

**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 03, 2021**

SUBJECT **Bylaw No. 4461: Revenue Anticipation (General Purpose) Bylaw No. 1, 2021**

ISSUE SUMMARY

Approval of a revenue anticipation (General Purpose) bylaw authorizing borrowing of funds up to \$20 million if required prior to receipt of requisition revenue expected in August 2022.

BACKGROUND

Annually, the Capital Regional District (CRD) develops a financial plan representing operating and capital expenditure plans for the next five years. The Financial Plan bylaw must be approved by March 31. Under Sections 385 and 387 of the *Local Government Act (LGA)*, the deadline for the CRD to deliver annual requisition invoices to each municipality and the surveyor of taxes for electoral areas is April 10. Requisition funds are generally received by the CRD in August of each year.

Section 404 of the *LGA* allows regional district boards to adopt a revenue anticipation borrowing bylaw to borrow money if required to meet cash flow needs prior to receiving payable revenue from source. Money borrowed under this section must be repaid when the anticipated revenue is received.

As a response to the COVID-19 global pandemic, additional measures were introduced by the Ministry of Municipal Affairs and Housing (Ministry) in June 2020 with Ministerial Order 159. This order enhanced local government flexibility by enabling access to capital reserves for operating expenditures, extended revenue anticipation borrowing options, and permitted delayed financial reporting. These temporary tools and related deadlines were made permanent by legislative amendments enacted by the Ministry on May 13, 2021.

Although staff recommend annual approval of revenue anticipation borrowing bylaws, through fiscal controls and management oversight, the organization has historically not required additional liquidity. Given the growth of the organization and increased capital activity it is appropriate to continue implementing financial risk management tools that provide the ability to respond to both opportunities and unforeseen circumstances.

Based on best practices, staff recommend revenue anticipation align with one month of expected cash outflows or approximately \$20 million for 2022. If required, the CRD will borrow funds by leveraging overdraft arrangements within current banking agreements or through the Municipal Finance Authority (MFA). Currently, the overdraft rate is 2.45% and MFA's short term borrowing rate is 0.94% (both variable rates as of October 14, 2021).

ALTERNATIVES*Alternative 1*

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4461, “Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2021” be introduced and read a first, second, and third time.
2. That Bylaw No. 4461 be adopted.

Alternative 2

That Bylaw No. 4461 be referred back to staff for additional information.

IMPLICATIONS*Financial Implications*

The proposed bylaw provides the CRD access to funds as of January 2022 to cover expenditures if required, pending receipt of requisition revenue. Borrowed funds will not be accessed unless necessary and any borrowed funds will be repaid upon receipt of anticipated revenues. Historically, the CRD has not acted on the Revenue Anticipation Borrowing Bylaw but it is a recommended fiscal risk management tool. The purpose of approving this bylaw is to ensure available borrowing authority in the unlikely event funds are required to meet short term cash flow requirements.

CONCLUSION

This proposed bylaw is brought forward annually for consideration. Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2021, is necessary to authorize borrowing to cover short term expenditures in 2022 if required, pending receipt of anticipated revenues.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4461, “Revenue Anticipation Borrowing (General Purpose) Bylaw No. 1, 2021” be introduced and read a first, second, and third time.
2. That Bylaw No. 4461 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Bylaw No. 4461