

ITEM 8
MANAGER'S REPORT NO. 75
COUNCIL MEETING 90/12/10

TO: MUNICIPAL MANAGER 1990 December 04
FROM: DIRECTOR FINANCE File: B2-1

SUBJECT: TEMPORARY FINANCING BYLAW

PURPOSE: To obtain borrowing authority to temporarily finance expenditures.

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RECOMMENDATION

1. THAT a bylaw be brought down to permit borrowing to a maximum of \$5 million for the period 1991 January 01 to December 31, repayable 1991 December 31.

REPORT

BACKGROUND

Temporary borrowing sometimes becomes necessary at various times of the year in order to make large unexpected payments or to cover an overdraft because of payments which arise ahead of the planned cash flow. In this case, it is simpler and less costly to borrow than to cash in or sell securities.

A bylaw is needed to provide the borrowing authority. A new bylaw 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.

In previous years, it has been necessary to borrow temporarily during the period from March to July, pending collection of taxes, to meet the operating needs of the municipality. A shortfall of this nature is not forecast for 1991 due to changes in the cash flow as a result of the revised schedule for school tax remittances to the Province. In 1990 one-twelfth of the residential school tax levy was remitted each month. In 1991 the residential school taxes will be remitted to the Province as collected, commencing in July. As we are not required to make instalments from January to June, our borrowing requirements for this period should be eliminated.

1990 ACTIVITY

In 1990 a temporary borrowing bylaw was adopted authorizing \$16 million to meet operating needs between January and July, and \$4 million to cover temporary cash shortfalls at other times of the year.

The maximum balance outstanding in short term loans at any time was \$6 million. All borrowing required prior to receipt of municipal taxes was met through street borrowing at an average rate of 13.854%. Street borrowing refers to all loans from sources other than the primary line of credit with The Royal Bank of Canada. This line, when used, is at chartered bank prime. The prime rate at the time the street loans were obtained was 14.25%.

Additional loans totalling \$3.3 million were obtained from The Royal Bank of Canada for terms ranging from one to five days to cover other shortfalls.

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1991 REQUIREMENTS

For 1991 it is estimated that a \$5 million authority is required to cover temporary overdrafts which may occur during the year. As previously stated, no shortfall is anticipated prior to the receipt of the 1991 municipal taxes.

It is anticipated that any borrowing during the year will be obtained from The Royal Bank of Canada due to the short term nature of any loans of this type. Should the anticipated term of the loan be greater than one week, bids will also be obtained from the street in order to ensure the lowest possible borrowing costs.

It is recommended that a bylaw be brought down to permit borrowing to a maximum of \$5 million for the period 1991 January 01 to December 31, repayable 1991 December 31.

USE OF OWN RESERVES

The Corporation's reserves are used to the maximum extent possible within the constraints of the Municipal Act to finance our operating costs pending receipt of taxes. Capital funds on hand cannot be used temporarily to finance current operations. These reserves must be represented by cash and investments on hand at all times.



Howard Karras
DIRECTOR FINANCE

AML:gw

cc: Municipal Clerk
Municipal Solicitor