

TO: CITY MANAGER

1999 September 03

FROM: DIRECTOR FINANCE

SUBJECT: PAYOUT OF OUTSTANDING CITY EXTERNAL DEBT

PURPOSE: To obtain Council's approval to payout all outstanding City external debt.

RECOMMENDATION

1. THAT Council authorize the payout of all outstanding Capital Fund and Waterworks Utility Fund external debt amounting to approximately \$3,534,795.

REPORT

As at 1998 December 31 there was \$3,489,000 worth of Capital Fund and Waterworks Utility Fund external debt principal outstanding with the Municipal Finance Authority. Debt maturities on the Capital Fund range from one to three years while the Waterworks Utility Fund debt will be repaid in 2007.

The Municipal Finance Authority advises that it would cost the City approximately \$2,765,367 and \$769,428 to pay out all outstanding Capital and Waterworks Utility Fund external debt respectively as at 1999 September 02. It has been determined there would be nominal cash flow benefit from paying out City debt in that the loss of investment income generated on the early disbursement of funds would be offset against the savings generated from the elimination of debt financing charges. However, the payout of outstanding debt would eliminate City debt administration costs estimated at \$3,000 per annum.

Sufficient operating funds are available to fully retire the City's external debt as a result of a re-prioritization of the 1999 pay-as-you-go financing provision and higher than anticipated 1999 interest earned on investments, with remaining funding coming from any available operating surplus or stabilization. It is proposed that any current year's Waterworks Utility Fund surplus and/or accumulated surplus be used to pay out outstanding external debt.

It is therefore recommended that Council pay out all external City debt and thereby eliminate the annual costs associated with debt administration.


Rick Earle
DIRECTOR FINANCE

