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MAPLE RIDGE
British Columbia

City of Maple Ridge
Audit and Finance Committee
MEETING AGENDA

Monday June 14, 2021 from 1:00 – 2:30 pm
Virtual online meeting including the Blaney Room

Participants are asked to join the meeting using the following Zoom access information:
Meeting ID: 959 3795 9935 Passcode: 392688 Phone: 778-907-2071
https://mapleridge-ca.zoom.us/j/95937959935?pwd=bmpuOVBOTWtFNU1oZnBrMmFsdXNaZz09

1. **CALL TO ORDER**

2. **APPROVAL OF THE AGENDA**

3. **ADOPTION OF MINUTES** – May 3, 2021

4. **DELEGATIONS** – Nil

5. **NEW AND UNFINISHED BUSINESS**

5.1. Fee for Service Agreements

Staff report dated June 14, 2021 recommending an update of Financial Support Process Policy No. 5.49 and Community Grants Policy No. 5.56, the rescinding of Partnership Agreements – Leases and Fee-for-Service Proposals Policy No. 4.15, and the drafting of a new policy to address Fee for Service Agreements be supported.

5.2. Review of Community Amenity Contributions Programs

Staff report dated June 14, 2021 providing a background on the City's Community Amenity Contribution programs and a financial update on the amenity contributions collected and which amenities the funds have been allocated to.

5.3. 2021 Investment Report – Quarter 1

Staff report dated June 14, 2021 providing information on the City's investment portfolio for the period ending March 31, 2021.

6. **QUESTION PERIOD**

7. **NOTICE OF CLOSED MEETING – Nil**

8. **ADJOURNMENT**

Next Audit and Finance Committee Meeting – July 12, 2021 at 1:00 pm

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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City of Maple Ridge
Audit and Finance Committee
Terms of Reference

Composition

- The Audit and Finance Committee will be comprised of the Mayor and two Councillors.
- Quorum for the committee will be two members.
- Members will be appointed annually by the Mayor.
- The Committee Chair will be elected by the Committee Members.
- The Chief Administrative Officer, or designate, and the Chief Financial Officer will attend meetings to provide input and answer questions.

Authority

- The Audit and Finance Committee is a standing committee appointed by the Mayor.
- 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.
- The Committee has the authority to investigate any activity of the City.
- The Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.

Meetings

- The Committee meets at least twice per year. The meetings are scheduled to permit timely review of the annual financial statements and reports. Additional meetings may be held as deemed necessary by the Chair of the Committee or as requested by the external auditors.
- The Chair of the Committee will constitute a meeting as per the requirements of the Community Charter.
- The Committee Chair will be included in the agenda setting process.
- The person designated by the Committee to act as Secretary will prepare minutes for all meetings.

Responsibilities

- To meet with the external auditors appointed by Council and with the Finance Department Staff to review that:
    - The City has implemented appropriate systems to identify, monitor and mitigate significant business risks;
    - The City has implemented appropriate systems of internal control to ensure compliance with legal, ethical and regulatory requirements and that these systems are operating effectively;
    - The City has implemented appropriate systems of internal control to ensure compliance with its policies and procedures and these systems are operating effectively;
    - The City has implemented appropriate systems of internal control over financial reporting and that these systems are operating effectively;

  - The City's annual financial statements are fully presented in all material respects in accordance with generally accepted accounting principles, the selection of accounting policies is appropriate and the annual financial statements should be approved by Council;
  - The information contained in the City's annual report and other disclosures is accurate, complete and fairly presents the financial position and the risks of the organization; and
  - The external audit function has been effectively carried out and any matter that the external auditors wish to bring to the attention of Council has been given adequate attention.
- To review interim financial reports as deemed appropriate by the Chair of the Committee.
- To recommend to Council the reappointment or appointment of external auditors.
- To review the Business Planning framework.
- To review organizational metrics.
- To inquire into any matters referred to it by Council.

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City of Maple Ridge
Audit & Finance Committee
MEETING MINUTES

The Minutes of the Special Meeting of the Audit & Finance Committee
held virtually and in the Blaney Room, City Hall on May 3, 2021 at 1:00 pm

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COMMITTEE MEMBERS PRESENT
Councillor Robson*
Councillor Dueck*
Mayor Morden, Chair

COUNCIL MEMBERS PRESENT
Councillor Meadus
Councillor Yousef

STAFF MEMBERS PRESENT

Al Horsman	Chief Administrative Officer
Christina Crabtree*	General Manager Corporate Services
Catherine Nolan	Corporate Controller
Trevor Thompson	Director of Finance
Darrell Denton	Deputy Corporate Officer
Scott Hartman*	General Manager Parks, Recreation & Culture
Erin Mark	Clerk 3

GUESTS

Brian Szabo	Partner, BDO Canada LLP

*Participated remotely due to the COVID-19 pandemic.

Note: Councillor Robson was not present for the beginning of the meeting.

1. CALL TO ORDER

2. APPROVAL OF THE AGENDA

R/2021-AFC-007
It was moved and seconded

> **That the agenda for the May 3, 2021 Audit & Finance Committee Special Meeting be approved as circulated.**

CARRIED

3. ADOPTION OF MINUTES

R/2021-AFC-008
It was moved and seconded

> **That the minutes of the March 8, 2021 Audit & Finance Committee Meeting be adopted as circulated.**

CARRIED

Note: Councillor Robson joined the meeting at 1:05 pm.

3.

4. DELEGATIONS – Nil

5. NEW AND UNFINISHED BUSINESS

5.1. 2020 Consolidated Financial Statements

C. Nolan, Corporate Controller, provided a presentation on the 2020 Financial Statements and the audit completed by BDO Canada LLP. Ms. Nolan shared the auditor's opinion statement on the consolidated financial statements, reviewed several prior period adjustments that were required, and provided an overview of the financial statements. Highlights included that the results for 2020 are within the approved financial plan, the net financial position was $124.2 million, accumulated surplus was $1.26 billion, and general revenue accumulated surplus was $11 million. Ms. Nolan indicated that the 2020 Consolidated Financial Statements would be provided to Council at the May 4, 2021 Committee of the Whole Meeting, and considered for approval at the May 11, 2021 Council Meeting.

Committee members enquired about the debt that is included in the financial statements, investment funds, and about changes in reserve fund policies.

R/2021-AFC-009
It was moved and seconded

That the staff report dated May 4, 2021 titled "2020 Consolidated Financial Statements" be received.

CARRIED

At this point B. Szabo, Partner, BDO Canada LLP provided a verbal overview of BDO Canada's LLP 2020 Audit Letter and highlighted some of the notes including impacts of COVID, prior period adjustments, and tangible asset management software.

Committee members asked staff about the current tangible asset management software.

6. QUESTION PERIOD – Nil

7. NOTICE OF CLOSED MEETING

The Committee determined that the Closed Meeting was not required.

8. ADJOURNMENT at 1:55 pm

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Mayor Mike Morden, Chair
/em

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CITY OF MAPLE RIDGE

TO:	His Worship Mayor Michael Morden and Members of Council	**MEETING DATE:**	June 14, 2021
		FILE NO:	05-1880-20
FROM:	Chief Administrative Officer	**MEETING:**	Audit & Finance

SUBJECT: **Fee for Service Agreements**

EXECUTIVE SUMMARY:

On January 12, 2021, Council received a report regarding Fee for Service Agreements and referred it to the Audit & Finance Committee for further discussion. On January 20, 2021, the Committee discussed the report in detail and agreed that a policy review was needed. This report provides the Committee with recommendations for next steps.

RECOMMENDATION:

That the recommendations in the staff report dated June 14, 2021 to update the Financial Support Process Policy No. 5.49, update Community Grants Policy No. 5.56, rescind Partnership Agreements – Leases and Fee-for-Service Proposals Policy No. 4.15, and draft a new policy to address Fee for Service Agreements be supported.

DISCUSSION:

a) Background Context

Staff brought a report to Council Workshop on January 12, 2021, providing information on the history of Fee for Service Agreements in the City and current recipients of funding through this particular funding mechanism. Council referred the matter to the Audit & Finance Committee for further discussion. On January 20, 2021, the Audit & Finance Committee reviewed the report, and following a comprehensive discussion, agreed that a policy review was needed. Staff were asked to bring back recommendations in late Spring 2021.

Concerns raised by the Committee were generally categorized around accountability, duration of agreements and ensuring there was Council oversight embedded in the process. The Committee also expressed an interest in bringing the Community Grants policy into the review.

Following the January 20, 2021 meeting, staff identified a 1998 policy, (Policy No. 4.15 attached as Appendix A), addressing partnership agreements and incorporated it into the subsequent review process. Having reviewed the Financial Support Process policy, the Community Grants policy and Policy No. 4.15 addressing partnership agreements, staff recommend the following next steps:

- Update the Financial Support Process Policy No. 5.49 as follows:
    - Refine the definitions for both Grants and Fee for Service Agreements to better clarify the differences between each funding mechanism; and
    - Update the decision trees attached to the Policy to clarify intent and update references to refer to current organizational structure and policies.

- Update Community Grants Policy No. 5.56 as follows:
  - Update the eligibility criteria;
  - Update evaluation criteria to refer to Council's strategic priorities;
  - Include language to require repayment of grant funding if the recipient is unable to use the funding as outlined in the application; and
  - Update reporting requirements.

- Rescind 1998 Policy No. 4.15 Partnership Agreements – Leases and Fee-for-Service Proposals
  - This policy was drafted with the Parks, Recreation and Culture operations in mind and staff are of the opinion that the preferred approach would be to draft a policy that encompasses the organization as a whole.

- Draft a new policy for Council consideration that specifically addresses Fee for Service Agreements and incorporates the following:
  - Eligibility criteria;
  - Links to Council's strategic priorities;
  - Evaluation criteria;
  - Duration of agreements;
  - Termination clause;
  - Accountability mechanisms; and
  - Council approval of initial funding and any subsequent renewals.

CONCLUSION:
Following a review of the Financial Support Process policy, the Community Grants policy, and the Partnership Agreements policy, staff are of the opinion that updates to the Financial Support Process and Community Grants policies are required. Staff also recommend that Policy No. 4.15 addressing partnership agreements be rescinded and that a new policy specifically addressing Fee for Service Agreements be drafted to address the concerns raised by the Committee regarding this funding mechanism.

Prepared by: **Catherine Nolan, CPA, CGA**
Deputy Director of Finance

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

Approved by: **Christina Crabtree**
General Manager, Corporate Services

Concurrence: **Al Horsman**
Chief Administrative Officer

Attachments:
(A) Policy No. 4.15 Partnership Agreements – Leases and Fee for Service Proposals

MAPLE RIDGE
British Columbia
Deep Roots
Greater Heights

DISTRICT OF MAPLE RIDGE

TITLE:	**PARTNERSHIP AGREEMENTS – LEASES AND FEE-FOR-SERVICE PROPOSALS**
POLICY NO.	**4.15**
APPROVAL DATE:	**February 24, 1998**

POLICY STATEMENT:

All proposals for partnership agreements with the municipality involving leasing land or facilities or fee for service contracts will be reviewed in accordance with guidelines established for that purpose.

PURPOSE:

The purpose of this policy is to ensure fair and consistent treatment of proposals made to the municipality by businesses, agencies or community groups.

DEFINITIONS:

The policy should be applied to proposals initiated by the municipality itself as well as to those proposals initiated by others.

REFERENCE:

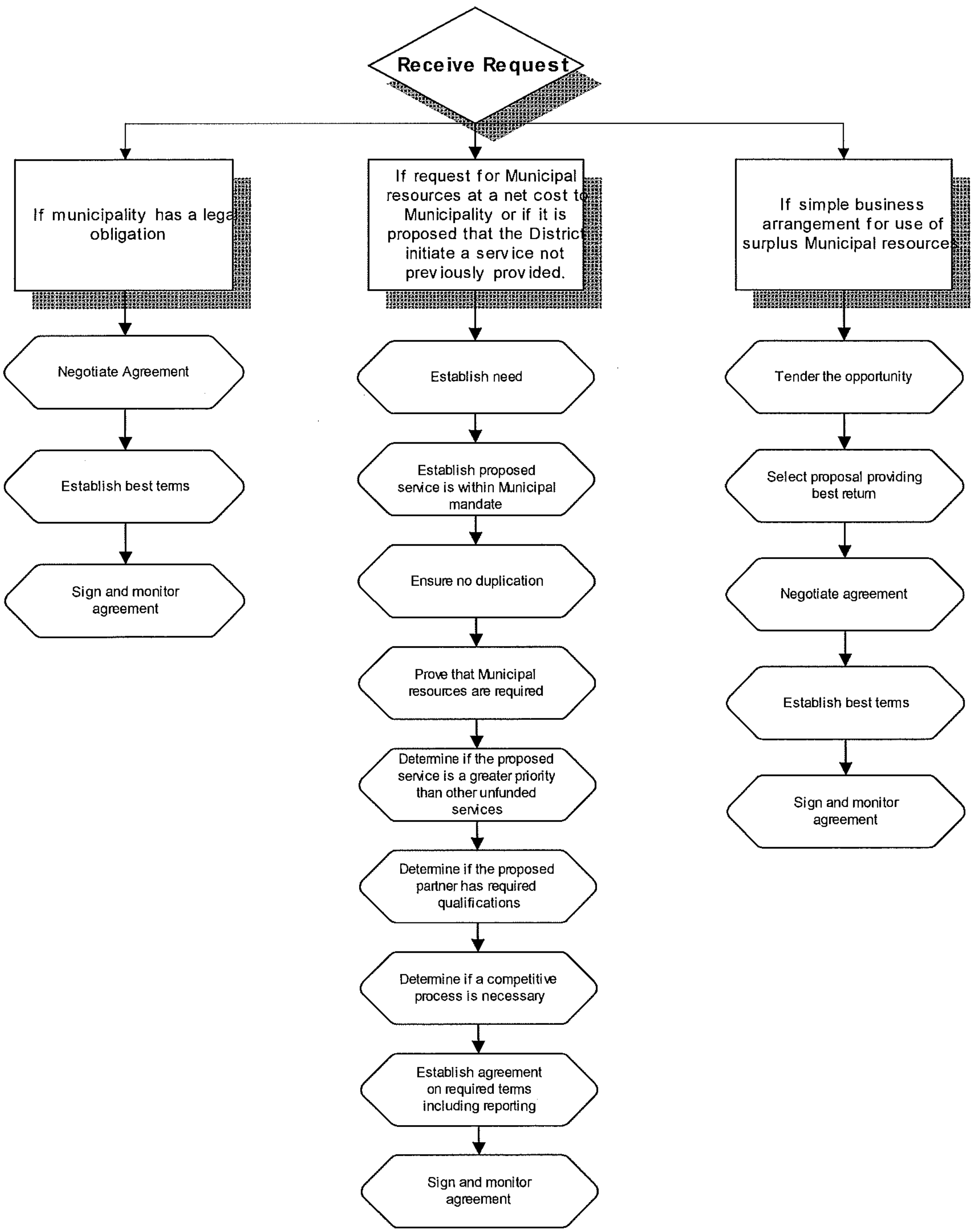
Guidelines for Municipal Partnerships (attached)

Guidelines for Municipal Partnerships

PURPOSES:

The purpose of these guidelines is to ensure the fair and consistent treatment of proposals received by or initiated by the Municipality for partnering with "not for profit" groups, agencies, or businesses. For the purpose of these guidelines, partnerships are identified as those relationships which result in the Municipality entering into a lease or fee for service agreement with a "not for profit" community group, an agency, or a business for the ongoing provision of a community service.

Decision Steps:



1. Receive a written request/proposal from a group to partner with the municipality.

2. If the request is for a renewal or formalization of an existing arrangement, review the history of the relationship with the municipality to determine any legal obligations the municipality may have as a result of previous council decisions. If there are legal obligations, develop the required documentation to define and implement the agreement.

3. If the request is for a new agreement or relationship not previously entered into by the municipality for a simple business relationship for use of surplus municipal resources (i.e. such as the rental of surplus land for a commercial purpose) which does not require a municipal contribution to meet a demonstrated community need, then establish fair market value for the resource and provide others with a competitive opportunity to use the resource. Once the opportunity has been advertised and bids have been received on a competitive basis, complete the analysis, selection and final negotiation. If it is established that a service is viable as an independent business, the municipality should determine the fair market value of the resources the municipality is being asked to commit and ensure that this return is achieved. Anything less than fair market value should not be considered (to ensure other similar businesses not utilizing municipal resources are not undermined by unfair competition.)

4. If the request is for a contribution of municipal resources at a net cost to the municipality such as a lease of land at rates below market value or the delivery of a public service:

    a) **Establish the degree of need in the community for the service.** Critical questions to establish need include determining the number of residents who will benefit directly and indirectly over the time of the agreement along with any background reports which document the need. If an acceptable level of need is established, proceed to the next test.

    b) **Establish if the proposed service fits within the municipal government mandate.** Critical questions to be asked to establish the appropriateness for municipal involvement include determining whether there will be an indirect benefit to all residents (regardless of their direct participation) and whether or not the Municipal Act mandates the municipality to participate in or support the provision of the service. Another question related to the appropriateness of municipal involvement and the relative priority of providing the requested support is the degree to which the proposed service meets established municipal goals and objectives. If it is determined that the municipality has a mandate to become involved, proceed to the next test.

    c) **Establish whether or not other local agencies or businesses are already successfully meeting the needs**. If there are qualified agencies or businesses who are coming close to meeting the need, the proponent should be asked to explore specific service gaps with them to determine if those needs which remain unmet can be addressed by the existing group. If so, acknowledge that municipal resources are not required to meet the need and proceed no further. If no business, agency or group is qualified or able to meet the need, proceed to the next test. With respect to the required qualifications, refer to Paragraph (g) below for the list of qualifications for not for profit groups. The qualifications for commercial businesses include a requirement that the business in question hold a valid business license, has the verifiable capability to follow through with the work to the required standard.

d) **Establish the degree to which municipal support/subsidy is required for the service to be viable and accessible to the general public.** A long-term operational plan and budget (three to five years) supported by comparisons to other similar services provided in other communities (including an indication of the municipal support provided in those communities) should be obtained to prove the service would not otherwise be viable and to prove the requirement for municipal support. A long-term budget should also identify the resources typically available through user fees and other sources of revenue. The municipality should establish the degree of support required to provide the proposed service by analyzing the operating budget in detail. For example, if a not for profit group has agreed to raise the required funding to build the facility, they require and they agree to cover all the operating costs, the municipality may determine it is appropriate to contribute the land at little or no cost and, possibly, the long-term major mechanical and structural repairs. If it is established the revenue potential of a required service is extremely limited, the municipality may determine that an even greater degree of support should be provided (such as the Maple Ridge Museum.) In these cases it may well be determined that providing the service through a not for profit organization is preferable and more cost-effective than providing the service directly through the municipal work force. Once the required degree of support is defined (in a municipal budget if necessary), proceed to the next test.

e) **Establish that the proposed service is a greater priority than other unfunded services considered by the municipality.** Despite the justification for supporting a proposed service sufficient funding may not be available to provide the required level of support. The municipality should ensure that such requests are considered at the same time as other requests to ensure that the available funding is used to support the service which is determined to have the highest priority. A ranking exercise should be undertaken to establish the relative priority of all requests. If the proposed service enjoys a sufficiently high ranking and it is established that the required resources are available, then proceed to the next test.

f) **Establish that the proponent being considered has the required qualifications.** For example, a not for profit group should prove that it is registered and in good standing with the registrar. The group should also prove that its constitution and bylaws are acceptable. The conditions of acceptance should include a requirement that a majority of the group's members are local residents, that membership is open to all residents of the appropriate age, that the group's Board of Directors is elected by the members on a regular cycle, that there is a limit on the number of terms a board member can serve, that the group's assets on dissolution will go either to another similar organization located in the municipality or to the municipality itself, and that the purposes of the organization as described in its constitution match the contract being entered into with the municipality. Commercial businesses should only be considered for partnering if they hold a valid business licence, can demonstrate through references, certification and current or recent performance and/or credit reviews and/or bonding that they have the capability of carrying out the proposed contractual obligations. The qualification should be required in advance of the submission of a bid for a contract. Once a group proves it is qualified, proceed to the next test.

g) **Establish if a competitive process is necessary to ensure the most deserving proponent is awarded the partnership.** A competitive process may not be appropriate for not for profits such as neighbourhood associations wishing to build facilities on municipal land to serve the needs of their specific neighbourhood populations (since there are no other neighbourhood groups serving their neighbourhood). Other examples of not for profit groups which should not be required to compete for a limited resource might include the Historical Society preserving an important heritage building for a municipal museum, or a new volunteer group established specifically by the municipality to operate a facility or provide a needed service because a suitable organization did not previously exist. Examples of proposals which should be made competitive include those in which the proponents wish to partner with the municipality in order to meet their specific goals which are distinct from the municipality's public service goals. For example, a church group wishing to construct a facility on municipal land with the dual purpose of a church and a public assembly area when it is not in use as a church, should compete with others for the opportunity to use the municipal land. They should do so since it is not within the municipal mandate to support church facilities at anything other than fair market cost. What the municipality will receive in return for use of the municipal land should be assessed against the fair market rent a land lease would generate. Qualified commercial groups should compete for opportunities to partner with the municipality given their profit motive. Sole source negotiations with potential commercial partners should only take place where the partner is the only provider of an essential aspect of the service. When this approach is taken, care must be taken to ensure fair value is achieved by the municipality. A third party evaluation may be required to establish that "fair value" has been achieved. Once an appropriate level of competition has been carried out and a proponent is being considered, proceed to the next test.

h) **Establish agreement on the required terms of the contract.** All of the standard lease requirements must be included where leasing is involved, such as sufficient insurance coverage naming the municipality as an insured party, re-entry on default, lien protection, inspection, defined uses and services, reporting requirements on activities and the provision of independently prepared or audited annual financial statements to the municipality. The length of term of the agreement and the conditions under which the agreement can be terminated must also be established and will vary depending upon the initial capital investment made by the municipality's partner. A group or company which raises the majority of the funding to build a facility will require a long-term lease or series of options to renew which total the life expectancy of the building to justify their efforts. Conversely, a group which contributes very little capital will not require a lengthy term to make their investment of volunteer time worthwhile. All agreements should include reference to a minimum standard of service which is acceptable to the municipality.

i) **Once the required terms are agreed upon, adopt the required bylaws, sign and monitor the agreement.**

CITY OF MAPLE RIDGE

TO:	His Worship Mayor Michael Morden and Members of Council	**MEETING DATE:**	June 14, 2021
		FILE NO:	01-0110-01-2021
FROM:	Chief Administrative Officer	**MEETING:**	Audit & Finance

SUBJECT: **Review of Community Amenity Contributions Programs**

EXECUTIVE SUMMARY:

Maple Ridge currently has the following three Community Amenity Contribution (CAC) programs in place and each were introduced with varying approaches and goals in mind:

- Albion Area Plan Density Bonus Program;
- Community-Wide CAC Program; and
- Community-Wide Density Bonus Program.

The City's first foray into CAC's was through the adoption of a Density Bonus Program in the Albion Area Plan, which Council adopted on October 8, 2013. Subsequently, on March 14, 2016, Council established the Community-Wide CAC Program, through the endorsement of Council Policy No. 6.31 Community Amenity Contribution Program that was adopted on March 14, 2016.

As part of the City's ongoing commitment to transparency and to assure Council that the community is benefitting from the collection of CACs, the purpose of this report is to provide:

- background on the City's CAC programs;
- a financial update on all of the amenity contributions collected; and
- which amenities these funds have been allocated towards to date.

RECOMMENDATION:

For information.

DISCUSSION:

a) **Background:**

First, a brief overview of Community Amenity Contributions:

What are they?

Community Amenity Contributions (CACs) are enabled through Section 482(1) and (2) of the *Local Government Act*, as a voluntary in-kind or cash amenity contribution agreed to by a developer and local government for a development application, typically obtained at the rezoning stage.

There are two approaches that may be taken when creating a CAC program within a municipality:

1) **Direct cash or amenity contribution**, based on a per unit or per square metre rate; and

2) A **density bonus**, which is an incentive-based tool to allow developments a level of density greater than what the property is currently zoned for in exchange for in-kind cash or an amenity. The density bonus approach is built upon the fact that a base density for each property/parcel of land is defined for each zone in the City's Zoning Bylaw. Developers then have the option to either retain the existing density permitted in the zone, or provide a contribution (cash or amenity) proportionate to the increase of the bonus density.

The key difference between a direct cash/amenity CAC and a density bonus is that a direct CAC is facilitated solely through the rezoning application process and a density bonus may occur through a rezoning *or* through a development application on a property that is already appropriately zoned.

What are the permitted uses of CACs?

CACs are able to be received in two forms, cash-in-lieu payment or the direct provision of an amenity.

1. **Funds** contributed may be used in whole or in part for:
   - civic Facilities;
   - public art;
   - acquisition of land for the provision of affordable or special needs housing, parks, trails, and significant ecological features;
   - park or trail construction and/or maintenance;
   - affordable or special needs housing units;
   - heritage conservation; and
   - conservation of significant ecological features.

2. **Amenities** contributed may be used in whole or in part for:
   - public art;
   - heritage conservation;
   - land for the provision of affordable or special needs housing, parks, trails, and significant ecological features;
   - affordable or special needs housing units; and
   - park or trail construction or improvements.

What is the difference between CACs and Development Cost Charges (DCCs)?

Two essential differences between CACs and DCCs are: 1) existing legislative support, and 2) the purposes for which the funds are collected. Under the Local Government Act, DCC Bylaws must be approved by the Inspector of Municipalities before they can be legally adopted, which is not the case with CACs.

DCCs are monies that are collected from land developers by a municipality to offset the infrastructure expenditures incurred and to service the needs of new development. Imposed by bylaw, the charges are stringently allocated for roads, drainage, sewers, water and parkland. On the other hand, although CACs are permitted under the current provincial and local government legislation, there is no legal requirement for developers to make contributions. Municipalities are increasingly establishing CAC programs to deliver community amenities that are not otherwise allowable through the collection of DCCs.

Key Highlights of CAC Programs in Maple Ridge

Density Bonus in Albion Area Plan

On October 8, 2013, Council adopted amendments to the OCP and the Zoning Bylaw to establish the Albion Area Density Bonus Program, which, wherein a per lot cash contribution is made for each new single-detached lot created or townhouse density increase achieved using the density bonus option, as shown in Table 1 below.

Table 1: Albion Area Plan Density Bonus Options

Designation in Albion Area Plan	Corresponding Existing Zone	Density Bonus	Contribution Amount
Low Density	RS-1d – (Min. 1/2 acre lot)	Min. 557m^2 SF lot (similar to RS-1b zone)	$3,100 per lot less than 2,000m^2 (not permitted to be less than 557m^2)
Low/Medium Density	RS-1b - (Min. 557m^2 SF lot)	Min. 371m^2 SF lot (similar to R-1 zone)	$3,100 per lot less than 2,000m2 (not permitted to be less than 371m^2)
Medium Density	RM-1 – Max. 0.6 FSR	Max 0.75 Floor Space Ratio (FSR) (similar to RM-4 Zone)	$3,100 for each unit where the FSR is more than 0.6 (not permitted to be more than 0.75)

Amenity funds received from the Albion Density Bonus Program may be applied in whole or in part towards:

- park construction;
- park maintenance;
- multi-use trail construction;
- multi-use trail maintenance;
- civic facility/community gathering place construction; and
- civic facility/community gathering place maintenance.

City-wide CAC Program

A City-wide CAC Program was approved by Council resolution on March 14, 2016, through Council Policy No. 6.31 Community Amenity Contribution Program (Appendix A), which established an amenity contribution framework, that includes:

- where and for what forms of development the contributions will be applied;
- the contribution rate; and
- the types of amenities the contribution may fund through a cash contribution or a specific amenity contribution.

At the March 2016 Council meeting, Council directed staff to provide a report on integrating the newly established Policy No. 6.31 Community Amenity Contribution Program with the existing Albion Density Bonus Program.

A review of the City-wide CAC Program and exploration of a City-wide Density Bonus Program continued through 2018 and while no further changes have been made to Policy No. 6.31, a City-wide Density Bonus Program was adopted into the Zoning Bylaw on December 10, 2019.

City-Wide Density Bonus Program

Table 2 below shows the residential components of the Density Bonus Program adopted into the Zoning Bylaw on December 10, 2019.

Table 2: Residential Components of City-Wide Density Bonus Program

Zone	Housing Form Eligible for Bonus	Base Density	Maximum Density Bonus	Cash Contribution Rate
RM-1 RM-4 RM-5	Townhouse	0.60 FSR 0.75 FSR 0.80 FSR	0.75 FSR 0.90 FSR 0.95 FSR	\$344.34 m² (\$32 ft²)
RM-2	Apartment	1.8 FSR	2.4 FSR	\$161.46 m² (\$15 ft²)
RM-3	Apartment	1.2 FSR	2.8 FSR*	\$161.46 m² (\$15 ft²)
RM-6	Apartment	1.6 FSR	3.65 FSR*	\$161.46 m² (\$15 ft²)
* Other existing density bonus options included				

Table 3 below shows the density bonus components of the City-wide Density Bonus Program adopted into the Zoning Bylaw in December 2019.

Table 3: Commercial Components of City-Wide Density Bonus Program

Zone	Housing Form Eligible for Bonus	Base Density	Maximum Density Bonus	Cash Contribution Rate
C-2	Townhouse	Measured in terms of height, with 7.5 m or 1 storey maximum	Base height is increased to permit 1 extra storey (2 storey maximum), to a maximum height of 10 m.	\$161.46 m² (\$15 ft²)
C-3	Apartment	1.0 FSR with existing density bonus provisions for underground parking and building height above 2 storeys. **	2.8 FSR outside of Port Haney	\$161.46 m² (\$15 ft²)
** This replaces the prior bonus provisions for affordable housing.				

It should be noted that if a development application falls within the parameters of both the CAC and density bonus programs, both contribution rates will apply. Also of note is that any project geared towards the permanent provision of rental housing is exempt from paying the CAC charges is they enter into a Housing Agreement.

Evolution of CAC Programs in Maple Ridge

The graphic below details many of the steps undertaken by Council over the past several years to establish the three CAC Programs currently in place today.

November 2012 - Council approved the Albion Area Plan be used as a pilot project for amenity zoning

2011: CAC/amenity zoning concept arose in relation to Albion Area Plan and in response for multiple rezoning applications seeking higher densities

Discussion deferred to business planning in fall of 2011 and Review of Amenity Zoning approved as part of 2012 Work Plan to include a study and information regarding Legislative authority to collect CACs

November 2012: CitySpaces Consultant report presented and Council Report outlining process to establishing an amenity Zoning Framework

November 2012: Council approved that Albion Area Plan boundaries be used as a pilot project for amenity zoning

October 2015 - Council determined the components of the Community Amenity Program (included Decision Table)

October 2013: Council aproved OCP Amending, Zone Amending and Amenity Reserve Fund Bylaws to establish the policy & regulatory framework for CACs within the Albion Area Plan boundaries

June 2014: Council provided Albion Amenity Program Update as requested in October 2013

June 15, 2015 Workshop: City-wide Amenity Zoning Overview and Options Report presented to Council as outlined in Council's 2015 Work Plan

June 15, 2015 Workshop: Council directed staff to bring a follow-up report outlining CAC Program

March 2016 - Council established CAC Program, Bylaw & OCP amendment

December 2015: Council requested feedback on proposed CAC program

Jan to Mar 2016: Consultation by staff with developers, community, UDI

Mar 14, 2016: Maple Ridge CAC Program and Policy established by Council and accompanying Bylaw adopted

December 12, 2017: Council amended CAC Program Policy to remove Town Centre Development and fourplexes as exemptions

March 6, 2018 to June 4, 2019: CAC Allocations and Options for Affordable Housing Reports considered by Council

July 17, 2018: Council approved in-principle draft framework of density bones regulations

June 9, 2019: Report outlined potential Density Bonus Framework seeking Council's direction

July 23, 2019 - CAC and Density Bonus Analysis and Outcome follow-up report requested by Council

December 10, 2019: City-wide Density Bonus Program adopted into Zoning Bylaw

Status of CAC Funds

A summary of the funds collected and the authorized draws to the end of November 2020 was provided at the March 8, 2021 Audit and Finance Committee meeting.

The table below is the updated figures to end of April 2021.

	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	2,021,300	55,800	326,400
2021 (to April)	328,300	34,100	60,900
Total Collections	8,995,100	891,700	643,300
Interest	220,704	39,630	21,560
Total Collections and Interest	**9,215,804**	**931,330**	**664,860**
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)	**2,115,804**	**(68,670)**	**664,860**

b) **Desired Outcome:**
The Audit & Finance Committee discussed the desire to discuss potential amendments to the CAC programs. This report is designed to inform the Committee of the current CAC context to assist with these discussions.

c) **Strategic Alignment:**
CACs are a tool used to have development help pay for community amenities that will help support growth. This aligns with the focus area of Growth in the Strategic Plan and helps deliver on the philosophy that growth should pay for the infrastructure required for growth.

d) **Citizen/Customer Implications:**
CACs are a valuable tool wherein development can be leveraged to help provide community amenities that cannot be covered through Development Cost Charges. Prior to the relatively recent introduction of CACs in Maple Ridge, these amenity costs would have been covered primarily through property taxation. Any changes to the CAC programs would likely have implications to the development community.

e) **Interdepartmental Implications:**
While the Planning Department created the CAC programs and implements the collection of CACs, the use of the funds from the CAC Reserves involves various departments. Most of the amenities approved to date have been utilized for recreation facilities and community centres.

f) **Business Plan/Financial Implications:**
Collection of CACs is tied to development that is either taking advantage of the density bonus provisions or requires Council approval of rezoning. In addition, collection only occurs upon final reading of the development bylaw. As such, the collections vary for any time period.

As of the end of April 30, 2021, the funds collected for Affordable Housing totalled approximately $665,000; funds collected for the Albion Density Program collections totalled approximately $930,000 and the City-wide CACs has generated $9,200,000.

The total historic and planned draws from CACs both City-wide and the Albion Density total $8.1 million. This leaves approximately $2 million available to fund projects that fit into the categories noted in Policy No. 6.31 itemized earlier in this report. This, along with future collections, can either fund new initiatives or further subsidize previously approved projects, reducing the reliance on property taxation. The use of CACs will be highlighted for discussion as Council considers the 2022-2026 Business Plans and the associated Financial Plan.

g) Policy Implications:
CACs are set in policy and bylaw. Changes to rates, exemptions or allowable expenses would require amendments to the policies and accompanying bylaws.

CONCLUSION:
Community Amenity Programs have become an important element in ensuring that development funds more of the development related amenity needs of the community. CAC programs have evolved over time and it is worthwhile reflecting on these programs and considering if any fine tuning or larger adjustments are required.

Prepared by: **Jennifer Dieckmann**
Executive Assistant, Corporate Services

Reviewed by: **Lisa Zosiak**
Manager of Community Planning

Reviewed by: **Trevor Thompson**
Director of Finance (CFO)

Approved by: **Christina Crabtree**
General Manager, Corporate Services

Concurrence: **Al Horsman**
Chief Administrative Officer

Attachments:
(A) Policy No. 6.31 Community Amenity Contribution Program
(B) 2020 Amenity Contributions Report to Audit & Finance Committee (March 8, 2020)

MAPLE RIDGE
British Columbia

POLICY MANUAL

Title: **Community Amenity Contribution Program**	**Policy No: 6.31** **Supersedes:** **AMENDED December 12, 2017**
Authority: ☒ Legislative ☐ Operational **Approval:** ☒ Council ☐ CMT ☐ General Manager	**Effective Date:** **December 13, 2017**
	Review Date: **December 2017**

Policy Statement:

The City of Maple Ridge is committed to providing a variety of amenities throughout the municipality, including the provision of affordable and special needs housing, in a financially sustainable manner.

The Community Amenity Contribution Program (CAC Program) is comprised of the following components:

1. The CAC Program will apply city-wide.
2. Each CAC will be based on a contribution rate as follows:
   a) $5100 per single family lot created;
   b) $4100 per townhouse or other attached ground-oriented dwelling unit;
   c) $3100 per apartment dwelling unit.
3. The CAC Program applies to the development of all residential dwellings, including those that are included in a mixed-use development (such as commercial and residential) with the following exceptions:
   a) Affordable and special needs housing that are secured through a Housing Agreement as established in Section 483 of the *Local Government Act*;
   b) Rental housing units that are secured through a Housing Agreement established under Section 483 of the *Local Government Act* will also be subject to a covenant enacted under Section 219 of the *Land Titles Act*;
   c) Single family residential subdivisions proposing fewer than 3 lots – only the original lot is exempt, after which the CAC program applies to each additional lot;
   d) Accessory dwelling units, such as a secondary suite or detached garden suite;
   e) Duplex, triplex and fourplex dwelling units, where only one building is being constructed - only the first dwelling unit is exempt, after which the CAC program applies to each additional dwelling unit;

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:
      - Affordable or special needs housing;
      - Parks
      - Trails
      - 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:
        - Affordable or special needs housing;
        - Parks
        - Trails
        - 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

MAPLE RIDGE
British Columbia
mapleridge.ca

CITY OF MAPLE RIDGE

TO: Audit & Finance Committee

MEETING DATE: March 8, 2021
FILE NO: 05-1880-20
MEETING: Audit & Finance Committee

FROM: Chief Administrative Officer

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 rational 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%
Spilsburry	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

per

Concurrence: Al Horsman
Chief Administrative Officer

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CITY OF MAPLE RIDGE

TO:	Audit and Finance Committee	**MEETING DATE:**	June 14, 2021
		FILE NO:	05-1615-20
FROM:	Chief Administrative Officer	**MEETING:**	Audit and Finance
SUBJECT:	**2021 Investment Report – Quarter 1**		

EXECUTIVE SUMMARY:

The return on investment (ROI) for the City of Maple Ridge's investment portfolio was 1.1% exceeding the benchmark of (0.1%). Money is invested and prudently managed in order to achieve the objectives of safety, liquidity and return. The Investment of Municipal Funds Policy No. 5.44 outlines the parameters to manage the City's 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 of Municipal Funds Policy. The duration of the investment holdings is shorter term than typical to provide additional liquidity and minimize risks.

An economic and market update, as well as an article on ESG Investing (Environmental, Social and Governance), and how this relates to the Municipal Finance Authority (MFA) Pooled Funds are 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:

For information only.

DISCUSSION:

a) **Background Context:**
Under the Community Charter, one of the categories of investments that municipalities are 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 of Municipal Funds Policy No. 5.44 in June of 2011. There is currently no need to amend the policy. Later this year, once the parameters around the new MFA Growth Fund are announced, a review of the Investment Policy will be required.

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. The MFA has launched a new fund as a Fossil Free Bond Fund as well as a new Mortgage Fund. A description of what SRI and ESG Criteria (Environmental, Social and Governance) and how they pertain to the MFA Pooled Funds is attached for information.

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 MFA 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. This will be facilitated through the MFA and is expected in late 2021. The MFA Pooled Investment Fund Quarterly Market Update and 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 1.1% exceeded the benchmark return of negative 0.1%. The negative benchmark return is a function of longer-term interest rates increasing which reduces the market value of the bonds.

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:

A) Investment Portfolio ROI
B) Investment Portfolio Summary
C) MFA Pooled Investment Fund Quarterly Market Update
D) MFA – ESG and MFA Pooled Investment Funds

City of Maple Ridge
Investment Portfolio Return on Investment (ROI)
For Q1 2021

Term	Investments (avg.)	Return	ROI	Benchmark
Long	$36,277,778	$39,639	0.4%	-0.7%
Mid.	20,123,307	163,291	3.3%	0.0%
Short	153,807,814	384,527	1.0%	0.0%
Total	$ 210,208,899	$587,457	**1.1%**	**-0.1%**

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 March 31, 2021

Term to Maturity	Holdings	% Holdings	Policy Max.	Within Policy
Long Term (>3 Years)	$ 46,000,000	23%	35%	Yes
Mid. Term (>1 year to 3 yrs.)	3,093,882	2%	40%	Yes
Short Term	151,438,725	75%	none	Yes
	$200,532,607			

Issuer	Holdings	% Holdings	Policy Max.	Within Policy
Banks				
BMO	$ 3,000,000	1%	25%	Yes
BNS	25,130,000	13%	25%	Yes
CIBC *	47,134,998	24%	25%	Yes
National *	51,124,105	25%	25%	Yes
TD	16,974,461	8%	25%	Yes
Credit Unions			None, Prov. Guarantee	
Blue Shore	13,093,882	6%		Yes
Envision	5,503,030	3%		Yes
Vancity	15,000,000	8%		Yes
Westminster	23,572,130	12%		Yes
Government				
Fed.	-		None	Yes
Prov.	-		BC None, others 25%	Yes
Muni/Reg. District	-		25%	Yes
Municipal Finance Authority	-		25%	Yes
Total	$200,532,607			

* The majority of the funds in both CIBC and National are in a High Interest Saving Account. The funds are accessible within a day and as such having holdings near the policy maximum is much less of a concern.

Attachment C

MFA Pooled Investment Fund Quarterly Market Update

Q1 2021

Municipal Finance Authority of BC

Municipal Finance Authority of BC

MFA Pooled Investment Fund Quarterly Market Update

As of March 31, 2021

Interest Rates

Global economies continued to experience strong and swift recoveries as vaccine roll-outs allowed for lockdown restrictions to ease, and as a result, most central banks' growth projection for 2021 improved materially. In light of the robust economic rebound, rising inflation pressures permeated the market and caused bond yields to increase meaningfully over the quarter. The volatility in bond yields was further exacerbated by a number of technical factors at the end of February; as a result, that month the 10-year Government of Canada (GoC) bond yield experienced its largest one-month increase in over a decade. GoC bond yields increased precipitously across all tenors of the yield curve during the first quarter, and the yield curve steepened as a result of the improved economic outlook. Overall, the rise in yields is partly a function of the normalization of yields back to pre-pandemic levels.

Looking ahead, the majority of bond market participants have revised their expectations, and now anticipate yields will be modestly higher over the next year as a result of the improving economic outlook. Our view is generally in line with what is priced into the bond market; however, we do believe that yields are likely to exhibit modest volatility in the near term as rising inflation, especially in year over year measures, is likely to contribute to investors' apprehension that central banks' commitment to allowing inflation to run higher than 2% could lead to longer term inflation risks. Ultimately, the concept of average inflation targeting could be the correct course of action to revive the economy, but that doesn't preclude a lapse in investor confidence in the interim.

Real Return Bonds

The market's expectations for long-term inflation (estimated as the difference in yield between a nominal and real return bond) rose alongside nominal bond yields, moving 0.2% higher to end the quarter at 1.7%. The damage to liquidity conditions in the real return bond (RRB) market in early 2020 has now been fully repaired, primarily as a result of the BoC's continued support via its asset purchase program. While market-implied long-term inflation expectations have risen, they remain below the BoC's 2% target and in line with levels of the past decade.

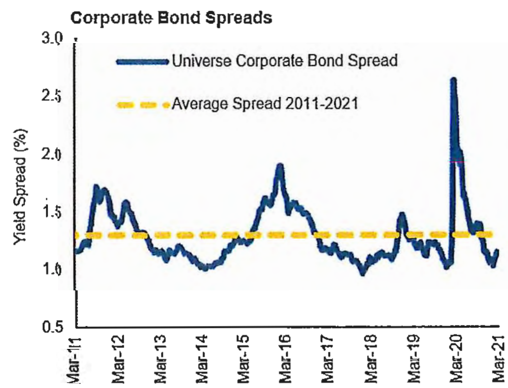
Actual inflation, as measured by the Consumer Price Index (CPI), has stabilized mainly due to the recovery in the price of oil, though it remains muted. Inflation is anticipated to print higher over the next few months, which is in part a reflection of the current low CPI base level as a result of the significant price declines at the onset of the pandemic. However, the anticipated higher inflation print is expected to be transitory. Overall, we believe market-implied long-term inflation expectations are likely to continue moving higher over the medium term.

Quasi-Government Bonds

The outlook for provincial economies has gotten brighter as vaccination campaigns accelerate and government stimulus measures continue to provide a significant boost to the recovery. That being said, the damage done to the labour market will take some time to fully heal, and the resumption of activity in certain industries such as the hospitality sector could be a bumpy process. As such, the provinces stayed active in the primary market, issuing approximately $30 billion of new supply during the quarter to help mitigate any potential setbacks on the path to recovery. Provincial bond spread levels were resilient despite the ample new supply coming to market, with broad spreads unchanged quarter over quarter. One notable development during the quarter was the BoC's announcement that it would let its Provincial Bond Purchase Program (PBPP) expire in May, as bond market conditions remain robust and the liquidity environment remains healthy. Note, the BoC only bought around $17 billion of provincial bonds since the initiation of the program last May (program size limit was $50 billion). Overall, the announcement was broadly expected by market participants and therefore had minimal impact on provincial bond spreads.

Investment Grade Corporate Bonds

Canadian investment grade corporate bond spreads were broadly unchanged over the first quarter. With the healthy functioning of markets and corporate bond spreads hovering near pre-pandemic levels, the BoC announced that it would let its Corporate Bond Purchase Program (CBPP) expire in the coming months. Overall, the BoC purchased 76 corporate bonds for a total of only $250 million out of a program size of $10 billion. Despite the fact that only few purchases were made, the corporate bond market was able to thrive on its own. Looking forward, there is comfort in knowing that the BoC has the ability to reinitiate the CBPP should the bond market come under stress again. In terms of new issue supply, corporate issuers continued to capitalize on robust demand from investors, with approximately $33 billion of new supply coming to market during the quarter, which is roughly 6% ahead of last year's strong pace.

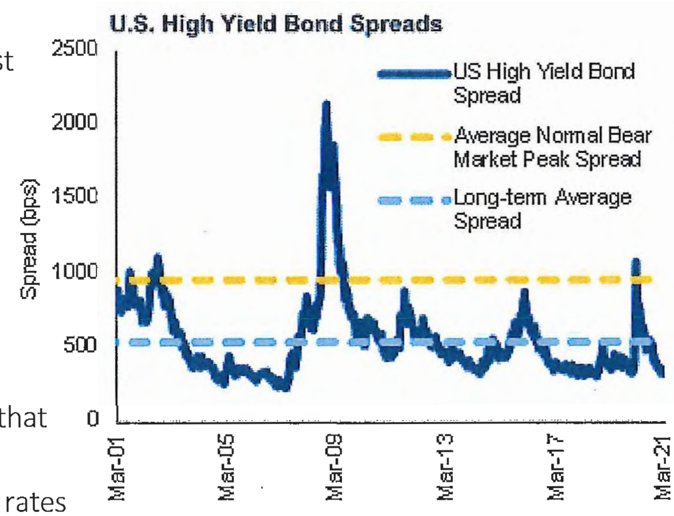


Source: FTSE Global Debt Capital Markets Inc.

From a fundamental standpoint, the elevated levels of debt in the Canadian economy among both consumers and corporations remain a key concern. Canada's household debt to gross domestic product (GDP) is one of the fastest growing in the world, reaching about 110% in Q3 2020. Compared to our U.S. counterparts, the divergence is unusually large – but hasn't always been. The ratio of household debt to GDP in the U.S. was 78% in Q3 2020, about 32% lower than Canada. Only 10 years ago, Canada was flat to the U.S. As for corporations, mergers and acquisitions are off to their fastest-ever start to a year in Canada, driven by a combination of low interest rates, high valuations, and an improving economic outlook. It appears as though an increasing number of issuers are willing to assume more debt in order to access funding at low rates, even at the risk of a rating downgrade, with the expectation of reducing leverage in the future.

High Yield Corporate Bonds

The recovery in high yield bonds extended into 2021 as high yield spreads tightened a further 50 basis points over the first quarter to approximately 335 basis points, well below the peak of 1,087 basis points witnessed last spring. The broad high yield market returned 0.9% in the first quarter. While this return seems modest, it compares favourably to investment grade bonds which generated negative performance as they faced the headwind of rising interest rates.



Source: Bloomberg, RBC GAM. US high yield daily bond spreads represents the ICE/BofA US High Yield Bond Index as at March 31, 2021. Normal bear market excludes the great financial crisis

Investor confidence in financial markets and the companies that issue bonds within them continued to improve during the quarter. This confidence, along with a fear of higher interest rates in the future, prompted corporations to continue shoring up balance sheets at affordable rates by issuing a record amount of high yield bonds in the first quarter. This meaningful issuance was met by equally strong demand by yield-hungry investors in this low rate environment. In the past, issuance spikes like this one have often coincided with increases in risk-seeking behaviours such as mergers and acquisitions. However, high yield issuers have demonstrated reasonable financial discipline by using bond proceeds for risk-reduction activities such as refinancing short-term bank lines, replacing existing higher coupon debt, or adding to cash reserves.

High yield bond defaults continued to subside, having peaked last summer at 7% before improving steadily to an annual rate of 5% by the end of the first quarter. This is still above the long-term average of 3-4%, but well below what was feared during the early days of the pandemic. With global vaccine roll-outs underway and the potential end to COVID-19 in the not-too distant future, we believe that the peak in defaults is behind us.

Mortgages

The social and economic restrictions imposed in response to COVID-19 have impacted many commercial real estate tenants across Canada, but the experience has differed by sector despite widespread and significant support from the federal government. Demand for the highest quality industrial and multi-residential commercial mortgages has exceeded the supply. This has increased competition for new opportunities, and mortgage spreads tightened a further 24 basis points during the first quarter as a result. The sharp rise in underlying GoC bond yields has been supportive of higher coupons on new deals, but this has been partially offset by tighter spreads. All-in coupon rates continue to be attractive for borrowers, as well as to lenders relative to other income-generating asset classes.

The office sector experienced some weakness over the past year, but we continue to watch this area of the market closely as it evolves. We are actively pursuing attractive opportunities where tenant structure is sound, underwriting parameters are conservative, and borrowers are strong.

Within industrial, we are biased towards the light industrial and industrial flex segments, which is positive given these building types are adaptable to a wide variety of uses. Industrial flex space in Canada is increasingly sought after by tech companies and retailers building out their logistics networks. We are aggressively pursuing opportunities based on the fundamentals of this sector, but the challenge is earning a return commensurate with the credit fundamentals in a highly competitive pricing environment.

Multi-residential assets are traditionally viewed as the most stable segment of the commercial real estate market and have held up to that reputation through the pandemic so far. This has attracted significant capital to be invested and has made multi-residential opportunities among the most sought-after sectors of the mortgage market. While vacancy rates quoted in the media have focused on an uptick, this has primarily been in the condo market, which is different from the purpose-built rental buildings that we focus on in your mortgage portfolio. We continue view this sector favourably and believe the rollout of vaccines, resumption of immigration, and the continued growth in employment and students returning to post-secondary institutions will support this sector.

Within retail, we are focused primarily on properties anchored by grocery and pharmacy tenants (Consumer Staples). Our strategy for retail properties has been to invest primarily in strip center retail anchored by grocers and pharmacy tenants. These necessity-based tenancies are defensive in nature and have generally had minimal disruptions and strong operating results amidst the pandemic. As a result, rent collections and occupancy levels for our retail exposure within the fund remain strong, and delinquency rates have been low, resulting in minimal disruptions to our mortgage payment collection. While the short-term outlook remains uncertain, the medium- and long-term fundamentals for retail remain as they were before the pandemic, especially in situations where there is potential mixed-use functionality. Retailers who are able to survive this environment should be rewarded with pent-up consumer demand and high savings rates as Canadian consumers have increased their household savings by an estimated $200 billion through 2020 and rising in 2021, according to RBC Economics.

We are pleased with the performance of borrowers in the portfolio throughout the pandemic and expect the vaccine rollout and ensuing economic recovery to improve the operating environment further. We continue to focus on opportunities in the industrial and multi-residential sectors, but remain interested in all opportunities where reward-for-risk remains attractive. We believe that in the current competitive environment a focus on deal structuring will allow us to mitigate potential risks and maintain the appropriate balance between reward and risk.

Bond Market Outlook

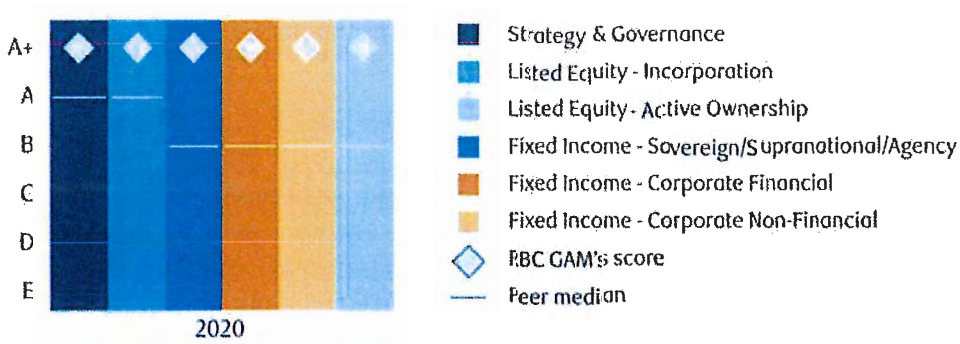
Bond yields spiked during the first quarter as investors digested improving economic conditions, optimism around vaccine rollouts, fresh U.S. fiscal stimulus, and rising inflationary pressures. Looking ahead, it would be reasonable to expect a further move higher in bond yields considering the budding economic recovery and news surrounding the tapering of bond purchase programs by central banks. While we tend to agree with the market that bond yields will move higher from present levels, our sense is that the pace should moderate given the still highly accommodative stance of central banks and in light of the fact that fiscal stimulus and inflation pressures are increasingly being priced into the bond market.

Municipal Finance Authority of BC

ESG and MFA Pooled Investment Funds

About the Municipal Finance Authority of BC

The Municipal Finance Authority of British Columbia (MFA) believes that investment processes that incorporate ESG factors and other broad systemic issues can lead to better investment outcomes. We are committed to creating and offering best-in-class investment products to local governments and have been actively engaged in the Sustainable Investing landscape with the view of offering workable investment solutions for local governments. As such, MFA will only partner with UN PRI signatories in our pooled fund product line. Away from our Pooled High Interest Savings Accounts (PHISAs) which are managed internally by MFA, all the MFA Pooled Investment Funds are currently managed by Philips, Hager and North Investment Management Ltd. (PH & N). PH & N is a signatory to the United Nations Principles for Responsible Investment (UN PRI). As indicated in their most recent 2020 Assessment Report's Summary Scorecard, the UN PRI rated PH&N an A+ across all categories:



What is ESG?

ESG investing focuses on using three non-financial factors as a part of a framework in the evaluation of companies for investment decision-making. **Environmental criteria** focus on stewardship of the natural environment and its resources. **Social criteria** look at the company's treatment of people and impact on societal issues. **Governance criteria** focuses on how an organization is presided over and its corporate policies.

Although not an exhaustive list, potential issues are listed below:

Environmental Issues
- Waste and Pollution
- Green house gas emissions
- Water management
- Land use
- Climate change risks and opportunities
- Natural Capital

Social Issues
- Health and Safety
- Customer engagement
- Employee relations
- Workforce and diversity
- Community relations
- Data protection and privacy

Governance Issues
- Bribery and Corruption
- Compliance and reporting
- Board composition
- Executive compensation structure
- Donation and lobbying
- Corporate risk management

Municipal Finance
Authority of BC

What is Socially Responsible Investing?

Socially Responsible Investing also known as sustainable, responsible, "green" or ethical investing, is any investment strategy which seeks to consider both financial return and social/environmental good to bring about social change.

United Nations Principles for Responsible Investment

The United Nations-supported Principles for Responsible Investment (UN PRI) is an international network of investors working together to put six principles into practice. Its goal is to understand the implications of sustainability for investors and support signatories incorporating these issues into their investment decision-making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The Principles offer a menu of possible actions for incorporating environmental, social, and corporate governance issues into investment practices across asset classes. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The 6 principles that guide the UN PRI are as follows:

1. We will **incorporate ESG issues** into investment analysis and decision-making processes.
2. We will be **active owners** and incorporate ESG issues into our ownership policies and practices.
3. We will **seek appropriate disclosure** on ESG issues by the entities in which we invest.
4. We will **promote acceptance and implementation** of the Principles within the investment industry.
5. We will **work together** to enhance our effectiveness in implementing the Principles.
6. We will each **report on our activities and progress** towards implementing the Principles.

PH&N and Responsible Investing

PH & N believes that being an active, engaged, and responsible owner is empowering in enhancing the long-term, risk-adjusted performance of portfolios and is part of their fiduciary duty. Their approach to Responsible Investing is comprised of three pillars and specific actions are taken under each of these pillars to deliver on its duty of maximizing clients' investment returns without undue risk of loss.

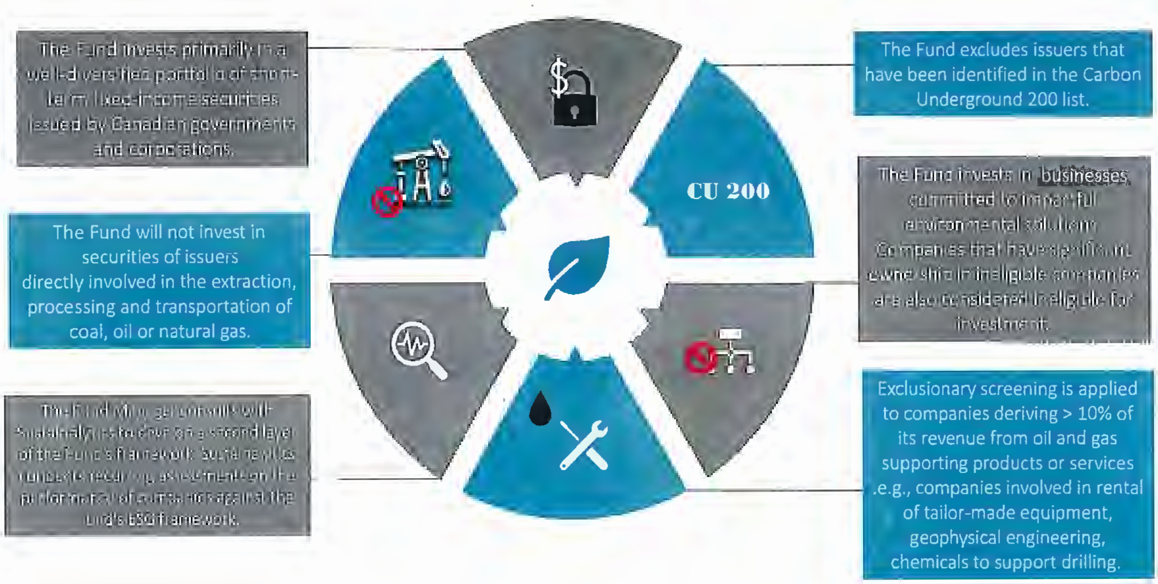
Integrating relevant ESG factors. First, by tailoring ESG integration tools and processes to their investment strategies. Second, by focusing on materiality, the attention is put towards those ESG factors that have the potential to impact the value of the investment. Third, transparency and accountability are key, by properly disclosing ESG risks and opportunities by the companies and countries in which we are invested in, it shows that these issuers are accountable in managing their material ESG risks and opportunities, leading to long-term sustainable performance. Fourth, through improvement and innovation, PH & N is always exploring new and better ways to integrate material ESG factors into the investment process.

Active Stewardship. PH & N conveys its views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors. As stewards of their clients' assets, they are committed to ensuring that the issuers in which they invest act in alignment with the long-term interests of their clients. This means conveying to issuers and regulatory bodies their views on topics such as board structure, executive compensation, gender diversity, and climate change. This is done by employing the following three methods. First, voting responsibly at the general meetings of their public equity holdings is an important way to act in the best interest of their clients. Second, their investment teams meet with the issuers in which they invest on an ongoing basis. Third, they participate in initiatives that will increase transparency, protect investors, and foster fair and efficient capital markets.

Client Driven Solutions and Reporting. Transparency and accountability are key to maintaining meaningful relationships with their clients and delivering on their fiduciary duty. Examples of such reporting: responsible investment reports, climate-related disclosures, proxy voting disclosures, reporting on their Responsible Investment commitments, RBC GAM responsible investment survey, and ESG insights.

Fossil Fuel Free Short-term Bond Fund and ESG Integration

In addition to employing ESG integration, the Fossil Fuel Free Short-term Bond Fund does not invest in any corporate securities of entities directly involved in the "extraction, processing and transportation of coal, oil or natural gas". The Fund employs a commonly used screen that excludes fossil fuel-related companies. Sustainalytics, an independent market leading ESG ratings firm, manages and provides the definition and screening methodology.



Municipal Finance
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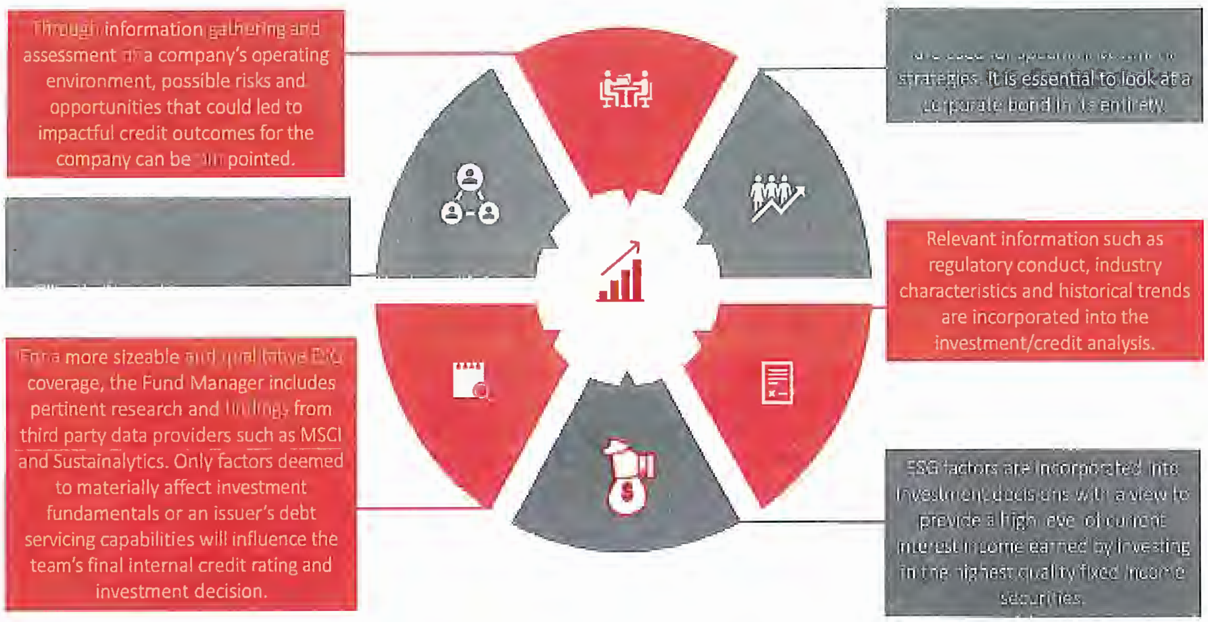
Money Market Fund, Government Focused Ultra-short Bond Fund, Short-term Bond Fund and ESG Integration.

All of MFA's pooled funds managed by PH&N employ ESG integration. In addition, like the Fossil Fuel Free Bond Fund, the Government Focused Ultra-short Bond Fund (GFUS BF) does not invest in fossil fuel related companies. The composition of allowable investments in the GFUS BF are primarily government and government related securities and have a maximum 25% exposure to Big 6 Canadian Banks.



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