



FINANCE DEPARTMENT MEMORANDUM

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TO: MAYOR J. LEHMAN AND MEMBERS OF COUNCIL

FROM: T. RAYAISSE, PORTFOLIO MANAGER EXT. 4724

NOTED: C. MILLAR, DIRECTOR OF FINANCE AND TREASURER

D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RE: PUBLIC DEBENTURE ISSUANCE FOR THE 2019 CAPITAL FINANCING PLAN

DATE: JUNE 3, 2019

The purpose of this Memorandum is to provide members of Council with an update concerning the City's capital financing strategy in general and the 2019 capital financing (borrowing) plan in particular. As part of the City's drive for value creation and cost savings through innovation and agility, Council has adopted Motion 18-G-098 authorizing the Capital Financing and Debt Management Policy which delineates the strategy and the framework for the City's financing requirements.

Breaking from its traditional approach to borrowing, in 2017 the City started the process of diversifying the sources and the financial instruments used in its capital financing transactions. This included a swap transaction via Barrie Hydro Holdings Inc. (BHHI) and serial debentures issued through a commercial bank which led to significant savings in borrowing costs and staff resources.

Building upon the recent successes, the City is ready to take the next big step forward by returning to the Capital Markets with a public debenture issuance as part of the 2019 borrowing plan which totals \$49M. This issue is expected to raise \$30M towards the Barrie-Simcoe Emergency Services Campus project. A second round of issuance is slated for the fall for the remainder of this year's borrowing plan. This is very exciting and a key building block in the City's debt management strategy. In the coming days and weeks, expectations are for the Capital Markets to enthusiastically receive the City of Barrie as a strong issuer. For more than a decade the City has maintained the "AA" credit rating by Standard and Poor's (S&P) which is a global credit rating agency.

A Capital Markets transaction has the following potential benefits:

1. **Speed of Execution:** Rated issuers can access the public bond market within a very short period of time (typically one week from launch to pricing plus an additional week to execute the debenture by-law and receive funds).
2. **Pricing Advantage:** Typically more than five basis points better than traditional means of borrowing.
3. **High Pricing Visibility:** A clear idea of the cost of borrowing since it is based on the spread over and above the Government of Canada yield curve.
4. **Issuance Flexibility:** Capital Markets transaction allows for maximum term, structure flexibility and most importantly market timing.
5. **Investor Receptivity:** A public transaction will expand City's name recognition and its strong S&P rating. This signals to lenders that the City has a strong liquidity profile because of its access to Capital Markets.

Upon pricing the transaction, as usual a debenture by-law containing the specifics of the transaction will be submitted for Council's approval. As a reminder, the capital financing (borrowing) plan referred to in this document is the execution plan for the annual capital plan with regards to debt funding. During the annual budget cycle, Council approves capital projects to be funded by debt. Based on this approval (borrowing by-laws), staff then proceed to negotiate and secure the best financing alternative to fund the projects.