

# Staff Report to Council

**Title:** Debenture By-Law – Queen Street Reconstruction

**Report Number:** Financial Services-2023-27

**Director:** Corporate Services

**Manager:** Manager.

**Meeting Date:**  
Wednesday, October 25, 2023

**Date to be considered by Council:**  
Wednesday, October 25, 2023

---

## Recommendation:

That Council approve the attached Debenture By-law and authorize the Municipality of Kincardine to issue debentures in respect of the Queen Street Reconstruction project in the amount of \$4,556,500 for a 20-year term.

---

## Executive Summary:

The purpose of this report is to provide Council with the final debenture documents for approval in order to finance the Queen Street Reconstruction project. The debenture amount is \$4,556,500 for a 20-year term.

## Strategic Priorities:

D.16-Ensure the Municipality provides value for money and long-term sustainability

## Financial Considerations:

The debenture issuance will allow for the funding of the Queen Street Reconstruction project, as approved by Council through the Capital budget process. Debt servicing costs will be budgeted through the annual operating budget.

## Policy:

Municipal Act, 2001; GG.2.23 Debt Management Policy

## Context and Background Information:

At the June 5, 2023 meeting, Council approved the following Resolution #06/05/23 COW-05:

That Staff Report #2023-17 entitled Queen Street Reconstruction Borrowing be received; and That authorization be given to obtain a \$4,556,500 debenture from Ontario Infrastructure and Lands Corporation (“OILC”) for long-term financing with repayment terms of 20 years to finance the Queen Street Sewermain project; and That authorization be given to the Treasurer to sign any necessary and related documents; and Further that Council approve the attached Borrowing By-law.

As originally reported in report Financial Services – 2023-17, borrowing through Ontario Infrastructure and Lands Corporation (OILC) is a two-part process:

- **Part 1:** Passing a Borrowing By-law approving the submission of the application to OILC for long-term financing and providing delegated authority to enter into a financing agreement with OILC (*Completed*).
- **Part 2:** Passing a Debenture By-law providing authorization for the Municipality to issue debentures in respect of the project requested, in accordance with the applicable legislation and with the terms and conditions of the Rate Offer Letter Agreement.

Staff are now proceeding with Part 2 of the process and are bringing the debenture by-law forward to Council for final execution. The debenture contains the following repayment terms:

- Debenture Amount: \$4,556,500
- Term: 20 years
- Interest rate: 5.31%
- Closing date: November 15, 2023

The funding sources for this project have been approved as follows:

|                          | Estimated Cost      | Funding Source      |                     |                   |                   |
|--------------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
|                          |                     | I.O. Debt           | Water RF            | Sewer RF          | Lifecycle RF      |
| Lavis Contract           | \$ 6,834,625        | \$ 4,556,417        | \$ 2,278,208        |                   |                   |
| Engineering              | \$ 385,000          |                     | \$ 128,333          | \$ 128,333        | \$ 128,333        |
| Streetscape              | \$ 150,000          |                     |                     |                   | \$ 150,000        |
| Business Program Support | \$ 50,000           |                     |                     |                   | \$ 50,000         |
| <b>Total</b>             | <b>\$ 7,419,625</b> | <b>\$ 4,556,417</b> | <b>\$ 2,406,542</b> | <b>\$ 128,333</b> | <b>\$ 328,333</b> |

**Consultation Overview:**

Debt financing for this project was discussed as part of the 2023 budget deliberations.

**Origin:**

2023 Budget; Financial Services-2023-17; Resolution #06/05/23 COW-05

### **Implementation Considerations:**

The Closing Day for the debentures is on November 15, 2023. Municipal staff have been working with Infrastructure Ontario and legal counsel throughout the month of October to meet the required timelines for the debenture issuance. These timelines must be adhered to otherwise the municipality is subject to penalties as a result of not closing the debenture on the scheduled date.

### **Risk Analysis:**

The risk of not approving the attached debenture by-law as presented will result in a financial penalty as a result of not closing the debenture on the scheduled date.

The Annual Repayment Limit (ARL) for 2023 will not exceed 25% of the Municipality's own source revenues.

The self-imposed debt limits under the Municipality's Debt Management Policy will not be exceeded with the addition of this debenture.

---

**Attachments:** Debenture By-Law

**Prepared by:** Roxana Baumann

**Submitted by:** Roxana Baumann