
REPORT TITLE: 2020 Borrowing Report

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

RECOMMENDATION

That the Commissioner of Finance and Chief Financial Officer be authorized to negotiate the issuance of debentures in the maximum principal amounts of \$43.0 million on behalf of the City of Mississauga, for a term not to exceed 16 years to be issued in 2020;

And further that Commissioner of Finance and Chief Financial Officer be authorized to negotiate the issuance of debentures in the maximum principal amounts of \$8.2 million on behalf of the Town of Caledon, for a term not to exceed 11 years, to be issued in 2020;

And further, that Commissioner of Finance and Chief Financial Officer be authorized to negotiate the issuance of debentures in the maximum of \$200.0 million for the Region of Peel, for a term not to exceed 31 years, to be issued in 2020;

And further, that Commissioner of Finance and Chief Financial Officer be authorized to negotiate the issuance of debentures in the maximum of \$16.2 million, for a term not to exceed 40 years for the Daniels Affordable Housing Project;

And further, that Commissioner of Finance and Chief Financial Officer be authorized to negotiate the issuance of debentures in the maximum of \$22.3 million, for a term not to exceed 40 years for the Seniors Health and Wellness Village at Peel Manor;

And further, that the Treasurer and Chief Financial Officer be authorized to negotiate and sign the Syndicate Agreement, relating to the subject borrowing, including the percentage allocated to each of the different groups and participants.

REPORT HIGHLIGHTS

- The City of Mississauga has requested debenture financing of up to \$43.0 million to be issued in 2020, for a term not to exceed 16 years.
- The Town of Caledon has requested debenture financing not to exceed \$8.2 million to be issued in 2020, for a term not to exceed 11 years.
- The Region of Peel has requested debenture financing not to exceed \$200.0 million to be issued in 2020, for a term not to exceed 31 years.
- Pursuant to the Daniels Affordable Housing Project approval at the February 8, 2018 Regional Council meeting, debt financing of up to \$16.2 million for a term up to 40 years. This is the maximum term that is allowable under the *Municipal Act, 2001* for housing projects.

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- Pursuant to the Seniors Health and Wellness Village at Peel Manor Project approval at the June 27, 2019 Regional Council meeting, debt financing of up to \$22.3 million for a term up to 40 years. This is the maximum term that is allowable under the *Municipal Act, 2001* for housing projects.
- The Region of Peel (Region), the City of Mississauga, and the Town of Caledon remain within their Annual Repayment Limit (ARL).

DISCUSSION

1. Background

One of the Region's roles is to issue debt on its own behalf and on behalf of the local municipalities. In order to provide timely updates and transparency, Staff presents to Regional Council estimated borrowing requirements for the calendar year, indicating both amount and term limitations.

Since 2011, the Borrowing Report has provided the Debt Issuance Committee with the parameters in which to exercise their delegated administrative responsibility to approve debenture by-laws in order to facilitate the completion of debt issues.

In 2019, Standard & Poor's (S&P) and Moody's Investment Services affirmed the Region's Triple A credit rating. Both agencies have maintained a stable outlook for the Region reflecting the Region's strong economy, exceptional liquidity and declining debt burden. The local municipalities also benefit from the Region's strong credit rating as the Region issues debt on their behalf.

2. 2020 Borrowing Requirements

a) Local Municipality Borrowing Requirements

The Region of Peel has received a request for debenture financing from the City of Mississauga for a maximum principal amount of \$43.0 million, and a term not to exceed 16 years.

The Region has also received a request for debenture financing from the Town of Caledon for a total amount of \$8.2 million, and a term not to exceed 11 years.

With a debenture issue, the municipal treasurer is required to certify that the municipality's ARL of 25 per cent of own source revenues has not been exceeded (exceeding the limit would require approval from the Local Planning Appeal Tribunal (LPAT) before issuing the debt).

The Treasurers of the City of Mississauga, and the Town of Caledon have all confirmed that their respective recalculation of the ARL is within their limits.

b) Region of Peel Borrowing Requirements

As outlined in the Council approved budget, debt may be considered for the Region's purposes in 2020. The Region will look to issue debentures in benchmark size (being \$100 to \$200 million) in 2020, with a maximum term of 31-years, primarily to fund development charge cashflows. Benchmark sized Bullet Debentures are a cost-effective method of selling sinking fund debentures to institutional investors. A debt issue of

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benchmark size ensures that there is sufficient marketability that appeals to a broader set of investors and allows the Region to price these debentures competitively.

At the February 8, 2018 Regional Council meeting, debentures of up to \$16.2 million were approved for the Daniels Affordable Housing Project. The term of the debenture will not exceed 40 years, in line with the maximum allowable term under the *Municipal Act, 2001*.

At the June 27, 2019 Regional Council meeting, debentures of up to \$22.3 million were approved for the Seniors Health and Wellness Village at Peel Manor. The term of the debenture will not exceed 40 years, in line with the maximum allowable term under the *Municipal Act, 2001*.

The Regional Treasurer has confirmed that the recalculation of the ARL is within the Region's limits.

RISK CONSIDERATIONS

Taking into consideration the above borrowing requirements, debt related metrics will likely trend marginally higher in 2020/2021. Further, potential budgetary pressures that may result from legislative changes (e.g. DC Act/Bill 108) and increasing service demands on the Region and local municipalities, could cause future debt requirements to increase relative to historical trends/levels.

Should higher future borrowing requirements materialize, the Region's credit rating could come under downward pressure. With that said, prudent debt management has ensured the Region currently has the flexibility to meet potentially increased debt needs over the short term, while likely maintaining rating metrics consistent with the Region's current Triple A rating.

CONCLUSION

To meet the funding requirements requested by the City of Mississauga, the Town of Caledon, and to fund Regional requirements, Council is requested to authorize the issuance of debentures for the Region of Peel.

For further information regarding this report, please contact Julie Pittini, Director, Treasury Services, Ext. 7120, Julie.pittini@peelregion.ca.

Authored By: Scott Hodgson, Treasury Portfolio Manager

Reviewed and/or approved in workflow by:

Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer