

Short-term Borrowing Bylaw

ADMINISTRATION RECOMMENDATION:

That Council give three readings to Proposed Bylaw 7B2022, being a bylaw authorizing short-term borrowings to a maximum of \$600 million during the period 2023 January 1 to 2025 December 31 to fund operating expenditures.

HIGHLIGHTS

- The City of Calgary (“The City”) uses short-term borrowing as a strategic tactic to manage cashflows.
- The City may occasionally require access to short-term borrowing to provide funding when cash required for operating expenditures is not sufficient due to variable timing of cash receipts versus cash disbursements.
- The City has had a short-term borrowing program since the 1990s. Beginning 2006 the program was amended to authorize borrowing for multiple years.
- The authority for The City to borrow up to \$600 million on a short-term basis to fund operating expenditures is currently provided pursuant to bylaw 19M2020, which expires 2022 December 31.
- **What does this mean to Calgarians?** Each day Calgarians depend on the services provided by The City. Adequate funding is a prerequisite to ensure the services continue to be provided.
- **Why does this matter?** Occasionally short-term funding may be required to ensure The City’s services are adequately funded, and suppliers paid, on a timely basis.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- The City continually forecasts cash flows to manage its fiscal position including cash levels, maximize investment returns and minimize borrowing.
- However, occasionally the timing of cash flows results in the need to borrow funds on a short-term basis to fund ongoing operations.
- The City also manages its short-term investment portfolio to take advantage of market scenarios that offer higher investment returns relative to the cost of its short-term borrowings. In such markets The City may favour short-term borrowing over liquidating higher return investment assets with no added risk to The City.
- The City has short-term borrowings available through a combination of a bank line of credit and an active commercial paper issuance program.
- The City’s experience over the last two years indicates a short-term borrowing capacity of \$600 million is an appropriate level and provides some flexibility to current short-term debt levels.
- Council approval of the proposed short-term borrowing bylaw is required to enable The City to continue its current short-term borrowing strategy beyond 2022 December 31 for a requested three-year term ending 2025 December 31.

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ENGAGEMENT AND COMMUNICATION (EXTERNAL) WITH INTERESTED PARTIES

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Interested Parties were informed
- Dialogue/relations were undertaken with Interested Parties

Public engagement is not necessary

IMPLICATIONS**Social**

The well being of Calgarians could be adversely impacted if funding is not available when needed to continue operations, and pay suppliers, which finance the many social benefits The City enables and provides to its citizens.

Environmental

The City provides environmental services and benefits to its citizens that could be adversely impacted if funding is not available when needed to continue to finance those environmental services and benefits.

Economic

The City accesses short-term borrowing facilities on an opportune basis to manage short-term liquidity needs. Investment income earned by not having to liquidate assets is expected to exceed short-term borrowing costs.

Service and Financial Implications**Existing operating funding - base**

- The proposed borrowing authority does not increase The City's current borrowing authority.
- Pursuant to The City's debt policy CP2020-05, The City cannot proceed to borrow if borrowing will cause the municipality to exceed its debt limits. The proposed borrowing authority does not cause The City to breach The City's debt limit.

RISK

The risk is that due to occasional and unavoidable variability in timing of cash outflows versus cash inflows The City may not always have sufficient cash available to fund operating expenditures when required. This risk is mitigated by having liquidity sources available to ensure any cash flow variances from original forecasts can be covered by short-term borrowing, liquidating assets, or a combination of both.

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ATTACHMENT(S)

1. Attach 1 - Background, Previous Council Direction
2. Attach 2 - Operating Expenditure Borrowing Bylaw 7B2022

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Corporate Planning & Financial Services	Approve