

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 principle change with each payment. Debentures are “closed” in that no extra payments are permitted during the term.

Municipal debt is best used for special projects, or growth related projects, particularly those that are overbuilt to accommodate the demands of future growth in addition to current residents.

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 principle 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 2018 limit was based on 2016 audited financial results, and was calculated for Aurora to be \$23,789,528.

With 2016 debt service payments of \$661,786, our 2018 remaining available debt service capacity was reported by the Province as \$23,127,742 (\$23,789,528 less \$661,786). With the debt service payments listed below, the Town currently operates at 5.6% of its allowable debt limit for 2018.

1. Actual Outstanding External Long Term Debt

The following debentures are outstanding as at October 31, 2018 and are detailed in the following sections:

	Balance October 31, 2018	Total Annual Payments	Last Payment	Notes:
Stronach Aurora Recreation Complex	\$1,915,196	\$320,544	Q4 2025	Paid by Development Charges (DC's)
Streetlight LED Project	\$2,519,152	\$367,470	Q2 2026	Paid by confirmed annual electricity savings
Joint Operations Centre	\$5,260,387	\$635,976	Q2 2023	Paid by DC's, five year extension planned
Total	\$9,694,735	\$1,323,990		

Stronach Aurora Recreation Complex (SARC) Debenture:

Issued by Region of York, with an original 20 year term and amortization

Principle balance outstanding as at October 31, 2018: \$1,915,196

Payments twice per year: \$160,272 each, total payment in year \$320,544

Interest Rate (fixed) 4.37%

Last scheduled payment: second payment in 2025

The SARC debt payments are budgeted within the Corporate Accounts section of the Town's operating budget, and are funded 100% by a draw from Development Charges collected for Indoor Recreation services. The project was overbuilt at the time to accommodate future growth.

Streetlight LED Conversion Project (LED) Debenture

Issued by Infrastructure Ontario, with a ten term, ten year amortization

Principle balance outstanding as at October 31, 2018: \$2,519,152

Payments twice per year: \$183,735 each, total payment in year \$367,470

Interest Rate (fixed) 2.29%

Last scheduled payment: first payment in 2026

The LED debt payments are budgeted within the Operations Department section of the Town's operating budget, and are funded 100% from annual electricity savings realized by the LED conversion. This Operations budget now carries the reduced electricity budget, plus the debt payments budget. This project was a special project completed to realize energy savings, and the positive benefits that reduced energy has on the community and the world we live in.

Joint Operations Centre (JOC) Debenture

Issued by Infrastructure Ontario, with a five year term, ten year amortization

Principle balance outstanding as at October 31, 2018: \$5,260,387

Payments twice per year: \$317,988 each, total payment in year \$635,976

Interest Rate (fixed) 2.85%

Last scheduled payment: first payment 2023, at which time a five year renewal is approved for the then remaining balance.

The JOC debt payments are budgeted within the Corporate Accounts section of the Town's operating budget, and are funded 100% from Development Charges collected for Roads and Related Services, and for Parks Services. This project was overbuilt at the time to accommodate future growth. A five year plus five year debenture was chosen to allow for a balloon payment at year five if growth DC payments are collected faster than expected during this first five year period.

2. Internal Financing

Occasionally, you may hear of the Town using "internal financing", as was used for some of the construction costs of the Library building on Yonge Street. For purposes of the provincial debt limits noted above, Internal Debt does not count towards these limits.

The Town currently has the following internal debt outstanding as at October 31, 2018. It is structured much like a debenture, but as it is internal, it is much less formal in nature.

Library Internal Financing Debt:

Principle balance outstanding as at October 31, 2018: \$551,805

Payments once per year \$289,425

Interest Rate (fixed) 3.25%

Last scheduled payment: last payment in 2020

The Library debt payments are budgeted within the Corporate Accounts section of the Town's operating budget, and are funded 100% from Development Charges collected for Library services. The current library building was overbuilt at the time to accommodate future growth.