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SINKING AND RETIREMENT FUND REQUIREMENTS FOR 2012

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated December 14, 2011, from the Commissioner of Finance.

1. RECOMMENDATION

It is recommended that:

1. Council approve the $82,810,844 included in the 2012 Budget for the purpose of meeting the Region's sinking and retirement fund obligations under existing debenture bylaws.

2. PURPOSE

This report is to advise Council of the amount that must be raised in 2012 to meet the Region's sinking and retirement fund obligations.

3. BACKGROUND

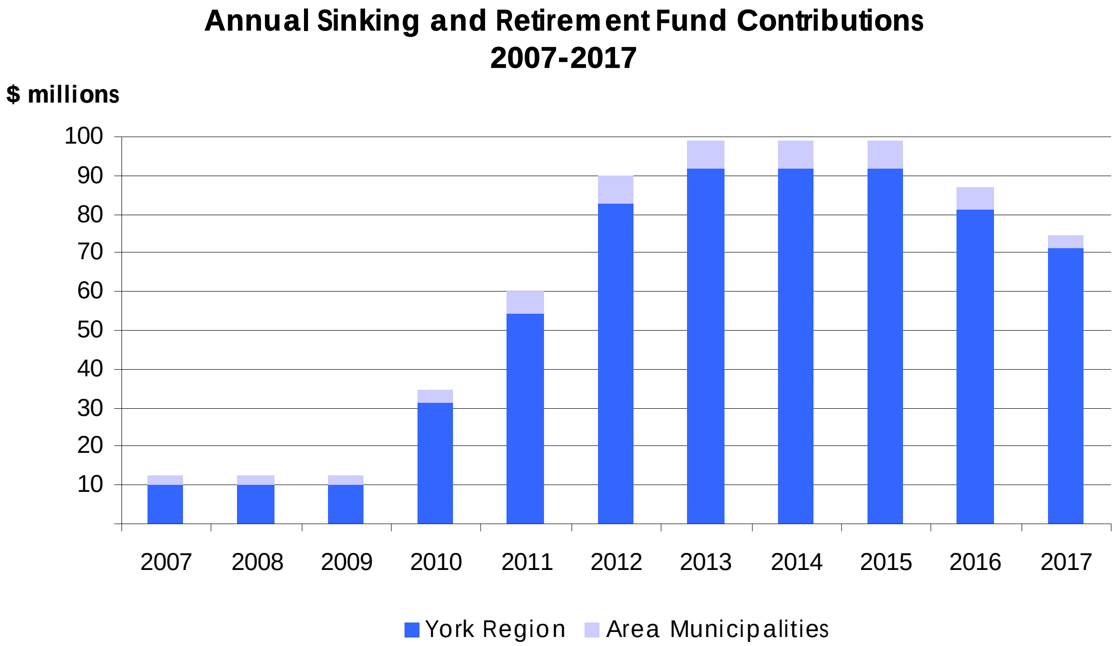
The Region uses term debentures with either sinking or retirement fund features as its main source of debt financing. This type of debenture repays the investor the full principal amount at the final maturity date, whereas an instalment debenture repays the investor a portion of the principal amount each year throughout the term of the debenture. For each new term debenture issue, a sinking or retirement fund is established, with a fixed amount contributed each year until the maturity date of the debenture. The sum of the annual contributions, together with the interest earned on those contributions, is used to repay the debenture 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 or retirement fund purposes.

4. ANALYSIS AND OPTIONS

Sinking and retirement fund contributions will be required in 2012 for debentures issued for regional purposes and for debentures issued by the Region on behalf of the City of Vaughan, the Township of King and the Town of Newmarket.

In 2012, the total sinking and retirement fund contributions required for debt issued by the Regional Municipality of York will be $89,765,230. Of this amount, the Region must raise $82,810,844 for debt issued for its own capital projects. The balance of the requirement is for debt issued on behalf of local municipalities that they will raise through their own budgets.



Link to Key Council–approved Plans

The use of term debentures as the Region's main source of debt financing, which requires an annual contribution, helps the Region to practise sound fiscal management–one of the 2011 to 2015 Strategic Plan objectives. The total of annual contributions and interest earned will be sufficient to repay the principal maturing debt when it is due. For the creditors, this significantly reduces the risk that the organization will default. Sinking funds help to support the Region's high credit rating.

5. LOCAL MUNICIPAL IMPACT

The following table summarizes the total sinking and retirement fund payments that will be administered by the Region in 2012.

Table 1
2012 Sinking and Retirement Fund Payment Requirements

Municipality	Amount
City of Vaughan	$4,809,237
Township of King	1,743,540
Town of Newmarket	401,609
Subtotal – due to York Region	$6,954,386
Regional Municipality of York	82,810,844
Total	$89,765,230

6. CONCLUSION

The total sinking and retirement fund requirement in 2012 for debentures issued by the Region of York is $89,765,230. Of this amount, $82,810,844 has been included in the 2012 Budget to meet the Region's own sinking fund obligations.

For more information on this report, please contact Ed Hankins, Director, Policy, Risk and Treasury at Extension 1644.

The Senior Management Group has reviewed this report.