

Terms of Reference for the Debenture Committee

Date:	July 24, 2009
To:	City Council
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\Cf\cc09021cf – et (AFS #10294)

SUMMARY

This report provides Terms of Reference for the Debenture Committee recommended in Executive Committee Item EX. 33.13, headed “Delegation of Council’s Debenture By-law Enacting Authority” which is being considered by Council at its meeting on August 5th and 6th, 2009.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council delete recommendation 1 of the report from the Deputy City Manager and Chief Financial Officer dated May 19, 2009, and substitute the following:
 1. City Council create a Debenture Committee, consisting of the Mayor, Budget Chair, City Manager and Deputy City Manager and Chief Financial Officer, and delegate to the Debenture Committee:
 - (a) the authority, for the purposes of the City, to borrow money or provide long-term financing for any capital work by issuing debentures, issuing revenue bonds, and entering into bank loan agreements in accordance with such terms and conditions as are set out in any agreement for the issue of such debentures, the issue of such revenue bonds or the entering into of such bank loan agreements entered into by the Mayor and Deputy City Manager and Chief Financial Officer in accordance with Council's annual by-laws delegating the authority to enter into any such agreement up to an annual limit established by Council, all in accordance

with the City's Financing of Capital Works Policy and Goals (the "Financing Policy") and with all legislative requirements;

(b) the authority to pass the requisite borrowing by-laws to authorize the issue of any debentures, the issue of any revenue bonds and the entering into of any bank loan agreements approved in accordance with (a) and to authorize any one or more City officers to do all things and execute all other documents, instruments and agreements in order to give effect to the issue of any debentures, the issue of any revenue bonds and the entering into of any bank loan agreements;

(c) the authority to pass the requisite by-law(s) to enter into new arrangements with CDS Clearing and Depository Services Inc. ("CDS") to ensure that CDS accepts new issues of debentures and revenue bonds and maintains existing debentures and revenue bonds in the CDS system and to authorize any one or more City officers to do all things and execute all other documents, instruments and agreements in order to give effect to such new arrangements with CDS;

(d) the authority to pass a by-law to authorize the issue of replacement debenture certificates and revenue bonds on such terms and conditions as the Debenture Committee deems appropriate, including a bond of indemnity as a condition of the issue of replacement debenture certificates and revenue bonds before the City passes the by-law(s) to authorize the new arrangements with CDS;

2. City Council approve the terms of reference for the Debenture Committee as set out in Appendix A of this report.

FINANCIAL IMPACT

There are no financial impacts contained in the recommendation of this report and the terms of reference as contained in Appendix A.

DECISION HISTORY

The Executive Committee on June 2, 2009 considered a report from the Deputy City Manager and Chief Financial Officer on the establishment of a Debenture Committee for the City of Toronto. The Committee's recommendations are before City Council in Executive Committee Item EX33.13. This report provides supplementary information, including a Terms of Reference for the proposed Debenture Committee.

ISSUE BACKGROUND

With the slowdown of market liquidity and investor demand for municipal bonds in general following the global credit crisis since 2008, there have only been limited opportunities for the City to issue debt. It has been difficult to synchronize debt issuance and market timing with Council meeting dates since the required borrowing by-laws must be adopted by Council before a debenture issue can settle and the City receive its funds.

Delegation of final approval and by-law enacting authority in respect of long-term capital debt issuance to the Debenture Committee will provide more debt issuance flexibility so that it better coincides with investor demand and market liquidity.

In addition, CDS Clearing and Depository Services Inc. (“CDS”) is introducing changes to its book entry only services system and will, effective August 1, 2009, require Ontario municipal issuers who desire to issue debentures in the CDS system as book entry only securities to enter into new arrangements with CDS. As part of that process a debenture certificate and revenue bond replacement by-law should be passed before the new arrangements are entered into with CDS. Accordingly it is recommended that the Debenture Committee also be given the authority to enter into new arrangements with CDS and to pass a debenture certificate and revenue bond replacement by-law before the new arrangements with CDS are authorized. The delegation of these matters has been added to the terms of reference.

As recommended in the accompanying report, it is recommended that the Debenture Committee be comprised of the Mayor, the Budget Chair, the City Manager, and the Deputy City Manager and Chief Financial Officer. If Council approves the establishment of the Debenture Committee, it is necessary to establish its Terms of Reference.

CONTACT

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SIGNATURE

Cam Weldon
Deputy City Manager and
Chief Financial Officer

ATTACHMENTS

Appendix A – Terms of Reference – Debenture Committee

Appendix A

Terms of Reference

Debenture Committee

Delegated Authority of the Debenture Committee

City Council has fully delegated the following powers and authority of City Council to the Debenture Committee:

1. the authority, for the purposes of the City, to borrow money or provide long-term financing for any capital work by issuing debentures, issuing revenue bonds, and entering into bank loan agreements in accordance with such terms and conditions as are set out in any agreement for the issue of such debentures, the issue of such revenue bonds or the entering into of such bank loan agreements entered into by the Mayor and Deputy City Manager and Chief Financial Officer in accordance with Council's annual by-laws delegating the authority to enter into any such agreement up to an annual limit established by Council, all in accordance with the City's Financing of Capital Works Policy and Goals (the "Financing Policy") and with all legislative requirements;
2. the authority to pass the requisite borrowing by-laws to authorize the issue of any debentures, the issue of any revenue bonds and the entering into of any bank loan agreements approved in accordance with (1) and to authorize any one or more City officers to do all things and execute all other documents, instruments and agreements in order to give effect to the issue of any debentures, the issue of any revenue bonds and the entering into of any bank loan agreements;
3. the authority to pass the requisite by-law(s) to enter into new arrangements with CDS Clearing and Depository Services Inc. ("CDS") to ensure that CDS accepts new issues of debentures and revenue bonds and maintains existing debentures and revenue bonds in the CDS system and to authorize any one or more City officers to do all things and execute all other documents, instruments and agreements in order to give effect to such new arrangements with CDS;
4. the authority to pass a by-law to authorize the issue of replacement debenture certificates and revenue bonds on such terms and conditions as the Debenture Committee deems appropriate, including a bond of indemnity as a condition of the issue of replacement debenture certificates and revenue bonds before the City passes the by-law(s) to authorize the new arrangements with CDS;

The Debenture Committee holds this authority exclusively and City Council retains no jurisdiction to revoke the delegation until the end of the term of City Council at which time this delegation may be revoked.

Composition

The Debenture Committee is composed of four members:

1. The Mayor, as Chair,
2. The Budget Chair, as Vice-Chair,
3. The City Manager, and
4. The Deputy City Manager and Chief Financial Officer.

Term of Appointment

Members are appointed by virtue of their position and until their successor is appointed.

Quorum

A majority of members (three) constitute a quorum.

Committee Procedures

The Debenture Committee will meet at the call of the Chair, as required.

The Debenture Committee will meet in public and the City Clerk will provide notice of the meetings.

The Debenture Committee will conduct its proceedings in a manner consistent with Chapter 27, Council Procedures, of the City of Toronto Municipal Code.

The Committee Chair or Vice Chair will sign the by-laws passed by the Debenture Committee.

Committee Support

The City Clerk will provide meeting support to the Debenture Committee.

Annual Report

The Deputy City Manager and Chief Financial Officer will report annually to Council, through the Executive Committee, on the actions taken by the Debenture Committee under its delegated authority.