



**City of Kingston
Report to Council
Report Number 26-111**

To: Mayor and Members of Council
From: Desirée Kennedy, Chief Financial Officer & City Treasurer
Resource Staff: Lana Foulds, Director, Financial Services
Date of Meeting: June 2, 2026
Subject: 2026 Municipal Debt Limits

Council Strategic Plan Alignment:

Theme: Financial measures/budget

Goal: See above

Executive Summary:

The Ministry of Municipal Affairs and Housing (MMAH) provides municipalities with an Annual Repayment Limit (ARL) under [Ontario Regulation 403/02](#): Debt and Financial Obligation Limits, made pursuant to the [Municipal Act, 2001](#), that is used to determine the maximum amount that the municipality has available to commit to additional payments relating to long-term debt and other financial obligations. Municipalities in Ontario are responsible for ensuring that they do not exceed their ARL.

This report provides Council with information regarding the City's existing levels of long-term debt, as well as the additional long-term borrowings that could be available as per the provincial guidelines. The ARL provides for annual debt charges that are no more than 25% of net revenue fund revenues. The City's 2026 annual debt service costs, as a proportion of net revenue fund revenues, are currently 7.3%.

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The City's ARL, as well as the City's ability to repay debt, are considered when staff present recommendations on debt financing to Council. The City continues to utilize strategies that prioritize and phase capital expenditure requirements, utilize debt funding for appropriate capital investment and coordinate the timing of approved debt issuance with debt repayments to maintain desired debt levels through effective cash flow management.

Debt management strategies will continue to be reassessed in the context of updated asset management requirements and future growth-related infrastructure demands as additional information becomes available.

Recommendation:

This report is for information only.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF

FINANCIAL OFFICER & CITY TREASURER

Desiree Kennedy, Chief
Financial Officer & City
Treasurer

ORIGINAL SIGNED BY CHIEF

ADMINISTRATIVE OFFICER

Lanie Hurdle, Chief
Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Growth & Development Services	Not required
Jennifer Campbell, Commissioner, Community Services	Not required
Neil Carbone, Commissioner, Corporate & Emergency Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Jenna Morley, City Solicitor	Not required
Ian Semple, Commissioner, Transportation & Infrastructure Services	Not required

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Options/Discussion:

Background

Municipal Debt Limit Calculation

As outlined by regulation, a municipality’s Annual Repayment Limit (ARL), as provided by the Ministry of Municipal Affairs and Housing (MMAH), represents the maximum amount that a municipality has available to commit to additional payments relating to debt and financial obligations. The limit is based on a 25% calculation of annual operating fund revenues excluding certain revenues such as government grants, capital revenues and transfers from reserves and reserve funds. In accordance with [Ontario Regulation 403/02](#), made pursuant to the [Municipal Act, 2001](#), the MMAH determines the City’s ARL based on the second previous year’s Financial Information Return, as prepared by the City and submitted annually to MMAH.

A copy of the 2026 ARL, received from the MMAH on April 23, 2026, is attached to this report as Exhibit A. The 2026 ARL is based on information from the 2024 Financial Information Return. The City Treasurer adjusts the ARL to reflect debt commitments and transactions that occurred after December 31, 2024, which ultimately impact the adjusted ARL as of January 1, 2026.

The calculation for the City of Kingston’s 2026 ARL effective January 1, 2026, as provided by the MMAH, is as follows:

**A) January 1, 2026 Annual Repayment Limit as provided by the MMAH
(Based on 2024 Financial Information Return)**

2024 Net Revenue Fund Revenues	<u>\$ 527,649,798</u>
25% of Net Revenue Fund Revenues	131,912,450
Less 2023 Debt Charges (principal and interest)	<u>(40,600,327)</u>
Unadjusted Annual Repayment Limit	<u><u>\$ 91,312,123</u></u>

The following calculations reflect the City Treasurer’s adjustments for debt commitments and transactions that have occurred subsequent to December 31, 2024. The calculations reflect adjustments for annual debt payments (new and expired) that are not included in the MMAH unadjusted ARL calculation.

Assumptions have been made, where required, in calculating adjustments using an effective interest rate of 5% and loan periods of 15 to 25 years. While the City’s current borrowing rates are currently in the range of 3.9% to 4.9%, the rate of interest and debt terms used for calculating the adjustments reflect the assumptions utilized within the ARL and are provided for illustration purposes only. The actual rate of interest will fluctuate depending on market conditions and the length of the debenture related to the life expectancy of the corresponding assets.

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B) City Treasurer’s Adjustments

Unadjusted Annual Repayment Limit (MMAH) – January 1, 2026	\$ 91,312,123
Annual debt payments on debt approved but not yet issued as of January 1, 2026 (\$71 million @ 5% for 25 years)	(5,037,624)
Debt payments expiring in 2025	<u>71,900</u>
Adjusted Annual Repayment Limit – January 1, 2026	<u>\$ 86,346,399</u>

The adjusted ARL as at January 1, 2026 would allow the municipality to undertake additional long-term borrowings, as outlined in the table below, based on an assumption of 5% interest over varying terms. These amounts reflect the maximum amount of additional debentures that could be issued according to provincial guidelines only and do not take into account other self-imposed guidelines.

C) Maximum Long-Term Borrowings Available based on Adjusted ARL

Annual Debt Charges	Interest Rate	Term	Additional Debt Capacity
\$86,346,399	5.0%	15 years	\$896 million
\$86,346,399	5.0%	25 years	\$1.22 billion

Maximum Debt Capacity at December 31, 2025

At December 31, 2025, the City had an outstanding long term debt balance of \$425.3 million. After taking into consideration debt that has been approved but not yet issued of \$41.0 million, as well as \$30 million approved subsequently in 2026, additional debt capacity available to the City, based on the adjusted annual debt repayment limit above, is approximately \$896 million to \$1.22 billion (based on a 5% interest rate). This results in a maximum debt capacity available to the City based on provincial guidelines of approximately \$1.3 billion to \$1.7 billion.

Projected Balance of Approved Debt Repayment by Source

The table below provides summary information at December 31, 2025 of the total long-term debt issued and outstanding of \$425.3M, as well as total long-term debt approved by Council but not yet issued of \$41.0M, made up of \$15.0M to support the construction of the enclosure of the Culligan Water Park as well as approved debt funding of \$26.0M recommended as part of the municipal utility multi-year capital funding in 2025 for water and gas utility projects.

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The table also reflects 2026 approved capital funding from long-term debt of \$10M to support combined sewer separation and stormwater projects. Subsequent to the 2026 budget, \$12M of debt financing was approved to acquire the Lemoine Point site and an additional \$8M was approved as temporary internal financing for the Rigney Street employment land property purchase. Total debt at December 31, 2026, after principal repayments, is projected to be \$474.9M.

Long-Term Debt Issued	Tax Supported (\$M)	User Charges (\$M)	Utility Rates (\$M)	Total (\$M)
Debt issued at December 31, 2025	153.3	100.1	171.9	425.3
Debt approved, not yet issued at December 31, 2025	15.0	0.0	26.0	41.0
Total Debt at December 31, 2025	168.3	100.1	197.9	466.3
New debt approved in 2026, not yet issued	30.0	0.0	0.0	30.0
2026 principal repayments	(9.3)	(4.4)	(7.7)	(21.4)
Projected Debt – December 31, 2026	189.0	95.7	190.2	474.9
Percentage by source	39.8%	20.2%	40.0%	100%

Projected Debt Balances

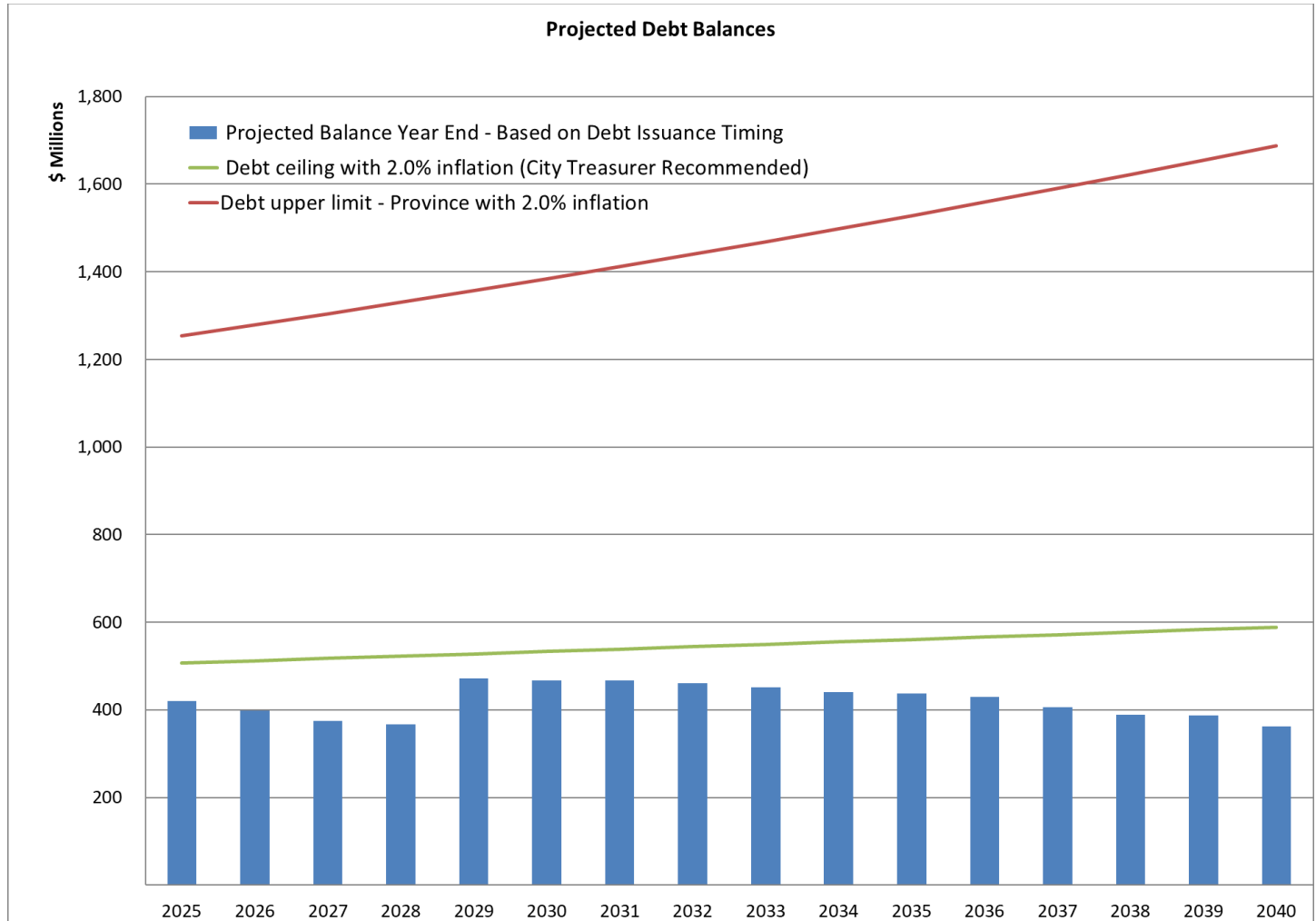
The graph below, provided during the 2026 budget presentations, illustrates projected debt balances by year. The graph reflects assumptions for the expected timing of future planned debt financing for the capital expenditure requirements over the 15-year projection period, as well as estimated annual principal repayments.

The vertical bars in the following table depict the level of debt over time. The graph includes a line that reflects the provincial ceiling of approximately \$1.3 billion to \$1.7 billion, based on the adjusted ARL discussed above. This ceiling is indexed in future years at the rate of 2% and represents the maximum that the City could borrow and still be within its debt capacity level as prescribed by the Province. Council has previously endorsed an internal strategy that maintains the balance of outstanding debt in the range of \$500 million, substantially below the provincial ceiling, and escalated at 2% annually in line with projected inflation.

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The graph illustrates that the level of debt does not exceed recommended parameters. Conservative assumptions have been used in projecting future debt, and it is likely that the actual timing of projects will provide further opportunity to reduce debt levels.



Debt Management Strategies

The graph above reflects a net decline in the debt balance over the 15-year projection period; however, projected debt balances do not fully incorporate all of the growth-related projects that are anticipated to be identified through the Official Plan, the Integrated Mobility Plan and the development of other supporting master plans.

The City has strategically used debt financing for growth-related infrastructure and major projects. As capital reserve funds have built up over time, there has been a shift toward increased pay-as-you-go funding for asset renewal investment. Looking forward, debt management strategies will be reassessed in the context of updated asset management requirements and future growth-related infrastructure demands.

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This review will include consideration for the prioritization and sequencing of capital projects, continued efforts to maximize federal and provincial grant opportunities, opportunities to leverage community partnerships, as well as the desired balance of capital reserve funds and whether adjustments to the 1% incremental capital levy should be considered to mitigate reliance on debt funding for asset management-related investments.

Other Financial Commitments and Contractual Obligations

[Ontario Regulation 403/02](#) under [Municipal Act, 2001](#), S.O. 2001, c. 25 requires consideration for other financial commitments and contractual obligations. This includes financial commitments to hospitals and lease financing agreements that could materially impact the City's borrowing capacity. On November 16, 2021, Council directed staff to include a separate hospital levy on the annual property tax billing, beginning in the 2022 taxation year, to provide \$25.0M over ten years to the University Hospitals Kingston Foundation.

[Ontario Regulation 653/05](#), under [Municipal Act, 2001](#), S.O. 2001, c. 25, and the City's Capital Lease Financing Policy, require the City Treasurer to report annually on material capital lease financing agreements. As at December 31, 2025, for the purpose of this report, the City has entered into lease financing agreements in accordance with the Capital Lease Financing Policy as approved by Council in Report Number 22-093. In 2022, the Director, Corporate Asset Management & Fleet, was authorized to enter into capital financing agreements for 25 light duty vehicles for terms of up to 60 months. The City entered into an additional lease financing agreements for 16 light-duty vehicles in 2024 and 2025, with terms of up to 60 months. The total financing obligation associated with these leases is \$406K at December 31, 2025.

The commitments noted above do not materially impact the City's borrowing capacity or the ability to meet servicing requirements.

Existing Policy/By-Law

City of Kingston annual budget

Capital Lease Financing Policy and Agreements

[Municipal Act, 2001](#), S.O. 2001, c. 25

[Ontario Regulation 403/02: Debt and Financial Obligation Limits](#)

[Ontario Regulation 653/05: Debt-Related Financial Instruments and Financial Agreements](#)

Financial Considerations

Any staff recommendation with respect to debt funding is presented to Council with consideration for the Annual Repayment Limit, as well as other indicators, including the City's ability to repay debt and the availability of capital reserve funds.

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Contacts:

Lana Foulds, Director, Financial Services, 613-546-4291 extension 2209

Other City of Kingston Staff Consulted:

None

Exhibits Attached:

Exhibit A - Ministry of Municipal Affairs and Housing 2026 Annual Repayment Limit (Under Ontario Regulation 403/02)

2026 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE:	46102		
MUNID:	10005		
MUNICIPALITY:	Kingston C		
UPPER TIER:			
REPAYMENT LIMIT:		\$	91,312,123

FOR ILLUSTRATION PURPOSES ONLY,

The additional long-term borrowing which a municipality could undertake over a 5-year, a 10-year, a 15-year and a 20-year period is shown.

If the municipalities could borrow at 5% or 7% annually, the annual repayment limits shown above would allow it to undertake additional long-term borrowing as follows:

5% Interest Rate			
(a)	20 years @ 5% p.a.	\$	1,137,950,877
(a)	15 years @ 5% p.a.	\$	947,788,606
(a)	10 years @ 5% p.a.	\$	705,088,006
(a)	05 years @ 5% p.a.	\$	395,333,704
7% Interest Rate			
(a)	20 years @ 7% p.a.	\$	967,361,927
(a)	15 years @ 7% p.a.	\$	831,662,959
(a)	10 years @ 7% p.a.	\$	641,338,138
(a)	05 years @ 7% p.a.	\$	374,397,731

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Kingston C

MMAH CODE:

46102

		1
		\$
Debt Charges for the Current Year		
0210	Principal (SLC 74 3099 01)	22,176,144
0220	Interest (SLC 74 3099 02)	18,431,924
0299		
	Subtotal	40,608,068
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	40,608,068
Amounts Recovered from Unconsolidated Entities		
1010	Electricity - Principal (SLC 74 3030 01)	0
1020	Electricity - Interest (SLC 74 3030 02)	0
1030	Gas - Principal (SLC 74 3040 01)	0
1040	Gas - Interest (SLC 74 3040 02)	0
1050	Telephone - Principal (SLC 74 3050 01)	0
1060	Telephone - Interest (SLC 74 3050 02)	0
1099		
	Subtotal	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02)	7,741
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02)	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02)	0
1420		
	Total Debt Charges to be Excluded	7,741
9920	Net Debt Charges	40,600,327
1610	Total Revenue (SLC 10 9910 01)	710,011,366
Excluded Revenue Amounts		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01)	116,102,080
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	31,682,713
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	4,842,243
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	0
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	5,626,456
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	-4,697,169
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	16,059,607
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	0
2256	Deferred revenue earned (Community Benefits) (SLC 10 1815 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	11,078,979
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	1,806,084
2255	Other Revenue (SLC 10 1890 01 + SLC 10 1891 01 + SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01)	-139,425
2299		
	Subtotal	182,361,568
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610		
	Net Revenues	527,649,798
2620		
	25% of Net Revenues	131,912,450
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	91,312,123
	(25% of Net Revenues less Net Debt Charges)	

* SLC denotes Schedule, Line Column.

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(UNDER ONTARIO REGULATION 403 / 02)

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