

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON MARCH 3, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2015 DEBENTURE ISSUE UPDATE

RECOMMENDATION

It is recommended that;

1. the issue of instalment debentures for a total of \$40,500,000 **BE APPROVED**, noting the average all-in-rate is 1.869% over a 10-year term; and
2. the attached proposed By-Law D.-xxx-xxx **BE INTRODUCED** at the Municipal Council meeting of March 10, 2015, for three readings to authorize the borrowing upon instalment debentures in the aggregate principal amount of \$40,500,000 towards the cost of certain capital works of the Corporation of the City of London.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

2015 Debenture Issuance
(February 17, 2015 meeting of the Corporate Services Committee, Agenda Item #3)

BACKGROUND

Municipal Council at its session on February 24, 2015, authorized the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer to proceed with the issue of debentures to provide permanent financing for capital works in an amount not to exceed \$40,500,000.

On February 25, 2015, with the guidance of CIBC World Markets Inc., the City launched a debenture issue for \$40,500,000 that is set to close on March 16, 2015. The issue of instalment debentures is structured with coupon rates ranging from 0.80% to 2.25% from one to ten years and a **net all-in-rate of 1.869% (includes fiscal agency fees)** over the 10-year term.

The table below summarizes the City's debenture rates in the capital markets from 2004 to 2014.

Issuance Date	Amount of Issuance (\$)	Term (years)	All-in-rate (*) of borrowing
30-Jun-04	21,000,000	10	5.11%
30-Jun-04	30,000,000	20	5.67%
26-Oct-07	38,000,000	10	4.99%
15-Dec-11	63,400,000	10	2.89%
24-Sep-12	70,000,000	10	2.82%
3-Sep-13	50,000,000	10	3.30%
9-May-14	30,000,000	10	2.96%
* All-in-rate includes fees			

Included in the City's debentures of \$40,500,000 is \$8,665,000 that the City has issued on behalf of Huron Primary Water Supply Systems. The City in its capacity as the Administering Municipality for Huron Primary Water Supply Systems, in accordance with the Transfer Order issued by the Minister of the Environment (effective September 15, 2000), has authorization to issue debt on its behalf. The City's share of the debentures is approximately \$7.4 million.

By-Law D.-xxx-xxx

By-law D.-xxx-xxx, which is being introduced on Tuesday, March 10, 2015, will allow the Corporation of the City of London to borrow upon instalment debentures for the debenture term and amount identified above. It will also 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 and close the issuance on March 16, 2015.

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 – Repayment schedule

Financial Impact

The financial impact of this debenture issuance has been accommodated in the 2015 operating budget.

Acknowledgements

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

PREPARED BY:	REVIEWED BY:
Annette Ripepi Manager, Accounting & Reporting	Jason Senese Manager, Financial Planning & Policy
CONCURRED BY:	RECOMMENDED BY:
Larry Palarchio Director, Financial Planning & Policy	Martin Hayward Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

Attach.

Cc.: Anna Lisa Barbon, Director, Financial Services