

COUNCIL REPORT

M&C No.	2019-216
Report Date	August 20, 2019
Meeting Date	September 09, 2019
Service Area	Finance and Administrative Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Fall 2019 Debenture Application

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Craig Lavigne</i>	<i>Cathy Graham/Kevin Fudge</i>	<i>John Collin</i>

RECOMMENDATION

RESOLVED that occasion having arisen in the public interest for the following Public Civic Works and needed Civic Improvements that the City of Saint John proposes issue of the following debentures to be dated on or after August 28th, 2019:

GENERAL FUND

Protective Services	\$	3,100,000	
Transportation Services	\$	3,500,000	
Economic Development	\$	600,000	
Parks and Recreation	\$	<u>200,000</u>	\$7,400,000

REFINANCE DEBENTURES

Debenture No. BB 13- 2009 (General Fund – 5 years)	\$	2,830,000	
Debenture No. BB 14 -2009 (Water & Sewerage – 10 years)	\$	2,500,000	
Debenture No. BB 15 -2009 (Transit – 5 years)	\$	<u>1,670,000</u>	\$7,000,000

TOTAL **\$ 14,400,000**

THEREFORE RESOLVED that debentures be issued under provisions of the Acts of Assembly 52, Victoria, Chapter 27, Section 29 and amendments thereto, to the amount of \$ 14,400,000.

EXECUTIVE SUMMARY

Notice of motion was given at the July 29th, 2019 meeting of Common Council regarding the need to borrow and refinance debentures totaling fourteen million and four hundred thousand dollars (\$14,400,000).

The next step in the debenture financing is to submit application to the New Brunswick Municipal Finance Corporation. In order to proceed with the debenture financing this recommendation requires Council's adoption.

PREVIOUS RESOLUTION

M&C – 2019-178 – 2019 Fall Debenture Issue – Notice of Motion

REPORT

The New Brunswick Municipal Finance Corporation is planning a bond issue in the near future and applications are to be submitted by end of September, 2019. While the issue will not be sold until the Corporation feels that rates are reasonable, they have provided ranges within which the issue could be sold. These are as follows:

Interest Rate:	Not to exceed an average of 4.50%
Price, Net:	Not to be less than \$98.00 per \$100.00 of debenture
Term:	Serial form to mature in equal annual amounts over a term not to exceed 5 years for the General Fund and Transit and 10 years for the Water & Sewerage Utility for refinanced debentures. Term not to exceed 15 years for new General Fund borrowing.

The amount to be borrowed is a result of previously approved General Fund Capital Budgets and the refinancing of debentures issued in 2009. Market conditions in 2009 resulted in a fixed period of ten years on the debentures even though the City borrows for 15 years for General Capital and 20 years for Water and Sewerage.

There is interest rate risk for the City when debentures require refinancing due to market conditions. The City has received debentures since 2012 that are for the full term and will not require refinancing, therefore eliminating interest rate risk. The City has also benefited from historically low interest rates when refinancing the balance owed on debentures. The average yield on the November 2009 debentures was 4.25%, where the average yield on debentures

in May 2019 was 2.83%. Market conditions are still favorable and the City will see a reduction in interest costs for these refinanced debentures.

SERVICE AND FINANCIAL OUTCOMES

N/A

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

N/A

ATTACHMENTS

N/A