

6. 1999 DEBENTURE ISSUE

COMMITTEE RECOMMENDATION

That Council approve the authority to the Finance Commissioner to negotiate with the Region's underwriting syndicate the undertaking of a 1999 Debenture Issue in the public bond markets in an amount not to exceed \$ 70.0 million for the financing of capital projects of the Region of Ottawa-Carleton and the Township of Goulbourn.

DOCUMENTATION:

1. Finance Commissioner's report dated 30 Jun 99 is immediately attached.

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 30 June 1999

TO/DEST. Co-ordinator
Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **1999 DEBENTURE ISSUE**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council approve the authority to the Finance Commissioner to negotiate with the Region's underwriting syndicate the undertaking of a 1999 Debenture Issue in the public bond markets in an amount not to exceed \$ 70.0 million for the financing of capital projects of the Region of Ottawa-Carleton and the Township of Goulbourn.

BACKGROUND

The Region of Ottawa-Carleton is authorized under the *Regional Municipalities Act*, Section 111 (1), RSO 1990, to issue debentures for its own purposes and for purposes of the local Municipalities within the Region. The limits for annual repayment of long term debentures are established annually by the Ministry of Municipal Affairs and Housing for the Region and each Area Municipality. The Region's current limit available for the repayment of new debenture issues is in the amount of \$ 89.3 M debt service costs. The proposed debenture issue within the Ministry's authorized limit.

Currently there is only one request from an Area Municipality i.e. the Township of Goulbourn to permanently finance the acquisition of the recently acquired Ontario Hydro assets in the amount of \$9.6 million.

FINANCIAL MARKETS

As part of the Finance Department's daily investment activities, staff continually monitor the financial markets and contact members of the Region's underwriting syndicate to keep current on investment and borrowing trends. As part of this daily review, all public markets are referenced to determine the lowest possible cost of funds. At the present time, domestic interest rates continue to offer the best opportunity for long term capital financing.

In general, interest rates in Canada have increased marginally since the beginning of the year. Long term Canada bonds have moved from 5.25% in January to about 5.75% at the end of June. Forecasts from the major Canadian investment firms suggest that interest rates may move up as a result of inflation fears in the US and a Federal Reserve short term interest rate increase in the next few days, but that this increase will be temporary with rates returning to their present position by the fourth quarter of this year. From time to time windows of opportunity arise in the market where financial transactions are launched as a result of favourable conditions. In order to access the market and take advantage of these short term windows of opportunity, authority to proceed to negotiate an undertaking is required. In recognition of the summer calendar for Council meetings, this request is put forward to provide the required authority to proceed.

TERM SHEET

The proposed debenture issue will be placed in the domestic market. It is recommended to be issued as a combined issue with an instalment portion and a fixed term portion. This results from the nature of the capital projects that are to be funded and the economic life of the items requiring financing. The terms of the issue will not exceed the terms indicated herein without further Council consideration. The issue will include the following capital funding requirements;

<u>Municipality</u>	<u>5 Yr. Term</u>	<u>10 Yr. Term</u>
Region	\$5.0 M	\$56.4 M
Twp. of Goulbourn		\$9.6 M
Total	\$5.0 M	\$65.0 M
Total Issue		\$ 70.0 M

The Region's fiscal agents have provided an indicative pricing summary based upon present market conditions on June 30, 1999. These terms reflect the current market conditions. **Final pricing of the debenture issue will be based upon the actual market rates on the day of issue.** The estimated market rates of the proposed debenture issue are as follows;

Yield to the Public instalment (1-5 yr. term)	5.75 %
Yield to the Public term bond (20 yr.)	6.20 %
Total average yield of the issue	6.19 %
Estimated all in cost	6.27 %

PUBLIC CONSULTATION

In accordance with Section 112 (1) of the *Regional Municipalities Act*, RSO 1990, c.R.8., the Region has authority to undertake long term financing of these capital projects. Council approval to undertake the projects and their related financing was obtained through the annual Budget process. The annual Budget review provides public input and public consultation is held at that time. There is no further requirement to hold public consultation for the undertaking of this debenture issue.

FINANCIAL IMPLICATIONS

Payment of debt service costs associated with the issuance of debentures must be included in the annual budget estimates as a first charge against revenues as provided in the legislation. Estimated debt service costs and associated commissions and expenses of the proposed debenture issue can be met within the projected current budget envelopes and will not result in an increase in the net tax requirement.

CONCLUSION

In order to ensure the Region has timely access to the financial markets to achieve the most effective cost of funds, it is recommended that the Finance Commissioner be given the authority to negotiate a public debenture issue with the Region's underwriting syndicate with the pricing terms not to exceed those contained in this report.

*Original signed by
J.C. LeBelle
Finance Commissioner*