

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Subject: Authorization for Temporary Borrowing

Date: November 22, 2021

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the attached proposed by-law (Appendix “A”) BE INTRODUCED at the Municipal Council meeting on December 7, 2021, to authorize the temporary borrowing of certain sums to meet current expenditures of The Corporation of the City of London for the year 2022.

Executive Summary

The purpose of the proposed by-law is to authorize the City Treasurer or Deputy Treasurer to temporarily borrow funds, not exceeding \$102 million, to meet current expenditures, if required for 2022. This by-law is brought forward on an annual basis and authorization is granted as a precautionary measure.

Linkage to the Corporate Strategic Plan

Council’s 2019 to 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.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, December 14, 2020, Agenda Item 2.2, Financial Banking Services and Commercial Card Agreements - Agreement Extension

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=76370>

2.0 Discussion and Considerations

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.

With the ongoing impacts of the COVID-19 pandemic in 2021, the City has continued to actively monitor liquidity in order to ensure an adequate cash position is maintained to meet obligations as they come due. The cash management strategies that continue to be utilized in response to COVID-19 impacts include:

- Detailed monitoring of cash flows on a daily basis;
- Allowing internally managed investments to mature as needed, rather than immediately reinvesting those maturities;
- Deferring property tax supported contributions to reserve funds as needed to manage operational cash needs;
- Maintaining an internal cash floor equal to the City's reserve balances for general/operating funds.

Civic Administration will continue to actively monitor the impacts of COVID-19 on the City's cash flow and will implement strategies (including those outlined above) as needed to address any concerns.

Given the strategies being utilized, it is not anticipated that the City's line of credit will need to be utilized in 2022. However, 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 2022.

3.0 Financial Impact/Considerations

The temporary borrowing of funds, if required, would result in additional interest charges in the 2022 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. The need for temporary borrowing is not currently anticipated to be required in 2022.

Prepared by: Folakemi Ajibola, CTP, Manager, Financial Modelling, Forecasting and Systems Control (Treasury)

Submitted by: Kyle Murray, CPA, CA, Director, Financial Planning and Business Support

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

APPENDIX “A”

Bill No.

2021

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 2022.

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 2022 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 \$102,000,000 at any one time, to meet, until the taxes are collected, the current expenditures of the Corporation for the year 2022; 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 2022 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 2022 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 December 7, 2021.

Ed Holder

Mayor

Catharine Saunders

City Clerk

First Reading – December 7, 2021

Second Reading – December 7, 2021

Third Reading – December 7, 2021