



City of Richmond

Report to Committee

To: Finance Committee **Date:** April 15, 2020
From: Jerry Chong, Director, Finance **File:** 03-0900-01/2020-Vol 01
Re: Revenue Anticipation Borrowing (2020) Bylaw No. 10153

Staff Recommendation

1. That Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be introduced and given first, second and third readings.
2. That Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be adopted.

Jerry Chong, CPA, CA
 Director, Finance
 (604-276-4064)

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

Staff Report

Origin

The current COVID-19 pandemic has raised concerns for many local governments over cash flow impact as a result of the significant decline in sales of services, possible delay and/or delinquency in property tax collection, along with the possibility that we may have to front-end tax remittances to other taxing agencies.

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. However, with the uncertainties regarding the duration of the pandemic measures, it is prudent to have a contingency plan in place for the possibility that some borrowing may be required to maintain liquidity through the pandemic crisis.

The purpose of this report is to seek Council's approval for Revenue Anticipation Borrowing (2020) Bylaw No. 10153.

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.

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.

Staff propose that Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be authorized to allow the City to have the ability to temporarily borrow up to \$36,500,000 in the event that the City requires bridge funding 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.

City's Credit Facility Agreement and Proposed Amendment

The City currently has an existing \$9,500,000 credit facility agreement with its bank, which is comprised of:

- (i) \$3,000,000 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.

Standby Letters of Credits/Demand Promissory Notes/Bank Overdraft

The purpose of the \$3,000,000 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.

Under the current COVID-19 situation, staff recommend that the limit for this credit facility under the City's Revenue Anticipation Borrowing Bylaw be increased from the existing level of \$3,000,000 to \$30,000,000 in the event the City has to undertake temporary borrowing to meet corporate cash flow requirements if the collection of property taxes falls short from budget or gets delayed due to the pandemic.

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.

This leasing line of credit is unused. Staff recommend no change to this credit facility.

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.

The current spending of the City's commercial credit card program is well under the \$2,000,000 credit limit. Staff recommend no change to this credit facility.

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 1.00%
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 (2020) Bylaw No. 10153

Staff propose that Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be authorized to allow the City to have the ability to temporarily borrow up to \$36,500,000 in the event that the City requires bridge funding 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 proposed Revenue Anticipation Borrowing (2020) Bylaw No. 10153 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.

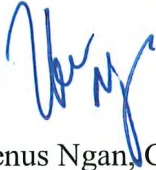
The Revenue Anticipation Borrowing Bylaw is required to be adopted annually by Council. Credit facility arrangements are reviewed with the bank at least once a year (more frequently in 2020 due to the rapidly changing operating environment) to evaluate the City's credit needs in determining the optimal level of credit facility balances to maintain.

Financial Impact

None.

Conclusion

Staff recommend that the Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be approved for adoption in order for the credit facilities to be available to the City in the event that the City has to temporarily borrow 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.



Venus Ngan, CPA, CA
Manager, Treasury and Financial Services
(604-276-4217)



REVENUE ANTICIPATION BORROWING (2020) BYLAW NO. 10153

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 \$36,500,000 at such times as may be required.
2. The form of obligation to be given as acknowledgement of the liability shall be \$30,000,000 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 (2020) 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 (2019) Bylaw No. 9997 is hereby repealed.
5. This Bylaw is cited as **“Revenue Anticipation Borrowing (2020) Bylaw No. 10153”**.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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

MAYOR

CORPORATE OFFICER