

City of North Bay Report to Council

Report No: CORP-2022-071

Date: May 17, 2022

Originator: Shannon Saucier

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2022 Debenture Issue and By-law to Delegate Authority to Outgoing Council

Closed Session: yes ☐ no ☒

Recommendation

That Council:

1. Authorize long-term borrowing up to \$23,885,824 in any one of the following manners or combination thereof:
 - a. Instalment capital markets debenture issue
 - b. Long-term bank loan agreement
 - c. Infrastructure Ontario debenture issue

when market conditions are favourable, with maturity dates over ten years and subject to terms and conditions acceptable to the Chief Financial Officer, and the fiscal agent or the lending institution.
2. The interest rate shall be at an average annual interest rate that is consistent with then prevailing interest rates for Ontario municipalities.
3. That a By-Law to delegate authority to the outgoing Council to pass a By-Law to authorize the issue of debentures for capital works of the City of North Bay be presented for three readings.
4. The delegation of authority will only take place and be limited to the 'lame duck period' and shall expire on November 14th, 2022.
5. Notice of the exercise of any such authority shall be given to the Council at a meeting prior to the exercise of such authority.

Background

Section 275 of the Municipal Act (the Act) sets out possible restrictions on a council, sometimes referred to as the 'lame duck' provisions, during an election year in situations where an 'outgoing' municipal council may have limited powers during the election period, starting from the nomination day (August 19th, 2022). As soon as it can be determined, either after the nomination day (August 19th, 2022) or after the voting day (October 24, 2022), that it has become mathematically impossible for three-quarters of the outgoing council to be re-elected, the restrictions set out in the Act apply.

The restrictions only pertain to the following actions:

- (a) the appointment or removal from office of any officer of the municipality;
- (b) the hiring or dismissal of any employee of the municipality;
- (c) the disposition of any real or personal property of the municipality which has a value exceeding \$50,000 at the time of disposal; and,
- (d) making any expenditure or incurring any other liability which exceeds \$50,000.

The expenditure restrictions in (c) and (d) apply only if the amounts were not included in the most recent budget adopted by council before the nomination day.

Subsection 275 (6) of the Act, provides that Section 275 does not prevent a person or body exercising any authority of the municipality that is delegated to the person or body prior to nomination day.

Financial/Legal Implications

In consultation with the City's external legal counsel for debenture issues, WeirFoulds LLP, a determination was made that it would be prudent to request the preparation of a By-Law to delegate authority to the outgoing council to pass a By-Law to authorize the issue of debentures. This will ensure continuity of business in the event that there is a 'lame duck council' situation. The By-Law delegates the authority to the 'lame duck council' to pass debenture By-Laws to authorize the issue of debentures for capital works that were previously authorized by Council on the basis that they would be financed through the issue of debentures. It also sets out the parameters, such as the maximum term of years and maximum interest rate, in respect of the debentures.

Council passed By-Law No. 2022-03 on January 11th, 2022, to authorize the expenditure of funds approved in the 2022 General Capital Budget and the 2022 Water and Wastewater Capital Budget. The General Capital Budget and the Water and Wastewater Capital Budget outline the various capital works to be completed and establishes the maximum debt financing, being \$8,500,000 and \$3,000,000 respectively, that is permitted to be used to fund the capital

works. Additionally, there was a total of \$9,385,824 in General Capital debenture financing and \$3,000,000 in Water and Wastewater debenture financing carried forward into 2022 from previous years' capital budgets.

The exact amount to be financed as well as the specific projects to be financed using debentures will be finalized after Administration has completed a thorough review of the actual net debenture costs for each project. Council will be informed of the specific amount, up to \$23,885,824, as well as the specific projects being financed through debentures at the time of the debenture approval.

The City has worked with the legal firm of WeirFoulds LLP for past debentures issues. It is recommended that they complete a final review of the capital expenditure By-Laws to ensure the documentation is in order.

Based on a review of the current market conditions, the municipal lending rate is approaching 4% and rates are expected to rise between now and the end of the year. Therefore, it is recommended that the delegation by-law provide for the debentures to be issued with an average annual interest rate that is consistent with then prevailing interest rates for Ontario municipalities. This will allow for market fluctuations in rates during the remainder of the fiscal year.

The exact timing of the debenture issue will be dependent on several factors such as the timing of the completion of the capital work, cash flow requirements, interest rate trends, and market conditions. Staff will seek Council authority to proceed with a debenture issue when these conditions are favourable for the City.

Corporate Strategic Plan

- | | |
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| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input type="checkbox"/> Responsible and Responsive Government | |

Specific Objectives

- Maintain infrastructure across the city in a good state of repair
- Consider all aspects of decisions to fund new infrastructure

Options Analysis

Option 1: That Council enact a By-Law to delegate authority to the outgoing Council to pass a By-Law to authorize the issue of debentures for any one or more of the capital works of the City of North Bay in the maximum principal amount of \$23,885,824, for a term not to exceed 10 years and with an average annual interest rate that is consistent with then prevailing interest rates for Ontario municipalities. This option will ensure continuity of business in the

event that there is a lame duck council.

Option 2: That Council does not enact a By-law to delegate authority to the outgoing Council to pass a By-Law to authorize the issue of debentures for any one or more of the capital works of the City of North Bay. This option is not recommended.

Recommended Option

That Council:

1. Authorizes long-term borrowing up to \$23,885,824 in any one of the following manners or combination thereof:

- a. Instalment capital markets debenture issue
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- c. Infrastructure Ontario debenture issue

when market conditions are favourable, with maturity dates over ten years and subject to terms and conditions acceptable to the Chief Financial Officer, and the fiscal agent or the lending institution.

2. The interest rate shall be at an average annual interest rate that is consistent with then prevailing interest rates for Ontario municipalities.
3. That a By-Law to delegate authority to the outgoing Council to pass a By-Law to authorize the issue of debentures for capital works of the City of North Bay be presented for three readings.
4. The delegation of authority will only take place and be limited to the 'lame duck period' and shall expire on December 14th, 2022.
5. Notice of the exercise of any such authority shall be given to the Council at a meeting prior to the exercise of such authority.

Respectfully submitted,

Name: Shannon Saucier, CPA, CA

Title: Director, Financial Services / Deputy Treasurer

I concur with this report and recommendation

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name David Euler, P.Eng., PMP

Title: Chief Administrative Officer

Personnel designated for continuance:
Shannon Saucier, CPA, CA
Director, Financial Services / Deputy Treasurer