



**The Corporation of the Municipality
Staff Report**

Office of the Treasurer
Manuela Batovanja

Prepared For: Mayor and Council	Report No.: MB 2023-10
Agenda Date: May 16, 2023	File No.: C11

Staff Recommendation

THAT Council receive Report No. MB 2023-10, recommending capital funding in the form of an internal debenture in the amount of \$640,000 to be paid back over 5 years at a rate of Bank of Canada prime lending rate plus a half a percentage point as published at the time the project is substantially completed.

Background

The 2023 Capital Budget included two projects under the Subject to Funding section, both related to the Michipicoten Memorial Community Centre (MMCC). The Director of Community Services was successful in obtaining funding for these MMCC capital projects.

The combined cost of the capital upgrade is budgeted as \$1,530,000 with the municipal portion being \$640,000.

The 2023 Capital budget allowed for \$475,000 from reserves, \$340,000 in 2023 and the remainder in 2024, an additional \$300,000 from other sources, being borrowing and the remainder to be funded.

The Municipality of Wawa Strategic Plan Key Priority LTF-3 states “increase reserves over time to fund infrastructure deficit and reduce reliance on Special Grant for Dam Compensation.”

Options

Although not exhaustive, below is a list of options for the funding of the Municipal portion of the project obligation:

Option 1:

Fund the project entirely from the reserves. This option decreases the amount of our reserves without a plan to replenish and works against the objective of the key priority of the Municipal Strategic Plan.

Option 2:

Fund the project entirely through external debenture or loan. This type of lending usually amortizes over 10 to 20 years and is subject rate fluctuations and uncertainty.

Option 3:

Fund the project through a combination of reserve contributions and borrowing. This option will decrease the reserve and if the borrowing is external would be subject to the same uncertainties as Option 2.

Option 4:

Internal lending from the reserves helps to achieve this key priority by replenishing the principal portion while increasing the interest earned in the term as there is interest revenue earned in both the lending as well as in the reinvestment of the payments. The net effect to the reserve at the end of the five-year term is estimated to be approximately \$30,000 more in interest revenue than investment alone.

In addition, there is a decreased burden to taxpayers as the internal lending rate is estimated to be below the external rate, with a shorter term for the principal repayment and the ability to negotiate without penalty to reduce the impact of economic conditions.

Recommendation

To authorize The Corporation of the Municipality of Wawa to enter into an Internal Debenture Agreement with the Michipicoten Memorial Community Centre for the Municipal portion of the capital projects for the replacement of the HVAC system and Interior upgrades.

Respectfully Prepared and Submitted By:
Manuela Batovanja, Treasurer
Director of Finance