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| ITEM | 1 |
| MANAGER'S REPORT NO. | 1 |
| COUNCIL MEETING 1981 01 05 | |

RE: TEMPORARY FINANCING BY-LAWS

The following is a report from the Municipal Treasurer re the above.

RECOMMENDATION:

1. THAT the recommendation of the Municipal Treasurer be adopted.

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TO: MUNICIPAL MANAGER
 FROM: MUNICIPAL TREASURER
 RE: TEMPORARY FINANCING BY-LAWS

1980 December 29
 File: B2-1

RECOMMENDATIONS:

1. THAT by-laws be brought down to permit borrowing to a maximum of \$22 million repayable on or before 1981 July 17; and, that for the period 1981 January 01 to December 31 borrowing to a maximum of \$1 million be permitted, repayable 1981 December 31.

SUMMARY

Annually it is necessary to pass by-laws to permit temporary borrowing to finance expenditures pending collection of taxes and to cover unforeseen circumstances. This report relates to the 1981 requirements.

REPORT

Background

During the period of approximately March to July each year, it becomes necessary to borrow temporarily to meet the operating needs of the Municipality. At other times in the year, temporary borrowing sometimes becomes necessary to make a large payment for the purchase of land or for some other purpose, the payment of which arises ahead of our planned cash flow, in which case it is simpler to borrow than to cash in securities. Idle moneys are kept invested at all times.

Authority

Section 346 of the Municipal Act provides the authority for borrowing of this nature.

1980 Experience

In 1980, authorization was received for two temporary borrowing by-laws. \$20 million to meet operating needs between March and July, and \$1 million to cover emergency situations.

The maximum borrowed at any one time was \$14.8 million.

1981 Requirements

| | <u>\$ million</u> |
|---|---------------------|
| Maximum borrowing 1980 | 14.8 |
| Approximate increase in 1981 cash flow based on a 10% increase in disbursements | 5.2 |
| Contingency to allow for timing changes in cash flow | <u>2.0</u> |
| Borrowing authority requested | <u>22.0 million</u> |

Interest Rates

On 1980 December 24, the prime interest rate was 18 1/4%. When funds are borrowed directly from the bank the prime interest rate is paid. For our day to day requirements, quotes are obtained from the "street". The interest rate on street paper is usually 1 to 2 percentage points below prime.

\$300,000 has been provided in the 1981 provisional budget to cover borrowing costs.

Recommendation

That by-laws be brought down to permit borrowing to a maximum of \$22 million repayable on or before 1981 July 17; and, that for the period 1981 January 01 to December 31 borrowing to a maximum of \$1 million be permitted, repayable 1981 December 31.



Howard Karras
MUNICIPAL TREASURER

cc. Municipal Clerk
Municipal Solicitor