Committee of the Whole (2) Report

DATE: Monday, January 25, 2021 **WARD(S):** ALL

TITLE: 2021 TEMPORARY BORROWING BY-LAW

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

ACTION: DECISION

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 2021.
- 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 legislative limitations.

Recommendation

1. That a Temporary Borrowing By-law as contained in Attachment 1 to this report be enacted in accordance with Section 407 of the Municipal Act, 2001, for an amount up to $79,475,000 from the City's 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

2020 Report

Analysis and Options

Staff does not anticipate having to temporarily borrow money in 2021 to meet operational requirements. If the City of Vaughan finds it necessary to borrow money for this purpose, this By-law provides 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 2021 budget was tabled on December 2, 2020 and a special council meeting to adopt the 2021 budget took place on December 15, 2020.

The following table outlines the City of Vaughan's upper limits should borrowing be required in 2021, based on the City's 2021 approved budget:

Estimated 2021 Revenues based on the Approved 2021 Budget	Maximum Borrowing Limits 2021	
	between Jan 1 and Sep 30	Between Oct 1 and Dec 31
$317.9 million	$159.0 million	$79.5 million

Based on the City's financial position, the upset amount deemed necessary is estimated at no greater than $79,475,000.

Financial Impact

There is no direct cost to have temporary borrowing available to the City; however, if borrowing is required, there would be a financial 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: Kenneth Quan, Manager Corporate Financial Planning & Analysis, Ext. 8029

Attachment

1. Draft Temporary Borrowing By-law.

Prepared by

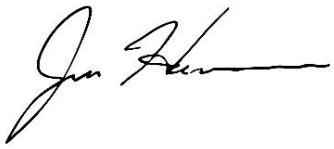
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Reviewed by



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