Debt Financing

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Finance and Administration Committee
March 28, 2017

Sources of Funding for Municipalities

Property Taxation (Tax Levy)
User Fees
Provincial Grants & Subsidies
Investments

- Debt can be supported by the tax levy or other sources of revenue.

Why Should the City Use Debt Financing?

- Used for the City’s capital financing structure and co-ordinated with the Long Term Financial Plan
- Asset Management Plan identified $3.1 Billion infrastructure need over next 10 years
- Accelerate the status of assets to a state of good repair
- Intergenerational equity

New and Potential Infrastructure Projects Requiring Debt

Arena/Events Centre	$80 - $100 Million
Place des arts	$5 Million
Art Gallery/Library	
Synergy Centre	

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Renewal Projects Requiring Debt

- MR 35
- Lorne Street
- City Facilities

Federal Infrastructure Stimulus

- 2016 federal budget, federal economic statement, and existing programs total over $180 billion
- Projects to be shovel ready and shovel worthy
- Successful applications would have to prove incrementality
- Debt would be required to fund City’s share

Debt Management Policy

- Approved by Council in October 2013
- Set a limit of 5% of City net revenue for annual debt repayment
- Debt should be affordable and sustainable
- Structured so those benefitting from the asset pay for the debt

Debt Management Policy
Principles for Securing Debt

Debt should only be considered for:

- New, non-reoccurring infrastructure requirements
- Programs and facilities which are self supporting
- Projects where the cost of deferring expenditures exceeds debt servicing costs
- Securing debt for terms no longer than the anticipated life of the funded asset

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Debt Management Policy
Debt Categories

1. Tax Supported Debt
   – Debt repayment source is the tax levy

2. Self Supporting Debt
   – Funded outside the levy (i.e. User Fees, Development Charges, other revenue sources)

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Summary of External Debt & Long Term Obligations

Project Name	Term (Start Date – End Date)	Total Outstanding as of December 31/16 ($ Millions)	2017 Repayment ($ Millions)
Northern Ontario School of Architecture	2009-2019	$ 2.5	$1.0
Health Sciences North	2001-2023	$ 6.7	$1.0
AMRIC	2014-2018	$ 0.3	$0.1
199 Larch Street	2003-2023	$ 9.5	$1.4
Pioneer Manor	2004-2024	$ 6.9	$0.8
1160 Lorne Street	2015-2035	$13.2	$0.9
Biosolids Plant	2015-2035	$44.3	$3.5
Purchase of Falconbridge Wells	2009-2025	$ 0.9	$0.2
Purchase of Onaping Wells	2010-2029	$ 1.3	$0.2
		$91.5 Million	$9.1 Million

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Debt Capacity
Under Current Policy

City's Net Revenue	$ 388 Million
5% for Annual Debt Repayment	$19 Million
Current Annual Debt Repayment	$ 9 Million
Available for Additional Debt Repayment	**$10 Million**

Available Debt That Could be Secured

20 Year Term	@3.3%	@3.5%
$10 Million Annual Debt Repayment	$152 Million	$148 Million

30 Year Term	@3.7%	@4.0%
$10 Million Annual Debt Repayment	$179 Million	$173 Million

Provincial Limits on Annual Debt Repayments
25% of City’s Net Revenues

City’s Net Revenue	$388 Million
25% for Annual Debt Repayment	$97 Million
Current Annual Debt Repayment	$9 Million
Available for Additional Debt Repayment	$88 Million
Additional Debt that can be Secured @3.3%	$1.27 Billion
Additional Debt that can be Secured @3.5%	$1.25 Billion

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Potential Changes to Debt Management Policy Limits to 10%

City's Net Revenue	$388 Million
25% for Annual Debt Repayment	$39 Million
Current Annual Debt Repayment	$9 Million
Available for Additional Debt Repayment	$30 Million
Additional Debt that can be Secured @3.3%	$434 Million
Additional Debt that can be Secured @3.5%	$426 Million

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Debt Comparisons – BMA Study

	Tax Debt Interest as a % Net Revenues	Tax Debt Charges as a % of Net Revenues
Greater Sudbury	0.4%	2.0%
Median	1.2%	4.0%
Average	1.4%	4.4%

Compared to the group survey, the City of Greater Sudbury is in a favourable position to undertake additional debt.

Note: Figures in the chart are based on the 2015 Financial Information Return (FIR)

2017 Federal Budget

- Re-announced fall economic statement funding of $20 billion for public transit and $22 billion for green infrastructure
- $11 billion for affordable housing over 11 years

City’s Approach to Federal Infrastructure Stimulus

- Municipalities are awaiting further infrastructure funding announcements
- City should have shovel ready and shovel worthy projects
- Debt financing could be a tool to fund the City’s share of project costs

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Summary

- Given the low interest rate environment and the potential to secure funds from the senior levels of government, debt financing is very desirable to expedite projects.

- Council may consider increasing limits in the Debt Management Policy in order to take advantage of opportunities available.

Questions?