

TEMPORARY BORROWING FOR 2004

1. RECOMMENDATIONS

It is recommended that:

1. The Commissioner of Finance be authorized to obtain temporary borrowing when required, up to an amount of \$75,000,000 to meet the current expenditures of the Corporation during 2004.
2. The Regional Chair and the Commissioner of Finance be authorized to sign any promissory note(s) required to obtain temporary borrowings.
3. Legal Services be directed to prepare the necessary by-law for Council to give effect to the foregoing.

2. PURPOSE

The purpose of this report is to seek authorization for temporary borrowing to meet current expenditures in 2004.

3. BACKGROUND

Section 407 of the Municipal Act, which pertains to borrowing for current expenditures, provides that Council may, either before or after the passing of by-laws imposing levies on the Area Municipalities for the current year, authorize the Treasurer to borrow from time to time by way of promissory note, such sums as may be necessary to meet the current expenditures of the Corporation until the tax levies and other revenues are received. The borrowing may also include amounts required for principal and interest falling due within the year upon any debt of the Corporation as well as sums required by law to be provided by Council for any local boards.

The amount that may be borrowed at any one time for the purposes described above, together with any similar borrowings that have not been repaid, shall not exceed 50% from January 1st to September 30th of the year, and 25 % from October 1st to December 31st, of the total estimated revenues of the Regional Corporation as set forth in the Regional Budget adopted for the year, except with the approval of the Ontario Municipal Board.

4. ANALYSIS AND OPTIONS

The estimate of \$75,000,000 is less than the limit prescribed by the Municipal Act. This is the same amount as was requested in 2003. Until the 2004 Regional Budget is adopted, the limitation upon borrowing is calculated based on the estimated revenues of the Corporation as set forth in the adopted budget for 2003.

5. FINANCIAL IMPLICATIONS

In 2003 transfers from reserves and reserve funds financed all temporary borrowing requirements and as a result the Region did not require any short-term financing from external sources. This practice is expected to continue during 2004.

The cost of temporary borrowings from all sources included in the 2003 Regional Budget was estimated to be \$199,000. These costs based on preliminary analysis for the Region's 2004 Budget are estimated to be \$390,000.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

It has been the practice of the Region that borrowing for interim financing be from reserves and reserve funds, with interest payable at prevailing rates. However, this by-law authorizes the Commissioner of Finance to borrow up to \$75,000,000 by way of promissory notes if necessary from financial institutions to meet the current needs of the Corporation during 2004.

The Senior Management Group has reviewed this report.