

HALDIMAND COUNTY

Memorandum FIN-M02-2021 Update on Interest Rate for 2021 Debenture Issue



For Consideration by Council on September 21, 2021

To: Mayor Hewitt and Members of Council

From: Charmaine Corlis, Treasurer

On June 1st, 2021, staff presented Report FIN-08-2021 RE: Debt Issuance for 2021 to Council outlining the following projects approved for debenture financing in 2021:

Project	Total Debt	Term
Tax Supported Debt		
Dunnville - Alder Street – Cedar to West – Storm Portion – Growth Related	\$524,140	10
Total Tax Supported Debt	\$524,140	
Rate Supported Debt		
Caledonia Nairne Street Forcemain – Growth Related	\$1,233,500	10
Caledonia WWTP – Aeration Diffuser Head Upgrades – Growth Related	\$591,010	10
Jarvis – Additional Wastewater Treatment Capacity – Growth Related	\$6,000,000	10
Total Rate Supported Debt	\$7,824,510	
Total 2021 Debt Issuance	\$8,348,650	

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

Step	Timeline
Update Council on Debenture to be issued	June 1, 2021
Passing of Borrowing By-law	June 7, 2021
Final approval of application by IO	Summer, 2021
Interest Rate Offer received and returned to IO	September 13, 2021
Memo to Council outlining final interest rate*	September 20, 2021
Council meeting to approve Debenture By-law*	September 20, 2021
Legal counsel to contact IO by 10am of closing day	October 1, 2021

**Date subsequently amended to September 21, 2021 due to the Federal Election being held on September 20, 2021*

As noted in FIN-08-2021, this memo is to update Council on the final interest rate for the upcoming debenture issuance. The interest rate is constantly fluctuating, whether the debenture is 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 debenture was finalized and executed. The following table provides an example of the fluctuations since Council authorized issuing debt through IO:

	10 Year Term
Final Rates (received September 13, 2021)	1.85%
August 10, 2021	1.88%
July 7, 2021	1.92%
June 9, 2021	1.96%
Per FIN-08-2021	2.01%

As indicated by the table above, the rate has decreased since the report was reviewed by Council.

Report FIN-08-2021 provided staff with authorization to confirm acceptance of the interest rate offer provided by IO. This was completed on September 13, 2021. 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 debenture, as compared to the rate reported in FIN-08-2021. A summary chart displaying this impact is shown below:

10 Year Debenture Issuance - \$8,348,650		
	Rate	Total Borrowing Cost
FIN-08-2021 Rate Estimate	2.01%	\$ 9,230,080
Actual IO Rate Offer September 13, 2021	1.85%	\$ 9,159,915
Increase/(Decrease)	(0.16%)	\$ (70,165)

Although the actual change in the interest rate is relatively minor, the savings on the total borrowing cost, over the term of the debenture based on the final interest rate, is significant totalling approximately \$70,200. The decrease in interest costs is spread across the 10 year term of the debenture.

Report FIN-08-2021 also provided that the necessary by-law authorizing the issuance of the debenture be presented for consideration at the September 20, 2021 Council meeting (which was subsequently amended to September 21, 2021 due to the Federal Election being held on the same day). As such, a Debenture By-law must be passed at the September 21, 2021 Council meeting to ensure the funds can be released to the County on October 1, 2021 at the borrowing rate currently guaranteed by IO.