

## Committee of the Whole (2) Report

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**DATE:** Tuesday, January 21, 2020

**WARD(S):** ALL

**TITLE: 2020 TEMPORARY BORROWING BY-LAW**

**FROM:**

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

**ACTION:** DECISION

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**Purpose**

To obtain Council approval to allow the City of Vaughan to temporarily borrow funds, if required to do so.

**Report Highlights**

- The Municipal Act, 2001 authorizes a municipality to borrow money, as Council considers it necessary, to meet the current expenditures of the Corporation for the year until taxes are collected and other non-tax revenues are received.
- A by-law is required for the purpose of authorizing the Corporation to borrow money if deemed necessary to meet current expenditures for the year 2020.
- In the event the City finds it necessary to borrow money for operational requirements, this By-law gives the Treasurer the authority to temporarily borrow money, subject to the legislative limitations.

**Recommendations**

1. That Council enact a Temporary Borrowing By-law in accordance with Section 407 of the Municipal Act, 2001, for an amount up to \$80,000,000 from the City corporate bank of record.

## **Background**

Section 407(1) of the Municipal Act, 2001 states:

“At any time during a fiscal year, a municipality may authorize temporary borrowing, until the taxes are collected and other revenues are received, of the amounts that the municipality considers necessary to meet the expenses of the municipality for the year and of the amounts, whether or not they are expenses for the year, that the municipality requires in the year...”

In the past, the City of Vaughan has avoided bank financing for operating purposes. Sound cash management practices supported by fiscal policies have stabilized Vaughan’s financial position. However, as a matter of practice, a temporary borrowing by-law is recommended for unforeseen circumstances.

## **Previous Reports/Authority**

[2019 Report](#)

## **Analysis and Options**

Staff does not anticipate having to temporarily borrow money in 2020 to meet operational requirements. If the City of Vaughan finds it necessary to borrow money for this purpose, this By-law gives the Treasurer the authority to temporarily borrow money, subject to the legislative limitations noted above.

Section 407(2) of the Municipal Act, 2001 sets out the requirement that the total amount that may be borrowed at any one time for the purposes described above plus any outstanding amounts of principal borrowed and accrued interests shall not exceed:

- 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.

The City of Vaughan 2020 budget was tabled on December 2, 2019 and a special council meeting to adopt the 2020 budget took place on December 17, 2019.

The following table outlines the City of Vaughan's upper limits should borrowing be required in 2020, based on the City's 2020 approved budget:

Estimated 2020 Revenues based on the Approved 2020 Budget	Maximum Borrowing Limits 2020	
	between Jan 1 and Sep 30	Between Oct 1 and Dec 31
\$320 million	\$160 million	\$80 million

Based on the City's financial position, the upset amount deemed necessary is estimated at no greater than \$80,000,000.

### **Financial Impact**

There is no direct cost to have temporary borrowing available to the City; however, if borrowing is required, there would be an economic impact to the extent of interest carrying costs on borrowing amounts.

### **Broader Regional Impacts/Considerations**

Not applicable.

### **Conclusion**

This report seeks Council authorization for the City Treasurer, from time to time as conditions may warrant to borrow such sums as may be deemed necessary within the provision of Section 407 of the Municipal Act.

**For more information**, please contact: Varant Khatchadourian, Ext. 8338

### **Attachments**

1. Draft Temporary Borrowing By-law

### **Prepared by**

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