

**REPORT FIN-2014-012**

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

SUBJECT: Temporary Borrowing By-law

RECOMMENDATIONS

That Report FIN-2014-012 regarding the 2014 Temporary Borrowing By-law be received; and

That Council enact a By-law authorizing external temporary borrowings of \$1,500,000 in 2014.

ORIGIN/BACKGROUND

Section 407 of the Municipal Act, 2001, allows for a municipality to pass a By-law authorizing the temporary borrowing of funds of an amount that Council considers necessary to meet the current expenditures for the year. Council must pass this temporary borrowing By-law annually if they wish to utilize it in a given year.

Township staff continually monitor and project the Township's cash flow requirements to ensure adequate cash is available to meet anticipated needs. In prior years, no external borrowing has been required to meet current expenditures.

It is recommended that Council enact a By-law permitting staff to borrow up to \$1,500,000 in the event that it is deemed necessary to borrow funds externally to meet short-term needs until the Township's main revenue source of property taxes is levied and collected.

DISCUSSION

Section 407 of the Municipal Act, 2001 permits a municipality to authorize temporary borrowing, until the taxes are collected and other revenues received, of an amount that Council considers necessary to meet the current expenditures for the year. Unless otherwise approved by the Ontario Municipal Board, that amount cannot exceed:

- a.) from January 1 to September 30: 50 percent of the total estimated revenues of the municipality as set out in the adopted budget; and
- b.) from October 1 to December 31: 25 percent of the total estimated revenues of the municipality as set out in the adopted budget.

For the purposes of this By-law, the estimated revenues do not include revenues derivable or derived from any borrowings, including through any issue of debentures, any prior year surplus, revenues related to tax arrears, and a transfer from a capital fund, reserve fund or reserve. The maximum amount of temporary borrowing allowed by the Act is as follows:

- \$2,352,200 – the maximum amount that may be borrowed at any one time on a temporary basis from January 1st to September 30th, 2014; and
- \$1,176,100 – the maximum amount that may be borrowed at any one time on a temporary basis from October 1st to December 31st, 2014.

The Township is able to temporarily borrow funds from the bank at the prime lending rate. In prior years, the Township has not utilized external temporary borrowings for cash flow purposes. However, a situation may arise where an unexpected payment may be required or several large payments may be required prior to the collection of property taxes.

With a temporary borrowing By-law in place, staff will have the ability to act quickly in the best financial interest of the Township by borrowing funds temporarily. It is not anticipated that the Township will require temporary borrowing of funds in 2014.

If the Township was required to borrow funds beyond a one year period or beyond the term of a Council to help finance certain approved capital projects, then the Township through Council would consider a debenture through the County of Wellington to ensure compliance with Provincial legislation.

FINANCIAL IMPLICATIONS

There is no financial impact to the operating budget unless borrowing is required.

APPLICABLE LEGISLATION AND REQUIREMENTS

Municipal Act, 2001, S.O. 2001, c. 25, as amended, Section 407



Chartered Accountants
and Business Advisors

People Count.

AUDITOR'S REPORT ON COMPLIANCE WITH AGREEMENT

To the Corporation of the Township of Puslinch,

We have audited the Corporation of the Township of Puslinch's compliance as at December 31, 2013 with the criteria described in Sections 3.1, 5.1, 5.4, 6.2, 6.5 to 6.9, 7.1 a to g, 7.2, 8.1 to 8.3, 9.1, 9.2 and 10.2 inclusive of the Municipal Funding Agreement for the Transfer of Federal Gas Tax Revenues Under the New Deal for Cities and Communities dated November 16, 2005, and as amended dated March 3, 2010, with the Association of Municipalities of Ontario and the interpretation of such agreement. Compliance with the criteria established by the provisions of the agreement is the responsibility of the management of the Corporation of the Township of Puslinch. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Corporation of the Township of Puslinch complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, as at December 31, 2013, the Corporation of the Township of Puslinch was in compliance, in all material respects, with the criteria described in Sections 3.1, 5.1, 5.4, 6.2, 6.5 to 6.9, 7.1 a to g, 7.2, 8.1 to 8.3, 9.1, 9.2 and 10.2 of this agreement.

Guelph, Ontario
March 17, 2014

RLB LLP
Chartered Accountants
Licensed Public Accountants