
MEMORANDUM

BRC-C 2-2019

Subject: Councillor Information Requests from January 10, 2019 Budget Review Committee

Date: January 24, 2019

To: Budget Review Committee of the Whole

From: Todd Harrison, Commissioner/Treasurer Enterprise Resource Management Services

This memo is in response to Councillor Information Requests at Budget Review Committee of the Whole on January 10 as follows:

1. *Provide the anticipated amount that the Region will be borrowing over the next two years 2020 and 2021 (Councillor Redekop)*
2. *Show on the Reserves/Pay as You Go vs Debt Forecast (Slide 14 of the presentation) the data from the previous 4 to 8 years (Councillor Sendzik)*
3. *Provide a consolidated debt repayment schedule (Councillor Steele)*

1. Provide the anticipated amount that the Region will be borrowing over the next two years (2020 and 2021)

The following table shows the Region's debt issuance, repayment and outstanding debt balances under two scenarios which estimate the timing of debt issuance with the major milestones of capital projects. Debt is issued in this manner to ensure borrowing costs are minimized:

- The "Base Case" reflects \$60.9M proposed debt financing in the 2019 capital budget issued 25% in the year approved, 50% in the second year after approval, and 25% in year three after approval. It also includes forecasted issuance of previously-approved debt, where debt is issued once projects reach substantial completion
- The "Forecasted" scenario reflects the base case, in addition to \$160M forecasted debt approval in 2020 and \$131.4 M forecast debt approval for 2021 using the same estimated issuance timeline as above. The 2020 amount is primarily for the long-term care homes (\$86.6M) which will be proposed with a 1% separate levy. The 2021 amount includes debt for EMS hub (\$47.1M) which attracts 50% subsidy and \$60M for water/wastewater which has been built into the approved Financial Plan.

For the operating budget, the Region includes in the debt charges budget the cost of all debt as it is approved rather than how it may be issued (i.e. "debt charge placeholder"). This approach is fiscally conservative and in accordance with the Infrastructure Ontario financing agreement and allows any surplus in debt charge placeholder to be placed in capital reserves and reinvested in pay as you go capital.

Important to note is that there is no legislated maximum threshold for the debt outstanding. The only legislated requirement is that debt repayments do not exceed 25% of own-source revenues (Annual Repayment Limit), which all the scenarios below comply with, even the scenario based on debt charges related to all debt approved i.e. Annual Repayment Limit (approved debt).

			Base Case			Forecasted		
Amounts are in millions		as at Dec 31, 2018	2019	2020	2021	2019	2020	2021
Debt Opening - Levy			288.41	308.76	320.21	288.41	308.76	349.19
Debt Opening - Rate			69.03	80.16	101.07	69.03	80.16	111.12
Total Debt Outstanding - Opening			357.44	388.92	421.28	357.44	388.92	460.30
	Prior-approved debt issuance - Levy	109.23	44.48	26.20	26.20	44.48	26.20	26.20
	Prior-approved debt issuance - Rate	26.00	7.05	9.47	9.47	7.05	9.47	9.47
		135.23	51.53	35.67	35.67	51.53	35.67	35.67
	New debt issuance - Levy		6.94	13.89	6.94	6.94	43.67	84.36
	New debt issuance - Rate		8.28	16.56	8.28	8.28	26.78	43.72
			15.22	30.44	15.22	15.22	70.44	128.08
	Debenture Issuance, Total		66.75	66.11	50.89	66.75	106.12	163.75
	Principal repayments - Levy		(31.07)	(28.64)	(27.40)	(31.07)	(29.44)	(30.35)
	Principal repayments - Rate		(4.20)	(5.12)	(3.55)	(4.20)	(5.29)	(4.33)
	Principal Repayments total		(35.27)	(33.75)	(30.94)	(35.27)	(34.73)	(34.68)
Debt Closing - Levy			308.76	320.21	325.96	308.76	349.19	429.40
Debt Closing - Rate			80.16	101.07	115.28	80.16	111.12	159.98
Total Debt Outstanding - Closing			388.92	421.28	441.23	388.92	460.30	589.37
Annual Repayment Limit (issued debt)			7.9%	8.1%	7.7%	7.9%	8.5%	9.2%
Annual Repayment Limit (approved debt)			9.3%	8.8%	7.8%	9.3%	10.4%	10.7%
Consolidated debt outstanding as a % of operating revenues (S&P)			89.0%	87.9%	88.1%	89.0%	92.2%	104.0%
Debt to Reserve Ratio*			1.68	2.84	2.92	1.68	3.10	3.91

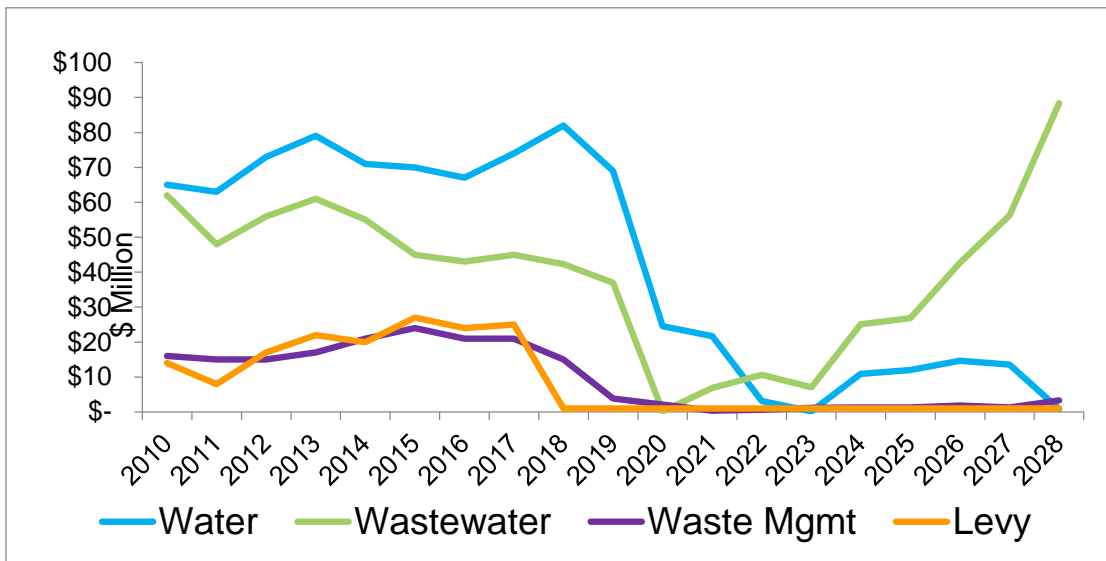
*Debt to Reserve Ratio assumes the most up-to-date financial information including the maximum forecasted utilization of reserves based on the Asset Management Plan, Transportation Master Plan, Water and Wastewater Master Servicing Plan. Figures do not align to amounts presented by MMAH, which were based on historical information.

2. Show on the Reserves/Pay as You Go vs Debt Forecast (Slide 14 of the presentation) the data from the previous 4 to 8 years

Reserves have been relatively stable for the past 8 years, 2010 to 2018. Beginning in 2017, the Region has aligned the Capital Program in accordance with the Asset Management Plan, Transportation Master Plan, and the Water and Wastewater Master Servicing Plan and thus the reserve balances are declining reflective of the need in these plans. The Safe Drinking Water Act Financial Plan is the financial strategy developed to reverse the trend occurring in water and wastewater from 2019 to 2023.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Water	65	63	73	79	71	70	67	74	82	69	25	22	3	0	11	12	15	14	1
Wastewater	62	48	56	61	55	45	43	45	42	37	0	7	11	7	25	27	43	56	88
Waste Mgmt	16	15	15	17	21	24	21	21	15	4	2	0	1	1	1	1	2	1	3
Levy	14	8	17	22	20	27	24	25	1	1	1	1	1	1	1	1	1	1	1
	157	134	161	179	167	166	155	165	140	110	28	30	15	9	38	41	60	72	94

*Figures presented for Levy may not be comparable for years 2010 – 2012 as CSD 48-2014 authorized the closure of several reserve and reserve funds to capital levy reserves



3. Provide a consolidated debt repayment schedule

Please see Appendix 1 for a detailed consolidated debt repayment schedule by department. Note that the repayment schedule only related to debentures already issued.

Respectfully submitted and signed by

Todd Harrison, CPA, CMA
Commissioner/Treasurer ERMS

Appendix 1 Consolidated Debt Repayment Schedule