

MANAGEMENT REPORT

Date: March 25, 2024
To: Finance and Labour Relations Committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Report Number: FIN24-012
Attachments: 1. Sample Amortization Table
2. Borrowing By-law

Title: Long-Term Debt Update and Borrowing By-law

Objective: To provide Council an update on the status of the City's pending long-term debt advances and to authorize borrowing by-law for the Queen Street Storm project.

Background: At the July 11, 2022, Council meeting, Council authorized the financing of several projects using long-term debt including the aerial truck for the fire department, the Quinlan pumping station, the Queen Street storm project, and Britannia Phase 2. Since then, the loans relating to the aerial fire truck and the Quinlan pumping station were advanced, but the Queen Street Storm project and Britannia Phase 2 projects were not.

For all these projects, the debt repayment requirements have been included in the budget process (2022, 2023 and 2024) and levied accordingly. For the aerial truck and Quinlan pumping station, the levied amounts are reducing the actual loan and funding the interest payments.

For the others, the projects remain 'unfinanced.' Drawing of the Queen Street storm loan was conditional upon the City submitting the 2021 final audited financial statements to the Bank. So, at this point, we are ready to proceed with the advancement of debt to replenish the cash that initially supported this project.

The debenture funds, when received, will eliminate the unfinanced liability, and replenish the City's reserve fund bank balance to support the reserve balances recorded in the City's books.

The Bank requires specific borrowing by-laws for each loan separately and this report addresses the Queen Street Storm project.

Analysis: As noted in the table below, the initially approved amount was \$15 million. The actual expenditure was less than this, and since then, there have been several years of payments towards this estimated balance (of both principal and interest amounts), so the current required loan is now down to \$9 million. Staff are recommending a corresponding 8-year repayment term for this to remain consistent with other linear projects and the assets' useful lives without affecting the levy impact.

Purpose	Amount	Term	Annual Payment (Principal and Interest)
Aerial Truck-Fire	\$1,864,100	25	\$131,600
Quinlan Pumping Station	\$4,000,000	15	\$376,667
Queen St. Storm Project	\$15,355,000	15	\$1,445,929
Queen St. Storm REVISED	\$9,230,915	10/8	\$1,445,929

Interest rates are still to be confirmed, one of the last steps before drawing down the loan, and are estimated to be 5-6% for the term. Staff are discussing a shorter term (i.e. 1 year) as rates are expected to drop in the coming 6-18 months. If this option is selected then the rate would be locked in for 1 year, and when it matures it will require a new term.

A couple of items to note for information:

- 1) Unfinanced liabilities usually arise due to timing differences, or in cases where a funding solution has yet to be identified. This timing difference does put pressures on the City's cash balances, as funds earmarked for general operations, or current year capital projects could face risks of cash flows being insufficient if these timing differences are not resolved. So far, the City has been able to manage project cash flows but at some point, any unfinanced obligations need to identify a funding strategy.
- 2) At December 31, 2023, the City has several other unfinanced liabilities awaiting funding outcomes and decisions as follows:
 - i) Britannia St Phase 2 Build - \$4.7 million, pending completion of the build (will be funded via debenture per previous approval)
 - ii) Cooper Site Expropriation - \$3 million, pending staff report to outline options for costs incurred in 2020-2022 relating to the expropriation.
 - iii) Roadhouse Drain - \$18,421, relating to early work done on the capital project (will be funded from the 2024 project budget).

A total of \$7.8 million is remaining unfinanced with options brought forward in a subsequent staff report.

Financial Implications:

Financial impact to current year operating budget:

There are no expected impacts to the 2024 budgeted payments relating to this long-term debt by-law.

Financial impact on future year operating budget:

There are no expected impacts to the future budgeted payments relating to this long-term debt by-law.

Link to asset management plan and strategy:

These assets were added to the City's linear inventory in 2021 and form part of the required future asset replacements.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable: One Planet Principles do not apply as this report relates to financial strategies.

Staff Recommendation: THAT a by-law to authorize the borrowing in the form of a bank loan(s) in the principal amount of \$9,230,915 towards the cost of the Queen Street Storm project be adopted;

AND THAT the Chief Administrative Officer or City Clerk and the Treasurer (two signatures required) be authorized to sign all related documents with the City's financial institution to complete the borrowing of funds.

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