

REPORT

Council

Meeting Date: January 31, 2022

FROM: Finance Department

DATE: January 18, 2022

SUBJECT: By-law 2022-010, A By-law to Authorize the Issuance and Sale of Debentures

LOCATION: Town-wide

WARD: Town-wide

Page 1

RECOMMENDATION:

That By-law 2022-010 be approved, authorizing the North Park Community Centre and Library project at an estimated total cost of \$55,768,200 and the raising of a portion of the financing (\$26,000,000) through the issuance and sale of debentures.

KEY FACTS:

The following are key points for consideration with respect to this report:

- In accordance with the Municipal Act, 2001 (Municipal Act) a lower-tier municipality may not issue debentures. They must be issued by an upper-tier regional municipality on behalf of a lower-tier area municipality.
- In order to participate in a regional debt issuance, a by-law needs to be in place authorizing the issuance of the debt as the financial commitment would typically extend beyond the term of Council.
- Council approved debt financing for this project through the 2022 budget process at the December 20, 2021 Council meeting.

BACKGROUND:

Council approved debt financing for the North Park Community Centre and Library through the 2022 budget process. The issuance of long term debt creates a financial commitment extending beyond the term of Council, which must be approved through by-law in accordance with the Municipal Act.

COMMENT/OPTIONS:

The Regional Municipality of Halton (the region) issues debt on behalf of itself and its area municipalities. In order to participate in a debt issuance, the appropriate by-

law needs to be in place which permits the issuance of debt and authorizes the financial commitment extending beyond the term of this Council.

Debenture financing for the North Park Community Centre and Library project was approved on December 20, 2021 as part of the 2022 capital budget. A total of \$26 million in debt financing is approved for the project, of which \$20 million is for the recreation portion of the facility and \$6 million is for the library portion of the facility. The future debt charges will be funded by development charge revenues for these services. Authority is now required to authorize the issuance and sale of debentures through the region.

Debt Limit

Prior to authorizing these commitments, the treasurer is required by the Municipal Act to update the town's annual debt and obligation repayment limit (debt capacity), incorporating the new commitments and certifying that Oakville remains within this limit. A municipality's debt capacity under the Municipal Act is 25% of net own source revenues. As Appendix B illustrates, the issuance of debt requested to be authorized in this report is within these limits.

Town policy further restricts the amount of debt issued to;

- 6.25% of own source revenues for tax supported debt
- 12% of own source revenues for total corporate debt
- 25% of a five year average of forecasted development charge (DC) revenues for DC supported debt

With the addition of the debt to be issued for the North Park Community Centre and Library project, total debt charges will be below 4% of net own source revenues in 2022. DC supported debt charges are estimated to be 5% of the five year average of DC revenues.

CONSIDERATIONS:

(A) PUBLIC
N/A

(B) FINANCIAL
Council has previously approved debt financing for the North Park Community Centre and Library project through the 2022 capital budget approved on December 20, 2021.

(C) IMPACT ON OTHER DEPARTMENTS & USERS
N/A

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:
Be fiscally sustainable

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Appendix A – By-law 2022-010

Appendix B – Updated 2022 annual repayment limit

Prepared by:

Matt Day

Manager, Development Financing & Investments

Recommended by:

Jonathan van der Heiden

Deputy Treasurer and Director of Finance

Submitted by:

Nancy Sully,

Commissioner, Corporate Services and Treasurer