

For Information Only

2019 Annual Repayment Limit

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Jun 04, 2019

Report Date Tuesday, May 21, 2019

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 2019 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

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Manager of Financial Planning and
Budgeting
Digitally Signed May 21, 19

Division Review

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Financial Implications

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Recommended by the Department

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2019 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 2019 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 2017 Financial Information Return (FIR). The 2018 FIR, which was filed in May, will form the basis for the calculation of the 2019 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 \$94.6 million.

For illustrative purposes, the Province indicates that, based upon the stated \$94.6 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 have to increase by the \$94.6 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 has the capacity increase annual debt repayments by \$30.4 million. The City could borrow \$560 million over 30 years at 3.5% and remain within Council guidelines.

At 2018 year-end, the total long-term liabilities of the City of Greater Sudbury was approximately \$76.5 million (2017 - \$77.5 million) with annual debt repayments and interest of \$10.1 million. As contained in the 2018 BMA Study, the City of Greater Sudbury's tax debt interest as a percentage of own source revenues was 0.3% at December 31, 2017, well below the survey average of 1.2%. Also, the City of Greater Sudbury's debt to reserve ratio at December 31, 2017 was 0.5, which is below the BMA survey average of 1.0. Based on the recently submitted 2018 FIR these ratios are 0.3% and 0.5 respectively.

Council has approved a number of projects that will be paid for using external debt financing. The approved amount and forecasted annual payment follow:

Project	Long Term Borrowing	Annual Payment	Budget Year Approved
Place Des Arts	\$5.0 Million	\$350,000	2017
Event Centre	\$90.0 Million	\$5.2 Million	2018
MR 35	\$30.8 Million	\$1.9 M	2018
Playground Revitalization	\$2.3 Million	\$150,000	2018

Bridges and Culverts	\$6.9 Million	\$433,000	2019
McNaughton Terrace Treatment Facility	\$2.2 Million	\$123,000	2019
The Junction	\$68 Million	\$3.9 Million	2019
Total	\$205.2 Million	\$12.1 Million	

The above projects increase the debt repayments to \$22.2 million from \$10.1 million and the City borrowing capacity maintains a robust \$405 million at current interest rates. However the tax debt interest as a percentage of own source revenues is estimated to increase to 2.5% from 0.3% and will be above the average of 1.2% from the BMA Study. The debt to reserve ratio increases to 1.9 from 0.5 which is also above the 1.0 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.

2019 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE: 23103
MUNID: 53005
MUNICIPALITY: Greater Sudbury C
UPPER TIER:
REPAYMENT LIMIT: \$ 94,554,813

The repayment limit has been calculated based on data contained in the 2017 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2017 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, 2019

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.	\$ 1,178,361,965
(a)	15 years @ 5% p.a.	\$ 981,446,622
(a)	10 years @ 5% p.a.	\$ 730,127,200
(a)	5 years @ 5% p.a.	\$ 409,372,856
7% Interest Rate		
(a)	20 years @ 7% p.a.	\$ 1,001,715,033
(a)	15 years @ 7% p.a.	\$ 861,197,103
(a)	10 years @ 7% p.a.	\$ 664,113,437
(a)	5 years @ 7% p.a.	\$ 387,693,401

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)	6,084,547
0220	Interest (SLC 74 3099 02)	3,022,504
0299	Subtotal	9,107,051
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	9,107,051

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	9,107,051

Excluded Revenue Amounts

		1 \$
1610	Total Revenues (Sale of Hydro Utilities Removed) (SLC 10 9910 01)	605,433,805
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 + SLC10 0815 01)	145,995,878
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	16,605,224
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	2,690,208
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	14,952,138
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	105,163
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	-2,011,948
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	3,689,159
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	132,204
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	5,328,730
2253	Other Deferred revenue earned (SLC 10 1814 01)	1,135,406
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	2,164,188
2299	Subtotal	190,786,350
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	414,647,455
2620	25% of Net Revenues	103,661,864
9930	ESTIMATED ANNUAL REPAYMENT LIMIT (25% of Net Revenues less Net Debt Charges)	94,554,813

* SLC denotes Schedule, Line Column.