



Town of Newmarket  
395 Mulock Drive P.O. Box 328,  
Newmarket, Ontario, L3Y 4X7

Email: [info@newmarket.ca](mailto:info@newmarket.ca) | Website: [newmarket.ca](http://newmarket.ca) | Phone: 905-895-5193

## **Borrowing By-law Staff Report**

Report Number: 2018-06

Department(s): Financial Services

Author(s): Mike Mayes, Director of Financial Services, Treasurer

Meeting Date: February 26, 2018

### **Recommendations**

1. That the report entitled Financial Services Staff Report 2018-06 regarding a Borrowing By-law dated February 26, 2018 be received; and,
2. That authorization be given to obtain a \$26 million debenture with repayment terms of 30 years to finance the additional expenditures of the 2018 Supplementary Capital Budget; and,
3. That the Chief Administrative Officer and the Treasurer of the Corporation of the Town of Newmarket be delegated the authority to sign any necessary and related documents; and,
4. That a Borrowing By-law be prepared.

### **Purpose**

The purpose of this report is to provide information regarding long-term debt to finance the purchase of strategic land included in the Supplementary Capital Budget recommended in Joint Office of the CAO/Commissioners/Financial Services Staff Report 2018-04. This will be a debenture in the amount of \$26 million with a repayment term of 30 years.

## **Background**

Joint Office of the CAO/Commissioners/Financial Services Staff Report 2018-04 sets out the requirements for \$26 million in long-term debt financing.

## **Discussion**

Long-term financing has set processes established by both the Province of Ontario and the Regional Municipality of York.

### **Borrowing will be arranged through the Region**

Provincial legislation requires that lower tier municipalities, such as the Town of Newmarket, must borrow through their upper tier partner, in our case the Regional Municipality of York. Although the Region has no intention to issue debentures for itself in 2018, they will act on our behalf. To align with their reporting processes, the Town should give 60 days' advance notice.

The Region normally only goes to the market in blocks of \$100 million or more. There is a possibility that we may be able to collaborate with another York Region municipality. Staff is investigating this option but it is probable that timelines will not coincide. In this case, the Region would borrow from Infrastructure Ontario (IO).

Because this is an election year, the funds will be borrowed before they are required. Interest will be earned on the balance that is not expended.

### **Repayments will be over 30 years**

The longest term available from Infrastructure Ontario is 30 years. This term is appropriate because:

1. Land has an infinite life – the Town will always have an asset worth more than its applicable debt.
2. It more closely allocates the costs to the beneficiaries.
3. It significantly lowers the annual costs and pressure on current taxpayers.

### **The projected interest rate includes a contingency for rate hikes**

The current Infrastructure Ontario rate for a 30-year loan is 3.5% per year. As the debenture may not be issued until June 2018, the budget included a provision for a 3.75% interest rate. This anticipates another 0.25% increase in the prime interest rate between now and then.

### **The Province's Annual Repayment Limit (ARL) for the Town of Newmarket will not be exceeded**

As one of the requirements to borrow these funds, the Treasurer must certify that the Town of Newmarket will not exceed its Annual Repayment Limit (ARL).

The limit is that annual debt servicing (principal and interest) cannot exceed 25% of the Town's own source revenues.

For 2017, the Ministry of Municipal Affairs calculated that the Town is at 4.8%. It is projected that this new debt would raise annual debt servicing to 6.1% of own source revenues for 2018. We will be well within the ARL limit.

By 2025, tax revenues will no longer be funding long-term debt, with the exception of this or any other new debt. The majority of long-term debt will be repaid by 2024, including all debt supported by tax revenues.

### **This is compliant with the Town's Debt Policy**

The Town's Debt Policy sets a limit even lower than the province's ARL. The Policy restricts debt servicing to 10% of own source revenues. This new debt will conform to our Policy and not jeopardize the Town's debt limits.

### **A Borrowing By-law is required**

The Regional Municipality of York and Infrastructure Ontario both require a Borrowing By-law to be enacted by Town Council to authorize undertaking long-term debt. A draft copy of this by-law is attached.

## **Conclusion**

After Council's authorization, Town staff will authorize Regional staff to initiate the process to obtain debenture financing. Regional Council approval is required and can be made in May 2018 to allow for a June 1, 2018 disbursement.

## **Business Plan and Strategic Plan Linkages**

This report supports and aligns with Council's Strategic Priority themes of:

- Economic Development/ Jobs – creating a strategy for vibrant and liveable corridors along Davis Drive & Yonge Street
- Enhanced Recreational Opportunities – enhancing our recreational and community facilities
- Efficiency/Financial Management

## **Consultation**

The Treasury staff at the Region of York has provided information on the process for issuing debentures.

## **Human Resource Considerations**

N/A

## **Budget Impact**

### **Operating Budget and Capital Budgets (Current and Future)**

Budget impact is outlined in Joint Office of the CAO/Commissioners/Financial Services Staff Report 2018-04.

## **Attachments**

Draft Borrowing By-law.

## **Approval**



Mike Mayes, CPA, CGA, DPA

Director of Financial Services/Treasurer



Esther Armchuk, B.A. (Hons.) LL.B.

Commissioner, Corporate Services



R.N. Shelton

Chief Administrative Officer

## **Contact**

Mike Mayes, Director of Financial Services/

Treasurer [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca) or 905-953-5300

ext. 2102