



MUNICIPALITY OF THAMES CENTRE

REPORT NO. F-002-25

TO: Mayor and Members of Council
FROM: Director of Financial Services/Treasurer
MEETING DATE: March 24, 2025
SUBJECT: Debt Information Report – 2025 Debenture Issuance

RECOMMENDATION:

THAT Report No. F-002-25 **BE RECEIVED** for information;

AND THAT Council **APPROVE** the 2025 Debt Issuance of \$7,160,399.70 for capital projects as described in this report.

PURPOSE:

The purpose of this report is to seek Council approval for the issuance of debentures in 2025 for proposed capital projects.

A total debt issuance of \$7,160,399.70 is being proposed for the following projects: King Street Sanitary Sewer Project, Hamilton and Oakwood Sanitary Sewer Project, Petersson Drain Project, Judge Drain Project and FlightExec Expansion Project. It is proposed that the funds be raised through the Infrastructure Ontario (IO) lending program.

Further, an application has been made to Middlesex County for a \$930,000 zero interest loan to fund the Thorndale Drain Project and will be considered at their March 25, 2025 meeting of County Council.

The Treasurer monitors the rates for the IO lending program and propose the issuance of debentures in consideration of interest rate levels, cash flow and timing of requirements.

Current and future debenture approvals and issuances are recommended in consideration of the impact on our Annual Repayment Limit (ARL).

BACKGROUND:

The Municipality plans to issue debentures in 2025 for its financing requirements of capital projects as per the following:



Summary of Debt Requirements:

Capital Project	Amount	Term
King Street Sanitary Sewer	\$336,168.46	15 years
Hamilton/Oakwood Sanitary Sewer	\$622,259.10	
Petersson Drain Project	\$129,369.27	
Judge Drain Project	\$31,369.72	
FightExec Expansion Project	\$6,041,233.15	
Total	\$7,160,399.70	

The total issued debt will be recorded as a long-term liability on the Municipality’s financial statement.

With the exception of the Thorndale Drain Project, debt servicing (repayment) costs associated with the Municipality’s approved debt have already been included within the approved operating budget.

COMMENTS:

The Province imposes on each municipality an Annual Repayment Limit (ARL) of the amount of operating revenues that can be dedicated to servicing debt. The Municipality’s ARL is determined by calculating 25% of the Net Revenues. As reported to the province in 2024, Thames Centre’s ARL is:

\$20,918,186 (Net Revenues) x 25% = \$5,229,547 - \$1,445,789 (2024 Principal and Interest) = \$3,783,758. As a result, the Municipality has issued 6.91% of the 2024 Net Revenues and has a remainder of 18.09% debt capacity.

The annual cost of servicing new debt as proposed in this report is projected at:

Issuer	Principal	Interest	Total
Infrastructure Ontario	\$477,360	\$158,215	\$635,575
Previous Debt Issuance	\$1,199,096	\$246,693	\$1,445,789
Total	\$1,676,456	\$404,908	\$2,081,364

If the new debt is approved, the Municipality’s ARL is projected to increase to 9.95% of Net Revenues and a remainder 15.05% debt capacity.

It should be noted that:

- There was no debt issued in 2024;
- The above projections are based on several factors, such as interest rates, 2026 levy rate, and increase in assessments.
- The ARL will be further reduced as 50% of the FlightExec expansion is to be funded by DC reserves.

FINANCIAL IMPLICATIONS:

At the time of preparing this report, it was noted that the Municipality does not have a “Debt Management Policy”. It is the intention of the Treasurer to develop and introduce to Council a Debt Management Policy for future Council approval.

Based on this report, the issuance of 2025 debt in the amount of \$7,160,399.70, via Infrastructure Ontario (with interest costs), will result in a reasonable 3% ARL impact.

In the event County Council approves the \$930,000 county loan for the Thorndale Drain Project (expected March 25, 2025 County Council), a subsequent staff report will follow to Thames Centre Council for separate consideration.

STRATEGIC PLAN LINK

Pillar: *Smart Planning*

Goal: *Ensure that the Municipality maintains fiscal prudence, along with affordable and sustainable taxation levels*

CONSULTATION:

Jarrod Craven, Director of Public Works
Steve MacDonald, Director of Community Services and Facilities

REFERENCES:

PW-ES-009-21	King Street Sanitary Sewer and Road Reconstruction
PW-ES-006-22	Hamilton Road Oakwood Drive Sanitary Trunk Sewer and Oakwood Place Road Reconstruction
DR-014-20	Branch of the Judge Drain – Request for Drainage Works
PW-DR-013-22	Petersson Drain 2022 – Court of Revision
CAO-010-24	Proposed Operating and Capital Budget 2025 (with reference to FlightExec Expansion)
PW-DR-014-24	Thorndale Industrial Drain

ATTACHMENTS:

None

Prepared by: C. D’Angelo, Director of Financial Services/Treasurer

Reviewed by: D. Barrick, Chief Administrative Officer