



City of Richmond

Report to Committee

To: General Purposes Committee
From: Andrew Nazareth
 General Manager, Business and Financial Services
Re: Social Financial Hardship Assistance Fund

Date: January 31, 2011
File: 03-0900-01/2011-Vol 01

Staff Recommendation

That the amount of \$25,000 be deducted from Richmond Centre for Disability's 2011 annual operating funding from the City to repay the outstanding Social Financial Hardship Assistance Fund loan balance.

Andrew Nazareth
 General Manager, Business and Financial Services
 (604-276-4095)

FOR ORIGINATING DEPARTMENT USE ONLY			
ROUTED TO:	CONCURRENCE		CONCURRENCE OF GENERAL MANAGER
Budgets	Y <input checked="" type="checkbox"/>	N <input type="checkbox"/>	
Community Social Services	Y <input checked="" type="checkbox"/>	N <input type="checkbox"/>	
Law	Y <input checked="" type="checkbox"/>	N <input type="checkbox"/>	
REVIEWED BY TAG	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	REVIEWED BY CAO
			YES <input checked="" type="checkbox"/>
			NO <input type="checkbox"/>

Origin

On July 26, 2010, Council approved the advance of a \$25,000 interest-free loan from the City's Social Financial Hardship Assistance Fund (SFHAF) to the Richmond Centre for Disability (RCD). Under the terms of the loan, RCD is required to repay \$25,000 to the City on or before January 29, 2011 (six months from the advance of the loan on July 29, 2010).

On January 28, 2011, Mayor and Councillors received a letter from RCD (attached), which advises that due to cash-flow challenges resulting from unexpected delays in receiving funding from the federal government, RCD is unable to meet its \$25,000 loan repayment and its monthly tenant improvement obligation owing to the City.

The purpose of this report is to seek Council authority in addressing the loan obligation as on July 26, 2010 Council passed the following resolution:

An interest-free loan of \$25,000 from the City's Social Financial Hardship Assistance Fund be advanced to the Richmond Centre for Disability, with full repayment to be made to the City six months subsequent to the advance of the loan be approved.

In regards to the monthly tenant improvement obligation, staff will work directly with RCD to restructure the payments but will continue to honour the term and amount as directed by Council on July 23, 2007.

Analysis

In regards to the loan obligation, staff is proposing the following alternatives for Council's consideration.

Option 1: Demand Loan Repayment Immediately

This option would involve escalating the City's collection effort, where the overdue amount of \$25,000 would be payable in full from RCD to the City immediately.

This option will put undue pressure on RCD and may affect RCD's credit standing.

Option 2: Provide Deferment of Loan Repayment of up to Six Months

This option would involve extending the \$25,000 loan repayment due date, with 3% interest compounded monthly, from January 29, 2011 to the earlier of (i) the time at which the outstanding grant amount from the federal government is received, or (ii) six months from the original due date of January 29, 2011.

If RCD repays the loan on July 29, 2011 (i.e. maximum term of six months from the original due date of January 29, 2011), the final amount of loan repayment payable to the City will be \$25,377.35.

To ensure compliance with section 24 of the *Community Charter*, under this option to defer the loan repayment, Council must give public notice, in accordance of section 94 of the *Community Charter*, of its intention to provide financial assistance (i.e. lend money) to RCD.

This option will give RCD the most flexibility in reviewing its financial needs and possibly making use of the extended term to solve its liquidity problems and seek new funding opportunities. However, the likelihood for the City to recover the loan amount (plus interest) in six months still cannot be reasonably assured under this option due to unforeseen funding and economic factors. Costs associated with this option are estimated at \$800 for advertising per the requirements of the *Community Charter*.

Option 3: Retain \$25,000 from RCD's 2011 Operating Funding from the City - Recommended

RCD receives annual operating funding from the City. The approved operating amount that RCD will receive for fiscal 2011 is \$110,986, of which \$27,624 has already been advanced to RCD on January 28, 2011.

Under this option, the outstanding loan balance of \$25,000 would be withheld from the City's remaining 2011 operating funding to RCD. The following summarizes the remaining amount that RCD will receive from the City if \$25,000 is withheld from the amount:

Total 2011 Operating Funding	\$ 110,986
Less: Loan balance to be withheld	\$ (25,000)
Net funding after withholding	\$ 85,986
Less: Amount already advanced to RCD	\$ (27,624)
Remaining owed to RCD	\$ 58,362

Staff is recommending this option because it gives the City full assurance in recovering the outstanding loan amount of \$25,000 from RCD, and allows the City to comply fully with the criteria of the SFHAF loan program (as approved by Council in October 26, 2009) to ensure that the same set of program rules are being applied to all current and future applicants.

Based on the cashflow projection and the letter received from RCD, staff believes that the advance of the remaining operating funding of \$58,362 to RCD in February will continue to allow RCD to operate with a positive cash position because:

- An additional level of \$10,090 has been included in the current year's advance, which is not in RCD's original cashflow forecast.
- The \$45,000 accounts receivable balance is related to committed funding owing to RCD from various federal agencies, thus the likelihood of collection of these receivables is high.
- The City is also proposing a temporary reduction in RCD's monthly tenant improvement payment for six months beginning February 2011. This temporary reduction will give relief to RCD where payments will be deferred by \$825.06 per month for the next six months to alleviate RCD's cash flow challenges.

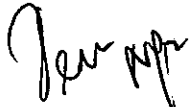
Therefore, with the remaining amount to be advanced to the RCD from the City and the future collection of the balances from the various agencies, it is believed that the withholding of \$25,000 from RCD's 2011 operating funding will not impair RCD's continued operations.

Financial Impact

The recommended option of retaining \$25,000 from RCD's 2011 operating funding from the City to repay the outstanding SFHAF loan balance will have no financial impact to the City.

Conclusion

That the amount of \$25,000 be deducted from Richmond Centre for Disability's 2011 annual operating funding from the City to repay the outstanding Social Financial Hardship Assistance Fund loan balance.



Venus Ngan, CA
Manager, Treasury Services



Richmond Centre for Disability

"Promoting a new perspective on disability"

TO: MAYOR & EACH
COUNCILLOR
FROM: CITY CLERK'S OFFICE

January 24 2011

Mayor Malcolm Brodie
& members of Council
6911 No. 3 Rd
Richmond, B.C.
V6Y 2C1

JAN 28 2011

& DISTRIBUTED

Re: City Loan & Tenant improvement funds

0100-20-RCD14-01

Your worship and members of Council,

In response to the reminder just received from Jason Boer, Clerk in the City's Finance Department, the Richmond Centre for Disability would like to request an extension on the time allowed for the loan repayment. In doing so, we are not asking that this extension be interest free, as the original six-month period has been.

It was always our intention to repay this loan within the six months agreed to. However, we did not expect to find ourselves with a serious cash-flow challenge brought about, in part, by the length of time being taken by a significant number of our funding sources to pay for services we have been delivering in this behalf (almost all of which are Federal Government related). At the end of December we found ourselves looking at over \$45,000 in Receivables, which is a huge amount for a non-profit of our size.

We are trying to avoid laying off staff members in order to meet our repayment obligation, which layoffs would result in a reduction in the services we can provide to the community - - -at a time when the request for our help continues to increase.

In submitting this request, we are not seeking forgiveness of the monies we owe the City, just more time to restructure our payment plan, review our budget, clarifying our other ongoing funding and possibly identify new funding opportunities. We do so, hoping that you will agree.

Thanking you, I am,

Yours Sincerely,

Frances Clark

Frances Clark,
RCD Board Secretary



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