



Staff Report to Council - for Information

Title: 2024 Annual Repayment Limit

From: Lynn Hatten, Acting Director of Corporate Services

Date: April 18, 2024

Report Purpose:

The 2024 Annual Repayment Limit report is for information.

Report Summary:

The 2024 Annual Repayment Limit (A.R.L.) is calculated based on 25% of the 2022 own source net revenues as reported in the 2022 Financial Information Return (F.I.R.). This approach is defined and calculated by the province. Based on this calculation the County's 2024 annual repayment limit is \$13,542,327 after taking into account the total debt charges of \$4,172,084.

Background:

Bruce County's 2024 A.R.L. is attached as Appendix 1.

The A.R.L. shows the long-term debt and financial obligations of the county and additionally the current debt limit. This information should be seen as a lagging indicator, meaning it reports financial information based on audited financial statements from 2 years prior. Any new loans would take 2 years to appear and affect the financial information, but the County Treasurer is expected to factor any new loans into decisions regarding future debt capacity, as such the county makes efforts to forecast future A.R.L. based on forecasted projects.

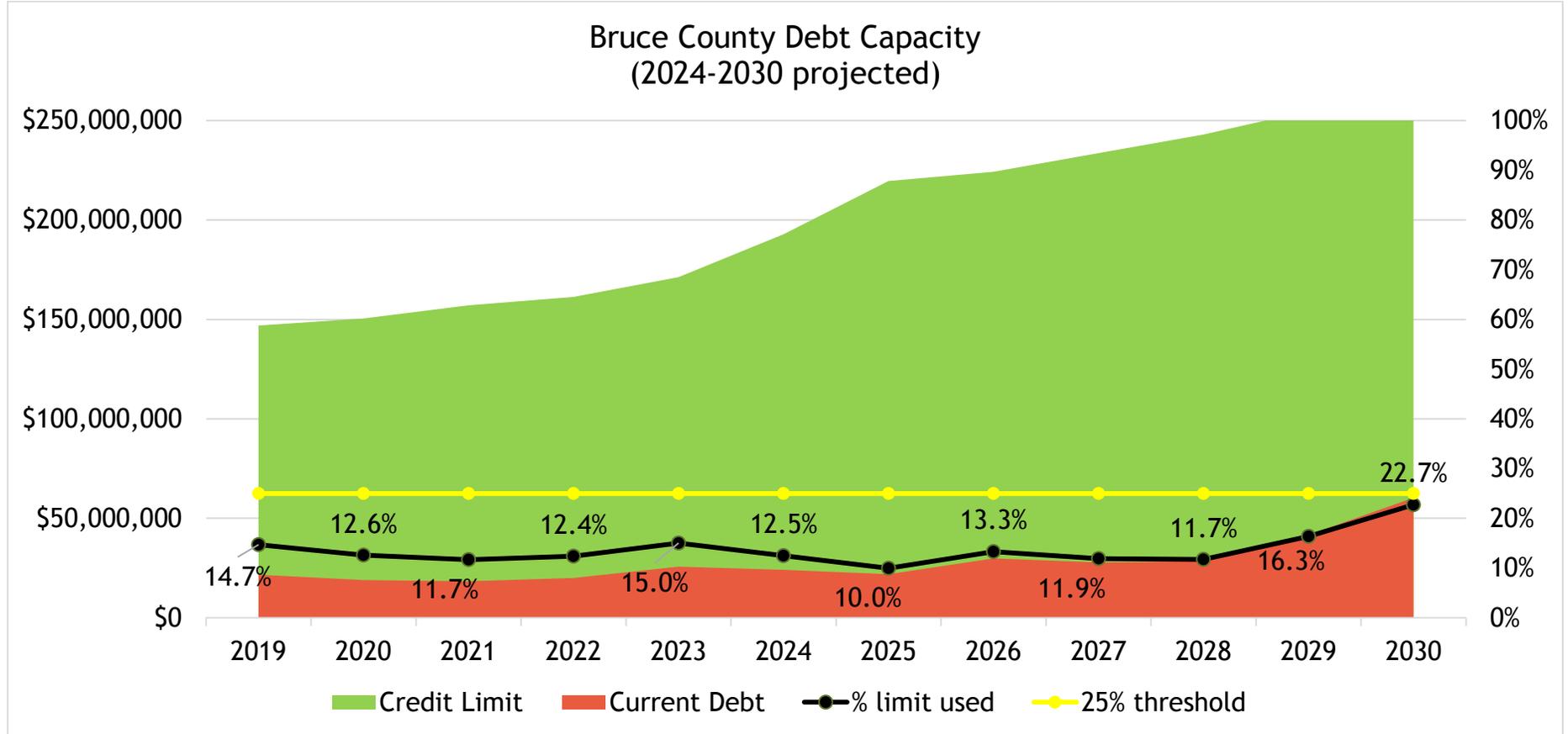
The County's 2024 annual repayment limit is \$13,542,327 after taking into account the total debt charges of \$4,172,084. The Provincial summary suggests Bruce County is able to borrow an additional \$168,767,324 based on the A.R.L., assuming a 5% interest rate and 20 year debt amortization or \$143,467,603 at a 7% interest rate and 20 year debt amortization. Current borrowing rates are approximately 4.40% (January 2, 2024) and have climbed over the past few years but have started to level out. Bruce County is currently utilizing 12.5% of its debt capacity based on the most recent data.

Financial/Staffing/Legal/IT Considerations:

There are no financial, staffing, legal or I.T. considerations associated with this report.

A selection of charts based on an analysis of the historical data and an estimated projection of the County's debt indicators is shown below. Forecasts are based on the 2024 to 2028 budget and forecast, and are subject to change as additional information is received.

Chart 1 - Bruce County Debt Capacity



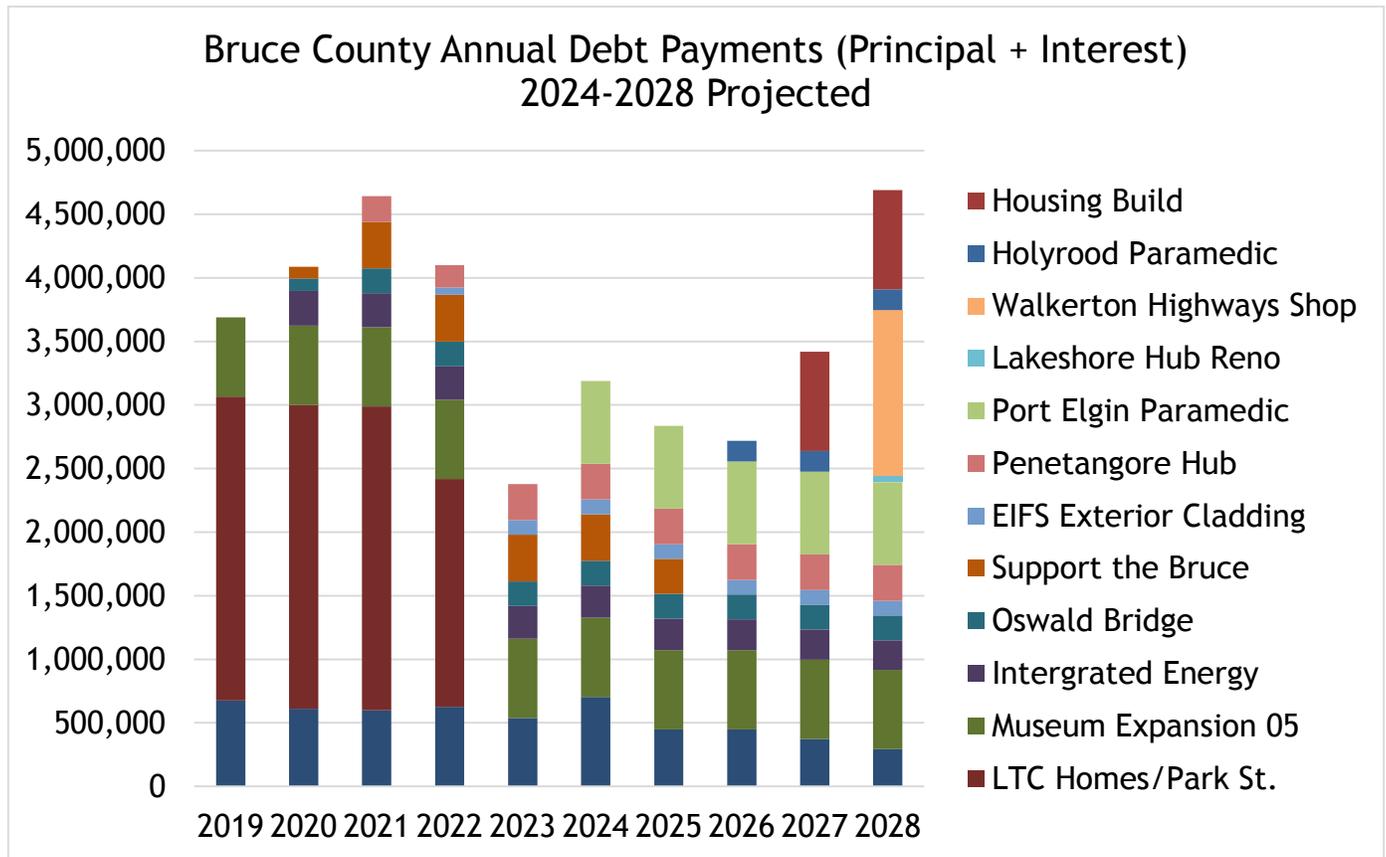
Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Credit Limit (millions)	125.3	131.6	138.8	141.4	145.6	168.8	197.8	194.5	205.9	214.6	213.3	205.2
Current Debt (millions)	21.6	18.9	18.3	20.0	25.7	24.1	21.9	29.8	27.8	28.4	41.7	60.3
% limit used	14.7%	12.6%	11.7%	12.4%	15.0%	12.5%	10.0%	13.3%	11.9%	11.7%	16.3%	22.7%

The County's total additional debt capacity (green area) has been gradually increasing as revenues increase as the calculation of additional debt capacity is based on 25% of eligible revenues less current loan payments. As loans are paid off, or as new debt is added, the reduction or increase in loan payments affects the additional debt capacity. As the current year A.R.L. is based on the F.I.R. from 2 years prior, there is a 2 year lag in changes taking effect. When the Long-Term Care Homes and Interior Hub expansion loan was paid off in 2022, the annual loan payments decreased by \$2.4 million thus freeing up additional borrowing capacity effective in 2024. The increase in the debt seen in 2023 is reflective of the large borrowing amounts in 2021 including the \$9.5 million Kincardine Affordable Housing project.

The County debt utilization has ranged from 11.7% to 15.0% over the past 6 years. With the additional proposed debt in the five year forecast, the percentage is estimated to increase to 22.7% by 2030.

It may be prudent for the County to consider debt borrowing limits to guide future decisions - perhaps under 25%. Any such limits should take into consideration anticipated future projects and available funding sources.

Chart 2 - Bruce County Annual Debt Payments



The Kincardine Affordable Housing loan payments started in 2021 and the E.I.F.S. Exterior Cladding loan payments started in 2022, while the \$2.4 million annual loan payment for the Long-Term Care Homes and Interior Hub expansion (LTC Homes/Park St.) was paid off in 2022.

In 2024 the County anticipates finalizing the loan for the Port Elgin Paramedic Station. In addition to this, estimates have been included for four future projects which will be revised as additional information on scope and costs become available.

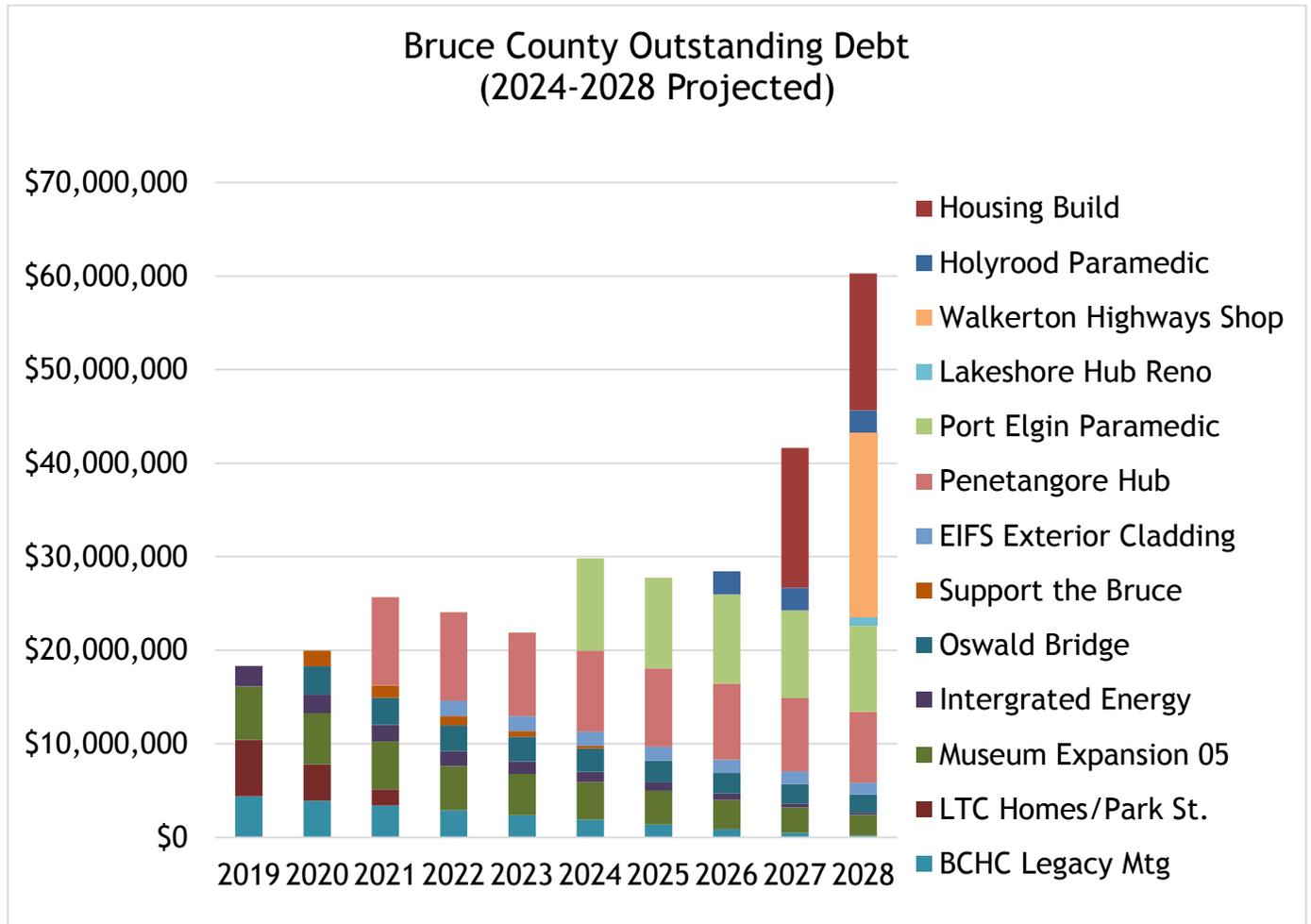
Chart 3 - Source of Loan Payments

Project	From Levy	From User Fees	From Province	From DCs	Total	%
Wiaraton 1 - B04C	0	0			0	
Walkerton - B09C	60,677	60,677			121,354	2.2%
Tobermory - B05C	15,042	15,041			30,083	0.5%
Teeswater - B06C	44,438	44,437			88,875	1.6%
Lucknow - B07C	36,801	36,801			73,602	1.3%
Port Elgin - E01C	86,651	86,650			173,301	3.2%
Wiaraton 2 - B08C	40,409	40,408			80,817	1.5%
LTC Homes/Park St.	0		0		0	
Museum Expansion 05	622,797				622,797	11.4%
Intergrated Energy	257,657				257,657	4.7%
Oswald Bridge	194,832				194,832	3.6%
Support the Bruce	366,874				366,874	6.7%
EIFS Exterior Cladding	116,150				116,150	2.1%
Penetangore Hub	181,098	224,283			405,381	7.4%
Port Elgin Paramedic	634,577			15,604	650,181	11.9%
Lakeshore Hub Reno	54,371				54,371	1.0%
Walkerton Highways Shop	1,301,028				1,301,028	23.7%
Holyrood Paramedic	146,366			16,263	162,629	3.0%
Housing Build	390,106	390,106		0	780,212	14.2%
Total	4,549,874	898,403	0	31,867	5,480,144	100.0%

The five loans highlighted in yellow have not been finalized and are shown for projection purposes; Port Elgin Paramedic Station, Lakeshore Hub Reno, Walkerton Highways Shop, Holyrood Paramedic Station and a new Housing Build. The amounts shown are based on the projected amount noted in the borrowing reports and are not final amounts.

The majority of the loans are paid from the levy. Following the implementation of County Development Charges in 2023, a couple of anticipated projects have loan payment that would be eligible for partial offset by development charges, reducing the reliance on taxation. These projects are the Port Elgin Paramedic Station and Holyrood Paramedic Station. Impacts are outlined in the table above.

Chart 4 - Bruce County Outstanding Debt



Outstanding debt on individual loans decreases each year as the principal gets paid down. Overall outstanding debt is increasing as a result of additional loans being added.

Chart 5 - Total Outstanding Loans and Proposed Loans

Owing Jan. 2024 or proposed	Project	Year Borrowed	Year Paid Off	Term in years	Rate	Notes
782,127	Walkerton - B09C	2002	2030	28	1.010%	Construct community housing in Walkerton
249,452	Teeswater - B06C	2002	2027	25	6.117%	Construct community housing in Teeswater
223,342	Lucknow - B07C	2002	2027	25	2.660%	Construct community housing in Lucknow
811,799	Port Elgin - E01C	2002	2028	26	2.610%	Construct community housing in Port Elgin
299,232	Warton 2 - B08C	2015	2027	13	1.790%	Construct community housing in Warton
4,408,573	Museum Expansion	2007	2032	25	5.320%	Museum Expansion in 2005
1,335,869	Intergrated Energy	2019	2029	10	2.330%	Energy Upgrades
2,631,280	Oswald Bridge	2020	2040	20	2.450%	Bridge replacement in Chesley
629,346	Support the Bruce	2020	2025	5	1.808%	Economic Development
1,595,981	EIFS Exterior Cladding	2022	2042	20	3.320%	Energy Efficient exterior cladding on LTC homes
8,909,567	Penetangore Hub	2021	2070	30	1.670%	Construct affordable housing facility in Kincardine
10,000,000	Port Elgin Paramedic	2024	2051	30	5.000%	Construct Paramedic station
1,000,000	Lakeshore Hub Reno	2028	2057	30	3.500%	Renovate the Lakeshore Hub Facility
20,000,000	Walkerton Highways Shop	2028	2057	30	5.000%	Replace existing facility at Walkerton Shop
2,500,000	Holyrood Paramedic	2026	2055	30	5.000%	Build new Paramedic Station in Holyrood
15,292,500	Housing Build	2027	2056	30	3.000%	Build new affordable housing
70,669,069	Total					

The five loans highlighted in yellow have not been finalized as of January 1, 2024 and are shown for projection purposes; Port Elgin Paramedic Station, Lakeshore Hub Renovations, Walkerton Highways Shop, Holyrood Paramedic Station and Housing Build.

The amounts shown are based on the projected amount noted in the borrowing reports and are not final amounts. The community housing loans showing 2002 for the year borrowed represents the year the loans were transferred to Bruce County from the Province. Many of these loans had subsidized interest rates granted to them that are lower than market rates.

Interdepartmental Consultation:

The Senior Management Team will receive a copy of this report and the 2024 Annual Repayment Limit in advance of the 2025 budgeting cycle.

Link to Strategic Goals and Objectives:

Growth and Innovation - Promote responsible growth

Link to Departmental Plan Goals and Objectives, if any:

The review of the County's ability to take on additional debt aligns with the Strategic Value of financial sustainability, which is a key focus of the department.

Departmental Approval:

Lynn Hatten, Acting Director of Corporate Services

Approved for Submission:

Sean Morphy, Deputy Chief Administrative Officer