



City of Richmond

Report to Committee

To: Finance Committee

Date: January 5, 2024

From: Mike Ching, CPA, CMA
Director, Finance

File: 03-0900-01/2023-Vol
01

Re: Revenue Anticipation Borrowing (2024) Bylaw No. 10532

Staff Recommendation

That Revenue Anticipation Borrowing (2024) Bylaw No. 10532 be introduced and given first, second and third readings.

Mike Ching, CPA, CMA
Director, Finance
(604-276-4137)

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 City of Richmond (the City) maintains a credit facility agreement with its bank, which includes: (i) \$15,000,000 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. The purpose of this report is to seek Council's approval and authorization of the proposed Revenue Anticipation Borrowing (2024) Bylaw No. 10532.

This bylaw requires annual review and adoption in accordance with Section 177 of the *Community Charter*.

This report supports Council's Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.1 Ensure effective financial planning to support a sustainable future for the City.

Analysis

The City continues to maintain a sound financial position with access to cash and liquid investments to meet its financial obligations. Consistent with ongoing practice, it is prudent for the City to maintain an adequate level of credit facility as a contingency plan in the event that the City requires bridge funding to meet current lawful expenditures and obligations.

The credit facilities were created only as safety measures and were never utilized, except for the commercial credit card facility that is always repaid monthly without any interests.

The City's Credit Facility Agreement

\$15,000,000 Standby Letters of Credits/Demand Promissory Notes/Bank Overdraft

- The purpose of the 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.

\$4,500,000 Leasing Lines of Credit

- The purpose of the leasing lines of credit is to ensure that a leasing facility is available in the event it is required.

\$2,000,000 Commercial Credit Card Facility

- The purpose of the commercial credit card facility is to provide a convenient and cost-effective method of procuring and paying for low value goods and services.

The credit facilities are offered to the City by its bank 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	Scotiabank’s prime lending rate minus 0.50%	Scotiabank’s prime lending rate or leasing base rate plus 0.60%	Scotiabank’s prime lending rate plus 12%
Grace Period	None	None	3 days after statement date

The current bank’s prime lending rate at the time of this report is 7.20%.

Proposed Revenue Anticipation Borrowing (2024) Bylaw No.10532

The proposed Revenue Anticipation Borrowing (2024) Bylaw No.10532 does not automatically result in any borrowing upon adoption.

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. There was no change to the credit facility arrangement since it was last adopted in 2023. Credit facility arrangements are reviewed with the bank at least once a year 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 (2024) Bylaw No. 10532 be introduced and given first, second and third readings.

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

Att. Revenue Anticipation Borrowing (2024) Bylaw No. 10532



REVENUE ANTICIPATION BORROWING (2024) BYLAW NO. 10532

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 \$21,500,000 at such times as may be required.
2. The form of obligation to be given as acknowledgement of the liability shall be \$15,000,000 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 (2024) 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 (2023) Bylaw No. 10445 is hereby repealed.
5. This Bylaw is cited as “Revenue Anticipation Borrowing (2024) Bylaw No. 10532”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept.
<i>W</i>
APPROVED for legality by Solicitor
<i>BRB</i>

MAYOR

CORPORATE OFFICER