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Report of the Commissioner of Finance  
**Capital Financing for the Town of Georgina**

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## **1. Recommendation**

1. Council approve the issuance of debentures for the Town of Georgina to finance the construction of the Cockburn Subdivision Watermain project, subject to the following conditions:
  - a) Total debentures shall not exceed \$2,400,000.
  - b) Term shall not exceed 20 years.

## **2. Purpose**

This report seeks Council approval to issue debentures up to \$2,400,000 on behalf of the Town of Georgina.

## **3. Background**

### **Regional Council authority is required to issue long-term debentures on behalf of local municipalities**

On September 26, 2019, the Town of Georgina's Council approved up to \$2,014,000 spending for the project. Financing source was further specified in the 2021 budget for the Town of Georgina as being long-term debt. On November 30, 2022, the Town's Council approved further spending for Cockburn Subdivision Watermain project for up to \$1,900,000 to be financed via long-term debt. Combined authorized debenture financing for the project is \$3,914,000.

Actual spending on the completed project was lower at \$2,400,000. Town staff have now asked financing for this amount to be included in the Region's next debenture issuance, expected in late September. Therefore, Council's approval is being requested at this time.

The Town's financing request will finance the completed construction of water infrastructure listed in Table 1 and will be entirely repaid from the Town's water rates.

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

Project Name	Financing Amount Requested	Financing Term
Cockburn Subdivision Watermain project	\$2,400,000	20 years

Financing will include an initial 10-year term with a refinancing option for another 10 years.

Under section 401 of the *Municipal Act, 2001 (Act)*, Regional Council's approval is required for all long-term financing required by local municipalities. In addition, the Act states 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 both the Region and its lower-tier municipalities. While the Region will be responsible for making the principal and interest payments on the debenture, it will receive those funds from the Town on the due dates.

#### 4. Analysis

##### **Requested debenture of \$2,400,000 will be within the Town's Annual Repayment Limit**

The Town's Treasurer has confirmed that with the requested debenture financing, Georgina's total annual debt repayments would be \$9 million, which is within the Town's Annual Repayment Limit of \$14 million.

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

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

#### 5. Financial Considerations

The requested debenture financing of \$2.4 million would increase the total amount guaranteed by the Region for all local municipalities to \$186.6 million.

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

## 6. Local Impact

### **The requested debenture of \$2.4 million will cost the Town of Georgina approximately \$194K per year**

Based upon the current interest rate of approximately 4.35% for a ten-year sinking fund debenture, the Town would incur costs of approximately \$194K per year for the next ten years to service the \$2.4 million debenture. The actual borrowing rate will be determined at the time of the debenture issuance. Included in the above servicing costs is the annual sinking fund contribution of approximately \$89K.

## 7. Conclusion

The Town of Georgina has requested approval to issue debentures of up to \$2,400,000. The financing will be used to construct the Cockburn Subdivision Watermain project, which is consistent with the Town's priorities.

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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

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