



City of Richmond

Report to Committee

To: Finance Committee

Date: April 18, 2012

From: Jerry Chong
Director, Finance

File: 03-0900-01/2011-Vol
01

Re: Revenue Anticipation Borrowing (2012) Bylaw No. 8896

Staff Recommendation

That Revenue Anticipation Borrowing (2012) Bylaw No. 8896 be introduced and given first, second, and third readings.

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

| REPORT CONCURRENCE | | | |
|---|-------------------------------------|---------------------------------------|----------------------|
| ROUTED TO: | CONCURRENCE | CONCURRENCE OF GENERAL MANAGER | |
| Budgets | <input checked="" type="checkbox"/> | | |
| City Clerk | <input checked="" type="checkbox"/> | | |
| Law | <input checked="" type="checkbox"/> | | |
| REVIEWED BY TAG SUBCOMMITTEE | INITIALS: | REVIEWED BY CAO (Deputy) | INITIALS: |

Staff Report

Origin

The City has an existing credit facility agreement with its bank and is seeking Council's annual authorization through adoption of Revenue Anticipation Borrowing (2012) Bylaw No. 8896 (attached). The credit facility will be available in the form of up to \$3,000,000 in standby letters of credit, demand promissory notes or bank overdraft, and up to \$4,500,000 in leasing lines of credit.

Analysis

The \$7,500,000 credit facility arrangement aforementioned meets the definition of revenue anticipation borrowing as per Section 177 of the *Community Charter*. Under that section, Council may, by bylaw, provide the authority to borrow money that may be necessary to meet current lawful expenditures and to pay amounts required to meet the City's taxing obligations in relation to other local governments or public bodies. 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 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 etc.). Therefore, the bylaw amount of \$7,500,000 is well below the limit imposed under Section 177 of the *Community Charter*.

The purpose of obtaining the \$3,000,000 operating lines 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 monitors the City's cashflow position to prevent the possibility of having to draw down on the credit facility. The purpose of obtaining the \$4,500,000 leasing lines of credit is to ensure that a leasing facility is available in the event it is required.

Financial Impact

Both types of credit facilities, if they remain unused, will be free of charge for the City to maintain.

In the event the operating lines of credit will be drawn upon, the interest rate will be at the bank's prime lending rate minus 0.50% with interest payable monthly.

In the event the leasing line will be drawn upon, the interest rate will be either floating at the bank's leasing prime rate or at a fixed rate of the bank's leasing base rate plus 0.60%, with periodic payments payable monthly.

Should any of these credit facilities be drawn down in the future for a consecutive period of more than 2 weeks, staff will prepare a report to Council to inform Council of such financial activity.

Conclusion

That the Revenue Anticipation Borrowing (2012) Bylaw No. 8896 be approved in order for funds to be made available to the City in the event that the City is required to draw upon the existing credit facilities arrangement with its bank.



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



REVENUE ANTICIPATION BORROWING (2012) BYLAW NO. 8896

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 \$7,500,000 at such times as may be required.
2. The form of obligation to be given as acknowledgement of the liability shall be \$3,000,000 in the form of standby letters of credit, demand promissory notes or bank overdraft, and \$4,500,000 in the form of leasing lines of credit, bearing the corporate seal and signed by the authorized signing officers for the City, pursuant to Council's banking resolution.
3. All unpaid taxes and the taxes of the current year (2012) 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 Bylaw No. 8755 is hereby repealed.
5. This Bylaw is cited as "Revenue Anticipation Borrowing (2012) Bylaw No. 8896".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

Four horizontal lines for signatures of council members.

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

MAYOR

CORPORATE OFFICER