

# **The Regional Municipality of York**

Committee of the Whole  
Finance and Administration  
February 21, 2019

Report of the Commissioner of Finance

## **Capital Financing for the Town of Georgina**

### **1. Recommendations**

It is recommended that subject to the receipt of the necessary supporting documents from the Town of Georgina:

1. Council approve a debenture issuance on behalf of the Town of Georgina in an amount not to exceed \$6,000,000, and for a term not to exceed 10 years, to fund the water and wastewater infrastructure project, identified in Table 1 of this report.
2. The Regional Chair and Regional Treasurer be authorized to execute the necessary documents, subject to review by Legal Services.

### **2. Summary**

This report seeks Council approval for the issuance of a debenture of up to \$6,000,000 for water and wastewater infrastructure project on behalf of the Town of Georgina.

### **3. Background**

#### **Regional Council authority is required to issue long-term debt for local municipalities**

On January 16, 2019, Council for the Town of Georgina authorized debt financing for an amount up to \$6,000,000 and a term not to exceed 10 years.

The Town of Georgina has now requested that the Region approve the issuance of a debenture for up this amount to finance the construction of the water and wastewater infrastructure listed in Table 1.

**Table 1**  
**Town of Georgina Capital Project Requiring Long-Term Financing**

Project Name	Financing Amount Requested	Financing Term
Dalton Road Water Main Replacement and some Sanitary Main Replacement (16-WAT-1)	\$6,000,000	10 years

Under section 401 of the Municipal Act, 2001, Regional Council approval is required for all long-term financing required by local municipalities. Additionally, the Municipal Act, 2001, states that all debentures issued by the Region for either its own purposes or the purposes of its lower-tier municipalities will be direct, joint and several obligations of the Region and its lower-tier municipalities. The Region's role for the duration of the loan is to guarantee the repayments of debt and ensure that payments are received by the Region on a timely basis from the local municipality.

#### **4. Analysis**

##### **The requested loan of \$6,000,000 is within the Annual Repayment Limit for the Town of Georgina**

The Town Treasurer has indicated that Georgina's most recent annual debt and financial obligation limit from the Ministry of Municipal Affairs has been updated to incorporate the additional financing costs associated with the requested loan and that the town's borrowing remains within the limit set by the Ministry.

##### **The Town of Georgina's borrowing will not affect the Region's Annual Repayment Limit**

The Municipal Act excludes the Region's repayment of the long-term debt borrowed for its local municipalities from the Region's own annual repayment limit calculation. Therefore, the Town of Georgina's borrowing will not affect the Region's annual repayment limit.

## **York Region's credit ratings in 2018 took the Georgina loan request into account**

In 2018, both rating agencies reaffirmed York Region's credit rating of Aaa/Stable from Moody's Investors Services and AA+/Stable from S&P Global Ratings. These credit ratings incorporated the requested \$6 million long-term financing by the Town of Georgina.

### **5. Financial**

The Region acts as a guarantor for the Town of Georgina and would assume the repayment obligation in the event the Town is unable to repay this \$6,000,000 debenture.

Local municipalities' outstanding debt is consolidated within the Region's long-term liabilities for financial reporting purposes on the Region's audited financial statements.

### **6. Local Impact**

#### **A ten-year sinking fund debenture for \$6,000,000 at a borrowing rate of 3.18% will cost the Town of Georgina \$737,973 per year**

Based upon estimated borrowing costs of approximately 3.18% for a ten-year sinking fund debenture (as at December 10, 2018), the Town would incur costs of \$737,973 per year for ten years to service an \$6,000,000 loan. The first year would only include approximately half year's interest payment of \$95,370. An annual sinking fund contribution is required after the first year of debenture issuance and would be set aside in the Region's sinking fund. The sinking fund principal repayment of \$6,000,000 would be due upon the ten year maturity date.

The Town's proposed 2019 operating budget tabled on December 12, 2018 includes the borrowing cost of \$624,810 in 2019 to service this debenture. The budget was approved on February 13, 2019.

### **7. Conclusion**

The Town of Georgina has requested the Region approve the issuance of debenture of up to \$6,000,000. The financing is for water and wastewater infrastructure and is consistent with the Town's priorities.

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For more information on this report, please contact Edward Hankins, Director, Treasury Office at 1-877-464-9675 ext.71644. Accessible formats or communication supports are available upon request.

Recommended by:

**Laura Mirabella**, FCPA, FCA  
Commissioner of Finance and Regional Treasurer

Approved for Submission:

**Bruce Macgregor**  
Chief Administrative Officer

February 8, 2019  
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