



STAFF REPORT #T2019-01
Standing Committee 2/11/2019
Council 3/11/2019
Amendments:

Submitted to: Strategic Initiatives Standing Committee | Council
Submitted by: Marjory Leonard, Treasurer
Subject: Asset Sale Proceeds

PURPOSE

The purpose of this report is to provide a starting point for Council and the public to discuss the use of the proceeds from the sale of assets.

RECOMMENDATION

THAT Council direct staff to begin the public consultation process.

AMENDMENTS

None

1. BACKGROUND

The estimated net proceeds from the sale of assets is \$18.6 million. This is the last time the Town will have this amount of funding available and, in terms of fiscal responsibility and sustainability, should not be considered a windfall. Once these funds are gone, they are gone.

2. INPUT FROM OTHER SOURCES

This report was reviewed by Department Heads January 22, 2019 and all suggestions incorporated into the report.

3. APPLICABLE POLICY OR LEGISLATION

This report addresses the Accountable Local Government goal of the Community Based Strategic Plan.

“Collingwood residents have expressed a desire for an accountable local government that is transparent in its decision-making and that demonstrates fiscal responsibility in all of its activities, including asset and debt management.”

4. ANALYSIS

The following options have been developed by staff as a starting point for Council and public discussion.

Debt Management

During the last term of Council, emphasis and commitment was placed on managing the debt levels of the Town. Tax-supported debenture debt now stands at \$24,426,327. These amounts cannot be repaid without significant penalties however, the Town does have tax-supported internal debt and committed debt that can be repaid.

Internal debt:

Waterfront Trail	\$ 551,926
OPP renovations	\$ 290,859
507 Tenth Line	\$ 567,031

Committed debt:

Eddie Bush Arena	\$ 170,000
Curling Club	\$ 500,000
Shipyards Walkway	\$ 700,000

In addition to these amounts we have been carrying an “unfunded” amount of \$489,641 on the books for the High Street widening project begun in 2008 and put on hold in 2012.

The total of these debt related items is \$3,269,454.

Potential Project Funding

There are several potential projects that the funds, or a portion of the funds, could be directed toward.

Collingwood Terminals:

On June 25th, 2018 Council received a presentation on the state of the Terminals and the estimated costs for four options and an upset cost of approximately \$10 million.

Extending Services to the “Spit”:

During the discussion on December 17th, 2018 Council heard the one of the major challenges to future use of the Terminals is the lack of adequate electrical and water services and no sanitary sewer services extending to the end of the Spit. Allocating some of the funds to this project would allow for advancement of the Waterfront Master Plan components for the pier area.

Seeking a Property in the Proximity of the Downtown Core and/or Waterfront Area:

Working in conjunction with a non-profit or private sector partner, this component of the Waterfront Master Plan could be funded from some of the proceeds and would ensure continued public access to the water while providing a green space in the downtown core.

Accommodation Study:

The Town undertook a Master Accommodation Study in 2018 to provide a long term plan for housing current and future staff. The recommended option would see the 2nd floor of 507 Tenth Line renovated and the expansion of the Public Works building and yard. This is in the 1 – 5 year timeframe and is estimated to cost \$2.3 million.

Establish an Internal Loan Fund

This suggestion is a continuation of debt management and long-term planning. The reason behind this suggestion is to create an internal fund that would reduce or eliminate the need for future debenture financing. Once the fund is established we loan the money to ourselves and repay those funds to ourselves over time. The repayment amount would include an element of interest based on the foregone investment income the Town could have earned. A corollary to this is that interest earned is less than the rate of interest paid on a loan and therefore the Town would pay less interest. Essentially, we would become our own banker and create a perpetual fund for future capital projects.

Reserves

Hospital Reserve Fund: During the last term of Council a motion was made to include the creation of a Hospital Reserve Fund to assist with the construction of a new hospital. The construction of the new facility is eight to ten years in the future and the portion of the proceeds set aside in this reserve would earn interest increasing the potential gift to the hospital.

Working Capital Reserve Fund: This fund was established to provide a contingency for funding:

- Temporary cash shortfalls minimizing the need for short-term borrowing;
- Urgent, unforeseen expenditure requirements;
- Unpredictable one time expenditures; and,
- Business continuity in the event of a disaster or long term interruption of operations.

The fund was built up over a period of ten years and it has been used to fund the expenses of the Judicial Inquiry. This fund is an essential component of our fiscal stability and flexibility and a critical element in our long-term planning. A portion of the proceeds could be used to “top-up” this reserve fund.

Waterfront Master Plan Reserve Fund: This reserve fund was established to provide for a source of financing for the Town to implement the plan. Staff continue to explore every avenue to secure grants for the phases of the project. These grants would require the Town to be able to fund its portion. A portion of the proceeds could be used to “top-up” this reserve fund.

Lifecycle Replacement Reserve Fund/Asset Management Plan (AMP): This reserve fund has been established to provide for expenditures related to the replacement or rehabilitation of existing capital infrastructure in their entirety or on a component basis including but not limited to roads, sidewalks and related infrastructure, recreational sports fields, parks and facilities and non-recreational facilities. The initial AMP provided a high level estimate of the tax supported infrastructure funding deficit at the end of 2014 as being \$8.96 million. This would be \$9.6 in 2018 dollars. The plan recommended that the Town take proactive measures to reduce this deficit over the 20 year planning horizon. This required maintaining the 2014 level of capital investment of \$780,000 and making increasing contributions to the reserve fund. As the funding increased, the Town would be able to make increases in the annual capital investment and eliminate the deficit by 2033. While the Town has made some progress on closing this gap staff believe the deficit is still in the \$9 million range. A portion of the proceeds could be used to “top-up” this reserve fund.

Legacy Funds

A legacy is defined as anything handed down from the past, as from an ancestor or predecessor. Council has an opportunity to create something that current and future generations will receive benefit from.

Community Foundation: Community foundations contribute time, leadership and financial support to local initiatives, helping people give back where their communities need it most. With an intimate knowledge of local priorities, community foundations champion what matters most by directing grants, expertise, leadership, and other investments towards everything from shelter, education, and care for those in need, to the arts, environment and recreation. The Town could provide endowment seed funding for the establishment of a Community Foundation.

Collingwood Legacy Fund: This suggestion would see a portion of the proceeds invested based on advice received from a professional fund advisor. The investment income earned on the fund could be used on an annual basis or left to accumulate until sufficient funds are earned to complete a larger project or fulfil a larger need for the community. Council and the public could engage on an annual basis to discuss the use of the investment income. The most important elements are preservation of the principal and maximizing yield.

5. EFFECT ON TOWN FINANCES

The effect on Town finances will be the costs associated with engaging the public through surveys, public meetings and potentially a “Coffee with Council” session.

6. APPENDICES & OTHER RESOURCES

SIGNATURES

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Town of Collingwood		Town of Collingwood