

Item:



Finance, Administration and Audit Committee Report

DATE: Monday, February 04, 2019

WARD(S): ALL

CHOOSE

TITLE: 2019 TEMPORARY BORROWING BY-LAW

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

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 2019.
- 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 \$65,000,000 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

[2018 Report](#)

Analysis and Options

Staff does not anticipate having to temporarily borrow money in 2019 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 2019 budget will be tabled on January 21, 2019 and a special council meeting to adopt the 2019 budget is scheduled for February 20, 2019.

Section 407(3) of the *Municipal Act, 2001* provides that until the budget is adopted in a year, the limits upon borrowing shall temporarily be calculated using the estimated revenues of the municipalities set out in the budget adopted for the previous year.

The following table outlines the City of Vaughan’s upper limits should borrowing be required in 2019, based on the City’s 2018 approved budget:

Estimated 2019 Revenues based on the Approved 2018 Budget	Maximum Borrowing Limits 2019	
	between Jan 1 and Sep 30	Between Oct 1 and Dec 31
\$260 million	\$130 million	\$65 million

Based on the City's financial position, the upset amount deemed necessary is estimated at no greater than \$65,000,000.

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: Maggie Wang, Ext. 8029

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