

Authority Policy and Finance Committee Report No. 5, Clause No. 5,  
adopted as amended, by City of Toronto Council on June 22, 23 and 24, 2004  
Enacted by Council: June 22, 2004

## CITY OF TORONTO

### BY-LAW No. 461-2004

**To authorize an agreement with Her Majesty the Queen in right of the Province of Ontario,  
as represented by the Minister of Municipal Affairs and Housing respecting  
the issue and sale of Debentures.**

WHEREAS section 102 of the *City of Toronto Act, 1997 (No. 2)*, as amended, provides that when the Council of the City of Toronto (“City Council”) or the Municipal Board has authorized the City of Toronto to borrow money and issue debentures for its purposes the Council may, by by-law, subject to such terms and conditions as the by-law specifies, authorize the Mayor and the Treasurer to enter into an agreement or agreements for the issue and sale of debentures, with any person or persons, at any time in the year in which the by-law is passed; and

WHEREAS pursuant to By-law No. 747-2003 the Mayor and the Chief Financial Officer and Treasurer entered into an agreement dated August 28, 2003 (the “2003 Agreement”) with Her Majesty the Queen in Right of Ontario, as represented by the Minister of Municipal Affairs and Housing and pursuant to the 2003 Agreement the Council of the City of Toronto passed Debenture By-law No. 864-2003 and under authority of that By-law the City of Toronto issued 3% amortizing debentures dated April 1, 2003 in the principal amount of \$183,750,000.00 to be repaid in semi-annual instalments of combined (blended) principal and interest over a 10 year amortization period (the “2003 Debenture”); and

WHEREAS the City of Toronto has paid two semi-annual instalments of combined (blended) principal and interest in respect of the 2003 Debenture, on October 15, 2003 and on January 15, 2004, respectively, each such instalment being in the amount of \$10,000,000.00 (in the aggregate amount of \$20,000,000.00); and

WHEREAS at its meeting of June 22, 2004 City Council approved that authority be granted for the Mayor and the Chief Financial Officer and Treasurer to enter into an agreement with Her Majesty the Queen in Right of Ontario, as represented by the Minister of Municipal Affairs and Housing which agreement provides that: the City of Toronto will repay the outstanding balance owing to the Ministry in respect of the 2003 Debenture and the Ministry will extinguish the debt evidenced by the 2003 Debenture and discharge the City of Toronto from all of its obligations evidenced by the 2003 Debenture; the City will issue and sell to the Ministry a new debenture in the principal amount of \$175,330,772.70 for a purchase price equal to the outstanding balance evidenced by the 2003 Debenture (\$175,330,772.70); and the Ministry will refund the City of Toronto the January 15, 2004 instalment of combined (blended) principal and interest in the amount of \$10,000,000.00 paid by the City of Toronto in respect of the 2003 Debenture, such agreement to be substantially in accordance with the draft agreement attached to the Report of the Chief Financial Officer and Treasurer dated June 18, 2004 and entitled Provincial Debenture Issuance re: \$20 million payment deferral for 2004 (“Report”) and attached as Schedule “A” hereto and forming part of this By-law, and in form satisfactory to the City Solicitor and that the Mayor and the Chief Financial Officer and Treasurer be authorized to execute such agreement and to issue the new debenture on behalf of the City;

The Council of the City of Toronto HEREBY ENACTS as follows:

1. The Mayor and the Chief Financial Officer and Treasurer, in accordance with the applicable legislation and in accordance with the Report, are hereby authorized to enter into an agreement with Her Majesty the Queen in Right of Ontario, as represented by the Minister of Municipal Affairs and Housing for the issue and sale of new 2.761% amortizing debentures dated January 15, 2004 in the principal amount of \$175,330,772.70 to be repaid in semi-annual instalments of combined (blended) principal and interest over a 10 year amortization period upon such terms and conditions as approved by the City Council at its meeting of June 22, 23 and 24, 2004 and the Mayor and the Chief Financial Officer and Treasurer are authorized to execute such agreement.
2. When the Mayor and the Chief Financial Officer and Treasurer have entered into an agreement in accordance with section 1, the Chief Financial Officer and Treasurer shall report the terms of such agreement to City Council not later than the second regular City Council meeting after entering into such agreement.

ENACTED AND PASSED this 22nd day of June, A.D. 2004.

DAVID R. MILLER,  
Mayor

ULLI S. WATKISS  
City Clerk

(Corporate Seal)

**CITY OF TORONTO  
SCHEDULE "A"**

MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING

DEBENTURE, ASSET IDENTIFICATION AND TRANSFER PROCESS AGREEMENT

THIS AGREEMENT is made on the \_\_\_\_\_ day of \_\_\_\_\_, 2004.

**B E T W E E N:**

**HER MAJESTY THE QUEEN** in right of  
Ontario, as represented by the Minister of  
Municipal Affairs and Housing  
(referred to in this Agreement as the 'Ministry')

**A N D**

**CITY OF TORONTO**  
(referred to in this Agreement as the 'City')

**WHEREAS:**

- In August, 2003 the City entered into a "Debenture, Asset Identification and Transfer Process Agreement" (the "2003 Agreement") with the Ministry in connection with various capital projects identified in the 2003 Agreement;
- Further to the 2003 Agreement, on September 24, 2003, the City passed Debenture By-law No. 864-2003 and under authority of that By-law issued a single debenture to the Province in the principal amount of \$183,750,000.00 (the "2003 Debenture");
- Further to the schedule of payments under the 2003 Debenture, the City has paid two instalments of \$10 million (totalling \$20 million) to the Province of Ontario;
- The City and the Ministry now propose that:
  - the Ministry will refund to the City the January 15, 2004 instalment paid to the Province in the amount of \$10 million;
  - the City will repay the outstanding balance owing to the Ministry in respect of the 2003 Debenture, the Ministry will extinguish the debt evidenced by the 2003 Debenture and the 2003 Agreement and will discharge the City from all of its obligations evidenced by the 2003 Debenture and the 2003 Agreement;
  - the City will sell to the Ministry on or about June 25, 2004 (a business day subsequent to the discharge of the 2003 Debenture) a new single debenture registered in the name of the Minister of Finance in the principal amount of \$175,330,772.70 bearing an interest rate of 2.761% per annum, compounded semi-annually, having a 10 year amortization period and providing for semi-annual instalments of combined principal and interest payable on

January 15 and July 15 of each year as set out in Schedule “A” hereto (the “2004 Debenture”);

- the 2004 Debenture shall be issued in connection with the purchase of 372 T1 subway cars, in respect of which the issuance of debentures has been authorized, for a purchase price equal to the outstanding balance evidenced by the 2003 Debenture; and
- the 2004 Debenture will have annexed thereto a schedule of payments beginning in January 2005 and ending in January 2014,
- The City and the Ministry further propose:
  - to continue the mechanism established by the 2003 Agreement to identify and transfer property, by agreement, from the City to the Province; and
  - to continue the set-off provisions outlined in section 10 of the 2003 Agreement.

**NOW THEREFORE** in consideration of the 2004 Debenture, this Agreement and other good and valuable consideration, the Ministry and the City agree as follows:

#### Debenture

1. The City hereby agrees to sell to the Ministry and the Ministry hereby agrees to purchase from the City the 2004 Debenture.

#### Purchase price/discharge of former debenture debt

2. (1) The purchase price for the 2004 Debenture shall be the sum of \$175,330,772.70 which shall be due and payable by the Ministry to the City upon issuance by the City of the 2004 Debenture.

- (2) The parties agree that:

- (a) before the City issues the 2004 Debenture, the City shall pay the Ministry (by means of electronic transfer payable to the Minister of Finance) the amount of \$175,330,772.70 and this shall be deemed to be the entire outstanding balance owed to the Ministry by the City (payable to the Minister of Finance) under the 2003 Agreement and 2003 Debenture;
- (b) the debt owed to the Ministry by the City under the 2003 Agreement and the 2003 Debenture is fully discharged and extinguished upon receipt of the payment referred to in clause (a) by the Minister of Finance; and
- (c) as soon as practicable after the City issues the 2004 Debenture, the Ministry will refund to the City the January 15, 2004 instalment paid to the Province under the 2003 Debenture in the amount of \$10 million.

#### Property identification

3. The Ministry and the City may at any time identify any property of the City, for the purpose of transferring the property from the City to the Province of Ontario, and shall notify the other party as soon as reasonably possible that the property has been so identified.

#### Agreement

4. If property is identified under section 3 the City and the Ministry may agree, among other things,
  - (a) that the identified property represents an appropriate investment for the Province and an appropriate disposition for the City;
  - (b) on the monetary value of or other consideration for the property, including a process to determine that value or consideration;
  - (c) that a sale or other transfer of the property shall be undertaken; and
  - (d) how the monetary or other consideration for the property would be used.

#### Best efforts

5. If property is identified under section 3,
  - (a) the City and the Ministry will use best efforts to expeditiously reach an agreement with respect to the matters identified in section 4; and
  - (b) if agreement is reached under clause (a) through City council authorizing an agreement, the City will use best efforts to expeditiously carry out the transfer and comply with any applicable legal requirements, including without limitation any applicable requirement of section 268 of the *Municipal Act, 2001*.

#### Compliance/delegation

6. The City will be deemed to have complied with clause 5(a) if the Commissioner of Corporate Services and the Chief Financial Officer and Treasurer report to the Council of the City with recommendations with respect to the matters described in section 4 for any property identified under section 3, and if such a recommendation is considered by the Council of the City.

#### Set-off

7. The City understands and agrees that any of its indebtedness to the Crown in right of Ontario, including without limitation any amount that has not been paid to the Minister of Finance as holder of the 2004 Debenture issued by the City, is subject to deduction or set-off from money payable to the City by the Crown in right of Ontario, pursuant to this Agreement, or to section 43 of the *Financial Administration Act* or other legislation.

#### Certain provisions in 2003 Agreement

8. (1) Forthwith upon the receipt by the Minister of Finance of the payment referred to in clause (a) of subsection 2(2) and the discharge and extinguishment referred to in clause (b) of subsection 2(2), sections 1, 2 and 3 of the 2003 Agreement are deemed to be null and inoperative.
- (2) For greater certainty, sections 4, 5, 6, 7, 10 and 11 of the 2003 Agreement are deemed to be null and inoperative.

#### Notices

9. (1) Any notices under this Agreement shall be given in writing by personal delivery or registered mail, posted in Canada delivered or addressed as follows:

to the Ministry:

Janet Mason  
Assistant Deputy Minister  
Local Government Division  
Ministry of Municipal Affairs and Housing  
13th floor - 777 Bay Street  
Toronto, ON M5G 2E5  
Tel: 416 585-6320  
Fax: 416 585-6463

to the City:

Joseph P. Pennachetti  
Chief Financial Officer and Treasurer  
City of Toronto  
Finance Department  
City Hall, 7th Floor, East Tower  
100 Queen Street  
Toronto, ON M5H 2N2  
Tel: 416 392-8773  
Fax: 416 397-5236



**DEBENTURE PAYMENT AMOUNTS  
(INCLUDING BREAKDOWN OF PRINCIPAL AND INTEREST, AND BALANCES)**

Outstanding amount as at the date of the Agreement - \$175,330,772.70

<b>Due Date</b>	<b>Payment Amount</b>	<b>Interest</b>	<b>Principal</b>	<b>Balance O/S</b>
15-Jan-2005	\$ 10,000,000.00	\$ 4,840,352.59	\$ 5,159,647.41	\$ 170,171,125.29
15-Jul-2005	\$ 10,000,000.00	\$ 2,329,648.68	\$ 7,670,351.32	\$ 162,500,773.97
15-Jan-2006	\$ 10,000,000.00	\$ 2,261,513.81	\$ 7,738,486.19	\$ 154,762,287.77
15-Jul-2006	\$ 10,000,000.00	\$ 2,118,701.15	\$ 7,881,298.85	\$ 146,880,988.93
15-Jan-2007	\$ 10,000,000.00	\$ 2,044,134.17	\$ 7,955,865.83	\$ 138,925,123.09
15-Jul-2007	\$ 10,000,000.00	\$ 1,901,889.81	\$ 8,098,110.19	\$ 130,827,012.91
15-Jan-2008	\$ 10,000,000.00	\$ 1,820,711.92	\$ 8,179,288.08	\$ 122,647,724.83
15-Jul-2008	\$ 10,000,000.00	\$ 1,679,051.66	\$ 8,320,948.34	\$ 114,326,776.49
15-Jan-2009	\$ 10,000,000.00	\$ 1,591,079.09	\$ 8,408,920.91	\$ 105,917,855.58
15-Jul-2009	\$ 10,000,000.00	\$ 1,450,019.16	\$ 8,549,980.84	\$ 97,367,874.74
15-Jan-2010	\$ 10,000,000.00	\$ 1,355,063.04	\$ 8,644,936.96	\$ 88,722,937.78
15-Jul-2010	\$ 10,000,000.00	\$ 1,214,620.13	\$ 8,785,379.87	\$ 79,937,557.91
15-Jan-2011	\$ 10,000,000.00	\$ 1,112,486.34	\$ 8,887,513.66	\$ 71,050,044.25
15-Jul-2011	\$ 10,000,000.00	\$ 972,677.60	\$ 9,027,322.40	\$ 62,022,721.85
15-Jan-2012	\$ 10,000,000.00	\$ 863,166.61	\$ 9,136,833.39	\$ 52,885,888.46
15-Jul-2012	\$ 10,000,000.00	\$ 724,009.67	\$ 9,275,990.33	\$ 43,609,898.13
15-Jan-2013	\$ 10,000,000.00	\$ 606,916.41	\$ 9,393,083.59	\$ 34,216,814.54
15-Jul-2013	\$ 10,000,000.00	\$ 468,429.39	\$ 9,531,570.61	\$ 24,685,243.93
15-Jan-2014	\$ 25,028,787.03	\$ 343,543.10	\$ 24,685,243.93	\$0.00
<b>Total</b>	<b>\$ 205,028,787.03</b>	<b>\$ 29,698,014.33</b>	<b>\$ 175,330,772.70</b>	