

**Report to
Rapport au:**

**Council
Conseil**

13 July 2016 / 13 juillet 2016

**Submitted on July 13, 2016
Soumis le 13 juillet 2016**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2016-CMR-FIN-0024

SUBJECT: CITY DEBENTURE ISSUANCE – DOCUMENTATION REQUIREMENT

**OBJET: ÉMISSION DE DÉBENTURES DE LA VILLE – DOCUMENTATION
REQUIRE**

REPORT RECOMMENDATIONS

That City Council:

- 1. Confirm and approve the amount of unissued debt authority by capital project as provided in Document 1; and**
- 2. Delegate the authority to the Mayor or his designate with the 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 :

1. **Confirme et approuve le montant de la dette autorisée non émise d'un projet d'immobilisation, énoncé dans le document 1.**
2. **Délègue l'autorité au maire ou à son remplaçant, pour la période allant de juillet à août, permettant d'exécuter et d'édicter les règlements municipaux nécessaires sur les débentures associés à ce rapport en vue d'autoriser l'émission de débentures dans les situations où le Conseil a approuvé le pouvoir d'endettement.**

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. 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.

The issuance of this long-term debt referred to as debentures, usually occurs several years after the projects are initially approved and is close to being completed.

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. Interest rates and terms are still 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 31, 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 by-laws required following August 30, 2016 associated with this Report 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.

Council has authorized the City Treasurer under “Delegation of Authority By-law 2014-435” 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 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.

Any debenture issue that occurs in the second half of 2016 will not have any financial impact on the City’s 2016 operating budget. The type and structure of any debenture issued in 2016 and the resulting debt servicing impacts on future year budgets will be accommodated within Council’s budget tax target direction.

Documentation Requirements

In addition, as part of the debenture issuance process, documentation must be provided to the legal firm of Borden, Ladner, and Gervais LLP (BLG) who are engaged by the City as legal counsel to the fiscal agents to provide an enforceability opinion in respect of debentures issued by the City. The level and amount of documentation provided in the past to BLG for its due diligence have been both time consuming and voluminous.

In order to reduce this workload and paperwork requirement, staff have discussed opportunities and options with BLG for streamlining this documentation process. As a result, BLG have agreed that the listing of long term debt financed projects as presented in Document 1 along with a copy of the enacting by-law confirming the proceedings of the Council meeting of July 13, 2016 will assist in reducing the documentation requirements and also serve to certify that Council has approved and confirmed the use of long term debt financing for these projects along with the amounts that remain unissued. When an actual debt issue is to be placed in the financial market, the original debt financing authority and confirming by-law from the relevant capital budget

document or report for each project being financed by the debt issue will also be provided to BLG.

As stated previously, the use of long term debt 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. The debt financing of projects as shown for each project in Document 1, has been approved by Council and pre-dates the actual commencement of the work or any stand-alone component or phase of the work.

Begin with a summary statement or paragraph that states why the recommendation is proposed and the value added (i.e. save money, improve service, etc.) Various options considered by staff should be presented, as well as they those options were not proposed (use pros and cons if applicable). Any benchmarking (i.e. City standards, comparison with standards in industry and/or other municipalities) or reviews of best practices (i.e. other policies, programs and processes that are similar to those being processed) should be noted in this section.

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

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 2014-435, Schedule "A", Sections 15 and 16 authorize the City Treasurer to proceed with debt issue and bank loans respectively. Subsection 15(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.

As described in this Report, as there are no meetings scheduled until August 31, 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 13, 2016 as authorization for debt issuance associated with this Report. Debenture By-laws required following August 30, 2016 which are associated with this Report 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 the report.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the 2015-18 Term of Council priorities (FS1 "Demonstrate sound financial management").

SUPPORTING DOCUMENTATION

Document 1 – Unissued Debt Authority

DISPOSITION

This report and the confirming Council by-law of the July 13, 2016 meeting will serve as documentation to the Law firm of BLG as evidence of the amount of debt authorized by Council on the projects as listed in Document 1.