



The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2025-F-4
Date: May 13, 2025

Subject:

The issuance of debentures on behalf of the Town of Ajax, Municipality of Clarington, City of Pickering, Township of Uxbridge and the Region of Durham, and a loan application with Infrastructure Ontario on behalf of the Region of Durham

Recommendations:

That the Finance and Administration Committee recommends to Regional Council:

2025 Debentures

- A) That the Commissioner of Finance be authorized to issue external debentures, in a total principal amount not to exceed \$161,989,000 on behalf of the Town of Ajax, the Municipality of Clarington, City of Pickering, Township of Uxbridge and the Regional Municipality of Durham ("**Region**") over various terms, with such terms not to exceed 20 years relating to the financing requirements detailed in the body of this report;
- B) That the Commissioner of Finance be authorized to negotiate the proposed terms and conditions of the external debenture issue as deemed necessary by the Fiscal Agents and sign the Purchase Letter to successfully market the issue to prospective investors, with the possibility that the Region may purchase all or part of the debentures; and
- C) That the Region be authorized to issue the external debentures through CDS Clearing and Depository Services Inc.'s "Book Entry Only" system.

Infrastructure Ontario ("IO") Loan Program

- D) That the Commissioner of Finance be authorized to seek long-term borrowing of up to \$90,976,949 on behalf of the Region from the Ontario Infrastructure Lands and Corporation, or IO, under the Housing-Enabling Water Infrastructure ("**HEWI**") lending stream over various terms, with such terms not to exceed 20 years relating

to the financing requirements detailed in the body of this report, subject to approval from IO;

- E) That the entering into of a financing agreement under the HEWI lending stream of IO by the Regional Chair and the Commissioner of Finance be approved, subject to the satisfaction of the Commissioner of Finance, and approval be granted for the requisite authorizing by-law(s); and
- F) That the Commissioner of Finance and Regional Chair be authorized to generally do all things and to execute all other documents and papers in the name of the Region in order to carry out the long-term borrowing under the financing agreement.

Update on Approved Debenture Finance for Durham Region Transit Project

- G) That the location of the 110 Westney Facilities EV Charging Infrastructure Project approved through [Report #2024-F-18](#) in the amount of \$2,300,000 financed by debentures be relocated to Durham Region Transit Oshawa Facility as a result of available electricity capacity.

Report:

1. Purpose

- 1.1 To seek authority to issue external debentures on behalf of the Town of Ajax, Municipality of Clarington, City of Pickering, Township of Uxbridge and the Region.
- 1.2 To seek authority to acquire debt financing and pursue next steps under IO's HEWI lending stream for some of the Region's growth-related water and sewer projects, subject to approval.
- 1.3 To seek Council's direction to shift the location of the approved Durham Region Transit electrification project and associated debenture financing from the Westney Transit Facility to the Oshawa Transit Facility.

2. Background

- 2.1 The recommendation to issue external debentures by the Region for \$161,989,000, is brought forward at this time in response to requests for funding from the Town of Ajax, Municipality of Clarington, City of Pickering, Township of Uxbridge and the Region related to various capital works. To meet the financing needs of the Region and the lower-tier municipalities, it is anticipated that the Region will go to market and issue one or more debentures during 2025.
- 2.2 Typically, the Region issues Serial debentures, which are more suitable for borrowing amounts up to approximately \$75,000,000, and terms up to twenty

years. With increased borrowing requirements, Sinking Fund, or Bullet, debentures may be considered to accommodate issuance sizes above \$75,000,000, with issuance terms normally up to thirty years.

- 2.3 Sinking Fund debentures are widely used by other borrowers, including the City of Toronto, the Region of Peel and the Region of York, and attract a broader investor base due to their enhanced liquidity. Unlike Serial debentures, where annual principal repayments reduce the outstanding principal each year up to maturity, Sinking Fund debentures pay only interest semi-annually, with the entire principal balance paid off at maturity. In lieu of annual principal repayments, a Sinking Fund is established with annual contributions, and those contributions are invested and monitored to ensure that sufficient funds are accumulated to retire the debt at maturity.
- 2.4 Issuing Sinking Fund debentures requires additional oversight and administration such as separate financial statements and audits to ensure that annual contributions are deposited and managed to achieve the required rates of return in the Sinking Fund.
- 2.5 This report provides the parameters within which the Debenture Committee may exercise its delegated administrative authority to approve debenture by-laws to facilitate the closing of debenture issues.
- 2.6 In 2025, Standard and Poor's and Moody's Investors Services affirmed the Region's AAA credit rating. A report advising of this was included on a CIP report on the April 18th, 2025 distribution. Both agencies have maintained a stable outlook for the Region, referencing exceptional liquidity, very low debt levels, strong population growth within a diversified economy, stable and predictable revenues, and conservative fiscal management. The local municipalities also benefit from the Region's strong credit rating as the Region issues debentures on their behalf.
- 2.7 Despite multiple cuts to the Bank of Canada's overnight rate starting in June 2024, borrowing rates have remained elevated compared to the lows experienced during the pandemic due to trade uncertainty surrounding tariffs. In the near term, short-term interest rates are expected to be very volatile and long-term rates are likely to hover around current market levels.
- 2.8 Starting December 2, 2024, in partnership with the Ministry of Infrastructure and other government stakeholders, the IO Loans Program expanded to include funding for municipalities under the HEWI lending stream, a new financing source to support the construction, expansion, repair, and rehabilitation of housing-enabling water infrastructure projects. Regional staff applied for \$90,976,949 of funding on March 3, 2025, with board review expected in June 2025. Please see Attachment #1 for a copy of the HEWI loan application submitted to IO.

3. Borrowing Requirements of the Lower-tier Municipalities

3.1 As outlined in the recommendations above, the collective principal borrowing requirements of the Town of Ajax, Municipality of Clarington, City of Pickering, Township of Uxbridge and the Region for proposed debentures is not to exceed \$161,989,000.

3.2 Town of Ajax

The Town of Ajax has requested that the Region issue external debentures on its behalf for the following projects:

	<u>Amount</u>	<u>Term</u>
<u>Capital Project</u>	<u>(Not to Exceed)</u>	<u>(Not to Exceed)</u>
Purchase of 4 Stake Trucks	\$508,000	9 Years
Purchase of 2 Single Axle Snowplow	\$898,000	12 Years
Purchase of 1 Backhoe	\$206,000	12 Years
Purchase of 1 Loader	\$320,000	20 Years
TOTAL	\$1,932,000	

3.3 Municipality of Clarington

The Municipality of Clarington has requested that the Region issue external debentures on its behalf for the following projects:

	<u>Amount</u>	<u>Term</u>
<u>Capital Project</u>	<u>(Not to Exceed)</u>	<u>(Not to Exceed)</u>
South Bowmanville Rec Facility (Ph.1)	\$5,000,000	20 Years
Ops Depot/Fire Station	\$47,750,000	20 Years
TOTAL	\$52,750,000	

3.4 City of Pickering

The City of Pickering has requested the Region to issue external debentures on its behalf for the following projects:

	<u>Amount</u>	<u>Term</u>
<u>Capital Project</u>	<u>(Not to Exceed)</u>	<u>(Not to Exceed)</u>
Pickering Heritage & Community Centre	\$24,889,000	20 Years
TOTAL	\$24,889,000	

3.5 Township of Uxbridge

The Township of Uxbridge has requested the Region to issue external debentures on its behalf for the following projects:

	<u>Amount</u>	<u>Term</u>
<u>Capital Project</u>	<u>(Not to Exceed)</u>	<u>(Not to Exceed)</u>
Animal Shelter	\$1,000,000	10 Years
TOTAL	\$1,000,000	

4. Borrowing Requirements of the Region

4.1 Debentures

The Region proposes to issue external debentures in an amount not to exceed \$81,418,000 in the Canadian capital markets for a term not to exceed 20 years for the following projects:

	<u>Amount</u>	<u>Term</u>
<u>Capital Project</u>	<u>(Not to Exceed)</u>	<u>(Not to Exceed)</u>
DRPS - Specialized Unit	\$6,962,000	15 Years
Clarington Complex Phase 2 - Additional Financing	\$3,503,000	20 Years
Seaton Long-Term Care Home	\$70,953,000	20 Years
TOTAL	\$81,418,000	

4.2 Infrastructure Ontario Loan Program

The Region will pursue a financing agreement with IO up to a maximum loan amount of \$90,976,949 through the HEWI lending stream for a term not to exceed 20 years for the following projects, subject to approval from the lender:

	<u>Amount</u>	<u>Term</u>
<u>Capital Project</u>	<u>(Not to Exceed)</u>	<u>(Not to Exceed)</u>
Sanitary Sewer Kingston Road	\$13,494,600	15 Years
Newcastle Water Pollution Control Plant Expansion	\$10,411,618	15 Years
Whitby Water Supply Plant	\$18,000,000	20 Years
Courtice Trunk Sanitary Sewer	\$49,070,731	20 Years
TOTAL	\$90,976,949	

5. External Services Required

The following external services are essential to complete the proposed external debenture transaction:

5.1 Fiscal Agents:

- a. Over the past 30 years, CIBC World Markets Inc. and RBC Dominion Securities

Inc. have acted as the Region's Fiscal Agents ("**Fiscal Agents**"). In this role, the Fiscal Agents have provided advice to regional staff on an on-going basis and have successfully marketed the Region's debenture issues.

- b. Based on the Region's past practice of rotating the lead manager between the Fiscal Agents, RBC Dominion Securities Inc. will act as a lead for the initial 2025 external debenture issue with rotating leads thereafter.

5.2 Fiscal Solicitor:

- a. WeirFoulds LLP will provide legal advice for the debenture issues as the Fiscal Solicitor and will authenticate the debentures.
- b. WeirFoulds LLP has a sound reputation in providing fiscal solicitor services in respect of debentures issued by regional governments in the Greater Toronto Area.

5.3 CDS Clearing and Depository Services Inc:

- a. CDS Clearing and Depository Services Inc. is owned by TMX Group Inc. and has processed previous external debenture issues for the Region through its Book Entry Only system, providing electronic records for the debenture issues. This means physical definitive debenture certificates issued to debenture holders are not required to market the external issue.

6. Annual Repayment Limits

- 6.1 In accordance with Section 4 of Ontario Regulation 403/02 (Debt and Financial Obligation Limits Regulation), the Regional Treasurer and the Fiscal Solicitor will ensure that the Long-Term Debt/Financial Obligation limits for the Town of Ajax, Municipality of Clarington, City of Pickering, Township of Uxbridge and the Region were calculated and were not exceeded by the approval of the capital works which are to be financed through the issuance of the proposed debentures. They will confirm that approval by the Ontario Land Tribunal was not required for the financing of these projects through the Region's debenture issues described in this report.

7. Debenture Financing for Durham Region Transit Electrification Upgrades

- 7.1 In November 2024, Regional Council through [Report #2024-F-18](#) approved \$2,300,000 in debenture financing for EV charging infrastructure for Durham Region Transit at the 110 Westney facility. Since this approval, Durham Region Transit has been working with PowerON to develop the detailed scope of work and site feasibility for this project. Through this detailed assessment, a relocation of this work to Durham Region Transit's facility in Oshawa is recommended due to the limited electricity capacity at the 110 Westney facility to meet Durham Region Transit's charging infrastructure requirements.

- 7.2 As this is a debenture financed project, Regional Council approval for this relocation is required.

8. Conclusion

- 8.1 The recommendations contained in this report effectively authorize staff to proceed with the issuance of external debentures to meet the financing requirements of the Region and the lower-tier municipalities.
- 8.2 Staff will seek the advice of the Fiscal Agents regarding the most opportune time to issue debentures and staff and/or the Debenture Committee will advise Regional Council of the final terms and conditions of the external debenture issue upon its sale in the Canadian debt capital markets.
- 8.3 The related by-laws for the proposed debentures will be presented to Regional Council or the Debenture Committee for approval.
- 8.4 If approved by Infrastructure Ontario for funding under the HEWI lending stream, the Commissioner of Finance will seek approval from Council and/or the Debenture Committee to enter into a financing agreement and execute all other documents and forms in the name of the Region to carry out the long-term borrowing under the financing agreement.

9. Attachments

Attachment #1: Ontario Infrastructure Lands and Corporation Loan Application

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

Webloans Loan Application PDF

FA Number 1989

Application for Durham, The Regional Municipality of

Projects

Loan Application ID	Project Name	Construction/Purchase Start	Construction/Purchase End	Project Cost	OILC Loan Amount
1007	Whitby Water Supply Plant Upgrades and Rehabilitation	04/01/2026	12/31/2028	\$32,000,000.00	18,000,000.00
1007	Courtice Trunk Sanitary Sewer Phase 4 Clarington	10/01/2025	12/31/2028	\$60,500,000.00	49,070,731.00
1007	Sanitary Sewer Kingston Road	07/01/2025	12/31/2026	\$16,200,000.00	13,494,600.00
1007	Newcastle Water Pollution Control Plant Capacity Re rating 4 MLD to 7 MLD	11/25/2024	10/01/2027	\$13,100,000.00	10,411,618.00

Details of Project Whitby Water Supply Plant Upgrades and Rehabilitation

Project Category Housing Enabling Water - Potable Water

Project Name Whitby Water Supply Plant Upgrades and Rehabilitation

Construction/Purchase Start 04/01/2026

Construction/Purchase End 12/31/2028

Energy Conservation ☐

Project Address 1 289 Water Street

Project Address 2 Whitby Ontario L1N 9J2

City / Town Whitby

Province ON

Postal Code

Description Proposed works to include but is not limited to building envelope improvements, filter treatment process upgrades, rehabilitation works for electrical, mechanical and process systems.

Requests

(For HEW projects, please specify the initial fixed interest term of the debenture amortization period (e.g. the first 10/20/30 years in a 40 year amortization period)

Columbus, North Oshawa, Kedron, and Courtice. Intensification corridors within Pickering, Ajax, Whitby, Oshawa, and Courtice. Housing Construction is currently occurring and the project will allow development to continue into the future. Important to note that this is one of the first in a series of projects required to enable the housing numbers. End of Housing Construction expected in 2034 per the schedule below.

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Attachment #1

2025 - 6,100
2026 - 6,100
2027 - 6,100

Useful Life of Asset (Years)

30

Project Financial Information

Type of Financing

Housing Enabling Water/Construction Interest Paid

Payment Frequency

Semiannually

Project Cost (A)

\$32,000,000.00

Other Project Funding / Financing (B):

Description	Timing	Amount
Water Rate Stabilization Reserve Fund	Expected	\$14,000,000.00
Other Project Funding/Financing Total (B)		\$14,000,000.00
OILC Loan Amount (A-B)		\$18,000,000.00

Only include long-term borrowing in this section

Required Date	Amount	Term	Type
06/01/2028	\$46,000,000.00	20	Amortizing
Long-term Borrowing Total		\$46,000,000.00	

Details of Enabled Housing

Estimate on number of net new housing units enabled by the project?	* 61000
Breakdown of net new housing units by housing type using CMHC categorizations	
Singles	* 13800
Semis	* 2200
Row	* 21400
Apartment and Other	* 23600

Details of Project Courtice Trunk Sanitary Sewer Phase 4 Clarington

Project Category	Housing Enabling Water - Waste Water
Project Name	Courtice Trunk Sanitary Sewer Phase 4 Clarington
Construction/Purchase Start	10/01/2025
Construction/Purchase End	12/31/2028
Energy Conservation	<input type="checkbox"/>

Project Address 2

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City / Town

Clarington

Province

ON

Postal Code

Description

Installation of approximately 3.8km of a new 1800mm sanitary trunk sewer, including local watermain, local sanitary sewer and third party utility relocations to accommodate microtunnel launch and receiving shafts.

Comments and/or Special Requests

(For HEW projects, please specify the initial fixed interest term of the debenture amortization period (e.g. the first 10/20/30 years in a 40 year amortization period)

The Location of the Housing Developments will be un-developed urban areas of Brooklin, Columbus, North Oshawa, Kedron, and Courtice. Housing Construction is currently occurring and the project will allow development to continue into the future. Important to note that this is one of the first in a series of projects required to enable the housing numbers. End of Housing Construction expected in 2034 per the schedule below.

2025 - 1,900

2026 - 1,900

2027 - 1,900

2028 - 1,900

Useful Life of Asset (Years)

80

Project Financial Information

Type of Financing

Housing Enabling Water/Construction Interest Paid

Payment Frequency

Semiannually

Project Cost (A)

\$60,500,000.00

Other Project Funding / Financing (B):

Description	Timing	Amount
Capital Project Reserves	Existing	\$5,258,269.00
User rates	Existing	\$6,171,000.00
Other Project Funding/Financing Total (B)		\$11,429,269.00

OILC Loan Amount (A-B)

\$49,070,731.00

Only include long-term borrowing in this section

Required Date	Amount	Term	Type
06/01/2028	\$49,070,731.00	20	Amortizing
Long-term Borrowing Total		\$49,070,731.00	

Details of Enabled Housing

Estimate on number of net new housing units enabled by the project?

* 19200

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Breakdown of net new housing units by housing type using CMHC categorizations

Singles

* 7400

Semis

* 600

Row

* 7800

Apartment and Other

* 3400

Details of Project Sanitary Sewer Kingston Road

Project Category Housing Enabling Water - Waste Water

Project Name Sanitary Sewer Kingston Road

Construction/Purchase Start 07/01/2025

Construction/Purchase End 12/31/2026

Energy Conservation

Project Address 1 Kingston Road from 675 meters east of Whites Road to Rougemount Precinct Sanitary Sewage Pumpin

Project Address 2

City / Town Pickering

Province ON

Postal Code

Description Installation of a new 900mm and a new 525mm sanitary trunk sewer from 675 meters east of Whites Road to Rougemount Precinct Sanitary Sewage Pumping Station in Pickering.

Comments and/or Special Requests

(For HEW projects, please specify the initial fixed interest term of the debenture amortization period (e.g. the first 10/20/30 years in a 40 year amortization period)

The Location of the Housing Developments will be properties fronting on the new trunk sewer on Kingston Rd from 675 m east of Whites Rd to the intersection of Kingston Rd & Rosebank Rd. Housing Construction will potentially begin in 2025 and the end of Housing Construction is expected in 2034 per the schedule below.

2025 - 440
2026 - 440
2027 - 440
2028 - 440
2029 - 440

Useful Life of Asset (Years)

80

Project Financial Information

Type of Financing

Housing Enabling Water/Construction Interest Paid

Project Cost (A) \$16,200,000.00

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Other Project Funding / Financing (B):

Description	Timing	Amount
User rates	Existing	\$1,652,400.00
Commercial Development Charges	Existing	\$1,053,000.00
Other Project Funding/Financing Total (B)		\$2,705,400.00

OILC Loan Amount (A-B) \$13,494,600.00

Only include long-term borrowing in this section

Required Date	Amount	Term	Type
06/01/2026	\$13,494,600.00	15	Amortizing
Long-term Borrowing Total		\$13,494,600.00	

Details of Enabled Housing

Estimate on number of net new housing units enabled by the project?

* 4400

Breakdown of net new housing units by housing type using CMHC categorizations

Singles

* 0

Semis

* 0

Row

* 800

Apartment and Other

* 3600

Details of Project Newcastle Water Pollution Control Plant Capacity Re rating 4 MLD to 7 MLD

Project Category Housing Enabling Water - Waste Water

Project Name Newcastle Water Pollution Control Plant Capacity Re rating 4 MLD to 7 MLD

Construction/Purchase Start 11/25/2024

Construction/Purchase End 10/01/2027

Energy Conservation ☐

Project Address 1 1000 Toronto St, Newcastle, ON L1B 0A6

Project Address 2

City / Town Clarington

Province ON

Postal Code

Comments and/or Special Requests

(For HEW projects, please specify the initial fixed interest term of the debenture amortization period (e.g. the first 10/20/30 years in a 40 year amortization period)

The Location of the Housing Developments will be un-developed urban areas of Newcastle. Housing Construction is currently occurring and the project will allow development to continue into the future. Important to note that this is one of the first in a series of projects required to enable the housing numbers. End of Housing Construction expected in 2034 per the schedule below.

2025 - 110
2026 - 110
2027 - 110
2028 - 110
2029 - 110

Useful Life of Asset (Years)

20

Project Financial Information

Type of Financing

Housing Enabling Water/Construction Interest Paid

Payment Frequency

Semiannually

Project Cost (A)

\$13,100,000.00

Other Project Funding / Financing (B):

Description	Timing	Amount
User rates	Existing	\$2,688,382.00
Other Project Funding/Financing Total (B)		\$2,688,382.00

OILC Loan Amount (A-B)

\$10,411,618.00

Only include long-term borrowing in this section

Required Date	Amount	Term	Type
06/01/2027	\$15,788,382.00	15	Amortizing
Long-term Borrowing Total		\$15,788,382.00	

Details of Enabled Housing

Estimate on number of net new housing units enabled by the project? * 1110

Breakdown of net new housing units by housing type using CMHC categorizations

Singles * 900
Semis * 10
Row * 100
Apartment and Other * 100

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Attachment #1

☐ Yes ☒ No

In the last 10 years, has the borrower ever failed to make a loan payment or debenture repayment on time to any lender, including the Provincial Government?

Please indicate the source(s) of revenue you plan to use to repay the OILC Loan

Taxation	0.00
User Fees	26.27
Service Charges	0.00
Development Charges	73.73
Connection Fees	0.00
Repayment Subsidies	0.00
Other	
Total	100.00%

Documentation and Acknowledgements

Please ensure all required documents are submitted with the signed application. OILC requires originals as noted below to be mailed or couriered. Also, please retain a copy of all documents submitted to OILC for your records.

To obtain templates for documents see listed below.

- Loan Application Signature Page signed and dated by the appropriate individual (original to be submitted)
- Certificate and sealed copy of OILC template By-law authorizing project borrowing and applying for a loan (original with seal)
- Certificate of Treasurer Regarding Litigation using the OILC template (original, signed & sealed)
- Updated Certified Annual Repayment Limit Calculation (original)

☒ I acknowledge and agree that all of the above referenced documents must be submitted in the form required by OILC and understand that the application will not be processed until such documents have been fully completed and received by Infrastructure Ontario.

Please note: OILC retains the right to request and review any additional information or documents at its discretion.

Confidential Information

ONLC is an institution to which the Freedom of Information and Protection of Privacy Act (Ontario) applies. Information and supporting documents submitted by the Borrower to process the loan application will be kept secure and confidential, subject to any applicable laws or rules of a court or tribunal having jurisdiction.