

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 22, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	AUTHORIZATION FOR TEMPORARY BORROWING

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the attached proposed by-law (Appendix “A”) **BE INTRODUCED** at the Municipal Council meeting on January 29, 2019, to authorize the temporary borrowing of certain sums to meet current expenditures of The Corporation of the City of London for the year 2019.

LINK TO THE 2015-2019 STRATEGIC PLAN

Council’s 2015-2019 Strategic Plan for the City of London identifies “Leading in Public Service” as one of four strategic areas of focus. Authorization for temporary borrowing supports this strategic area of focus by contributing towards the strategic priority “Proactive financial management”. The “Proactive financial management” strategic priority involves, among other things, making sure that the City’s finances are well planned and that they support intergenerational equity. This Authorization for Temporary Borrowing report ensures that the proper mechanisms are in place to manage cash flows and to help maintain the City’s stable operations.

BACKGROUND

The purpose of the proposed by-law is to authorize the City Treasurer or Deputy Treasurer to temporarily borrow funds, not exceeding \$100 million, to meet current expenditures, if required for 2019. This by-law is generally brought forward on an annual basis.

Section 407 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, allows a municipality to authorize temporary borrowing, at any time during the fiscal year, the amounts considered necessary to meet expenses of the municipality for the year until taxes are collected and other revenues are received.

The City’s best option for temporary borrowing is internally from the City’s Reserve Funds, rather than obtaining external financing. A fair rate of interest is earned by the Reserve Funds and charged to the General Fund during the borrowing period. If cash from Reserve Funds is not available for temporary borrowing, the City will seek external options, such as drawing on an operating line of credit held at the City’s bank. The City has not borrowed from Reserve Funds or drawn on its line of credit since January 2012.

The proposed temporary borrowing by-law is being brought forward as a precautionary measure in the event of any unanticipated near-term cash requirements or interruptions in operating cash flows.

Financial Impact

The financial impact of the temporary borrowing of funds, if required, can be accommodated in the 2019 operating budget.

CONCLUSION

The authorization for temporary borrowing ensures that the proper mechanisms are in place to manage cash flows and promotes stable operations, even during any unanticipated or unforeseen events.

PREPARED BY:	REVIEWED BY:
JOSH WEAVER, CPA, CA MANAGER, FINANCIAL MODELLING, FORECASTING & SYSTEMS CONTROL	MARTIN GALCZYNSKI, CPA, CA MANAGER, FINANCIAL PLANNING & POLICY
CONCURRED BY:	RECOMMENDED BY:
KYLE MURRAY, CPA, CA DIRECTOR, FINANCIAL PLANNING & BUSINESS SUPPORT	ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER

Attachments: Appendix “A” - By-law

Cc: Ian Collins, Director, Financial Services

APPENDIX "A"

Bill No.
2019

By-law No.

A by-law to authorize the City Treasurer or Deputy Treasurer of The Corporation of the City of London to borrow certain sums to meet current expenditures of the Corporation for the year 2019.

WHEREAS the Municipal Council of The Corporation of the City of London deems it necessary to borrow monies to meet the current expenditures of the Corporation for the year 2019 pending the collection of current revenues;

AND WHEREAS under section 407 of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, the Corporation is authorized to borrow for current purposes from January 1st to September 30th 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 from October 1st to December 31st in the year, 25 per cent of the total estimated revenues of the municipality as set out in the budget adopted for the year;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The City Treasurer or Deputy Treasurer of The Corporation of the City of London (hereinafter referred to as the "Corporation") are hereby authorized to borrow from time to time from the Bank of Nova Scotia, or other person or persons, by way of promissory notes and/or the City's operating credit line and at such rate or rates of interest as they may approve, such sum or sums which together with the total of all other temporary borrowings hereunder that have not been repaid shall not exceed \$100,000,000 at any one time, to meet, until the taxes are collected, the current expenditures of the Corporation for the year 2019; provided that notwithstanding the sums authorized to be borrowed hereunder, the amount that may be borrowed hereunder at any one time, together with the total of any similar borrowings that have not been repaid, shall not, except with the approval of the Local Planning Appeal Tribunal, exceed from January 1st to September 30th 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 from October 1st to December 31st in the year, 25 per cent of the total estimated revenues of the municipality as set out in the budget adopted for the year, all as provided for in section 407 of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended.
2. All promissory notes of the Corporation shall be sealed with the seal of the Corporation and signed by the Mayor, the Deputy Mayor or the Acting Mayor, and by the City Treasurer or the Deputy Treasurer; provided however, that the signature of the Mayor, the Deputy Mayor or the Acting Mayor, may be written or stamped, printed, lithographed, engraved or otherwise mechanically reproduced.
3. Promissory notes signed in accordance with this by-law and sealed with the seal of the Corporation, for the amounts from time to time borrowed under the authority hereof, and interest thereon, may be given to the Bank of Nova Scotia, its representative, or other person or persons from time to time as security for such loans.
4. The City Treasurer is authorized and directed to apply in payment of the money borrowed as aforesaid, together with the interest thereon, all the monies now or hereafter collected or received on account or realized in respect of taxes levied for 2019 and any preceding year, and all the monies collected or received from other sources excluding the sale of debentures, which may be lawfully applied for such purposes.

5. The Mayor, the Deputy Mayor or the Acting Mayor, and the City Treasurer or the Deputy Treasurer of the Corporation are authorized to execute on behalf of the Corporation, under its Corporate Seal, and delivered to the Bank of Nova Scotia, or its representative or other persons, an agreement that all or any sums borrowed for any or all of the purposes mentioned in section 407 of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, shall, with interest thereon, be a charge upon the whole or any part or parts of the revenues of the Corporation for 2019 and for any preceding year as and when such revenues are received; provided that such charge does not defeat or effect and is subject to any prior charge then subsisting in favor of any other lender.

6. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on January 29, 2019.

Ed Holder
Mayor

Catharine Saunders
City Clerk

First Reading – January 29, 2019
Second Reading – January 29, 2019
Third Reading – January 29, 2019