



City of Prince Albert

RPT 2025-121

TITLE: Short-Term Borrowing – Operating Line of Credit – Bylaw No. 6 of 2025

DATE: March 3, 2025

TO: Executive Committee

PUBLIC: X

INCAMERA:

RECOMMENDATION:

That the following recommendation be forwarded to City Council for approval:

That Bylaw No. 6 of 2025, a Bylaw of the City to provide for short-term borrowing through an operating line of credit, be introduced and receive (3) readings.

EXECUTIVE SUMMARY:

The City currently has a Short-Term Borrowing Bylaw No. 26 of 2020 – Operating Line of Credit Bylaw that states the amount of money that may be borrowed through the operating line of credit shall not exceed \$12.0 million at any given time.

The Bylaw further states that the City is hereby authorized to execute an Operating Line of Credit Agreement with the financial institution approved to provide banking services to the City. The City's banking services financial institution is CIBC and includes a \$12.0 million operating line of credit. This report is recommending that Council approve an increase to its operating line of credit from \$12.0 million to \$18.0 million to address upcoming debt financing payments and large capital and fleet spending prior to receipt of yearly taxation and/or grant/reimbursement payments.

BACKGROUND:

The Government Finance Officers Association (GFOA) strongly recommends that municipal governments perform ongoing cash forecasting as a best practice.

Cash flow management is the art of successfully estimating the timing of our local municipality cash flows. Municipal Governments conduct cash flow analysis to estimate available cash deposits, expected inflows, and required disbursements during a given period so they can ensure sufficient liquidity.

Common inflows include tax receipts, utility payments, grants, and other revenue from fees and penalties. Outflows represent anticipated payments such as debt service, employee payroll or benefits, and payments to vendors for goods and services anticipated during the forecasted time frame.

Municipal Governments should also consider and accommodate non-repetitive payments such as capital expenditures or expected legal settlements, using reasonable assumptions.

In 2020, Council approved amending The Property Tax Incentive and Penalties Bylaw in order to provide accommodation and assistance to the taxpayers of the City experiencing the effects of the economic impact due to the COVID-19 pandemic. The City was committed to providing increased flexibility and immediate short-term relief from 2020 Property Taxation payment. The Bylaw approved extending the tax payment deadline to September 30, 2020 by an approved application process.

In order for the City to offset the deferral of property taxes and the related temporary decrease in cash flow, Administration recommended that the City's operating line of credit be increased from \$12.0 million to \$22.0 million. Council, at that time, approved Bylaw No. 11 of 2020 to include that the amount of money that may be borrowed through the operating line of credit shall not exceed \$22,000,000 at any given time.

When the increase in the line of credit was executed with The City's financial institution, the line of credit increase was established on a temporary basis with the limit reverting back to \$12 million on December 31, 2020. At the end of 2020, Council approved Bylaw No. 26 of 2020 as attached to reduce the City's operating line of credit back to \$12.0 million.

PROPOSED APPROACH AND RATIONALE:

Finance Administration has undertaken a review of the City's cash flow projection with the increased debt financing to the City. Administration has created a detailed cash flow forecast for both cash inflows and outflows to anticipate potential shortfalls and adjust strategies accordingly. Inflows include sources like tax revenues or grants/funding. The outflows include public services and infrastructure spending to debt payments and payroll. The goal is to create a comprehensive view of cash coming in and going out, making it easier to identify patterns and potential risks.

With the upcoming capital and fleet spending, along with debt financing payments, this report is recommending that the operating line of credit be increased from \$12.0 million to \$18.0 million as a precautionary measure to ensure sufficient cash flow for the months of April and May prior to the City receiving taxation revenue. As per the City's revenue cycle, the majority of revenue is received from taxation in June each year.

There are several factors affecting the City's current cash flow at this time, such as:

1. Payment of Capital Construction Costs with reimbursement later in Year or over Multiple Years

Each year there are a number of Capital Construction Projects that take place. The infrastructure for those projects are purchased by the City at the beginning of the year to ensure that the projects can begin as soon as the snow is off the ground.

This requires the City to upfront the cost without any revenue, such as taxation, grant funding or reimbursement payments in some cases to be received. Some examples are as follows:

Example 1:

The City was approved for provincial and federal funding for the Aquatic and Arenas Recreation Centre through the Ultimate Recipient Agreement. Even though the City is required to pay the Contractor within the legislated time frame for work completed, the Province is holding a cumulative administrative holdback of \$2,199,900 which will only be released to the City once the final claim and final documentation is approved by Province.

Example 2:

Council approved a Servicing Agreement with the Friends of Saskatchewan Children Inc. for the completion of underground services for 25th Street West, at a cost of \$1,010,000 for the construction of underground servicing, which is required to be paid by the City in 2024 for the supplies and labour. The estimated cost recovery in the amount of \$788,832 will only be paid over five (5) years by Friends of Saskatchewan Children Inc. (Ronald McDonald House). This is a great project for the City, but it does place a cash flow situation for the City to address.

2. Non-Payment of Taxes and Services Provided

The City's account receivable outstanding balance as of March 17, 2025 is \$4.213 million. In addition, the outstanding property taxation owing to the City which includes all outstanding levies, arrears, administrative fees, and unpaid invoices attached to property taxes totals \$5.621 million for 305 properties.

3. Debt Financing Payments Owing prior to receipt of Taxes

The City has various loan payments that are due prior to June and the influx of revenue to the City from taxation is not expected until June 30th:

| | |
|---|--------------------|
| \$16.0 Million - AARC | \$794,351 |
| \$30.0 Million - AARC | \$1,695,689 |
| \$18.0 Million - AARC | \$4,071,727 |
| Raw Water Pump House | \$635,630 |
| Marquis Road Extension | \$205,174 |
| Waste Cell Construction | \$735,737 |
| WWTP Design | \$119,153 |
| RCB Loans (Transit Buses, Irrigation, Reservoir, etc.) | \$375,000 |
| Total Debt Financing Payments | \$8,632,461 |

4. Large Purchases prior to Receipt of Taxes

With the current unrest within the World in regards to the Tariffs being imposed on Canadian goods, the City has been undertaking large purchases of equipment and supplies.

The City will be paying the following large fleet invoices relating to fleet approved in the 2024 and 2025 Budgets prior to receipt of taxation:

- 2 tandem trucks ordered from Front Line Truck and Trailer;
- 1 automated waste collection truck from Fer-Marc Equipment;
- 1 side load sanitation tandem truck from Superior North America;
- 11 foot mower (2024 Budget);
- 11 foot mower (2025 Budget); and,
- Fairway mower.

The debt financing payments for the borrowing of \$18.0 million for the Aquatic and Recreation Centre is \$4,071,726.68 payable on May 1, 2025. In hindsight, the borrowing of funds for the \$18.0 million should have been after the June 30th taxation deadline to ensure sufficient cash funds for repayment of the loan. With the loan payment due May 1st, this puts a strain on cash flow for the month of May.

Going forward the City needs to evaluate the timing and certainty of incoming revenues and match repayment schedules accordingly. This helps prevent rolling over debt unnecessarily, which can end up actually increasing costs and straining long-term financial stability.

The increase in operating line of credit to \$18.0 million will ensure that there is sufficient cash for the next couple months. That will reduce any risk to the City relating to upcoming debt financing payments, tariff costs and capital costs. Attached to this Report is Bylaw No. 6 of 2025 as Appendix A to increase the City's operating line of credit.

Municipalities and government entities may face temporary cash flow gaps. Short-term borrowing can help bridge these gaps by providing immediate liquidity until expected revenues, such as taxes or grants, come in.

CONSULTATIONS:

Finance Administration consulted with the Director of Financial Services and City Manager relating to financial planning for the City.

COMMUNICATION AND/OR ANNOUNCEMENT PLAN:

Once approved, Bylaw No. 6 of 2025 will be posted on the City's Website.

BUDGET/FINANCIAL IMPLICATIONS:

The City has a debt limit of \$120 million dollars approved by the Saskatchewan Municipal Board. Currently the accessible debt limit available after consideration of the existing long-term debt and line of credit is estimated to be \$7.6 million.

| | | |
|--------------------------------|----|--------------|
| Debt Limit | \$ | 120.0 M |
| Line of Credit | \$ | (12.0) M |
| Loan Balance December 31, 2024 | \$ | (100.4) M |
| Accessible Funds | \$ | <u>7.6 M</u> |

Therefore, currently the City has additional debt capacity of \$7.6 million, increasing the City's operating line of credit to \$18.0 million will leave accessible funds of \$1.6 million.

As per the City's banking services agreement with CIBC, the interest to be charged to the City for going into the operating line of credit is prime less .75% on our Line of Credit.

Based on the interest to be charged, below is a projected interest cost:

| | March | April | May | Total |
|------------------|-----------------|--------------------|--------------------|--------------|
| Expected balance | <u>\$33,000</u> | <u>\$1,485,000</u> | <u>\$9,785,000</u> | |
| Interest Cost | \$124.72 | \$5,431.44 | \$36,981.94 | \$42,538.10 |

If the City does not receive the Administration Holdback of \$2,199,900, the interest cost will increase as follows:

| | | | | |
|---|--------------------|--------------------|---------------------|-------------|
| Balance without \$2.2M holdback release | <u>\$2,233,000</u> | <u>\$3,685,000</u> | <u>\$11,985,000</u> | |
| Interest Cost | \$8,439.52 | \$13,927.28 | \$45,296.73 | \$67,663.53 |

Below is a projection of the City's cash flow for the next couple months:

| | March | April | May | June | July |
|--|---------------|---------------|---------------|---------------|---------------|
| Estimated Opening Balance | \$8,947,854 | (\$32,986) | (\$1,483,813) | (\$9,784,572) | \$23,427,738 |
| Net Average Spending | (\$1,515,796) | (\$3,150,727) | (\$2,033,343) | \$33,712,310 | (\$2,373,102) |
| Administration Holdback | | \$2,199,900 | | | |
| Graham Invoicing - AARC | (\$2,000,000) | | | | |
| <u>Debt Financing Payments</u> | | | | | |
| \$16.0 Million - AARC | (\$794,351) | | | | |
| \$30.0 Million - AARC | | | (\$1,695,689) | | |
| \$18.0 Million - AARC | | | (\$4,071,727) | | |
| Raw Water Pump House | (\$635,630) | | | | |
| Marquis Road Extension | (\$205,174) | | | | |
| Waste Cell Construction | (\$735,737) | | | | |
| WWTP Design | (\$119,153) | | | | |
| RCB Loans (Transit Buses, Irrigation, Reservoir, etc.) | (\$375,000) | | | | |
| Fit Up Costs - AARC | (\$2,100,000) | | | | |
| Buffer | (\$500,000) | (\$500,000) | (\$500,000) | (\$500,000) | (\$500,000) |

| | | | | | |
|-----------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| | | | | | |
| Ending Balance | (\$32,986) | (\$1,483,813) | (\$9,784,572) | \$23,427,738 | \$20,554,636 |

As shown above, the City will be using its operating line of credit until the City receives taxation revenue in June.

OTHER CONSIDERATIONS/IMPLICATIONS:

Bylaw No. 6 of 2025 will repeal the current Bylaw No. 26 of 2020 relating to operating line of credit.

OPTIONS TO RECOMMENDATION:

Council may choose not to increase the operating line of credit, however, that is not being recommended to reduce any financial impact to the City's cash flow.

STRATEGIC PLAN:

The increase in operating line of credit supports the strategic priority of Building a Robust Economy by creating an equitable taxation structure that promotes community growth, developing and maintaining new and existing amenities and infrastructure, and promoting positive economic development outcomes so new residents will be attracted to Prince Albert.

This budget also supports numerous other strategic priorities set forth in the City's Strategic Plan.

OFFICIAL COMMUNITY PLAN:

Section 14 of the OCP highlights financial Goals and Policies aimed to "maintain effective management, efficiencies and accountability of the City's fiscal budgets and operations".

PUBLIC NOTICE:

Public Notice is required for consideration of this matter by City Council, pursuant to Section 4(c) of Public Notice:

4(c) borrowing money, lending money or guaranteeing the repayment of a loan.

The Public Notice bylaw includes "seven days" means seven (7) days will be calculated using calendar days and including the day it is posted, but excluding the day of the Council meeting.

As per Bylaw No. 24 of 2015, the following notice will be given as follows:

- Notice to be posted on the City Website: Posted March 20, 2025
- Notice to be posted on the bulletin board at City Hall: March 20, 2025

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- Notice to be published in the Prince Albert Daily Herald: Published March 20, 2025

PRESENTATION:

Verbal Presentation by Ramona Fauchoux, Director of Financial Services.

ATTACHMENTS:

1. Bylaw No. 6 of 2025.
2. Bylaw No. 26 of 2020.
3. Public Notice.

Written by: Melodie Boulet, Finance Manager

Approved by: Acting Senior Accounting Manager, Director of Financial Services and City Manager