



THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

Subject: Financing of Kincardine Business Park Lands at Highway 9/21

Report Number: Treasury-2019-80

Meeting Date: Monday, November 4, 2019

Recommendation: THAT Council approve the draft borrowing by-law for servicing the business park lands at Hwy 9/21 as authorized in the 2019 budget.

Date to be considered by Council: Monday, November 4, 2019

Report Summary: The purpose of this report is to obtain Council's approval of the borrowing by-law in order to initiate the external borrowing process through Infrastructure Ontario to fund the servicing of the Highway 9/21 business park lands, as per the 2019 capital budget.

Origin: 2019 budget

Existing Policy: GG.2.23 Debt Management Policy

Background/Analysis: At the October 7th meeting, Council awarded the construction tender for the provision of services at the 9/21 Kincardine Business Park for a cost of \$1,841,007. The scope of work for this phase included the extension of road surface and sidewalk on Durham St and Millennium Way as well as the installation of storm sewer, water and sanitary services.

The 2019 capital budget included a total of \$4,265,000 in costs, including construction and engineering, for the first phase of the servicing. As reported in staff report PW-2019-74, not all of the elements have yet been tendered due to the scope of requirements being dependent upon the nature of the developments which are not yet known. Full use of the serviced lands is anticipated for 2021.

While these costs will ultimately be recovered through Area-Specific Development Charges (ASDCs), the Municipality will be financing these costs upfront through external borrowing, net of ~ \$430,000 from the 2019 OPG hosting payment, for an anticipated borrowing amount of \$3,835,000.

Staff have completed the loan application through Infrastructure Ontario (IO), and the attached borrowing by-law is being submitted for Council's review and approval. Through discussions with IO, staff has determined that the appropriate loan for this work would be the Floating Rate Capital Loan. This product is best suited for borrowers who anticipate receiving future incoming cash flows to pay for specific capital expenditures for infrastructure projects. As the Municipality expects to recover its costs through ASDCs, this would be the ideal loan structure. The loan details are as follows:

- Allows borrowers to draw short-term loans for up to 5 years
- The borrower is able to make interest only payments monthly for up to a 5-year period from the date the funds are first advanced
- At maturity after 5 years, the borrower must either convert to a fixed rate term loan or reimburse the interest-only loan balance
- The current IO floating rate as of the date of this report is 2.21%

There are no fixed principal and interest payments under this loan, and therefore the Municipality will only be required to make monthly interest payments on the advanced funds. While staff expects that sufficient development will occur over the next 5 years such that the ASDC's will be collected within the borrowing term, any unpaid loan balance can be converted to a fixed rate term loan and would not become immediately due.

The loan application was completed for \$4.25 million in the event of any unanticipated cost overages, however actual borrowing would be restricted to the maximum budgeted cap of \$3.815 million. Any borrowing requirements that may extend beyond the budgeted maximum would require prior Council approval.

Community Plan and Integrated Community Sustainability Plan (ICSP) Considerations:

Financial Implications: The interest payments will need to be included in the operating budget beginning in 2020, however interest will be included in the calculation of the ASDC's and will therefore be recoverable from future development. Annual interest payments on the full extent of \$3.835 million in borrowing would amount to ~ \$85,000 at the current interest rate. The interest expense would be allocated 60% to the roads budget, 30% to the water budget, and 10% to the sewer budget, calculated using the forecasted construction costs attributed to each asset area.

Attachments: Draft borrowing by-law

Report Approval Details

Document Title:	Financing of the Highway 9 and 21 Kincardine Business Park - Treasury-2019-80.docx
Attachments:	
Final Approval Date:	Oct 28, 2019

This report and all of its attachments were approved and signed as outlined below:

Sharon Chambers