



MUNICIPALITY OF THAMES CENTRE

REPORT NO. CAO-019-23

TO: Mayor and Members of Council
FROM: Chief Administrative Officer
MEETING DATE: December 11, 2023
SUBJECT: FlightExec Renovation Capital Project – Financing Update

RECOMMENDATION:

THAT Report No. Report CAO-019-23 be received for information;

AND THAT the 2024 tax levy be increased by an additional 2.0% to phase in the future impact of debt financing repayments associated with the FlightExec renovation capital project.

PURPOSE:

The purpose of this report is to present Council with a debt financing update for the Flight Exec renovation capital project in tandem with the 2024 Budget

BACKGROUND:

Council approved the 2023 Budgetary Estimates By-Law on January 16, 2023. The 2023 capital budget was approved inclusive of \$7,685,000 for the “Senior Centre Expansion.” The sources of financing for this capital project have been approved by Council as follows:

Source of Financing	Amount	% of Project
Development Charges	\$ 1,571,184	20%
External - Donations	\$ 1,410,314	18%
Debt Financing – Infrastructure Ontario	\$ 4,703,502	61%
Total Approved 2023 Capital Budget	\$ 7,685,000	100%

COMMENTS:

In anticipation of securing a \$5 million loan from Infrastructure Ontario in 2024 to help fund this capital project, staff reached out to confirm the current interest rates. A 20-year loan has a current interest rate of 4.52% and a 30-year loan has a current interest rate of 4.53%.



20-Year Loan:

Principal Amount	\$5,000,000
Interest Amount at 4.52%	2,271,120
<i>Total Costs</i>	<u>\$ 7,271,120</u>
Total Estimated Annual Repayments	\$ 471,428
Total Estimated Impact to the 2024 Operating Tax Levy	4.1%

30-Year Loan:

Principal Amount	\$5,000,000
Interest Amount at 4.53%	3,409,428
<i>Total Costs</i>	<u>\$ 8,409,428</u>
Total Estimated Annual Repayments	\$ 390,319
Total Estimated Impact to the 2024 Operating Tax Levy	3.4%

It is important to note that these interest rates are subject to change due to economic conditions at the time of the actual debt issuance.

FINANCIAL IMPLICATIONS:

Staff are recommending the 20 Year Loan option to save over \$1.1 million in interest costs. Therefore, the annual debenture repayments of approx. \$470,000 is equivalent to approx. 4% tax levy increase (1% equals \$115,000).

A two-year phased in approach is further recommended to absorb the operating costs associated with the annual debt repayments of approx. \$470,000. with the Flight Exec renovation capital project. The 2024 tax levy would be increased by an additional 2.0% beyond the proposed Budget recommendations, with the intent to add the second 2.0% increase on the tax levy as part of the 2025 budget process.

STRATEGIC PLAN LINK

Pillar: Sustainability

Goal: Ensure that the Municipality maintains fiscal prudence, along with affordable and sustainable taxation levels.

CONSULTATION:

Emily Schinbein, Director of Financial Services/Treasurer
Nicole Bowery, Financial Analyst
D. Barrick, CAO



REFERENCES:

By-Law 3-2023 Budgetary Estimates for the year 2023

ATTACHMENTS:

Prepared by: E. Schinbein, Director of Financial Services/Treasurer
Reviewed by: D. Barrick, Chief Administrative Officer