

DATE OF MEETING APRIL 9, 2020

AUTHORED BY [LAURA MERCER, DIRECTOR, FINANCE]

SUBJECT 2020 REVENUE ANTICIPATION BORROWING REQUIREMENTS

OVERVIEW

Purpose of Report

To introduce “Revenue Anticipation Borrowing Bylaw 2020 No. 7308” for first, second and third readings.

Recommendation

1. That “Revenue Anticipation Borrowing Bylaw 2020 No. 7308” (To provide for temporary borrowing of funds required to meet the current lawful expenditures of the City of Nanaimo) pass first reading;
2. That “Revenue Anticipation Borrowing Bylaw 2020 No. 7308” pass second reading; and,
3. That “Revenue Anticipation Borrowing Bylaw 2020 No. 7308” pass third reading.

BACKGROUND

Under Section 177 of the *Community Charter*, municipalities are able to borrow money if necessary to meet current lawful expenditures, and pay amounts required to meet the municipality's taxing obligations in relation to another local government or other public body. This allows municipalities to deal with the cash flow issues that result from the bulk of their revenue being collected over a period of approximately 6 weeks from mid-May to early July.

In the past, the City of Nanaimo has established a Revenue Anticipation Borrowing Bylaw but has never needed to use it.

DISCUSSION

The City is permitted, before the adoption of the annual property tax bylaw in any year, to borrow the taxes that equal 75% of all property taxes imposed for all purposes in the preceding year. When collected, revenue from property taxes must be used as necessary to repay money borrowed under this section. By establishing this bylaw, it will ensure that the City can access funds for cash flow purposes in the event the collection of taxes becomes problematic due to the COVID-19 pandemic or if there are changes to the deadlines imposed by the Province that create cash flow issues for the City.

Staff regularly monitors the City's cash flow position to inform the possibility of having to borrow these funds. This bylaw is a precautionary measure and should property tax collection proceed near usual, no funds would need to be borrowed.

The "Revenue Anticipation Borrowing Bylaw 2020 NO. 7308" provides the authority for the borrowing of up to \$50 Million, which is expected to be sufficient to cover needs in 2020. |

OPTIONS

1. | That "Revenue Anticipation Borrowing Bylaw 2020 No. 7308" (To provide for temporary borrowing of funds required to meet the current lawful expenditures of the City of Nanaimo) pass first reading;

That "Revenue Anticipation Borrowing Bylaw 2020 No. 7308" pass second reading; and.

That "Revenue Anticipation Borrowing Bylaw 2020 No. 7308" pass third reading.

- The advantages of this option:
 - Gives the City of Nanaimo temporary cash flow relief if needed.
 - No cost if the borrowing is not needed.
- The disadvantages of this option:
 - If used, the debt servicing costs of the City of Nanaimo will increase.
 - If used, the borrowing limit for the City of Nanaimo will be reduced until this temporary borrowing is paid back.
- Financial Implications:
 - If used, the debt servicing costs of the City of Nanaimo will increase and could potentially impact future tax increases.
 - If not used, there are no financial implications.

2. That Council table the report and request more information from Staff. |

SUMMARY POINTS

- Section 177 of the *Community Charter* allows Council, by bylaw, to borrow money if necessary to meet current lawful expenditures, and pay amounts required to meet the municipality's taxing obligations in relation to another local government or other public body.
- This bylaw would ensure that the City could access funds for cash flow purposes in the event the collection of taxes becomes problematic due to the COVID-19 pandemic or if cash flows are adversely impacted due to the Province making changes to tax payment deadlines.
- The City of Nanaimo has established a Revenue Anticipation Borrowing Bylaw in the past but has never needed to use it.

ATTACHMENTS:

“Revenue Anticipation Borrowing Bylaw 2020 NO. 7308” |

Submitted by:

Laura Mercer
Director, Finance |

Concurrence by:

Shelley Legin
General Manager, Corporate Services |