

DATE: May 23, 2023
REPORT NO: T-12-2023
SUBJECT: **2023 Long Term Borrowing Update**
CONTACT: Donna DeFilippis, Director of Finance/Treasurer

OVERVIEW:

- Long-Term Borrowing totaling \$2,792,600 was approved by Council through report T-08-2023 2023 Operating and Capital Budget Final Report
- The Treasurer is working with both Infrastructure Ontario and the Niagara Region on all requirements relating to the 2023 Debenture Issuance

RECOMMENDATION:

That, Information Report T-12-2023, regarding the “2023 Long Term Borrowing Update”, dated May 23, 2023, be received.

ALIGNMENT TO STRATEGIC PLAN:

The debenture financing included in the 2023 budget supports the following Strategic Plan Themes:

- Strong Transportation Connections – Building safe, connected and well maintained infrastructure networks.
- Community Health and Safety – Fostering a safe community where residents can thrive throughout their lives.
- Efficient, Fiscally Responsible Operations – Maintaining a lean organization with innovative approaches and strong asset management.

BACKGROUND:

The 2023 Operating and Capital Budget approved by Council included Debenture Financing as follows:

Capital Work Number	Description of Capital Work	Estimated Expenditure	Loan Amount
1083	Replacement of Fire Station 2	\$3,950,000	\$1,592,600
1024	Hard Topping of Vaughan Road	\$1,200,000	\$1,200,000

The Treasurer has commenced the Long Term Borrowing process with the Niagara Region and Infrastructure Ontario.

CURRENT SITUATION:

As a lower tier municipality, West Lincoln can only issue debentures through the Upper Tier level of government, being the Niagara Region. The Treasurer is working with Niagara Region staff to ensure they have all of the required documentation in order to prepare the by-laws that are to be presented to Regional Council. In addition, the Treasurer has commenced the application process through Infrastructure Ontario. Attached as Appendix A to this report is the application that has been submitted to Infrastructure Ontario.

Regional staff have shared tentative time-lines related to the 2023 debenture process. At this point of time, the actual long-term borrowing rate will be known in August 2023, just prior to finalization of the issue. Proceeds from the issue should be forwarded to the Township in September 2023. The application attached indicates the budgeted amount of debt, and represents the maximum amount that can be borrowed. If the two capital projects are under-budget and a lower amount of debenture financing is required, the Treasurer will inform Council, as the final debenture should represent the appropriate amount of long term debt required.

FINANCIAL IMPLICATIONS:

As part of the 2023 Budget Process the chart below was presented in Report T-08-2023

Description		Opening Balance 2023	Principal and Interest Payments	Closing Balance 2023	Original Principal	Interest Rate	Term(years)	Maturity Date
Bridge 12	Existing	\$ 159,206.30	\$ 33,750.72	\$ 130,259.70	\$ 289,466	3.16%	10	02/15/2028
Rec Center, Draw #1	Existing	\$ 12,750,000.00	\$ 945,698.76	\$ 12,250,000.00	\$ 15,000,000	3.53%	30	02/15/2048
Rec Center, Draw #2	Existing	\$ 3,999,999.98	\$ 233,197.45	\$ 3,466,666.64	\$ 4,000,000	2.80%	30	12/19/2049
2021 Road Rehab & Hard Topping	Existing	\$ 840,000.00	\$ 81,696.42	\$ 780,000.00	\$ 900,000	2.63%	15	12/22/2036
Vaughan Road	Proposed 2023			\$ 1,200,000.00	\$ 1,200,000	4.53%	20	Estimated
Fire Station 2	Proposed 2023			\$ 1,592,600.00	\$ 1,592,600	4.53%	20	Estimated
		\$ 17,749,206.28	\$ 1,294,343.35	\$ 19,419,526.34	\$ 20,189,466			

The purpose of the above chart is to outline to Council the Principal Amount of all approved Long-Term debt at the time of 2023 budget approval. The 2023 budget was developed using an estimated rate of interest of 4.53%. A rate of 4.22% was quoted on May 2nd from Infrastructure Ontario for a 20-year serial debenture. As indicated above, the actual rate of borrowing will not be known until approximately August 2023.

One of the key factors to be considered when issuing debt is the impact to the ARL (Annual Repayment Limit). The ARL is a borrowing threshold or "limit" and compares annual debt repayment and interest costs to revenue. The Township Capital Financing and Debt Management Policy (POL-T-01-2021) has been established so that each year, debt repayment and interest cannot exceed 10% of the Township's Own-Source Revenue as calculated in the FIR (Financial Information Return). The Treasurer has estimated that the Township will have an ARL of 9.3% with the issuance of the 2023 debenture of \$2,792,600. This amount is within the recommended threshold outlined in the Township policy.

The Province's ARL is set at 25% of a municipalities own source revenue. For our Township, this equates to an annual maximum repayment amount of \$2,624,000. For illustrative purposes, this limit would equate to \$32.7 million of debt for 20 years at a rate of 5%.

INTER-DEPARTMENTAL COMMENTS:

This report was reviewed by the CAO.

CONCLUSION:

Council is asked to accept this report as an item of information.

Prepared & Submitted by:



Donna DeFilippis
Director of Finance/Treasurer

Approved by:



Bev Hendry
CAO