

**TEMPORARY BORROWING BY-LAW 2007**

**Recommendation**

The Deputy City Manager/Commissioner of Finance & Corporate Services in consultation with the Director of Reserves & Investments recommends:

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

**Economic Impact**

There is no cost to have the temporary borrowing available to the City, however there would be an economic impact to the extent of interest carrying costs on amounts borrowed. The funds would only be required in an emergency.

**Communications Plan**

Not applicable.

**Purpose**

To obtain Council approval to allow the City of Vaughan to temporarily borrow funds.

**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 consider necessary to meet the current expenditures of the municipality for the year .....

In the past the City of Vaughan has been able to avoid bank financing for operating purposes. Sound cash management practices supported by fiscal policies have improved 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 6.0%.

The amount borrowed at any one 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 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 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.

The temporary borrowing by-law authorized the City Treasurer, from time to time as conditions may warrant to borrow from the City's corporate bank such sums as may be deemed necessary within the provisions of Section 407 (2) of the Municipal Act up to \$50,000,000. The limit permitted by the Municipal Act based on the 2007 adopted budget is \$88,000,000 from January 1, 2007 to September 30, 2007 and \$44,000,000 from October 1, 2007 to December 31, 2007. This amount increases annually.

**Relationship to Vaughan Vision 2007**

This report is consistent with the priorities previously set by Council particularly: 2.1 Ensure long term financial stability.

**Regional Implication**

This report as written has no regional implications.

**Conclusion**

Council authorize the City Treasurer from time to time as conditions may warrant to borrow from the Toronto Dominion Bank in Vaughan, Ontario such sums as may be deemed necessary within the provisions of Section 407 (2) of the Municipal Act.

**Attachments**

None

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Respectfully submitted,

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