



**City of Kingston
Report to Council
Report Number 21-039**

To: Mayor and Members of Council
From: Desiree Kennedy, Chief Financial Officer & City Treasurer
Resource Staff: Lana Foulds, Director of Financial Services
Scarlet Eyles, Manager of Financial Planning
Date of Meeting: January 12, 2021
Subject: 2021 Municipal Borrowing By-Law

Council Strategic Plan Alignment:

Theme: Policies & by-laws

Goal: See above

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 the borrowing limits for operating purposes. Based on cash flow projections, short term borrowing for current operations is expected to be minimal.

Recommendation:

That a draft by-law, attached to Council Report Number 20-039 as Exhibit A, be presented to Council for all three readings on January 12, 2021 to authorize the municipality to borrow up to \$250,000,000 during the January 1, 2021 to September 30, 2021 period and up to \$125,000,000 during the October 1, 2021 to December 31, 2021 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 & CITY TREASURER

**Desiree Kennedy, Chief
Financial Officer & City
Treasurer**

ORIGINAL SIGNED BY CHIEF
ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Community Services	Not required
Peter Huigenbos, Commissioner, Business, Environment & Projects	Not required
Brad Joyce, Commissioner, Corporate Services	Not required
Jim Keech, President & CEO, Utilities Kingston	Not required
Sheila Kidd, Commissioner, Transportation & Public Works	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 are often 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.

Should it be necessary to finance the City's current operating expenditures on an interim basis, maximum borrowing limits for the period from January 1, 2021 to September 30, 2021 and for the period from October 1, 2021 to December 31, 2021 are \$250,000,000 and \$125,000,000 respectively.

The recommendation in this report requests that the draft by-law presented to Council be given three readings in order to have the flexibility to borrow early in 2020, if required.

Existing Policy/By-Law:

Municipal Act, 2001, as amended

Notice Provisions:

None

Accessibility Considerations:

None

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:

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Scarlet Eyles, Manager, Financial Planning 613-546-4291 extension 2262

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Other City of Kingston Staff Consulted:

None

Exhibits Attached:

Exhibit A - Draft 2021 Municipal Borrowing By-Law

By-Law Number. 2021-XX

A By-Law to Authorize the Municipality to Borrow up to \$250,000,000 during the January 1, 2021 to September 30, 2021 Period and up to \$125,000,000 during the October 1, 2021 to December 31, 2021 Period in Order to Finance the City's Current Operating Expenditures on an Interim Basis.

Passed: January 12, 2021

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 2021 operating budget; and

Whereas Council deems it necessary to authorize the borrowing together with any similar borrowings that have not been repaid, to a maximum of two hundred and fifty million dollars (\$250,000,000) during the period between January 1, 2021 and September 30, 2021, and a maximum of one hundred and twenty-five million dollars (\$125,000,000) during the period between October 1, 2021 and December 31, 2021 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 2021 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 two hundred and fifty million dollars (\$250,000,000) between January 1, 2021 and September 30, 2021 and one hundred and twenty-five million dollars (\$125,000,000) between October 1, 2021 and December 31, 2021, 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, 2021 and September 30, 2021, and during the period between October 1, 2021 and December 31, 2021, fifty percent (50%) and twenty-five percent (25%) respectively, of the total estimated revenues of the Corporation as set forth in the approved 2021 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 12, 2021

John Bolognone
City Clerk

Bryan Paterson
Mayor