

HALDIMAND COUNTY

Memorandum FIN-M02-2019 Update on Interest Rate for 2019 Debenture Issue



For Consideration by Council on June 24, 2019

To: Mayor Hewitt and Members of Council

From: Charmaine Corlis, Treasurer

On May 7th, 2019, staff presented Report FIN-06-2019 RE: Debt Issuance – 2019 to Council outlining the following projects approved for debenture financing in 2019:

<u>Project</u>	<u>Non-Growth Related</u>	<u>Growth Related</u>	<u>Total Debt</u>	<u>Term</u>
Tax Supported Debt				
Cayuga Library	\$1,624,000	\$675,800	\$2,299,800	10
Central Administration Facility	\$19,450,000	\$0	\$19,450,000	20
Conversion of CNR Train Bridge (*)	\$1,160,000	\$0	\$1,160,000	10
Total Tax Supported Debt	\$22,234,000	\$675,800	\$22,909,800	
Rate Supported Debt				
Dunnville WWTP Replacements	\$8,720,000	\$458,950	\$9,178,950	10
Townsend Lagoon Upgrades	\$0	\$562,500	\$562,500	10
Total Rate Supported Debt	\$8,720,000	\$1,021,450	\$9,741,450	
Total 2019 Debt Issuance	\$30,954,000	\$1,697,250	\$32,651,250	

(*) – future principle and interest payments to be funded from Ward 2 Community Vibrancy payments

In the report, staff noted the following timeline related to the issuance:

<u>Step</u>	<u>Timeline</u>
Update Council on Debentures to be issued	May 7, 2019
Passing of Borrowing By-law	May 13, 2019
Final approval of application by Infrastructure Ontario (IO)	June 5, 2019
Interest Rate Offer received and returned to IO *	June 17, 2019
Memo to Council outlining final interest rates	June 24, 2019
Council meeting to approve Debenture By-law	June 24, 2019
Legal counsel to contact IO by 10am of closing day	July 2, 2019

*Actual date interest rate received was June 19, 2019

As noted in FIN-06-2019, this memo is to update Council on the final interest rates for the upcoming debenture issuance. The interest rates are constantly fluctuating, whether the debentures are issued through Infrastructure Ontario (IO) or the capital market, therefore the interest rate provided in the previous report was not expected to be the same rate the County would receive when the debentures were finalized and executed. The following table provides an example of the fluctuations since Council authorized issuing debt through IO:

	10 Year Term	20 Year Term
Final Rates (received June 19, 2019)	2.40%	2.71%
June 3, 2019	2.43%	2.77%
Per FIN-06-2019 (as of April 25, 2019)	2.56%	2.94%

As indicated by the table above, the rates have decreased since the report was reviewed by Council.

Report FIN-06-2019 provided staff with authorization to confirm acceptance of the interest rate offers provided by IO. This was completed on June 19, 2019. Due to the fluctuating nature of interest rates, there will be a positive impact on the County's total borrowing costs paid over the term of the debentures, as compared to the rates reported in FIN-06-2019. A summary chart displaying these impacts is shown below:

10 Year Debt - \$13,201,250		
	Rate	Total Borrowing Cost
FIN-06-2019 Estimate	2.56%	\$1,776,470
Actual IO Offer of June 19, 2019	2.40%	\$1,665,441
Increase/(decrease)	(0.16%)	(\$111,029)
20 Year Debt - \$19,450,000		
	Rate	Total Borrowing Cost
FIN-06-2019 Estimate	2.94%	\$5,866,937
Actual IO Offer of June 19, 2019	2.71%	\$5,407,959
Increase/(decrease)	(0.23%)	(\$458,978)
Total increase/(decrease)		(\$570,007)

Although the actual change in the interest rate is relatively minor, the savings on the total borrowing cost, over the term of the debentures based on the final interest rates, is significant totalling approximately \$570,000 (\$111,000 for the 10 year debenture and \$459,000 for the 20 year debenture). The decrease in interest costs is spread across the 10 and 20 year term of the debentures.

Report FIN-06-2019 also provided that the necessary by-laws authorizing the issuances of debentures be presented for consideration at the June 24, 2019 Council meeting. As such, Debenture By-laws for both the 10 and 20 year terms must be passed at the June 24th, 2019 Council meeting to ensure the funds can be released to the County on July 2nd, 2019 at the borrowing rates currently guaranteed by IO.