



Finance Committee

Anderson Room, City Hall
6911 No. 3 Road

Monday, November 4, 2013

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, October 7, 2013.*



FINANCE AND CORPORATE SERVICES DEPARTMENT

1. **INVESTMENT POLICY AMENDMENT**
(File Ref. No. 03-0900-01) (REDMS No. 3987488 v.3)

FIN-6

See Page **FIN-6** for full report

Designated Speaker: Venus Ngan

STAFF RECOMMENDATION

That Council Policy 3703 (Investment Policy) be amended as set out in Attachment C of the staff report titled Investment Policy Amendment dated October 17, 2013 from the Director, Finance.



2. **AMENDMENTS TO THE 5 YEAR FINANCIAL PLAN (2013-2017)
BYLAW NO. 8990**

(File Ref. No. 12-8060-20-8990/9060) (REDMS No. 3981154 v.4)

FIN-23

See Page **FIN-23** for full report

Designated Speaker: Jerry Chong

STAFF RECOMMENDATION

That the 5 Year Financial Plan (2013-2017) Bylaw No. 8990, Amendment Bylaw No. 9060 which would incorporate and put into effect changes previously approved by Council and administrative changes to the 2013 Capital, Utility and Operating Budgets (as summarized in Attachment 1), be introduced and given first, second and third readings.

☐

ADJOURNMENT

☐



Finance Committee

Date: Monday, October 7, 2013

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
Councillor Linda Barnes
Councillor Derek Dang
Councillor Evelina Halsey-Brandt
Councillor Ken Johnston
Councillor Bill McNulty
Councillor Linda McPhail
Councillor Harold Steves

Call to Order: The Chair called the meeting to order at 5:40 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on Tuesday, July 2, 2013 be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DEPARTMENT

1. **BYLAW 9046 – PERMISSIVE EXEMPTION (2014) BYLAW**
(File Ref. No. 03-0925-02-01) (REDMS No. 3924024)

It was moved and seconded
That Permissive Exemption (2014) Bylaw No. 9046 be introduced and given first, second, and third readings.

CARRIED

Finance Committee
Monday, October 7, 2013

2. **CONSOLIDATED FEES BYLAW NO. 8636, AMENDMENT BYLAW NO. 9058**

(File Ref. No. 12-8060-20-9058) (REDMS No. 3979986)

It was moved and seconded

That Consolidated Fees Bylaw No. 8636, Amendment Bylaw No. 9058 be introduced and given first, second and third readings.

The question on the motion was not called as staff was requested to provide information regarding the cost to the City for the administration of Criminal Record Checks.

The question on the motion was then called and it was **CARRIED**.

3. **FINANCIAL INFORMATION – 2ND QUARTER JUNE 30, 2013**

(File Ref. No.) (REDMS No. 3931431)

It was moved and seconded

That the staff report titled Financial Information – 2nd Quarter June 30, 2013 from the Director, Finance, be received for information.

CARRIED

RICHMOND OLYMPIC OVAL CORPORATION

4. **2ND QUARTER 2013 – FINANCIAL INFORMATION FOR THE RICHMOND OLYMPIC OVAL CORPORATION**

(File Ref. No.) (REDMS No. 3990554)

It was moved and seconded

That the report on Financial Information for the Richmond Olympic Oval Corporation for the second quarter ended June 30, 2013 from the Controller of the Richmond Olympic Oval Corporation be received for information.

The question on the motion was not called as in reply to a query, Rick Dusanj, Controller, Richmond Olympic Oval Corporation, commented on factors that resulted in favourable variances in the second quarter.

The question on the motion was then called and it was **CARRIED**.

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (5:43 p.m.).

CARRIED

Finance Committee
Monday, October 7, 2013

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, October 7, 2013.

Mayor Malcolm D. Brodie
Chair

Hanieh Berg
Committee Clerk



City of Richmond

Report to Committee

To: Finance Committee

Date: October 17, 2013

From: Jerry Chong
Director, Finance

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

Re: Investment Policy Amendment

Staff Recommendation

That Council Policy 3703 (Investment Policy) be amended as set out in Attachment C of the staff report titled "Investment Policy Amendment" dated October 17, 2013 from the Manager, Treasury and Financial Services.

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

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
SMT Policy & Procedures Subcommittee	<input checked="" type="checkbox"/>	
REVIEWED BY DIRECTORS	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

Investment Policy 3703 (“Investment Policy”) was last amended and approved by Council on June 8, 2009. The Investment Policy is reviewed and revised as necessary in response to the developments in the financial markets and changes in the future outlook of the economy. Staff have reviewed the current Investment Policy and have identified areas for amendments, including modification to issuer diversification, credit risk control and administrative edits for additional clarity.

Analysis

The current Investment Policy 3703 is included in **Attachment A**. The proposed amendments to sections 1, 2, 8 and 9 of Investment Policy 3703 are summarized below and are included in **Attachment B** (Track Changes Version) and **Attachment C** (Amended Version).

Section 1: Policy

Reword section to prioritize the City’s investment objectives and remove references to various types of funds as all public funds are managed in the same manner.

Section 2: Objectives

Change the format of the section to provide additional clarity and list the investment objectives in priority order (no change in objectives).

Section 8: Permitted Investments

The table below provides some general definitions of Dominion Bond Rating Services’ (DBRS) credit ratings for the purpose of understanding some of the changes in Section 8 of the investment policy:

Rating	Definition
AAA	Highest credit quality. The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.
AA	Superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events.
A	Good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.
R1-high	Highest credit quality. The capacity for the payment of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.
R1-middle	Superior credit quality. The capacity for the payment of short-term financial obligations as they fall due is very high. Differs from R-1 (high) by a relatively modest degree. Unlikely to be significantly vulnerable to future events.
R1-low	Good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favorable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

The follow summarizes the proposed changes to Section 8 of the Investment Policy:

- *Federal Issuer (Government of Canada)*: Remove the minimum and maximum limits of federal issuers (was 25% and 75% of portfolio respectively) to increase investment flexibility and to improve return of investment portfolio. All federal issuers are rated with the highest credit quality with AAA credit rating.
- *Provincial Issuers*: Remove minimum provincial limit (was 15%). This will allow for increased investment flexibility and improved returns. Total provincial maximum limit of 50% is retained to ensure adequate diversification of the investment portfolio.

Since both AAA credit rating issuers and AA credit rating issuers are considered to have superior credit quality and they only differ to a small degree, the limits for AA (high) and AA have been increased from 20% to 25%. The table below illustrates the limit by Province based on the DBRS credit ratings as of October 2013 (ratings are be subject to change by DBRS as the risk of default of issuers may change due to future events):

DBRS (Short Term/Long Term)	Province(s) in category (as of October 2013)	Current Limit Per Issuer	Proposed Limit Per Issuer
R-1(high) /AAA	AB	25%	25%
R-1(high) /AA(high)	BC	20%	25%
R-1(high) /AA	SK	20%	25%
R-1(middle)/AA(low)	ON	20%	20%
R-1(middle) /A(high)	NB/NS/QC/MB	10%	10%
R-1(low) /A	NL	5%	5%
R-1(low) /A (low)	PE	5%	5%

- *Chartered Banks*: Increase maximum limit for chartered banks from 25% to 50% of total portfolio. Currently (and historically), highest attainable credit rating of all major banks is AA. To increase investment flexibility and improve return, the allowable limits are increased as summarized below. The table below provides an illustration of the limit by bank based on the DBRS credit ratings as of October 2013 (ratings are be subject to change by DBRS as the risk of default of issuers may change due to future events):

DBRS (Short Term/Long Term)	Bank(s) in category (as of October 2013)	Current Limit Per Issuer	Proposed Limit Per Issuer
R-1(high) /AAA	-	10%	15%
R-1(high) /AA	BMO/CIBC/Royal/Scotia/TD	5%	15%
R1(middle)/AA,AA(low)	HSBC/National Bank	5%	10%
R-1(middle) /A(high)	Manulife Bank	3%	5%
R-1(low) /A (low)	Canadian Western Bank	3%	3%

- **Credit Unions:** Since 2008, deposits in credit unions in B.C. are fully guaranteed by the Province (Credit Union Deposit Insurance Corporation). As a result of the unlimited deposit insurance protection, the maximum investments in B.C. credit unions is proposed to increase from 10% to 30% of the total portfolio balance and the maximum term of 365 days is proposed to be removed.

The proposed change also includes removing specific credit unions being named on the investment policy. In addition, the credit union investment limit is proposed to change from the current per issuer limit of the greater of 5% of total portfolio balance or \$30 million to:

Credit Union Type (B.C. Only)	Proposed Limit Per Issuer
Credit Unions with assets* > \$10 billion	The greater of: i) 10% of total portfolio balance, or ii) \$75 million
Credit Unions with assets* > \$500 million and < \$10 billion	The greater of: i) 5% of total portfolio balance, or ii) \$50 million

*value of assets based on last audited financial statements

- **Credit Rating:** Add footnote to indicate the primary use of Dominion Bond Rating Services (DBRS) and other approved credit rating organizations' ratings (such as S&P and Moody's) be used if DBRS is unavailable.

Section 9: Diversification

To ensure adequate risk diversification and to improve investment flexibility, it is proposed that the requirement that "a minimum of 90% of the portfolio's market value to carry a DBRS credit rating of AA of higher or the equivalent of R-1 (middle) or higher" be changed to "a minimum of 90% of the portfolio's market value to carry a DBRS credit rating of A (high) or higher or the equivalent of R-1 (middle) or higher"

This change will increase the City's investment flexibility while still ensuring that over 90% of the City's investments are held in secured investments with high credit ratings to achieve the City's four main investment objectives. The table below illustrates the increased diversification based on the DBRS credit ratings as of October 2013 (ratings are be subject to change by DBRS as the risk of default of issuers may change due to future events):

Type	Issuers with DBRS AA**or higher	Issuers with DBRS A (high)**or higher
Federal	Government of Canada Canada Housing Trust	Government of Canada Canada Housing Trust
Provincial	AB, BC, SK, ON	AB, BC, SK, ON NB, NS, QC, MB
Banks	BMO,CIBC,Royal,Scotia,TD, HSBC	BMO,CIBC,Royal,Scotia,TD, HSBC, National Bank, Manulife Bank

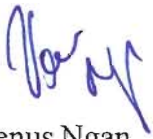
**credit ratings valid as of October 2013

Financial Impact

The proposed changes to the investment policy will increase the City's investment flexibility and is expected to result in improved investment return for the City while preserving capital and maintaining liquidity.

Conclusion

The Investment Policy changes highlighted in this report will increase the City's investment flexibility in achieving the City's investment objectives of capital preservation, liquidity and reasonable return. The proposed amendments to sections 1, 2, 8 and 9 of Investment Policy 3703 are included in **Attachment C** of this report and are recommended for approval by Council.



Venus Ngan
Manager, Treasury and Financial Services

**POLICY 3703:****1. POLICY**

The purpose of this investment policy is to establish and maintain practices and procedures to invest public funds with the highest return on investment and with the maximum security and appropriate liquidity while meeting daily cash flow demands and conforming to all legislation governing the investment of public funds. This policy applies to the investment activities of the General, Water, Sewer, Capital, Trust and Reserve Funds.

2. OBJECTIVES

The primary objectives of investment activities will be adherence to statutory requirements, safety, liquidity and return on investment.

- **Statutory Requirements:** Authority for investment guidelines of municipal funds is provided in section 183 of the Community Charter.
- **Safety:** Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Preservation of capital will be accomplished through
 - Diversification, as outlined in paragraph 9, and
 - Risk control, whereby portfolio components are limited to safer types of investments as defined in paragraph 8.
- **Liquidity:** The investment portfolio will be administered to ensure adequate cash flow is available to meet all reasonably anticipated operating requirements.
- **Return on Investment:** The investment portfolio will be designed with the objective of maximizing the rate of return through budgetary and economic cycles. The Financial Officer will take into account these constraints and objectives in the selection of investments to be included in the City's portfolio. The portfolio will be structured to attain optimum performance results as directed by the Policy, and to create maximum value to the City, net of any costs incurred in the investment process.

3. PRUDENCE

Investments will be made with judgement and care, under circumstances then prevailing, by persons of prudence, discretion and intelligence exercised in the management of other people's affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. Where external managers are engaged to perform trading activity, the external managers will be required to exercise the degree of care, diligence, and skill which a prudent investment counsel would exercise in similar circumstances. The Financial Officer acting in accordance with this policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes.



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Adopted by Council: June 25, 2007
Amended by Council: June 8, 2009

Policy 3703

File Ref: 03-1095-00

INVESTMENT

4. AUTHORIZATION

Authority to manage the City's investment program is derived from section 149 of the Community Charter, as follows:

“Financial Officer

One of the municipal officer positions must be assigned the responsibility of financial administration, which includes the following powers, duties and functions:

- a) receiving all money paid to the municipality;
- b) ensuring the keeping of all funds and securities of the municipality;
- c) investing municipal funds, until required, in authorized investments;
- d) expending municipal money in the manner authorized by the council;
- e) ensuring that accurate records and full accounts of the financial affairs of the municipality are prepared, maintained and kept safe;
- f) exercising control and supervision over all other financial affairs of the municipality.”

The Financial Officer is the portfolio administrator and has the ultimate responsibility for the prudent investment of the portfolio. The Financial Officer may retain a professional investment manager(s) (“Investment Manager(s)”) to provide investment advice and carry out the instructions of the Financial Officer.

The Financial Officer will:

- administer the Policy;
- review the Policy annually, which will include a reassessment of the fund’s objectives, the benchmark portfolio and the impact of any changes in liquidity requirements if necessary;
- select the Investment Manager(s) and City’s custodial bank;
- regularly review the quantitative and qualitative performance of the Investment Manager(s) including an evaluation of the rates of return, an analysis of the areas where the Investment Manager(s) added or reduced value, and a review of the Investment Manager(s) in the context of the criteria for their selection;
- be responsible for regularly monitoring the asset mix of the portfolio and taking the action necessary, to correct any breaches of applicable legislation or the permitted asset mix ranges set out in this Policy;
- provide information on significant cash flow changes to the Investment Manager(s);
- be responsible for the oversight of any professional Investment Manager(s).
- have the authority to appoint and terminate the Investment Manager(s).

The Investment Manager(s) will:

- provide the Financial Officer with monthly reports of actual portfolio holdings, detailing each class of assets and how they conform to policy maximums as defined in section 8 and 9;
- present to the Financial Officer a quarterly review of investment performance, including an explanation of any shortfalls of their investment results compared to the investment objectives;
- provide estimates of future returns on investments and review proposed investment strategies that may be used to meet the objectives;
- attend a meeting with the Financial Officer at least once each year to review the results they have achieved;
- inform the Financial Officer promptly of any element of the Policy that could prevent attainment of the Plan’s objectives;
- give prompt notice to the City’s custodial bank of all purchases and sales of securities;



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Adopted by Council: June 25, 2007
Amended by Council: June 8, 2009

Policy 3703

File Ref: 03-1095-00

INVESTMENT

- report all investment transactions quarterly to the Financial Officer;
- provide the Financial Officer with a quarterly certificate of compliance with the Policy for the quarter just ended.

5. ETHICS AND CONFLICT OF INTEREST

The Investment Manager(s), Financial Officer and any individuals involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or impair ability to make unbiased investment decisions. Parties will disclose any material personal financial interest in investments involved or in financial institutions that conduct business with the City. Any deviation is to be reported to the City Solicitor immediately.

6. IMPLEMENTATION

An active or passive investment style may be adopted, depending on suitability of each in meeting the City's investment objectives.

7. AUTHORIZED INVESTMENT DEALERS AND INSTITUTIONS

The Investment Manager(s) will be registered with a regulated securities commission. They will be responsible for maintaining a list of approved financial institutions and brokers/dealers authorized to provide investment services. An annual review of this list will be completed by the Investment Manager(s), whereupon, the recommendations for any additions and deletions will be discussed and approved by the Financial Officer.

8. PERMITTED INVESTMENTS

Under the Community Charter Section 183, "a municipality may invest money that is not immediately required in one or more of the following:

- a) securities of the Municipal Finance Authority;
- b) pooled investment funds under section 16 of the Municipal Finance Authority Act;
- c) securities of Canada or of a province;
- d) securities guaranteed for principal and interest by Canada or by a province;
- e) securities of a municipality, regional district or greater board;
- f) investments guaranteed by a chartered bank;
- g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- h) other investments specifically authorized under this or another Act."



The following table sets out the City's permitted investments, minimum credit rating requirements and their limits:

ASSET CLASS	DBRS Short Term / Long Term	LIMITS PER ISSUER (as a % of total portfolio)
FEDERAL ISSUERS		
Federal & Federally guaranteed	R-1 (high) / AAA	75% (min 25%)
PROVINCIAL ISSUERS (includes provincial government, provincial crown corporations, and provincially guaranteed)		
All Provinces	R-1 (high) / AAA	25% per province
All Provinces	R-1 (middle) / AA	20% per province
All Provinces (Except Newfoundland and Prince Edward Island)	R-1 (low) / A	10% per province
Newfoundland and Prince Edward Island	R-1 (low) / A	5% per province
TOTAL PROVINCES		50% (min 15%)
CHARTERED BANKS		
Schedule I, II & III banks	R-1 (high) / AAA	10 % per bank
Schedule I, II & III banks	R-1 (middle) / AA	5 % per bank
Schedule I, II & III banks	R-1 (low) / A	3 % per bank
TOTAL SCHEDULE I, II & III BANKS		25% (min 0%)
CREDIT UNIONS (credit unions terms are limited to a period of 1 year)		
VanCity	The greater of: i) 5% of total portfolio balance per credit union, or ii) \$30 million per credit union	
Coast Capital		
BC Central Credit Union		
Other Credit Unions		
TOTAL CREDIT UNIONS		The greater of: i) 10% of total portfolio balance, or ii) \$75 million (min 0%)
POOLED INVESTMENTS		
Pooled funds		20% (min 0%)
OTHER SECURITIES		
Municipality, Regional District or Greater Board		10% (min 0%)



9. DIVERSIFICATION

The City recognizes that prudence in investment selection is essential to minimize interest rate and credit risk.

- Interest Rate Risk – At each interim and annual reporting periods, the Investment Manager(s) will monitor the performance of the cash and bond components of the portfolio against the selected benchmarks. The Investment Manager(s) will also assess the duration of the bond components of the portfolio to ensure they fall within a year and a half of the duration of the benchmark against which bond performance is measured. The 91-Day T-Bill Index will be the basis for benchmarking the cash component of the portfolio. For the bond components of the portfolio, the indices within the DEX Universe Bond Index will be selected as the benchmarks. Selection of the appropriate benchmark for each bond component will be based on the index with the duration closest to the duration of the bond component being evaluated. The following indices fall within the DEX Universe Bond Index:

DEX Universe All Government Index

DEX Short Term All Government Index

DEX Mid Term All Government Index

DEX Short/Mid All Government Index

DEX Long Term All Government Index

- Credit Risk – The Investment Manager(s) will minimize credit risk by investing in safer type of instruments. A minimum of 90% of the portfolio's market value is required to carry a DBRS credit rating of AA or the equivalent R1-middle or higher.

Diversification will be achieved through:

- Setting limits on the amount of investments with a specific maturity, from a specific issuer or a specific sector;
- Investing the targeted amount of assets in liquid investments to ensure funds are readily available; and
- Selecting assets with varying maturity terms.

In addition, the Investment Manager(s) will engage in the rebalancing of the portfolio to adhere to parameters as defined in this policy or any addendums agreed upon by the Financial Officer and the Investment Manager(s).

10. COMPETITIVE BIDS

The Financial Officer or Investment Manager(s) will solicit competitive verbal quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require immediate action. Under such circumstances competitive bids may not be sought provided that value can be substantiated by market data.

11. SAFEKEEPING AND CUSTODY

All transactions will be executed by the delivery-versus-payment basis to ensure securities are deposited in an eligible financial institution with the release of funds. Settlement will take place at the main branch of the City's custodial bank in any Canadian city. Securities will be held by the City's custodial bank or alternatively, will be registered with the Central Depository for Securities (CDS).



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Adopted by Council: June 25, 2007
Amended by Council: June 8, 2009

Policy 3703

File Ref: 03-1095-00

INVESTMENT

- **Authorization:** The custodial bank will not accept delivery or payment without prior authorization and instructions for the City.
- **Evidence:** All transactions traded in-house will be evidenced by a contract advice from the investment dealer, as well as a settlement advice from the custodial bank.
- **Registration:** All securities that are in registerable form will be registered in the name of the City of Richmond.
- **Repurchase Agreements:** In addition to all the terms and conditions above, the City's custodial bank will be responsible for ensuring that the repurchase agreement for overnight transactions has been duly executed.

12. INTERNAL CONTROLS

External audits will be performed annually, including an assessment of investment effectiveness and risk management.

13. PERFORMANCE STANDARDS

The investment portfolio will be designed to obtain an above market benchmark, taking into account the City's investment risk constraints, cash flow requirements, and active management strategy. This policy recognizes that the reliability of performance evaluation (i.e. comparison to benchmarks) increases with the duration of the measurement period.

14. REPORTING

The Financial Officer will prepare an investment report on a quarterly basis to Council. The report will provide a summary of the securities held at the end of the reporting period including issuer diversification and market values.

The Investment Manager(s) will conduct at each quarter end a review of the portfolio, including strategy employed, duration, liquidity, and a forecast of upcoming market conditions.

15. ADOPTION AND REVIEW

The policy will be reviewed annually by the Financial Officer, and any suggested modifications will be presented to Council for adoption.

1. POLICY

The purpose of this ~~investment~~ policy is to ~~establish and maintain~~ ensure that the City's practices and procedures ~~to invest in the investment of~~ public funds ~~are in compliance with statutory requirements of the Community Charter, while ensuring safety of capital, maintaining appropriate liquidity in meeting anticipated cash flow demands, and attaining a reasonable rate of return after taking into account the investment constraints and liquidity requirements, with the highest return on investment and with the maximum security and appropriate liquidity while meeting daily cash flow demands and conforming to all legislation governing the investment of public funds.~~ This policy applies to the investment activities of the General, Water, Sewer, Capital, Trust and Reserve Funds.

2. OBJECTIVES

~~The primary objectives of investment activities will be adherence to statutory requirements, safety, liquidity and return on investment. Conservative management philosophy is followed in investment activities of all public funds held by the municipality. Four fundamental objectives, in priority order, are as follows:~~

- ~~(i) Adherence to~~ Statutory Requirements:

Authority for investment guidelines of municipal funds is provided in section 183 of the *Community Charter*.

- ~~(ii) Safety of Capital:~~

Investments ~~activities~~ will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Preservation of capital will be accomplished through:

- o Diversification, as outlined in ~~paragraph section~~ 9, and
- o Risk control, whereby portfolio components are limited to ~~safer conservative~~ types of investments as defined in ~~paragraph section~~ 8.

- ~~(iii) Liquidity of Investment:~~

The investment portfolio will be administered to ensure adequate cash flow is available to meet all reasonably anticipated operating ~~and capital~~ requirements.

- ~~(iv) Return on Investment:~~

The investment portfolio will be designed with the objective of maximizing the rate of return through budgetary and economic cycles, ~~taking into account the investment constraints and liquidity requirements.~~ The Financial Officer will take into account these constraints and objectives in the selection of investments to be included in the City's portfolio. The portfolio will be structured to attain optimum performance results as directed by the Policy, and to create maximum value to the City, net of any costs incurred in the investment process.

8. PERMITTED INVESTMENTS

Under the *Community Charter* Section 183, a municipality may invest money that is not immediately required in one or more of the following:

- a) securities of the Municipal Finance Authority;
- b) pooled investment funds under section 16 of the Municipal Finance Authority Act;
- c) securities of Canada or of a province;
- d) securities guaranteed for principal and interest by Canada or by a province;
- e) securities of a municipality, regional district or greater board;
- f) investments guaranteed by a chartered bank;
- g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- h) other investments specifically authorized under this or another Act.

The following table sets out the City's permitted investments, minimum credit rating requirements and their limits:

(See amended table in Attachment C)

9. DIVERSIFICATION

The City recognizes that prudence in investment selection is essential to minimize interest rate and credit risk.

- Interest Rate Risk – At each interim and annual reporting periods, the Investment Manager(s) will monitor the performance of the cash and bond components of the portfolio against the selected benchmarks. The Investment Manager(s) will also assess the duration of the bond components of the portfolio to ensure they fall within a year and a half of the duration of the benchmark against which bond performance is measured. The 91-Day T-Bill Index will be the basis for benchmarking the cash component of the portfolio. For the bond components of the portfolio, the indices within the DEX Universe Bond Index will be selected as the benchmarks. Selection of the appropriate benchmark for each bond component will be based on the index with the duration closest to the duration of the bond component being evaluated. The following indices fall within the DEX Universe Bond Index:

DEX Universe All Government Index
DEX Short Term All Government Index
DEX Mid Term All Government Index
DEX Short/Mid All Government Index
DEX Long Term All Government Index

- Credit Risk – The Investment Manager(s) will minimize credit risk by investing in safer conservative types of instruments. A minimum of 90% of the portfolio's market value is required to carry a DBRS credit rating of AA-A (high) or higher or the equivalent R1-middle or higher.

Diversification will be achieved through:

- Setting limits on the amount of investments with a specific maturity, from a specific issuer or a specific sector;
- Investing the targeted amount of assets in liquid investments to ensure funds are readily available; and
- Selecting assets with varying maturity terms.

In addition, the Investment Manager(s) will engage in the rebalancing of the portfolio to adhere to parameters as defined in this policy or any addendums agreed upon by the Financial Officer and the Investment Manager(s).

1. POLICY

The purpose of this policy is to ensure that the City's practices and procedures in the investment of public funds are in compliance with statutory requirements of the *Community Charter*, while ensuring safety of capital, maintaining appropriate liquidity in meeting anticipated cash flow demands, and attaining a reasonable rate of return after taking into account the investment constraints and liquidity requirements..

2. OBJECTIVES

Conservative management philosophy is followed in investment activities of all public funds held by the municipality. Four fundamental objectives, in priority order, are as follows:

(i) Adherence to Statutory Requirements

Authority for investment guidelines of municipal funds is provided in section 183 of the *Community Charter*.

(ii) Safety of Capital

Investment activities will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Preservation of capital will be accomplished through:

- Diversification, as outlined in section 9, and
- Risk control, whereby portfolio components are limited to conservative types of investments as defined in section 8.

(iii) Liquidity of Investment

The investment portfolio will be administered to ensure adequate cash flow is available to meet all reasonably anticipated operating and capital requirements.

(iv) Return on Investment

The investment portfolio will be designed with the objective of maximizing the rate of return through budgetary and economic cycles, taking into account the investment constraints and liquidity requirements. The Financial Officer will take into account these constraints and objectives in the selection of investments to be included in the City's portfolio. The portfolio will be structured to attain optimum performance results as directed by the Policy, and to create maximum value to the City, net of any costs incurred in the investment process.

8. PERMITTED INVESTMENTS

Under the *Community Charter* Section 183, a municipality may invest money that is not immediately required in one or more of the following:

- a) securities of the Municipal Finance Authority;
- b) pooled investment funds under section 16 of the Municipal Finance Authority Act;
- c) securities of Canada or of a province;
- d) securities guaranteed for principal and interest by Canada or by a province;
- e) securities of a municipality, regional district or greater board;
- f) investments guaranteed by a chartered bank;
- g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- h) other investments specifically authorized under this or another Act.

The following table sets out the City's permitted investments, minimum credit rating requirements and their limits:

ASSET CLASS	DOMINION BOND RATING SERVICES LIMITED (DBRS) ¹ Short Term / Long Term Rating	LIMITS PER ISSUER (as a % of total portfolio)
FEDERAL ISSUERS		
Federal & Federally guaranteed	R-1 (high) / AAA	No limit
PROVINCIAL ISSUERS		
All Provinces	R-1 (high) / AAA, AA (high), AA	25% per province
All Provinces	R-1 (middle) / AA (low)	20% per province
All Provinces	R-1 (middle) / A (high)	10% per province
All Provinces	R-1 (low) / A, A (low)	5% per province
TOTAL PROVINCES		Maximum 50%
CHARTERED BANKS		
Schedule I, II & III banks	R-1 (high) / AAA, AA	15 % per bank
Schedule I, II & III banks	R-1 (middle) / AA, AA (low)	10 % per bank
Schedule I, II & III banks	R-1 (middle) / A (high)	5 % per bank
Schedule I, II & III banks	R-1 (low) / A (low)	3 % per bank
TOTAL CHARTERED BANKS		Maximum 50%
B.C. CREDIT UNIONS		
Credit unions with total assets ² more than \$10 billion	The greater of: (i) 10% of total portfolio balance per credit union, or (ii) \$75 million per credit union	
Credit unions with total assets ² between \$500 million and \$10 billion	The greater of: (i) 5% of total portfolio balance per credit union, or (ii) \$50 million per credit union	
TOTAL B.C. CREDIT UNIONS		Maximum 30%
POOLED INVESTMENTS		
Pooled funds		Maximum 20%
OTHER SECURITIES		
Municipality, Regional District or Greater Board		Maximum 10%

¹ If DBRS credit rating is not available, the City can use an equivalent credit rating provided by an approved credit rating organization such as Standard & Poor's Corporation (S&P) and Moody's Investors Services Inc. (Moody's)

² Based on latest audited financial statements

9. DIVERSIFICATION

The City recognizes that prudence in investment selection is essential to minimize interest rate and credit risk.

- Interest Rate Risk – At each interim and annual reporting periods, the Investment Manager(s) will monitor the performance of the cash and bond components of the portfolio against the selected benchmarks. The Investment Manager(s) will also assess the duration of the bond components of the portfolio to ensure they fall within a year and a half of the duration of the benchmark against which bond performance is measured. The 91-Day T-Bill Index will be the basis for benchmarking the cash component of the portfolio. For the bond components of the portfolio, the indices within the DEX Universe Bond Index will be selected as the benchmarks. Selection of the appropriate benchmark for each bond component will be based on the index with the duration closest to the duration of the bond component being evaluated. The following indices fall within the DEX Universe Bond Index:

- DEX Universe All Government Index
- DEX Short Term All Government Index
- DEX Mid Term All Government Index
- DEX Short/Mid All Government Index
- DEX Long Term All Government Index

- Credit Risk – The Investment Manager(s) will minimize credit risk by investing in conservative types of instruments. A minimum of 90% of the portfolio's market value is required to carry a DBRS credit rating of A (high) or higher or the equivalent R1-middle or higher.

Diversification will be achieved through:

- Setting limits on the amount of investments with a specific maturity, from a specific issuer or a specific sector;
- Investing the targeted amount of assets in liquid investments to ensure funds are readily available; and
- Selecting assets with varying maturity terms.

In addition, the Investment Manager(s) will engage in the rebalancing of the portfolio to adhere to parameters as defined in this policy or any addendums agreed upon by the Financial Officer and the Investment Manager(s).



City of Richmond

Report to Committee

To: Finance Committee
From: Andrew Nazareth
General Manager, Finance and Corporate
Services

Date: September 16, 2013

File:

Re: Amendments to the 5 Year Financial Plan (2013-2017) Bylaw 8990

Staff Recommendation

That the 5 Year Financial Plan (2013-2017) Bylaw 8990, Amendment Bylaw 9060 which would incorporate and put into effect changes previously approved by Council and administrative changes to the 2013 Capital, Utility and Operating Budgets (as summarized in Attachment 1), be introduced and given first, second and third readings.

Andrew Nazareth
General Manager, Finance and Corporate Services
(604-276-4095)
Att. 3

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Community Social Development	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Finance Division	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Project Development	<input checked="" type="checkbox"/>	
Sewerage & Drainage	<input checked="" type="checkbox"/>	
Roads and Construction	<input checked="" type="checkbox"/>	
Community Bylaws	<input checked="" type="checkbox"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Library	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
Public Art	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
REVIEWED BY DIRECTORS	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

The 5 Year Financial Plan (2013-2017) Bylaw 8990 was adopted February 25, 2013. Included in the 5 Year Financial Plan (5YFP) are the 2013 Capital, Utility and Operating Budgets.

Subsection 165(2) of the Community Charter allows for amendments of the financial plan by bylaw and Section 137(1) (b) directs that the power to amend or repeal must be exercised by bylaw and is subject to the same approval and other requirements, if any, as the power to adopt a new bylaw under that authority. Section 166 states that a council must undertake a process of public consultation regarding the proposed financial plan before it is adopted.

Analysis

The 5 Year Financial Plan (2013-2017) Bylaw 8990 was adopted February 25, 2013 and included the 5 Year Financial Plan, 5 Year Capital Program and Statement of Policies and Objectives. Subsection 165 (4) of the Community Charter requires the financial plan to include the proposed funding sources for the planning period. The Amended 5 Year Financial Plan (2013-2017) includes the 5 Year Financial Plan, 5 Year Funding Sources, and Statement of Policies and Objectives.

Subsequent to the adoption of the 5YFP, additional opportunities and projects have emerged. Individual staff reports detailing these amendments have been presented to Council for approval.

Also, administrative amendments resulting from additional grant funding and contributions, re-classification of costs or unexpected expenditures are presented in accordance with Policy 3001 - Budget Amendments.

The current expenditure bylaw does not include these amounts and staff recommend that these amendments to the 5YFP be approved. There is **no tax impact** for any of these amendments.

Several reports have been presented to Council detailing items that result in amendments to the 2013 5YFP. The Council approved changes (presented in order of the Council meeting date) are:

1. a. At the Council meeting on March 25, 2013, Council approved: *“(1) That the Blundell School Field baseball upgrade project be endorsed for submission to the federal Community Infrastructure Improvement Fund (CIIF); and (2) That the Chief Administrative Officer and General Manager Community Services be authorized to execute the funding agreements for approved projects and the 2013 – 2017 five year financial plan be amended accordingly to reflect the receipt of an external grant.”*

The 2013 Capital Budget will be increased by \$165,300 for the Blundell School Field Upgrade project to be funded by the CIIF external grant.

- b. At the Council meeting on May 6, 2013, it was approved: *“(1) That the Ladner Steveston Local Channel Dredging Contribution Agreement as attached to the staff report titled*

Ladner Steveston Local Channel Dredging Contribution Agreement 2013 from the Senior Manager, Parks and Director, Engineering dated April 16, 2013 be approved; (2) That the Chief Administrative Officer and the General Managers of Community Services and Engineering and Public Works be authorized to sign the Ladner Steveston Local Channel Dredging Contribution Agreement; and (3) That staff bring forward the finalized dredging budget and scope for consideration prior to any expenditure commitment."

- i. This amendment increases the 2013 Operating Budget by \$100,000 for the dredging planning and design with funding from the Dredging Provision.
- ii. At the October 22, 2012 Council meeting, it was approved: *"(1) That no greater than \$2.0M in funding from the utility provisions be approved as the City's proportionate share for the dredging of the Steveston Channel, which will only be expended upon the approval and commitment by senior governments of matching grants."*

The remaining \$1.9 million will be funded in equal proportions from the water and sewer utility provision accounts to allow for the funds to be expended, subject to future approval by Council of senior government grants.

- c. At the Council meeting on June 24, 2013, it was approved: *"That: (1) the following Major Capital Facilities Program Phase 1 projects be endorsed and included in the City's 2014 budget process for Council consideration as described in the Staff report titled "Major Capital Facilities Program Phase 1" dated May 31, 2013 from the Director of Engineering: (a) Replacement of the Older Adults' Activity Centre in Minoru Park; (b) Renovation of the City Hall Annex (formerly known as the Public Safety Building on Minoru Boulevard) for temporary use as an older adults' centre; (c) replacement of the Aquatics Centre in Minoru Park; (d) Temporary cover over Steveston outdoor pool for continuity of community aquatic services; (e) Replacement of Firehall No. 1 at the corner of Granville Avenue and Gilbert Road; (2) the funding strategy outlined in Option 3 of this report be endorsed on the basis that the City would borrow \$50 Million dollars with a 10-year amortization with the balance to be taken from the City's Reserves; (3) an amendment to the City's Five Year Financial Plan (2013-2017) to include \$3.5 million for advanced design of the Major Capital Facilities Program Phase 1 with funding to come from the City's revolving fund be brought forward for Council consideration; (4) an amendment to the City's Five Year Financial Plan (2013-2017) to include \$500,000 for advanced construction of the City Centre Community Centre Tenant Improvements with funding to come from the City's revolving fund be brought forward for Council consideration; (5) staff bring forward the balance of the list of the capital facilities priorities for examination; and (6) staff provide details of the full consultation plans and report through the General Purposes Committee."*
- i. The 2013 Capital Budget will be increased by \$3.5 million for advanced design for the projects identified at the June 24, 2013 Council meeting that form the

Major Capital Facilities Program (CFIP) Phase 1. This will be funded by the Revolving Fund.

- ii. Increase the 2013 Capital Budget by \$500,000 for City Centre Community Centre Tenant Improvements funded from the Revolving Fund.
- iii. The 2013 Capital Budget will be increased by \$50 million representing the debt funding for the replacement of the Aquatics Centre. The remaining funding required for the CFIP Phase 1 will be taken from the City's Reserves as part of the 2014-2018 Financial Plan. The inclusion of this project in the amended 2013-2017 5YFP is required in order to complete the full approval process by the end of November which will allow the Municipal Finance Authority (MFA) to provide the requested funding to the City in the Spring of 2014.

Upon Council approval of this 5YFP amendment, staff will present to Council the Loan Authorization Bylaw to borrow \$50 million from the MFA under a separate report. The debt repayment will be funded by existing debt funding budget and gaming revenue, therefore no tax impact will result from the proposed borrowing for the CFIP.

- d. At the Council meeting on July 22, 2013, it was approved: *"That \$251,500 of Drainage Utility Reserve funding be approved for the No. 2 Road Drainage Box Culvert Replacement, and that the 2013 – 2017 Five Year Financial Plan be amended accordingly."*

The transfer of \$251,500 from the Drainage Utility Reserve funding will increase the 2013 Capital Budget.

- e. At the Council meeting on July 22, 2013, it was approved: *"(1) That a pilot program for food scraps and organics collection services for multifamily dwellings and commercial businesses, as outlined in Option 1 of the staff report dated June 24, 2013 from the Director – Public Works Operations, be approved; (2) That the Chief Administrative Officer and General Manager, Engineering & Public Works be authorized to negotiate and execute an amendment to Contract T.2988, Residential Solid Waste & Recycling Collection Services, to service, acquire, store, assemble, label, deliver, replace and undertake related tasks for the carts, kitchen containers and related items associated with this temporary pilot program; and (3) That an amendment to the City's Five Year Financial Plan (2013-2017) to include capital costs of \$200,000 and operating costs of \$120,000 for undertaking a pilot program for food scraps and organics collection services for Multi-Family Dwellings (4) and Commercial Businesses, with funding from the City's general solid waste and recycling provision, be brought forward for Council consideration."*

The Operating Budget will be increased by \$120,000 and the Capital Budget increased by \$200,000 for this initiative which will be funded from the General Solid Waste and Recycling Provision.

- f. At the Council meeting on September 16, 2013, it was approved: *“That: (1) staff be authorised to purchase the Cadence Child Care Facility based on the terms and conditions as set out in RZ 12-602449 and the staff report dated January 22, 2013 to Planning Committee; (2) staff be authorised to transfer \$874,000 from the Child Care Development Reserve Fund and such funds to be utilized to complete the proposed transaction; (3) an amendment to the City's Five Year Financial Plan (2013-2017) to include \$874,000 for the purchase of an independent air space parcel which is to include a fully constructed facility, to be known as Cadence Child Care Facility, with funding to come from the City's Childcare Development Reserve Fund be brought forward for Council consideration; and (4) the Chief Administrative Officer and the General Manager, Finance & Corporate Services are authorised to complete the negotiations and execute the Purchase and Sale Agreement in regards to the purchase of Cadence Child Care Facility.”*

The 2013 Capital Budget will be increased by \$874,000 from the Childcare Development Reserve for the acquisition of the independent air parcel for the Cadence Child Care Facility. The corresponding \$30,257 Operating Budget Impact will be included in the City's Five Year Financial Plan (2014-2018).

- g. Include subject to approval of a separate staff report at a future Council meeting, the addition of \$7,019,666 from the Affordable Housing Capital Reserve Fund toward the construction costs associated with the 296 subsidized seniors housing units at 6251 Minoru Boulevard (Kiwanis Towers).
- h. At the Closed Council meeting on July 22, 2013, Council approved the transfer of \$150,000 within the Law and Community Safety Operating Budget for consulting costs.

During the year the original 5 Year Financial Plan Bylaw may require amendments due to additional amounts being received, re-classification of costs or unexpected expenditures. The following amendments represent administrative changes:

2. a. Budget Amendment Policy 3001 states that changes to salaries be reported to Committee. The following amendments will result in no overall increase to the 2013 Operating Budget:
- i. Transfer \$149,900 from the Corporate Administration budget to the Energy Management budget in order to provide funding for the Senior Manager, Sustainability & District Energy position.
 - ii. Transfer \$130,979 from the Corporate Administration budget to the Community Services budget in order to provide funding for the Manager, Community Cultural Development position.

- iii. Increase the Sports and Community Events budget by \$104,000 for the 2013 Maritime Festival expenditures, which was funded by Maritime Festival sponsorship revenues. \$4,000 of this is allocated to salaries.
 - iv. Increase the Energy Management budget by \$79,167 for the temporary full time Sustainability Project Manager position which is funded through BC Hydro grants.
 - v. Increase the Community Bylaws budget for the approved reclassifications of unionized staff positions. The 2013 funding for these positions of \$53,920 will be offset by the increased parking revenues.
 - vi. Transfer \$49,000 within the Information Technology section operating budget from consultants to salaries to provide funding for Business Systems Analyst position.
 - vii. Increase the Arts, Culture and Heritage budget by \$30,000 for the additional administration required for Public Arts projects, which will be funded from the Public Art Provision.
 - viii. Transfer \$20,000 within the Community Services Department from the Parks Resource Management section to the Parks Administration section for clerical assistance.
 - ix. Transfer \$14,000 within the Finance and Corporate Services Department from the Finance Administration section to the City Clerks section for clerical assistance.
 - x. Include \$42,700 Operating Budget Impact (OBI) in the Water and Sanitary Sewer Utility Budgets as a result of the completion of the 2013 Watermain Replacement and Sanitary Sewer capital projects. Included in the \$42,700 is \$7,178 for additional salaries.
- b. During the year there were items that should have been capitalized in accordance with generally accepted accounting principles. The following amendments represent the administrative transfer from the operating or utility budget to the capital budget:
- i. Transfer \$1,625,000 to the 2013 Capital Budget for minor capital charges for the Public Safety Building Renovation project 2011-2012. There is no financial impact since the amount is funded from the Project Development Facilities operating budget.
 - ii. Transfer \$609,000 to the 2013 Capital Budget for miscellaneous repaving charges for roads. There is no financial impact since the amount is funded from the Roads and Construction operating budget.

- iii. Transfer \$341,000 to the 2013 Capital Budget for water meters. There is no financial impact since the amount is funded from the Water Utility budget.
- c. Increase the scope of existing programs and projects by a total of \$2,025,371 to recognize additional external funding to the Capital Budget:
 - Oval West Waterfront Park – Phase 1 Hollybridge Pier (\$1,000,000) voluntary contribution by a developer. The rezoning was adopted on October 24, 2011.
 - Britannia: Seine Net Loft (2011) funded by a Western Economic Diversification Canada grant (\$250,000).
 - Traffic Video Detection funded by Translink & ICBC contributions (\$198,500).
 - Asphalt Repaving of roads funded by developer contributions (\$170,331).
 - Cycling Network Expansion (\$108,233) funded from various grants.
 - Hamilton Park Playground redesign/rebuild funded by contributions from Hamilton Community Association and the Tire Stewardship of B.C. (\$97,244).
 - Traffic signals and operations (\$96,500) funded by external funding such as developer contributions, ICBC and Translink.
 - Gateway Theatre Mechanical System Retrofit funded by a Federal Grant (\$58,980).
 - West Richmond Community Centre carpentry work (\$35,583) funded by the West Richmond Community Association.
 - Oval West Waterfront Park – Phase 1 derelict piles removal cost share (\$10,000) funded by the UBC Rowing Club.
- d. Increase the Project Facilities Administration Operating Budget by \$380,316 by transferring \$155,000 from the Gaming Provision and \$225,316 from the Building Improvement Provision accounts. The respective amounts represent the carry-forward of unspent funds from the 2012 Operating Budget that relate to programs that were not completed in 2012.
- e. Transfer \$225,000 from the McLennan (South) Park project to the Middle Arm Waterfront project with no overall impact to the Capital Budget for general landscaping of the overall park.
- f. Transfer \$204,705 from the Future Capping Deposits account to Annual Asphalt Re-Paving capital projects for the final repaving of designated roads.
- g. Transfer funding of \$150,000 from the Additional Level Provision for the expenses incurred for the Garden City Land consultation and public input that was conducted.
- h. Include the Library Wireless Network capital project for \$146,818 in the 2013 Capital Budget which will be funded equally from the Library's accumulated surplus and a grant from the Community Infrastructure Improvement Fund.
- i. Increase the Capital Budget by \$135,000 for the purchase of a Mobile Public Education unit to be funded equally from the Additional Level provision and the Fire Provision. A

partnership agreement with Canadian Western Bank will sponsor \$67,500 representing half of the cost and will be paid over a three-year term with proceeds to be deposited into the Fire Provision.

- j. Increase the Human Resources budget by \$125,000 for collective agreement negotiation, which will be funded by the Arbitrations Provision account.
- k. Include the capital costs for City Hall first floor improvements of \$100,000 to be funded from the General Contingency.
- l. Include the Mobile Shelving Installation capital project for \$90,000 in the 2013 Capital Budget which will be funded from library donations.
- m. Transfer \$76,200 within the Richmond Fire Rescue operating budget to purchase Business Continuity supplies.
- n. Increase the Capital Budget by \$48,631 for the replacement of the City Hall commercial refrigeration equipment from general contingency.
- o. Increase the Capital Budget by \$46,893 for the Tempest License Software project and the Community Bylaw Operating budget by \$4,800 for the corresponding OBI which will be funded from the favourability in existing revenues.
- p. Increase the Capital Budget by \$30,554 for the Tempest E-Apply for Dog License Module project and the Community Bylaw Operating budget by \$4,400 for the corresponding OBI which will be funded from the favourability in existing revenues.
- q. Reallocate \$14,900 for the OBI related to the No. 2 Road Fire Hall maintenance from Fiscal to Fire Rescue and Facilities Management Operating Budgets.
- r. Increase the Arts, Culture and Heritage budget by \$10,000, which will be funded from Gulf & Fraser Sponsorship for Art Gallery initiatives.

Financial Impact

The proposed 2013 budget amendments have **no tax impact**. Overall, there is an increase of \$67,913,438 to the 2013 Capital Budget and \$10,158,716 to the 2013 Operating and Utility Budget. Each of these annual budgets combines to form part of the 2013-2017 5YFP. The 2013-2017 5YFP schedule, capital program and funding sources can be found in **Attachments 1 - 3**.

2013 Capital Budget – Summary of Changes

(in \$000's)

Item	Description	Ref	Amount
Capital Budget as at February 25, 2013			\$71,768
1	Aquatics Centre debt funding	1(c)iii	50,000
2	Affordable Housing Kiwanis	1(g)	7,020
3	Major facilities advanced design	1(c)i	3,500

4	Misc. grants & external sources	2(c)	2,025
5	Public Safety Building Renovation	2(b)i	1,625
6	Air parcel acquisition	1(f)	874
7	Miscellaneous repaving capital	2(b)ii	609
8	City Centre Community Centre capital project	1(c)ii	500
9	Water Meters	2(b)iii	341
10	Drainage Box Culvert replacement	1(d)	251
11	Asphalt capping	2(f)	205
12	Multi-Family & Commercial recycling	1(e)	200
13	Sports field upgrade	1(a)	165
14	Library wireless network	2(h)	147
15	Fire Safety Mobile Public Education Unit	2(i)	135
16	City Hall Improvements	2(k)	100
17	Mobile Shelving Installation	2(l)	90
18	Licensing Software	2(o&p)	77
19	City Hall Equipment Replacement	2(n)	49
20	Middle Arm Waterfront project	2(e)	0

Total amendments **67,913**

Total 2013 Capital Budget including amendments **\$139,681**

2013 Operating and Utility Budget – Summary of Changes (in \$000's)

Item	Description	Ref	Amount
Operating and Utility Budget as at February 25, 2013			\$414,806

1	Affordable Housing Kiwanis	1(g)	7,020
2	Steveston Channel Dredging	1(b)ii	1,900
3	Project Facilities	2(d)	380
4	Garden City Lands	2(g)	150
5	Union Bargaining Arbitration	2(j)	125
6	Multi-Family & Commercial Recycling	1(e)	120
7	Maritime Festival	2(a)iii	104
8	Dredging	1(b)i	100
9	Licensing Software	2(o&p)	87
10	Community Energy Management Program	2(a)iv	79
11	Community Bylaws positions	2(a)v	54
12	Public Art administration transfer	2(a)vii	30
13	Art Gallery initiatives	2(r)	10
14	Law and Community Safety consulting	1(h)	0
15	Sustainability & District Energy position	2(a)i	0
16	Community Cultural Development position	2(a)ii	0
17	Business Systems Analyst position	2(a)vi	0

Item	Description	Ref	Amount
18	Parks administration transfer	2(a)viii	0
19	Finance administration transfer	2(a)ix	0
20	Watermain replacements & Sanitary pump station maintenance	2(a)x	0
21	Public Safety Building Renovation	2(b)i	0
22	Miscellaneous repaving capital	2(b)ii	0
23	Water Meters	2(b)iii	0
24	Business continuity supplies	2(m)	0
25	No 2 Fire Hall maintenance	2(q)	0
Total amendments			10,159
Total Operating Budget including amendments			\$424,965

Items included in the above Summary of Changes with no amount represents offsetting adjustments due to transfers within the Operating and Utility Budget, resulting in no overall increase to the Operating and Utility Budget.

Conclusion

Staff recommends that Council approve the 2013 Capital, Operating and Utility Budget amendments to accommodate the expenditures within the 5 Year Financial Plan Bylaw. The proposed 2013 budget amendments will have no tax impact. Overall, there is an increase of \$67,913,438 to the 2013 Capital Budget and \$10,158,716 to the 2013 Operating and Utility Budget.

As required in Section 166 of the Community Charter staff will conduct a process of public consultation prior to the final reading on November 25, 2013.



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

JC:ms

CITY OF RICHMOND
5 YEAR AMENDED FINANCIAL PLAN (2013 – 2017)
(in 000's)

	2013 Amended	2014	2015	2016	2017
Revenues					
Property Taxes	174,825	181,481	188,176	194,641	201,023
Transfer from Capital Equity	43,185	43,085	43,161	43,539	44,819
Utilities	90,940	97,101	103,095	108,625	113,876
Transfer from Capital Equity	6,621	6,504	6,387	6,309	6,220
Fees and Charges	26,878	27,080	27,479	27,889	28,311
Investment Income	16,199	16,279	16,361	16,443	16,525
Grant-in-lieu	13,199	13,199	13,199	13,199	13,199
Gaming Revenue	12,364	12,394	12,436	12,475	12,516
Grants	4,739	4,556	4,556	4,556	4,556
Penalties and Interest on Taxes	990	1,010	1,030	1,051	1,072
Miscellaneous Fiscal Earnings	35,026	22,286	22,224	22,568	23,023
Capital Plan					
Transfer from DCC Reserve	20,125	15,159	13,566	11,431	14,501
Transfer from Other Funds and Reserves	62,824	41,362	38,424	43,771	41,491
External Contributions	6,732	650	170	195	195
Proceeds from borrowing	50,000	-	-	-	-
Carryforward Prior Years	97,522	54,142	37,206	32,411	31,009
TOTAL REVENUES	\$662,169	\$536,288	\$527,470	\$539,103	\$552,336
Expenditures					
Utilities	97,724	103,605	109,482	114,934	120,095
Law & Community Safety	85,191	87,218	89,568	91,945	94,328
Community Services	71,053	63,001	64,027	65,160	67,055
Engineering & Public Works	67,316	68,224	69,934	71,658	73,661
Finance and Corporate Services	24,330	24,075	24,447	24,828	25,221
Planning & Development	12,513	12,561	12,789	13,025	13,262
Fiscal	23,237	23,422	24,475	24,360	24,064
Transfer to Funds: Statutory Reserves	32,207	33,955	35,770	37,652	39,598
Corporate Administration	7,926	7,493	7,612	7,733	7,856
Municipal Debt					
Debt Interest	1,114	366	-	-	-
Debt Principal	2,355	1,056	-	-	-
Capital Plan					
Current Year Capital Expenditures	139,681	57,170	52,160	55,397	56,187
Carryforward Prior Years	97,522	54,142	37,206	32,411	31,009
TOTAL EXPENDITURES	\$662,169	\$536,288	\$527,470	\$539,103	\$552,336

CITY OF RICHMOND
5 YEAR AMENDED FINANCIAL PLAN
CAPITAL PROGRAM (2013-2017)
(in \$000's)

	2013 Amended	2014	2015	2016	2017
Infrastructure Program					
Roads	17,780	10,131	10,620	8,254	8,114
Drainage	8,131	8,125	4,863	7,001	13,720
Water Main Replacement	9,804	8,480	8,580	8,120	8,680
Sanitary Sewer	3,970	5,600	4,340	6,580	4,010
Infrastructure Advanced Design & Land	1,411	1,194	1,184	1,184	1,184
Minor Public Works	250	250	250	250	250
Total Infrastructure Program	\$41,346	\$33,780	\$29,837	\$31,389	\$35,958
Building Program					
Major Building	60,400	1,377	250	250	250
Minor Building	340	-	-	-	-
Total Building Program	\$60,740	\$1,377	\$250	\$250	\$250
Parks Program					
Major Parks/Streetscapes	5,240	4,250	2,700	2,200	2,154
Minor Parks	962	500	600	600	600
Parkland Acquisition	-	3,500	3,500	3,500	2,000
Public Art	257	-	-	-	-
Total Parks Program	\$6,459	\$8,250	\$6,800	\$6,300	\$4,754
Land Program					
Total Land Program	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Affordable Housing Program					
Total Affordable Housing Program	\$750	\$975	\$975	\$975	\$975
Equipment Program					
Annual Fleet Replacement	3,055	2,230	4,450	3,149	2,130
Computer Capital	1,674	597	341	330	330
Fire Dept. Equipment	219	1,173	891	1,432	892
Miscellaneous Equipment	5,525	1,101	1,101	3,600	3,601
Technology	1,011	350	400	450	-
Total Equipment Program	\$11,484	\$5,451	\$7,183	\$8,961	\$6,953
Child Care Program					
Total Child Care Program	\$924	\$275	\$275	\$275	\$50
Internal Transfers/Debt Payment					
Total Internal Transfers/Debt Payment	\$12,978	\$2,062	\$1,840	\$2,247	\$2,247
TOTAL CAPITAL PROGRAM	\$139,681	\$57,170	\$52,160	\$55,397	\$56,187

CITY OF RICHMOND
5 YEAR AMENDED FINANCIAL PLAN
CAPITAL FUNDING SOURCES (2013-2017)
(in 000's)

	2013 Amended	2014	2015	2016	2017
DCC Reserves					
Drainage	2,918	1,344	644	97	4,199
Parks Acquisition	4,232	3,292	3,292	3,292	1,881
Parks Development	3,825	3,104	2,822	2,115	2,085
Roads	7,925	4,349	4,798	3,237	3,237
Sanitary Sewer	238	1,420	1,420	1,310	1,350
Water	987	1,650	590	1,380	1,750
Total DCC Reserves	\$20,125	\$15,159	\$13,566	\$11,431	\$14,502
Reserves and Other Sources					
Statutory Reserves					
Affordable Housing Reserve Fund	7,770	975	975	975	975
Capital Building & Infrastructure Reserve Fund	-	500	-	-	-
Capital Reserve Fund	13,751	12,590	10,781	10,099	9,857
Child Care Development Reserve Fund	924	275	275	275	50
Drainage Improvement Reserve Fund	5,042	6,743	4,172	7,071	9,936
Equipment Replacement Reserve Fund	2,423	3,216	4,022	4,280	2,777
Leisure Facilities Reserve Fund	-	50	-	-	-
Neighbourhood Improvement Reserve Fund	-	17	-	-	-
Public Art Program Reserve Fund	257	100	100	100	100
Sanitary Sewer Reserve Fund	4,048	4,015	3,235	5,585	2,975
Waterfront Improvement Reserve Fund	-	250	-	250	-
Watermain Replacement Reserve Fund	7,500	5,655	6,815	8,065	8,255
Total Reserves	\$41,715	\$34,386	\$30,375	\$36,700	\$34,925
Other Sources					
Appropriated Surplus / Surplus	16,370	3,619	3,619	3,619	3,289
Enterprise	812	350	400	450	0
Utility Levy	1,153	305	1,329	301	575
Library Provision	1,174	1,101	1,101	1,101	1,101
Water Metering Provision	1,600	1,600	1,600	1,600	1,600
Grant, Developer and Comm. Contributions	6,732	650	170	195	195
Proceeds from borrowing	50,000	-	-	-	-
Total Other Sources	\$77,841	\$7,625	\$8,219	\$7,266	\$6,760
TOTAL CAPITAL FUNDING	\$139,681	\$57,170	\$52,160	\$55,397	\$56,187



**5 Year Financial Plan (2013-2017) Bylaw 8990
Amendment Bylaw 9060**

The Council of the City of Richmond enacts as follows:

1. Schedule "A", Schedule "B" and Schedule "C" of the 5 Year Financial Plan (2013-2017) Bylaw 8990, are deleted and replaced with Schedule "A", Schedule "B" and Schedule "C" attached to and forming part of this amendment bylaw.
2. This Bylaw is cited as **"5 Year Financial Plan (2013 - 2017) Bylaw 8990, Amendment Bylaw 9060"**.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

MAYOR

CORPORATE OFFICER

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

CITY OF RICHMOND
5 YEAR AMENDED FINANCIAL PLAN (2013 – 2017)
(in 000's)

	2013 Amended	2014	2015	2016	2017
Revenues					
Property Taxes	174,825	181,481	188,176	194,641	201,023
Transfer from Capital Equity	43,185	43,085	43,161	43,539	44,819
Utilities	90,940	97,101	103,095	108,625	113,876
Transfer from Capital Equity	6,621	6,504	6,387	6,309	6,220
Fees and Charges	26,878	27,080	27,479	27,889	28,311
Investment Income	16,199	16,279	16,361	16,443	16,525
Grant-in-lieu	13,199	13,199	13,199	13,199	13,199
Gaming Revenue	12,364	12,394	12,436	12,475	12,516
Grants	4,739	4,556	4,556	4,556	4,556
Penalties and Interest on Taxes	990	1,010	1,030	1,051	1,072
Miscellaneous Fiscal Earnings	35,026	22,286	22,224	22,568	23,023
Capital Plan					
Transfer from DCC Reserve	20,125	15,159	13,566	11,431	14,501
Transfer from Other Funds and Reserves	62,824	41,362	38,424	43,771	41,491
External Contributions	6,732	650	170	195	195
Proceeds from borrowing	50,000	-	-	-	-
Carryforward Prior Years	97,522	54,142	37,206	32,411	31,009
TOTAL REVENUES	\$662,169	\$536,288	\$527,470	\$539,103	\$552,336
Expenditures					
Utilities	97,724	103,605	109,482	114,934	120,095
Law & Community Safety	85,191	87,218	89,568	91,945	94,328
Community Services	71,053	63,001	64,027	65,160	67,055
Engineering & Public Works	67,316	68,224	69,934	71,658	73,661
Finance and Corporate Services	24,330	24,075	24,447	24,828	25,221
Planning & Development	12,513	12,561	12,789	13,025	13,262
Fiscal	23,237	23,422	24,475	24,360	24,064
Transfer to Funds: Statutory Reserves	32,207	33,955	35,770	37,652	39,598
Corporate Administration	7,926	7,493	7,612	7,733	7,856
Municipal Debt					
Debt Interest	1,114	366	-	-	-
Debt Principal	2,355	1,056	-	-	-
Capital Plan					
Current Year Capital Expenditures	139,681	57,170	52,160	55,397	56,187
Carryforward Prior Years	97,522	54,142	37,206	32,411	31,009
TOTAL EXPENDITURES	\$662,169	\$536,288	\$527,470	\$539,103	\$552,336

CITY OF RICHMOND
5 YEAR AMENDED FINANCIAL PLAN
FUNDING SOURCES (2013 - 2017)
(In 000's)

	2013 Amended	2014	2015	2016	2017
DCC Reserves					
Drainage	2,918	1,344	644	97	4,199
Parks Acquisition	4,232	3,292	3,292	3,292	1,881
Parks Development	3,825	3,104	2,822	2,115	2,085
Roads	7,925	4,349	4,798	3,237	3,237
Sanitary Sewer	238	1,420	1,420	1,310	1,350
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Total Other Sources	\$77,841	\$7,625	\$8,219	\$7,266	\$6,760
TOTAL CAPITAL FUNDING	\$139,681	\$57,170	\$52,160	\$55,397	\$56,187

**City of Richmond
2013-2017 Financial Plan
Statement of Policies and Objectives**

Revenue Proportions By Funding Source

Property taxes are the largest portion of revenue for any municipality. Taxes provide a stable and consistent source of revenue for many services that are difficult or undesirable to fund on a user-pay basis. These include services such as community safety, general government, libraries and park maintenance.

Objective:

- Maintain revenue proportion from property taxes at current level or lower

Policies:

- Tax increases will be at CPI + 1%
- Annually, review and increase user fee levels by consumer price index (CPI).
- Any increase in alternative revenues and economic development beyond all financial strategy targets can be utilized for increased levels of service or to reduce tax rate.

Table 1:

Revenue Source	% of Total Revenue*
Property Taxes	67.5%
User Fees & Charges	9.1%
Investment Income	6.7%
Grants in Lieu of Taxes	5.0%
Gaming Revenue	4.7%
Grants	1.8%
Other Sources	5.2%
Total	100.0%

**Total Revenue consists of general revenues*

Table 1 shows the proportion of total general revenue proposed to be raised from each funding source in 2013.

Distribution of Property Taxes

Table 2 provides the estimated 2013 distribution of property tax revenue among the property classes.

Objective:

- Maintain the City's business to residential tax ratio in the middle in comparison to other municipalities. This will ensure that the City will remain competitive with other municipalities in attracting and retaining businesses.

Policies:

- Regularly review and compare the City's tax ratio between residential property owners and business property owners relative to other municipalities in Metro Vancouver.
- Continue economic development initiatives to attract businesses to the City of Richmond.

Table 2: (based on the 2013 Completed Roll figures)

Property Class	% of Tax Burden
Residential (1)	53.9%
Business (6)	35.8%
Light Industry (5)	8.6%
Others (2,4,8 & 9)	1.7%
Total	100.0%

Permissive Tax Exemptions

Objective:

- Council passes the annual permissive exemption bylaw to exempt certain properties from property tax in accordance with guidelines set out by Council Policy and the Community Charter. There is no legal obligation to grant exemptions.
- Permissive exemptions are evaluated with consideration to minimizing the tax burden to be shifted to the general taxpayer.

Policy:

- Exemptions are reviewed on an annual basis and are granted to those organizations meeting the requirements as set out under Council Policy 3561 and Sections 220 and 224 of the Community Charter.