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REPORT TITLE: **Temporary Borrowing Report**

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

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## RECOMMENDATION

**That the necessary by-law, authorizing the temporary borrowing of monies to meet 2021 expenses of the municipality pending receipt of revenues in accordance with section 407 of the *Municipal Act, 2001*, as amended, be presented for enactment.**

### REPORT HIGHLIGHTS

- Authorization of temporary borrowing to meet expenses pending receipt of taxes and other revenues is a prudent and traditional cash flow management measure, and such authorization requires the passage of an annual by-law to comply with legislation.
  - Temporary borrowing limits for expenses in 2021 are calculated as \$1,132,987,751 from January 1, 2021 to September 30, 2021 and \$566,493,875 from October 1, 2021 to December 31, 2021.
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## DISCUSSION

### 1. Background

Section 407 of *The Municipal Act, 2001*, as amended, allows a municipality to authorize temporary borrowing to meet the expenses of the municipality until such time that taxes and other revenues are received.

Budget revenue estimates, excluding contributions from reserves and any prior year surplus are utilized to derive the maximum amount of temporary borrowing permitted under the *Municipal Act, 2001*. Until the budget is adopted in a year, temporary borrowing limits are calculated using the estimated revenues as set out in the budget adopted for the previous year.

This annual by-law provides the Chair and the Treasurer the authority that allows the Treasury Services Division in the Finance Department to continue to operate an efficient and effective cash management program, primarily through the utilization of line of credit bank funding, or funding from other permitted financial instruments, should the Region of Peel encounter a cash shortfall.

### 2. Findings

The maximum allowable percentages to borrow are set out in Section 407 of *The Municipal Act, 2001*. This limits temporary borrowing for expenses of the municipality to an amount

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not to exceed 50 per cent of the total amount of the estimated revenue as set out in the budget adopted for the year from January 1 to September 30 in the year, and 25 per cent of the total amount of the estimated revenue as set out in the budget adopted for the year from October 1 to December 31 in the year. These limits can be exceeded with the approval of the Local Planning Appeal Tribunal.

### 3. Proposed Direction

At the time of writing this report, the 2021 Operating and Capital Budget had not yet been formally approved. Calculations are temporarily based on estimated revenues set out in the adopted 2020 budget excluding contributions from reserves and any prior year surplus of \$2,265,975,502. The maximum amount that may be borrowed at any one time on a temporary basis for expenses from January 1, 2021 to September 30, 2021 is thus \$1,132,987,751 and from October 1, 2021 to December 31, 2021, \$566,493,875. It is forecasted that the limits set out will represent an amount sufficient to meet potential temporary borrowing requirements for the 2021 expenses.

## CONCLUSION

It is proposed to pass the appropriate temporary borrowing by-law in compliance with provincial legislation. The recommended by-law will facilitate any borrowing necessary to meet any unanticipated cash flow shortfalls that may be experienced during the year.

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*For further information regarding this report, please contact Scott Hodgson, Treasury Portfolio Manager, Ext. 4807, [scott.hodgson@peelregion.ca](mailto:scott.hodgson@peelregion.ca).*

*Authored By: Julie Pittini, Director, Treasury Services and Deputy Treasurer*

***Reviewed and/or approved in workflow by:***

Department Commissioner, Division Director and Legal Services.