

City of Guelph

2025-2026 Debenture Issuance Authority

Committee of the Whole

April 1, 2025

Presentation Overview

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- A vertical timeline graphic consisting of five white circles connected by a thin line, positioned to the left of the list items.
- 1 Purpose – why are we talking about this today?
 - 2 Municipal Act provisions re: long term borrowing
 - 3 The City's Debt Management Policy
 - 4 Planned debenture issuance in 2025
 - 5 Next steps, key findings and issuance timeline

Why are we talking about this today?

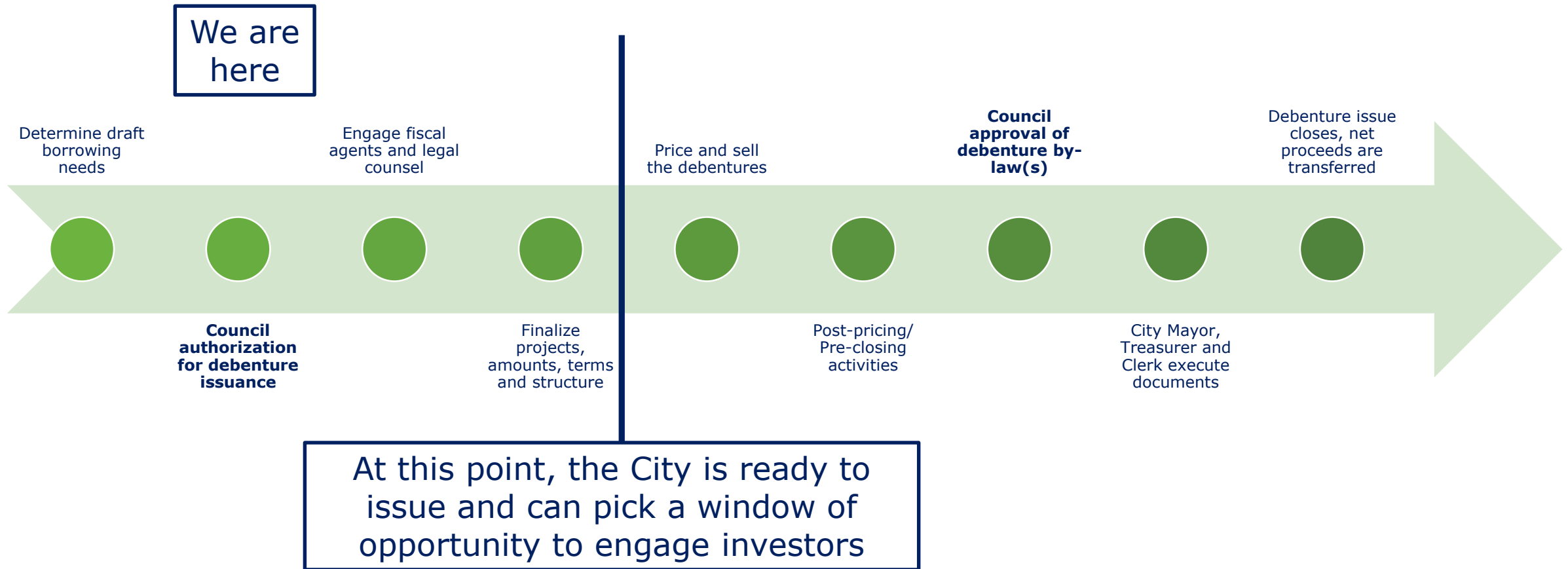
There are significant capital investments underway, in particular the South End Community Centre and the Baker District Redevelopment projects

Both projects require debt financing, and the City has not issued debentures since mid-2021

Opportunity to outline to Council how the debt issuance process works and the steps that will be followed

There are two key points in the process where action from Council is required – **we are at the first of these two important steps**

The Debenture Issuance Timeline



Legislative Framework Overview

Legislative Framework

Sections 401-424 of the Municipal Act cover municipal debt

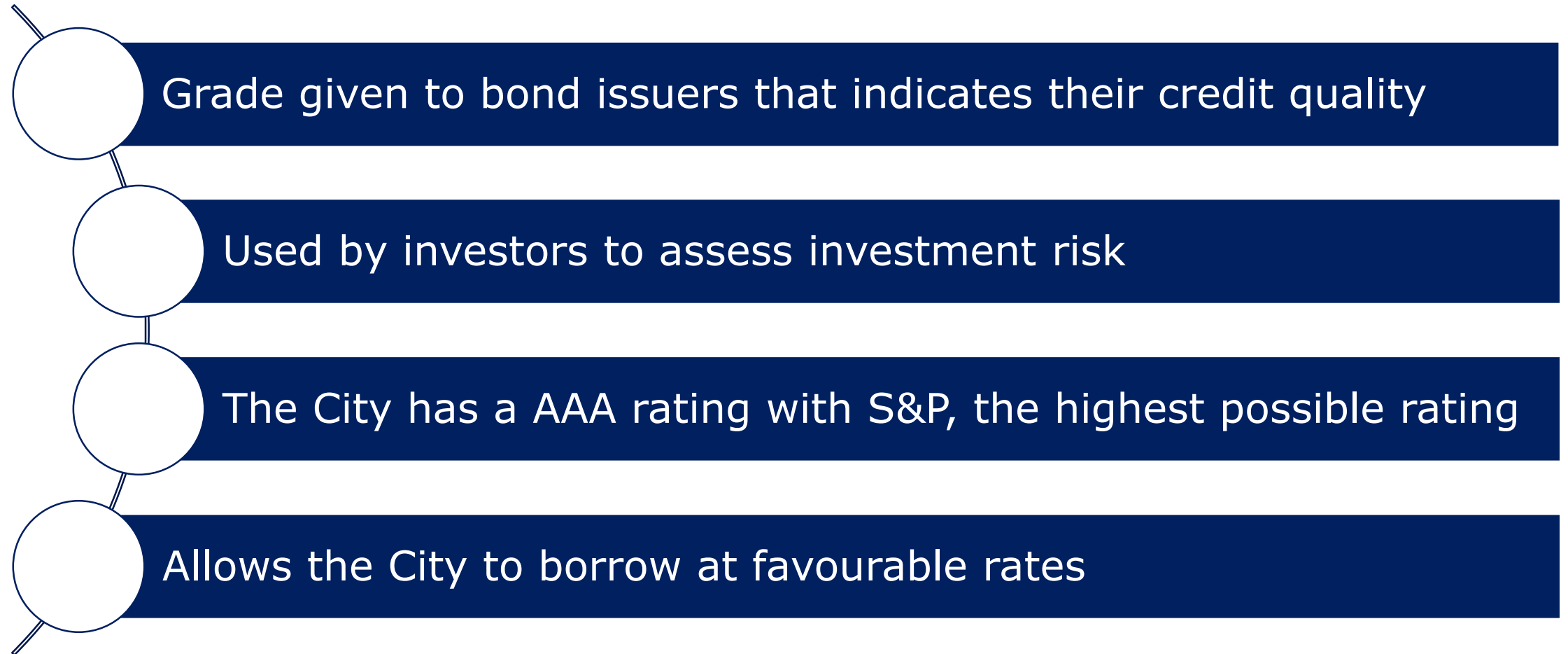
- 401(1) "A municipality may incur a debt for municipal purposes...and may issue debentures and prescribed financial instruments..."
- 408(2.1) The Act limits the use of long-term debt to the financing of capital works, thereby forbidding its use for operating expenses.
- 408(3) The term of a debenture can not exceed the useful life of the asset being financed, and can not exceed 40 years (most municipal debt in Ontario is issued over 10 and 20 year terms, with the periodic use of 25 and 30 year terms).

Annual Repayment Limit

O. Reg. 403/02: Debt and Financial Obligation Limits

- Upper limit for additional debt servicing costs (principal and interest) to be incurred by a municipality in a given fiscal year.
- Can not exceed 25 per cent of a municipality's "own source revenue" i.e. user rates, fees and property taxes (but excluding development charges, grants, subsidies, etc.).
- Municipalities must seek provincial approval to exceed the limit
- The City's level of debt servicing as a percentage of own source revenue is well below the limit.

Credit Rating



Which projects to debt finance – Capital Plans and Policies

The City's Capital Plan

10-year capital plan, updated annually

Identify all projects with estimated CAPEX,
associated sources of funding and financing

- **funding:** property taxes, user rates, development charges, grants and subsidies, third party recoveries
- **financing:** reserves (prior year revenue), current year budget contributions, or long-term financing (funded in the future)

The importance of debt management policies

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- A vertical line with five white circles, each containing a small black dot in the center. The line starts at the top circle and ends at the bottom circle, with a small black dot at the top and bottom of the line.
- Long term borrowing is an essential part of a growing municipality's capital financing plan
 - Generally, it is not possible or practical to build up sufficient reserve balances to finance all capital works
 - Goal is to "borrow purposefully and sustainably" and moderate the impact of major capital projects on the operating budget, the annual tax levy and user rates
 - Allows for a more equitable distribution of infrastructure costs across a growing assessment or user base
 - Allocate the cost of infrastructure among those who benefit from the underlying asset over time [inter-generational equity]

City of Guelph Debt Management Policy

The purpose of this debt management policy is to:

- Establish financial guidelines and appropriate benchmarks for the issuance and use of debt in the City of Guelph
- Ensure long-term financial flexibility and sustainability
- Limit financial vulnerability
- Integrate with other long-term planning, financial and management objectives of the City
- Assist with ensuring that the municipality maintains a sound financial position and that the worthiness of the City's credit rating is protected
- Ensure that the City's financial practices comply with statutory requirements

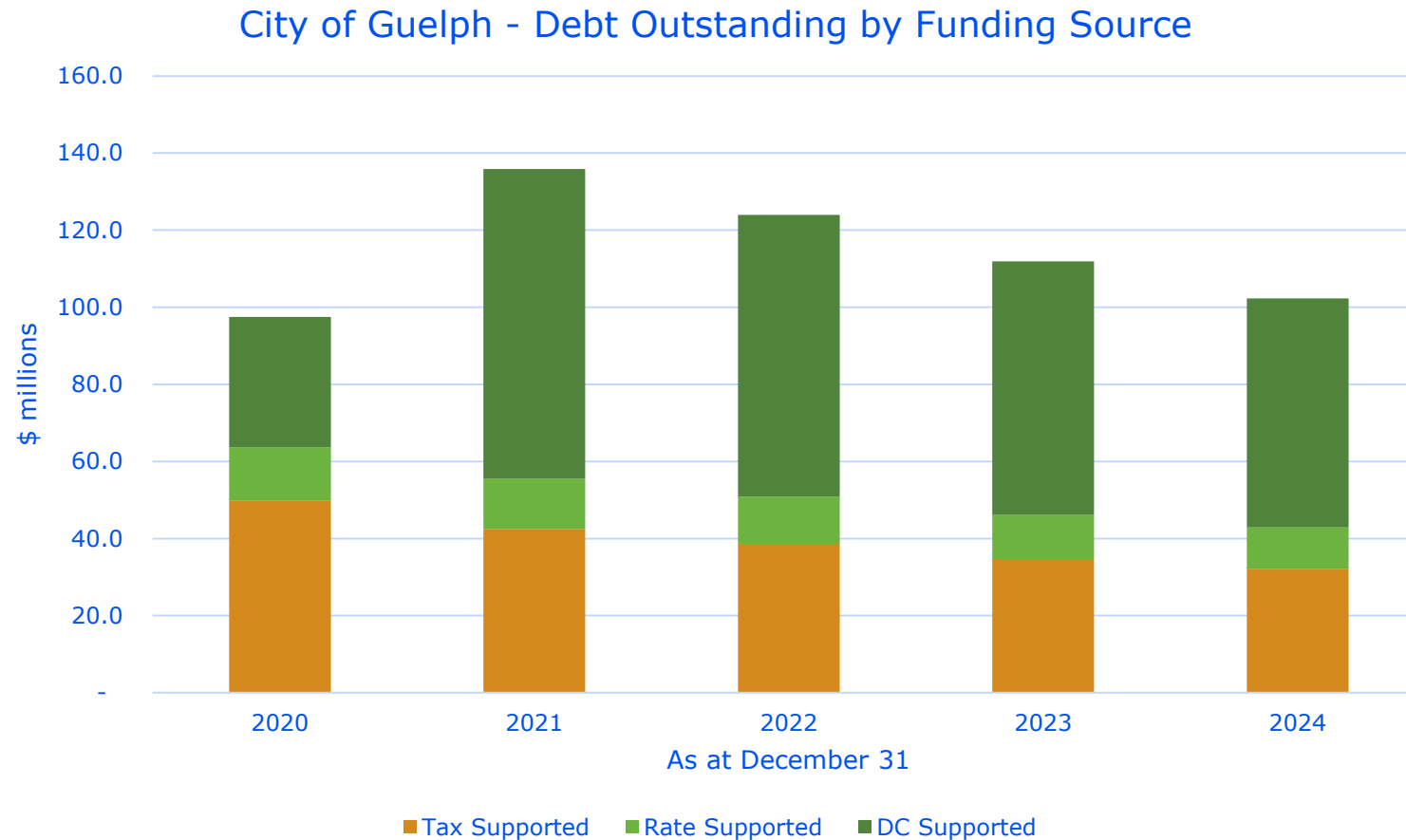
Moving from policy to practice...

The City has been prudent with respect to its reliance on long-term borrowing, as evidenced by:

- Provincial limit for debt servicing costs is 25% of own source revenue – City actual is 4.1% in 2024
- Debt-to-reserve ratio of approx. 0.4 is well below the rating agency “ceiling” of 1.0
- Debt servicing costs represent only 2% of operating revenue

As a result, the City has the capacity to debt finance transformational community investments

Current Debt Outstanding

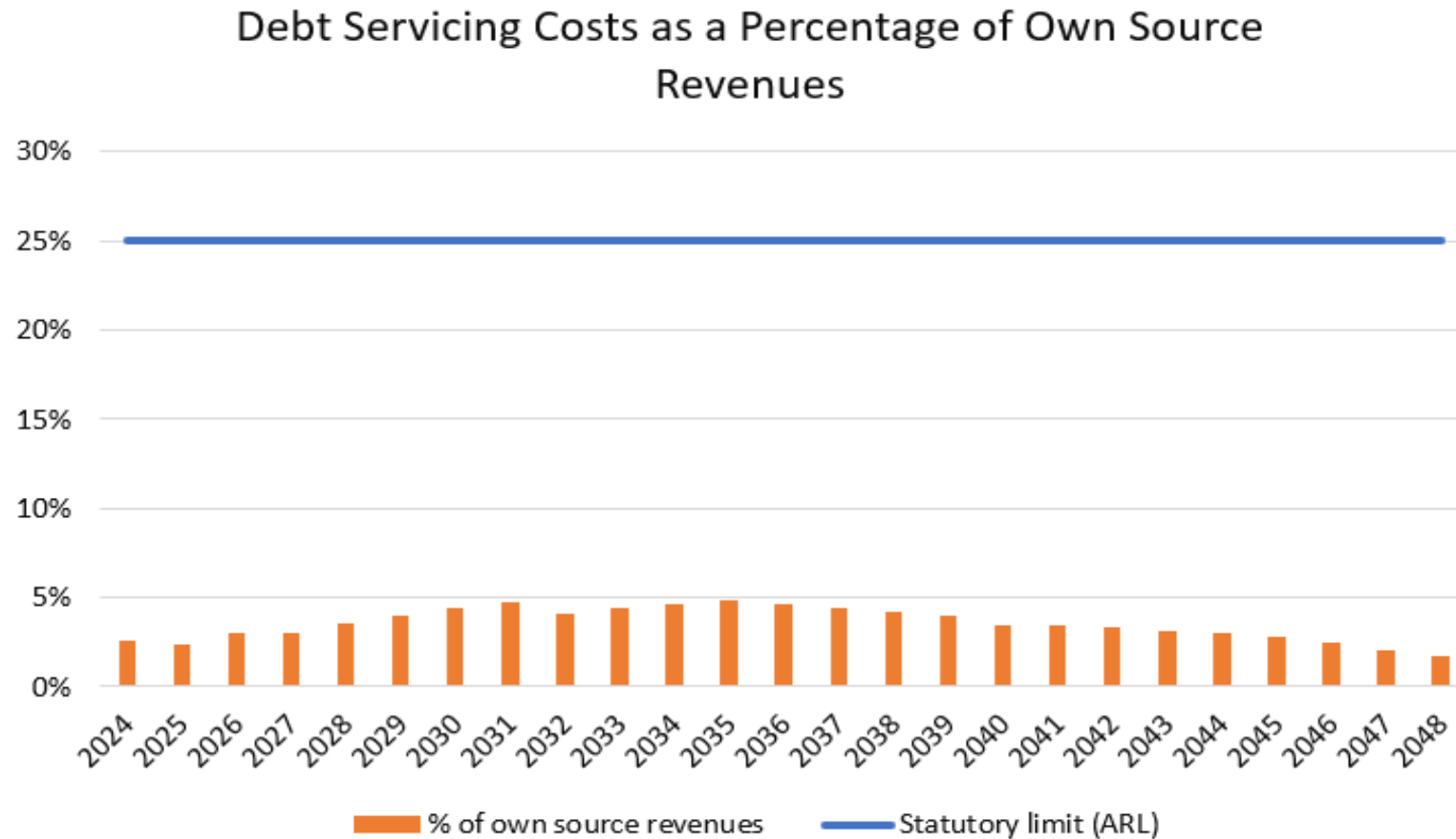


Future Debt Requirements

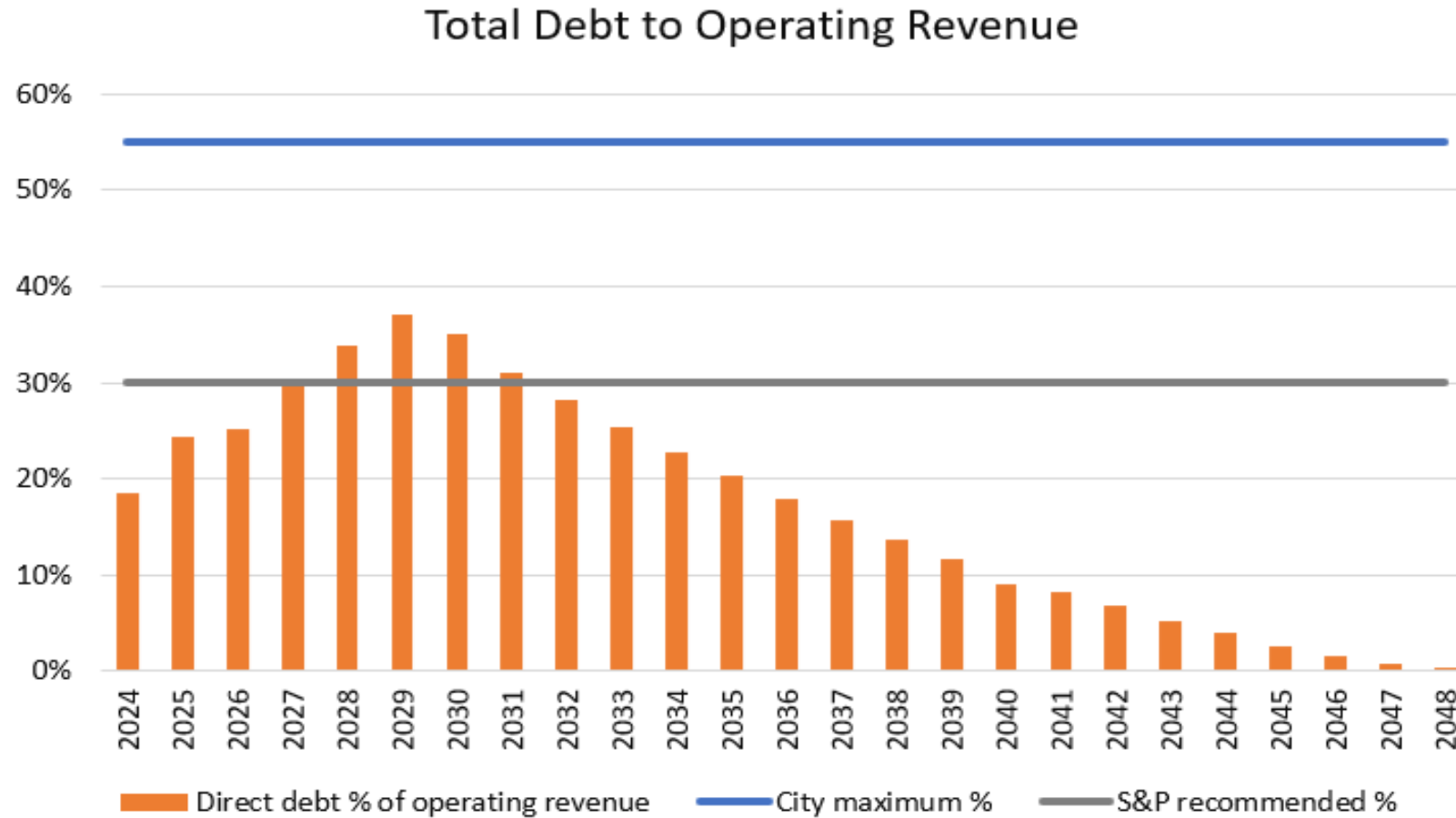
Upcoming needs - debt financing for projects approved through 2024 and previous budgets:

- South End Community Centre construction: 2025, \$39.4m
- Baker District Redevelopment projects: 2025 to 2027, \$53.8m
- FM Woods Station upgrade: 2027 to 2028, \$45.2m
- Guelph Transit and Fleet Services Facility: 2028, \$7.5m

Debt Servicing to Own Source Revenue



Debt to Operating Revenue



Planned Debenture Issuance in 2025 and 2026

Table 1 - Debenture financing by project (\$000s)

Capital Project	Approved Debenture Financing Authority	Debt Previously Issued	Remaining Debt Authority	Maximum Amount of Debt to be Issued in 2025 and 2026
South End Community Centre (RF0093)	\$77,017	\$37,550	\$39,467	\$39,000
Baker District - Central Library (LB0028)	\$40,615	\$11,575	\$29,040	\$29,000
Baker District - Parkade (PG0079)	\$5,600	\$0	\$5,600	\$5,000
Baker District - Infrastructure (SS0025)	\$19,200	\$0	\$19,200	\$19,000
Refinancing Debentures	\$26,150	\$0	\$26,150	\$26,150
Total	\$168,582	\$49,125	\$119,457	\$118,150

Table 2: Debenture funding source (\$000s)

Capital Project	Total	Tax Funded	Rate Funded	Development Charge Funded
South End Community Centre (RF0093)	\$39,000	\$5,275		\$33,725
Baker District - Central Library (LB0028)	\$29,000	\$29,000		
Baker District - Parkade (PG0079)	\$5,000		\$5,000	
Baker District - Infrastructure (SS0025)	\$19,000	\$19,000		
Refinancing Debentures	\$26,150	\$13,079		\$13,071
Total	\$118,150	\$66,354	\$5,000	\$46,796

Next Steps and Issuance Timeline

Immediate Next Steps

Subject to approval by City Council on April 23, the City will engage its fiscal agent of record (National Bank Financial) to execute the financing

The fiscal agent engages a lawyer (WeirFoulds LLP) to provide a Legal Opinion on the planned debenture issue

Based on the market outlook and the anticipated cash requirements, the City Treasurer and its fiscal agent decide on the timing, dating, size and design of the issue. These will depend on:

- the type of projects being financed
- the prevailing preferences of investors (i.e. term, pricing, structure, etc.)
- Market conditions – rates and rate projections, other issuers, geopolitical risks
- Council meeting dates (for approval of the debenture by-law)

Key Findings

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The City will need \$92 million in debenture funding over the next two years for the South End Community Centre and the Baker District. The City will also need \$26 million for the refinancing of a 2016 debenture.

•The City has not issued a debenture since 2021 which has avoided higher debt servicing costs.

•With the proposed debenture issuance, the City's debt levels will remain well within the statutory and policy debt limits.

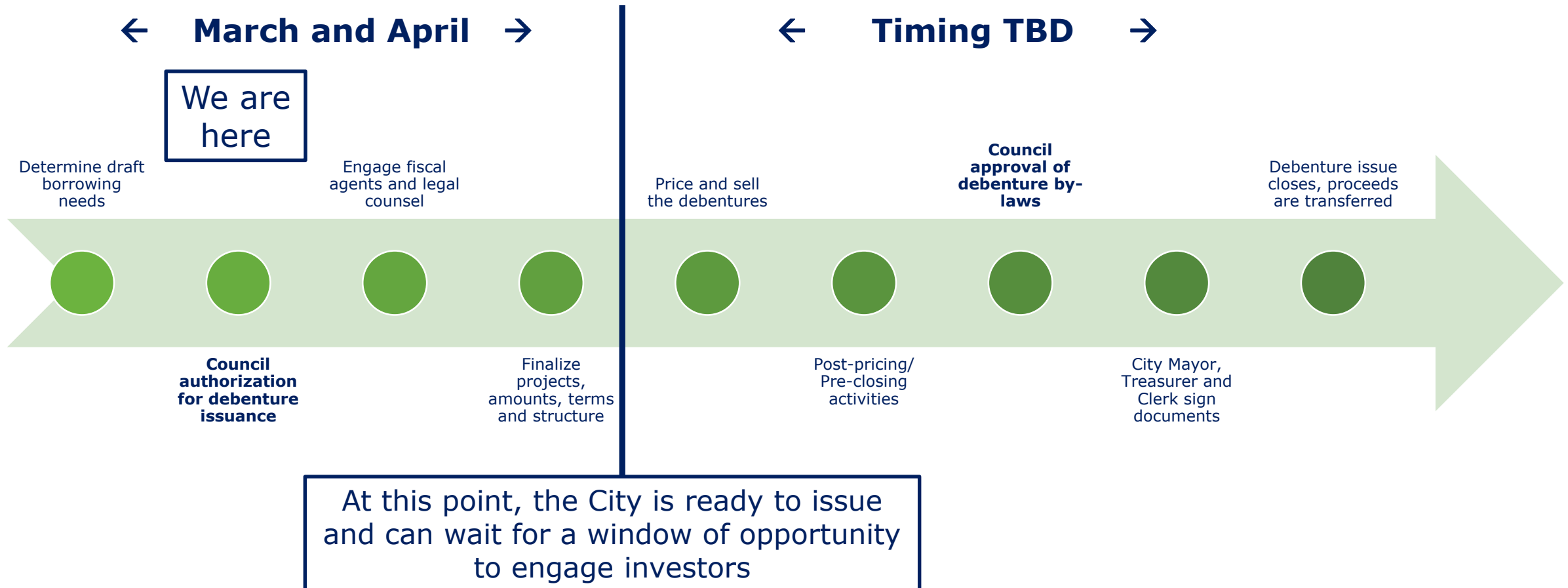
•With authority provided to staff through to the end of 2026, the City has flexibility to mitigate interest rate risk with multiple issuances limited at \$118 million.

Staff are seeking Council approval to place one or more debenture issues

Staff recommendations:

- 1. That the capital projects identified in Table 1 of the Debenture Issue Authority report, dated April 1, 2025, be approved for debt financing in 2025 or 2026 in the amounts as listed.
- 2. That the City Treasurer be authorized to proceed with the marketing, through the City's fiscal agent, of the debenture issue(s) in the principal aggregate amount of not greater than \$118 million for terms not exceeding 20 years.
- 3. That the 2025 associated debt servicing costs be approved to be funded from the City's applicable capital reserve funds as outlined in accordance with Table 2 in the Debenture Issue Authority report, dated April 1, 2025.

The Debt Issuance Timeline



Questions?