



Administrative Report

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA, Director, Financial Services/Treasurer

Date: Wednesday, April 16, 2025

Subject: 2025 Annual Repayment Limit

Report #: 2025-0416-FIN-R09-MR

Purpose

To report the Corporation's residual debt capacity and annual debt repayment limit in accordance with Ontario Regulation 403/02 of the Municipal Act.

Background

A municipality may undertake financial obligations that extend beyond the term of council, without requesting approval of the Ontario Land Tribunal (OLT), provided its annual repayment limit is not exceeded. The relevant regulation affords municipalities more responsibility for their own finances and facilitates financial planning.

The annual repayment limit, set by the Ministry of Municipal Affairs and Housing (MMAH), must be updated by the municipal Treasurer to reflect new financial obligations. The repayment limit is being updated based on the Corporation's 2023 Financial Information Return (FIR) and includes financing of the Essex-Windsor Solid Waste Authority (EWSWA) landfill development costs and the annual component of longer-term commitments in place as at December 31, 2023 made to Erie Shores Hospice and The Bridge.

Discussion

Annual Repayment Limit – Definition

The annual repayment limit is simply a statement of the maximum dollar amount a municipality may commit to payments relating to debt and financial obligations before it must obtain OLT approval.

A municipality may borrow and undertake financial obligations that extend beyond the term of the present Council without OLT approval, provided the municipality does not exceed its prescribed annual repayment limit.

Annual Repayment Limit – Calculation

The formula for calculating the annual repayment limit is based on the principle that annual payments relating to debt and financial obligations should not total more than 25% of own-source revenues of the municipality.

Own-source revenues principally exclude revenues related to transfer payments from senior governments, revenues from other municipalities and reserve contributions. A listing of the significant revenue sources excluded from the formula are:

- Grants from the Government of Ontario or Canada or other municipalities;
- Revenue received under agreement with the Government of Ontario, for the purpose of repaying principal and interest of long-term debt or meeting financial obligations of the municipality;
- Revenue received from the sale of land;
- Contributions from a reserve, reserve fund or capital fund;
- Revenues for downtown revitalization programs;
- Fees for tile drainage and shoreline assistance; and
- Revenue from another municipality or school board in respect of borrowing by the municipality for exclusive purposes of the other municipality or school board.

This calculation simply shows the maximum amount a municipality can commit to debt payments each year without needing OLT approval. It's not meant to replace existing debt management practices or change the municipality's approach to responsible financial planning.

Conditions for OLT Approval

A municipality may seek OLT project approval if it is nearing the prescribed limit as a precautionary measure.

A municipality must seek OLT project approval if the cost of the obligation will put the municipality over its annual repayment limit.

Updating the Annual Repayment Limit

Council will continue to authorize debt and financial commitments by By-law.

Before authorizing debt or long-term financial commitments, Council is required to have the Treasurer update the annual repayment limit. Using the annual repayment limit calculation by the MMAH, the Treasurer will add or subtract estimated annual payments for long-term debt and financial obligations assumed or discharged since the end of the fiscal year used by the Ministry in its calculations.

The estimated annual payments would include, in addition to debt charges relating to long-term debt, all payments or undertakings regarding long-term capital leases, contingent liabilities and other financial agreements.

County of Essex – 2024 Annual Repayment Limit

The calculations contained in Appendix A are made in accordance with Ontario Regulation 403/02. The annual repayment limit of \$36,889,522 (\$31,172,506 - 2024) is based on the data contained in the County's FIR for the year ended December 31, 2023.

No adjustments have been made at this time related to the future funding obligations for the New Windsor Essex Hospital System (NWEHS). This funding commitment has been incorporated into the annual budget levy through planned reserve contributions. The impact of any potential debt financing of this commitment will be incorporated into future annual repayment limit calculations once that determination has been made.

It is important to note that the County Levy does not support the debt associated with the regional landfill (approximately \$26.2 million). Municipal waste tip fees are set to incorporate the repayment of this debt.

Residual Debt Capacity – County of Essex

Based on the revised annual debt repayment limit and assuming various amortization periods and an interest rate of 5% and 7% per annum, the annual debt repayment limit could support additional long-term borrowing as highlighted in [Table 1](#).

Table 1

Years	5%	7%
20	459,724,986	390,808,124
15	382,900,626	335,986,596
10	284,851,112	259,096,568
5	159,712,326	151,254,325

As the interest rate decreases, debt capacity increases. Similarly, debt capacity increases as the amortization period is lengthened. However, the longer the amortization period, the greater the ultimate cost to the County.

The Corporation's outstanding debt obligations, as at December 31, 2023, relate to the pro rata share (50%) of the EWSWA Sun Life Debenture, to be paid entirely by user tip fees (\$48.76 Million).

The Corporation's current long-term commitments include an annual payment to The Bridge (\$48,000) and an annual payment to Erie Shores Hospice (\$200,000).

Financial Implications

The County has taken a fiscally responsible, long-term approach to capital planning, focusing on sound financial management and keeping debt levels low. This approach has provided financial stability and flexibility over time.

However, with the region's growth and increasing demands for capital expansion, there may be a need to consider debt financing in the near future to support critical infrastructure projects. While this could be a necessary tool, it's important to note that our current debt levels remain low.

By maintaining a balanced approach—carefully managing debt while making strategic investments—we can continue to maximize the impact of each tax dollar, support sustainable growth, and maintain the County's strong financial position.

Consultations

N/A

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
☐ Scaling Sustainable Services through Innovation ☒ Focusing “Team Essex County” for Results ☐ Advocating for Essex County’s Fair Share	☐ Being an Employer with Impact ☐ A Government Working for the People ☒ Promoting Transparency and Awareness	☐ Providing Reliable Infrastructure for Partners ☐ Supporting Dynamic and Thriving Communities Across the County ☐ Harmonizing Action for Growth ☐ Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive report number 2025-0416-FIN-R09-MR, 2025 Annual Repayment Limit as information.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	2025 Annual Repayment Limit