



**Finance Committee
Electronic Meeting**

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

Monday, April 3, 2023

**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 March 6, 2023.*



FINANCE AND CORPORATE SERVICES DIVISION

1. **2022 ANNUAL DEVELOPMENT COST CHARGES REPORT**
(File Ref. No. 03-0905-01) (REDMS No. 7147949)

FIN-5

See Page FIN-5 for full report

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

That the staff report titled, "2022 Annual Development Cost Charges Report," dated March 8, 2023 from the Director, Finance be received for information.



Finance Committee Agenda – Monday, April 3, 2023

Pg. #

ITEM

2. **2022 INVESTMENT REPORT**
(File Ref. No. 03-0900-01) (REDMS No. 7141572)

FIN-22

[See Page FIN-22 for full report](#)

Designated Speaker: Venus Ngan

STAFF RECOMMENDATION

That the staff report titled “2022 Investment Report” dated March 8, 2023 from the Director, Finance be received for information.

☐

3. **REVENUE ANTICIPATION BORROWING (2023) BYLAW NO. 10445**
(File Ref. No. 03-0900-01) (REDMS No. 7141285)

FIN-27

[See Page FIN-27 for full report](#)

Designated Speaker: Venus Ngan

STAFF RECOMMENDATION

That Revenue Anticipation Borrowing (2023) Bylaw No. 10445 be introduced and given first, second and third readings.

☐

ADJOURNMENT

☐



Finance Committee

Date: Monday, March 6, 2023

Place: Council Chambers
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
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 5:36 p.m.

MINUTES

It was moved and seconded

That the minutes of the meeting of the Finance Committee held on February 6, 2023, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **PROPOSED AMENDMENT TO THE DEVELOPMENT COST CHARGES IMPOSITION BYLAW**

(File Ref. No. 03-0900-01) (REDMS No. 7099422)

Finance Committee
Monday, March 6, 2023

It was moved and seconded

That Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 10436 be introduced and given first, second and third readings.

The question on the motion was not called as in response to queries from Committee, staff noted that (i) the increase would be quite substantial if paid through the taxes, (ii) once Council approves the bylaw it goes to the Province and will come back in a couple of months for adoption, (iii) there will be a one-year interim before the new rates are in effect, (iv) the public consultation has taken place and all stakeholders have been advised of the changes, (v) the referral is in relation to demolished buildings as the assumption is that the Development Cost Charge (DCC) has already been paid, (vi) a study is currently underway in relation to the feasibility of DCC waivers, (vii) DCC's approved for specific uses such as for sewers, dikes, roads and sanitary, (viii) other municipalities have different timelines for updating their DCC's, and (ix) heavy industrial is predominately on Mitchell Island.

The question on the motion was then called and it was **CARRIED** with Cllr. Loo opposed.

2. **2022 ANNUAL PROCUREMENT REPORT**

(File Ref. No. 02-0745-01) (REDMS No. 7056814)

It was moved and seconded

That the staff report titled, "2022 Annual Procurement Report", dated February 7, 2023 from the Director of Finance, be received for information.

CARRIED

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (5:57 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, March 6, 2023.

Mayor Malcolm D. Brodie
Chair

Sarah Goddard
Legislative Services Associate



City of Richmond

Report to Committee

To: Finance Committee
From: Mike Ching, CPA, CMA
Director, Finance
Date: March 8, 2023
File: 03-0905-01/2023-Vol
01
Re: 2022 Annual Development Cost Charges Report

Staff Recommendation

That the staff report titled, "2022 Annual Development Cost Charges Report," dated March 8, 2023 from the Director, Finance be received for information.

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

Att. 1

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Development Applications	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

In compliance with section 569 of the *Local Government Act*, the City is required to prepare a Development Cost Charges (DCC) report on or before June 30th, with information from the previous year. The DCC report must include the following, reported under subsection (2) of section 569 for which the local government imposes development cost charges in the applicable year:

- (a) *the amount of development cost charges received;*
- (b) *the expenditures from the development cost charge reserve funds;*
- (c) *the balance in the development cost charge reserve funds at the start and at the end of the applicable year;*
- (d) *any waivers and reductions under section 563 (2).*

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.

4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

Analysis

The City's 2022 Annual DCC Report covers the following six broad categories:

- (i) Description and principles of the City of Richmond's DCC program;
- (ii) 2022 DCC reserve fund balances;
- (iii) 2022 DCC credits;
- (iv) 2022 and 2023 DCC programs;
- (v) Waivers and reductions; and
- (vi) Municipal assist factor.

The 2022 Annual Development Cost Charges Report includes contribution amounts for which the City holds a Letter of Credit from the developer, where the cash will be received in the future based on the defined payment schedule. The Report does not include amounts received as of December 31, 2022 that are not confirmed due to potential DCC credits. These amounts, if applicable, will be reported in future periods.

New DCC rates established through the Development Cost Charges Imposition Bylaw No. 10161 were approved by Council on May 10, 2021 with a 0.8% rate increase. There were no new rates set in 2022. The City completed a major DCC update and various public engagement sessions on the proposed changes to the DCC rates in 2022. The amendment to the DCC Bylaw was approved by Council at the March 13, 2023 meeting under the staff report dated January 27, 2023 titled "Proposed Amendment to the Development Cost Charges Imposition Bylaw" from

March 8, 2023

- 3 -

the Director, Finance. Upon approval of the proposed DCC Bylaw by Council, the Ministry's statutory approval of the proposed DCC Bylaw will be required prior to final adoption.

A copy of the 2022 Annual Development Cost Charges Report, which will be available for public viewing on the City's website before June 30, 2023, is attached for information.

Financial Impact

None.

Conclusion

The attached 2022 Annual Development Cost Charges Report is in compliance with the annual reporting requirements as prescribed under section 569 of the *Local Government Act*.



Cindy Gilfillan, CPA, CMA
Manager, Financial Reporting
(604-276-4077)

Att. 1: 2022 Annual Development Cost Charges Report

City of Richmond
**2022 Annual Development
Cost Charges Report**

For the year ended December 31, 2022

CITY OF RICHMOND

2022 ANNUAL DEVELOPMENT COST CHARGES REPORT

This 2022 Annual Development Cost Charges (DCC) Report is prepared by the City of Richmond (“City”) pursuant to Section 569 of the *Local Government Act*. This report contains information pertaining to the following reporting requirements:

- I. Description and Principles of the City’s DCC Program
- II. 2022 DCC Reserve Fund Balances
- III. 2022 DCC Credits
- IV. 2022 and 2023 DCC Programs
- V. Waivers and Reductions
- VI. Municipal Assist Factor

I. DESCRIPTION AND PRINCIPLES OF THE DCC PROGRAM

What is the purpose of the DCC Program?

The purpose of the DCC Program is to provide the municipality with a dedicated source of funding to plan, develop, and implement infrastructure services identified by the City. The objective of the DCC program is to ensure that those who will use and benefit from the services developed will pay their share of the costs in a fair and equitable basis. The DCC program is one of the many pieces of the City’s broader community development framework. It is developed in ways that are consistent with the City’s long-term planning objectives and financial strategies.

What are DCC’s?

DCC’s are levies placed on new development to assist in financing the cost of upgrading or providing infrastructure services, as well as supporting the cost of acquiring and developing parkland needs in order to accommodate the growing population.

Capital projects include but are not limited to:

- New or widening of existing arterial roads, improvements to traffic signals, sidewalks, walkways, bicycle lanes, upgrades to transit-related road infrastructures and traffic safety projects;
- Upgrades to watermains, pressure reducing valve stations, drainage pipes, box culverts, drainage pump stations, canals, sanitary sewers and sanitary pump stations; and
- Acquisition and development of parkland (playing fields, drainage and irrigation, turf, etc.)

CITY OF RICHMOND

2022 ANNUAL DEVELOPMENT COST CHARGES REPORT

What are the guiding principles in developing the DCC program?

Each local government has a fundamental philosophy with respect to development and the government's role in facilitating that development. The City's DCC program has been developed to be consistent with the following legislation, plans, and policy guides:

- Local Government Act
- Development Cost Charges Best Practices Guide
- City of Richmond Official Community Plan (OCP)
- Urban Futures Community-Level Projections of Population, Housing & Employment
- City of Richmond Parks and Open Space Strategy
- City of Richmond City Centre Transportation Plan
- City of Richmond City Centre Area Plan (CCAP)
- City of Richmond Employment Lands Strategy
- City of Richmond Trail Strategy
- City of Richmond Hamilton Area Plan Update

Furthermore, to ensure that affected stakeholders are informed about the DCC program, the City is required to consult, receive, and consider comments from representatives of the development industry. Representatives include members from the Urban Development Institute (UDI), Greater Vancouver Home Builders Association (GVHBA), National Association of Industrial and Office Properties (NAIOP), and local homebuilders and developers.

How are DCC rates derived?

The City began the DCC process by determining the amount of growth expected to occur based on the City's OCP. Using the growth projections for residential, commercial, industrial, and institutional developments, the City identified specific infrastructure needs to accommodate this growth. The corresponding estimated costs formed the basis of the DCC Program.

New DCC rates established through the Development Cost Charges Imposition Bylaw No. 10161 were approved by Council on May 10, 2021 with a 0.8% rate increase. There were no new rates set in 2022. The City completed a major DCC update and various public engagement sessions on the proposed changes to the DCC rates in 2022. The amendment to the DCC Bylaw was approved by Council at the March 13, 2023 meeting under the staff report dated January 27, 2023 titled "Proposed Amendment to the Development Cost Charges Imposition Bylaw" from the Director, Finance. Upon approval of the proposed DCC Bylaw by Council, the Ministry's statutory approval of the proposed DCC Bylaw will be required prior to final adoption.

How are DCCs used?

CITY OF RICHMOND
2022 ANNUAL DEVELOPMENT COST CHARGES REPORT

Funds collected through the DCC program are deposited in a separate reserve account. These funds may only be used to pay for the expenditures of the capital project or finance the costs related to debt incurred for the capital project.

DCC cannot be used for costs incurred to operate and maintain parks, roads, water, sanitary, and drainage infrastructure already in place to serve the existing residents of the City, or to replace infrastructure if the replacement is not capacity-driven as a result of development. In addition, DCC collected cannot be used to pay for services such as recreation, policing, fire and library that are also affected by growth.

How are costs allocated to growth and existing users?

To achieve the objective of promoting growth and ensure the use of a fair and equitable basis of allocating costs, the costs of the DCC are allocated between growth and the existing population based on assessed benefit factors.

II. 2022 DCC RESERVE FUND BALANCES

The City records and maintains separate accounts for each DCC reserve fund. The following table provides a continuity schedule of each DCC reserve fund (by service) for the 2022 fiscal year:

(amounts expressed in thousands of dollars)

	January 1 Balance	Transfers In	Interest Earned	DCC Front Ender Payment	Transfers Out	December 31 Balance
City-Wide:						
Drainage	\$ 44,847	\$ 6,540	\$ 1,165	\$ -	\$ (874)	\$ 51,678
Parks Acquisition	48,005	3,756	914	-	(4,048)	48,626
Parks Development	22,661	2,765	299	-	(10,201)	15,524
Roads	64,512	12,193	1,274	-	(6,415)	71,565
Sanitary Sewer	28,143	3,268	711	-	(232)	31,889
Water	8,560	1,657	226	-	(184)	10,259
Total City-Wide	\$ 216,728	\$ 30,178	\$ 4,589	\$ -	\$ (21,954)	\$ 229,541
Local Area - Alexandra:						
Drainage	\$ 1,683	\$ -	42	\$ -	\$ -	\$ 1,726
Parks Acquisition	1,532	-	33	-	(480)	1,085
Parks Development	205	-	2	-	-	207
Roads	3,671	-	90	(125)	-	3,636
Sanitary Sewer	573	-	13	-	-	586
Water	263	-	7	-	-	270
Total Local Area	\$ 7,927	\$ -	\$ 189	\$ (125)	\$ (480)	\$ 7,510
Total DCC Reserve	\$ 224,655	\$ 30,178	\$ 4,777	\$ (125)	\$ (22,434)	\$ 237,051

Note, all amounts are unaudited and balances include committed amounts approved by Council through the Capital Budget.

CITY OF RICHMOND
2022 ANNUAL DEVELOPMENT COST CHARGES REPORT

2022 DCC CREDITS

Site Address	Developer/Applicant
---------------------	----------------------------

Drainage

No credits for drainage were issued during 2022.

Parkland Acquisition

No credits for parkland acquisition were issued during 2022.

Parkland Development

No credits for parkland development were issued during 2022.

Roads

No credits for roads were issued during 2022.

Sanitary Sewer

No credits for sanitary sewer were issued during 2022

Water

No credits for water were issued during 2022.

CITY OF RICHMOND
2022 ANNUAL DEVELOPMENT COST CHARGES REPORT

III. 2022 and 2023 DCC PROGRAMS

Drainage

The projects in the Drainage DCC Program include upgrades to box culverts, drainage pipes and pump stations.

A summary of the projects funded by the Drainage DCC during 2022 and the projects set to begin in 2023 is contained in Appendix 1.

Parkland Acquisition and Park Development

The projects in the Parks Acquisition DCC Program include acquisition and internal repayments for park land and open space required to meet the needs of the City's growth. The projects include park planning and development as well as new playgrounds. Areas impacted include urban parks, community parks, neighbourhood parks, trails, natural areas and waterfront parks.

A summary of the projects funded by the Parks Acquisition and Parks Development DCC during 2022 and the projects set to begin in 2023 is contained in Appendix 2.

Roads

The projects in the Roads DCC Program include new/widening of roads, intersection and traffic signal improvements, selected arterial improvements, pedestrian and cyclist improvements, transit-related road infrastructure, traffic safety projects and internal repayments.

A summary of the projects funded by the Roads DCC during 2022 and the projects set to begin in 2023 is contained in Appendix 3.

Sanitary Sewer

The projects in the Sanitary Sewer DCC Program include upgrades to sanitary sewers, forcemains and pump stations.

A summary of the projects funded by the Sanitary Sewer DCC during 2022 and the projects set to begin in 2023 is contained in Appendix 4.

Water

The projects in the Water DCC Program include upgrades to watermains and pressure reducing valve stations.

A summary of the projects funded by the Water DCC during 2022 and the projects set to begin in 2023 is contained in Appendix 5.

CITY OF RICHMOND
2022 ANNUAL DEVELOPMENT COST CHARGES REPORT

IV. WAIVERS AND REDUCTIONS

Section 563 of the Local Government Act provides the option for municipalities to exempt or waive DCC for the following classes of eligible development:

- Not-for-profit rental housing, including supportive living housing;
- For-profit affordable rental housing;
- A subdivision of small lots that is designed to result in low greenhouse gas emission; and
- A development designed to result in a low environmental impact.

Any waivers made under this section would require the City to pay an equivalent amount from other non-DCC funding sources. For the year of 2022, no waivers or reductions were granted.

V. MUNICIPAL ASSIST FACTOR

The Local Government Act recognizes that the City and existing residents can also receive a marginal benefit from the associated capital improvements. As such, the Local Government Act stipulates that an assist factor will be included as part of the calculation of DCC. An assist factor represents the City's contribution towards the capital projects that are attributable to new developments. In determining the municipal assist factor, the City considers the following factors:

- Future land use patterns and development;
- Phasing of works and services;
- Whether the charges are excessive in relation to the capital costs of prevailing standards of service;
- Whether the costs will deter development; or
- Whether the charges will discourage the construction of reasonably priced housing or the provision of reasonably priced serviced land.

Based on the above factors and the assessment that the majority of the capital improvements are a result of new growth, the City's municipal assist factor has been set at 1% which is the minimum amount the City may contribute.

DRAINAGE – 2022 Expenditures

This table summarizes all projects approved in 2022 and earlier that had expenditures funded by the Drainage DCC during 2022:

Location	Type of Infrastructure / Description
Disaster Mitigation and Adaption Fund Infrastructure	Disaster Mitigation

DRAINAGE – 2023 Projects

There were no projects funded by the Drainage DCC in the 2023 Capital Budget.

PARKS – 2022 Expenditures

This table summarizes all projects approved in 2022 and earlier that had expenditures funded by the Parks DCC during 2022:

Location	Type of Infrastructure / Description
Aberdeen Park	Development of neighbourhood park
City Wide	Advanced planning & design
City Wide	Community Gardens
City Wide	General development
City Wide	Parkland acquisition and repayment
City Wide	Parks Identity Signage Program
City Wide	Playground Replacement
Garden City Lands	Design and Construction
Hollybridge Way and Middle Arm	Pier construction and development of neighbourhood park
King George Park	Development of neighbourhood park
Lang Park	Development of neighbourhood park
London Steveston Park	Parks advance planning & design
Minoru Park	Lakes renewal and development of neighbourhood park
Oval West Waterfront Park	Development of neighbourhood park
South Arm Park	Park Renewal
Terra Nova Park	Waterfront development
The Gardens Agricultural Park	Development of neighbourhood park
West Cambie Park	Development of neighbourhood park

PARKS – 2023 Projects

This table summarizes all projects funded by the Parks DCC that have been approved in the 2023 Capital Budget:

Location	Type of Infrastructure / Description
City Wide	Parkland Acquisition
City Wide	Parks Advance Planning and Design
City Wide	Parks General Development
City Wide	Community Gardens
McLean Park	Dog Off-Leash Area
Middle Arm Waterfront	Lulu Island park planning
Steveston Community Park	Playground Expansion

ROADS – 2022 Expenditures

This table summarizes all projects approved in 2022 and earlier that had expenditures funded by the Roads DCC during 2022:

Location	Type of Infrastructure / Description
City Wide	Accessible Pedestrian Signal Program
City Wide	Active Transportation Improvement Program
City-Wide	Advanced design
City Wide	Arterial Roadway Improvement Program
Cambie Rd	Arterial Roadway Improvement Program
Leslie Rd	Arterial Roadway Improvement Program
City Centre	Bicycle Lanes
City Wide	Bicycle Lanes
City-Wide	Functional and Preliminary Design (Transportation)
No 2 Road	Interim road extension with walkways and bicycle lane
River Parkway- Gilbert Road to Cambie Road	Interim road extension with walkways and bicycle lane
City-Wide	LED Street Name Sign Program
City-Wide	Neighbourhood Walkway Program
City-Wide	Railway Crossings
City Wide	Road Safety Related Improvements
City-Wide	Special Crosswalk Program
City Wide	Traffic Calming Program
City Wide	Traffic Signal Power Backup System (UPS)
City-Wide	Traffic Signal Program
City Wide	Traffic Video and Communication Program
City Wide	Transit-Related Amenity Improvement Program
City Wide	Transportation Planning, Functional and Preliminary Design

ROADS – 2023 Projects

This table summarizes all projects funded by the Roads DCC that have been approved in the 2023 Capital Budget:

Location	Type of Infrastructure / Description
City Wide	Active Transportation Improvement Program
City Wide	Arterial Roadway Improvement Program
City Wide	LED Street Name Sign Program
Steveston	Moncton St Pedestrian & Cycling Improvement
City Wide	Neighbourhood Walkway Program
City Wide	Special Crosswalk Program
Steveston	Steveston Highway Multi-Use Pathway, No 2 Road to Railway Avenue
City Wide	Top 20 Collision Prone Intersections- Implementation of Medium-/Long-term Improvements
City Wide	Traffic Calming Program
City Wide	Traffic Signal Power Backup System (UPS)
City Wide	Traffic Signal Program
City Wide	Traffic Video and Communication Program
City Wide	Transit-Related Amenity Improvement Program
City Wide	Transit-Related Roadway Improvement Program
City Wide	Transportation Planning, Functional and Preliminary Design
City Wide	Public Works Infrastructure Advanced Design

SANITARY SEWER – 2022 Expenditures

This table summarizes all projects approved in 2022 and earlier that had expenditures funded by the Sanitary Sewer DCC during 2022:

Location	Type of Infrastructure / Description
Eckersley Road	Pump station replacement and upgrades
Hamilton Area	Pump station replacement and upgrades

SANITARY SEWER – 2023 Projects

There were no projects funded by the Sanitary Sewer DCC in the 2023 Capital Budget.

WATER – 2022 Expenditures

This table summarizes all projects approved in 2022 and earlier that had expenditures funded by the Water DCC during 2022:

Location	Type of Infrastructure / Description
Chatsworth Channel	Watermain replacement
City-Wide	Watermain replacement
Monteith Road	Watermain replacement
Petts Nevis Neighbourhood	Watermain replacement
Springfield Neighbourhood	Watermain replacement

WATER – 2023 Projects

There were no projects funded by the Water DCC in the 2023 Capital Budget:



City of Richmond

Report to Committee




To: Finance Committee
From: Mike Ching, CPA, CMA
Director, Finance
Re: 2022 Investment Report

Date: March 8, 2023
File: 03-0900-01/2023-Vol
01

Staff Recommendation

That the staff report titled "2022 Investment Report" dated March 8, 2023 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 2022.

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 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.

Summary of the City's Cash and Investment Position

The City's cash and investment balance was approximately \$1.56 billion as at December 31, 2022. The balance was comprised of \$907 million in investments and \$653 million in high interest savings accounts. This represents both the City's working capital for ongoing operational obligations, as well as funds held in reserves and liability accounts for future and restricted uses. 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). The balances by issuer category as of December 31, 2022 is summarized in Table 1 below.

Table 1: Summary of Cash and Investment Holdings by Issuer Category as of December 31, 2022

Issuer Category	Investment Type	Balance (Cost)	% of Total
Chartered Banks	Cash and Short-Term Deposits	\$ 653 million	42%
Provincial Governments	Fixed Income Bonds	\$ 362 million	23%
Chartered Banks	Term Deposits	\$ 272 million	17%
Chartered Banks	Fixed Income Bonds	\$ 181 million	12%
Credit Unions	Term Deposits	\$ 93 million	6%
Total Cash and Investment Balance* (December 31, 2022)		\$ 1.56 billion	100%

*Balance represents investment value at cost. Market value of investments was \$1.54 billion as of December 31, 2022.

Investment Policy 3703

The City's Investment Policy 3703 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 (Dominion Bond Rating Service (DBRS) credit rating A high or better) and principal-guaranteed investment products.

Environmental, Social and Governance (ESG)

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 purpose of the ISSB is to address the disparities in the guidance and frameworks on ESG reporting. A Canadian Sustainability Standards Board 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 standardization of the global ESG reporting standards is still being developed. 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 continues to assess its investment portfolio's ESG rating on a quarterly basis. Morgan Stanley Capital International (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" according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to their peers.

The City's fixed income investment portfolio continues to receive a MSCI ESG Rating of "AA" as of Q4 2022 (Table 2).

Table 2: MSCI ESG Rating Report

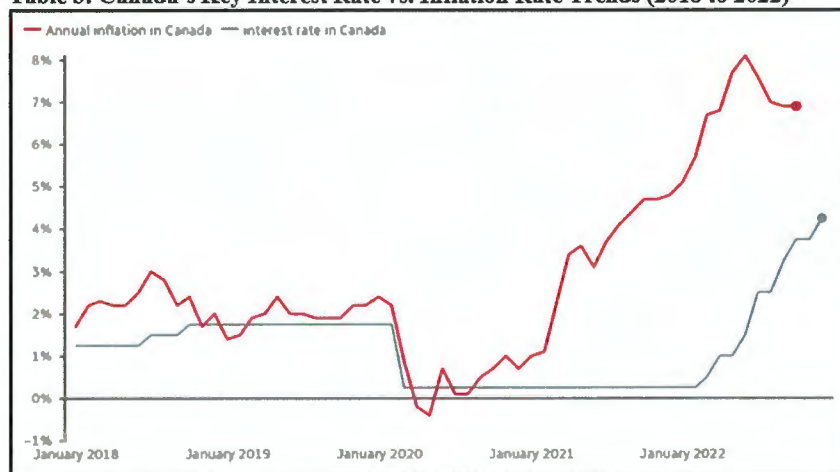
ESG Report - City of Richmond		December 30, 2022		
<small>Benchmark: 98% DEX Short Provincial, 2% Cash</small>		<small>Base Currency: CAD</small>		
Key ESG Scores				
Manager:	Kevin Pye	<div> <div>ESG Rating</div> <div>AA</div> </div> <div>Overall ESG Score: 7.63</div> <div> <div>Environmental</div> <div>7.83</div> </div> <div> <div>Social</div> <div>5.65</div> </div> <div> <div>Governance</div> <div>7.49</div> </div>		
Portfolio MV:	\$530,681,449			
Benchmark ESG Rating:	A			
Benchmark ESG Score:	7.02			

Interest Rate Environment

Canada's average inflation rate for 2022 was 6.8% a 40-year high.

The inflation rate peaked in the summer of 2022 at 8.1%. To combat inflation, the Bank of Canada (the Bank) increased its overnight interest rate seven times, raising the key interest rate from 0.25% to 4.25% in 2022 (Table 3).

Table 3: Canada's Key Interest Rate vs. Inflation Rate Trends (2018 to 2022)



Source: Bank of Canada and Statistics Canada

In 2023, the Bank further increased its key interest rate by 0.25% to 4.50% on January 26. On March 8, the Bank announced a conditional pause in holding its key policy interest rate at 4.50% based on its assessment of recent economic data.

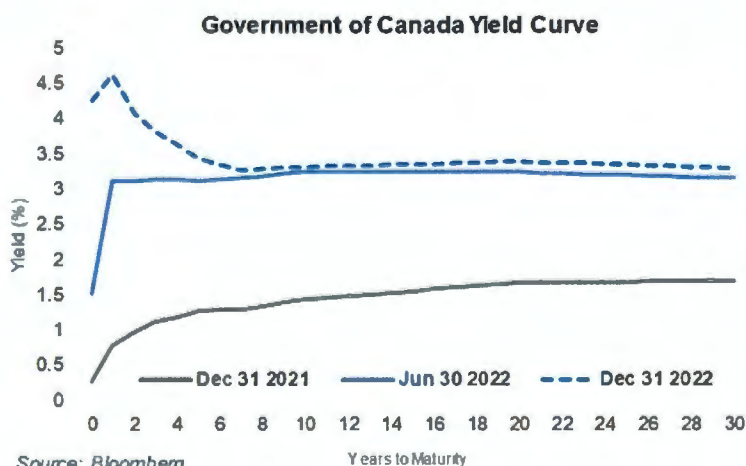
The Bank's inflation data suggests that current inflation is moving in the right direction, with the inflation rate decreased to 5.90% in January 2023. The Bank will continue to assess economic developments and the impact of past interest rate increases and is prepared to increase the policy rate further if needed to return inflation to the 2% target.

2022 Investment Performance

The City's overall weighted average investment yields for 2022 was 2.50%, which is largely driven by the market interest rate conditions.

As shown in Table 4, the Canadian yield curve in 2022 has increased significantly when compared to the prior year. The inverted shape of the yield curve makes it more advantageous for investors to hold shorter-term investments to maximize investment yields.

Table 4: Canadian Yield Curve Movements (2021 to 2022)



Source: Bloomberg

Short-Term Funds

Due to the competitive and favourable yields on short-term and cashable products, the City has strategically invested in short-term and high interest savings products in order to optimize the overall interest income for the City's portfolio.

As a result of this yield maximization strategy, the City held approximately \$653 million in short-term deposits as of December 31, 2022. The short-term fund consists primarily of cash balances, cashable products, short-term deposits and high interest savings accounts. The City's short-term fund earned an effective average annual yield of 3.20%, which exceeds the FTSE (Financial Stocks Stock Exchange) Canada Treasury Bill Index benchmark.

Long-Term Investment Portfolio

The City's long-term investment portfolio balance of \$907 million is comprised of a diversified range of fixed income provincial and bank bonds, as well as term deposits with straddling maturities between one to six years (with an average term to maturity of 1.67 years).

The 2022 average yield to maturity of these long-term investment products was 2.00%. The improvement of the yield on longer-term securities typically lags behind because the higher yields are only realized upon reinvestment of these longer-term securities into higher yielding products upon maturity. The investment return of the City's fixed income portfolio is consistent and slightly outperforms the comparable FTSE Canada Short Term Provincial Bond Index benchmark.

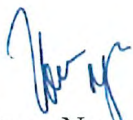
The City's investment portfolio will continue to be strategically positioned to ensure that capital preservation and liquidity continue to be the most important consideration for any municipal investments.

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:** March 8, 2023
From: Mike Ching, CPA, CMA **File:** 03-0900-01/2023-Vol
Director, Finance 01
Re: Revenue Anticipation Borrowing (2023) Bylaw No. 10445

Staff Recommendation

That Revenue Anticipation Borrowing (2023) Bylaw No. 10445 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 (2023) Bylaw No. 10445.

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 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 6.70%.

Proposed Revenue Anticipation Borrowing (2023) Bylaw No.10445

The proposed Revenue Anticipation Borrowing (2023) Bylaw No.10445 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.

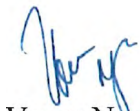
The Revenue Anticipation Borrowing Bylaw is required to be adopted annually by Council. There was no change to the credit facility arrangement since it was last adopted in 2022. Credit facility arrangements are reviewed with the bank at least once a year to evaluate the City's credit needs in determining the optimal level of credit facility balances to maintain.

Financial Impact

None.

Conclusion

Staff recommend that the Revenue Anticipation Borrowing (2023) Bylaw No. 10445 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 (2023) Bylaw No. 10445



City of Richmond

Bylaw 10445

REVENUE ANTICIPATION BORROWING (2023) BYLAW NO. 10445

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 (2023) 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 (2022) Bylaw No. 10368 is hereby repealed.
5. This Bylaw is cited as "Revenue Anticipation Borrowing (2023) Bylaw No. 10445".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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

MAYOR

CORPORATE OFFICER