

**Authority to Issue a Debenture to the Federation of Canadian Municipalities to Secure Funding for the Allstream Centre**

<b>Date:</b>	January 5, 2010
<b>To:</b>	Debenture Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	Ward 19, Trinity-Spadina
<b>Reference Number:</b>	P:\2010\Internal Services\Cf\Dc10001cf (AFS #10582)

**SUMMARY**

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This report requests authority to issue a debenture for \$2.0 Million to the Federation of Canadian Municipalities (FCM) to finance some of the eligible project costs of the Allstream Centre at Exhibition Place (“the Project”) through FCM’s Green Municipal Fund Loan Program.

**RECOMMENDATIONS**

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The Deputy City Manager and Chief Financial Officer recommends that:

1. Recommendation 2 of the Report dated August 26, 2009 from the Chief Executive Officer of Exhibition Place referred to the Debenture Committee by the Executive Committee at its meeting of September 8, 2009, be received for information.
2. The Debenture Committee approve the issue of a twenty year amortizing debenture in a maximum aggregate principal amount of \$2.0 Million to FCM, in accordance with the terms and conditions set out in the Loan Agreement entered into by the Mayor, the Deputy City Manager and Chief Financial Officer and the City Clerk dated August 18, 2009, and in accordance with this report.
3. Authority be granted for the introduction of the necessary bills to the Debenture Committee to authorize the issue of the debenture described in Recommendation #2.

4. The Debenture Committee authorize the appropriate City officials to take the necessary actions to give effect thereto.

### **Financial Impact**

An interest rate of 2.11% has been set by FCM. There will be no cost to the City for the payment of interest and principal since the debt charges will be funded by the cash flow generated by the Allstream Centre's operations.

### **DECISION HISTORY**

At its meeting of September 8, 2009, the Executive Committee had before it a report entitled "Capital Loan and Grant from the Federation of Canadian Municipalities for the Allstream Centre at Exhibition Place" from the Chief Executive Officer of Exhibition Place. The above-noted report can be viewed through the following link:

<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-23019.pdf>

Executive Committee noted that Recommendation 1 of the above-noted report was not necessary, and referred Recommendation 2 of that report to the Debenture Committee. Executive Committee's decision in respect of the above-noted report can be viewed through the following link:

<http://www.toronto.ca/legdocs/mmis/2009/ex/decisions/2009-09-08-ex34-dd.htm>

Authority to approve the issue of debentures to provide long term financing of capital works and to enact the requisite borrowing by-laws has been delegated to the Debenture Committee by City Council pursuant to City of Toronto Municipal Code Chapter 30, Debenture Committee.

### **BACKGROUND**

FCM has introduced procedures to its Green Municipal Funds' loan program that require that municipalities issue debentures to FCM in exchange for the funds being lent to the municipality.

This requirement is consistent with legislation governing the means by which Ontario municipalities, including the City, may borrow for long-term capital purposes. Pursuant to the *City of Toronto Act, 2006*, the City may only borrow long-term capital funds by issuing a debenture, entering into a loan agreement with a financial institution, or issuing a revenue bond. Accordingly, a debenture must be issued by the City in order to legally secure long-term capital financing from FCM.

### **COMMENTS**

The Project is now complete and in operation and the City has finalized its application for funding to FCM. One of the FCM requirements is that the City issue debentures as security for a loan of \$2.0 Million for this Project.

Recommendation 2 of the August 26, 2009 report from the Chief Executive Officer of the Exhibition Place is not required as the Mayor and the Deputy City Manager and Chief Financial Officer have authority to enter into agreements to issue debentures in 2009 pursuant to By-law No. 1326-2008, and pursuant to such authority, have entered into the Grant and Loan Agreement dated August 18, 2009 with FCM in respect of the Project, which agreement provides, amongst other things, that the City shall issue a twenty year amortizing debenture in a maximum aggregate principal amount of \$2.0 million to FCM.

The debenture interest rate has be set by FCM at 2.11% in accordance with their formula which sets the interest rate at the greater of (a) 1.50% below the average yield for a Government of Canada 20 year benchmark bond in effect five (5) days before the debenture by-law is passed, and (b) 2.00%.

Delivery of the debenture and the receipt of proceeds from FCM will occur after January 18, 2010 subject to the debenture bylaw being adopted by the Debenture Committee at its meeting on that date.

Interest will be compounded semi-annually with a 20 year amortization period with payments occurring semi-annually on the anniversary date when the debenture is issued which will be determined after January 18, 2010.

## **CONTACT**

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## **SIGNATURE**

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