

Re: G.V.R.D. - M.F.A. Financing

Following is a further report from the Municipal Treasurer regarding the borrowing of funds for park development (see Item 5 on page 108) and park land acquisition (see Item 6 on page 110).

This is for the information of Council.

30 December 1974

TO: MUNICIPAL MANAGER

File: G70-1-1

FROM: MUNICIPAL TREASURER

RE: G.V.R.D. - M.F.A. FINANCING

In conjunction with the report items concerning the borrowing of \$1,077,000 for park development and \$950,000 for park land acquisition, the following is submitted for information of Council.

In 1973 and early in 1974 the following applications for financing were made to the Regional District:

15 November 1973	By-law No. 6347 - drainage works	\$ 900,000.00
	- parks	107,000.00
29 January 1974	By-law No. 6420 - parks	2,910,000.00
		3,917,000.00

The following financing has been made by the Regional District through the Municipal Finance Authority:

14 June 1974	9.75% sinking fund loan due 15 May 1974, effective rate approximately 11.27%	\$ 1,749,412.50
3 Sept. 1974	10.38% installment loan due 3 Sept. 1980-84 and 10.75% sinking fund loan due 3 Sept. 1985-94 effective rate approximately 12.17%	<div style="display: flex; justify-content: space-between;"> 846,880.12 \$ 2,596,292.62 </div>
	Total outstanding - first request	1,320,707.38

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The following additional requisitions have been made:

9 July 1974	By-law No. 6519 - local improvements	\$ 333,000.00	
	By-law No. 6520 - drainage	1,200,000.00	
	By-law No. 6521 - local improvements	<u>1,332,000.00</u>	<u>2,865,000.00</u>
	Total outstanding - first and second requests		4,185,707.38

Further applications being considered by Council at this time:

	By-law No. 6606 - parks	1,077,000.00	
	By-law No. 6607 - parks	<u>950,000.00</u>	<u>2,027,000.00</u>
	Total outstanding - first, second and third requests		<u>\$ 6,212,707.38</u>

When these funds are borrowed, the projects remaining to be financed will be something less than \$1,337,500 for Burrard Inlet and approximately \$1,500,000 for local improvements.

In the years before the creation of the M.F.A., it was customary to borrow funds in advance of use. This is no longer possible. By the time the M.F.A. goes to the market, expenditures on construction are generally under way. To do otherwise would mean that projects might be delayed as much as one year before works may commence.

Ordinarily, Burnaby finances its works over a term of years as follows:

Local improvement lanes	5 years (through the L.I. Fund)
Local improvement ornamental street lighting	10 years (through the M.F.A.)
Local improvement street works	15 years (through the M.F.A.)
All other works	20 years (through the M.F.A.)

and occasionally from the Federal Government for winter works projects.

The borrowing process, as prescribed by statute, is through the Regional District except for works financed by the Local Improvement Fund. In turn, the Regional District, on behalf of their members, borrows from the M.F.A. The M.F.A. in turn borrows on the open market. So far, it has borrowed in Canada, the U.S.A., Switzerland and Germany in the currency of those countries, and in the Euromarket in Canadian dollars.

It is interesting to note that while the M.F.A., through the Regional District, accepted from Burnaby a twenty year note for the 3 September issue, the Authority sold securities maturing in seven years. On the expiration of seven years, the Authority must refinance same.

This sort of thing happens when money becomes tight and is practised extensively by the Federal Government and, to some extent, by the Provincial Government.

While the process is slow, the M.F.A. broadens the ability of municipalities to take advantage of markets that prevail, in a manner that is not available to the municipalities themselves.

Council will be interested in the cost of debt repayment. For example, if \$1,000,000 is borrowed, the following will be the annual levies necessary to repay the debt:

<u>Term</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>	<u>10%</u>	<u>11%</u>	<u>12%</u>
5 years	\$243,890	\$250,456	\$257,092	\$263,797	\$270,603	\$277,409
10 years	142,377	149,029	155,820	162,745	169,864	176,984
15 years	109,794	116,829	124,059	131,473	139,148	146,824
20 years	94,393	101,852	109,546	117,459	125,669	133,879
25 years	85,810	93,678	101,806	110,168	118,834	127,500

The accumulated totals of the annual levies over the life of the loans would be:

<u>Term</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>	<u>10%</u>	<u>11%</u>	<u>12%</u>
5 years	\$1,219,450	\$1,252,280	\$1,285,460	\$1,318,985	\$1,353,015	\$1,387,045
10 years	1,423,770	1,490,290	1,558,200	1,627,450	1,698,640	1,769,840
15 years	1,646,910	1,752,435	1,860,885	1,972,095	2,087,220	2,202,360
20 years	1,887,860	2,037,040	2,190,920	2,349,180	2,513,380	2,677,580
25 years	2,145,250	2,341,950	2,545,150	2,754,200	2,970,850	3,187,500

Long term money costs currently are in the 10%-11% range.


 MUNICIPAL TREASURER

BM:gw