

Municipality of Lakeshore – Report to Council

Corporate Services

Accounting and Revenue



To: Mayor and Members of Council

From: Kate Rowe, Interim Corporate Leader – Chief Financial Officer

Date: November 8, 2024

Subject: By-law to Authorize Long-Term Borrowing to Finance the Expansion of the Denis St. Pierre Pollution Control Plant

Recommendation

Direct the Clerk to read By-law 109-2024 to authorize the issuance of long-term debt through Infrastructure Ontario (IO) in the principal amount of \$45,281,427.72 to finance the expansion of the Denis St. Pierre Water Treatment Plant (the "Project"), during the Consideration of By-laws, as presented at the November 19, 2024 Council meeting.

Strategic Objectives

Securing a stable and competitive financing solution through Infrastructure Ontario ("IO") reflects the Municipality's commitment to prudent financial planning and cost-effective debt management.

Background

The Denis St. Pierre Pollution Control Plant is essential to the Municipality's ability to provide safe, reliable water service. Population growth and increasing water demands necessitate an expansion of the facility to ensure adequate water supply and compliance with regulatory standards.

The projected cost of the expansion is approximately \$57 million. To fund this, the Municipality has reviewed financing options, with IO offering a favorable borrowing solution that includes competitive interest rates and long-term stability.

Comments

This expansion was essential to maintaining service levels and managing future demand as the Municipality continues to grow. Financing this project with IO allows the Municipality to spread the cost burden across future beneficiaries, optimizing affordability and aligning debt servicing with the project's long-term benefits.

The Municipality seeks to secure long-term debt financing from IO, in the form of amortizing debentures. By locking in favorable interest rates and deferring debt servicing until the post-construction period, the Municipality has maximized financial flexibility during the project.

Debt Structure and Terms:

The Rate Offer Letter Agreement with Infrastructure Ontario sets the terms for a principal amount of \$45.3 million, with an annual interest rate of 4.3% and repayment period of 20 years. The amortizing structure ensures predictable, stable payments over the life of the debt, allowing for precise budget planning.

The deferred debt servicing schedule, enabled by this financing structure, has resulted in cost savings estimated at \$5 million during the construction period. Additionally, recent reductions to the Bank of Canada rates are expected to yield an additional \$1.3 million in post-construction savings plus an additional \$15.6 million over the life of the loan, further optimizing the Municipality's financial investment.

Others Consulted

Willis Business Law – Willis Business Law has reviewed the terms of the financing agreement, drafted the legal opinion on the borrowing by-law, and confirmed the terms in the Rate Offer Letter Agreement to align with municipal legal requirements.

Financial Impacts

The projected debt servicing cost, estimated at \$22 million, for the expansion project will be integrated into the Municipality's water and wastewater revenue streams to ensure no impact on property tax rates. The long-term borrowing structure enables the Municipality to manage the financial requirements of this essential project while balancing immediate and future budgetary priorities.

By deferring the debt servicing during construction, the Municipality has achieved significant cost savings of approximately \$5 million. Furthermore, due to favorable rate cuts by the Bank of Canada, the post-construction phase will yield an additional estimated savings of \$1.3 million in post-construction savings plus an additional \$15.6 million over the life of the loan. These adjustments have reduced the total financial impact, enhancing cost efficiency for the Municipality over the life of the debt.

Attachments

Executed Rate Offer Letter

Certificate of the Treasurer

Report Approval Details

Document Title:	Authorization of Long-Term Borrowing to Finance the Expansion of the Dennis St. Pierre Water Treatment Plant.docx
Attachments:	- Rate Offer Letter.pdf - Certificate of Treasurer.pdf
Final Approval Date:	Nov 8, 2024

This report and all of its attachments were approved and signed as outlined below:

Prepared by Kate Rowe

Approved by the Corporate Leadership Team