

Clause No. 35 in Report No. 13 of the Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on September 11, 2014.

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TEMPORARY BORROWING AUTHORIZATION FOR 2015

Committee of the Whole recommends adoption of the recommendations contained in the following report dated August 15, 2014 from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Commissioner of Finance be authorized to obtain temporary borrowing during 2015 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
 - a) Up to \$350 million to fund current expenditures pending receipt of tax levies and other revenues, plus
 - b) Up to \$275 million to fund capital expenditures until such time as long term financing is in place.
2. The Regional Chair and the Regional Treasurer be authorized to sign any promissory note(s) required to obtain the temporary borrowing.
3. The Regional Chair and Regional Treasurer be authorized to execute the necessary documents subject to review by Legal Services.

2. PURPOSE

This report seeks authorization for temporary borrowing, if and when required, to meet certain capital and current expenditures during 2015. A new authorization for a temporary borrowing bylaw is required for each calendar year under the *Municipal Act*.

3. BACKGROUND

Provincial legislation allows municipalities to borrow on a temporary basis

The Commissioner of Finance may engage in temporary borrowing from time to time to fund the operational and capital needs of the corporation.

The authority for temporary borrowing for operational needs is set out in Section 407 of the *Municipal Act*. It provides that Council may, either before or after the passing of bylaws imposing levies on local municipalities for the current year, authorize the Commissioner of Finance to borrow such sums as may be necessary to meet the current expenditures of the corporation, until tax levies and other revenues are received. The borrowing may also include amounts required for principal and interest payments on debt and required payments to local boards.

Provincial legislation limits the amount that can be temporarily borrowed for operating purposes to 50% of budgeted total revenue from January to September of the previous year and 25% of budgeted revenue from October to December. The limits include any temporary borrowings from previous years that have not yet been repaid. Borrowing of this nature is generally only required until the annual property taxation payments are received.

In addition, Section 405 of the *Municipal Act* provides the authority for temporary borrowing for approved capital expenditures until such time as debenture financing can be secured.

4. ANALYSIS AND OPTIONS

The Region's estimated temporary borrowing needs in 2015 are within the limit prescribed by the Province

Staff estimate that \$350 million of temporary borrowing for current expenditures will be sufficient to meet the Region's 2015 short-term financing requirements, when used in conjunction with the Working Capital Reserve. This amount is less than the limit prescribed under the *Municipal Act*.

The Working Capital Reserve currently has a balance of approximately \$42.5 million that can be used to partially offset temporary borrowing needs prior to the receipt of tax and user rate revenues and the issuance of debentures.

With respect to temporary borrowing associated with the preliminary 2015 Capital Budget, \$275 million is considered sufficient, as it has been the Region's practice to issue debentures on an as needed basis, usually twice annually.

It is expected that reserves and reserve funds will be used to finance short-term borrowing requirements for both capital and operating purposes in 2015.

The interest rate the Region charges for the use of reserves for temporary borrowing will be the same as the interest rate that would be earned on the reserves from which the borrowing takes place, as it represents the opportunity cost of the borrowing.

Link to key Regional Council-approved plans

Temporary borrowing allows for the smooth operation of the Region and the construction of capital projects approved in the 2015 Budget.

5. FINANCIAL IMPLICATIONS

The cost of temporary borrowing will be reflected in the 2015 Capital and Operating Budgets.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report. Temporary borrowing allows capital projects to proceed throughout the Region on a timely basis.

7. CONCLUSION

The report authorizes the Commissioner of Finance to borrow up to \$350 million to fund current expenditures and up to \$275 million to fund capital expenditures by way of temporary loans, if needed to meet the short term funding needs of the corporation during 2015.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at Ext. 71644.

The Senior Management Group has reviewed this report.