



## Committee of the Whole Report

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**Meeting Date:** 2025-07-07

**Department:** Corporate Services

**Report Number:** Corporate Services-2025-018

**Submitted By:** Philip Reniers

**Approved By:** Stephen Donachey

**Subject:** Temporary Borrowing By-law

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### Recommendation:

**That** Committee of the Whole recommends that Council grant three readings and final passage to By-law 2025-036 being a by-law to provide for temporary borrowing by the municipality when required, as attached to Corporate Services-2025-018.

### Background:

The Township must pass a by-law on an annual basis to enable it to borrow funds, if required, to meet its current operational needs, on a temporary basis. Section 407 of the *Municipal Act, 2001*, as amended, outlines the borrowing limits for operation purposes.

Council previously passed By-law 2024-052, being a by-law to provide for temporary borrowing for 2025 up to \$1,000,000 at the December 9, 2024 Council meeting. The purpose of this report is to pass a new by-law, repealing the previous one, and increase the temporary borrowing limit to \$3,000,000.

### Analysis:

Staff recommend that Council pass By-law 2025-036, to increase the temporary borrowing measures to \$3,000,000.

During the fiscal year, it may be necessary for a municipality to utilize temporary borrowing measures to meet its operating expenses until taxes are collected and other revenue received.

Section 407 of the *Municipal Act, 2001*, sets out the borrowing limits for operating purposes for Ontario municipalities. The limitations are such that in the first nine

months of the year, municipalities can borrow no more than 50% of the budgeted revenues for the year. After September 30, the loan amounts cannot exceed 25% of budgeted revenues. Based on these limits, the upper limits would be approximately \$8.5 million and \$4.3 million respectively, both of which are higher than the proposed temporary borrowing limit.

The limit currently in effect is \$1,000,000 for temporary borrowing, with the Bank of Montreal, the Township's bank. Staff are recommending increasing this amount to \$3,000,000, as this updated amount is more aligned with municipal standards, when considered as a percentage of the tax levy.

With large capital projects being completed, as well as planned in the coming years, it is prudent to have a temporary borrowing limit that is at an appropriate level, for cash flow considerations. Based on the 10-year capital financial plan, capital reserve funds are expected to decrease over the next three years before being depleted and then building again over time. This has the possibility of putting cash flow pressures on the Township, in particular if the Township internally finances the construction of large projects, such as it did for the new firehall, prior to the issuing of long-term debt.

Another consideration for cash flow purposes, is the timing of tax payments. The tax levy is the primary source of revenue for the Township. The tax collection policy has two tax due dates for the year, the third Friday in March, where 50% of the prior year taxes are collected, and the third Friday in September, where the remainder of the final taxes levied for the year are collected. Practically speaking, the Township collects about half its revenue for the year at the end of the third quarter in September. The majority of capital expenditures during the year occur before the end of summer, which in years with large capital expenditures, can put pressure on the cash flow of the Township.

Based on the amount of the current tax levy, and potential cash flow pressures in the future, staff are recommending to increase the temporary borrowing limit to \$3,000,000, should the need arise.

**Alternatives:**

None.

**Financial Implications:**

Finance charges will only apply should the Township be required to borrow under this by-law. Any borrowing under the temporary borrowing by-law bears interest at the bank prime rate less 0.5%.

**Relevant Policy or Legislation:**

*Municipal Act, 2001*

**Strategic Plan Alignment:**

Council adopted the Township of Leeds and the Thousand Islands Strategic Plan (2021-2031) at its regular meeting held on November 8, 2021. The initiative contained within this report supports the following Strategic Pillars as set out in the Strategic Plan:

- ☒ Delivering Effective and Accountable Government
- ☐ Promoting Quality of Life and Environmental Stewardship
- ☐ Growing a Liveable Community with Great Services
- ☐ Fostering Jobs and Economic Development

**Consultations:**

None.

**Attachments:**

2025-036 – Temporary Borrowing By-law