

Corporate Report

NO: R242

COUNCIL DATE: December 15, 2008

REGULAR COUNCIL

TO: Mayor & Council DATE: December 11, 2008

FROM: General Manager, Finance & Technology FILE: 1690-00

SUBJECT: Borrowing By-law for 2009

RECOMMENDATION

The Finance and Technology Department recommends that City Council authorize the City Clerk to bring forward for the required readings a Borrowing By-Law that will act to allow the City to borrow up to a maximum of \$20,000,000 during 2009 for the purpose of allowing temporary operating overdrafts to be incurred.

DISCUSSION

City Council has adopted a Borrowing By-law in each of the last several years to allow \$20 million of short term borrowing capacity for the City.

The City may find it advantageous to incur a temporary overdraft for the following reasons:

- 1. Minimizing the amount of cash left sitting in non-productive bank accounts (i.e., no or low interest rate current accounts) represents sound financial management. However, when cash is needed cashing an interest bearing term investment with the related penalty for a short-term need is more costly than using short term borrowing authority.
- 2. Short term borrowing authority will allow the City to take advantage of interest rate fluctuations to increase the performance of the City's investments. For example, if interest rates are trending downwards as the end of the tax collection period (July 2) approaches, Finance staff can pre-invest funds in May to take advantage of the higher rates, which amounts will be repaid when property tax revenues are received in June.
- 3. From time to time a higher overall yield can be achieved by investing beyond a point where the funds will be required for operations. This investment strategy requires that short-term borrowing be utilized until such time as other investments mature.

A draft by-law similar to the one in place for the year 2008 is attached as *Appendix A*.

CONCLUSION

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

Vivienne Wilke, CGA, General Manager, Finance & Technology

CITY OF SURREY

BY-LAW NO. 16860

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.

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); 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 percent 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 Three Hundred Twenty-Seven Million One Hundred Sixty Thousand Dollars (\$327,160,000.00);

AND WHEREAS to meet the current lawful expenditures of the City, it is requisite that the Council borrow Twenty Million Dollars (\$20,000,000) 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).
- 2. All the monies so borrowed and interest payable thereon shall be payable on or before the 31st day of December 2009.
- 3. There is hereby set aside as security for the liability hereby authorized to be incurred Twenty Million Dollars (\$20,000,000) 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, 2008 No. 16860".

PASSED THREE READINGS by the City (Council on the	day of	, 2008.
RECONSIDERED AND FINALLY ADOP with the Corporate Seal on theday		e Mayor and Clo	erk, and sealed
			_MAYOR
			CLERK