

AGENDA

County of Lambton
Meeting for the Committee "Corporate and Community Services Committee"
on
Wednesday March 15, 2006 01:00 PM
Committee Room #1
Chair: Gordon Perry

Orders of the Day:

Delegation
Community Services Division
Corporate Services Division

*** PLEASE BRING YOUR 2006 DRAFT WORKING BUDGET BINDERS TO THE MEETING.**

A. DELEGATION

1. Mr. Garry McDonald, President, Sarnia Lambton Chamber of Commerce, will be speaking to the Committee regarding the County of Lambton's Draft 2006 Budget.

B. COMMUNITY SERVICES DIVISION

1. 2006 Budget Overviews - C. Thayer.

C. CORPORATE SERVICES DIVISION

FINANCE DEPARTMENT

1. Memorandum dated March 8, 2006 Regarding Potential Use of Debenture/Debt Financing in 2006 Draft Budget.



Memo - Potential Use of Debenture-Debt Financing in 2006 Draft Budget.pdf

2. 2006 Budget Overviews - L. Ross.



FINANCE DEPARTMENT

789 Broadway Street, Box 3000
Wyoming, ON N0N 1T0
Telephone: (519) 845-0801
Toll-free: 1-866-324-6912
Fax: (519) 845-3160
www.lambtononline.ca

MEMO

DATE: March 8, 2006
TO: Ron Van Horne, C.A.O.
CC: General Managers
FROM: John Innes, Corporate Manager, Financial Services/Treasurer
RE: Potential use of Debenture/Debt financing in 2006 Draft Budget

DISCUSSION

Attached is a report detailing the Corporation's outstanding debt and financial obligation balances at December 31, 2004, 2005 and projected to December 31, 2006.

The Municipal Act allows the County to debenture/borrow in order to finance capital expenditures. The Ministry of Municipal Affairs & Housing (MMAH) does not set limits on the principal value of municipal borrowings. Instead it annually calculates and issues a report to municipalities indicating what their "Annual Repayment Limit" (ARL) is with respect to long-term debt and financial obligations. For 2006 MMAH has set the County's ARL at \$13,369,932. The attached "2006 Analysis of Debt Charges" schedule from the County's 2006 Draft Combined Operating & Capital Budget shows that 2006 repayments related to existing debt and obligations is currently \$5,631,843 or 31.73% of the County's ARL.

Analysis of the report on outstanding debt reveals that the County can borrow up to \$3,484,574 to be used towards this year's budget without having total debt outstanding at December 31, 2006 exceeding that outstanding at the end of 2005. Assuming that the term of any new borrowings is 10 years and using current interest rates, borrowing an additional \$3,484,574 would increase the County's debt ratio to 34.10% for 2006, although it would then decrease to 30.74% at December 31, 2007, 27.41% at December 31, 2008 and continue decreasing thereafter.

A review of the County's proposed Capital Projects suggests that any combination of the following could be considered for funding from debenture/debt financing:

Bear Creek Bridge	\$ 344,667
C.R. #25	650,000
C.R. #21	530,000
C.R. #35	75,664
TOTAL	\$1,600,331

If all projects identified above were to be funded from debt, total debt outstanding at December 31, 2006 will be \$1,884,243 LOWER than at December 31, 2005, the increase in tax dollars to be raised from the County's tax base for its 2006 Budget requirements would be decreased by 3.10%, and repayments would peak at 29.46% of the Corporations ARL.

ANALYSIS

1. Risk is minimal. MMAH will continue to consider the County to be a modest borrower.
2. Utilizing debenture/debt financing to REPLACE funding from the tax base defers accounting for the "real cost" of providing the County's services to a future budget. In other words, as soon as the County ceases to borrow, it will face an automatic increase in funding from its tax base.
3. However, using debt financing for all the above projects would allow Council to set a tax increase at less than the 2005 rate of inflation (3.36%).
3. Borrowing to finance capital projects such as those identified in this memo is consistent with past and existing County practice.
4. There is nothing that prevents the County from borrowing to finance its "share" of projects funded from either COMRIF or the Federal Gas Tax. In fact, staff have been contacted by OFISA urging that the County consider using loans from them to fund its portion of the costs associated with these projects.

RECOMMENDATION

That Council actively consider replacing funding from its tax base of some or all of the proposed 2006 Capital Projects identified in this memo with debenture/debt financing.

Respectfully submitted for your Consideration.

JRI

COUNTY OF LAMBTON
OUTSTANDING EXISTING LONG TERM AND PROPOSED FUTURE DEBT

	Maturity Date	Principal - Dec. 31, 2004	Principal - Dec. 31, 2005	Principal Dec. 31, 2006
Roads Term Loan	2006	314,567	\$ 155,908	0
Roads Local Municipal Debenture	2007	1,075,000	737,000	379,000
Roads Perch Creek	2012	789,364	723,875	655,417
CHSD Debenture	2009	954,000	786,000	607,000
Other Capital Project Bank Loan	2012	197,341	180,969	163,855
Lambton Meadowview Villa Bank Loan	2012	3,718,893	3,410,355	
Homes Rebuild Debenture	2020	15,954,000	15,359,000	14,726,000
MGM Rebuild Bank Loan		5,000,000	4,949,999	4,749,995
County Buildings Renovations Bank Loan	2012	197,341	180,969	163,855
EMS- Stations Bank Loan	2012	1,017,293	932,894	844,669
Information Technology -FIS Term Loan Fixed	2006	141,018	29,151	0
Information Technology -FIS Term Loan Variable		240,000	120,000	0
CDC Bank Loan	2013	4,609,249	4,197,524	3,763,699
TOTAL as per Financial Statements		\$ 34,208,066	\$ 31,763,642	26,053,490
Lambton Hospital Project Grant	2015	833,333	15,000,000	13,500,000
Total Existing Long Term Debt		<u>35,041,399</u>	<u>46,763,642</u>	<u>39,553,490</u>
Approved 2005				
EMS Corunna Station			221,141	217,823
Public Works			1,282,416	1,263,175
Housing			\$ 102,636	101,097
Proposed 2006				
EMS Watford Station			\$ 140,000	137,899
Total Existing Long Term Debt and Future Debt		<u>\$ 35,041,399</u>	<u>\$ 48,509,835</u>	<u>\$ 41,273,484</u>