



## STAFF REPORT ACTION REQUIRED

### Repeal of Sinking Fund Debenture By-law No. 886-2009

<b>Date:</b>	April 14, 2010
<b>To:</b>	Debenture Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2010\Internal Services\Cf\Dc10017cf (AFS #11979)

#### SUMMARY

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This report requests that the necessary Bill be introduced and adopted by the Debenture Committee at its meeting on April 15th, 2010 to give effect to the repeal of the sinking fund debenture By-law No. 886-2009.

#### RECOMMENDATIONS

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**The Deputy City Manager and Chief Financial Officer recommends that:**

1. The Debenture Committee approve the repeal of By-law No. 886-2009 as contained in recommendation #8 of Executive Committee Item 40.10 entitled “Monetization of the Toronto Hydro Promissory Note” approved by Council at its meeting held on February 22<sup>nd</sup> and 23<sup>rd</sup>, 2010.
2. Authority be granted for the introduction of the necessary Bill to the Debenture Committee to authorize the repeal of the Debenture By-law No. 886-2009.
3. The Debenture Committee authorize the appropriate City of Toronto officials to take the necessary actions to give effect thereto.

#### Financial Impact

The 2010 debt charge savings of \$33.3 million associated with this debenture have been included in the 2010 operating budget in the Non-Program Corporate and Capital Financing account.

## ISSUES BACKGROUND

By-law No. 886-2009 was enacted by the Debenture Committee on September 29, 2009 to authorize the issue and sale of sinking fund debentures with a par value of \$400 million, a term-to-maturity of 10 years and an interest rate of 4.50% per annum.

Authority was delegated by City Council (By-law No. 1326-2008 as amended by By-law No. 702-2009) to the Debenture Committee to adopt or repeal by-laws that authorize the borrowing of money or provide long-term financing of capital works by issuing debentures in accordance with the annual borrowing limit established by Council, the City's Financing of Capital Works Policy and Goals and all applicable legislative requirements.

Under subsection 248.1(4) of the *City of Toronto Act, 2006*, the City can repeal a borrowing by-law "to the extent that the balance of the fund as audited by the city auditor, including any estimated revenue is or will be sufficient to entirely repay the principal of the debt for which the fund was established on the date or dates the principal becomes due". Repeal of the respective by-laws will mean that principal payments for the related debt will no longer have to be made from annual operating budgets as required by the Act.

## COMMENTS

At its meeting held on February 22<sup>nd</sup> and 23<sup>rd</sup>, 2010, Council approved the repeal of various borrowing by-laws identified as part of a debt restructuring plan, subject to the following conditions being met:

1. funds in the amount of \$600 million have been transferred from the Strategic Partnership Infrastructure Reserve Fund to the City Sinking Fund to prepay the debentures listed in Appendix A, and
2. the City's external auditor has audited the sinking fund balance and has in writing confirmed to the Deputy City Manager and Chief Financial Officer that the balance, including any estimated revenue, is or will be sufficient to entirely repay the principal of the debt identified in Appendix A to this report on the date or dates the principal on such debt becomes due.

Ernst and Young has issued a written report, dated April 13<sup>th</sup>, 2010, confirming that the above conditions have been satisfied. Funds of \$600 million, including \$529 million received from the Toronto Hydro Note monetization and \$71 million from the Strategic Partnership Infrastructure Reserve Fund, have been transferred to the Sinking Fund. The Sinking Fund has more than adequate funding, including the anticipated future interest revenues estimated to be earned at a 4% actuarial interest rate assumption, that will be sufficient to repay the entire amount of the \$400 million sinking fund debt when it matures in 2019.

Therefore, no future contributions from 2010 until 2019 will be required to be paid into the Sinking Fund from the City's non-program operating budgets, resulting in an annual debt charge savings of \$33.3 million.

Appendix A of the Toronto Hydro Monetization report contains the following relevant information for the by-law being considered by the Debenture Committee:

By-Law	Debenture Principal Due on Maturity (\$)	Debenture Maturity Date	Sinking Fund Balance at December 31, 2009 (\$)	Lump Sum Contributions on April 1, 2010 (\$)	Assumed Sinking Fund Interest Rate (%)	Sinking Fund Balance on Debenture Maturity Date (\$)
886-2009	400,000,000	October 2, 2019	-	281,034,694	4	400,000,000

Since By-law No. 886-2009 was adopted by the Debenture Committee, it cannot delegate its authority to repeal the by-law to Council and is authorized to repeal the by-law if the conditions in the above paragraph are satisfied.

## CONTACT

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## SIGNATURE

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Cam Weldon  
Deputy City Manager and Chief Financial Officer