

COUNCIL REPORT

To: Mayor & Council

Date: December 29, 2009

From: Bill Preisenz, CAO

Re: Lake of the Woods Community Foundation – Endowment Funding Request

Recommendation:

That Council of the City of Kenora respectively deny the request from Lake of the Woods Community Foundation for \$3.5 million in endowment funding at this time; and further That Administration be directed to identify future sources of funding such as the sale of surplus property which could be ear-marked for Lake of the Woods Community Foundation.

Background:

At a December 04, 2009 special Committee of the Whole meeting attended by Don Parfitt, Andrew Paterson and Brent Preston from LOW Community Foundation, Council members received a presentation on the benefits accruing to the community from donations originating from the proceeds flowing from the endowment funds of the Foundation. More than \$547,000 has been donated back to the community since the Foundation was established in Kenora a few years ago. Mr. Andrew Paterson outlined the benefits accruing to a community from endowment funds established under a Foundation and provided examples from the Winnipeg Foundation who have a long-standing history of supporting hundreds of community projects each year. Mr. Paterson also pointed out that the Foundation established in Kenora provides the opportunity for visitors and seasonal residents to give back to the community through donations and it was noted that 60% of the donations to the Foundation originated from seasonal lake residents.

Mr. Paterson's request was to secure a one-time \$3.5 million contribution in endowment funding from the City for the Lake of the Woods Community Foundation. Mr. Paterson acknowledged that the \$3.5 million in funding would remain protected in perpetuity and only the interest generated from the fund would be used for community projects and administrative costs.

Issue:

There are real and long-term benefits accruing to a community which has established a Community Foundation, however, in this situation, can the cost to the City of Kenora to provide funding for an additional \$3.5 million contribution to LOW Foundation be justified?

Alternatives:

In order to provide a one-time contribution of \$3.5 million, Council could consider the following funding sources:

1. Utilize City reserves
2. Utilize Kenora Citizens' Prosperity Trust Fund
3. Issue a long term debt to raise funds

Analysis:

In analyzing the alternatives it is obvious that there are some long term costs that must be weighed against the potential benefits of a \$3.5 million endowment contribution. Utilizing City reserves would either deplete all contingency and working capital reserves or deplete a number of special purpose reserves.

While the Kenora Citizens' Prosperity Trust Fund was established by Bylaw No. 184-2008 and was intended that the principle funds of \$40,787,328 be protected, Council retains ultimate control over this fund. Any depletion of the principle funds will have a direct impact on the tax rate of the City.

Funding a \$3.5 million contribution through a long-term loan of say, 20 years, would equate to an annual payment of approximately \$281,000. This cost to the taxpayers in repaying this loan would likely exceed benefits realized within the community from Foundation grants.

Summary:

The City does not have access to surplus funds that could be made readily available to the Lake of the Woods Community Foundation without a significant impact to the taxpayers of the City. In the future, however, Council may wish to consider proceeds from sale of surplus assets as a potential source of funds for the Foundation in which the benefits may outweigh the financial impact on the City.