Township of Wilmot 2025 Budget – Questions & Answers

Question: What is the Township's financing strategy for paying off debt?

Answer

As of December 31, 2024, the following debt has been issued or approved.

	Funded From	Issued (Balance)	Approved	Reissue	Annual Cost	Estimated Cost	Period
St. Agatha	Property Owner (Local Improv)	$294,250			$156,000		Until 2026
2022 Capital	Tax 28% DC 72%	$8,241,000		$5,712,000*	$655,000*		Until 2032*
2023 Capital	Tax 13% DC 87%	$5,671,000		$3,860,000*	$475,000*		Until 2033*
2023 Capital	Tax 100%		$907,372			$116,000	TBD
2024 Capital	Tax 48% DC 42% Rate 10%		$7,595,750			$975,000	TBD
2022 Reissue	Tax 28% DC 72%		$5,712,000			$733,000	Until 2042
2023 Reissue	Tax 13% DC 87%		$3,860,000			$495,000	Until 2043
Total		$14,206,250	$18,075,122		$1,286,000	$2,319,000	

**The reissue amounts reflect balloon payments included in the 2022 and 2023 debenture issues. The current annual payments included interest on the total balance, however, the principal is only reduced to the reissue amount over the 10 years.*

The St. Agatha debt will be retired in 2026. After that over the next 9 years (2027 to 2035) if all debt was issued as approved the average Principal and Interest (P&I) would be $2,173,000 per year. Of this $825,000 would be tax funded, $98,000 would be rate funded and $1,250,000 from Development Charge (DC) funding.

As per the draft 2025 budget, this funding comes from the related Capital Reserve Fund. The 2024 tax funded capital reserve transfer was $2,266,470, which means the above funding would be 36% of available capital tax funding.

The 2024 rate funded capital reserve transfer was $965,000, which means the above funding would be 10% of available capital rate funding. DC revenue fluctuates from year to year depending on development, collection of the principal and interest is included in future DC studies to ensure full collection over time.

Debt Level Measurement

In September 2024 Council approved a Debt Policy which established target debt levels based on a couple of criteria. The two most critical are P&I as a % of Revenue and Total Debt Outstanding as % of Revenue. The target for P&I is 10% - this is based on the same calculation that the province uses for setting the Annual Repayment Limit (ARL). The maximum ARL is 25%

which is much higher than most municipalities would consider, or which credit rating agencies consider prudent. The target for Total Debt is 30% which is the level set by credit rating agencies as appropriate. 55% is considered an upper limit, however, it does reflect a lower level of credit score. The Township borrows through the Region of Waterloo, and therefore does not have its own credit rating, but instead relies on the Region's. However, these targets still reflect good fiscal policy.

Figure 1 below shows the Township's measurement against the Debt Policy and the ARL. Currently the level of P&I payments is below the 10% target, however, if all approved debt was issued in 2025 it would rise about for a period of about 6 years.

Figure 1 Principal and Interest as a % of Revenue

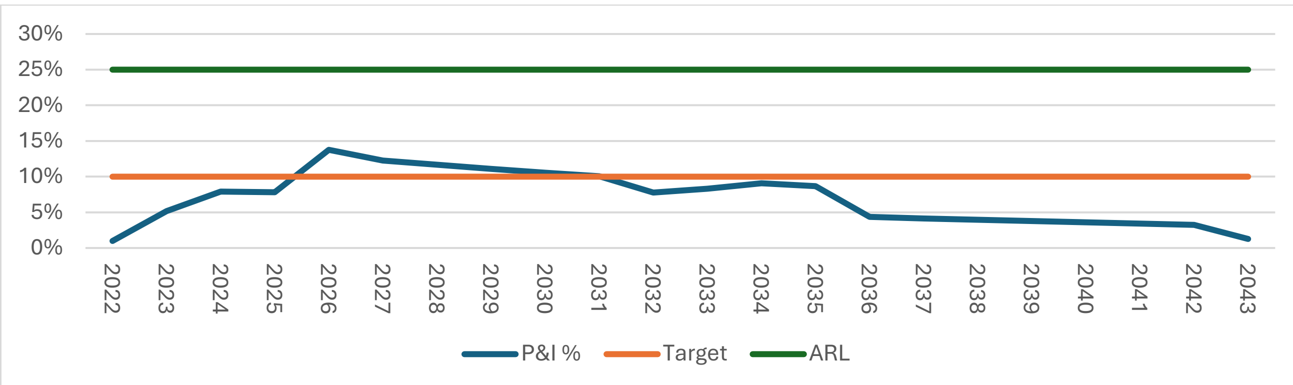
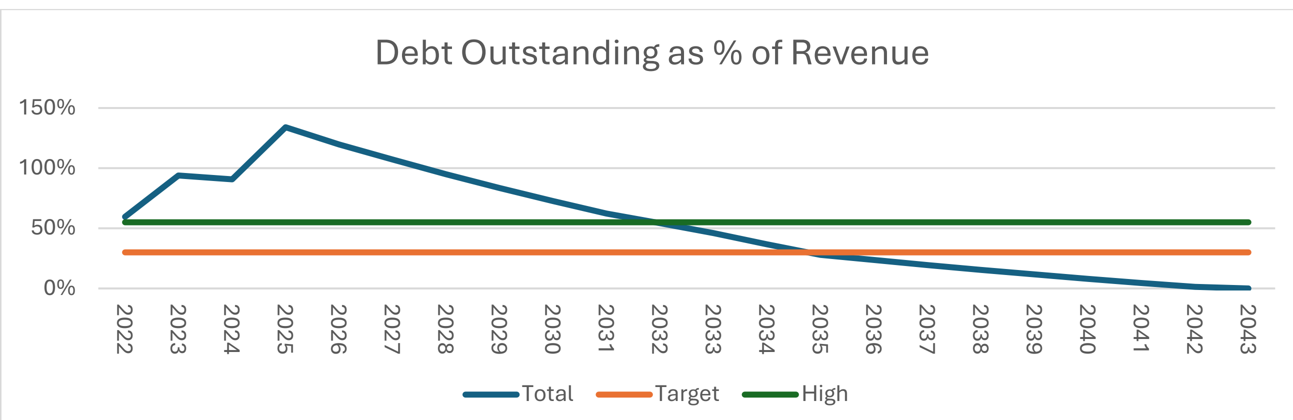


Figure 2 below shows the Township's measurement against the Debt Policy. Currently the level of Total Debt is above the higher level of 55%, currently at 91%. If all approved debt was issued in 2025 it would rise to 134% and stay above 55% until 2032 and above 30% until 2035.

Figure 2 Total Debt Outstanding as % of Revenue



**Both include an annual revenue increase of 5% as a conservative estimate.*