



Report to Council

Department: Corporate Services
Division: Finance and Business Services
Date: September 3, 2024
Prepared by: Ann Marie Unis Manager, Finance and Business Services
Report Number: Finance and Business Services-2024-03
Subject: 2024 Capital Financing
Number of Pages: 14 including attachments

Recommendation(s)

That Finance and Business Services Report 2024-03 entitled 2024 Capital Financing prepared by Ann Marie Unis Manager, Finance and Business Services dated September 3rd, 2024 be received, and

That By-Law 2365 be read a first, a second, and a third time and finally passed on September 3, 2024.

Purpose

A By-Law and revisions to a By-Law, including any related schedules, must be adopted by Council.

Background and Discussion

In March 2023, Council approved Option 3b for Essex Streetscape and approved the following long-term debt (Resolution R23-03-100):

- Essex Streetscape (GG-21-0001) - \$6,246,845.83.

Our review of financing options has revealed that the most lucrative debt facility for this project is with the Ontario Infrastructure and Lands Corporation (“Infrastructure Ontario” or “IO”) who, in the past has provided financing to the Town for many large-scale capital projects.

The Town’s bank as well as one other financial institution were consulted regarding financing options and rates but they were unable to offer a term and rate as competitive as Infrastructure Ontario as per the below chart:

Financing Provider	Term	August 21, 2024 – Posted Fixed Rate (subject to change at date of debenture)
Infrastructure Ontario	15 years (1 term)	4.15%
Canadian Imperial Bank of Commerce	15 years (1 term)	5.4%
Libro Credit Union	15 years (1 term)	longest term is 10 years at 5.75%

By-Law Number 2365, as attached, is a by-law to provide the Mayor and the Treasurer with the authority required by Infrastructure Ontario to submit an application (attached).

Debt Management Policy

In January 2023 Council approved the Town’s Debt Management policy. This policy references the Annual Repayment Limit (ARL), which refers to the maximum amount of annual debt servicing costs that the Town can undertake or guarantee without seeking the approval of the Ontario Municipal board. The Ministry of Municipal Affairs determines the ARL annually for each municipality and the repayment limit is calculated based on data in the Financial Information Return (FIR). The ARL is set at 25% of “own-source” revenue less annual

long-term debt servicing costs. The 2024 Annual Repayment Limit as provided by the Ministry of Municipal Affairs and Housing was \$6,210,829.

The Debt Management policy caps the **Town's Annual Repayment Limit to be 15%** of the **Town's** own-source revenue net of other long-term debt costs. This would mean that the **Town's own ARL limit for 2024 would be \$3,726,497.**

To ensure compliance with both the Ministry and Town's ARL's described above, an analysis on any debt since 2023 is required. New debt was entered into for Ward 1 Storm Improvements at the end of 2023 with the annual debt payments totalling \$279,608. The annual debt charges related to the new debt for Essex Streetscape based on Infrastructure **Ontario's current rates is approximately \$563,612.** These two debt facilities result in a combined total new debt payment of \$843,220 annually, which is significantly under the prescribed annual repayment limits as mentioned above.

It would result in a new Ministry Annual Repayment Limit of \$5,367,609, meaning no additional Ministry Approval is required and excess capacity remains.

The new debt also aligns with the Town's Debt Management policy as it does not exceed the Town's annual repayment limit of \$2,883,277 as described above.

Financial Impact

The annual debt payment was sufficiently included in the approved 2024 Operating budget and is also included in the 2025 draft budget and onwards, until the final debt payment which would occur in 2040. It is 100% funded by taxation.

Consultations

Kate Giurissevich, Director, Corporate Services/Treasurer.

Link to Strategic Priorities

- Embrace asset management best practices to build, maintain, and continuously improve our municipally owned infrastructure.
- Leverage our Town's** competitive advantages to promote jobs and economic investment.
- Take care of our natural environment and strengthen the sense of belonging to everyone **who makes Essex "home"**.
- Deliver friendly customer service in an efficient, effective, and transparent manner while providing an exceptional working environment for our employees.
- Build corporate-level and community-level climate resilience through community engagement and partnership and corporate objectives.

Report Approval Details

Document Title:	2024 Capital Financing - Finance and Business Services-2024-03.docx
Attachments:	- General Borrowing - Single Tier - Borrowing By-law - Ongoing Capital Works.pdf - TemporaryApplication1369.pdf
Final Approval Date:	Aug 27, 2024

This report and all of its attachments were approved and signed as outlined below:

No Signature - Task assigned to Kate Giurissevich, Director, Corporate Services was completed by workflow administrator Shelley Brown, Deputy Clerk, Legal and Legislative Services

Kate Giurissevich, Director, Corporate Services - Aug 27, 2024 - 11:32 AM



Doug Sweet, Chief Administrative Officer - Aug 27, 2024 - 11:43 AM