

## **City of North Bay Report to Council**

Report No: CORP-2022-007

Date: December 29, 2021

Originator: Shannon Saucier

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2022 Temporary Borrowing By-Law

Closed Session: yes ☐ no ☒

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### **Recommendation**

1. That City Council authorize the Treasurer to borrow on a temporary basis from time to time the amounts that the municipality considers necessary to meet expenses of the municipality for the fiscal year 2022, and;
2. That the by-law be presented for three readings on January 25, 2022.

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### **Background**

Section 407 (1) of the Municipal Act, 2001, (the Act) provides for a municipality to authorize temporary borrowing, until the taxes are collected and other revenues are received, of the amounts that the municipality considers necessary to meet the expenses of the municipality for the year.

In accordance with Section 407 (2) of the Act, the total amount borrowed at any one time plus any outstanding amounts of principal borrowed and accrued interest shall not exceed, except with the approval of the Local Planning Appeal Tribunal, the following:

- a) from January 1<sup>st</sup> to September 30<sup>th</sup> in the year, 50 per cent of the total estimated revenues of the municipality as set out in the budget adopted for the year; and
- b) from October 1<sup>st</sup> to December 31<sup>st</sup> in the year, 25 per cent of the total estimated revenues of the municipality as set out in the budget adopted for the year.

Section 407(3) of the Act stipulates that until the budget is adopted in a year, the limits upon borrowing shall be temporarily calculated using the estimated revenues of the municipality set out in the budget adopted for the previous year.

Annually, Council has granted the authority to the Treasurer to borrow such sums, as may be considered necessary, to meet the current expenditures of the Corporation for the year until the taxes are collected and other revenues received. This authorization is supported by way of a municipal by-law.

Authorization of the temporary borrowing at the start of the year is sound business practice as it ensures temporary financing is readily available for use should the need arise thus improving the City's ability to respond to temporary shortfalls in operating cash flows in a timely manner. If authorization was not obtained until borrowing was required, the City's ability to meet its current expenditure requirements in a timely manner would be limited.

Under the terms of the City's agreement with the Toronto-Dominion Bank, the City has access to a \$12 million line of credit. There are no costs associated with the line of credit until it is utilized. Upon utilization, interest is charged at a rate of prime less 0.85%. The authorization by-law would provide Administration with the ability to use the line of credit during the fiscal year should the need arise.

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## **Financial/Legal Implications**

See Options/Analysis for financial implications.

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## **Corporate Strategic Plan**

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| <input type="checkbox"/> Natural North and Near                | <input type="checkbox"/> Economic Prosperity     |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input type="checkbox"/> Responsible and Responsive Government |  |

## **Specific Objectives**

- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax rate

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## **Options Analysis**

### **Option 1: Authorize Temporary Borrowing By-law**

It is possible for the City to experience temporary shortfalls in operating cash flow due to timing differences between cash inflows (i.e. tax instalments, water and wastewater bill payments, grant funding, maturity dates of investments, etc.) and outflows (i.e. payroll expenses, utilities, supplies, etc.). By authorizing the preparation of a temporary borrowing by-law, the risk of the City not being able to meet its expense obligations should a temporary

shortfall in operating cash occur is significantly reduced. This option is recommended.

#### Option 2: Not Authorize the Temporary Borrowing By-law

Without the authorization of a temporary borrowing by-law, the City's ability to meet its expense obligations would be at risk if the City was to experience a temporary shortfall in operating cash flow. This option is not recommended.

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#### **Recommended Option**

1. That City Council authorize the Treasurer to borrow on a temporary basis from time to time the amounts that the municipality considers necessary to meet expenses of the municipality for the fiscal year 2022, and;
2. That the by-law be presented for three readings on January 25, 2022.

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Respectfully submitted,

Name: Shannon Saucier, CPA, CA

Title: Director, Financial Services / Deputy Treasurer

#### **I concur with this report and recommendation**

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name David Euler, P.Eng., PMP

Title: Chief Administrative Officer

Personnel designated for continuance:

Shannon Saucier, CPA, CA

Director, Financial Services / Deputy Treasurer