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Debt Retirement – Operations Centre Information Report to Council

Report Number: 2019-08

Department(s): Financial Services

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Date: August 8, 2019

In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

Executive Summary

See below.

Purpose

The purpose of this report is to follow up on report 2018-40, Debt Retirement by informing Council of adjustments to be made to the funding of the debenture for the Robert N. Shelton Operations Centre.

Background

The Newmarket Operations Centre (renamed the Robert N. Shelton Operations Centre) at 1275 Maple Hill Court was constructed in 2009 at a cost of \$21.9 million. A \$12.4 million loan provided part of the financing. In compliance with provincial legislation, the loan was arranged through our upper tier municipality, the Regional Municipality of York (the "Region"). The Region was not able to secure the 20-year debenture that we had requested. Instead, they arranged a 10-year sinking fund loan, which was amortized over 20 years.

Report 2018-40, Debt Retirement proposed that the debt be paid off at the end of the first 10-year term. Council adopted this recommendation.

The cost of the Operations Centre had been originally split between tax-supported and rate-supported services. Reserves were available for the tax-supported portion while the rate-supported portion, was intended to be financed by a loan funded by water and wastewater rates.

The 2014 Development Charges (DC) By-law update determined that there was a growth component to the new Operations Centre and provided for funding from DC's for Yards & Fleet and for Outdoor Recreation (parks). From 2014 to 2018, \$2,272,753 in DC funding was applied to debt servicing. The updated DC Background Study includes an additional \$1,905,512 in DC funding for 2019. This brings the total amount to \$4,178,265.

Discussion

The DC funding portion of debt servicing has been from funds intended for tax-supported capital projects. As such, it has altered the intended funding split between the rate-supported and tax-supported budgets. To correct this, the Treasurer will transfer \$4,178,265 from rate-supported reserve funds to tax-supported reserve funds. Asset Replacement Funds (ARF) are the most appropriate and sufficient reserve to use.

The actual transfer will be:

- A 50/50 split from the rate-supported budgets:
 - \$2,089,132.50 from the Water ARF
 - \$2,089,132.50 from the Wastewater ARF
- To the tax-supported budget equal to DC funding:
 - \$2,054,390 to Parks ARF
 - \$2,123,875 to Vehicles & Equipment – Operations ARF

Conclusion

The above noted transfers will be made to bring the Operations Centre financing back into alignment with the original Council-approved intentions.

Business Plan and Strategic Plan Linkages

By ensuring that Asset Replacement Funds are appropriately allocated, this report links to Newmarket's key strategic directions of Long-term Financial Sustainability and its 4th priority of Asset Management.

Consultation

The consultant for our current and past DC Background Studies has determined the application of development charges to the debt servicing was reasonable.

Human Resource Considerations

Not applicable.

Budget Impact

The transfer will help to reduce the inter-fund gap which is a substantial loan from the rate-supported ARF to the tax-supported ARF. The Water and Wastewater Asset Replacement Funds are healthy and their capital programs will not be impaired by this reduction. This will be confirmed by the update of their 6-year plans in September of this year.

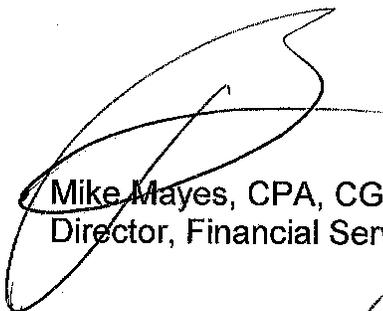
Attachments

None.

Contact

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Approval



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