

Committee of the Whole (2) Report

DATE: Tuesday, November 10, 2020

WARD(S): ALL

TITLE: CITY OF VAUGHAN'S CORPORATE DEBT POLICY

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services and Chief Financial Officer

ACTION: DECISION

Purpose

To seek Council approval of the City of Vaughan's new Corporate Debt Policy.

Report Highlights

- The Service Excellence - Fiscal Framework Project identified the need to develop a Corporate Debt Policy to establish governance in the issuance and management of debt and debentures.
- The City of Vaughan is committed to service excellence and fiscal sustainability by establishing a Corporate Debt Policy to provide guidelines and standardize practices in the administration of debt and debentures, ensure they are issued in a responsible and consistent manner and provide clarity regarding management and reporting requirements.
- A strong policy framework supports the City's commitment to accountability, transparency and effective governance.

Recommendations

1. That the Corporate Debt Policy be approved; and
2. That the Policy attached be approved.

Background

The issuance of debt and debentures can play a very important role in the City's finances. They can provide liquidity to fund renewal and replacement of assets and infrastructure and fund other capital projects, spreading payments over the life of the asset rather than entirely upfront.

The City of Vaughan has used and continue to use debt to fund capital projects, mainly for the repair and rehabilitate of roads. As of August 31, 2020, the total outstanding debt was \$19.4 million, comprising of the remaining amounts of debentures issued between 2011 and 2016. Although the loans remain in good standing as debt servicing payments for principle and interest charges are made regularly and on schedule, there is currently no policy to govern the use and administration of debt. The purpose of the Corporate Debt Policy is to establish financial guidelines and appropriate controls for the issuance and management of debt for the City.

The Corporate Debt Policy consists of two sections. The first section is the Policy Section which provides an overview and guidance on general principles and topics that apply to the issuance, management and reporting of debt. The second section titled "Policy Appendix" provides more detailed guidance related to specific assets and capital projects funded by debt / debentures.

Previous Reports/Authority

N/A

Analysis and Options

While debt is not a funding source, it is recognized that it can be an efficient and effective financing tool when utilized appropriately and an equally important tool for establishing a long-range financial sustainability plan. The City of Vaughan recognizes that the issuance of debt and/or debentures must be made in the context of the optimum utilization of all available financial resources within statutory limitations and the basic need to protect and preserve capital while maintaining solvency and liquidity to meet current and future financial requirements.

This proposed policy provides guidelines, principles and procedures to ensure debt is utilized in a responsible manner with consideration of affordability while maintaining fiscal flexibility, sustainability and an overall healthy financial position to respond to future financial challenges and opportunities.

Financial Impact

This policy applies to all future debt financing that may be issued by the City of Vaughan.

The City of Vaughan's internal Annual Debt Repayment Limit is established at 10% of operating revenues which will be the limit set out in the policy.

Funding for future debt servicing costs for both principal and interest will be included in future tax supported operating budgets of the City.

Broader Regional Impacts/Considerations

The City recognizes that in order to ensure orderly placement of a Debenture issue within capital markets, York Region (the Region) requires a lengthy notice period for the issuance of Debentures.

The minimum notice required by the Region, excluding the time required for local Council to approve borrowing bylaw is 4 months. However, the Region typically sends out an email communication twice a year to survey any debenture requirements to match the Region's scheduled issuances of twice a year in the capital markets. Advanced notice also allows the team to work with the City to ensure the appropriate borrowing by-law is presented to Vaughan Council.

Conclusion

The Corporate Debt Policy supports the City's commitment to financial sustainability by providing a principle-based approach to fiscal planning decision-making which represents stewardship of public funds. It will enhance decision-making practices across the City and help identify and manage pressures and constraints and mitigate their impacts. The City will only undertake issuance of Debt in compliance with the provisions of the Municipal Act 2001 (the Act) and its regulations governing the issuance of debt.

For more information, please contact:

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Attachments

1. Corporate Debt Policy
2. Policy Appendix A

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Approved by



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Reviewed by



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