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City of Kelowna

**MEMORANDUM**

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DATE: December 20, 2002  
FILE: 1760-04  
TO: City Manager  
FROM: Deputy Director of Finance  
RE: **REPAYMENT OF OUTSTANDING DEBT AND FUNDING CHANGE TO BUDGETED DEBT**

Prepared by: Financial Accounting and Systems Manager

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**RECOMMENDATION:**

THAT Council approve the payout of \$368,050 in debenture debt, Bylaw 7091, for the Black Mountain / Toovey Sewer Trunk on January 13, 2003.

AND THAT the 2003 Financial Plan be amended to reflect the increased one-time expenditure for the debenture payout and annual debt savings.

**BACKGROUND**

In January of 1993 the Wastewater Utility Fund borrowed \$594,000 for the purpose of constructing the Black Mountain / Toovey trunk main. The outstanding balance of the debt as at January 2003 will be \$368,050. The Municipal Finance Authority (MFA) has provided borrowers of this issue the option to either payout the remaining balance of the debenture or refinance the loan at a reduced rate projected to be 6.5%. The current rate for this MFA issue is 8.3%.

The Finance Division has reviewed the Wastewater's reserve account balances and believes the elimination of this debt will provide greater budget flexibility in addition to savings on interest. The impact over the next 10 years on the utility's operating budget is \$33,365 annually. Financing for the one time expenditure of \$368,050, is proposed from the Sewer Development reserve which is projected to have a December 31, 2002 balance of \$726,700.

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P. Macklem

cc: Financial Accounting and Systems Manager

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