



MANAGEMENT REPORT

Date: December 16, 2024
To: Mayor and Members of Council
From: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Report Number: COU24-154
Attachments: Draft By-law 2025 Temporary Borrowing

Title: 2025 Temporary Borrowing By-law

Objective: To obtain Council approval to allow the City of Stratford to temporarily borrow funds, if necessary during the year. This borrowing by-law is for the City's line of credit for overdraft. It is rarely used but is recommended for unforeseen circumstances.

Background: Section 407(1) of the Municipal Act, 2001 states: "At any time during a fiscal year, a municipality may authorize temporary borrowing until the taxes are collected and other revenues are received, of the amount Council considers necessary to meet the current expenditures of the municipality for the year."

On an annual basis, the City's primary banking institution, RBC, requires reaffirmation of the by-law to be aware of the limits, should the necessity to borrow arise.

The total amount which may be borrowed at any one time under this by-law plus any outstanding amounts of principal borrowed and accrued interest under Section 407(2) of the Municipal Act, 2001; together with the total of any similar borrowings that have not been repaid, shall not exceed:

- (a) From January 1 – September 30 in the year, 50 percent of the total estimated revenues of the Municipality, as set out in the budget adopted for the current year; and
- (b) From October 1 to December 31 in the year, 25 percent of the total estimated revenues of the Municipality as set out in the budget for the current year or \$15,000,000 whichever is less.

Section 407(3) of the Municipal Act, 2001 provides that until the budget is adopted in a year, the limits upon borrowing under subsection (2) shall temporarily be calculated using the estimated revenues of the municipality set out in the budget adopted for the previous year.

Analysis: The City maintains an overdraft facility to assist with short-term cash flows as required. This has not been utilized in recent years; however it is maintained as a precautionary facility to ensure business continuity.

Financial Implications:

Financial impact to current year operating budget:

There are no immediate or foreseen impacts because of this report. Should the need arise for short-term borrowing, an informational report would be forthcoming outlining the circumstances. As the City's financial position is sufficient currently, this is not anticipated. Should this need arise, the City would have interest costs on any short-term borrowing at the applicable rate.

Financial impact on future year operating budget:

None anticipated.

Alignment with Strategic Priorities:

Not applicable: This report does not align with specific Strategic Priorities of the City; however, sound fiscal governance and adherence to regulations will indirectly support all Strategic Priorities of the City.

Alignment with One Planet Principles:

Not applicable: This report does not have a direct connection to the One Planet Principles, as it is an administrative matter.

Staff Recommendation: THAT a by-law to authorize the temporary borrowing of funds from time to time to meet current expenditures during the fiscal period ending December 31, 2025, be adopted.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer

Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Joan Thomson, Chief Administrative Officer