



To: Finance Select Committee

Date: February 11, 2002

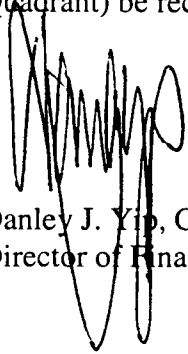
From: Danley J. Yip, C.A.
Director of Finance

File: 1040-01

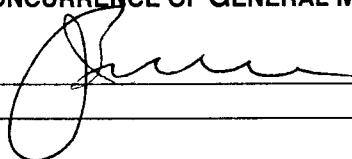
Re: Loan Authorization Bylaw No. 6656 - Acquisition of Lands in Terra Nova
(Northwest Quadrant)

Staff Recommendation

That the Report to Committee (dated February 11, 2002 from the Director of Finance) regarding Loan Authorization Bylaw No. 6656 – Acquisition of Lands in Terra Nova (Northwest Quadrant) be received for information.



Danley J. Yip, C.A.
Director of Finance

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Staff Report

Background

The City adopted Loan Authorization Bylaw No. 6656 (hereafter "Bylaw No. 6656") on November 25, 1996 to borrow up to \$28,538,500 for the acquisition of Terra Nova Lands in the Northwest Quadrant. \$20,000,000 was borrowed from the MFA and as at November 25, 2001, there was still an unissued balance of \$8,538,500 under Bylaw No. 6656 (see Attachment).

The City's decision not to borrow the balance of the unissued \$8,538,500 from the MFA was due mainly to the fact that the City has sufficient funds in the Terra Nova Provision account (unaudited balance of \$6.297 million as at December 31, 2001) for the future purchase of any further properties in the Terra Nova Lands.

Analysis

A letter (dated January 24, 2002) from the B.C. Municipal Financial Services office stated under section 335 of the *Local Government Act* (hereafter "LGA"), that a loan authorization bylaw expires 5 years from the date of adoption of the original bylaw for any amounts authorized but not fully borrowed. So, based on this information, Bylaw No. 6656 was adopted on November 25, 1996 and the authority to borrow any amount up to \$8,538,500 would have expired on November 25, 2001.

However, in the letter, it went on to say that Bylaw No. 6656 may be extended beyond the November 25, 2001 date if the loan authorization bylaw:

- 1) was used to secure temporary borrowing under Section 335.2 of the LGA
- 2) was enacted to provide assistance for an agreement under Section 335(1)(b) of the LGA or
- 3) was a comprehensive loan authorization bylaw under Section 335(2) of the transitional provisions of Bill 88 (1999)

Based on my review, Bylaw No. 6656 was not used to secure temporary borrowing, where the City would have borrowed funds on a temporary basis before locking into a long-term borrowing arrangement with MFA. If a temporary borrowing bylaw was in place, it would have had to reference back to Bylaw No. 6656. Apparently, the City has not undertaken any action to adopt a temporary borrowing bylaw since the adoption of Bylaw No. 6656.

With regards to enacting Bylaw No. 6656 to provide assistance under an agreement to a person or a public authority, which the City has been authorized to undertake. It has been determined that the City did not adopt Bylaw No. 6656 to provide any assistance, so it is not linked to an expiration date that is tied to the term of an assistance agreement.

Finally, Bylaw No. 6656 was not adopted as a comprehensive loan authorization bylaw because it does not comply with Section 335(2) of the transitional provisions of Bill 88 (1999). A

comprehensive loan authorization bylaw is a bylaw that enables a municipality to borrow for more than one specific purpose (e.g. bylaw to borrow for land purchase, capital projects, etc.). In the City's case, Bylaw No. 6656 was adopted with one purpose in mind and that was to acquire the Terra Nova Lands.

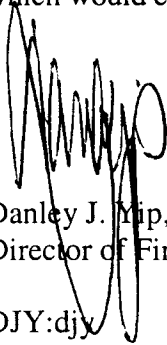
It should be noted that under Section 335(4) of the LGA, the 5 year rule could be exempted in a situation where a security issuing bylaw was adopted before the expiration of the 5 years from the date of adoption of a loan authorization bylaw. A security issuing bylaw is normally used to extend the life of a loan authorization bylaw, if a municipality is unable to borrow and complete a project within the authorized period of 5 years. In the City's situation, a security issuing bylaw was not adopted prior to Bylaw No. 6656 expiring on November 25, 2001.

Financial Impact

With the expiration of Bylaw No. 6656, there is no financial impact except for the fact that the City will be unable to borrow the unissued balance of \$8,538,500.

Conclusion

Based on the above review and analysis, the City's authority to borrow under Bylaw No. 6656 has ended as at November 25, 2001 and none of the above situations would apply to the City's situation, which would enable the City to extend its ability to borrow funds beyond November 25, 2001.



Danley J. Mip, C.A.
Director of Finance

DJY:djy

CITY OF RICHMOND

BYLAW NO. 6656

**Loan Authorization Bylaw
Acquisition of Lands in Terra Nova (Northwest Quadrant)**

WHEREAS, the City of Richmond intends to borrow the sum of **TWENTY EIGHT MILLION, FIVE HUNDRED AND THIRTY-EIGHT THOUSAND, FIVE HUNDRED (\$28,538,500.00) DOLLARS**.

AND WHEREAS the object for which such debt is to be created is for the purchase of lands in Section 4 Block 4 North Range 7 West, more commonly known as the northwest portion of Terra Nova lands.

AND WHEREAS the amount of the assessed value for general city purposes of the taxable land and improvements for the current year and for each of the two years immediately preceding the year in which the debt is to be created is:

1996	\$17,511,918,680
1995	\$17,466,571,481
1994	\$16,385,372,538

AND WHEREAS the value of the sewer and water system as at the 31st day of December, 1995, are \$48,201,167 and \$45,616,429, respectively;

AND WHEREAS the amount of the authorized debenture debt of the City is \$83,118,000 of which \$48,184,000 is existing outstanding debentures debt and \$34,934,000 is authorized and unissued debenture debt, and none of the principal or interest of the debenture debt of the City is in arrears;

AND WHEREAS the maximum term of which debentures may be issued is 20 years;

AND WHEREAS the necessary consents and approvals required by law have been obtained;

NOW THEREFORE, the Council of the City of Richmond, in open meeting assembled, enacts as follows:

1. That Council is hereby empowered and authorized to undertake and carry out or cause to be carried out, the purchase of lands in Section 4 Block 4 North Range 7 West, more commonly known as the northwest portion of Terra Nova for public purposes and to do

all things necessary in connection therewith and without limiting the generality of the foregoing:

- (a) to borrow upon the credit of the City a sum of \$28,538,500; and
- (b) to acquire all such real property, easements, right-of ways, licences, rights or authorities as may be requisite or desirable for or in connection with the said purchase of the lands.

3. This Bylaw may be cited as "Loan Authorization for the Acquisition of Lands in Terra Nova (Northwest Quadrant) Bylaw No. 6656".

CITY OF RICHMOND
APPROVED for content by originating dept. <i>[Signature]</i>
APPROVED for legality by Solicitor <i>[Signature]</i>

READ A FIRST TIME ON:

JUL 8 1996

READ A SECOND TIME ON:

JUL 8 1996

READ A THIRD TIME ON:

JUL 8 1996

APPROVED BY THE INSPECTOR OF MUNICIPALITIES ON:

SEP 0 9 1996

RECEIVED THE ASSENT OF THE ELECTORS ON:

NOV 1 6 1996

ADOPTED ON:

NOV 2 5 1996

CERTIFICATE OF APPROVAL ISSUED ON:

FEB 1 2 1997

[Signature]

 MAYOR

[Signature]

 CITY CLERK

Certified a true and correct copy of Bylaw No. 6656 of the City of Richmond

[Signature]

 CITY CLERK