

Debt Financing



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Debt Management Policy

- Approved by Council in October 2013
- Set a limit of 5% of City net revenue for annual debt repayment
- Debt should be affordable and sustainable
- Structured so those benefitting from the asset pay for the debt

Debt Management Policy

Principles for Securing Debt

Debt should only be considered for:

- New, non-reoccurring infrastructure requirements
- Programs and facilities which are self supporting
- Projects where the cost of deferring expenditures exceeds debt servicing costs
- Securing debt for terms no longer than the anticipated life of the funded asset

Debt Management Policy

Debt Categories

1. Tax Supported Debt
 - Debt repayment source is the tax levy
2. Self Supporting Debt
 - Funded outside the levy (i.e. User Fees, Development Charges, other revenue sources)

Summary of External Debt

Project Name	Term (Start Date – End Date)	Total Outstanding as of December 31/15 (\$ Millions)	2016 External Debt Payment (\$ Millions)
Northern Ontario School of Architecture	2009-2019	\$ 3.5	\$1.0
Health Sciences North	2001-2023	\$ 7.7	\$1.0
AMRIC	2014-2018	\$ 0.4	\$0.1
199 Larch Street	2003-2023	\$10.5	\$1.4
Pioneer Manor	2004-2024	\$ 7.4	\$0.8
1160 Lorne Street	2015-2035	\$13.7	\$0.9
Biosolids Plant	2015-2035	\$45.9	\$3.5
Purchase of Falconbridge Wells	2009-2025	\$ 1.0	\$0.2
Purchase of Onaping Wells	2010-2029	\$ 1.4	\$0.2
		\$91.5 Million	\$9.1 Million

Debt Capacity Under Current Policy

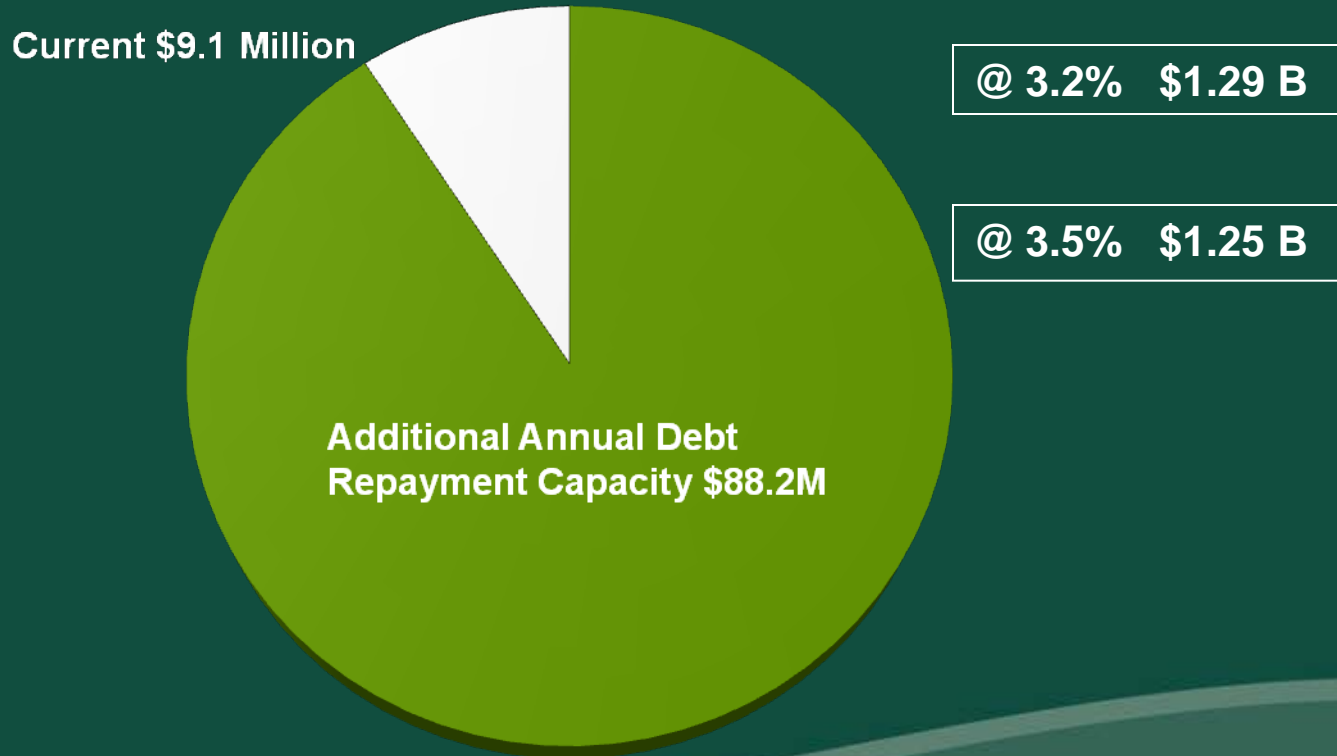
City's Net Revenue	\$ 389 Million
5% for Annual Debt Repayment	\$19.5 Million
Current Annual Debt Repayment	\$ 9.1 Million
Available for Additional Debt Repayment	\$10.4 Million

Available Debt That Could be Secured

20 Year Term	@3.2%	@3.5%
\$10.4 Million Annual Debt Repayment	\$152 Million	\$148 Million

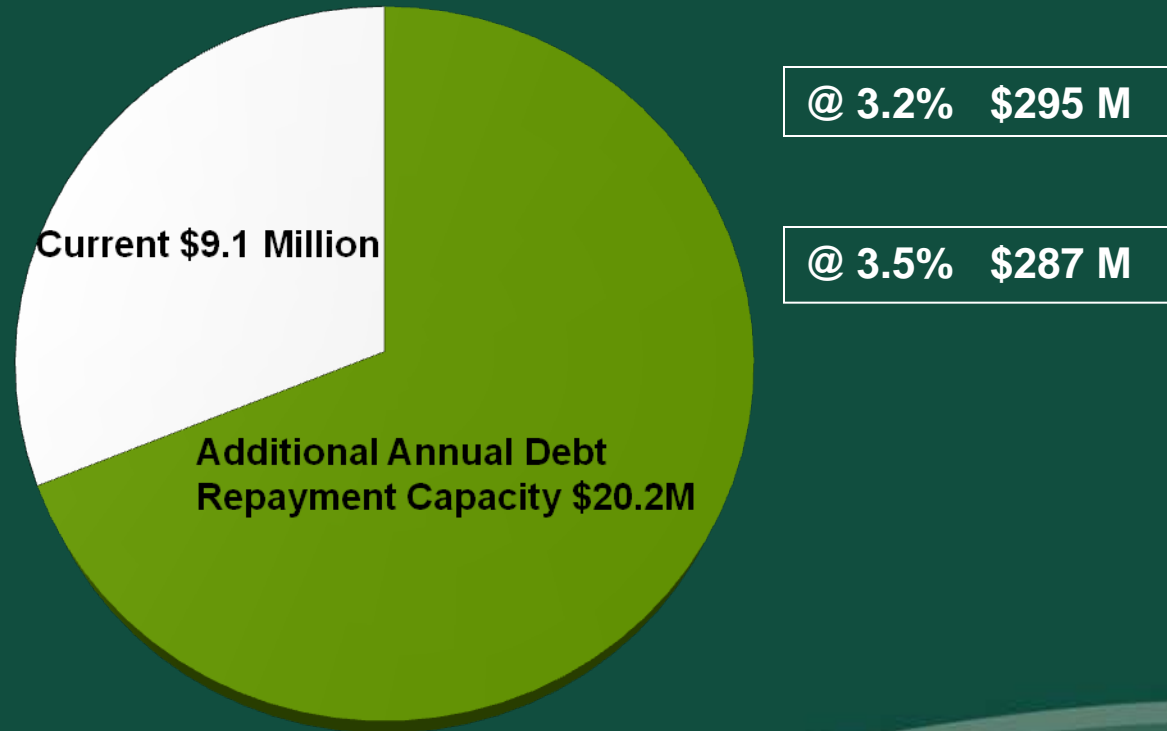
Provincial Limits on Annual Debt Repayments

25% of City's Net Revenues



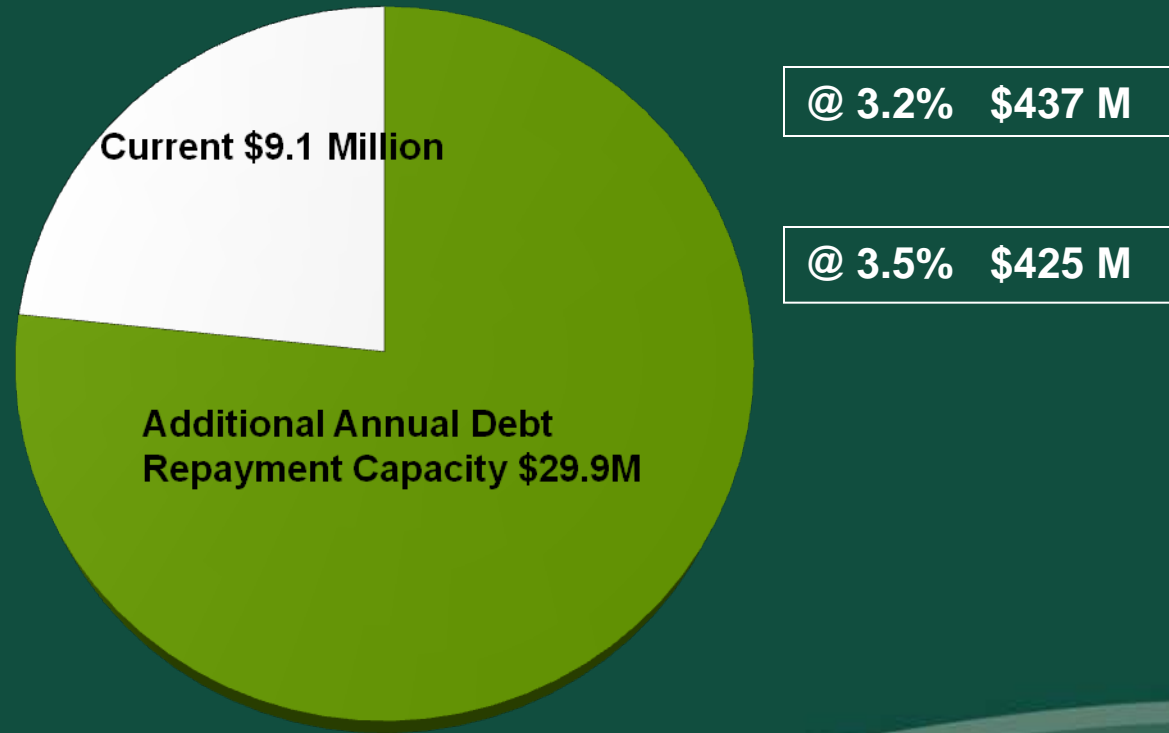
Potential Changes to Debt Management Policy Limits

Available Debt Capacity at 7.5% of Net Revenues



Potential Changes to Debt Management Policy Limits

Available Debt Capacity at 10% of Net Revenues



Debt Comparisons – BMA Study

	Tax Debt Interest as a % Net Revenues	Tax Debt Charges as a % of Net Revenues
Greater Sudbury	0.3%	1.5%
Median	1.3%	3.2%
Average	1.4%	4.2%

Compared to the group survey, the City of Greater Sudbury is in a favourable position to undertake additional debt.

Note: Figures in the chart are based on the 2014 Financial Information Return (FIR)

2016 Federal Budget

- Transformation plan for \$60 B in new infrastructure funding
- Budget 2016 provides \$11.9 B of the Government's ten year commitment
- In coming months, the Government will lay out its longer term priorities for renewing and modernizing Canada's infrastructure

2016 Federal Budget Infrastructure Funding

Public Transit Infrastructure Fund	\$3.4 B
Clean Water / Waste Water Fund	\$2.0 B
Affordable Housing	\$2.3 B
Climate Change Mitigation and Adaptation Infrastructure Projects	\$0.5 B
As more details about these initiatives become available, staff will be reporting back.	

City's Approach to Federal Infrastructure Stimulus

- Previous announcement by Minister Sohi trusts municipal governments to set priorities
- The Federal Government wants “shovel ready and shovel worthy” projects
- City of Greater Sudbury has many “shovel ready” projects and will be able to provide a number of viable projects for consideration
- Additional staff resources in Infrastructure Services may be required in order to administer and manage additional projects

Summary

- Given the low interest rate environment and the ability to secure funds from the Federal Government, debt financing is very desirable to expedite projects.
- Council may consider increasing limits in the Debt Management Policy in order to take advantage of opportunities available.

Questions?

