



**RPT 20-460**

**TITLE:** 2021 Long term Debt Summary

**DATE:** November 28, 2020

**TO:** Budget Committee

**PUBLIC:** X

**INCAMERA:**

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**RECOMMENDATION:**

That this report be received as information and used for discussion for 2021 Budget deliberations.

**TOPIC & PURPOSE:**

To consider the loan payments as part of the 2021 budget process.

**PROPOSED APPROACH AND RATIONALE:**

This report summarizes all existing debt and estimates annual payments for capital projects approved in 2020 and commencing construction in 2021. The interest portion of the loan payments are budgeted as operating expenses and the annual budgeted surplus must be sufficient to cover the principal payments.

**ASSUMPTIONS:**

It is assumed that any new debt financing incurred in 2021 will be at 2.50% for 25 (+) years and 1.75% for 10 years (or <). All loans are disbursed on July 1 and the debenture payments will be made annually on June 30 with the payment fixed for the duration of the loan. These assumptions are subject to change as the contract for bank services must be tendered.

It is also assumed that the new waste cell (\$4.0 million) and the Marquis Road West extension (\$2.7 million) will be approved for the 2021 budget.

**Total Long Term Debt – External Funding**

Table 1.0 lists the unaudited loan balances as of December 31, 2020, the projected borrowing for 2021, and the 2021 budgeted payments for all funds.

**Table 1.0 - 2021 Budgeted Payments by Fund**

Purpose of Loan	Unaudited Loan Balance at December 31, 2020	Projected Borrowing July 1, 2021	Interest Rate	2021 Budgeted Principal Payment	2021 Budgeted Interest Payment
<b>General Fund</b>					
Transit Buses	\$1,867,000		3.40%	\$245,000	\$60,358
Irrigation at Golf Course	\$2,033,000		3.40%	\$63,000	\$68,321
10% of West Hill Development	\$164,900		3.40%	\$21,500	\$5,333
Arena and Aquatic Centre	\$0	\$16,000,000	2.50%	\$0	\$201,644
<b>General Fund Totals</b>	<b>\$4,064,900</b>	<b>\$16,000,000</b>		<b>\$329,500</b>	<b>\$335,656</b>
<b>Land Fund</b>					
90% of West Hill Development	\$1,484,100		3.40%	\$193,500	\$47,997
Marquis Road West Extension	\$0	\$2,700,000	2.50%	\$0	\$34,027
<b>Land Fund Totals</b>	<b>\$1,484,100</b>	<b>\$2,700,000</b>		<b>\$193,500</b>	<b>\$82,024</b>
<b>Water Utility Fund</b>					
Water Reservoir on River Street	\$6,441,000		3.40%	\$199,000	\$216,480
Upgrades to Water Reservoirs on 2nd Avenue West and Marquis Road	\$6,027,000		3.40%	\$186,000	\$202,557
Upgrades at the Water Treatment Plant	\$2,609,392		3.98%	\$614,669	\$103,854
Raw Water Pump House	\$0	\$12,802,325	2.50%	\$0	\$161,344
<b>Water Utility Fund Totals</b>	<b>\$15,077,392</b>	<b>\$12,802,325</b>		<b>\$999,669</b>	<b>\$684,235</b>
<b>Sanitation Fund</b>					
Waste Cell Construction	\$0	\$4,000,000	1.75%	\$0	\$35,288
<b>Sanitation Fund Totals</b>	<b>\$0</b>	<b>\$4,000,000</b>		<b>\$0</b>	<b>\$35,288</b>
<b>Total for all Funds</b>	<b>\$20,626,392</b>	<b>\$35,502,325</b>		<b>\$1,522,669</b>	<b>\$1,137,203</b>

### **Long Term Debt – Internally Funded**

Table 2.0 shows capital projects that have been internally funded by the General Fund. Principal and interest payments are transferred to the General Fund on an annual basis. The right mix of internal and external financing is important. Internal funding can affect the ability to manage cash flow and could result in cash balances being in overdraft. The interest rate for overdraft balances is prime (currently 2.45%) less 0.75% (1.7%). The approved overdraft limit is \$12 million.

**Table 2.0 - Internal Financing Balances Owing to General Fund**

	2021	2022	2023	2024	2025
<b>General Fund</b>					
Police - Downtown Facility	\$ 235,307	\$ 160,269	\$ 85,231	\$ 10,193	\$ -
<b>Water Utility Fund</b>					
Water Meter Replacement	\$ 3,468,472	\$ 3,018,547	\$ 2,554,225	\$ 2,075,045	\$ 1,580,530
<b>BALANCES AT YEAR END</b>	<b>\$ 3,703,779</b>	<b>\$ 3,178,816</b>	<b>\$ 2,639,456</b>	<b>\$ 2,085,238</b>	<b>\$ 1,580,530</b>

### **Debt Limit**

The City has an authorized debt limit of \$65.0 million approved by the Saskatchewan Municipal Board (SMB). The accessible debt limit available after consideration of the existing long term debt and line of credit is estimated to be \$32.3 million.

Debt Limit	\$65.0 M
Line of Credit	(12.0) M
Loan balances December 31, 2020	<u>(20.7) M</u>
Accessible Funds for 2021 Budget	<u>\$32.3 M</u>

The 2021 Budget includes the need to borrow \$35.5 million for approved capital projects as identified in Table 1.0 for the Arena and Aquatic Centre, Marquis Road West Extension, Raw Water Pump House and the Waste Cell construction.

The need to borrow \$35.5 million will require The City to apply to the SMB to have the current debt limit increased and in time for the required funding.

**Debt Per Capita**

Table 3.0 lists long term debt levels, debt per capita, and interest per capita.

**Table 3.0 - Historical Debt per Capita**

	Estimate 2021	Estimate 2020	2019	2018	2017
Gross external debt	\$54,606,048	\$20,626,392	\$22,099,534	\$23,521,049	\$28,472,568
Capita per census	35,926	35,926	35,926	35,926	35,926
Debt per capita	\$1,520	\$574	\$615	\$655	\$793
Interest expense on long term debt	\$1,137,203	\$758,759	\$938,947	\$901,193	\$340,100
Interest per capita	\$32	\$21	\$23	\$25	\$9

**FINANCIAL IMPLICATIONS:**

The interest portion of the loan payments are reported on the statement of operations (income statement). The principal payments reduce the long term liability on the statement of financial position (balance sheet). Therefore, the City budgets for the interest portion of loan payments as an operating expense and must also budget an operating surplus that is sufficient to cover the principal portion of the outstanding loans.

**PUBLIC NOTICE:**

Public Notice pursuant to Public Notice Bylaw No. 24 of 2015 is not required.

Written by: Jerri Hoback, Assistant Director of Financial Services

Approved by: Director of Financial Services & City Manager

**APPENDIX A  
LONG TERM DEBT – 5 YEAR SCHEDULES FOR EXISTING DEBT  
ANNUAL PAYMENTS**

	2021		2022		2023		2024		2025	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>General Fund</b>										
Transit Buses	\$245,000	\$60,358	\$252,000	\$51,952	\$259,000	\$43,299	\$266,000	\$34,604	\$274,000	\$25,191
Irrigation at Golf Course	63,000	68,321	65,000	66,153	68,000	63,909	69,000	61,932	73,000	59,034
West Hill Infrastructure 10%	21,500	5,333	22,300	4,593	22,800	3,828	23,600	3,062	24,200	2,228
Arena and Aquatic Centre	-	201,644	291,289	396,329	298,571	388,955	306,036	381,397	313,686	373,650
	<b>\$329,500</b>	<b>\$335,656</b>	<b>\$630,589</b>	<b>\$519,027</b>	<b>\$648,371</b>	<b>\$499,991</b>	<b>\$664,636</b>	<b>\$480,995</b>	<b>\$684,886</b>	<b>\$460,103</b>
<b>Land Fund</b>										
West Hill Infrastructure 90%	193,500	47,997	200,700	41,334	205,200	34,456	212,400	27,557	217,800	20,054
Marquis Road West Extension	-	34,027	79,045	66,504	81,021	64,503	83,047	62,452	85,123	60,350
	<b>\$193,500</b>	<b>\$82,024</b>	<b>\$279,745</b>	<b>\$107,838</b>	<b>\$286,221</b>	<b>\$98,959</b>	<b>\$295,447</b>	<b>\$90,009</b>	<b>\$302,923</b>	<b>\$80,404</b>
<b>Water Utility Fund</b>										
New Water Storage Reservoirs	199,000	216,480	206,000	209,611	214,000	202,514	220,000	196,251	229,000	187,052
Water Reservoirs Upgrades	186,000	202,557	193,000	196,139	200,000	189,501	206,000	183,635	214,000	175,041
Upgrade Water Treatment Plant	614,669	103,854	639,133	79,390	664,570	53,953	691,020	27,503	-	-
Raw Water Pump House	-	161,344	233,074	317,121	238,901	311,220	244,873	305,173	250,995	298,974
	<b>\$999,669</b>	<b>\$684,235</b>	<b>\$1,271,207</b>	<b>\$802,262</b>	<b>\$1,317,471</b>	<b>\$757,187</b>	<b>\$1,361,893</b>	<b>\$712,562</b>	<b>\$693,995</b>	<b>\$661,067</b>
<b>Sanitation Fund</b>										
Waste Cell Construction	-	35,288	542,122	65,217	551,609	55,647	561,262	45,908	571,084	35,997
	<b>\$0</b>	<b>\$35,288</b>	<b>\$542,122</b>	<b>\$65,217</b>	<b>\$551,609</b>	<b>\$55,647</b>	<b>\$561,262</b>	<b>\$45,908</b>	<b>\$571,084</b>	<b>\$35,997</b>
	<b>\$1,522,669</b>	<b>\$1,137,203</b>	<b>\$2,723,663</b>	<b>\$1,494,343</b>	<b>\$2,803,672</b>	<b>\$1,411,785</b>	<b>\$2,883,238</b>	<b>\$1,329,474</b>	<b>\$2,252,888</b>	<b>\$1,237,571</b>
<b>ANNUAL PAYMENTS (Principal and interest)</b>		<b>\$2,659,872</b>		<b>\$4,218,006</b>		<b>\$4,215,457</b>		<b>\$4,212,712</b>		<b>\$3,490,459</b>

**APPENDIX B  
LONG TERM DEBT – 5 YEAR SCHEDULES FOR EXISTING DEBT  
BALANCE AT YEAR END**

	2021	2022	2023	2024	2025
	<b>General Fund</b>				
Transit Buses	\$1,622,000	\$1,370,000	\$1,111,000	\$845,000	\$571,000
Irrigation at Golf Course	1,970,000	1,905,000	1,837,000	1,768,000	1,695,000
West Hill Infrastructure 10%	143,400	121,100	98,300	74,700	50,500
Arena and Aquatic Centre	16,000,000	15,708,711	15,410,140	15,104,104	14,790,418
	<b>\$19,735,400</b>	<b>\$19,104,811</b>	<b>\$18,456,440</b>	<b>\$17,791,804</b>	<b>\$17,106,918</b>
<b>Land Fund</b>					
West Hill Infrastructure 90%	1,290,600	1,089,900	884,700	672,300	454,500
Marquis Road West Extension	2,700,000	2,620,955	2,539,934	2,456,887	2,371,764
	<b>\$3,990,600</b>	<b>\$3,710,855</b>	<b>\$3,424,634</b>	<b>\$3,129,187</b>	<b>\$2,826,264</b>
<b>Water Utility Fund</b>					
New Water Storage Reservoirs	6,242,000	6,036,000	5,822,000	5,602,000	5,373,000
Water Reservoirs Upgrades	5,841,000	5,648,000	5,448,000	5,242,000	5,028,000
Upgrade Water Treatment Plant	1,994,723	1,355,590	691,020	-	-
Raw Water Pump House	12,802,325	12,569,251	12,330,350	12,085,477	11,834,482
	<b>\$26,880,048</b>	<b>\$25,608,841</b>	<b>\$24,291,370</b>	<b>\$22,929,477</b>	<b>\$22,235,482</b>
<b>Sanitation Fund</b>					
Waste Cell Construction	4,000,000	3,457,878	2,906,269	2,345,007	1,773,923
	<b>\$4,000,000</b>	<b>\$3,457,878</b>	<b>\$2,906,269</b>	<b>\$2,345,007</b>	<b>\$1,773,923</b>
<b>BALANCES AT YEAR END</b>	<b>\$54,606,048</b>	<b>\$51,882,385</b>	<b>\$49,078,713</b>	<b>\$46,195,475</b>	<b>\$43,942,587</b>