

Municipality of East Ferris

Report to Council

Report No.: CAO-2021-02

Date: August 5, 2021

Originator: Jason H. Trottier, CAO/Treasurer

Subject: Financing for New Municipal Office

RECOMMENDATION

That Council for the Corporation of the Municipality of East Ferris enters into an agreement for financing of the new municipal office with Infrastructure Ontario for \$4,800,000.

BACKGROUND

Project financing for the new municipal office has been secured through the Royal Bank of Canada (RBC) and Infrastructure Ontario (IO).

The RBC loan has been approved for \$4,400,000 and has been set up in two (2) phases: construction financing with advances during the construction phase at RBC prime rate (currently 2.45%) + 0.5%, and a take-out loan for the final amount after completion of the project. The fixed loan interest rate will be quoted by RBC and fixed at the time of borrowing, but the current rate is cost of funds (2.38%) + 0.45% = 2.83% for a 10 year term. The loan is amortized over twenty-five (25) years.

The IO loan has been approved for \$4,800,000 and has been set up in two (2) phases: construction financing with advances during the construction phase at a reduced borrowing rate (currently 0.65%) and a debenture for the final amount after completion of the project. The debenture rate will be quoted by IO and fixed at the time of debenture. Current rate for a twenty-five (25) year debenture is 2.58%.

OPTIONS

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| Option #1 | Enter into an agreement for financing of the new municipal office with RBC for \$4,400,000. |
| Option #2 | Enter into an agreement for financing of the new municipal office with Infrastructure Ontario for \$4,800,000. |
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RECOMMENDATION

It is recommended that Council for the Municipality of East Ferris enters into an agreement for financing of the new municipal office with Infrastructure Ontario for \$4,800,000 for the following reasons:

- The interest rate for long-term borrowing with IO is locked in for the entire 25 year term with no need for future renewals which is a requirement of RBC after the initial 10 year term;
- The quoted interest rate for construction financing with IO is substantially lower than RBC – 0.65% vs. 2.95%; and
- Current long-term borrowing rates with IO are lower than RBC – 2.58% vs. 2.83%.

Respectfully submitted,



Jason H. Trottier, HBBA, CPA, CMA
CAO/Treasurer