



Financial Sustainability



Indicator Title: Debt as a Percentage of Debt Capacity

**CURRENT
TREND**



**DESIRED = <80
TREND**

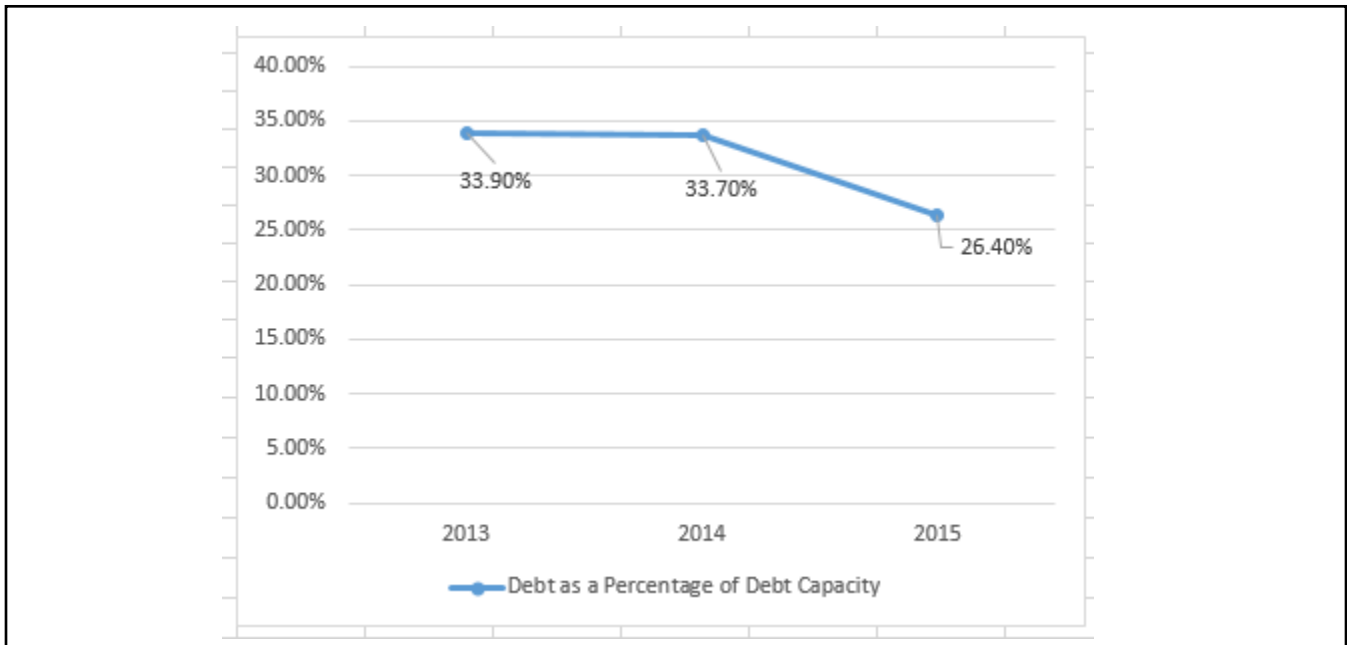


Figure 1. Debt as a Percentage of Debt Capacity, 2013-2015

Debt as a Percentage of Debt Capacity The Province of Ontario sets each Municipality's maximum debt capacity for principle and interest payments based on each Municipality's own source revenues. These figures represent Chatham-Kent's principle and interest payments as a percentage of the debt capacity set by the Province.

CURRENT TREND

Own source revenues have remained relatively stable with debt being reduced annually. It should be noted that this measure only improves when a debt is fully paid as the principle plus interest payment remain the same over the term of the loan. If no new debt is issued and own source revenues remain the same this measure would be reduced further in 2017 and 2020.

DESIRED TREND

Continue to reduce debt and interest payments as a percentage of own source revenues.

WHY IS THIS IMPORTANT TO CREATING FINANCIAL SUSTAINABILITY?

Reducing debt and interest payments relieves pressures on the annual operating budget. A municipality's ability to pay for capital projects without borrowing can significantly reduce the cost of those projects. Additionally, having capacity to borrow provides a municipality opportunity to respond in cases of unanticipated economic challenges or emergencies, or to fund Council Strategic Objectives.