

NO: R007

COUNCIL DATE: January 11, 2010

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **January 4, 2010**

FROM: **General Manager, Finance &
Technology**

FILE: **1690-00**

SUBJECT: **Overdraft Protection By-law for 2010**

RECOMMENDATION

The Finance and Technology Department recommends that City Council authorize the City Clerk to bring forward for the required readings the Overdraft Protection By-Law that attached as Appendix "A" to this report, which will allow the City to incur an operating overdraft (line of credit) at the Royal Bank of Canada for 2010 that may be necessary from time to time to optimize the City's overall return on its investment portfolio as explained in more detail in this report.

DISCUSSION

The proposed By-law for borrowing authority is consistent with action taken by the City in 2009 and many years prior to 2009.

Finance staff responsible for managing the City's investment portfolio is continually monitoring the City's investments with a view to maximizing returns on the full portfolio. Most of the City's investments are in longer term guaranteed investments that must be held to maturity to avoid penalties that are incurred in the case of early withdrawal. Finance staff generally leaves minimum amounts of cash in non-productive operating bank accounts so as to minimize the lost opportunity that this cash represents. On those occasions when the operating account is short relative payments that the City needs to make, the operating overdraft protection that will be provided by the recommended By-law will be used so that long term guaranteed investments do not have to be liquidated prematurely. The overdraft amounts are repaid quickly either from general revenues that are received by the City from normal sources (i.e., property taxes, user fees, etc.) or by using funds that become available when a long term investment matures.

Staff also takes advantage of interest rate fluctuations to improve the performance of the City's portfolio. For example, if interest rates are trending downwards as the property tax collection period (July 2) approaches, staff may pre-invest some funds in June at higher rates than may be available in July after the taxes are collected. The overdraft is used to buy these investments and is paid back as the property taxes are collected. Staff always confirms that the increased revenue realized through the early investments more than offsets the interest costs associated with the use of the overdraft amounts. The same approach is also taken when long term investments are coming due.

A draft By-law for 2010 similar to the one that was adopted by Council for the year 2009 is attached as Appendix A.

CONCLUSION

Based on the above, it is recommended that City Council authorize the City Clerk to bring forward for the required readings the Overdraft Protection By-Law that attached as Appendix "A" to this report, which will allow the City to incur an operating overdraft (line of credit) at the Royal Bank of Canada for 2010 that may be necessary from time to time to optimize the City's overall return on its investment portfolio as explained in more detail in this report.

Vivienne Wilke, CGA,
General Manager,
Finance & Technology

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 to borrow money as may be requisite to meet the current lawful expenditures of the City;

AND WHEREAS to meet the current lawful expenditures of the City while maximizing the returns on the City's investment portfolio, it is requisite that the Council borrow up to Twenty Million Dollars (\$20,000,000) on a revolving basis, which amount is well within the limits permitted under Section 177 of the "Community Charter";

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 2010.
- 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, 2010 No. xxxxx".

PASSED THREE READINGS by the City Council on the ____ day of _____, 2010.

RECONSIDERED AND FINALLY ADOPTED, signed by the Mayor and Clerk, and sealed with the Corporate Seal on the ____ day of _____, 2010.

_____MAYOR

_____CLERK