

Date: 2020-12-18

Subject: **2021 Temporary Borrowing By-Law**

Contact: Mark Medeiros, Treasurer (Acting)
mark.medeiros@brampton.ca 905-874-2520

Report Number: Corporate Support Services-2021-097

Recommendations:

- 1) That the report titled “**2021 Temporary Borrowing By-Law**” to the Committee of Council meeting of February 3, 2021, re: be received.
- 2) That a by-law be enacted in accordance with Section 407 of the *Municipal Act, 2001* and in the form attached to this report as Appendix A, to authorize the temporary borrowing of funds, if considered necessary by the Treasurer, to meet current expenditures for the year 2021, until sufficient taxes are collected and other non-tax revenue are received.

Overview:

- **The *Municipal Act, 2001* authorizes a municipality to borrow money, as Council considers it necessary, to meet the current expenditures of the Corporation for the year, until taxes are collected and other non-tax revenues are received.**
- **A by-law is required for the purpose of authorizing the Corporation to borrow money if deemed necessary to meet current expenditures for the year 2021.**
- **As in previous years, staff does not anticipate having to temporarily borrow money in 2021 to meet operational requirements. However, in the event the City of Brampton finds it necessary to borrow money for operational requirements, this By-law gives the Treasurer the authority to temporarily borrow money, subject to the legislative limitations.**

Background:

Section 407(1) of the *Municipal Act, 2001* states that 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 amounts that the municipality considers necessary to meet the expenses of the municipality for the year and of the amounts, whether or not they are expenses for the year, that the municipality requires in the year.

The area that can be borrowed for are as follows:

- (a) Reserve, sinking and retirement funds;
- (b) Principal and interest due on any debt of the municipality;
- (c) School purposes;
- (d) Other purposes the municipality is required by law to provide for; and
- (e) The amount of principal and interest payable by a person or municipality primarily liable for a debt, if the municipality has guaranteed the debt and the debt is in default.

Section 407(2) of the *Municipal Act, 2001* sets out the requirement that the total amount that may be borrowed at any one time for the purposes described above plus any outstanding amounts of principal borrowed and accrued interest shall not exceed:

- From January 1st to September 30th in the year, 50% 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% of the total estimated revenues of the municipality as set out in the Budget adopted for the year.

Although actual borrowings under the provision have not been required for a considerable amount of time, Council has approved a Temporary Borrowing By-Law in prior years as a proactive measure for unforeseen circumstances.

Current Situation:

As in previous years, staff does not anticipate having to temporarily borrow money in 2021 to meet operational requirements. However, if the City of Brampton finds it necessary to borrow money for this purpose, this By-law gives the Treasurer the authority to temporarily borrow money, subject to the legislative limitations noted above.

The following table outlines the City of Brampton's upper limits should borrowing be required in 2021, based on the City's 2021 approved budget:

Revenues set out in 2021 Budget*	Maximum Borrowing Limits 2021	
	between Jan 1 and Sep 30	Between Oct 1 and Dec 31
\$734 million	\$367 million	\$183 million

*Excluding contribution from reserves and revenue derivable from arrears of taxes

Corporate Implications:

There are no immediate financial implications resulting from the recommendations in this report. The cost of any potential short-term borrowing will be offset by the interest revenue earned in the operating investment portfolio.

Strategic Plan:

This report achieves the Strategic Plan priorities of Good Government by delivering the statutory responsibility for “handling all the financial affairs of the municipality on behalf of and in the manner directed by Council”.

Term of Council Priorities:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and ensuring sustainable financial operations.

Conclusion:

Finance staff is recommending that a by-law be enacted in accordance with Section 407 of the *Municipal Act, 2001* to authorize the temporary borrowing of funds, if considered necessary by the Treasurer, to meet current expenditures for the year 2021, until sufficient taxes are collected and other non-tax revenues are received.

Authored by:

Reviewed by:

Majbah Ahmed, Manager, Banking and Investments

Mark Medeiros, Treasurer (Acting)

Approved by:

Submitted by:

Michael Davidson, Commissioner, Corporate Support Services

David Barrick, Chief Administrative Officer

Attachment: Appendix A – 2021 Temporary Borrowing By-law