DEBENTURE APPROVAL - TOWN OF NEWMARKET

1. RECOMMENDATIONS

It is recommended that:

1. Council approve the issuance of debentures on behalf of the Town of Newmarket in an amount not to exceed $1,025,305 for a term not exceeding 10 years, and in an amount not to exceed $16,054,000 for a term up to 20 years, for the projects described below.

2. PURPOSE

The purpose of this report is to request that Council approve the issuance of debentures totalling $17,079,305 for four capital projects on behalf of the Town of Newmarket.

3. BACKGROUND

An application has been received from the Town of Newmarket requesting Regional approval for the issuance of debentures regarding four capital projects as follows:

Purpose	Term	Amount
The purchase of the property at 896 Mulock Drive in Newmarket (Walker/Stickwood Farm)	Not exceeding 20 years	$12,300,000
Redevelopment of the Market Square parking lot and the performance of Streetscaping Works in the Main Street South area of Newmarket	Not exceeding 20 years	904,000
The purchase and development of the property at 56 Charles Street in Newmarket	Not exceeding 20 years	2,850,000
Construction of watermain and sewermain works as part of the Eagle/Gorham Infrastructure Improvements in Newmarket	Not exceeding 10 years	1,025,305
Total Debenture Financing		$17,079,305

4. ANALYSIS AND OPTIONS

Based upon the Region's current borrowing costs of approximately 5.00% and 5.75% for ten and twenty years, respectively, the Town of Newmarket would incur annual debt servicing interest and repayment costs for its projects estimated at the following amounts:

Project	Borrowing Term (years)	Estimated Annual Debt Servicing
Purchase of 896 Mulock Drive	20	$1,051,000
Market Square and Streetscaping Works	20	77,000
Purchase of 56 Charles Street	20	243,000
Eagle/Gorham Infrastructure Improvements	10	133,000
Total Annual Costs		$1,504,000

In addition to the annual debt servicing, debenture issuers incur one-time costs relating to underwriting commissions, legal expenses and depository fees which are netted from the debenture proceeds. These issuance costs are allocated on a pro-rata basis among Regional projects and participating municipalities based on principle amount borrowed. The Region does not charge any fees to local municipalities to arrange and coordinate debt issues or to administer and control debt repayment.

Finally, the Town of Newmarket's most recent annual debt and financial obligations limit as received from the Ministry of Municipal Affairs and Housing ("the Ministry") has been updated to incorporate the estimated annual amount payable in respect of the debentures associated with the above-referenced projects. Since additional costs were found to be within limits set out by the Ministry, the approval of the Ontario Municipal Board is not required.

5. FINANCIAL IMPLICATIONS

There are no financial implications for the Region associated with this report.

6. LOCAL MUNICIPAL IMPACT

As noted above, the annual debt servicing costs associated with the issuance of these debentures to be borne by the Town of Newmarket will be approximately $1,504,000. However, since the earliest that the Region may issue debentures is expected to be Spring 2004, the Town will also incur short term borrowing costs of approximately $253,000.

Charges for underwriting commissions and other fees referenced above are typically equal to approximately 1.0% of the total amount borrowed and for the Town's debt requirements would be estimated at $171,000.

7. CONCLUSION

The Town of Newmarket is requesting Regional Council approval for the issuance of debentures up to $1,025,305 for a watermain and sewermain works project, up to $904,000 for redevelopment and streetscaping works, up to $15,150,000 for the purchase of a certain properties in Newmarket.

As the estimated annual amount payable for the debentures would not cause the Town to exceed its debt and financial obligations limit, it is recommended that Council approve this request.

The Senior Management Group has reviewed this report.