

# The Regional Municipality of York

Committee of the Whole  
Finance and Administration  
June 13, 2019

Report of the Commissioner of Finance

## Capital Financing for the Township of King

### 1. Recommendations

1. Council approve the following that are subject to the receipt of the necessary supporting documents from the Township of King:
  - a. A debenture issuance on behalf of the Township of King in an amount not to exceed \$10,000,000, and for a term not to exceed 10 years, to fund the construction of capital infrastructure projects identified in Table 1 of this report.
  - b. Delegation of authority to the Regional Chair and Regional Treasurer 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 \$10,000,000 for the construction of capital infrastructure projects on behalf of the Township of King.

### 3. Background

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

On April 15, 2019, the Council for the Township of King authorized debt financing for an amount up to \$10,000,000 and a term not to exceed 10 years.

The Township of King has now requested that the Region approve the issuance of a debenture for up to this amount to finance the construction of capital infrastructure as listed in Table 1. The debenture will be entirely funded from the tax levy.

**Table 1**  
**Township of King Capital Project Requiring Long-Term Financing**

Project Name	Financing Amount Requested	Financing Term
King Township Municipal Centre	\$4,500,000	10 years
Graham Sideroad Bridge	\$3,000,000	10 years
King City Public Library & Seniors Centre	\$2,500,000	10 years
<b>Total</b>	<b>\$10,000,000</b>	

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 \$10,000,000 is within the Annual Repayment Limit for the Township of King**

The Township Treasurer has indicated that King’s most recent annual debt and financial obligation limit 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.

Taking into account the requested loan, the Township’s total annual debt repayment charges are expected to be \$3.2 million, which is 40.7% of the Township’s Annual Repayment Limit of \$7.8 million.

## **The Township of King'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 Township of King's borrowing will not affect the Region's annual repayment limit.

## **York Region's credit ratings takes into account local municipalities' loan requests**

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 took into account the requested \$10 million long-term financing by the Township of King.

## **5. Financial**

The Region acts as a guarantor for the Township of King and would assume the repayment obligation in the event the Town is unable to repay this \$10,000,000 debenture.

As of June 2019, the Township of King has borrowed \$18.1 million of debt through the Region with an outstanding principal of \$13.0 million. The requested loan of \$10.0 million would increase the total amount guaranteed by the Region to \$23.0 million.

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 \$10,000,000 at a borrowing rate of 3.10% will cost the Township of King \$1,225,355 per year**

Based upon estimated borrowing costs of approximately 3.10% for a ten-year sinking fund debenture (as at April 01, 2019), the Town would incur costs of \$1,225,355 per year for ten years to service the \$10,000,000 loan. The first year would only include approximately half year's interest payment of \$155,000. 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 \$10,000,000 would be due upon the ten year maturity date.

## 7. Conclusion

The Township of King has requested the Region approve the issuance of debenture of up to \$10,000,000. The financing is for the construction of capital infrastructure for the Township of King 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

May 31, 2019  
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