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**Finance Committee**

**Anderson Room, City Hall  
6911 No. 3 Road**

**Monday, April 7, 2014**

**Immediately following the Open General Purposes Committee meeting**

Pg. #      ITEM

**MINUTES**

**FIN-3**      *Motion to adopt the **minutes** of the meeting of the Finance Committee held on Monday, March 3, 2014.*

**FINANCE AND CORPORATE SERVICES DEPARTMENT**

- 1. EXCESS OR EXTENDED SERVICES AND LATECOMER PAYMENT INTEREST RATE ESTABLISHMENT BYLAW NO. 6936, AMENDMENT BYLAW NO. 9084**  
(File Ref. No. 03-0900-01) (REDMS No. 4016389)

**FIN-5**

**See Page FIN-5 for full report**

*Designated Speaker: Venus Ngan*

**STAFF RECOMMENDATION**

*That Excess or Extended Services and Latecomer Payment Interest Rate Establishment Bylaw No. 6936, Amendment Bylaw No. 9084 be introduced and given first, second, and third readings.*

Pg. #      ITEM

2.      **REVENUE ANTICIPATION BORROWING (2014) BYLAW NO. 9116**  
(File Ref. No. 03-0900-01) (REDMS No. 4153934)

**FIN-10**

**See Page FIN-10 for full report**

*Designated Speaker: Venus Ngan*

STAFF RECOMMENDATION

*That Revenue Anticipation Borrowing (2014) Bylaw No. 9116 be introduced and given first, second, and third readings.*

ADJOURNMENT



## Finance Committee

Date: Monday, March 3, 2014

Place: Anderson Room  
Richmond City Hall

Present: Acting Mayor Derek Dang, Chair  
Councillor Chak Au  
Councillor Linda Barnes  
Councillor Derek Dang  
Councillor Bill McNulty  
Councillor Linda McPhail  
Councillor Harold Steves

Absent: Mayor Malcolm D. Brodie  
Councillor Evelina Halsey-Brandt  
Councillor Ken Johnston

Call to Order: The Chair called the meeting to order at 5:27 p.m.

### MINUTES

It was moved and seconded

*That the minutes of the meeting of the Finance Committee held on Monday, February 3, 2014, be adopted as circulated.*

**CARRIED**

### FINANCE AND CORPORATE SERVICES DEPARTMENT

1. **FINANCIAL INFORMATION – 4<sup>TH</sup> QUARTER DECEMBER 31, 2013**  
(File Ref. No. 03-0905-01/2014) (REDMS No. 4145989)

It was moved and seconded

*That the staff report titled Financial Information – 4<sup>th</sup> Quarter December 31, 2013 from the Director, Finance be received for information.*

**CARRIED**

**Finance Committee**  
**Monday, March 3, 2014**

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**RICHMOND OLYMPIC OVAL CORPORATION**

2. **4<sup>TH</sup> QUARTER 2013 – FINANCIAL INFORMATION FOR THE RICHMOND OLYMPIC OVAL CORPORATION**

(File Ref. No.: ) (REDMS No.4157365)

It was moved and seconded

*That the report on Financial Information for the Richmond Olympic Oval Corporation for the fourth quarter ended December 31, 2013 from the Controller of the Richmond Olympic Oval Corporation be received for information.*

**CARRIED**

**ADJOURNMENT**

It was moved and seconded

*That the meeting adjourn (5:30 p.m.).*

**CARRIED**

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, March 3, 2014.

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Acting Mayor Derek Dang  
Chair

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Hanieh Berg  
Committee Clerk



# City of Richmond

## Report to Committee

*TO FIN - Apr. 7 2014*

**To:** Finance Committee

**Date:** March 31, 2014

**From:** Jerry Chong  
Director, Finance

**File:** 03-0900-01/2013-Vol  
01

**Re:** **Excess or Extended Services and Latecomer Payment Interest Rate  
Establishment Bylaw No. 6936, Amendment Bylaw No. 9084**

### Staff Recommendation

The Excess or Extended Services and Latecomer Payment Interest Rate Establishment Bylaw No. 6936, Amendment Bylaw No. 9084 be introduced and given first, second, and third readings.

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

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

### Staff Report

#### Origin

The Excess or Extended Services and Latecomer Payment (EESLP) Interest Rate Establishment Bylaw No.6936, Amendment Bylaw No. 8632 was adopted by Council in 2008. Staff have reviewed the Bylaw and have identified that the following items require changes:

- (i) the approach in establishing the interest rate for the EESLP be amended;
- (ii) the references to specific locations to be excluded from the Bylaw’s interest rate be updated; and
- (iii) the wordings of the Bylaw be expanded to clarify the calculation of interest for the EESLP.

#### Analysis

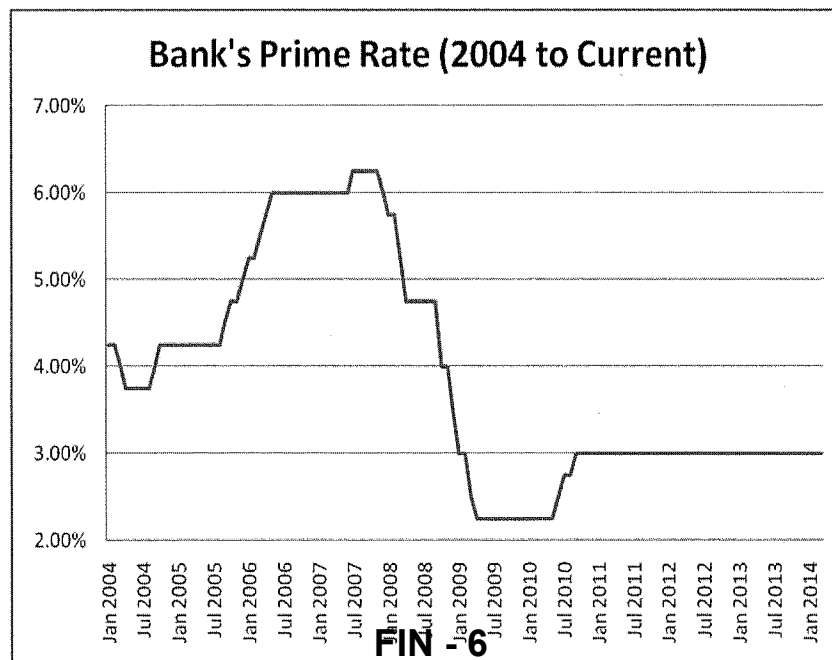
Excess or Extended Services refer to infrastructure installed by a developer (known as the front-ender) that benefits other developments.

#### Sections 1 and 3 of the Bylaw – Interest Rate

The purpose of including an interest rate in the Bylaw is to compensate the front-ending parties for the borrowing or opportunity costs of the expenditures incurred for providing new infrastructure that also benefits other developments. Conversely, from the benefiter’s (latecomers’) perspective, the interest rate charged to them is equivalent to paying the financing costs incurred by the front-ending parties.

The current bylaw establishes a fixed interest rate of ten percent (10%) per annum. Staff have reviewed the suitability of a fixed interest rate and suggested that a more flexible approach be implemented to ensure that the interest rate established by the Bylaw is more reasonable.

Staff recommend the use of the “prime plus” method. The bank’s prime rate is typically defined as the interest rate that banks charge their most credit-worthy customers. The use of the bank’s prime rate is recommended because prime rate directly affects the lending rates which are available for mortgage and commercial/personal loans. The chart below provides the bank’s prime rate since year 2004:



The interest rate of the Bylaw is recommended to include an additional three percent (3%) on top of the bank's prime rate (Bank of Nova Scotia's prime rate is the selected bank's prime rate to be used in the Bylaw). Staff choose a mark-up of 3% which represents the estimated cost of borrowing as well as risk factors borne by the front-ending developers.

As established by each agreement, the bank's prime interest rate to be used shall be the bank's prime interest rate on the date the excess or extended services are completed (i.e. the date of which the City is satisfied with the works and a Certificate of Completion is issued). The interest rate (bank's prime rate +3%) will remain fixed for the entire term of the agreement and will not be subject to further changes for that agreement even if the bank's prime rate fluctuates throughout the term of the agreement.

#### Section 2 of the Bylaw – Specific Locations

The existing bylaw lists three specific locations (Maple Place, 6<sup>th</sup> Avenue Lane, and Gilmore Crescent) where the interest rates of the EESLP are separately listed. The agreements for these three specific locations have expired, therefore, references to these locations and interest rates should be removed.

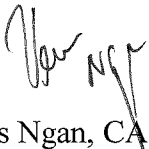
Currently, there are six developments where excess or extended services and latecomer works have been completed, where latecomer agreements either exist or are in the process of being finalized. To ensure the interest rate for these works will not be affected by the above proposed changes, staff recommend that section 2 of the Bylaw be amended to include these six latecomer projects that will be subject to the grandfathered interest rates.

#### **Financial Impact**

The City acts as an administrator between developers under latecomer agreements. Imposing these changes will not result in any financial impact to the City.

#### **Conclusion**

Staff is recommending that the Excess or Extended Services and Latecomer Payment Interest Rate Establishment Bylaw No. 6936, Amendment Bylaw No. 9084 be adopted by Council. This will ensure the Bylaw is kept up to date and will ensure that a more reasonable and flexible approach is being used in deriving the excess or extended services and latecomer payment interest rate.



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



**EXCESS OR EXTENDED SERVICES AND LATECOMER PAYMENT  
INTEREST RATE ESTABLISHMENT BYLAW NO. 6936,  
AMENDMENT BYLAW NO. 9084**

The Council of the City of Richmond enacts as follows:

1. Excess or Extended Services and Latecomer Payment Interest Rate Establishment Bylaw No. 6936 is amended by:

a) deleting Section 1 and substituting the following:

“1. Except as specified in section 2 of this bylaw, all charges imposed pursuant to section 939(5)(c) of the *Local Government Act*, as amended or replaced from time to time, will have added to them interest at the Prime Rate, as of the date the City issued a certificate of completion for the excess or extended services works, plus three percent (3%). For the purposes of this bylaw, “Prime Rate” means the rate of interest equal to the floating interest rate established from time to time by the Bank of Nova Scotia as the base rate that will be used to determine rates of interest charged by it for Canadian dollar loans to customers in Canada and designated by the Bank of Nova Scotia as its prime rate.”

b) deleting Section 2 and substituting the following:

“2. All charges imposed pursuant section 939(5)(c) of the *Local Government Act*, as amended or replaced from time to time, for the following excess or extended services works will have added to them interest at the following interest rates:

	<b>PROJECT</b>	<b>INTEREST RATE</b>
(a)	Ryan Road Drainage (completed August 27, 2004 with City funding)	8%
(b)	West Cambie Alexandra Neighbourhood Utility Works (pursuant to a latecomer agreement dated June 25, 2007)	10%
(c)	Elmbridge Way / Alderbridge Way Drainage (pursuant to Servicing Agreement No. 06-333115)	10%
(d)	Stolberg Street Drainage and Sanitary Sewer (pursuant to Servicing Agreement No. 08-434616)	10%
(e)	No. 4 Road Sanitary Sewer (pursuant to Servicing Agreement No. 09-502425)	10%
(f)	Pearson Way Drainage and Sanitary Sewer (pursuant to Servicing Agreements No. 11-5894605 and 11-564833)	10%



c) deleting Section 3 and substituting the following:

“3. For the purposes of sections 1 and 2 of this bylaw:

(a) the interest rate for a latecomer agreement for excess or extended services is fixed, for the term of the agreement, at the rate established in accordance with section 1 or 2, as applicable; and

(b) interest is calculated annually and payable for the period beginning on the date when the City issued a certificate of completion for the excess or extended services works, up to the date that the connection to the excess or extended services is made by the benefiting property or the use by the benefiting property begins.”

2. This Bylaw may be cited as “**Excess or Extended Services and Latecomer Payment Interest Rate Establishment Bylaw No. 6936, Amendment Bylaw 9084**”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CORPORATE OFFICER



# City of Richmond

## Report to Committee

To FIN - Apr. 7 2014

**To:** Finance Committee

**Date:** March 31, 2014

**From:** Jerry Chong  
Director, Finance

**File:** 03-0900-01/2013-Vol  
01

**Re:** Revenue Anticipation Borrowing (2014) Bylaw No. 9116

### Staff Recommendation

That Revenue Anticipation Borrowing (2014) Bylaw No. 9116 be introduced and given first, second, and third readings.

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

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

## 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 (2014) Bylaw No. 9116 (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 Section 177, 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. 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. The current bank's prime lending rate at the time of this report is at 3.00%.

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.

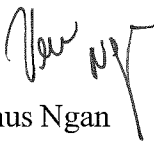
Should any of these credit facilities be drawn down in the future for a consecutive period of more than 2 weeks, staff will prepare a report to inform Council of such financial activity.

### Financial Impact

None. The availability of the above credit facility does not affect the City's overall liability servicing limit.

**Conclusion**

That the Revenue Anticipation Borrowing (2014) Bylaw No. 9116 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)



**REVENUE ANTICIPATION BORROWING (2014) BYLAW NO. 9116**

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 (2014) 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 (2013) Bylaw No. 9020 is hereby repealed.
5. This Bylaw is cited as "**Revenue Anticipation Borrowing (2014) Bylaw No. 9116**".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CORPORATE OFFICER