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TO: GENERAL COMMITTEE

SUBJECT: TEMPORARY BORROWING FOR 2011

PREPARED BY AND KEY CONTACT: C. MILLAR, CGA, DEPUTY CITY TREASURER, ext. 4436 

SUBMITTED BY: D. McKINNON, CGA, DIRECTOR OF FINANCE

COMMISSIONER APPROVAL: E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES 

CHIEF ADMINISTRATIVE OFFICER APPROVAL: JON M. BABULIC, CHIEF ADMINISTRATIVE OFFICER 

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**RECOMMENDED MOTION**

1. That the Treasurer be authorized to obtain temporary borrowing from external sources as required to fund current expenditures pending receipt of tax levies and other revenues up to a maximum of \$25,000,000, and
2. That the Mayor and Treasurer be authorized to sign any documents required to obtain temporary borrowings, and
3. That the City Clerk be authorized to present by-laws to City Council authorizing temporary borrowing from external sources in 2011 and each subsequent year, in an amount not to exceed \$25,000,000 upon the request of the Treasurer.

**PURPOSE & BACKGROUND**

4. The purpose of this report is to obtain authorization for temporary borrowing to meet current expenditures in 2011 and subsequent years.
5. Delegating authority to the Treasurer to obtain temporary borrowing is a common practice in municipalities.
6. Section 407 of the Municipal Act, 2001 provides for Council to authorize temporary borrowing until such time as the taxes are collected or other revenues are received, in amount considered necessary to meet the current expenditures. Temporary borrowing can also be used for:
  - a) Sinking and retirement funds
  - b) Principal and interest due on any debt of the municipality
  - c) School purposes
  - d) Other purposes the municipality is required by law to provide for and
  - e) The amount of principal and interest payable by a person or a municipality primarily liable for a debt, if the municipality has guaranteed the debt and the debt is in default.
7. The Act limits the amount which can be borrowed for the purposes identified above to 50% of the total revenue included in the current year budget from January to September and 25% from

October to December. These limits include any outstanding amount of principal borrowed and accrued interest. These limits can only be exceeded with the approval of the Ontario Municipal Board.

### **ANALYSIS**

8. No immediate needs for temporary borrowing have been identified at this time. The purpose of this recommendation is to provide sufficient flexibility to address unanticipated events that could impact the City's cash flow position.
9. Based on the legislated limits the City could temporarily borrow up to \$103.8M for current expenditures between January and September, however, \$25M has been determined to provide sufficient flexibility to cover legislated payments to the school boards and other similar commitments should there be an unanticipated reduction or timing delays in the receipt of property taxes and is consistent with the level established in 2010.
10. Should temporary borrowings be necessary they will be in the form of a line of credit or banker's acceptance. If required, such borrowings will be temporary in nature and only used to bridge potential short term gaps in cash flow.
11. Delegating authority to the City Clerk to prepare and present by-laws to authorize temporary borrowing from external sources would streamline the process and would also eliminate the staff time associated with the preparation of separate staff reports to General Committee. The City Clerk's Office would prepare the temporary borrowing by-law upon the request of the Treasurer on an annual basis. If the temporary borrowing requirements exceed \$25,000,000 in any year, a staff report would be prepared for Council consideration.

### **ENVIRONMENTAL MATTERS**

12. There are no environmental matters related to the recommendation.

### **ALTERNATIVES**

13. There is one alternatives available for consideration by General Committee:

**Alternative #1**

General Committee could decide not to provide the Treasurer with the authority to obtain temporary borrowings for current expenditures.

This alternative is not recommended as it does not provide the flexibility that may be required to address potential short term gaps between cash flow and current expenditures.

**Alternative #2**

General Committee could decide not to provide the City Clerk with the delegated authority to prepare and present temporary by-laws to Council on an annual basis upon the request of the Treasurer.

This alternative is not recommended as the delegated authority would create the opportunity to streamline processes and eliminate the staff time associated with the preparation of staff reports for routine matters.

**FINANCIAL**

14. There are no costs associated with maintaining the temporary borrowing facility. Interest costs would only be incurred if borrowings were required. The request for delegated authority to obtain temporary borrowing is being recommended only as a contingency measure.

**LINKAGE TO COUNCIL STRATEGIC PRIORITIES**

15. The recommendation is operational in nature and does not directly support any of Council's Strategic Priorities.