

## INCREASE TO SHORT-TERM PROMISSORY NOTE PROGRAM

### Recommendation

That Executive Committee recommend to City Council:

That the resolution for the Increase to Short-Term Promissory Note Program, as outlined in Attachment 1 of the November 1, 2023, Financial and Corporate Services report FCS02092, be approved.

<b>Requested Action</b>	Committee decision required		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	N/A		
<b>City Plan Values</b>	N/A		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>Bylaw 19302 - A Bylaw to authorize indebtedness on behalf of the City of Edmonton and its utilities until tax levies and utility revenues can be collected</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>April 29, 2020, Financial and Corporate Services report CR_8253, Bylaw 19302</li> </ul>		

### Executive Summary

- The action recommended in this report will allow the City of Edmonton to increase its Short-Term Promissory Note Program limit from \$100 million to \$250 million.
- This increase will provide additional flexibility for the City to borrow money for financing operating expenditures.

## **INCREASE TO SHORT-TERM PROMISSORY NOTE PROGRAM**

- Given the timing of when most property tax revenue is received each year (June), a higher limit for short-term promissory notes allows the City to avoid higher interest rates for bank lines of credit to manage cash flow.

## **REPORT**

The majority of the City's revenue is from property taxes, of which a large portion is received in late June and the first few days of July each year. During the first half of the year, the City's cash balance will gradually decrease until property owners begin to pay their taxes in June.

When cash flow mismatches occur in the City's working capital, a bank line of credit is available to fund the City's operating requirements. An alternative to a bank line of credit is for the City to issue Short-Term Promissory Notes in the Canadian Money Market: a program in which the City currently has a limit of \$100 million. Using this program, when there is a balance available, saves the City the higher interest costs of a bank line of credit.

On April 29, 2020, City Council approved bylaw 19302 - A Bylaw to amend Bylaw 10956, as amended by Bylaw 15212, to authorize indebtedness on behalf of the City of Edmonton and its utilities until tax levies and utility revenues can be collected. This bylaw increased the borrowing authority by \$300 million, allowing the City to expand the City's line of credit and the City's promissory note program from \$100 million to \$250 million each. The increase in the line of credit was completed in 2021. Approval of the resolution as recommended in this report is the final step to complete the increase to the City's promissory note program.

The City's population, and operating expenses and revenues have grown significantly since 2009 when the Short-Term Promissory Note Program was initially established with a \$100 million limit. An increase to the Short-Term Promissory Note Program limit will allow the City to manage its growth and be more flexible in optimizing its cash management process. Attachment 1 includes the resolution to increase the City's Short-Term Promissory Note Program.

This resolution complies with the City's internal Debt Management Fiscal Policy, Council Policy C203D.

### **Budget/Financial Implications**

Issuing City of Edmonton Short-Term Promissory Notes is potentially a less expensive alternative than drawing on a bank line of credit. Currently, a draw on the City's bank line of credit is priced at the Prime Lending Rate (7.2 per cent) less 0.75 per cent, to equal 6.45 per cent, versus issuing promissory notes at approximately 5.2 per cent.

The proposed increase to the Short-Term Promissory Note Program allows the City to expand its presence in the Canadian Money Market as an active borrower of short-term debt. An expanded presence could improve the willingness of investors in the Canadian Money Market to lend to the City on a short-term basis.

### **Legal Implications**

The resolution outlined in Attachment 1 is required in order for the City of Edmonton to rely on an applicable prospectus and registration exemption under securities law in respect of the

## **INCREASE TO SHORT-TERM PROMISSORY NOTE PROGRAM**

issuance and sale of commercial paper in the form of unsecured, negotiable promissory notes maturing not more than one year from the date of issue.

### **Community Insight**

The City of Edmonton's budgets are the instruments that allow Council to achieve the goals of ConnectEdmonton and the Big City Moves of The City Plan. Through various channels (including formal public engagement, community conversations/tables, 311, social media and speakers at Committees of Council), the City of Edmonton listens to the needs, desires and financial realities of Edmontonians as it delivers programs and services on behalf of the community. The City of Edmonton's programs and services should enable a better life for all Edmontonians. Administration is committed to managing and reporting on its finances in a way that demonstrates the City is delivering on the goals set out in the budget.

### **GBA+**

Prudent management of its cash flow responsibly allows the City to better deliver its programs and services, and capital projects, which each have individual implications for GBA+.

### **Attachment**

1. Resolution for the Increase to Short-Term Promissory Note Program