

For Information Only

2017 Annual Repayment Limit

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Jul 11, 2017

Report Date Tuesday, Jun 20, 2017

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 2017 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

Liisa Brule
Coordinator of Budgets
Digitally Signed Jun 20, 17

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Jun 20, 17

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Jun 21, 17

Financial Implications

Liisa Brule
Coordinator of Budgets
Digitally Signed Jun 22, 17

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jun 28, 17

2017 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 2017 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 2015 Financial Information Return (FIR). The 2016 FIR, which was filed in May, will form the basis for the calculation of the 2018 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 \$89.6 million.

For illustrative purposes, the Province indicates that, based upon the stated \$89.6 million annual repayment limit at a 5% and 7% interest rate over an amortization period of 20 years, the City could undertake a further \$1.1 billion or \$950 million respectively in long-term borrowing. Of course, if this were done, the operating budget would have to increase by the \$89.6 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. As identified in the Long Term Financial Plan, the recommended limit of 10% will be brought back to Council for approval to ensure adequate resources are in place to secure appropriate debt.

At 2016 year-end, the total long-term liabilities of the City of Greater Sudbury was approximately \$82.6 million (2015 - \$88.5 million) with annual debt repayments and interest of \$7.4 million. As contained in the 2016 BMA Study, the City of Greater Sudbury's debt interest as a percentage of total expenditures was 0.4% at December 31, 2015, well below the survey average of 1.4%. Also, the City of Greater Sudbury's debt to reserve ratio at December 31, 2015 was 0.5, which is below the BMA survey average of 1.1.

2017 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE:	23103	FIR CLEAN FLAG:	Forced Clean
MUNID:	53005		
MUNICIPALITY:	Greater Sudbury C		
UPPER TIER:			
REPAYMENT LIMIT:		\$	89,632,472

The repayment limit has been calculated based on data contained in the 2015 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2015 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, 2017

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.	\$	1,117,018,716
(a)	15 years @ 5% p.a.	\$	930,354,406
(a)	10 years @ 5% p.a.	\$	692,118,188
(a)	5 years @ 5% p.a.	\$	388,061,695
7% Interest Rate			
(a)	20 years @ 7% p.a.	\$	949,567,683
(a)	15 years @ 7% p.a.	\$	816,364,845
(a)	10 years @ 7% p.a.	\$	629,540,974
(a)	5 years @ 7% p.a.	\$	367,510,831

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Greater Sudbury C

MMAH CODE:

23103

		1
		\$
Debt Charges for the Current Year		
0210	Principal (SLC 74 3099 01)	4,826,643
0220	Interest (SLC 74 3099 02)	2,542,579
0299	Subtotal	7,369,222
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	7,369,222
		1
		\$
Amounts Recovered from Unconsolidated Entities		
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	7,369,222
		1
		\$
1610	Total Revenues (Sale of Hydro Utilities Removed) (SLC 10 9910 01)	550,286,452
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)	123,605,828
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	12,403,564
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	3,718,282
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	9,169,378
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	95,070
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	-1,887,527
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	4,758,867
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	21,965
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	3,936,107
2253	Other Deferred revenue earned (SLC 10 1814 01)	4,181,202
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	2,276,941
2299	Subtotal	162,279,677
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	388,006,775
2620	25% of Net Revenues	97,001,694
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	89,632,472
		(25% of Net Revenues less Net Debt Charges)

* SLC denotes Schedule, Line Column.