



Report to: Mayor & Members of Council

Meeting Date: Sept 13, 2022

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<b>SUBJECT:</b>	Update to the Development Charge Borrowing/Lending Policy
<b>PREPARED BY:</b>	Mark Visser, Senior Manager, Financial Strategy & Investments

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**RECOMMENDATION:**

- 1) THAT the report dated September 13, 2022 entitled “Update to the Development Charge Borrowing/Lending Policy” be received
- 2) AND THAT the attached Development Charge Borrowing/Lending Policy be approved;
- 3) AND THAT staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to update to the City’s Development Charge Borrowing Policy to allow for the DC reserves to loan funds to City’s general portfolio.

**BACKGROUND:**

In 2010, Council approved the City’s Development Charge Borrowing Policy. The policy was implemented to allow the City to loan funds to the Development Charge (DC) reserves in times when those reserves were in, or nearing, a negative balance. The premise is that external borrowing rates are generally higher than the rates at which the City can invest. Therefore, using internal borrowing is more advantageous at the enterprise level than external borrowing.

At different points during the last 10 years, the City has loaned funds to the DC Reserves in order to keep the cash balances at positive levels. Currently, there is no need for internal borrowing for DCs, as the DC bank account is approximately \$100M.

**General Portfolio**

The City has some larger capital projects on the horizon which could otherwise necessitate the use of the City’s line of credit with TD bank, or the need to sell some investments. By updating the DC Borrowing policy to also allow the DC reserves to loan funds to non-DC accounts when required will give staff additional financing options. This will provide staff with greater ability in managing the cash balances and investments of the City and reduce the dependency on more costly, and less flexible, external borrowing.

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Any internal borrowing from DCs to the City's general portfolio will be subject to the same rules and guidelines that currently exist in the policy. The interest rate will be set at the Prime Rate for any borrowing deemed to be less than 5 years in length. Any internal borrowing will also be reported out in the City's Investment Performance Review reports to Council.

See Appendix 1 for the updated Development Charge Borrowing/Lending Policy. (Note: changes to the policy are in bold).

**ENVIRONMENTAL CONSIDERATIONS:**

Not Applicable

**ACCESSIBILITY CONSIDERATIONS:**

Not Applicable

**BUSINESS UNITS CONSULTED AND AFFECTED:**

Not Applicable

**RECOMMENDED**

**BY:**

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Joel Lustig, Treasurer

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Trinela Cane, Commissioner,  
Corporate Services

**ATTACHMENTS:**

Appendix 1 - Development Charge Borrowing/Lending Policy