

TO: CITY MANAGER 1998 November 06

FROM: DIRECTOR FINANCE File: B2-1

SUBJECT: TEMPORARY FINANCING BYLAW

PURPOSE: To obtain borrowing authority to temporarily finance expenditures.

RECOMMENDATION:

1. THAT a bylaw be brought down to permit borrowing to a maximum of \$5 million for the period 1999 January 01 to December 31, repayable 1999 December 31.

REPORT

BACKGROUND

Temporary borrowing sometimes becomes necessary during the year prior to collection of property taxes, and at other times to make large unexpected payments or to cover an overdraft because of payments which arise ahead of the planned cashflow.

A bylaw is needed to provide the authority to borrow. A new bylaw must be passed annually as the borrowing relates to the current year's anticipated tax levy. Section 453 of the Municipal Act provides the authority for borrowing of this nature.

1998 ACTIVITY

In 1998 a temporary borrowing bylaw was adopted authorizing \$5 million to meet operating needs between January and December.

The maximum balance outstanding in short term loans at any time during the year to 1998 November 06 was \$1.1 million, the term of the loan was one business day. All funding requirements were met by the primary line of credit with the Royal Bank of Canada, at an average borrowing rate of 7.00%.

1999 REQUIREMENTS

For 1999 it is estimated that a \$5 million authority is required to cover cash shortfalls which may occur during the year.

USE OF OWN RESERVES

The City'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.

per Sandy Maddalena
Rick Earle
DIRECTOR FINANCE

SM:aj

cc. City Clerk
City Solicitor