

Staff Report 2024-0520

Meeting Date: October 8, 2024

Subject: Borrowing Authority for 2024 Capital Debentures

Submitted By: September Muller, Accounting Supervisor, Finance

RECOMMENDATION

That the Capital Projects in Schedule A of this report, estimated at a cost of \$14,700,000, be funded by a debenture, to be issued by the Region of Peel on behalf of the Town of Caledon;

That by-law “2022-026 A by-law to authorize the issuance of a debenture with the Regional Municipality of Peel” attached as Schedule B be repealed and replaced by the by-law proposed as Schedule C to this report; and

That the proposed by-law to authorize the issuance of a debenture with the Region of Peel, attached as Schedule C, be enacted authorizing the Clerk and Treasurer to execute all required documents to secure a debenture, to be issued by the Region of Peel, up to the upset limit amount of \$14,700,000 and for a term not to exceed 30 years.

REPORT HIGHLIGHTS

- The purpose of this report is to provide Council with an update on long-term debt and debt servicing cost information (inclusive of the proposed 2024 debenture issuance) in order for Council to make an informed decision on the required by-laws and agreements required to issue the debenture, through the Region of Peel.
- The *Municipal Act, 2001* requires lower-tier municipalities, to issue debentures through the upper tier municipality.
- The Region of Peel issues long-term debt on behalf of itself, and the lower-tier municipalities within the region.

DISCUSSION

In April 2022 Council approved debenture funding for Capital Project 21-047, to be issued by the Region of Peel, on behalf of the Town of Caledon, per Staff Report 2022-0018, and by-law 2022-026. This debenture was expected to take place in the fall of 2022, however, due to unfavourable market conditions and subsequently, with the introduction of the Hazel McCallion Act (Peel Dissolution), the debenture was delayed. Currently, the Region of Peel is preparing for a debenture at the end of October 2024.

Staff recommend repealing the previously approved by-law 2022-026 and approving debenture issuance for the current debenture funded Capital Projects that are substantially complete, which are summarized in Schedule A of this report.

Council has previously approved debt financing for the projects listed in Schedule A as part of the 2021-2022 budget processes. The issuing of debt results in a financial commitment extending beyond the term of Council, which must be approved by a by-law in accordance with the *Municipal Act, 2001*.

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The debt service costs related to this debenture is estimated at approximately \$1,815,000 per year (based on a September 2024 estimate from the Region of Peel). This debt servicing cost for the estimated 2024 debenture payment was included in previous approved Operating Budgets.

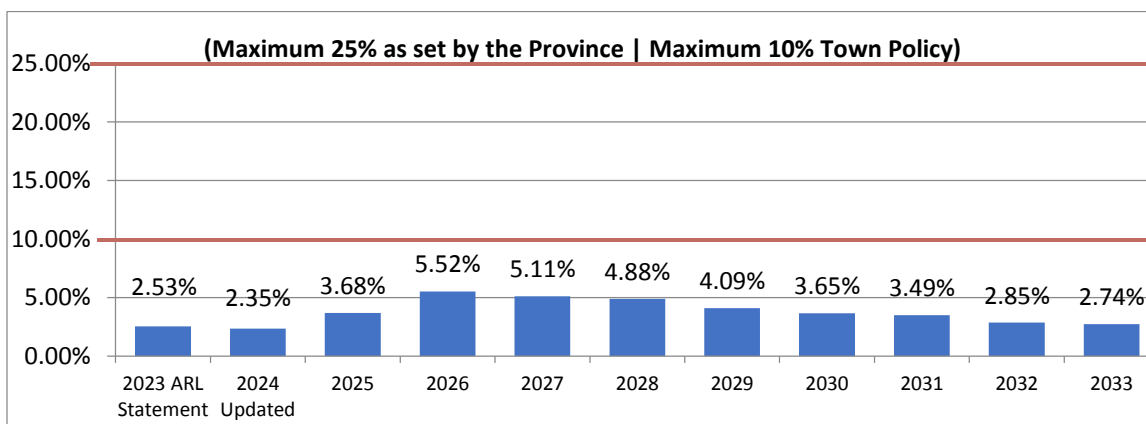
Town staff will report back via a memo to council on the debenture issuance and financial impact to the Town of Caledon after the debt issuance (through the Region of Peel) has been finalized.

FINANCIAL IMPLICATIONS

Provincial policy allows municipalities to incur debt charges equivalent to 25 percent of their net revenues without prior approval of the Local Planning Appeal Tribunal. Further, as part of the 2012 Budget, Council adopted a debt policy where the Town may issue debt to a maximum projected debt servicing charges (principal and interest payments) of 10% of net revenues.

The Province provides each municipality with an Annual Repayment Limit (ARL) statement, in accordance with Regulation 403/02 of Section 401 of the *Municipal Act 2001*, outlining the percentage of net revenues the municipality is currently using to service debt. The calculation of the ARL for a municipality in 2023 is based on its analysis of data contained in the 2021 Financial Information Return (FIR). The Town of Caledon's 2023 ARL statement report indicates that the Town has net debt charges of \$2.6 million or approximately 2.5% of the Town's net revenues.

In accordance with Debt and Financial Obligations Limits regulation, *Ontario Regulation 403/02 of the Municipal Act, 2001*, the Treasurer is required to calculate an updated ARL and disclose it to Council to assist Council in decisions regarding capital programs and debt. The update of the ARL/debt servicing costs as a percentage of net revenues based on the recommended debentures included in this report is outlined in the chart below and, as shown, is within the ARL limit.



COUNCIL WORK PLAN

Strategic Plan 2023-2035

This report is directly related to the following priority in Caledon's 2023-2035 Strategic Plan:

Service Excellence and Accountability

Details about Caledon's 2023-2035 Strategic Plan can be found at caledon.ca/strategicplan.

ATTACHMENTS

Schedule A: 2024 Debenture Eligible Capital Projects

Schedule B: By-law 2022-026 to Authorize the Issuance of a Debenture

Schedule C: Proposed By-law to Authorize the Issuance of a Debenture