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SINKING FUND REQUIREMENTS - 2011

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated December 6, 2010, from the Commissioner of Finance.

1. RECOMMENDATION

It is recommended that:

1. The 2011 Budget include an amount of $54,327,011 for the purpose of meeting sinking fund obligations under existing debenture by-laws.

2. PURPOSE

This report is to advise of the amount that must be raised in 2011 in order for the Region to meet its sinking fund obligations.

3. BACKGROUND

The Region uses sinking fund debentures as its main source of debt financing. Sinking fund debentures repay the investor the full principal amount at the final maturity date, whereas instalment debentures repay the investor a portion of the principal amount each year throughout the term of the debenture. For each new Sinking Fund debenture issue, a sinking fund is established by the Region whereby a fixed amount is contributed each year until the maturity date of the debenture. The sum of the annual contributions and the interest earned on those contributions is used to repay the debentures at maturity.

Section 424(4) of the Municipal Act requires that the Treasurer advise Council each year of the amount, if any, that must be raised for sinking fund purposes.

The Sinking Fund Committee is comprised of the Commissioner of Finance and two appointed members (typically an area municipal Treasurer whose municipality has sinking fund debenture debt outstanding), currently Newmarket and East Gwillimbury. The purpose of the Committee is to control the assets of the Sinking Fund, comprised of investments and a bank account. Meeting at least once a year, the Committee's responsibilities include the review and adoption of the Sinking Fund's financial statements, budget, and list of approved investments. In addition, the Committee discusses the investment returns and interest rate outlook and recommends appropriate actions, as required.

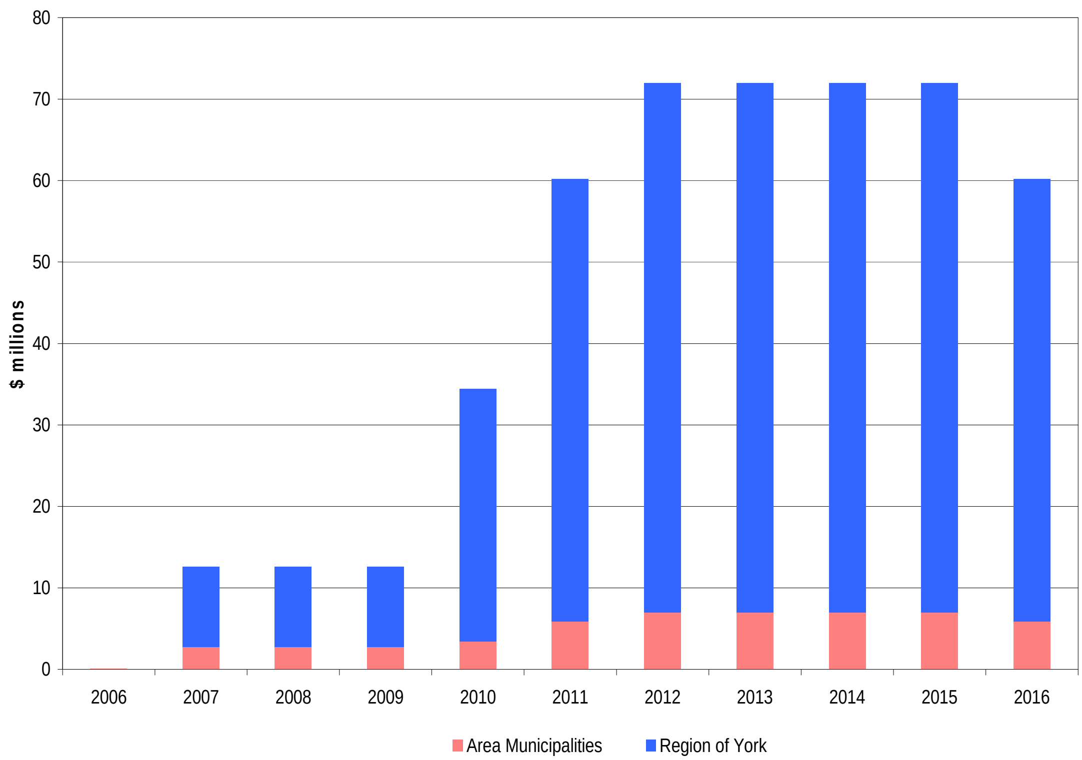
4. ANALYSIS AND OPTIONS

Annual sinking fund contributions will be required in 2011 for debentures issued for regional purposes as well as those issued on behalf of the City of Vaughan, the Township of King and the Town of Newmarket.

5. FINANCIAL IMPLICATIONS

In 2011, the total sinking fund contributions required for debt issued by the Regional Municipality of York will be $60,187,311. Of this amount, the Region must raise $54,327,011 for debt issued on behalf of its own capital projects. The balance of the requirements for debt issued on behalf of area municipalities will be paid by the individual municipalities through their budgets.

Annual Sinking Fund Contributions
2006 to 2016



6. LOCAL MUNICIPAL IMPACT

The following table summarizes the total sinking fund payments that will be administered by the Region in 2011 as well as the amounts due from Area Municipalities.

Table 1
2011 Sinking Fund Payment Requirements

Municipality	Amount
City of Vaughan	$3,715,151
Township of King	1,743,540
Town of Newmarket	401,609
Subtotal – due to York Region	$5,860,300
Regional Municipality of York	54,327,011
Total	$60,187,311

7. CONCLUSION

The total sinking fund requirement in 2011 for debentures issued by the Region of York is $60,187,311. Of this amount, $54,327,011 must be included in the 2011 Budget to meet the Region's obligation.

For more information on this report, please contact David Williams at Ext. 1620.

The Senior Management Group has reviewed this report.