5
DEBENTURE TERM CHANGE APPROVAL - TOWN OF GEORGINA

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, May 6, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. Council approve a change in the term of previously approved debentures to be issued on behalf of the Town of Georgina in an amount not to exceed $26,284,000 from a term not exceeding 15 years to a term not exceeding 20 years.

2. PURPOSE

The purpose of this report is to request that Council approve a change in the term of debentures to be issued for a capital project on behalf of the Town of Georgina.

3. BACKGROUND

The Town of Georgina is requesting Regional approval for a change in the term of debentures to be issued for the construction of a municipal water and sewer system within the Willow Beach and surrounding Lakeshore Communities. Regional Council approved the issuance of these debentures at its meeting on February 20, 2003 with a term not exceeding 15 years.

The Town's request for the extension of the term for these debentures reflects improved market conditions such that financing is now more readily available for a period beyond the original 15 year term.

4. FINANCIAL IMPLICATIONS

There were no financial implications to the Region associated with the issuance of these debentures on behalf of the Town of Georgina.

5. LOCAL MUNICIPAL IMPACT

Borrowing costs as at May 6, 2004, are estimated to be approximately 5.05% and 5.35% for 15 year and 20 year terms, respectively.

Based upon those costs, by extending the debenture term for this project from 15 years to 20 years, the Town of Georgina would reduce its debt servicing interest and repayment costs by approximately $368,000 per year (to an annual payment of approximately $2,155,000) and increase its total interest costs by approximately $5,257,000 over the lifetime of the debentures.

6. CONCLUSION

The Town of Georgina is requesting Regional Council approval for a change in the term of previously approved debentures to be issued in an amount not to exceed $26,284,000 for the construction of a municipal water and sewer system within the Willow Beach and surrounding Lakeshore Communities.

By extending the term of the debenture, the Town of Georgina will increase total interest costs over the lifetime of the debentures; however, annual debt servicing costs will be reduced by $368,000, thereby lessening the impact on its tax levy.

The Senior Management Group has reviewed this report.