



## REPORT

### Council

**Meeting Date: July 11, 2023**

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**FROM:** Finance Department

**DATE:** June 27, 2023

**SUBJECT:** **By-law 2023-092 - A By-law to Authorize the Issuance and Sale of Debentures**

**LOCATION:**

**WARD:** Town-wide

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#### **RECOMMENDATION:**

That By-law 2023-092 be passed, authorizing the raising of \$49,729,600 for various capital projects 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.
- 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 \$25 million in development charge (DC) supported debt for the construction of the Sixteen Mile Sports Complex and Library through Council meetings on June 20, 2022 and June 19, 2023.
- Council approved a total of \$24.7 million in debt financing for projects through the 2023 budget process at the February 27, 2023 Council meeting.

#### **BACKGROUND:**

Since the last debenture by-law (by-law 2022-010), Council has approved debt financing of \$49.7 million through the 2023 budget process and at Council meetings on June 20, 2022 and June 19, 2023. 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. 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.

Debt financing approved as part of the 2023 capital budget totals \$24.7 million, which includes the Transit Facility Expansion at \$18 million, the replacement of Harbours dockage and dredging at \$2.6 million and Parkade rehabilitation at \$4.1 million. Future debt charges for financing the Harbours dockage replacement and dredging and Parkade rehabilitation will be funded from the Harbours and Parking revenues.

Through previous reports in 2022 and 2023, \$25 million in DC supported debt financing for the construction of the Sixteen Mile Sports Complex and Library project has been approved. Of this total, \$22.6 million will be funded by future parks and recreation DC collections and \$2.4 million will be funded by future library DC collections.

Authority is now required to authorize the issuance and sale of debentures through the region. Debt issuance will be based on timing of the capital project spending as well as Region’s plan on issuance. The following table summarizes approved debenture financing by project included in By-law 2023-092:

PROJECT	COMMITMENT
54212307 Transit Facility Expansion	18,000,000
53512202 Parkade Rehabilitation	4,093,000
52902206 BOH - Maintenance Dredge	453,200
52902303 Bronte Harbour Dredging	1,810,800
52902304 Dock Replacement	372,600
46602104 Sixteen Mile Sports Complex and Library	25,000,000
<b>TOTAL</b>	<b>\$ 49,729,600</b>

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 that can be issued. The below chart shows the debt charge limits approved by Council, and the town's debt capacity based on approved debt.

Debt Policy	Debt Charges Limit	Approved Debt
Tax Supported Debt	6.25% of own source revenue	2.3%
Total Corporate Debt	12% of own source revenue	6.9%
Development Charge Debt	25% of forecasted 5 year average DC revenue	10.4%

The town is in a strong financial position with total debt charges for the year at 3.1% of net own source revenue. With the addition of the approved debt yet to be issued, plus new capital lease payments for transit electrification, total debt charges are projected to rise to 6.9% of net own source revenue by 2025, which still remains well within town policy of 12% and the Ministry limit of 25%. These projections are subject to the timing of debt issuance and interest rate risk.

**CONSIDERATIONS:**

**(A) PUBLIC**  
N/A

**(B) FINANCIAL**  
Council has previously approved debt financing through the 2023 capital budget for various projects and 2022 and 2023 capital budget amendments for the Sixteen Mile Sports Complex and Library.

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

**(D) CORPORATE STRATEGIC GOALS**  
This report addresses the corporate strategic goal(s) to:  
Accountable Government

**(E) CLIMATE CHANGE/ACTION**  
N/A

**APPENDICES:**

Appendix A – By-law 2023-092

Appendix B – Updated 2023 annual repayment limit

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