



Jan. 30, 2012

City Council Committee Report

To: Mayor and Council

Fr: Charlotte Edie, Treasurer

Re: Fire Hall Debenture

Recommendation: THAT Council approve a By-law for the issuance of long term debt financing in the amount of \$4,504,572.08 effective December 31, 2011 to finance the net municipal costs related to the Fire Hall, budgeted to be financed through a \$1,000,000 subsidy from the Northern Ontario Heritage Fund and the issuance of long term debt.

Background: The net capital costs for this project were budgeted to be financed by a long term debt issuance through the Kenora Citizens' Prosperity Trust Fund. The debt repayment will be made from tax dollars over the next 17 years. The cost of the project has been offset by the net proceeds on the sale of the old Fire Hall.

Based on a 17 year amortization at 3.0% the annual payment would be \$332,168.59. The payments will be due on December 31 of each year commencing in 2011. The 3.0% rate is the minimum rate required by the Citizens' Prosperity Trust Fund. The rates offered by the Infrastructure Ontario Loan Program are 3.24% for 15 years and 3.53% for 20 years.

Financing internally through the Citizens' Prosperity Trust Fund allows flexibility in terms of early repayment. Council may decide to liquidate the debenture early with no penalties. A debenture through Infrastructure Ontario would require payment of all the interest for the entire term of the debenture even if it was paid off early.

In addition issuing the debenture internally allows the City to choose exactly the amortization period that fits into the annual budget. In this case the period of 17 years was chosen to match budget projections. Infrastructure Ontario only offers amortization periods in increments of 5 years.

Budget: Principal and interest will be reflected in the corresponding years' fire budget.

Communication Plan/Notice By-law Requirements: This matter is housekeeping in nature. No further communication is recommended.