

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON FEBRUARY 19, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2019 DEBENTURE ISSUANCE

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, Civic Administration **BE AUTHORIZED** to proceed with the issuance of debentures in the capital markets to provide permanent financing for capital works in an amount not to exceed \$49,380,000 with the flexibility to postpone the issuance in the event of unfavourable market conditions.

LINK TO THE 2015-2019 STRATEGIC PLAN

Council's 2015-2019 Strategic Plan for the City of London identifies "Leading in Public Service" as one of four strategic areas of focus. Authorization for debenture issuance supports this strategic area of focus by contributing towards the strategic priority "Proactive financial management". The "Proactive financial management" strategic priority involves, among other things, making sure that the City's finances are well planned and that they support intergenerational equity. The 2019 Debenture Issuance report ensures that the proper mechanisms are in place to fund major capital projects while supporting intergenerational equity.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Corporate Services Committee, September 25, 2018, Agenda Item 2.3, 2018 Mid- Year Capital Monitoring Report.
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=50270>

Corporate Services Committee, October 30, 2018, Agenda Item 2.5, City of London's Credit Rating.
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=51768>

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 approved capital projects indicates that projects meeting the required criteria for long-term debenture financing total \$49,380,000. The details of these projects are listed in **Appendix A**.

Over the past five years, the City has issued a total of approximately \$196.5 million in debentures as follows:

Issuance Date	Amount of Issuance (\$)	Term (years)	All-in-rate of borrowing*	Type	Agency
13-Mar-2018	55,000,000	10	2.98%	Serial/Instalment	Capital Markets - CDS & CO
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
2016 Total	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
Total	196,548,000				
* All-in-rate includes fees					
CDS & CO - nominee of CDS Clearing and Despository 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 three main types of debenture issuances are:

- 1. Serial debentures - debt instrument that matures 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 - debt instrument 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

RBC Dominion Securities Inc. 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 issuance 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 March 2019.

Financial Impact

The financial impact of this debenture issuance has been included in the approved 2016–2019 Multi-Year Budget and will also be incorporated in future Multi-Year Budget submissions.

PREPARED BY:	REVIEWED AND CONCURRED BY:
MARTIN GALCZYNSKI, CPA, CA MANAGER, FINANICAL PLANNING & POLICY	KYLE MURRAY, CPA, CA DIRECTOR, FINANICAL PLANNING & BUSINESS SUPPORT
RECOMMENDED BY:	
ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

Attachment: Appendix A

APPENDIX A

Project Number	Project Title	Amount to be Financed (\$)	By-Law #
	Property Tax Supported		
TS1135	Dundas Flexible Street	4,000,000	W.-5619(1)-48
TS1489	Western Rd Widening	3,000,000	W.-5550(d)-88
TS144618	Road Network Improvements (Main)	800,000	W.-5638-135
TS1487	Wonderland Rd Two Lane Upgrade	975,000	W.-5588(a)-90
MU1046	Bus Replacement-Fast Track (PTIF)	1,150,000	W.-5645-49
MU104418	Bus Purchase Replacement	2,224,000	W.-5646-50
RC2755	South West Multi-Purpose Recreation Centre (Partial)	3,970,000	W.-5578(a)-210
RC2756	East Multi-Purpose Recreation Centre (Partial)	6,696,000	W.-5598(a)-521
		22,815,000	
	Non-Rate Supported (City Services Reserve Funds)		
RC2756	East Multi-Purpose Recreation Centre (Partial)	2,365,000	W.-5598(a)-521
TS1523-1	Bradley Ave. Extension Phase 1	3,000,000	W.-5622-165
		5,365,000	
	Wastewater & Treatment Rate Supported		
ES2685	Greenway PCP Expansion	8,300,000	W.5636-41
ES5256	Exeter Road Trunk Sanitary Sewer	2,166,646	W.5629-284
ES3020-RVBTC	Swm Facility - River Bend Trib. 'C'	6,027,795	W.5591(a)-36
ES3020-FH3	Swm Facility - Fox Hollow #3	4,705,559	W.-5330(b)-190
		21,200,000	
	Total 2019 Debenture Issuance	49,380,000	