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FEDERATION OF CANADIAN MUNICIPALITIES LOAN - TOWN OF MARKHAM

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated April 9, 2010, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council support the Town of Markham's application to the Federation of Canadian Municipalities (FCM) through its Green Municipal Fund Program (GMFP) in an amount not to exceed $4.0 million for a term not exceeding 20 years.

2. The Regional Chair, the Regional Treasurer and the Regional Clerk be authorized to execute all documents, including any required financial instruments required, to give effect to the Town of Markham FCM loan subject to the conditions outlined in Section 4 of this report being satisfied and subject to the review of Legal Services.

2. PURPOSE

The purpose of this report is to obtain Regional Council's support for a loan application being made to the Federation of Canadian Municipalities (FCM) under their Green Municipal Fund Program (GMFP) for partial financing of the East Markham Community Centre.

3. BACKGROUND

The Town of Markham is actively exploring cost effective options to finance the East Markham Community Centre

As outlined in *Attachment 1*, at its March 2010 meeting, the Council of the Town of Markham approved a loan application to the Federation of Canadian Municipalities through its Green Municipal Fund to finance environmentally enhanced features related to the construction of the East Markham Community Centre.

The GMFP supports municipal initiatives that benefit the environment, local economies and quality of life, through grants and low interest cost loans. The Fund will support these initiatives up to the lesser of $4.0 million or 80% of construction costs with loans that are 150 basis points less that the Government of Canada bond rate for the particular term and with grants up to $400,000. This will save the Town significant interest costs over the life of the project.

4. ANALYSIS AND OPTIONS

The FCM Agreement would be a Tri-Partite Agreement with the Town and the Region

Although, the Town has not yet received a copy of the loan agreement with FCM, a recent loan agreement signed between the FCM, the Region and another local municipality stipulated that FCM would lend the Region the funds, which in turn would lend the local municipality the funds in the same amount. By entering into a like agreement, the Town would be agreeing to make all required payments to the region and would be responsible for meeting all performance obligations in terms of using the funds.

It is recommended Regional Council support the Town’s application and execute all documents necessary to give effect to the loan arrangements subject to the normal loan documentation required from the Town, including the loan terms holding the Region harmless from any performance obligations as to the use of the funds described in the loan agreement.

5. FINANCIAL IMPLICATIONS

There are no financial implications to the Region arising from the recommendations in this report.

6. LOCAL MUNICIPAL IMPACT

Receiving a low interest cost loan from FCM of up to $4 million and a grant up to an amount of $400,000 for the East Markham Community Centre could allow the Town to implement environmentally friendly features into the project at significantly lower costs.

7. CONCLUSION

The Region’s approval of a low interest loan from FCM for the East Markham Community Centre could allow the Town of Markham to implement environmentally features into the project at significantly lower costs.

For more information on this report, please contact Len Bulmer at Ext. 1676.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the May 5, 2010 meeting.)

MARKHAM

Report to: General Committee – Finance & Admin.   Date Report Authored: March 9, 2010

SUBJECT: Green Municipal Fund Loan Application
PREPARED BY: Mark Visser, Manager, Financial Strategy & Investments

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RECOMMENDATION:

1) THAT the report dated March 9, 2010 entitled "Green Municipal Fund" be received.
2) THAT Council approve the submission of a loan application (through the Region of York) to the Federation of Canadian Municipalities' Green Municipal Fund to partially fund the construction of the East Markham Community Centre.
3) AND THAT staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to obtain Council's approval to submit a loan application (through the Region of York) to the Federation of Canadian Municipalities (FCM) Green Municipal Fund (GMF) to partially fund the construction of the East Markham Community Centre (EMCC).

BACKGROUND:

On December 15, 2009 Council authorized Staff to proceed with tendering for the construction phase of the construction of the EMCC. Since that time Town staff have been pursuing a grant and a low cost loan available through the Federation of Canadian Municipalities (FCM) Green Municipal Fund (GMF).

GMF program supports municipal initiatives across Canada that benefit the environment, local economies and quality of life. GMF provides grants and below-market loans that directly support municipal initiatives for up to 80 per cent of construction costs to a maximum of $4 million in loans combined with a $400,000 grant. For municipal governments, GMF offers interest rates 150 basis points lower than the Government of Canada bond rate for the equivalent term.

As a lower tier Municipality the Town does not have the ability to borrow long-term funds, therefore the borrowing must be through the Regional Municipality. Town staff have been in contact with the Region regarding this potential FCM loan and Region staff have advised that they would support the application to Regional Council, subject to all legal and program requirements relating to the application being met.

Staff recommend Council approve the submission of a loan application (through the Region of York) to Federation of Canadian Municipalities Green Municipal Fund to partially fund the construction of the East Markham Community Centre.

FINANCIAL CONSIDERATIONS AND TEMPLATE:

A high level forecast of the Recreation Development Charge Reserve identifies the potential requirement to begin borrowing funds starting in the next 18 to 36 months. With this understanding, the Town will need to leverage programs, like the Green Municipal Fund, that offer grants and low cost loans which will help reduce the Town's future borrowing costs.

If the Town's Green Municipal Fund application is approved, the Town could receive a grant up to $400,000 and receive approval for a $4,000,000 low cost loan. The financial impact of the loan, assuming a 150 basis point reduction over a 20 year term, is approximately $700,000. Therefore the total positive financial impact to the Town could be $1,100,000.