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To: Chief Administrative Officer
From: Deputy Director of Finance
Date: April 28, 2011
Subject: Early Debt Payout – MFA Issue #75

Recommendations

1. THAT the District of Mission take advantage of the early debt payout option on the non-regional sewer MFA debt issue #75 by paying out the remaining principal amount of \$399,078.38 on December 1, 2011;
2. THAT the District of Mission take advantage of the early debt payout option on its share of regional sewer MFA debt issue #75 by paying out the remaining principal amount of \$117,563.63 on December 1, 2011;
3. THAT the District of Mission take advantage of the early debt payout option on its share of regional water MFA debt issue #75 by paying out the remaining principal amount of \$459,318.38 on December 1, 2011; and,
4. THAT the financial plan be amended accordingly.

Report

The District has the opportunity to pay out its share of the Municipal Finance Authority of British Columbia's (MFA) debt issue #75, which was issued in 2001. This is a 20 year debt issue, due to mature in 2021. There is an opportunity for early debt payout in December 2011, as the MFA typically refinances debt issues at year 10. The MFA requires notification of early payout for this issue by May 13, 2011. Following are details of the 3 amounts available to the District for early payout on December 1, 2011:

Borrowing Fund	Purpose	Amount Required for Early Payout	Approximate Interest Savings
Non-regional sewer	Cedar Valley sewer extension local improvement	\$399,078.38	\$140,000
Regional sewer	Incurred by FVRD on behalf of the District of Mission and the City of Abbotsford	\$117,563.63	\$41,000
Regional water	Incurred by FVRD on behalf of the District of Mission and the City of Abbotsford	\$459,318.38	\$160,000

The District is currently paying an interest rate of 5.69% on issue #75, and the MFA anticipates this debt will be refinanced at a rate of 3.25% to 4%. Staff estimates that early payout of the 3 amounts listed above will result in a total savings of approximately \$341,000 of future interest costs, given the refinancing rates anticipated by the MFA. These savings would be directed to the Sewer Capital Reserve Fund and the Water Capital Reserve Fund accordingly, to assist with funding future capital projects.

There are sufficient funds in the District's Sewer Capital Reserve Fund and Water Capital Reserve Fund to undertake these payouts. Given the estimated \$341,000 in future interest cost savings, it is recommended that the District take advantage of these 3 early payout opportunities.



Kris Boland, CGA

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