

**Report to
Rapport au:**

**Council
Conseil
10 July 2019 / 10 juillet 2019**

**Submitted on June 28, 2019
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**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2019-CSD-FIN-0019

SUBJECT: CITY DEBENTURE ISSUANCE

OBJET : ÉMISSION DE DÉBENTURES DE LA VILLE

REPORT RECOMMENDATIONS

That City Council delegate the authority to the Mayor or his designate with authority over the July / August time period to execute and enact the necessary debenture by-laws associated with this report to authorize the issuance of debentures where the project debt authority has been approved by Council.

RECOMMANDATIONS DU RAPPORT

QUE le Conseil municipal délègue au maire ou à son représentant le pouvoir, durant la période de juillet et août, d'approuver et d'édicter les règlements municipaux nécessaires sur les débetures, associés au présent rapport et visant l'autorisation de l'émission de débetures, dans les cas où le Conseil a approuvé le pouvoir d'endettement pour un projet.

BACKGROUND

Each year Council approves a capital budget which includes specific projects that are funded from a number of sources including the use of long-term debt financing. These capital budgets constitute the appropriate authority for the use and issuance of long-term debt and the servicing costs of the debt. Debt funding for a project must be established before the actual implementation of the project begins. It cannot be subsequently added as a new source of financing to a project once the actual construction of the works or the purchase of the asset has commenced.

Council has authorized the City Treasurer under "Delegation of Authority By-law 2018-397" to proceed with one or more debt issues at any time during a calendar year during the term of Council provided that:

- a. the actual debt charges in the calendar year are within the Council approved operating budget for that year;
- b. Council has been advised of any resulting impact on budgets in future years; and
- c. the project debt authority has been previously approved by Council.

The standard process for issuing debentures requires that the Treasurer and City Manager place debenture by-law on the agenda of Finance and Economic Development Committee or Council to enact the debenture by-law. The Treasurer is also required to provide an information report to Council upon conclusion of the placement and pricing of the debenture issue that identifies the details of the debenture issue and the projects to which the debenture funding was applied.

An interim Delegation of Authority to bridge the summer period when there were no Council meetings scheduled in late July and August was approved in July 2016 and July 2017. At the July 13, 2016 and July 12, 2017 Council meetings, Council approved that the Mayor or his designate be authorized to execute and enact the necessary by-laws over the July / August time frame should the opportunity arise to place a debenture issue into the financial markets. This approval ensured that the City was in a position to take advantage of optimal market conditions and could issue a debenture within that time period.

DISCUSSION

Based on discussions with the City's financial agents, the current financial market conditions are conducive to the City placing a debenture issue into the market place during July / August 2019. Interest rates and terms are at near record low levels, but the future is uncertain and may change in an unfavourable direction in the ensuing weeks or months.

The normal process for issuing debentures requires a report requesting Council to enact a by-law to authorize the issuance of the debentures. As there is no Council meeting scheduled until August 28, 2019 staff are recommending that the Mayor be authorized to approve and enact the necessary by-laws over the July / August time frame should the opportunity arise to place a debenture issue into the financial markets.

Any debenture issue that occurs in the second half of 2019 will not have any financial impact on the City's 2019 operating budget. The type and structure of any debenture issued in 2019 and the resulting debt servicing impacts on future year budgets will be accommodated within Council's 2020 budget tax target direction.

The Treasurer is required to provide an information report to Council upon conclusion of the placement and pricing of the debenture issue that identifies the details of the debenture issue and the projects to which the debenture funding was applied. If a debenture issue does occur over this time frame, an information report will be submitted to Council members at earliest opportunity after such debt issue.

Any debenture issuance carried out subsequent to August 28, 2019 will be subject to standard practice and will be placed directly on the agenda of the Finance and Economic Development Committee or Council as authorized by Subsection 15(3) of the Delegation of Authority By-law.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

The public consultation process is not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

LEGAL IMPLICATIONS

There are no legal implications to approving the recommendations in this report. Section 401 of the Municipal Act, 2001, as amended, authorizes a municipality to incur debt for municipal purposes by borrowing money or in any other way, and further authorizes a municipality to issue debentures in relation to debt. The City of Ottawa's Delegation of Authority By-law 2018-397, Schedule "B", Sections 12 and 13 authorize the City Treasurer to proceed with debt issue and bank loans respectively. Subsection 13(3) of By-law 2014-435 further authorizes the City Treasurer and City Manager to place the debenture by-law associated with debt issued during the term of Council directly on the Agenda of Finance and Economic Development Committee or Council. 5 As described in this Report, as there are no meetings scheduled until August 28, any debenture by-laws required over the July and August time period will be executed and enacted by the Mayor or his designate and will be relied upon along with the by-law confirming the proceedings of the Council meeting of July 10, 2019 as authorization for debt issuance associated with this Report. Debenture By-laws required following August 28, 2019 will be placed on the Agenda of Finance and Economic Development Committee or Council.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this report.

FINANCIAL IMPLICATIONS

As outlined in this report.

ACCESSIBILITY IMPACTS

There are no accessibility implications with this report.

TERM OF COUNCIL PRIORITIES

There are no impacts to the Term of Council priorities resulting from this report.

DISPOSITION

This report and the confirming Council by-law of the July 10, 2019 meeting will confirm authorization by Council for debt issuance associated with this Report.