

Staff Report

Presented By: Daniel Waechter, Chief Financial Officer / Treasurer

Meeting Date: September 22, 2025

Subject: Debt Planning

Attachment(s): Annual Repayment Limit Projection

Recommendation

That Council approve Innovation Park (Project #810-86200) be funded through Future Capital Reserve instead of debt funding; and

That Council approve Port Elgin Harbour St Pump Station Generator, Fuel Supply and Electrical (Project #410-86738) be funded through Wastewater Reserve instead of debt funding.

Report Summary

The Town has a number of current projects requiring debt funding. This report gives an update on the timing of debentures and the Town's allocation of debt.

Background/Analysis

The Town has a Debt Policy in place that allocates a certain amount of its debt capacity to tax funded areas, rate funded areas, and an allocation for emergencies. The Town's annual Business Plan projects the debt capacity and the debt required to fund infrastructure requirements that fit within the appropriate use outlined in the Debt Policy.

The specific projects that have been identified for debt funding in past Business Plans or the Town's upcoming 2026 Business Plan are outlined below.

Project Funding Reallocations:

- **Innovation Park (810-86200)** – \$4.8 million reallocated from debt funding to Future Capital Reserve funding. This reallocation is recommended to utilize internal borrowing from other reserves with fiscal capacity, which will lower the cost of financing.
- **Port Elgin Harbour St Pump Station Generator, Fuel Supply and Electrical Upgrades (410-86738)** - \$1 million in debt in 2025 reallocated to Wastewater Reserve

funding due to fiscal capacity in the Wastewater Reserve and the lower cost of financing associated with use of reserve funding.

Debt Funded Projects (Tax Funded 2025-2029):

- **Aquatic and Wellness Centre (780-86364)** - \$28.3 million incremental debt in Q4 2025/Q1 2026
- **Various Road Reconstruction Projects** - \$4.95 million in 2026
- **Various Road Reconstruction Projects** - \$4 million in 2027
- **Port Elgin Harbour Dock Replacement (745-86483)** - \$2 million in 2027
- **Port Elgin Waterfront Design Recommendation Implementation (746-86478)** - \$3.5 million in 2028
- **Southampton Town Hall and Library (130-86433)** - \$9 million in 2028
- **Port Elgin Fire Station (210-86565)** - \$3 million in 2028 (\$7 million project less \$1.7 million sale price less 57% DC eligible)
- **Landfill Optimization (450-86778)** - \$2.5 million in 2029

Debt Funded Projects (Rate Funded 2025-2029):

- **Southampton Wastewater Treatment Plant Expansion (410-86740)** – \$10 million debt in 2025 Business Plan no longer required due to provincial HEWSF grant.
- **Water Treatment Plant Expansion (430-86338)** - \$5 million debt in 2026.
- **Transmission Line and Second Reservoir Construction (430-86727)** - \$5 million debt in 2027 and \$5 million in 2028.

Debt financing on these projects will allow appropriate cash flow to fund all projects in the Town's ten-year capital plan. As part of that plan, the Town's Future Infrastructure Special Levy will give the fiscal capacity to pay for the annual debt payments associated with the loans.

This debt plan will be monitored on an annual basis to ensure that project costs are appropriate, that debts are scaling appropriately with revenue, and that the interest rate environment remains reasonable.

The below chart shows the planned debt in the context of the Town's provincially mandated Annual Repayment Limit and the Town's self-imposed categories from its Debt Management Policy. The chart assumes 30-year repayment at 5.20% for 2026-2029 loans. By 2029, the Town is projected to use only 44% of its Annual Repayment Limit (ARL). Due to the projected remaining space under the ARL, loans with shorter repayment periods could be considered for some projects.

Total 2029 Annual Repayment Limit (25% of Own Source Revenues)		\$15,695,416	
Self-Imposed Categories in Debt Management Policy	Tax Funded	Rate Funded Services (Water and Sewer)	Contingency Fund for Emergency Situations
	45%	30%	25%
Total Annual Repayment Limit by Category	\$7,062,937	\$4,708,625	\$3,923,854
Less Projected 2029 Debt Payments	(\$5,732,375)	(\$1,187,131)	-
Remaining Annual Repayment Limit by Category	\$1,330,562	\$3,521,494	\$3,923,854

Linkages

- Strategic Plan Alignment: Pillar 1: Meeting the Needs of a Growing Community
- Business Plan Alignment: Corporate Services Business as Usual

Financial Impacts/Source of Funding

No costs or revenue is associated with this report.

Prepared By: Daniel Waechter, Chief Financial Officer / Treasurer

Reviewed By: Jim Bundschuh, Director, Corporate Services

Approved By: Kara Van Myall, Chief Administrative Officer