

TO:	CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES MEETING ON DECEMBER 6, 2011
FROM:	MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	ONTARIO INFRASTRUCTURE AND LANDS CORPORATION (OILC) DEBENTURE ISSUE UPDATE

RECOMMENDATION

It is recommended that;

1. the issue of a ten year serial debenture for \$52,809,914, reflecting an offering yield of 2.86%, to the Ontario Infrastructure and Lands Corporation (OILC), to close on December 15, 2011, **BE CONFIRMED**; and
2. the attached proposed By-Law D.-764-15 **BE INTRODUCED** at the Municipal Council meeting of December 6, 2011 for three readings to authorize the borrowing upon serial debentures for a ten year term in the amount of \$52,809,914 towards the cost of certain capital works of the Corporation of the City of London.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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2011 Debenture Issuance

(June 15, 2011 meeting of the Finance and Administration Committee, Agenda Item #8)

Amendment to Infrastructure Ontario Financing Application

(August 17, 2011 meeting of the Finance and Administration Committee, Agenda Item #3)

By-Law for the Authorization of the Financing Agreement between the Corporation of the City of London and the Ontario Infrastructure and Lands Corporation

(November 2, 2011 meeting of the Finance and Administration Committee, Agenda Item #13)

BACKGROUND

Municipal Council at its session on November 7, 2011 approved the Financing Agreement between the Corporation of the City of London and the Ontario Infrastructure and Lands Corporation (OILC) for capital financing of \$52,809,914. At this time, based on the status of capital projects and interest rates, Civic Administration is seeking permanent financing of \$52,809,914 through the issuance of a debenture to OILC. On November 29, 2011, Civic Administration received the interest rate offer for the ten (10) year term from OILC. Based on that offer, as authorized through municipal by-law, the Acting Mayor and City Treasurer accepted the ten (10) year rate at 2.86%.

Outlined in the table below is a comparison of the rates that were accepted on November 29, 2011 in comparison to rates on offer noted in the June 15, 2011 report and the interest cost avoided over the life of the debentures. Total interest costs avoided as a result of the decrease in the rate is approximately \$2.1 million.

Term (based on a serial issue)	OILC Rates as noted in June 15, 2011 report	Accepted OILC Rate on November 29, 2011
10 Year	3.62%	2.86%
Interest cost	\$2.1 million	-

avoided over life*		
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*Based on life of the debenture (\$52,809,914 at 10 years)

By-Law D.-764-15

The by-law to be introduced on Tuesday, December 6, 2011 will allow the Corporation of the City of London to borrow upon serial debentures from the Ontario Infrastructure and Lands Corporation for the debenture term an amount identified as well as authorize the Mayor, City Treasurer, and City Clerk to execute all documents and other papers in the name of the Municipality in order to carry out the issue of the debentures.

The schedules that accompany the by-law provide the following:

- Schedule A – Listing of projects to be financed by debenture
- Schedule B – Debenture certificate and legal opinion provided by Borden Ladner Gervais
- Schedule C – Serial debenture schedule (repayment schedule)

The by-law which is to be introduced to Municipal Council on Tuesday, December 6, 2011 will allow the issuance to be close on December 15, 2011 based on the November 29, 2011 accepted rate.

Financial Impact

The financial impact of this debt issuance through OILC is incorporated in the 2012 operating budgets submitted to Municipal Council.

Conclusion

For 2011 the City has secured \$132,077,496 of long term financing as follows; \$15,867,582 through Canada Mortgage and Housing Corporation (CMHC) at 3.23%, \$52,809,914 through Ontario Infrastructure and Lands Corporation (OILC) at 2.86% and \$63,400,000 (of which \$33,901,000 is refinancing of a balloon payment made in October 2011) through the capital markets at 2.887%.

Acknowledgements

The attached proposed by-law was prepared with support from the law firm of Borden Ladner Gervais LLP (BLG) in Toronto, Ontario.

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Annette Ripepi Manager of Financial Forecasting, Modelling, and Systems Control	Ian Collins Manager of Financial Planning & Policy
CONCURRED BY:	RECOMMENDED BY:
Larry Palarchio Director of Financial Planning & Policy	Martin Hayward City Treasurer, Chief Financial Officer

Attach.

cc. M. Turner, Deputy City Treasurer

