



CITY OF KINGSTON
REPORT TO COUNCIL

Report No.: 12-013

TO: Mayor and Members of Council

FROM: Desirée Kennedy, City Treasurer

RESOURCE STAFF: Stephen Dickey, Deputy Treasurer
Lana Foulds, Manager of Financial Planning

DATE OF MEETING: January 10, 2012

SUBJECT: 2012 Municipal Borrowing By-law

EXECUTIVE SUMMARY:

The municipality must pass a by-law on an annual basis to enable it to borrow funds to meet its current operational needs. In accordance with section 5(3) of the Municipal Act, as amended, municipal powers are to be exercised by by-law, unless the municipality is specifically authorized to do otherwise.

RECOMMENDATION:

That a by-law be presented to council and given three readings to authorize the municipality to borrow up to \$149,000,000 during the January 1, 2012 to September 30, 2012 period and up to \$74,500,000 during the October 1, 2012 to December 31, 2012 period in order to finance the City's current operating expenditures on an interim basis.

January 10, 2012

-Page 2 -

AUTHORIZING SIGNATURES:

ORIGINAL SIGNED BY DIRECTOR OF FINANCIAL SERVICES

Desirée Kennedy, City Treasurer

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

Cynthia Beach, <i>Sustainability & Growth</i>	N/R
Lanie Hurdle, <i>Community Services</i>	N/R
Denis Leger, <i>Transportation, Properties & Emergency Services</i>	N/R
Jim Keech, <i>President and CEO, Utilities Kingston</i>	N/R

(N/R indicates consultation not required)

OPTIONS/DISCUSSION:

The municipality must pass a by-law on an annual basis to enable it to borrow funds to meet its current operational needs. Based on cash flow projections, short term borrowing for current operations is expected to be minimal, however, the City of Kingston has, in the past, been in a borrowing position in order to fund its day to day operations during the period from mid-December until the time when the current year's interim tax bills are due.

Section 407(2) of the Municipal Act, as amended, outlines the borrowing limits for operating purposes imposed upon Ontario municipalities. The limitations are such that in the first nine months of the year, municipalities can borrow no more than 50% of the budgeted revenues for the year. After September 30th, the loan amounts cannot exceed 25% of budgeted revenues. This equates to maximum borrowing limits of \$149,000,000 for the period from January 1, 2012 to September 30, 2012 and \$74,500,000 for the period from October 1, 2012 to December 31, 2012, should it be necessary in order to finance the City's current operating expenditures on an interim basis.

It is expected that interim tax bills will be due in late February 2012. As such, in order to have the flexibility to borrow early in 2012, if needed, it is necessary that the by-law be given three readings, making this a time sensitive issue.

EXISTING POLICY/BY LAW:

Municipal Act, 2001, as amended

NOTICE PROVISIONS:

Not applicable

ACCESSIBILITY CONSIDERATIONS:

Not applicable

FINANCIAL CONSIDERATIONS:

Finance charges will only apply should the City be required to borrow on this line. Based on cash flow projections, short term borrowing for current operations is expected to be minimal and transacted by way of temporary internal borrowings of other City funds with interest recorded appropriately.

CONTACTS:

Stephen Dickey, Deputy Treasurer
Lana Foulds, Manager of Financial Planning

Ext. 2370
Ext. 2209

OTHER CITY OF KINGSTON STAFF CONSULTED:

Not applicable

EXHIBITS ATTACHED:

Appendix A: Draft 2012 Municipal Borrowing By-law

BY-LAW NO. 12- XXX

A BY-LAW TO AUTHORIZE THE MUNICIPALITY TO BORROW UP TO \$149,000,000 DURING THE JANUARY 1, 2012 TO SEPTEMBER 30, 2012 PERIOD AND UP TO \$74,500,000 DURING THE OCTOBER 1, 2012 TO DECEMBER 31, 2012 PERIOD IN ORDER TO FINANCE THE CITY'S CURRENT OPERATING EXPENDITURES ON AN INTERIM BASIS

PASSED: January 10, 2012

WHEREAS Sections 407 (1) and (2) of the *Municipal Act*, S.O. 2001, c.25, as amended, authorize council to pass a by-law authorizing the municipality to borrow from time to time by way of promissory note or bankers' acceptance such sums as Council considers necessary to meet the current expenditures of the Corporation for the year until the taxes are collected and other revenues are received, provided the amounts borrowed between January 1 and September 30 and between October 1 and December 31 of the year do not exceed fifty per cent (50%) and twenty five per cent (25%), respectively, of the total estimated revenues of the Corporation as set forth in the budget adopted for the year; and

WHEREAS the Council deems it necessary to authorize the borrowing together with any similar borrowings that have not been repaid, a maximum of one hundred and forty-nine million dollars (\$149,000,000) during the period between January 1, 2012 and September 30, 2012, and a maximum of seventy-four million and five hundred thousand dollars (\$74,500,000) during the period between October 1, 2012, and December 31, 2012 in order to meet the current operating expenditures of the Corporation until the taxes are collected, such sums representing not more than fifty percent (50%) and twenty-five percent (25%), respectively, of the estimated revenue of the corporation as set forth in the budget adopted for the year; and

WHEREAS Council deems it expedient to pass a by-law for such purpose.

NOW THEREFORE BE IT RESOLVED THAT the Council of the Corporation of the City of Kingston enacts as follows:

1. The Mayor and City Treasurer of the Corporation are hereby authorized under the seal of the Corporation, to borrow by way of promissory note or bankers acceptance, from any chartered bank or banks in the City of Kingston or any other person, firm or corporation, a sum not exceeding one hundred and forty-nine million dollars (\$149,000,000) between January 1, 2012 and September 30, 2012 and seventy-four million and five hundred thousand dollars (\$74,500,000) between October 1, 2012 and December 31, 2012, for the purpose of meeting the current operating expenditures of the Corporation until the taxes are collected.

2. Despite the provisions of Section 1 of this by-law, the amounts that may be borrowed during the times and for the purposes mentioned in Section 1 of this by-law, together with the total of any similar borrowings that have not been repaid, shall not, except with the approval of the Ontario Municipal Board, exceed during the period between January 1, 2012 and September 30, 2012, and during the period between October 1, 2012 and December 31, 2012, fifty percent (50%) and twenty-five percent (25%), respectively, of the uncollected balance of the estimated revenues of the Corporation as set forth in the budget adopted for the year.

3. The Mayor and City Treasurer are hereby authorized to pay or allow the bank or banks or any other person, firm or corporation that lends money to the Corporation, interest on the sums borrowed at such rates of interest and on such other terms as may be arranged by the Treasurer and adopted by Council. The promissory note, or notes, debentures, covenants or agreements sealed with the seal of the Corporation and signed on behalf of the Corporation by the Mayor and City Treasurer may be given to the said bank or banks, person, firm or corporation as aforesaid as security for the repayment of the amounts borrowed with interest thereon as aforesaid.

4. This by-law shall come into force and take effect on its passed.

GIVEN ALL THREE READINGS AND PASSED: January 10, 2012

CITY CLERK

MAYOR