

## Staff Report 2022-0222

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Meeting Date: May 17, 2022

Subject: 2022 Interim Borrowing

Submitted By: Hillary Bryers, Manager, Revenue, Finance / Deputy Treasurer

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### RECOMMENDATION

That a by-law be enacted to authorize external temporary borrowing up to \$60,744,165 from January 1, 2022 to September 30, 2022, and up to \$30,372,082 between October 1, 2022 and December 31, 2022.

### REPORT HIGHLIGHTS

- Section 407 of the *Municipal Act, 2001* allows for a municipality to pass a by-law authorizing the temporary borrowing of funds of an amount that Council considers necessary to meet the current expenditures for the year.
- Council must pass this temporary borrowing by-law annually.
- In prior years, no temporary external borrowing has been required to meet current expenditures.
- Town staff continually monitors and projects the Town's cash flows to ensure adequate cash is available to meet anticipated needs.
- However, even if municipalities do not anticipate a need to borrow funds temporarily in the coming year, it is good practice to pass such a by-law at the beginning of each year in case of an emergency or a cash flow issue unexpectedly occurs.
- In the event that it is deemed necessary to borrow funds externally to meet the Town's short term cash flow needs until the Town's main revenue source of property taxes is levied and collected, it is recommended that Council enact a by-law permitting staff to borrow up to the maximum allowed in the *Municipal Act*:
  - up to \$60,744,165 from January 1, 2022 to September 30, 2022; and
  - up to \$30,372,082 between October 1, 2022 and December 31, 2022.

### DISCUSSION

Section 407 of the *Municipal Act, 2001* permits a municipality to authorize temporary borrowing, until the taxes are collected, and other revenues received, of an amount that council considers necessary to meet the current expenditures for the year. It is a best practice to pass such a by-law authorizing temporary borrowing even if a municipality does not expect to utilize such as insurance against unforeseen circumstances. Temporary borrowing by a municipality during the year cannot exceed:

- (a) From January 1 to September 30: 50 per cent of the total estimated revenues of the municipality as set out in the adopted budget; and
- (b) From October 1 to December 31: 25 per cent of the total estimated revenues of the municipality as set out in the adopted budget.

Each year a by-law to authorize the temporary borrowing of funds externally is adopted by Council. This by-law allows the Town to borrow externally, as needed, on a temporary basis until the Town's main revenue source of property taxes is levied and collected. In past years,

and any prior years, the Town has monitored cash flow on a continuous basis and no temporary borrowing has been required.

Estimates were based on an even distribution of expense and revenues in the 2022 approved budget and excluded contributions from reserves, budgeted revenues related to tax arrears and any prior year surplus. The maximum amount of temporary borrowing allowed by the Act based on these estimates is as follows:

- \$60,744,165 – the maximum amount that may be borrowed at any one time on a temporary basis from January 1<sup>st</sup> to September 30<sup>th</sup>, 2022; and
- \$30,372,082 – the maximum amount that may be borrowed at any one time on a temporary basis from October 1<sup>st</sup> to December 31<sup>st</sup>, 2022.

The Town is currently able to temporarily borrow funds from the bank at the prime lending rate less 0.75%. In prior years, the Town has not had a need to temporarily borrow funds for cash flow purposes as cash and investments held by the Town are typically sufficient to cover the Town's needs.

With a temporary borrowing by-law in place, staff will have the ability to act quickly in the best financial interest of the Town by borrowing funds temporarily when the cost of cashing in investments early exceeds the cost of temporary borrowing.

If the Town was required to borrow funds beyond a one-year period or beyond the term of a Council to help finance certain approved capital projects, then the Town would revert to a debenture issue, through the Region of Peel, to ensure compliance with Provincial legislation. Alternatively, the Town may borrow internally, against its own reserves, for a set period of time at an interest rate determined by the Finance department and approved by Council.

### **FINANCIAL IMPLICATIONS**

Any cost to the taxpayers is dependent upon the amount of the borrowings and interest rates in 2022. In past years, the Town has monitored cash flow on a continuous basis and no temporary borrowing has been required. This monitoring process is a normal practice in the Finance division to keep any required borrowings and interest costs to an absolute minimum.

### **COUNCIL WORK PLAN**

Subject matter is not relevant to the Council Workplan.

### **ATTACHMENTS**

None.