



**City of Maple Ridge
Audit and Finance Committee
MEETING AGENDA**

Monday March 8, 2021 from 1:00 – 2:30 pm
Held virtually including the Blaney Room

Due to COVID-19 the meeting will be held via Zoom teleconference.

Participants are asked to join the meeting using the following access information:

<https://mapleridge-ca.zoom.us/j/99179698363?pwd=a25WWmRFSUV3d2xhU1ZlWkdXMVM1dz09>

Dial: 778-907-2071 Meeting ID: 991 7969 8363 Passcode: 800757

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**
3. **ADOPTION OF MINUTES – January 20, 2021**
4. **DELEGATIONS – N/A**
5. **NEW AND UNFINISHED BUSINESS**

5.1. 2021 Property Assessment Review

- CK Lee, Manager of Revenue and Collections

Staff report dated March 8, 2021 containing information on the preliminary assessment report for 2021 provided by BC Assessment.

5.2. 2020 Investment Report

- Trevor Thompson, Director of Finance

Staff report dated March 8, 2021 providing information on the City of Maple Ridge's 2020 investment portfolio.

5.3. 2020 Amenity Contributions

- Trevor Thompson, Director of Finance

Staff report dated March 8, 2021 providing a summary of the amenity contributions and the authorized uses of the funds for specified projects.

5.4. 2021 Meeting Schedule

Consideration of revised 2021 Committee meeting schedule.

6. **QUESTION PERIOD**

7. **NOTICE OF CLOSED MEETING**

8. **ADJOURNMENT**

QUESTION PERIOD

Question Period provides the public with the opportunity to ask questions or make comments on agenda items. Each person will be given 2 minutes to speak. Up to ten minutes in total is allotted for Question Period.

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The Minutes of the Regular Meeting of the Audit & Finance Committee held virtually and in the Blaney Room, City Hall on January 20, 2021 at 10:30 am.

COMMITTEE MEMBERS PRESENT

Councillor Robson*
Councillor Dueck
Mayor Morden

STAFF MEMBERS PRESENT

Al Horsman	Chief Administrative Officer
Christina Crabtree*	General Manager Corporate Services
Catherine Nolan	Corporate Controller
Trevor Thompson	Director of Finance
Erin Mark	Clerk 3

*Participated remotely due to the COVID-19 pandemic.

Note: Mayor Morden chaired the meeting until Item 5.2 Selection of Committee Chair.

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**

R/2021-AFC-001

It was moved and seconded

That the agenda for the January 20, 2021 Audit & Finance Committee meeting be approved as circulated.

CARRIED

3. **ADOPTION OF MINUTES - Nil**
4. **DELEGATIONS – Nil**
5. **NEW AND UNFINISHED BUSINESS**

5.1. Role of the Audit and Finance Committee

The Corporate Controller provided a brief overview of the Committee's Terms of Reference and inquired if the Committee felt any changes were required. The Committee did not request any amendments to the Committee's Terms of Reference.

5.2. Selection of Committee Chair

Mayor Morden called for nominations for Chair of the Audit and Finance Committee.

R/2021-AFC-002

It was moved and seconded

That Mayor Morden be elected as the Chair of the Community Development & Enterprise Services Committee.

CARRIED **3.0**

Note: Mayor Morden continued chairing the meeting after his election.

5.3. Fee for Service Agreements Review

The Corporate Controller spoke about the Fee for Service Agreements Review which was referred to the Committee by Council during the January 12, 2021 Council Workshop meeting and asked the Committee members for their comments on type of review, scope and timeline. Members agreed a Fee for Service Policy review was required and requested staff present a recommendation report to the Audit and Finance Committee in late spring 2021.

5.4. 2021 Meeting Schedule

The Committee reviewed the proposed schedule which included quarterly meetings. The Committee requested additional meetings be added on a monthly basis. Staff will develop an expanded meeting schedule and present it at the next Committee meeting.

5.5. 2020 Audit Planning

The Corporate Controller introduced Brian Szabo representing BDO Canada LLP who will be completing the City's 2020 Audit. Mr. Szabo provided an overview of BDO's 2020 Audit Planning Report and noted that most of the report is consistent with prior years. Committee members asked Mr. Szabo and staff questions about the upcoming audit.

6. QUESTION PERIOD – Nil

7. NOTICE OF CLOSED MEETING

R/2021-AFC-003

It was moved and seconded

The meeting will be closed to the public pursuant to Sections 90 (1) and 90 (2) of the *Community Charter* as the subject matter being considered relates to the following:

Section 90(1)(l) Discussions 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].

Any other matter that may be brought before the Committee of Council that meets the requirements for a meeting closed to the public pursuant to Sections 90 (1) and 90 (2) of the Community Charter or Freedom of Information and Protection of Privacy Act.

CARRIED

8. ADJOURNMENT at 11:37 am

TO: Audit & Finance Committee

MEETING DATE: Mar. 08, 2021

FILE NO: 1950-02

FROM: Chief Administrative Officer

MEETING: Audit & Finance Committee

SUBJECT: 2021 Property Assessment Review

EXECUTIVE SUMMARY:

BC Assessment released the preliminary property assessment report for 2021 in early January this year; it is considered preliminary as property owners had until February 1st to appeal their assessments. The final report will be ready in April, but the information available now provides a good look at growth and market change in Maple Ridge.

RECOMMENDATION:

For information only.

DISCUSSION:

There are seven classes of properties in Maple Ridge:

- 01 - Residential
- 02 - Utilities
- 04 - Major Industry
- 05 - Light Industry
- 06 - Business and Other
- 08 - Recreational/Non-Profit
- 09 - Farm Land

This report focuses on the residential and commercial classes, which make up the bulk of the assessment base in Maple Ridge – **residential** (which includes single family residences and strata properties) accounts for 90.8% and **commercial** – a combination of the Light Industry and Business classes - makes up 8.9%. Utility, Recreation and Farm class properties make up the remainder.

Growth and Market Value

2021 property assessments are based on market conditions at July 1, 2020. The change in assessments from last year have two general components:

1. Real growth due to new construction (also called non-market change)
2. Market value

Growth - Residential Properties

The table below shows residential property growth by area, comparing the entire residential property class with single family dwellings and strata homes.

As a whole, the residential property class had growth of \$317M, a 1.4% increase from 2020. Single family residences increased \$127M (0.7%) and strata properties increased \$190M (5.2%).

(\$ in thousands)	Class 1 (All)			Single Family			Strata		
	2020	Growth	%	2020	Growth	%	2020	Growth	%
West Maple Ridge	4,709,036	13,769	0.3%	4,335,690	13,769	0.3%	373,346	-	-
Cottonwood	2,905,184	2,969	0.1%	2,052,812	3,029	0.1%	852,373	(60)	(0.01)%
Town Centre	2,515,106	64,177	2.6%	1,066,970	(19,506)	(1.8)%	1,448,136	83,683	5.8%
Albion	2,319,604	83,861	3.6%	2,054,061	23,563	1.1%	265,543	60,298	22.7%
Central Maple Ridge	2,110,099	76,351	3.6%	1,800,033	43,021	2.4%	310,066	33,330	10.7%
Silver Valley	2,088,339	43,116	2.1%	1,915,601	30,750	1.6%	172,738	12,366	7.2%
Hammond	1,346,330	3,870	0.3%	1,214,370	3,870	0.3%	131,960	-	-
Whonnock	740,826	6,186	0.8%	740,826	6,186	0.8%	-	-	-
Websters Corners	543,821	4,656	0.9%	543,821	4,656	0.9%	-	-	-
Thornhill	418,394	5,339	1.3%	418,394	5,339	1.3%	-	-	-
Other areas	2,730,585	12,460	0.5%	2,628,835	12,460	0.5%	101,750	-	-
Maple Ridge	22,427,324	316,753	1.4%	18,771,413	127,136	0.7%	3,655,911	189,617	5.2%

Growth – Business & Light Industry Class

The commercial class had growth of \$115.8M, a 5.3% increase from last year.

(\$ in thousands)	2020	Growth	%
Town Centre	659,901	8,366	1.3%
Hammond	451,594	7,362	1.6%
West Maple Ridge	448,606	497	0.1%
Albion Industrial	218,861	33	0.0%
Whispering Falls	96,991	(7,905)	(8.2)%
Allco	77,396	505	0.7%
Ruskin	62,837	-	0.0%
Central Maple Ridge	43,800	1,299	3.0%
Cottonwood	41,746	5,957	14.3%
Spilsbury	23,319	1	0.0%
Other areas	73,240	-	0.0%
Maple Ridge	2,198,291	16,115	0.7%

Market Change – Residential Properties

The table below shows real estate market value change for residential properties by area. It compares the entire residential property class with single family dwellings and strata homes.

As a whole, the residential property class had market value change of \$1,164M, a 5.2% increase from 2020. Single family residences increased \$1,066M (5.7%) and strata properties increased \$98M (2.7%).

(\$ in thousands)	Class 1 (All)			Single Family			Strata		
	2020	Market	%	2020	Market	%	2020	Market	%
West Maple Ridge	4,709,036	305,340	6.5%	4,335,690	294,492	6.8%	373,346	10,848	2.9%
Cottonwood	2,905,184	158,228	5.4%	2,052,812	126,988	6.2%	852,373	31,240	3.67%
Town Centre	2,515,106	88,601	3.5%	1,066,970	55,322	5.2%	1,448,136	33,280	2.3%
Albion	2,319,604	92,539	4.0%	2,054,061	91,222	4.4%	265,543	1,317	0.5%
Central Maple Ridge	2,110,099	84,353	4.0%	1,800,033	71,661	4.0%	310,066	12,691	4.1%
Silver Valley	2,088,339	76,286	3.7%	1,915,601	72,592	3.8%	172,738	3,694	2.1%
Hammond	1,346,330	54,446	4.0%	1,214,370	50,754	4.2%	131,960	3,692	2.8%
Whonnock	740,826	55,803	7.5%	740,826	55,803	7.5%	-	-	-
Websters Corners	543,821	39,876	7.3%	543,821	39,876	7.3%	-	-	-
Thornhill	418,394	41,410	9.9%	418,394	41,410	9.9%	-	-	-
Other areas	2,730,585	166,745	6.1%	2,628,835	165,530	6.3%	101,750	1,215	1.2%
Maple Ridge	22,427,324	1,163,628	5.2%	18,771,413	1,065,651	5.7%	3,655,911	97,977	2.7%

Market Change – Business and Light Industry Properties

Market change in the Business and Light Industry property class was \$116M, an increase of 5.3%.

(\$ in thousands)	2020	Market	%
Town Centre	659,901	(6,332)	(1.0)%
Hammond	451,594	58,323	12.9%
West Maple Ridge	448,606	1,689	0.4%
Albion Industrial	218,861	25,774	11.8%
Whispering Falls	96,991	7,782	8.0%
Allco	77,396	7,315	9.5%
Ruskin	62,837	5,026	8.0%
Central Maple Ridge	43,800	2,772	6.3%
Cottonwood	41,746	413	1.0%
Spilsbury	23,319	2,571	11.0%
Other areas	73,240	10,434	14.2%
Maple Ridge	2,198,291	115,768	5.3%

Impact on Property Tax Rates

The financial plan includes new revenue from growth. Property tax rates are:

1. based on the tax increase included in the approved financial plan
2. adjusted to offset average market value increases / decreases in each class

The end result is properties with above-average market value increases for their class will have higher than average property tax increases, and properties with below-average market value increases will have lower than average property tax increases. It is important for property owners to be aware that their own experience will change depending on how their property's assessment change compares to the average for their property class.

To better demonstrate this variability from property to property, we have been tracking the municipal taxes assessed against a sample of properties for a number of years and the data from that analysis is attached in Appendix "A".

While the impact to the average home, increasing in assessed value by 5.2%, amounts to a proposed municipal tax increase of ~3.6%, there is significant variation around this average. The sample property in Whonnock (Sample 3) increased in value by 8.6% and, as that is above the average increase, will experience a higher than average increase in municipal taxes (7%) whereas the sample property in Silver Valley (Sample 1), which saw an increase in assessed value of only 3.9%, will experience a minimal municipal tax increase (2.3%).


As noted earlier, strata properties as a group have had a larger than average increase, so they will experience a higher than average tax increase.

Property taxes are based on final assessed values and cannot be appealed.

CONCLUSION:

Though the assessment information is preliminary, it does give a sense of how assessments changed last year. There can be significant variability by area and in the case of residential properties, by single family residence or strata property.

As a result, property tax impact to individual properties will vary depending on how their assessment compares to the average for their property class.



Prepared by: C.K. Lee, CPA, CGA
Manager of Revenue & Collections



Reviewed by: Trevor Thompson, CPA, CGA
Director of Finance



Approved by: Christina Crabtree
General Manager Corporate Services



Concurrence: Al Horsman
Chief Administrative Officer

Attachments:

- (A) Appendix A – History of Assessed Values and Taxation
- (B) Appendix B – Area Map of Maple Ridge

APPENDIX A – HISTORY OF ASSESSED VALUES AND TAXATION

Assessed Values

Location	2017	2018	2019	2020	2021
1 Silver Valley	1,172,000	1,347,000	1,336,000	1,364,000	1,417,000
2 Cottonwood	742,000	832,000	885,000	815,000	855,000
3 Whonnock	753,100	910,300	933,000	844,600	917,600
4 West Maple Ridge	577,500	664,000	760,900	670,600	703,100
5 Town Centre (Strata)	286,000	334,000	367,000	348,000	353,000
6 West Maple Ridge	979,000	1,072,000	1,173,000	1,077,000	1,132,000
7 Lower Hammond	393,500	474,300	570,100	529,300	551,200
8 Upper Hammond	727,000	819,000	863,000	730,000	778,000
Total	5,630,100	6,452,600	6,888,000	6,378,500	6,706,900

Change in Assessed Values

Location	2017	2018	2019	2020	2021
1 Silver Valley	33.8%	14.9%	-0.8%	2.1%	3.9%
2 Cottonwood	33.9%	12.1%	6.4%	-7.9%	4.9%
3 Whonnock	34.9%	20.9%	2.5%	-9.5%	8.6%
4 West Maple Ridge	39.0%	15.0%	14.6%	-11.9%	4.8%
5 Town Centre (Strata)	31.8%	16.8%	9.9%	-5.2%	1.4%
6 West Maple Ridge	38.9%	9.5%	9.4%	-8.2%	5.1%
7 Lower Hammond	45.7%	20.5%	20.2%	-7.2%	4.1%
8 Upper Hammond	29.8%	12.7%	5.4%	-15.4%	6.6%
Total	35.47%	14.61%	6.75%	-7.40%	5.15%

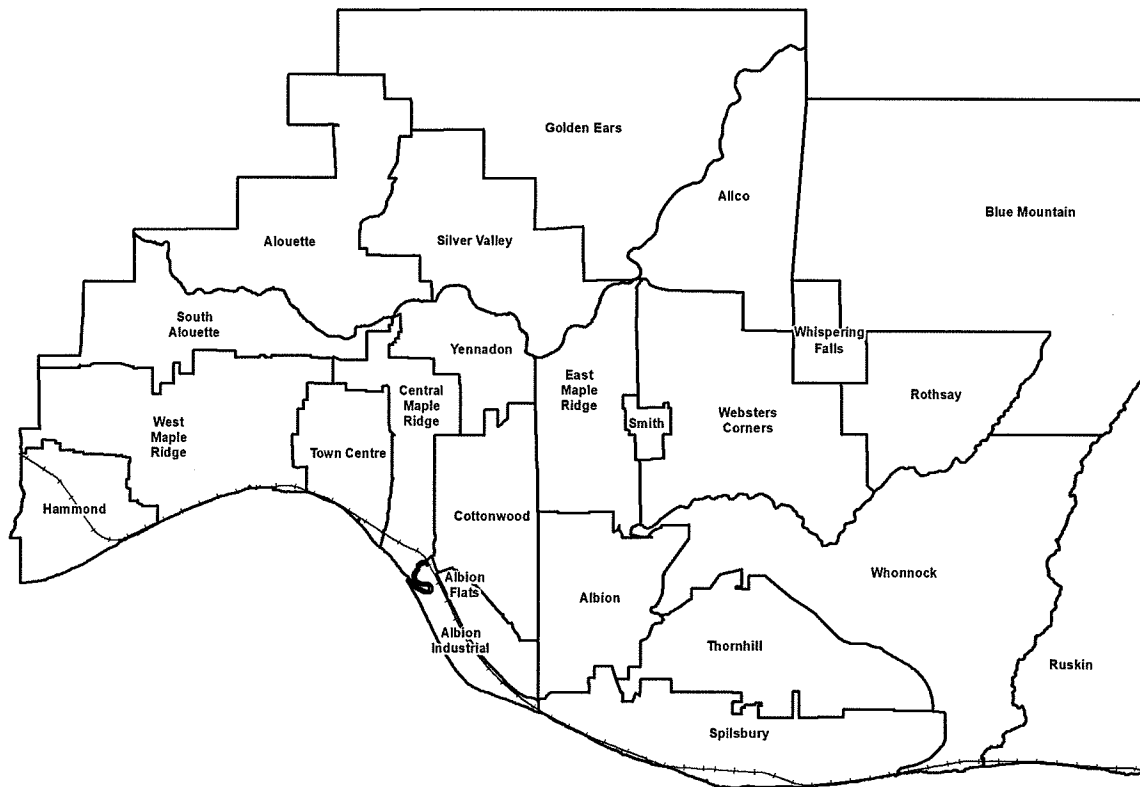
Taxation (Municipal General/Drainage/Parks)

Location	2017	2018	2019	2020	2021
1 Silver Valley	3,916	4,036	3,784	4,267	4,365
2 Cottonwood	2,479	2,493	2,507	2,549	2,634
3 Whonnock	2,516	2,727	2,643	2,642	2,827
4 West Maple Ridge	1,930	1,989	2,155	2,098	2,166
5 Town Centre (Strata)	956	1,001	1,040	1,089	1,087
6 West Maple Ridge	3,271	3,212	3,323	3,369	3,487
7 Lower Hammond	1,315	1,421	1,615	1,656	1,698
8 Upper Hammond	2,429	2,454	2,445	2,284	2,397
Total	18,812	19,333	19,512	19,954	20,661

Change in Taxation (Municipal General/Drainage/Parks)

Location	2017	2018	2019	2020	2021
1 Silver Valley	2.2%	3.1%	-6.2%	12.8%	2.3%
2 Cottonwood	2.3%	0.6%	0.6%	1.7%	3.3%
3 Whonnock	3.0%	8.4%	-3.1%	0.0%	7.0%
4 West Maple Ridge	6.1%	3.1%	8.3%	-2.6%	3.2%
5 Town Centre (Strata)	0.6%	4.7%	3.9%	4.7%	-0.2%
6 West Maple Ridge	6.0%	-1.8%	3.5%	1.4%	3.5%
7 Lower Hammond	11.3%	8.1%	13.7%	2.5%	2.5%
8 Upper Hammond	-0.9%	1.0%	-0.4%	-6.6%	4.9%
Total	3.4%	2.8%	0.9%	2.3%	3.5%

APPENDIX B – AREA MAP OF MAPLE RIDGE



TO: Audit and Finance Committee
FROM: Chief Administrative Officer
SUBJECT: 2020 Investment Report

MEETING DATE: March 8, 2021
FILE NO: 05-1615-20
MEETING: Audit and Finance Committee

EXECUTIVE SUMMARY:

The annual return on investment (ROI) for Maple Ridge's investment portfolio was 2.02% beating the benchmark of 1.85%. Money 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 and Finance Committee summarizing the investments and any deviations from policy.

An Investment Portfolio Summary is attached which shows that the holdings are within the parameters set in the Investment Policy. The duration of the investment holdings is shorter term than typical to provide additional liquidity and minimize risks.

An economic and market update, provided by the Municipal Finance Authority of BC (MFS), is attached to this report for reference.

The MFA has increased the number of pooled funds offered and is exploring an additional fund to provide an opportunity to increase the earnings while diversifying the investment holdings.

RECOMMENDATION(S):

For information only.

DISCUSSION:

a) Background Context:

One of the categories of investments that municipalities are, under the Community Charter, permitted to purchase is debt that is guaranteed by a chartered Canadian bank. Canadian banks continue to be very strong. However, as a result of the Financial Crisis of nearly a decade ago, banking regulations have and continue to be introduced and/or strengthened.

Investment returns generate a significant amount of revenue for the City and more importantly the investments are safe and funds are 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.

Several municipalities in the lower mainland share information and investment approaches. Maple Ridge participates both with this group and on the Municipal Finance Authorities Pooled Fund Advisory Group.

Socially Responsible Investing (SRI) and Fossil Free Funds have received a fair amount of discussion in the media and given the narrow parameters of the Community Charter of what municipalities can invest in our investment fits within these parameters. MFABC has launched a new fund as a Fossil Free Bond Fund as well as a new Mortgage Fund.

A significant development underway is the opportunity to expand the investments available to Municipalities. Municipalities in several other provinces are able to invest in a broader spectrum of asset classes. Burnaby initiated the conversation with a UBCM resolution to bring similar options to BC. This initiative received support from elected officials and municipal staff. Several municipalities have been working with the Province and MFABC to develop parameters and conditions to achieve this. Much of the conversation is around governance and ensuring municipalities understand the time horizon and volatility of different asset classes. In all likelihood this will be facilitated through the MFA.

The MFA Pooled Investment Fund Quarterly Market Update is attached for information.

b) Business Plan/Financial Implications:

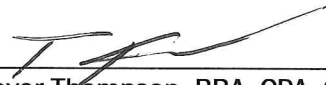
A significant portion of the funds invested are from Reserve Funds, Reserve Accounts, Development Cost Charges (DCCs) and Water and Sewer Utility Funds. The interest earned helps address inflationary costs. The budgets for capital projects planned are not increased each year due to inflation. The budgets are increased, with Council approval, at the time of tender award when the costs are more certain.

The General Revenue Fund relies on returns from investments. These returns are conservatively budgeted. The budget for Investment revenue was increased slightly in recent years. A more aggressive reliance on investment earnings in the Financial Plan is not advised.

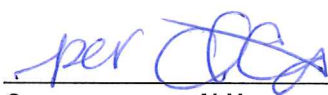
CONCLUSIONS:

The schedules attached highlight the return on investments and how the holdings compare to the parameters set out in the Investment Policy. There are currently no deviations from policy. The return on investments of 2.02% exceeded the benchmark return of 1.85%.

The primary focus of our investments is safety and being able to meet our cash flow requirements. Active management by staff, advice from our investment contacts and engagement in municipal investment groups ensures that funds are invested appropriately and continue to produce relatively competitive returns.



Prepared by: Trevor Thompson, BBA, CPA, CGA
Director of Finance (CFO)

Approved by: Christina Crabtree
General Manager Corporate Services

Concurrence: Al Horsman
Chief Administrative Officer

Attachments:

Investment Portfolio ROI

Investment Portfolio Summary

MFA Pooled Investment Fund Quarterly Market Update

City of Maple Ridge
Investment Portfolio Return on Investment (ROI)
For 2020

Term	Investments (avg.)	Return	ROI	Benchmark
Long	\$41,755,990	\$1,499,473	3.6%	5.8%
Mid.	53,897,308	1,647,976	3.1%	2.2%
Short	150,052,583	1,807,909	1.2%	0.7%
Total	\$ 245,705,881	\$4,955,359	2.02%	1.85%

Term means the term to maturity from the purchase date, not the term remaining to maturity. For example, a 7 year investment bought in 2015 would always be classified as Long Term even when it has less than a year to maturity. Short Term is a year or less, Mid. Term is over a year and less than three years and Long Term is anything over three years.

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

Return or earnings are calculated differently than current accounting standards, as unrealized capital gains (losses) are included. 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 Municipal Finance Authority (MFA) Money Market Fund, MFA Intermediate Fund and MFA Bond Fund & benchmarks MFA reports against.

City of Maple Ridge
Investment Portfolio Summary
As of December 31, 2020

Term to Maturity	Holdings	% Holdings	Policy Max.	Within Policy
Long Term (>3 Years)	\$ 30,000,438	14%	35%	Yes
Mid. Term (>1 year to 3 yrs.)	3,000,000	1%	40%	Yes
Short Term	187,765,990	85%	none	Yes
	<u>\$220,766,428</u>			

Issuer	Holdings	% Holdings	Policy Max.	Within Policy
<u>Banks</u>				
BMO	\$ 3,000,000	1%	25%	Yes
BNS	25,112,415	11%	25%	Yes
CIBC	41,056,477	19%	25%	Yes
National	44,015,718	20%	25%	Yes
TD	40,344,330	18%	25%	Yes
<u>Credit Unions</u>				
Blue Shore	13,093,882	6%	None, Prov. Guarantee	Yes
Coast Capital	5,051,062	2%	*	Yes
Envision	5,503,030	2%		Yes
Westminster	43,589,515	20%		Yes
<u>Government</u>				
Fed.	-		None	Yes
Prov.	-		BC None, others 25%	Yes
Muni/Reg. District	-		25%	Yes
Municipal Finance Authority	-		25%	Yes
Total	<u>\$220,766,428</u>			

* The Province of BC has guaranteed deposits of BC Credit Unions. With this guarantee regular policy limits of \$10,000,000 per credit union can be exceeded. Coast Capital has nationalized and existing investments have been grandfathered into the guarantee.



**Municipal Finance
Authority of BC**

MFA Pooled Investment Fund Quarterly Market Update

As of December 31, 2020

Interest Rates

Global economies continued to recover stronger and faster than anticipated from the unprecedented economic shutdown experienced earlier this year. The economic recovery has been buoyed by positive vaccine developments, which have instilled hope that life might return to normal in 2021. That said, the magnitude and timing of a full economic recovery remains uncertain. In light of this, central banks continued their quantitative easing measures to ensure the bond market remains liquid and well supported, and they have committed to maintaining accommodative monetary policies until a recovery is well underway. Of note over the quarter, the Bank of Canada (BoC) announced it would reduce its Government of Canada bond purchase program to \$4 billion a week, down from \$5 billion a week, and pledged to extend purchases to longer-term securities. The reduction in weekly purchases coupled with a focus on longer-term securities is expected to offer the same amount of stimulus as prior to the program adjustment, however, the BoC will have a more direct influence on the borrowing rates that are most applicable to households and businesses. The BoC continues to buy provincial and corporate bonds as well, although at a relatively restrained pace. With the strong support of central banks, coupled with positive vaccine developments, investors exhibited a healthy appetite for risk over the fourth quarter. Against this backdrop, Government of Canada bond yields increased modestly over the quarter, and the yield curve steepened.

Looking ahead, the majority of bond market participants expect yields to remain low over the near term as a result of very accommodative monetary policy. Our view is generally in line with what is priced into the bond market; however, yields may exhibit some short-term volatility as a multitude of uncertainties continue to weigh on the global economy.

Real Return Bonds

The market's expectations for long-term inflation (estimated as the difference in yield between a nominal and real return bond) moved 0.2% higher to end the fourth quarter at 1.5%. The rise in market-implied inflation expectations from its lows earlier in the year can be largely attributed to an improvement in liquidity conditions primarily as a result of the BoC's continued support via its asset purchase program.

Actual inflation, as measured by the Consumer Price Index (CPI), has somewhat stabilized, though it remains below pre-pandemic levels. Looking ahead, we believe that the BoC, in addition to fiscal stimulus, has the tools required to meet its inflation target, and that market-implied, long-term inflation expectations are likely to continue moving higher – and closer to our view of fair value – over the medium term.

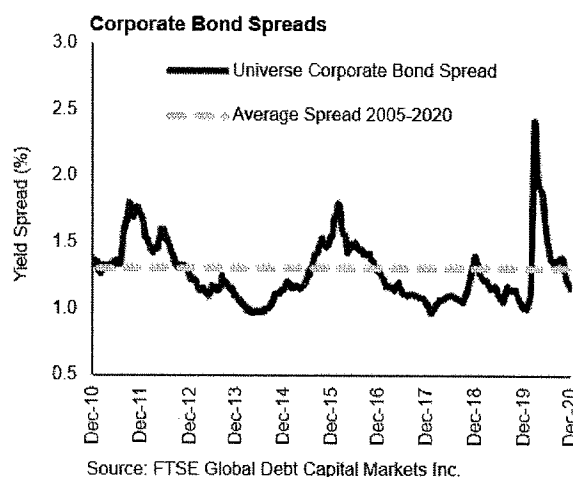
Quasi-Government Bonds

Despite promising vaccine developments that have raised the prospect for a swift return to normalcy in 2021, near-term challenges for the Canadian economy remain as we battle a second wave of virus infections. As such, the provinces sustained a strong pace of issuance to stay well-funded should the economic recovery falter as COVID-19 case counts and fatalities rise. The market easily absorbed the strong supply of approximately \$25

billion during the quarter, thanks in large part to the accommodative monetary policy that continues to drive demand for credit. There was also a significant \$11.5 billion of maturity and coupon payments made to bondholders in December. The subsequent need to reinvest this cash also boosted demand, driving spreads tighter across provincial, federal agency, and municipal bonds. Overall, provincial bond spreads tightened by approximately 10 basis points over the quarter, with the smaller, less liquid provincial issuers, such as Alberta, outperforming the larger and more liquid issuers like Ontario and Quebec.

Investment Grade Corporate Bonds

Corporate bonds benefitted from continued positive investor risk sentiment, which resulted in Canadian investment grade corporate bond spreads tightening by 25 basis points during the quarter. Corporate bond spreads have experienced a significant recovery since the peak of the pandemic, with spreads ending the quarter close to pre-pandemic levels. One factor that has contributed to the recovery was the introduction of the Corporate Bond Purchase Program (CBPP) by the BoC in late May. Since the introduction of the program, the BoC has completed 65 purchases for a total of only \$182 million par value out of a program size of \$10 billion.



Although few purchases have been made by the BoC, the corporate bond market has been able to thrive on its own, supported by the confidence of knowing that the BoC is there to function as a backstop if ever needed. In addition, corporate bond supply was met with robust investor demand as investors continued to reach for yield, with approximately \$22 billion in new supply coming to market during the quarter. The 2020 calendar year total has now reached a record \$116 billion, which is roughly 5% ahead of last year's pace.

From a fundamental standpoint, the elevated levels of debt in the Canadian economy among consumers and corporations remain a key concern. The Canadian household debt-to-income ratio made a substantial jump in the past quarter. The ratio reached 171% in Q3, up 5% from the previous quarter as the effects of various government aid programs dissipated. In addition, we recognize the decoupling of corporate credit fundamentals and valuations due to the unprecedented support of central banks. With spreads approaching their post-financial crisis highs, the potential downside risk is higher should investor sentiment turn.

High Yield Corporate Bonds

The recovery in high yield bonds continued into December, with the broad high yield market returning 6.5% in the fourth quarter. This strong finish capped off a year-to-date return of 6.2% for 2020, which is a remarkable turnaround for an asset class that was down over 20% at its lowest point in March. Meaningful government support, both fiscal and monetary, since the early days of the pandemic has been crucial to both the economic recovery as well as the restoration of investor confidence in financial markets. This support allowed corporations to issue record amounts of bonds on reasonable terms in the early stages of the pandemic to help shore up their finances in an otherwise challenging environment, and has resulted in fewer liquidity challenges and bankruptcies than initially feared. The expected continuation of government support, along with the resolution of the U.S. election and the beginning of the roll-out of COVID vaccines have all been helpful to the economic backdrop. Investors have now shifted their focus from near-term infection rates to what a post-COVID return to "normalcy" might look like. Although much uncertainty remains, the shift has been generally

supportive for higher yielding assets in light of a low rate environment extending into the foreseeable future. Demand for high yield bonds reached record levels in 2020.

The rate of high yield defaults slowed in Q4 and should end the year at approximately 7%; for the second year in a row, defaults were dominated by energy companies. While above the long-term average default rate of 3-4%, this result is not nearly as bad as feared during the early days of the pandemic. Furthermore, failing a dramatic negative turn of events in infection rates or vaccine developments, we suspect that the peak in defaults is behind us. High yield spreads have largely reflected this and have fallen to 400 basis points from a peak of 1,100 basis points in March.

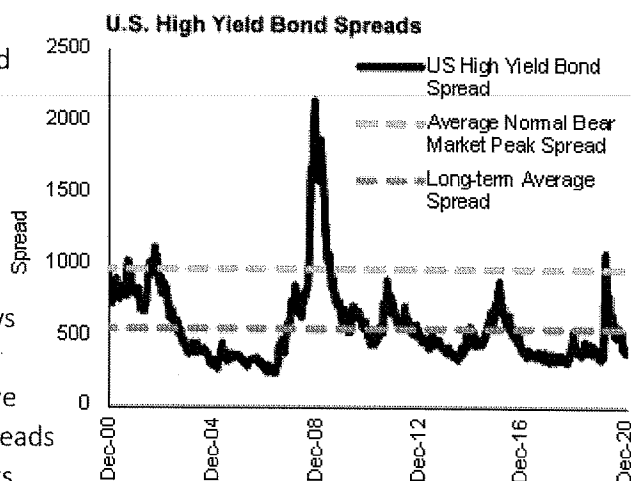
Mortgages

Conventional mortgage spreads compressed over the fourth quarter by approximately 25 basis points. As of quarter-end, the mortgages held in the MFA Mortgage Fund had a yield of approximately 215 basis points over similar-term Government of Canada bonds.

The mortgages held in the MFA Mortgage Fund continued to perform well in an environment filled with many challenges related to the COVID-19 pandemic. We currently do not have any missed payments or defaults in the portfolio. Earlier in the year we did provide relief to 58 mortgages where rental income was negatively impacted due to the pandemic. These borrowers were granted a maximum three-month interest-only period, allowing some flexibility for income to stabilize. Nearly all of these mortgages have seen income collections improve dramatically, which has allowed regular payments to resume. Of the 58 mortgages, 28 have returned all deferred principal, and the remaining 30 are in the recovery phase, which is scheduled to complete mid-2021. The outstanding deferred principal payments represent less than 0.20% of the portfolio.

New mortgage origination activities picked up meaningfully in the fourth quarter. We are currently reviewing numerous attractive new mortgage opportunities; these are currently in the due diligence stage of our process, with funding anticipated in Q1 2021. We recently expanded our mortgage origination capabilities beyond just CMLS to include RBC, First National Financial, and Portage Capital. These groups should provide a meaningful level of additional origination capacity to our program. These additional sources, combined with improved market conditions, should provide more attractive origination results for our program in 2021. We currently have a strong liquidity position in the MFA Mortgage Fund, with 12.95% held in cash instruments and short-term investments.

Commercial real estate conditions continued to provide mixed results depending on location and asset class. Retail continued to face challenges given operating restrictions imposed on many segments of the market. However, we saw many retailers and landlord embrace innovation and adapt to improve operations to the best of their ability. Retailers able to survive this environment should be rewarded with pent-up consumer demand and high savings rates. Industrial and multi-family assets across Canada have exhibited exceptional results with strong rental collections, income growth, and very low vacancy levels. We continue to focus our origination efforts on the highest quality segments of the market backed by strong, stable assets, and borrowers with the experience and wherewithal to operate successfully in the current environment. The MFA Mortgage Fund



Source: Bloomberg, RBC GAM. US high yield daily bond spreads represents the ICE/BofA US High Yield Bond Index as at Dec 31, 2020. Normal bear market excludes the great financial crisis

remains conservatively positioned with a cash flow coverage ratio of 1.6X and a loan-to-value of 56%, providing a significant margin of safety to mitigate market weakness.

Bond Market Outlook

Risk-on sentiment continued to permeate financial markets during the quarter as positive developments on the vaccine front, improving economic data and better-than-expected third quarter earnings helped boost investor confidence. Combined with ongoing fiscal support from federal governments, it would be a fair notion for fixed income investors to expect bond yields to rise from current levels within this environment. However, considering that central banks have expressed a commitment to keeping interest rates low to stimulate economies and maintain liquidity in financial markets, our sense is that bond yields will remain near their current low levels in the near term and that any move higher from here will likely span many years.



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CITY OF MAPLE RIDGE

TO: Audit & Finance Committee

MEETING DATE: March 8, 2021

FROM: Chief Administrative Officer

FILE NO: 05-1880-20

MEETING: Audit & Finance Committee

SUBJECT: 2020 Amenity Contributions

EXECUTIVE SUMMARY:

This report provides a summary of the Amenity Contributions and the authorized uses of these funds for specific projects. It should be noted that at the time of writing the financial results for 2020 were not finalized. The 2020 Contributions shown reflect those made from January 1, 2020 to the end of November 2020.

The City has three amenity programs: Albion Area, Community Wide and Housing Affordability. Annual collections and interest earned on these funds are summarized. Collections to date are sufficient to cover the planned draws to fund the projects previously approved by Council. Future collections can be directed towards initiatives within the parameters of the amenity program. Community Amenity Contributions (CACs) spending has been focused on Parks and Recreation Infrastructure.

CACs advanced new parks and recreation infrastructure to better serve citizens' needs. CACs assist with funding infrastructure that cannot be funded through Development Cost Charges (DCCs). DCCs and the rate update process will be reported on at a future Audit & Finance Committee meeting.

RECOMMENDATION:

For information only.

DISCUSSION:

a) Background Context:

This report focuses on the financial results of the Amenity Programs. The amenity programs' design and rates are best informed through Planning Policy.

The following table shows Amenity Contributions since the inception of these programs. These contributions assist with funding of projects specifically authorized by Council. In each case, the project is only partially funding through Amenity Contributions.

	Community (CACs)	Albion (AAC)	Affordable Housing
Collections			
2015	-	210,800	
2016	229,500	64,400	
2017	958,200	148,800	
2018	3,605,300	291,000	
2019	1,852,500	86,800	256,000
2020 (to Nov.)	669,600	55,800	159,000
Total Collections	7,315,100	857,600	415,000
Interest	211,040	30,902	19,758
Total Collections and Interest	7,526,140	888,502	434,758
Authorized Draws			
Albion Community Centre	(2,600,000)	(1,000,000)	
Telosky Stadium Synthetic Turf and Fieldhouse	(3,000,000)		
Additional Sheet of Ice	(1,500,000)		
Total Authorized Draw	(7,100,000)	(1,000,000)	-
Unencumbered Balance (Funds Available)	426,140	(111,498)	434,758

Community Amenity Contributions by Area

When the CACs were initiated, it was asked that the area of collections be tracked. The rationale at the time was likely a desire by the developers to ensure that over time the areas that contribute benefit from the amenities.

CACs by Collection Area

Albion	1,229,000	17%
Central Haney	257,900	4%
Central Maple Ridge	355,300	5%
Cottonwood	2,839,900	39%
East Maple Ridge	6,200	0%
Rothsay	5,100	0%
Silver Valley	1,515,600	21%
Spilsbury	5,100	0%
Thornhill	10,200	0%
Town Centre	828,600	11%
Websters Corners	20,400	0%
West Haney	117,300	2%
West Maple Ridge	83,700	1%
Whonnock	40,800	1%
Total Collections	7,315,100	100%

Future Contributions and Uses

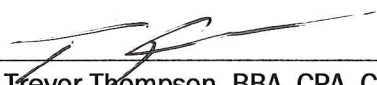
The annual value of CACs will fluctuate with development. CACs will continue to be a significant funding source as we are a growing community. Other than the projects already mentioned, that are already funded with existing CAC funds, there are no further draws on the CACs included in the 5 year Financial Plan (2021-2026).

Development currently under application represents Amenity Contributions of approximately \$16.5 million. The vast majority of the applications are at first or second reading. A portion of the applications will not proceed and others may take several years.

Discussing the future use of CACs would be useful prior to setting the 2022-2026 Business Planning Guidelines and refining the Capital Program. CACs could be committed to fund a larger portion of existing debt funded recreation projects. This could reduce the property tax increase needed to service the debt. Alternatively, the funds could be used to advance additional investments in Parks and Recreation or in other areas permitted within the CAC program.

CONCLUSION:

Amenity Contributions are a relatively new funding source in Maple Ridge and provide funding for amenities that cannot be funded through Development Cost Charges. During the Business Planning sessions, there was significant discussion about the rate of collections and where the funds were allocated. This report provides additional clarity on what has been collected to date and the projects that Council authorized spending CACs on. Future amenity contributions provide Council with some flexibility to consider additional amenities or reduce the debt servicing costs of previously approved projects.

Prepared by: 
Trevor Thompson, BBA, CPA, CGA
Director of Finance

Approved by: 
Christina Crabtree
General Manager: Corporate Services

Concurrence: 
Al Horsman
Chief Administrative Officer



Policy 6.31

- f) Courtyard dwelling units, located on a single property – only the first dwelling unit is exempt, after which the CAC program applies to each additional dwelling unit.
- 4. The Density Bonus Framework established in the Albion Area Plan will continue to apply, in addition to the city-wide CAC Program.
 - a) For developments that take advantage of the density bonus provisions included in the Maple Ridge Zoning Bylaw for the Albion Area Plan, the amenity contribution rate will be:
 - i) \$5100 per single family lot created;
 - ii) \$4100 per townhouse or other attached ground-oriented dwelling unit;
 - iii) \$3100 per apartment dwelling unit;in addition to the \$3100 density bonus rate.
 - b) For developments that do not take advantage of the density bonus provisions included in the Maple Ridge Zoning Bylaw, the CAC rate will be the rate established in Section 2 of this policy.
- 5. The Official Community Plan may also establish additional or alternative community amenity contribution policies, guidelines and density bonus provisions for each Area Plan.
- 6. Development applications that are in process (in-stream) at the time of enactment of the CAC Program Council Policy, will:
 - a) be subject to the provisions of this Policy unless the applicable Official Community Plan or Zoning Bylaw amending bylaw has received Third Reading; OR
 - b) be subject to the provisions of this Policy if a condition for the Policy to apply was included in the first or second reading report of the applicable Official Community Plan or Zoning Bylaw amending bylaw.
- 7. All development applications that are seeking an extension under Development Procedures Bylaw No. 5879-1999 (as amended), may be subject to the city-wide community amenity contribution program at the discretion of Council.
- 8. Council will establish one or more Reserve Funds and identify those amenities that may benefit from the community amenity contributions.
- 9. Community Amenity Contribution funds received will contribute to any of the following eligible amenities:
 - a) Civic facility;
 - b) Public art;
 - c) Acquisition of land for the provision of:
 - o Affordable or special needs housing;
 - o Parks
 - o Trails
 - o Significant ecological features
 - d) Park or trail construction and/or maintenance;
 - e) Affordable or special needs housing units;
 - f) Heritage conservation; or
 - g) Conservation of significant ecological features.

10. The provision of a specific amenity, rather than a cash-in-lieu contribution may also be considered by Maple Ridge Council. If Council determines that the provision of an amenity is more desirable, the following list is to be used as a general guide for determining the type of community amenity:

- a) Public art;
- b) Heritage conservation;
- c) Land for the provision of:
 - o Affordable or special needs housing;
 - o Parks
 - o Trails
 - o Significant ecological features
- d) Affordable or special needs housing units; or
- e) Park or trail construction or improvements.

Purpose:

To provide direction on the implementation of a city-wide community amenity contribution (CAC) program, including the process to determine the contribution amount.

Definitions:

- **"Community Amenity"** means any public amenity that provides a benefit to the residents of the city or a specific neighbourhood as the result of increased residential density.

Key Areas of Responsibility

Action to Take

Responsibility

Meeting Dates:

Meetings will be held on the 2nd Monday of the month from 1 – 2:30 pm:

- March 8
- April 26 (4th Monday due to Audit)
- May 10
- June 14
- July 12
- September 13
- October 18 (3rd Monday due to Thanksgiving)
- November 8

Notes:

- Due to COVID-19 meetings will be held virtually including the Blaney Room, Maple Ridge City Hall until further notice.
- Meeting dates, times and locations are subject to change.
- Additional meetings may be added as required.
- The proceedings of the Committee are to be conducted in public, unless the subject matter being considered falls within an applicable subsection of Section 90 of the Community Charter.

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