

5. DISCONTINUANCE OF SINKING FUND LEVIES

COMMITTEE RECOMMENDATIONS

That, in accordance with Section 116 (42) of the *Regional Municipalities Act R.8*, Council authorize:

1. The reduction in the amount of the annual sinking fund levy commencing June 25, 2000 in respect of the debentures authorized under By-law 126 of 1991, from \$7,950,457 to \$2,500,000;
2. The discontinuance commencing May 15, 2000, of the amount of the annual sinking fund levy in the amount of \$453,638.81 to be made in respect of the debentures authorized under By-law 102 of 1986.

DOCUMENTATION:

1. Finance Commissioner's report dated 04 Jun 99 is immediately attached.

REGION OF OTTAWA-CARLETON  
RÉGION D'OTTAWA-CARLETON

REPORT  
RAPPORT

Our File/N/Réf.  
 Your File/V/Réf.

DATE 4 June 1999

TO/DEST. Co-ordinator  
 Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **DISCONTINUANCE OF SINKING FUND LEVIES**

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**DEPARTMENTAL RECOMMENDATIONS**

**That, in accordance with Section 116 (42) of the *Regional Municipalities Act R.8*, the Corporate Services and Economic Development Committee recommend Council authorize:**

- 1. The reduction in the amount of the annual sinking fund levy commencing June 25, 2000 in respect of the debentures authorized under By-law 126 of 1991, from \$7,950,457 to \$2,500,000;**
- 2. The discontinuance commencing May 15, 2000, of the amount of the annual sinking fund levy in the amount of \$453,638.81 to be made in respect of the debentures authorized under By-law 102 of 1986.**

**BACKGROUND**

When the Region issues sinking fund debentures, annual contributions are made to the Sinking Fund, which together with interest earnings derived from the investment of these funds are expected to accumulate to an amount which will be sufficient to pay the debentures on maturity.

When the sinking fund balance for a debenture issue is considered to be sufficient to pay the principal amount of the debenture issue at maturity, Regional Council may reduce the annual levy contribution in accordance with Section 116 (42) of the *Regional Municipalities Act R.8*.

The earnings for the Sinking Funds for 1998 have been determined and distributed to the various

Sinking Fund accounts. In two instances, By-law 126 of 1991 and By-law 102 of 1986, these accounts together with estimated earnings are expected to be more than sufficient to pay the principal of the debt when it matures. The details of these by-laws are as follows:

#### By-Law 126 of 1991

On June 25, 1991, the Region issued Euro-Canadian debentures in the amount of \$100,000,000 on behalf of a number of Area Municipalities as well as for Regional purposes. In accordance with this by-law, \$7,950,457 was deposited annually with the sinking fund commencing June 25, 1992 for the purpose of accumulating sufficient funds to pay the \$100,000,000 principal amount on June 25, 2001.

As at December 31, 1998, the sinking fund account for By-law 126 of 1991 has accumulated to \$76,795,119. As shown in Annex A, the funds accumulated in this account at December 31, 1998 together with estimated interest earnings at 5% and levy payments of \$2,500,000 are more than sufficient to meet the principal amount of the debt on June 25, 2001. A reduction in the amount of the levy commencing June 25, 2000 from \$7,950,457 to \$2,500,000 is proposed. The effect of the new levy requirement is as follows:

	Current Sinking Fund <u>Levy</u> \$	<u>Proposed</u> \$	<u>Reduction</u> \$
Ottawa	2,884,187	906,925	1,977,262
Kanata	265,386	83,450	181,936
Vanier	119,257	37,500	81,757
Region			
Transportation	2,946,440	926,500	2,019,939
Sewer System	1,663,633	523,125	1,140,508
Police Services	<u>71,554</u>	<u>22,500</u>	<u>49,054</u>
	<u>7,950,457</u>	<u>2,500,000</u>	<u>5,450,457</u>

#### By-Law 102 of 1986

On May 15, 1986, the Region issued sinking fund debentures authorized under By-law 102 of 1986 in the amount of \$15,000,000 on behalf of the City of Kanata and for Regional purposes which mature on May 15, 2006.

As required by By-law 102 of 1986, \$453,639 was deposited annually with the sinking fund commencing May 15, 1987 for the purpose of accumulating sufficient funds to meet the \$15,000,000 commitment on maturity.

As of December 31, 1998, the sinking fund account for the debentures authorized under By-law 102 of 1986 has accumulated to \$9,895,697. As shown in Annex A, the funds accumulated in this account at December 31, 1998 together with estimated interest earnings at 5% is expected to accumulate to an amount which is more than sufficient to pay the principal of the debt when it matures on May 15, 2006. Accordingly, it is recommended that the annual levy in respect of this By-law be discontinued. The effect of the discontinuation of this levy is as follows:

	<u>Reduction</u> \$
Kanata	68,046
Region	
Region-Wide	241,941
Sewer System	<u>143,652</u>
	<u>453,639</u>

#### FINANCIAL COMMENT

Sinking fund levies are budgeted as debt charges until such time as the contribution is reduced or discontinued in accordance with Section 116 (42) of the Regional Municipalities Act. The recommended reduction in the sinking fund levy in respect of By-law 126 of 1991 and the discontinuance of the levy for By-law 102 of 1986 will reduce annual debt charge payments as follows:

	<u>2000</u> \$	<u>2001</u> \$	<u>2002 - 2006</u> \$
Region			
Region-Wide	2,261,880	2,261,880	241,941
Sewer System	1,284,161	1,284,161	143,652
Police Services	<u>49,054</u>	<u>49,054</u>	<u>          </u>
	<u>3,595,095</u>	<u>3,595,095</u>	<u>385,593</u>

#### CONSULTATION

The public consultation process is not applicable.

CONCLUSION

The reduction and the discontinuance of the annual levies as outlined in this report does not jeopardize the ability of the sinking fund to meet the debenture commitments on the respective maturity dates and therefore it is recommended that Corporate Services and Council authorize the reduction in these levy amounts.

*Approved by Kent Kirkpatrick*  
*On behalf of*  
*J.C. LeBelle*  
Finance Commissioner

GFM/bm

Attach. (1)

ANNEX A

**Estimated Value of Sinking Fund at Maturity  
\$100,000,000.00 Sinking Fund Debentures  
Authorized Under By-Law 126 of 1991 Maturing June 25, 2001**

	<u>Opening Balance</u>	<u>Sinking Fund Levy</u>	<u>Estimated Earnings</u>	<u>Closing Balance</u>
At December 31, 1998				\$ 76,795,119
With present levies: At June 25, 2001 (Estimated)	\$76,795,119	\$7,950,457	\$11,210,796	\$111,857,288
With present levy: At Dec. 31, 1999 (Estimated)	\$76,795,119	\$7,950,457	\$ 4,038,518	\$ 88,784,094
Proposed reduction: With reduced levy on June 25, 2000 and June 25, 2001	\$88,784,094	\$2,500,000	\$ 6,896,350	\$100,680,444

**Estimated Value of Sinking Fund at Maturity  
\$15,000,000.00 Sinking Fund Debentures  
Authorized Under By-Law 102 of 1986 Maturing May 15, 2006**

	<u>Opening Balance</u>	<u>Sinking Fund Levy</u>	<u>Estimated Earnings</u>	<u>Closing Balance</u>
At December 31, 1998				\$ 9,895,697
With present levies: At May 15, 2006 (Estimated)	\$ 9,895,697	\$ 453,639	\$ 5,507,006	\$ 19,031,814
Proposed discontinuance With present levy: At Dec 31, 1999 (Estimated)	\$ 9,895,697	\$ 453,639	\$ 503,112	\$ 10,852,448
With discontinued levy: At May 15, 2006	\$10,852,448	-	\$ 4,418,036	\$ 15,270,484