

Region of Waterloo

Corporate Services

Treasury Services

To: Administration and Finance Committee

Meeting Date: December 6, 2022

Report Title: 2023 Temporary Borrowing By-laws

1. Recommendation

That the Regional Municipality of Waterloo authorize the Chief Financial Officer, by By-law, to borrow funds in 2023 as required on a temporary basis to meet operating and capital expenditure requirements, as set out in report COR-TRY-22-91 dated December 6, 2022.

2. Purpose / Issue:

To allow for temporary borrowing in accordance with the Municipal Act as a prudent financial management practice.

3. Strategic Plan:

These bylaws support the Corporate Strategic Plan's Responsive and Engaging Public Service Focus Area Strategic Objective 5.4: Ensure the Region provides value for money and long term financial sustainability.

4. Report Highlights:

- The Municipal Act requires by-laws to be passed annually to authorize any temporary borrowing for operating or capital needs.
- The enactment of the by-laws allows the Region to act quickly in the unlikely event of a cash flow shortage.
- Staff is not expecting that such borrowing will be required in 2023 for either operating or capital purposes.

5. Background:

a) Temporary borrowing for operating needs

Section 407 of the Municipal Act permits a municipality to authorize temporary borrowing for operating expenditure until taxes are collected and other revenues

are received in an amount Council considers necessary to meet the current expenditure of the municipality. While the Region incurs operational expenditure throughout the year, the Area Municipalities remit property taxes to the Region in nine monthly instalments starting April 1. The by-law for temporary borrowing enables the Region to borrow funds if and as needed to ensure it has an adequate cash flow to meet operating commitments.

The maximum amount of borrowing at any one time set out in the Municipal Act (including amounts outstanding) is 50% of estimated revenue from January 1 to September 30th and 25% of estimated revenue from October 1 to December 31. As the 2023 operating budget has not yet been approved, the Municipal Act requires the borrowing limits to be based on estimated revenue for 2022 (approx. \$1.1 billion). As such, the limit on temporary borrowing for current expenditure is approximately \$551 million for the first nine months and \$275 million for the remaining three months.

b) Temporary borrowing for capital needs

Section 405 of the Municipal Act permits a municipality to authorize temporary borrowing for capital works to be financed in whole or in part by the issuance of debentures. Capital expenditure is on-going throughout the year (although typically lighter in Q1) while debentures to finance the works are generally issued on a semi-annual basis. A by-law for temporary borrowing enables the Region to, if required, fund certain capital project costs in advance of debenture issuance.

The Municipal Act does not set out a specific limit for such temporary borrowing. An upper-tier municipality may authorize temporary borrowing to meet any expenditure made in connection with a capital project to be financed in whole or in part by the issue of debentures as long as the upper-tier municipality has approved the issue of debentures for the work. As such, the amount that can be borrowed under this section at any one time is the total unissued amount of Council-approved debenture authority for debt-financed projects.

6. Area Municipality Communication and Public/Stakeholder Engagement:

Area Municipality Communication: Nil

Public/Stakeholder Engagement: Nil

7. Financial Implications:

Staff is not expecting that temporary borrowing will be required in 2023 for either operating or capital purposes. The 2023 preliminary operating budget includes a provision of \$15,000 to cover interest expenses in the unlikely event that temporary borrowing is required.

8. Conclusion / Next Steps:

The following by-laws will be presented to Council for approval on December 14, 2022:

A By-law to Authorize the Temporary Borrowing for Current Expenditures
Pending the Receipt of Revenue during the 2023 fiscal year.

A By-law to Authorize the Temporary Borrowing for Capital Expenditures
Pending the Receipt of Debenture Proceeds during the 2023 fiscal year.

9. Attachments:

Nil

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