
REPORT TITLE: 2024 Borrowing Limits Report

FROM: Davinder Valeri, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

- 1. That the Chief Financial Officer and Commissioner of Corporate Services be authorized to negotiate the issuance of debentures in the maximum total principal amount of \$10 million on behalf of The Corporation of the City of Brampton, for a term not to exceed 31 years to be issued in 2024 or at such later date as may be requested by the Treasurer of The Corporation of the City of Brampton; and**
- 2. That the Chief Financial Officer and Commissioner of Corporate Services be authorized to negotiate the issuance of debentures in the maximum principal amounts of \$14.7 million on behalf of the Town of Caledon, for a term not to exceed 11 years, to be issued in 2024 or at such later date as may be requested by the Treasurer of the Town of Caledon; and**
- 3. That the Chief Financial Officer and Commissioner of Corporate Services be authorized to negotiate the issuance of debentures in the maximum total principal amount of \$90 million on behalf of The Corporation of the City of Mississauga, for a term not to exceed 22 years to be issued in 2024 or at such later date as may be requested by the Treasurer of The Corporation of the City of Mississauga; and**
- 4. That the Chief Financial Officer and Commissioner of Corporate Services be authorized to negotiate the issuance of debentures in the maximum principal amount of \$350 million for the Region of Peel, for a term not to exceed 31 years, to be issued in 2024 or such later date as the Treasurer of the Region of Peel may determine; and**
- 5. That the Treasurer and the Chief Financial Officer and Commissioner of Corporate Services be authorized to negotiate and sign the Purchase Letter/Agreement, relating to the subject borrowing, including the percentage allocated to the syndicate participants.**

REPORT HIGHLIGHTS

- The Corporation of the City of Brampton has requested debenture financing not to exceed \$10 million, for a maximum term of 31 years.
- The Town of Caledon has requested debenture financing not to exceed \$14.7 million, for a maximum term of 11 years.
- The Corporation of the City of Mississauga has requested debenture financing not to exceed \$90 million, for a maximum term of 22 years.
- Region of Peel debenture financing requirements are not to exceed \$350 million, for a maximum term of 31 years; and,

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- The Town of Caledon, The Corporation of the City of Mississauga and the Region remain within their respective Annual Repayment Limits (ARL).
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DISCUSSION

1. Background

One of the Region of Peel's (Region) 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 the amount and term limitations. Since 2011, the Borrowing Report has provided the Debt Issuance Committee with the parameters in which to exercise its delegated administrative responsibility to approve debenture by-laws to facilitate the completion of debenture issues.

In 2023, Standard and Poor's (S&P) and Moody's Investors Services affirmed the Region's Triple A credit rating. Both agencies have maintained a stable outlook for the Region, referencing prudent financial management, very high liquidity, economic growth and stable revenue sources. The local municipalities also benefit from the Region's strong credit rating as the Region issues debentures on their behalf.

2. 2024 Borrowing Requirements

a) Local Municipality Borrowing Requirements

The Region has received a request for debenture financing from The Corporation of the City of Brampton for a total amount not to exceed \$10 million, and a maximum term of 31 years.

The Region has received a request for debenture financing from the Town of Caledon for a total amount not to exceed \$14.7 million, and a maximum term of 11 years.

The Region has received a request for debenture financing from The Corporation of the City of Mississauga for a total amount not to exceed \$90 million, and a maximum term of 22 years.

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

The Region aims to coordinate borrowing requirements of the locals to the extent possible, taking into account size, term, and market considerations.

b) Region of Peel Borrowing Requirements

As outlined in the Council approved budget, debt may be considered for the Region's purposes in 2024. The Region may look to issue debentures not to exceed \$350 million in 2024, with a maximum term of 31 years, primarily to fund the timing mismatch between development charge revenues and expenditures and to support capital requirements of Peel Regional Police and affordable housing.

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The Region typically seeks to issue benchmark sized debentures, helping ensure that there is sufficient marketability that appeals to a broader set of investors and allows the Region to price these debentures competitively.

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

RISK CONSIDERATIONS

Budgetary pressures resulting from increasing service demands, growth infrastructure requirements, higher inflation and legislative changes are expected to increase future debt requirements relative to historical trends/levels. Given the rise in interest rates in 2023, higher interest rates will result in increased debt service costs. Unfavourable capital market conditions or other market events could impact the timing of debt issuance however, prudent debt management has ensured the Region remains financially flexible to meet the Region's needs over the long term.

BILL 112 RISKS AND IMPLICATIONS

On May 18, 2023, the Province introduced Bill 112 – *Hazel McCallion Act (Peel Dissolution) 2023*, an Act to dissolve the Regional Municipality of Peel and make the City of Brampton, Town of Caledon and City of Mississauga single tier municipalities, effective January 1, 2025. On June 8, 2023, royal assent was received making the Bill law. The legislation provides for the establishment of a Transition Board to make recommendations on implementing the restructuring. On December 13, 2023, the Province announced that legislation will be introduced in early 2024, that, if passed, would mean Peel Region will not be dissolved and would also recalibrate the mandate of the Transition Board to focus on options to support building more homes faster and improve local service delivery. Details of the proposed legislation, including matters as they relate to existing Regional roles and responsibilities are not known at this time and are to be addressed in future reporting to Regional Council.

FINANCIAL IMPLICATIONS

Capital market debenture issuance is an efficient and effective way for the Region to raise capital for its own purposes and for the local municipalities. Compared to other financing options, capital market debenture issuance has historically provided a lower cost of financing. Further, the Region's benchmark size (e.g. >\$100 million) sinking fund debenture issuances attract a broad base of large domestic and international institutional investors. The Region and the local municipalities have benefitted from aggregating borrowing needs across all services, reducing both syndication fees and achieving lower cost borrowing given the size of debenture transactions. Further, all debentures issued by the Region are the joint and several obligations of the Region and local municipalities.

During 2024, the Region may borrow for DC and non-DC related capital. In the case of DC related borrowing, principal (sinking fund provision payments) and interest charges are funded through DC revenues. For non-DC related borrowing, principal (sinking fund provision payments) and interest charges are funded by the Region's operating budget as required.

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CONCLUSION

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



Davinder Valeri, Chief Financial Officer and Commissioner of Corporate Services

Authored By: Scott Hodgson, Senior Treasury Portfolio Manager