

**TOWN OF MINTO**

**DATE:** June 13, 2018  
**REPORT TO:** Mayor and Council  
**FROM:** Gordon Duff, Treasurer  
**SUBJECT:** 2008 Debenture Refinancing

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**STRATEGIC PLAN:**

Manage Town finances in a transparent and fiscally responsible manner using a wide variety of accepted methods such as maintaining healthy reserves, investing conservatively, sensible user fees, property tax control, and responsible borrowing.

**BACKGROUND:**

In 2008, the Town borrowed \$2,125,000 through the County of Wellington and its financial agent, National Bank Financial through the passage of By-Law 08-42. The proceeds of this part of the debenture was used to assist in the financing of sewer and water service installations on Arthur Street, Harriston, and a Connecting Link project and watermain replacement in Clifford. The loan was divided into two terms – ten year and twenty year. The ten year portion of the debenture is paid off in 2018, but the balance of \$557,000 for the twenty year term must be refinanced. This requires the Town ask the County of to issue a new debenture on our behalf. It also passage of an Application By-Law by the Town of Minto and a Debenture By-Law by the County of Wellington.

**COMMENTS:**

With this type of debenture structure, there is an inherent interest rate risk in that the rate at the time of refinancing could be higher than the original debenture rate. Fortunately in this case, long term interest rates are now lower than they were in 2008. The original debenture was issued a rate of 4.84%. The rate for the new debenture will be approximately 3.067%, thus reducing debt servicing costs over the next ten years.

Staff checked with our local bank but as often is the case for long-term borrowing, it is difficult for commercial banks to compete in the municipal lending sector as their best rate would be over half a point higher than a County debenture. Appropriate documentation to support this borrowing was forwarded to our financial solicitors, WeirFoulds, LLP and has been reviewed and accepted. The closing date for this transaction is July 3, 2018.

The recent \$2,100,000 debenture issued in May 2018 includes a portion of the issue over a twenty year term, but there is no such refinancing requirement after ten years.

**FINANCIAL CONSIDERATIONS:**

There will be certain legal and financial expenses, which will be covered in lower debt payments by the first installment. The first semi-annual payment on this new serial debenture will be due in mid 2019.

**RECOMMENDATION:**

THAT Council accepts the Treasurer's June 13<sup>th</sup> 2018 report regarding 2008 Debenture Refinancing and considers passage of the related By-law in Regular Session.

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Gordon Duff  
Treasurer