

**Region of Waterloo
Corporate Services
Treasury Services**

To: Regional Council
Meeting Date: May 22, 2024
Report Title: Federation of Canadian Municipalities Debentures – June 5, 2024

1. Recommendation

For information.

2. Purpose / Issue:

This report provides background information and the final rate for the Combined Loan and Grant Agreement with the Federation of Canadian Municipalities (FCM) for the Developing Smart Traffic Solutions for a More Sustainable Region of Waterloo. Regional Council approval of the debenture by-law is required on May 22, 2024.

3. Strategic Plan:

The implementation of the Smart Traffic Solution aligns with the Corporate Strategic Plan objective to use a climate adaption lens to re-imagine infrastructure under the Climate-aligned growth priority.

4. Report Highlights:

- Each FCM loan agreement has a unique interest rate formula that is set when the loan agreement was executed. The formula uses the Government of Canada (GoC) 10 year benchmark bond rate from 5 business days before the debenture by-laws are passed and then has a “plus or minus” adjustment.

$$\text{GMF16441} = \text{GoC (May 15)} \text{ minus } 0.53\% = 3.68\% - 0.53\% = 3.15\%$$

The interest rate calculation for the Smart Traffic Solutions was influenced by the fact that FCM had identified this project as unique and a “first of its kind” for the agency and were invested in the outcomes in Waterloo Region and what this technology might be able to accomplish in other municipalities.

- The funds for this disbursement will be transferred to the Region on June 5, 2024. The loan will be a structured amortizing loan meaning there will be a principal and interest payment made every 6 months. FCM loan agreements are structured to

allow funds to be disbursed in stages. The loan payments are consolidated so as to follow the same repayment schedule. The repayments for this project will be made semi-annually on July 6 and January 6 until maturity on July 6, 2032

- The combined FCM grant and loan provides a financial benefit to the Region. The overall savings over 10 years (including the Advanced Disbursement issued in 2022) is calculated as the grant plus the debt servicing costs avoided as result of receipt of the grant and the debt servicing cost differential as compared to a comparable Region of Waterloo debt capital markets issue. The savings overall to the Region is approximately \$562,100.

5. Background:

Report TES-TRP-21-09/COR-TRY-21-51 dated June 1, 2021 provided authority for the Chief Financial Officer to enter into a Combined Loan and Grant Agreement with the Federation of Canadian Municipalities (FCM) for the Implementation of the Miovision Advanced Transportation Management System. FCM provides the loan as Trustee of the Green Municipal Fund and the loan is secured through a debenture issued by the Region to FCM. The agreement was executed on July 21, 2021 to provide a loan in the amount of \$2,087,652 and a grant of \$313,147.

Report COR-TRY-22-76 dated June 22, 2022 informed council of the need to pass by-law 22-032 to issue debt for the Advanced First Loan Disbursement Payment of \$949,000 that settled on July 6, 2022. This left an additional \$1,138,652 in loan proceeds and debt to be issued, which is the subject of this report.

The debenture is issued under the authority of By-law 22-017 which authorizes the Chief Financial Officer to proceed with a debenture issue that best meets the requirements of the Region and then report the results of the issue to Council at its next scheduled meeting. The terms and conditions of the agreement between the Region and FCM relative to the issuance of debentures are in accordance with the Municipal Act and are consistent with the terms and conditions and requirements of a capital market issue.

The required by-law including the repayment schedule is listed in this Council agenda for first, second and third reading.

6. Communication and Engagement with Area Municipalities and the Public

Area Municipalities: Nil

Public: Nil

7. Financial Implications:

Annual debt servicing costs arising from this 8 year FCM debenture issue of \$1,138,652 will be \$162,100 per year for 8 years (with maturity on July 6, 2032) funded from the property tax levy.

8. Conclusion / Next Steps:

The following by-law must be enacted on May 22, 2024 to complete the execution of the transaction:

By-law Number 24-016: A By-law to authorize the borrowing upon amortizing debentures in the principal amount of \$1,138,652 for a capital work of The Regional Municipality of Waterloo.

9. Attachments:

Nil.

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