

Clause 9 in Report No. 15 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on October 20, 2016.

9

Temporary Borrowing Authorization for 2017

Committee of the Whole recommends adoption of the following recommendations contained in the report dated September 14, 2016 from the Commissioner of Finance:

1. The Commissioner of Finance be authorized to obtain temporary borrowing during 2017 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
 - a. Up to \$400 million to fund operating expenditures pending receipt of tax levies and other revenues, plus
 - b. Up to \$300 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.

Report dated September 14, 2016 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. The Commissioner of Finance be authorized to obtain temporary borrowing during 2017 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
 - a. Up to \$400 million to fund operating expenditures pending receipt of tax levies and other revenues, plus

- b. Up to \$300 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.

2. Purpose

This report seeks authorization for temporary borrowing, if and when required, to meet certain capital and operating expenditures during 2017. A new authorization for a temporary borrowing bylaw is required for each calendar year under the *Municipal Act, 2001*.

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 prior to the collection of tax levies, receipt of other revenues and issuance of debentures.

The authority for temporary borrowing for operational needs is set out in Section 407 of the *Municipal Act, 2001*. 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 operating 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 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. Based on the approved operating budget, the Region's temporary borrowing limit for operating purposes is \$883 million between January and September and \$441 million between October and December.

In addition, Section 405 of the *Municipal Act*, 2001, provides the authority for temporary borrowing for approved capital expenditures until such time as debenture financing can be secured.

4. Analysis and Implications

The Region's estimated temporary borrowing needs for 2017 are within the limit prescribed by the Province

Staff estimates that \$400 million of temporary borrowing for operating expenditures will be sufficient to meet the Region's 2017 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*, 2001.

The Working Capital Reserve currently has a balance of approximately \$44.1 million that can be used to partially offset temporary borrowing needs prior to the receipt of tax, user rate revenues and fees and charges.

It is expected that reserves and reserve funds will be used to finance the remaining temporary borrowing needs for capital purposes in 2017.

With respect to temporary borrowing associated with the preliminary 2017 Capital Budget, \$300 million is considered sufficient, as it has been the Region's practice to issue debentures on an as needed basis, usually twice annually.

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.

5. Financial Implications

Although the request is for temporary borrowing of up to \$300 million for capital expenditures, the Region estimates approximately \$150 million will be borrowed from tax levy reserves to fund growth projects and user rate projects. The cost of temporary borrowing is estimated to be \$1.5 million in 2017.

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 requests authorization for the Commissioner of Finance to borrow up to \$400 million to fund operating expenditures and up to \$300 million to fund capital expenditures by way of temporary loans, if needed to meet the short term funding needs of the corporation during 2017.

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

The Senior Management Group has reviewed this report.

September 14, 2016

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Accessible formats or communication supports are available upon request.