



Corporation of the Township of Brock

Staff Report to the Mayor and Members of Council

From: Trena DeBruijn
Position: Director of Finance/Treasurer
Title / Subject: 2024 Borrowing By-Law
Date of Report: June 27, 2024
Date of Meeting: July 15, 2024
Report No: 2024-FI-021

1.0 Issue / Origin

The proposed by-law authorizes borrowings directed toward the management of short term cash flow issues that may arise due to the timing of budget approval and subsequent tax rate enactment within a given taxation year as well as addressing cash flow requirements for the Sunderland Arena Project and any unforeseen requirements. It is recommended that the sum to be borrowed is not to exceed \$4,000,000 in total.

2.0 Background

The Municipal Act, 2001, S.O. 2001, c. 25 (the Act), Part XIII, Section 407 (1) allows a municipality to establish a by-law to permit temporary borrowings. The proposed by-law authorizes the CAO and Treasurer to act on behalf of the Township to borrow from time to time by way of Promissory Note from the Toronto-Dominion Bank a sum or sums not exceeding \$4,000,000 for the year, including the amounts required for the purposes mentioned in Subsection (1) of Section 407 of the Act, and to give on behalf of the Township to the Bank, a Promissory Note or Notes sealed with the Corporate Seal and signed by the CAO and Treasurer, for monies borrowed with interest, which may be paid in advance or otherwise at such rates of interest as may be agreed upon from time to time with the bank (Prime plus 0%). Establishing this by-law has been an annual practice at the Township but historically has not been used. While this provision has seldom if ever been drawn upon, it is still offered as a reasonable provision to be put in place in lieu of unforeseen circumstances that may develop in advance of the year's taxation dollars being received.

Historically, the borrowing limit had been set annually at a maximum of \$2,000,000 per year, however, with the upcoming Sunderland Arena Project, and the large funding component from the ICIP Grant, it is recommended that we increase the borrowing capacity to \$4,000,000 to allow for the gap in timing that is likely to occur from the time the Township submits a request for repayment to the time the payments are received.

Under the terms of the ICIP Grant, the Township is required to make payments for the work completed and then submit a repayment request to the Provincial and Federal Governments. Given past experience, the repayment time could fluctuate between 60 to 120 days, which means that the Township may be required to temporarily borrow funds to meet cash flow needs.

Any borrowing, as a result of the Sunderland Arena Project will be charged to the overall Sunderland Arena Project budget.

Staff will be working with the Project Manager to develop a reasonable cash flow requirement plan to allow for better planning to minimize borrowing during the project.

3.0 Analysis

From January 1st to September 30th, the maximum amount that may be borrowed at any one time, for the purpose of meeting current expenditures, shall not exceed 50 per cent of the total annual estimated revenue as set forth in the budget adopted for the year. Until the budget is adopted in a year, the limits upon borrowing shall be calculated using the estimated revenues of the municipality, as set out in the budget adopted for the previous year.

From October 1st to December 31st, 25 per cent of the total estimated revenues is the maximum that may be borrowed.

In calculating estimated revenues, the Act states that the borrowing limit calculation should not include revenues from arrears of taxes, fees or charges, or a payment from reserve funds of the municipality.

Municipal Act Calculation for Maximum Borrowing Limit for 2024

Based upon the 2023 budget, the total estimated revenue for calculating the maximum limit for temporary borrowing purposes in 2024 is calculated as follows:

Revenue Source	2023 Budget
Property Taxation	\$10,168,591
PIL & Supplemental	\$363,000
Investment Income	\$120,000
Provincial & Federal Governments	\$1,955,817
	\$12,607,408

Maximum Borrowing is \$6,303,704 (50% x \$12,607,408).

4.0 Related Policies / Procedures

N/A

5.0 Financial / Budget Assessment

No impact unless, or until, the temporary borrowings are required.

5.1 Asset Management

N/A

6.0 Climate Change Impacts

N/A

7.0 Communications

N/A

8.0 Conclusion

The report requests authorization for the CAO and the Treasurer to borrow up to a maximum of \$4,000,000 through short-term, temporary borrowing, to meet current expenditures (if required).

9.0 Recommendation

That report 2024-FI-021 be received; and

That Council provide authorization to the CAO and Treasurer to borrow, from time to time, by way of a promissory note from the Toronto Dominion Bank a sum or sums not exceeding at any one time during the year 2024 the aggregate of \$4,000,000 to meet short term needs.

Appendix – By-Law Number 3282-2024