



City of Richmond

Report to Committee

To: Finance Committee

Date: February 13, 2018

From: Jerry Chong
Director, Finance

File: 03-0900-01/2018-Vol
01

Re: Revenue Anticipation Borrowing (2018) Bylaw No. 9831

Staff Recommendation

That the Revenue Anticipation Borrowing (2018) Bylaw No. 9831 be introduced and given first, second and third readings.

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

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

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 (2018) Bylaw No. 9831 (Attachment 1). The total amount of the credit facility is \$9,500,000, which is comprised of \$3,000,000 in standby letter of credit, demand promissory notes or bank overdraft, \$4,500,000 in leasing lines of credit and \$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 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).

The bylaw amount of \$9,500,000 satisfies all the conditions set out in Section 177 of the *Community Charter*.

Purpose of the City's Credit Facilities

The purpose of obtaining 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 monitors the City's cashflow position to prevent the possibility of having to draw down on the credit facility. If the operating line of credit remains unused, it will be free of charge for the City to maintain.

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. If the leasing line of credit remains unused, it will be free of charge for the City to maintain.

The purpose of obtaining \$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 free of charge to the City to maintain unless they are being drawn upon. The following table summarizes the interest rates associated with the usage of these credit facilities:

	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 3.45%

With the City's solid financial position, the City has never activated these credit facilities. The purpose of maintaining these credit facilities is to ensure that they will be available in the unlikely 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 report to inform Council of such financial activity.

Financial Impact

None.

Conclusion

Staff recommend that the Revenue Anticipation Borrowing (2018) Bylaw No. 9831 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 City's credit facilities arrangement with its bank.

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

Att. 1: Revenue Anticipation Borrowing (2018) Bylaw No. 9831



City of Richmond

Bylaw 9831

REVENUE ANTICIPATION BORROWING (2018) BYLAW NO. 9831

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 \$9,500,000 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, \$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 (2018) 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 (2017) Bylaw No. 9674 is hereby repealed.
5. This Bylaw is cited as **“Revenue Anticipation Borrowing (2018) Bylaw No. 9831”**.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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

MAYOR

CORPORATE OFFICER