York Region

Clause No. 10 in Report No. 12 of the Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 26, 2014.

10
DEBENTURE UNDERWRITING SYNDICATE REVIEW

Committee of the Whole recommends adoption of the recommendation contained in the following report dated June 5, 2014 from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council approve the updated Capital Financing and Debt Policy ("Policy"), shown as *Attachment 1*, to make changes in the debenture underwriting syndicate arrangements and to make various technical amendments.

2. The Commissioner of Finance be authorized to execute any agreement needed to implement changes to the underwriting syndicate arrangements.

2. PURPOSE

This report describes changes to the Capital Financing and Debt Policy to provide for the review of the Region's Debenture Underwriting Syndicate arrangements and to make other technical amendments. The revised policy:

- Authorizes the Commissioner of Finance to make changes to the composition of the syndicate and the roles of syndicate members;
- Establishes criteria for the evaluation of both the suitability for syndicate membership and member performance; and
- Provides for periodic review of the syndicate arrangements.

3. BACKGROUND

Underwriting syndicates play an important role in facilitating the issuance of debt in Canada

Corporate and government debt issuers in Canada typically employ an underwriting syndicate to assist them when issuing their debt. Syndicate members, often associated with banks, act as a conduit between borrowers such as the Region and a wide array of potential investors, including pension and wealth management funds, financial institutions, other governments and insurance companies.

The syndicate provides the borrower with market intelligence such as economic and interest rate forecasts, and advice regarding the timing, term, structure and pricing of planned debenture issues. It also provides information about other borrowers in the market, as well as known or potential buyers of the debt.

As underwriters, the syndicate will guarantee the purchase of the entire debenture issue at an agreed-upon price. This provides the borrower with price and funding certainty and reduces the reputational and credit risk that might arise if a particular debenture issue was not able to be fully sold into the market.

Syndicate members also provide other services between debenture issuances

Syndicate members are instrumental in promoting the municipal sector, which makes up less than 1% of the overall fixed income market in Canada. They assist in educating investors about the advantages of the attractively priced and high credit quality debt issued by municipalities such as York Region. They also sponsor forums and conferences at which borrowers can present information and field questions from potential investors.

With the support of its syndicate members, the Region’s Investor Relations Program has been very successful in attracting dozens of new buyers for its debentures, many of whom were new to the municipal bond market. Increasing the number of investors is vital to ensuring broad investor interest in municipal fixed-income products, which in turn will reduce the interest rates paid by all municipalities.

Finally, after their original issuance, debentures are traded by investors in what is called a “secondary market”. Fixed income traders working for the banks in the syndicate are expected to support this market by responding to purchase and sale requests from investors with timely and competitive pricing of the Region’s debentures. The existence of an active and competitive secondary market, supported by all syndicate members, encourages investors to participate in new debenture issues at interest rates that are advantageous to the Region.

It is an appropriate time to review our underwriting syndicate arrangements

The Government Finance Officers Association's guidelines suggest that a review of the underwriting syndicate arrangements should be conducted from time to time to ensure that the size and makeup of the group remains appropriate for the borrower's needs and the current market conditions.

The Region's underwriting syndicate was first established in the 1990's at a time when our debenture needs were much more modest. Since then, the Region's capital borrowing program has increased from the $25 to 100 million per year range to its current level of approximately $400 million per year. The 2014 ten-year Capital Plan estimates a need to issue approximately $3.3 billion of new and refinanced debt over the next 10 years. There is now approximately $2 billion of York Region's debt held by investors and potentially traded in the secondary market.

The Region's existing underwriting syndicate is a tiered structure, consisting of five dealers associated with five of the country's top six banks, as set out in Table 1. Lead Managers are the primary contact for the Region regarding advice on the pricing and timing of a debenture issue. They will coordinate the placement of debentures among the various syndicate members.

Table 1
Current Members of the Region of York Underwriting Syndicate

Dealer	Associated Bank	Position	Share of Issue
RBC Capital Markets	The Royal Bank of Canada	Lead Manager	29%
CIBC World Markets	Canadian Imperial Bank of Commerce	Lead Manager	29%
Scotia Capital	Bank of Nova Scotia	Co-manager	18%
BMO Capital Markets	Bank of Montreal	Banking Group	12%
National Bank Finance	National Bank of Canada	Banking Group	12%

The proposed review will examine the possibility of expanding the syndicate to reflect the larger size of the Region's debenture issues and to improve the support for outstanding debt in the "secondary market". The review would also allow staff to evaluate the current underwriters and consider new or enhanced roles for several firms that have since entered the municipal market and/or expanded their capabilities in this sector.

Underwriting fees for new debentures are set by the market and are based only on the size and term of each issue. Therefore, changing the size or composition of the syndicate would not affect the cost of underwriting services.

4. ANALYSIS AND OPTIONS

The Region has had discussions with other large debt issuers to determine the optimal structure and membership of a municipal underwriting syndicate

Regional staff have contacted several other municipalities that are large issuers of debt. These large debt issuers all agree that the following criteria are important when determining the composition of an underwriting syndicate:

- The syndicate should be broad enough to have a wide distribution capability, both domestically and in the United States. This is important as it helps make the benefits of investing in the Canadian municipal market better known in the U.S. The ability to grow the potential investor pool in the U.S. and other foreign countries could become more important as the Region's capital needs grow larger and if borrowing in US dollars becomes more cost effective than borrowing in Canadian dollars. Issuing debenture denominated in a foreign currency is allowed by the Policy but has not been exercised in the past.

- Syndicate members should have a large market capitalization. Syndicate members are required to purchase their portion of the Region's new debenture issue and must have adequate capital to carry the investment if necessary.

- Syndicate members should have considerable underwriting experience in government financing and specific experience in the large Canadian municipal financing market.

- Individual syndicate members should have extensive fixed income sales and trading desks with national and international capabilities and strongly support the Canadian municipal fixed-income sector through secondary trading. This is an important consideration in attracting and retaining investors. A potential fear of investors is that trading subsequent to new issues, especially in small markets such as the Canadian municipal market, will be hard to execute and poorly priced. Having syndicate members that demonstrate a willingness to participate in the secondary market as buyers and sellers can alleviate this concern. Liquid secondary markets are also an important consideration in keeping new issue interest rates as low as possible.

- Syndicate members should show general support for the municipal sector. This can be demonstrated through the facilitation of individual meetings between Regional staff and potential investors, hosting of national conferences bringing together potential investors from across North America, participation on committees with municipalities and other levels of government to discuss legislative frameworks for issuing municipal debt, and general facilitation of investor relations efforts.

Revisions to the underwriting syndicate arrangements should be completed later this year to be ready for new debenture issues in 2015

Staff expect to complete a review of the Region's syndicate arrangements by year end based on the criteria discussed above. Potential firms that meet the capitalization, underwriting and secondary trading experience criteria will be invited to one-on-one meetings to evaluate them in relation to the remaining criteria. Firms will then be selected by the Regional Treasurer for a position in the syndicate.

Staff will follow the same processes to review and/or revise the syndicate arrangements on a periodic basis (at least once every five years) to ensure the size and composition of the underwriting syndicate remains appropriate.

As noted above, the total underwriting fees paid by the Region for each of the debenture issues will not change as a result of a new syndicate arrangement.

The Region will introduce a performance review to encourage optimal performance by syndicate members

The individual performance of firms in the syndicate can and will vary over time. Factors that could affect performance include changes in staff, the willingness of the firm to commit resources to support the "secondary market", and the effort made by the firm to help grow the investor base for municipal debentures.

Several municipalities try to incent syndicate members by rotating the Lead Manager position on a periodic basis, based on a review of the performance of the individual members. The Lead Manager's role is a coveted position because of its industry prestige and the fact that it receives a larger share of the underwriting fees. Other municipalities allocate a "bonus" portion of the debenture issue to those members of the syndicate who demonstrate higher levels of performance during the prior period.

Staff are proposing to implement a performance review process for its underwriting syndicate that will incorporate a combination of these and other methods. The Capital Financing and Debt Policy has been revised to reflect the performance review process.

Some technical amendments also need to be made to the Capital Financing and Debt Policy

Currently, the Capital Financing and Debt Policy reflects outdated provincial legislation with regard to the length of time that a municipality can enter into a Bond Forward Agreement. Bond Forward Agreements have been used by the Region to effectively lock-in the base interest rate for a portion of a planned debt issue when there is an expectation that interest rates will rise over time. It is recommended the Policy be changed to simply reflect the maximum allowable settlement time as permitted under provincial legislation.

Other technical changes have also been made to reflect changes due to organizational re-structuring and to improve or clarify the wording of the Policy.

Link to Key Council–approved Plans

Ensuring ready access to capital markets and keeping interest rates as low as possible are critical factors for the Region to be able to carry out its Fiscal Strategy.

5. FINANCIAL IMPLICATIONS

Keeping the Region’s borrowing costs as low as possible helps lower the total cost of implementing the capital plan. Having an optimal underwriting syndicate membership structure and process in place is an important part of achieving this goal.

6. LOCAL MUNICIPAL IMPACT

As the Region often borrows on behalf of local municipalities, maintaining access to capital markets and keeping interest rates as low as possible benefits those who wish to borrow.

7. CONCLUSION

It is recommended that update to the Capital Financing and Debt Policy be approved to permit the periodic review of the debenture underwriting syndicate arrangements based on the criteria outlined in this report, and to make some technical amendments to the Policy.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at Ext. 71644.

The Senior Management Group has reviewed this report.

Attachment (1)

ATTACHMENT 1

STATUS:	~~**Final**~~
Council Approved:	~~**Y**~~
CAO Approved:	**N/A**

TITLE: Capital Financing and Debt	**Edocs No.:** ~~**1927986**~~**5501548** **Original Approval Date: January 23, 2003** **Policy Last Updated:** ~~**December 19, 2013**~~ **Posted on Intranet:** ~~**January 21, 2014**~~

POLICY STATEMENT:

A policy governing the use and administration of capital financing and debt.

APPLICATION:

All financial obligations including related agreements and capital financing leases that are entered into by the Corporation, its boards and subsidiaries as well as those employees responsible for the control, administration or management of capital financing and debt issuance activities.

PURPOSE:

This policy establishes objectives, standards of care, authorized financing instruments, reporting requirements and responsibilities for the prudent financing of the Corporation's operating and infrastructure needs.

DEFINITIONS:

Amortizing Debentures: Debentures for which the total annual payment (principal and interest) is approximately even throughout the life of the debenture issue.

Annual Repayment Limit: For the purpose of this Policy it has the same meaning as the Debt and Financial Obligation Limit

Area Municipality: Any municipality located within the Region of York.

Banker's Acceptance: A short-term credit obligation created by a non-financial firm such as the Corporation and guaranteed by a bank as to payment.

Bond Forward Agreement: A financial contract with an eligible Schedule I, II or III bank used to hedge future interest rates by short selling a particular Government of Canada or Province of Ontario bond and repurchaseing the same bond at a predetermined future settlement date. A settlement payment may be required by either the issuer or the bank if there is a difference between the price at which the government debt instruments are sold and the price at which they are bought back on the settlement date.

Bought Deal: A financing transaction, such as a debenture issue, in which an individual underwriter or underwriting group purchases the entire amount in order to resell to investors.

Capital Financing: A generic term for the financing of capital assets using debt, financing leases, swaps and other derivatives.

Construction Financing: A form of debt financing in which the issuer does not pay any principal and/or interest for a period up to 5 years during the construction or rehabilitation of ~~the facility from which a revenue stream is expected to be generated.~~a capital asset.

Corporation: Refers to the Corporation of the Regional Municipality of York.

Cross-Border Lease: A lease in which the lessor and lessee are located in different countries, and where the holder of legal title to the asset can claim tax benefits in its home country, while the tax laws of the asset user treat it as owner for tax purposes in its own country.

Debenture: A formal written obligation to repay specific sums on certain dates. In the case of a municipality, debentures are typically unsecured.

Debenture Committee: A committee established by Regional Council on September 23, 2010 through enactment of Bylaw No. 2010-69 which has the authority to enact Debenture Bylaws under the Terms of Reference contained in that bylaw.

Debt and Financial Obligation Limit: A calculation provided annually to a municipality by the Ministry of Municipal Affairs and Housing that determines the maximum amount of new annual debt servicing costs that a municipality can undertake or guarantee without seeking the approval of the Ontario Municipal Board. **For purposes of this Policy, it has the same meaning as the Annual Repayment Limit.**

Debt: Any obligation for the payment of money. For Ontario municipalities, debt would normally consist of debentures as well as either notes or cash loans from financial institutions, but could also include loans from reserves. Debentures issued to Infrastructure Ontario are also considered as debt.

Financial Guarantee: An agreement whereby the Corporation will take responsibility for the payment of debt in the event that the primary ~~liable~~ obligator fails to perform.

Foreign Currency Debentures: Debentures that are denominated or payable in a foreign currency. In Ontario, a municipality is permitted to issue debentures denominated in United States dollars, Pound Sterling, Japanese Yen and Euros.

Foreign Currency Exchange Agreements: An agreement entered into with a financial institution to fix the rate of exchange for future payments made in a foreign currency.

Growth-related Cost Supplement: A Supplement to the Debt and Financial Obligation Limit equal to 80 per cent of the average of the previous three calendar years of development charge collections.

Growth-related Debt and Financial Obligation Limit: The limit imposed by the Province with respect to the Corporation's debt and financial obligation payments comprised of the total of the Debt and Financial Obligation Limit and the Growth- related Cost Supplement.

Hedging: A strategy used to offset or mitigate currency and/or interest rate risk.

Infrastructure Ontario (IO) or its successor organization: Any entity established by the Province of Ontario to provide Ontario municipalities, universities and hospitals access to alternative financing and procurement service ~~for~~and to longer-term fixed rate loans for the building and renewal of public infrastructure.

Installment (Serial) Debentures: Debentures of which a portion of the principal matures each year throughout the life of the debenture issue.

Interest Rate Exchange Agreements: An agreement entered into with a financial institution to fix the future rate of interest paid on a variable rate debenture or long-term bank loan.

Joint and Several: An obligation that may be enforced against all obligators jointly or against any one of them separately.

Lease Financing Agreements: A lease allowing for the provision of Municipal Capital Facilities if the lease may or will require payment by the Corporation beyond the current term of Council.

Long-Term Bank Loan: Long-term debt provided by a bank or a syndicate (group) of banks.

Long-Term Debt: Any debt for which the repayment of any portion of the principal is due beyond one year.

Long-Term Debt and Financial Obligation Management Plan: A plan to be ~~completed and~~adopted or affirmed by Regional Council as part of the Corporation's annual budget to comply with Ontario Regulation 403/02 ~~in order~~ to access the Growth-related Cost Supplement.

Municipal Capital Facilities: Includes land, as defined in the *Assessment Act*, works, equipment, machinery and related systems and infrastructures.

Non-Material Leases: A class of financing leases in which the annual payment for individual leases will be less than $250,000 and as a class does not exceed one percent (1%) of the Corporation's net tax levy; or the net present value of the annual payments is less than $2 million for the term of the lease agreement, including possible extensions or renewals for which approval to extend or renew has been delegated to an officer of the Corporation.

Project Financing: Financing in which principal and interest payments are structured so as to more closely match the revenues or cost savings of a specific project. Also includes financing for which the lender, in the case of default, would have no or limited recourse to the issuer beyond the assets purchased with the proceeds of the financing.

Refunding: As applied to debentures, describes the process of retiring existing debt by issuing new securities to either reduce the interest rate or extend the maturity date or both.

Rent: A payment made by the Region in respect of property which will be used for the Region's purposes and for which a formal ownership transaction does not take place. Rent includes all payments made to the owner of the property.

Retirement Fund Debentures: Debentures for which money is accumulated on a regular basis, commencing several years after the issuance of the debentures, in a separate custodial account that is used to redeem the debentures.

Rolling Stock: Equipment that moves on wheels used for transportation and/or transit purposes. Examples include subway cars, trucks, buses and tractor trailers.

School Board: Any school board which has jurisdiction within the Region of York.

Short-Term Debt: Any debt for which the repayment of all the principal is due within one year.

Sinking Fund Committee: A committee consisting of the Corporation's Commissioner of Finance and Treasurer and other persons appointed by Council who are responsible for the management of the sinking and/or retirement funds.

Sinking Fund Debentures: Debentures for which money is accumulated on a regular basis in a separate custodial account that when combined with interest earned is used to redeem the debentures.

Syndicated Bank Loans: A loan between the Corporation and a bank listed in Schedule I, II or III of the *Bank Act (Canada)*, a loan corporation registered under the *Loan and Trust Corporations Act* or a credit union to which the *Credit Unions and Liaison Popalaires Act, 1994* applies where ~~the financing to~~ the loan is obtained through a financing agreement in which each of the institutions that is a party ~~of~~ to the ~~term~~ agreement ~~agrees to~~ contributes a portion of the loan.

Tender: A process whereby formal bids are submitted to acquire debt securities or to provide a lease.

Term Debentures: Debentures that are comprised of a combination of installment and sinking fund debentures.

Tile Drainage Debentures: Debentures issued to finance the construction of a tile drainage system for agricultural land.

Underwriting Syndicate~~er(s)~~: An individual or group of investment bankers appointed for the purpose of purchasing and reselling new debentures issued by the Corporation at a negotiated price.

Variable Interest Rate Debentures: Debentures that provide for one or more variations in the rate of interest payable on the principal during the term of the debenture.

DESCRIPTION:

A) PHILOSOPHY FOR CAPITAL FINANCING AND DEBT ISSUANCE

Council may, where it is deemed to be in the best interest of its taxpayers, approve the issuance of debt for its own purposes, or those of its municipal business corporations, area municipalities and/or school boards.

"Best interest" will be consistent with the philosophy of the Corporation's *Financial Mission Statement*, adopted by Council in 1999, which includes the following key financial principle with respect to capital financing and debt practices:

> *"Capital financing and debenture practices will be responsive and fair to the needs of both current and future taxpayers and will be reflective of the underlying life cycle and the nature of the expenditure."*

This philosophy will be met through the objectives outlined below.

B) PRIMARY OBJECTIVES OF THE CAPITAL FINANCING AND DEBT PROGRAM

The primary objectives for the Corporation's capital financing and debt program, in priority order, shall be:

- Adhere to statutory requirements;
- Maintain a superior credit rating;
- Ensure long term financial flexibility;
- Limit financial risk exposure;
- Minimize long-term cost of financing; and
- Match the term of the capital financing to the lesser of the useful life of the related asset or the period over which third party funding for the retirement of the debt will be received.

1) Adhere to Statutory Requirements

Capital financing may only be undertaken if and when it is in compliance with the relevant sections of the *Municipal Act*, the *Local Improvement Act*, or the *Tile Drainage Act*, and their related regulations. Requirements include but are not limited to the following:

a) The term of temporary or short-term debt for operating purposes will not exceed the current fiscal year;

b) The term of the capital financing will not exceed the lesser of 40 years or the useful life of the underlying asset;

c) Long-term debt will only be issued for capital projects;

d) The total annual financing charges cannot exceed the Growth-related Debt and Financial Obligation Limit or the Debt and Financial Obligation Limit, as applicable, for the municipality responsible for incurring the debt unless otherwise approved by the Ontario Municipal Board;

e) Council has adopted or affirmed a Long-Term Debt and Financial Obligations Management Plan for each fiscal year that a Growth-related Cost Supplement is required;

f) Prior to entering into a lease financing agreement, an analysis will be prepared that assesses the costs as well as the financial and other risks associated with the proposed lease ~~with~~ in relation to other methods of financing;

g) Prior to passing a debenture by-law which provides that installments of principal or interest, or both, are not payable during the period of construction of an undertaking, Council will have considered all financial and other risks related to the proposed construction financing;

h) A credit rating of AA - (or equivalent) will be maintained for the year and the prior year that a Growth-related Cost Supplement is required; and

i) Long-term debt will be the joint and several obligations of the Corporation and its area municipalities.

Furthermore, the awarding of any contract under this Policy, unless otherwise authorized by Council, will follow the procedures and authorities set out in the Corporation's Purchasing By-law.

2) Maintain a Superior Credit Rating

Maintaining a superior credit rating is a key factor in minimizing the cost of debt and accessing capital markets in an efficient manner**.** Also, as noted elsewhere, a credit rating of a least AA - (or equivalent) will be needed by the Corporation to meet the statutory requirements for entering into certain types of capital financing contemplated by this Policy.

~~Successfully fulfilling the primary objectives identified above is important for maintaining high credit ratings from the Standard and Poor's Ratings Services and Moody's Investors Service.~~ However, some factors affecting the credit rating are beyond ~~it is recognized that some factors may be out of~~ the Corporation's direct control, such as the performance of the economy~~, that could inhibit the growing and stable source of revenue desired by the rating agencies. In part to~~ To partially mitigate this concern, the Corporation has a Reserve and Reserve Fund Policy that ensures its ability to pay operational and financial obligations even if the economy suffers setbacks or other contingencies arise.

Development charges, which are a major source of funding to repay growth-related debt, are particularly sensitive to ~~the~~ underlying economic conditions. Having an adequate Development Charge Reserve balance demonstrates to the rating agencies an ability to meet growth-related debt obligations even during periods when collections may temporarily decline.

Therefore, it will be the Corporation's practice to maintain a cash balance in its Development Charge Reserves equal to at least the projected annual principal and interest payments during the fiscal year for growth-related debt.

3) Ensure Long-Term Financial Flexibility

The capital financing program will be managed in a manner consistent with other long-term planning, financial and management objectives.

Prior to the issuance of any new capital financing, consideration will be given to its impact on future ratepayers in order to achieve an appropriate balance between capital financing and other forms of funding.

To the extent practicable, ~~replacement assets as well as~~ regular and/or ongoing capital expenditures and the current portion of future rehabilitation and replacement costs will be recovered on a "pay as you go" basis through rates, tax levy, user fees and/or reserve fund monies. ~~It is recognized that a~~Adequate reserves must be developed and maintained for all capital assets owned by the Corporation to ensure long-term financial flexibility. However, where long-term financing is required, due consideration will be paid to all forms of financing including debentures, construction financing, long-term bank loans and lease financing agreements.

4) Limit Financial Risk Exposure

The capital financing program will be managed in a manner to limit, where practicable, financial risk exposure. As a result, it will be the Corporation's normal practice to issue debt that is only denominated in Canadian dollars with an interest rate that will be fixed over its term.

Notwithstanding, if a situation arises where there is a material financial advantage and/or it is deemed prudent for the Corporation to issue debt that is subject to fluctuations, in foreign currency and/or interest rates, a hedging strategy will be considered to either reduce or eliminate the risk.

This strategy would include the following:

a) For debentures that are not denominated in Canadian currency, the rate of exchange will be fixed for the term of the obligation (both principal and interest payments) on or before the date of issuance.

b) For variable interest rate debentures with a term exceeding one year, the interest rate will be fixed within six months of the issuance date.

However, long-term bank loans for which the interest rate may vary will not be fixed if prevailing market conditions are such that in the opinion of the Commissioner of Finance it is in the Corporation's best interests to allow the rate to float where such debt, in addition to any other outstanding variable rate loans or debentures, does not exceed fifteen percent (15%) of the total outstanding debt of the Corporation as authorized by O.Reg 276/02 s(2).

Finally, ~~it is recognized that~~ financing leases have different financial and other risks than traditional debt that must be considered~~,~~ and, where practicable, mitigated prior to its use, including; contingent payment obligations for items such as,~~;~~ lease termination provisions,~~;~~ equipment loss,~~;~~ equipment replacement options,~~;~~ guarantees and indemnities. These risks will be identified prior to entering into any material financing lease.

(Refer to Section E of this Policy – Financing Risk Identification and Mitigation Strategies.)

5) Minimize Long-Term Cost of Financing

The timing, type and term of financing for each capital asset will be determined with a view to minimize both its and the Corporation's overall long-term cost of financing.

Factors to be considered will include: current versus future interest rates; shape of the interest rate curve, the availability of related reserve fund monies; the pattern of anticipated revenues or cost~~s~~ savings attributable to the project or purpose; the applicability of using B~~b~~ond F~~f~~orward ~~a~~Agreements to hedge interest costs; and, all costs related to the financing of the project whether by debenture, construction financing or financing lease.

6) Match the Term of the Capital Financing to the Lesser of the Useful Life of the Underlying Asset or the Period over which Third Party Funding for the Retirement of the Debt will be Received

The Corporation's normal practice will be to issue long-term debt for contractual terms that will be well received in the financial market place, typically ~~5,~~ 10, 20 or 30 years. However, the amortization period over which the debt will be retired may be longer, necessitating that part of the debt will need to be refinanced for an additional term (i.e., term debentures with a refunding provision). However, the maximum term over which a capital asset shall be financed will be as set out in Appendix 1, unless otherwise specifically approved by Council. In no case shall the term of financing exceed the lesser of the anticipated useful life of the underlying asset or in the case of financing that will be repaid from third party funding (e.g., development charges), the period over which the funding will be received.

C) STANDARD OF CARE

All officers and employees responsible for capital financing and debt activities will follow the standard of care identified in this Policy.

1) Ethics and Conflicts of Interest

Officers and employees involved in the capital financing process are expected to abide by the Corporation's Code of Conduct.

In particular they shall:

a) Refrain from personal business activity that could conflict with the proper execution and management of the capital financing program, or that could impair their ability to make impartial decisions;

b) Disclose any material interests in financial institutions with which they conduct business;

c) Disclose any personal financial/investment positions that could be related to the performance of their capital financing duties; and

d) Not undertake personal financial transactions with the same individual with whom business is conducted on behalf of the Region.

2) Delegation of Authority

The Commissioner of Finance and Treasurer will have the overall responsibility for the capital financing program of the Corporation. ~~However, t~~The Director, ~~of Policy, Risk~~Treasury Office ~~and Treasury~~ normally will have responsibility for directing/implementing the activities of the capital financing program ~~as well as~~and the establishment of procedures consistent with this Policy. Such procedures shall include explicit delegation of authority to persons responsible for capital financing activities. No person shall be permitted to engage in a capital financing activity except as provided for under the terms of this Policy. The Director ~~will be responsible for all activities undertaken, and~~ shall establish a system of controls to regulate the activities of subordinate officials and exercise control over the~~at~~ staff.

Notwithstanding, the Chief Administrative Officer, as authorized by the Purchasing By-law, may approve non-material financing leases as previously defined.

3) Requirement for Outside Advice

The Corporation's staff will be expected to have sufficient knowledge to prudently evaluate standard financing transactions. However, should in their opinion the appropriate level of knowledge ~~does~~ not exist for instances such as capital financing transactions that are unusually complicated or non-standard, or as otherwise directed, outside financial and/or legal advice will be obtained.

D) SUITABLE AND AUTHORIZED FINANCING INSTRUMENTS

The form of financing that meets the objectives listed above will be dependent in part upon its term and the type of asset to be financed.

1) Short-Term – Under One (1) Year

Financing of operational needs for a period of less than one (1) year pending the receipt of taxes and other revenues, or interim financing for capital assets pending long-term capital financing may be from one or more of the following sources:

a) Reserves and reserve funds. (This may be used as the primary source of short-term financing provided that interest is paid at the prevailing market rate);

b) Bank line of credit;

c) Short-term promissory notes issued to aforementioned institutions;

d) Bankers' Acceptances; and

e) IO (or its successor organizations) short-term advances pending issuance of long-term debentures.

2) Long-Term – Greater than One (1) Year

Financing of assets for a period of greater than one year may be from any of the following sources:

a) Debentures (including those issued to IO or its successor organizations), which may be in the following form or a combination thereof:

- Installment
- Sinking Fund
- Term (including those with a refunding provision)
- Amortizing
- Variable Interest Rate
- Foreign Currency
- Retirement Fund

b) Reserves and Reserve Funds

These may be used for both interim and medium-term for a period of no greater than five-year financing if deemed cost effective or otherwise necessary. ~~It is recognized h~~However, ~~that~~ reserves and reserve funds are for a defined purpose and must be available when that purpose occurs or requires them. Notwithstanding this policy, intrafund borrowing between development charge reserve accounts for a longer period of time is permitted if the funds are available when needed.

c) Long-Term Bank Loans (including Syndicated Bank Loans)

These may be used if deemed cost effective or otherwise necessary. These loans may be either fixed or variable interest rate loans as determined by the Commissioner of Finance and Treasurer.

d) Construction Financing

May be used for a period up to five (5) years during construction or rehabilitation of certain facilities from which a revenue stream is expected to be generated (e.g., water plant) upon its completion.

e) Lease Financing Agreements (Capital Financing Leases)

May be used when it provides material and measurable benefits compared with other forms of financing. Capital financing leases may include cross-border and rolling stock leases.

f) Tile Drainage Debentures

These will be used to finance the construction of tile drainage systems for agriculture and for those individual farmers who apply and are accepted for financing.

3) Credit Rating Requirements for Issuing Certain Types of Debt

The Corporation may only issue foreign currency debentures, variable rate debentures, or variable rate long-term bank loans if its long-term debt obligations are rated by:

a) Dominion Bond Rating Service Limited as "AA (low)" or higher, or

b) Fitch Ratings as "AA-" or higher, or

c) Moody's Investors Service, Inc. as "Aa3" or higher, or

d) Standard and Poor's as "AA-" or higher.

E) FINANCING RISK IDENTIFICATION AND MITIGATION STRATEGIES

~~It is explicitly recognized that t~~There may be additional risks associated with certain types of financing. It is expected that these risks will be identified and considered ~~prior to their use~~ in relation to other forms of financing that would be available. Also, the mitigation strategies discussed below will be used to reduce the additional risk when deemed practicable.

1) Availability of Debt Capacity for Future Priority Projects

The Corporation could face the risk in any fiscal year of having insufficient debt capacity to fully execute its capital plan, based on its ARL or Growth-related Debt and Financial Obligation Limit. To manage this risk, the capital plan will show the amount of debt financing that will be required for each project and each year of the plan. Each project will also be prioritized on the basis of its impact on the Corporation's growth plan and/or any strategic plan approved by Council. Project prioritization would permit the most critical elements of the capital plan to proceed in an expeditious manner.

2) Refunding Risk

The Corporation may issue debentures for which the amortization to retirement period is longer than the contractual term of the debenture, similar to a home mortgage. For those debentures, the balance of the debt remaining at the end of the contractual term will need to be refinanced.

A risk to the Corporation would be that interest rates may be higher during the second financing period, resulting in higher than anticipated debt payments. For this reason the use of refunding debentures will not be a preferred method of financing by the Corporation whenever tax levy is the primary source of funding. However, there will be no restriction to the use of refunding debentures funded mainly from development charges or user rates which tend to be for longer periods and are better able to absorb increases (or decreases) to their cost of financing over time.

Further risk to the Corporation may arise if market conditions are unfavorable ~~to financing~~ at the end of the first contractual term of a refunding debenture. In those situations, several strategies will be employed, including pre-financing, short term borrowing from reserves, using variable rate debt and lines of credit, and making borrowing applications to government agencies such as Infrastructure Ontario.

3) Construction Financing

Construction financing may be used to "lock-in" the debt needed for a capital project that will eventually generate a revenue stream which could be used to make principal and interest payments (e.g. water plant). Construction financing is unique in that the debt and interest may be accrued in advance of the project's completion ~~and the interest accrues~~ and no payments are made during the building period.

The following risks compared to other forms of financing will be considered prior to the use of construction financing:

a) The financial risks include the following:

- The possibility that interest rates may fall from the time the rate for the construction loan is established and completion of construction. Should there be a high probability of this occurring, staff will consider the use of variable interest rate rather than fixed rate financing as a method to mitigate this risk; and

- The possibility that the final cost of construction could be materially less than initially forecasted and financed. Staff will consider whether or not to issue debt until a fixed rate contract has been awarded or to issue debt that does not exceed 75% of the projected cost as a method to mitigate this risk.

b) Other risks include that the construction project may not be able to proceed or is not completed for technical or other reasons. The mitigation option to be considered in this case will be not to issue long-term debt until all critical construction contracts have been awarded.

4) Financing Lease Agreements

Leases may be used to finance equipment, buildings, land or other assets that the Corporation does not have a long-term interest in or may not be able to acquire through other means.

The following risks compared to other forms of financing will be considered prior to the use of capital financing lease agreements.

Formatted: Normal, Indent: Left: 0"

a) The financial risks include the following:

- The ability for lease payment amounts to vary if based on changes in an underlying benchmark debt instrument (generally expressed as a particular Government of Canada Bond). This risk usually applies only to new assets being added to a leasing schedule and would be the same as new debt being issued from time to time;
- The ability for lease payments to vary based on changes in the assumed residual values of the asset being leased. Again, this risk usually applies only to new assets being added to a leasing schedule and would not be riskier than other forms of financing; and
- Uncertainty over leasing costs if a contract needs to be extended or renewed. The normal practice of the Corporation will be to negotiate these costs prior to the leasing agreement being executed~~; and~~.

b) Other risks include the potential for the seizure and removal of leased equipment if the leasing company goes into default of its obligations to creditors, and its creditors have the legal right to seize assets of the leasing company. The practice of the Corporation will be to assess the financial strength of the ~~normal~~ leasing company prior to the leasing agreement being executed.

5) Variable Interest Rate Debenture and Long-Term Bank Loans

Variable rate debentures and long-term bank loans may be used when there is volatility in the financial market and/or there is an expectation of significantly lower interest rates occurring within a few months of their issue. In all cases, t~~T~~he interest rate will be fixed no later than 6 months after issue by means of a interest rate exchange (i.e. hedging) agreement ~~in order~~ to mitigate the financial exposure.

The Corporation may only enter into interest rate exchange agreements as part of a variable rate debenture with an eligible institution whose credit ratings are equivalent to those cited in Section D(3) above.

6) Foreign Currency Debentures

Foreign currency debentures may be used when the “all in” cost of financing in a foreign market is cheaper or the market conditions are such that domestic financing is not practicable. The risk associated with foreign currency debentures is that the rate of exchange incurred for future interest and principal payments could significantly increase over the term of the debt, raising its overall cost.

The Corporation’s practice with respect to foreign currency debentures will be to have the rate of exchange for all interest and principal payments fixed prior to their issue by means of foreign currency exchange or hedging agreements ~~in order~~ to mitigate the financial exposure.

The Corporation may only enter into a foreign currency exchange agreement with an institution whose credit ratings are equivalent to those cited in Section D(3) above.

Any foreign currency exchange agreement or agreements for a debenture will, when read together, provide for the reduction of currency risk with respect to the entire amount of principal and interest payable under the debenture and shall require any amount payable to any person under the agreement or agreements to be expressed as a Canadian currency amount.

The currencies set out in Appendix 2 are prescribed foreign currencies eligible under provincial regulation.

7) Bond Forward Agreements

The timing of the Corporation's debenture issues is very dependent upon market or economic conditions. ~~prevailing at the time of each issue.~~ Market-out conditions can occur due to competing issuers ~~issuance calendars~~ and in times of financial crisis. Bond F~~f~~orward A~~a~~greements allow the Corporation to lock-in the underlying interest rate on a portion of a planned debt issue, facilitating the issuing process.

Bond F~~f~~orward A~~a~~greements may only be used for the issue or the refinancing of debentures denominated in Canadian currency for which Council approval has already been given.

Furthermore, it will be the Corporation's normal practice to limit B~~b~~ond F~~f~~orward A~~a~~greements ~~to apply~~ to no more than seventy-five percent (75%) of the principal amount of debentures to be issued. Bond F~~f~~orward A~~a~~greements ~~will~~ may have a settlement ~~date not longer than 60 days after the day on which the agreement is executed~~ up to the ~~period~~maximum period permitted by provincial regulation.

It will be the Corporation's normal practice that counterparty payments resulting from the use of these agreements, if material, will be added to or deducted from the principal of the amount being financed.

~~Utilizing~~ Using B~~b~~ond F~~f~~orward A~~a~~greements exposes the Corporation to the following risks:

a) Credit risk to the counterparty (financial institution) in the event interest rates have risen and the counterparty cannot fulfill the terms of the agreement. Although this is considered a remote risk, credit exposure resulting from any or all outstanding ~~b~~Bond F~~f~~orward A~~a~~greements executed with any financial institution will be added to any outstanding investments held in the Corporation's investment portfolio and will be subject to the same limitation guidelines set out in Appendix 1 of the Investment Policy.

b) There will be an opportunity cost if interest rates fall and the Corporation has to pay the counterparty to the B~~b~~ond F~~f~~orward A~~a~~greement. ~~This is recognized, h~~However, the primary use of a B~~b~~ond F~~f~~orward A~~a~~greement is to "lock-in" the anticipated borrowing rate associated with the future debenture issue and reduce or eliminate the risk of higher interest rates. The Corporation's practice of hedging less than 100% of the planned debenture issue would result in some of the savings still being achieved if interest rate fell.

By not ~~utilizing~~ using a B~~b~~ond F~~f~~orward A~~a~~greement, the Corporation will be exposed to movements in interest rates that will be either beneficial or detrimental and will have less certainty about the cost of borrowing on a prospective debenture.

Before entering into a B~~b~~ond F~~f~~orward A~~a~~greement, T~~t~~reasury Office staff and the Commissioner of Finance and Treasurer will analyze ~~and provide~~:

a) The fixed costs and estimated costs to the Corporation resulting from the use of such agreements.

b) A detailed estimate of the expected results of using such agreements.

Bond Forward Agreement may only be entered into with a bank listed in Schedule I, II or III to the *Bank Act (Canada)* and only if the bank's long-term debt obligations on the day the agreement is entered ~~and~~ into are rated by:

a) Dominion Bond Rating Service as “A(high)” or higher; or

b) Fitch Ratings as “A+” or higher; or

c) Moody’s Investors Service Inc. as “A1” or higher; or

d) Standard and Poor’s as “A+” or higher.

F) METHODS OF MARKETING/SELLING DEBENTURE ISSUES

Debenture securities may be sold by the following means:

a) Underwriting Syndicate
The use of an underwriting syndicate appointed by the Commissioner of Finance and Treasurer will be the normal method by which debentures will be sold by the Corporation.~~; or~~ Considerations used for appointment to the syndicate will include, among other things: the demonstrated ability of the firm to underwrite and/or sell debentures in the various financial markets used by the Corporation; its commitment to provide an active and robust “secondary market” for municipal debt; and, its support for maintaining and developing new investors for municipal debentures. The composition of the Underwriting Syndicate will be reviewed periodically, and at least once every five years; ~~or~~

b) Tender
A tender process may be used when and if significant savings could be expected when compared to issuing through an Underwriting Syndicate; or

c) Bought Deal/Private Placement
This may be appropriate for ~~only~~ "one off" or unusual financing structures when significant savings would be expected or when market conditions are volatile or otherwise difficult.

G) DEBT ISSUED ON BEHALF OF OTHER JURISDICTIONS

Council may approve the issuance of debentures for the purposes of its area municipalities and school boards provided:

a) They are used for capital projects approved by the Area Municipality and School Board;

b) The term of the financing is in excess of one (1) year but does not exceed the guidelines set out in Appendix 1;

c) It has received satisfactory evidence of approval authority and statutory compliance. Accordingly, the Financial Officers of the Area Municipalities must provide to the Corporation, at the time of their financing request, an updated Debt and Financial Obligation Limit for their respective municipality and attest to the validity of the calculation ~~in order~~ to ensure compliance ~~under the regulations of the Act~~with the Municipality's Annual Repayment Limit. As well, mandated approvals from provincial ministries, if necessary, and the council of the Area Municipality will be required prior to Council granting financing approval;

d) The issuance and administrative costs attributable to borrowings on behalf of Area Municipalities and School Boards will be recovered. Costs not directly or specifically attributed to any one participant shall be allocated on a prorata basis to all participants. Conversely, costs incurred which are directly or specifically attributable to any one participant shall be allocated ~~as such~~to that participant. Such costs may include, but are not limited to, the following: legal fees; commissions; cost of certificates; registration and re-registration charges; and courier charges.

H) FINANCIAL GUARANTEES AND LETTERS OF CREDIT

Financial guarantees and/or letters of credit provided by the Corporation, its boards and subsidiaries will be considered as debt and will be governed by this Policy.

I) SINKING/RETIREMENT FUND DEBENTURES

A Sinking Fund Committee will be established whenever sinking and/or retirement fund debentures are outstanding anytime during a calendar year. The committee will meet at least annually and will be chaired by the Commissioner of Finance and Treasurer and will have at least two additional members appointed by Council. The committee will establish investment guidelines and ensure that adequate funds will be available to retire the debt at its maturity.

When setting the internal capitalization rate for new sinking/retirement fund debt at the time of its issue, the rate shall not exceed the lesser of the rate allowed in the Municipal Act, or the 5-year Government of Canada bond rate at time of issue.

J) Reporting Requirements

In addition to any information requested by Council or that the Commissioner of Finance and Treasurer considers appropriate, the following reports will be provided:

1) Annually, the Commissioner of Finance and Treasurer shall submit to Council a report or reports that:

   a) Requests authority for temporary borrowing up to a stipulated amount to meet day-to-day expenditures, pending receipt of tax levies, user fees and revenues anticipated during the year;

   b) Requests authority, if required, to finance certain capital items detailing for each type of item, the amount and the maximum term of financing;

   c) States the sum, if any, that must be raised for sinking fund purposes in that year;

   d) As part of the annual budget a Long-Term Debt and Financial Obligation Management Plan to be adopted or affirmed by Regional Council that will contain at least the following elements:

      - Projections for each year over a multi-year period of estimated long term debt and financial obligations payments compared to the Growth-related Debt and Financial Obligation Limit;
      - Strategies for prudently and cost effectively dealing with risks associated with planned long term debt and financial obligations and mitigation strategies for adverse contingencies which might arise;
      - An evaluation of the outcomes of the previous year's Long-Term Debt and Financial Obligations Management Plan as well as a comparison to the current year's plan;
      - A statement indicating the Plan is in compliance with this Policy.

2) As required, the Commissioner of Finance shall submit to Council, the following:

   a) A report, before entering into a material financing lease ~~which is other than a non-material lease~~ with a recommendation assessing the costs and financial and other risks associated with the proposed financing lease. This report shall include:

      - A comparison between the fixed and estimated costs and the risks associated with the proposed lease and those associated with other methods of financing;

- A statement summarizing, as may be applicable, the effective rate or rates of financing for the lease, the ability for lease payment amounts to vary, and the methods or calculations, including possible financing rate changes, that may be used to establish that variance under the lease;
- A statement summarizing any contingent payment obligations under the lease that in his or her opinion would result in a material impact for the municipality, including lease termination provisions, equipment loss, equipment replacement options and guarantees and indemnities;
- A summary of the assumptions applicable to any possible variations in the lease payment and contingent payment obligations~~; and~~.

b) Lists of any outstanding financing leases including the following details:

- Estimates of the proportion of financing leases to the Corporation's total long-term debt and ~~provides~~ a description of any change in that proportion since the previous year's report; and
- A statement that in his or her opinion all financing leases were ~~made~~ in accordance with the lease policy and goals as outlined in this Policy or as otherwise adopted by Council.

c) A statement before passing a by-law providing for construction financing, which shall consider:

- The fixed and estimated costs to the Corporation;
- Whether the costs of the proposed financing for the construction of the undertaking are lower than other methods of financing available;
- A detailed estimate with respect to the terms of the Corporation's expectations of revenue generation from the undertaking, once constructed;
- The risks to the Corporation if the undertaking is not constructed or completed within the period of construction as estimated by Council; and
- The financial and other risks for the Corporation.

d) A report detailing at least once in a fiscal year, any B~~b~~ond F~~f~~orward A~~a~~greements in a fiscal year which the Corporation has entered into.

The report must contain the following information and documents:

- A statement comparing the expected and actual results of using B~~b~~ond F~~f~~orward A~~a~~greements during the period of the report; and
- A statement indicating whether, in his or her opinion, all of the B~~b~~ond F~~f~~orward A~~a~~greements entered during the period of the report are

consistent with the bond forward policies and goals in this Policy or as otherwise adopted by Council.

e) A report detailing at least once in a fiscal year, any subsisting variable interest rate bank loan agreements and any subsisting interest rate exchange agreements applicable to them.

f) Lists of any outstanding construction financing debentures, including the following details:

- A description of the estimated proportion of the total debentures of the municipality issued to the total long-term debt of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
- A statement as to whether, in his or her opinion, all debentures issued were ~~made~~ in accordance with this construction financing policy and goals outlined in this Policy or as otherwise adopted by Council;
- An update of the detailed estimate with respect to the terms of the municipality's expectations of revenue generation from the undertaking;
- A record of the date of the repayment of each installment of principal, interest or both principal and interest ~~made~~ during the period of construction of the undertaking for which the debentures were issued; and
- A statement of the outstanding installments of principal, interest or both principal and interest repayable during the currency of the debentures issued that will be due and payable in each year~~; and~~.

g) Details of all outstanding hedging instruments related to foreign exchange, interest and swap agreements, describing type, amount and purpose; and

h) A report detailing, at least once in a fiscal year, any outstanding variable interest rate debentures or foreign currency debenture and any subsisting interest rate or foreign currency exchange agreements applicable to them.

3) The Debenture Committee will report to Regional Council as required under the Region's Procedural Bylaw on each and every occasion it exercises its delegated authority.

RESPONSIBILITIES

Officers and staff of the Corporation complying with this Policy shall have the necessary authority to carry out the responsibilities and duties identified therein ~~the Policy~~.

In addition, the following specific responsibilities are identified:

1) ~~1)~~ Commissioner of Finance and Treasurer:

- Appoints firms to be members of the Corporation's Underwriting Syndicate;
- May execute and sign documents on behalf of the Corporation and perform all other related acts with respect to the appointment of the Underwriting Syndicate; and
- Is a member of the Debenture Committee.

2) Commissioner of Finance and Treasurer and/or Director, ~~of Policy, Risk & Treasury~~the Treasury Office:

- Reviews and recommends the type and term of financing for capital projects and operating requirements;
- Calculates the Growth-related Debt and Financial Obligation Limit for the Corporation as prescribed by the Municipal Act;
- Assigns the lead underwriter(s), members of the management group (if needed) and determines the percentage share of a planned debt issuance that will~~l~~ be allocated to each member of the Underwriting Syndicate~~.~~;
- In consultation with the lead underwriters, approves the timing and structure of debt issues;
- Coordinates the preparation of debt issue by-laws for Council or the Debenture Committee;
- May execute and sign documents on behalf of the Corporation and perform all other related acts with respect to the issuance of debt securities and Bond Forward Agreements, including the payment of principal, interest or other related fees~~;~~
- Liaises and assists rating agencies in the evaluation of the credit worthiness of the Corporation's debt securities;
- Reviews and recommends to Council the financial and business aspects of any material lease agreements and transactions; and
- Ensures all reporting requirements identified within this Policy are met.

3) Chair of Council

- May execute and sign documents on behalf of the Corporation with respect to the issuance of debt securities.

Formatted: Left, Space Before: 0 pt, After: 0 pt, Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Space Before: 0 pt, After: 0 pt, Bulleted + Level: 1 + Aligned at: 1" + Indent at: 1.25"

Formatted: Space Before: 0 pt, After: 0 pt

Formatted: Space Before: 0 pt, After: 0 pt

Formatted: Indent: Left: 1.25", First line: 0", Space Before: 0 pt, After: 0 pt

Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Space Before: Auto

- Is a member and Chair of the Debenture Committee

4) Regional Clerk

   The Regional Clerk may certify and sign documents on behalf of the Corporation with respect to the issuance of debt securities.

5) Chief Administrative Officer

   - Is a member of the Debenture Committee

6) The Debenture Committee may exercise the authorities granted to it under Bylaw No. 2010-69 in terms of enacting bylaws authorizing the issuance of debentures.

REFERENCE:

Committee of the Whole Report 8, Clause 2, adopted by Council December 19, 2013

Finance and Administration Committee Report 9, Clause 1 adopted by Council November 17, 2011

Replaces Finance and Administration Committee Report 1, Clause 3 adopted by Council January 27, 2011

Replaces Finance and Administration Committee Report 7, Clause 6 adopted by Council September 23, 2010

Replaces Finance and Administration Committee Report 7, Clause 8 adopted by Council September 18, 2008

Replaces Finance and Administration Committee Report 1, Clause 2 adopted by Council January 23, 2003.

Municipal Act, 2001, S.O. 2001, c. 25 Sections 405(1), 407(1), 408(3,4), 409(2)
Local Improvement Act, R.S.O. 1990, c.L.26, Section 53(2)
Tile Drainage Act, R.S.O. 1990, c.T.8, Section 2(1)
Ontario Regulation 266/02 - Financing Leases for Municipal Capital Facilities
Ontario Regulation 278/02 - Construction Financing
Ontario Regulation 276/02 – Bank Loans
Ontario Regulation 653/05; 291/09 – Debt Related Financial Instruments and Financial Agreements
Ontario Regulation 403/02 – Debt and Financial Obligation Limits

CONTACT:

Manager, ~~Treasury and Reserves~~Investment and Cash Management – ~~Policy, Risk and~~ Treasury ~~Branch~~Office, Finance Department

APPROVAL INFORMATION			
CAO Approval Date:	n/a		
Committee: Committee of the Whole	**Clause**: ~~2~~	**Report No**: 8 Edocs No~~. 5294362~~5501548	
Council Approval:	**Minute No**. ~~168~~	**Page**: ~~75~~	**Date:** ~~**December 19, 2013**~~\

1927986 P01/5/1
41059 Archived Policy dated January 23, 2003

APPENDIX 1

Maximum Financing Term of an Asset

3 Years

- Computer software
- Police patrol vehicle

4 Years

- General purpose vehicle
- Personal computer and monitors

5 Years

- Mainframe computer/server and network equipment
- Radio and telecommunications system
- Office furnishings
- Audio and Video equipment
- Printers

10 Years

- Specialized vehicle/equipment
- Parking lot
- Public Works facility (depot, dome, etc.)
- Solid waste equipment
- Transit vehicle
- Park, recreational facility
- Dock, wharf, pier, breakwater
- Retaining wall, embankment, flood control

- Sidewalk, path
- Tile drainage
- Street lighting
- Underground wiring

15 Years

- Police station
- Health clinic
- Library
- Fire station

20 Years

- Water main, hydrant, filtration plant, storage facility, pumping station
- Sanitary sewer, storm sewer, treatment plant, pumping station
- Solid waste landfill site
- Home for the aged
- School, other educational building
- Office building
- Hospital
- Dam, reservoir
- Road
- Emergency Medical Services station

Greater than 20 years

- Major infrastructure –only when term approved by ~~Regional~~ Council

30 Years

- Water and wastewater main projects, subject to:
  a) the underlying assets having a useful life of at least 30 years; and
  b) the project being in receipt of dedicated revenues for a similar period.

- Housing projects, subject to:

  a) the underlying assets having a useful life of at least 30 years; and

  b) the project being in receipt of dedicated revenues for a similar period.

APPENDIX 2

Prescribed Foreign Exchange Currencies

1. Dollars of Australia.
2. Francs of France.
3. Marks of Germany.
4. Yen of Japan.
5. Guilder of the Netherlands.
6. Francs of Switzerland.
7. Sterling money of the United Kingdom.
8. Dollars of the United States of America.
9. The euro currency adopted by member states of the European Union.

O. Reg. 247/01, Sched.