

Clause 10 in Report No. 11 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 28, 2018.

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Temporary Borrowing Authorization for 2019

Committee of the Whole recommends adoption of the following recommendations contained in the report dated May 15, 2018 from the Commissioner of Finance:

1. The Commissioner of Finance be authorized to obtain temporary borrowing during 2019 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
  - a) Up to \$430 million to fund operating expenditures pending receipt of tax levies and other revenues
  - b) Up to \$300 million to fund capital expenditures until such time as long-term financing is in place.
2. The Regional Chair and Regional Treasurer be authorized to execute the necessary documents.

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Report dated May 15, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. The Commissioner of Finance be authorized to obtain temporary borrowing during 2019 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
  - a. Up to \$430 million to fund operating expenditures pending receipt of tax levies and other revenues
  - b. Up to \$300 million to fund capital expenditures until such time as long-term financing is in place.

2. The Regional Chair and Regional Treasurer be authorized to execute the necessary documents.

## 2. Purpose

This report seeks authorization for temporary borrowing, if and when required, to meet capital and operating expenditures during 2019. The Municipal Act, 2001, requires authorization for a temporary borrowing bylaw for each calendar 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 prior to the collection of tax levies, receipt of other revenues and issuance of debentures.

Section 407 of the Municipal Act, 2001, provides the authority for temporary borrowing for approved operational expenditures 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 that can be temporarily borrowed for operating purposes to 50 per cent of budgeted total revenue from January to September and 25 per cent of budgeted revenue from October to December. The limits include any temporary borrowings from previous years that have not yet been repaid.

In addition, Section 405 of the Municipal Act, 2001, provides the authority for temporary borrowing for approved capital expenditures to be financed in whole or in part by the issue of debentures during the year.

The Province regulates the amount of municipal debt and other financial obligations through an annual repayment limit regulation under the Municipal Act, 2001. On [December 14, 2017](#), Council adopted the 2018 Long-Term Debt Management Plan as part of the 2018 Regional Fiscal Strategy. The plan includes a multi-year projection of the Region's long-term debt and financial obligation needs and the corresponding annual repayment limit for each year.

#### 4. Analysis and Implications

The Region's estimated temporary borrowing needs for 2019 are within the limit prescribed by the Province

Using the 2018 revenues in the approved 2018 Regional Budget as an estimate for 2019 revenues, the Region's temporary borrowing limit for operating purposes is \$956 million between January and September and \$479 million between October and December.

Staff estimate that \$430 million of temporary borrowing for operating expenditures will be sufficient to meet the Region's 2019 short-term financing requirements, when used in conjunction with the Working Capital Reserve. This amount is less than the limit prescribed under the Municipal Act, 2001.

The Working Capital Reserve's current balance is approximately \$45.1 million. This reserve can be used to partially offset temporary borrowing needs prior to the receipt of tax, user rate revenue and fees and charges.

Staff estimate that \$300 million of temporary borrowing will be sufficient to meet the Region's capital needs for 2019.

It is expected that reserves and reserve funds will be used to finance any other temporary borrowing needs for capital purposes in 2019.

The interest rate charged for the use of reserves for temporary borrowing will be the opportunity cost of borrowing – the interest rate that would otherwise be earned by investing the reserves.

#### 5. Financial Considerations

The cost of temporary borrowing for 2019 is estimated to be \$1.1 million. The majority of this cost is to temporarily fund capital requirements until permanent funding is in place. Operating needs tend to be shorter in nature and are mainly funded through the non-interest bearing Working Capital Reserve described above.

Temporary borrowing does not have a direct impact on the Region's credit rating, as it is based mainly on long-term debt. Although credit rating agencies consider all fiscal management practices, they have not raised any concerns regarding temporary borrowing in the past.

## 6. Local Municipal Impact

There are no local municipal implications associated with this report. Temporary borrowing allows capital projects to proceed throughout the Region on a timely basis.

## 7. Conclusion

The report requests authorization for the Commissioner of Finance to borrow up to \$430 million to fund operating expenditures and up to \$300 million to fund capital expenditures by way of temporary loans, if needed to meet the short term funding needs of the corporation during 2019.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at ext.71644.

The Senior Management Group has reviewed this report.

May 15, 2018

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