial implications for the Region associated with this report.

6. LOCAL MUNICIPAL IMPACT

Receiving low interest rate funding from FCM in the amount of $2.0 million and a possible grant in the amount of $300,000 will allow the Town of Newmarket to construct its Operation Centre to a high standard of energy conservation.

7. CONCLUSION

The Town of Newmarket is requesting the Region's approval for long term financing with the Federation of Canadian Municipalities in an amount not to exceed $2.0 million to assist the Town in constructing its new Operations Centre to a LEED Silver Standard

For more information on this report, please contact David Williams, Manager, Treasury, and Reserves at Ext.1620.

The Senior Management Group has reviewed this report.