
Subject: Debt Information Report – 2021 Debenture Issuance

Report to: Corporate Services Committee

Report date: Wednesday, June 16, 2021

Recommendations

That this report **BE RECEIVED** for information.

Key Facts

- This report has been prepared to advise Council of the Region's intention to issue debentures in 2021, in accordance with debenture issuance procedures that have been established.
- Each year the Region and Local Area Municipalities (LAMs) require the issuance of debentures for capital projects with debt financing that has been previously approved in capital budgets. During construction, these projects were internally financed and are now either complete or are nearing completion and financing must be secured (see Appendix 1 to Report CSD 34-2021).
- Issuance of the proposed \$76.9 million in previously approved Regional debt will increase the Region's 2021 outstanding debt from \$415.9 million to \$463.2 million (net of 2021 principal repayments of \$32.4 million and new debt from the Niagara Regional Housing acquisition of Julius Court of \$2.7million, see Appendix 2 to Report CSD 34-2021).
- Previously authorized but unissued debt for the Region will decrease from \$458.7 million to \$381.8 million.
- The Region's Annual Repayment Limit (ARL) will be 8.17% after the 2021 debenture issuance, well below the 25% ARL set by the Province.
- Staff is monitoring the Infrastructure Ontario lending program and capital markets, and proposes to issue debentures taking into consideration interest rate levels and timing requirements.

Financial Considerations

The Region plans to issue debentures in 2021 for its financing requirements and that of certain LAMs identified in Appendix 1 of Report CSD 34-2021. The debenture issuance requirements for 2021 are as follows:

Debt Term	Region Amount	LAM Amount	Total
1-15 Year Debt	\$15.9M	\$47.2M	\$63.1M
20-30 Year Debt	\$61.0M	\$20.8M	\$81.8M
Total	\$76.9M	\$68.0M	\$144.9M

Total issued debt will be recorded as a long-term liability on the Region's financial statements with a corresponding debt recoverable from the LAM for the amount issued on behalf of the LAM. All debt servicing costs associated with the Region's approved debt have been included within the Region's operating budget. The projected debt servicing costs associated with the Region's debt requirement of \$76.9 million is estimated at \$5.6 million per year. Debt servicing costs for the LAMs are budgeted by each individual LAM and recovered by the Region from the LAM. The ARL for each LAM is provided in Appendix 1 to Report CSD 34-2021 and is based on the latest available published Financial Information Return (FIR).

Analysis

Each year, the Region raises funds through the sale of Niagara Region debentures in the capital markets or through the Infrastructure Ontario lending program to finance previously approved capital projects for both the Region and the LAMs. While projects are under construction funding is generally provided internally and once projects are complete financing must be secured. The authority to issue debentures is granted solely to regional government in accordance with the Municipal Act.

A listing of the proposed debenture amounts are shown in Appendix 1 to Report CSD 34-2021:

- **For the 1-15 year term** the Regional portion totals \$15.9 million. This requirement includes projects for Niagara Regional Housing and Roads Rehabilitation projects. The proposed requirement for the municipalities of Niagara Falls, Niagara-on-the-lake, St.Catharines, Welland and West Lincoln totals \$47.2 million.
- **For the 20-30 year term** the Regional portion totals \$61.0 million for, Long Term Care Homes as well as Water and Wastewater projects. The proposed requirement for the municipalities of Grimsby, Niagara on the Lake, Wainfleet and Welland is \$20.8 million.

The Region monitors the markets and in consultation with our fiscal agents determines the most appropriate time to enter the capital market. Since March, the market has been active with municipal debenture issuances including those from Waterloo, London, Halton and Guelph.

The Region engages its fiscal syndicate in the sale of Regional debentures; the syndicate is comprised of three fiscal agents: CIBC World Markets, RBC Capital Markets and National Bank Financial. National Bank Financial will be the lead for the 2021 capital market transaction as per the established annual rotation.

Staff are also proceeding with debenture issues via the Infrastructure Ontario lending program throughout the remainder of 2021. Infrastructure Ontario provides long-term financing for infrastructure projects up to 30 years. Longer term projects, such as 30 year projects, are financed through Infrastructure Ontario as term acceptance for long-term debentures are typically only available with Infrastructure Ontario.

For comparison purposes, the 10-year rates between Infrastructure Ontario and capital markets is approximately 2.04% and 1.83% respectively. The 30-year Infrastructure Ontario rate is currently 3.04%. These rates are indicative of current conditions and it should be noted that rates may change according to subsequent market conditions and timing of the actual debenture issue. In 2020, the Region was able to obtain debt in both the capital markets at a rate of 1.43% for 10 years and with Infrastructure Ontario at a rate of 2.39% for 30 years.

Alternatives Reviewed

There would be no option for the Region not to proceed with the issuance of debentures, given the debt has already been approved through prior capital budgets and capital projects are substantially complete. Staff recommends proceeding with the debenture issuance through capital markets and/or Infrastructure Ontario, with prudent consideration in respect to market conditions and risk factors.

Relationship to Council Strategic Priorities

The proposed 2021 debt issuance will fund capital infrastructure projects that support Council's Strategic priorities of Healthy and Vibrant Community and Responsible Growth and Infrastructure Planning.

Other Pertinent Reports

[CSD 5-2021 – 2021 Levy Operating Budget](https://pub-niagararegion.escribemeetings.com/) (https://pub-niagararegion.escribemeetings.com/)

[CSD 65-2020 – 2021 Water and Wastewater Operating and Rate Requisition Budget - REVISED](https://pub-niagararegion.escribemeetings.com/) (https://pub-niagararegion.escribemeetings.com/)

[CSD 58-2020 – 2021 Capital Budget](https://pub-niagararegion.escribemeetings.com/) (https://pub-niagararegion.escribemeetings.com/)

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This report was reviewed by Helen Chamberlain, Director, Financial Management & Planning/Deputy Treasurer.

Appendices

Appendix 1 Debenture Request
Appendix 2 Annual Repayment Limit

Proposed 2021 Debenture Amount

Regional Municipality of Niagara

Description	Proposed Amount
<u>1-15 Year Term</u>	
<u>Region</u>	
Niagara Regional Housing	8,196,840.00
Roads	7,762,277.00
Total for Region	15,959,117.00
<u>Area Municipalities</u>	
Niagara Falls	15,666,187.00
Niagara on the Lake	958,564.68
St. Catharines	8,500,000.00
Welland -10yr	21,088,892.00
West Lincoln	990,000.00
Total for Area Municipalities	47,203,643.68
Total 1 - 15 Year Term	63,162,760.68
<u>20-30 Year Term</u>	
<u>Region</u>	
Senior Services	20,000,000.00
Wastewater	40,400,000.00
Water	565,000.00
Total for Region	60,965,000.00
<u>Area Municipalities</u>	
Grimsby	6,000,000.00
Niagara on the Lake	955,000.00
Wainfleet	5,500,000.00
Welland -25 yr	8,350,000.00
Total for Area Municipalities	20,805,000.00
Total 20 - 30 Year Term	81,770,000.00
Total Proposed Debenture Amount - 2021	144,932,760.68

Department / Local Area Municipality	Total Outstanding Debt (including sinking fund assets) as at Dec 31, 2020 (in \$000s)	Debt per NRH Property Acquisition in 2021 (in \$000s)	Principal Payments in 2021 (in \$000s)	Adjusted Debt Outstanding As at Dec. 31, 2021 (in \$000s)	Forecasted Debt Issuance for 2021 (in \$000s)	Total Debt Outstanding, including 2021 Forecasted Issuance As at Dec. 31, 2021 (in \$000s)	Annual Repayment Limit % ¹
IT Solutions	1,456	0	(566)	891	0	891	
Court Services	8,565	0	(298)	8,267	0	8,267	
Properties Management	9,054	0	(1,066)	7,987	0	7,987	
General Government - Other	6,350	0	(592)	5,758	0	5,758	
General Government	25,425	0	(2,522)	22,903	0	22,903	
Police	84,371	0	(4,360)	80,010	0	80,010	
Roads	132,303	0	(11,872)	120,431	7,762	128,193	
NRT	10,753	0	(1,096)	9,656	0	9,656	
Transportation	143,056	0	(12,968)	130,087	7,762	137,849	
Public Health	7,791	0	(757)	7,034	0	7,034	
Emergency Medical Services	4,876	0	(752)	4,124	0	4,124	
Public Health	12,667	0	(1,509)	11,158	0	11,158	
Community Services	11,619	0	(1,711)	9,909	0	9,909	
Seniors Services	20,645	0	(1,613)	19,032	20,000	39,032	
Community Services	32,265	0	(3,324)	28,940	20,000	48,940	
NRH	35,375	2,759	(4,456)	33,678	8,197	41,875	
Sub-Total Levy	333,158	2,759	(29,140)	306,777	35,959	342,736	
Wastewater	57,725	0	(2,489)	55,236	40,400	95,636	
Water	25,065	0	(769)	24,295	565	24,860	
Sub-Total Rate	82,790	0	(3,258)	79,532	40,965	120,497	
Total Niagara Region:	415,947	2,759	(32,398)	386,309	76,924	463,233	8.17%
External:							
Fort Erie	5,525	0	(824)	4,701	0	4,701	2.39%
Grimsby	2,784	0	(365)	2,419	6,000	8,419	2.75%
Lincoln	7,817	0	(545)	7,272	0	7,272	2.49%
Niagara Falls	53,070	0	(3,867)	49,204	15,666	64,870	3.35%
NOTL	4,480	0	(369)	4,110	1,914	6,024	1.74%
Pelham	33,465	0	(2,433)	31,032	0	31,032	12.81%
Port Colborne	30,270	0	(1,440)	28,831	0	28,831	7.30%
St. Catharines	118,509	0	(13,945)	104,564	8,500	113,064	8.70%
Thorold	830	0	(125)	705	0	705	0.51%
Wainfleet	1,518	0	(195)	1,324	5,500	6,824	1.17%
Welland	48,151	0	(6,310)	41,842	29,439	71,281	9.17%
West Lincoln	17,834	0	(662)	17,171	990	18,161	7.11%
Local Area Municipalities	324,254	0	(31,079)	293,175	68,009	361,184	
Total Consolidated	740,201	2,759	(63,477)	679,484	144,933	824,417	

¹ Niagara Region Annual Repayment limit is 8.17% and includes the forecasted 2021 Issuance. The Local Area Municipalities is based on the most recent Financial Information Return. The Region relies upon the Local Area Municipality to update their Financial Information Return and Annual Repayment Limit in accordance with the Municipal Act.