

THE CORPORATION OF THE TOWNSHIP OF SOUTHWOLD



**ADDENDUM TO
AGENDA**

Monday March 11, 2019

REGULAR MEETING OF COUNCIL
7:00 p.m., Council Chambers, Fingal

2. **ADDENDUM TO AGENDA**

Items Added:

8. **REPORTS:**

(h) Report from the Treasurer RE: Annual Debt Repayment Limit.



TOWNSHIP OF SOUTHWOLD

Report to Council

DATE: March 11, 2019
PREPARED BY: Kim Grogan, Treasurer
REPORT NO.: FIN 2019-15
SUBJECT MATTER: Annual Debt Repayment Limit

Recommendation:

THAT Council receive report FIN 2019-15 Annual Debt Repayment Limit for information.

Purpose:

To provide Council with the Annual Debt Repayment Limit report prepared by the Ministry of Municipal Affairs and Housing on February 20, 2019 and provided to the Township on March 6, 2019.

Background:

The Ministry of Municipal Affairs and Housing provides each municipality with its Annual Repayment Limit (ARL) in respect to long term debt and financial obligations. The information is provided in Schedule 81 of the Financial Information Return as described in Ontario Regulation 403/02 as amended.

Comments/Analysis:

The Township of Southwold's Annual Debt Repayment Limit (ADRL), effective January 1, 2019, of \$1,557,805 (2018 - \$1,393,545), represents the maximum amount which the Township had available as of December 31, 2017, to commit to payments relating to debt and financial obligations. The Annual Repayment Limit for 2019 is based on 25 percent of the Township's net own source revenues less existing debt servicing requirements and has been calculated on data contained in the 2017 Financial Information Return. The Annual Repayment Limit is attached to this report as Appendix "A".

At December 31, 2017 the Township had outstanding principal on Municipal Water Debentures and Tile Drain Debentures of \$157,230.

The adjusted Annual Repayment Limit for 2019, adjusted for debt issued in 2018, is attached as Appendix "B".

Financial Implications:

Funding of the annual repayment would be necessary for any debt borrowed. The tax rate budget or water/sewer budget must include the projected amount of debt financing that would be required annually, and balances are used to evaluate future debt capacity and the impact on the Municipality's financial flexibility and sustainability. The repayment of long-term debt should be both affordable and sustainable, while allowing the flexibility to respond to emerging needs, unanticipated needs and emergency needs into the future. The importance of maintaining availability of debt capacity for future capital needs and to ensure long-term financial flexibility should be considered at the time of borrowing. Debt structured with "as soon as feasible" repayment timing allows the municipality to recapture its borrowing capacity for future use and minimizes borrowing costs.

The Adjusted Annual Repayment Limit totals \$1,427,275.

Prior to authorization by Council of a long-term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner.

Respectively Submitted by:

Kim Grogan, Treasurer
"Submitted electronically"

Approved by:

Lisa Higgs
CAO/Clerk

2019 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE:	44606		
MUNID:	34024		
MUNICIPALITY:	Southwold Tp		
UPPER TIER:	Elgin Co		
REPAYMENT LIMIT:		\$	1,557,805

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.	\$	19,413,690
(a)	15 years @ 5% p.a.	\$	16,169,481
(a)	10 years @ 5% p.a.	\$	12,028,955
(a)	5 years @ 5% p.a.	\$	6,744,479
7% Interest Rate			
(a)	20 years @ 7% p.a.	\$	16,503,406
(a)	15 years @ 7% p.a.	\$	14,188,352
(a)	10 years @ 7% p.a.	\$	10,941,369
(a)	5 years @ 7% p.a.	\$	6,387,307

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Southwold Tp

MMAH CODE:

44606

		1
		\$
Debt Charges for the Current Year		
0210	Principal (SLC 74 3099 01)	92,806
0220	Interest (SLC 74 3099 02)	16,230
0299	Subtotal	109,036
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	109,036
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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)	33,932
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	33,932
9920	Net Debt Charges	75,104
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1610	Total Revenues (Sale of Hydro Utilities Removed) (SLC 10 9910 01)	10,156,232
Excluded Revenue Amounts		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	3,060
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC10 0815 01)	709,714
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	262,777
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	0
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	130,000
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	984,448
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	910,363
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	0
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	624,235
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	0
2299	Subtotal	3,621,537
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	6,531,635
2620	25% of Net Revenues	1,632,909
9930	ESTIMATED ANNUAL REPAYMENT LIMIT (25% of Net Revenues less Net Debt Charges)	1,557,805

* SLC denotes Schedule, Line Column.

March 11, 2019

**Township of Southwold
Adjusted Annual Repayment Limit 2019
Report Date: Annual Debt Repayment Limit**

**Appendix B
FIN 2019-13**

25% of Net Revenues per 2017 FIR, Schedule 81, Line 2620	\$1,632,909
Total Debt Payments per 2017 FIR, Schedule 81, Line 9920	\$ 75,104
Annual Debt Repayment Limit prior to adjustments	\$1,557,805

Adjustments to Debt Payments

1 Wastewater Treatment Plant Project Approved in 2017, financed in 2018 \$ 1,857,883.00 @ 3.55%, 20-year amortization	\$ 130,530
Total Net Adjusted Debt Payments	\$ 205,634
Adjusted Annual Repayment Limit after adjustments	\$1,427,275