

ITEM	12
MANAGER'S REPORT NO.	4
COUNCIL MEETING	1982 01 18

RE: TEMPORARY FINANCING BY-LAWS

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendations of the Treasurer be adopted.

\* \* \* \* \*

1982 January 11

TO: MUNICIPAL MANAGER

File: B2-1

FROM: TREASURER

RE: TEMPORARY FINANCING BY-LAWS

RECOMMENDATIONS

1. THAT by-laws be brought down to permit borrowing to a maximum of \$25 million repayable on or before 1982 July 19; and, that for the period 1982 January 01 to December 31 borrowing to a maximum of \$2 million be permitted, repayable 1982 December 31; and
2. THAT the Municipality enter into an agreement whereby The Royal Bank of Canada would act as issuing and safekeeping agent for the Municipality for street borrowing transactions; and
3. THAT the Treasurer be authorized to sign the agreement.

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 1982 requirements. The report also recommends that The Royal Bank of Canada be appointed our agent to handle street borrowing transactions.

REPORT

BACKGROUND

During the period of approximately March to July each year it is necessary to borrow temporarily, pending collection of taxes, to meet the operating needs of the Municipality. At other times in the year, temporary borrowing sometimes becomes necessary to make a large payment such as the purchase of land, or to cover an overdraft because of payments which arise ahead of our planned cash flow. In this case it is simpler, and less costly, to borrow than to cash in securities. Idle moneys are kept invested at all times.

A by-law is needed to provide the borrowing authority. A new by-law needs to be passed annually because the borrowing relates to the current year's anticipated tax levy.

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

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1981 EXPERIENCE

In 1981, authorization was received for two temporary borrowing by-laws: \$22 million to meet operating needs between March and July, and \$1 million to cover emergency situations.

The maximum borrowed at any one time was \$13.9 million (Appendix A attached). This was considerably less than the \$22 million authorized. Primarily the variance was related to the civic employees' strike.

On several occasions during the year the bank account was in an overdraft position. The \$1 million by-law was used to cover such an overdraft whenever it occurred.

1982 REQUIREMENTS

For 1982 it is estimated that we will need to borrow up to a maximum of \$25 million, which is about 15% more than the 1981 authority. As indicated on the graph in Appendix A, the borrowing usually peaks in mid-June and then begins to tail off as tax collections are received.

The amount of overdraft which may be encountered during the year cannot be determined. This is because unforeseen circumstances usually cause the overdraft to occur. For many years we have annually passed a by-law for \$1 million to cover this circumstance. It is my opinion that the amount should be increased to \$2 million for 1982. \$500,000 has been provided in the 1982 provisional operating budget to cover short term borrowing costs.

It is recommended that by-laws be brought down to a maximum of \$25 million repayable on or before 1982 July 19; and, that for the period 1982 January 01 to December 31 borrowing to a maximum of \$2 million be permitted, repayable 1982 December 31.

INTEREST RATES AND STREET BORROWING

Currently the prime interest rate is 16½%. Our primary source of funds is usually our bank, which is The Royal Bank of Canada. When we borrow from the bank the prime interest rate is paid.

In past years we have occasionally borrowed money on the street. Street borrowing is usually done through investment houses who have clients with large sums of money for short and usually fixed periods of time. Money, if available, borrowed on the street, is usually about 1% lower than the bank prime rate.

For 1982 I intend that we actively pursue this market. In the past, however, we have found that we were not able to take advantage of transactions offered to us out of the east, primarily Toronto, because we were not able to deliver the required documentation, i.e. a promissory note. To overcome this impediment, we have arranged with The Royal Bank of Canada to act as our agent for street borrowing transactions. They have provided us with a draft agreement (attached). The Solicitor has examined the agreement and, subject to some minor details, it is in an acceptable form.

It is recommended that the Municipality enter into an agreement whereby The Royal Bank of Canada would act as issuing and safe-keeping agent for the Municipality for street borrowing transactions; and

That the Treasurer be authorized to sign the agreement.



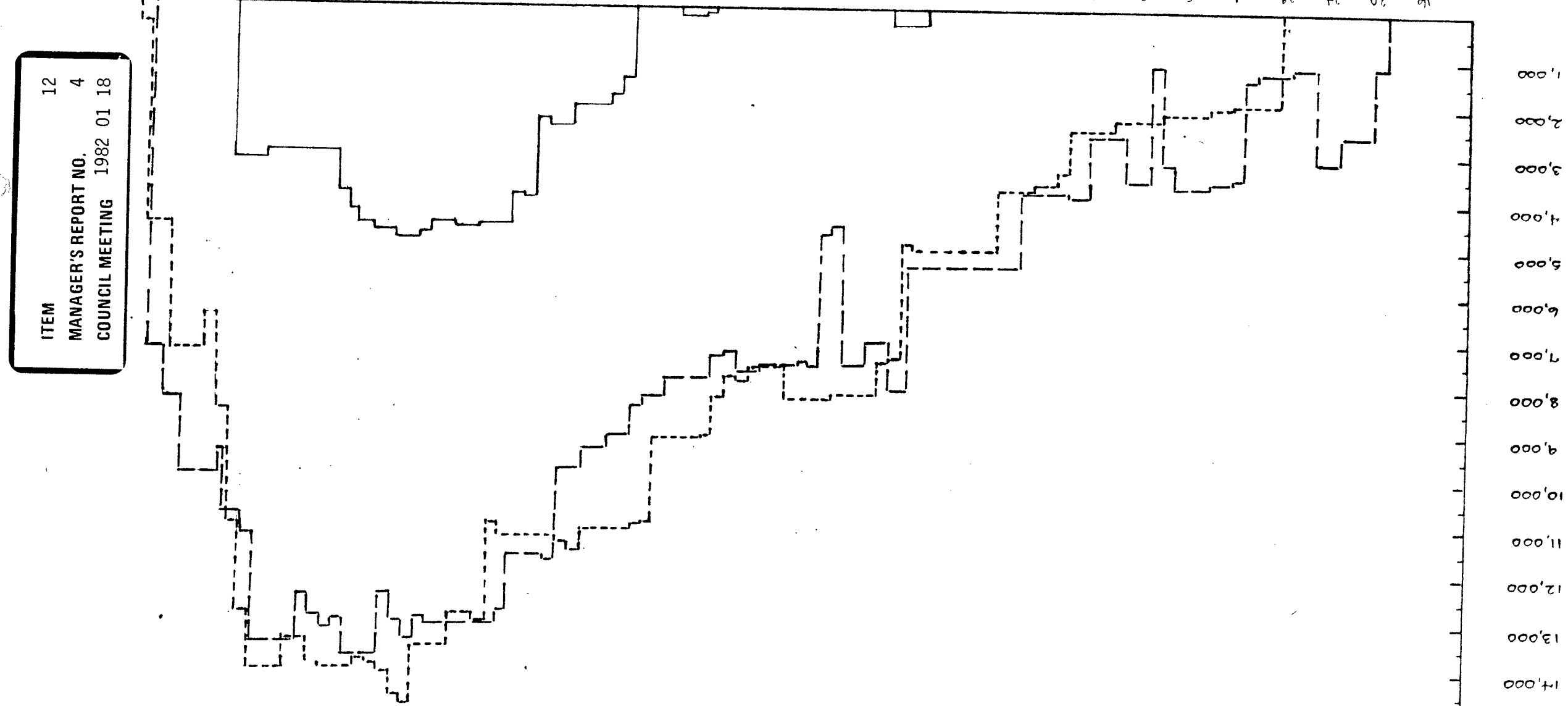
Howard Karras  
TREASURER

Attach.

cc: Municipal Clerk  
Municipal Solicitor

GRAPH SHOWING COST OF BORROWING FOR THE YEARS 1979, 1980 AND 1981

1981 ———  
 1980 - - - -  
 1979 ——— (1)



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(1) During 1979 funds held as current reserves and used as working capital were transferred to statutory reserves as required by the Municipal Act. As a result the cost of borrowing is greater from 1980 onward.

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THIS AGREEMENT dated the THIRTIETH day of NOVEMBER 1982

B E T W E E N :-

THE CORPORATION OF THE DISTRICT  
OF BURWATA

(hereinafter called "the Corporation")

OF THE FIRST PART

- and -

THE ROYAL BANK OF CANADA, ROYAL CENTRAL  
BRANCH in the City of Vancouver, Province of  
British Columbia  
(hereinafter called "the Bank")

OF THE SECOND PART

WHEREAS the Corporation has requested the Bank on its behalf to hold in the vault or safe of the Bank at its Central Branch, or at any branch of the Bank at which the Corporation may authorize them to be held, all short term promissory notes of the Corporation in the form annexed hereto and marked Exhibit "A" which now or hereafter received by or left with the Bank for safekeeping for the account of the Corporation.

AND WHEREAS the Corporation desires to appoint each of the Authorized Bank Personnel hereinafter mentioned as agent of the Corporation

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for the purpose of countersigning the Notes on behalf of the Corporation as authorized by a resolution of the Corporation, a certified copy whereof is attached hereto as Schedule "A", subject to the terms and conditions hereinafter contained.

1. In the safekeeping of the Notes only the same degree of care need be exercised as if they were the property of the Bank and the Bank were keeping them at the place at which they are being held.
2. The Notes are to be held and disposed of by the Bank for the Corporation and subject at all times to the instructions of the Corporation.
3. The Notes shall be delivered by the Corporation to the said Branch(s) of the Bank in the form(s) annexed hereto, with the amount, (except <sup>1</sup>in the case of pre-printed Notes), date thereof, name of payee, rate of interest, if any, and maturity date left in blank. The Notes shall, prior to such delivery, have been signed on behalf of the Corporation, either by manual or facsimile signature, by any two of the officers of the Corporation referred to in the aforesaid Resolution (hereinafter called the "Authorized Officers"). All Notes delivered to the Bank shall be accompanied by a letter of transmittal, in form satisfactory to the Bank, signed by one of the Authorized Officers and the Bank shall acknowledge receipt of the Notes so delivered by signing and returning to the Corporation a copy of such letter of transmittal.

4. Upon receipt of instructions as hereinafter provided with respect to the completion and delivery of a Note, the Bank shall (1) complete such Note by inserting therein the amount (except in the case of pre-printed Notes in which event the Bank shall select the specific denomination), date thereof, the name of the payee, rate of interest if any, and maturity date specified, all in accordance with such instructions, (2) cause such Note to be countersigned on behalf of the Corporation by one of the Authorized Bank Personnel as may from time to time be designated to the Corporation by the Bank as authorized to so countersign the Notes (herein called the "Authorized Bank Personnel"), and (3) deliver such completed and signed Note in the manner and to the person, firm or corporation specified in such instructions.

5. The Notes are to be delivered or surrendered by the Bank only against written receipt and (1) in the case of a completed Note, only to the person, firm or corporation specified in the instructions with respect to the completion and delivery of such Note against payment therefor of the amount specified in such instructions, which payment shall, upon receipt by the Bank, be credited to the regular account of the Corporation at the

Kingsway & Waverly Branch of the Bank, and (2) in the case of an incomplete Note or a completed Note which has been paid at maturity, only to or on the written order of an Authorized Officer; the whole in form satisfactory to the Bank. No Authorized Officer shall be entitled to waive the requirements set forth in the preceding sentence.

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The instructions of the Corporation to the Bank with respect to the completion and delivery of a Note shall be valid only if given:

(1) in writing signed by one of the Authorized Officers and delivered to the Branch,

or

(2) verbally by telephone or telex if given to one of the Authorized Bank Personnel by one of the Authorized Officers. Instructions given by telephone or telex shall be confirmed in writing signed by one of the Authorized Officers and delivered to the Branch not later than three business days after the giving of such instructions. Telephone or telex instructions, until confirmed as aforesaid, shall be at the risk of the Corporation in the event that the Bank and/or the Authorized Bank Personnel shall fail to carry them out wholly or in part and neither the Bank nor the Authorized Bank Personnel shall incur any liability or responsibility therefor or for any error or omission in any such instructions.

7.1 The Bank is authorized to pay the principal and interest, if any, of any Note at maturity against either:

(a) surrender to it such Note,

or

(a) delivery to it of a letter from the holder of such Note or such holder's agent, in such form as the Bank may require, undertaking to deliver such Note to the Bank within such time limit as the Bank may require, provided however that the Bank shall not be required to enforce compliance, or incur any liability whatever by reason of non-compliance, with the provisions of any such letter of undertaking.

7.2 The amounts of all payments made by the Bank pursuant to Subsection

(1) shall be debited to the current account of the Corporation at the <sup>Waltham</sup>Kingsthorpe Branch of the Bank.

8. The Corporation agrees to be liable for and to indemnify the Bank and/or the Authorized Bank Personnel against and hold them harmless from any losses, claims, demands, liabilities, costs and/or expense (including legal fees) arising out of the holding of the Notes or the countersigning thereof or the dealing therewith or the delivery or release of the Notes or anything lawfully done hereunder, including any delay, loss or damage in the shipment or delivery of such Notes.

9. The Bank is authorized, in its discretion, to comply with the provisions of any law, regulation or order now or hereafter in force which purports to impose on a holder of any of the Notes a duty to take or refrain from taking any action in connection with any of the Notes or payments or distributions or moneys payable in respect of the Notes.



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10. The effectiveness of any non-resident withholding tax which is applicable and the notation and providing of any certificate or statement which is necessary in connection with the payment of any Note to a non-resident of Canada will be the responsibility of the Corporation.

11. The Bank shall not be responsible for any error made or act done by it resulting from reliance upon instructions given by the Corporation or upon the identity, official position or signature of any Authorized Officer or of any person on whose signature the Bank may be called upon to act or refrain from acting hereunder.
12. In all matters relating hereto the Bank may in its discretion act on the opinion or advice of counsel and shall not be responsible for any consequence of acting or not acting in accordance therewith.
13. For the services to be performed hereunder by the Bank the Bank shall be paid such fees as may from time to time be agreed upon as between the Bank and the Corporation.
14. The parties hereto may terminate this Agreement at any time upon written notice to the other. Upon any such termination the Bank shall forthwith return to the Corporation against written receipt therefor all notes held by the Bank and not delivered or otherwise released hereunder prior to the receipt of such notice of termination.
15. This Agreement shall be binding upon and enure to the benefit of the Corporation and the Bank and their respective successors and assigns.

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ALL PARTIES WHOSE NAMES ARE LISTED ABOVE HAVE DULY EXECUTED THIS  
AGREEMENT AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN.

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

THE ROYAL BANK OF CANADA

BY: \_\_\_\_\_

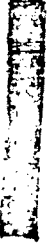
TITLE: \_\_\_\_\_

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PROMISSORY NOTE

Notes 

*Coop of the Dist of B*  
*The Municipality of ~~\_\_\_\_\_~~*

\_\_\_\_\_ for the value received, hereby promises to pay to or to the order of \_\_\_\_\_

*SPR CLIMBEN*

on the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ at THE ROYAL BANK OF CANADA.



the sum of \_\_\_\_\_ Dollars ( \_\_\_\_\_ )  
 in lawful money of \_\_\_\_\_ upon due presentation and surrender of this note.

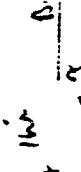

This promissory note shall become valid only when it shall have been countersigned by a duly authorized officer of THE ROYAL BANK OF CANADA

Issued at \_\_\_\_\_, Canada,  
 his \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_

*Coop of the Dist of B*  
~~Municipality of \_\_\_\_\_~~

Countersigned, as issuing agent for  
 the \_\_\_\_\_ MUNICIPALITY OF \_\_\_\_\_  
 THIS PROMISSORY NOTE IS ISSUED  
 PURSUANT TO BY-LAW # \_\_\_\_\_  
 OF THE \_\_\_\_\_ DATED THE \_\_\_\_\_

*THE MUNICIPALITY OF \_\_\_\_\_*  
  


*Coop of the Dist of B*  
  


Authorized Signing Office

