



Making a difference...together

**REPORT TO FINANCE COMMITTEE  
MEETING OF WEDNESDAY, NOVEMBER 06, 2024**

---

**SUBJECT**     **Bylaw No. 4643: Revenue Anticipation (General Purpose) Bylaw No. 1, 2024**

**ISSUE SUMMARY**

Approval of a revenue anticipation (General Purpose) bylaw authorizing borrowing of funds up to \$55 million if required prior to receipt of requisition and other revenue expected in 2025.

**BACKGROUND**

Under the *Local Government Act* (LGA) Section 404, regional districts are permitted to adopt a revenue anticipation borrowing bylaw to secure short-term funding to meet financial obligations in advance of expected revenues. The section requires borrowed funds be repaid upon receipt of expected revenue.

The Capital Regional District (CRD) annually raises funds for yearly operating and capital expenditures from multiple revenue sources including fees and charges, requisition and grants. Timing for receipt of these revenues vary during the year and in many cases are delayed from expenditures of service delivery. As a result, the CRD services may have short-term borrowing requirements throughout the year.

The proposed revenue anticipation bylaw will authorize up to an average of one (1) month of expenditure outflows, ensuring uninterrupted operations and the lowest cost of financing. For 2025, based on current market interest rates and cashflow forecasts, the limit on the general borrowing is recommended to be \$55 million. The calculation for 2025 is equal to approximately one-twelfth (1/12) of the approved 2025 provisional budget for operating and capital of \$690 million.

When utilized, the CRD will borrow funds by leveraging overdraft arrangements within current banking agreements or through the Municipal Financing Authority (MFA). The Royal Bank of Canada's current overdraft rate is 6.45% and MFA's short-term borrowing rate is 4.89% (both variable rates as of September 26, 2024).

**ALTERNATIVES**

*Alternative 1*

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4643, "Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2024", be introduced and read a first, second and third time; and
2. That Bylaw No. 4643 be adopted.

*Alternative 2*

That Bylaw No. 4643 be referred back to staff for additional information.

**IMPLICATIONS**

*Financial Implications*

Historically, staff have presented the revenue anticipation bylaw as an annual fiscal risk management tool. Although the CRD has not utilized this facility in the past, with the current economic environment, learnings from the COVID-19 pandemic and the CRD’s growth, there is an opportunity to optimize this financial strategy.

For this fiscal year, the CRD plans to utilize revenue anticipation borrowing to enhance cash and working capital management. Short-term borrowing ensures liquidity, particularly during periods of revenue fluctuations, it also stabilizes annual budget expenditures, enables quick access to capital project financing and readies the CRD for emergencies if required. Despite current high short-term interest rates, this method is more cost-effective due to the brief borrowing duration. Additionally, elevated short-term investment rates can make revenue anticipation borrowing advantageous by maintaining or potentially increasing interest revenue on reserves intended for future use.

Effective January 1, 2025, the proposed revenue anticipation bylaw limit of \$55 million will allow the CRD to leverage short-term borrowing, addressing working capital needs based on anticipated requisition and other revenue sources. These funds will only be accessed when necessary and will be repaid upon receipt of anticipated revenues in compliance with LGA Section 404. In the upcoming fiscal year, adopting this bylaw permits cost-effective borrowing to address revenue variations and optimally manage working capital.

**CONCLUSION**

This proposed bylaw is brought forward annually for consideration. Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2024 is necessary to authorize borrowing to cover short term expenditures in 2025 if required, pending receipt of anticipated revenues.

**RECOMMENDATION**

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4643, “Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2024”, be introduced and read a first, second and third time; and
2. That Bylaw No. 4643 be adopted.

Submitted by:	Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENT**

Appendix A: Bylaw No. 4643: “Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2024”