



# **Purchase of vehicles and machinery for public works:**

## **A guide to understanding borrowing by-law number 294**

### **1. What is a borrowing by-law?**

When certain types of work or purchase of equipment requires a substantial monetary investment, the Town must decide how to best pay for it. A borrowing by-law is one of the methods of financing available to a municipality. Typically, loans are repaid over a period of 5 to 25 years; the cost of the repayments is covered by a special tax payable by all or some of the taxpayers depending on the work or the nature of the property acquired. More detailed information to help understand the principles of a municipal borrowing by-law is available on the Town web site in a document called [“Fact sheet: the Borrowing by-law”](#) or at Town Hall reception during regular office hours.

### **2. What is the purpose of borrowing by-law 294?**

The borrowing by-law authorizes an expense and a loan of up to \$913,392 for the purchase of trucks and equipment for the Public Works Department. Specifically:

- 1) The replacement of a front end loader;
- 2) The replacement of a 10-wheel truck with snow clearing equipment;
- 3) The addition of a 10-wheel truck with snow clearing equipment.

All these vehicles are used for snow clearing and year-round road maintenance.

The official text of [Borrowing By-law 294 \(in French only\)](#) is available on the City's website or at City Hall during regular business hours.

### **3. The Department of Public Works replaced a lot of equipment last year. Why does the Town have to replace even more this year?**

The Town monitors the age and condition of all its equipment. Proper maintenance along with the replacement of equipment in a timely manner ensures that services to our community are not interrupted, that we don't pay excessively for repairs and that equipment is safe for our employees to use. The two major pieces of public works equipment that need to be replaced in 2019 are:

- 1) Replacement of wheel loader, unit # 25 (\$ 260,000 + tx)
  - a) one of 2 loaders owned by to the Town;
  - b) serves to load abrasives and granular materials at the Sutton Junction Depot;
  - c) bought in 1998, it has more than 9 000 hours of usage and is at the end of its useful life;

- d) to extend its useful life for two more years would require at least \$60,000 in repairs; given the age of the vehicle this is not a good use of public funds.

2) Replacement of a 10 wheel truck, unit # 42 (\$ 305,000 + tx);

- a. one of 2(two) 10-wheel trucks used for snow clearing and road maintenance;
- b. bought in 2004 the truck has accumulated more than 400 000 km and is at the end of its useful life;
- c. this truck would require a minimum of \$16,000 to keep it on the road with a strong possibility of major failure requiring lengthy repairs and a further expense of \$30,000 to \$50,000. Given the age of the vehicle, this is not a good use of public funds.

#### **4. Why is the Town adding an extra 10 (ten)-wheel truck to its fleet?**

The Town wants to better control the cost of snow removal on its territory. This can be achieved by adding a third 10 wheel truck to its fleet so that snow removal in the North and West sectors will be done internally. This will result in a reduction in snow removal costs without reducing the quality of service. Operating costs and repaying the loan have been taken into account in our calculations.

#### **5. Who will pay for the loan and how much will it cost the taxpayer?**

The expense is a general one, meaning it benefits everyone, so the repayment will be shared between all Town of Sutton taxpayers. The loan will be paid back over a period of 10 years. The annual cost to the taxpayer will depend on the final expense, the interest rate and the number of taxpayers for the year in question. As a rough estimate, assuming the same number of taxpayers as in 2018 and an interest rate of 3%, a loan of \$913,392 over 10 years would cost one (1) cent per \$100 of municipal evaluation. For the average residence whose current municipal evaluation is \$310, 000 this would be the equivalent of \$31 per year.

#### **6. Why not use one of the Town reserve funds to finance some or all the purchases rather than increasing our long term debt?**

The Town has two reserve funds which can be used to purchase equipment, however neither is suitable for major investments expected to last for a long time. One reserve, the *Fonds de roulement*, is for purchases of typically less than \$50,000 and must be paid back over a maximum period of five years. The other reserve, the *Surplus accumulé non affecté*, is maintained primarily for emergencies and unplanned necessary expenses. More detailed information to help understand the principles of a municipal borrowing by-law is available on the Town web site in a document called [“Fact sheet: the Borrowing by-law”](#) or at Town Hall reception during regular office hours.

## **7. Who will the equipment be purchased from?**

The contracts to purchase this equipment will be awarded following a public call for tenders on the provincial electronic call for tender system (SÉAO). This process, with rare exceptions, is obligatory for any municipal contract above \$101,100 as prescribed in the *Loi sur les cités et villes (LCV)*, articles 573 and following.

## **8. What are the next steps regarding the borrowing by-law?**

Citizens will be able to ask questions about this borrowing by-law at the regular council meeting, which will be held at the Town Hall on June 3, 2019 at 7:30 pm. Thereafter, qualified voters will be able to sign a register requesting that the by-law be submitted to a referendum. The register of persons qualified to vote for this by-law will take place during the month of June 2019 at the Town Hall. The public notice regarding the registration of qualified voters will be published on the Town's website and posted on the Town's official bulletin boards (located next to the Town Hall, another next to the Post Office). If the minimum number of signatures required by law to request a referendum is reached, the council may either hold a referendum or withdraw the loan by-law. If the minimum number of signatures required by law to request a referendum is not reached, an application for approval of loan by-law 294 will be submitted for approval to the *Ministère des Affaires municipales et de l'Habitation (MAMH)*, as the law requires. This step usually takes 6 to 8 weeks. Only after the approval by MAMH will Loan By-law 294 come into force. With this coming into force, the Town will have the necessary funds to purchase the trucks and equipment and to award contracts accordingly.