THE REGIONAL MUNICIPALITY OF YORK

Finance and Administration Committee
December 1, 2011
Report of the
Commissioner of Finance

TEMPORARY BORROWING AUTHORIZATION FOR 2012

1. RECOMMENDATIONS

It is recommended that:

1. The Commissioner of Finance be authorized to obtain temporary borrowing either from external sources or by means of temporary loans from reserves and reserve funds when required for the following purposes:

    a) Up to $300 million to fund current expenditures pending receipt of tax levies and other revenues; plus
    b) Up to $325 million to fund capital expenditures until such time that long term financing has been placed.

2. The Regional Chair and the Commissioner of Finance be authorized to sign any promissory note(s) required to obtain temporary borrowings.

3. The Regional Solicitor be authorized to prepare the necessary by-law for Council to give effect to the foregoing.

2. PURPOSE

This report seeks authorization for temporary short term borrowing if and when required to meet certain capital and current expenditures in 2012. A new authorization for temporary borrowing is required each year.

3. BACKGROUND

Provincial legislation allows municipalities to borrow on a temporary basis

The Commissioner of Finance may engage in temporary borrowing from time to time to fund the operational and capital needs of the Corporation.

The authority for temporarily borrowing for operational needs is set out in Section 407 of the *Municipal Act.* It provides that Council may, either before or after the passing of bylaws imposing levies on local municipalities for the current year, authorize the Commissioner of Finance to borrow such sums as may be necessary to meet the current expenditures of the Corporation, until tax levies and other revenues are received. The borrowing may also include amounts required for principal and interest payments on debt and required payments to local boards.

Provincial legislation limits the amount of funding that can be borrowed for these purposes to 50% of budgeted total revenue from January to September of the year and 25% from October to December. The limits include any other such borrowings that have not yet been repaid. Any borrowing is generally only required until the annual property taxation payments are received.

In addition, Section 405 of the *Municipal Act* provides the authority for temporary borrowing for approved capital expenditures until such time as debenture financing can be secured.

4. ANALYSIS AND OPTIONS

The Region's estimated temporary borrowing needs in 2012 are within the limit prescribed by the Province

Staff estimate that $300 million of temporary borrowing for current expenditures will be sufficient to meet the Region's 2012 short-term financing requirements, when used in conjunction with the Region's Working Capital Reserve. This amount is less than the limit prescribed under the *Municipal Act*.

The Working Capital Reserve currently has a balance of approximately $40 million that can be used to partially offset temporary borrowing needs prior to the receipt of tax and user rate revenues and the issuance of debentures.

With respect to temporary borrowing associated with the preliminary 2012 Capital Budget, $325 million is considered sufficient, as it has been the Region's practice to issue debentures on an as needed basis, usually twice annually.

It is expected that reserves and reserve funds will be used to finance both short-term borrowing requirements for capital and operating purposes in 2012.

The interest rates charged by reserves for temporary borrowing are equal to prevailing market rates.

Link to Key Regional Council - Approved Plans

Temporary Borrowing allows for the smooth continuance of operations and the on-going completion of capital programs deemed a priority in the Region's 2011 to 2015 Strategic Plan.

5. FINANCIAL IMPLICATIONS

The cost of temporary borrowing for 2012 is fully reflected in the 2012 Capital and Operating Budgets.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report. Temporary borrowing allows capital projects to proceed and is required to ensure that approved growth takes place throughout the Region on a timely basis.

7. CONCLUSION

The report authorizes the Commissioner of Finance to borrow up to $300 million to fund current expenditures and up to $325 million to fund capital expenditures by way of temporary loans if necessary to meet the short term funding needs of the corporation during 2012.

For more information on this report, please contact David Williams, Manager Treasury & Reserves at Ext. 1620.

The Senior Management Group has reviewed this report.

Recommended by:

Bill Hughes
Commissioner of Finance

Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

November 15, 2011

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