

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 13, 2016

Item 6, Report No. 15, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on December 13, 2016.

6

TEMPORARY BORROWING BY-LAW 2016

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 Director of Financial Planning and Development Finance and Deputy City Treasurer, dated December 5, 2016:

Recommendation

The Chief Financial Officer and City Treasurer and the Director of Financial Planning and Development Finance and Deputy City Treasurer recommends:

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 estimated borrowing rate is Bank Prime Rate less 0.50%. Currently the Bank Prime Rate is 2.70%.

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 DECEMBER 13, 2016

Item 6, Finance Report No. 15 – 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, borrowing 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 approved 2016 budget is \$119,000,000 from January 1, 2016 to September 30, 2016 and \$6,700,000 from October 1, 2016 to December 31, 2016.

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, borrowing 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 2016

Recommendation

The Chief Financial Officer and City Treasurer and the Director of Financial Planning and Development Finance and Deputy City Treasurer recommends:

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 estimated borrowing rate is Bank Prime Rate less 0.50%. Currently the Bank Prime Rate is 2.70%.

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, borrowing 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 approved 2016 budget is \$119,000,000 from January 1, 2016 to September 30, 2016 and \$6,700,000 from October 1, 2016 to December 31, 2016.

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, borrowing 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,

Laura Mirabella-Siddall, CPA, CA
Chief Financial Officer and City Treasurer

Lloyd Noronha, CPA, CMA
Director of Financial Planning and Development Finance and Deputy City Treasurer