

To: Mayor and Members of Council

April 18, 2011

Re: Resolution to Request Permission to Borrow

Background

The Town of White City made application to the Saskatchewan Infrastructure Growth Initiative for an interest rate subsidy. Part of the application is to apply to the Saskatchewan Municipal Board for permission to borrow.

The Town of White City Public Notice Policy requires 7 days notice to the public before Council initially considers borrowing money. Public Notices were posted on Monday April 11, 2011 at the Town Office and the Community Centre.

Discussion

There are two options for borrowing:

- 1) Long Term Loan through a financial institution, or
- 2) Borrow by way of Debenture

The interest rate on \$4,000,000, the Town's share of the Wastewater project, through the Royal Bank for a 10year term/10 year amortization is 5.15%

The Municipal Financing Corporation has a rate of 4.38% for a 10 year debenture.

The benefit of borrowing through a financial institution is the option of paying the loan down of off prior to the maturity date.

If the Town wished to pay down a debenture, we would have to pay in full the amount of the debenture. However, we can have more than one debenture issued. For example, rather than issuing one debenture for \$4,000,000, we could have four \$1,000,000 debentures issued.

This is not something Council has to decide today, I am simply explaining the differences between a long term loan and a debenture.

Budget Implications

None.

Conclusion

The purpose of this report is to have Council decide how they would like to borrow the \$4,136,200 for the Waste Water Project, either by a long term loan or by way of debenture. The interest rate on the debenture is approximately 3/4 of a percent lower than the interest on a 10 year fixed rate loan. The difference in interest rates accounts for almost \$20,000 more per year for the loan payments.

The recommendation for the request for borrowing is for 15 years. The reason for this is that once the resolution is made to request borrowing, we cannot increase the amount or the term without giving notice to the public and passing a new motion. However we can reduce the amount and the term that we are requesting in the following motion.

Recommendation

Administration recommends the following motion be passed:

THAT application be made to the Local Government Committee for permission to borrow by way of debentures, the sum of \$4,136,200, in 2011 repayable over a period of 15 years, for the purpose of the Waste Water Expansion Project borrowing.

DEBENTURES to be repayable so that without combining principal and interest, the aggregate amount payable for principal and interest in each year is as nearly as possible the same interest at the rate of 4.38 per centum, per annum, payable at least annually.

Respectfully submitted,



Shauna Bzdel,
Town Manager