



# City of Port Moody

## Report/Recommendation to Council

Date: April 7, 2020  
Submitted by: Finance and Technology Department – Financial Services Division  
Subject: Revenue Anticipation Borrowing Bylaw

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### Purpose

To present the proposed Revenue Anticipation Borrowing Bylaw (the Bylaw) for consideration.

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### Recommended Resolution(s)

**THAT City of Port Moody Revenue Anticipation Borrowing Bylaw, 2020, No. 3246 be read a first, second, and third time as recommended in the report dated April 7, 2020 from the Finance and Technology Department – Financial Services Division regarding Revenue Anticipation Borrowing Bylaw;**

**AND THAT, as permitted by section 9 of Ministerial Order No. MO 83/2020, City of Port Moody Revenue Anticipation Borrowing Bylaw, 2020, No.3246 be now adopted.**

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### Background

Section 177 of the Community Charter (**Attachment 1**) allows Council, by bylaw, to borrow funds if the City's surplus and reserves are not temporarily sufficient to meet the expected operating expenditures until tax revenue is collected. The borrowing amount cannot exceed the sum of 75% of the previous year's tax levy, and amounts borrowed under this bylaw are to be repaid when tax revenue is received.

Staff are proposing the adoption of the Bylaw at this time due to the current COVID-19 pandemic, for which some financial relief is being offered to the community by moving the tax due date to September 30, 2020. Collecting taxes three months later than the normal date legislated in the *Community Charter* of the first business date after July 1 (July 2 in 2020) may cause cash flow challenges for the City. The Bylaw is intended to alleviate those cash flow constraints but will only be used if necessary.

### Discussion

Revenue Anticipation Borrowing Bylaw, 2020, No. 3246 will authorize temporary borrowing up to \$52,812,000, which is 75% of the previous year's tax revenues (\$70,416,000). This bylaw will allow the City to meet cash flow requirements, if necessary, pending receipt of 2020 tax revenues. Revenue anticipation borrowing does not require elector assent or the approval of the Inspector of Municipalities. However, if the City is borrowing from the

Municipal Finance Authority (MFA), the City must submit the Bylaw to the MFA for staff approval (as opposed to Board approval).

As this is a temporary borrowing, the City's borrowing is not restricted to borrowing only from the MFA as required for long-term borrowings (terms over five years), but can also borrow funds from a banking institution. Borrowing from a banking institution is important alternative because the MFA may not have the financial capacity to accommodate all member municipalities given the current situation. The MFA does not need to approve a borrowing from a chartered bank, but must be made aware as defaults on all municipal borrowings impact the credit rating of the MFA and their member municipalities.

Borrowed funds will incur interest expenses at the rate available at the time. The floating daily rate for short-term borrowing by Municipal Finance Authority (MFA) as of the date of this report is 1.35250%. The MFA rate is usually much lower than rates provided by the banking institutions as has been evident on all long-term borrowings for which the City has transacted with the MFA in the past.

### Other Option(s)

Council may choose to receive this report for information.

### Financial Implications

Without a Revenue Anticipation Borrowing Bylaw, the City may need to seek alternatives to mitigate cash flow risks.

In the event that borrowing is needed, borrowed funds will incur interest expenses. To estimate the maximum impact, the floating daily rate for short-term borrowing from the MFA (as of the date of this report is 1.35250%) would result in an interest expense of \$60,000 per month if the full value permitted was to be borrowed. If temporary borrowing is required, the City would gradually draw down the required funds in line with cash flow requirements.

### Communications / Civic Engagement

Information on the Revenue Anticipation Borrowing Bylaw will be made available on the City's website. Disclosures regarding debt are included in the City's annual financial statements.

### Council Strategic Plan Objectives

Economic Prosperity – Ensuring the City has the ability to sustain cash flow and mitigate risk until the primary revenue source is collected.

### Attachment(s)

1. *Community Charter* section 177.
2. Draft City of Port Moody Revenue Anticipation Borrowing Bylaw, 2020, No. 3246.

### Report Author

Paul Rockwood

General Manager of Finance and Technology

## Report Approval Details

Document Title:	Revenue Anticipation Borrowing Bylaw.docx
Attachments:	- Attachment 1 - <i>Community Charter</i> section 177.pdf - Attachment 2 - Draft City of Port Moody Revenue Anticipation Borrowing Bylaw, 2020, No. 3246.pdf
Final Approval Date:	Apr 21, 2020

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

Dorothy Shermer, Corporate Officer - Apr 20, 2020 - 3:53 PM

Rosemary Lodge, Manager of Communications and Engagement - Apr 20, 2020 - 6:05 PM

Paul Rockwood, General Manager of Finance and Technology - Apr 21, 2020 - 9:31 AM

Tim Savoie, City Manager - Apr 21, 2020 - 2:16 PM