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Report 2024-090

Report Title: Authorization for Debenture Issuance

Committee Name: Finance and Audit

Committee Meeting Date: July 30, 2024

Prepared by: Matthew Nitsch
Director of Finance/Treasurer
Finance

Approved by: Jennifer Moore, CAO

Council Meeting Date: August 14, 2024

Strategic Plan Priorities: Innovate for Service Excellence
 Ignite Economic Opportunity
 Foster a Thriving Community
 Propel Sustainable Growth
 Champion a Vibrant Future

Recommendation

“Whereas By-law 22-2021 was adopted at the July 21, 2021 County Council meeting authorizing the submission of an application to the Ontario Infrastructure and Lands Corporation (OILC) for the issuance of debentures with a term of 25 years to finance the capital works of the Elgin Park Redevelopment (Phase 1) for an amount not to exceed \$5,306,610;

Now Therefore Be It Resolved That the Finance and Audit Committee, having considered Report 2024-090 ‘Authorization for Debenture Issuance’, recommend that County Council authorize staff to acquire debenture financing with a term of 25 years for the capital works of the Elgin Park Redevelopment (Phase 1) in the amount of \$3,181,193 through the issuance of a debenture with OILC; and

Further Be It Resolved That the Committee recommend that County Council enact a By-law authorizing the issuance of the debenture with OILC at the August 14, 2024 County Council meeting.”

Purpose

The purpose of this report is to acquire Council approval for the issuance of a debenture with OILC for financing the capital works of the Elgin Park Redevelopment (Phase 1) in the amount of \$3,181,193.

Background

Previously, Council has approved the required debenture financing through budgetary processes and tender awards. Also, in accordance with By-law 22-2021, an application to OILC for the future issuance of the debentures was submitted and approved.

Consultations

County staff have consulted with OILC Infrastructure Ontario to ensure that the proper procedures are adhered to for the approval and issuance of the debentures.

OILC will set an interest rate for the debenture on Aug 7th and provide the final documentation for County Council's approval on Aug 14th. The attached draft By-law is presented for the committee's review.

Legislative Authority / Risk Considerations

The Municipal Act, 2001 permits municipalities to incur long-term debt for the financing of capital expenditures as stipulated and in accordance with requirements under sections 401 and 408.

The Ministry of Municipal Affairs and Housing (MMAH) provides for an Annual Repayment Limit. This limit represents the maximum amount which a municipality can commit to payments relating to debt and financial obligations.

OILC legislative authority under the Ontario Infrastructure and Lands Corporation Act, 2011.

Discussion / Options

During the budgetary process, Council reviews capital projects inclusive of recommended financing sources for approval. By virtue of approving the 2022 and 2023 Budgets, Council, through the confirming by-law also authorized staff to issue long-term debt as required to finance capital projects.

The capital works of the Elgin Park Redevelopment (Phase 1) have now been substantially completed and all applicable costs have been finalized. Staff will issue debentures with OILC for financing the costs in the amount of \$3,181,193. The term of the debentures will be 25 years. These capital projects and the associated debt financing were approved by Council through the 2022 and 2023 budgetary processes and reports to Council.

The OILC is a government agency established specifically to aid with the development, renewal, enhancement and replacement of Ontario public assets. Infrastructure Ontario's Loan Program through OILC allows easy access to financing for municipalities with affordable interest rates, flexible terms and no fees or commissions. Infrastructure Ontario's cost of capital is very low and, as such, it is able to offer advantageous interest rates versus other sources of financing.

The borrowing rate provided by Infrastructure Ontario will be confirmed on Aug 7th and included in the final documentation that will be presented to County Council on Aug 14th.

MMAH sets an Annual Repayment Limit (ARL) for each municipality. This represents the maximum total annual amount that can be committed to payments for principal and interest related to debt and financial obligations. The 2022 ARL as set by MMAH for Northumberland County is \$16,978,126. Inclusive of the upcoming issuances for the Elgin Park Redevelopment (Phase 1), the current long-term forecast estimates 2025 debt service costs to be approximately \$4,800,000 which is well below the current ARL.

Financial Impact

The cost of borrowing over the full term of the debenture will be calculated on Aug 7th when the interest rate is finalized with OILC. This updated information will be provided to County Council on Aug 14th.

Member Municipality Impacts

N/A

Conclusion / Outcomes

That staff be authorized to issue debentures with OILC for financing the capital works of the Elgin Park Redevelopment for a term of 25 years in the amount of \$3,181,193.

Attachments

1. Report 2024-090 ATTACH 1 'Draft By-law Authorization for Debenture Issuance – Elgin Park Phase 1'
2. Report 2024-090 ATTACH 2 'By-law 22-2021 - By-law to Authorize the Submission of an Application to Ontario Infrastructure and Lands Corporation ("OILC")'