

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 24, 2015

Item 9, Report No. 7, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on March 24, 2015.

9

TEMPORARY BORROWING BY-LAW 2015

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Financial Planning & Analytics, dated March 9, 2015:

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Financial Planning & Analytics recommend:

1. That Council enact a Temporary Borrowing By-law for an amount up to \$50,000,000 from the City corporate bank of record.

Contribution to Sustainability

Not applicable.

Economic Impact

There is no 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 amounts. Utilizing temporary borrowing is not anticipated, but practical to have in place to ensure optimal financial flexibility in times of unforeseen circumstances.

Communications Plan

Not applicable.

Purpose

The purpose of this report is to obtain Council approval to allow the City of Vaughan to temporarily borrow funds, if required to do so.

Background – Analysis and Options

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

In the event the City requires bank financing, the City’s borrowing rate is Bank Prime Rate less 0.50%. Currently the Bank Prime Rate is 2.85%.

The amount borrowed at any time should not exceed the provisions set out in Section 407(2) of the Municipal Act:

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 24, 2015

Item 9, Finance Report No. 7 – Page 2

- 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 temporary borrowing by-law authorizes the City Treasurer from time to time as conditions may warrant, to borrow from the City's corporate bank such sums as may be necessary within the provisions of Section 407(2) of the Municipal Act.

The upset amount deemed necessary is estimated at not greater than \$50,000,000. The limit permitted by the Municipal Act based on the 2015 proposed budget is \$157,000,000 from January 1, 2015 to September 30, 2015 and \$16,000,000 from October 1, 2015 to December 31, 2015.

Relationship to Vaughan Vision 2020/Strategic Plan

This report supports the strategic priorities established by the Vaughan Vision 2020 in particular "Ensure Financial Sustainability".

Regional Implications

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.

Attachments

None

Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager, Corporate Financial Planning & Analysis
Ext. 8267

TEMPORARY BORROWING BY-LAW 2015

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Financial Planning & Analytics recommend:

1. That Council enact a Temporary Borrowing By-law for an amount up to \$50,000,000 from the City corporate bank of record.

Contribution to Sustainability

Not applicable.

Economic Impact

There is no 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 amounts. Utilizing temporary borrowing is not anticipated, but practical to have in place to ensure optimal financial flexibility in times of unforeseen circumstances.

Communications Plan

Not applicable.

Purpose

The purpose of this report is to obtain Council approval to allow the City of Vaughan to temporarily borrow funds, if required to do so.

Background – Analysis and Options

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

In the event the City requires bank financing, the City’s borrowing rate is Bank Prime Rate less 0.50%. Currently the Bank Prime Rate is 2.85%.

The amount borrowed at any time should not exceed the provisions set out in Section 407(2) of the Municipal Act:

- 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 temporary borrowing by-law authorizes the City Treasurer from time to time as conditions may warrant, to borrow from the City's corporate bank such sums as may be necessary within the provisions of Section 407(2) of the Municipal Act.

The upset amount deemed necessary is estimated at not greater than \$50,000,000. The limit permitted by the Municipal Act based on the 2015 proposed budget is \$157,000,000 from January 1, 2015 to September 30, 2015 and \$16,000,000 from October 1, 2015 to December 31, 2015.

Relationship to Vaughan Vision 2020/Strategic Plan

This report supports the strategic priorities established by the Vaughan Vision 2020 in particular "Ensure Financial Sustainability".

Regional Implications

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.

Attachments

None

Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager, Corporate Financial Planning & Analysis
Ext. 8267

Respectfully submitted,

John Henry, CPA, CMA
Commissioner of Finance & City Treasurer

Laura Mirabella-Siddall, CPA, CA
Director of Financial Planning & Analytics

THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER 047-2015

A By-law to authorize the temporary borrowing of a sum that shall not exceed \$50,000,000 during the year 2015.

WHEREAS the Council of The Corporation of the City of Vaughan (hereinafter called the "City") deems it necessary, in order to meet the City's current expenditures, to borrow a sum not to exceed \$50,000,000 for the year 2015, until taxes are collected and other revenues are received;

AND WHEREAS the total estimated revenues of the City, as set forth in the estimates adopted for the year 2015, is \$259,217,535 and to date the City has borrowed a total of \$0;

AND WHEREAS the total amount to be borrowed in 2015 for the purposes mentioned in subsection 407(1) of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended, will not exceed the limits set out in subsection 407(2);

NOW THEREFORE the Council of The Corporation of the City of Vaughan ENACTS AS FOLLOWS:

1. That the City is hereby authorized to borrow from time to time by way of promissory note from the City's corporate bank of record, a sum or sums which together with any similar borrowings that have not been repaid, shall not exceed the sum of \$50,000,000, which monies are to be used to meet the City's expenditures until taxes due are collected and other revenues are received for the year.
2. That the Mayor and City Treasurer are hereby authorized to execute on behalf of the City a promissory note or notes in favour of the City's bank, for the monies so borrowed, which may include terms related to, but not limited to, payment(s), repayment(s) in advance or otherwise, and such rate of interest as may be agreed upon from time to time with the said Bank.
3. That this By-law comes into force and effect on the 24th day of March 2015.

Enacted by City of Vaughan Council this 24th day of March, 2015.

Hon. Maurizio Bevilacqua, Mayor

Jeffrey A. Abrams, City Clerk

Authorized by Item No. 9 of Report No. 7
of the Finance, Administration and Audit Committee
Adopted by Vaughan City Council on
March 24, 2015