



Corporate *NO: R044*

Report *COUNCIL DATE: March 11, 2002*

REGULAR COUNCIL

TO:	Mayor & Council	DATE:	March 4, 2002
FROM:	General Manager, Finance, Technology & HR	FILE:	0204-001
SUBJECT:	\$20,000,000 Borrowing By-law 2002		

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 Canadian Imperial Bank of Commerce (CIBC).

DISCUSSION

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

The reasons we request such a by-law are as follows:

1. As a normal part of our day-to-day banking activities, with the CIBC, 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 2001 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