

For Information

DATE: February 23, 2010

REPORT TITLE: **2010 ANNUAL DEBT REPAYMENT LIMIT**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

The purpose of this report is to advise Regional Council of the 2010 Annual Debt Repayment Limit, as required by the *Municipal Act, 2001*.

REPORT HIGHLIGHTS

- The Annual Debt Repayment Limit reflects the amount the Region is allowed to increase its annual debt charges (principal and interest).
- The Region of Peel's Annual Debt Repayment Limit for 2010 is \$228.6 million (2009 - \$226.6 million) after deducting \$40.8 million (17.9%) in annual payments made in 2008.
- Based on an assumed 20 year term of underlying debt, Peel could "afford" to issue a further \$2.2 billion in debt.

DISCUSSION

Under Regulation 403/02 of Section 401 of the *Municipal Act, 2001*, the Province provides each municipality with its Annual Debt Repayment Limit. The Treasurer is required to disclose this limit to Council in order to facilitate Council's decision making process.

1. Provincial Methodology

The Province calculates the Annual Debt Repayment Limit, which is effective January 1, 2010, based on its analysis of December 31, 2008 data. Provincial policy allows municipalities to incur debt charges equivalent to 25% of their Net Revenue Fund Revenues, which includes tax levies, utility rate revenue and fees and other income. Provincial and federal grants and development charges are excluded from this analysis.

2. Consolidation of Housing Corporations

Under provisions of the *Social Housing Reform Act, 2000*, the *Ontario Business Corporation Act* and the reporting standards of the Public Sector Accounting Board, the Region consolidates the financial activities of Peel Housing Corporation which results in the Region reporting \$355M in long-term mortgage liabilities, \$18.7 million in mortgage interest expense and \$15.3 in mortgage principal payment in 2008.

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2010 ANNUAL DEBT REPAYMENT LIMIT**3. Debt Charge Capacity**

Based on the Provincial formula, the Region would be allowed to incur annual charges amounting to \$269.4 million in 2010. This amount is the equivalent of 25% of the \$1.08 billion in consolidated Net Revenue Fund Revenues in 2008. The Province stipulates that \$6.8 million in payments made by the Region for long-term lease commitments be defined as debt charges. The total consolidated debt charges of \$40.8 million consists of the \$18.7 million in mortgage interest and \$15.3 million in mortgage principal payment related to Peel Housing Corporation and the \$6.8 in long-term lease payments.

Given the Region's consolidated debt charges were \$40.8 million in 2008, the Region would be allowed to increase annual debt charges by \$228.6 million. Based on an assumed 20 year term of underlying debt, Peel could "afford" to issue a further \$2.2 billion in debt.

CONCLUSION

Overall, the provincially determined 2010 Annual Debt Repayment Limit for the Region of Peel is \$228.6 million. This significant amount of debt capacity reflects the positive impact of Council's long-term strategy to reduce reliance on debt. Furthermore, the Region of Peel's overall strong financial position provides the Region with financial flexibility needed to deal with its fiscal challenges.



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Approved for Submission:

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