



PORT COLBORNE

Subject: 2024 Borrowing By-law
To: Council
From: Corporate Services Department

Report Number: 2023-203

Meeting Date: October 24, 2023

Recommendation:

That Corporate Services Department Report 2023-203 be received; and

That the draft by-law to authorize the temporary borrowing of \$6,000,000 for 2024 for operating cash flow to meet the City's day-to-day expenditures, pending receipt of tax levies, user fees, and revenues anticipated during the year, be approved.

Purpose:

The purpose of this report is to authorize temporary borrowing, as required, up to \$6,000,000 for operating cash flow to meet the City's day-to-day expenditures, pending receipt of tax levies, user fees, and revenues anticipated during the year.

Background:

Section 407 of the *Municipal Act, 2001*, as amended, provides authorization to borrow for expenditures. It is common practice among municipalities to establish a set borrowing amount for each year for cash flow purposes as a contingency to meet day-to-day expenditures, pending receipt of tax levies, user fees, and revenues anticipated during the year. The City of Port Colborne (the "City") has historically maintained a line of credit of \$4,000,000.

Discussion:

The authorization for temporary borrowing is requested as a contingent cash flow planning mechanism.

Staff are not anticipating the need to temporarily borrow in 2024 but identify the operating and related capital program of the City is getting larger and from time-to-time can result in significant draws to the City's cash flow.

Seasonally the City's cashflow is lowest between October and February.

Staff do plan City investment maturities to align with cashflow needs; however, as debt funded projects related to water, wastewater, and storm sewer move forward, the City will need to pre-fund certain construction prior to issuing long-term debt. One source of pre-funding is operating cash flow.

This report proposes an increase in the temporary borrowing limit up to \$6,000,000 from \$4,000,000.

Borrowing in this capacity is aligned with the City of Port Colborne's Debt Management Policy.

Internal Consultations:

Internally, funding sources and borrowing have been discussed through the development of the 2024 Capital Budget.

Financial Implications:

As staff are not anticipating the need to use the line of credit, no amount has been budgeted.

Should Council approve the recommendation in this report, staff have pre-negotiated a line of credit at a cost of bank prime rate less 0.50%. At the time of writing this report this equates to an interest rate of 6.70%.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Economic Prosperity
 - Sustainable and Resilient Infrastructure
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Conclusion:

Staff recommend Council approve the adoption of a by-law to authorize temporary borrowing as outlined in this report.

Appendices:

- a. Draft 2024 Borrowing By-law

Respectfully submitted,

Adam Pigeau, CPA, CA
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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.