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TEMPORARY BORROWING FOR 2010

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated November 17, 2009, 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 $185 million to fund current expenditures pending receipt of tax levies and other revenues; plus
    b) Up to $300 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 if and when required to meet certain capital and current expenditures in 2010.

3. BACKGROUND

The Commissioner of Finance may require 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.* This provides that Council may, either before or after the passing of by-laws imposing levies on the 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 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 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 which have not yet been repaid. Municipalities may only exceed these limits with the express approval of the Ontario Municipal Board.

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 $185 million estimate of temporary borrowing for current expenditures is considered sufficient to meet the Region's 2010 short-term financing requirements when used in conjunction with the Working Capital Reserves. This amount is less than the limits prescribed under the *Municipal Act*.

With respect to temporary borrowing associated with the preliminary 2010 Capital Budget, $300 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 current and operating purposes in 2010.

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

5. FINANCIAL IMPLICATIONS

The cost of temporary borrowing for 2010 is fully reflected in the 2010 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 $185 million to fund current expenditures and $300 million to fund capital expenditures by way of temporary loans if necessary to meet the short term funding needs of the corporation during 2010.

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

The Senior Management Group has reviewed this report.