



City of Richmond

Report to Committee

To: Finance Committee

Date: October 13, 2016

From: Jerry Chong
Director, Finance

File: 03-0900-01/2016-Vol
01




Re: Reserve Funds Update 2016

Staff Recommendation

That the staff report titled, "Reserve Funds Update 2016", dated October 13, 2016 from the Director, Finance be received for information.


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

Att. 5

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	
Community Social Development	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Recreation Services	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Project Development	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO (Acting) 

Staff Report

Origin

The following report provides details on the current status of the reserve funds, the impact of Policy 3707 Long Term Financial Management Strategy and the future outlook on major reserves. The reserve fund information provides Council a gauge of the City's ability to fund future capital requirements and also identifies outstanding funding gaps.

This report supports Council's 2014-2018 Term Goal #7 Strong Financial Stewardship:

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.

7.1. Relevant and effective budget processes and policies.

7.2. Well-informed and sustainable financial decision making.

Section 188 of the *Community Charter* authorizes Council to establish a reserve fund, by bylaw, for a specified purpose and direct that money be placed to the credit of the reserve fund.

The City of Richmond has 21 reserve funds established through the following Bylaws:

- Reserve Fund Establishment – Bylaw 7812 (2004)
- Affordable Housing Operating Reserve Fund Establishment – Bylaw 8206 (2007)
- Community Legacy & Land Replacement Reserve Fund – Bylaw 8282 (2007)
- Capstan Station Capital Reserve Fund Establishment – Bylaw 8854 (2012)
- Child Care Operating Reserve Fund Establishment – Bylaw 8877 (2012)
- Arts, Culture and Heritage Capital Reserve Fund Establishment – Bylaw 9032 (2013)
- Hamilton Area Plan Community Amenity Capital Reserve Fund Establishment – Bylaw 9276 (2015)

The majority of these reserves are for capital purposes except for the Affordable Housing Operating Reserve and Child Care Operating Reserve. The list of all reserve funds and their purpose is included in Attachment 1.

These reserve funds form part of the accumulated surplus balance on the Statement of Financial Position. The amount reported in the financial statements includes amounts allocated to projects that remain unspent as they are still in progress at the reporting date. For example, at December 31, 2015 the total reserve balance was \$461.2 million, of which \$210.7 million was previously approved by Council towards projects leaving \$250.5 million uncommitted. This report will focus on the uncommitted funds and future funding requirements.

Reserves are funded through several channels including tax revenue, gaming revenue, utility fees, development contributions and other revenue. Development contributions are based on each development and the amounts are generally determined through the rezoning process. These amounts are difficult to predict each year as they are dependent on external factors. The amounts

that can be better predicted are budgeted for as part of the annual operating budget transfer to reserves. The list of the budgeted transfer to reserves is included in Attachment 2.

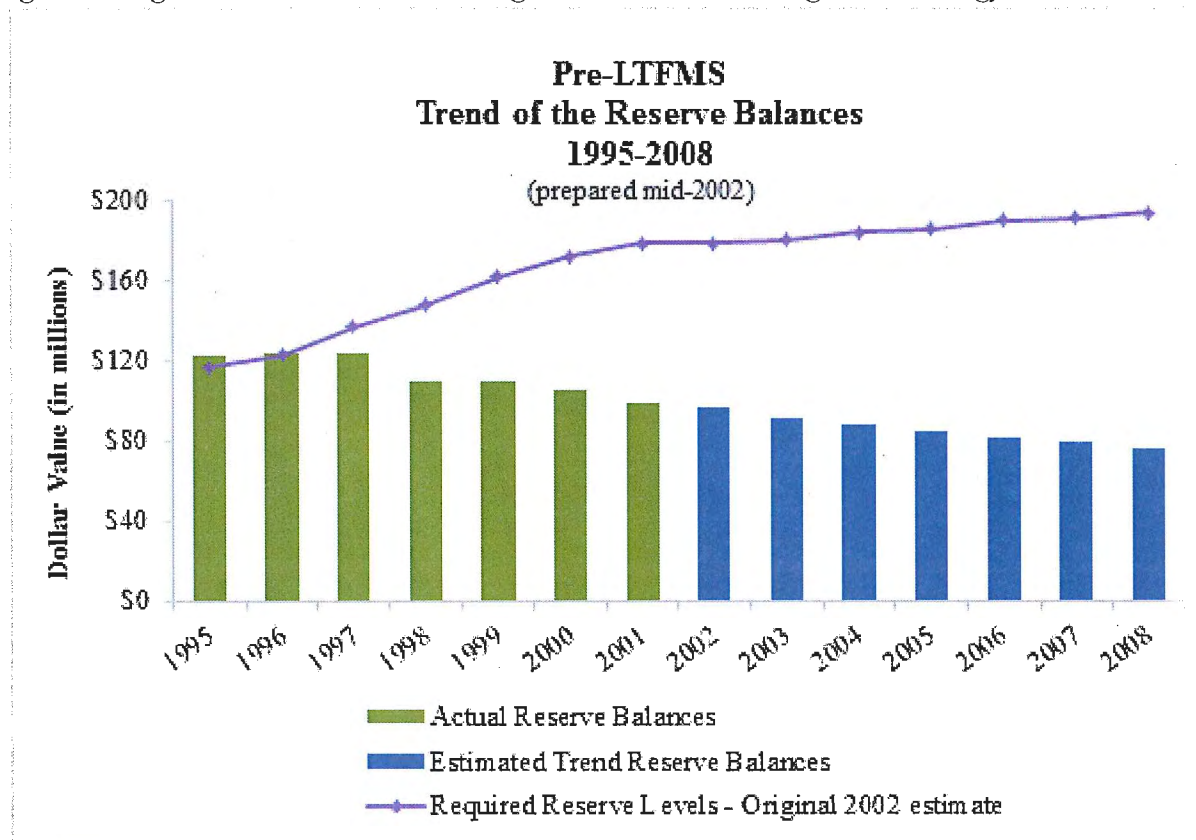
Analysis

Long Term Financial Management Strategy

In mid-2002, after a review of the trend of the City's reserves (blue bars in *Figure 1*), the Chief Administrative Officer directed staff to prepare a plan to address the long term financial sustainability of the City. Up to that point in time, the City's long term financial direction was driven by the annual budget decisions, which in turn were driven by Council's desire to keep the tax impacts artificially low. In the mid to late 1990's for instance, the City absorbed approximately \$5.7 million in loss of grants from the Province, absorbed growth and incurred debt, while keeping tax increases in the range of 0% to 1.8%. The City obtained \$37.6 million in debt for the Terra Nova land acquisition and No. 2 Road Bridge construction at rates of 5.99% and 8.5% respectively. The outstanding obligation on this debt was only recently extinguished in 2014.

The consequence of these decisions was the gradual deterioration of the City's reserves (green bars in *Figure 1*). This path was clearly not sustainable and a more comprehensive financial strategy was required.

Figure 1 Original Reserve Trend Pre-Long Term Financial Management Strategy



To develop the vision, Council held a number of workshops to gain an understanding of the environmental factors that were impacting the City's financial position as well as 'gaps' reflected in the operating budgets, capital plans, ageing infrastructure funding plans and reserve balances. The end result being that Council decided to focus on *"enhancing the City's economic well-being for present and future generations as part of the well managed component of the vision without sacrificing the overall liveability of the community"* and in September 2003, Council approved the Long Term Financial Management Strategy (the Strategy).

Council went a step further in order to guide and protect the sustainability of the City's long term financial position and approved 10 supporting policies. From the time that the Strategy was adopted, Council has approved updates to the supporting policies. The 10 supporting policies as currently adopted are as follows:

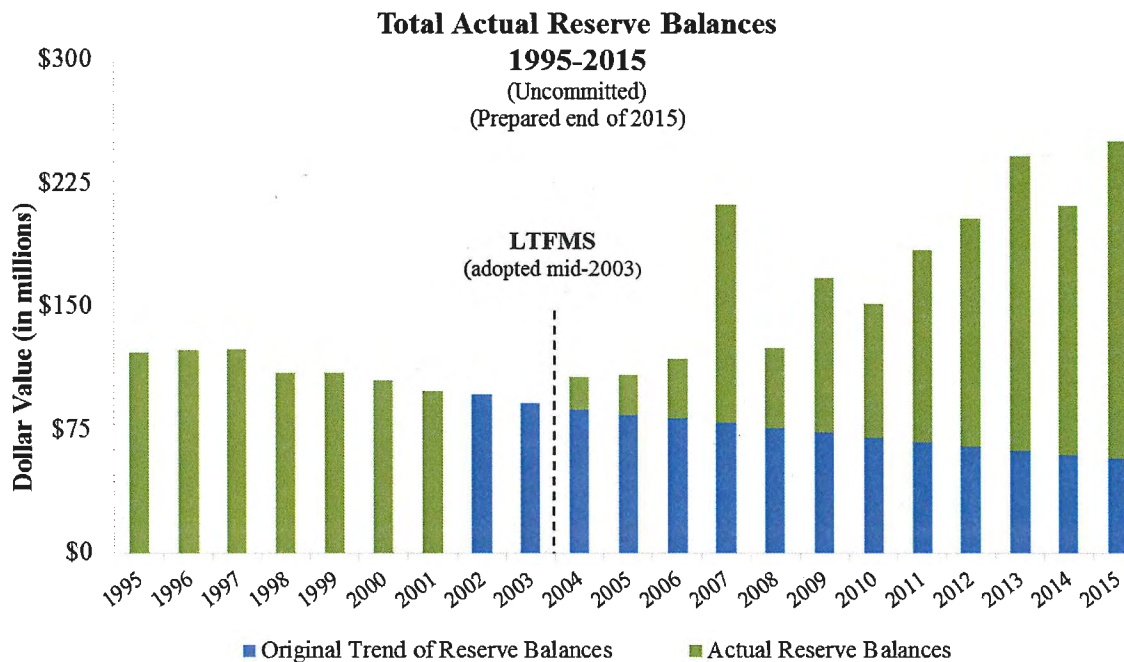
1. **Tax Revenue** - Tax increases will be at Vancouver's Consumer Price Index (CPI) rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.
2. **Gaming Revenue** - Gaming revenues are designated for the capital reserves, the major capital community facility replacement program, the grants program, the Council initiatives account and towards the cost of policing relating to gaming activities.
3. **Alternative Revenues & Economic Development** - Any increases in alternative revenues and economic development beyond all the financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.
4. **Changes to Senior Government Service Delivery** - Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year's taxes above and beyond the CPI and infrastructure percentage contribution.
5. **Capital Plan** - Ensure that long term capital funding for infrastructure (e.g. parks, trails, facilities, roads, etc.) is in place in order to maintain community liveability and generate economic development.
6. **Cost Containment** - Staff increases should be achieved administratively through existing departmental budgets, and no pre-approvals for additional programs or staff beyond existing budgets should be given. A continuous review of the relevancy of the existing operating and capital costs should be undertaken to ensure that the services, programs and projects delivered continue to be the most effective means of achieving the desired outcomes of the City's vision.
7. **Efficiencies and Service Level Reductions** - Savings due to efficiencies or service level reductions identified in the strategy targets should be transferred to the capital reserves. Any savings due to efficiencies beyond the overall strategy targets can be utilized to reduce the tax rate or for increased levels of service.
8. **Land Management** - Sufficient proceeds from the sales of City land assets will be used to replenish or re-finance the City's land inventory. Any funds in excess of such proceeds may be used as directed by Council.

9. **Administrative** - As part of the annual budget process, the following shall be undertaken:
- all user fees will be automatically increased by CPI;
 - the financial model will be used and updated with current information; and
 - the budget will be presented in a manner that will highlight the financial strategy targets and indicate how the budget meets or exceeds them.
10. **Debt Management** - Utilize a “pay as you go” approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.

These policies are used by staff during the budget process and are integral to the financial decision making of the City in ensuring a long-term focus and financial sustainability.

The progress that has been made to date due to the Strategy can be measured by the increase to the reserves. The building of the reserves was one of the initial drivers behind the creation of the Strategy. Prior to the implementation of the Strategy, the reserves were steadily declining as depicted by the green bars and the future reserve projections represented by the blue bars continued the decline. After the adoption of the Strategy, the reserve balances have shown a steady increase peaking at \$250.5 million at the end of 2015.

Figure 2 – Total Actual Reserve Balances (Uncommitted)



The above chart shows the overall reserve balances and the increases since the adoption of the Strategy. Though the overall reserves balances are growing, the Capital Building and Infrastructure Reserve which is used to fund major capital facility replacement is a key indicator of the effectiveness of the Strategy as the recipient of the 1% annual increase in transfer to

reserves. The uncommitted balance of all reserve funds, including sub-funds as of September 30, 2016 is included in Attachment 3.

Facility Reserves

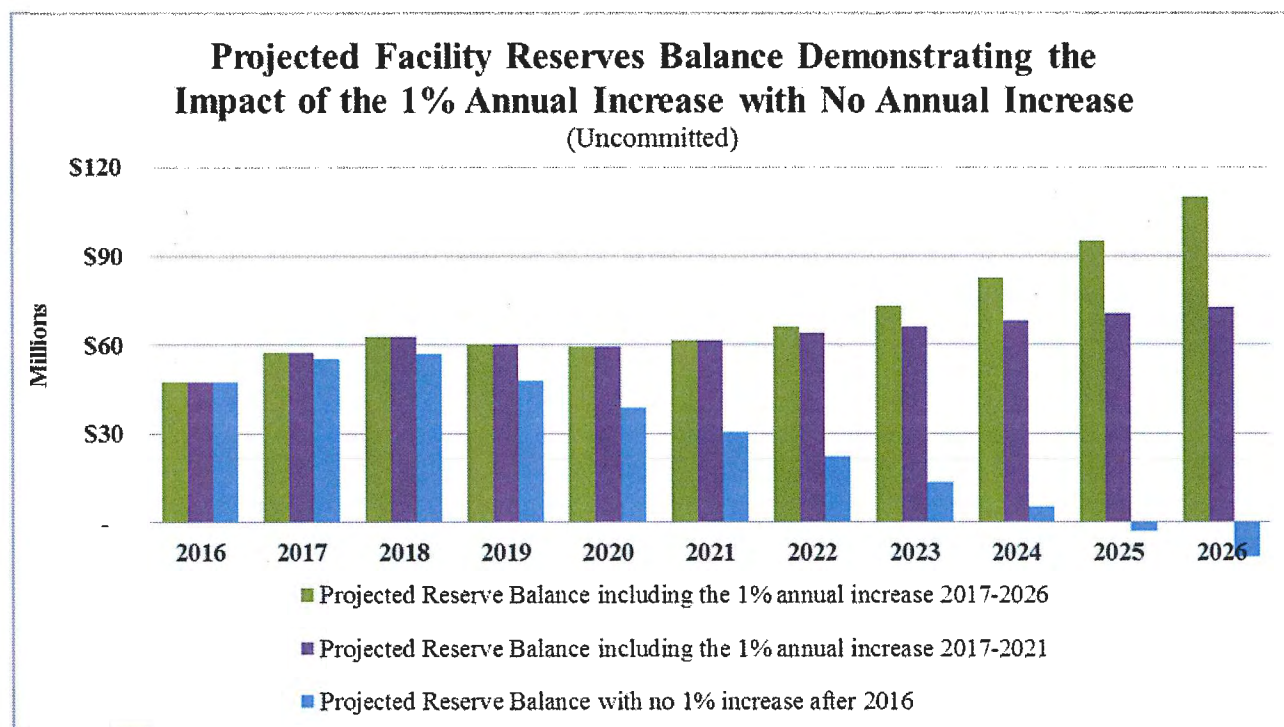
There are two reserves that comprise the facility reserves, the Capital Building and Infrastructure (CBI) Reserve excluding the special sports sub-fund, and the Leisure Facilities Reserve.

The Leisure Facilities Reserve is currently funded through developer contributions. The amounts and timing of these contributions are dependent on development activity.

The CBI Reserve has been utilized recently for partial funding towards Phase 1 of the Corporate Facilities Implementation Plan. Staff are currently reviewing Phase 2 and beyond of the Corporate Facilities Implementation Plan. As these plans are in the initial stages of development, cost estimates range from \$200 - \$350 million. For this analysis, several assumptions have been made to project future facility reserve balances and the ongoing impact of the 1% annual transfer.

Note that this is for illustration purposes based on several assumptions including tax amounts, gaming revenue allocation, funding increases, capital requirements, construction timing, etc. Many of these variables will only be known once detailed analysis, public consultation and design works have been completed. Also, adjustments to the 1% funding increase amounts or timing will impact the projected balances.

Figure 3 – Projected Facility Reserve Balances Demonstrating the Impact of the 1% Annual Increase with No Annual Increase



Based on the current assumptions, if there are no further 1% increases and the current contribution level is maintained while the Phase 2 and 3 facilities plans are implemented, the facility reserves would deplete in approximately 2025 as represented by the blue bars in figure 3.

The purple bars represent a 1% annual increase in the transfer to the CBI Reserve for the years 2017-2021 with the 2021 annual tax transfer of approximately \$21.2 million maintained into the future. This projection results in a stable balance of the facility reserves.

A 1% increase to the transfer to reserves for the years 2017-2026 would result in a growing reserve balance due to the compounding impact of the annual transfer.

The combined uncommitted balance at September 30, 2016 of these facility reserves is \$43.4 million. The CBI Reserve is estimated to receive funding of approximately \$14.5 million in 2016 through property taxes and gaming revenues. The CBI Reserve is the recipient of the 1% annual tax increase for transfer to reserves, and as of 2016, the cumulative 1% increase contributes \$10.6 million annually. The gaming revenue portion of the funding is estimated to be \$3.9 million for 2016. The actual amount of funding from gaming revenue will vary from this estimate based on the final gaming revenues received during the year with any surplus or shortfall compared to budget being added or reduced from the \$3.9 million allocation.

Since the implementation of the Strategy in 2003, \$65.0 million has been directed to the CBI Reserve as a result of the 1% annual tax increase for transfer to reserves. The 1% increase has been fully met in six years and partially met in two. The detail of the 1% annual tax increase is included in Attachment 4.

Staff will continue to gather information and update the reserve projections as the building scope is determined, construction estimates are updated and the timing defined. A separate report will be presented on the Corporate Facilities Implementation Plan funding options at a later date.

The above analysis is concentrated on major facility replacement and construction, it does not factor in the costs associated to preventative maintenance programs, repair and restoration works. These amounts are currently funded through the City's operating budget for maintenance and minor works, and the Capital Reserve fund for major repair and restoration works. A separate report, "Ageing Facility Infrastructure – Update" was presented to Council on July 27, 2015 detailing these funding requirements.

Capital Reserve

The Capital Reserve is comprised of two sub-funds: the Revolving and the Industrial Use Reserve sub-funds. The Industrial Use Reserve is for the acquisition of land and its uncommitted balance at September 30, 2016 is \$23.5 million.

The Revolving fund can be used for general capital purposes and is typically utilized for replacement park and road infrastructure which are not eligible for Development Cost Charges (DCC) funding, the City assist factor on park and road DCC projects, building repair and restoration work and other various projects. This fund was also utilized for partial funding towards Phase 1 of the Corporate Facilities Implementation Plan. The uncommitted balance at September 30, 2016 is \$42.5 million.

Utility Reserves

The Utility Reserves consist of the Drainage Improvement Reserve, Sanitary Sewer Reserve and Watermain Replacement Reserve and are funded through the utility rates.

The funding requirements of these reserves have been reported to Council through Ageing Infrastructure Assessment reports, the latest of which, the “Ageing Infrastructure Planning – 2015 Update” was presented to on Council July 27, 2015. That report also includes information on road paving which is outside the scope of this Reserve Update report as there is no reserve for this purpose.

The estimated infrastructure replacement costs are planned over a 75 year horizon and have produced a funding requirement range (in 2015 dollars). This range represents the estimated level of uncertainty in the long-term annual funding levels due to: potential overlap between capacity based improvements due to development or climate change, variability in the potential service life of the infrastructure, variability in the economy and the cost of infrastructure replacement and unanticipated or emergency events that initiate early infrastructure replacement.

The City has made considerable infrastructure funding gains since initiating its strategy to close the funding gap and the latest increases in 2016 eliminated the funding gap for drainage infrastructure and narrowed the gap for the sanitary sewer infrastructure. Figure 4 summarizes the current and required annual infrastructure funding levels.

Figure 4 – Utility Infrastructure Funding Levels, amounts in (\$ million)

Infrastructure Type	2015 Actual Annual Funding Level	Required Funding Range (in 2015 dollars)	2016 Actual Annual Funding Level	Increase from 2015 Funding Level
Drainage*	\$10.4	\$10.2 – \$12.7	\$11.0	\$0.6
Sanitary	4.3	6.2 – 7.5	5.3	1.0
Water	7.5	6.8 – 8.6	7.5	-
Total	\$22.2	\$23.2 – \$28.8	\$23.7	\$1.6

*Long-term dike replacement costs are yet to be determined and are excluded.

Where possible, the City obtains provincial and federal grants to offset costs. In April 2016, the City received \$16.6 million of funding from the Province of British Columbia to rebuild four drainage pump stations and upgrade various sections of the dike. This amount was based on a 2/3 to 1/3 provincial/municipal split of the estimated capital cost.

Staff will continue to monitor the required funding levels and identify strategies to address any funding shortfalls through the budget process.

Municipal Comparison

A comparison of reserve balances across municipalities is useful to gauge how the City stands related to its comparator group. However, since not all municipalities report their reserves in a similar fashion, direct comparison of accumulated surplus net of equity in tangible capital assets is recommended.

Accumulated surplus net of equity in tangible capital assets represents the amount that each city has in its operating fund, capital fund, water, sewer and other statutory reserve funds. These amounts are unspent and Council can authorize their use within any defined restrictions. Included in these balances are amounts that have been allocated to projects but remain unspent as of the reporting date.

Relative to its comparator group, Richmond has the second highest of the five cities of accumulated surplus net of equity in tangible capital assets at \$3,252 per capita. This indicates that there are more funds set aside for future spending on a per capita basis in Richmond than in the cities with lower figures.

The per capita amount Richmond has set aside for future spending is one of the highest of the comparator group, however, the ratio of net book value of tangible capital assets to cost is one of the lowest. This signifies that Richmond's assets are relatively older than other cities' and more funds are required for future replacement of the assets. As Richmond continues to complete the Corporate Facilities Implementation Plan and to replace its ageing infrastructure, the net book value of tangible capital assets to cost ratio will improve.

The detail of each city's financial indicators is included in Attachment 5.

Each city's required reserve funding level should be analysis based on future needs and funding strategies. Though it is good to have an idea where Richmond ranks relative to its comparators, the age and condition of assets, the City's goals and objectives and other factors will influence future funding requirements.

Financial Impact

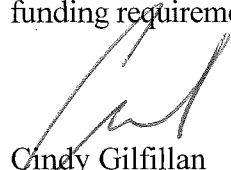
None.

Conclusion

Since 2003, Council has allocated over \$65.0 million towards the reserves through the Strategy policy directing a 1% increase in transfer to reserves. This long-term view has helped partially fund the Phase 1 of the corporate facilities implementation plan and will continue to be used to fund Phase 2 and beyond.

Overall, Council is on track towards its goal of *“enhancing the City's economic well-being for present and future generations as part of the well managed component of the vision without sacrificing the overall liveability of the community”* as per the Strategy. The long term financial sustainability of the City has improved since the implementation of the Strategy and its policies help guide the city in its long-term focus and decision making. The strategies employed to address the

funding shortfalls in the facility reserves and utility reserves are showing substantial progress toward narrowing the funding gaps. Staff will continue to gather information about future plans and funding requirements.



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CG:cg

- Att. 1: Reserve Fund Purposes
- 2: 2016 Budgeted Transfer to Reserve Summary by Funding Source
 - 3: Reserve Fund Uncommitted Balances as at September 30, 2016
 - 4: Analysis of the Long Term Financial Management Strategy's 1% Increase tax rate for transfer to reserves
 - 5: Comparison of Top 5 BC Municipalities' Financial Indicators

Reserve Fund Purposes

Affordable Housing Reserve Fund

The Affordable Housing Reserve Fund was established for the purchase of property for, and the development of social housing. This reserve is funded through development contributions.

Affordable Housing Operating Reserve Fund

The Affordable Housing Operating Reserve Fund was established for the administration costs related to the Richmond Affordable Housing Strategy, agreements and management of City owned affordable housing units. This reserve is funded through development contributions.

Arts, Culture & Heritage Capital Reserve Fund

The Arts, Culture & Heritage Capital Reserve Fund was established for the development of arts, cultural or heritage facilities, restoration of heritage properties, or the renovation or restoration of facilities or properties that will be used for arts, cultural and heritage activities. This reserve was established with net funds from a land exchange and is currently funded through development contributions.

Capital Reserve Fund

The Capital Reserve Fund includes two sub-funds (i) the Revolving Fund and (ii) the Industrial Use Fund. The Revolving Fund is for general capital projects and is also the funding source for the assist factor for roads and parkland DCC's. The Industrial Use Fund is for land acquisition. The Capital Reserve is funded from taxes, gaming and other revenues.

Capital Building and Infrastructure Reserve Fund

The Capital Building and Infrastructure Fund includes two sub-funds (i) the Capital Building and Infrastructure General Fund and (ii) the Capital Building and Infrastructure Special Sports Fund. The Capital Building and Infrastructure General Fund is for facility construction and is funded from taxes and gaming revenue. The Capital Building and Infrastructure Special Sports Fund is for construction costs relating to artificial turf fields and is funded from sports field fees and other recoveries.

Capstan Station Capital Reserve Fund

The Capstan Station Capital Reserve Fund was established for the cost of constructing the Capstan Station, improvements to City infrastructure within the area that facilitate or enhance public use of the Capstan Station and related transportation. Or in the event that Capstan Station is deemed not feasible, the reserve will fund the cost of alternative public transportation improvements or other capital public improvements in the area. This reserve is funded through development contributions.

Child Care Development Reserve Fund

The Child Care Development Reserve Fund was established for the development of child care facilities and equipment which meet the City's child care objectives. This reserve is funded through development contributions.

Child Care Operating Reserve Fund

The Child Care Operating Reserve Fund was established for non-capital expenditures relating to childcare within the City. This reserve is funded through development contributions.

Community Legacy & Land Replacement Reserve Fund

The Community Legacy & Land Replacement Reserve Fund was established with the net proceeds received from the sale of the Oval Lands to be used for the purpose of acquiring land, land improvements and other assets of a capital nature with the intent that current and future constituents of Richmond continue to receive benefits of lasting value. There is no current funding mechanism for this reserve.

Drainage Improvement Reserve Fund

The Drainage Improvement Reserve Fund was established for drainage and diking infrastructure. This reserve is funded through utility rates.

Equipment Replacement Reserve Fund

The Equipment Replacement Reserve Fund was established to provide machinery and equipment and includes the following sub-funds: Computer Systems, Fire Rescue Vehicles, Mechanical Equipment, Public Works Vehicles, Telecommunications Systems and Other. This reserve is funded through taxes and utility rates.

Hamilton Area Plan Community Amenity Capital Reserve Fund

The Hamilton Area Plan Community Amenity Capital Reserve Fund was established for capital costs for community amenities located within the Hamilton Area and those specified in the Hamilton Area Plan. This reserve is funded through development contributions.

Leisure Facilities Reserve Fund

The Leisure Facilities Reserve Fund includes two sub-funds (i) Leisure Facility Development Fund and (ii) City Centre Facility Development Fund. The Leisure Facility Development Fund was established to accept the Cash In Lieu of Amenity Space funds contributed by developers for the building of additional recreation and cultural facilities within the City. The City Centre Facility Development Fund was established for the development of recreation and cultural facilities in City Centre. This reserve is funded through development contributions.

Local Improvements Reserve Fund

The Local Improvements Reserve Fund was established to fund Local Area Services Program works to be repaid by the property owners benefiting, with some financial assistance from the City.

Neighbourhood Improvement Reserve Fund

The Neighbourhood Improvement Reserve Fund was established to collect funds from developers in lieu of completing street frontage works where the City will complete the works at a later time.

Public Art Program Reserve Fund

The Public Art Program Reserve Fund was established for the provision of public artwork. This reserve is funded through development contributions.

Sanitary Sewer Reserve Fund

The Sanitary Sewer Reserve Fund is for sanitary sewer capital works. This reserve is funded through utility rates.

Steveston Off-Street Parking Reserve Fund

The Steveston Off-Street Parking Reserve Fund is for the acquisition and development of parking in the Steveston area. This reserve is funded through development contributions.

Steveston Road Ends Reserve Fund

The Steveston Road Ends Reserve Fund was established to receive the proceeds from the sale of road ends in the Steveston area, to be used towards park development in the Steveston Area, and other capital projects.

Waterfront Improvement Reserve Fund

The Waterfront Improvement Reserve Fund was established for capital improvements to the waterfront. There is no funding mechanism in place for this reserve, amounts have historically been allocated from the Capital Reserve.

Watermain Replacement Reserve Fund

The Watermain Replacement Statutory Reserve Fund is for the replacement of ageing water mains. This reserve is funded through utility rates.

2016 Budgeted Transfer to Reserve Summary by Funding Source (in \$ millions)

Statutory Reserve	Gaming Revenue	Tax Revenue	Utility Fees	Other Revenue	Total 2016 Funding
Capital Reserve	\$5.4	\$4.4	\$ -	\$1.6	\$11.4
Capital Building and Infrastructure Reserve	3.9	10.6	-	0.3	14.8
Drainage Improvement Reserve	-	-	11.0	-	11.0
Equipment Replacement Reserve	-	2.7	0.1	-	2.8
Sanitary Sewer Reserve	-	-	5.3	-	5.3
Watermain Replacement Reserve	-	-	7.5	-	7.5
Investment income allocation to reserves	-	-	-	9.6	9.6
Total Transfer by Funding Source	\$9.4	\$17.6	\$23.8	\$11.4	\$62.2
% by Funding Source	15.0%	28.4%	38.3%	18.3%	100.0%

The above transfer amounts represent budgeted transfers to reserves. The figures do not include amounts which are dependent on timing of external factors such as development contributions, proceeds on disposition of assets or internal repayments etc.

Reserve Fund Uncommitted Balances as at September 30, 2016 (in \$ millions)

Reserve Fund	September 30, 2016 Balance
<i>Affordable Housing General Sub-fund</i>	<i>\$1.0</i>
<i>Affordable Housing West Cambie Sub-fund</i>	<i>2.2</i>
Total Affordable Housing Reserve Fund	3.2
Affordable Housing Operating Reserve Fund	1.4
Arts, Culture & Heritage Capital Reserve Fund	4.4
<i>Capital Building and Infrastructure – General Sub-fund</i>	<i>38.1</i>
<i>Capital Building and Infrastructure – Special Sports Sub-fund</i>	<i>1.5</i>
Total Capital Building and Infrastructure Reserve Fund	39.6
<i>Capital Reserve – Revolving Sub-fund</i>	<i>42.5</i>
<i>Industrial Use Reserve Sub-fund</i>	<i>23.5</i>
Total Capital Reserve Fund	66.0
Capstan Station Capital Reserve Fund	14.6
<i>Child Care Development – General Sub-fund</i>	<i>1.6</i>
<i>Child Care Development – West Cambie Sub-fund</i>	<i>0.7</i>
Total Child Care Development Reserve Fund	2.3
Child Care Operating Reserve Fund	0.2
Community Legacy & Land Replacement Reserve Fund	0.4
Drainage Improvement Reserve Fund	30.7
<i>Computer Systems Sub-fund</i>	<i>0.6</i>
<i>Fire Rescue Vehicles Sub-fund</i>	<i>1.2</i>
<i>Mechanical Equipment Sub-fund</i>	<i>0.1</i>
<i>Other Sub-fund</i>	<i>0.2</i>
<i>Public Works Vehicles Sub-fund</i>	<i>9.8</i>
<i>Telecommunications Systems Sub-fund</i>	<i>0.2</i>
Total Equipment Replacement Reserve Fund	12.1
Hamilton Area Plan Community Amenity Capital Reserve Fund	0.0
<i>Leisure Facilities Development Sub-fund</i>	<i>2.2</i>
<i>City Centre Facility Development Sub-fund</i>	<i>3.1</i>
Total Leisure Facilities Reserve Fund	5.3
Local Improvements Reserve Fund	5.8
Neighbourhood Improvement Reserve Fund	6.6
Public Art Program Reserve Fund	1.4
Sanitary Sewer Reserve Fund	26.8
Steveston Off-Street Parking Reserve Fund	0.3
Steveston Road Ends Reserve Fund	0.1
Watermain Replacement Reserve Fund	40.6
Waterfront Improvement Reserve Fund	0.1
Total Uncommitted Reserve Funds	\$261.9

Analysis of Long Term Financial Management Strategy's 1% Increase tax rate for transfer to reserves (in \$ millions)

Year	% Increase to Reserves	Annual \$ Increase to Reserves	Cumulative Actual Transfer to Reserves	Compound Contribution to Reserves
2003	1.00%	\$1.0	\$1.0	\$1.0
2004	0.47%	0.5	1.5	2.5
2005	-	-	1.5	4.0
2006	1.00%	1.1	2.6	6.6
2007	0.82%	1.0	3.6	10.3
2008	-	-	3.6	13.9
2009	-	-	3.6	17.6
2010	-	-	3.6	21.2
2011	-	-	3.6	24.9
2012	1.00%	1.6	5.3	30.1
2013	1.00%	1.7	6.9	37.1
2014	1.00%	1.7	8.7	45.7
2015	-	-	8.7	54.4
2016	1.00%	1.9	10.6	65.0
Total		\$10.6	\$65.0	

There were two one-time funding allocations distributed in lieu of the 1% tax increase, \$1.0 million in 2011 and \$1.8 million in 2015.

On July 23, 2007, Council approved a temporary cessation of the 1% tax increase for 2008 to 2011, due to the additional interest earned on the Community Legacy & Land Replacement Reserve Fund.

Comparison of Top 5 BC Municipalities' Financial Indicators

Municipalities' financial indicators on a per capita basis (based on 2015 Financial Statements)

	Burnaby	Coquitlam	Richmond	Surrey	Vancouver	Richmond Rank
Total cash and investments	\$3,910	\$2,405	\$4,579	\$1,367	\$2,862	1
Financial assets	\$5,241	\$2,627	\$4,897	\$1,655	\$3,085	2
Debt	\$0	\$150	\$224	\$433	\$1,524	3
Net financial assets	\$4,319	\$1,609	\$3,196	\$63	\$113	2
Liabilities	\$923	\$1,018	\$1,701	\$1,592	\$2,972	2
Tangible capital assets (Net book value)	\$10,786	\$12,594	\$9,929	\$15,457	\$9,950	5
Reserves and other surplus*	\$4,334	\$1,771	\$3,252	\$419	\$1,618	2
Invested in tangible capital assets	\$10,786	\$12,441	\$9,893	\$15,110	\$8,479	4
Total accumulated surplus	\$15,120	\$14,212	\$13,145	\$15,529	\$10,097	4
Total revenues	\$2,189	\$1,960	\$2,537	\$1,625	\$2,441	1
Total expenses	\$1,651	\$1,509	\$1,798	\$1,277	\$2,102	2
Population**	238,209	144,668	207,773	526,004	648,608	4

*Each municipality defines components of their accumulated surplus differently and amounts may not be directly comparable. For the purposes of this analysis, "reserves and other surplus" contains all operating, capital, water, sewer and other statutory reserve funds.

**Population figures for 2015 for all municipalities obtained from BC statistics

2015 Ratio Analysis

	Burnaby	Coquitlam	Richmond	Surrey	Vancouver
Sustainability ratios					
Assets to liabilities (times)	17.4	15.0	8.7	10.8	4.4
Financial assets to liabilities (times)	5.7	2.6	2.9	1.0	1.0
Net debt to total revenues	0.0%	7.6%	8.8%	26.7%	62.4%
Expenses to the total assessment	0.6%	0.7%	0.6%	0.7%	0.6%
Flexibility ratios					
Net book value of capital assets to its cost	72.2%	77.6%	68.7%	81.8%	67.1%
Net book value of capital assets to its cost excluding land	50.3%	65.4%	57.2%	68.1%	60.1%
Debt charges to revenues	0.0%	0.5%	0.3%	0.9%	2.4%
Vulnerability ratios					
Government transfers to total revenues*	3.7%	6.0%	5.4%	5.4%	2.9%

* 2014 figures were used for the government transfers to total revenue ratio as this figure is obtained through the LGDE statistics and the figures for 2015 were not published at the time of preparation.

The ratio analysis addresses the following key areas:

- **Assessment of sustainability** measures and demonstrates the ability of a government entity to carry out its service commitments, settles financial commitments to creditors, employees and others without increasing the debt or tax burden in the economy that it operates.
- **Assessment of flexibility** measures and demonstrates the degree to which a government entity can change the level of debt and tax burden in order to meet its service commitments or settle financial commitments.
- **Assessment of vulnerability** measures and demonstrates the degree by which a government entity is dependent on sources of funding outside its control or influence or is exposed to risk that could impair its ability to meet its service and financial commitments.

Sustainability Ratios

- **Assets to liabilities:** indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A higher ratio indicates a greater ability to cover liabilities.
- **Financial assets to liabilities:** indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.
- **Net debt to total revenue:** indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
- **Expenses to total assessment:** indicates the trend of the government spending in connection to the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing expenses.

Flexibility Ratios

- **Net book value of capital assets to cost:** indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- **Net book value of capital assets to cost excluding land:** indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.

- **Debt charges to revenues:** indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.

Vulnerability Ratios

- **Government transfers to total revenue:** indicates the degree to which the local government is dependent on provincial or federal grants. A higher ratio indicates a higher proportion of grants.