



To: Chair and Members
Muskoka District Council

From: Suzanne Oliner
Commissioner of Finance and Corporate Services

Date: July 6, 2026

Subject: Second Tranche of Fairvern Debenture Financing

Report: 9(2026)-1

Recommendation

WHEREAS Muskoka District Council (Council) authorized staff to proceed with the financing strategy for the redevelopment of the Fairvern Long-Term Care Home (Fairvern) as generally outlined in Report 13(2025)-10 and through Council resolution P158/2025;

NOW THEREFORE BE IT RESOLVED THAT a by-law be prepared to authorize the borrowing upon ten year instalment debentures in the principal amount of \$30,000,000 (\$20,000,000 of which amount may be raised by the issue of refinancing instalment debentures on or before the maturity date) which represents the second tranche of external borrowing to finance Fairvern.

Origin

The District adopted Resolution P158/2025 on October 20, 2025, authorizing staff to proceed with the issuance of debentures as generally outlined staff [Report 13\(2025\)-10](#) in the principal amount of up to \$80.7 million during the third and fourth quarter of 2025 and the first and third quarter of 2026. This debenture represents the second of up to four (4) tranches of the District's \$80.7 million external financing strategy.

Analysis

At the time of preparation of the District's financing strategy for the redevelopment of Fairvern, staff had estimated the cost of borrowing through direct municipal debenture issuance of 10-year serial debentures (amortized over 25 years) to be 4.24%. The actual total cost of borrowing for this second tranche of debenture financing is 4.01%, including commissions. The first tranche of debenture financing was issued in November 2025 at an all-in cost of financing of 3.90%. For reference, the District is

currently investing operating funds in short-term investments at a rate of return of approximately 4.0%.

Although the original financing strategy outlined the first and third quarter as being the likely timing of issuances in 2026, market volatility in the first quarter of the year drove municipal debt issuance rates higher than originally anticipated. Staff have adjusted the timing of this second tranche of financing to take advantage of a decrease in rates from those experienced for debt issuances in March.

The deal was structured as a 10/25-year Serial, which means that debenture is amortized over a 25-year period, but the payments are structured over a 10-year period. In each year, a portion of the principal is paid, as well as two interest payments. However, the portion of principal paid is calculated as if repayment were going to occur over a 25-year period. This means that in the 11th year of the debenture, there will be a principal amount owing. This principal amount owing is often referred to as a 'balloon payment' and these structures of debentures are also known as 'Serial Balloons'. The serial debenture financing provides the District with the flexibility of internally refinancing all or a portion of the remaining principal balance owing ('balloon payment') in the 11th year, providing sufficient reserves have been raised (as anticipated). This structure allows the District to take advantage of a lower cost of borrowing in short end of the market and reduce exposure to higher interest rates in the longer end of the market.

District's legal counsel for debenture issues, WeirFoulds LLP, has confirmed that the capital work, term of the debenture proposed and budget authorizing the issuance of debt are in order and that the issuance of debentures may proceed. To this end, a by-law has been prepared and is included in the Agenda.

The debt and financial obligation limits are outlined in Ontario Regulation 403/02 and are referred to as the Annual Repayment Limit (ARL). The District may issue debentures as long as the total annual repayments for the District are below the updated ARL. The calculation of the ARL is 25% of own-source revenues less certain one-time grants or other revenue sources. Based on the pricing of the debenture, the District has sufficient debt capacity and will be within its respective borrowing limits.

The Ministry of Municipal Affairs and Housing (MMAH) does not include the lower-tiers' annual debt obligations when calculating the upper-tier's ARL.

The District has \$39.5 million available for additional annual debt repayments as calculated by the MMAH. For clarity, the District's 2026 ARL would allow additional long-term borrowing of approximately \$490.3 million assuming a 5% interest rate on a 20-year debenture. This more than meets the District's forecasted additional external borrowing requirements over the next 10-years of \$93.7 million as presented in the updated 2026 Tax and Rate Supported Capital Budget and Forecast. After the issuance of this second tranche of financing, the remaining external financing required for the Fairvern Long Term Care Home will be \$30.7 million. Long term debt of \$4.4 million is required for the Fairvern Early Learning and Childcare Centre (FELCC), which is lower than the previously approved external financing of \$4.7 million due to the

confirmation of additional grant funding. Staff [Report CPS-8-2026-2](#) provides additional detail and approval of the proposed budget amendment will be before District Council on July 20, 2025. This results in total remaining long term debt to be issued of \$35.1 million.

Financial Considerations

Based on final pricing, the annual repayment for the proposed financing ranges between \$1,878,500 and \$2,139,500 which is within the District's borrowing limit. The total estimated cost of the Fairvern project is just under \$135.1 million which will be financed through a combination of internal reserve fund contributions, grants, and external financing.

Following conclusion of this second tranche of financing, 62% of the financing strategy (approved through Report 13(2025)-10) will have been completed with total interest repayable of \$16.7 million between 2026 and 2036, reflecting 57% of the estimated interest payable. This means that the financing strategy is currently tracking better than projected. Staff remain cautious however, given market uncertainty and continued global economic disruptions.

The external financing costs will be covered by annual Construction Fund Subsidy (CFS) payments from the Ministry of Long-Term Care of \$3.3 million per year for 25 years, which is estimated to fund 64% of the carrying costs, and annual Fairvern Debt Reserve payments which will cover the remaining 36% of the carrying costs. The Fairvern Debt Reserve was established through the 2023 budget process as a method of smoothing in the anticipated financing costs of the project onto the tax levy over a period of seven years (to 2029). The increase in the contribution to this reserve is \$350,000 per year for each year until 2029. After 2029, the reserve contribution remains unchanged until the repayment of the debt.

Climate Change Implications

The District assesses climate implications in all staff reports using the Clean Air Partnership's '[Municipal Climate Lens Tool](#)' to consider climate impacts or benefits associated with any project, program or initiative.

There are no direct climate impacts with respect to the content of this report, however the Fairvern design incorporates systems and technologies that limit the building's short and long-term carbon demands and anticipates future considerations to become carbon neutral over the life of the building. The building's design will be significantly more resilient to temperature, precipitation, and extreme weather impacts than the current Fairvern design.

Communications

Following the report to Committee of the Whole in September 2025, staff have been working with the District's fiscal agent (National Bank or NBF) and outside legal counsel to move forward with the financing strategy related to the Fairvern project as identified

in Report 13(2025)-10. Should Council approve the report and by-law, staff will finalize the debenture issuance with NBF and WeirFoulds. Staff anticipate one additional report related to the final Fairvern debentures in the third quarter of 2026 or first quarter of 2027.

Strategic Plan

The District assesses the impact or influence of the information or recommendations included in staff reports toward achieving Council's [Strategic Plan objectives](#).

This report includes information or recommendations that impact or influence the following Strategic Plan Objectives:

- [Objective 8 Future thinking](#) – Plan and invest so that we have the services and infrastructure our residents and communities need – now and in the future.

Respectfully submitted,

Suzanne Oliner, B.Com, CPA, CMA, Commissioner of Finance and Corporate Services; and
Julie Stevens, CPA, CA, Chief Administrative Officer