

## Staff Report

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**Report To:** City Council  
**Report From:** Kate Allan, Director of Corporate Services  
**Meeting Date:** March 10, 2025  
**Report Code:** CR-25-026  
**Subject:** Proposed Funding Agreement – Grey Sauble Conservation Authority

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### Recommendations:

THAT in consideration of Staff Report CR-25-026 respecting Proposed Funding Agreement – Grey Sauble Conservation Authority, City Council directs staff to bring forward a by-law to authorize the Mayor and Clerk to execute a funding agreement between the City of Owen Sound and Grey Sauble Conservation Authority with terms consistent with those presented in this report.

### Highlights:

- The City is leveraging existing reserve funds to generate a stable, long-term return on investment.
- This agreement exemplifies how organizations can work together to provide cost-effective financial solutions.
- A well-functioning and modernized Grey Sauble Conservation Authority headquarters will enhance the Authority's ability to manage conservation areas, respond to climate change and protect natural resources.

### Strategic Plan Alignment:

[Strategic Plan](#) Priority: Collaborative City.

## **Climate and Environmental Implications:**

This supports the objectives of the City's Corporate Climate Change Adaptation Plan by strengthening the resiliency of City infrastructure or services.

## **Previous Report/Authority:**

n/a

## **Background:**

The Grey Sauble Conservation Authority (GSCA) has submitted a request for financing to support the renovation of its Administration Centre located at 237897 Inglis Falls Road. The existing facility, built in the mid-1970s, requires significant upgrades to improve accessibility, energy efficiency, and office functionality. The project's estimated total cost is \$2.9 million with \$900,000 being drawn from GSCA's reserves. The remaining \$2 million is to be financed over a 15-year period.

Through discussions with the GSCA, the City has been identified as a preferred lender due to its ability to offer a competitive and stable interest rate while securing a reliable investment opportunity for City reserve funds. The City proposes to finance this loan using funds from the GBE Energy Reserve, with all interest earned being retained within the reserve and ultimately applied toward reducing the unfinanced balance of the Julie McArthur Regional Recreation Centre.

A comparable agreement was successfully implemented by the Mississippi Valley Conservation Authority (MVCA) in partnership with the Town of Carleton Place. This financing model has demonstrated its effectiveness in providing cost-effective borrowing for conservation authorities while securing stable returns for municipal lenders. The GSCA agreement is structured similarly, with appropriate safeguards in place to protect the City's financial interests.

## **Analysis:**

### **Benefits to the City of Owen Sound:**

- **Stable and Secure Investment:** The loan provides a secure, predictable revenue stream for the City, as GSCA's repayments are funded through apportionment payments from its eight participating municipalities.
- **Interest Revenue for City Reserves:** The 4.2% interest rate ensures a reasonable return on investment for the City's GBE Energy Reserve.
- **Reduced Financial Risk:** Given that the City is responsible for a proportional share of GSCA's levy, any financial efficiencies realized by GSCA (e.g. lower borrowing costs) ultimately reduce the City's contributions.

### **Benefits to the Grey Sauble Conservation Authority**

- **Preferential Borrowing Terms:** The proposed interest rate is lower than those currently available through traditional financial institutions, reducing GSCA's overall debt service costs. The savings from a reduced borrowing rate will ultimately be shared by all of the benefitting municipalities within the conservation area.
- **Preservation of Reserves:** Borrowing from the City allows the GSCA to maintain a portion of its financial reserves for other strategic priorities and contingencies.
- **Sustainable Infrastructure Investment:** The office renovation project ensures that GSCA can continue to effectively serve its member municipalities while meeting accessibility and operational efficiency requirements.

### **Risk Mitigation Measures**

- The loan will be structured as a formal promissory note, with terms ensuring repayment through GSCA's annual levy contributions.
- In the event of default, the City will have the right to recover any unpaid amounts by offsetting the GSCA's annual levy requisition.
- GSCA's board of directors will approve a borrowing resolution to formalize its repayment commitment.

The proposed financing agreement represents a mutually beneficial arrangement between the City of Owen Sound and Grey Sauble Conservation Authority. It allows the City to leverage its financial reserves to generate

stable returns while supporting an essential infrastructure project that benefits both GSCA and its member municipalities. By approving this agreement, Council will be facilitating a financially responsible investment that aligns with the City's long-term fiscal planning and commitment to regional cooperation.

### **Financial Implications:**

**Loan Amount:** \$2,000,000

**Term:** 15 Years

**Interest Rate:** 4.2%

**Annual Repayment:** Approximately \$180,000 (including principal and interest payable in two equal instalments).

**Revenue to City Reserves:** All interest earned on the loan will be allocated to the GBE Energy Reserve. The estimated interest over the life of the loan, assuming no early payment amounts, is \$716,000.

### **Communication Strategy:**

Once approved by Council, the funding agreement will be presented to the Board of the Grey Sauble Conservation Authority.

### **Consultation:**

CAO, Grey Sauble Conservation Authority

### **Attachments:**

GSCA Request for Funding Letter

GSCA Administration Centre Renovation Scope of Work

### **Recommended by:**

Kate Allan, Director of Corporate Services

### **Submission approved by:**

Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan at [kallan@owensound.ca](mailto:kallan@owensound.ca) or 519-376-4440 ext. 1238.