



## Staff Report

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<b>Report To:</b>	<b>Council</b>		
<b>Date of Meeting:</b>	June 20, 2022	<b>Report Number:</b>	FSD-030-22
<b>Submitted By:</b>	Trevor Pinn, Deputy CAO/Treasurer		
<b>Reviewed By:</b>	Mary-Anne Dempster, CAO	<b>Resolution#:</b>	
<b>File Number:</b>		<b>By-law Number:</b>	
<b>Report Subject:</b>	Debenture for Newcastle Community Park		

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### Recommendations:

1. That Report FSD-030-22 and any related delegations or communication items, be received;
2. That, in accordance with resolution #GG-240-22, up to \$3,217,520.39 for the new Newcastle Community Park, be funded through debenture at the discretion of the Deputy CAO/Treasurer with repayment to be through development charges as applicable;
3. That the Deputy CAO/Treasurer is authorized to make application to the Region of Durham for the necessary debenture, such terms at the discretion of the Deputy CAO/Treasurer not to exceed 20 years in any single issue; and
4. That all interested parties listed in Report FSD-030-22 and any delegations be advised of Council's decision.

## Report Overview

Debenture financing (debt) is a tool used to fund capital projects. To issue debt for a capital work, Council must authorize the work to be debt-financed before the work starts. This report seeks authorization to debenture finance the Newcastle Community Park to ensure that this option remains available to the Municipality in the future if so required. The authorization is also required if long-term internal borrowing is utilized, which is the likely requirement.

Debt financing will not likely occur before 2023 as the Region of Durham has already completed their 2022 debt issuance.

## 1. Background

- 1.1 At its June 6, 2022 General Government Committee meeting, [Report FSD-029-22](#) provided an updated cost for the Newcastle Community Park. Additional funding of approximately \$2.4million was sought for a total of \$3.2 million for the park facilities and amenities, excluding the skateboard park, which is already existing.
- 1.2 The project is development charge recoverable as it is growth-related and was included in the Municipality's most recent DC Study. Committee resolved in Resolution #GG-240-22 to go ahead with the construction contract award and fund the project through eligible Development Charges Reserve Funds and the Municipal Capital Works Reserve Fund at the discretion of the Treasurer.
- 1.3 The Park Development Charges Reserve Fund has an estimated balance of \$4.0 million and commitments of \$4.1 million. The Fund continues to receive funding as development charges are collected, however, there are insufficient funds in that particular account if all the other commitments come through.
- 1.4 The Municipality may borrow internally from other reserve funds and repay those reserve funds over time. If the time is anticipated to be longer than five years, the Region requires us to prepare a debenture process, even though it is internal (this was done in 2018).
- 1.5 The Municipal Act, 2001 restricts the ability to issue debentures and one of the requirements is that Council authorize the capital work before it starts. The debenture may occur after the work has begun but the authorization must be before the work starts.

## 2. Debenture Funding Option

- 2.1 To ensure that financing options are preserved, Staff recommend that Council authorize the Treasurer to apply to the Region of Durham. If the project starts, Council cannot

then provide authorization for debentures. Acting now preserves but does not obligate the Municipality the ability to debenture for this project.

- 2.2 There is no requirement that the Treasurer utilize debentures. The next Region of Durham debenture issuance is anticipated to be in the fall of 2023; this would provide a full year to determine if the applicable DC Reserve Funds could be utilized to fund or internally borrow from.
- 2.3 If internal borrowing is used, and the repayment plan is anticipated to be five years (which could be an option that provides stable cash flow to the reserve funds), an internal debenture could be utilized, which would still require the same authorization an external debenture seeks.
- 2.4 There is no downside to providing this authorization as there is no obligation to proceed with a debenture. The debenture can be funded through the collection of development charges, and internal resources can still be utilized if it makes long-term financial sense.

### **3. Concurrence**

Not Applicable.

### **4. Conclusion**

It is respectfully recommended that Council provides authorization to the Treasurer to seek debenture financing for the Newcastle Community Park.

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Staff Contact: Trevor Pinn, CPA, CA, Deputy CAO/Treasurer, 905-623-3379 ext.2602 or [tpinn@clarington.net](mailto:tpinn@clarington.net).

Attachments:

Not Applicable

Interested Parties:

There are no interested parties to be notified of Council's decision.