

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON NOVEMBER 2, 2020</b>
<b>FROM:</b>	<b>ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>AUTHORIZATION FOR TEMPORARY BORROWING</b>

<b>RECOMMENDATION</b>
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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 November 10, 2020 to authorize the temporary borrowing of certain sums to meet current expenditures of The Corporation of the City of London for the year 2021.

<b>LINK TO THE 2019-2023 STRATEGIC PLAN</b>
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Council's 2019-2023 Strategic Plan for the City of London identifies "Leading in Public Service" as one of five strategic areas of focus. Authorization for temporary borrowing supports this strategic area of focus by contributing to the strategy "Continue to ensure the strength and sustainability of London's finances". This strategy, among others, helps to ensure that the City's finances are transparent and well planned and that they balance equity and affordability over the long term. 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.

<b>BACKGROUND</b>
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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 2021. 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 never drawn on its line of credit but has borrowed from Reserve Funds in the past, which was last done in January 2012.

The City has and continues to maintain an adequate cash position and liquidity amid the pandemic, not only ensuring all financial commitments are continued to be met but also appropriate cash reserves are held for contingencies. The City has not yet needed to draw on the line of credit during the course of the COVID-19 pandemic as a number of cash management strategies were implemented. Strategies included:

- Detailed monitoring of cash flows on a daily basis
- Allowing internally managed investments to mature and not reinvesting maturities into the standard maturity timeframe that was in effect prior to the pandemic
- Purchasing investments with short term maturities or early redemption provisions
- Deferring property tax supported contributions to reserve funds until deferred property tax payments/installments are received

- Setting an internal cash floor limit equal to the City's reserve balances on general/operating funds

As the City's services evolve and certain previously deferred projects are reinstated, Civic Administration continues to monitor cash flows and balances. This will become increasingly important once again as the 2<sup>nd</sup> wave of the pandemic continues to evolve. Specific attention is being placed on cash management over the next 12 months, noting that some of the cash management strategies outlined above will continue to be implemented into 2021. Given current forecasts and assumptions it is not projected that the City will need to utilize its line of credit in 2021. It should be noted, given the dynamic and evolving situation with COVID-19, an unfavorable change in circumstances can quickly change current projections.

The proposed temporary borrowing by-law is being brought forward at this time as a precautionary measure in the event of any unanticipated near-term cash requirements or interruptions in operating cash flows and to ensure this by-law is in effect on the first day of 2021.

**Financial Impact**

The temporary borrowing of funds, if required, would result in additional interest charges in the 2021 budget.

<b>CONCLUSION</b>
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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. The need for temporary borrowing is not currently anticipated to be required in 2021.

<b>PREPARED BY:</b>	<b>REVIEWED BY:</b>
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<b>CONCURRED BY:</b>	<b>RECOMMENDED BY:</b>
<b>KYLE MURRAY, CPA, CA DIRECTOR, FINANCIAL PLANNING &amp; BUSINESS SUPPORT</b>	<b>ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

Attachments: Appendix "A" - By-law

Cc: Ian Collins, Director, Financial Services

## APPENDIX "A"

Bill No.  
2020

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 2021.

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 2021 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 2021; 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 2021 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 2021 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 November 10, 2020.

Ed Holder  
Mayor

Catharine Saunders  
City Clerk

First Reading – November 10, 2020  
Second Reading – November 10, 2020  
Third Reading – November 10, 2020