
City of Kelowna

MEMORANDUM

DATE: August 5, 2004
FILE: 1760-03
TO: City Manager
FROM: Director of Financial Services
RE: Long Term Debenture Borrowing Rates

Prepared By: Financial Accounting & Systems Manager

RECOMMENDATION:

THAT the Director of Financial Services be authorized to work with the Municipal Finance Authority to arrange interest rate lock in for all long term debt, if deemed appropriate, during the period between when all steps in the borrowing process are complete and the time of issuance when the market conditions indicate that interest rates may be subject to an upward adjustment;

AND THAT this authority remain in place until rescinded by Council.

BACKGROUND:

Indications are that long term borrowing rates are rising from 40 year lows. In anticipation of these changed market conditions the Municipal Finance Authority (MFA) has provided local governments an opportunity to lock in rates for approved future borrowings. Where loan authorization and security issuing bylaws have received certificate of approval at both the Municipal and Regional District level, and where Council has authorized a resolution to enable the Director to do so, a rate can be guaranteed prior to the issuance of the debenture.

The City of Kelowna's 2004 fall borrowing (October) includes one water and 6 wastewater, 20 year specified area bylaws totaling \$3,544,515 and a \$3,865,700 15 year borrowing for the Byrns/Baron Wastewater trunk.

The current rate for a 20 year borrowing is 5.85%, while 15 year borrowings are 5.65%, up 10 basis points from May. The impact of a 0.50% rate increase on a \$1 million dollar borrowing is \$5,000 annually or \$100,000 over the 20 year term of the debt.

Paul Macklem