

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 21, 2018

Item 2, Report No. 2, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2018.

2 TEMPORARY BORROWING BY-LAW 2018

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer and City Treasurer and the Interim Director, Financial Planning and Development Finance and Deputy City Treasurer, dated February 5, 2018:

Purpose

To obtain Council approval to allow the City of Vaughan to temporarily borrow funds, if required to do so.

Recommendations

1. That a Temporary Borrowing By-law be enacted in accordance with Section 407 of the *Municipal Act, 2001*, to authorize the temporary borrowing of funds of an amount up to \$50,000,000 from the City corporate bank of record.

Report Highlights

- The *Municipal Act, 2001* authorizes a municipality to borrow money, as Council considers it necessary, to meet the current expenditures of the Corporation for the year, until taxes are collected and other non-tax revenues are received.
- A by-law is required for the purpose of authorizing the Corporation to borrow money if deemed necessary to meet current expenditures for the year 2018.
- In the event the City finds it necessary to borrow money for operational requirements, this By-law gives the Treasurer the authority to temporarily borrow money, subject to the legislative limitations.

Background

Section 407(1) of the Municipal Act states:

“At any time during a fiscal year, a municipality may authorize temporary borrowing until the taxes are collected and other revenues are received, of the amount Council considers necessary to meet the current expenditures of the municipality for the year”

In the past, the City of Vaughan has avoided bank financing for operating purposes. Sound cash management practices supported by fiscal policies have stabilized

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Vaughan's financial position. However, as a matter of practice, a temporary borrowing by-law is recommended for unforeseen circumstances...

Previous Reports/Authority

[2016 Report](#)

Analysis and Options

Staff does not anticipate having to temporarily borrow money in 2018 to meet operational requirements. If the City of Vaughan finds it necessary to borrow money for this purpose, this By-law gives the Treasurer the authority to temporarily borrow money, subject to the legislative limitations noted above.

Section 407(2) of the Municipal Act, 2001 sets out the requirement that the total amount that may be borrowed at any one time for the purposes described above plus any outstanding amounts of principal borrowed and accrued interests shall not exceed:

- a) from January 1 to September 30 in the year, 50 percent of the total estimated revenues of the municipality as set out in the budget adopted for the year; and
- b) from October 1 to December 31 in the year, 25 percent of the total estimated revenues of the municipality as set out in the budget adopted for the year.

The City of Vaughan 2018 Budget was approved by Council on January 30, 2018.

The following table outlines the City of Vaughan's upper limits should borrowing be required in 2018, based on the City's 2018 approved budget:

Estimated Revenues set out in 2018 Budget	Maximum Borrowing Limits 2018	
	Between Jan 1 and Sep 30	Between Oct 1 and Dec 31
\$260 million	\$130 million	\$65 million

Based on the City's financial position, the upset amount deemed necessary is estimated at not greater than \$50,000,000.

Financial Impact

There is no direct cost to have temporary borrowing available to the City; however, if borrowing is required, there would be an economic impact to the extent of interest carrying costs on borrowing amounts.

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Broader Regional Impacts/Considerations

Not applicable

Conclusion

This report seeks Council authorization for the City Treasurer, from time to time as conditions may warrant to borrow such sums as may be deemed necessary within the provision of Section 407(2) of the Municipal Act.

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