



Staff Report T2025-07

Committee 2025-05-12

Council 2025-05-26

Amendments ☐

Submitted To: Committee of the Whole | Council
Submitted By: Jennifer Graham, Treasurer
Prepared By: Justin Weber, Manager of Finance/Deputy Treasurer
Subject: 2024 Debt Report

Recommendation

THAT Staff Report T2025-07, 2024 Debt Report, be received for information.

Amendments

At the May 12, 2025 COW meeting it was requested to include internal borrowing by By-Law Services from the Parking Reserve for STA Licensing. To revise the last sentence of paragraph 1 of section 2 “Internal Loans and Notes” to say “At the end of 2024, By-Law Services has an internal borrowing of \$208K from the Parking Reserve for STA Licensing Implementation. The terms of repayment are still to be decided”

1. Executive Summary

The debt report is a document that provides the public and members of Council with an overview of the outstanding debentures and loans. The balance of debentures as at December 31, 2024 was \$12.1M.

2. Analysis

Background

At the August 21, 2017 Council meeting, Council adopted the Debt Management Policy (attached as Appendix ‘A’) which identified the following goals on debt:

- Total tax supported debt servicing costs as a percentage of Town Own Source Revenues shall not exceed 7%;
- Total water rate supported debt servicing costs as a percentage of Water Utility Own Source Revenues shall not exceed 7%; and
- Total wastewater rate supported debt servicing costs as a percentage of Wastewater Utility Own Source Revenues shall not exceed 7%.

Update on Debt Position

An important indicator of a municipality's financial health is debt servicing cost as a percentage of total revenues. Debt is an appropriate way of financing longer life infrastructure, and infrastructure related to growth, that is not fully recovered through DCs. However, when debt levels get too high, it compromises the Town's sustainability and flexibility to fund programs and services.

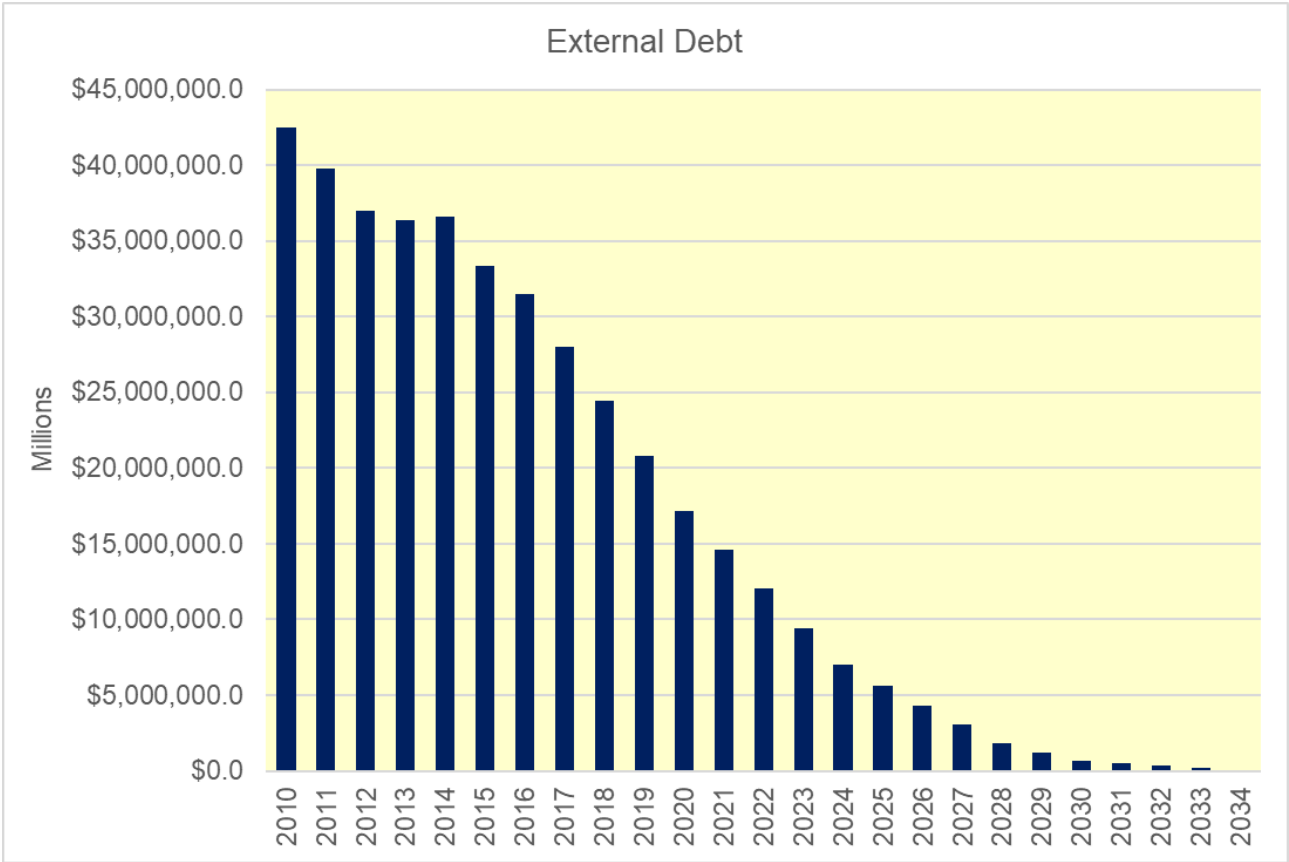
The analysis below will outline details regarding three categories of debt. It will specify the balance in each category as at December 31, 2024. More importantly it will provide the debt servicing costs as a percentage of **own source revenues**¹ (debt servicing indicator) which measures the percentage of revenues devoted to servicing debt. The Town uses own source revenues as opposed to total revenues to eliminate "one-time revenue sources". This indicator shows the extent to which a municipality must use revenue raised through property taxes and user fees to pay interest and principal costs rather than pay for programs and services.

1. External Debt

The Town defines debt as external, contractual debt, typically in the form of bank loans, debentures and mortgages. The following chart shows our consolidated historic levels of external debt from 2010 to 2024 and the continual decrease that will occur over the next

¹ Own source revenues are revenues a government raises by levying taxes, user fees or by generating business or other income. It is all amounts of money received by a government from external sources, net of refunds and other correcting transactions. It does not include money from the issuance of debt, government grants, development charges, gain or loss on sale of capital assets or the sale of investments.

ten (10) years, should no other debt be issued (net of EPCOR reimbursement agreement).



You will note that total external debt has decreased from 2023 to 2024 as a result of regular principal repayments and no new debt being issued.

Debt servicing costs as a percentage of own source revenue has also decreased, this is due to both the total debt repayment decreasing as well as the Town’s own source revenues increasing. The change in own source revenue is a result of increased taxation, increased Public Disposal Fees, increased Water & Wastewater revenues and increased Donations (due mainly to Urban Forestry);

The table below details this information:

Column1	2024	2023	2022
P & I Payments	\$ 3,548,518	\$ 3,851,204	\$ 3,982,863
Own Source Revenues *	\$ 66,985,751	\$ 65,855,479	\$ 60,669,557
Debt Servicing %	5.30%	5.85%	6.56%

* Note that the 2024 Own Source Revenues (OSR) has been estimated until the 2024 Financial Information Return has been finalized. 2023/2022 amounts agree to the submitted FIRs for each respective year.



During 2018, and as part of the sale of Collus PowerStream, the Town assumed debt in the amount of \$8.2M. **This debt is repaid on a monthly basis by EPCOR through a reimbursement agreement and is not serviced by the taxpayers or ratepayers of the Town.** The balance on this debt at the end of 2024 is \$5.1M (2023 - \$5.6M) and will be fully repaid in 2043 and is not included in the chart above.

2. Internal Loans and Notes

The Town's internal loans and notes represent transfers from reserves to the capital fund and have been used as a source of alternative financing and is a healthy part of any financing program where excess cash is available. They reflect borrowing, from existing reserves for approved projects, to finance unfunded projects where a decision has been made to proceed with. At this time **there are no outstanding internal loans** as repayment in full was made as part of the Asset Sale Proceeds (see staff report [T2021-03](#)).

There is one promissory note that was issued to the CPUSB in 2014 in the amount of \$6.0M at a rate of 1.5%. The balance of this at the end of 2024 is \$2.9M (2023 - \$3.2M) and will expire at the end of 2033, note however although this repayment is serviced through Water rates it does not impact the total debt servicing percentage amount given that it is an intercompany transaction (i.e. it moves from the Water Division to General Taxation Division).

3. Committed External Debt

Committed external debt refers to capital projects that are completed or underway and were approved based on debenture financing which has not yet been placed. It is estimated this debt will be placed sometime in the foreseeable future.  At the end of 2024 there are no capital projects where funding has been committed through debt issuance. Additionally, consideration will be given to borrowing for the Water Treatment Expansion project, at this time it is  expected that only internal borrowing will be required but the project and cash flows will be monitored closely. A report will be provided to Council prior to any new debt being issued as required.

4. Annual Repayment Limit

The Annual Repayment Limit (ARL) notice has been included from MMAH as Appendix 'B'. The ARL may be generally summarized as the maximum amount that a municipality in Ontario can pay each year (without first going to the Local Planning Appeal Tribunal) in principal and interest payments for its long-term debt and other long-term financial commitments. For most municipalities (not including Toronto) the ARL is set at 25 percent of their annual own-source revenues (such as property taxes, user fees and investment income), less their annual existing long-term debt service costs and payments for other long-term financial obligations. Municipalities may only exceed their ARL with the prior approval of the Local Planning Appeal Tribunal (LPAT).

For 2025 the Town's ARL is \$12,626,398 which is the total the Town could increase its annual debt repayment requirement by **according to the Provincial regulation**. In terms of the amount of total debt that this may equate to is dependent on the amortization and interest rate of any new debt issued. For example, if the Town borrowed at a rate of 7% over a 15-year period the total debt it could accumulate would be up to \$115 Million, today as noted in the report the total debt is \$12.1 Million (inclusive of the debt held through the Epcor reimbursement agreement).

Options

Not applicable.

Financial Impacts

Not applicable.

Conclusion

As noted, the 2017 Debt Management Policy (attached as Appendix A) required that all areas of the Town (i.e. Tax-Supported, Water & Wastewater Divisions) shall maintain a 7.0% debt servicing cost with respect to own Source Revenues. The table below provides the Debt Servicing amount per division and in total, you will note that in total the Town overall is under the 7.0% limit set by the Policy.

Column 1	Water	Wastewater	Tax Supported	Total	
Estimated Own Source Revenue	\$ 8,954,925	\$ 9,300,976	\$ 48,729,850	\$ 66,985,751	
P & I Payments	\$ 101,995	\$ 260,759	\$ 3,185,763	\$ 3,548,518	
Debt Servicing %	1.14%	2.80%	6.54%	5.30%	

As staff complete the 2025 Asset Management Plan and continue to build out the Long-Term Strategic Financial plan, a review of the Debt Management Policy will be included to ensure that the policy remains relevant and realistic to actual capital needs. Staff notes that the 7% policy is strict in comparison to the Province’s ARL that provides a limit of 25% of own source revenue. While the Provincial Average is in fact much lower (4.3% actual Provincial Average for Debt Servicing Costs as per the 2023 Financial Indicator Review) and staff feel that the ARL limit of 25% is an extremely high amount, it is important to strike a healthy balance of debt financing. In the coming months additional information will come forward to review this and make recommendations for what is the most effective plan for the Town of Collingwood.

3. Input from Other Sources

Reviewed with Department Heads on May 6th, 2025.

4. Applicable Policy or Legislation

Municipal Act S.401 - a municipality may incur a debt for municipal purposes, whether by borrowing money or in any other way, and may issue debentures and prescribed financial instruments and enter prescribed financial agreements for or in relation to the debt.

Community Based Strategic Plan - transparent and accountable.

5. Considerations

- ☒ Community Based Strategic Plan: Consistent with CBSP
- ☐ Services adjusted if any
- ☐ Climate Change / Sustainability: [Choose an item.](#)
- ☐ Communication / Engagement: [Choose an item.](#)
- ☐ Accessibility / Equity, Diversity, Inclusion: [Choose an item.](#)
- ☐ Registered Lobbyist(s) relating to content: [\[add content and meeting dates\]](#)

Next steps and future action required following endorsement:

Continued monitoring of Cash Flow while the Water Treatment Plant projects progress to determine the need for external financing.

6. Appendices and Other Resources

Appendix A: Debt Management Policy

Appendix B: Annual Repayment Limit (ARL)

7. Approval

Prepared By:

Justin Weber, CPA, Manager of Finance/Deputy Treasurer

Reviewed By:

Jennifer Graham, CPA CA, Treasurer

CAO Comments:

Endorsed by CAO on May 7, 2025 to proceed to COW

Endorsed as amended by CAO on May 21 to proceed to Council