

**REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, DECEMBER 12, 2018**

SUBJECT **Bylaw No. 4268: Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2019**

ISSUE

Approval of a revenue anticipation borrowing (General Purpose) bylaw authorizing borrowing of funds early in 2019, if so required, prior to receipt of requisition revenues in August 2019.

BACKGROUND

The CRD Financial Plan consists of more than 200 individual service budgets for which revenues are primarily derived from taxes, fees and charges, service agreements, and grants. Annually, the CRD develops a financial plan representing the operating and capital expenditure plans for the next five years. The financial plan is developed to ensure consistency and alignment with the legislative authority of over 200 CRD services which, upon approval, provide the expenditure authority for the operations of the CRD. The Financial Plan bylaw has to be approved by March 31. Under Section 385 and 387 of the *Local Government Act*, subsequent to the adoption of the Financial Plan, the deadline for the CRD to deliver the annual requisition to each municipality and the surveyor of taxes is April 10. Requisition funds are generally received by the CRD in August.

Section 404 of the *Local Government Act* empowers regional district boards to adopt a revenue anticipation borrowing bylaw to provide for borrowing of money, if required, to meet expenditures before the revenue from all sources to cover them has been received. Money borrowed under this section must be repaid when the anticipated revenue with respect to which the borrowing is authorized is received.

Although the CRD Board has previously approved a revenue anticipation borrowing bylaw for this purpose, it has not had to act on the bylaw due to the timing of cash flows and the Board's primary focus on planned priorities as set out in departmental service plans. However, given the scope of operations and increased capital activity it is considered appropriate to maintain an appropriate level of liquidity affording the flexibility for the Board to respond to opportunities or unforeseen circumstances.

Historically, the limit on the revenue anticipation borrowing has been \$10 million, aligned closely with cash outflow levels of approximately one month of expenditures. However, the anticipated monthly expenditures in 2019 are now in excess of \$20 million per month. The increase in payments is a consequence of growing CRD service plan commitments along with the additional contract payments related to larger construction projects underway. In response, a borrowing limit of \$20 million is recommended.

The CRD can borrow funds by leveraging overdraft arrangements within the current banking agreement or by using the Municipal Finance Authority's (MFA) Interim Financing Program. Currently, MFA's short term borrowing rate is 2.64% and RBC's overdraft rate for the CRD is 3.95% (both variable rates as of November 29, 2018).

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4268, “Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2019” be introduced and read a first, second, and third time.
2. That Bylaw 4268 be adopted.

Alternative 2

That Bylaw No. 4268 be referred to staff for additional information.

IMPLICATIONS

The proposed bylaw provides the CRD access to funds as of January 2019 to cover expenditures if so required, pending receipt of requisition revenues later in the year. Borrowed funds will be repaid upon receipt of anticipated revenues by August 2019. In the past, the CRD has never had to act on the Revenue Anticipation Borrowing Bylaw. The purpose of approving this bylaw is to ensure that borrowing authority will be available in the unlikely event that funds are required to meet short-term operational cash flow needs.

CONCLUSION

The proposed bylaw is necessary to be in place to authorize borrowing to cover short term expenditures in 2019, if so required, pending receipt of anticipated revenues by August 1, 2019.

RECOMMENDATION

1. That Bylaw No. 4268, “Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2019” be introduced and read a first, second, and third time.
2. That Bylaw 4268 be adopted.

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| Submitted by: | Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services |
| Concurrence: | Nelson Chan, MBA, CPA, CMA, Chief Financial Officer |
| Concurrence: | Robert Lapham, MCIP, RPP, Chief Administrative Officer |

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Appendix A: Bylaw No. 4268