



REPORT

Council

Meeting Date: January 27, 2025

FROM: Finance Department

DATE: January 14, 2025

SUBJECT: **By-law 2025-004 A By-law to Authorize the Issuance and Sale of Debentures**

LOCATION:

WARD: Town-wide

Page 1

RECOMMENDATION:

That By-law 2025-004 be passed, authorizing the raising of \$5,694,800 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 a total of \$236,600 in debt financing for projects through the 2024 budget process at the December 20, 2023 Special Council meeting.
- Council approved an additional \$5,000,000 in debt financing for project 54212307 Transit Facility Expansion through Council meeting on October 21, 2024.
- Council approved a total of \$458,200 in debt financing for projects through the 2025 budget process at the December 19, 2024 Special Council meeting.

BACKGROUND:

Since the last debenture by-law (by-law 2023-092), Council has approved debt financing of \$236,600 through the 2024 budget process at the Special Council meeting on December 20, 2023. Council approved an additional \$5,000,000 in debt financing for project 54212307 Transit Facility Expansion through a staff report at

the Council meeting on October 21, 2024 that amended the 2024 capital budget. Council has approved debt financing of \$458,200 through the 2025 budget process at the Special Council meeting on December 19, 2024. 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 2024 capital budget includes a total of \$236,600 for the Harbours dockage replacement.

In 2024, an additional \$5,000,000 was approved by Council for the Transit Facility through an amendment to the capital budget. The previously approved budget of \$18,000,000 was included in the last debenture by-law 2023-092.

Debt financing approved as part of the 2025 capital budget totals \$458,200 which includes the dock renewal for the Bronte Outer Harbour and dredging for the Oakville Harbour. Future debt charges for financing the Harbours dockage replacement and dredging will be funded from Harbours' revenues.

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 the Region's plan on issuance. The following table summarizes approved debenture financing by project included in By-law 2025-004:

PROJECT	COMMITMENT
52902304 Dock Replacement	60,400
52902405 Dock Replacement	176,200
54212307 Transit Facility Expansion	5,000,000
52902506 Bronte Outer Harbour Dock Renewal	80,600
52902509 Oakville Harbour Dredging	377,600
TOTAL	\$ 5,694,800

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.

The town’s Corporate Debt policy further limits debt capacity levels, and the below table shows the debt capacity limits and status based on approved debt.

Debt Policy	Debt Charges Limit	Approved Debt
Tax Supported Debt	6.25% of own source revenue	3.5%
Total Corporate Debt	12% of own source revenue	6.1%
Development Charge Debt	25% of forecasted 5 year average DC revenue	9.1%

The town is in a strong financial position. When considering approved debt yet to be issued, plus new capital lease payments for transit electrification, total debt charges are projected to rise to 6.1% of net own source revenue by 2026, 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 2024 and 2025 capital budget for various projects, as well as the 2024 capital budget amendment for the Transit Facility Expansion.

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

(D) COUNCIL STRATEGIC PRIORITIES
This report addresses Council’s strategic priority: Accountable Government.

(E) CLIMATE CHANGE/ACTION
N/A

APPENDICES:

Appendix A – By-law 2025-004

Appendix B – Updated 2025 annual repayment limit

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