



CORPORATE SERVICES

Staff Report

REPORT NO: COR 2023-06

TO: Ad Hoc Budget Advisory Committee

SUBMITTED BY: Patrick Kelly, CPA, CMA, Director of Corporate Services / Treasurer

PREPARED BY: Ashton Romany, CPA, Manager of Finance / Deputy Treasurer

REVIEWED BY: Sharon Chambers, CAO

DATE: January 30, 2023

SUBJECT: Annual Debenture Update (un-audited) For the year ended December 31, 2022

RECOMMENDATION:

THAT Report COR 2022-06, prepared by the Manager of Finance / Deputy Treasurer, regarding the Annual Debenture Update (un-audited), for the year ended December 31, 2022, be received for information purposes.

SUMMARY:

This report provides an update to the Township's outstanding debentures as of December 31, 2022.

BACKGROUND:

During the 2022 budget process, the endorsed forecast required approximately \$13.4M of levy funded debentures over a 10-year horizon. In addition, with some major growth-related infrastructure capital investments from 2022-2024, the Township requires external debt financing, to maintain adequate cash-flow within the Development Charges (DC) Reserve Funds as identified in the most recent DC study.

During October 2022, the Township obtained external funding to support various active capital initiatives for the first time in several years with delegated authority by the Treasurer and CAO. Prior to this, the Township only held a debenture for the St. Agatha Water System of which is offset by a local improvement charge (By-Law 2006-37) from the benefiting residents.

REPORT:

This report provides an update on the Township's outstanding debt. Historically this was not presented during the annual budget process as the only outstanding debt (St. Agatha Water System) is recoverable through the benefiting residents through a local improvement charge and does not generally have an impact on Township operations from a levy perspective.

As aforementioned, in the fall of 2022 the Township issued debt to fund various active capital initiatives as approved during the 2022 Budget Process or by separate cover report. The total funding raised was just under \$8.85M.

Attached to this report includes a schedule broken down into three components based on their impact on operations:

- General Levy Funded – debt obligations are supported by the general tax base
- Development Charges Funded – debt obligations that are supported by development charges including existing DC balances and future DC collections
- Local Improvement Charge Funded – debt obligations that are supported by benefiting properties under by-law collected annually through the property tax billing

Debt Management Strategy

As part of the 2022 Capital Program, the Corporate Services team is currently undertaking a debt management and reserve fund strategy with 2Mi Consultants. Works on the debt component include a number of items such as defining parameters of when debt can be utilized, financing types and timing of debt issuances. This strategy is critical to ensuring the funds be available to advance a number of forthcoming capital projects. This project is anticipated to be complete in Q2 2023.

Staff intend to report back to the ad hoc budget committee the status of the Township's debt levels on an annual basis moving forward.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is consistent with the strategic plan goal of *responsible governance* through fiscal responsibility, and through the development of sustainable funding mechanisms to invest in asset management and infrastructure improvement activities.

ACTIONS TOWARDS UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS:

This report is aligned with several of the UN Sustainable Development Goals:

Goal 3 – Good Health and Well-Being
Goal 6 – Clean Water and Sanitation
Goal 8 – Decent Work and Economic Growth
Goal 9 – Industry, Innovation and Infrastructure
Goal 11 – Sustainable Cities and Communities

FINANCIAL CONSIDERATIONS:

The combined outstanding debt the Township holds is \$9.4M of which \$2.5M of is funded from the General Levy. As 2023 will mark the first year of repayments, it is expected that \$185K will be required from the general levy to meet the annual repayment obligation.

If levy adjustments are held to the inflationary adjustment target (with assessment growth) previously outlined, debt servicing obligation would represent more than 1/3 of the total new funds generated. Staff will be incorporating this into the operating budget process accordingly.

For Development Charges and Local Improvement Charges, revenues collected from these sources will directly offset the respective obligations.

ATTACHMENTS:

APPENDIX A – Township Debenture Schedule (un-audited)