



To: Council
From: Yun Ke Ni Director of Finance/Treasurer
Date of Meeting: January 13, 2021
Subject: By-law No. 2021-001 to Authorize Temporary Borrowing

Recommendation:

By-law No. 2021-001, being a by-law to authorize temporary borrowing, be read and passed in open Council, signed and sealed this 13th day of January, 2021.

Executive Summary:

Our current agreement with the Bank of Montreal includes an operating line of credit (LOC) of \$3.5 million, available at an interest rate of prime less 25 points (current prime rate is 2.45%). It is not anticipated that we will require these funds in 2021, however, should immediate financial support be required, funds will be available.

In order to maintain this LOC with the Bank of Montreal, the Township is required to pass a temporary borrowing by-law on an annual basis.

By-law No. 2021-001, being a by-law to authorize temporary borrowing, will satisfy the financial institutions requirement to obtain from the Township of South Stormont a temporary borrowing By-law in order to maintain our current operating LOC. The attached By-law, which is in accordance with Section 407 of the *Municipal Act, 2001*, authorizes temporary borrowing from the Bank of Montreal, in a sum or sums not exceeding in the aggregate eleven million, four hundred thousand dollars (\$11,400,000), calculated using the estimated revenue in the budget adopted in the previous year.

Background:

Section 407 of the *Municipal Act, 2001*, authorizes temporary borrowing for amounts that the municipality considers necessary, until taxes are collected and/or other revenues are received to meet the expenses for the year. Except with the approval of the Ontario Municipal Board, the total amounts borrowed at any one time shall not exceed 50% of the estimated revenue from January 1 to September 30, and 25% from October 1 to December 31 in any given year. Pending adoption of the budget, the limits upon borrowing shall temporarily be calculated using the estimated revenue in the budget adopted in the previous year.

In accordance with Section 407 of the *Municipal Act, 2001*, By-law No. 2021-001 authorizes temporary borrowing from the Bank of Montreal, in a sum or sums not exceeding in the aggregate eleven million, four hundred thousand dollars (\$11,400,000), calculated using the estimated revenue in the budget adopted in the previous year of twenty two million, eight hundred thousand dollars (\$22,800,000).

By-law No. 2021-001, being a by-law to authorize temporary borrowing, will satisfy the financial institution's requirement to obtain from the Township of South Stormont a temporary borrowing By-law.

Options:

1. That Council adopt By-law No. 2021-001, being a by-law to authorize temporary borrowing. This is the recommended option.
2. That Council not pass By-law No. 2021-001.

Financial Impact:

Included in our current agreement with the Bank of Montreal is an operating LOC of \$3.5 million available at an interest rate of prime less 25 points (current prime rate 2.45%); there is no direct cost to the Township to retain this financing option.

The Township's only criteria to maintain this LOC is to pass a temporary borrowing by-law on an annual basis.

Risk:

If this by-law is not passed, the Township, if needed due to the timing of cash receipts, will be unable to access current short-term lending options through the Bank of Montreal.

Others Consulted:

1. Financial institution representatives
2. *Municipal Act, 2001*