



Finance Committee

**Anderson Room, City Hall
6911 No. 3 Road**

Tuesday, July 2, 2013

Immediately Following the Open General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-4 *Motion to adopt the minutes of the meeting of the Finance Committee held on Monday, June 3, 2013.*

FINANCE AND CORPORATE SERVICES DEPARTMENT

1. **LONG TERM FINANCIAL MANAGEMENT STRATEGY UPDATE 2013**
(File Ref. No.) (REDMS No. 3895523 v.3)

FIN-7

See Page **FIN-7** for full report

Designated Speaker: Andrew Nazareth

STAFF RECOMMENDATION

That the staff report titled Long Term Financial Management Strategy Update 2013 dated June 19, 2013 from the Director, Finance, be received for information.

Pg. # ITEM

2. **LONG TERM FINANCIAL MANAGEMENT POLICY**
(File Ref. No.) (REDMS No. 3821380 v.4)

FIN-16

See Page **FIN-16** for full report

Designated Speaker: Andrew Nazareth

STAFF RECOMMENDATION

That Item 10 of the Long Term Financial Management Strategy (Council Policy 3707) be amended, as follows:

“Utilize a ‘pay as you go’ approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.”



3. **DISTRIBUTION FROM THE MUNICIPAL FINANCE AUTHORITY OF BC**
(File Ref. No.) (REDMS No. 3890409 v.5)

FIN-21

See Page **FIN-21** for full report

Designated Speaker: Andrew Nazareth

STAFF RECOMMENDATION

That Council approve transferring the \$1.9M surplus distribution received from the Municipal Finance Authority of BC to the following accounts:

- (1) \$1.8M be returned to the Roads DCC program and subsequently transferred to the City’s Surplus Account to repay outstanding internal borrowings;*
- (2) \$0.1M to the Sanitary Sewer Reserve.*



4. **CREATION OF A STATUTORY RESERVE FUND FOR ARTS, CULTURE AND HERITAGE CAPITAL PURPOSES**
(File Ref. No. 12-8060-20-9032; 11-7000-00) (REDMS No. 3826496)

FIN-24

See Page **FIN-24** for full report

Designated Speaker: Jane Fernyhough

Pg. # ITEM

- (2) *That following adoption of Bylaw No. 9032, \$ 4,297,779 together with accrued interest, being the net proceeds realized from the land transactions in conjunction with the Oris Development (Kawaki) at 6160 London Road and 13100, 13120, 13140, 13160 and 13200 No. 2 Road, be deposited to the Arts, Culture and Heritage Capital Reserve Fund.*

ADJOURNMENT



Finance Committee

Date: Monday, June 3, 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 4:48 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on Monday, May 6, 2013, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DEPARTMENT

1. **2012 ANNUAL REPORT AND 2012 ANNUAL REPORT – HIGHLIGHTS**
(File Ref. No.) (REDMS No. 3859378)

It was moved and seconded
That the City of Richmond 2012 Annual Report and the 2012 Annual Report – Highlights be approved.

CARRIED

Finance Committee
Monday, June 3, 2013

2. **REVENUE ANTICIPATION BORROWING (2013) BYLAW NO. 9020**
(File Ref. No. 12-8060-20-9020; 03-0900-01) (REDMS No. 3828708)

It was moved and seconded

That Revenue Anticipation Borrowing (2013) Bylaw No. 9020 be introduced and given first, second, and third readings.

CARRIED

3. **2012 ANNUAL DEVELOPMENT COST CHARGES**
(File Ref. No. 03-0900-01) (REDMS No. 3828936)

Jerry Chong, Director, Finance, noted that the 2012 Annual Development Cost Charges (DCC) report is in compliance with the *Local Government Act* in order to (i) provide information on the DCC activity for 2012 and (ii) undertake a review of the DCC rates approved in 2008. The report will be available on the City website.

It was moved and seconded

That the staff report titled 2012 Annual Development Cost Charges (from the Director, Finance, dated May 1, 2013) be received for information.

CARRIED

RICHMOND OLYMPIC OVAL CORPORATION

4. **RICHMOND OLYMPIC OVAL CORPORATION – 1ST QUARTER 2013 FINANCIAL INFORMATION**
(File Ref. No.) (REDMS No. 3865648)

John Mills, COO, Richmond Oval, noted that a quarterly over quarterly comparison between 2012 and 2013 reflects a 20% increase in revenue while expenses increased 8%. The quarterly comparison between 2011 and 2012 saw a 40% increase in revenue. The Oval continues to experience significant revenue growth.

A discussion then ensued about:

- whether the Oval had reached its membership capacity and it was noted that pressure is being experienced between membership programming and special events held at the Oval; however, membership is a significant source of revenue and decisions will be made to protect the time and space for membership programming.
- the effectiveness of the newspaper wrap and how best to communicate the successfulness of the Richmond Olympic Oval.

2.

Finance Committee
Monday, June 3, 2013

It was moved and seconded

That the report on the 1st Quarter 2013 Financial Information for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.

CARRIED

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (5:13 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, June 3, 2013.

Mayor Malcolm D. Brodie
Chair

Heather Howey
Committee Clerk



City of Richmond

Report to Committee

To: Finance Committee

Date: June 19, 2013

From: Jerry Chong, CA
Director, Finance

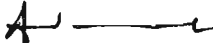
File:

Re: Long Term Financial Management Strategy Update 2013

Staff Recommendation

That the Long Term Financial Management Strategy Update 2013 report from the Manager, Financial Reporting, dated June 19, 2013 be received for information.

Jerry Chong, CA
Director of Finance
(4064)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY DIRECTORS	INITIALS: DW
REVIEWED BY CAO (DEPUTY)	INITIALS: DE

Staff Report

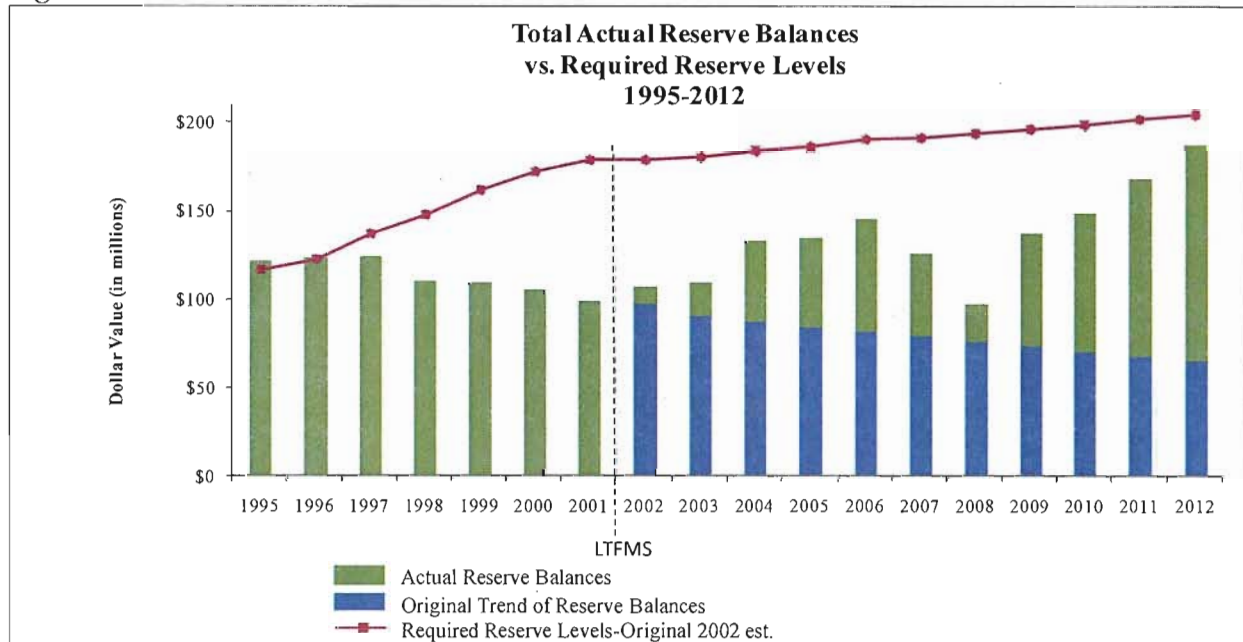
Origin

The purpose of this report is to provide an information update concerning Council’s Policy 3707 Long Term Financial Management Strategy (LTFMS). It has been 10 years since the policy was implemented, therefore, it is a prime opportunity to evaluate what has been achieved since the inception of the policy.

Background

In mid-2002, after a review of the trend of the City’s reserves (blue bars in *Figure 1*), the CAO directed staff to prepare a plan to address the long term financial sustainability of the City. Up to that point in time, the City’s long term financial direction was driven by the annual budget decisions which in turn were driven by Council’s desire to keep the tax impacts low. In the mid to late 1990’s for instance, the City absorbed approximately \$5.7 million in loss of grants from the Province, incurred debt, and absorbed growth and plant increases, while keeping tax increases in the range of zero to 1.8%. The consequence was the gradual deterioration of the City’s reserves. Therefore, Council adopted a strategy that addressed the long term financial viability of the City on October 15, 2002.

Figure 1



In September 2003, Council decided to focus on *'enhancing the City's economic well being for present and future generations as part of the well managed component of the vision without sacrificing the components of the vision which affect overall liveability of the community'* and approved the following points in the LTFMS policy:

1. Tax Revenue - Tax increases will be at Vancouver's CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.
2. Gaming Revenue - Gaming revenues will go directly to the capital reserves, the grants program and a community legacy project reserve.
3. Alternative Revenues & Economic Development - Any increases in alternative revenues and economic development beyond all the financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.
4. Changes to Senior Government Service Delivery - Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year's taxes above and beyond the CPI and infrastructure percentage contribution.
5. Capital Plan - Ensure that long term capital funding for infrastructure (e.g. parks, trails, facilities, roads etc.) is in place in order to maintain community liveability and generate economic development.
6. Cost Containment - Staff increases should be achieved administratively through existing departmental budgets, and no pre-approvals for additional programs or staff beyond existing budgets should be given, and that a continuous review be undertaken of the relevancy of the existing operating and capital costs to ensure that the services, programs and projects delivered continue to be the most effective means of achieving the desired outcomes of the City's vision.
7. Efficiencies & Service Level Reductions - Savings due to efficiencies or service level reductions identified in the strategy targets should be transferred to the capital reserves. Any savings due to efficiencies beyond the overall strategy targets can be utilized to reduce the tax rate or for increased levels of service.
8. Land Management – Sufficient proceeds from the sales of City land assets will be used to replenish or re-finance the City's land inventory. Any funds in excess of such proceeds may be used as directed by Council.
9. Administrative - As part of the annual budget process the following shall be undertaken:
 - all user fees will be automatically increased by CPI;
 - the financial model will be used and updated with current information, and
 - the budget will be presented in a manner that will highlight the financial strategy targets and indicate how the budget meets or exceed them.
10. Debt Management - Utilize a "pay as you go" approach rather than borrowing for financing infrastructure replacement.

Analysis

Current financial status

As a result of the LTFMS and other factors, the City (including the Library and Oval) is in a stronger financial position as shown by the change in the Audited Statement of Financial Position from December 31, 2002 to December 31, 2012.

Figure 2 - Statement of Financial Position as at December 31st (in \$000's)

	2012	2002*	Change \$	Change %
Financial Assets				
Cash and Investments	\$ 640,593	\$ 246,576	\$ 394,017	160%
Dev't Cost Charges (DCC)	12,923	7,042	5,881	84%
Other Assets	35,085	23,408	11,677	50%
Total Assets	688,601	277,026	411,575	149%
Liabilities				
Accounts Payable/Accruals	75,325	42,740	32,585	76%
Other Liabilities	78,082	18,361	59,721	325%
DCC Payable	62,547	37,290	25,257	68%
Long-Term Debt	3,488	42,709	(39,221)	(92%)
Total Liabilities	219,442	141,100	78,342	56%
Net Financial Assets	469,159	135,926	333,233	245%
Capital Assets and Inventory	1,834,849	922,940	911,909	99%
Net Position	2,304,008	1,058,866	1,245,142	118%
Financial Equity				
Reserves**	295,001	107,709	187,292	174%
Surplus/Appropriated Surplus***	181,982	73,526	108,456	148%
Capital Equity	1,827,025	877,631	949,394	108%
	2,304,008	1,058,866	1,245,142	118%

Notes: *2002 is used as the base year for comparison as the LTFMS was implemented in 2003.

**Reserve balances above include committed amounts.

***Includes surplus, appropriated surplus, obligations to be funded and other equity.

Highlights of changes over the period December 31, 2002 to December 31, 2012:

- Cash and investments have increased by \$394 million (160%)
- Long term debt has been reduced by \$39 million (92%)
- Reserves have increased by \$187 million (174%)
- Surplus / Appropriated Surplus has increased by \$108 million
- Capital Equity has grown by \$949 million

Performance Measurement

A simple report card was also developed to track the actual results of the LTFMS in a clear and concise manner, particularly, as they relate to the ten Council established policies and Council approved targets in 2003. Note that the LTFMS was implemented midway into 2003, the full year impact of the changes are not evident until 2004.

Figure 3 – LTFMS Scorecard

Policy	Analysis																																																																													
<p>1. Tax Revenue</p> <p>CPI + 1.0% per year in the future to be transferred to the reserves.</p>	<table border="1" data-bbox="475 569 1365 1014"> <thead> <tr> <th>Year</th> <th>CPI¹</th> <th>Base Increase</th> <th>Additional Levels</th> <th>Reserves²</th> <th>Total Increase</th> </tr> </thead> <tbody> <tr><td>2003</td><td>2.4%</td><td>2.90%</td><td>0.45%</td><td>1.00%</td><td>4.35%</td></tr> <tr><td>2004</td><td>2.2%</td><td>2.51%</td><td>0.76%</td><td>0.47%</td><td>3.74%</td></tr> <tr><td>2005</td><td>2.0%</td><td>1.25%</td><td>0.73%</td><td>0.00%</td><td>1.98%</td></tr> <tr><td>2006</td><td>2.0%</td><td>2.01%</td><td>0.97%</td><td>1.00%</td><td>3.98%</td></tr> <tr><td>2007</td><td>2.0%</td><td>1.65%</td><td>1.18%</td><td>0.82%</td><td>3.65%</td></tr> <tr><td>2008</td><td>2.1%</td><td>2.06%</td><td>1.86%</td><td>0.00%</td><td>3.92%</td></tr> <tr><td>2009</td><td>2.3%</td><td>2.51%</td><td>0.46%</td><td>0.00%</td><td>2.97%</td></tr> <tr><td>2010</td><td>1.5%</td><td>3.45%</td><td>0.00%</td><td>0.00%</td><td>3.45%</td></tr> <tr><td>2011</td><td>1.5%</td><td>2.95%</td><td>0.00%</td><td>0.00%</td><td>2.95%</td></tr> <tr><td>2012</td><td>1.7%</td><td>1.86%</td><td>0.12%</td><td>1.00%</td><td>2.98%</td></tr> <tr><td>2013</td><td>2.0%</td><td>1.98%</td><td>0.00%</td><td>1.00%</td><td>2.98%</td></tr> </tbody> </table> <p data-bbox="391 1045 1469 1108">- Since the implementation of the LTFMS in 2003, the tax increases have approximated the budgeted CPI increase.</p> <p data-bbox="391 1140 1469 1203">- The increase to reserves was fully met or had a partial increase in over half of the years since the implementation of the LTFMS.</p> <p data-bbox="391 1234 1469 1266">¹ CPI projections as used in annual budget preparation.</p> <p data-bbox="391 1266 1469 1350">² The years beginning in 2008 and through 2011 do not include a 1% increase in taxes for transfer to reserves as the reserves were funded from interest earned on Community Legacy & Land Replacement Reserve as approved by Council.</p>						Year	CPI ¹	Base Increase	Additional Levels	Reserves ²	Total Increase	2003	2.4%	2.90%	0.45%	1.00%	4.35%	2004	2.2%	2.51%	0.76%	0.47%	3.74%	2005	2.0%	1.25%	0.73%	0.00%	1.98%	2006	2.0%	2.01%	0.97%	1.00%	3.98%	2007	2.0%	1.65%	1.18%	0.82%	3.65%	2008	2.1%	2.06%	1.86%	0.00%	3.92%	2009	2.3%	2.51%	0.46%	0.00%	2.97%	2010	1.5%	3.45%	0.00%	0.00%	3.45%	2011	1.5%	2.95%	0.00%	0.00%	2.95%	2012	1.7%	1.86%	0.12%	1.00%	2.98%	2013	2.0%	1.98%	0.00%	1.00%	2.98%
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<p>2. Gaming Revenue</p> <p>Total Casino Revenue - \$10M per year by the 2nd year</p>	<table border="1" data-bbox="699 1419 1127 1797"> <thead> <tr> <th>Year</th> <th>Gaming Revenue</th> </tr> </thead> <tbody> <tr><td>2003</td><td>2,677,766</td></tr> <tr><td>2004</td><td>7,473,423</td></tr> <tr><td>2005</td><td>11,235,495</td></tr> <tr><td>2006</td><td>12,156,385</td></tr> <tr><td>2007</td><td>12,802,448</td></tr> <tr><td>2008</td><td>12,238,903</td></tr> <tr><td>2009</td><td>11,857,389</td></tr> <tr><td>2010</td><td>12,562,983</td></tr> <tr><td>2011</td><td>13,728,072</td></tr> <tr><td>2012</td><td>15,584,840</td></tr> </tbody> </table> <p data-bbox="391 1833 1469 1917">- Gaming Revenue is currently used to fund capital reserves and the community grants program. Council made an exception to the policy on February 27, 2007 and funded 4 RCMP officers with gaming revenue. The revenue met and has surpassed the \$10 million target since 2005.</p>						Year	Gaming Revenue	2003	2,677,766	2004	7,473,423	2005	11,235,495	2006	12,156,385	2007	12,802,448	2008	12,238,903	2009	11,857,389	2010	12,562,983	2011	13,728,072	2012	15,584,840																																																		
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Economic Dev - 1.5% per Year	<p>- The tax base has shown growth each year since the inception of the LTFMS.</p> <p>- There have been a number of expanded alternative revenues such as the following:</p> <ul style="list-style-type: none"> - Sports Field User Fees - Filming revenues - Expanded Pay Parking program to include street meters - RCMP service fees - Tax information fees - Developer fees for planning services - Sale of drawings/GIS data - CCTV Program – Services to development industry - Meeting room rental revenue - Rental/Lease revenue from bus shelters - New rental properties revenue - Microfilm revenue - Media Lab Program Fees - Sponsorship Revenue for major events such as Maritime Festival and Ship to Shore - Bus bench and newspaper box revenue 																																				
Alternative Revenue - \$1M per year by the 5 th year																																					
4. Changes to Senior Government Service Delivery	<p>- The RCMP contracts have increased at rates greater than the LTFMS policy of CPI. RCMP increases are highlighted within the annual budget presentations.</p>																																				

Policy	Analysis																								
<p>5. Capital Plan</p> <p>No reduction</p>	<table border="1" data-bbox="667 302 1057 726"> <thead> <tr> <th>Year</th> <th>Capital Budget</th> </tr> </thead> <tbody> <tr><td>2003</td><td>39,438,000</td></tr> <tr><td>2004</td><td>45,380,000</td></tr> <tr><td>2005</td><td>115,558,000</td></tr> <tr><td>2006</td><td>113,021,000</td></tr> <tr><td>2007</td><td>172,203,000</td></tr> <tr><td>2008</td><td>166,188,000</td></tr> <tr><td>2009</td><td>72,798,000</td></tr> <tr><td>2010</td><td>134,412,000</td></tr> <tr><td>2011</td><td>72,699,000</td></tr> <tr><td>2012</td><td>73,144,000</td></tr> <tr><td>2013</td><td>71,768,000</td></tr> </tbody> </table> <p>- The 5 Year Capital Plan is updated on an annual basis and projects the anticipated capital program costs and funding availability. The capital budgets have fluctuated over this period due to major facility construction and significant land acquisition. However, the capital budgets have remained above the levels experienced prior to the adoption of the LTFMS.</p>	Year	Capital Budget	2003	39,438,000	2004	45,380,000	2005	115,558,000	2006	113,021,000	2007	172,203,000	2008	166,188,000	2009	72,798,000	2010	134,412,000	2011	72,699,000	2012	73,144,000	2013	71,768,000
Year	Capital Budget																								
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<p>6. Cost Containment</p>	<p>The following are some examples of cost containment or cost recovery programs that have been implemented:</p> <ul style="list-style-type: none"> - Energy retrofit projects to reduce electricity and natural gas usage (approximately 5.6 GWh has been saved through retrofit projects since 2007 which equate to 150 homes annual energy consumption) - Attendance manager and attendance management system - Tree permit revenue to offset Tree Bylaw costs - Accessing Grants ex. Joint Emergency Preparedness Program, Stimulus funds, etc. - RCMP Auxiliary Program - New Fuel management system - Patroller First Responder program - Spill Response Plan - Garbage/Recycling contract - Development of Sidaway disposal site - Road Cut Program to include private utility companies - Use of Trenchless technology for construction purposes - Paint program - Team Clean Janitorial Program - Fire Protection & Life Safety Bylaw with associated fees, fines and avenues for cost recovery - Migrated several Telus Centrex hosted services at community centres / telephone services - Delayed replacements / hirings - Operating expense reduction (i.e. Supplies, Contract, telephone etc) - Finance and Cost Control subcommittee created - Service Level reviews 																								

Policy	Analysis
<p>7. Efficiencies & Service Level Reductions</p> <p>-0.2% per year starting in 3rd year for operating, police & fire efficiencies.</p> <p>No reduction to services</p>	<p>This area is addressed annually during the budget review process. The efficiencies and service level reductions have not been isolated and identified separately.</p> <p>The following are some examples of efficiencies:</p> <ul style="list-style-type: none"> - Retro-commissioning of existing buildings to optimize the energy use - Upgrade of direct digital control systems - Pump station power efficiencies - Purchase of vector truck - Traffic signal conversion to LED - Systems enhancements, AMANDA, PeopleSoft, HCM, etc - Virtualizing computer servers - Use of real time hand held ticketing computers - Lifetime dog tags - Bylaw Adjudication System - LEED Firehalls - Scanning equipment in stores - Multi function Device units (to replace existing photocopy and scanning machines) have been deployed to the various City facilities - Online event management system
<p>8. Land Management</p>	<p>The proceeds from land sales are returned to land related accounts to fund future land acquisitions. The City has been actively acquiring land over the past 10 years.</p>
<p>9. Administrative</p>	<p>Currently where possible user fees are automatically increased by CPI on January 1st of each year by Council through the Consolidated Fees Bylaw.</p> <p>The financial model and strategies are considered when decisions are made. Reports are reviewed with the LTFMS in mind.</p> <p>Every year, the 5YFP is prepared and addresses the tax increase, distribution of Gaming Revenue, isolation of additional levels of service and the capital plan funding sources.</p>
<p>10. Debt Management</p>	<p>Since the inception of the LTFMS no capital project has utilized external borrowing as a funding source.</p> <p>Current debt will be fully repaid by 2014. However, the mix of the current City's infrastructure requirements and low borrowing rates has created some opportunities that will be addressed in a subsequent report to Council.</p>

Overall, the City has met the requirements of the policies with the exception of alternative revenues and tax increase targets in some years. Limiting tax increases to CPI has been difficult without a corresponding reduction in services due to significant cost drivers within municipal expenditures such as policing, union negotiated collective agreements and operating costs of new facilities.

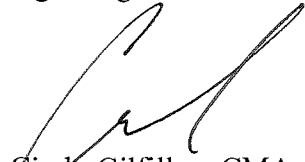
Through the CAO's commitment to value for money, Staff have been directed and are currently performing service level reviews of the departments to further identify potential efficiencies and opportunities.

Financial Impact

None.

Conclusion

The City of Richmond is currently in a strong financial position with increasing reserve balances while having maintained moderate tax increases largely as a result of Council's decisions regarding the LTFMS.



Cindy Gilfillan, CMA
Manager, Financial Reporting



City of Richmond

Report to Committee

To: Finance Committee

Date: June 18, 2013

From: Jerry Chong, CA
Director, Finance

File:

Re: Long Term Financial Management Policy

Staff Recommendation

That item 10 of the Long Term Financial Management Strategy (Council Policy 3707) be amended, as follows:

“Utilize a “pay as you go” approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.”

Jerry Chong
Director of Finance
(4064)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
REVIEWED BY DIRECTORS	INITIALS: DW
REVIEWED BY CAO (DEPUTY)	INITIALS: JE

Staff Report

Origin

The purpose of this report is to recommend amendments to Council Policy 3707 Long Term Financial Management Strategy (LTFMS) in order to ensure that the policy is consistent with the following Council Term Goal.

Council Term Goal No. 5- Financial Management

5.1 -Develop a strategic plan that considers borrowing to take advantage of the current low interest rates and results in significant long-term financial benefits for the City.

Analysis

The original LTFMS policy was adopted by Council in 2003 and changes are recommended in order to keep up to date with changes in the economy and business climate. The City last entered into external borrowing arrangements for capital expenditures with Municipal Finance Authority of BC (MFA) in 1999 for the acquisition of Terra Nova. Since then, the City has been paying down its outstanding long-term debt. Under the current debt repayment schedule the City will fully repay and extinguish all of its outstanding MFA long-term debt in 2014. The City is currently in solid financial condition; however there may be instances where required capital projects cannot be funded internally through reserves. Therefore borrowing externally allows the City to finance these required capital projects.

With interest rates being maintained at historical low rates, the City has additional options if it chooses to proceed with various capital projects that extend beyond the capacity of the current reserves.

MFA is the borrowing vehicle for all municipalities and regional districts in the province and provides financing for municipal capital projects. The joint and several pledge supporting MFA's debt issuance requires all member governments to satisfy the obligations of a deficient borrower and ultimately requires the borrower to repay the authority for the deficiency. If any municipality cannot meet its payments, MFA will draw on these unencumbered reserves.

Members have the option to borrow for periods ranging from of 5 to 30 years and any terms that exceed the 10 year period will need to have their lending rate reset starting in year 11. Therefore annual payments and interest rates can only be assured for 10 years.

The City could continue to fund capital projects by utilizing its reserves, however given the City's strong financial position, the low interest rates that exist and the desire to maintain liquidity to provide flexibility in funding future capital projects, staff recommend that item 10 of the LTFMS policy be amended.

5.1 – Utilize a “pay as you go” approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.

Financial Impact

None.

Conclusion

The City of Richmond is currently in a very good financial position. However, in order to ensure that the LTFMS aligns with Council's Term Goals (2011-2014) and to fulfill a number of major capital requirements, staff recommend that Council Policy 3707, Long Term Financial Management Strategy be amended to allow staff to bring forward external debt financing options if there are immediate needs and the right circumstances exist.



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



Policy 3707:

It is Council Policy that:

1. **Tax Revenue**

Tax increases will be at Vancouver's CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.

2. **Gaming Revenue**

Gaming revenues will go directly to the capital reserves, the grants program and a community legacy project reserve.

3. **Alternative Revenues & Economic Development**

Any increases in alternative revenues and economic development beyond all the financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.

4. **Changes to Senior Government Service Delivery**

Any additional costs imposed on the City as a result of mandatory senior government policy changes should be identified and added to that particular year's taxes above and beyond the CPI and infrastructure percentage contribution.

5. **Capital Plan**

Ensure that long term capital funding for infrastructure (e.g. parks, trails, facilities, roads etc.) is in place in order to maintain community liveability and generate economic development.

6. **Cost Containment**

Staff increases should be achieved administratively through existing departmental budgets, and no pre-approvals for additional programs or staff beyond existing budgets should be given, and that a continuous review be undertaken of the relevancy of the existing operating and capital costs to ensure that the services, programs and projects delivered continue to be the most effective means of achieving the desired outcomes of the City's vision.



7. **Efficiencies & Service Level Reductions**

Savings due to efficiencies or service level reductions identified in the strategy targets should be transferred to the capital reserves. Any savings due to efficiencies beyond the overall strategy targets can be utilized to reduce the tax rate or for increased levels of service.

8. **Land Management**

Sufficient proceeds from the sales of City land assets will be used to replenish or re-finance the City's land inventory. Any funds in excess of such proceeds may be used as directed by Council.

9. **Administrative**

As part of the annual budget process the following shall be undertaken:

- all user fees will be automatically increased by CPI;
- the financial model will be used and updated with current information, and
- the budget will be presented in a manner that will highlight the financial strategy targets and indicate how the budget meets or exceed them.

10. **Debt Management**

Utilize a "pay as you go" approach rather than borrowing for financing infrastructure replacement unless unique circumstances exist that support borrowing.



City of Richmond

Report to Committee

To: Finance Committee

Date: June 18, 2013

From: Jerry Chong, CA
Director, Finance

File:

Re: **Distribution from the Municipal Finance Authority of BC**

Staff Recommendation

That Council approve transferring the \$1.9M surplus distribution received from the Municipal Finance Authority of BC to the following accounts:

- a) \$1.8M be returned to the Roads DCC program and subsequently transferred to the City's Surplus Account to repay outstanding internal borrowings;
- b) \$0.1M to the Sanitary Sewer Reserve.

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

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY DIRECTORS	INITIALS: DW
REVIEWED BY CAO (DEPUTY)	INITIALS: AE

Staff Report

Origin

In 1993 the City incurred debt in the amount of \$17.6M and \$1.0M in order to respectively fund the construction of the No. 2 Road Bridge and Atsugi, Riverside East and South Fraser sewer works. The City borrowed the funds from the Municipal Finance Authority of BC (MFABC). MFABC is the borrowing vehicle for all municipalities and regional districts in the province and provides financing for general municipal projects, water and sewer infrastructure, and transportation. MFABC is also required under the MFA Act to establish sinking funds, which are collectively known as the capital repayment equalization fund. It establishes these for each authority debt issue.

Unlike regular mortgage or loan structure where the initial repayment is mainly applied to pay off interest on a declining-balance basis, the semi-annual repayments made by local governments to the MFA are applied to interest and principal on a straight-line basis. The amount of principal repayment made is then invested by MFA in a sinking fund that invests in high-quality fixed income securities. If the actual earnings of the sinking fund exceed the estimated earnings, a surplus is calculated and paid to the members upon maturity of the loan.

On May 12, 2013 the City received a cheque in the amount of \$1,943,701.58, which represents the distribution of the surplus from the sinking fund established for the above loan. The surplus amount received totaling \$1.9M is comprised of two amounts (\$1.8M from the No. 2 Rd debt and \$0.1M from the sewer debt). The \$0.1M relates to amounts collected from utility fees and is restricted to the sewer fund. As such, this amount can only be considered to be transferred to the Sanitary Sewer reserve fund or the Sanitary Sewer Rate Stabilization provision.

The purpose of this report is to provide information to Council and seek direction for the allocation of these funds.

Analysis


The payments that were required to service the debt incurred to build the No. 2 Road Bridge was funded annually through the Roads Development Cost Charges (DCC) program. The current Road's capital program includes annual repayments to the City's surplus due to amounts internally borrowed in previous years, which was utilized to fund various acquisitions for road purposes. In order to reduce the outstanding balance and interest that continues to compound, staff recommend that the \$1.8M be returned to the Roads DCC program and subsequently transferred to the City's surplus account to repay outstanding internal borrowings.

Financial Impact

None

Conclusion

The City has repaid the long term debt that it incurred with respect to the No. 2 Road Bridge and sewer works and has received a surplus distribution on the invested sinking fund payments. Staff recommend that the surplus distribution be utilized to reduce outstanding internal loans.



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

JC:jc



To: Finance Committee **Date:** June 10, 2013
From: Jane Fernyhough **File:** 11-7000-00/Vol 01
 Director, Arts, Culture and Heritage Services
Re: **Creation of a Statutory Reserve Fund for Arts, Culture and Heritage Capital Purposes**

Staff Recommendations

1. That Arts, Culture and Heritage Capital Reserve Fund Establishment Bylaw No.9032 be introduced and given first, second and third readings; and,
2. That following adoption of Bylaw No. 9032, \$ 4,297,779 together with accrued interest, being the net proceeds realized from the land transactions in conjunction with the Oris Development (Kawaki) at 6160 London Road and 13100, 13120, 13140, 13160 and 13200 No. 2 Road, be deposited to the Arts, Culture and Heritage Capital Reserve Fund.

Jane Fernyhough
per

Jane Fernyhough
 Director, Arts, Culture and Heritage Services
 (604-276-4288)
 Att.1

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Finance Division	<input checked="" type="checkbox"/>	
Law	<input checked="" type="checkbox"/>	
REVIEWED BY DIRECTORS	INITIALS: DW	REVIEWED BY CAO (DEPUTY) INITIALS:

Staff Report

Origin

At the City Council meeting of January 23, 2012, where Council approved an application by Oris Development (Kawaki) Corp. for an OCP amendment to London/Princess Sub Area Plan and rezoning at 6160 London Road and 13100, 13120, 13140, 13160 and 13200 No. 2 Road (the “Kawaki Rezoning”), the following resolution was made:

6) that the net funds from the land transactions be transferred to an account which would be specifically intended for Arts, Culture and Heritage capital purposes.

This report recommends establishment of a statutory reserve fund for future Arts, Culture and Heritage Capital projects, and the deposit of the net proceeds from the Kawaki Rezoning land transaction into this fund.

This supports Council term goal 9.2 *Arts and Culture: Plan for new cultural infrastructure including a new Richmond museum, performance venues and affordable creation spaces.*

Analysis

The Community Charter under section 188 (1) states: *A council may, by bylaw, establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund.*

Spending of money in Reserve Funds is subject to Council approval in accordance with City policies and the Community Charter. This bylaw will create a specific reserve to house and expend funds for Arts, Culture and Heritage capital projects. (**Attachment 1**)

Funds in the Arts, Culture and Heritage Capital Reserve Fund would be available for the following purposes, whether or not these projects are undertaken by the City:

- Capital costs associated with the development of Arts, Culture or Heritage facilities;
- Capital costs associated with the restoration of Heritage properties;
- Capital costs associated with the renovation or restoration of facilities or properties that are or will be used for Arts, Culture and Heritage activities.

The total proceeds of \$4,297,779 received from the Kawaki Rezoning, plus accrued interest, will be transferred to the Arts, Culture and Heritage Capital Reserve Fund once this new reserve fund is established.

This recommendation provides one time funding to this reserve. However, from time to time, Council may direct that further deposits be made to this reserve fund.

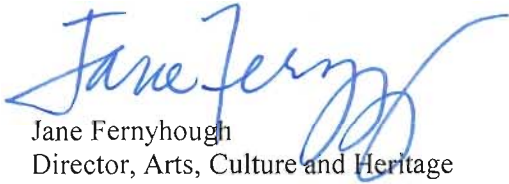
Any projects funded through this reserve will still go through the capital budget process. This fund provides an additional funding mechanism for Arts, Culture and Heritage projects which are typically underfunded in the capital budget process given they are competing for limited funds in the general capital program.

Financial Impact

None

Conclusion

The establishment of a statutory reserve fund for Arts, Culture and Heritage Capital Projects provides a reserve fund for future facilities, restoration of heritage facilities and restoration of buildings that are or will be used to house arts and culture activities. The proceeds from the land transactions realized from the Kawaki Rezoning will be deposited into this reserve fund.



Jane Fernyhough
Director, Arts, Culture and Heritage
(604-276-4288)



**Arts, Culture and Heritage Capital Reserve Fund
Establishment Bylaw No. 9032**

WHEREAS:

- A. Section 188(1) of the *Community Charter* authorizes Council to establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund;
- B. Council wishes to establish a reserve fund for the purposes of supporting capital costs related to arts, culture and heritage facilities, properties and activities,

The Council of the City of Richmond enacts as follows:

1. The Arts, Culture and Heritage Capital Reserve Fund is hereby established.
2. Any and all amounts in the Arts, Culture and Heritage Capital Reserve Fund, including any interest earned and accrued, may be used and expended solely for capital costs for any one or more of the following purposes (whether or not undertaken by the City):
 - (a) the development of arts, cultural or heritage facilities;
 - (b) the restoration of heritage properties;
 - (c) the renovation or restoration of facilities or properties that are or will be used for arts, cultural and heritage activities.
3. If any section, subsection, paragraph, clause or phrase of this bylaw is for any reason held to be invalid by the decision of a court of competent jurisdiction, such decision does not affect the validity of the remaining portions of this bylaw.

4. This Bylaw is cited as “Arts, Culture and Heritage Capital Reserve Fund Establishment Bylaw No. 9032”.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept. <i>A</i>
APPROVED for legality by Solicitor <i>mf</i>

MAYOR

CORPORATE OFFICER