



STAFF REPORT TO THE COMMITTEE OF THE WHOLE Report No: TR2023-16

September 12, 2023

From: Kimberley Goyette – Director of Finance/Treasurer

RE: 2024 Borrowing for Fleet

Recommended Motion:

THAT the Committee of the Whole recommends that Council borrow \$1,560,000 from the Royal Bank of Canada for an amortization term of 15 years with a financing term of 5 years.

Background / Analysis:

Council has preapproved the funding for two tandem trucks for Public Works and a Pumper for the Fire Department for the 2024 budget. The total of all these fleet vehicles equates to \$1,560,000.

With the uncertainty of interest rates there arises two options:

1. Borrow from the Royal Bank of Canada with a current interest rate of 5.8% over a 15 year amortization term with a borrowing term of 5 years. The term is shorter in hopes that interest rates would be lower upon renewal in 5 years. There are no additional fees and the funds could be provided in as little as two days. The annual cost of borrowing would be approximately \$155,954 for the first 5 years with the hopes of renewing at a lower interest rate.

OR

2. Borrow from Infrastructure Ontario with an interest rate provided at 4.92% over a 15 year amortization term, but the term of the loan would also have to be 15 years locking that interest rate in for the full 15 years. Additional legal and administrative fees would be charged at approximately \$2,000 in the first year. Funds can only be provided on the 1st and 15th of the month and it takes approximately one month to obtain funding. The annual cost of borrowing would be approximately \$147,257 annually for the full 15 years.

The pumper is expected late December or early January. Since obtaining funds takes time if Infrastructure Ontario is the chosen option, the Treasury Department is requesting direction from Council at this time.

With the tandems not arriving until October 2024, there is still hope that the bank rate will drop a little bit by then, however the interest rates provided in this report cannot be guaranteed in future months and predictions of the economy are unknown.

Alternatives:

1. Recommend obtaining funding from the Royal Bank of Canada
2. Recommend obtaining funding from Infrastructure Ontario.

Financial Implications:

The difference in funding is approximately \$8,700 annually (full impact in 2025). Approximately \$13,718 will be freed up in February as the loan for the rescue equipment will be paid in full. Furthermore, the tandem trucks are not expected until October of 2024.

The total impact for the two options for 2024 are:

Financial Impacts for 2024		
Infrastructure Ontario		
Pumper	75,516.72	
Tandems	17,935.22	(3 months)
Legal	2,000.00	
Rescue vehicle paid off	(13,718.00)	
	<u>81,733.94</u>	
Royal Bank of Canada		
Pumper	79,976.63	
Tandems	18,994.45	(3 months)
Legal	-	
Rescue vehicle paid off	(13,718.00)	
	<u>85,253.08</u>	

Attachments & Relevant Legislation:

Section 401(1) of the *Municipal Act, 2001*, c.25 provides authority for a municipal to incur debt for the purposes of the municipality, whether through borrowing or in any other manner.

Others Consulted:

Infrastructure Ontario

Royal Bank of Canada

Director of Public Works

Reviewed and approved by:

Sarah Huskinson, CAO/Clerk