

## For Information Only

### 2016 Annual Repayment Limit

Presented To: Finance and  
Administration  
Committee

Presented: Wednesday, Mar 30,  
2016

Report Date Monday, Mar 14, 2016

Type: Correspondence for  
Information Only

### Resolution

For Information Only

## Background

Each year, the Province calculates an Annual Repayment Limit (ARL) for every municipality in the Province as of January 1st. The 2016 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 2014 Financial Information Return (FIR). The 2015 FIR, which will be filed in May, will form the basis for the calculation of the 2017 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 debt repayments by \$91.7 million.

For illustrative purposes, the Province indicates that, based upon the stated \$91.7 million annual repayment limit at a 5% and 7% interest rate over an amortization period of 15 years, the City could undertake a further \$952 million or \$835 million respectively in long-term borrowing. Of course, if this were done, the operating budget would have to increase by the \$91.7 million necessary for the debt repayments. However, Council adopted the Debt Management Policy under Bylaw 2013-228 setting a limit of 5% of the City's own purpose revenue for annual debt repayment, which Council deemed to be a prudent financial decision based on the City's ability to afford debt repayments in this current economic climate.

At 2014 year-end, the total long-term liabilities of the City of Greater Sudbury was approximately \$32.5 million (2013 - \$37.3 million) with annual debt repayments and interest of \$5.6 million. As contained in the 2015 BMA Study, the City of Greater Sudbury's debt interest as a percentage of total expenditures was 0.3% at December 31, 2014, well below the survey average of 1.4%. Also, the City of Greater Sudbury's debt to reserve ratio at December 31, 2014 was 0.2, which is below the BMA survey average of 1.1.

#### Signed By

**Report Prepared By**

Barbara Dubois  
Co-ordinator of Budgets  
*Digitally Signed Mar 14, 16*

**Recommended by the Department**

Ed Stankiewicz  
Acting Chief Financial Officer/City  
Treasurer  
*Digitally Signed Mar 14, 16*

**Recommended by the C.A.O.**

Kevin Fowke  
Acting Chief Administrative Officer  
*Digitally Signed Mar 14, 16*

### **Update of Annual Repayment Limit as of May 2015**

As a result of the approval of the Biosolids Project and the new Fleet garage project, where external debt financing was a requirement for the projects, the CFO has updated the Annual Repayment Limit. The updated amount includes the City's secured debt financing for both of these projects through Infrastructure Ontario in May of 2015 and additional debt financing for the Biosolids plant through the private contractor as a condition of the project. The annual debt repayment on these projects totals \$4.4 million, which now increases the annual debt repayment to \$10 million. Based on the City's 2014 Annual Debt Repayment Limit Schedule (Schedule 81), this \$10 million represents 2.6% of the City's net revenues. This is all within the parameters set out in the Debt Management Policy, which sets the limit for the annual debt repayment at 5% of the City's own purpose revenue.

In accordance with the City's Debt Management Policy, the City has \$9.5 million capacity of annual repayments, which translates into \$118 million of debt at 5% over twenty years.

## 2016 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

<b>MMAH CODE:</b>	23103	<b>FIR CLEAN FLAG:</b>	C
<b>MUNID:</b>	53005		
<b>MUNICIPALITY:</b>	Greater Sudbury C		
<b>UPPER TIER:</b>	N/A		
<b>REPAYMENT LIMIT:</b>		<b>\$</b>	<b>91,707,355</b>

The repayment limit has been calculated based on data contained in the 2014 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2014 to commit to payments relating to debt and financial obligation. Prior to the authorization by Council of a long term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner. The limit is effective January 01, 2016.

### FOR ILLUSTRATION PURPOSES ONLY,

The additional long-term borrowing which a municipality could undertake over a 5-year, a 10-year, a 15-year and a 20-year period is shown.

If the municipalities could borrow at 5% or 7% annually, the annual repayment limits shown above would allow it to undertake additional long-term borrowing as follows:

5% Interest Rate		
(a)	20 years @ 5% p.a.	\$ 1,142,876,345
(a)	15 years @ 5% p.a.	\$ 951,890,982
(a)	10 years @ 5% p.a.	\$ 708,139,884
(a)	5 years @ 5% p.a.	\$ 397,044,853
7% Interest Rate		
(a)	20 years @ 7% p.a.	\$ 971,549,023
(a)	15 years @ 7% p.a.	\$ 835,262,701
(a)	10 years @ 7% p.a.	\$ 644,114,084
(a)	5 years @ 7% p.a.	\$ 376,018,261

# DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Greater Sudbury C

MMAH CODE:

23103

## Debt Charges for the Current Year

		1
		\$
0210	Principal (SLC 74 3099 01) . . . . .	4,517,597
0220	Interest (SLC 74 3099 02) . . . . .	1,117,755
0299	<b>Subtotal</b>	<b>5,635,352</b>
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01) . . . . .	0
9910	<b>Total Debt Charges</b>	<b>5,635,352</b>

## Amounts Recovered from Unconsolidated Entities

		1
		\$
1010	Electricity - Principal (SLC 74 3030 01) . . . . .	0
1020	Electricity - Interest (SLC 74 3030 02) . . . . .	0
1030	Gas - Principal (SLC 74 3040 01) . . . . .	0
1040	Gas - Interest (SLC 74 3040 02) . . . . .	0
1050	Telephone - Principal (SLC 74 3050 01) . . . . .	0
1060	Telephone - Interest (SLC 74 3050 02) . . . . .	0
1099	<b>Subtotal</b>	<b>0</b>
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02) . . . . .	0
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02) . . . . .	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02) . . . . .	0
1420	<b>Total Debt Charges to be Excluded</b>	<b>0</b>
9920	<b>Net Debt Charges</b>	<b>5,635,352</b>

		1
		\$
1610	Total Revenues (Sale of Hydro Utilities Removed) (SLC 10 9910 01) . . . . .	538,207,014
	<b>Excluded Revenue Amounts</b>	
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04) . . . . .	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01) . . . . .	122,066,522
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01) . . . . .	1,322,405
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01) . . . . .	1,392,899
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01) . . . . .	13,429,143
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01) . . . . .	111,560
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01) . . . . .	-3,196,305
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01) . . . . .	4,369,360
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01) . . . . .	79,929
2252	Donated Tangible Capital Assets (SLC 53 0610 01) . . . . .	5,718,152
2253	Other Deferred revenue earned (SLC 10 1814 01) . . . . .	357,211
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01) . . . . .	3,185,311
2299	<b>Subtotal</b>	<b>148,836,187</b>
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged . . . . .	0
2610	<b>Net Revenues</b>	<b>389,370,827</b>
2620	<b>25% of Net Revenues</b>	<b>97,342,707</b>
9930	<b>ESTIMATED ANNUAL REPAYMENT LIMIT</b>	<b>91,707,355</b>
	(25% of Net Revenues less Net Debt Charges)	

\* SLC denotes Schedule, Line Column.