
Operating Mill Rate Impact from Forecasted Debt

Recommendation

That the information be received.

Topic and Purpose

This report provides the Executive Committee with the requested information about the operating mill rate impact from future debt as requested on April 13, 2015 by the Standing Policy Committee on Finance during its deliberations on the Major Project Report – Update 2014.

The Administration is providing this report to Executive Committee as part of the 2016 Business Plan and Budget process.

Report Highlights

1. The total debt at December 31, 2014 was \$238.1M, which is 42.7% of the City of Saskatoon's approved debt limit.
2. Total projected debt payments are expected to increase from \$30M in 2015 to a peak of \$45M in 2022 of which the majority (67%) is for utility debt.
3. Total mill rate funded debt payments are expected to decrease from \$20M in 2015 to \$15M in 2025.
4. As debt retires, the debt payment reductions are being reallocated to fund new debt and potentially to fund future contributions to reserves.

Strategic Goal

This report supports the Strategic Goal of Asset and Financial Sustainability through open, accountable, and transparent reporting of the City's allocation of financial resources.

Background

At its April 13, 2015 meeting, the Standing Policy Committee on Finance requested that the Administration report on the projected operational impact of current debt levels and with respect to the debt retirement plan. This request emerged from the Committee's deliberations on the Major Projects Report – Update 2014, which was presented by the CFO/General Manager, Asset and Financial Management Department.

Report

Existing Total Debt and Debt Forecast

The debt balance of \$238.1M as of December 31, 2014, is at 42.7% of the City's approved debt limit of \$558M. Over the next ten years, the Administration is forecasting that the City's debt level will peak at about \$495M in 2021 and then decline, based on the current capital plan. Of the \$238.1M in debt, 55.6% is mill rate supported debt, while 14.8% is supported by Federal Gas Tax, and the remaining 29.6% is supported by utilities.

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Planned Debt – Mill Rate Supported

<u>Project</u>	<u>Amount</u>	<u>Year</u>
Remai Modern Art Gallery	\$ 15M	2015
Traffic Sound Walls	\$13.9M	2017
Yards Relocation▼	\$ 22M	2020
Yards Relocation▼	\$ 24M	2021
Yards Relocation▼	\$ 30M	2023
Yards Relocation▼	\$17.2M	2024

▼ indicates debt that can be adjusted or removed from the Civic Facilities Funding Plan

Planned Debt – Utility Supported

<u>Project</u>	<u>Amount</u>	<u>Year</u>
Various Projects	\$40.4M	2015
Various Projects	\$ 9.9M	2016
Various Projects	\$16.7M	2017
Various Projects	\$21.8M	2018
Various Projects	\$31.9M	2019
Various Projects	\$60.6M	2021
Various Projects	\$13.5M	2023
Various Projects	\$ 5.2M	2024

The mill rate supported debt has some flexibility, however, the Remai Modern Art Gallery of Saskatchewan (Remai Modern Art Gallery) is currently under construction and the debt for it is fixed. In other words, debt for the Remai Modern Art Gallery has no flexibility. Conversely, borrowing to pay for the traffic sound walls has not been initiated, and thus, has the potential to be adjusted if necessary, although the debt for this project was approved by City Council in previous budgets. The Yards Relocation project, which is Phase 2 of the Civic Operations Centre, could be significantly adjusted. The costs for this project are still uncertain and will be the subject of further reports to confirm scope, cost and timing.

Utility debt is covered through utility rates and is required to fund new construction and rehabilitation to meet demand and water quality standards.

Not included in the planned debt schedule above is borrowing required for the Major Transportation Infrastructure Funding Plan which is subject to City Council approval. \$46M was identified in this Plan over the next seven years to fund projects such as the Bus Rapid Transit initiative, interchanges and contributions to the Bridge Reserve.

Total Projected Debt Payments

Attachment 1 shows charts that illustrate the total forecasted debt payments, including separate charts for mill rate funded debt (including Gas Tax funded debt) and utility debt. In addition, there are charts that breakdown the existing debt payments and forecasted debt payments.

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Total debt payments in 2015 are about \$30M of which the mill rate supported debt payments are \$20M and utilities \$10M. As Chart 1 illustrates, the projected debt payments peak in 2022 at just over \$45M. Of this, only \$15M is mill rate funded debt (Chart 3) while the remaining \$30M is funded by utility rates (Chart 5).

Total Projected Mill Rate Debt Payments

The total projected mill rate debt payments (Charts 3 and 4) will decrease from \$20M in 2015 to \$15M in 2025.

Debt Retirements and Planning for Future Debt and Reserve Contributions

Charts 2, 4 and 6 show how debt retirements (existing debt payments) decrease over time and are replaced by new debt payments.

The future planned mill rate debt servicing costs have been incorporated within the various corporate funding plans by including budgeted phased-in funding over several years. This phased-in approach provides the ability to smooth the mill rate impact of the actual debt payments when they occur. Also, payments from existing debt retirements are used to offset these future debt requirements and potentially fund future reserve contributions.

Attachment 2 is a summary showing how the decreased mill rate debt payments (Chart 3) resulting from debt retirements are planned to be reallocated. Should City Council not reallocate these retired debt payments for new debt, these payments could be redirected to offset mill rate increases or to contributions to reserves such as the Bus Replacement Reserve or Major Bridge Repair Reserve. However, debt payments reallocated to the Civic Operations Centre and North Commuter Parkway/Traffic Bridge Replacement P3 projects are committed and cannot be adjusted.

Financial Implications

The funding plans, including future reserve contributions, have incorporated the planned debt payment retirements as noted above. City Council can choose to reduce the planned reallocations to the Yards Relocation Project which will have a corresponding reduction to the mill rate. However, doing so places pressure on the funding plans to finance this future project. Debt reductions to this project or other projects would ultimately affect the likelihood of the projects proceeding as planned or by reducing project scope and/or timing. It should also be noted that some projects, such as the Public Private Partnership (P3) with the North Commuter Parkway and Traffic Bridge project are committed and cannot be adjusted.

Other Considerations/Implications

There are no policy, environmental, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

A due date for follow-up and/or project completion is not required.

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Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachments

1. Forecasted Debt Servicing Costs 2015 - 2025
2. Reallocation of Decreased Mill Rate Debt Payments from Debt Retirements

Report Approval

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Department

Approved by: Murray Totland, City Manager

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Forecasted Debt Servicing Costs 2015 - 2025

Chart 1 - Total Projected Debt Payments (2015 - 2025)

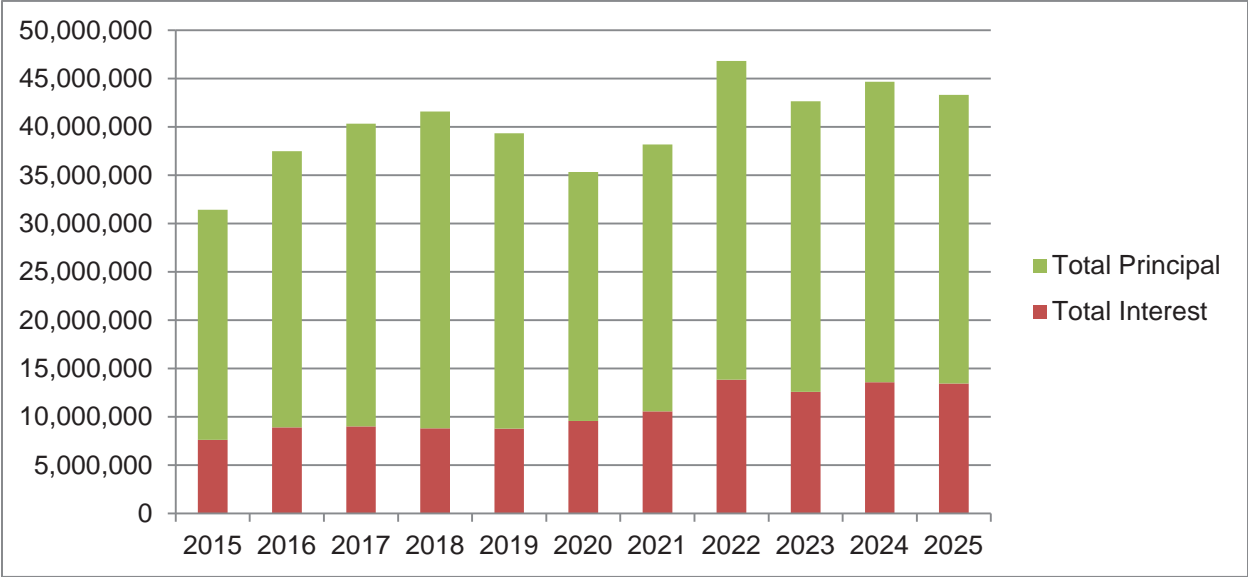


Chart 2 - Projected Total Debt Payments (Existing Debt and New Debt 2015 - 2025)

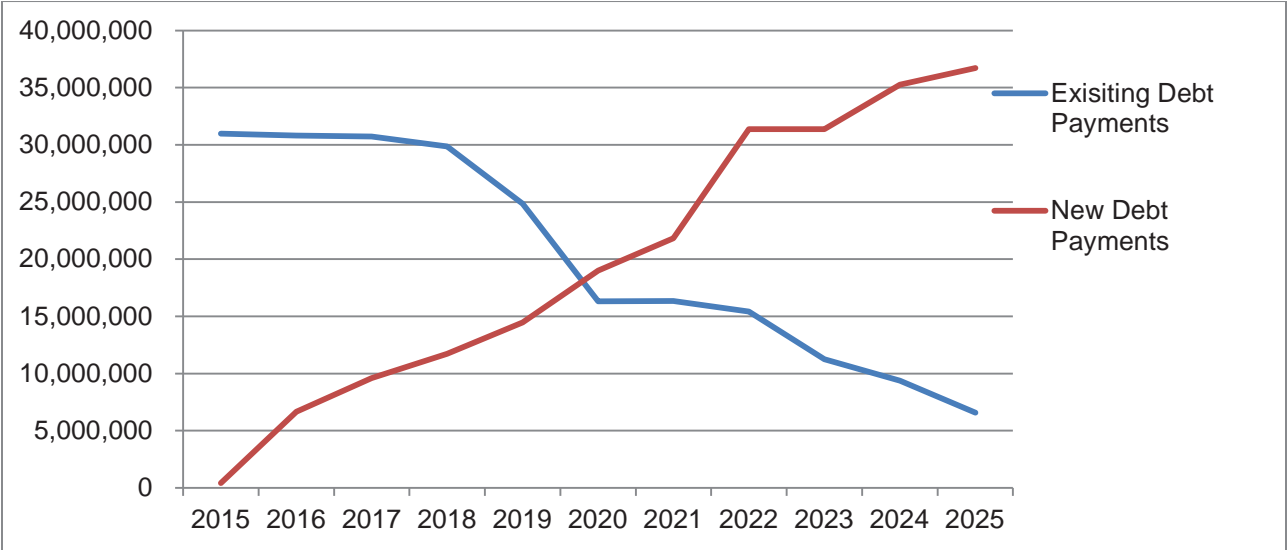


Chart 3 - Total Projected Mill Rate Debt Payments (2015 - 2025)

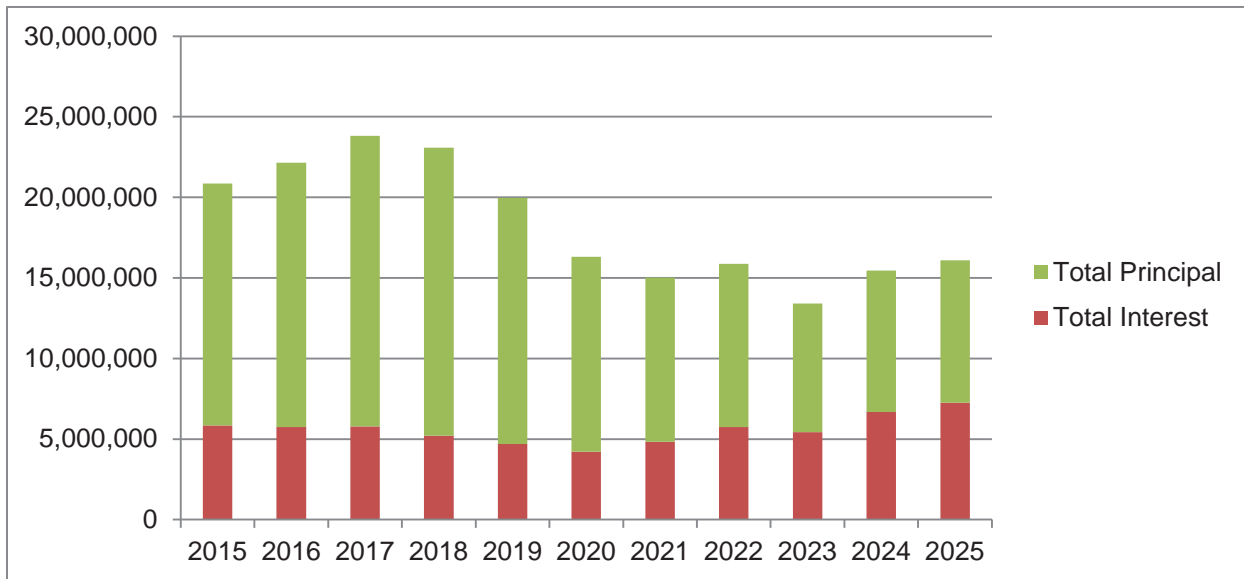


Chart 4 - Projected Mill Rate Debt Payments (Existing and New Debt - 2015 - 2025)

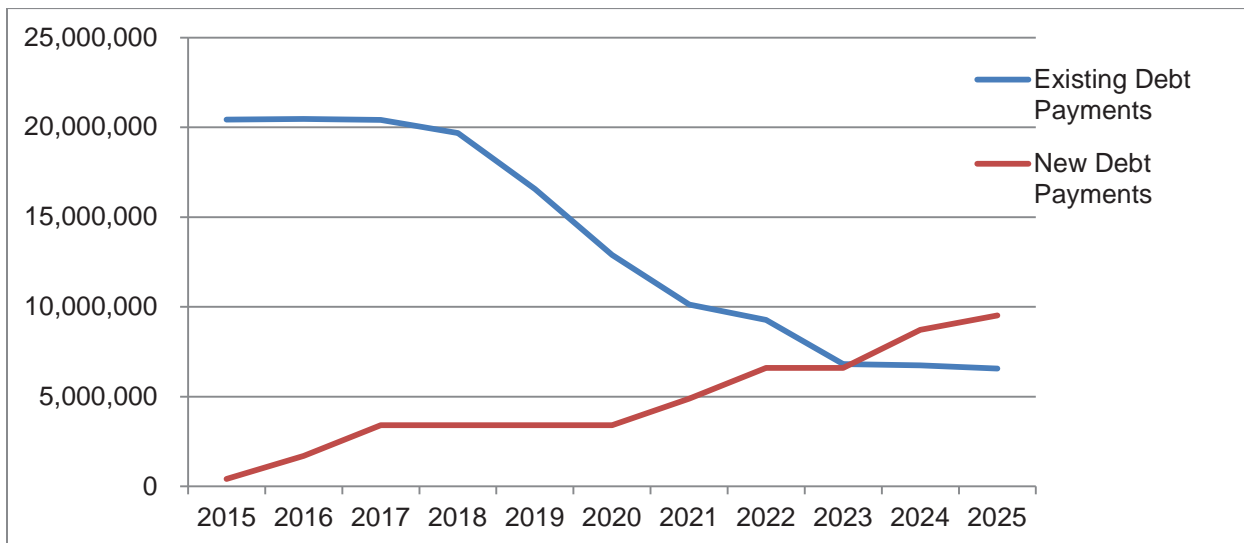


Chart 5 - Total Projected Utility Debt Payments (2015 - 2025)

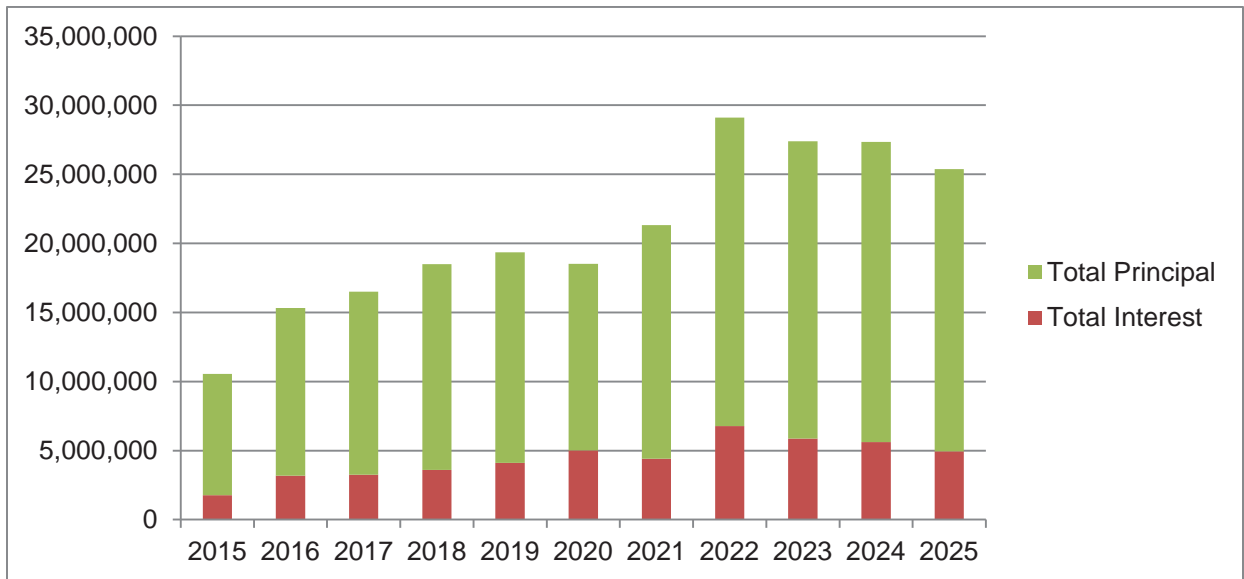
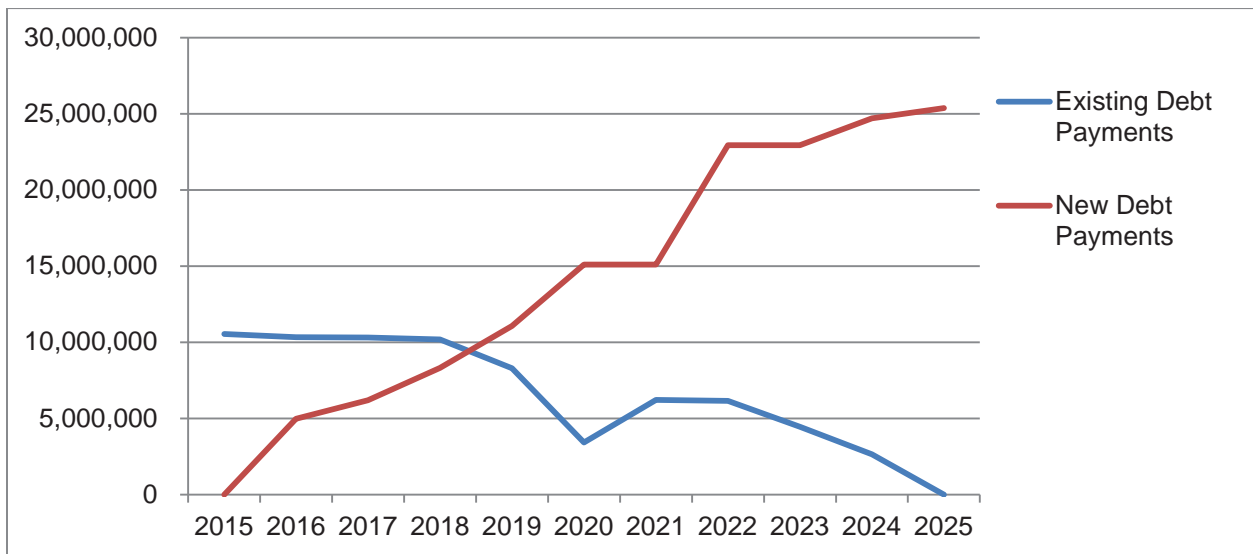


Chart 6 - Projected Utility Debt Payments (Existing and New Debt – 2015-2025)



Reallocation of Decreased Mill Rate Debt Payments from Debt Retirements

Debt Retirement	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	SubTotal
Debt Payment Retirements											
Green and Productivity Impr Loans	(29,500)	(36,900)				(181,000)	(213,700)	(170,200)			(631,300)
Transit Land Debt	(76,700)										(76,700)
Shaw Centre Debt Retirement			(115,400)	(1,865,000)	(346,100)				(241,900)	(725,600)	(3,294,000)
Transit FCM Loan Retirement						(114,200)					(114,200)
Soccer Centre Debt Retirement						(476,100)					(476,100)
Circle Drive South Debt Retirement					(5,234,800)		(2,051,200)				(7,286,000)
Trunked Radio Debt Retirement								(356,100)			(356,100)
Debt Payment Retirement Totals	(106,200)	(36,900)	(115,400)	(1,865,000)	(5,580,900)	(771,300)	(2,264,900)	(526,300)	(241,900)	(725,600)	(12,234,400)
Reallocated to:											
Civic Facilities Funding Plan	76,700		115,400	1,865,000	346,100	476,100			241,900	725,600	3,846,800
Transit Replacement Reserve						114,200					114,200
North Commuter Parkway/Traffic Bridge					5,234,800						5,234,800
Bridge Major Repair Reserve							2,000,000				2,000,000
Trunked Radio Replacement Reserve								356,100			356,100
Reallocation Totals	76,700	0	115,400	1,865,000	5,580,900	590,300	2,000,000	356,100	241,900	725,600	11,551,900
Mill Rate Reduction	(29,500)	(36,900)	0	0	0	(181,000)	(264,900)	(170,200)	0	0	(682,500)