

Municipality Of Chatham-Kent
Finance, Budget & Information Technology Services
Administration

To: Mayor and Members of Council
From: Gord Quinton, MBA, CPA, CGA
Date: March 27, 2020, 2020
Subject: SWIFT Loan Agreement

Recommendation

It is recommended that:

1. Chatham-Kent authorize the Chief Financial Officer to enter into a loan agreement with the Southwestern Integrated Fibre Technology, Inc. (SWIFT) for the amount of \$3,600,000 to be invested in fibre-optic internet infrastructure within Chatham-Kent, subject to approval of the terms by the Chief Legal Officer.

Background

Chatham-Kent is a member of Southwestern Integrated Fibre Technology, Inc. (SWIFT). Council invested in SWIFT to leverage Federal, Provincial and Private Sector funding for fibre projects located in the municipalities in Southwestern Ontario.

Chatham-Kent has contributed \$762,400 to SWIFT in previous budgets.

SWIFT has asked for cash flow assistance on the upcoming approximately \$11.1M SWIFT investment of fibre-optic internet infrastructure construction projects within rural Chatham-Kent.

On March 27, 2020 SWIFT issued the RFP for a *SWIFT Network System in the Municipality of Chatham-Kent* with a closing date of November 13, 2020

Comments

Administration supports entering a loan agreement with SWIFT that will result in the loan of \$3,600,000 to SWIFT in 2020 to 2021 with repayment in years 2025 to 2027 with payment in full on or before December 31, 2027. Interest will be waived to the maturity date. In the chance of default, interest will begin January 1, 2028 at an agreed upon rate of 3% interest. The expectation of a default is very low but cannot be guaranteed.

SWIFT will have the ability to repay the loan through the Broadband Development Fund (BDF). As part of the RFP process, the successful bidder(s) will be required to pay back

to SWIFT \$1.50 per residence passed per month for 7 years (or a total of \$126 per residence). All SWIFT projects across Southwestern Ontario will be completed prior to 2025 allowing for the loan payments to be repaid over 2025 to 2027.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

Has the potential to support all areas of strategic focus & critical success factors

Neutral issues (does not support negatively or positively)

Consultation

Legal Services have reviewed the loan agreement.

Financial Implications

The loan will be repaid over the term and is expected to be fully repaid by December 31, 2027. There will be a loss of interest revenue of approximately \$150,000 over the term that will be absorbed within existing interest income budget.

No funding or budget is required for the \$3,600,000 loan principal. This loan will be treated as a long term receivable on Chatham-Kent's financial statements

Prepared by:

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Chief Financial Officer

Attachments: none

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