

**City of Maple Ridge
Audit & Finance Committee**

**July 3, 2018
5:00 PM
Blaney Room**

Chairperson: Councillor Masse

Committee Members: Mayor Read; Councillors C. Bell; K. Duncan; G. Robson; T. Shymkiw;
C. Speirs

Staff:	Chief Administrative Officer:	P. Gill
	GM – Public Works & Development	F. Quinn
	GM – Community Dev. Park & Rec	K. Swift
	Chief Financial Officer	T. Thompson
	Corporate Controller	C. Nolan
	Accountant 2	A. Dhah

AGENDA

- 1. *Approval of agenda***
- 2. *Adoption of minutes of June 5, 2018***
- 3. *Council Expenses***
- 4. *Reserves***
- 5. *Business Planning***
- 6. *Audit Services***
- 7. *Investment Update***
- 8. *Adjournment***

“Original signed by C. Nolan”

*Agenda submitted by: C. Nolan, CPA, CGA
Corporate Controller*

City of Maple Ridge

Audit & Finance Committee Meeting Minutes

June 5, 2018

The Minutes of the Audit and Finance Committee Meeting held in the Blaney Room of the Municipal Hall, 11995 Haney Place, Maple Ridge, BC on Tuesday, June 5, 2018 at 5:00 p.m.

PRESENT

Committee Members

Mayor Read, Chair
Councillor Bell
Councillor Shymkiw
Councillor Speirs

Municipal Staff

P. Gill, Chief Administration Officer
T. Thompson, Chief Financial Officer
C. Nolan, Corporate Controller

Guest

Bill Cox, FCPA, FCA

ABSENT

Councillor Duncan
Councillor Masse
Councillor Robson

Note: These Minutes are also posted on the City's Website at www.mapleridge.ca

The meeting was live streamed and recorded by the City of Maple Ridge
The meeting was called to order at 5:05 p.m.

NOTE: Councillor Speirs attended the meeting via phone

1. **Approval of the Agenda**

It was moved and seconded

That the agenda for the June 5, 2018 Audit & Finance Committee meeting be approved as circulated.

CARRIED

2. **Approval of minutes of May 1, 2018**

It was moved and seconded

That the minutes of the Audit & Finance Committee of May 1, 2018 be adopted as circulated.

CARRIED

3. ***Council Compensation***

It was moved and seconded

That Council Remuneration Bylaw No. 7330-2017 be amended, as outlined in the staff report dated June 5, 2018 and brought forward for Council Consideration.

CARRIED

It was moved and seconded

That a letter be sent to MP Dan Ruimy and the Federal Finance Minister regarding this matter, referencing the resolution passed at the LMLGA.

CARRIED

4. ***2017 Audit Update***

Bill Cox from BDO Canada LLP, the City's external auditor, reviewed the Audit Results Report with the committee. The discussion touched on the concept of materiality and reviewed the auditors work around key areas such as fraud investigation. The key messages delivered were that the audit went well, no evidence of fraud was found and a clean audit opinion was issued.

5. ***Notice of Closed Meeting***

It was moved and seconded

That the Committee meeting immediately following this meeting be closed to the public pursuant to section 90(1) of the Community Charter as the subject matter being considered relates to the following:

- Discussion with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report].

CARRIED

6. ***Adjournment – 5:20 p.m.***

N. Read, Chair

TO: Councillor Bob Masse
and Members of the Audit & Finance
Committee
FROM: Corporate Controller
SUBJECT: Council Expenses

MEETING DATE: 3-July-2018
FILE NO:
MEETING: Audit & Finance

EXECUTIVE SUMMARY:

In 2017, the Audit & Finance Committee reviewed Council's budget in detail, one element of that being the budget for Council expenses. Such expenses are guided by Policy 3.07, which is attached as Appendix 1.

This report provides an overview of the policy direction and notes expenses to date for this term of Council.

RECOMMENDATION(S):

None Required – information only

DISCUSSION:

Policy 3.07, Council Training, Conferences and Association Building (attached as Appendix 1) was adopted in 2014. The policy recognizes that Council members are asked to make important decisions for the community, with that function supported by relationships relating to the role, and by continuous learning, either through attendance at conferences or through self-directed training. The policy sets guidelines for annual spending by individual members of Council and also provides guidance on Council's budget for external committee work.

The current budget allocation available for attendance at local events, conferences and for self-directed training for members of Council is as follows:

	Annual	Term
Mayor	\$6,500	\$26,000
Councillor	\$5,000	\$20,000

In addition to attendance at various local events, this amount is intended to provide for attendance at conferences such as the annual Union of BC Municipalities Convention, the annual Federation of Canadian Municipalities (FCM), and the annual conference of the Lower Mainland Local Government Association. The budget provision does not allow for all members of Council to attend all of the noted conferences every year. Council practice has been to rotate attendance so that each member of Council has an opportunity to attend each conference at least once during their term.

In addition to the budget envelope for conferences and self-directed training there is an additional \$3,500 available to Council as a whole to cover out-of-pocket expenses for participation on

committees of other organizations, such as FCM; it is not for City of Maple Ridge Committees of Council. Use of this budget by any individual member of Council requires the approval of Council.

The following provides an overview of expenses incurred under this policy for the current term of Council:

	2015	2016	2017	2018 (ytd)	Total
Mayor Read	\$ 2,849.98	\$ 5,574.86	\$ 5,285.20	\$ 0.00	\$13,710.04
Councillor Bell	\$ 3,683.92	\$ 4,214.05	\$ 2,786.82	\$ 650.00	\$11,335.39
Councillor Duncan	\$ 4,026.99	\$ 4,946.78	\$ 6,392.55	\$ 868.44	\$16,234.76
Councillor Masse	\$ 719.47	\$ 2,519.62	\$ 475.00	\$ 0.00	\$ 3,714.09
Councillor Robson	\$ 1,384.75	\$ 3,351.03	\$ 1,268.70	\$ 110.00	\$ 6,114.48
Councillor Shymkiw	\$ 2,287.18	\$ 3,409.84	\$ 419.52	\$ 110.00	\$ 6,226.54
Councillor Speirs*	\$ 9,199.95	\$ 7,664.72	\$ 6,909.34	\$2,471.20	\$26,245.21

*Councillor Speirs received Council approval to access the budget for committee work to support his work on FCM committees.

It should be noted, that amounts included on the monthly Council Expenses report includes those noted above as well other expenses required to be included in the annual Statement of Financial Information.

CONCLUSIONS:

Policy 3.07 was adopted in 2014 and is intended to provide guidance around Council's attendance at functions that support their decision making role for the community. Such events include various community events in addition to conferences, self-directed training and committee work for external organizations. This report provides an overview of that policy.

"Original signed by Catherine Nolan"

Prepared by: Catherine Nolan, CPA, CGA
Corporate Controller

"Original signed by Paul Gill"

Concurrence: Paul Gill, BBA, CPA, CGA
Chief Administrative Officer

TO: Councillor Bob Masse
and Members of the Audit & Finance
Committee
FROM: Accountant 2
SUBJECT: Reserves

MEETING DATE: July 3, 2018
FILE NO:
MEETING: Audit & Finance Committee

EXECUTIVE SUMMARY:

This report is intended to provide an overview of the City's financial resources. They are grouped into four categories:

1. Accumulated surplus (revenue funds). This is the cumulative balance of excess revenues over expenses and net transfers to reserves.
2. Reserve funds. These are established by bylaw to hold financial assets for specific purposes, typically capital.
3. Reserve accounts. These represent discretionary appropriations of surplus established to meet business needs as directed by Council
4. Restricted revenues. These are monies collected from others for which we are obligated to provide specific services.

The amounts on Schedule "A" detail the balances in each of these categories. At the end of 2017 the balance of accumulated surplus in the revenue funds, reserve funds and reserve accounts totaled \$129.4 million and we had a further \$39.6 million in restricted revenues.

RECOMMENDATION:

None required, for information only.

DISCUSSION:

The City of Maple Ridge has financial resources that have been summarized on the attached Schedule "A". Some of these resources are subject to legislation in the *Community Charter* while others are not. As part of our financial planning process, detailed projections are done for key reserves to ensure that the available resources can support the planned activities.

The transactions between our reserves, funds and accounts, are referred to as transfers. Transfers are internal transactions that do not result in revenues or expenses. For example, we accumulate funds in the Capital Works Reserve for large projects; each year a portion of general taxation is transferred to the reserve to build the necessary capacity to fund those projects. As another example, each year, we transfer money to the Equipment Replacement Reserve so that we have the resources needed to replace equipment at the end of its useful life. These are both examples of **"transfers to"** transactions. We also have **"transfers from"** transactions. For example, in 2017, we completed construction of storage buildings at the Operations Centre, the identified funding source was the Capital Works Reserve and monies were transferred **from** the reserve for those improvements.

The City's financial resources can be categorized as follows:

1. Accumulated Surplus (Revenue Funds)

The City's business is comprised of three major cost centres: General Revenue, the Sewer Utility and the Water Utility. The excess of revenues over expenses and net transfers to reserves for each cost centre flows to the accumulated surplus balance. It is important to keep in mind that the balances shown are cumulative, not the result of one year of operations; they are the result of operations since incorporation in 1874.

The combined accumulated surplus balance in the revenue funds at the end of 2017 is \$31.8 million, an increase of \$3.1 million from 2016. The General Revenue annual surplus was \$726,000 as noted in the 2017 Consolidated Financial Statements Report, presented to Council on May 8, 2018. The General Revenue fund has an accumulated surplus amount of \$10.0 million and, in line with Council's Financial Sustainability Plan this amount is available to fund extraordinary one-time items. In 2018, the General Revenue fund accumulated surplus will provide funding for cycling and pedestrian improvements as part of the 232nd Street road upgrade project and also toward the development of the Blaney Hamlet Park.

The Sewer and Water Utilities are self-funded business units that manage the collection and distribution of water and liquid waste as well as the related infrastructure. A large portion of the costs in the utilities are driven by the Regional District and Council has used a rate stabilization policy for a number of years. Under this policy, accumulated surplus amounts are deliberately built over a period of time in order to provide for variations in both our annual infrastructure investment and our commitment towards larger regional projects. This practice allows Council to smooth the impact of variations in annual spending levels on our rate payers. The accumulated surplus balance in both utilities increased in 2017 by \$2.3 million. At the end of 2017, the sewer utility had an accumulated surplus balance of \$8.9 million and the water utility had a balance \$12.8 million. The accumulated surplus balance in the Sewer Utility is expected to be drawn down in 2018 and 2019 and then begin to accumulate again through 2022; in the Water Utility, the accumulated surplus balance is expected to continue to build through 2022.

2. Reserve Funds

Reserve funds are established by bylaw and hold financial resources for specific purposes, typically for capital investment. Once a reserve fund has been established, the funds in it can only be used for the purposes noted in the establishing bylaw and any use of the funds must be authorized in the Financial Plan Bylaw. As part of our long-term financial planning it is not unusual to build the balance in a reserve over time in order to provide for larger planned expenditures in the future. This practice allows us to smooth the impact of planned variations in annual spending.

The following provides a brief summary of the City's reserve funds:

i). Local Improvement

The balance in this fund is comprised mainly of monies returned to us by the Municipal Finance Authority (MFA) when debt was retired for which sinking fund monies had been held. These funds are intended to be used for local capital improvement projects where a community benefit is realized and a municipal contribution is needed.

ii). Equipment Replacement

Each year, we transfer monies to this reserve in recognition of the fact that the equipment in use today will need to be replaced in the future. This reserve provides for the replacement of our municipal fleet and fire department vehicles, as well as our computers and photocopiers. The useful life of equipment and fleet vehicles the City uses in its day-to-

day business ranges from 3 years for some of our technology equipment and up to 25 years for some of our fire protection vehicles. In order to provide for the replacement of this wide variety of equipment it is not unusual for the balance in this reserve to build for a period of time as we accumulate the monies we will need to expend when we replace some of our more expensive equipment. In 2017, this reserve was used to fund the replacement of City fleet vehicles and information technology equipment. Over the next 5 years the reserve will provide approximately \$17 million in funding to replace fleet and fire vehicles as they reach the end of their useful life as well as technology assets.

iii). Capital Works

The capital works reserve provides funding for future capital investment. Each year, 1% of general taxation is credited to the reserve along with fixed transfer amounts of approximately \$200,000. Additionally, 75% of the proceeds from any land sales are transferred to this reserve unless Council directs otherwise. An example of this can be seen in the agreement Council recently entered into for the phased sale of the town centre lands over the next four years. The full proceeds from that sale will be transferred to this reserve to be invested in community assets. Some key projects with funding from the Capital Works Reserve include the Leisure Centre renovation currently underway as well as the recently completed Karina LeBlanc synthetic field. Our practice is to retain a minimum balance of 10% of the prior year's taxation in order to have some funds available in the event of an emergency. In recent years we have planned to draw into this reserved balance in order to facilitate the construction of community assets and then rebuild it in future years.

iv). Fire Department Capital

Each year 2% of general taxation is transferred to the reserve to build the financial resources we need to increase the City's fire protection capacity as the community grows. In the past, the balance in this reserve was deliberately built up to provide for the renovation and expansion of Fire Hall #1; it was subsequently drawn down between 2007 and 2010 to fund that project. Work on Fire Hall #4 is now underway and this reserve will be the funding source for that project and any related borrowing.

v). Sanitary Sewer

This fund resulted from surpluses on sanitary sewer projects in previous years and is available for use on current and future sanitary sewer projects.

vi). Land

This reserve receives 25% of the proceeds from land sales, unless Council directs otherwise, and is used for land acquisitions. In 2009, the fund received an infusion of \$1.5 million as part of the year-end process to provide funding for land acquisitions of importance to Council where there was no other identifiable source of funding. In 2010, Council was able to use this reserve to assist with the purchase of strategic lands in the town centre. Those lands are now being sold as part of a phased agreement and the proceeds will be directed to the Capital Works Reserve as a funding source for community assets.

3. Reserve Accounts

Reserve accounts are appropriations of surplus established to meet business needs. They can be established or dissolved as Council directs to ensure that identified business needs are met and risks are managed appropriately. At the end of 2017, there is a total of \$56.0 million in the City's reserve accounts, an increase of \$10.0 million over 2016, most of which is driven by increases in the reserves for committed projects, infrastructure sustainability, gaming revenues, and facility maintenance as discussed in the following section.

The following provides a brief summary of the City's reserve accounts:

i). **Committed Projects (capital and operating)**

These represent items approved by Council in prior years that were not completed at the end of our fiscal year, and are ongoing work items. Many of the studies and projects in the financial plan take more than one year to complete, or may be deferred as immediate priorities shift. Examples include implementation of the commercial and industrial study and various studies in the Albion area. In some instances, the timing of expenditures is uncertain, such as those related to Council's incentive programs. In that example expenditures are dependent on development activity in the community. A number of the capital projects that will receive funding from this reserve are reliant on third party funding and/or awaiting the outcome of property acquisition negotiations.

ii). **Self Insurance**

In order to control insurance premium costs we have relatively high deductibles and have chosen to self-insure many events. This reserve provides funding insurance deductibles and self-insured claims.

iii). **Police Services**

This reserve was established to fund one-time police services initiatives. As per Council practice, a portion of savings from the RCMP contract are transferred into this reserve each year. The reserve is used as a funding source for RCMP related issues and allows us to smooth the impact of any retroactive contract issues and capital improvements at the detachment.

iv). **Core Reserve**

This reserve was established at the outset of the project that saw the construction of our downtown facilities. It provided a mechanism to build our capacity to finance the project over time while smoothing the impact to taxpayers. Today, it assists in managing the cash flows related to the commercial component of the project and is also available to assist with capital improvements to the downtown facilities. In 2018, funds from this reserve will form part of the funding envelope for the Leisure Centre renovation currently underway.

v). **Recycling Reserve**

The Recycling Reserve retains the balance of recycling levies and MMBC revenues in excess of contract costs as well as the City's share of the Recycling Society's profits. The reserve is used to provide funding for recycling related projects, such equipment purchases.

vi). **Building Inspections**

This reserve is designed to allow us to deal with the impact of an unexpected reduction in building permit revenues. The amount of revenue realized from building permits varies from year to year in relation to development activity. In the past five years revenues have missed financial plan targets twice. When revenues exceed budgeted targets, a portion of the favourable variance is transferred to this reserve. In years when building permit revenues fall short of financial plan targets, we can mitigate the impact by transferring monies from the reserve, providing us with some capacity to sustain service levels in the short-term. In 2017 building permit revenues exceeded financial plan targets and \$172,250 was transferred to the reserve. In 2018, it will assist with the funding required for additional development services resources approved by Council.

vii). Gravel

Soil removal fees are credited to this account each year. It is intended to assist with minor infrastructure repair that may be required as a result of soil removal activities. In 2011, this reserve provided the funding needed to resurface a portion of Dewdney Trunk Road that sees a lot of traffic from gravel trucks.

viii). Community Works (gas tax)

In 2014, Council entered into an agreement with the Union of BC Municipalities to receive a share of federal gas tax monies under the Community Works Fund. Monies received under this agreement are transferred to the reserve and will be used to fund projects in accordance with a list of eligible project and expenditure categories set out in the agreement. The monies received to date have been used to fund works along 128 Avenue. In 2018, monies received will be used to fund works along 232 Street and the Albion Sports Complex.

ix). Facility Maintenance

Not all facility maintenance is required on an annual basis and this reserve was established to smooth the impact of annual fluctuations in required maintenance costs.

x). Snow Removal

This reserve is intended to ensure that the City has the financial capacity to respond to higher than normal costs for snow and ice control without the need to curtail other services. Our annual budget for this activity in 2017 was \$320,617, with actual costs at \$847,758. Annual costs fluctuate in relation to the severity of weather experienced in any given year and it has not been unusual to see costs in excess of budget. The reserve was established in 1999 with a balance of \$200,000; in each of 2007 and 2008, in recognition of inflationary pressures and the increased costs associated with changing weather patterns the targeted balance in the reserve was increased to \$700,000. In 2016, costs exceeded budgeted general revenue amounts by \$213,000 and this amount was transferred from the reserve to offset the impact to the bottom line. In 2017 costs again exceeded the budget envelope, however, recognizing the need to be prepared to address the impact of changing weather patterns the reserve balance was increased to provide additional capacity.

xi). Cemetery Maintenance

Any excess of revenues over expenses in the cemetery cost centre are transferred to this reserve at year-end. The account is used as a funding source to maintain the cemetery function, both the facility and related technology and is intended to provide the funding for the debt entered into for cemetery expansion. Our experience over the past number of years is suggesting that we will need to look to general revenue to assist with debt servicing costs as revenue projections are not being realized. The perpetual care fund is a separate entity and is managed as a trust.

xii). Infrastructure Sustainability

In 2007, the first infrastructure sustainability account was established in recognition of the need to build the City's capacity to maintain our growing infrastructure. The replacement cost of which exceeds \$1.6 billion. The level of annual maintenance and rehabilitation spending required to maintain our infrastructure to appropriate standards is estimated at approximately \$30.0 million. Our annual expenditures are significantly less than this. Beginning in 2008, we began to dedicate a 1% tax increase to address the gap between required and actual spending. In 2013, this was reduced to a 0.5% increase per year through 2016. Starting in 2017 the rate was increased to 0.7% per year. For the years 2018 through 2022, the rate will remain at 0.7%.

xiii). Drainage Improvements

This reserve was established in 2013 concurrently with Council's drainage levy. Monies generated from the levy are transferred to this reserve and will be used as a funding source for improvements to the City's drainage system. The 2018 financial plan provides for almost \$2.0 million from this reserve to support projects improving the City's storm water system.

xiv). Critical Building Infrastructure

This reserve was established in 2006 in recognition of the need to provide for emergency or irregular items associated with facility maintenance. Facilities, such as the RCMP building, Municipal Hall and the Leisure Centre were constructed at approximately the same time; consequently, it is likely that some of the building infrastructure will need to be replaced at similar times. Such infrastructure is costly to replace and our existing lifecycle budget does not have the capacity to provide the necessary funding. The reserve is intended to provide that capacity without having to defer other planned facility infrastructure maintenance. In 2018, this reserve will be used to support the Leisure Centre renovation.

xv). Infrastructure Grants Contribution

This reserve was established in 2008 to provide the capacity to take advantage of infrastructure grant programs that typically require a municipality to provide matching funds in order to secure funding. In 2010, as senior levels of government began winding down the round of infrastructure grant programs in place at the time, Council authorized using some of the monies in this reserve to assist in the acquisition of strategic lands in the downtown area. Council may wish to reactivate this account in the future to respond to funding programs offered by senior levels of government.

xvi). Gaming Revenues

In 2010, Council entered into an agreement with the Province that resulted in the City receiving a portion of the net revenues from gaming at the Maple Ridge Community Gaming Centre. Monies received under this agreement are to be used to benefit the community. In 2018, gaming revenues are one of the funding sources for the artificial turf project at Arthur Peake schools. In June of 2011, Council adopted a policy framework to guide the use of gaming monies in the community (Policy 5.55). Under this policy, gaming revenues will be targeted to fund non-recurring items, in particular, capital improvements that cannot be funded through development charges.

4. Restricted Revenues

Restricted revenues are monies collected from others for which we are obligated to provide specific works. Due to the restrictions on their use, these monies are reported as a liability until the specific works are undertaken.

The following provides an overview of the City's restricted revenues:

i). Development Cost Charges

These funds are collected from the development community and are used to assist in funding specific infrastructure requirements resulting from development. DCC's are the largest source of funding for the City's capital program with planned new investment in infrastructure exceeding \$62.0 million over the next 5 years. Actual construction schedules are dependent on development.

ii). Parkland Acquisition (ESA)

The Parkland Acquisition Reserve consists of monies paid by the development community in lieu of providing parkland that are subsequently used to acquire environmentally sensitive

areas, such as land required for watercourse protection. Funding from the Parkland Acquisition Reserve assists with the ongoing Greenbelt acquisitions.

iii). Albion Amenities

This reserve was established in 2013 for monies collected from developments in the Albion Area where an amenity contribution was required. Any monies collected will be credited to this reserve and will help to fund future amenities in the Albion area. As at the end of 2017 the balance in this fund was \$430,498.

iv). Community Amenities

This was established in 2016 for contributions from qualifying development in the community. Monies collected will contribute to eligible amenities as identified by Council policy. At the end of 2017, the balance in this fund was \$1.2 million with a further \$7.7 million in potential collections related to ongoing development projects. The timing and certainly of any collections is tied to the development process.

v). Downtown Parking Facilities

Funds credited to this account are collected from developers in lieu of providing parking spaces are to be used for the provision of parking in the downtown area. In 2017, we saw higher than normal collections related to a reduction in parking requirements for a development in the town centre, bring the balance to \$700,656 at the end of the year.

vi). Developer Specified Projects

Charges collected from the development community to assist with the provision of certain infrastructure works.

CONCLUSIONS:

The above information and attached schedule are intended to provide an overview of the City's financial resources. At the end of 2017 our accumulated surplus in the revenue funds, reserve funds and accounts total \$129.4 million and we have a further \$39.6 million in restricted revenues. Much of this amount is held for capital investment in the community. Not included in these amounts are non-financial resources, such as our land holdings in Silver Valley.

The City has a sound business planning framework which includes a series of financial sustainability policies. The resources outlined in this report were established over many years and assist Council in managing the City's finances.

"original signed by Andy Dhah"

Prepared by: Andy Dhah
Accountant 2

"original signed by Catherine Nolan"

Approved by: Catherine Nolan, CPA, CGA
Corporate Controller

"original signed by Paul Gill"

Concurrence: Paul Gill, BBA, CPA, CGA
Chief Administrative Officer

	2017	2016	2015	2014	2013
ACCUMULATED SURPLUS (REVENUE FUNDS)					
General Revenue	\$ 10,011,883	\$ 9,285,688	\$ 9,859,165	\$ 7,522,666	\$ 6,895,061
Sewer Revenue	8,935,863	8,144,538	6,413,897	4,662,448	3,183,533
Water Revenue	12,840,035	11,296,039	8,354,639	6,737,009	5,802,444
	31,787,781	28,726,265	24,627,701	18,922,123	15,881,038
RESERVE FUNDS					
Local Improvement	2,583,882	2,565,270	2,550,517	2,538,017	2,526,837
Equipment Replacement	15,955,119	15,143,197	13,093,289	11,986,081	11,248,713
Capital Works	11,286,555	10,727,978	11,623,295	11,405,241	11,483,128
Fire Department Capital Acquisition	9,848,750	8,404,264	7,054,422	5,585,277	5,059,939
Sanitary Sewer	1,657,981	1,636,239	1,614,769	1,591,334	1,566,114
Land	307,113	278,896	275,235	271,887	267,578
	41,639,400	38,755,844	36,211,527	33,377,837	32,152,309
RESERVE ACCOUNTS					
Specific projects - capital	10,931,004	8,327,760	6,143,821	4,583,648	5,021,293
Specific projects - operating	7,966,840	7,834,360	8,397,216	7,887,243	8,470,583
Self insurance	876,550	848,971	830,351	832,090	833,360
Police services	7,514,809	7,299,090	6,735,888	6,023,054	4,150,222
Core development	1,983,902	1,780,335	1,720,419	1,511,459	1,357,795
Recycling	2,570,239	2,148,985	1,513,787	1,179,983	1,310,331
Community development	-	-	1,349	1,330	1,308
Building inspections	3,333,243	3,119,544	2,494,848	1,951,137	1,621,941
Gravel extraction	797,586	762,288	727,831	661,008	618,532
Community Works (Gas Tax)	257,440	-	-	271,332	-
Facility maintenance	2,883,354	2,441,898	1,840,198	1,392,917	582,358
Snow removal	850,061	473,061	686,015	686,015	686,015
Cemetery maintenance	243,487	117,606	30,781	84,810	190,559
Infrastructure Sustainability (town centre bldgs)	475,738	373,206	329,415	223,188	135,028
Infrastructure Sustainability (road network)	2,570,379	1,673,167	1,710,679	1,527,202	848,329
Infrastructure Sustainability (drainage)	1,491,014	1,311,875	-	372,431	289,310
Drainage Improvements	1,135,222	807,108	1,522,548	491,678	150,000
Critical infrastructure reserve	195,928	203,511	200,923	208,672	205,365
Infrastructure grants contribution	3,557	3,557	3,557	3,557	3,557
Gaming revenues	2,042,881	1,336,791	779,954	453,492	1,235,451
	48,123,234	40,863,113	35,669,580	30,346,246	27,711,337
WATER AND SEWER RESERVE ACCOUNTS					
Self Insurance - Sewer	147,881	141,377	134,873	128,373	121,873
Specific projects - Sewer	3,079,750	2,319,380	2,155,690	2,204,628	3,028,476
Self Insurance - Water	126,236	119,732	113,228	106,728	102,028
Specific projects - water	4,539,091	2,441,288	2,746,632	2,579,794	2,003,211
	7,892,958	5,021,777	5,150,423	5,019,523	5,255,588
TOTAL RESERVES					
	\$ 97,655,592	\$ 84,640,734	\$ 77,031,530	\$ 68,743,606	\$ 65,119,234
TOTAL RESERVES AND REVENUE ACCUMULATED SURPLUS					
	\$ 129,443,373	\$ 113,366,999	\$ 101,659,231	\$ 87,665,729	\$ 81,000,272
RESTRICTED REVENUES					
Development cost charges	\$ 29,546,673	\$ 26,019,029	\$ 33,971,866	\$ 37,155,173	\$ 38,773,658
Parkland acquisition	1,163,953	412,029	1,203,400	1,028,090	764,167
Albion Amenities	430,498	278,568	211,160	-	-
Community Amenities	1,158,156	230,169			
Downtown parking facilities	700,656	327,128	310,717	291,467	286,849
Developer specified projects	6,633,718	6,134,991	5,988,904	5,720,704	5,325,301
	\$ 39,633,654	\$ 33,401,914	\$ 41,686,047	\$ 44,195,434	\$ 45,149,975

City of Maple Ridge

TO: Her Worship Mayor Nicole Read
and Members of Council
FROM: Chief Administrative Officer
SUBJECT: 2019-2023 Financial Plan Bylaw

MEETING DATE: July 3, 2018
MEETING: Audit & Finance Committee

EXECUTIVE SUMMARY:

In May, Council amended the 2018-2022 Financial Plan Bylaw. The 2018 property tax increases included the lowest General Purpose property tax increase in years. The 2019 property tax increase was also reduced and could have been much lower, if it were not for the new Provincial Payroll Tax which equates to a property tax increase of about 0.7%.

Having the 2019-2023 Financial Plan Bylaw in place will provide the latitude to the incoming Council to determine if business planning will be the first item they address. As Council is aware, Council can amend the Financial Plan Bylaw at any time and it is routinely amended in April/May to reflect updated assessed property values and real growth revenue due to new development.

Given the refinements to the operating budget that have already taken place, staff are in the process of updating the Capital Program. The Capital Program for 2019 – 2023 will be accommodated within existing funding.

Staff are seeking Audit & Finance Committee direction to bring a 2019-2023 Financial Plan Bylaw reflecting these changes.

RECOMMENDATION(S):

That the 2019-2023 Financial Plan Bylaw be brought to Council for consideration.

DISCUSSION:

a) Background Context:

The property tax increase assumptions in the Financial Plan are identical to the existing Financial Plan and listed in the following table.

Property Tax increases	2019	2020	2021	2022	2023
General Purpose	1.90%	2.00%	2.00%	2.00%	2.00%
Infrastructure Replacement	0.70%	0.70%	0.70%	0.90%	0.90%
Parks and Recreation	0.60%	0.60%	0.60%	0.60%	0.60%
Drainage	0.30%	0.30%	0.30%	0.10%	0.10%
Total	3.50%	3.60%	3.60%	3.60%	3.60%

“Original signed by Trevor Thompson”

Prepared by: Trevor Thompson, CPA, CGA
Chief Financial Officer

“Original signed by Kelly Swift”

Approved by: Kelly Swift, MBA, BGS
General Manager: Parks, Recreation & Culture

“Original signed by Frank Quinn”

Approved by: Frank Quinn, MBA, P. Eng.
General Manager, Public Works and Development Services

“Original signed by Paul Gill”

Concurrence: Paul Gill, CPA, CGA
Chief Administrative Officer

TO:	Councillor Bob Masse and Members of the Audit & Finance Committee	MEETING DATE:	3-July-2018
FROM:	Corporate Controller	FILE NO:	
		MEETING:	Audit & Finance
SUBJECT:	Audit Services for 2018		

EXECUTIVE SUMMARY:

In 2017, a Request for Proposals (RFP) for Audit Services was issued. At the end of an extensive evaluation process it was determined that the best overall value to the City was offered by BDO Canada LLP. Council, on the recommendation of the Audit & Finance Committee, awarded the contract for audit services to BDO Canada LLP on October 10, 2017 and BDO began their 2017 audit work shortly after that. The contract was awarded for a period of one year; prior contracts have been for a period of 5 years.

In order to allow the new Council, an opportunity to familiarize themselves with the audit process and any related issues staff is recommending that the contract with BDO be extended to include the 2018 fiscal year, and that a request for proposals be issued in 2019 with the intent to appoint an auditor for the term of Council. This will allow the new Council, through the Audit & Finance Committee, to provide input into the RFP process.

RECOMMENDATION:

That the Audit & Finance Committee recommend to Council that the contract for audit services be extended to include audit services for the 2018 fiscal year, and

That the Audit & Finance Committee direct staff to issue an RFP for Audit Services in 2019.

DISCUSSION:

In 2017, the City issued an RFP for audit services. This was the first time the City had gone to the market for audit services since 2001. At the end of an extensive evaluation process it was determined that BDO Canada LLP offered the best overall value to the City. This determination was presented to the Audit & Finance Committee on October 3, 2017. At that meeting the Committee passed a resolution recommending that Council award the contract to BDO Canada LLP. Council awarded the contract for a period of one year on October 10, 2017. Previous contracts have been for a period of 5 years.

Rather than proceed with a full RFP process this year, staff are recommending that the contract with BDO be extended to include the 2018 fiscal year, and that a full RFP process be undertaken in 2019 following the election. This would allow the new Council to familiarize themselves with the audit process and any related issues and subsequently, through the Audit & Finance Committee, provide input into the RFP process.

The City achieved a reduction in audit costs as a result of the 2017 RFP process and these savings will apply to 2018 as well.

The Committee could direct staff to undertake a full RFP process this year. As work on the 2018 audit begins in early fall, this would not allow the new Council to have input into the RFP process. For this reason, staff is not recommending this option.

CONCLUSIONS:

The auditor plays an important oversight role for all of the City's operations. While the opinion letter they provide comments on the City's financial statements, the work they do to issue that letter involves the work of all City departments. In order to provide the new Council with an opportunity to provide input in to the RFP process, staff is recommending that the current contract with BDO Canada LLP be extended to include 2018 and that a full RFP process be undertaken in 2019. The intended outcome of that process would be to appoint an auditor for the full term of Council and to ensure that the audit of the 2018 financial statements was completed within legislated timelines.

"Original signed by Catherine Nolan"

Prepared by: Catherine Nolan, CPA, CGA
Corporate Controller

"Original signed by Paul Gill"

Concurrence: Paul Gill, CPA, CGA
Chief Administrative Officer

TO: Audit & Finance Committee **MEETING DATE:** July 3, 2018
FROM: Chief Financial Officer **MEETING:** Audit & Finance Committee
SUBJECT: Investment Report for May 2018

EXECUTIVE SUMMARY:

Money held by the City, that is not immediately required, is invested and prudently managed in order to achieve the objectives of safety, liquidity and return. The Investment Policy outlines the parameters to manage the investments. It also calls for regular updates to the Audit & Finance Committee summarizing the investments and any deviations from policy.

Return on Investments (ROI) for 2018 of 1.8% exceeded the benchmark of 1.1%. An Investment Portfolio Summary is attached which shows the holdings compared to Investment Policy parameters. All investments are within policy with the exception of a Province of Ontario term with a maturity slightly longer than the 10 year policy limit. It was within policy as of June 2, 2018.

RECOMMENDATION(S):

None. For information only.

DISCUSSION:

a) Background Context:

Investment returns generate a significant amount of revenue for the City and more importantly they are invested in a way to protect the public funds ensuring that they are safe and available when needed. Council last revised the Investment Policy in June of 2011. There is currently no need to amend the policy.

The calculated ROI includes unrealized gains or losses due to market price fluctuations. Including these price fluctuations is appropriate, as it more accurately reflects the value one could receive if the investments were sold. It reflects the investment decisions with respect to the timing of when different investment terms are entered into. The benchmarks also include market value changes so the comparison is relevant.

As mentioned, the market value of the bonds held in our investment portfolio fluctuates. It is important to note that all our investments will mature at par at which point they will have no gains or losses. Market gains or losses are only realized if the bond is sold.

The Municipal Finance Authority of BC (MFA) has three pooled investment funds, which municipalities can invest in. We average the MFA and the benchmarks they use to measure our own investment returns against.

All investments are within policy with the exception of a Province of Ontario term with a maturity slightly longer than the 10 years policy limit. It was within policy as of June 2, 2018.

b) Business Plan/Financial Implications:

A significant portion of the funds invested are from Reserve Funds, Reserve Accounts, Development Cost Charges (DCCs) and Water and Sewer Utility Funds. The interest earned helps address inflationary costs. The General Revenue Fund also relies on returns from investments. These returns are conservatively budgeted.

CONCLUSIONS:

The attached schedules highlight the ROI and how the holdings compare to the parameters set out in the Investment Policy. The ROI, which includes non-realized capital gains and losses, exceeded the benchmark return.

“Original signed by Trevor Thompson”

Prepared by: Trevor Thompson, CPA, CGA
Chief Financial Officer

“Original signed by Paul Gill”

Approved by: Paul Gill, CPA, CGA
Chief Administrative Officer

City of Maple Ridge Return on Investment (ROI)

As of May 31, 2018

Terms	Investment (Avg.)	Return	ROI	Benchmark	Avg. Term (yrs.)
Short	\$ 65,058,770	\$ 549,056	2.0%	1.2%	0.3
Mid.	71,207,029	673,199	2.3%	1.5%	1.0
Long	63,350,676	301,184	1.1%	0.6%	6.4
Total	\$ 199,616,475	\$ 1,523,439	1.83%	1.13%	2.6

Terms mean the term to maturity from the purchase date, not the term remaining to maturity. For example, a 7 year investment bought in 2012 would always be classified as Long Term even when it has less than 1 year to maturity. Short Term is 1 year or less, Mid. Term is over 1 year and less than 3 years and Long Term is anything over 3 years.

Investment (avg.) is the average daily balance for the period.

Return or earnings includes interest earned as well as unrealized capital gains (losses). By taking the market price fluctuations into account, the management of the investments are better measured. Benchmarks are calculated on the same basis allowing for a more relevant comparison.

ROI is the annualized return on investment.

Benchmark used is the MFA Money Market Fund, MFA Intermediate Fund and MFA Bond Fund & benchmarks MFA reports against.

Avg. Term (years) is the weighted average term to maturity for the investments.

City of Maple Ridge
Investment Portfolio Summary
As of May 31, 2018

Term to Maturity	Holdings		Policy Max.		Within Policy
Short Term (0 to 1yr)	\$	96,707,906	52%	n/a	Yes
Mid. Term (< 1 to 3 yrs)		47,138,562	25%	40%	Yes
Long Term (< 3 to 10 yrs) *		41,888,729	23%	35%	Yes
Total	\$	185,735,196			

Holdings by Issuer

Issuer	Holdings		Policy Max.		Within Policy
<u>Bank</u>					
BMO	\$	18,000,000	10%	25%	Yes
BNS		2,000,000	1%	25%	Yes
CIBC		15,000,000	8%	25%	Yes
NBC		17,001,774	9%	25%	Yes
TD		3,309,854	2%	25%	Yes
<u>Credit Union **</u>					
BlueShore		39,000,000	21%	n/a	Yes
Coast Capital		10,138,562	5%	n/a	Yes
Envision		44,242,785	24%	n/a	Yes
VanCity		5,155,268	3%	n/a	Yes
Westminter Savings		25,000,000	13%	n/a	Yes
<u>Provincial</u>					
ONT		6,886,955	4%	25%	Yes
Total	\$	185,735,196			

* At the end of May, an investment in the Long Term, exceeds the Investment Policy maximum term of 10 years. This investment was within policy limits as of June 2, 2018.

** The Province of BC has guaranteed deposits of BC Credit Unions