



Corporate Report

NO: R016

COUNCIL DATE: January 30, 2006

TO: **Mayor & Council** DATE: **January 19, 2006**
FROM: **General Manager, Finance, Technology & HR** FILE: **1690-00**
SUBJECT: **\$20,000,000 Borrowing By-law 2006**

RECOMMENDATION

That City Council approve a \$20,000,000 Borrowing By-Law for the current year, authorizing the City to incur operating overdrafts at the Royal Bank of Canada (RBC).

DISCUSSION

We require Council's authorization to borrow up to \$20,000,000 from RBC as part of our normal banking operations as explained below. This request for borrowing authority is consistent with previous years.

The City may incur a temporary overdraft for the following reasons:

1. As a normal part of our day-to-day banking activities with RBC, we require this authority to allow us to go into an overdraft position on an as need basis, to ensure our regular banking activities are not interrupted. We are continually trying to maximize our portfolio return, leaving the minimum amount of cash in non-productive bank accounts. On those occasions when we find ourselves short in our main chequing account, this overdraft protection will ensure that all our cheques are honoured.
2. We continually try to take advantage of interest rate fluctuations to increase our portfolio performance. For example, if interest rates are trending downwards as we approach the end of our tax collection period (July 2), we may want to pre-invest some funds in June to take advantage of the higher rates. Since we would not have collected all the taxes, we would use the overdraft to buy these investments. When the taxes are collected we would re-pay the overdraft. In an example like this, we would ensure that the increased revenue from the investments more than covers the costs associated with the overdraft usage.

3. From time to time a higher overall yield may be achieved by investing beyond a point where funds are required for operations. This necessitates a short-term borrowing until such time as other investments mature.

A draft by-law similar to the one in place for the year 2005 is attached.

CONCLUSION

This request is for borrowing authority is the same as it has been in previous years. This borrowing would only be used when absolutely necessary. It allows us to minimize the cost of our day-to-day banking activities and to take advantage of higher interest rates as they become available.

Vivienne Wilke, CGA,
General Manager, Finance,
Technology & HR

CITY OF SURREY

BY-LAW NO. xxxxx

A by-law providing for the borrowing of such sums of money as may be requisite to meet the current lawful expenditure of the City.
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WHEREAS by Section 177 of the "Community Charter" of the Province of British Columbia, a City Council is empowered without the assent of the electors or the approval of the Inspector of Municipalities by by-law to provide for the borrowing of such sums of money as may be requisite to meet the current lawful expenditures of the City, and the total of the outstanding liabilities incurred under this By-law shall not at any time exceed:

- (i) the sum of: Twenty Million Dollars (\$20,000,000.00) the whole amount remaining unpaid of the taxes for all purposes levied during the current year and the money remaining due from other governments;

OR

- (ii) if the taxes for the current year have not been levied, seventy-five percentum of the whole amount of the taxes levied for all purposes in the immediately preceding year;

AND WHEREAS the aggregate that the Council may presently borrow calculated in accordance with (ii) above is Two Hundred and Twenty Five Million Dollars (\$274,000,000.00);

AND WHEREAS to meet the current lawful expenditures of the City, it is requisite that the Council borrow Twenty Million Dollars (\$20,000,000.00) on a revolving basis;

NOW, THEREFORE, the Council of the City of Surrey hereby enacts as follows:

1. It shall be lawful for the said City Council to borrow upon the credit of the Corporation such amounts and such times as the same may be required on a revolving basis, but not at any time to exceed the sum of Twenty Million Dollars (\$20,000,000.00).

2. All the monies so borrowed and interest payable thereon shall be payable on or before the 31st day of December 2006.
3. There is hereby set aside as security for the liability hereby authorized to be incurred Twenty Million Dollars (\$20,000,000.00) being that part of the taxes for the current year deemed by the City Council expedient to be so set aside.
4. This By-law may be cited as "Loan Authorization By-law, 2006 No. xxxxx".

PASSED THREE READINGS by the City Council on the _____ day of _____, 2006.

RECONSIDERED AND FINALLY ADOPTED, signed by the Mayor and Clerk, and sealed with the Corporate Seal on the _____ day of _____, 2006.

_____ MAYOR

_____ CLERK