



STAFF REPORT

DATE: January 6, 2022 **FILE:** 0550-04 Board

TO: Chair and Directors
Regional Board

FROM: David Leitch
Chief Administrative Officer

RE: REVENUE ANTICIPATION BORROWING BYLAW

PURPOSE/PROBLEM

To secure authorization for temporary borrowing to potentially cover accounts payable that are due prior to receipt of property tax requisition funds in 2022 from the electoral area, treaty first nation and municipal jurisdictions in the Regional District.

POLICY ANALYSIS

Many local governments, particularly smaller sized organizations with limited reserve funds, require the use of a line of credit or short-term borrowing to fund expenses leading up to property tax collection. Section 404 of the *Local Government Act* permits the Board to pass a revenue anticipating borrowing bylaw to provide for borrowing of money needed to meet its expenditures prior to receiving revenue. For 2022, total anticipated operating revenue is projected at \$27.1 million, with \$13.2 million of that amount derived from property tax requisitions which are due on August 1, 2022. Any funds borrowed under the authority of the revenue anticipation borrowing bylaw must be repaid when the anticipated revenue has been received.

EXECUTIVE SUMMARY

The Strathcona Regional District's historical cash flow projects suggest that the SRD could have a shortfall in the range of \$1.5 to \$2.0 million prior to receiving property tax requisition payments. To meet its financial obligations as they become due, the Regional District can make short-term overdraft arrangements within our current banking agreement or through the Municipal Finance Authority's (MFA's) Short-term Financing Program. Bylaw 450 attached to this report is required to authorize this temporary borrowing.

RECOMMENDATIONS

1. THAT the report from the Chief Administrative Officer be received.
2. THAT Bylaw No. 450, being a bylaw to authorize the borrowing of funds in anticipation of receiving revenue, be now introduced and read a first time.
3. THAT the rules be suspended, and Bylaw No. 450 be given second and third readings.

4. THAT Bylaw No. 450, being Revenue Anticipation Borrowing Authorization Bylaw 2022, be reconsidered, finally passed and adopted.

Respectfully:



David Leitch
Chief Administrative Officer

BACKGROUND/HISTORY

To meet its financial obligations as they come due, the Regional District manages its cash flow using accumulated surpluses or borrowing. While demands on cash flow are relatively consistent from month to month throughout the year, cash from revenue streams are not. To the extent that services are funded through property tax requisitions from the SRD’s electoral area, First Nation and municipal jurisdictions, the bulk of revenue is received on the legislated deadline of August 1 each year. Other significant sources of cash flow include user fees at Strathcona Gardens, utility fees, and grants. The Regional District has not often drawn on its authorized revenue anticipation borrowing bylaw in the last five years, however as unrestricted cash surpluses diminish, the need to access borrowed funds increases. In 2017, the Regional District borrowed \$750,000 against its revenue anticipation borrowing bylaw at a total cost of just under \$1,200. Since 2017 no further amounts have been accessed.

ALTERNATIVES

Generally, the SRD’s monthly net cash flow is a draw of approximately \$700,000 – \$900,000, other than the months in which property tax requisitions are received. Projections to the end of July 2022 are impacted by the uncertainty of the timing of cash flows related to the budgeted capital project spending.

The expected demand for cash flow from now to August 1, 2022 is estimated at a total of \$1.5 – \$2.0 million net of anticipated revenue. While the Board could authorize any amount up to total budgeted revenue of \$27.1 million, it is recommended that a cap of \$5 million would meet the immediate need and provide sufficient cash flow for any unforeseen shortfall. This amount has been used historically and has been adequate and has provided emergency funding during those particularly lean months leading up to property tax requisition payments. Careful cash management practices would ensure that use of borrowed funds is kept to a minimum by drawing funds only as needed. Currently, the MFA’s interim borrowing rate is 0.97% per annum. At that rate, anticipated borrowing costs, if incurred, are estimated to be \$3,000-\$3,500.

Prepared by: Mike Harmston, CPA, CGA, Chief Financial Officer

Attachment: Bylaw No. 450 (Revenue Anticipation Borrowing Authorization Bylaw 2022)



BYLAW NO. 450

A BYLAW TO AUTHORIZE THE BORROWING OF FUNDS IN ANTICIPATION OF RECEIVING REVENUE

WHEREAS the Regional District may, pursuant to Section 404 of the *Local Government Act*, provide for the borrowing of such sums of money as may be required to meet its current lawful expenditures;

AND WHEREAS the Regional District does not have sufficient funds on hand to meet its financial obligations for the period ending August 1, 2022;

AND WHEREAS there are no liabilities outstanding under the aforesaid Section 404:

NOW THEREFORE the Board of Directors of the Strathcona Regional District, in open meeting assembled, enacts as follows:

Temporary Borrowing Authorized

1. The Regional District is hereby authorized to borrow upon its credit at large an amount or amounts not exceeding \$5,000,000 (Five Million Dollars) in the aggregate to meet its current lawful expenditures.

Form of Obligation

2. The form of obligation to be provided as acknowledgement of the liability incurred under the authority of this bylaw shall be a promissory note or notes bearing the corporate seal and signed by the Chair and Financial Officer.

Citation

3. This bylaw may be cited for all purposes as Bylaw No. 450, being Revenue Anticipation Borrowing Authorization Bylaw 2022.

READ A FIRST TIME ON THE DAY OF , 2022

READ A SECOND TIME ON THE DAY OF , 2022

READ A THIRD TIME ON THE DAY OF , 2022

RECONSIDERED, FINALLY PASSED AND ADOPTED THE DAY OF , 2022

Chair

Corporate Officer