

Ontario Strategic Infrastructure  
Financing Authority (OSIFA)

Public Financing for Public Infrastructure

**Presented by: Susan McGovern**  
Vice President, Community Relations  
& Communications

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Ontario Strategic Infrastructure  
Financing Authority (OSIFA)

- OSIFA was established in the 2004 Ontario Budget, *The Plan for Change*
- OSIFA provides low-cost, longer term financing to renew public infrastructure in Ontario
- OSIFA is one of the delivery models outlined in the Infrastructure Planning, Financing and Procurement (IPFP) Framework announced by Minister Caplan on July 27, 2004
- OSIFA replaces the Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA). All of OMEIFA's assets and liabilities, including the commitments made under its 2003 – 2004 loan program, have been assumed by OSIFA.

## OSIFA's 2004-05 Loan Program

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- OSIFA's 2004-05 infrastructure renewal loan program will be focused on Ontario's municipalities, aiming to offer affordable infrastructure financing for seven key municipal priorities:
  - Clean water infrastructure
  - Sewage treatment facilities
  - Waste management infrastructure
  - Municipal roads and bridges
  - Public transit
  - Municipal long-term care facilities
  - Municipal social housing

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## Benefits to Borrowers

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- Lower interest rates than most borrowers could otherwise attain from traditional financing methods
- Efficient access to capital markets for unrated borrowers through OSIFA
- Transaction costs minimized because of pooled financing
- Financing terms from 5 to 40 years to better match payments to the useful life of assets.
- Longer financing terms that are generally not available from traditional financing sources
- The advantage of the asset being paid over its useful life of the asset assists today's generation in making the necessary investment but sharing the cost with tomorrow's users

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## Examples of Potential Savings



Loan Amount: \$10 million  
Length of Loan: 20 year rate

Model 1: Unrated Municipality with relatively good credit at an interest rate (amortizing debenture) of 5.76%

**Approximate savings over life of loan**  
**\$481,386**

Model 2: Smaller Municipality at an interest rate (amortizing debenture) of 6.11%

**Approximate savings over life of loan**  
**\$969,657**

NOTE: Rates and figures change daily. This is meant only as an example

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## OSIFA's Streamlined Process for 2004-05



- **Less Documentation**
  - Information was consolidated and minimized by working with line ministries to ensure minimum duplication of documents (e.g. Environmental Assessment and Engineer's Design Report)
  - Application Form was reduced from 10 pages to 8 pages.
  - Project Detail schedules were reduced from 15-19 pages to 4 pages.
- **Ease of on-line access**
  - On-line applications
  - Toll Free 1-800 number for step-by step assistance
- **Templates provided for all required documentation**
  - Project and borrowing by-law
  - Treasurer's Certificate

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# Municipal Financing



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## All borrowers receive the same affordable interest rate

### Short-Term Financing

- This type of financing is available during the construction period of an approved project based on incurred costs. Interest is calculated and payable by the municipality monthly on the 1st day of each month based on the posted short-term rates.

### Long-Term Financing

- Once the project(s) is substantially complete, the municipality issues a debenture for up to the approved amount of the loan per the financing agreement.
- The loan interest rate varies with the term of the loan; a 10 year loan term would have a different rate than a 40 year loan. Municipalities may select repayment terms of 5 to 40 years.
- Municipalities must select a repayment period that does not exceed the expected life of the capital asset.

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# Municipal Application Technical and Credit Review



- Once complete, an application undergoes a technical review to verify that projects meet eligibility criteria. In addition to its own staff, OSIFA relies on the expertise other line Ministries to provide advice on the relative merits of projects from environmental, public health, and other non-financial perspectives including fit with government priorities.
- A credit review of applicants is carried out by OSIFA to assess their borrowing capacity. OSIFA assesses a municipality against financial soundness criteria such as overall conformity with Debt & Financing Obligations limits and the impact of project debt service obligations on financial position.
- Once all necessary reviews are complete and the appropriate approvals in place, OSIFA notifies the municipality and begins drafting a financial agreement for execution.

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## Financing Agreement and Payments to the Municipality



- Provided the application and required documentation are complete, the length of time to receive funds can be as little as 8 weeks from the approval date. (e.g. Last year the municipality of Greater Napanee applied on June 30, was approved by Cabinet August 18, received its financing agreement in late September and requested its first advance in November 2003)
- As part of the OSIFA financing agreement, the municipality signs a pre-authorized debit form. This electronic banking arrangement allows OSIFA to make payments to the municipalities account and also to withdraw interest and loan payments from the account according to an agreed upon schedule.
- OSIFA requires only five business days to process an advance request. The Treasurer must certify that expenditures have been incurred in accordance with the financing agreement. OSIFA does not need to review individual receipts and invoices.

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## 2004-05 Municipal Loan Program-Round 1



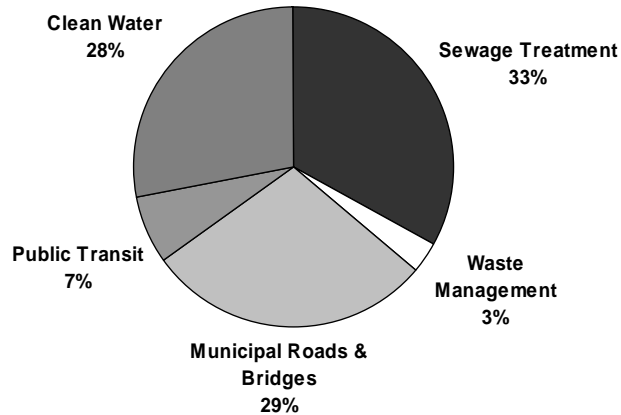
- 90 municipalities for up to \$965M in loans were approved under Round 1 for:
  - Clean water infrastructure
  - Sewage treatment facilities
  - Waste management infrastructure
  - Municipal roads and bridges
  - Public transit
- 59 municipalities were first-time applicants
- 31 municipalities participated in the 2003-04 Municipal Loan Program
- More than 60% (\$588M) of Ontario municipalities will be using OSIFA for clean water and sewage treatment facilities

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## 2004-05 Municipal Loan Program-Round 1

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## 2004-05 Municipal Loan Program-Round 2

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- Round 2 was launched by Minister of Finance and Minister of Public Infrastructure Renewal on August 20, 2004
- Municipal long-term care and municipal social housing included in Round 2, along with the original 5 priorities
- Round 2 applications close October 29
- For more information go to [www.osifa.on.ca](http://www.osifa.on.ca)

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## Infrastructure Renewal Bonds

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- OSIFA will offer a new financial instrument called Infrastructure Renewal Bonds (IRBs) to institutional and individual investors.
- OSIFA will use the proceeds from the sale of IRBs to fund its infrastructure renewal loan program.
- IRBs will be attractive to large institutional investors such as pension funds and insurance companies. They will offer an investment that is backed by the credit strength of municipal and other public-sector borrowers.
- IRBs are an efficient and attractive financial instrument. They maintain a link among investors and Ontario communities.
- The first issue of Infrastructure Renewal Bonds will take place later this year. The interest rate will be announced at that time.

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## Contact Information

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### Ontario Strategic Infrastructure Financing Authority

#### **Mailing Address:**

Ontario Strategic Infrastructure Financing Authority  
250 Yonge St., 30<sup>th</sup> Floor  
Toronto, ON M5B 2N7

#### **General Inquiries:**

Phone: 1-800-230-0937  
E-mail: [info@osifa.on.ca](mailto:info@osifa.on.ca)

[www.osifa.on.ca](http://www.osifa.on.ca)

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