



Jan. 30, 2012

City Council Committee Report

To: Mayor and Council

Fr: Charlotte Edie, Treasurer

Re: Highway 17 East and West Rehabilitation Project Debenture

Recommendation: THAT Council approve a By-law for the issuance of long term debt financing in the amount of \$2,344,191.28 effective December 31, 2011 to finance the net municipal costs related to the Highway 17 East and West Rehabilitation Project, budgeted to be financed through a \$4,666,666 subsidy from the Infrastructure Stimulus 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 20 years.

Based on a 20 year amortization at 3.0% the annual payment would be \$152,977.16. 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 rate offered by the Infrastructure Ontario Loan Program for 20 years is 3.53%.

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.

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

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