



The Corporation of the City of Courtenay

Staff Report

To: Council

File No.: 1760-02

From: Director of Financial Services

Date: July 31, 2024

Subject: Temporary Borrowing Bylaws 3147, 3148, 3149

PURPOSE:

To continue with the borrowing process for the Anderton Dike Phase 1, Strategic Land Acquisition 2024 and 6th Street Bridge projects by initiating temporary borrowing bylaws on adopted loan authorization bylaws.

BACKGROUND:

At the July 17th, 2024 Council meeting Council adopted the following bylaws:

- Loan Authorization Bylaw No. 3128, 2024 - Anderton Dike Phase 1
- Loan Authorization Bylaw No. 3136, 2024 - Strategic Land Acquisition 2024
- Loan Authorization Bylaw No. 3137, 2024 - 6th Street Bridge

These three loan authorization bylaws provide funding towards the specific projects as authorized in the 2024-2028 Financial plan and each individual bylaw.

DISCUSSION:

The City has the option of securing funding semi-annually from the Municipal Finance Authority (MFA) through their spring or fall debt issues, however this process is not flexible and requires cash requests to be made several months prior. This slow turnaround time could lead to the City running into a cash shortage, or more likely result in the City taking on more debt sooner than necessary in anticipation of future cash demands. There is a benefit of going directly to long-term debt as the City can take advantage of fixed interest rates which are typically lower than the daily variable rate charged on temporary borrowing. However, given the current declining interest rate environment going directly to long-term debt is not recommended.

A solution to facilitate better cashflow would be to enact a temporary borrowing bylaw. A temporary borrowing bylaw may be adopted on an approved loan authorization bylaw to allow access to funds similar to a line of credit. The City can access funds as needed through the construction period, then once the project is complete, the outstanding temporary borrowing balance can be converted to long-term debt. Cash that is borrowed is charged daily interest at the MFA's variable interest rate on the balance outstanding. If no balance is outstanding, no interest is charged.

Funds can be accessed on the same day for amounts less than \$5 million (provided notice is given prior to 10:30 a.m.). For amounts between \$5 million and \$10 million, the MFA allows for three days' notice, and for amounts in excess of \$10 million, five business days' notice is required. This quick turnaround time would allow the City to only borrow cash that is needed for expenses that are imminent; and not based on a forecast of expected spending from several months prior.

By adopting a just-in-time borrowing strategy, the City will be able to reduce the amount of time cash is being held unutilized, thus reducing unnecessary interest payments. Once the City has taken on temporary

borrowing, it can then convert that balance to long-term debt, secure a long-term interest rate, and start the long-term repayment process at the time of spring or fall debt issues. The maximum that can be borrowed temporarily is limited to the maximum amount remaining under the loan authorization bylaw which would be:

- Anderton Dike Phase 1 \$1,750,000
- Strategic Land Acquisition \$2,176,000
- 6th Street Bridge \$2,500,000

At the completion of the project, the City will be in a better position to assess cash reserves and outstanding debt to decide how much of the temporary borrowing the City is able to pay down prior to locking it in for the long-term. By paying down some of the temporary borrowing balance prior to converting the debt to long term will reduce the interest paid on long term debt.

POLICY ANALYSIS:

- 2024-2028 Consolidated Financial Bylaw No. 3130, 2024
- Loan Authorization Bylaw No. 3128, 2024 - Anderton Dike Phase 1
- Loan Authorization Bylaw No. 3136, 2024 - Strategic Land Acquisition 2024
- Loan Authorization Bylaw No. 3137, 2024 - 6th Street Bridge

FINANCIAL IMPLICATIONS:

The 2024-2028 Financial Plan contains budget of \$135,650 for interest expense related to new debt. Given the current progression of projects, spending and other funds available, the City would have to incur \$7,592,351 of debt to consume the entire budgeted interest expense for the remainder of 2024; this is not possible as it exceeds the sum of the loan authorization bylaws. The current temporary borrowing interest rate is 5.36%. The City is well within its budgetary restrictions to authorize the temporary borrowing bylaws.

ADMINISTRATIVE IMPLICATIONS:

Finance staff will work with the Engineering and other relevant departments to determine cash requirements and draw upon the temporary borrowing bylaw as work progresses and invoice payment requirements arise.

STRATEGIC PRIORITIES REFERENCE:

This initiative addresses the following strategic priorities:

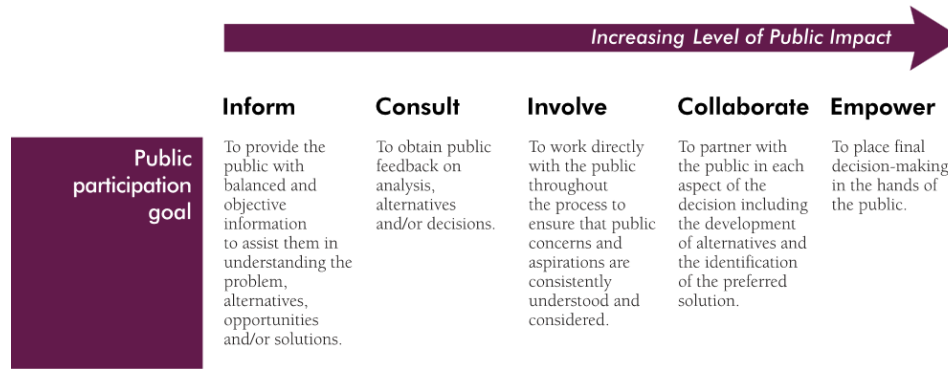
- Streets and Transportation - 6th Street Bridge design and funding
- Streets and Transportation - 6th Street Bridge construction

This initiative addresses the following cardinal direction:

COURTENAY WILL BE RESPONSIBLE FOR THE FUTURE by being more thoughtful, strategic, and efficient in all resources that we use whether it be land, energy, or public infrastructure, to ensure that actions deliver on multiple goals of fiscal responsibility, economic resilience, social equity, and ecological health.

PUBLIC ENGAGEMENT:

Staff would inform the public based on the IAP2 Spectrum of Public Participation:



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OPTIONS:

1. TO BE READ AS INDIVIDUAL MOTIONS

- 1) THAT Council give first, second and third readings to Temporary Borrowing Bylaw No. 3147, 2024 – Anderton Dike Phase 1
- 2) THAT Council give first, second and third readings to Temporary Borrowing Bylaw No. 3148, 2024 – Strategic Land Acquisition 2024
- 3) THAT Council give first, second and third readings to Temporary Borrowing Bylaw No. 3149, 2024 – 6th Street Bridge

2. THAT Council provide alternative direction to staff.

ATTACHMENTS:

1. Temporary Borrowing Bylaw No. 3147 – Anderton Dike Phase 1
2. Temporary Borrowing Bylaw No. 3148 – Strategic Land Acquisition 2024
3. Temporary Borrowing Bylaw No. 3149 – 6th Street Bridge

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