

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

**April 24, 2017
9:00 AM
Blaney Room**

Chairperson: Councillor Masse

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

Staff:	Chief Administrative Officer:	T. Swabey
	GM – Corporate & Financial Svc:	P. Gill
	GM – Public Works & Development	F. Quinn
	GM – Community Dev. Park & Rec	K. Swift
	Manager of Accounting:	C. Nolan
	Manager of Financial Planning	T. Thompson
	Manager Sustainability & Corporate Planning	L. Benson

Recording Secretary: Amanda Gaunt

AGENDA

- 1. Approval of agenda**
- 2. Approval of minutes of March 20, 2017**
- 3. 2016 Consolidated Financial Statements**
- 4. Investment Reports**
- 5. DCC Bylaw Update** (verbal update)
- 6. Council Compensation - Remuneration**
- 7. Council Compensation – Training, Conferences & Association Building – Policy 3.07**
- 8. Next Meeting – May 8 (auditor will be in attendance)**

“Original signed by Catherine Nolan”

*Agenda submitted by: C. Nolan, CPA, CGA
Manager of Accounting*

City of Maple Ridge

Audit & Finance Committee Meeting Minutes

March 20, 2017

The Minutes of the Audit and Finance Committee Meeting held in the Blaney Room of the Municipal Hall, 11995 Haney Place, Maple Ridge, BC on Monday, March 20, 2017 at 9:00 a.m.

PRESENT

Committee Members

Councillor Masse, Chair
Councillor Duncan
Councillor Robson
Councillor Shymkiw
Councillor Speirs
Mayor Read

Municipal Staff

K. Swift, Acting Chief Administrative Officer
P. Gill, General Manager Corporate & Financial Services
C. Nolan, Manager of Accounting
L. Benson, Manager of Sustainability & Corporate Planning

Absent

Councillor Bell

The meeting was called to order at 9:00 a.m.

1. ***Approval of the Agenda***

It was moved and seconded

That the agenda for the March 20, 2017 Audit & Finance Committee meeting be approved as circulated.

CARRIED

2. ***Approval of minutes of January 16, 2017***

It was moved and seconded

That the minutes of the Audit & Finance Committee of January 16, 2017 be adopted as circulated.

CARRIED

3. ***Preliminary 2016 Year-End Update***

The Committee received the report from the Manager of Accounting who discussed the salient points of the report.

It was moved and seconded

That the report be received for information

CARRIED

Note: Councillor Shymkiw joined the meeting at 9:05

Note: Mayor Read joined the meeting at 9:10

4. ***CMR Debt Servicing***

The Committee received the report from the Manager of Accounting and she outlined how the City's debt servicing room is calculated.

The Committee asked for a further report on what, if any, restrictions are in place with respect to the taxes being collected for the Town Centre debt payments, once the debt is retired.

5. ***Legislative Services (Council) Budget***

The Manager of Accounting provided an overview of the section of the budget related to Council. She explained the different line items and a discussion ensued.

The Committee asked that staff bring back a report with a suggested process to review Council compensation, including expenses. The Council training & conferences budget is also to be brought back for review.

Adjournment at 9:55

B. Masse, Chair

TO: Her Worship Mayor Nicole Read
and Members of Council
FROM: Chief Administrative Officer
MEETING DATE: April 24, 2017
FILE NO:
MEETING: COW
SUBJECT: 2016 Consolidated Financial Statements

EXECUTIVE SUMMARY:

The 2016 Financial Statements have been prepared using the accounting standards and reporting model mandated by the Public Sector Accounting Board (PSAB). BDO Canada LLP has conducted an audit of the financial statements and they will form an integral part of the 2016 Annual Report. In order to satisfy current audit rules, Council must formally accept the financial statements before BDO can issue their audit opinion.

Financial reporting in local government serves to communicate the fiscal health and well-being of a community and there are two main documents that form part of the City's financial reporting:

- The **Financial Plan**, a forward looking document that sets out planned expenditures and how they will be paid for over the next five years, and
- The **Financial Statements**, a retrospective document that reports on the City's financial condition at a point in time and financial performance during the year just ended.

There are a number of key terms included in the financial statements that are important to understand before drawing any conclusions about the City's financial results for 2016:

- **Net Financial Position:** provides a snapshot of where the City stands financially in terms of the resources it held and the debt it owed at December 31. It is the difference between our financial assets and our liabilities and provides an indication of financial flexibility. If Net Financial Position is negative it is referred to as Net Debt and indicates that revenues that will be collected in the future are needed to pay for liabilities that already exist. If it is positive, it is referred to as Net Financial Assets and indicates a greater degree of flexibility.
- **Accumulated Surplus:** is the total of all the City's assets, both financial and non-financial, less our liabilities. It represents the net economic resources available for service provision. The largest element of this number is the value of our tangible capital assets, the physical assets used in day-to-day service provision, meaning the accumulated surplus balance does not represent a source of cash available to finance our day-to-day operations.
- **Annual Surplus:** is the difference between annual revenues and expenses, as reported on the Statement of Operations. It is important to keep in mind that items included in revenue do not necessarily represent cash received during the year. For example, the value of contributed tangible capital assets is reported as a revenue, but does not represent cash the City received. On the expense side, only the annual cost of using those assets is recognized through amortization. The amounts expended for capital investment or renewal is not included, nor is the value of infrastructure contributed to the City through development. This accounting requirement results in a large reported annual surplus, but does not represent a cash surplus.

This report focuses on our Financial Statements for the 2016 fiscal year. Overall results for the year were positive. Our Net Financial Position increased by \$14.3 million to \$86.35 million and our Accumulated Surplus increased by \$64 million to \$1.064 billion.

RECOMMENDATION:

That the 2016 Financial Statements be accepted.

DISCUSSION:

Financial reporting in local government serves to communicate the fiscal health and well-being of a community and there are two main documents that accomplish this: the **Financial Plan** and the **Financial Statements**, each with very different objectives.

The **Financial Plan** is a forward looking document that sets out the City's planned expenditures and transfers to reserves for the next five years and identifies how those expenditures and transfers will be funded. The *Community Charter* requires that municipalities prepare a "balanced budget". This means that the total of any proposed expenditures or transfers to reserves must not exceed the total of proposed revenues or transfers from reserves. In simple terms, the Financial Plan answers the question: "what are we going to do and how are we going to pay for it?"

In contrast, the **Financial Statements**, are a retrospective document that look at the year just ended, comparing our actual financial performance in the year to the activities identified in the Financial Plan. The *Community Charter* requires municipalities to prepare the financial statements in accordance with generally accepted accounting principles for local governments. In Canada, those principles are set by the Public Sector Accounting Board (PSAB). The objective of a municipality's Financial Statements is to report on its financial condition at a point in time and its financial performance for the year.

The differing objectives of the Financial Plan and the Financial Statements, combined with the different rules guiding their preparation, can easily result in confusion when trying to compare the two documents. For example, the Financial Plan treats transfers to and from reserves as transactions, while the Financial Statements, at the consolidated level, ignore transfers as they take place within the corporate entity. It is important to keep the different rules and objectives in mind as we now look at financial results for 2016.

The 2016 Consolidated Financial Statements present the City's results of operations during the year and the financial position as at December 31, 2016. Financial performance is compared to the Financial Plan adopted in May of 2016 as this was the plan used to set property taxation rates, and to prior year results. The transactions included in the Financial Statements are those that took place between the City and outside parties, internal transactions, such as transfers between reserves, which are important for financial planning purposes, have been eliminated.

The City's auditors, BDO Canada LLP, have conducted an audit of the Statements and, pending Council's acceptance of the statements, will finalize their audit report. The audit report will be "unqualified". This is the highest form of assurance an auditor can provide and indicates the statements are free of material misstatements and that readers can rely on them for decision making purposes.

There are a number of key terms in the Financial Statements that are important to be familiar with before drawing any conclusions about the 2016 results:

- **Net Financial Position:** provides a snapshot of where the City stands financially in terms of the resources it held and the debt it owed at December 31. It is the difference between our financial assets and our liabilities and provides an indication of financial flexibility. If Net Financial Position

is negative it is referred to as Net Debt and indicates that revenues that will be collected in the future are needed to pay for liabilities that already exist. If it is positive, it is referred to as Net Financial Assets and indicates a greater degree of flexibility.

- **Accumulated Surplus:** is the total of all the City's assets, both financial and non-financial, less our liabilities. It represents the net economic resources available for service provision. The largest element of this number is the value of our tangible capital assets, the physical assets used in day-to-day service provision, meaning the accumulated surplus balance does not represent a source of cash available to finance our day-to-day operations.
- **Annual Surplus:** is the difference between annual revenues and expenses, as reported on the Statement of Operations. It is important to keep in mind that items included in revenue do not necessarily represent cash received during the year. For example, the value of contributed tangible capital assets is reported as a revenue, but does not represent cash the City received. On the expense side, only the annual cost of using those assets is recognized through amortization. The amounts expended for capital investment or renewal is not included, nor is the value of infrastructure contributed to the City through development. This accounting requirement results in a large reported annual surplus, but does not represent a cash surplus.

The City's Financial Statements are comprised of the following:

- Statement of Financial Position
- Statement of Operations
- Statement of Change in Net Financial Assets
- Statement of Cash Flow
- Significant Accounting Policies
- Notes to the Financial Statements
- Segment Report
- Supporting Schedules 1-6

The Notes to the Financial Statements provide additional information for the items found on the Statement of Financial Position and the Statement of Operations and are referenced on each of these statements.

A discussion of the Financial Statements follows:

Statement of Financial Position

The Statement of Financial Position is the public sector version of a balance sheet. One of the key indicators on this statement is the Net Financial Position. As noted above, it is calculated by subtracting our liabilities from our financial assets and is one piece of information available to assess the City's financial flexibility. At the end of 2016 the City had Net Financial Assets of \$86.35 million, an increase of \$14.3 million over 2015. The increase is the result of timing differences actual and planned expenditures, in addition, as part of our long-term financial planning processes, we may deliberately collect revenues over time to build the financial capacity needed for future expenditures. This practice will increase our financial assets, and our financial position, until the expenditures occur.

The other key indicator that appears on this statement is Accumulated Surplus. As noted above, this is the total of all our assets, both financial and non-financial, less our liabilities. This number represents the net economic resources available for service provision. The bulk of this number comes from the value of our tangible capital assets, meaning it does not represent cash that can be spent to support our operations. At the end of 2016, the City's accumulated surplus was \$1.064 billion compared to \$999.8 million in 2015.

Key items to note on the Statement of Financial Position:

- Combined cash and cash equivalents, and portfolio investments increased by \$8.5 million. This is the result of increased cash balances available to invest due to timing differences between planned and actual expenditures.
- Debt decreased by \$2.86 million due to the scheduled repayment of debt, most of which relates to our Town Centre facilities.

Statement of Operations

The Statement of Operations is the public sector version of an income statement, reporting revenues and expenses for the year. The difference between revenues and expenses is referred to as the annual surplus if positive, or the annual deficit if negative. It is important to note that accounting rules require us to include in revenues items such as the value of infrastructure contributed to the city through development, but on the expense side we include only the cost of using those assets through amortization, not the value of the assets received. This results in a reported annual surplus that does not represent a cash surplus. In 2016, the City recorded contributed infrastructure with a value of \$39 million. This amount was recorded as revenue. On the expense side, the amortization recorded for these assets was \$340K. The City's Annual Surplus was \$64.08million. Over half of this amount comes from the transactions associated with contributed assets received during the year and, as noted previously, there is no cash received by the City related to these assets.

As noted earlier in the report, when the Financial Plan is prepared, we ensure that all planned sources of funding are equal to all planned uses of funding. This is referred to as a "balanced budget". Not all of the elements that result in a balanced budget are included in the Statement of Operations. Some Financial Plan transactions, such as transfers to and from reserves, are eliminated from the summary financial statements as they are internal transactions; other items are not included as they do not meet the definition of an expense. For example, our planned investment in tangible capital assets will result in an expenditure of resources, but not an expense. The annual cost of using our tangible capital assets, recorded as amortization, is an expense and is included on this statement. A reconciliation between the Financial Plan and the Financial Statements is shown in Note 17 to the Financial Statements.

The following discusses the Statement of Operations:

Consolidated Revenues: Actual \$180.4 million; Budget \$185.1 million

Not all monies the City receives are recorded as revenues at the time of receipt. Monies such as Development Cost Charges or Parkland Acquisition fees that are collected for specific capital works are recorded as a liability when received. When we budget for the capital expenditures that are funded from these sources we also budget to record the revenue, which results in a draw down of the liability. If capital expenditures do not occur, no revenue is recognized and the funds remain on hand, recorded as a liability.

In 2016, consolidated revenues were below budget by \$4.68 million. This is comprised of variances in a number of categories, particularly those related to capital. The following highlights some of the key variances:

- User fees and other revenues in excess of budget estimates by \$2 million
- Development revenues below budget estimates by \$21.7 million, due in large part to factors such as DCC liabilities not being drawn down to fund the related work.
- A variance of \$5.3 million to budgets estimates for proceeds of disposal due to timing of the sale of lands in the town center.
- Developer contributed assets in excess of budget estimates by \$22.6 million

As noted above, revenues below budget estimates for development revenues do not represent a cash shortfall as the related expenditures did not occur. Similarly, the revenue amount recorded for contributed assets, does not represent a cash windfall as this number represents the value of assets received, not a payment received by the City.

Consolidated Expenses – Actual \$116.3 million; Budget \$131.2 million

Expenses are comprised of general operating expenses for goods and services, labour, interest on debt and amortization of our tangible capital assets. The actual cash expended to invest in the replacement or acquisition of assets is not reflected on this statement.

In 2016, consolidated expenses were below budget by \$14.9 million. Key items contributing to this result include:

- Depreciation of assets \$1.6 million less than budget estimates
- Approximately \$4.4 million in capital related projects
- \$1.7 million from the RCMP contract
- Approximately \$3.4 million in projects scheduled for 2016 that will proceed in 2017.

Statement of Change in Net Financial Assets

The change in Net Financial Position in a year is explained by the difference between revenues and expenditures. If we recognize more revenue than we expend, then the net financial position will increase; if less then it will decrease. In 2016, the City's financial position increased by \$14.3 million to \$86.35 million. It is important to keep in mind that as part of the City's long-term financial planning processes, we may collect revenues over time to build capacity for future expenditures. This practice increases the City's financial assets, and the net financial position, until the related expenditures occur.

Statement of Cash Flow

The Statement of Cash Flow explains the change in the balance of cash and cash equivalents for the year, showing the impact of various types of transactions on the balance. For example the statement shows that \$35 million was generated from operating activities and that \$32.5 million was used for capital activities.

Segment Report

The Segment Report enhances the information found on the Consolidated Statement of Operations. The information is laid out in the same manner, but provides a greater level of detail. City services have been segmented by grouping activities by function, as directed by PSAB. For example, protection of the public is achieved by activities such as bylaw enforcement and inspection services in addition to police and fire fighting services, so all of these activities are reported as part of the Protective Services segment. Revenues that are directed related to the costs of a function have been reported in each segment, including revenues related to capital investment. Expenses are broken down to the categories of goods and services, labour, debt servicing, and amortization. The Segment Report allows us to see how much each segment contributes to the annual surplus before considering allocations of taxes and other municipal resources. As described earlier, annual surplus is the difference between annual revenues and expenses.

The following table shows the departments included in each segment:

Reporting Segments						
General Gov't	Protective Svc	Recreation	Planning; Public Health & Other	Transportation	Water	Sewer
Human Resources	Police	Parks	Planning	Engineering	Water	Sewer
Clerks	Fire	Leisure Svc	Recycling	Operations		
Administration	Bylaws	Youth Svc	Cemetery	Drainage		
Finance	Inspection Svc	Arts	Social Planning	Roads		
Purchasing	Emergency Svc	Library				
Information Svc						
Legislative Svc						
Economic Dev						
Communications						

The above discussion focuses on the Consolidated Financial Statements, and, as noted, consists of transactions only with outside parties; internal transactions, such as transfers are not included. It is useful to look at some areas of our organization in isolation, particularly the General Revenue Fund and the Sewer and Water Utilities. While the Financial Statements do not show each of these elements in isolation, aggregated information is shown on Schedules 1 and 3 to the Consolidated Financial Statements.

General Revenue

It is important to look at the General Revenue Fund in isolation, as to a large extent, the transactions that take place in this fund drive property taxation. The Audit and Finance Committee received a report on March 20, 2017, noting that preliminary results were favourable in comparison to budget and that the General Revenue surplus was reduced by \$575,000 to \$9.3 million.

Sewer and Water Utilities

The Sewer and Water Utilities are self-funded business units that manage the collection and distribution of water and liquid waste as well as the related infrastructure. A large portion of the costs in the utilities are driven by the Regional District and Council has used a rate stabilization policy for a number of years. Under this policy, accumulated surplus amounts are deliberately built in a systematic manner over a period of time in order to provide for our commitment towards larger regional projects as well as variations in our own annual infrastructure investment. This practice allows Council to smooth the impact of variations in annual spending levels on our rate payers.

The accumulated surplus balances in both utilities increased in 2016, in part due to work projects that will proceed in 2017, and in part to address future spending requirements. The accumulated surplus balance in the sewer utility is expected to be drawn down in 2018 and 2019 and then begin to accumulate again through 2021; in the water utility, the accumulated surplus balance is expected to continue to build through 2021.

The following shows the accumulated surplus amounts in each of the utilities:

	2016	2015
Sewer Utility	\$ 8,144,538	\$ 6,413,897
Water Utility	\$ 11,296,039	\$ 8,354,639

Reserves

The City's reserves are an important financial planning tool and provide a mechanism to build capacity over time to undertake strategic projects. They are reviewed on a regular basis to assess their adequacy, with adjustments made when capacity permits.

The term "reserve" is often applied to both our reserve funds and our reserve accounts and there are important distinctions between the two resources. Reserve funds are statutory, meaning they are established by bylaw for specific purposes. Once monies are transferred to a reserve fund, they can only be used for the purpose outlined in the establishing bylaw. Reserve accounts are appropriations of surplus, established to meet specific business needs. They can be established or dissolved as directed by Council, as long as identified business needs are met and risks managed appropriately.

At the beginning of 2016, the City had \$77 million in total reserves, as shown in Schedule 6 to the Financial Statements. At the end of 2016 the City has \$84.6 million in reserves, an increase of \$7.6 million. This variance is the combined result of planned capital investment that will occur in the future and end of year provisions for various operating projects and initiatives. A separate will provide detailed information on our reserves.

CONCLUSIONS:

The City's reserves are sound and the long-term financial plans reflect the ability of the City to meet its future obligations. Overall results for 2016 are positive. We ended the year with an Annual Surplus amount of \$64 million, and an Accumulated Surplus balance of \$1.064 billion.

"Original signed by Catherine Nolan"

Prepared by: Catherine Nolan, CPA, CGA
Manager of Accounting

"Original signed by Paul Gill"

Approved by: Paul Gill, CPA, CGA
GM, Corporate and Financial Services

"Original signed by Ted Swabey"

Concurrence: **E.C. Swabey**
Chief Administrative Officer

TO: Audit and Finance Committee **MEETING DATE:** April 24, 2017
FROM: Manager of Financial Planning **MEETING:** Audit and Finance Committee
SUBJECT: Investment Reports

EXECUTIVE SUMMARY:

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

There are two reports attached, one for the year ending December 2016 and one for the first quarter of 2017. Return on Investments (ROI) for both these periods were well in excess of the benchmarks. An Investment Portfolio Summary is also attached which shows that the holdings are within the parameters set in the Investment Policy.

One of the categories of investments that municipalities are, under the Community Charter, permitted to purchase is debt guaranteed by a chartered Canadian bank. Canadian banks continue to be very stable and have strong credit ratings. However, as a result of the Financial Crisis of nearly a decade ago, banking regulations have been introduced and/or strengthened. We are aware of these regulatory changes that have or potentially have an impact to our investments.

The Municipal Finance Authority of BC (MFA) has three pooled investment funds, which municipalities can invest in. We use these as our benchmark to measure our own investment returns against. The MFA is considering adding new pooled funds. They are in the process of soliciting feedback and considering the viability of several options.

RECOMMENDATION(S):

None. 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.

The issue is that, if a bank is no longer viable, the bonds would be converted to equity, however, municipalities cannot own equity in banks. Transition rules under the bail-in legislation will apply so there is no risk that any of our current investment holdings in bank debt would become non-compliant under the Community Charter. There is a remote possibility that most bank bonds may no longer be an investment option, reducing future return on investments.

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

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

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

As noted in the Investment Policy, deviations from policy are typical in March through early June. This is due to the size of the holdings being lowest, just prior to property tax collections, which may cause percentages on certain investment parameters such as term to maturity to be higher. We are well below these thresholds this March due to the defensive positioning of the investments limiting term risk in a market that rates are trending upwards.

b) Business Plan/Financial Implications:

A significant portion of the funds invested are from Reserve Funds, Reserve Accounts, Development Cost Charges (DCCs) and Water and Sewer Utility Funds. The interest earned helps address inflationary costs.

The General Revenue Fund relies on returns from investments. These returns are conservatively budgeted. 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. The return on investments, which includes non-realized capital gains and losses, exceeded the benchmark return.

It is important to understand what is driving the returns as not to draw any incorrect conclusions. The primary focus of our investments is safety and being able to meet our cash flow requirements. Active management by staff, as well as insight and advice from our investment contacts ensure that funds are invested appropriately and continue to produce returns that beat the benchmark.

“Original signed by Trevor Thompson”

Prepared by: **Trevor Thompson, BBA, CPA, CGA**
Manager of Financial Planning

“Original signed by Paul Gill”

Approved by: **Paul Gill, BBA, CPA, CGA**
General Manager: Corporate and Financial Services

City of Maple Ridge
Investment Portfolio Return on Investment (ROI)
For 2016

Terms	Term Avg. (yrs.)	Investments (avg.)	Return	ROI	Benchmark
Long	4.75	\$ 49,753,969	\$ 1,266,273	2.55%	1.43%
Mid.	1.59	31,846,083	697,476	2.19%	1.13%
Short	0.42	100,385,202	1,588,577	1.58%	0.79%
Total	2.06	\$ 181,985,254	\$ 3,552,326	1.95%	1.02%

Investment Portfolio Return on Investment (ROI)
Year to Date as of March 31, 2017

Terms	Term Avg. (yrs.)	Investments (avg.)	Return	ROI	Benchmark
Long	5.16	\$ 54,976,337	\$ 436,941	3.23%	2.80%
Mid.	1.34	48,340,270	251,616	2.11%	1.26%
Short	0.29	69,993,009	287,660	1.67%	0.85%
Total	2.13	\$ 173,309,616	\$ 976,216	2.29%	1.58%

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

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

Investment (avg.) is the average daily balance for the period, not the balance that is currently held.

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 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, 2016

Term to Maturity	Holdings	% Holdings	Within Policy	Policy Max.
Long Term (>3 years)	\$ 32,001,336	18%	YES	35%
Mid. Term (> 1 year to 3 yrs.)	52,340,270	30%	YES	40%
Short Term (1yr or less)	93,045,947	52%	YES	None
Total	\$ 177,387,553			

Issuer	Holdings	% Holdings	Within Policy	Policy Max.
<u>Banks</u>			YES	25% per Schedule I Bank
BMO	\$ 9,000,000	5%		
BNS	6,000,000	4%		
CIBC	28,368,000	17%		
National Bank	13,001,336	8%		
TD	10,712,322	6%		
<u>Credit Unions</u>			YES	None Prov. BC Guarantee
BlueShore	35,454,970	21%		
Coast Capital	5,000,000	3%		
Envision	61,752,777	37%		
Vancity	8,098,148	5%		
<u>Government</u>				
Gov't - Fed.	-	0%	YES	none
Gov't - Prov.	-	0%	YES	BC - none, others 25%
Gov't - Muni/ Reg. District	-	0%	YES	25%
<u>Municipal Finance Authority</u>	-	0%	Yes	25%
Grand Total	\$ 177,387,553			

* 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.

City of Maple Ridge

Investment Portfolio Summary

As of March 31, 2017

Term to Maturity	Holdings	% Holdings	Within Policy	Policy Max.
Long Term (>3 years)	\$ 35,039,186	21%	YES	35%
Mid. Term (> 1 year to 3 yrs.)	52,340,270	32%	YES	40%
Short Term (1yr or less)	77,655,423	47%	YES	None
Total	\$ 165,034,879			

Issuer	Holdings	% Holdings	Within Policy	Policy Max.
<u>Banks</u>			YES	25% per Schedule I Bank
BMO	\$ 9,000,000	5%		
BNS	6,000,000	4%		
CIBC	28,388,520	17%		
National Bank	13,001,336	8%		
TD	6,470,399	4%		
<u>Credit Unions</u>			YES	None Prov. BC Guarantee
BlueShore	38,454,970	23%		
Coast Capital	5,000,000	3%		
Envision	50,607,721	31%		
Vancity	5,074,082	3%		
<u>Government</u>				
Gov't - Fed.	-	0%	YES	none
Gov't - Prov.			YES	BC - none, others 25%
Quebec	3,037,850	2%		
Gov't - Muni/ Reg. District	-	0%	YES	25%
<u>Municipal Finance Authority</u>	-	0%	Yes	25%
Grand Total	\$ 165,034,879			

* 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.

TO:	Audit & Finance Committee	MEETING DATE:	24-April-2017
FROM:	Manager of Accounting	FILE NO:	
		MEETING:	Audit & Finance
SUBJECT:	Council Compensation - Remuneration		

EXECUTIVE SUMMARY:

The matter of Council compensation was discussed at the last Audit & Finance Committee meeting and staff was directed to provide a report on possible approaches to reviewing Council compensation. This report is in line with that request.

RECOMMENDATION(S):

That Audit & Finance Committee provide direction to staff on Council Remuneration

DISCUSSION:

At the March 20 Audit & Finance Committee meeting, committee members reviewed the budget line items for Legislative Services (Council), discussing a number of the line items in detail. These items have not been refreshed for a number of years and committee members were of the opinion that a review of some kind should be undertaken.

There was some discussion around the different elements of Council compensation, Staff was directed to bring back a report on possible approaches to undertaking a review of remuneration and this report is in line with that request. Policies and practices around conferences, training and attendance at community events will be the subject of a separate report.

Council remuneration was last reviewed in 2011. The review compared compensation levels in Maple Ridge to selected comparator municipalities and set remuneration rates at the 65th percentile of this market. The review identified that Maple Ridge compensation rates were lagging behind by 9% for the Mayor & by 13% for the Councillors. Increases were recommended for 2011, 2012 and 2013 to allow the changes to be phased in. In December 2011, Council voted to continue to be compensated at 2011 rates rather than accept the increase for 2012 and confirmed this direction in March of 2012. There has been no adjustment since that time.

Should the committee direct staff to seek Council direction to undertake a review of Council compensation there are a number of different approaches that could be considered. These include, but are not limited to, the following:

1. Comparison to other similar municipalities. This is the approach that has been used in Maple Ridge since 2005. The process involves selecting comparator municipalities with similar characteristics. In the Maple Ridge instance, communities were selected that provided a strong representation from the Metro Vancouver area, that were facing similar growth pressures and with both urban and rural land use issues and provided a mix with regards to population size.
2. Annual adjustments based on CPI or other factors such as municipal union increases, without a commitment to review the base remuneration. This approach accepts that at a point in time the base remuneration levels are appropriate and commits to annual adjustments on a defined basis. This policy was adopted in Port Coquitlam in 2015. The remuneration rates in place at the time were accepted as appropriate and annual adjustments tied to changes in the year-over-year Vancouver CPI were committed to. In years where there is a decrease in CPI, there is no change to remuneration rates. The Port Coquitlam policy is scheduled for review in July 2018, allowing the current council to set direction for the new council taking office in December 2018.
3. Comparison to the average annual full time employment earnings of Maple Ridge residents. This provides a review against an external benchmark, free of the perception of political bias, and reflective of the economic well being of a community's citizens; it is not necessarily reflective of the nature of the work being done by members of Council. Information for this comes from Canada Census Data and remuneration levels are then established on the basis of a formula. For example, the remuneration for a Councillor could be set at a percentage of the average income, with remuneration for the Mayor being set at a multiple of the amount for a councillor. This approach was recently adopted in Abbotsford and resulted in the compensation for a councillor being set at 75% of the average full time earnings, and the Mayor's set at 2.5 times that amount, and then adjusted annually by changes in Vancouver CPI. The Abbotsford review resulted in an initial adjustment to Councillors' remuneration of \$3,000 and \$6,050 for the Mayor's remuneration, with a recommendation to review base salaries again in 2020.

Any of the above approaches could be undertaken by staff. Another option that could be considered would be to convene a citizen's working group to review the matter and provide recommendations to Council. Staff would provide support to the working group, and it would be up to the working group to establish a recommended basis for adjusting remuneration levels.

There is sensitivity around the timing of conducting a review of remuneration for Mayor and Council as well as the timing of implementing the resulting recommendations as it can easily become an election issue. There is no perfect solution to this issue, and it is one of the more difficult items that a Council faces during their term of office. An added challenge is introduced when there is an extended period of time between reviews, as this increases the likelihood of a larger adjustment being needed to bring remuneration to an appropriate level, further increasing the sensitivity for Council to address the issue.

Conducting a review at this point is timely in light of the recent change to the Income Tax Act introduced in the 2017 Federal Budget. Effective in 2019, the provision deeming 1/3 of Mayor & Councillors' salaries to be a tax free allowance is to be eliminated, making the full amount of remuneration subject to income tax. This will result in a net reduction in after tax remuneration and any review should take this into account.

At this time, staff is seeking direction on the following:

1. Should a review be conducted at this time?
2. If so, who should be tasked with conducting a remuneration review? Staff or an independent citizens working group?
3. Which methodology would the committee recommend be used?
4. When will the recommendations of the review be implemented.

It should be noted that conducting a review of Council remuneration was not identified as a 2017 workplan item for Human Resources or Finance. Should the Audit & Finance Committee recommend staff seek Council direction to proceed, staff will evaluate the impact to existing workplans and whether or not additional resources will be needed.

CONCLUSIONS:

This report provides information on three different approaches to reviewing Council compensation. If the committee feels that a review should be undertaken, a recommendation should be provided to Council, incorporating any recommendations from the committee.

“Original signed by Catherin Nolan”

Prepared by: Catherine Nolan, CPA, CGA
Manager of Accounting

“Original signed by Frances King”

Reviewed by: Frances King
Director of Human Resources

“Original signed by Paul Gill”

Approved by: Paul Gill, CPA, CGA
GM, Corporate & Financial Services

“Original signed by Ted Swabey”

Concurrence: **E.C. Swabey**
Chief Administrative Officer

TO: Audit & Finance Committee
FROM: Manager of Accounting
SUBJECT: Council Training, Conferences & Association Building – Policy 3.07

MEETING DATE: 24-April-2017
FILE NO:
MEETING: Audit & Finance

EXECUTIVE SUMMARY:

The matter of Council training, conferences & association building was discussed at the last Audit & Finance Committee meeting. The existing policy was adopted in 2014 and the policy direction has not been confirmed by the current Council. The purpose of this report is to seek feedback on what changes Council wishes to make. Staff will then bring back an amended policy based on the discussion.

RECOMMENDATION(S):

That Audit & Finance Committee provide staff with feedback on the existing Council Training, Conferences & Association Building – Policy 3.07 and direct staff to amend the policy reflecting that discussion.

DISCUSSION:

At the March 20 Audit & Finance Committee meeting, committee members reviewed the budget line items for Legislative Services (Council), discussing a number of the line items in detail. These items have not been refreshed for a number of years and committee members were of the opinion that a review of some kind should be undertaken.

There was some discussion around the different elements of Council compensation. Remuneration has been addressed in a report by itself; this report focuses on the policy direction around Council attendance at conferences and participation in training

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

The policy does not address the costs associated with attendance at various community events by members of Council. As was noted at the March 20 meeting there is a general expectation that members of Council attend such events and there is an associated cost. Additionally, Council members expressed a level of frustration with the lack of direction from Canada Revenue Agency (CRA) on the application of the 1/3 tax free allowance portion of their remuneration.

Current income tax rules stipulate that 1/3 of the remuneration paid to elected officials is a tax free allowance, intended to offset some of the expenses incurred as part of discharging the duties of office. The recent federal budget eliminated this allowance, effective in 2019. This will result in a net reduction in after tax income and this should be taken into account when considering any changes in policy direction.

At this time, staff is seeking input from the committee on the following:

1. Should Policy 3.07, Council Training, Conferences and Association Building be updated at this time?
2. If so, should the scope of the policy be expanded to provide guidance regarding attendance at community events? If yes, what should the policy direction be?
3. Are there any other areas of concern that the committee would recommend be considered as part of a review? If yes, what specifically should be considered?
4. How frequently should the policy be reviewed?

It should be noted that updating this policy was not identified as a 2017 work plan item for Human Resources or Finance. Should the Audit & Finance committee recommend such a review take place, staff will evaluate the impact to existing work plans and resources.

CONCLUSIONS:

Policy 3.07 Council Training, Conferences & Association Building provides guidance for Council attendance at conferences and participation in self directed training. It also provides direction on Council's budget for external committee work. The policy was adopted in 2014 and has not been updated. Staff is seeking feedback from the committee on the existing policy and direction regarding any changes. An amended policy will be brought to a future meeting.

"Original signed by Catherine Nolan"

Prepared by: Catherine Nolan, CPA, CGA
Manager of Accounting

"Original signed by Frances King"

Reviewed by: Frances King
Director of Human Resources

"Original signed by Paul Gill"

Approved by: Paul Gill, CPA, CGA
GM, Corporate & Financial Services

"Original signed by Ted Swabey"

Concurrence: **E.C. Swabey**
Chief Administrative Officer



POLICY MANUAL

Title: Council Training, Conferences and Association Building	Policy No : 3.07 (Rev. 2) Supersedes: <ul style="list-style-type: none"> • Council Training, Conferences and Association Building Policy 3.07 (January 6, 2009)
Authority: <input checked="" type="checkbox"/> Legislative <input type="checkbox"/> Operational Approval: <input checked="" type="checkbox"/> Council <input type="checkbox"/> CMT <input type="checkbox"/> General Manager	Effective Date: July 22, 2014 Review Date: July 2015
Policy Statement: Municipal Council will review the Legislative Services budget at least annually. Adjustments to established budgets will be considered as part of the District's Business Planning process.	
Purpose: Council members are asked to make important decisions on behalf of the citizens of Maple Ridge. Continuous learning and association building are important in carrying out this duty. The District supports training and association building and many such opportunities arise throughout the year. Financial resources are limited so the costs versus the benefits must be weighed and priorities established.	
Definitions: 1. Conferences This category refers to learning opportunities such as the annual Union of BC Municipalities Convention, the annual Federation of Canadian Municipalities conference, and the annual conference of the Lower Mainland Local Government Association. 2. Council approved external committee work This category refers to training and networking opportunities that arise out of Council approved external committee work. Examples of such work include appointments to FCM or UBCM committees.	

3. Self Directed Training

This category refers to training, workshops or conferences that individual members of Council may wish to participate in that are not included in the first two categories. Its purpose is to allow Council members to develop skills and knowledge relating to their role as a member of the governing body of Maple Ridge.

4. Association Building

This category refers to local events that individual members of Council may wish to participate in. Its purpose is to allow Council members to network and develop relationships relating to their role as a member of the governing body of Maple Ridge.

5. Cost/Benefit Analysis

The following criteria will be used to evaluate participation in training, conference and association building opportunities:

- i) Does the work done by the body / committee support Council's Strategic Plan?
- ii) Does the body / committee make decisions that could impact Maple Ridge?
- iii) Does the organization provide support to Maple Ridge? (financial or otherwise)
- iv) Does participation help fulfill their duties & responsibilities?
- v) Does participation provide valuable networking opportunities?

Key Areas of Responsibility

Action to Take

1. In September of each year, Council, in conjunction with their Finance officer, will review current year expenditures, estimate costs to year-end and consider adjustments for the ensuing financial planning period.
 - The current budget allocation is as follows and has been accommodated within the overall budget for Legislative Services:

Mayor (annually)	\$6,500
Councillor (annually)	\$5,000
2. While arrangements for these events must be coordinated through the Executive Assistant to the Mayor, responsibility and accountability for these allocations will rest with individual Council members.
3. The Finance Department will provide a monthly financial update to assist Council members in managing their allocations.
4. Prior approval from Council will be required for expenditures in excess of the annual budget

Responsibility

Municipal Council
Finance Officer

Municipal Council
Finance Officer

Municipal Council
Finance Officer

Finance Officer

Municipal Council

<p>5. A written rationale must be submitted, and approval given by Council, to carry forward unspent monies to the following year.</p>	<p>Municipal Council</p>
<p>6. An additional \$3,500 (per Council, not individual) is available to cover out-of-pocket expenses for specific committee work approved by Council. While many organizations are able to cover expenses for appointees, the purpose of this allocation is to provide assistance where such recovery is not possible.</p>	<p>Municipal Council Finance Officer</p>