

Debt

# Debt

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Town debt is for capital projects and was \$4.7M as at December 31, 2021, as reported in Note 5 of the Consolidated Financial Statements. It relates to the completion of:

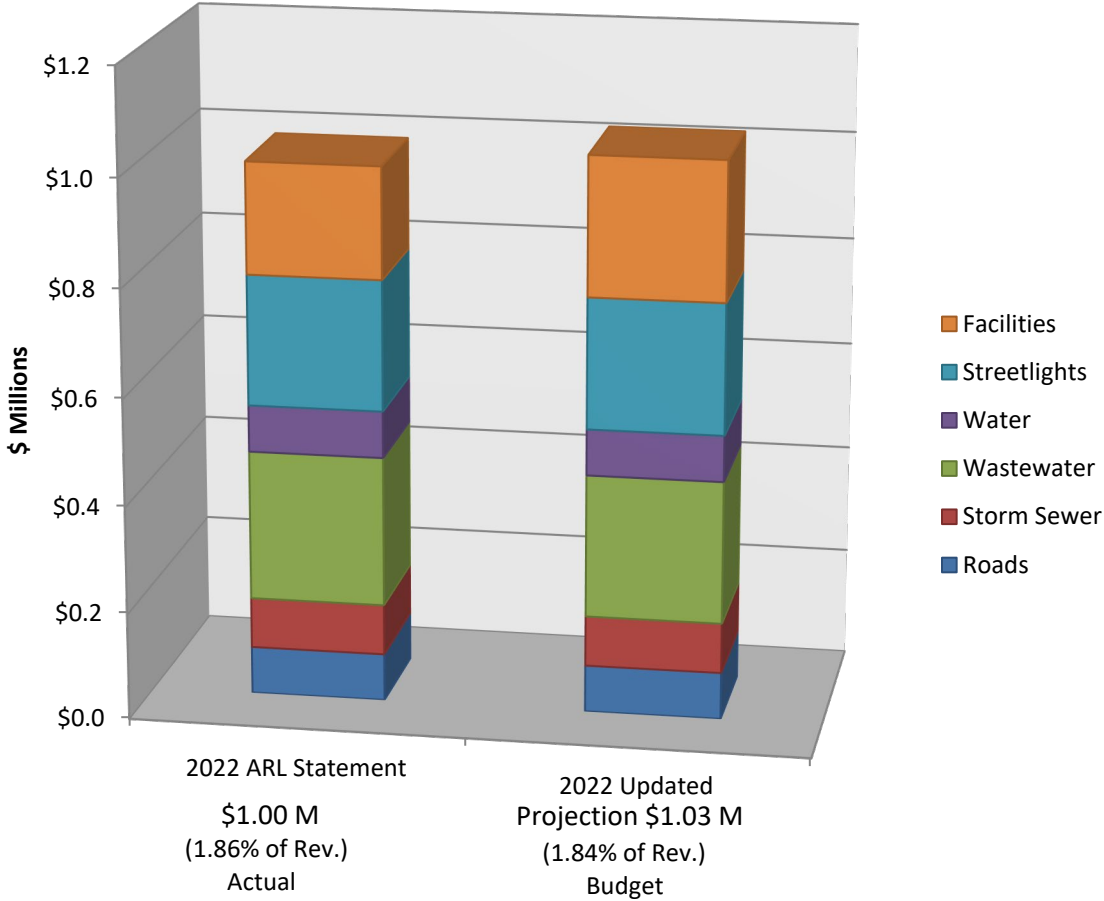
1. Storm and water improvements to Crescent Park.
2. Road and storm sewer improvements to Ridge Road.
3. Frenchman's Creek pumping station and forcemain on Garrison Road at Alliston Avenue and watermain improvements on Thompson Road from Bertie Street to Gilmore Road.
4. Sanitary sewer improvements on Garrison Road from Alliston Avenue to Benner Avenue.
5. Central Fire Station construction.
6. LED Streetlights.

## Annual Repayment Limit

Provincial policy allows municipalities to incur debt charges up to 25 per cent of net revenues without prior approval of the Ontario Municipal Board. The Province provides each municipality with an Annual Repayment Limit (ARL) statement, outlining the maximum debt charges allowed, the debt charges reported, and the remaining debt repayment limit. The calculation of the ARL for 2022 is based on analysis of data contained in the 2020 Financial Information Return (FIR). The Town of Fort Erie's 2022 ARL statement report indicates that the Town has net debt charges of \$1.0M or 1.86 per cent of the Town's net revenues. This leaves a balance of 23.14 per cent (25% - 1.86%) or \$12.4M of annual debt payments available.

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An updated ARL is reported to Council to assist with capital program decisions and is shown in the following chart, including 2022 estimated debentures:



The Town’s projected debt servicing cost at 1.84 per cent of net revenues is well within the maximum 25 per cent and is labeled low risk by the Province. Projected 2022 debt servicing costs are \$1.00M (\$0.80M Principal + \$0.20M Interest). The 2022 budget includes the following assumptions:

- Debenture charges for:
  - Central Fire Station construction
  - Storm and water improvements to Crescent Park
  - Road and storm sewer improvements to Ridge Road
  - LED street lights

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- Debt of \$1.4M was recommended in the 2020 budget for the construction of a new fire station and further amended to \$4.0M in the 2021 budget.
- New debenture proposed in 2022 to fund the \$3.2M streetscape improvements along Jarvis Street, including changes to parking, signage and gateway features; new lighting, paved surfaces, landscaping and crossings; and the burial of utilities and irrigation services. The new debenture is approximately \$2.1M.
- New debenture proposed in 2022 to fund the \$3.0M Friendship Trail and enhanced shore protection east of Waverly Beach Park that was destroyed by the October 2019 high wind storm. The Town applied for Municipal Disaster Recovery Assistance (MDRA) funding and was not approved until after the Capital Budget report was published. A future budget amendment will be done to substitute the approved debt funding with the MDRA relief funding (IS-03-2022).
- Proposed debt of \$2.9M in 2023 to fund the reinstatement of the shoreline protection and road reconstruction on Pt. Abino Road South which was damaged by the above noted storm.

The graph below is the 2022 budget and 5-year forecast and includes proposed new debt with related payments starting in 2023:

## Principal and Interest Payments

