

ITEM (SUPPLEMENTARY)	15
MANAGER'S REPORT NO.	19
COUNCIL MEETING	1980 03 10

RE: LETTER FROM THE HONOURABLE HUGH A. CURTIS, MINISTER  
MINISTRY OF FINANCE, PARLIAMENT BUILDINGS, VICTORIA, B.C., V8V 1X4  
SINKING FUNDS SURPLUS  
BURNABY WATERWORKS CONSTRUCTION AND LOAN BY-LAW 1959, BY-LAW NO. 4086

Appearing on the agenda for the 1980 March 10 meeting of Council is a letter from the Honourable Hugh A. Curtis, Minister of Finance, regarding a sinking funds surplus. Following is a report from the Municipal Treasurer on this matter.

RECOMMENDATION:

1. THAT the report of the Municipal Treasurer be received for information purposes.

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TO: MUNICIPAL MANAGER 80 03 07  
FROM: MUNICIPAL TREASURER File: W5-4  
RE: SINKING FUND SURPLUS  
BURNABY WATERWORKS CONSTRUCTION AND LOAN BY-LAW 1959,  
BY-LAW NO. 4086

RECOMMENDATION:

THAT this report be received for information purposes.

REPORT

There is a letter on the agenda for March 10 from the Minister of Finance advising that "Greater than anticipated returns have resulted in the District of Burnaby receiving \$112,060.26 representing additional earnings of a sinking fund set up to retire a debt of \$721,000."

Burnaby has a self-liquidating water utility and possesses a certificate of self-liquidation granted by the Inspector of Municipalities. This permitted Burnaby to issue \$410,000 in 4-3/4% serial debentures on 1959 January 02 due and payable in the years 1960/79 and \$721,000 in 6% sinking fund debentures on 1960 January 02 due 1980 guaranteed by the Province of British Columbia. The first mentioned debt was completely retired on 1979 January 02 and the second on 1980 January 02. It is interesting to note that shortly after the \$721,000 debt was issued, the Province discontinued guaranteeing debt for self-liquidating water utilities.

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In accordance with Section 252(1)(c) of the Municipal Act, sinking funds created by municipalities must be administered by the Minister of Finance. The sinking fund was calculated to earn 5% but has earned interest at a much higher rate.

Section 294(2) of the Municipal Act prescribes:

"If, after all the debt authorized by a loan by-law is repaid, there remains a surplus in the sinking fund account, the surplus may be disposed of in the manner provided in section 304."

Section 304 stipulates that the money shall not be used for any purpose except:

- "(a) for bringing the sinking funds up to requirements;
- (b) for reduction of debenture debt;
- (c) for capital expenditures;
- (d) for transferring to a fund under Divisions (2), (3), and (4); (Debt Repayment Funds, Reserve Funds or Local Improvement Funds)
- (e) for advancing moneys required for projects undertaken under section 465; (Land Development projects)
- (f) for expenditures of a special nature;

but unless sinking funds on hand are equal to or greater than requirements, no expenditures, advances, or transfers shall be made under clauses (b) to (f) inclusive."

Traditionally, Council has used moneys surplus to need from debenture debt issues and sinking funds on works of a nature similar to that for which the debt was created.

Consequently, your Treasurer has placed the funds in a special reserve for the purpose of capital works in the water system and in due course will bring down a by-law to authorize its expenditure on waterworks projects recommended by the Municipal Engineer.

Submitted for the information of Council.

  
MUNICIPAL TREASURER

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