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**Subject:** Debt Information Report – 2020 Debenture Issuance

**Report to:** Corporate Services Committee

**Report date:** Wednesday, June 17, 2020

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## Recommendations

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

## Key Facts

- This report has been prepared to advise Council of the Region's intentions to issue debentures in 2020 in accordance with debenture issuance procedures that have been established.
- Each year the Region and Local Area Municipalities (LAMs) require debenture financing for capital projects that have previously been approved in capital budgets with debt financing. During construction these projects were internally financed and are now either complete or are nearing completion and financing must be secured (see Appendix 1).
- Issuance of the proposed \$77.2 million in previously approved Regional debentures will increase the Region's 2020 issued/outstanding debt from \$379.5 million to \$423.8 million (net of 2020 principal repayments of \$32.9 million, see Appendix 2).
- Previously authorized but unissued debt for the Region will decrease from \$273.3 million to \$196.1 million.
- The 2020 debenture issues are projected to increase the Region's Annual Repayment Limit (ARL) to 8.66%, 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.

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## Financial Considerations

The Region plans to issue debentures in 2020 for its financing requirements and that of certain LAMs identified in Appendix 1. The debenture issuance requirements for 2020 are as follows:

Debt Term	Region Amount	LAM Amount	Total
1-10 Year Debt	\$14.8M	\$24.1M	\$38.9M
20-30 Year Debt	\$62.4M	\$21.9M	\$84.3M
<b>Total</b>	<b>\$77.2M</b>	<b>\$46.0M</b>	<b>\$123.2M</b>

The total issued debt will be recorded as a long term liability on the Region's financial statements with a corresponding debt recoverable from the LAMs for the amount issued on behalf of the LAMs. 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 \$77.2 million is estimated at \$ 5.5 million per year. All debt servicing costs for the LAMs are budgeted by the LAMs and recovered by the Region from the LAMs. The ARL for each LAM has been provided based on the latest published Financial Information Return (FIR) and is included in Appendix 1.

## 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 and completed capital projects. While the projects are under construction funding is provided internally by the Region or LAM for their respective projects, once 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 preliminary debenture requirements is shown in Appendix 1 (Debenture Request):

- **For the 1-10 year term** the Regional portion totals \$14.8 million. This requirement includes projects for the Niagara Regional Housing, Roads, General

Government, and Police. The proposed requirement for the municipalities of Niagara Falls, Welland, St. Catharines and Port Colborne totals approximately \$24.1 million.

- **For the 20-30 year term** the Regional portion totals \$62.4 million for Roads, Long Term Care Homes, Police, Water and Wastewater. The proposed requirement for the municipalities of Wainfleet, Welland, Pelham, Lincoln, Niagara on the Lake and Port Colborne is \$21.9 million.

The Region monitors the markets and in consultation with our fiscal agents determines the most appropriate time to enter the market. The market is currently active with municipal debenture issuances including those from Waterloo, London and Halton.

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. RBC Capital Markets will be the lead for any 2020 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 2020 with consideration to the type and term of the projects. Infrastructure Ontario provides long-term financing for infrastructure projects, however, projects considered by the Region as major repair are considered as maintenance by Infrastructure Ontario and therefore not eligible for Infrastructure Ontario financing. Projects that do not meet the Infrastructure Ontario requirement are normally financed through capital markets. Longer term projects, such as 20 to 30 year projects, are generally financed through Infrastructure Ontario as term acceptance and rates for longer term bonds are better with Infrastructure Ontario than capital markets.

For comparison purposes, the 10 year rates are currently similar between Infrastructure Ontario and capital markets at approximately 1.7%. The 30 year Infrastructure Ontario rate is currently 2.5%. 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 2019 the Region was able to obtain debt in both the capital markets at a rate of 2.4% for 10 years and with Infrastructure Ontario at a rate of 2.9% for 30 years.

## **Alternatives Reviewed**

There would be no option for the Region to not proceed with 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**

The proposed debt will fund capital infrastructure projects that support the Region's community wellbeing and growth in alignment with the following strategic priorities:

**Objective 3.1: Advancing Regional Transit and GO Rail Services** - The 2020 debenture will fund GO Rail Services projects.

**Objective 3.3: Maintain Existing Infrastructure** - The 2020 debenture issuance will fund water and wastewater projects to sustain the infrastructure needed to support existing residents and businesses, as well as future growth in Niagara.

**Objective 3.4: Facilitating the Movement of People and Goods** - The 2020 debenture issuance will fund projects that create an integrated network of roads and highways for the movement of people and goods.

## **Other Pertinent Reports**

2020 and prior approved Capital Budgets

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**Appendices**

Appendix 1	Debenture Request
Appendix 2	Proposed 2020 Debenture Amount

## PROPOSED 2020 DEBENTURE AMOUNT

The Regional Municipality of Niagara

CSD 37-2020  
Appendix 1  
June 17, 2020

<b>1-10 Year Term</b>	<b>Proposed Amount</b>
<b><u>Region</u></b>	
Niagara Regional Housing	\$ 3,300,199
Roads	\$ 7,303,334
General Government	\$ 3,000,000
Police	\$ 1,213,776
<b>Total for Region</b>	<b>\$ 14,817,309</b>
<b><u>Area Municipalities</u></b>	
Niagara Falls	\$ 5,000,000
Welland	\$ 5,217,000
St. Catharines	\$ 13,443,600
Port Colborne	\$ 482,754
<b>Total for Area Municipalities</b>	<b>\$ 24,143,354</b>
<b>TOTAL 1-10 YEAR TERM</b>	<b>\$ 38,960,663</b>
<b>20-30 Year Term</b>	<b>Proposed Amount</b>
<b><u>Region</u></b>	
Roads	\$ 24,732,500
Seniors Homes	\$ 15,335,000
Police	\$ 1,000,000
Waste Water	\$ 5,956,000
Water	\$ 15,417,500
<b>Total for Region</b>	<b>\$ 62,441,000</b>
<b><u>Area Municipalities</u></b>	
Wainfleet	\$ 4,500,000
Welland	\$ 5,500,000
Pelham	\$ 4,000,000
Lincoln	\$ 1,462,000
NOTL	\$ 1,400,000
Port Colborne	\$ 5,000,000
<b>Total for Area Municipalities</b>	<b>\$ 21,862,000</b>
<b>TOTAL 20-30 YEAR TERM</b>	<b>\$ 84,303,000</b>
<b>TOTAL PROPOSED DEBENTURE AMOUNT - 2020</b>	<b>\$ 123,263,663</b>

## ANNUAL REPAYMENT LIMIT

( in \$000s)

	Debt Outstanding As at Dec. 31, 2019	Sinking Fund Asset Adjustment	Total Adjusted Debt as at Dec 31, 2019	Principal Payments in 2020	Adjusted Debt Outstanding As at Dec. 31, 2020	Forecasted Debt Issuance for 2020	Total Debt Outstanding, including Unissued and forecasted As at Dec. 31, 2020	Annual Repayment Limit % including projected 2020 issuance
<b>Niagara Region:</b>								
IT Solutions	2,014	-	2,014	(557)	1,456	-	1,456	
Court Services	8,858	-	8,858	(293)	8,565	-	8,565	
Properties Management	10,686	(435)	10,250	(1,179)	9,072	-	9,072	
General Government	-	-	-	-	-	3,000	3,000	
<b>General Government</b>	<b>21,557</b>	<b>(435)</b>	<b>21,122</b>	<b>(2,029)</b>	<b>19,093</b>	<b>3,000</b>	<b>22,093</b>	
<b>Police</b>	<b>89,114</b>	<b>(1,625)</b>	<b>87,489</b>	<b>(4,264)</b>	<b>83,225</b>	<b>2,214</b>	<b>85,438</b>	
Roads	121,625	(1,876)	119,749	(12,134)	107,615	32,036	139,651	
NRT	11,835	-	11,835	(1,082)	10,753	-	10,753	
<b>Transportation</b>	<b>133,461</b>	<b>(1,876)</b>	<b>131,585</b>	<b>(13,217)</b>	<b>118,368</b>	<b>32,036</b>	<b>150,404</b>	
Public Health	9,046	-	9,046	(1,254)	7,791	-	7,791	
Emergency Medical Services	5,611	-	5,611	(735)	4,876	-	4,876	
<b>Public Health</b>	<b>14,657</b>	<b>-</b>	<b>14,657</b>	<b>(1,990)</b>	<b>12,667</b>	<b>-</b>	<b>12,667</b>	
Community Services	13,242	-	13,242	(1,622)	11,619	-	11,619	
Seniors Services	6,296	-	6,296	(986)	5,310	15,335	20,645	
<b>Community Services</b>	<b>19,538</b>	<b>-</b>	<b>19,538</b>	<b>(2,608)</b>	<b>16,930</b>	<b>(15,335)</b>	<b>32,265</b>	
<b>NRH</b>	<b>36,357</b>	<b>-</b>	<b>36,357</b>	<b>(4,282)</b>	<b>32,075</b>	<b>3,300</b>	<b>35,375</b>	
<b>Planning</b>	<b>32</b>	<b>-</b>	<b>32</b>	<b>(32)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Sub-Total Levy</b>	<b>314,715</b>	<b>(3,936)</b>	<b>310,779</b>	<b>(28,422)</b>	<b>282,357</b>	<b>55,885</b>	<b>338,242</b>	
<b>Wastewater</b>	<b>65,114</b>	<b>(8,316)</b>	<b>56,797</b>	<b>(3,120)</b>	<b>53,677</b>	<b>5,956</b>	<b>59,633</b>	
<b>Water</b>	<b>13,183</b>	<b>(2,069)</b>	<b>11,114</b>	<b>(568)</b>	<b>10,546</b>	<b>15,418</b>	<b>25,964</b>	
<b>Waste Management</b>	<b>795</b>	<b>-</b>	<b>795</b>	<b>(795)</b>	<b>64,223</b>	<b>-</b>	<b>85,597</b>	
<b>Sub-Total Rate</b>	<b>79,091</b>	<b>(10,385)</b>	<b>68,706</b>	<b>(4,483)</b>	<b>64,223</b>	<b>21,374</b>	<b>85,597</b>	
<b>Total Niagara Region:</b>	<b>393,806</b>	<b>(14,321)</b>	<b>379,485</b>	<b>(32,905)</b>	<b>346,580</b>	<b>77,258</b>	<b>423,839</b>	<b>8.66%</b>
<b>External:</b>								
Fort Erie	6,333	-	6,333	(809)	5,525	-	5,525	2.51%
Grimsby	3,140	-	3,140	(355)	2,784	-	2,784	0.28%
Lincoln	6,676	-	6,676	(615)	6,061	1,462	7,523	2.59%
Niagara Falls	48,560	-	48,560	(3,890)	44,670	5,000	49,670	3.16%
NOTL	3,609	-	3,609	(531)	3,078	1,400	4,478	2.29%
Pelham	32,252	-	32,252	(2,237)	30,015	4,000	34,015	13.33%
Port Colborne	27,246	-	27,246	(1,975)	25,270	5,483	30,753	8.67%
St. Catharines	119,978	(1,944)	118,033	(12,887)	105,147	13,444	118,590	7.43%
Thorold	950	-	950	(120)	830	-	830	1.60%
Wainfleet	1,708	-	1,708	(190)	1,518	4,500	6,018	1.17%
Welland	49,199	-	49,199	(6,265)	42,934	10,717	53,651	8.18%
West Lincoln	18,496	-	18,496	(662)	17,834	-	17,834	5.30%
<b>Local Area Municipalities</b>	<b>318,147</b>	<b>(1,944)</b>	<b>316,203</b>	<b>(30,536)</b>	<b>285,667</b>	<b>46,005</b>	<b>331,672</b>	
<b>NPCA</b>	<b>216</b>	<b>-</b>	<b>216</b>	<b>(216)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total External:</b>	<b>318,363</b>	<b>(1,944)</b>	<b>316,419</b>	<b>(30,752)</b>	<b>285,667</b>	<b>46,005</b>	<b>331,672</b>	
<b>Total Consolidated:</b>	<b>712,170</b>	<b>(16,266)</b>	<b>695,904</b>	<b>(63,657)</b>	<b>632,247</b>	<b>123,264</b>	<b>755,511</b>	