



## Legislation Text

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TAMRMS#: B06

### **Bylaw 26/2020 Operating Line of Credit Borrowing Bylaw (2nd and 3rd Readings)**

Presented by: Diane McMordie, Director, Finance & Assessment

#### **RECOMMENDED MOTIONS**

1. That Bylaw 26/2020 be read a second time.
2. That Bylaw 26/2020 be read a third and final time

#### **PURPOSE OF REPORT**

To recommend second and third reading of Bylaw 26/2020 to enable the City to increase the limit on the line of credit with ScotiaBank in order to provide flexibility to address any financial shortfall that may occur as a result of measures taken by the City in response to the Covid - 19 virus pandemic.

#### **ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN**

N/A

#### **ALIGNMENT TO LEVELS OF SERVICE DELIVERY**

Business and Financial Planning Management - Financial Planning (Stewardship of development of annual operating and capital budgets for Municipal and Utility operations.)

#### **ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION**

On June 15, 2020 Council passed the following resolution:  
(BL-20-027)

That Bylaw 26/2020 being an Operating Line of Credit Borrowing Bylaw to finance operating expenditures subject to certain conditions, be read a first time.

#### **BACKGROUND AND DISCUSSION**

The City currently has an operating line of credit with ScotiaBank for \$5,000,000 as per Bylaw 4/95. Due to the financial uncertainty arising from measures the City has taken to mitigate the spread of Covid-19 and the impacts on the City's financial position, Administration requested ScotiaBank to

increase the limit on our line of credit.

ScotiaBank is prepared to increase the limit on the line of credit to \$20,000,000.

This is an operating facility for the purpose of financing operating expenditures. All borrowings will be at the rate of prime minus 1%.

Borrowing Bylaw 26/2020 outlines all of the conditions and security requirements for this temporary operating facility.

An operating line of credit is a financing mechanism to support fluctuations in cash flow and is not an approval to expend dollars. Section, 248(1) of the MGA states:

248(1) A municipality may only make an expenditure that is

- (a) included in an operating budget, interim operating budget or capital budget or otherwise authorized by the council,
- (b) for an emergency, or
- (c) legally required to be paid.

Should the City anticipate a temporary cash shortfall, financial analysis would be undertaken to determine the most cost effective option to address the cash shortfall. This could include both cashing in short or long term investments or utilizing the line of credit facility as an alternative. Items such as prevailing interest rates on both investment and short term debt (line of credit) as well as any foregone returns on investments would need to be considered in the analysis.

Any required draw on the line of credit will be for the sole purpose of managing cash flows for expenditures already included in a Council approved budget or by a resolution of Council.

## STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

In alignment with the advertising requirements set out in Council Policy C-CAO-22, notification in the St. Albert Gazette regarding the proposed Bylaw took place on the following dates:

June 17 - initial advertisement

July 29 - 1st advertisement

August 5 - 2nd advertisement

This schedule of advertising allowed the public 60 days for consideration of a petition, as contemplated by the Policy. No petition was received.

## IMPLICATIONS OF RECOMMENDATION(S)

Financial:

Passing of Bylaw 26/2020 authorizes Administration to secure access to short-term financing through Scotiabank.

Legal / Risk:

Section 256 of the *Municipal Government Act* provides that when a municipality borrows for the purpose of financing operating expenditures:

- The amount to be borrowed, together with the unpaid principal of other borrowings made for the purpose of financing operating expenditures, must not exceed the amount the municipality estimates will be raised in taxes in the year the borrowing is made; and
- A borrowing bylaw that authorizes the borrowing does not have to be advertised if the term of the borrowing does not exceed 3 years.

Due to the uncertainty as to how long this increased operating line of credit will be required, Bylaw 26/2020 was advertised so that, if it is passed, the credit facility will be available for more than 3 years if necessary.

If second and third readings of the Bylaw are passed on August 31, 2020, the Bylaw will then come into effect as soon as it is signed by the Mayor and Chief Legislative Officer.

Program or Service:

n/a

Organizational:

None at this time.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

If the Borrowing Bylaw is not passed the City will be unable to secure the increased line of credit for Covid-19, and other financial measures will need to be reviewed.

Report Date: August 31, 2020

Author(s): Brenda Barclay

Committee/Department: Finance & Assessment

Deputy Chief Administrative Officer: Kerry Hilts

Chief Administrative Officer: Kevin Scoble