



# Staff Report

## Finance and IT Services

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**Report To:** Committee of the Whole  
**Meeting Date:** June 10, 2019  
**Report Number:** FAF.19.056  
**Subject:** Landfill Mining and Expansion Long-Term Debt  
**Prepared by:** Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets

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### A. Recommendations

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THAT Council receive Staff Report FAF.19.056, entitled "Landfill Mining and Expansion Long-Term Debt";

AND THAT Council direct staff to submit an application to Infrastructure Ontario for a 20 year, semi-annual serial loan for the Landfill Mining and Expansion Project.

### B. Overview

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This reports look at the various options for Council's consideration to formally fund the Landfill Mining and Expansion project with long-term debt in the amount of \$985,000.

### C. Background

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In 2014, the Town started the mining and expansion project at the Landfill. Part of the funding for this project was long-term debt with final costs paid in 2018 and the Town is now in a position to formalize the long-term debt.

Total costs of the project came in just over \$2.9M with funding coming from taxation (\$795,000), Gas Tax (\$400,000), and a refund from Grey County (\$728,000). In 2015, the Town received \$728,621 as a refund from the County from their Future Infrastructure Fund. At that time, Council approved using that funding to lower the amount of long-term debt that would be required for this project and therefore save on the interest that would be payable.

### D. Analysis

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Included in the 2019 Approved Budget is \$36,500 for half a year of debt payments with this amount increasing to \$72,200 in 2020 for the first full year. To build the budget, staff used a 25 year loan with an interest rate of 3.50%. This would have resulted in interest costs of \$435,000 over the life of the loan.

Interest rates as of May 16, 2019 from Infrastructure Ontario ranged from 2.80% (15 year loan) to 3.02% (25 year loan). With this new information the Town could apply for a 20 year loan at 2.94% and stick to that same budget. This loan would have interest costs of \$297,000 over the 20 year life. The Town could look at going to a 15 year loan; however, the annual payments would be \$20,000 over the current budget and would result in an increase to the 2020 budget and future tax levy. A 15 year loan would have interest costs of \$214,000.

There are a few factors to consider when taking out long-term debt: what can the Town afford, what impact will this loan have on the Town's Annual Debt Repayment Limit, and what asset is being financed.

The first factor is the Town's ability to pay, which in this case is taxation as this is a Landfill cost. The 2020 budget has sufficient funding for a 20 year loan or Council could increase the budget by \$20,000 (or 0.13%) to fund a 15 year loan.

The second factor to consider is the impact on the Town's Annual Debt Repayment Limit. The Town is limited to 25% of own sourced revenues to cover long-term debt repayments. For the Town, the maximum allowed is \$6,628,178 which is further reduced to \$3,976,907 (15% as per the Town's Debt Policy). The shorter the loan term the higher the annual payment and the more of the limit that is used. The Town has some large scale projects in the five year capital list that will require long-term debt which will use up even more of this limit.

The last item of consideration is the asset being financed. It makes prudent financial sense to ensure that the life of the asset is longer than the life of the loan as the Town does not want to be in a position to be paying for two assets. This debt is a little different as the asset is the landfill cell that once full is not replaced like a watermain or piece of equipment. The current cell has an estimated useful life till 2042 (or 23 years) as per the annual engineering report. Therefore, it makes financial sense to have the loan at less than the 23 years.

## **E. The Blue Mountains Strategic Plan**

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The Blue Mountains Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence

Objective #4: To Be a Financially Responsible Organization

## **F. Environmental Impacts**

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N/A

## **G. Financial Impact**

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Staff include sufficient funds in the 2019 budget, for half a year, and 2020 for the full year of payments for a 20 year loan. Staff are recommending that the Town move forward with a 20 year loan; however, upon Council's direction staff could reduce this to a 15 year loan and increase these line items in the 2020 budget by \$20,000.

An alternative option for Council is to hold off taking out this long-term debt until all works are completed at the landfill. The last piece of capital that needs to be completed is the handling of the leachate. This capital project will take at least all of 2020 to be completed which would require the current costs remain in Unfinanced for a minimum of two more years. As per the Town's Debt Policy, capital projects that are included in Unfinanced can only remain for three years until a permanent funding sources is identified. For the Landfill Mining and Expansion project, year three is 2021.

## **H. In consultation with**

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Ruth Prince, Director of Finance and IT Services

## **I. Public Engagement**

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The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets at [finance@thebluemountains.ca](mailto:finance@thebluemountains.ca).

## **J. Attached**

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N/A

Respectfully Submitted,

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Sam Dinsmore  
Deputy Treasurer/Manager of Accounting and Budgets

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Ruth Prince  
Director of Finance and IT Services

For more information, please contact:  
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