



City of
Peterborough

To: **Members of the General Committee**

From: **Patricia Lester, Commissioner of Corporate and Legislative Services**

Meeting Date: **May 22, 2018**

Subject: **Report CLSFS18-029
2018 Debenture Issue**

Purpose

A report to recommend the approval of borrowing by-laws for the issuance of debentures totalling \$21,825,070 to fund certain capital works.

Recommendation

That Council approve the recommendation outlined in Report CLSFS18-029 dated May 22, 2018, of the Commissioner of Corporate and Legislative Services, as follows:

That the necessary borrowing by-law be approved to borrow funds up to a maximum of \$21,825,070 to finance City capital projects, and for terms not to exceed the terms indicated on Appendix A, attached to Report CLSFS18-029.

Budget and Financial Implications

The City's net commission and legal fees are estimated to be \$160,000. There are sufficient funds in the 2018 Operating Budget to cover these costs.

For many years the City has issued debentures through Ontario Infrastructure and Lands Corporation (Infrastructure Ontario), an agency of the Ontario Government. All fees associated with the issue, such as commission fees, are built into the 'all-in' rates. When issuing through the Capital Markets commission fees are charged separately. Actual charges payable will depend on the debenture rates secured for the issue. It is estimated

that the rates will be approximately 3.18% and 3.35% for a 10-year and 15-year serial debenture, respectively or 3.25% for the blended issue.

Background

The projects listed on Appendix A, attached to Report CPFS18-029, have been authorized by City Council to be financed in whole, or in part, through debentures. Subsequent to budget approval, by-laws authorizing the portion of the work to be financed from debentures were passed. The by-laws included a statement by the City Treasurer attesting to the fact that future principal and interest repayments on the debt to be issued can be accommodated within limits as prescribed in Ontario Regulation 403/02 of the **Municipal Act, 2001**.

The City's fiscal agents, CIBC, believe debenture interest rates will begin increasing by the summer of 2018 and suggest staff should obtain the necessary approvals to facilitate a debenture issue as soon as possible before interest rates increase. As an example, a quarter percent increase in the interest rate on this debenture adds approximately \$320,000 to the total interest payable over the proposed term of the debentures.

Infrastructure Ontario (IO) is unable to issue debentures in the requested timeframe due to the upcoming Provincial elections. IO has entered a care taker period (Provincial Writ Period) on May 9, 2018, where they could not approve loan applications until some time in June/July. After careful review of the comparative costs of issuing directly through the capital markets, it was determined that the rates are very competitive with IO's rates, and in fact slightly lower.

Staff have been working with our external legal counsel, Weir Foulds, to ensure that the required documentation for the projects are in order.

After the Special General Committee meeting on May 22, 2018, a debenture by-law will be presented for approval at the May 22, 2018 Council Meeting to enable the debenture to proceed.

Submitted by,

Prepared by,

Patricia Lester
Commissioner of Corporate and
Legislative Services

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Attachment:

Appendix A – City of Peterborough – 2018 Debenture Issue

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Ref	Project Description	By-Law	Debenture Amount Approved Not to Exceed 20 Years \$	Already Debentured \$	Total Maximum Approved by Funding Source \$	Actual Amount and Term of Debenture	
						10 Years \$	15 Years \$
	TAX SUPPORTED						
1	Pioneer Road Upgrades	2016-131 2016-149 2017-151	500,000 740,000 450,000			500,000 740,000 450,000	
2	General Aviation Expansion	2016-144	150,000			150,000	
3	Enterprise Software Modernization	2016-143 2017-023	600,000			600,000	
4	Park Washroom Upgrades	2016-148	450,000			450,000	
5	Public Works Relocation Project	2015-025 2015-171 2016-151 2017-111	2,460,000 6,392,000 1,708,000 925,000			2,460,000 6,392,000 1,708,000 925,000	
6	Sidewalk Reconstruction	2016-154	988,070			988,000	
7	Additional Library Space	2015-007 2016-135 2015-177	1,022,400	3,327,600 2,963,500		1,022,400	
	Total Tax Supported				16,385,470		
	DEVELOPMENT CHARGES SUPPORTED						
8	Public Works Relocation Project	2017-111 2017-111	2,427,040 650,160				2,427,000 650,000
9	Pioneer Road Upgrades	2016-149	1,340,000				1,340,000
10	Additional Library Space	2016-135 2015-177	1,022,400	2,148,300			1,022,000
	Total Development Charge Supported				5,439,600		
	Total - All Projects		21,825,070	8,439,400	21,825,070	16,385,400	5,439,000