

Issuing a Debenture to the Federation of Canadian Municipalities as a Requirement to Secure Funding

Date:	July 24, 2009
To:	City Council
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\Cf\cc09022Cf – et (AFS #10309)

SUMMARY

This report requests the approval of a technical amendment to adjust the term-to-maturity of the \$600,000 debenture, previously approved by Council, which will be issued to the Federation of Canadian Municipalities on behalf of Artscape and to amend the City's Financing of Capital Works Policy to facilitate the debenture.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Recommendation 1(a) contained in Executive Committee Item EX 32.2, headed "Issuing a Debenture to the Federation of Canadian Municipalities as a Requirement to Secure Funding", adopted by City Council at its meeting held on May 25th, 2009 be amended by replacing the "ten year" debenture term with a "twenty year" term.
2. Section 5 of the City's Financing of Capital Works Policy, as adopted by Council at its meeting of March 7, 2007 (Executive Committee Item EX 5.1(d)), be amended by deleting the words "as included in its Five Year Capital Plan".
3. Council authorize the appropriate City of Toronto officials to take the necessary actions to give effect thereto.

FINANCIAL IMPACT

There is no financial impact contained in the recommendations of this report.

DECISION HISTORY

Executive Committee report EX 32.2, “Issuing a Debenture to the Federation of Canadian Municipalities as a Requirement to Secure Funding”, dated April 16, 2009, was adopted by City Council at its meeting held on May 25th, 2009.

ISSUE BACKGROUND

The report, EX 32.2, “Issuing a Debenture to the Federation of Canadian Municipalities (“FCM”) as a Requirement to Secure Funding”, dated April 16, 2009”, was adopted by City Council at its meeting held on May 25th, 2009, in respect of a capital loan from FCM to the City for the Artscape Wychwood Barns project (the “Artscape Project”) and contains the following recommendation:

1. (a) “the Deputy City Manager and Chief Financial Officer and the City Clerk be authorized to enter into an agreement with FCM, for the issuance and sale of a ten year amortizing debenture in a maximum aggregate principal amount of \$600,000, such agreement be on terms and conditions satisfactory to the Deputy City Manager and Chief Financial Officer in consultation with the City Solicitor.”

COMMENTS

It has recently come to the attention of the Deputy City Manager and Chief Financial Officer that Artscape and the FCM would prefer a term-to-maturity of 20 years for the debenture instead of the 10 year term that was approved in the above report since Artscape wishes to exercise the option of locking in an attractive interest rate for a term of 20 years that is available in the current financial environment.

The draft Loan and Grant Agreement between the City and FCM was received from FCM after the above report was adopted by Council. As it contains a requirement that the City of Toronto has complied with all of the provisions of its Financing of Capital Works Policy (the “Policy”), the Policy was reviewed to ensure compliance.

It was noted that the Policy makes reference to inclusion in the City's Five Year Capital Plan of all capital projects for which the City is incurring long term debt by borrowing. In the case of projects such as the Artscape Project, where the City is lending to Artscape to complete the project, the project is not included in the City's Five Year Capital Plan. Accordingly, a technical amendment to the Policy is required by deleting reference to the City's Five Year Capital Plan.

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SIGNATURE

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