



Committee of the Whole

Meeting Date: July 16, 2024

Submitted by: Cindy Howard, General Manager Finance and Community Services, Deputy CAO, County Treasurer

Subject: 2024 Annual Repayment Limit

BACKGROUND:

The Ministry of Municipal Affairs prepares for each municipality its Annual Repayment Limit (ARL) respecting long term debt and financial obligations. The purpose of regulating debenture limits is to ensure that municipalities do not issue excessive amounts of debt, thereby weakening their longer-term financial strength.

ANALYSIS:

The County's repayment limit of \$10,783,807 represents the maximum amount which the County had available as of January 1, 2024, to commit to payments relating to debt and financial obligations. The Annual Repayment Limit is based on 25 percent of the County's net own source revenues less the annual debt charges and has been calculated on data contained in the County's 2022 Financial Information Return.

Own source revenues = total revenue fund revenues, less Ontario grants, Canada grants, and revenues from other municipalities (excludes the County Levy).

The 2024 Budget includes long-term debt payments as follows:

Strathmere Lodge	Principal	\$890,000
	Interest	\$ 72,636
	Total	<u>\$962,636</u>

Based on the revised annual debt repayment limit and assuming various amortization periods and an interest rate of 5% and 7% per annum, the annual debt repayment limit could support additional long-term borrowing as highlighted in **Table 1**.

Table 1





Years	5% Interest Rate	7% Interest Rate
20	\$ 134,390,071	\$ 114,243,805
15	\$ 111,932,229	\$ 98,217,987
10	\$ 83,269,699	\$ 75,740,948
5	\$ 46,688,241	\$ 44,215,738

As the interest rate decreases, debt capacity increases. Similarly, debt capacity increases as the amortization period is lengthened.

As at December 31, 2022, the County has outstanding principal on Strathmere Lodge of \$3,115,000. The County of Middlesex is well within its debt limit.

ALIGNMENT WITH STRATEGIC FOCUS:

This report aligns with the following Strategic Focus, Goals, or Objectives:

Strategic Focus	Goals	Objectives
Cultivating Community Vitality 	Advance a diverse, healthy, and engaged community across Middlesex County	<ul style="list-style-type: none"> Promote and support community wellness Innovate social and community services Attract, retain, and engage youth in our community
Connecting Through Infrastructure 	Ensure communities are built on a sustainable foundation that is connected and thriving	<ul style="list-style-type: none"> Commit to a sound asset management strategy to maintain and fund critical infrastructure Use County infrastructure in an innovative way to provide a seamless service experience for residents
Strengthening Our Economy 	Encourage a diverse and robust economic base throughout the county	<ul style="list-style-type: none"> Create an environment that enables the attraction and retention of businesses, talent, and investments
Promoting Service Excellence 	Innovate and transform municipal service delivery	<ul style="list-style-type: none"> Anticipate and align municipal service delivery to emerging needs and expectations Strengthen our advocacy and lobbying efforts with other government bodies Collaborate with strategic partners to leverage available resources and opportunities Build organizational capacity and capabilities

RECOMMENDATION:

THAT the 2024 Annual Repayment Limit report be received for information.