



**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
*Treasury Services Division*

|                                                                                                         |                                                              |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <b>TO:</b> Chair and Members<br>Audit, Finance and Administration<br>Committee                          | <b>WARD(S) AFFECTED:</b> CITY WIDE                           |
| <b>COMMITTEE DATE:</b> December 7, 2011                                                                 |                                                              |
| <b>SUBJECT/REPORT NO:</b><br>2012 Temporary Borrowing & Interim Tax Levy By-Laws (FCS11107) (City Wide) |                                                              |
| <b>SUBMITTED BY:</b><br>Antonio D. Tollis<br>Treasurer<br>Corporate Services Department                 | <b>PREPARED BY:</b><br>Larry Friday (905) 546-2424 ext. 2425 |
| <b>SIGNATURE:</b>                                                                                       |                                                              |

**RECOMMENDATION**

- (a) That Appendix “A” attached to report FCS11107 “By-law to Authorize the Temporary Borrowing of Monies to Meet Current Expenditures Pending Receipt of Current Revenues for 2012” be passed;
- (b) That Appendix “B” attached to report FCS11107 “By-law to Authorize an Interim Tax Levy for 2012” be passed.

**EXECUTIVE SUMMARY**

Both the Interim Tax Levy and Temporary Borrowing By-laws ensure that the City has access to a continuing cash flow to fund operations until a final 2012 budget has been approved.

Alternatives for Consideration – Not Applicable

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

Financial: The city would have to pay negotiated interest payments should it have to borrow funds under the Temporary Borrowing By-law.

Staffing: None.

Legal: The Temporary Borrowing By-law is required under Section 407 of the Municipal Act, 2001. An interim Tax Levy By-law is required under section 317 of the Municipal Act, 2001.

**HISTORICAL BACKGROUND** (Chronology of events)

Appendix "A" to Report FCS11107 is a Temporary Borrowing By-law allowing the City to ensure that it has access to adequate cash flow to meet operating commitments. The allowable percentages to borrow as set out in Section 407 of the Municipal Act, 2001 are 50% of estimated revenues prior to September 30<sup>th</sup> and 25% afterwards. It is important to note that actual borrowings under this provision have historically been very limited in both magnitude and duration. The most recent case of the City taking advantage of this provision was in late 1998 and 1999 under the Current Value Assessment conversion, when the Province was adjusting the rules and regulations for taxation of commercial and industrial properties, which held up final tax bills to August and September, respectively.

Appendix "B" to Report FCS11107 is an Interim Tax Levy By-law. In the course of its' operations, before a final budget has been approved, the City incurs expenses on a regular basis. These expenses, including such items as employee wages, material expenditures and School Board tax payments, would require significant temporary borrowing without the ability to levy taxes in advance of the final tax bills being issued. Section 317 of the Municipal Act, 2001 permits the levy of up to 50% of the prior year's taxes (annualized for adjustments such as supplementary taxes or tax appeals).

The Interim Tax Levy By-law provides the formal mechanism whereby Council can affect this pre-levy. The due dates of the instalments for the Interim Levy are proposed to be the last working days of February and April, set at February 29<sup>th</sup> and April 30<sup>th</sup>, 2012.

**POLICY IMPLICATIONS**

Sections 317 and 407 of the Municipal Act, 2001

**RELEVANT CONSULTATION**

The Legal Services Department has been consulted as to the form of the By-laws.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

By-laws are required under the Municipal Act, both the Interim Tax Levy and the Temporary Borrowing By-laws ensure we have adequate funding to run day-to-day operations.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

There are no alternatives.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Financially Sustainable City by 2020.

**APPENDICES / SCHEDULES**

Appendix A – 2012 Temporary Borrowing By-law

Appendix B – 2012 Interim Tax Levy By-law

**Authority:**

**Bill No.**

**CITY OF HAMILTON**

**BY-LAW NO.**

**To Authorize the Temporary Borrowing of Monies to Meet Current Expenditures Pending Receipt of Current Revenues for 2012.**

**WHEREAS** the Council for the City of Hamilton deems it necessary to pass and enact a by-law to authorize the temporary borrowing of monies by the city to meet current budget expenditures for the year 2012 pending receipt of current revenues;

**AND WHEREAS** section 407(1) of the Municipal Act, 2001, provides as follows:

"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"

**AND WHEREAS** Section 407(2) of the said Act, imposes certain limitations on the amounts that may be borrowed at any one time:

**NOW THEREFORE** the Council for the City of Hamilton hereby enacts as follows:

1. (a) The City of Hamilton is hereby authorized to borrow from a Bank or person by way of Promissory Notes or Bankers Acceptances from time to time a sum or sums of monies not exceeding at any one time the amounts specified in subsection (2) to pay off temporary bank overdrafts for the current expenditures of the City for the year 2012, including amounts for sinking funds, principal and interest falling due within such fiscal year and the sums required by law to provide for the purposes of the City.
- (b) The amount of monies that may be borrowed at any one time for the purposes of subsection (1), together with the total of any similar borrowings that have not been repaid, shall not, except with the approval of the Ontario Municipal Board, exceed the prescribed percentages of the total of the estimated revenues of the City as set forth in the estimates adopted for the year, which percentages are set out in section 407 of the Municipal Act, 2001 as it may be amended from time to time.

2. (a) Until estimates of revenue of the City for the 2012 year are adopted, borrowing shall be limited to the estimated revenues of the City as set forth in estimates adopted for the next preceding year.
- (b) The total estimated revenues of the City, including the amounts levied for Education purposes, adopted for the year 2012 are One Billion, Three Hundred Million Dollars (\$1,300,000,000).
3. All sums borrowed pursuant to the authority of this By-law, together with any and all similar borrowings in the current year and in previous years that have not been repaid shall, together with interest thereon, be a charge upon the whole of the revenues of the City for the current year and for all preceding years, as and when such revenues are collected or received.
4. The Treasurer shall, and is hereby authorized and directed to, apply in payment of all sums borrowed pursuant to this By-law, together with interest thereon, all of the monies thereafter collected or received for the current and preceding years, either on account or realized in respect of taxes levied for the current year and preceding years or from any other sources which may lawfully be applied for such purpose.
5. That the Mayor and failing such person, the Deputy Mayor of the City Council and failing such person, the City Manager, together with the Treasurer or any one of the Temporary Acting Treasurers be authorized and directed to sign and execute the aforesaid Promissory Notes and Bankers Acceptances, hypothecations, agreements and such other documents, writings and papers which shall give effect to the foregoing.
6. This By-law shall come into force and effect on the 1st day of January 2012, and shall remain in force and effect until December 31, 2012.

PASSED and ENACTED this      day of                      , 2011 A.D.

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MAYOR

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CITY CLERK

Authority:

BILL NO.

CITY OF HAMILTON

BY-LAW NO.

**To Authorize AN INTERIM TAX LEVY for 2012**

**WHEREAS** the Council for the City of Hamilton deems it necessary to pass a by-law to levy on the whole of the assessment for each property class in the local municipality rateable for a local municipality purpose, a sum not to exceed that which would be produced by applying the prescribed percentage (or 50 percent if no percentage is otherwise prescribed) of the total amounts billed to each property for all purposes in the previous year on the properties that, in the current year, are in the property class as provided for in Section 317 of The Municipal Act, 2001;

**AND WHEREAS** Section 317 of The Municipal Act, also authorizes a Municipal Council, by by-law, to adjust the interim taxes on a property if the Council is of the opinion that the Interim Levy on a property is too high or too low in relation to its estimate of the total taxes which will be levied on the property in 2012;

**NOW THEREFORE** the Council for the City of Hamilton hereby enacts as follows:

1. The interim tax levies shall be levied and collected upon the whole of the rateable property categories in columns 1 and 2, shown below:

Column 1

Column 2

| <b>Class</b>                        | <b>Class Code</b> |
|-------------------------------------|-------------------|
| Residential                         | RT                |
| Farmlands Awaiting Development      | C1/R1             |
| Multi-Residential                   | MT                |
| New Multi-Residential               | NT                |
| Residual Commercial                 | CT/DT             |
| New Residual Commercial             | XT/YT             |
| Residual Commercial Vacant Unit     | CU/DU             |
| New Residual Commercial Vacant Unit | XU/YU             |
| Shopping Centre                     | ST                |
| New Shopping Centre                 | ZT                |
| Shopping Centre Vacant Unit         | SU                |
| New Shopping Centre Vacant Unit     | ZU                |

