

Clause 5 in Report No. 18 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on November 19, 2015.

5

Temporary Borrowing Authorization for 2016

Committee of the Whole recommends adoption of the following recommendations contained in the report dated October 27, 2015 from the Commissioner of Finance:

1. Recommendations

It is recommended that:

1. The Commissioner of Finance be authorized to obtain temporary borrowing during 2016 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
 - a) Up to \$370 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 Commissioner of Finance be authorized to sign any promissory note(s) required to obtain the temporary borrowing.
3. The Regional Chair and Commissioner of Finance 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 current expenditures during 2016. 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.

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 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, 2001*, 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 for 2016 are within the limit prescribed by the Province

Staff estimate that \$370 million of temporary borrowing for current expenditures will be sufficient to meet the Region's 2016 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 \$43.3 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.

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With respect to temporary borrowing associated with the preliminary 2016 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 2016.

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 Council-approved plans

One of the Strategic Priority Areas of the Region's 2015 to 2019 Strategic Plan is to provide responsive and efficient public service, which includes the objective of ensuring a fiscally prudent and efficient Region. The temporary borrowing authorization directly supports smooth operation of the Region and the construction of capital projects approved in the 2016 Budget.

5. Financial Implications

The cost of temporary borrowing will be reflected in the 2016 Budget.

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 \$370 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 2016.

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

Temporary Borrowing Authorization for 2016

The Senior Management Group has reviewed this report.

October 27, 2015

eDOCS # 6368547

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