



Media Release: Friday, March 28, 2014, 4:30 p.m.

Regional Municipality of Waterloo

Special Council Agenda

Tuesday, April 1, 2014

Immediately following Administration & Finance

(approximately 11:00 a.m.)

Regional Council Chamber

150 Frederick Street, Kitchener, Ontario

The purpose of the meeting is to pass debenture by-laws.

1. **Declaration of Pecuniary Interest Under the “Municipal Conflict of Interest Act”**
2. **Reports**
 - a) [F-14-042](#), Regional Debenture Issue Dated April 4, 2014 1
3. **Enactment of By-Laws – First, Second & Third Readings**
 - a) A By-law to Authorize the Borrowing upon Thirty Year Sinking Fund Debentures in the Principal Amount of \$50,000,000 for a Capital Work of The Regional Municipality of Waterloo
 - b) A By-law to authorize the Borrowing upon Ten Year Instalment Debentures in the Aggregate Principal amount of \$11,500,000 for Capital Works of The Regional Municipality of Waterloo
 - c) A By-law to Confirm the Actions of Council – April 1, 2014
4. **Adjourn**



Report: F-14-042

**Region of Waterloo
Finance Department
Treasury Services Division**

To: Regional Chair Ken Seiling and Members of Regional Council

Date: April 1, 2014 **File Code:** F08-20

Subject: **Regional Debenture Issue Dated April 4, 2014**

Recommendation:

For Information

Summary: Nil

Report:

On March 21, 2014, the Regional Municipality of Waterloo launched a 10 year serial debenture issue for \$11.5 million and a 30 year sinking fund debenture issue for \$50 million. The debentures were issued under the authority of By-law 95-020 which 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.

Funds were borrowed for Regional capital works as outlined in report F-14-025 dated March 4, 2014 and shown in the following table:

Region Capital Works	10 Years	30 Years	Total
Courthouse Renovation	\$8.126 m		\$8.126 m
GRT Replacement Buses	\$2.15 m		\$2.15 m
EMS Downtown Station	\$0.681 m		\$0.681 m
Service First Call Centre	\$0.543 m		\$0.543 m
Rapid Transit Project		\$50.0 m	\$50.0 m
Total	\$11.5 m	\$50.0 m	\$61.5 m

Process and Pricing

The issue was marketed by the Region's fiscal agent syndicate with RBC Capital Markets acting as the lead manager. The Region commenced discussions with the fiscal agents in late February on the timing and the structure of the issue. On February 28th, the external lawyer confirmed that the Region's authorizing documents were in order which put the Region in position to launch the issue. Discussions with the fiscal agent syndicate continued prior to and following the tabling of an information report on the planned debenture issue at the March 4th Administration and Finance Committee. The discussions included market conditions, demand for longer term issues, pricing and supply including recent and potential provincial and municipal debt issues. On March 20th, following Regional Council's approval of the preferred proponent for the Light Rail Transit project, the fiscal agents began marketing the debenture issue to prospective investors.

The issue was priced and sold on March 21st, 2014. The Region was able to take advantage of a relatively quiet day in the market relative to pending municipal and provincial issues and launch the issue in advance of other Ontario municipalities that tend to issue debt in the spring. This is the second time that the Region has issued a 30 year sinking fund debenture (both for the Rapid Transit project) and there was good demand for long term investments in the market, primarily from insurance companies and pension funds. The pricing of the issue resulted in an "all-in" cost of 2.99% for the 10 year debenture and 4.25% for the 30 year debenture. The following table shows the "all-in" costs for recent Regional debenture issues.

Comparison of "all-In" Average Costs

Term	April 2014	Oct. 2013	May 2013	Nov. 2012	Nov. 2011	Nov. 2010	Dec. 2009
10 Year	2.99%	3.34%	--	2.70%	2.85%	3.39%	3.74%
15 Year	--	3.65%	--	3.15%	3.36%	3.94%	4.39%
20 Year	--	--	--	3.65%	--	--	--
20 Year Sinking Fund	--	--	3.81%	--	--	--	--
30 Year Sinking Fund	4.25%	--	3.88%	--	--	--	--

The spring 10 year debenture cost is lower than those in all years preceding 2011 and is marginally higher than the historic lows of 2011 and 2012. Taking into account both 30 year issues for the Rapid Transit project, the Region has now financed its \$100 million share of the capital cost at an average rate of 4.06%. This compares quite favourably to the original 2011 estimate of 4.75%. The 4.25% "all-in" cost of the 30 year debenture

may be higher than the 2013 cost, but it is still an exceptionally low rate for 30 year financing. The 2014 rates were achieved at a time when markets were impacted by geo-political events. This is the fifteenth issue launched under the Region's Aaa rating and the rates offered on the debentures reflect the Region's excellent credit rating.

Sinking fund debentures are debentures where the entire amount of principal is payable on the maturity date which will be April 4, 2044. During the time of the debenture, an annual payment is made into a "sinking fund" such that the payments and the interest earned over the term are sufficient to retire the debenture on the maturity date. Certain investors prefer sinking fund debentures as the rate of return is consistent across the entire term as compared to serial debentures where a portion of principal is due and payable each year and the rate of return varies by year.

The debenture issue closes April 4, 2014 and net proceeds will be received that day.

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 assist in meeting this objective.

Financial Implications:

Debt servicing costs arising from the debenture issue have been planned for and will be paid from future Property Tax Budgets and the Regional Transportation Master Plan (RTMP) Reserve Fund.

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 Treasury Services and Tax Policy

Approved By: Craig Dyer, Chief Financial Officer