**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
Financial Planning and Policy Division

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<th>TO:</th>
<th>WARD(S) AFFECTED: CITY WIDE</th>
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<td>Mayor and Members Committee of the Whole</td>
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<th>COMMITTEE DATE:</th>
<th>August 10, 2010</th>
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<tr>
<th>SUBJECT/REPORT NO:</th>
<th>PREPARED BY:</th>
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<tr>
<td>FCM Green Municipal Fund Debenture (FCS09095(a)) (City Wide)</td>
<td>John Savoia (905) 546-2424 x.7298</td>
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<tr>
<th>SUBMITTED BY:</th>
<th>SIGNATURE:</th>
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| Roberto Rossini  
General Manager  
Finance and Corporate Services | |

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<th>RECOMMENDATION:</th>
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<td>(a) That the Mayor and City Treasurer be authorized and directed to issue a debenture, for the Hybrid Bus Purchase Project, in the following manner: to borrow, on the credit of the City of Hamilton, the principal sum of $2,493,420 and to issue amortizing debentures upon the credit of the City of Hamilton, which amount shall be repaid in semi-annual instalments of combined (blended) principal and interest as set forth in Report FCS09095(a);</td>
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<td>(b) That the $300,000 grant and $2,493,420 loan proceeds be applied retroactively to the purchase of five replacement 40-foot Hybrid (Diesel/Electric) Conventional Transit Low Floor buses and seven replacement 60-foot Articulated Hybrid (Diesel/Electric) Conventional Transit Low Floor buses;</td>
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Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
(c) That the previously approved funding of the hybrid bus purchases in the amount of $2,793,420 described in section (b) above, be reallocated to Transit Fleet Replacement Reserve – 110030;

(d) That in the event a determination is made under subsection 275(1) of the Municipal Act, 2001 (the “Act”) prohibiting Council from taking the actions described in subsection 275(3) of the Act at any time after the first day during the election for a new Council and before a new Council takes office following the election, the outgoing Council be authorized to pass a by-law or by-laws, as the case may be, for long-term borrowing through the issue of debentures (the “Debentures”) pursuant to the City of Hamilton’s Loan, Grant and Project Reporting Agreements with FCM (the “Agreements”) for any one or more of the capital works described in the Agreements, provided that:

(i) the Debentures are in the maximum principal amount of $2,493,420;

(ii) the term of years of the Debentures to be issued for any such capital work does not exceed the lesser of the useful life of that capital work and the respective term of years set out in the Agreements; and

(iii) the Debentures are issued with an annual interest rate that does not exceed 6% per annum; and

(f) That, after the passage of a by-law or by-laws in accordance with recommendation (d):

(i) any one or more of the Mayor and the City Treasurer be authorized to cause the Debentures to be issued;

(ii) the City Clerk and the City Treasurer be individually or jointly authorized to generally do all things and to execute all other documents and papers in the name of the City in order to carry out the issuance of the Debentures; and

(iii) the City Treasurer be authorized to affix the City’s municipal seal to any such documents and papers;
EXECUTIVE SUMMARY

In April 2007, the Federation of Canadian Municipalities (FCM) advised that it had awarded the City of Hamilton a grant and loan, in the amounts of $300,000 and $2,493,420 respectively, in response to the City’s submission for funding a green initiative via FCM's Green Municipal Fund.

The project involved enhancing Hamilton’s 20 year old Beeline corridor including replacing existing buses with hybrid vehicles and implementing a number of measures to increase ridership in the corridor. Twelve conventional diesel buses that had been used on the Beeline corridor were replaced with low floor hybrid (diesel-electric) buses in 2007.

Council formally approved entering into agreements (Loan, Grant and Project Reporting) with FCM in September 2009 (refer to Report FCS09095). As the project has been completed, the City is in a position to request disbursement of the loan amount. Report FCS09095(a) seeks Council’s authorization and direction to proceed with the issuance of a required debenture in order to comply with the conditions of the Loan Agreement. The grant will be advanced to the City at approximately the same time frame as the loan is advanced.

The FCM Green Municipal Fund loan will have financial terms that will produce interest savings for the City. The terms of the loan includes an interest rate that equals the closing mid-market rate percentage yield of the Government of Canada ten year benchmark bond minus one and one-half percent per annum. For example, on June 23rd, 2010, the FCM rate would have been approximately 1.72% which would be about 2.46 basis points less that the City’s estimated cost of borrowing of approximately 4.18% for a similar term. The semi-annual payment in this instance, would amount to just over $148,000. On the loan amount of $2,493,420, the difference in borrowing cost over 10 years would exceed $760,000. The actual loan terms will be set five business days prior to the loan advancement by FCM.

Alternatives for Consideration – Not Applicable

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: The cost of the City for the payment of interest and principal will be included in the 2011 Transit Operating Budget. The debenture interest rate will be set at a rate that equals the Government of Canada 10 year benchmark bond minus one and one half percent (1.5%) per annum. Repayment of the principal and interest will occur in semi-annual instalments of combined (blended) principal and interest.
Staffing: Not applicable.

Legal: The City has entered into a Loan Agreement with FCM and prior to the disbursement of the loan, a Legal Opinion from outside counsel must be provided to FCM.

### HISTORICAL BACKGROUND (Chronology of events)

In April 2007, the Federation of Canadian Municipalities (FCM) advised that it had awarded the City of Hamilton a grant and loan, in the amounts of $300,000 and $2,493,420 respectively, in response to the City's submission for funding a green initiative via FCM's Green Municipal Fund.

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### POLICY IMPLICATIONS

N/A

### RELEVANT CONSULTATION

City Manager’s Office – Legal Services Division  
Public Works Department - Transportation, Energy and Facilities Division  
Federation of Canadian Municipalities
ANALYSIS / RATIONALE FOR RECOMMENDATION
(include Performance Measurement/Benchmarking Data, if applicable)

The FCM Green Municipal Fund loan will have financial terms that will produce interest savings for the City. The terms of the loan includes an interest rate that equals the closing mid-market rate percentage yield of the Government of Canada ten year benchmark bond minus one and one-half percent per annum. For example, on June 23rd, 2010, the FCM rate would have been approximately 1.72% which would be about 2.46 basis points less that the City’s estimated cost of borrowing of approximately 4.18% for a similar term. The semi-annual payment in this instance, would amount to just over $148,000. On the loan amount of $2,493,420, the difference in borrowing cost over 10 years would exceed $760,000. The actual loan terms will be set five business days prior to the loan advancement by FCM.

ALTERNATIVES FOR CONSIDERATION:
(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)


Financial Sustainability

• Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

APPENDICES / SCHEDULES

N/A