

To: Council in Committee of the Whole

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CNCL-23-127

Date of Report: November 24, 2023

Date of Meeting: December 1, 2023

Subject: 2024 Mayor's Budget, Interfund Notes

Ward: All Wards

File: 03-05

1.0 Purpose

Each year the City is legislated, through the Municipal Act, 2001 (Section 290), to adopt a balanced budget. The operating and capital budgets of the municipality detail the financial obligations and required revenue needed to deliver goods and services to the community as well as investing in capital infrastructure priorities.

In June of 2023, the Province introduced legislation to grant Strong Mayor Powers to the Mayors of a number of growing municipalities which has been in effect as of July 1, 2023. Strong Mayor Powers includes responsibility for the budget. While legislation that guides municipal budgeting processes has been changed by the Province, the adoption of revenue sources, including the issuance of debt remains within Council authority.

The purpose of this report is to obtain City Council approval regarding:

- The repayment of Interfund Notes totaling \$2,197,210 as outlined in the 2024 Mayor's Proposed Budget; and
- The debt issuance and approval of Interfund Note #72.

This is the third of three reports outlining the revenue requirements for the Mayor's Proposed 2024 Budget. The first report relates to the use of Tax Levy and Other Revenue Sources (Report CNCL-23-125) and the second report relates to the use of Reserve and Reserve Funds (Report CNCL-23-126).

2.0 Recommendation

It is recommended to City Council:

1. That pursuant to Report CNCL-23-127 dated November 24, 2023 Interfund Notes amounting to \$2,197,210 be repaid through funding available in the Debt Management Reserve; and,
2. That a By-law be brought forward to the first regular Council meeting following the passage of the Budget for the the Interfund Note debt issuance to be determined through the Mayor's Proposed 2024 Budget, as may be amended.

3.0 Executive Summary

Not applicable

4.0 Input From Other Sources

Director, Legislative Services/City Clerk

5.0 Analysis

5.1 2024 Mayor's Budget – Repayment of Interfund Notes (IFN)

In accordance with the City's Interfund Notes (IFN) policy as outlined in Report CM-07-59, a City IFN may be retired in whole or part at any time permitting full flexibility.

The purpose of the discretionary Debt Management Reserve is to provide funding for the retirement of internal and external debt and its related issuance costs. This reserve has an available balance that can fund the \$2,197,210 repayment of existing Interfund Notes.

The 2024 Mayor's Proposed Budget includes early repayment of \$2,197,210 of Interfund Notes, thereby eliminating principal and interest payments of \$271,149 annually.

5.2 2024 Mayor's Budget – New Interfund Note

In accordance with the IFN Policy, the use of City IFN provides a less expensive funding method as the interest rate is lower than could be obtained through a debenture and avoids costs of initiation.

The 2024 Mayor's budget includes the issuance of an Interfund Note with payments commencing in 2025 for the principal amount of \$7,469,000, as may be amended for a maximum term not to exceed 10 years at an interest rate of 5.0% interest (per Royal Bank of Canada lending rate) for the financing of 2024 proposed capital additions, as included in the Mayor's 2024 Proposed Budget, and comprised of the following:

- Roof Replacement – Harman Arena
- Bunker Gear Storage Rooms – Fire Halls
- Structural Rehabilitation Program
- Replace Flat Roof - Jubilee
- Rose Valley Community Park
- Everglades Park Redevelopment
- Parks Enhancement Program
- Greenbriar Park Redevelopment
- Pedestrian Structure Replacement
- Replacement of Transponders and Equipment
- Thornton Road North Development (Conlin Rd W to Winchester Rd)

In accordance with the Interfund Note Policy CM-07-59, City Council is required to approve the issuance of a new IFN by passing a By-law and to notify the Regional Municipality of Durham.

6.0 Financial Implications

The early repayment of \$2,197,210 of Interfund Notes will save the organization \$271,149 in annual principle and interest payments until maturity in 2032.

As part of the City's capital plan for 2024, a new issuance of debt will be required in the amount of 7.469M, as may be amended. Over 10 years this new debt will require annual principal and interest payments of approximately \$967,270 (at an interest rate of 5%) commencing in 2025.

In 2024, Debenture By-law 137-2004 will be fully paid and matured. The payments related to the matured debenture of approximately \$1.189 million will become available in the budget and can be directed towards the new debt payment coming on stream, therefore there is no tax levy impact related to the new debt payments.

7.0 Relationship to the Oshawa Strategic Plan

This report supports the Oshawa Strategic Plan goals of Accountable Leadership, Economic Prosperity and Financial Stewardship to the extent that it is consistent with sound financial management.

A handwritten signature in black ink, appearing to read 'S. Sinnott', written in a cursive style.

Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department