

TO: CITY MANAGER

2002 December 02

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 2003 January 01 to December 31, repayable 2003 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 resulting from revenue shortfalls. Section 334.3 of the Local Government Act provides that Council may by bylaw authorize borrowing of this nature.

2002 ACTIVITY

In 2002 a temporary financing bylaw was adopted authorizing \$5 million to meet operating needs between January and December, to date the City borrowed funds one time. The loan advance was in the amount of \$252,058.02 for three days.

All funding requirements were met by the primary line of credit with the Royal Bank of Canada at an average borrowing rate of 4.00%.

On 2002 October 01, one of the City's safekeeping facilities, BMO - Nesbitt Burns, did not thoroughly complete Burnaby's transfer request to forward \$10,800,000 from a maturing investment to the Royal Bank. This caused our Royal Bank account to be overdrawn in the amount of \$6,904,527.33 which is in excess of our \$5,000,000 line of credit borrowing limit, a fact that we are obliged, by policy, to report to Council. All overdraft charges from this incident have been paid by BMO - Nesbitt Burns and the City has received a letter from them accepting fault for the communication error and failure to transfer the funds as requested by the City. As well, the City has discussed with BMO - Nesbitt Burns, and is fully satisfied with the changes made to ensure a similar incident is not likely to occur in the future.

2003 REQUIREMENTS

For 2003 it is estimated that a \$5 million temporary financing bylaw is required to cover cash shortfalls which may occur during the year. The bylaw appears elsewhere on this agenda for the first three readings.



Rick Earle
DIRECTOR FINANCE

DGS:aj

cc. City Clerk
City Solicitor