
Report of the Commissioner of Finance
Temporary Borrowing Authorization for 2025

1. Recommendations

1. The Commissioner of Finance and Regional Treasurer be authorized to temporarily borrow during 2025 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
 - a. Up to \$650 million to fund operating expenditures pending receipt of tax levies and other revenues; and
 - b. Up to \$300 million to fund capital expenditures until such time as long-term financing is in place.
2. The Commissioner of Finance and Regional Treasurer be authorized to execute the necessary documents to enable temporary borrowing in 2025.
3. The Regional Solicitor be authorized to prepare the necessary bylaws.

2. Purpose

This report seeks authorization for temporary borrowing, if and when required, to meet capital and operating expenditures during 2025. The *Municipal Act, 2001* (Act) requires authorization for a temporary borrowing bylaw for each calendar year.

Key Points:

- Provincial legislation allows municipalities to borrow on a temporary basis
- The borrowing limit for operating expenditures for 2025 is \$1.46 billion from January to September and \$728 million from October to December, calculated based on a prescribed formula according to the provincial legislation

- This report seeks authorization for up to \$650 million in temporary borrowing to fund operating expenditures for 2025, which is less than both the upper permissible limit for the first nine months and the last three months of the year
- This report also seeks temporary borrowing authorization for up to \$300 million to fund 2025 capital expenditures before receipt of debenture proceeds
- Temporary borrowing does not have a direct impact on the Region's credit rating

3. Background

Provincial legislation allows municipalities to borrow on a temporary basis

The Commissioner of Finance and Regional Treasurer may engage in temporary borrowing from time to time to fund the operating and capital needs of the corporation.

Section 407 of the Act provides the authority for temporary borrowing for approved operating expenditures until tax levies and other revenues are received where the amounts are considered necessary to meet the expenses of the municipality for the year. The borrowing may include amounts required for principal and interest payments on debt and required payments to local boards.

Provincial legislation limits the amount that can be temporarily borrowed for operating purposes to 50% of budgeted total estimated revenue from January to September and 25% of budgeted total estimated revenue from October to December. The limits include any temporary borrowing from previous years not yet repaid.

In addition, Section 405 of the Act provides the authority for temporary borrowing for approved capital expenditures to be financed in whole or in part by the issuance of debentures during the year.

Temporary borrowing does not affect the Region's annual repayment limit or credit rating

The Province regulates the amount of municipal debt and other financial obligations through an annual repayment limit regulation under the Act, including any temporary borrowing outstanding at the end of the year. Each year, as part of the annual update to the Regional Fiscal Strategy, Council adopts a Long-Term Debt Management Plan, the most recent being the [2024 Long-Term Debt Management Plan](#). The plan includes a multi-year projection of the Region's long-term debt and financial obligation needs and the corresponding annual repayment limit for each year.

Any funds borrowed from reserves are always paid back during the year of borrowing with interest at the same rate that would have been earned on the corresponding reserves and excluded from the annual repayment limit. All outstanding amounts on promissory notes are also repaid before year-end and do not affect the Region's credit rating.

4. Analysis

The Region's estimated temporary borrowing needs for 2025 operating costs are within the limit prescribed by the Province

Using 2025 revenues in the proposed 2025 Regional multi-year budget as an estimate for the allowable revenues, the Region's temporary borrowing limit for operating purposes is \$1.46 billion from January to September and \$728 million from October to December. Allowable sources of revenue include net taxation, user charges, grants and subsidies, transfer payments, fees and services revenues and exclude development charges, third-party recoveries and revenues from fines.

Staff estimate \$650 million of temporary borrowing for operating expenditures would be sufficient to meet the Region's 2025 short-term financing requirements, when used in conjunction with the Working Capital Reserve.

This amount bridges the gap between when bills need to be paid and when revenues are received.

- The estimate is based on approximately one third of the annual tax levies forecasted to be received, the monthly receipt of user charges, half of the expected amount of fees and services, and additional buffer to account for any uncertainties such as impacts of Bill 23 or any other unforeseeable events and legislative changes.
- This report seeks authorization for up to \$650 million for 2025, which is conservatively less than the upper permissible limit for both the first nine months and the last three months of the year.

The Region's Capital Financing and Debt Policy permits temporary borrowing for both operating and capital needs from any of the following sources: reserves and reserve funds; promissory notes; bank credit facilities; and short-term advances.

For this coming year, the \$50 million currently available in the Working Capital Reserve and other short-term financing sources can be used to partially offset temporary borrowing needs prior to the receipt of tax, user rate revenue and fees and charges. The receipt of these revenues will be used to repay any temporary borrowing drawn for operating expenditures during the year.

Temporary borrowing will provide the flexibility to finance the Region's capital projects in 2025 prior to debenture issuance

The 2025 proposed Capital budget includes \$446 million of capital expenditures eligible for debt financing, with planned debenture issuance of \$209 million. Actual debt requirement for the year may increase should DC collections come in lower than the budget forecast. This report requests up to \$300 million of temporary borrowing for capital expenditures to provide the Region with flexibility to accommodate the timing of debenture issuance and any potential

increase in debt requirements. This amount is in line with historical temporary borrowing authorization requests. Receipt of debenture proceeds will be used to repay any temporary borrowing for capital expenditures during the year.

Promissory notes may be employed when it is economically advantageous to do so within the context of the Region's investment and debt management programs. They may be used for temporary borrowing for both operating and capital expenditures. It is expected that a combination of reserves and reserve funds and short-term promissory notes, as appropriate, may be used to finance any temporary borrowing needs in 2025.

5. Financial Considerations

This report does not present current or anticipated financial changes to the Region's budget or fiscal position.

The cost of temporary borrowing is estimated at \$3.0 million for 2025, offset by the investment income which is incorporated into the operating budget. The cost of borrowing is mainly determined by short-term interest rates which are driven by factors such as the Bank of Canada interest rate decisions and money market pricing (i.e., increases during rate hikes and declines during rate cuts). Temporary borrowings help fund capital requirements in the interim until permanent funding is in place. Temporary borrowing can also help fund the liquidity requirements of the Region to support its operating needs.

Temporary borrowing does not have a direct impact on the Region's credit rating, as it is based mainly on long-term debt. Although credit rating agencies consider the Region's fiscal management practices, they have not raised any concerns regarding temporary borrowing in the past.

6. Local Impact

Temporary borrowing allows operating and capital spending to proceed throughout the Region on a timely basis. This spending provides essential services and capital infrastructure for residents and businesses in all local municipalities in York Region.

7. Conclusion

The report requests authorization for the Commissioner of Finance and Regional Treasurer to borrow up to \$650 million to fund operating expenditures and up to \$300 million to fund capital expenditures by way of temporary loans, if needed, to meet the short-term funding needs of the corporation during 2025.

For more information on this report, please contact Bonny Tam, Director (A), Treasury Office and Deputy Treasurer, at 1-877-464-9675 ext. 75885. Accessible formats or communication supports are available upon request.

Recommended by:



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Commissioner of Finance and Regional Treasurer



Approved for Submission:

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