

**THE CORPORATION OF THE CITY OF WINDSOR**  
**Office of the City Treasurer - Finance**



**MISSION STATEMENT:**

*"Our City is built on relationships – between citizens and their government, businesses and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together."*

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| <b>LiveLink REPORT #: 18075 AF2015</b>        | <b>Report Date: November 21, 2015</b>    |
| <b>Author's Name: Vince Grillo</b>            | <b>Date to Council: December 7, 2015</b> |
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**To: Mayor and Members of City Council**

**Subject: 2016 Annual Temporary Borrowing**

**1. RECOMMENDATION: City Wide:  Ward(s):**

THAT City Council AUTHORIZE the temporary borrowing of money for current expenditures for the year 2016, if and when required, as provided for under the provisions of Section 407 of the Municipal Act,

THAT the City Solicitor be DIRECTED to prepare the necessary by-law,

THAT City Council AUTHORIZE the CAO and City Clerk to execute the related banking agreements including any line of credit commitment letters as deemed necessary to establish/maintain the line of credit facility approved as to legal content by the City Solicitor and as to technical and financial content to the CFO/City Treasurer; and

THAT City Council AUTHORIZE the CAO and CFO/City Treasurer to borrow on a temporary basis, such sums, if any, as considered necessary to meet the current expenditures of the Corporation for the year until the taxes are collected and other revenues are received; and to EXECUTE any such related banking agreements including but not limited to the Bank's Acceptance Agreement and Overdraft Lending Agreement approved as to legal content by the City Solicitor and as to technical and financial content to the CFO/City Treasurer; and

THAT City Council AUTHORIZE the CAO and CFO/City Treasurer to sign the "Security Agreement - Municipalities and School Boards" document subject to approval for legal content by the City Solicitor and as to technical and financial content to the CFO/City Treasurer.

**EXECUTIVE SUMMARY:**

N/A

## **2. BACKGROUND:**

Traditionally, at the beginning of each year Council provides authority to the City Treasurer to borrow such sums, as may be considered necessary, to meet the current expenditures of the Corporation for the year until the taxes are collected and other revenues are received. This authorization is then supported by way of municipal by-law.

Section 407 (1) of the Municipal Act, titled Borrowing for expenses, states that municipalities are allowed to authorize temporary borrowing.

Section 407 (2) of the Municipal Act, titled Limit, further outlines the following:

“Except with the approval of the Ontario Municipal Board, the total amount borrowed at any one time plus any outstanding amounts of principal borrowed and accrued interest shall not exceed,

(a) from January 1 to September 30 in the year, 50 per cent of the total estimated revenues of the municipality as set out in the budget adopted for the year; and

(b) from October 1 to December 31 in the year, 25 per cent of the total estimated revenues of the municipality as set out in the budget adopted for the year.”

## **3. DISCUSSION:**

The City of Windsor's current credit facilities do not incur any fees unless utilized, but gives the corporation the security that they are in place if required, satisfying good business practices. If Administration were to not pursue this agreement until borrowing is required there could be a delay therefore limiting our ability to respond to any situation in a timely manner.

As previously reported to City Council, our current Scotiabank operating line of credit stands at \$100,000,000. In addition to the benefits of having this credit line readily available for use, it also helps to improve the City's financial liquidity, which was a positive factor noted in previous Standard and Poor credit rating reports.

It can be noted that despite having the credit facility available, throughout fiscal year 2015, the City has maintained a substantial positive cash flow position and therefore has not borrowed any funds from this line of credit. In fact, given the City's increasing reserve balances, the City has not borrowed against this credit facility in several years. Administration is recommending that the CAO and City Clerk be provided with the authority to sign the credit facility commitment letter. However should the need arise to utilize the line of credit, any such borrowings would be reported to City Council at the appropriate time.

As part of the credit facility an updated “Security Agreement - Municipalities and School Boards” document is required. To be consistent with authorities as it relates to any borrowings from the line of credit, Administration is recommending that the CAO and CFO/City Treasurer be authorized to sign the document.

**4. RISK ANALYSIS:**

As mentioned within the Discussion section, having a line of credit available as needed is good business practice should any unforeseen situation arise that would require its use. However Administration does monitor the City's cash position on a regular basis to ensure that sufficient funds are maintained. In addition the liquidity provided by the credit facility currently in place has been a positive factor in previous Standard and Poor credit rating reports. While the use of debenture issues and other borrowing sources could be relied upon if needed, the City could be faced with higher interest rate on those borrowings.

**5. FINANCIAL MATTERS:**

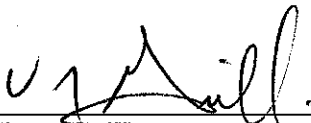
There is no cost to the City to maintain the line of credit on standby.

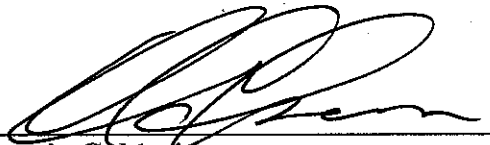
**6. CONSULTATIONS:**

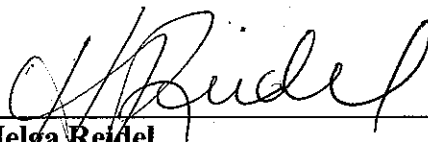
Pat Brode, Senior Legal Council

**7. CONCLUSION:**

In order to make available the line of credit and to comply with the Municipal Act, Administration requires Council to approve the use of temporary borrowing for 2016 according to the provisions of Section 407 of the Municipal Act.

  
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**Vince Grillo**  
Manager of Treasury & Cash  
Management

  
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**Onorio Colucci**  
Chief Financial Officer/City Treasurer and  
Corporate Leader Finance and Technology

  
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**Helga Reidel**  
Chief Administrative Officer

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**APPENDICES:**

**DEPARTMENTS/OTHERS CONSULTED:**  
**Name:**  
**Phone #: 519                    ext.**

| <b>NOTIFICATION :</b>       |                   |                            |              |              |
|-----------------------------|-------------------|----------------------------|--------------|--------------|
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