



**SUBJECT: Temporary Borrowing By-law**

**TO: Committee of the Whole**

**FROM: Finance Department**

Report Number: F-31-24

Wards Affected: All

Date to Committee: December 2, 2024

Date to Council: December 10, 2024

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**Recommendation:**

Approve the by-law attached as Appendix A to finance department report F-31-24, to authorize the temporary borrowings of monies from the Royal Bank of Canada and Scotiabank to meet the ordinary expenditures of the corporation for the 2025 fiscal year; and

Authorize the Mayor and City Clerk to execute the security agreement attached as Appendix B to finance department report F-31-24, subject to the satisfaction of the Commissioner, Legal and Legislative Services/City Solicitor.

**PURPOSE:**

**Vision to Focus Alignment:**

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

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**Executive Summary:**

The City occasionally requires short-term loans to manage cash flow effectively, particularly during periods of low liquidity before property tax collections. To facilitate

this, a proposed by-law has been prepared under Section 407 of the Municipal Act, 2001, which allows for temporary borrowing from the City's financial institutions.

During certain times of the year, cash flow constraints necessitate short-term borrowing. Historically, the City has relied on Reserve Funds to meet operational expenditures and will continue this practice as needed in 2025. The proposed by-law (Appendix A) and a required security agreement with the Royal Bank of Canada (Appendix B) are essential for maintaining these financial arrangements.

The City maintains a \$5 million line of credit at a prime rate minus 3/4% with Royal Bank of Canada. Currently, the prime rate is 5.95%. There has been no need to access this credit line in 2024, and it is not anticipated for 2025.

The City also has a \$5 million credit facility with Scotiabank to support the purchase card program. This facility is expected to be paid off monthly, and no security agreement is required.

The proposed by-law and associated security agreement should be presented to Council for approval, ensuring the City can meet its temporary borrowing needs as necessary.

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## **Background and Discussion:**

At various times during the year, it may be necessary to arrange short-term loans from the City's banker to meet the current ordinary expenditures of the municipality.

There are times in the year when cash flow is at the lowest point and operating expenditures must be covered during the period just prior to the collection of the property taxes. In previous years, we have borrowed from our Reserve Funds during this time and will continue to do so as necessary in 2025.

The legal authority to borrow short-term funds is obtained pursuant to a By-law prepared under Section 407 of the Municipal Act, 2001 (S.O. 2001). A copy of the proposed By-law is attached (Appendix A). It is also a requirement of the Royal Bank of Canada that a security agreement is executed by the Mayor and City Clerk and copies of both documents be forwarded to the Bank. A copy of the security agreement is attached as Appendix B.

### **Strategy/process/risk**

Not applicable.

### **Options Considered**

Not applicable.

### **Financial Matters:**

Borrowing arrangements with the Royal Bank provide us with a \$5,000,000 line of credit at the prime-lending rate minus 3/4%. At the current time, prime stands at 5.95%. It has not been necessary to access this credit line during 2024 or prior years nor is it anticipated to be needed for 2025. The by-law is prepared to meet the requirements of the banks.

The City also has borrowing arrangements with Scotiabank to provide a credit facility for administering the City's purchase card program. In 2024 the limit of this credit facility was \$5,000,000. It is anticipated that this credit facility will be paid off monthly in 2025 as had been done in 2024 and prior years. This borrowing agreement does not require a security agreement.

### **Total Financial Impact**

Not applicable.

### **Source of Funding**

Not applicable.

### **Other Resource Impacts**

Not applicable.

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### **Climate Implications:**

Not applicable.

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### **Engagement Matters:**

Not applicable.

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### **Conclusion:**

The attached by-law and security agreement should be presented to Council to authorize the temporary borrowings of monies from Scotiabank and the Royal Bank of Canada as needed.

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Respectfully submitted,

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Supervisor, Accounting Services

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**Appendices:**

- A. Temporary Borrowing By-Law
- B. Security Agreement

**Notifications:**

Royal Bank of Canada, Chris Hiebert

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**Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Commissioner Legal and Legislative Services/City Solicitor.