

## Report of the Commissioner of Finance

### **Temporary Borrowing Authorization for 2026**

---

#### **1. Recommendations**

1. The Commissioner of Finance and Regional Treasurer be authorized to temporarily borrow during 2026 from either external financing or by means of temporary loans from reserves and reserve funds for the following amounts and purposes:
  - a. Up to \$670 million to fund operating expenditures pending receipt of tax levies and other revenues; and
  - b. Up to \$500 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 2026.
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 2026. The *Municipal Act, 2001 (Act)* requires authorization for a temporary borrowing bylaw each calendar year.

#### **Key Points:**

- Provincial legislation allows municipalities to borrow on a temporary basis. The Region can borrow from its own reserves (including Working Capital), issue promissory notes or draw on its line of credit
- The borrowing limit for operating expenditures for 2026 is \$1.61 billion from January to September and \$807 million from October to December, calculated based on a

prescribed formula according to provincial legislation. There is no limit on temporary borrowing for capital

- This report seeks authorization for up to \$670 million in temporary borrowing to fund operating expenditures for 2026, which is within the statutory limit for the first nine months and last three months of the year
- This report also seeks temporary borrowing authorization for up to \$500 million to fund 2026 capital expenditures before receipt of debenture proceeds
- The Region typically repays all temporary borrowing by year end, ensuring it does not have a direct impact on the Region's credit rating or Annual Repayment Limit (ARL)

### **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 authority for temporary borrowing for approved operating expenditures until tax levies and other revenues are received where amounts are considered necessary to meet expenses of the municipality for the year. Legislation limits the amount that can be 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.

Section 405 of the *Act* provides the authority for temporary borrowing for approved capital expenditures to be financed in whole, or part, by the issuance of debentures during the year. There is no limit on temporary borrowing for capital.

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.

#### **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 year-end.

The Region typically repays all temporary borrowing by year-end. Any funds borrowed from reserves are repaid with interest at the same rate that would have been earned on the corresponding reserves. All outstanding amounts on promissory notes are repaid before year-end and therefore do not affect the Region's credit rating.

## 4. Analysis

### **The Region's estimated temporary borrowing needs for 2026 operating expenditures are within the limit prescribed by the Province**

The Region's statutory temporary borrowing limit for operating purposes is \$1.61 billion from January to September and \$807 million from October to December. The calculation is based on projected revenues in the 2026 Regional Budget, including net taxation, user charges, grants and subsidies, transfer payments, and fees and services.

Staff estimate \$670 million of temporary borrowing would be sufficient to meet the Region's 2026 short-term financing requirements for operating expenditures. This amount is within the statutory limit for the first nine months and the last three months of the year. The estimate is based on approximately one third of annual tax levies forecasted to be received, the monthly receipt of user charges, half the expected amount of fees and services, and an additional buffer to account for any uncertainties such as the impacts of unanticipated legislative changes.

Temporary borrowing requirements for operating would be satisfied through a combination of reserve draws and promissory notes, and repaid from tax receipts, user rate revenues and fees and charges.

### **Temporary borrowing would provide the flexibility to finance the Region's capital projects in 2026 prior to debenture issuance**

The 2026 proposed capital budget includes \$525 million of capital expenditures eligible for debt financing, with planned debenture issuance for the entire amount. Actual debt requirement for the year may decrease should DC collections come in significantly higher than the budget forecast. This report requests up to \$500 million of temporary borrowing for capital to provide the Region with flexibility to accommodate the timing of debenture issuance. This amount is higher than historical temporary borrowing authorization requests due to increased borrowing requirements resulting from development charge deferrals, both Council approved and statutory.

Temporary borrowing requirements for capital would be satisfied through a combination of reserve draws and promissory notes, and repaid from debenture proceeds. Promissory notes are used only when deemed economically beneficial to the Region.

## 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 \$1.8 million for 2026 and is offset by investment income. Borrowing costs are based on short-term rates, which are driven by factors such as 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 until permanent funding is in place. Temporary borrowing can 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 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 York Region's municipalities.

## 7. Conclusion

The report requests authorization for the Commissioner of Finance and Regional Treasurer to borrow up to \$670 million to fund operating expenditures and up to \$500 million to fund capital expenditures by way of temporary loans, if needed, to meet the short-term funding needs of the Corporation during 2026.

---

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:



**Laura Mirabella**

Commissioner of Finance and Regional Treasurer

Approved for Submission:



**Erin Mahoney**

Chief Administrative Officer

November 18, 2025

16924081