

For Information Only

2020 Annual Repayment Limit

Presented To: Finance and
Administration
Committee

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Report Date Tuesday, Jun 23, 2020

Type: Correspondence for
Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report provides an update on the City's 2020 annual debt repayment limit as determined by the Province.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Jun 23, 20

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
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Financial Implications

Apryl Lukezic
Co-ordinator of Budgets
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Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
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Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jun 24, 20

2020 Annual Repayment Limit

Background

Each year, the Province calculates an Annual Repayment Limit (ARL) for every municipality in the Province as of January 1st. The 2020 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 2018 Financial Information Return (FIR). The 2019 FIR, which was filed in May, will form the basis for the calculation of the 2021 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 to \$94.9 million.

For illustrative purposes, the Province indicates that, based upon the stated \$94.9 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 have to increase by the \$94.9 million necessary for the debt repayments. However, Council has approved setting a limit of 10% of the City's own purpose revenue for annual debt repayment. Using the Council approved 10% threshold of net revenues the City had the capacity to increase annual debt repayments by \$31.9 million as of January 1, 2020, which would enable the City to borrow \$625 million over 30 years at 3.0% and remain within Council guidelines. However, the City did issue a bond of \$200 million in 2020 to fund the large projects and Municipal Road 35 construction. The bond was issued at a very favorable interest rate of 2.416%, which translates into annual debt repayments of \$9.0 million dollars.

At 2019 year-end, the total long-term liabilities of the City of Greater Sudbury were approximately \$70.3 million (2018 - \$76.5 million) with debt repayments and interest of \$8.8 million recorded in 2019. As contained in the 2019 BMA Study, the City of Greater Sudbury's tax debt interest as a percentage of own source revenues was 0.3% at December 31, 2018, well below the survey average of 1.2%. Also, the City of Greater Sudbury's debt to reserve ratio at December 31, 2018 was 0.5, which is below the BMA survey average of 0.9. Based on the recently submitted 2019 FIR these ratios are 0.3 and 0.5 respectively.

As of January 1st, 2020, the annual debt repayment for the City was \$10.9 million. The \$200 million debt secured increases the debt repayments to \$19.9 million from \$10.9 million. In addition, the 2020 capital budget contains \$33 million of debt financing, which will increase the City's annual debt repayment to \$21.6 million. This represents a debt repayment of 5.1% of the City's net revenue. The City's borrowing capacity

maintains a robust \$400 million at current interest rates. However the tax debt interest as a percentage of own source revenues is estimated to increase to 1.7% from 0.3% and will be above the average of 1.2% from the BMA Study.

Based on the current Council approved limit of 10% of net revenues and taking into account: debt currently incurred; projects approved in current and prior budgets the City does have the capacity to incur more debt.

2020 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE:	23103
MUNID:	53005
MUNICIPALITY:	Greater Sudbury C
UPPER TIER:	
REPAYMENT LIMIT:	\$ 94,897,006

The repayment limit has been calculated based on data contained in the 2018 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2018 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, 2020

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.	\$ 1,182,626,443
(a)	15 years @ 5% p.a.	\$ 984,998,466
(a)	10 years @ 5% p.a.	\$ 732,769,522
(a)	5 years @ 5% p.a.	\$ 410,854,371
7% Interest Rate		
(a)	20 years @ 7% p.a.	\$ 1,005,340,228
(a)	15 years @ 7% p.a.	\$ 864,313,765
(a)	10 years @ 7% p.a.	\$ 666,516,856
(a)	5 years @ 7% p.a.	\$ 389,096,459

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).	7,220,836
0220	Interest (SLC 74 3099 02).	2,835,355
0299	Subtotal	10,056,191
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	10,056,191

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	Subtotal	0
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	Total Debt Charges to be Excluded	0
9920	Net Debt Charges	10,056,191

		1 \$
1610	Total Revenue (SLC 10 9910 01).	622,615,237
Excluded Revenue Amounts		
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)	153,521,479
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	14,231,363
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	2,649,965
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	6,938,287
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	131,813
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	-1,565,630
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	4,286,405
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	142,653
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	2,124,151
2253	Other Deferred revenue earned (SLC 10 1814 01)	1,141,560
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	5,994,814
2255	Other Revenue (SLC 10 1890 01 + SLC 10 1891 01 + SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01)	13,205,591
2299	Subtotal	202,802,451
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	419,812,786
2620	25% of Net Revenues	104,953,197
9930	ESTIMATED ANNUAL REPAYMENT LIMIT (25% of Net Revenues less Net Debt Charges)	94,897,006

* SLC denotes Schedule, Line Column.