

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.