



Town of Erin

Corporate Report

Department: Corporate Services

Business Unit: Finance

**Presented/
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Treasurer

Report Number:
F2020-04

Meeting Date:
4/21/2020

Subject

Temporary Borrowing By-law 2020

Recommendation

Be it resolved that Council hereby receive report number F2020-04 "*Temporary Borrowing By-law 2020*" for information;

And that Council approve the Temporary Borrowing By-law for \$3.0m effective until December 31, 2021.

Background

Section 407 of the *Municipal Act, 2001* allows municipalities to borrow up to 50% of the total estimated revenues of the municipality from January 1 to September 30 each year; 25% of the total revenues from October 1 to December 31 each year; or 25% of total estimated revenues (\$2.8m) for the current year, whichever is less. Last year and as in previous years, Council adopted a Temporary Borrowing By-law (Appendix A) of \$1.5m for any cash shortfall or emergencies. For 2020, staff is asking for a \$3.0m temporary borrowing limit until December 31, 2021 to mitigate future cash flow shortages. The amount requested is within the 2019 Annual Repayment Limit in Appendix B of \$2.5m. The Town's 2020 debt obligations is \$429k (principle and interest) and well within the limit.

The Town has high liquid cash in two bank accounts and the High Interest Savings Account (HISA) held by One Investment (municipal based investment not-for-profit). On May 3, 2020 a 1 year GIC will mature with interest payment of 3%. Currently, HISA is providing 0.915% interest which is significantly lower than the 2.45% in 2019. Hence, interest income will significantly decrease and may not meet 2020 Budget projections due to the unprecedented economic slow-down.

As shown in Cash Flow Forecast 2020 in Appendix C, the Town may encounter cash flow pressures in the fourth quarter because two quarter payments for school boards

will be due on December 15, 2020. These are estimates and include the following assumptions.

1. Pre Authorized Payments (PAPs) are expected to slightly decrease by less 10% per month until July. Staff are working with residents on changing to acceptable payments in order not to fall behind on property taxes.
2. Taxes collected by the Town for the County of Wellington and the school boards are paid quarterly. Even though school boards second quarter payment has been deferred by 90 days, the province expects a duplicate payment on December 15, 2020.
3. There are no capital projects earmarked for debt.
4. Waste Water design is expected to be completed before the end of the year. In early April, the development community provided the funding for this project.

Strategic Pillar

Service Excellence & Good Governance

Financial Impact

There may be a financial impact of interest costs if line of credit is used.

Conclusion

That Council receive the report from Staff. It is recommended that the Council approve the Temporary Borrowing By-Law with a limit of \$3.0m until December 31, 2021 in order to have the option access to cash for any emergencies that may arise.

Attachments

Appendix A –Temporary Borrowing By-law (2020)

Appendix B – Annual Repayment Limit 2020

Appendix C – Cash Flow Forecast 2020

Ursula D'Angelo

Director

Nathan Hyde

Chief Administrative Officer