

A PRIMER ON MUNICIPAL DEBT

This document answers common questions about how Middlesex Centre uses debt to finance community projects.

1. Why does Middlesex Centre need to borrow?

Borrowing is a way to finance capital projects and maintain major infrastructure over the longer term. Like many organizations, municipalities may borrow a portion of their capital requirements and pay it back over the life of the project being financed.

Municipalities do not borrow for day-to-day operations.

2. Are there any alternatives to borrowing?

When deciding whether to build a major capital structure, Council has to decide on how to finance the project. Options include:

- raising taxes or user fees that year to pay for it,
- reducing spending on other capital projects to make room in the current capital budget,
- using money saved in reserve funds, or
- borrowing the funds and repaying the debt using tax or user fee revenues over a period of time.

Council considers debt financing when a new or one-time type of project comes along, and occasionally when major reconstruction is needed on large expensive assets.

3. Who does Middlesex Centre borrow from and can residents purchase municipal debentures as investments?

The majority of borrowing is through Infrastructure Ontario (a crown corporation of the Province of Ontario) as rates are more competitive than local lending institutions or private debenture issues, thus lowering costs to taxpayers of Middlesex Centre.

Residents cannot directly invest in municipal debentures.

4. How much debt does Middlesex Centre currently have?

As of the end of 2025, long-term debt totalled \$12,194,252 (2024 – \$13,420,484).

Details on Middlesex Centre's debt are presented in the annual Municipal Budget, which can be found on the municipal website at middlesexcentre.ca/budget. Key tables from the 2026 Budget are presented below.

Table: Middlesex Centre – Debt Details

Description of Debt	Total Loan (\$)	Interest Rate	% DC Eligible	Maturity
Kilworth Komoka Water Line – This debt borrowing was for the construction of a water line in Kilworth and Komoka.	3,142,193	3.72%	50%	2031
Denfield Operations Centre – This debt borrowing was for the construction of the road operations centre building in Denfield.	5,067,705	3.61%	18%	2032
Ilderton Timberwalk Pumping Station – This debt borrowing was for the construction of the pumping station in Ilderton.	1,097,583	4.00%	67%	2034
Roads & Street Light Upgrades – This debt borrowing was for the construction of some roads and the implementation of the LED streetlights program.	1,261,629	3.36%	0%	2037
Komoka Wastewater Treatment Facility Expansion – This debt borrowing was for construction to expand the Komoka Wastewater Treatment Facility.	7,072,293	3.63%	70%	2038
Coldstream Fire Hall – This debt borrowing was for the construction of the Coldstream Fire Hall.	2,237,008	4.00%	0%	2038
Komoka Wellness Centre – This debt borrowing was for the construction of the building for the Wellness Centre.	5,546,814	3.69%	44%	2042
Total	25,425,225			

Note: Debt details do not include municipal drain and tile drain loans.

Table: Debt Principal and Interest Details for 2026: Budget Impact

Name	2026 Principal Payment (\$)	2026 Interest Payment (\$)	Total 2026 Payments (\$)	Remaining Principal (\$)
Kilworth Komoka Water Line	224,442	47,991	272,433	1,122,212
Denfield Operations Centre	253,385	57,164	310,549	1,393,619
Ilderton Timberwalk Pumping Station	56,742	24,020	80,762	543,750
Roads & Street Light Upgrades	63,081	23,843	86,925	662,355
Komoka Wastewater Treatment Facility Expansion	344,990	153,434	498,424	3,967,384
Coldstream Fire Hall	98,697	64,831	163,529	1,546,630
Komoka Wellness Centre	184,894	114,274	299,167	2,958,301
Total	1,226,232	485,557	1,711,789	12,194,252

Note: Debt details do not include municipal drain and tile drain loans.

5. How much principal does Middlesex Centre pay down annually?

In 2026, Middlesex Centre is budgeted to make \$1,711,789 in debt payments, not including municipal drain and tile drain loans, of which \$1,226,232 is principal and \$485,557 is interest payments.

6. Will Middlesex Centre be borrowing in the near future?

The 2026 Budget does not include any new debt.

A discussion on considerations for debt borrowing can be found in the 2026 Budget in the section on Debt.

7. Does Middlesex Centre have a significant amount of debt?

The Province monitors municipal debt levels and annually calculates Middlesex Centre's debt capacity and ability to repay the debt. The Ministry of Finance restricts Council from approving any debt that would result in total annual debt payments that will be more than 25% of Middlesex Centre's own-source annual revenues. Middlesex Centre has an internal policy where the total annual debt payment should not exceed 17%. In 2026, Middlesex Centre total annual debt payments will be 6.05% of its own-source revenues.

8. Could Middlesex Centre use reserve funds to pay off the current debt early?

Two key factors affect this. First, some debt agreements do not allow for early repayment. Second, the majority of reserve funds are allocated to specific future projects and cannot be used for other purposes.

Middlesex Centre continues to look for ways to reduce debt costs, such as taking advantage of Provincial and Federal grant programs and other programs that provide subsidized interest rates.

9. How do other municipalities view and use debt?

Middlesex Centre is not unique in its use of debt. Infrastructure deficits exist in most municipalities, as well as at the provincial and federal levels. Many municipalities borrow to finance long-term assets and spread the cost over the life of those assets.

In conclusion, Middlesex Centre uses debt strategically to invest in new assets that benefit the community. Debt is used only for major assets where annual lifecycle funding is not yet in place and where paying upfront would require significant tax increases. As funding to shrink the infrastructure deficit increases, there will be less need for future debt issuances.

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