



Municipal Funding Discussion

March 2017

Presented By



Funding Methods Available to Municipalities

Features

Canadian municipalities have the following sources of potential funding available to them, some of which are unique when compared to Provinces or Corporates

- **Bank Lines** – Municipalities have recently utilized more bank lines (generally floating funding that is swapped back to fixed). This is due to the favourable bank financing that has been made available by banks. Generally, a public debt rating of “A low” or higher is required in order to be permitted to face a dealer on the interest rate swap.
- **Debt Capital Markets** – Private Placement or Public Market Issuance
- **CP Program** – Commercial Paper (short term) issuance is a preferred method of funding for some munis.
- **Infrastructure Ontario** – Infrastructure Ontario (IO) is ideally suited to smaller municipalities with no (PDR).
- **Government Programs** – In the 2013/14 Federal Budget, the Building Canada program was extended and improved. The new Building Canada plan includes over \$53 billion in new and existing funding for provincial, territorial and municipal infrastructure from 2014/15 to 2023/24.
- **Reserves / Development Charges / Internal sources** – Due to longer term capital program planning, reserves are usually built up well ahead of any requirements for cash.
- **Private Sector** – Canadian municipalities have in recent years been turning to the private sector for funding of roads, bridges and hospitals.

Canadian Municipalities – Selected Historical Debt Financing

2016 Issuance

Issuer	Size (mm)	# of Issues
Toronto	\$ 700.0	4
Montreal	\$ 693.0	5
Winnipeg	\$ 80.0	1
Niagara Region	\$ 52.9	1
London	\$ 27.0	1
Total	\$ 1,553	12

2015 Issuance

Issuer	Size (mm)	# of Issues
Montreal	\$ 915.0	6
Toronto	\$ 700.0	5
Niagara Region	\$ 67.1	1
Winnipeg	\$ 60.0	1
London	\$ 40.5	1
Total	\$ 1,783	14

2014 Issuance

Issuer	Size (mm)	# of Issues
Montreal	\$ 950.0	6
Toronto	\$ 600.0	2
Winnipeg	\$ 172.7	3
Niagara Region	\$ 34.6	1
London	\$ 30.0	1
Saskatoon	\$ 25.0	1
Total	\$ 1,812	14

Bank Financing Comparison

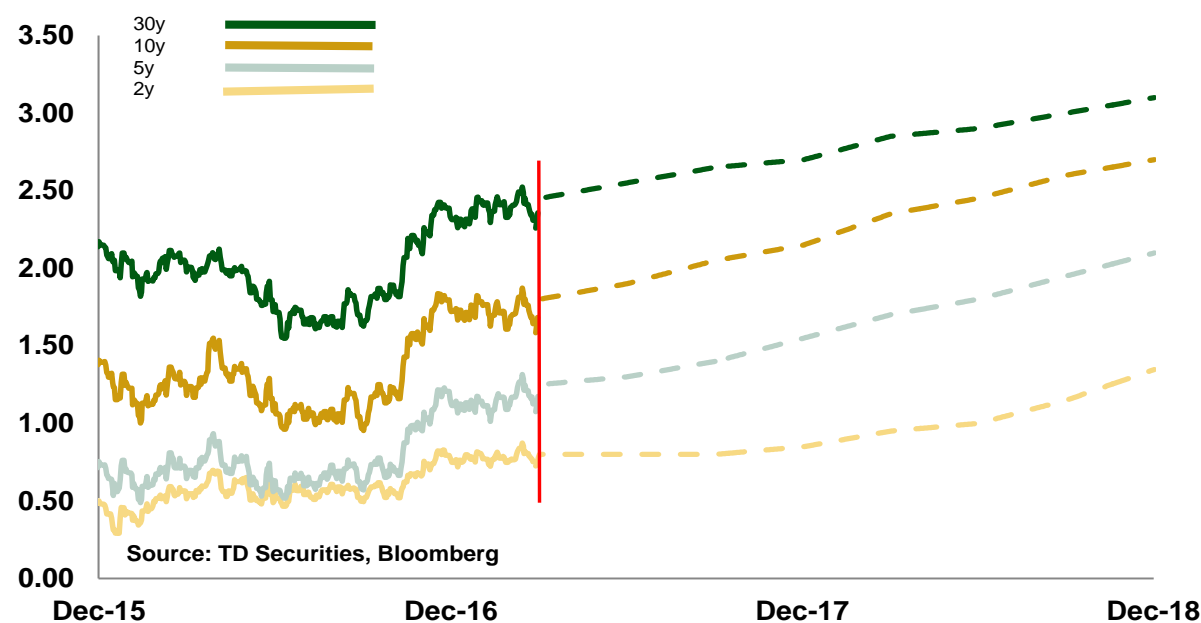
Features

	Swapped Bank Line	Term Loan
Forward Start	<ul style="list-style-type: none">• No maximum date• No upfront fees	<ul style="list-style-type: none">• Maximum 1 year• Rate Hold Fee
Prepayment	<ul style="list-style-type: none">• Prepaid anytime• Customized options	<ul style="list-style-type: none">• Typically 10% limit• Minimum cost 3 months interest
Term	<ul style="list-style-type: none">• Lock in rate up to 30 years• OES may be required	<ul style="list-style-type: none">• Limited to contractual term of the loan
Customization	<ul style="list-style-type: none">• Customized Schedule• Fixed payment at any frequency	<ul style="list-style-type: none">• Typically monthly P+I

Bond Yield Update

Canada

Canadian Interest Rate Forecast: Historical and TD Securities Forecast



Forecast Summary

		Spot	2017				2018			
		Mar 27, 2017	Q1 F	Q2 F	Q3 F	Q4 F	Q1 F	Q2 F	Q3 F	Q4 F
Canada	2y GoC	0.73	0.80	0.80	0.80	0.85	0.95	1.00	1.15	1.35
	5y GoC	1.07	1.25	1.30	1.40	1.55	1.70	1.80	1.95	2.10
	10y GoC	1.58	1.80	1.90	2.05	2.15	2.35	2.45	2.60	2.70
	30y GoC	2.26	2.45	2.55	2.65	2.70	2.85	2.90	3.00	3.10

Forecast by TD Bank Group as at March 2017; All forecasts are for end of period.
Source: TD Securities, Bloomberg

Contact Info

Contact Info

Jamie Rodrigues, CFA

TD Securities

222 Bay Street, 7th Floor

Toronto, Ontario M5K 1A2

T: 416-982-2286 C: 647-297-6601

Jamie.Rodrigues@tdsecurities.com

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