



The Corporation of the Township of King Report to Council

From: Finance Department
Report Number: FIN-2024-020
Date: Monday, December 9, 2024
Title: **2025 Temporary Borrowing By-law**

Recommendation

1. That Report Number FIN-2024-020 be received; and
2. That the Mayor and Director of Finance & Treasurer be authorized to borrow from time to time until property taxes are collected, necessary sums to meet the current expenditures of the Corporation for the year in accordance with Section 407 of the *Municipal Act, 2001*; and
3. That Council enact By-law 2024-100, being a By-law authorizing the Temporary Borrowing By-law at this evening's meeting of Council.

1. Report Highlights

- This report is required annually to authorize a temporary borrowing limit with the Township's bank, if needed, for 2025.
- In previous years this option has not been utilized however, it is important to renew it each year to avoid delays if funding gaps occur and financing is required.

2. Purpose

The purpose of this report is to present the Township's 2025 Temporary Borrowing By-law for consideration and enactment.

3. Background

Section 407 of the *Municipal Act, 2001* permits a municipality to authorize temporary borrowing, until property taxes are collected and other revenues received, of an amount considered necessary to meet current annual expenditures. It is best practice to enact a by-law each year, even if the municipality does not expect to utilize the need. The borrowing may also include amounts required in the year for:

- a. 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

4. Analysis

A temporary borrowing by-law is necessary to address potential timing discrepancies between the need to disburse funds for current expenditures and the receipt of revenues intended to finance those expenditures. It has been a general Township practice to borrow from its reserve funds on a temporary basis. Alternatively, the recommendation of this Report provides authorization for the Township to borrow funds, on a temporary basis, from a financial institution in the event that Reserves balances are insufficient to support operating requirements.

The Township currently has in place a credit facilities agreement through the Canadian Imperial Bank of Commerce (CIBC) that provides access to a Demand Operating Credit Facility up to \$5M. Although the above referenced credit facility is in place, the Township has not required access in recent years and does not anticipate the need to access the credit facility during the calendar year of 2025.

In accordance with regulatory requirements, this Report, and by enactment of the authorizing By-law (2024-100), the Township will have the authority to access the demand credit facility in support of operational needs of the municipality. With a temporary borrowing by-law in place, staff will have the ability to act quickly in the best financial interest of the Township by borrowing funds temporarily if needed.

The amount of principal and interest payable by a person or municipality is primarily liable for a debt, if the municipality has guaranteed the debt and the debt is in default.

Except with the approval of the Ontario Land Tribunal (OLT), the total amount borrowed at any one time plus any outstanding amounts of principal borrowed and accrued interest shall not exceed:

- 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 which would equal \$35,236,665; and
- b. From October 1 to December 31 in the year, 25 per cent of the total estimated revenues for the municipality as set out in the budget adopted for the year which equals \$17,618,332.

5. Financial Considerations

In the event that the Township is required to access its demand operating credit facility, the borrowing interest rate, per the Township's banking agreement is Prime Rate minus 1.55% per annum or in the event that Canadian dollar Banker's Acceptance (B/A) are issued the cost of borrowing will be calculated based on B/A rate plus 0.67% per annum.

The CIBC Prime Rate of interest, as of November 18, 2024 is 5.95%.

Based on current liquidity levels, staff does not anticipate the need for the Township to access the approved demand credit facility during 2025. However, in the event that

the Township's liquidity position was to change in accordance with planned capital spending in 2025, staff recommend that Reserves be used on a temporary basis to bridge financing requirements until such time as long-term financing arrangements can be put in place through York Region's annual issuance of debenture financing.

Any use of internal temporary sources of financing (e.g. cash flow positive Reserves) will result in compensating the associated Reserve with interest at a rate that is not below the prevailing rate of one-year Guaranteed Investment Certificates (GICs) issued by the CIBC.

6. Alignment to Strategic Plan

The 2023-2026 Corporate Strategic Plan (CSP) was adopted by Council on June 12, 2023. The CSP reflects the priorities of utmost importance to the community and defines the obligations and commitments of the Township of King to its citizens and to the public. The CSP is aligned with the Townships long-term vision defined in the "Our King" Official Plan. The CSP also aims to ensure that staff initiatives focus on and work towards supporting King's Vision, Mission and Values.

This report is in alignment with the CSP's Priority Area(s), and/or associated Objective(s) and/or Key Results(s):

Priority Area: Sustainable Asset Management

Objective: Develop asset-funding strategies that ensure long-term fiscal sustainability.

Although there is a direct relationship to the priority area of Sustainable Asset Management, this specific report is required to maintain business continuity across all service areas, which indirectly supports all Strategic Plan priority areas.

7. Conclusion

Annually approving a temporary borrowing bylaw is important, to allow quick adaptation to changing circumstances. While the Township has not utilized such temporary borrowing facilities in recent history, the dynamic nature of our business having this flexibility and availability even more important.

8. Attachments

Not Applicable

Prepared by:

Peggy Tollett

Director of Finance / Treasurer

Approved for submission by:

Daniel Kostopoulos

Chief Administrative Officer