



Report of the Commissioner of Finance

Ontario Infrastructure and Lands Corporation Debenture, Georgina

1. Recommendation

Subject to the receipt of the necessary supporting documents from the Town of Georgina (the Town):

1. Council approve request from the Town for long-term financing in an amount not to exceed \$20,000,000 to finance construction of the Replacement Civic Centre (RCC) project for a term not exceeding 10 years.
2. Council approve submission of an application to Ontario Infrastructure and Lands Corporation (OILC) for all or part of the above-noted financing by York Region on behalf of the Town.
3. Regional Chair and Regional Treasurer be authorized to execute the necessary documents to implement the approval of the financing, on business terms satisfactory to the Regional Treasurer and on legal terms satisfactory to the Regional Solicitor.
4. Regional Solicitor and General Counsel be directed to prepare the necessary bylaws.

2. Purpose

This report seeks approval of up to \$20,000,000 borrowing from OILC to finance the RCC project for the Town.

3. Background

Regional authority is required for a local municipality to issue long-term debt

Section 401 of the *Municipal Act, 2001* (the Act) requires Regional Council approval for all long-term financing required by local municipalities, including applications to OILC for financing. The Act states that all debentures issued by the Region for 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 will be to guarantee the repayment of the debt and ensure debt payments are received by OILC on a timely basis.

Town has requested authority to finance up to \$20 million of long-term debt from OILC for construction of a Replacement Civic Centre

On May 8, 2024, the Town approved the full bid and all related funding for the RCC project with the budget of \$54,106,000. Town's Council was presented with a request to authorize debt financing up to \$20,000,000 and a term not to exceed 10 years. The borrowing bylaw was approved on May 29, 2024, by the Town and the borrowing bylaw for the Region is scheduled to be approved on June 27, 2024. Remaining \$34,106,000 will be funded from the Town's existing tax levy reserves.

The Town has requested the Region approve long-term debenture borrowing from OILC up to this amount to finance the RCC project. The Town would obtain interim financing through a floating rate capital line which could be converted to a long-term debenture at or prior to substantial completion of the facility.

The Town has obtained long-term financing through the Region before, and as of December 31, 2023 the Town's net outstanding debt was \$18.9 million and it is projected to reach \$66.2 million at the end of 2024 (2024 forecast includes February 2024 debenture but excludes \$20.0 million floating rate capital line that would be converted to a debenture in late 2025).

4. Analysis

Requested debenture of \$20,000,000 is within Georgina's Annual Repayment Limit

The Town's published 2024 annual repayment limit (ARL) is approximately \$14 million, and Georgina's Treasurer has confirmed the Town will remain within the ARL set by the Ministry of Municipal Affairs and Housing after incorporating the additional financing costs associated with the requested debenture. The Town will have just over \$8 million ARL remaining in 2024 after incorporating debt charges on existing debt and additional financing charges associated with the February 2024 debenture (\$49.96 million) and the requested RCC project (\$20.0 million). The Town's 2024 budget does not intend to issue any more debt in 2024 except for this request.

Town's borrowing does not affect the Region's ARL

The Act excludes repayment of long-term debt borrowed by an upper-tier municipality on behalf of a local municipality from its own ARL calculation. Therefore, the Town's borrowing does not affect the Region's ARL.

Project aligns with the Town's Strategic Plan

The Region supports its local municipalities by assisting them in acquiring long-term financing for their capital projects. The RCC project aligns with the Town's Strategic Plan to help promote a high quality of life, engage their community and building partnerships, and provide exceptional municipal service.

5. Financial Considerations

The Region acts as an intermediary in OILC loan process and takes on a direct, joint and several obligation for the debt along with the lower-tier municipality. While local municipalities have a strong revenue base and the likelihood of default is very low, the Region is required to guarantee local debt.

To minimize the Region's risk exposure, the Town's budget along with the Letter of Debenture Request signed by the Town's Treasurer, which confirms the Town will be within their ARL after the debenture issuance, is reviewed to ensure a low risk of default. In the unlikely event of default, the Region's commitment to long-term financial sustainability and its current net investor status ensures sufficient funds are available to meet local municipal debt obligations.

6. Local Impact

RCC will provide improved efficiency, space utilization and energy usage, enhanced environmental system sustainability and a safe ecosystem for Georgina's staff and public, among other benefits.

Based on OILC's current posted borrowing rate of 4.55% for a 10-year term amortizing debenture (as of April 2024), the Town would make annual principal and interest payments of approximately \$2,511,668 to service a \$20,000,000 loan. The final interest rate will be offered by OILC preceding the enactment of the debenture bylaw (anticipated late 2025) and may not necessarily be the rate applicable at the time of this report.

7. Conclusion

Council approval to obtain up to \$20,000,000 financing from OILC will allow the Town to proceed with the construction of the RCC to respond to residents' needs and increase community engagement. The project supports the Town's long-term development plan.

For more information on this report, please contact Bonny Tam, Acting Director, Treasury Office at 1-877-464-9675 ext. 75885. Accessible formats or communication supports are available upon request.

Recommended by:



Laura Mirabella

Commissioner of Finance and Regional Treasurer



Approved for Submission:

Erin Mahoney

Chief Administrative Officer

May 27, 2024

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