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TEMPORARY BORROWING FOR 2006

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, December 1, 2005, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Commissioner of Finance be authorized to obtain temporary borrowing when required, up to an amount of $125,000,000 to meet the current expenditures of the Corporation during 2006.

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

The purpose of this report is to seek authorization for temporary borrowing when required to meet current expenditures in 2006.

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 $125 million will be sufficient to meet the Region's 2006 short-term financing requirements based on our most recent cash flow analysis and is less than the limit prescribed by the Municipal Act. This amount represents an increase of $50 million over the 2005 temporary borrowing limit of $75 million. This increase will provide for higher working capital requirements for 2006 and beyond and reflect the growth and changes in service commitments since 1998 when the limit was last increased from $20 million to $75 million.

In 2005, 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 2006. The interest rate charged by the reserves for any short-term transfers was equal to prevailing market rates.

5. FINANCIAL IMPLICATIONS

The net cost of temporary borrowings from all sources for 2005 was approximately $400,000. Costs included in the Region's 2006 Budget have been estimated at $428,500.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

This report authorizes the Commissioner of Finance to borrow up to $125 million by way of promissory notes if necessary to meet the current needs of the Corporation during 2006.

The Senior Management Group has reviewed this report.