

2024 Annual Repayment Limit Report

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Report Summary

This report provides information regarding an update on the City's 2024 annual debt repayment limit as determined by the Province.

Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

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 2024 Annual Repayment Limit for the City of Greater Sudbury has been received and is attached to this report in Appendix A. It is based on information extracted from the 2022 Financial Information Return (FIR). The 2023 FIR, which was filed in May, will form the basis for the calculation of the 2025 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, the City of Greater Sudbury has the capacity to increase annual debt repayments by \$103.8 million. In 2022 our actual amount of debt repayment (including principal and interest) was \$22.1 million.

For illustrative purposes, based on the province's calculated \$103.8 million annual repayment limit and assuming a 5% or 7% interest rate over an amortization period of 20 years, the corporation could undertake a further **\$1.3 billion** or **\$1.1 billion** respectively in long-term borrowing. Of course, if this borrowing

occurred, the operating budget would need to fund the debt repayment, 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 2022 FIR and using this Council-approved threshold, the corporation has the capacity to increase annual debt repayments by \$28.2 million as of January 1, 2024. This means the City could borrow \$460 million over 30 years at 4.5% and remain within its own policy guidelines.

The 2024-2028 capital budget, as approved by Council, included debt of \$124.4 million in order to meet high-priority infrastructure needs and strategic projects. Furthermore, Council approved additional debt of \$135 million for the Event Centre project. This remaining amount that could be borrowed and still remain within Council's own policy limit is \$200.6 million.

At 2023 year-end, the total long-term liabilities of the City of Greater Sudbury were approximately \$325.9 million (2022 - \$338.5 million). Debt repayments and interest of approximately \$21.9 million were recorded in 2023.

A generally accepted financial condition indicator is "Tax-supported debt charges as a percentage of own source revenues". This indicator measures a municipality's financial flexibility and it is reported in annual reports with comparisons to other municipalities and to projections based on the corporation's Long Term Financial Plan. The City of Greater Sudbury's total tax debt charges as a percentage of own source revenues was 4.4% at December 31, 2022, below the 2023 BMA Study average of 4.8%.

Conclusion

The corporation has sufficient financial flexibility to address current and anticipated future financing requirements based on the current Council approved policy that calls for debt charges to be no greater than 10% of own source revenues.