

COUNCIL REPORT

M&C No.	2019-41
Report Date	February 26, 2019
Meeting Date	March 11, 2019
Service Area	Finance and Administrative Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Spring 2019 Debenture Refinance 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 February 27th, 2019:

REFINANCE DEBENTURES

Debenture No. BA 9- 2009 (General Fund – 5 years)	\$ 4,670,000
Debenture No. BA 10 -2009 (Water & Sewerage – 10 years)	\$ 750,000
Debenture No. BA 11 -2009 (Transit – 5 years)	<u>\$ 500,000</u>

TOTAL

\$ 5,920,000

1. 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 five million, nine hundred and twenty thousand dollars (\$5,920,000).
2. Commissioner of Finance be authorized to issue and to sell to the New Brunswick Municipal Finance Corporation (the "Corporation") a City of Saint John bond or debentures in the principal amount of five million, nine hundred and twenty thousand dollars, (\$5,920,000) at such terms and conditions as are recommended by the Corporation.

3. And further that the City of Saint John agrees to issue post-dated cheques to the Corporation, or other such arrangements as the Corporation may from time to time accept, in payment of principal and interest charges on the above bond or debenture as and when they are required by the Corporation.
4. And further that the Commissioner of Finance be hereby authorized to receive an offer in connection with the foregoing debentures at a price not less than \$98 per \$100 of debenture, at interest rates not to exceed an average of 4.50% and a term not to exceed 5 years for the General Fund and Transit Commission and a term not to exceed 10 years for the Water and Sewerage Utility.
5. And further that the Commissioner of Finance report to Common Council the exact values for price per \$100 of debenture, interest rate and term in years, together with the date of the issue.

EXECUTIVE SUMMARY

The debentures issued to the City of Saint John in June 2009 were for a term of 15 years General Fund and Transit Commission and 20 years Water & Sewerage Utility. However, due to market conditions at that time, the New Brunswick Municipal Finance Corporation could only issue debentures with a 10 year term with a requirement to refinance the remaining balance in the spring of 2019.

The next step in the debenture refinancing 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 2019-11 Spring 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 March 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 Commission and 10 years for the Water & Sewerage Utility.

The amount to be borrowed is a result of 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 Fund Capital and 20 years for Water and Sewerage Fund Capital.

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, therefor 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 June 2009 debentures was 4.436%, where the average yield on debentures in December 2018 was 3.419%. Market conditions are still favorable and the City should 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