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May 3, 2022

REGION OF PEEL
OFFICE OF THE REGIONAL CLERK



May 3, 2022

Sent via E-Mail: aretha.adams@peelregion.ca

Aretha Adams, Regional Clerk and Director of Administration
Region of Peel
10 Peel Center Drive
Brampton, ON L6T 4B9

Dear Ms. Adams,

RE: ROAD REHABILITATION CONSTRUCTION PROGRAM DEBENTURE

I am writing to advise that at the Town Council meeting held on April 26, 2022, Council adopted a resolution regarding Staff Report 2022-0018: Road Rehabilitation Construction Program Debenture.

The resolution read as follows:

That the Capital Project #21-047 Roads Rehabilitation Construction Program estimated at a cost of \$4,100,000 be funded by a debenture, to be issued by the Region of Peel on behalf of the Town of Caledon;

That the Treasurer's update of the Town's projected debt servicing costs as it impacts the Town's Annual Repayment Limit, outlined in Staff Report 2022-0018 be received;

That the Region of Peel be requested to issue debt on behalf of the Town of Caledon as part of their debt issuance for the lower-tier municipalities in 2022; and

That a by-law be enacted authorizing the Clerk and Treasurer to execute all required documents to secure the Town's portion of funding for this project from a debenture to be issued by the Region of Peel up to the upset limit amount of \$4,100,000 and for a term not to exceed 30 years.

Enclosed for your reference is a copy of Staff Report 2022-0018.

For more information regarding this matter, please contact Heather Haire, Treasurer, Finance, for the Town of Caledon directly by e-mail to heather.haire@caledon.ca or by phone at 905.584.2272 ext. 4185.

Thank you for your attention to this matter. We look forward to receiving a response to this request.

Sincerely,

Laura Hall, Director, Corporate Services / Town Clerk

Cc: Heather Haire, Treasurer, Finance, heather.haire@caledon.ca

REFERRAL TO _____
RECOMMENDED _____
DIRECTION REQUIRED _____
RECEIPT RECOMMENDED _____

Staff Report 2022-0018

Meeting Date: March 22, 2022

Subject: Road Rehabilitation Construction Program Debenture

Submitted By: Heather Haire, Treasurer, Finance

RECOMMENDATION

That the Capital Project #21-047 Roads Rehabilitation Construction Program estimated at a cost of \$4,100,000 be funded by a debenture, to be issued by the Region of Peel on behalf of the Town of Caledon;

That the Treasurer's update of the Town's projected debt servicing costs as it impacts the Town's Annual Repayment Limit, outlined in Staff Report 2022-0018 be received;

That the Region of Peel be requested to issue debt on behalf of the Town of Caledon as part of their debt issuance for the lower-tier municipalities in 2022; and

That a by-law be enacted authorizing the Clerk and Treasurer to execute all required documents to secure the Town's portion of funding for this project from a debenture to be issued by the Region of Peel up to the upset limit amount of \$4,100,000 and for a term not to exceed 30 years.

REPORT HIGHLIGHTS

- The *Municipal Act* only allows lower-tier municipalities, in a regional municipality, to issue debentures through the upper tier municipality.
- The Region of Peel issues long-term debt on behalf of itself, and the lower-tier/area municipalities within the region.
- The purpose of this report is to provide Council with an update on long-term debt and debt servicing cost information (inclusive of the proposed debenture) in order for Council to make an informed decision on the required by-laws and agreements required to issue the debenture, through the Region of Peel.
- For the Town to participate in the Region's 2022 debenture issuance, the appropriate by-laws need to be in place which permit the issuance of debt and authorize the financial commitment extending beyond the term of this Council.

DISCUSSION

The 2021 Road Rehabilitation Construction Program is a program that is a shave and pave project, where possible, complemented by a program to improve the underlying pavement structure. The budget amount of \$4.1 million per year has remained unchanged from 2014, previously named Enhanced Roads Program. This project provided improvements to the following road segments:

Street Name	From Location	To Location
Matson Drive	Clarkson Court	Robb Road
Matson Drive	Mount Hope Road	Matson Drive
Matson Drive	Matson Drive	Wolf Crescent
Matson Drive	Steele Home Court	Robb Road



Staff Report 2022-0018

Street Name	From Location	To Location
Matson Drive	Matson Drive	Johnson Bush Road
Matson Drive	Johnson Bush Road	Steele Home Court
Matson Drive	Wolf Crescent (W)	Wolf Crescent (E)
Matson Drive	Wolf Crescent	Clarkson Court
Humber Station Road	Bartley Drive	Old Church Road
Humber Station Road	Patterson Sideroad	Private Road
Humber Station Road	Mill Lane	Bartley Drive
Humber Station Road	Private Road	Mill Lane
Arlow Road	Holmes Drive	Holmes Drive
Palace Street	Richmond Street	End
Emeline Street	Queen Street (W)	Davis Drive
Emeline Street	Davis Drive	Dods Drive
Emeline Street	McClellan Road	End
Emeline Street	McClellan Road	Dods Drive
Wolf Crescent	Matson Drive	Matson Drive
Robb Road	Matson Drive	Old Church Road
Clarkson Court	Matron Drive	Road End
Steel Home Court	Matson Drive	Road End

Since this 2021 Road Rehabilitation Construction Program is substantially complete, staff recommend issuing a debenture for this project. Accordingly, the Town is preparing to issue a debenture, via the Region of Peel, to fund the 2021 capital project. The Road Rehabilitation Construction program was substantially complete by December 2021, with \$3,935,329.68 being spent to date and the remaining budget is expected to be spent in the spring of 2022 with excess debt funding of \$48,411.18 being allocated to this project from the 2017 Enhanced Roads program. Since the project is substantially complete, staff recommend the issuance of a debenture to an upset limit of \$4,100,000, with any surplus to be transferred to capital project #22-048 Roads Rehabilitation Construction Program. Council has previously approved debt financing for this project as part of the 2021 budget process. The issuing of debt results in a financial commitment extending beyond the term of Council, which must be approved by a by-law in accordance with the *Municipal Act*.

The Town of Caledon, like other lower-tier municipalities in a regional municipality, must secure long-term debt through the upper-tier municipality, the Region of Peel in Caledon's case. Town and Regional staff have started discussions on both the Region and the Town's debenture requirements and the Region is preparing for a debenture issue in fall of 2022, depending on market conditions. The debt service costs related to this debenture is estimated at approximately \$255,000 per year (based on a March 2022 estimate from the Region of Peel). This debt servicing cost for the estimated 2022 debenture payment has been accounted for in the Town's approved 2022 Operating Budget.

Town staff will report back via a memo to council on the debenture issuance and financial impact to the Town of Caledon after the debt issuance (through the Region of Peel) has been finalized.

FINANCIAL IMPLICATIONS

In accordance with Debt and Financial Obligations Limits regulation, *Ontario Regulation 403/02 of the Municipal Act, 2001*, the Treasurer must update the Annual Debt Repayment



Limit calculation and the anticipated annual debt charges (principal and interest) related to this project is within the Town's limit.

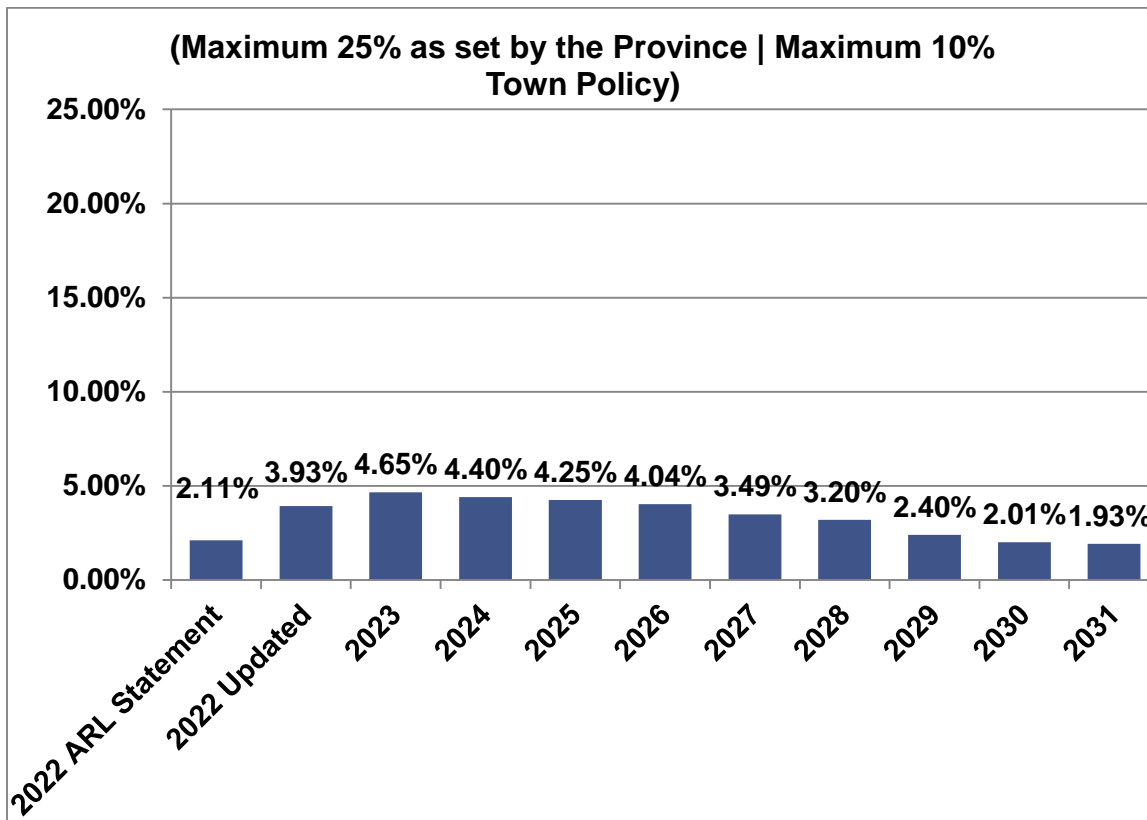
Provincial policy allows municipalities to incur debt charges equivalent to 25 percent of their net revenues without prior approval of the Local Planning Appeal Tribunal. On an annual basis, the Province provides each municipality with an Annual Repayment Limit (ARL) statement that outlines the maximum debt charges allowed (25% of net revenues), the debt charges reported, and the remaining debt repayment limit. Further, as part of the 2012 Budget, Council adopted a debt policy where the Town may issue debt to a maximum projected debt servicing charges (principal and interest payments) of 10% of net revenues.

The Province provides each municipality with an Annual Repayment Limit (ARL) statement, in accordance with Regulation 403/02 of Section 401 of the *Municipal Act 2001*, outlining the percentage of net revenues the municipality is currently using to service debt. The calculation of the ARL for a municipality in 2022 is based on its analysis of data contained in the 2020 Financial Information Return (FIR). The Town of Caledon's 2022 ARL statement report indicates that the Town has net debt charges of \$2.0 million or approximately 2.1% of the Town's net revenues. This leaves a balance of 22.9% (25% - 2.1%) or approximately \$21.2 million of the ARL available.

The Treasurer is required to calculate an updated ARL and disclose it to Council to assist Council in decisions regarding capital programs and debt. An update of the ARL/debt servicing costs as a percentage of net revenues based on the recommended debentures included in this report and projections on future debentures (not approved to-date) is as follows:

The chart below shows an adjusted 2022 ARL and includes updates/assumptions such as:

- Photocopier lease costs and OPP property lease costs;
- 2021 debenture issuances of \$8.1 million for the 2017 and 2019 Roads programs
- Future debentures assumed:
 - 2021 Roads Rehabilitation Construction Program of \$4.1 million to be debentured in 2022;
 - 2020 Streetlight Program - \$3.4 million in 2023;
 - CECC phase 4 - \$5.4 million in 2023;
 - 2022 approved debt programs - Roads Rehabilitation Program, Bridge and Culvert Construction Program, Castlederg Sideroad and Storm Sewer lining - \$6.8 million assumed to be debentured in 2023
 - Southwestern Ontario Integrated Fibre Technology (SWIFT) loan guarantee of \$955,000 is required to be included in the ARL update. Repayments have also been added for 2023, based on anticipated timing of completion for the Town's portion of the SWIFT project. This commitment will continue to be reflected in the Annual Repayment Limit until the Town is removed from the loan guarantee;
- Assessment growth revenue projections for 2022 to 2031 based on the same assumptions used in the 2022 budget



Prior to authorizing these commitments, the Treasurer is required by the *Municipal Act* to update the Town’s annual financial debt and obligation repayment limit (debt capacity), incorporating the new commitments and certifying that the Town remains within this limit. The annual debt repayments / debt servicing costs may not exceed 25% of revenues as set by the Province of Ontario. The Town’s policy for debt is 10% of Net Revenues. After updating the annual financial debt and obligation repayment limit calculations, the Treasurer for the Town of Caledon certifies that the Town is projected to remain below both the Provincial and the Town’s internal debt repayment limits.

2022 debt servicing costs for debentures issued in the past and the planned debenture for capital project #21-047 Roads Rehabilitation Construction Program. All future approved debt capital projects will require debt payments to be incorporated in future operating budgets as an unavoidable budget increase.

Section 403 of the *Municipal Act*, as amended, sets out the obligations of the lower-tier municipality in a regional municipality in relation to the debentures issued on its behalf by the upper-tier municipality:

The by-law of the upper-tier municipality authorizing the issue of debentures may require the lower-tier municipality to make payments in each year to the upper-tier municipality in the amounts and on the dates specified in the by-law. All amounts required to be paid to an upper-tier municipality by a lower-tier municipality are a debt of the lower-tier municipality to the upper-tier municipality. If the lower-tier municipality fails to make any payment as provided in the by-law of the upper-tier municipality, then the lower-tier municipality shall pay interest at the rate of 15% per year from the date the payment is due until it is made.



COUNCIL WORK PLAN

Subject matter is not relevant to the Council Workplan.

ATTACHMENTS

Schedule A: 2022 Annual Repayment Limit

2022 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE:	21401		
MUNID:	21024		
MUNICIPALITY:	Caledon T		
UPPER TIER:	Peel R		
REPAYMENT LIMIT:		\$	21,299,284

The repayment limit has been calculated based on data contained in the 2020 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2020 to commit to payments relating to debt and financial obligation. Prior to the authorization by Council of a long term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner. The limit is effective January 01, 2022

FOR ILLUSTRATION PURPOSES ONLY,

The additional long-term borrowing which a municipality could undertake over a 5-year, a 10-year, a 15-year and a 20-year period is shown.

If the municipalities could borrow at 5% or 7% annually, the annual repayment limits shown above would allow it to undertake additional long-term borrowing as follows:

5% Interest Rate			
(a)	20 years @ 5% p.a.	\$	265,436,151
(a)	15 years @ 5% p.a.	\$	221,079,279
(a)	10 years @ 5% p.a.	\$	164,467,421
(a)	5 years @ 5% p.a.	\$	92,214,751
7% Interest Rate			
(a)	20 years @ 7% p.a.	\$	225,644,913
(a)	15 years @ 7% p.a.	\$	193,992,042
(a)	10 years @ 7% p.a.	\$	149,597,254
(a)	5 years @ 7% p.a.	\$	87,331,268

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Caledon T

MMAH CODE:

21401

Debt Charges for the Current Year

		1
		\$
0210	Principal (SLC 74 3099 01)	1,312,000
0220	Interest (SLC 74 3099 02)	589,605
0299	Subtotal	1,901,605
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	64,155
9910	Total Debt Charges	1,965,760

Amounts Recovered from Unconsolidated Entities

		1
		\$
1010	Electricity - Principal (SLC 74 3030 01)	0
1020	Electricity - Interest (SLC 74 3030 02)	0
1030	Gas - Principal (SLC 74 3040 01)	0
1040	Gas - Interest (SLC 74 3040 02)	0
1050	Telephone - Principal (SLC 74 3050 01)	0
1060	Telephone - Interest (SLC 74 3050 02)	0
1099	Subtotal	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02)	0
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02)	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02)	0
1420	Total Debt Charges to be Excluded	0
9920	Net Debt Charges	1,965,760

		1
		\$
1610	Total Revenue (SLC 10 9910 01)	134,009,982
Excluded Revenue Amounts		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01)	3,801,071
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	15,098
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	0
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	8,911,756
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	2,633,627
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	183,353
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	17,915,060
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	5,788,263
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	0
2255	Other Revenue (SLC 10 1890 01 + SLC 10 1891 01 + SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01)	1,701,580
2299	Subtotal	40,949,808
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	93,060,174
2620	25% of Net Revenues	23,265,044
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	21,299,284
		(25% of Net Revenues less Net Debt Charges)

* SLC denotes Schedule, Line Column.