



**Finance Committee
Electronic Meeting**

**Council Chambers, City Hall
6911 No. 3 Road**

**Monday, February 5, 2024
Immediately following the General Purposes Committee Meeting**

Pg. # ITEM

MINUTES

FIN-3 *Motion to adopt the **minutes** of the meeting of the Finance Committee held on January 8, 2024.*

FINANCE AND CORPORATE SERVICES DIVISION

1. **2023 INVESTMENT REPORT**
(File Ref. No. 03-1095-01) (REDMS No. 7531953)

FIN-8

See Page FIN-8 for full report

Designated Speaker: Venus Ngan

STAFF RECOMMENDATION

That the staff report titled “2023 Investment Report” dated January 10, 2024 from the Director, Finance be received for information.

Finance Committee Agenda – Monday, February 5, 2024

Pg. # ITEM

2. **REVENUE ANTICIPATION BORROWING (2024) BYLAW NO. 10532**
(File Ref. No. 03-0900-01) (REDMS No. 7501395)

FIN-14

See Page FIN-14 for full report

Designated Speaker: Venus Ngan

STAFF RECOMMENDATION

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

ADJOURNMENT



Finance Committee

Date: Monday, January 8, 2024

Place: Council Chambers
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au (by teleconference)
Councillor Carol Day
Councillor Laura Gillanders
Councillor Kash Heed
Councillor Andy Hobbs
Councillor Alexa Loo
Councillor Bill McNulty
Councillor Michael Wolfe

Call to Order: The Chair called the meeting to order at 4:04 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on December 4, 2024, be adopted as circulated.

CARRIED

DELEGATIONS

1. C.J. James, Partner, KPMG & Aanu Adeleye, Senior Manager, KPMG Enterprise to present the audit plan.

The delegation noted the audit plan provided (copy on file) is a planning report, and that the audit will begin in February, with a further delegation to the Committee in due course.

FINANCE AND CORPORATE SERVICES DIVISION

2. **FINANCIAL INFORMATION – 3RD QUARTER SEPTEMBER 30, 2023**

(File Ref. No. 03-0905-01) (REDMS No. 7414952)

Discussion ensued with respect to gaming revenue allocation (“revenue allocation”) and the RCMP vacancy rate. Staff noted (i) during the 2024 budget process, revenue allocation remained the funding mechanism for four police officers (as originally introduced a number of years ago), but not necessarily tied to the activities of the RCMP, (ii) anticipated changes to the revenue allocation can be done through the 2025 budget process, (iii) a reduction in the revenue allocation for officer activity would mean any difference required to fund officer activity would be a tax draw, (iv) the vacancy rate for the Richmond Detachment is relatively low at a range of 6% to 8% per year, (v) although available funding is indicated, the allocation of new officers from RCMP Depot can take 12 to 18 months, in which case those available funds are allocated, and (vi) any surplus in the community safety budget is directed to general surplus, some of which will be used to bring down the following year’s taxes.

Further discussion ensued with respect to security presence at the River Rock Casino (“Casino”). Staff noted that although the RCMP does not have four members permanently at the Casino, general duty officers patrol the area daily and at any point there could be more or less officers on site. Staff further noted the RCMP does not provide regular security for the Casino, the Casino has their own security people they pay to patrol the floor.

In response to queries from the Committee, staff noted (i) Richmond hotel room revenue is surpassing pre-pandemic levels, (ii) the majority of the budget (approximately 60%) relates to salaries, and (iii) favourable variances in vacancies, including anticipated turnover, is somewhat consistent quarter over quarter.

Discussion ensued with respect to new and closed businesses and vacancies in office/industrial space. Staff noted (i) there is no specific data on how many business have closed but it appears to be consistent year to year in terms of the number of valid businesses, whereas the number of new business licenses has increased (number of net new businesses to be provided for next report), and (ii) industrial vacancy space has increased slightly but still well below a healthy market and office vacancy space has edged up to 9.9% but still below in terms of other markets.

Finance Committee
Monday, January 8, 2024

It was moved and seconded

That the staff report titled, “Financial Information – 3rd Quarter September 30, 2023”, dated December 1, 2023 from the Director, Finance, be received for information.

CARRIED

3. **ACTIVE CAPITAL PROJECTS FINANCIAL UPDATE – 3RD QUARTER SEPTEMBER 30, 2023**

(File Ref. No. 03-0975-01) (REDMS No. 7421932)

Discussion ensued with respect to the cost and utilization of Bylaw License Plate Recognition (BPR) equipment. Staff noted that currently there is one City Bylaw vehicle that has been outfitted with BPR which has been one of the major drivers for increased proactive enforcement of time based applications (e.g. bylaw parking infractions). It was requested that staff provide a memo outlining the BPR infrastructure and implementation costs, to the Community Safety Committee.

In response to queries from the Committee, staff noted (i) an asset management strategy and plan is underway of the overall park inventory to identify gaps for increased accessibility for all users, and (ii) with respect to the Steveston Community Park playground, detailed design is underway and the RFP for the construction to go out within the next couple of months.

It was moved and seconded

That the staff report titled, “Active Capital Projects Financial Update – 3rd Quarter September 30, 2023”, dated November 30, 2023 from the Director, Finance, be received for information.

CARRIED

LULU ISLAND ENERGY COMPANY

4. **2023 Q3 FINANCIAL INFORMATION FOR THE LULU ISLAND ENERGY COMPANY**

(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 7499943)

It was moved and seconded

That the Lulu Island Energy Company report titled “2023 Q3 Financial Information for the Lulu Island Energy Company”, dated December 15, 2023, from the Chief Executive Officer and Chief Financial Officer, be received for information.

CARRIED

RICHMOND OLYMPIC OVAL CORPORATION

5. RICHMOND OLYMPIC OVAL CORPORATION – 3RD QUARTER 2023 FINANCIAL INFORMATION

(File Ref. No. 03-1200-09) (REDMS No. 7487963)

In response to queries from the Committee, staff noted (i) the administration and finance expense figure is approximately 80% salaries and benefits pertaining to administration staff and management/non-management staff, with the remaining 20% allocated to licensing costs, training and development, legal related fees, as well as audit fees and board remuneration (ii) there are approximately 18 staff, (iii) any surplus the Oval earns at the end of the year is reinvested into the building, also the Oval funds its own minor capital projects from generated surplus, and (iv) since inception, the Oval has funded approximately \$25-30 million of its own capital projects.

It was moved and seconded

That the Richmond Olympic Oval Corporation – 3rd Quarter 2023 Financial Information report from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

CARRIED

The following **referral motion** was introduced:

It was moved and seconded

That the Richmond Olympic Oval Corporation provide the shareholders with a comprehensive work plan for 2024.

The question on the referral motion was not called as a brief discussion ensued noting that the 2024 work plan should include the anticipated programs and costs for 2024.

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

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (4:53 p.m.).

CARRIED

Finance Committee
Monday, January 8, 2024

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, January 8, 2024.

Mayor Malcolm D. Brodie
Chair

Lorraine Anderson
Legislative Services Associate



City of Richmond

Report to Committee

To: Finance Committee
From: Mike Ching, CPA, CMA
 Director, Finance
Re: 2023 Investment Report

Date: January 10, 2024
File: 03-1095-01/2024-Vol
 01

Staff Recommendation

That the staff report titled “2023 Investment Report” dated January 10, 2024 from the Director, Finance be received for information.

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

| | |
|---------------------------------------|------------------|
| REPORT CONCURRENCE | |
| CONCURRENCE OF GENERAL MANAGER | |
| | |
| SENIOR STAFF REPORT REVIEW | INITIALS: |
| | |
| APPROVED BY CAO | |
| | |

Staff Report

Origin

The purpose of this report is to comply with the City’s Investment Policy 3703 in providing Council with information on the City of Richmond’s (the City’s) cash and investment position and performance for fiscal year 2023.

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

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

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

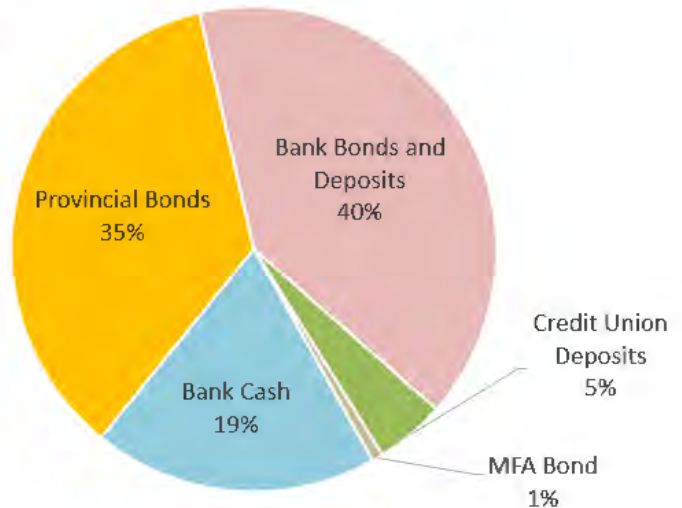
Analysis

Summary of the City’s Cash and Investment Position

The City’s cash and investment balance was approximately \$1.69 billion as at December 31, 2023. The balance was comprised of \$1.37 billion in investments and \$320 million in high interest savings cash accounts. The breakdown of the City’s cash and investment balance by issuer category as of December 31, 2023 is shown in Table 1 below.

Table 1: Breakdown of December 31, 2023 Cash and Investment Balance

| Issuer | Investments | Amount |
|----------------------------------|-------------------------|-----------------------|
| Banks | Bonds and Term Deposits | \$ 676 million |
| Provinces | Bonds | \$ 600 million |
| Banks | Cash | \$ 320 million |
| Credit Unions | Term Deposits | \$ 78 million |
| MFA | Bonds | \$ 12 million |
| Total Cash and Investment | | \$1.69 billion |



The aggregate net impact of the financial activities are reflected in the City’s assets (cash and investment), liabilities (deposits, restricted liabilities and working capital funds) and equity (reserve balances), as summarized in Table 2 below.

Table 2: Composition of the City's December 31, 2023 Cash and Investment Balance

| Type | Nature of Balance | % of Total |
|---------------------------------|---|------------|
| Liabilities and Working Capital | Funds held by the City arising from operational or contractual requirements where the City has an obligation to fulfill. | 20% |
| Development Cost Charges | Funds collected from developments to pay for current and future capital infrastructure required to support growth. | 15% |
| Committed Reserves | Funds set aside for approved projects that are still in progress (i.e. when timing of capital approval does not coincide with cash outflow in the same fiscal period). | 25% |
| Uncommitted Reserves | Funds set aside for specific purposes where the use of funds has to comply with the restrictions as set out in the reserve bylaw and usage has to be approved by Council. | 40% |

Community Charter Section 183 and City's Investment Policy 3703

The City is only permitted to invest in the following types of investments, as prescribed under section 183 of the *Community Charter*:

- securities of Canada or of a province;
- securities guaranteed for principal and interest by Canada or by a province;
- securities of a municipality, regional district or greater board;
- investments guaranteed by a chartered bank;
- deposits in a savings institution, or non-equity or membership shares of a credit union;
- securities of the Municipal Finance Authority (MFA); and
- MFA pooled investment funds.

The City's Investment Policy 3703 (last approved by Council in February 2019) requires that the City's practices and procedures in the investment of public funds be conducted 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.

All investment activities have been conducted in accordance with the City's Investment Policy 3703, where all cash and investment funds are invested in a diversified range of safe and high credit quality securities with Dominion Bond Rating Service (DBRS) credit rating A (high) or better and principal-guaranteed investment products.

2023 Investment Performance

The City's overall weighted average investment yields for 2023 was 4.5% (2022: 2.5%), which is largely driven by the market interest rate conditions.

In controlling inflation, the Bank of Canada raised interest rates three times to the current level of 5.0% during 2023 as it continued to assess incoming job and economic data. Table 3 below shows a recent economic forecast published by TD Economics, which projects that the Bank of

Canada may begin to cut interest rates during 2024 until inflation rate returns to the target level of 2.0% by year 2025.

Table 3: Interest Rate Outlook

| Interest Rates | Spot Rate Jan-09 | 2023 | | | | 2024 | | | | 2025 | | | |
|------------------------|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|
| | | Q1 | Q2 | Q3 | Q4 | Q1F | Q2F | Q3F | Q4F | Q1F | Q2F | Q3F | Q4F |
| CANADA | | | | | | | | | | | | | |
| Overnight Target Rate | 5.00 | 4.50 | 4.75 | 5.00 | 5.00 | 5.00 | 4.50 | 4.00 | 3.50 | 3.00 | 2.50 | 2.25 | 2.25 |
| 3-mth T-Bill Rate | 5.04 | 4.34 | 4.90 | 5.07 | 5.04 | 4.75 | 4.25 | 3.75 | 3.25 | 2.75 | 2.38 | 2.25 | 2.25 |
| 2-yr Govt. Bond Yield | 4.04 | 3.74 | 4.58 | 4.87 | 3.88 | 4.05 | 3.85 | 3.55 | 3.25 | 2.95 | 2.65 | 2.35 | 2.35 |
| 5-yr Govt. Bond Yield | 3.34 | 3.02 | 3.68 | 4.25 | 3.17 | 3.35 | 3.30 | 3.05 | 2.85 | 2.65 | 2.60 | 2.60 | 2.60 |
| 10-yr Govt. Bond Yield | 3.22 | 2.90 | 3.26 | 4.03 | 3.10 | 3.25 | 3.20 | 3.10 | 2.95 | 2.85 | 2.85 | 2.85 | 2.85 |
| 30-yr Govt. Bond Yield | 3.14 | 3.00 | 3.08 | 3.81 | 3.02 | 3.20 | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 |
| 10-yr-2-yr Govt Spread | -0.82 | -0.84 | -1.32 | -0.84 | -0.78 | -0.80 | -0.65 | -0.45 | -0.30 | -0.10 | 0.20 | 0.50 | 0.50 |

Source: TD Economics (January 2024)

Due to the favourable market interest rate conditions in 2023, the City has actively repositioned its investment portfolio by placing available funds in securities with longer terms in order to lock in at the higher interest rates before the interest rates start to decline. Table 4 summarizes the changes in the composition of the City's investments by duration when compared to the previous calendar year when interest rate was on a rising trend.

Table 4: Investment Holdings (Short-Term vs. Long-Term Balances)

| | December 31, 2023 | December 31, 2022 |
|--------------------------|-------------------|-------------------|
| Short-Term Funds | \$ 320 million | \$ 653 million |
| Long-Term Investments | \$ 1.37 billion | \$ 907 million |
| Average term to maturity | 2.01 years | 1.67 years |

Short-Term Funds

The City's short-term fund consists primarily of cash balances, cashable products, short-term deposits with terms less than 90 days and high interest savings accounts. The City's short-term fund earned an effective average annual yield of 5.6% in 2023 that outperforms the FTSE (Financial Times Stock Exchange) Canada Treasury Bill Index, which is a selected performance benchmark in accordance the City's Investment Policy 3703.

Long-Term Investments

The City's long-term investment portfolio is comprised of a diversified range of fixed income provincial bonds, MFA bond, Canadian chartered bank bonds and term deposits with straddling maturities on average between one to five years. All fixed income bonds that the City holds are readily tradeable in the bond market so they are liquid investments that are backed by high credit quality issuers as permitted under the *Community Charter*.

The 2023 average yield to maturity of these long-term investment products was 4.3%. The investment return of the City's fixed income portfolio is consistent and outperforms the comparable FTSE Canada Short Term Provincial Bond Index benchmark, which is a selected performance benchmark in accordance the City's Investment Policy 3703.

Updates to Environmental, Social and Governance (ESG) Disclosure Requirements for Issuers

At the 26th United Nations Climate Change Conference that took place in November 2021, a new International Sustainability Standards Board (ISSB) was announced in order to respond to a much-needed consistent approach at a global level.

The ISSB is an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards. The purpose of the ISSB is to address the disparities in the guidance and frameworks on ESG reporting. A Canadian Sustainability Standards Board (CSSB) will also liaise with the new ISSB to provide Canadian investors with a standardized approach that will guide companies on what sustainability disclosures are required to supplement their financial statements.

The ISSB published its first two Standards in June 2023:

- *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term. It sets out the core content for a complete set of sustainability-related financial disclosures, establishing a comprehensive baseline of sustainability-related financial information to meet the needs of global capital markets.
- *IFRS S2 Climate-related Disclosures* sets out the requirements for a company to disclose information about its climate-related risks and opportunities, while building on the requirements described in IFRS S1. IFRS S2 integrates the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and requires the disclosure of information about both cross-industry and industry-specific climate-related risks and opportunities.

The main objective of the ISSB Standards is to elicit decision-useful information connected to financial statements that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of the investors and the financial markets. The standards are effective from January 1, 2024, but it will be for individual jurisdictions to decide whether and when to adopt. Ongoing consultation is still currently being undertaken by the CSSB, so the ISSB standards are currently voluntary in Canada.

Staff will continue to monitor the development of the ESG reporting landscape and will collaborate closely with the MFA and other municipalities to understand the evolving frameworks for ESG reporting in order to continue with the City's commitment in supporting sustainable investments practices.

The City's ESG Rating

While a standardized ESG reporting landscape is still being developed by the regulators, the City continues to assess its investment portfolio's ESG rating on a quarterly basis using Morgan Stanley Capital International (MSCI). MSCI is one of the largest global investment research firms that provides benchmark indices and analytical services to investors.

MSCI provides ESG Rating reports to measure a company’s resilience to long-term industry-specific ESG risks. Issuers are rated on a scale from “AAA” to “CCC” (Table 5) according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to their peers.

Table 5: MSCI ESG Rating Scale



The City’s fixed income investment portfolio continues to receive a MSCI ESG Rating of “AA” as of Q4 2023.

Financial Impact

None.

Conclusion

All investment activities have been conducted in compliance with the City’s Investment Policy 3703. The City continues to hold and maintain a well-constructed and diversified portfolio with high credit quality in meeting the fundamental investment objectives of capital preservation, liquidity, diversification of credit risks and realizing reasonable yield on investments.

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



City of Richmond

Report to Committee

To: Finance Committee

Date: January 5, 2024

From: Mike Ching, CPA, CMA
Director, Finance

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

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

Staff Recommendation

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

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

| REPORT CONCURRENCE | | |
|-----------------------------------|-------------------------------------|---------------------------------------|
| ROUTED TO: | CONCURRENCE | CONCURRENCE OF GENERAL MANAGER |
| Law | <input checked="" type="checkbox"/> | |
| SENIOR STAFF REPORT REVIEW | INITIALS: | APPROVED BY CAO |
| | | |

Staff Report

Origin

The City of Richmond (the City) maintains a credit facility agreement with its bank, which includes: (i) \$15,000,000 in standby letters of credit, demand promissory notes or bank overdraft; (ii) \$4,500,000 in leasing lines of credit; and (iii) \$2,000,000 in commercial card credit facility. The purpose of this report is to seek Council's approval and authorization of the proposed Revenue Anticipation Borrowing (2024) Bylaw No. 10532.

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

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

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

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

Analysis

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

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

The City's Credit Facility Agreement

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

- The purpose of the operating line of credit is to ensure that the City has a secondary source of credit in place to protect its bank accounts from the unlikely event of going into an overdraft position.
- Staff regularly monitor the City's cash flow position to prevent the possibility of having to draw down on the credit facility. The credit facility has never been utilized by the City.

\$4,500,000 Leasing Lines of Credit

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

\$2,000,000 Commercial Credit Card Facility

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

The credit facilities are offered to the City by its bank at no charge unless they are being drawn upon. The following table summarizes the interest rates under the City’s existing credit facility agreement:

| | Operating Lines of Credit | Leasing Lines of Credit | Commercial Credit Card |
|---------------|---|---|--|
| Interest Rate | Scotiabank’s prime lending rate minus 0.50% | Scotiabank’s prime lending rate or leasing base rate plus 0.60% | Scotiabank’s prime lending rate plus 12% |
| Grace Period | None | None | 3 days after statement date |

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

Proposed Revenue Anticipation Borrowing (2024) Bylaw No.10532

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

The purpose of maintaining these credit facilities is to ensure that they will be available in the event that funds are required to meet short-term operational cash flow needs. Should any of these credit facilities be utilized resulting in the City incurring interest charges for a consecutive period of more than two weeks, staff will prepare a memo to inform Council of such financial activity.

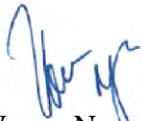
The Revenue Anticipation Borrowing Bylaw is required to be adopted annually by Council. There was no change to the credit facility arrangement since it was last adopted in 2023. Credit facility arrangements are reviewed with the bank at least once a year to evaluate the City’s credit needs in determining the optimal level of credit facility balances to maintain.

Financial Impact

None.

Conclusion

Staff recommend that the Revenue Anticipation Borrowing (2024) Bylaw No. 10532 be introduced and given first, second and third readings.



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

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



REVENUE ANTICIPATION BORROWING (2024) BYLAW NO. 10532

The Council of the City of Richmond enacts as follows:

1. Council shall be and is hereby empowered and authorized to borrow upon the credit of the City, from a financial institution, a sum not exceeding \$21,500,000 at such times as may be required.
2. The form of obligation to be given as acknowledgement of the liability shall be \$15,000,000 in the form of standby letters of credit, demand promissory notes or bank overdraft, \$4,500,000 in the form of leasing lines of credit, and \$2,000,000 in the form of commercial credit card facility.
3. All unpaid taxes and the taxes of the current year (2024) when levied or so much thereof as may be necessary shall, when collected, be used to repay the money so borrowed.
4. Revenue Anticipation Borrowing (2023) Bylaw No. 10445 is hereby repealed.
5. This Bylaw is cited as “Revenue Anticipation Borrowing (2024) Bylaw No. 10532”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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

MAYOR

CORPORATE OFFICER