Report to
Municipal Council

Meeting Date: March 5, 2025	**Report Date:** February 27, 2025
Reason Before Council: Policy Direction / Approval	**Priority:** Normal
Department: Finance / Treasury	**Type of Meeting:** Committee of the Whole

Report Title: Future Loan Forecast

Recommended Resolution:

That Council review the future loan forecast and associated budgetary impact and direct staff on how to proceed with the road resurfacing projects.

Options:

1. Direct staff to proceed with the Village Road projects.
2. Direct staff to postpone the Village Road projects for a predetermined time frame to revisit to allow time to accumulate funds.

Analysis & Background:

The Village Road projects have been presented to Council for review for changes in construction if required, and we are now at a point where we need a decision on whether to proceed and issue tenders to start construction in the 2025 year or postpone.

Attached are the revised pricing estimates for project costs based on the changes that Council made. The Treasurer has taken the higher end figures to create a loan and budgetary forecast. The reason for the higher figures in the calculations is to allow for any increases in cost due to timing of projects being completed. The estimates are based on 2025 values, and we have some projects starting in nine (9) years. Current interest rates of 4.45% over twenty-five (25) years.

We also have included some other major purchases that we feel that will need a debenture as this plays a factor in the long-term financial planning of the

Municipality. There are other capital projects that will need to be purchased, but they can be funded through our current reserves.

We also need to be aware of our Annual Debt Repayment Limit, as this is one of the factors that MMAH use when determining a municipalities financial health. The limit is 25% of own source income. This means property taxes and user fees. They want to ensure that if all other funding is no longer available, the Municipality would be able to cover the debt obligations.

To calculate the budgetary effects that these debentures would produce, we needed to factor a few things.

The first line item is the percentage tax increase due to new debt repayment obligations.

The second line item is the required AMP increase to close the funding gap in our AMP based on core infrastructure. It needs to be pointed out that buildings, vehicles, equipment, and land improvements are not included in this figure. It is expected that this percentage will increase once Phase 3 of the AMP is complete.

The third line item is the average growth from 2020-2025. This is the increase in our tax income with a 0% tax increase which is due to increases in assessment value based on new builds and property improvement.

The fourth line is the average dollar value increase in taxes from 2020-2024, less the average growth and AMP contribution. This would give a true representation of increase based on operations.

The fifth line is a modest inflation adjustment of 0.5% to allow for any fluctuation above the average of the last 5 years of 3.44%.

This will give Council an idea of the taxes that will be needed in total, and what it represents as a dollar value increase year over year.

This allows us to figure out our Annual Debt Repayment Limit to ensure that we are not coming close to the 25% limit.

Taking the dollar value increase and removing the average growth, it allows us to figure out the percentage increase that is needed to raise taxes.

As you can see, the annual tax rate increase over the next 10 years fluctuates from 3.69% to 13.71%. To gradually increase instead of having steep increases from year to year, you take the average over the 10 years, it equals 6.59%. This means that over the next 10 years, you would have an annual increase of 6.59%. In the years that we are under the 6.59%, the difference is placed into a tax stabilization reserve, and the years that are over, we dip into that tax stabilization reserve to lower it to the 6.59%.

These numbers can change at any moment, if projects come in over budget, or under budget, or projects are added or not completed at all. This will affect this outcome. There are also external factors that may not be in our control, things like the recent COVID pandemic, and the potential tariff war that could significantly impact and change the assumptions.

Attachments:

- Future Loan spreadsheet
- EXP Memo – Revised Construction Costs

Prepared By: Pamela McCracken, Treasurer