4
TEMPORARY BORROWING FOR 2009

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, November 10, 2008, from the Commissioner of Finance:

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 $175 million to fund current expenditures pending receipt of tax levies and other revenues; plus
    b. Up to $275 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 borrowing when required to meet certain capital and current expenditures in 2009.

3. BACKGROUND

Prior to 2009, Council has approved by by-law each year the borrowing for current expenditures. This authority is set out in Section 407 of the Municipal Act which 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 Commissioner of Finance 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 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.

Provincial legislation limits the amount of funding which can be borrowed for the purposes described above to 50% of budgeted total revenue from January to September of the year and 25% from October to December. These limits include any other such borrowings which have not yet been repaid. Municipalities can only exceed these limits with the approval of the Ontario Municipal Board.

In addition, Section 405 of the Municipal Act provides for temporary borrowing for approved capital expenditures. Prior to 2009, this type of financing has not been required as it has been the Region’s practice to issue debentures on an as needed basis, typically twice annually. However, in 2008, due to adverse market conditions and relatively moderate capital expenditures, the Region did not issue any debentures, and as such temporary borrowing for this purpose will be required in 2009.

4. ANALYSIS AND OPTIONS

The 2009 Temporary Borrowing By-law has been changed to incorporate new short-term borrowing requirements as it relates to unfunded capital expenditures. These changes were necessary due to the need to temporarily finance 2008 and some prior year carry projects, as well as the borrowing needs contained in the 2009 Capital Budget.

The Temporary Borrowing By-law will therefore have the following two components:

a. Up to $175 million to fund current expenditures pending receipt of tax levies and other operating revenues (compared to $125 million from 2008); plus
b. Up to $275 million to fund capital expenditures pending the acquisition of long term capital financing.

It is anticipated that as in 2008 all temporary borrowing requirements will be funded from reserves and reserve funds. If necessary, however, the temporary borrowing by-law does authorize the Commissioner of Finance to borrow from external sources. The interest rate charged by the reserves for any short-term transfers is equal to prevailing market rates.

5. FINANCIAL IMPLICATIONS

The cost of temporary borrowing for 2009 will be reflected in the capital and operating budget.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

The report authorizes the Commissioner of Finance to borrow up to $175 million to fund current expenditures and $275 million to fund capital expenditures by way of temporary loans if necessary to meet the current needs of the Corporation during 2009.

For more information on this report, please contact David Williams at Ext. 1620.

The Senior Management Group has reviewed this report.