

City of Belleville

Report No: DF-2023-18

Meeting Date: September 11, 2023



To: Mayor and Members of Council

Department: Finance

Staff Contact: Brandon Ferguson, Director of Finance, Treasurer

Subject: Long-term Financing Application - Ontario Infrastructure and Land Corporation (OILC)

Recommendation:

THAT the 2023 Capital Budget be amended to adjust the funding sources for the New Police Station, the Quinte Sports and Wellness Centre Energy Savings project and the Mineral and Maitland Rd reconstruction as outlined in the Director of Finance/Treasurer Report DF-2023-18;

AND THAT a bylaw be prepared for the application to Ontario Infrastructure and Land Corporation (OILC) for long-term financing for the New Police Station, the Quinte Sports and Wellness Centre Energy Savings project and the Mineral and Maitland Rd reconstruction.

Strategic Plan Alignment:

Infrastructure: Plan for and invest in new or expanded infrastructure to establish sufficient capacity to provide for growth of our community.

Infrastructure: Develop asset management strategies and programs to resolve delivery shortfalls and protect our investment in existing infrastructure

Background:

As part of the debenture application process for projects previously approved by Council for debt funding, a bylaw is required in conjunction with the application process. Capital projects which have been completed and are currently proposed for financing are as follows;

New Police Station

As part of the 2013 and 2018 Capital Budgets and various year-end funding transfers, Council approved a total of \$27.7M for the renovation of the former utilities building at 459 Sidney Street into a new, state of the art Police Station.

With the project now finalized, total costs for the renovation are \$27.1M. Given the additional timeline and contributions to the Police Reserve fund, there is additional funding that can be utilized to reduce the debt burden for this project. It is proposed that the following funding adjustment is completed to reduce the debt draw;

	<u>Current Funding</u>	<u>Proposed Funding</u>	<u>Change</u>
Reserve Funds	\$ 5,930,000	\$ 7,934,300	\$ 2,004,300
Development Charges	2,273,200	2,273,200	-
Taxation & Other	99,300	99,300	-
Long-term Debt	<u>19,416,900</u>	<u>16,800,000</u>	<u>(2,616,900)</u>
	\$ 27,719,400	\$ 27,106,800	\$ (612,600)

Mineral & Maitland Rd Reconstruction

During the 2013, 2017 and 2019 Capital Budgets and various year-end funding transfers, Council has approved a total of \$14.7M, including \$7.1M of future debt, for the reconstruction of Mineral and Maitland roads. The project included the extension of municipal water and sanitary sewer and reconstruction of the roadway to an urban cross-section.

Final costs for the project total \$14.2M, with various funding sources applied to reduce the required debt draw to \$6.6M. It is proposed that the following funding adjustment is completed to reduce the debt draw;

	<u>Current Funding</u>	<u>Proposed Funding</u>	<u>Change</u>
Taxation & User Rates	\$ 1,335,000	\$ 1,336,800	\$ 1,800
Reserve Funds	200,000	200,000	-
Development Charges	6,063,100	6,063,100	-
Long-term Debt	<u>7,139,000</u>	<u>6,562,600</u>	<u>(576,400)</u>
	\$ 14,737,100	\$ 14,162,500	\$ (574,600)

QSWC Energy Savings & HVAC System

As part of the 2016 and 2017 Capital Budgets, Council approved a total of \$1.3M of future debt for various upgrades/retrofits around Quinte Sports & Wellness Centre to achieve energy savings for future years. Given the eligible funding incurred on the project to date, and the City's debt policy requirement to borrow for no less than \$1M, staff are suggesting to utilize similar project expenditures under the QSWC HVAC Systems Renewal project to meet the borrowing requirement and cover any ineligible project costs. This will result in the approved 2022 QSWC HVAC systems renewal project, item #1.054 being combined with the QSWC Energy Savings project. The debt requirement for these combined projects will be less than the original budget at a total of \$1,201,400.

Once the by-law for the debenture application is approved and submitted, the OILC will review the application. This is expected to be completed by the end of October 2023, with the rate getting established in Mid November. The planned approval of the debenture agreement is estimated to take place at the November 27th Council meeting.

Financial/Analysis:

The total debt financing for the above listed projects totals \$24,564,000, and will have a repayment period of 25 years with estimated monthly payment of approximately \$143,000 (\$1.7 million annually). Sufficient funding was included in the 2023 Operating Budget to cover

any payments that may be required in 2023 and an estimated base budget increase of \$743,000 will be required in the 2024 Operating Budget to accommodate a full years worth of payments. Before any assessment adjustments, this would equate to a 0.63% increase to the 2024 tax levy.

This additional debt would bring the City's forecasted repayment for 2024 to approximately \$12.3M, still well below the 12% of operating revenues, or \$20.1M based on 2021 FIR results, that is prescribed in the City's Municipal Debt Financing Policy. Furthermore, the 2024 repayment would be well below the MMAH's Annual Repayment Limit (ARL) of \$41.9M, or 25% of operating revenues, indicating the City has sufficient capacity at this time.

		<u>% of ARL</u>
2023 ARL, per O/Reg 403/02	\$ 41,943,677	100.00%
Current Annual Debt Payment	(9,928,290)	(23.67%)
Additional Annual Debt Payment	<u>(1,716,322)</u>	<u>(4.09%)</u>
Remaining ARL	\$ 30,299,065	72.24%
Estimated Annual Payment on Committed Debt	<u>(6,806,134)</u>	<u>(16.23%)</u>
Estimated ARL	\$ 23,492,931	56.01%

Conclusion:

That Council support the application to the Ontario Infrastructure and Land Corporation (OILC) for long-term financing and the 2023 Capital Budget be amended to adjust the various funding sources as outlined above.

Approved by:

Matt MacDonald, Director Corporate Services
 Rod Bovay, Chief Administrative Officer

Status:

Approved - 06 Sep 2023
 Approved - 07 Sep 2023