The purpose of the meeting is to approve the Regional Debentures.

1. **DECLARATION OF PECUNIARY INTEREST UNDER** **THE MUNICIPAL CONFLICT OF INTEREST ACT**

2. **REPORTS**
   
a) **F-13-095**, Regional Debenture Issue Dated October 24, 2013

3. **ENACTMENT OF BY-LAWS – FIRST, SECOND & THIRD READINGS**
   
a) A By-law to Authorize the Borrowing Upon Ten Year Instalment Debentures in the Aggregate Principal Amount of $7,346,000 for Capital Works of the Corporation of the City of Waterloo

b) A By-law to Authorize the Borrowing Upon Instalment Debentures in the Aggregate Principal Amount of $10,515,000 ($2,115,000 Principal Amount of Ten Year Debentures and $8,400,000 Principal Amount of Fifteen Year Debentures), for Capital Works of the Corporation of the City of Kitchener

c) A By-law to Authorize the Borrowing Upon Ten Year Instalment Debentures in the Aggregate Principal Amount of $47,139,000, $6,608,000 of which Debentures may be Raised by the issue of Refinancing Debentures on or before the Final Maturity Date over a Further Period not to Exceed Ten Years, for Capital Works of the Regional Municipality of Waterloo

d) A By-law to Provide for the Borrowing of the Aggregate of the Principal Amounts Authorized by By-laws Numbered 13-042, 13-043 and 13-044 and for the Issuing of One Series of Instalment Debentures Therefor in the Aggregate Principal Amount of $65,000,000 ($56,600,000 Principal Amount of Ten Year Debentures and $8,400,000 Principal Amount of Fifteen Year Debentures, $6,608,000 of which Ten Year Debentures may be Raised by the Issue of Refinancing Debentures on or before the Final Maturity Date)

e) A By-law to Confirm the Actions of Council – October 22, 2013

4. **ADJOURN**
TO: Regional Chair Ken Seiling and Members of Regional Council

DATE: October 22, 2013

FILE CODE: F08-20

SUBJECT: REGIONAL DEBENTURE ISSUE DATED OCTOBER 24, 2013

RECOMMENDATION:

For Information

REPORT:

On October 9, 2013, the Regional Municipality of Waterloo launched a 1-15 year serial debenture issue in the amount of $65.0 million under the authority of By-law 95-020. Region of Waterloo By-law 95-020 gives the Chief Financial Officer the authority to proceed with a debenture issue that best meets the requirements of the Region and then report the results of the issue to Council at its next scheduled meeting.

Debentures were issued on behalf of the Region and the Cities of Kitchener and Waterloo as follows:

<table>
<thead>
<tr>
<th>Participant</th>
<th>10 Years</th>
<th>15 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region of Waterloo</td>
<td>$47,139,000</td>
<td>--</td>
<td>$47,139,000</td>
</tr>
<tr>
<td>City of Kitchener</td>
<td>2,115,000</td>
<td>8,400,000</td>
<td>10,515,000</td>
</tr>
<tr>
<td>City of Waterloo</td>
<td>7,346,000</td>
<td>--</td>
<td>7,346,000</td>
</tr>
<tr>
<td>Total</td>
<td>$56,600,000</td>
<td>$8,400,000</td>
<td>$65,000,000</td>
</tr>
</tbody>
</table>

The Region of Waterloo projects financed through the 10 year portion of the issue include Transit vehicles, various Waste Management capital works, the Courthouse renovation, the Service First Call Centre, the Multi-Modal Hub, Regional Accommodation and Facilities projects and several Waterloo Regional Police Service capital works including the North Division and renovations to Headquarters and other Divisions.

The issue was marketed by the Region’s fiscal agent syndicate with CIBC World Markets acting as the lead manager. The 1-15 year serial debenture issue was structured to accommodate the City of Kitchener’s need for 15 year debt.

A portion of the 10 year debt issued for the Region of Waterloo includes a refundable amount to accommodate the Region’s desire for flexibility in financing the Multi-modal Hub. Rather than issuing this debt for 20 years, the portion of the debt that would have been payable in years 11-20 ($6.608 million) becomes due in the 10th year. The Region then has the option of paying this amount or refinancing the amount for a term not to exceed 10 years, or some combination thereof. While it is impossible to predict the cost of future refinancing, the potential impact of higher borrowing rates at the time of refinancing is largely offset by the flexibility the Region has in paying down some or all of the maturing debentures depending on the availability of funds and the future plans for the Multi-modal Hub. Refundable maturities are commonly used by municipalities in Ontario, and the Region used this structure for the 2010, 2011 and 2012 Regional debenture issues.
Pricing

While the Region has traditionally launched its fall debenture issue in November, staff were prepared to launch the issue earlier to take advantage of favourable market conditions. Long term interest rates have been rising since the historic low rates achieved in the fall 2012 and spring 2013 issues and are expected to increase further as the year progresses. Given the potential market impacts arising from the US government work stoppage and approaching debt limit, the Region launched the issue October 9th taking advantage of a lull in the market relative to recently placed and pending municipal and provincial debt issues. The pricing of the issue resulted in yields and costs competitive with those of other Aaa rated municipalities and the issue sold very quickly.

This is the fourteenth issue launched under the Region’s Aaa rating and the rates offered on the debentures reflect the Region’s excellent credit rating. The “all-in” costs are 3.34% for the 10 year portion and 3.65% for the 15 year portion resulting in an overall “all-in” weighted average cost of 3.40% for the $65.0 million issue. While higher than the historic low costs of 2012 and 2011, the 2013 costs are still lower than those in the years preceding 2011. A comparison of “all-in” costs for recent Regional debenture issues is shown below.

<table>
<thead>
<tr>
<th>Comparison of “All-in” Average Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Year Portion</td>
</tr>
<tr>
<td>10 Year Portion</td>
</tr>
<tr>
<td>15 Year Portion</td>
</tr>
<tr>
<td>20 Year Portion</td>
</tr>
<tr>
<td>20 Year Sinking Fund</td>
</tr>
<tr>
<td>30 Year Sinking Fund</td>
</tr>
<tr>
<td>Total Issue (Wgt Avg)</td>
</tr>
</tbody>
</table>

The debenture issue closes October 24, 2013 and net proceeds will be received that day.

Required By-laws

Council is required to authorize a number of debenture by-laws related to the issuing of the debentures. The required by-laws, including repayment schedules, are listed in this Council agenda for first, second and third reading.

CORPORATE STRATEGIC PLAN:

One of the objectives of the Corporate Strategic Plan is to ensure Regional programs and services are efficient and effective and demonstrate accountability to the public. The Region’s capital financing program, excellent credit rating and prudent use of debenture financing assists in meeting this objective.

FINANCIAL IMPLICATIONS:

Debt service costs for the Region’s share of the 2013 fall debenture issue are included in the 2014 property tax base operating budgets.
OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

The Regional Clerk and the Regional Chair along with the Chief Financial Officer will be required to execute the necessary documents.

ATTACHMENTS: Nil

PREPARED BY: Angela Hinchberger, Director of Financial Services, Treasury and Tax Policy

APPROVED BY: Craig Dyer, Chief Financial Officer