
MEETING TYPE: Regular Council Meeting
MEETING DATE: 2023-02-21
AUTHOR: Richard Wagner, Manager of Finance
DEPARTMENT: Finance & Administration
ITEM TITLE: Revenue Anticipation Borrowing Bylaw 1198, 2023
DESCRIPTION: To consider a bylaw that permits temporary borrowing to meet current lawful expenditures

QUESTION

Does providing readings of this bylaw ensure that fiscal operating needs of the District are met?

OPTIONS

- A. THAT Revenue Anticipation Borrow Bylaw 1198, 2023 be read a first, second and third time.
- B. THAT staff be directed to develop a strategy to convert a sufficient amount of investment assets to liquid assets to ensure fiscal sustainability in the event of an emergency.

EXECUTIVE SUMMARY

The bylaw before Council for consideration provides for temporary borrowing to meet current lawful expenditures in anticipation of receiving revenue from the collection of the 2023 taxes.

The Revenue Anticipation Bylaw will allow the District to borrow temporarily up to Six Million Dollars (\$6,000,000) to meet current expenditures, pending receipt of revenue from the annual tax levy.

Pursuant to s. 177 of the Community Charter, Council may by way of bylaw, provide for the borrowing of money that may be necessary to meet current lawful expenditures, and to pay amounts required to meet the municipality's taxing obligations in relation to another local government or other public body.

The Community Charter allows for temporary borrowing to a maximum of 75% of all taxes imposed for all purposes in the preceding year. Based on 2022 taxation, the maximum value of the Revenue Anticipation Bylaw could be as high as \$24.5 M. The bylaw before Council is proposing a limit of \$6.0 M. This same amount has been in the Revenue Anticipation Bylaw since 2010 but has never been fully utilized as operations are internally financed.

DESIRED BENEFIT

Excess cash can continue to be invested, earning interest income for the District.

STRATEGIC RELEVANCE AND COMMUNITY SUSTAINABILITY

The District has fiscal responsibilities year-round. The District also holds a significant amount of investments that are timed to ensure fiscal continuity. However, unforeseen circumstances could occur that require cash beyond planned amounts and cashing investments in early maybe more costly than utilizing a line of credit for a short period of time.

REQUISITES

None

UNINTENDED OUTCOMES

None

BACKGROUND/HISTORY

The bylaw is put into place every year in the event that the District's cash flow position requires the District to borrow funds temporarily. The potential requirement for borrowing these funds would be the result of timing differences between the maturity of investments within the District's investment portfolio and cash requirements arising before the receipt of tax payments. The cost to the District to redeem investments earlier than maturity could potentially be greater than the cost of interest on the borrowed funds.

The \$6,000,000 requested covers the District's \$1,500,000 operating line of credit or overdraft which can be used in the event of emergencies. The District pays interest at the bank prime rate if the operating line of credit is used.

As per the 2021 Audited Financial Statements of December 31, 2021, the District had \$23,945,542 in term deposits, chartered bank accrual notes and debentures (various investments). The District earned \$797,372 in interest on investments.

ANALYSIS OF OPTIONS FOR CONSIDERATION

Option A: Establishes, by way of bylaw, a means to ensure the fiscal operating needs of the District are met while continuing to maximize the interest earnings on the District's cash funds.

Option B: Requires that the District develop a strategy to liquify investment assets should they be required, potentially impacting investment income, in order to ensure fiscal responsibility in the event of an emergency.

Respectfully Submitted,
Richard Wagner, Manager of Finance

Report Approval Details

Document Title:	RFCD 1198, 2023 Revenue Anticipation Bylaw.docx
Attachments:	- 1198, 2023 Revenue Anticipation Bylaw.docx
Final Approval Date:	Feb 13, 2023

This report and all of its attachments were approved and signed as outlined below:

Trevor James, CFO, Director of Finance & Administration - Feb 10, 2023 - 11:57 AM

Reyna Seabrook, Director of Corporate Services - Feb 10, 2023 - 2:41 PM

Tanya Garost, Chief Administrative Officer - Feb 13, 2023 - 3:39 PM