



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Administration, Finance and Human Resources Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, March 21, 2023
Subject: **2023 Annual Debt Repayment Limit**

Background:

The Province, through the Ministry of Municipal Affairs and Housing, establishes debenture limits for all municipalities on an annual basis. The calculation, which uses data obtained from Financial Information Returns (FIR), provides an upper limit or ceiling on debt servicing costs. The purpose of regulating debenture limits is to ensure that municipalities do not issue excessive amounts of debt, thereby weakening their longer-term financial strength.

The ceiling is established not as an absolute amount of debt, but rather as the relationship of debt servicing costs relative to own source revenues (taxation, user fees and charges, etc.). The total amount of debt servicing costs (which includes principal, interest and payments with respect to other long-term liabilities) cannot exceed 25% of own source revenues (although in special circumstances the limit can be exceeded with the approval of the Minister). Debt issued on behalf of a member municipality is reflected in each member municipality's debt limit.

The Provincial calculation for 2023 is \$29,135,215. The Province's limit calculation for 2023 is based on 2021 FIR data, and based on a 5% cost of borrowing the County could issue approximately \$224 million in 10-year debt and still remain within the limit.

Staff monitor the debt limit projection as part of each ten-year plan update and at the time of each debt issue to ensure that the level of projected debt servicing costs is sustainable and well within provincial limits.

Recommendation:

That the County Treasurer's report re: 2023 Annual Repayment Limit be received for information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ken DeHart'.

Ken DeHart, CPA, CGA
County Treasurer