



# SMITHS FALLS

RISE AT THE FALLS

## Report # 2023-065

To: Mayor and Council  
From: Paul Dowber, Director Corporate Services/Treasurer  
Date: May 21, 2024  
Committee of the Whole Date: May 27, 2024.  
Title: Projected Debt Levels

- For Direction
- For Information
- For Adoption
- Attachment (NA)

**Recommendation:** THAT Council of the Corporation of Smith Falls receive the Projected Debt Levels report for information as a part of Treasury information leading up to the 2025 budget process.

**Purpose:** To provide Council with information on a long-term view of current and anticipated debt at the Town of Smith Falls.

**Background:** The 2024 Annual Repayment Limit (ARL) report was presented to Council on May 13<sup>th</sup>, 2024. Staff advised that more information on a longer-term debt outlook would be presented at a future Committee of the Whole meeting.

Current long-term debt is approximately \$15.1M with an ARL of \$1.6M. Over the next few years, as the new Water Tower and upgrades to the Trunk Watermain are completed, additional debt of over \$17.5M may be required pending any potential award of further grants for this project, as per Table 1. Funding for the Tower project of \$3,666,500 has been secured through the ICIP Green Infrastructure Stream, with the first payment of \$61,239 received earlier this month.

Table 1					
	2023 Actuals	2024 Budget	2025 Budget	2026 Budget	Total
<b>Tower Cost</b>	<b>\$176,422</b>	<b>\$4,478,578</b>	<b>\$5,145,000</b>		<b>\$9,800,000</b>
DC Funding		(\$348,000)	(\$771,750)		(\$1,119,750)
Grant Funding	(\$176,422)	(\$2,700,828)	(\$787,750)		(\$3,665,000)
Debt	0	(\$1,429,750)	(\$3,585,500)		(\$5,015,250)
<b>Total Funding</b>	<b>(\$176,422)</b>	<b>(\$4,478,578)</b>	<b>(\$5,145,000)</b>		<b>(\$9,800,000)</b>

<b>Trunk Main Cost</b>	<b>0</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$15,000,000</b>
DC Funding	0	(\$750,000)	(\$750,000)	(\$750,000)	(\$2,250,000)
Grant Funding	0				
Debt	0	(\$4,250,000)	(\$4,250,000)	(\$4,250,000)	(\$12,750,000)
<b>Total Funding</b>	<b>0</b>	<b>(\$5,000,000)</b>	<b>(\$5,000,000)</b>	<b>(\$5,000,000)</b>	<b>(\$15,000,000)</b>

## Analysis and Options:

Current rates through Infrastructure Ontario (IO) are:

- Construction Loan - 5.47%
- 30 Year Debenture - 4.89%

IO uses construction loans from the time that work begins until 4 months after substantial completion is achieved. During this time, required payments are interest only. IO then gives a 4-month period in which a Municipality can turn the loan into a debenture with IO or go out to market to obtain other financing arrangements and pay the loan in full.

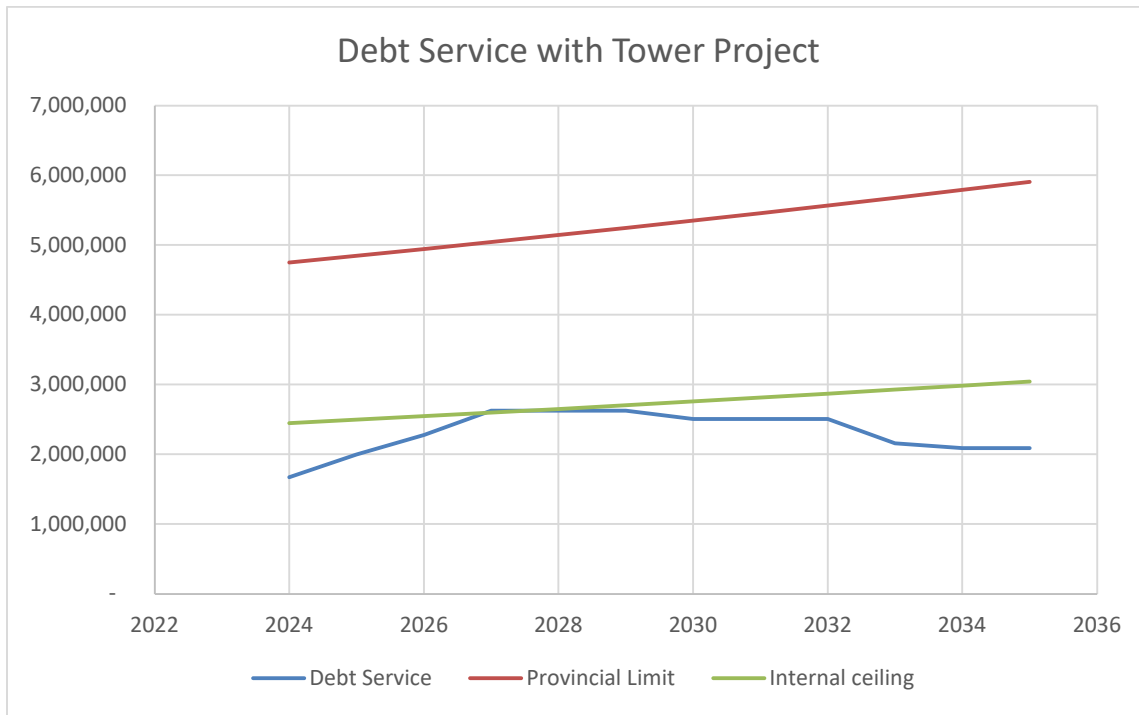
Table 2 below shows a 5-year projection of loan/debenture balances related to construction and finalizing financing based on using IO for construction loans and 30-year debentures for illustration purposes.

Table 2					
	2024	2025	2026	2027	2028
<b>Water Tower</b>	Construction Loan 5.47% Interest Only	Construction Loan 5.47% Interest Only	30 Year Debenture 4.89%	30 Year Debenture 4.89%	30 Year Debenture 4.89%
Loan/Debenture	\$1,429,750	\$5,015,250	\$5,015,250	\$5,015,250	\$5,015,250
Annual Payment	\$78,207	\$274,334	\$322,170	\$322,170	\$322,170
<b>Trunk Main</b>		Construction Loan 5.47% Interest Only	Construction Loan 5.47% Interest Only	Construction Loan 5.47% Interest Only	30 Year Debenture 4.89%
Loan/Debenture	-	\$4,250,000	\$8,500,000	\$12,750,000	\$12,750,000
Annual Payment		\$232,475	\$464,950	\$697,425	\$819,035

Table 3 shows the financial flows of the two Water projects added to the current Town debt and the results on the internal ARL ceiling.

Table 3					
	2024	2025	2026	2027	2028
Current ARL Limit	\$2,450,000	\$2,499,000	\$2,548,980	\$2,599,960	\$2,651,959
Current Payment	\$1,698,566	\$1,698,566	\$1,698,566	\$1,698,566	\$1,698,566
Additional	\$78,207	\$506,809	\$787,120	\$1,141,205	\$1,141,205
Total	\$1,776,773	\$2,205,375	\$2,485,686	\$2,839,771	\$2,839,771
ARL Available	\$673,227	\$293,625	\$63,294	(\$239,811)	(\$187,812)

This analysis shows debt needs going above the internal ARL ceiling in 2027 and 2028. However, current interest rate predictions are a decrease of 25 – 100 basis points by the end of 2024 (0.25% - 1.0%).



**Budget/Financial Implications:** Budget implications will be reflected in the 2025 budget process.

**Link to Strategic Plan (2023-2026):**

Vision – Item 1 – Investing in our infrastructure to keep up with the growing needs of the community.

**Existing Policy:** By-Law No. 8891-2016, Debt Management Policy

**Consultations:** NA

**Attachments:** NA

Respectfully Submitted by:

Approved for agenda by Acting CAO:

Original Copy Signed  
 Paul Dowber, CPA, CGA  
 Director of Corporate Services/Treasurer

Original Copy Signed  
 Paul McMunn  
 Director of Public Works & Utilities