

APPROVAL REPORT

Debenture Bylaw

ISSUE

To receive approval from City Council for Debenture Bylaw No. 10017. This bylaw outlines the actual terms and conditions of the \$48,400,000, one- to ten-year serial debenture sale to the City's fiscal agents.

RECOMMENDATION

That City Council approve the following:

1. That the offer of RBC Dominion Securities Inc. and National Bank Financial Inc. (City's fiscal agents) be accepted and that his Worship the Mayor and the City Clerk be authorized to execute the same;
2. That City Council consider Debenture Bylaw No. 10017 which outlines the terms and conditions of the sale, and specifically authorizes a \$48,400,000 one to ten-year serial debenture issue to be dated July 3, 2024; and
3. That the Chief Financial Officer, the City Solicitor, and the City Treasurer be instructed to take the necessary steps to complete the debenture issue and sale.

BACKGROUND

The Cities Act and Bylaw [No. 8171](#), The Public Notice Policy Bylaw, 2003 requires Public Notice Hearings for any civic borrowing. Several City Council approved projects were identified through the budget process for borrowing and Public Notice Hearings were held for these projects and approved on the dates listed below.

At its Public Hearing meeting on March 12, 2012, City Council resolved in part:

“That City Council authorize the planned borrowing to finance the following projects approved, in principle, through Capital Budgets and capital plans:
c) up to \$7,500,000 for the Wastewater Energy Recovery Project (Capital Project 1247);”

At its Public Hearing meeting on February 11, 2013, City Council resolved in part:

“That City Council authorize the planned borrowing to finance the following projects approved, in principle, through Capital Budgets and Capital Plans:
f) up to \$5,800,000 for the Wastewater Electrical Redundancy Standby Generator (Capital Project 2211).”

Capital Project P.01247 and P.02211 were both cancelled with remaining funds transferred to P.02579 at City Council's Regular Business Meeting on [October 23, 2017](#), where it was resolved:

1. “That Capital Project #1247 – WWT – Energy Recovery and Capital Project #2211 – WWT Electrical Redundancy be cancelled at this time; and
2. That the remaining previous approvals of \$9.745 million from Capital Project #1247 – WWT – Energy Recovery and Capital Project #2211 – WWT – Electrical Redundancy be transferred to Capital Project #2579 – WWT – Digester Tank 4.”

At its Public Hearing meeting on [January 29, 2018](#), City Council resolved in part:

“That the planned borrowing to finance the following projects approved, in principle, through Capital Budgets and Capital Plans be approved:

3. up to \$21,960,000 for the Water Treatment Plant’s Transfer Pumping and Electrical Upgrades (Capital Project 2565);
4. up to \$10,080,000 for the Wastewater Treatment Plant’s Fourth Digester Tank (Capital Project 2579);”

At its Public Hearing meeting on [January 25, 2021](#), City Council resolved in part:

“That the planned borrowing to finance the following projects be approved, in principle, through Capital Budgets and Capital Plans:

1. up to \$30,881,000 for the North East Sector Reservoir (Capital Project 2219)”

At its Regular Business meeting on [May 29, 2024](#), when considering the “Authorization to Borrow – External Borrowing for Utilities Capital Projects” report, City Council resolved:

“That City Council grant authorization to the Chief Financial Officer to accept the terms of a \$48.6M one to ten-year serial debenture from the City’s fiscal agent, provided the all-in cost of borrowing does not exceed 5.50%, and subject to approval of the appropriate Debenture Bylaw.”

The actual borrowing required by the City of Saskatoon (City) was \$48.4 million which is \$200,000 less than indicated in the resolution of the “Authorization to Borrow” report.

DISCUSSION/ANALYSIS

On June 12, 2024, the Investment Committee accepted an offer from the City’s fiscal agents to purchase \$48,400,000 par value City of Saskatoon debentures at an all-in cost of 4.191%. It was estimated in the May 29, 2024 report, the all-in-borrowing cost for a one- to ten-year debenture issue would range from 4.50% to 5.50%. The City was able to take advantage of some economic data releases in the market that helped to push the cost of borrowing more in the City’s favor leading to a lower all-in-cost than anticipated. The market was also very receptive of the sale as the City’s fiscal agents were able to find enough investors to purchase the whole issue.

The debenture issue, to be dated July 3, 2024, is structured as a one- to ten-year serial issue with principal amounts maturing each year, July 3, 2025 to July 3, 2034. The

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interest rates for the debenture issue range from 3.850% to 4.550%. Details for the debenture issue can be found in Bylaw No. 10017 attached as Appendix 1.

Debentures issued by municipalities usually settle within three weeks from the date of acceptance. For the City's debenture, the sale was accepted on June 13, 2024 with the settlement date set for July 3, 2024. Given the tight timeline, it is necessary that the Debenture Bylaw No. 10017 be approved at this regularly scheduled meeting for the debenture to continue.

FINANCIAL IMPLICATIONS

The debt servicing of this debenture will have an operating impact of approximately \$6 million per year and this includes both principal and interest costs. The Water and Wastewater operating programs have sufficient funds in the budget to cover these payments for the full ten-year term of the debenture.

OTHER IMPLICATIONS

There are no privacy, legal, social or environmental implications.

NEXT STEPS

If approved the debenture will be issued July 3, 2024 with the details as outlined in Appendix 1.

APPENDICES

1. Debenture Bylaw No. 10017

REPORT APPROVAL

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