



**City of Kingston
Report to Council
Report Number 15-143**

To: Mayor and Members of Council
From: Desirée Kennedy, Chief Financial Officer and City Treasurer
Resource Staff: Stephen Dickey, Director of Financial Services
Lana Foulds, Manager of Financial Planning
Date of Meeting: January 6, 2015
Subject: 2015 Municipal Borrowing By-Law

Executive Summary:

The municipality must pass a by-law on an annual basis to enable it to borrow funds, if required, to meet its current operational needs. In accordance with section 5(3) of the *Municipal Act, 2001*, as amended, municipal powers are to be exercised by by-law, unless the municipality is specifically authorized to do otherwise. Section 407 of the *Municipal Act 2001*, as amended, outlines borrowing limits for operating purposes. Based on cash flow projections, short term borrowing for current operations is expected to be minimal.

Recommendation:

That a by-law be presented to Council and given three readings to authorize the municipality to borrow up to \$158,000,000 during the January 1, 2015 to September 30, 2015 period and up to \$79,000,000 during the October 1, 2015 to December 31, 2015 period in order to finance the City's current operating expenditures on an interim basis.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER AND CITY TREASURER

**Desirée Kennedy, Chief Financial Officer and
City Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Cynthia Beach, Corporate & Strategic Initiatives	Not required
Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required

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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 periodically, 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. Borrowing for operational needs can be executed through an internal borrowing from other City funds.

Section 407 of the *Municipal Act 2001*, 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. Where approval of the current year's budget is pending, the municipality is required to calculate its borrowing limits using budgeted revenues for the previous year. This equates to maximum borrowing limits of \$158,000,000 for the period from January 1, 2015 to September 30, 2015 and \$79,000,000 for the period from October 1, 2015 to December 31, 2015, 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 2015. As such, the recommendation in this report requests that the by-law presented to Council be given three readings in order to have the flexibility to borrow early in 2015, if required.

Existing Policy/By Law:

Municipal Act, 2001, as amended

Notice Provisions:

There are no notice provisions required for this report.

Accessibility Considerations:

This report may be available in alternative formats upon request.

Financial Considerations:

Finance charges will only apply should the City be required to borrow under this by-law. 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, Director of Financial Services, Extension 2370

Lana Foulds, Manager of Financial Planning, Extension 2209

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Other City of Kingston Staff Consulted:

No other City of Kingston staff consulted.

Exhibits Attached:

Exhibit A: Draft 2015 Municipal Borrowing By-law

By-Law Number. 2015-XX

A By-Law to Authorize the Municipality to Borrow up to \$158,000,000 During the January 1, 2015 to September 30, 2015 Period and up to \$79,000,000 During the October 1, 2015 To December 31, 2015 Period in Order to Finance the City's Current Operating Expenditures on an Interim Basis.

Passed: January 6, 2015

Whereas Section 407 of the *Municipal Act, 2001, c.25*, as amended, authorizes 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 approved 2014 operating budget; and

Whereas the Council deems it necessary to authorize the borrowing together with any similar borrowings that have not been repaid, to a maximum of one hundred and fifty-eight million dollars (\$158,000,000) during the period between January 1, 2015 and September 30, 2015, and a maximum of seventy-nine million dollars (\$79,000,000) during the period between October 1, 2015, and December 31, 2015 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 total estimated revenue of the corporation as set forth in the approved 2014 operating budget; and

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

Therefore be it resolved that the Council of The Corporation of the City of Kingston hereby 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 fifty-eight million dollars (\$158,000,000) between January 1, 2015 and September 30, 2015 and seventy-nine million dollars (\$79,000,000) between October 1, 2015 and December 31, 2015, 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, 2015 and September 30, 2015, and during the period between October 1, 2015 and December 31, 2015, fifty percent (50%) and twenty-five percent (25%) respectively, of the total estimated revenues of the Corporation as set forth in the approved 2014 operating budget.

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 City 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 the date of its passing.

Given all Three Readings and Passed: January 6, 2015

John Bolognone
City Clerk

Bryan Paterson
Mayor