



TOWN OF STRATFORD RESOLUTION

No. FT001-2021 – Pipe to Charlottetown Sewer Project- Long Term Financing

Motion Carried ✓
Motion Lost
Motion Withdrawn

Council Chambers
Town Hall
February 10, 2021

Committee Finance & Technology Committee
Moved by Councillor Gail MacDonald
Seconded by Deputy Mayor Gary Clow

WHEREAS the Town of Stratford has constructed a waste water delivery system to the City of Charlottetown;

AND WHEREAS the Town of Stratford asked for proposals for long term financing in the amount of \$2,731,250 from the following financial institutions:

Bank of Montreal
CIBC
Royal Bank of Canada
Bank of Nova Scotia
TD Bank

AND WHEREAS the request for proposals closed at 1:30 pm on December 7, 2020;

AND WHEREAS the financing of \$2,731,250 is within the 10% capital debt threshold of the Town of Stratford given that the current borrowing limits for the Town of Stratford is based on its total assessed tax base ($\$882,345,622 \times 10\% = \$88,234,562$) of which the Town of Stratford is using \$14,680,046 as of March 31, 2020;

AND WHEREAS the Town of Stratford asked the banks to submit two alternative options for financing, namely, Option 1 for fixed term financing, and Option 2 for banker's acceptance and interest rate swap;

AND WHEREAS the following rates were received for Option 1, fixed term financing:

	<u>TD</u>	<u>RBC</u>	<u>CIBC</u>
Fixed Rate Loan			
5 years		1.75%	1.862%
10 years	1.79%	2.20%	2.625%
15 years	2.14%	2.92%	
20 years	2.31%		

AND WHEREAS the following rates were received for Option 2, banker’s acceptance and interest rate swap:

	<u>TD</u>	<u>RBC</u>	<u>CIBC</u>
10 yr term	1.85%	1.72%	2.11%
	Swap rate of 1.30%	Swap rate of 1.30%	
	Stamping Fee of .55%	Stamping Fee of .42%	
15 yr term	2.08%	2.00%	2.33%
	Swap rate of 1.53%	Swap rate of 1.55%	
	Stamping Fee of .55%	Stamping Fee of .45%	
20 yr term	2.17%	2.15%	2.42%
	Swap rate of 1.62%	Swap rate of 1.70%	
	Stamping Fee of .55%	Stamping Fee of .45%	
25 yr term	2.20%	2.17%	
	Swap rate of 1.65%	Swap rate of 1.72%	
	Stamping Fee of .55%	Stamping Fee of .45%	

AND WHEREAS at its December 9, 2020 Council Meeting, Council passed a resolution to award the long-term financing to Royal Bank of Canada (“RBC”) for a 25-year swap term at a rate of 1.72% and a credit spread of 0.45% for an all-in rate of 2.17% subject to market fluctuations prior to closing;

AND WHEREAS the Council now wishes to authorize its Mayor and Chief Administrative Officer to enter into a Bankers’ Acceptance Service Agreement, a Credit Facilities Agreement and an ISDA Agreement with RBC, on behalf of the Stratford Utility Corporation, to facilitate the aforesaid long term financing;

AND WHEREAS the Council also wishes to authorize its Mayor and Chief Administrative Officer

to enter into a Guarantee and Postponement of Claim on behalf of the Town of Stratford to guarantee the Stratford Utility Corporation's indebtedness to RBC.

BE IT RESOLVED that:

1. the Stratford Utility Corporation enter into a Bankers' Acceptance Service Agreement, a Credit Facilities Agreement and an ISDA Agreement with the Royal Bank of Canada (the "Agreements");
2. The Town of Stratford enter into a Guarantee and Postponement of Claim with RBC (the "Guarantee"), in the form provided by RBC, to guarantee the Stratford Utility Corporation's indebtedness to RBC, to a maximum liability of \$2,731,250.00 plus interest at a rate equal to RBC's prime interest rate plus 5%;
3. Facility 4 under the Credit Facilities Agreement, being a \$2,731,250.00 non-revolving term facility for the waste water delivery system financing, be and hereby is authorized to be repaid by consecutive principal payments in accordance with the schedule to be provided by RBC Capital Markets, each based on an original amortization period of 25 years and the balance repayable in full 15 years from the date of draw down, all in accordance with the terms of the Credit Facilities Agreement;
4. the Mayor and CAO be and are hereby authorized to sign the Agreements on behalf of the Stratford Utility Corporation, and such other documents as may be required in connection with the financing, and be and hereby are authorized to sign the Guarantee on behalf of the Town of Stratford; and
5. this Resolution serve as the security requested for Facility 4 under the Credit Facilities Agreement.

This Resolution bears the recommendation of the Finance and Technology Committee as submitted via an email poll on December 7, 2020.

