

NO: R051

COUNCIL DATE: March 24, 2003

REGULAR COUNCIL

Mayor & DATE:

Council

FROM: General Manager, Finance, FILE: 3900-02

Technology & HR

SUBJECT: \$20,000,000 Borrowing By-law 2003

RECOMMENDATION

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

March 12,

2003

DISCUSSION

We require Council's authorization to borrow up to \$20,000,000 from RBC as part of our normal banking operations. This request for borrowing authority is the same as previous years. A draft by-law similar to the one in place for the year 2002 is attached.

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

- 1. As a normal part of our day-to-day banking activities we may temporarily go into an overdraft position because 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 and that our regular banking activities are not interrupted.
- 2. We continually try to take advantage of interest rate fluctuations in order 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 yet have collected all the taxes, we would use the overdraft to buy these investments. Once 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.

CONCLUSION

This request 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