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Region of Peel
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REPORT
Meeting Date: September 22, 2011
Regional Council

DATE: August 25, 2011

REPORT TITLE: **2011 DEBENTURE BORROWING UPDATE - TOWN OF CALEDON**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

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RECOMMENDATION

That the authorization of debenture issue(s) in 2011 include the issuance of debentures in the maximum principal amount of $641,088 and not to exceed a term of 20 years on behalf of the Town of Caledon.

REPORT HIGHLIGHTS

- At the February 24, 2011 Regional Council meeting, the Chief Financial Officer and Commissioner of Corporate Services was authorized to negotiate on behalf of the Region of Peel a debenture issue(s) in total principal not to exceed $500 million in 2011 and not to exceed a term of 30 years.
- Subsequent to this debenture authorization, in March 2011 the Regional Municipality of Peel issued debentures totaling $200 million.
- Subsequent to this issuance of debentures, the Town of Caledon, in a Council Meeting on August 16, 2011, approved a By-Law to purchase a Fire Aerial Apparatus in the amount of $712,320, and has applied to the Region of Peel for the issuance of debentures in the maximum amount of $641,088 for a term not to exceed 20 years.

DISCUSSION

1. Background

At the February 24, 2011 Regional Council meeting, the Chief Financial Officer and Commissioner of Corporate Services was granted authorization to negotiate a debenture issue(s) in a total principal amount of $500 million in 2011 and not to exceed a term of 30 years.

In March 2011, the Region of Peel issued debentures totaling $200 million to fund further DC Reserve Fund expenditures.

Based upon further funding requirements for the DC Reserves and depending upon Capital Market conditions, senior staff will be recommending a further issuance of debentures in the September/October period for an amount not to exceed $300 million.

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2011 DEBENTURE BORROWING UPDATE - TOWN OF CALEDON

On August 18, 2011 the Region of Peel received an application from the Town of Caledon requesting the issuance of debentures in the maximum amount of $641,088, for a term not to exceed 20 years. The Town of Caledon Report FES-2011-007 (attached as Appendix I) details the requirement for the issuance of debentures.

2. Proposed Direction

The Town of Caledon's application for the issuance of debentures for a maximum of up to $641,088 and for a term not to exceed 20 years can be accommodated within the planned Region of Peel debt issuance during September/October. The Treasurer of the Town of Caledon has confirmed within the Report FES-2011-007 the update to the Annual Debt Repayment Limit has been completed, including the amount of debenture costs associated within the additional borrowing requested and that the Town is projected to still be compliant with this limit.

CONCLUSION

The issuance of external debt is an effective means by which area municipalities can fund their borrowing requirements. The timing is appropriate for Regional Council to authorize the Region of Peel to issue debentures on behalf of the Town of Caledon.

Norma Trim
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:

D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact David Bingham at extension 4292 or via email at dave.bingham@peelregion.ca

Authored By: Paul L. Pohl

c. Legislative Services

TOWN OF CALEDON

Report FES-2011-007

To: Mayor and Members of Council

From: Fire & Emergency Services

Date: August 16, 2011

Subject: Aerial Truck Purchase - Single Source

RECOMMENDATION

That Report FES-2011-007 regarding an aerial truck single source purchase, be received;

That a new 2011 capital project for the Aerial Apparatus purchase be established, in the amount of $750,000 funded $75,000 (or 10%) from the Tax Levy Funded Capital reserve fund and $675,000 (or 90%), representing the Development Charge/growth-related share, by means of a debenture to be issued by the Region of Peel on behalf of the Town of Caledon;

That council direct staff to award a single source purchase to Dependable Truck and Tank Limited of Brampton, Ontario for the purchase of a Crimson Aerial Truck for $712,320 (Canadian Dollars) inclusive of non-recoverable HST;

That Council enact a By-law authorizing the Mayor and Clerk to execute an agreement with Dependable Truck and Tank Limited for the purchase of a 2006 Crimson Aerial Truck at the price of $712,320 (Canadian Dollars) inclusive of non-recoverable HST;

That Council enact a By-law authorizing the Aerial Apparatus capital project and authorizing the Clerk and Treasurer to execute all required documents to secure the Development Charge portion of the funding for this project from a debenture to be issued by the Region of Peel at an upset limit amount of $675,000 and for a term not to exceed 20 years; and

That the Treasurer be authorized to transfer funds, in the future, from the Town's Fire & Emergency Services Development Charge reserve fund for the repayment of the debenture and all debenture related costs related to this project.

ORIGIN/BACKGROUND

Since early 2002, the Government of the United States has provided government grant funding for a large quantity of U. S. municipal fire apparatus in order to meet the emergency response needs of various municipalities. This resulted in the accelerated manufacture of various types of fire apparatus by many manufacturers, sometimes on speculation of purchase and sometimes as demonstrator models. The grant program is currently winding down. As a result, there are some aerial apparatus, built on speculation or as demonstrator models that are currently on the market at significantly reduced cost.

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Dependable Truck and Tank Limited is able to provide the Town of Caledon with a 2006 Crimson aerial truck which has been used as a demonstrator model. The apparatus has never been placed in service as a fire apparatus. The truck meets the Canadian Motor Vehicle Safety Standards and may be used as a fire apparatus and emergency vehicle in the Province of Ontario. The apparatus is constructed from stainless steel. It is a quintuple fire apparatus consisting of a 1,100 liter water tank, a fire pump rated at 6,000 liters per minute, (3) pre-connected hose beds, high volume hose storage (200 m), a full complement of ground ladders and a 34 m platform

The truck is also equipped with a 450hp engine, automatic transmission, large capacity hydraulic generator and scene lighting. The cab will accommodate 6 firefighters which includes the driver and captain. This apparatus is compatible and inter-operable with the rest of the Caledon Fire fleet, equipment and appliances.

Included with the purchase of the apparatus are heat pans, Stokes Basket storage and parapet ladder, an additional large capacity deluge gun on the platform, covers for the pre-connect hose beds, some additional minor changes to the fire body, extended warranties on the engine, body, transmission and pump as well as ULC testing and rating of the fire pump, and aerial device.

DISCUSSION

The approved Master Fire Plan for Fire & Emergency Services and the Development Charges (DC) Background Study includes the purchase of an aerial truck in 2012 at an estimated cost of $1.3 Million. The need for an aerial device capable of long/high reaches and sufficient payload has been well documented. Caledon recently had to call Mutual Aid for 2 aerial trucks simultaneously for 2 simultaneous house fires arising from a passing lightning storm. Other municipalities were dealing with their own emergency responses that morning. The requests for Mutual Aid from Caledon further stretched firefighting resources in communities surrounding Caledon to the point where our day to day capability has been questioned.

Fire and Emergency Services and Fleet Services staff have become aware of some lower cost aerial apparatus that have been built by apparatus manufacturers as demonstrator models or on speculation of potential purpose. Many of these have since been purchased. The general specifications of this piece of apparatus have been reviewed by a team of staff from Fire & Emergency Services and Fleet Services. The same team has viewed and operated the apparatus. Our staff believes that this apparatus would meet the current and anticipated needs of Caledon over the next 20 years.

The benefits associated with purchasing the aerial truck in 2011 include prompt delivery. This apparatus can be placed in service within 60 days and is virtually a turn-key operation for our needs and circumstances. If ordered new, the delivery and acceptance time would be approximately 14 months. There is an opportunity for the municipality to save approximately $ 600,000 (= $1.3M in the DC Background Study less $0.7M for this award) off of the estimated budget cost of a new apparatus. Caledon would be able to meet its' own firefighting needs without relying on assistance from neighbouring municipalities and the lengthy delays associated with the travel times.

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This vehicle will be delivered to Caledon by Dependable Truck and Tank Limited who will assume all costs associated with bringing the vehicle into Canada. Upon delivery to Caledon, the vehicle will be inspected by Fire and Fleet staff. The apparatus will be tested and any necessary repairs, adjustments or alterations will be completed prior to our acceptance of the apparatus.

The warranties associated with this piece of apparatus are honoured in Canada and any necessary warranty work will be performed at Dependable Truck and Tank Limited in Brampton, Ontario.

The purchase of this piece of apparatus will not interfere with or adversely impact the required Fire Fleet Replacement Program. Fire & Emergency Service staff have developed a contingency plan to relocate fire apparatus in the event that Caledon is able to acquire this aerial device and house the apparatus in the Valleywood fire station, on an interim basis, until the new Bolton Fire Station is built and occupied.

Acquisition of the apparatus at this time will allow Fire & Emergency Services personnel to integrate the aerial truck into the High/Large building fire training scheduled to commence in October of this year.

FINANCIAL IMPLICATIONS

The price for the Fire Aerial Apparatus is $700,000 (or $712,320 inclusive of non-recoverable HST). For the purposes of the capital budget and approving the debenture, a contingency of $37,680 (approximately 5%) to account for any unforeseen costs is recommended. Accounting for this contingency, the projected cost of the aerial is $750,000.

It is recommended that a new 2011 capital project for the Aerial Apparatus purchase be established, in the amount of $750,000 funded $675,000 (or 90%) from Development Charges and $75,000 (or 10%) from the Tax Levy Funded Capital reserve fund. As outlined below, due to the current balance in the Fire & Emergency Services DC Reserve Fund and the fact that the purchase of the aerial is one year earlier than identified in the DC Background Study, it is further recommended that the DC portion of the purchase be funded by means of a debenture to be issued by the Region of Peel on behalf of the Town of Caledon. Debenture costs (such as principal, interest payments, contributions to a sinking fund) related to this project will be repaid from the Fire & Emergency Services Development Charge Reserve Fund, as DC's are collected and when the reserve fund has been replenished.

The Development Charges Background Study, approved by Council in 2009, which contains growth-related capital for the 10-year period from 2009 to 2018, includes a $1.3M Fire Aerial Apparatus in 2012 funded 90% by development charges and 10% from non-DC or tax funding (e.g. $1,170,000 DC and $130,000 Tax funding, respectively). The Development Charge reserve fund for Fire & Emergency Services currently has a negative fund balance of just over $3,000 which is an improvement from the over half a million dollar negative balance reported in 2005.

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The $71,232 funding from the Town's Tax Levy Funded Capital reserve fund is the statutory 10% reduction of Development Charge/growth related projects, as required by the *Development Charges Act, 1997*, which must be funded from non-DC sources. The Tax Levy Funded Capital reserve fund currently has an uncommitted balance of approximately $838,800 and contains contributions from year-end operating surpluses from prior years and remaining tax levy funds from completed and closed capital projects (as reported to Council).

The Town of Caledon, like other lower-tier municipalities in a regional municipality, must secure long-term debt through the upper-tier municipality, the Region of Peel.

The proposed debenture, in the upset limit amount of $675,000, represents the Development Charges portions of the project which will be fully repaid from Development Charges to be collected over the next 20 years. The debenture term of 20 years represents the useful life of the Fire Aerial Apparatus. The future replacement of the Fire Aerial Apparatus, like all asset/infrastructure replacements, cannot be funded from Development Charges.

In accordance with Debt and Financial Obligations Limits regulation, Ontario Regulation 403/02 of the *Municipal Act, 2001*, the Treasurer has updated the Annual Debt Repayment Limit calculation and the anticipated annual debt charges (principal and interest) related to this project is within the Town's limit.

As reported in the April 19, 2011 Council Report, CS-2011-022 – Annual Debt Repayment Limit report, based on the most current Annual Debt Repayment Limit report from the Ministry of Municipal Affairs and Housing, the Town is utilizing 6.3% of the available 25% of revenues to service debt (based on 2009 Financial Information Return (FIR) data). The Annual Debt Repayment was updated to include 2010 FIR data and a full year of debenture costs related to the 2010 Bolton Arterial Route – Phase 3 debenture issue, through the Region of Peel. Following the update and estimate for debt servicing costs related to the proposed Aerial Apparatus debenture, the Town is projected to still be within the Annual Debt Repayment Limit of 25% of Net Revenue Fund Revenue allowed in the *Municipal Act, 2001*.

LEGAL IMPLICATIONS

Purchasing By-law 2009-151

The general rule set out in section 4.01, in regard to non-competitive procurement, states that "[u]nless permitted by a specific exception within this policy, all acquisitions of Goods and Services made pursuant to this policy shall include a competitive process".

Section 4.02 sets out a number of exceptions to the general rule and pursuant to section 4.02 (l), in acquiring Goods and Services for the Town of Caledon, non-competitive procurement processes approved by the Manager of Purchasing and Risk Management may be used in any case where Council has granted specific approval for the use of non-competitive procurement processes.

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The reasons provided by the Fire Chief indicate that in the circumstances, Council can authorize a single source purchase in the public interest.

Debentures

Section 401 of the *Municipal Act*, as amended, provides that a municipality may incur debt for municipal purposes, may issue debentures and may enter prescribed financial agreements in relation to the debt. However, a lower-tier municipality in a regional municipality does not have the power to issue debentures. As a practical matter, such lower-tier municipality must apply to its upper-tier municipality to issue debentures on behalf of the lower-tier municipality.

Section 403 of the *Municipal Act*, as amended, sets out the obligations of the lower-tier municipality in a regional municipality in relation to the debentures issued on its behalf by the upper-tier municipality. The by-law of the upper-tier municipality authorizing the issue of debentures may require the lower-tier municipality to make payments in each year to the upper-tier municipality in the amounts and on the dates specified in the by-law. All amounts required to be paid to an upper-tier municipality by a lower-tier municipality are a debt of the lower-tier municipality to the upper-tier municipality. If the lower-tier municipality fails to make any payment as provided in the by-law of the upper-tier municipality, then the lower-tier municipality shall pay interest at the rate of 15% per year from the date the payment is due until it is made. The upper-tier by-law shall provide for raising in each year as part of the general upper-tier levy the amounts required to be paid to the upper-tier municipality in any previous year by a lower-tier municipality to the extent that the amounts have not been paid to the upper-tier municipality.

NEXT STEPS

Council authorize the purchase of the apparatus
The contract will be prepared by the Purchasing Department with a final review by Legal Services.
Deliver the Contract for signatures
Order and take delivery of the fire apparatus
Make final acceptance of the fire apparatus

As part of the 2012 Council Budget Workshops, planned for October 2011, staff will present the Town's 10-year capital forecasts and include discussions with Council on debt and a debt policy for the Town. Staff will prepare a debt policy for the Town in November 2011.

COMMUNITY BASED STRATEGIC PLAN

Maintain Caledon as a safe community.

CONSULTATIONS

Nadia Koltun, Town Counsel/Director
Amedeo Valentino, Manager of Purchasing & Risk Management

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Peter Lewko, Fire & Emergency Services
Tony Lippers, Fire & Emergency Services
Norm Culp, Fleet Services

ATTACHMENTS

N/A

CONCLUSION

That council direct staff to prepare and execute a contract for the purchase of the Crimson Aerial Truck from Dependable Truck and Tank Limited of Brampton, Ontario for $712,320 (Canadian Dollars) including non-recoverable HST.

Prepared by:
Name: Brad Bigrigg
Title: Fire Chief

Approved by:
Name: Douglas Barnes
Title: Chief Administrative Officer

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THE CORPORATION OF THE TOWN OF CALEDON

BY-LAW NO. 2011-100

Being a by-law to authorize the purchase of a
Fire Aerial Apparatus and to apply to the Regional Municipality of Peel
for the issuance of debentures for such purchase

WHEREAS Council has considers it to be in the public interest to authorize the purchase of a Fire Aerial Apparatus and to apply to the Region Municipality of Peel for the issuance of debentures for such purchase

AND WHEREAS the Treasurer has certified that an update of the Annual Repayment Limit has been completed, including the estimated amount of debenture costs for the Fire Aerial debenture referred to herein, and that the Town of Caledon is projected to still be within the annual financial debt and obligation limit

NOW THEREFORE COUNCIL FOR THE CORPORATION OF THE TOWN OF CALEDON enacts as follows.

1. THAT the purchase of the Fire Aerial Apparatus, at an estimated cost of $712,320 is hereby authorized.

2. THAT for the purpose of paying part of the estimated cost in the amount of $641,088 an application to the Regional Municipality of Peel for the issuance of debentures in the maximum amount of $641,088 for a term not to exceed 20 years is hereby authorized.

3. THAT the sums of principal and interest payable, contribution to a debt retirement fund/sinking fund (if any) to the Regional Municipality of Peel under the debentures will be raised in each year through the payment of development charges.

4. THAT the Clerk and the Treasurer are authorized to execute any and all documents for the purpose of the issuance of such debentures by the Regional Municipality of Peel.

5. THAT this by-law comes into force and effect when finally passed.

READ THREE TIMES AND FINALLY PASSED IN OPEN COUNCIL this 16th day of August, 2011.

Marolyn Morrison, Mayor

Karen Landry, Clerk