



City of Richmond

Report to Committee

To: Finance Committee

Date: June 18, 2013

From: Jerry Chong, CA
Director, Finance

File:

Re: **Distribution from the Municipal Finance Authority of BC**

Staff Recommendation

That Council approve transferring the \$1.9M surplus distribution received from the Municipal Finance Authority of BC to the following accounts:

- a) \$1.8M be returned to the Roads DCC program and subsequently transferred to the City's Surplus Account to repay outstanding internal borrowings;
- b) \$0.1M to the Sanitary Sewer Reserve.

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

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY DIRECTORS	INITIALS:
REVIEWED BY CAO (DEPUTY)	INITIALS:

Staff Report

Origin

In 1993 the City incurred debt in the amount of \$17.6M and \$1.0M in order to respectively fund the construction of the No. 2 Road Bridge and Atsugi, Riverside East and South Fraser sewer works. The City borrowed the funds from the Municipal Finance Authority of BC (MFABC). MFABC is the borrowing vehicle for all municipalities and regional districts in the province and provides financing for general municipal projects, water and sewer infrastructure, and transportation. MFABC is also required under the MFA Act to establish sinking funds, which are collectively known as the capital repayment equalization fund. It establishes these for each authority debt issue.

Unlike regular mortgage or loan structure where the initial repayment is mainly applied to pay off interest on a declining-balance basis, the semi-annual repayments made by local governments to the MFA are applied to interest and principal on a straight-line basis. The amount of principal repayment made is then invested by MFA in a sinking fund that invests in high-quality fixed income securities. If the actual earnings of the sinking fund exceed the estimated earnings, a surplus is calculated and paid to the members upon maturity of the loan.

On May 12, 2013 the City received a cheque in the amount of \$1,943,701.58, which represents the distribution of the surplus from the sinking fund established for the above loan. The surplus amount received totaling \$1.9M is comprised of two amounts (\$1.8M from the No. 2 Rd debt and \$0.1M from the sewer debt). The \$0.1M relates to amounts collected from utility fees and is restricted to the sewer fund. As such, this amount can only be considered to be transferred to the Sanitary Sewer reserve fund or the Sanitary Sewer Rate Stabilization provision.

The purpose of this report is to provide information to Council and seek direction for the allocation of these funds.

Analysis


The payments that were required to service the debt incurred to build the No. 2 Road Bridge was funded annually through the Roads Development Cost Charges (DCC) program. The current Road's capital program includes annual repayments to the City's surplus due to amounts internally borrowed in previous years, which was utilized to fund various acquisitions for road purposes. In order to reduce the outstanding balance and interest that continues to compound, staff recommend that the \$1.8M be returned to the Roads DCC program and subsequently transferred to the City's surplus account to repay outstanding internal borrowings.

Financial Impact

None

Conclusion

The City has repaid the long term debt that it incurred with respect to the No. 2 Road Bridge and sewer works and has received a surplus distribution on the invested sinking fund payments. Staff recommend that the surplus distribution be utilized to reduce outstanding internal loans.



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JC:jc