



City of Richmond

Report to Committee

To: Finance Committee **Date:** May 31, 2021
From: Ivy Wong **File:** 03-0900-01/2021-Vol
 Acting Director, Finance 01
Re: Revenue Anticipation Borrowing (2021) Bylaw No. 10270

Staff Recommendation

1. That Revenue Anticipation Borrowing (2021) Bylaw No. 10270 be introduced and given first, second and third readings.
2. That Revenue Anticipation Borrowing (2021) Bylaw No. 10270 be adopted.

Ivy Wong
 Acting Director, Finance
 (604-276-4046)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Law	<input checked="" type="checkbox"/>	 Acting GM, F&CS
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

The City of Richmond (the City) continues to maintain a sound financial position with access to cash and liquid investments to meet its financial obligations. Consistent with ongoing practice, it is prudent for the City to maintain adequate level of credit facility as a contingency plan in the event that the City requires bridge funding to meet current lawful expenditures and obligations.

The City maintains a credit facility agreement with its bank and is seeking Council's approval and authorization of the proposed Revenue Anticipation Borrowing (2021) Bylaw No. 10270. This bylaw requires annual adoption in accordance with Section 177 of the *Community Charter*.

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

Accountable, transparent, and responsible financial management that supports the needs of the community into the future.

5.1 Maintain a strong and robust financial position.

Findings of Facts

Last year, Council adopted Revenue Anticipation Borrowing (2020) Bylaw No. 10153 whereby the City was authorized to borrow up to \$36,500,000 to meet its obligations, if required. The authorized amount of the revenue anticipation borrowing took into consideration the uncertainty of the potential financial impacts of the COVID-19 pandemic had on households, businesses and the City's finances.

Despite the unprecedented conditions, the City has been able to maintain and continue to sustain a strong financial position and the available credit facility was never activated. Staff have reassessed the credit requirements and is proposing that the amount of revenue anticipation borrowing for the current year be reduced by \$15,000,000 to \$21,500,000. The proposed amount of \$21,500,000 in credit facilities is comprised of:

- (i) \$15,000,000 in standby letters of credit, demand promissory notes or bank overdraft;
- (ii) \$4,500,000 in leasing lines of credit; and
- (iii) \$2,000,000 in commercial card credit facility.

Analysis

Section 177 of the *Community Charter*

Pursuant to Section 177 of the *Community Charter*:

- Council may, by bylaw, provide the authority to borrow money that may be necessary to meet current lawful expenditures or to pay amounts required to meet the City's taxing obligations in relation to other local governments or public bodies.
- The maximum amount of borrowing allowed for revenue anticipation borrowing is the sum of the unpaid taxes for the current year and the money remaining due from other governments (e.g. payment in lieu of taxes and grants).
- Before the adoption of the annual property tax bylaw in any year, the taxes in that year are deemed to be 75% of all property taxes imposed for all purposes in the preceding year.
- If money is borrowed pursuant to a revenue anticipation borrowing bylaw, any money to be collected from property taxes must be used to repay the money borrowed.

The proposed bylaw amount of \$21,500,000 satisfies all the conditions set out in Section 177 of the *Community Charter*.

Purpose of the City's Credit Facility Agreement

Standby Letters of Credits/Demand Promissory Notes/Bank Overdraft

The purpose of the \$15,000,000 operating line of credit is to ensure that the City has a secondary source of credit in place to protect its bank accounts from the unlikely event of going into an overdraft position. Staff regularly monitor the City's cash flow position to prevent the possibility of having to draw down on the credit facility. The credit facility has never been utilized by the City. If the operating line of credit remains unused, it will be free of charge for the City to maintain.

Leasing Lines of Credit

The purpose of the \$4,500,000 leasing lines of credit is to ensure that a leasing facility is available in the event it is required. If the leasing line of credit remains unused, it will be free of charge for the City to maintain.

Commercial Credit Card Facility

The purpose of the \$2,000,000 limit in commercial credit card facility is to provide a convenient and cost-effective method of procuring and paying for low value goods and services. The commercial credit card facility is free of charge if payment is received within three days after the statement date.

Costs of the City's Credit Facilities

The credit facilities are offered to the City by Scotiabank at no charge unless they are being drawn upon. The following table summarizes the interest rates under the City's existing credit facility agreement:

	Operating Lines of Credit	Leasing Lines of Credit	Commercial Credit Card
Interest Rate	Bank's prime lending rate minus 0.50%	Bank's prime lending rate or leasing base rate plus 0.60%	Bank's prime lending rate plus 12%
Grace Period	None	None	3 days after statement date

The current bank's prime lending rate at the time of this report is 2.45%.

Proposed Revenue Anticipation Borrowing (2021) Bylaw No. 10270

The proposed Revenue Anticipation Borrowing (2021) Bylaw No. 10270 does not automatically result in any borrowing upon adoption. The adoption of the Bylaw will enable the establishment of available credit facilities in the event that bridge financing is required.

With the City's solid financial position, the City has never activated any credit facilities in the past. The purpose of maintaining these credit facilities is to ensure that they will be available in the event that funds are required to meet short-term operational cash flow needs. Should any of these credit facilities be utilized resulting in the City incurring interest charges for a consecutive period of more than two weeks, staff will prepare a memo to inform Council of such financial activity.

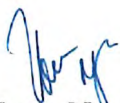
The Revenue Anticipation Borrowing Bylaw is required to be adopted annually by Council. Credit facility arrangements are reviewed with the bank at least once a year to evaluate the City's credit needs in determining the optimal level of credit facility balances to maintain.

Financial Impact

None.

Conclusion

Staff recommend that the Revenue Anticipation Borrowing (2021) Bylaw No. 10270 be approved for adoption.



Venus Ngan, CPA, CA
 Manager, Treasury and Financial Services
 (604-276-4217)
 Att. Revenue Anticipation Borrowing (2021) Bylaw No. 10270



REVENUE ANTICIPATION BORROWING (2021) BYLAW NO. 10270

The Council of the City of Richmond enacts as follows:

- 1. Council shall be and is hereby empowered and authorized to borrow upon the credit of the City, from a financial institution, a sum not exceeding \$21,500,000 at such times as may be required.
2. The form of obligation to be given as acknowledgement of the liability shall be \$15,000,000 in the form of standby letters of credit, demand promissory notes or bank overdraft, \$4,500,000 in the form of leasing lines of credit, and \$2,000,000 in the form of commercial credit card facility.
3. All unpaid taxes and the taxes of the current year (2021) when levied or so much thereof as may be necessary shall, when collected, be used to repay the money so borrowed.
4. Revenue Anticipation Borrowing (2020) Bylaw No. 10153 is hereby repealed.
5. This Bylaw is cited as "Revenue Anticipation Borrowing (2021) Bylaw No. 10270".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

Four horizontal lines for signatures.

CITY OF RICHMOND
APPROVED for content by originating dept. VN
APPROVED for legality by Solicitor BRB

MAYOR

CORPORATE OFFICER