

City of North Bay Report to Council

Report No: CORP-2025-015

Date: January 20, 2025

Originator: Sara Gage

Business Unit: Corporate Services

Department: Financial Services Department

Subject: 2025 Debenture Issue

Closed Session: yes no

Recommendation

1. That Council authorize the Treasurer to submit an application to Ontario Infrastructure and Lands Corporation (OILC) on behalf of The Corporation of the City of North Bay (City) for financing capital works of the City, to authorize long-term borrowing for such works through the issue of debentures to OILC and to authorize the Mayor and Treasurer to enter into a rate offer letter agreement with OILC; and
2. That a by-law be presented for three readings on February 11, 2025.

Financial/Legal Implications

The City uses external legal counsel to review the capital expenditures by-laws and finalize all necessary debenture documents and related by-laws. The law firm of WeirFoulds LLP has assisted the City with previous debenture issues and it is recommended that they be used for the 2025 debenture issue.

Corporate Strategic Plan

- | | |
|--|--|
| <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

A combination of debenture financing, government grants, development charges, capital levy and other reserve funds are used by the City to fund infrastructure improvements. Annually, the City's capital budget includes an allocation for debenture financing for capital projects; however, the actual timing of the debenture issues will vary depending on when the related expenditures have been incurred. The City's Long Term Capital Funding Policy provides for these timing differences by permitting any unutilized approved debt to be carried forward and issued in subsequent years.

Currently, the City has a total of \$12,996,229 in unutilized debt authority from the General Capital Budgets and \$7,607,527 in unutilized debt authority from the Water and Wastewater Capital Budgets.

Based on an analysis of active projects, including project authority limits, actual expenses

incurred to date, anticipated completion dates and expected useful lives of the projects, a total of \$6,798,512 has been identified to be debentured for the projects outlined in Schedule A, being \$5,090,985 from the General Capital Budget debenture limit and \$1,707,527.09 from the Water and Wastewater Capital Budget debenture limit. This will leave a total of \$7,905,244 in General Capital and the approximate amount of \$5,900,000 in Water and Wastewater Capital debenture financing to be carried forward.

Based on a review of the current market conditions, the municipal lending rate is approximately 4.1%. The final interest rate for the debenture issue is subject to change before the date that the rate offer letter agreement must be accepted by the City. In order to proceed with the debenture issue, a by-law is required that:

- authorizes the submission of an application to OILC;
- authorizes the issuance of debentures through OILC for capital works identified; and
- authorizes the Mayor and Treasurer to enter into a rate offer letter agreement with OILC

Once the by-law, as recommended in this report, is passed on February 11, 2025, the debenture process with OILC will take approximately six weeks. Sufficient time is required to prepare the documents and have them reviewed by the City's external legal counsel, WeirFoulds LLP, for presentation to Council with the debenture by-law.

Options Analysis

Option 1: Council deny the submission of an application to OILC. This option is not recommended as the debenture authority was previously approved as part of the Capital Budgeting Process and the City requires the debenture proceeds in order to finance the capital projects outlined in Schedule A which are currently in progress.

Option 2: Council authorizes the submission of the application to OILC to authorize the long-term borrowing of \$6,798,512.09 through the issuance of debentures.

Recommended Option

1. That Council authorize the Treasurer to submit an application to Ontario Infrastructure and Lands Corporation (OILC) on behalf of the City for financing capital works of the City, to authorize long-term borrowing for such works through the issue of debentures to OILC and to authorize the Mayor and Treasurer to enter into a rate offer letter agreement with OILC; and
2. That a by-law be presented for three readings on February 11, 2025.

Respectfully submitted,

Name: Sara Gage, CPA

Title: Coordinator, Financial Reports

I concur with this report and recommendation

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name John Severino, P.Eng., MBA

Title: Chief Administrative Officer

Personnel designated for continuance:

Sara Gage, CPA

Coordinator, Financial Reports