
REPORT TITLE: 2022 Temporary Borrowing Report

FROM: Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That a by-law be enacted to authorize the temporary borrowing of monies to meet 2022 expenses of the municipality pending receipt of revenues in accordance with section 407 of the *Municipal Act, 2001*, as amended.

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 2022 are calculated as \$1,182,072,270 from January 1, 2022 to September 30, 2022 and \$591,036,135 from October 1, 2022 to December 31, 2022.
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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 other permitted financial instruments, should the Region of Peel encounter a cash shortfall.

2. Findings

The allowable borrowing percentages as set out in Section 407 of *The Municipal Act, 2001* limits temporary borrowing for expenses of the municipality to an amount not to exceed from January 1 to September 30 in the year, 50 per cent of the total estimated revenues of the

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municipality as set out in the budget adopted for the year and from October 1 to December 31 in the year, 25 per cent of the total estimated revenues of the municipality as set out in the budget adopted for the year, without the approval of the Local Planning Appeal Tribunal.

3. Proposed Direction

Based on the total estimated revenues as set out in the budget adopted for the year 2022, the maximum amount that may be borrowed at any one time on a temporary basis for expenses from January 1, 2022 to September 30, 2022 would be \$1,182,072,270 and from October 1, 2022 to December 31, 2022, \$591,036,135. It is forecasted that the above noted limits will represent an amount sufficient to meet potential temporary borrowing requirements for the 2022 expenses.

CONCLUSION

In order to comply with provincial legislation, it is proposed that a temporary borrowing by-law be enacted. The recommended by-law will facilitate necessary borrowing to meet any unanticipated cash flow shortfalls that may be experienced during the year and any inter fund borrowing requirements.

Authored By: Scott Hodgson, Treasury Portfolio Manager