



STAFF REPORT ACTION REQUIRED

Authority to Issue a Debenture to the Federation of Canadian Municipalities to Secure Funding for the Humber Arboretum Project

Date:	December 10, 2009
To:	Debenture Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	Ward 1- Etobicoke North
Reference Number:	P:\2009\Internal Services\Cf\Dc09038cf (AFS #11060)

SUMMARY

This report requests authority to issue a debenture for \$187,500 to the Federation of Canadian Municipalities (FCM) to partially finance some of the eligible costs of the Centre for Urban Ecology at the Humber Arboretum (“The Project”).

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. The Debenture Committee approve the issuance of a three-year amortizing debenture in a maximum aggregate principal amount of \$187,500 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 November 9, 2009 and in accordance with this report.
2. Authority be granted for the introduction of the necessary bills at the meeting of the Debenture Committee to authorize the issuance of the debenture described in Recommendation #1.
3. The Debenture Committee authorize the appropriate City officials to take the necessary actions to give effect thereto.

Financial Impact

There will be a cost to the City to pay interest on the debenture. The interest rate will be set by FCM after the debenture is approved by the Debenture Committee in accordance with FCM's formula which sets the interest rate at the Government of Canada benchmark three-year bond yield. The interest cost will be funded from the City's non-program operating budget.

DECISION HISTORY

At its meeting held on November 30th and December 1, 2009, Council adopted the report, "Agreement with Humber College Institute of Technology & Advanced Learning to Provide Funding from the Federation of Canadian Municipalities for the Humber Arboretum Project."

BACKGROUND

FCM has introduced procedures to its Green Municipal Funds' loan program that requires 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.

Humber College in partnership with the City and Toronto and Region Conservation Authority (TRCA) developed a Centre for Urban Ecology at the Humber Arboretum. This \$4.3 million dollar facility is owned by Humber College, leased to the TRCA and operated by a Management Committee consisting of representatives from Humber College, the City and the TRCA. The overall relationship between the partner organizations is governed by a management agreement which was approved by City Council in 2005. The city assisted with project costs through capital contributions amounting to \$1 million.

The Project illustrates how to construct in an environmentally-friendly way. The following green technologies and design elements are built into the Project:

- Passive solar heat sources incorporating high performance window and super insulation.
- Green roof (vegetated) for storm water management and passive cooling.
- Bio filter system for sewage and grey water treatment
- Water conserving toilets
- Cistern to collect roof top run off and supply the landscape irrigation.
- Natural cooling and ventilation
- Natural day lighting, high efficiency luminaries, and occupancy control sensors

- High efficiency gas boiler
- Minimization of PVC products and low VOC finishes and sealants
- Use of environmentally friendly and locally sourced building materials.
- Exterior designed to LEED standards
- An integrated monitoring and control system to achieve energy efficiency and occupant comfort, and to provide data relating to the effectiveness of green technologies in an urban public building.

These features collectively reduce the Centre's impact on the urban environment and reduce energy costs significantly and the Project thus serves as a model of sustainability that others can follow.

Humber College is responsible for the overall project design and development and managed all the financial aspects for the project.

COMMENTS

The project is now complete and in operation and we are at a point in time of finalizing application for funding to FCM. One of the FCM requirements is that the City issue debentures as security for a loan of \$187,500 for this project.

The debenture interest rate will be set by FCM in accordance with their formula which sets the interest rate at the Government of Canada's benchmark 3 year bond yield.

As of December 10, 2009, the Government of Canada's 3 year benchmark bond yield rate is 1.50% rate per annum which is the duration of the debenture. Although the interest rate for a 3 year Government of Canada bond may vary according to capital market conditions until the debenture is issued, City staff does not expect that there will be a significant difference to the cost of funds as quoted in the above example.

Delivery of the debenture and the receipt of proceeds from FCM will occur after December 21, 2009, subject to the debenture bylaw being adopted by the Debenture Committee.

Interest will be compounded semi-annually with a 3 year amortization period with payments occurring semi-annually on the date that is 6 months after the funds are disbursed to the City. The payments will be funded from the City's non-program operating budget.

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SIGNATURE

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