

## Town Debt

Municipalities are permitted to incur external debt subject to a limit set by the province. Debt normally takes the form of a debenture, which works very much like a fixed rate, fixed term mortgage. Payments are normally twice per year and are fixed in total amount. Like a mortgage, the mix of interest and principal change with each payment. Debentures are “closed” in that no extra payments are permitted during the term.

The acquisition of debt and debentures can play a very important role in the Town’s finances. Debt can provide liquidity to fund new assets, infrastructure and other capital projects when the asset is built in advance of growth. The Town should continue to use debt wisely over the long-term and understand that the prudent issuance of debt is an efficient use of available financial resources.

### Debt Limit

Under Provincial legislation, municipalities are allowed to incur third party debt up to a certain limit. The limit is not an amount of debt, but rather is expressed as a maximum amount of annual debt service payments allowed. Debt service payments include both interest and principal amounts paid in a year towards external debt. The limit is calculated by the province each year and is set at 25% of “own source revenues”. The calculation for 2022 limit was based on 2021 audited financial results and was calculated for Aurora to be \$23,130,500.

Considering the Town’s 2022 debt service payments of \$1,670,300, its remaining available 2022 debt service capacity is \$21,460,200 (\$23,130,500 less \$1,670,300). With the debt service payments listed below, the Town currently operates at 7.2% of its allowable debt limit for 2022.

### Available Debt Options

The Town has the following debt options available to it:

#### Short-Term – One Year to Five Years

- Internal borrowing
- Construction financing
- Short term cash advances from Infrastructure Ontario

#### Long-Term – Greater than Five Years

- Debentures
- Lease financing agreements

## Current Outstanding External Short and Long-Term Debt

The following debentures are outstanding as at December 31, 2021 as detailed below:

	Length and Rate	Outstanding Principal	End Date	Repayment Funding Source(s)
<b>Short Term Financing: Construction Line of Credit</b>				
Aurora Town Square	Open 1.12%	15,338,000	Substantial project completion	Multiple funding sources, as per FIN20-019.
SARC Gymnasium	n/a		Substantial project completion	Long term debenture financing.
<b>Subtotal Short Term Financing</b>		<b>15,338,000</b>		
<b>Long Term Financing: Long-Term Debenture</b>				
Hallmark Baseball Diamonds	20 years 2.65%	3,375,000	2041	Parks & Recreation DCs
SARC Construction	20 years 4.49%	1,164,737	2025	Parks & Recreation DCs
Aurora Sports Dome Purchase & Retrofit	15 years 2.42%	1,600,000	2036	Aurora Sports Dome annual operating revenues
LED Streetlight Conversion	10 years 2.29%	1,562,792	2026	Annual operating budget utility savings
JOC Construction	10 years 2.85%	3,749,277	2028	Parks & Recreation and Roads DCs
<b>Subtotal Long Term Financing</b>		<b>11,451,806</b>		
<b>Total Debt Obligation</b>		<b>26,789,806</b>		

## Next Steps

A formal debt policy is now under development which will establish formal financial guidelines and appropriate controls for the issuance and management of debt for the Town of Aurora. This policy will establish objectives, standards of care, authorized financing instruments, reporting requirements and responsibilities for the prudent financing of the Town's infrastructure needs.