

## 2023 Annual Repayment Limit

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## Report Summary

This report provides an update on the City's 2023 annual debt repayment limit as determined by the Province.

## Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters and has no direct connection to the Community Energy & Emissions Plan.

## Financial Implications

There are no financial implications associated with this report.

## Background

At the beginning of each calendar year, the Province calculates an Annual Repayment Limit (ARL) for every municipality. The 2023 Annual Repayment Limit for the City of Greater Sudbury has been received and is attached to this report. It is based on information extracted from the 2021 Financial Information Return (FIR). The 2022 FIR, which was filed in May, will form the basis for the calculation of the 2024 Annual Repayment Limit.

Under Provincial guidelines, no municipality should spend more than 25% of its net revenues on debt repayment. Based on this percentage, the ARL indicates the maximum debt repayment a municipality could support. Under the Provincial formula of 25%, the City of Greater Sudbury has the capacity to increase annual debt repayments by \$95.6 million and in 2021 our actual amount of debt repayment (including principal and interest) is \$20.4 million.

For illustrative purposes, the Province indicates that based upon the stated \$95.6 million annual repayment limit at a 5% and 7% interest rate over an amortization period of 20 years, the City could undertake a further **\$1.2 billion** or **\$1.0 billion** respectively in long-term borrowing. Of course, if this were done, the operating budget would need to fund the repayment of this debt, which would involve discussions about service

adjustments and/or property tax level changes.

Council's own debt limit is more conservative. Its self-imposed annual repayment limit is no more than 10% of the City's own source revenue. Based on the 2021 FIR and using this Council-approved threshold, the City had the capacity to increase annual debt repayments by \$26.0 million as of January 1, 2023. This means the City could borrow \$423 million over 30 years at 4.5% and remain within its own policy guidelines prior to the latest bond issuance

Since March 2022, the City secured additional debt of \$103 million, with a 25 year term, for Pioneer Manor Bed Redevelopment project and 2020/21 Roads and Bridges programs. This further decreases the amount that could be borrowed to \$320 million and remain within its own policy guidelines.

At 2022 year-end, the total long-term liabilities of the City of Greater Sudbury were approximately \$338.5 million (2021-\$248.5 million) with debt repayments and interest of approximately \$22 million recorded in 2022.

Tax Debt Charges as a percentage of own source revenues, is a standard measure of flexibility. This indicator is calculated and reported in annual reports compared to other municipalities and is projected based on the Long Term Financial Plan model to indicate future flexibility anticipated by the plan. The City of Greater Sudbury's tax debt charges as a percentage of own source revenues was 4.4% at December 31, 2021, below the BMA Study average of 4.6%. Also, the City of Greater Sudbury's debt to reserve ratio at December 31, 2021 was 1.3, which is above the BMA survey average of 0.6. Based on the 2022 FIR, the debt to reserve ratio is 1.8.

## **Conclusion**

Based on the current Council approved limit of 10% of net revenues and considering debt currently incurred, projects approved in current and prior budgets, the City continues to have sufficient financial flexibility to address current and planned future financing requirements.