



City of Richmond

Report to Committee

To: Finance Committee

Date: April 27, 2006

From: Jerry Chong
Director of Finance

File: 03-1076-00/Vol 01

Re: Trust and Endowment Fund Policy

Staff Recommendation

That the new Trust and Endowment Funds policy be approved.

Jerry Chong
Director of Finance
(4064)

FOR ORIGINATING DEPARTMENT USE ONLY					
ROUTED TO:		CONCURRENCE		CONCURRENCE OF GENERAL MANAGER	
Budgets		Y	<input checked="" type="checkbox"/>	N	<input type="checkbox"/>
Law		Y	<input checked="" type="checkbox"/>	N	<input type="checkbox"/>
REVIEWED BY TAG		YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
			<i>JAC</i>		
REVIEWED BY CAO		YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
			<i>S</i>		

Staff Report

Origin

At the Finance Committee meeting held on December 21st, 2005, Council requested staff to prepare guidelines for holding money in trust. Staff have developed an administrative framework for the acquisition, investment, and disposition of such funds.

In order to achieve consistent and prudent usage of these donated funds, the Trust and Endowment Funds Policy has been drafted. The establishment of an endowment should be considered for any major fundraising campaign. In conjunction with community consultation and key stakeholders, all future Trust/Endowments must support City sponsored programs and services that will benefit the City and its residents. A City staff member should be assigned to each trust fund to ensure all funds are acquired, disbursed, and collapsed pursuant to Policy.

Analysis

As listed below, there currently exists 19 Trust or Endowment Funds for a total of approximately \$1.0 Million. These funds can be broken down into two major categories. The first and largest group held in trust are Endowment Funds that are earmarked for specific uses or groups as designated when the fund was established. In some circumstances, disbursements can only be made on the interest portion of funds. The following funds fall in this category:

TRUST AND ENDOWMENT FUNDS

Fund	Disbursements	Key Stakeholder	Use
2010 Winter Olympic	Open	Olympic Oval Office	2010 Winter Olympics
Archives – Friends Trust	Open	Richmond Archivist and Board of Directors	Archival Projects
Art in our Lives	Open	Cultural Services	Lulu Series on Art
Chapel Heritage	Open	Cultural Services	Richmond Chapel
Community Arts	Open	Cultural Services	Richmond Arts
Child Care - WCB	Open	Urban Planning	Construction Child Care Facility
Des McManus Memorial	Interest Only	Richmond Archivist and Board of Directors	Archival Projects
Donations - General	Open	City of Richmond	Community Programs
Economic Development	Open	TAG	Promote Tourism
Heritage Trust	Open	Heritage Committee	Heritage Projects
LeChow St	Open	Urban Planning	LeChow Street Construction
Recreation Commission	Interest Only	Parks & Recreation	Travel assistance to Provincials or greater Championships
Richmond Outdoor Art Exhibition	Open	Cultural Services	Outdoor Art Exhibition
Seniors Building Fund	Open	Senior Services	Senior Building
Steveston Legacy Art Project	Open	Parks Department	Fisher Statues
Toastmaster Trust	Open	City Staff/Toastmasters	Toastmaster Program

April 25, 2006

The second category of funds are in the form of corporate donations from conferences and events that have transpired and include:

CORPORATE DONATIONS – CONFERENCES/EVENTS

Fund	Disbursements	Key Stakeholder	Use
Canadian Fire Chief Conference	Open	Fire Department	2006 BC Fire Chief Conference
Local Government Administration Staff Conference	Open	TAG	2004 Conference
Richmond Tall Ship Society Trust	Open	TAG	Tall Ships Event

As amounts are minimal for the events that have concluded, remaining funds will be collapsed into the General Donations Fund for future events and initiatives.

Receipt of Funds and Establishment of a Trust Fund

Future donations should be initially directed to the General Donations Trust Fund to provide the City the flexibility to maximize monies on initiatives identified by TAG or Council. Third parties and donors who want to specify where funds are to be directed must submit a written proposal to the City's Financial Officer. The proposed initiative must benefit the City and be consistent with the City's programs, policies, plans, bylaws and regulations. With the exception of Endowment Funds, programs normally will have a limited life and expected completion date.

A Trust/Endowment agreement may be required and should outline:

1. Roles and responsibilities of the City and the third party;
2. The project or program to be funded and the priority order of funding;
3. All initiatives and activities must adhere to City of Richmond policies;
4. The procedure for the City to review and approve all dispositions of funds;
5. An annual process for reporting all receipts and disbursements of funds;
6. The terms of the proposed program and termination mechanism upon completion;

The agreement will be approved by the City's Financial Officer and Solicitor's Office for signature by the City and third party.

Investment Policy

To safeguard funds held in trust, current Investment Policy will be followed. Funds deposited will be non-interest bearing with the exception of the Endowment Funds where annual disbursements are made on the interest only portion. The City's Director of Finance is to establish the interest earned on the average annual Trust balance using the average annual rate of return earned from Corporate Investments.

Tracking and reporting of the activity within each Trust will follow GAAP (generally accepted accounting principles).

April 25, 2006

Disbursement Method

All disbursements will meet the objectives established for each Trust. All expenditures will require the authorization of City Staff (as designated by the Department Head) to oversee the management of each Trust fund as per the City's signing authority policy.

Inactive and Closure of Completed Trusts

At the discretion of the City's Financial Officer, trust funds that are inactive for over two years or depleted to a value below \$1,000 will be collapsed into the General Donations Trust Fund.

Financial Impact

As funds held in trust by the City of Richmond are on behalf of third parties, there is no financial impact. However, time and effort of City staff designated to oversee the receipt and disbursements of the appropriate Trust/Endowment Fund will be required.

Conclusion

The new Trust and Endowment Funds Policy has been drafted to achieve a consistent administrative guideline on the acquisition, investment, tracking/reporting, disbursement, and closure of funds held by the City on behalf of third parties for City sponsored programs and services. The overall goal is for funds to be used prudently through consultation with the community to ensure current and future generations of residents benefit.

Katherine Lecy
Manager, Payroll
(4628)

KL:kel



Policy ✪:

It is Council policy that:

Council supports and encourages contributions to enhance City sponsored programs and services that will benefit the City of Richmond and its residents. The purpose of this Policy is to set out the responsibilities for effective fiscal management of funds held in trust by the City and on behalf of City affiliated organizations and to outline the procedures relating to the receipt, administration, and disbursement of these funds.

Trust and Endowment Qualification

All future trusts and endowments must benefit the City of Richmond and its residents.

Contributions must meet an appropriate level of funding to ensure a strong base of financial support for City sponsored programs. Donations are made without expectation of return. No consideration – no benefit of any kind – to the donor or to anyone designated by the donor, may result from the payment. Funds are held in trust by the City and are not the property of any individual.

The proposed initiative must be consistent with municipal programs, policies, plans, bylaws, and regulations.

Receipt of Funds – Trust and Endowments

City affiliated third party agencies and donors who want to specify where funds are to be directed must submit a written proposal to the City’s Financial Officer. With the exception of Endowment Funds where disbursements are on the interest portion of funds held, the proposal should outline the program life, disbursement criteria, and expected completion date. Every application must be signed by the applicant and the City’s Financial Officer.

The City may elect to accept or decline a proposal.

In conjunction with the key stakeholders, a City staff member must be assigned to each initiative to ensure funds are acquired, disbursed and collapsed pursuant to policy.

Trust Fund/Endowment Agreement

An agreement may be required for signature by the City and the third party which outlines:

1. Roles and responsibilities of the City and the third party;
2. The project or program to be funded and the priority order of funding;
3. All initiatives and activities must adhere to City of Richmond policies;



4. The procedure for the City to review and approve all dispositions of funds;
5. An annual process for reporting all receipts and disbursements of funds;
6. The term of the proposed program and termination mechanism upon completion.

All agreements will be approved by the City's Financial Officer and Solicitor's Office.

Only the City has the legal authority to enter into contracts which are binding on the City.

Receipt of Funds - Donations

General donations that are unspecified in nature will be directed to the General Donations Trust Fund to provide the City the flexibility to direct monies on current initiatives as identified by TAG or Council.

The City generally accepts charitable gifts in the form of cash or cheque. Ownership of all funds remain with the City of Richmond and for the benefit of the City.

Charitable tax receipts will be issued for donations that qualify under the rules and regulations of the Income Tax Act of Canada.

Investment Policy

To safeguard funds held in trust, current Investment Policy will be followed.

For Trust Funds, determination will be made by the City's Financial Officer to ascertain if interest will accrue. This will be based on such criteria as amount deposited, program life, receipt and disbursement activity, and administration charges to recover the direct costs of investments and custodianship to hold funds in trust.

For Endowment Funds where disbursements are based only on the interest earned, the Director of Finance will apply interest on the average annual balance. The average annual rate of return earned from Corporate investments will be used.

The City's Financial Officer has the option to charge the endowment fund the recovery of operational costs including staffing and administrative costs to manage funds held in trust.

Fund Reporting

Receipt and disbursement activity within each Trust will follow generally accepted accounting principles. Quarterly reports will be generated and year-end balances will be audited and reported within the City's annual audited financial statements.



Disbursement Method

As each Trust and Endowment Fund are unique, the disbursement criteria and approval process should be clearly outlined at the start of the program. All expenditures will require the authorization of City staff designated by the appropriate Department Head to oversee the trust or endowment. Disbursements must adhere to the City's signing authority policy.

All disbursements will be in accordance with the requirements set forth when the Trust was initiated. All activity should be reviewed on a timely basis and over-expenditures are not permitted.

Closure of Inactive and Completed Trusts

When a community sponsored initiative is completed, the Trust Fund will be closed. At the discretion of the City's Financial Officer, trust funds that are inactive for over two years or depleted to a value below \$1,000 will be collapsed into the General Donations Trust Fund.