7
FINANCING OFFER FROM THE FEDERATION OF CANADIAN MUNICIPALITIES

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, January 14, 2008, from the Commissioner of Finance and the Commissioner of Environmental Services:

1. RECOMMENDATIONS

It is recommended that:

1. Council authorize entering into a loan agreement with the Federation of Canadian Municipalities (FCM) to provide up to $3,250,000 in combined loan and grant financing for the construction of a Source Separated Organics In Vessel Composting Facility.

2. The Regional Chair and Regional Clerk be authorized to execute the loan agreement on the Region's behalf, together with any ancillary documents thereto, subject to prior review by Legal Services.

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

2. PURPOSE

This report seeks approval to enter into a loan agreement with FCM to provide a loan and grant financing to the Region for the construction of a source separated organics and yard waste facility.

3. BACKGROUND

At its meeting of June 21, 2007, Regional Council approved the recommendations of the Solid Waste Management Committee to enter into a Memorandum of Understanding with the County of Dufferin for the joint development of a composting facility to be located in the County.

In an attempt to obtain supplementary financing, the Region submitted the details of this project to FCM in response to the 2007 Waste RFP issued by its Green Municipal Fund (GMF). As a result, FCM deemed the Region’s proposal to be one of the five best submitted in terms of environmental, social, and economic benefits and thus has offered the maximum financing available through GMF.

The Canadian Government endowed FCM with $550 million to establish the GMF in 2000 and provide a long-term, sustainable source of financing for municipal governments and their partners.

3.1 2007 Waste RFP

On February 14, 2007, GMF issued a Request for Proposals (RFP) for financing to support the implementation of municipal solid waste diversion projects.

The objective of the 2007 Waste RFP was to increase waste diversion rates from landfill sites in Canada by offering loans, or grant and loan combinations. Eligible projects are those that will result in an increase in the amount of waste diverted from landfills of at least 15% and a Total Diversion Rate (TDR) of at least 15%.

GMF evaluated eligible projects based on their expected environmental, social and economic benefits. While all three criteria are linked to the level of funding received, the heaviest weighted parameter was the environmental impact as measured by the TDR.

4. ANALYSIS AND OPTIONS

4.1 Terms and Conditions

The Region's project achieves a TDR of more than 50% and thus falls within the "exceptional" category under the GMF. As such, it is eligible to receive both loan and grant financing as follows:

4.1.1 Grant Financing

A grant in an amount equal to the lesser of $250,000 or 1% of eligible project costs conditional upon the loan being disbursed, completion of the project, and achievement of a TDR greater than 50% as confirmed by third party waste audit to be conducted within three years of project completion. If TDR is less than 50%, the Region will not be eligible for the grant.

4.1.2 Loan Financing

A loan in an amount equal to the lesser of $3,000,000 or 12.2% of eligible project costs:

a) Loan proceeds will be made available by way of a single disbursement upon project completion.
b) Amortized over a period of up to 10 years with repayment commencing within six months of project completion
c) The Region will have the option of semi-annual principal and interest payments or monthly interest with annual principal payments
d) Interest rate will be fixed at the Government of Canada Bond rate minus 1.5%
e) FCM has the right to demand accelerated payment if Total Diversion Rate falls below 50%

4.1.3 Implied Interest Savings

The loan and grant financing offered by FCM represents an opportunity for the Region to obtain project financing at rates lower than those available from other long-term lenders. The Region's current cost to borrow for 10 years by means of a public debenture issue would be approximately 4.6%. Whereas, based on current Government of Canada bond yields the approximate rate on a 10 year loan from FCM would be 2.5%. A comparison of financing costs is summarized in Table 1 below.

Table 1
Comparison of Annual Financing Costs
Traditional Financing vs. FCM Financing

	Traditional Financing *	**FCM Loan**	**Savings**
Interest Rate	4.60%	2.50%	2.10%
Annual Debt Costs	$409,120	$340,922	$68,198

* debt charge on traditional financing include cost of servicing $250,000 grant portion as well

4.1.4 Legal Review
All terms and conditions will be subject to review by the Region's in-house legal counsel prior to signing any documents.

5. FINANCIAL IMPLICATIONS

As per Table 1 above, the loan provided by FCM will result in significant savings for the Region over the proposed 10 year term as follows:

Grant	$250,000
Interest on Grant	$64,708
Interest on Loan	$367,268
Total Savings	**$681,967**

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

Entering into a financing agreement with FCM will provide the Region with a low cost source of funds towards the construction of the new composting facility.

The Senior Management Group has reviewed this report.