

Committee of the Whole (1) Report

DATE: Tuesday, January 23, 2024

WARD(S): ALL

TITLE: 2024 TEMPORARY BORROWING

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To obtain council approval for the City of Vaughan to temporarily borrow funds should the need arise.

Report Highlights

- The *Municipal Act*, 2001 s. 407 (1) authorizes temporary borrowing, until taxes are collected, and other revenues are received, as necessary to meet the expenses of the City for the year.
- A By-law is required for the purpose of authorizing the City to borrow money, if deemed necessary.
- In the event the City finds it necessary to borrow money for operational requirements, this By-law grants authority to the City Treasurer to temporarily borrow money, in accordance with the *Municipal Act*, 2001.
- The *Municipal Act*, 2001 s. 407 (2) sets the limit of total amount borrowed at any one time.

Recommendations

1. That Attachment 1, Temporary Borrowing By-law, be brought forward for Council approval to authorize the temporary borrowing, if required, of amounts not to exceed \$238,600,000 from January 1, 2024, to September 30, 2024, and \$119,300,000 from October 1, 2024, to December 31, 2024, to meet the

expenditures of the City until taxes are collected and other revenues are received;

2. That the Treasurer report to Council in advance of borrowing if temporary borrowing is required; and
3. That staff be authorized and directed to take the necessary actions to give effect to this resolution.

Background

The Municipal Act, 2001 s. 407(1) provides for the City of Vaughan (“City”) to authorize temporary borrowing at any time throughout the year, until the taxes are collected, and other revenues are received, of the amounts that is considered necessary to meet expenses for the year and of the amounts, whether or not they are expenses for the year, which is required in the year for:

- a) Reserve, 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 municipality primarily liable for a debt if the municipality has guaranteed the debt and the debt is in default.

Section 407(2) of the Act governs the upper limits on the amount the City can borrow, as follows:

- a) From January 1 to September 30 in the year, 50 percent of the total estimated revenues of the municipality as set out in the budget adopted for the year; and
- b) From October 1 to December 31 in the year, 25 percent of the total estimated revenues of the municipality as set out in the budget adopted for the year.

Section 407(3) of the Act provides that until the budget is adopted, the limits upon borrowing shall be temporarily calculated using the estimated revenues set out in the approved budget for the previous year.

Estimated revenues (s 407(4) of the Act) for the purpose of calculating the borrowed amount, do not include revenues from:

- a) Arrears of taxes, fees, or charges; or
- b) A payment from a reserve fund of the municipality, whether or not the payment is for a capital purpose.

Previous Reports/Authority

[2023 Temporary Borrowing By-Law](#) Item 2, Report No. 1, of the Committee of the Whole, January 24, 2023.

Analysis and Options

Staff does not anticipate having to temporarily borrow money in 2024 to meet operational requirements. If the City finds it necessary to borrow money for this purpose, the By-law provides the Treasurer the authority to temporarily borrow money, subject to the Municipal Act, 2001.

The Municipal Act, 2001 s.407 (2) and (4) set out the limit of what can be borrowed, and the revenues that are excluded for the purpose of calculating the maximum borrowing requirements.

Table 1 below outlines the City's upper limits should borrowing be required in 2024, based on the approved 2024:

Table 1 – 2024 Maximum Borrowing Limits

Estimated Revenues	Jan. 1 to Sept. 30	Oct. 1 to Dec. 31
\$477.2 million	\$ 238.6 million	\$ 119.3 million

Financial Impact

The City would be required to pay interest on any short-term borrowing.

Operational Impact

Not Applicable.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The City's sound cash management practices and policies, together with its strong financial position has not necessitated the need to temporarily borrow for operating purposes in the past. However, a temporary borrowing by-law is recommended for unforeseen circumstances.

If required, the maximum borrowing limits will not exceed \$238,600,000 from January 1, 2024, to September 30, 2024 and \$119,300,000 from October 1, 2024, to December 31, 2024.

For more information, please contact:

Michael Marchetti, Director of Financial Planning and Development Finance / Deputy City Treasurer, ext. 8271.

Nancy Yates, Director of Financial Services / Deputy City Treasurer, ext. 8984.

Kenneth Quan, Manager Corporate Financial Planning & Analysis, ext. 8029.

Attachment

1. 2024 Temporary Borrowing By-Law

Prepared by

Jeremiah Tsungo, Financial Analyst, Fiscal Planning and Policy, ext. 8597.

Approved by



Michael Coroneos, Deputy City Manager, City Treasurer and Chief Financial Officer

Reviewed by



Nick Spensieri, City Manager