

Request for Recommendation Finance Committee



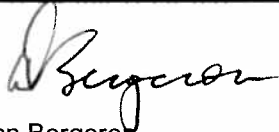
Type of Decision									
Meeting	February 28, 2007				Report Date	February 28, 2007			
Decision Requested		Yes	X	No	Priority		High	X	Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
Cost of Borrowing for Specific Road Projects

Budget Impact / Policy Implication	Recommendation
<input checked="" type="checkbox"/> This report has been reviewed by the Finance Division	

NOT APPLICABLE	FOR INFORMATION ONLY
<input checked="" type="checkbox"/> Background Attached	Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer and Treasurer	 Mark Mieto Chief Administrative Officer

Report Prepared By	Division Review
 Dean Bergeron Manager of Financial Support and Budgeting	

At the February 22, 2007 Finance Committee meeting, Council requested a report on the cost of borrowing and method of financing construction on the Maley Drive Extension, Municipal Road 35, and the Barrydowne Extension.

The project cost estimates for the Maley Drive Extension (4 laning) of \$40 million and Municipal Road 35 (4 laning from Azilda to Chelmsford) of \$15 million were obtained from the City of Greater Sudbury Transportation Study dated September 2005. The \$40 million cost for the Barrydowne extension is a very quick estimate based on new two lane construction costs of approximately \$3 million per kilometre, which does not include costs for property acquisition, unusual conditions such as large amounts of bedrock/poor soil, and possible road upgrades required at Barrydowne and Notre Dame in Hanmer. Before proceeding with any of these road projects, additional analysis would be required to update and refine the cost estimates based on detailed designs and engineering.

The most favourable borrowing rates can be obtained from the Ontario Strategic Infrastructure Financing Authority (OSIFA). The current 20 year rate is 4.83% and the 10 year rate 4.67%.

If borrowing was considered as an option to finance these projects, the attached chart shows the total interest amount, annual repayment amount, and levy impact for each road project. This was based on the estimated project road costs above, a 20 year amortization schedule, and OSIFA interest rates. The chart also shows what the costs would be if the projects were eligible for two-thirds COMRIF funding.

As an example, if the City decided to borrow \$40 million to complete the Maley Drive Extension, the annual repayment amount over 20 years would be approximately \$3.2 million. The total interest over the 20 year period would be almost \$23.3 million. There are two options for the City to finance the annual repayment. Option one would be a 2% tax increase in the year the debt was acquired. Option 2 would be an allocation from future years' capital envelope. If the City was successful in obtaining COMRIF funding for this project the amounts would be reduced by two-thirds.

Estimated Debt Repayment
Various Roads Projects
(for information only)

Project	Estimated Project Cost *	No additional funding source			2/3 COMRIF Funding			
		Debt	**Total Interest over 20 Yrs.	**Annual Repayment-20 YR. Amort.	Levy Impact	Debt	**Total Interest over 20	**Annual Repayment-20 YR. Amort.
Maley Drive Extension	\$40,000,000	\$40,000,000	\$23,272,016	\$3,163,601	2.0%	\$13,333,333	\$7,757,339	\$1,054,534
M.R. 35	\$15,000,000	\$15,000,000	\$8,727,006	\$1,186,350	0.8%	\$5,000,000	\$2,909,002	\$395,450
Barrydowne Extension	\$40,000,000	\$40,000,000	\$23,272,016	\$3,163,601	2.0%	\$13,333,333	\$7,757,339	\$1,054,534
***General Example	\$1,000,000	\$1,000,000	\$581,800	\$79,090	0.1%	\$333,333	\$193,933	\$26,363
								0.0%

*Interest Rate Used: 4.83% O.S.I.F.A. posted rate subject to change.

**Estimated costs derived from the September 2005 CGS Transportation Study and are for illustration purposes only, and are subject to change based on detailed design and engineering

***General Example used to display the interest, cash flow and tax levy implications of borrowing in million dollar debt increments.