

To: Warden and Members of County Council
From: Director of Corporate Services

Internal Debt Financing - Tillsonburg

RECOMMENDATION

1. That By-law No. 6551-2023, being a by-law to authorize the borrowing of funds, in the amount of \$30,000 from the Landfill and Waste Diversion Reserve Fund, for the purpose of financing capital projects authorized by Town of Tillsonburg by-laws, be presented to Council for enactment.

REPORT HIGHLIGHTS

- The financing proceeds are to fund Tillsonburg Business Improvement Area capital projects approved by the Town of Tillsonburg as part of their 2023 budget
- The debt proceeds will be issued on June 30, 2023 and will be fully retired on June 30, 2026

Implementation Points

Upon enactment of an authorizing by-law the funds will be transferred to the Town on June 30, 2023. The debt will be repaid with semi-annual blended principal and interest payments over three years.

Financial Impact







The Town projects to be financed were authorized by the Town of Tillsonburg By-law No. 2023-051, enacted on June 14, 2023.

The Town's Treasurer has updated the Annual Debt Repayment Limit to ensure inclusion of this debt does not exceed the Town's limit as prescribed by the Ministry of Municipal Affairs and Housing.

Communications

The Treasurers of the Town of Tillsonburg and the County have pursued the various financing options available to the municipalities in order to determine the most cost effective solution which resulted in the financing proposal recommended in this report.

Strategic Plan (2020-2022)

<i>WORKS WELL TOGETHER</i>	<i>WELL CONNECTED</i>	<i>SHAPES THE FUTURE</i>	<i>INFORMS & ENGAGES</i>	<i>PERFORMS & DELIVERS</i>	<i>POSITIVE IMPACT</i>
		 3.iii.			

DISCUSSION

Background

In accordance with Section 418 of the Municipal Act, 2001, as amended, and Ontario Regulation 438/97, the County’s Investment Policy provides for short, mid and long-term investments of idle funds, allowing opportunities to borrow from within.

Section 6.0 of the County’s Debt Management Policy No. 6.19, prescribes the interest rate calculation that will apply to internal borrowings. The formula is the average of the following rates over an equivalent term, if available:

- Debentures through the Ontario Infrastructure Lands Corporation;
- Debt facility through a Canadian Schedule 1 Chartered Bank; and
- Government of Canada marketable bonds average yield over ten years plus two percent.

Comments

Infrastructure Ontario will not accept loan applications under the OILC Program for minor capital projects for a term of less than five years. Since these projects are for the Tillsonburg BIA the related financing cannot exceed the current term of Council. The various capital projects to be financed include: mobile power washer, Ambassador cart; waste receptacles; pots and planters; office signage; benches; laptop; workstation; and, flags, banners and brackets.

The Town Treasurer sought an indicative rate quote from the bank the Town has a banking agreement with and is listed as eligible in accordance with O.Reg. 276/02 which includes Schedule I, II or III Banks under the Bank Act (Canada); a loan corporation or trust corporation registered under the Loan and Trust Corporations Act, or a credit union. Similarly the County calculated the cost of financing based on the credit facilities agreement with the bank the County has a banking agreement with and the financing costs of both banks exceed the County’s current internal financing calculation.

In light of the foregoing, staff are recommending to issue debt internally pursuant to the County’s Debt Management Policy for these projects. The Landfill and Waste Diversion Reserve Fund balance currently has \$3.3 million in idle funds and a 2023 forecasted closing balance of \$20.1 million, therefore it is recommended that the total amount of \$30,000 be financed internally based on the terms set out below.

Issue Date	Amortization	Term	Annual Interest Rate
June 30, 2023	Semi-annual	3 years	5.22%

Conclusions

A by-law is required pursuant to the *Municipal Act, 2001* to authorize financing for purposes of the Town of Tillsonburg – BIA projects as set out in this report.

SIGNATURES

Departmental Approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
Chief Administrative Officer