



STAFF REPORT

Title: Bylaw No. 666-FN-20 - Short-Term Borrowing Bylaw

Meeting Date: April 14, 2020

Executive Summary:

Section 256(1) of the Municipal Government Act allows a municipality to pass a bylaw authorizing short-term borrowing for the purpose of financing operating expenditures. The short term borrowing bylaw authorizes the City to have an overdraft if required. In the past the City rarely requires overdraft and has not utilized overdraft for years. Due to the COVID-19 pandemic, rapid changes being legislated, the uncertainty of the economy compounded by not receiving any 2019 funding from the ID349 Administration will have to be due diligent in managing cash flow for at least the 2020 year if not beyond.

Section 256(1) of the Municipal Government Act allows a municipality to pass a bylaw authorizing short-term borrowing for the purpose of financing operating expenditures. The City rarely requires overdraft and has not utilized overdraft for years. Due to the pandemic and the hardship of many businesses and residents there is a great uncertainty of when taxes will be paid. Our current bylaw states that taxes are due June 30. The City may be required to utilize overdraft protection or a short term line of credit to cover the cash flow requirements. A bylaw that applies to short term borrowing does not have to be advertised if the term does not exceed 3 years.

Background:

The City of Cold Lake rarely utilizes short term borrowing but if required must have a bylaw in place prior to the requirement of short term borrowing. The City from time to time has utilized short term borrowing when managing cash flow for numerous large projects. Due to the current pandemic situation it will be inevitable that the City will have to utilize short term borrowing. The City does however have current investments of 36 Million but at this time cannot redeem them. Any long term investments are utilized to fund the City's restricted surplus when required. The City has already had to utilize approximately 10M of investments used to fund restricted surplus to cash flow the 2019 anticipated ID349 allocation.

As per the MGA section 256 the City may have a bylaw to borrow funds for operational requirements provided the amount does not exceed the municipalities debt limit, does not exceed the amount the municipality estimates will be raised in taxes in any of the



years the borrowing is made and that the term does not exceed 3 years. The City looks at all options when analyzing cash flow including investments, debentures, other revenue sources and invoice payment options. The last bylaw for short term borrowing was passed in 2019 for \$1,000,000 but the City has encountered issues with future cash flow due to not receiving the 2019 ID349 funding and now the COVID-19 Pandemic Bylaw 666-FN-20 repeals Bylaw 651-FN-19 and authorizes \$10,000,000 in short-term borrowing.

Alternatives:

Council may consider the following options:

1. Council may give all 3 readings to Bylaw No. 666-FN-20 Short-term borrowing bylaw for 3 years.
2. Council may decide to give first reading and further discuss the short term borrowing

Recommended Action:

Administration recommends that Council give three readings to Bylaw No. 666-FN-20 Short-Term Borrowing Bylaw.

Budget Implications (Yes or No):

No

Submitted by:

Kevin Nagoya, Chief Administrative Officer