

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 23, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2018 DEBENTURE ISSUANCE

RECOMMENDATION

That the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, **BE AUTHORIZED** to proceed with the issue of debentures to provide permanent financing for capital works in an amount not to exceed \$55,000,000 (**Appendix A**) through debentures in The capital markets with the flexibility to postpone the issuance for unfavourable market conditions.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Corporate Services Committee, meeting date September 26, 2017, Agenda Item 4, 2017 Mid-Year Capital Monitoring Report.

Corporate Services Committee, meeting date September 26, 2017, Agenda Item 2, City of London's Credit Rating.

BACKGROUND

A municipality may issue debt for long-term borrowing to provide financing for capital works. The City issues debentures on projects that are substantially complete. The City reviews project status reports to determine if projects are substantially complete and this analysis along with cash flow requirements, budget constraints and market conditions determine the amount and timing of debentures issued each year. Generally, the City issues debentures through the capital markets using a fiscal agent or through government programs.

A review of the approved Capital Plan indicates that projects meeting the required criteria for long-term debenture financing total \$55,000,000. The details of these projects are listed in **Appendix A**.

Over the past five years, the City has issued a total of approximately \$191.5 million in debentures as follows:

Issuance Date	Amount of Issuance (\$)	Term (years)	All-in-rate of borrowing*	Type	Agency
7-Mar-2017	41,000,000	10	2.48%	Serial/Instalment	Capital Markets - CDS & CO
29-Apr-2016	3,048,000	10	2.25%	Amortizer	Government Agency - FCM - GMF
7-Mar-2016	27,000,000	10	2.30%	Serial/Instalment	Capital Markets - CDS & CO
	30,048,000				
16-Mar-2015	40,500,000	10	1.87%	Serial/Instalment	Capital Markets - CDS & CO
9-May-2014	30,000,000	10	2.96%	Serial/Instalment	Capital Markets - CDS & CO
3-Sep-2013	50,000,000	10	3.30%	Serial/Instalment	Capital Markets - CDS & CO
Total	191,548,000				

* All-in-rate includes fees

CDS & CO - nominee of CDS Clearing and Depository Services Inc.

FCM - GMF - Federation of Canadian Municipalities - Green Municipal Fund

As part of the debenture issuance process, the City's fiscal agents provide recommendations on the form and timing of the issuance. The 3 main types of debenture issuances are:

1. Serial debentures - financial bonds that mature in installments over a period of time. In effect, a \$100,000, 5-year serial debenture would mature in approximate equal amounts of \$20,000 annually with unique coupon rates for each year.
2. Amortizing debentures - bonds where the principal is paid down over the life of the debenture according to an amortization schedule, typically through equal payments and one coupon rate.
3. Bullet debentures - debt instruments whose entire principal value is paid all at once on the maturity date, as opposed to periodic principal payments over the life of the debenture. These types of debentures are best suited for municipalities issuing greater than \$100 million and are structured so that a sinking fund is established to cover the principal value upon maturity.

Next Steps

CIBC Capital Markets, will launch and price the City's debenture issuance deal in the capital markets. A report will be brought forward to Committee to approve the debenture issue and the respective by-law, with Council approval to follow. Timing of the City's debenture pricing will be dependent on market conditions, but it is anticipated the City's debenture issuance deal will be brought to Committee before the end of April 2018.

Financial Impact

The financial impact of this debenture issuance has been included in the 2016–2019 multi-year operating budget.

PREPARED BY:	REVIEWED AND CONCURRED BY:
DAVID BORDIN MANAGER, ACCOUNTING & REPORTING	JASON SENESE MANAGER OF FINANCIAL PLANNING & POLICY
RECOMMENDED BY:	
ANNA LISA BARBON, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

Attachment: Appendix A

APPENDIX A

Project Number	Project Title	Amount to be Financed (\$)
	Property Tax Supported	
RC2755	South West Multi-Purpose Recreation Centre	18,196,700
MU104417	Bus Purchase Replacement	4,607,300
TS144617	Road Networks Improvements	2,000,000
TS1470	Commissioners Rd Widening From Wonderland Rd to Viscount Rd	1,200,000
MU1045	Bus Purchase Replacement (Program Fast Track Related to PTIF)	1,150,000
TS1349-2	Sarnia Rd Improvements From Hyde Park Rd to Wonderland Rd	1,000,000
TS1765	Construction New Downtown Cycle Track	800,000
		28,954,000
	Wastewater & Treatment Rate Supported	
ES2685	Greenway Expansion and Upgrade	3,100,000
	Non-Rate Supported (City Services Reserve Funds)	
ES2685	Greenway Expansion and Upgrade	14,000,000
RC2755	South West Multi-Purpose Recreation Centre	7,000,000
ESSWM-SB	SWM Facility - Wickerson	1,946,000
		22,946,000
	Total 2018 Debenture Issuance	55,000,000