



COUNCIL REPORT
Financial Services
For the April 7, 2020 Council Meeting

DATE: March 25, 2020
TO: Paul Gipps, CAO
FROM: Warren Everton, Director of Finance/CFO
RE: Revenue Anticipation Borrowing Bylaw No. 0275, 2020

This bylaw is required to ensure the integrity of cash flow for the City of West Kelowna in any given year until tax is collected. This bylaw is especially important during the COVID-19 crisis in order to mitigate the potential for tax payment defaults.

RECOMMENDED MOTION:

THAT Council give 1st, 2nd and 3rd readings to the “City of West Kelowna Revenue Anticipation Borrowing Bylaw 0275, 2020”.

LEGISLATIVE REQUIREMENTS:

Section 177 of the *Community Charter* provides for the borrowing of money that may be necessary to meet the current lawful expenditures of the City of West Kelowna and to pay amounts required to meet the City’s taxing obligations in relation to other local governments and public bodies. The borrowing must not exceed 75% of the revenue in the current year’s approved financial plan, if already adopted, otherwise it must not exceed 75% of the previous year’s financial plan revenue.

BACKGROUND:

The Revenue Anticipation Borrowing Bylaw No. 0275, 2020 would authorize temporary borrowing of up to \$6,000,000 to meet corporate cash flow requirements, if necessary, pending receipt of our 2020 tax and utility revenues. This proposed limit is based on the City’s past needs at various points in the operating year and takes into consideration the major projects included in the Five-year Financial Plan. The timing of tax revenues, major capital projects, receipt of debenture financing, and the receipt of grant funding all impact our bank account balance on a seasonal and yearly basis. As recently as 2016, Council authorized temporary borrowing of up to \$2 million, which has been in place with the City’s bank since. An operating line of credit increase to \$6 million would further build flexibility into the City’s revenue streams across the organization. Many cities in BC of similar size to West Kelowna already have a comparable level of temporary borrowing authorized in the event it is needed. The City’s bank has authorized the increased overdraft limit pending the adoption of the bylaw.

COUNCIL REPORT/RESOLUTION HISTORY:

Date	Report Topic/Resolution	Resolution No.
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FINANCIAL IMPLICATIONS:

In any given year the financial implications of ongoing operations and capital projects can put pressure on the City's cash flow. In the City's recent history borrowing in the form of bank overdraft has not been needed to support cash flow in the period leading up to tax season. Regardless, such borrowing can be an important relief valve and help to mitigate cash risk. In the event that borrowing is needed in 2020, interest costs should have only a small impact on the five-year financial plan. At this time borrowing rates are low at prime less 0.75% (current prime = 2.95%). Therefore, if the City requires borrowing from one to four months, the cost could range from a few thousand dollars upwards of \$40,000 depending on the level of overdraft.

ALTERNATE MOTIONS(S):

THAT Council give 1st, 2nd and 3rd readings for an amended amount of the "City of West Kelowna Revenue Anticipation Borrowing Bylaw 0275, 2020"

REVIEWED AND APPROVED BY:

Tracey Batten, Deputy CAO/Corporate Officer
Paul Gipps, CAO

Powerpoint: Yes No

Attachments:
Bylaw 0275, Revenue Anticipation Borrowing