

To: **COUNCIL**

Meeting Date: **09/14/21**

Subject: **2021 Capital Projects Debenture Financing**

Submitted By: **Sheryl Ayres, Chief Financial Officer**

Prepared By: **Sheryl Ayres, Chief Financial Officer**

Report No.: **21-242(CRS)**

File No.: **C1101**

Recommendation(s)

THAT report 21-242(CRS) re: 2021 Capital Projects Debenture Financing be received for information;

AND THAT the by-law attached as Schedule “A” to report 21-242(CRS) to approve the 2021 debenture financing requirements be enacted.

Executive Summary

Purpose

- To approve a by-law to authorize the borrowing of funds, as approved through the City’s 2021 Capital Budget.

Key Findings

- Debenture financing in the amount of \$27,240,500 was approved through the 2021 capital budget
- As per the Municipal Act, 2001, the Region of Waterloo, as the upper-tier municipality, must issue debt on behalf of lower tier municipalities in the region.

Financial Implications

- Total debenture financing in the amount of \$27.2 million was approved in the 2021 capital budget with \$17.5 million to be repaid from future Development Charges and the balance of \$9.7 million to be paid from tax-supported funds.

Background

In December 2020, Council approved the 2021 capital budget that included four projects with debentures as a source of funding as follows:

Capital Projects	Tax Supported Debt	Growth Debt
A/00420-40 Preston Auditorium Expansion - Construction	9,687,300	3,328,300
A/00431-42 N Camb Railway Grade Separation		5,803,800
A/00471-40 Fountain St Soccer Facility Construction		8,071,100
A/00481-30 East Side NS Collector Rd Design (Allendale to Middle Block Rd).		350,000
Total Debenture Financing Requirements	9,687,300	17,553,200

Analysis

Strategic Alignment

PEOPLE To actively engage, inform and create opportunities for people to participate in community building – making Cambridge a better place to live, work, play and learn for all.

Goal #2 - Governance and Leadership

Objective 2.5 Focus on the responsible management of financial resources, ensuring transparency and accountability.

Debenture financing provides sustainable financial management and cash flows to support the development and rehabilitation of City infrastructure.

Comments

As per section 401 of the Municipal Act, 2001, municipalities may incur debt for municipal purposes through the issuance of debentures. A lower-tier municipality in a regional structure does not have the power to issue debentures and must work with the upper-tier municipality to secure debt financing. The attached debenture by-law is required by the Region of Waterloo to confirm Council's intention that projects outlined in the 2021 capital budget require debenture financing to proceed with construction of new assets or rehabilitation of existing assets.

The Ministry of Municipal Affairs and Housing regulates the amount of debt that municipalities may carry by setting an annual repayment limit of 25 per cent of a municipality's net own source revenues. To ensure financial sustainability and minimize risk, the City of Cambridge's debt policy further limits its debt capacity to 10 per cent of own source revenues for tax-supported debt and 15 per cent of own source revenues for rate-supported debt charges.

Total debenture financing in the amount of \$27.2 million was approved in the 2021 capital budget with \$17.5 million to be repaid from future Development Charges and the balance of \$9.7 million to be paid from tax-supported funds.

The borrowing requirements included in the attached debenture by-law are required for the development of new infrastructure to support growth in the community including the construction of the Fountain Street Soccer facility, the North Cambridge railway grade separation, and design of the East Side North-South collector road. Debt financing is also required for the rehabilitation and expansion of Preston Auditorium.

Annual principal and interest payments on the debt will be funded through development charge revenues collected in the future as well as some funding from tax supported funds for the portion that relates to the rehabilitation of Preston Auditorium.

Existing Policy/By-Law

The City of Cambridge adheres to a debt management policy which provides assurance that it can meet its financial obligations in a timely manner and in accordance to legislative and regulatory requirements.

The City's development charges by-law (19-094) authorizes the City to charge DCs to pay for increased capital costs as a result of the increased need for services arising from the development or redevelopment lands within the City.

Financial Impact

Debenture financing in the amount of \$27.2 million was approved in the 2021 capital budget with \$17.5 million to be repaid from future Development Charges and the balance of \$9.7 million to be paid from tax-supported funds. The annual principal and interest payments on this debt will be funded through development charge revenues collected in the future as the development planned for in the DC Background Study takes place as well as tax supported funding that has been included in the City's 2021 operating budget.

Public Input

Posted publicly as part of the report process.

Internal/External Consultation

Staff across the organization were consulted through the preparation of the 2021 Budget and Business Plan to ensure the projects to be funded through debentures are priority needs for the City.

Conclusion

The 2021 capital budget included four projects that require debenture financing in the total amount of \$27.2 million. These projects support the rehabilitation and expansion of existing assets and construction of new infrastructure to support growth in the community. The debenture financing is within the limits prescribed by the Ministry of Municipal Affairs and Housing of 25 per cent of a municipality's net own source revenues and the City's debt policy which further limits its debt capacity to 10 per cent of own source revenues for tax-supported debt and 15 per cent of own source revenues for rate-supported debt charges.

Approval of the attached by-law to authorize the borrowing of funds is required for the Region of Waterloo to proceed with including the City's debenture requirements in future debenture issues.

Signature

Division Approval

Reviewed by Legal Services



Name: Sheryl Ayres

Title: Chief Financial Officer

Departmental Approval



Name: Dave Bush

Title: Deputy City Manager Corporate Services

City Manager Approval



Name: David Calder

Title: City Manager

Attachments

- Schedule A – Debenture Borrowing By-law

BY-LAW NO. ____-21
OF THE
CORPORATION OF THE CITY OF CAMBRIDGE

Being a by-law of the Corporation of the City of
Cambridge to authorize the issuance of debentures for the rehabilitation of
existing assets and construction of new assets contained in the Capital Funding
Program.

WHEREAS it is necessary to rehabilitate existing assets and
construct new assets for the City as identified in the City's capital program for the
capital projects of: North Cambridge Railway Grade Separation, Preston
Auditorium Construction, Fountain Street Soccer Facility Construction, East Side
NS Collector Road Design (Allendale to Middle Block), and debenture monies to
pay for the costs thereof at an estimated cost of \$27,240,500.

NOW THEREFORE, THE MUNICIPAL COUNCIL OF THE
CORPORATION OF THE CITY OF CAMBRIDGE ENACTS AS FOLLOWS:

- 1) That the construction, installation and rehabilitation costs of the capital
projects above mentioned is hereby authorized at an estimated cost of
\$27,240,500.
- 2) That the Treasurer may, subject to the approval of the Council, arrange
with any bank or person for temporary advances of money to meet the
costs of capital works pending the completion of the works and issuance
of debentures.
- 3) That the Regional Municipality of Waterloo be requested to issue
debentures on behalf of the City of Cambridge for an amount not to
exceed \$27,240,500. Said debentures shall bear interest at such rate as
the Council of the Regional Municipality of Waterloo may determine for
varying terms and amounts as follows:
 - a. \$27,240,500 for a term not to exceed twenty years.
- 4) This by-law shall come into force and effect on the day of its final passing.

READ A FRIST, SECOND AND THIRD TIME

ENACTED AND PASSED THIS DAY OF AUGUST, 2021