

\$38 million line of credit proposed to finance Library Square build

With no Provincial grant money to speak of, Aurora's Library Square redevelopment project might hinge on a \$38 million construction line of credit.

This is the latest funding model proposed by municipal staff to pay for the build, and a further option that will be on the table at the Special Council meeting set for next Tuesday, August 25, a meeting which could be Library Square's final hurdle.

In a report to Council, Aurora's Financial Manager Jason Gaertner says a construction line of credit offers "the greatest cash flow flexibility at minimal cost to the Town" and Aurora will require a long-term debenture for up to a maximum of \$12.9 million with a maximum repayment period of up to 20 years.

While Council will "continue to seek alternative funding in an effort to minimize the level of long-term financing required," this is his recommended path forward.

"A construction line of credit offers the Town maximum flexibility in its management of what will be significant cash outflows over the duration of Library Square's construction within the context of COVID-19 impacts," said Mr. Gaertner. "Also, in consideration that some of this project's funding sources will be collected over the duration of Library Square's construction, it is most advantageous to the Town for it to delay its commitment to longer-term financing until after construction is substantially complete.

"For example, as the majority of the Town's unused reserve funds have been invested, a construction line of credit will provide the Town with sufficient time to strategically recall these investments at minimal costs while maximizing investment income."

Should a construction line of credit be secured, it will be done with a variable interest rate that is updated monthly. The Town will only be required to pay the accrued interest owing each month as minimum payment but can pay as they see fit above and beyond that.

"The Town will not collect all of its planned funding to be allocated towards the Library Square project within five years of its substantial completion," Mr. Gaertner continues. "This uncollected funding will consist of development charges and tax levy funding. A long-term debenture for this portion of the outstanding floating capital loan balance will be required.

"Should the Town take the full five years after substantial project completion before proceeding with its long-term financing, the outstanding balance at this time is estimated to be approximately \$9.5 million. However, the Town may proceed with long-term financing earlier should it be deemed advantageous to the Town, consequently the principal requiring financing at this time will be higher. The noted maximum principal of \$12.9 million takes this possibility into consideration.

"The outdoor recreation and library development charge revenues committed to this project are planned to be collected by the Town from development taking place over the next 10 years. In addition, by 2021, the Town's ongoing operating budget will include an allocation of \$510,100 per year of tax levy for the repayment of the required Library Square debenture's principal and interest."

The amount and term length of the debenture, he adds, will be finalized once the project has "reached substantial completion" and will be the subject of a further report to Council.

"Staff recommend that the Town address the short-term financing need through the combination of an Ontario Infrastructure line of credit to be in place in time for the commencement of construction and a floating rate capital loan for up to a maximum of five years after the project's substantial completion. Staff further recommend that the Town address its long-term refinancing requirements through up to a 20-year Ontario Infrastructure and Lands debenture."

By Brock Weir