



CITY OF PRINCE GEORGE

Welcome to the City of Prince George Online
Finance and Audit Committee Agenda.

Monday, April 29, 2019

12:00 p.m. - 2nd Floor Conference Room

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A. COMMENCEMENT

B. ADOPTION OF THE AGENDA

C. ADOPTION OF MINUTES

C.1 [Minutes of the Standing Committee on Finance and Audit meeting held February 25, 2019](#)

D. REPORTS

D.1 Report: [Sustainable Finance Guidelines](#)

Attachment: [Proposed Sustainable Finance Guidelines - April 2019](#)

Attachment: [Current Sustainable Finance Guidelines - August 2013](#)

RECOMMENDATION: That the Standing Committee on Finance and Audit:

1. ENDORSE the draft Sustainable Finance Guidelines attached to the report dated April 15, 2019 from the Director of Finance; and
2. RECOMMEND to Council that the Sustainable Finance Guidelines attached to the report dated April 15, 2019 from the Director of Finance, BE APPROVED.

D.2 Report: [Investment Results for Year Ending December 31, 2018](#)

RECOMMENDATION: That the Standing Committee of Finance and Audit RECEIVE FOR INFORMATION the report dated March 12, 2019 from the Director of Finance titled "Investment Results for Year Ending December 31, 2018.

D.3 Report: [Reserve Funds - Balances/Sources/Users for 2016 thru 2018](#)

RECOMMENDATION: That the Standing Committee on Finance and Audit RECEIVE FOR INFORMATION the report dated April 29, 2019 from the Director of Finance titled "Reserve Funds – Balances/Sources/Uses for 2016 thru 2018".

D.4 Report: [Standing Committee on Finance and Audit - Work Plan Year 2019](#)

RECOMMENDATION: That the 2019 Work Plan for the Standing Committee on Finance and Audit, as presented on the April 29, 2019 meeting agenda, BE APPROVED.

E. ADJOURNMENT

STANDING COMMITTEE ON FINANCE AND AUDIT

Minutes of the Standing Committee on Finance and Audit meeting held in the 2nd Floor Conference Room at City Hall, 1100 Patricia Boulevard, Prince George, BC on Monday, February 25, 2019 at 11:00 a.m.

PRESENT: Councillor Garth **Frizzell**, Chair; Mayor Lyn **Hall** <11:00 a.m. to 11:39 a.m.>; Councillor Frank **Everitt**; and Councillor Cori **Ramsay**

IN ATTENDANCE: Ms. Kathleen **Soltis**, City Manager; Mr. Kris **Dalio**, Director of Finance; Mr. Ian **Wells**, General Manager of Planning and Development; Mr. Michael **Kellett**, Senior Communications Officer; Ms. Tiina **Schaeffer**, Manager of Sustainable Community Development; Mr. Darin **Johnson**, Deputy Assessor, BC Assessment <11:20 a.m. to 11:40 a.m.>; Mr. Corey **Naphtali**, Engagement Partner, KPMG <11:00 a.m. to 11:58 a.m.>; Ms. Micaela **Roque**, Senior Manager, KPMG <11:00 a.m. to 11:58 a.m.>; Ms. Champa **Maduranayagam**, Transit Planner; Mr. Ryan **Dennis**, Manager of Sales and Revenue, BC Transit; Mr. Rob **Ringma**, Manager of Government Relations, BC Transit; and Ms. Leslie **Kellett**, Legislative Coordinator.

A. COMMENCEMENT

The Standing Committee on Finance and Audit meeting was called to order at 11:00 a.m.

B. ADOPTION OF AGENDA

Moved by Councillor Ramsay, seconded by Councillor Everitt, that the agenda for the February 25, 2019 Standing Committee on Finance and Audit meeting, be amended to move agenda item D.4: Variable Tax Rate Structure for 2019 before agenda item D.1: PowerPoint Presentation by BC Assessment: 2019 Assessment Roll, and that the agenda, BE ADOPTED AS AMENDED.

Carried Unanimously

C. ADOPTION OF MINUTES

C.1 Minutes of the Finance and Audit Committee Meeting held January 21, 2019

Moved by Councillor Everitt, seconded by Councillor Ramsay, that the minutes of the meeting held January 21, 2019 for the Standing Committee on Finance and Audit, BE ADOPTED.

Carried Unanimously

D. REPORTS

D.4 Report dated February 14, 2019 from Mr. Kris Dalio, Director of Finance, regarding Variable Tax Rate Structure for 2019.

Mr. Dalio provided an overview of the report and requested the Committee to consider and the three (3) tax rate options.

Discussion commenced regarding comparator municipalities and the proposed tax rate structure for the tax rate classes.

Moved by Mayor Hall, seconded by Councillor Ramsay, that the Standing Committee on Finance and Audit RECOMMENDS to Council that the City set the estimated Representative Home tax increase to 4.30%, set the Major Industrial Tax portion of the levy collected to \$14,500,000 and obtain the remaining revenue by increasing the Business, Utility, Light Industrial and Farm tax rates equally.

Carried Unanimously

Mr. Darin Johnson, Deputy Assessor, BC Assessment, entered the 2nd Floor Conference Room at 11:20 a.m.

D.1 PowerPoint Presentation by BC Assessment: 2019 Assessment Roll

Mr. Darin Johnson, Deputy Assessor, BC Assessment, provided a PowerPoint presentation regarding the 2019 Assessment Roll including information on the 2019 completed roll outcomes, non-market change and risk to roll.

Discussion commenced regarding the appeal process and the breakdown of amendments and appeals by class. Mr. Johnson responded to questions of the Committee and will provide additional details regarding the breakdown of appeals by class via email to Mr. Dalio for distribution to the Committee.

Moved by Councillor Everitt, seconded by Councillor Ramsay, that the presentation provided by BC Assessment, BE RECEIVED FOR INFORMATION.

Carried Unanimously

Mayor Hall exited the 2nd Floor Conference Room at 11:39 a.m.
Mr. Johnson exited the 2nd Floor Conference Room at 11:40 a.m.

D.2 PowerPoint Presentation by KPMG: City of Prince George Audit Plan

Mr. Corey Naphtali, Engagement Partner, and Ms. Micaela Roque, Senior Manager, KPMG, provided a PowerPoint presentation regarding the City of Prince George Audit Plan including information on the auditor's independence, the audit and audit approach and Public Sector Accounting Board (PSAB) developments.

Discussion commenced. Mr. Naphtali and Ms. Roque responded to questions of the Committee regarding cash transactions and potential risk to the City when dealing with such transactions.

Mr. Naphtali and Ms. Roque inquired if the City was interested in an independent audit of a sampling of expense reports, in addition to the contracted rate, to please advise KPMG of that interest.

Moved by Councillor Ramsay, seconded by Councillor Everitt, that the presentation provided by KPMG, BE RECEIVED FOR INFORMATION.

Carried Unanimously

Mr. Naphtali and Ms. Roque exited the 2nd Floor Conference Room at 11:58 a.m.

D.3 Report dated February 15, 2019 from Ian Wells, General Manager of Planning and Development, regarding Transit Fare Review Report.

Ms. Tiina Schaeffer, Manager of Sustainable Community Development, Ms. Champa Maduranayagam, Transit Planner, Mr. Ryan Dennis, Manager of Sales and Revenue, BC Transit; Mr. Rob Ringma, Manager of Government Relations, BC Transit, provided a presentation regarding the Transit Fare Review Report including information regarding modernization and future of fare collection, current fare structure and performance and proposed fare options.

Discussion commenced regarding the proposed fare options.

Moved by Councillor Everitt, seconded by Councillor Ramsay, the Standing Committee on Finance and Audit RECOMMENDS to Council Option 2 of the report dated February 15, 2019 from the General Manager of Planning and Development regarding Transit Fare Review Report.

Carried Unanimously

Moved by Councillor Everitt, seconded by Councillor Ramsay, the Standing Committee on Finance and Audit RECOMMENDS to Council approval of the Public Information Plan as identified in the attachment to the report dated February 15, 2019 from the General Manager of Planning and Development regarding Transit Fare Review Report.

Carried Unanimously

D.5 Standing Committee on Finance and Audit – Work Plan Year 2019

The Work Plan was reviewed with no amendments.

Moved by Councillor Everitt, seconded by Councillor Ramsay, that the 2019 Work Plan for the Standing Committee on Finance and Audit, as presented on the February 25, 2019 meeting agenda, BE APPROVED.

Carried Unanimously

E. ADJOURNMENT

Moved by Councillor Everitt, seconded by Councillor Ramsay, that there being no further business, the meeting of the Standing Committee on Finance and Audit BE ADJOURNED.

Carried Unanimously

The meeting adjourned at 12:21 p.m.

Councillor Garth Frizzell, Chair

Certified Correct

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

1100 Patricia Blvd. | Prince George, BC, Canada V2L 3V9 | www.princegeorge.ca

DATE: March 12, 2019

TO: STANDING COMMITTEE ON FINANCE AND AUDIT

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: Investment Results for Year Ending December 31, 2018

ATTACHMENT(S): None

RECOMMENDATION(S):

That the Standing Committee of Finance and Audit RECEIVE FOR INFORMATION the report dated March 12, 2019 from the Director of Finance titled "Investment Results for Year Ending December 31, 2018".

PURPOSE:

This report is generated to provide information about the City of Prince George's investments; their composition, balances and earnings.

STRATEGIC PRIORITIES:

The *Community Charter* (section 183) places restrictions on investment options in order to ensure that municipal funds are as securely invested as can reasonably be expected. Investments are made in accordance with the *Community Charter* and the City of Prince George's Sustainable Finance Guideline Section 6. The City of Prince George invests funds that are in excess of current cash flow requirements.

FINANCIAL CONSIDERATIONS:

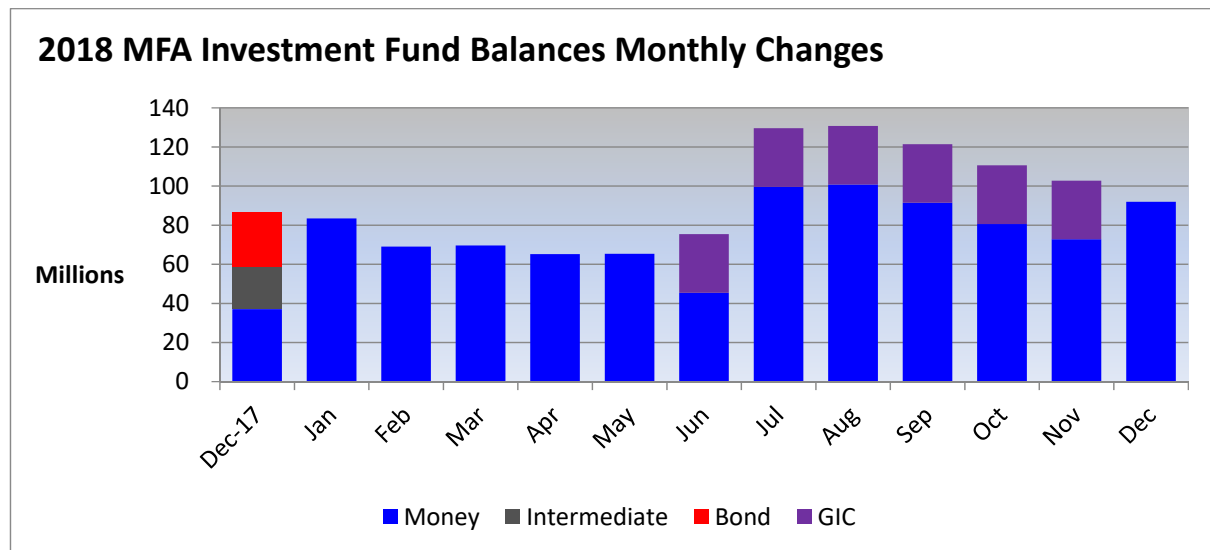
The return on Municipal Finance Authority (MFA) investments for the year ended December 31, 2018 was \$1,799,967, which was earned on monthly average investments of \$92.9M. The return on MFA investments for the year ended December 31, 2017 was \$703,215 which was earned on monthly average investments of \$96.7M. The average rate of return on MFA investments for 2018 was 2.16% compared to 0.53% in 2017.

As per Sustainable Finance Guideline 6.0, the City's investment portfolio was invested primarily with the MFA for the year 2018 but we did take advantage of a higher interest \$30 million GIC for the 2nd half of the year. We continue to rely largely on MFA investments due to competitive rates and ease of administration but we are ever watchful of opportunities that arise and still meet the stringent guidelines inherent in the *Community Charter*. Investment terms are structured in order to maximize the return yet still meet expected expenditures.

The tables and data below reflect the 2018 balances and results, as well as those of prior years:

2018 Fund Performance					
Fund Type	Rate of Return	Income/ Dividends	Capital Gains/(Losses)	Total Earnings	Ratio
MFA - Money Market	1.61%	\$ 464,185	0	\$ 464,185	26%
MFA - Intermediate	0.35%	(264,520)	270,881	6,361	0%
MFA - Bond	-2.34%	(771,271)	715,236	(56,035)	-3%
MFA - PHISA	2.16%	1,052,579	0	1,052,579	58%
BMO GIC	2.22%	332,877	0	332,877	18%
Totals	2.16%	\$ 813,850	986,117	\$ 1,799,967	100%

City Fund Ending Balances	Dec 31, 2018	Ratio	Dec 31, 2017	Ratio
MFA - Money Market	\$ 10,092	0%	\$ 37,003,153	43%
MFA - Intermediate	0	0%	21,418,660	25%
MFA - Bond	0	0%	28,012,880	32%
MFA - PHISA	91,897,579	100%		
Totals	\$ 91,907,671	100%	\$ 86,434,693	100%



The City records investment earnings by fund with the largest fund represented by the reserve and trust accounts. The following table provides the investment earnings by fund for the years 2018 and 2017:

MFA Earnings by Fund		Dec 31, 2018	Ratio	Dec 31, 2017	Ratio
General Operating		\$ 549,870	31%	\$ 240,944	34%
Downtown District Energy		303	0%	19	0%
Sewer Operating		33,847	2%	420	0%
Water Operating		22,228	1%	(376)	0%
Reserves & Trusts		1,193,719	66%	462,208	66%
Total		\$ 1,799,967	100%	\$ 703,215	100%

Five Year MFA Earnings	2014	2015	2016	2017	2018
Avg. Monthly Investment (millions)	\$ 64.8	\$ 80.8	\$ 99.6	\$ 96.7	\$ 92.9
Earnings	\$ 1,055,340	\$ 1,230,476	\$ 1,134,303	\$ 703,215	\$ 1,799,967
Annual Rate of Return	1.56%	1.61%	1.24%	0.53%	2.16%

SUMMARY AND CONCLUSION:

In keeping with our latest investment strategy in this environment of rising interest rates, we took advantage of a new investment vehicle in 2018 that the MFA engineered in conjunction with CIBC called a Pooled High Interest Savings Account (PHISA). As reserve balances have declined, the length of time that we can lock investments in for has become shorter. High interest liquid investments offer the City the best possible return on idle cash resources until the cash is required.

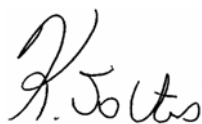
The City also took advantage of a six month GIC with the Bank of Montreal in 2018, which bolstered our overall yield as well. The changes in investment strategy translated into a greater than \$1 million return over last year's investment results, even though our average monthly available investments went down.

RESPECTFULLY SUBMITTED:



Kris Dalio, Director of Finance

APPROVED:



Kathleen Soltis, City Manager
Meeting date: April 29, 2019

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

1100 Patricia Blvd. | Prince George, BC, Canada V2L 3V9 | www.princegeorge.ca

DATE: April 29, 2019

TO: **STANDING COMMITTEE ON FINANCE AND AUDIT**

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: Reserve Funds – Balances/Sources/Uses for 2016 thru 2018

ATTACHMENT(S): None

RECOMMENDATION(S):

That the Standing Committee on Finance and Audit RECEIVE FOR INFORMATION the report dated April 29, 2019 from the Director of Finance titled “Reserve Funds – Balances/Sources/Uses for 2016 thru 2018”.

PURPOSE:

This report is provided annually for information as per Sustainable Finance Guideline 10.1.

STRATEGIC PRIORITIES:

Under the Community Charter (sections 188 and 189) of British Columbia, City Council may by bylaw establish Reserve Funds for specific purposes.

As per Sustainable Finance Guideline 10, the City establishes and maintains reserves to:

- Provide sources of funds for future capital expenditures
- Provide sources of funds for areas of expenditure that may fluctuate significantly from year to year (e.g. mobile equipment, computer equipment)
- Protect the City from uncontrollable or unexpected increases in expenditures (e.g. snow control) or decreases in revenues or a combination of both.

If the amount in a Reserve Fund is greater than required, City Council may, by bylaw, transfer all or part of the balance to another Reserve Fund. While their purpose can be for operating, reserve funds are typically used to accumulate funding for future capital purposes.

Sustainable Finance Guideline 10 states that money in a Reserve Fund and interest earned thereon must be used only for the purpose for which the reserve was established. Proposals to appropriate funds from reserves will include repayment plans. As per Sustainable Finance Guideline 10.1, reserves that are repealed will have their balance (if any) transferred to either the Endowment or the Capital Expenditure Reserve.

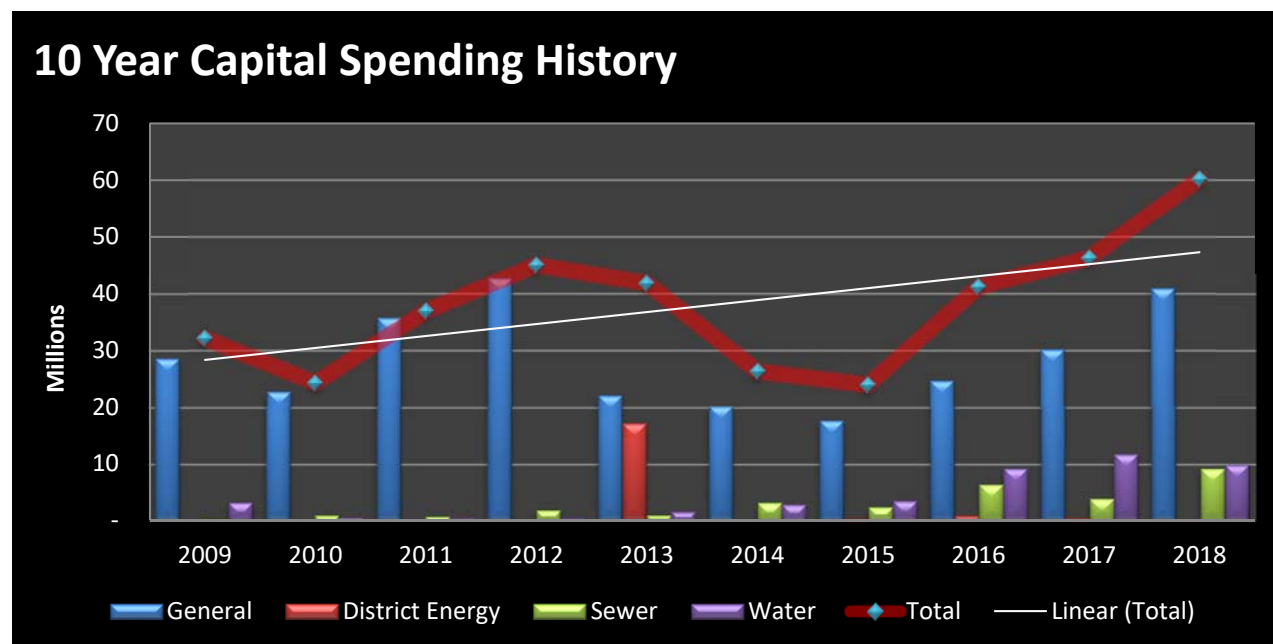
FINANCIAL CONSIDERATIONS:

Below please find a table concerning the City of Prince George Reserve Funds. There is a comparison between 2016, 2017 and 2018 uncommitted balances for all Reserves except the Trusts. For an explanation of the sources and uses of these funds, please see the Addendum at the end of this report.

Fund	2016	2017	2018
Reserves			
Capital Expenditure	916,660	127,626	537,261
Sewer Utility	4,333,181	5,503,869	780,824
Water Utility	13,611,193	2,963,472	(942,089)
Endowment	23,660,823	4,978,757	8,310,906
Storm Drainage	2,316	2,370	7,161
Northern Capital & Planning Grant	0	0	0
Land Development	0	0	0
Snow Control	2,700,438	2,598,331	0
Road Rehabilitation	55,377	52,206	(262,779)
General Infrastructure Reinvestment Fund	223,216	(641,958)	734,993
Mobile Equipment Replacement	430,120	1,386,519	1,462,952
Computer Reserve	102,371	109,296	272,984
SW Area College Heights	44,760	10,998	11,208
SW Area Peden Hill	11,361	5,314	5,415
SW Area South Fort George	56,053	748	768
SW Area Van Bien	5,554	5,584	5,690
SW Area Vanway	666	670	683
Parkland Acquisition	768,336	558,323	857,113
Downtown Off-Street Parking	1,011,250	1,630,104	2,576,426
Fortis BC	2,713,561	1,970,409	1,296,961
Extension Ospika/Marleau/St. Laurence	215,052	216,198	220,297
Total Reserves	50,862,290	21,478,837	15,876,773
Development Cost Charges (D.C.C.'s)			
D.C.C. Roads	1,957,279	1,063,783	966,989
D.C.C. Parkland	191,465	167,146	101,936
D.C.C. Drainage	1,196,653	196,820	295,567
D.C.C. Sanitary Sewer	1,971,188	2,043,095	2,221,984
D.C.C. Water	445,974	502,834	704,662
Total D.C.C.'s	5,762,560	3,973,679	4,291,137
Regulated Reserve For Expenditures			
Miscellaneous	0	0	747,596
Debt Reduction	1,334,177	1,303,032	491,622
Tyner Blvd Water main Extension	0	0	0
Gaming	0	0	0
Carbon Tax Initiative Program	1,316,479	1,484,429	1,644,835
Community Works Fund	238,075	725,612	440,381
Solid Waste Services	548,090	1,128,021	2,139,238
Total RRFE's	3,436,822	4,641,095	5,463,672
Deferred Revenue			
Traffic Fine Revenue	0	0	0
EVP Crown Land Forest	215,358	216,505	225,021
Performing Arts Centre	75,069	75,469	76,900
Deferred Revenue Miscellaneous	25,000	0	0
Major Events	527,168	401,831	128,516
Valentina Goodwin Donation	12,870	12,938	13,185
Total Deferred Revenue	855,465	706,743	443,622
Total in Reserve	60,917,136	30,800,353	26,075,205

With declining reserve balances, the general capital program is currently funded by levy contributions, grants and/or debt proceeds. Many categories of the City's operations and infrastructure have dedicated funding sources (Road Rehabilitation, Snow Control, Sewer, Water, Solid Waste, Off-Street Parking). Excluding those examples, the sources of funds the City consistently receives annually that can be allocated to general capital projects of almost any kind include:

- Community Works (Gas Tax) funds of approximately \$3,200,000;
- General Infrastructure Reinvestment Fund Levy of \$2,550,000;
- Gaming contributions to the Capital Expenditure Reserve of \$2,400,000;
- and other contributions to the Capital Expenditure Reserve of \$250,000.

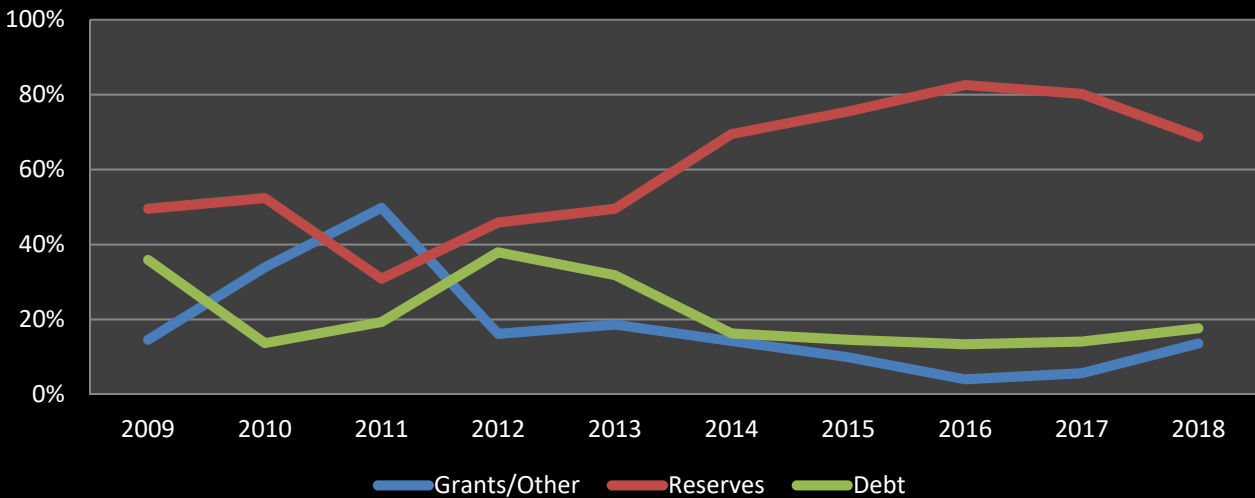


Investment in infrastructure has increased significantly over the last three years, with 2018 having the highest capital expenditures in the previous 10 years of \$60.1 million. As a result, capital reserves have been consumed faster than the City has been able to replenish them but there will be some considerable influxes in future years to help offset the recent decline.

In 2019, the City has received notice of two grants from other levels of government: The Northern Capital and Planning Grant in the amount of \$8,135,000; and an extra Community Works payment in the amount of approximately \$3,200,000. Lastly, if the City and Fortis BC terminate the lease-in lease-out agreement at the 17 year point at the end of 2021, there will be an approximate \$25,000,000 payment that will help buoy reserves at that point.

It is important to note that some of the increased spending from reserves has been a result of a “pay as you go” approach, as opposed to debt funding, that the City has applied in areas such as sewer, water and solid waste. The graph on the next page helps illustrate that point.

Capital Funding History



SUMMARY AND CONCLUSION:

The uncommitted Reserve Fund balances declined by \$4.7 million (15.34%) in 2018 and the two major contributors to this decline were uses of the Sewer and Water Capital Reserves. All of those uses have not yet been fully realized, but they're fully committed.

This information has been presented for information and for any questions/comments the Standing Committee on Finance and Audit may have.

RESPECTFULLY SUBMITTED:

Kris Dalio, Director of Finance

APPROVED:

Kathleen Soltis, City Manager
Meeting date: April 29, 2019

ADDENDUM

Explanation of sources and appropriate uses of Reserve Funds

Fund	Source of Funds	Use of Funds
Reserves		
Capital Expenditure	• Contribution from Gaming Revenue • Interest earnings transfer from the Endowment Fund	• General capital projects
Sewer Utility	• Sewer user rates • MFA Sinking Fund surpluses	• Sewer capital projects
Water Utility	• Water user rates • MFA Sinking Fund surpluses	• Water capital projects
Endowment	• Internal loan repayments of principal and interest from the general operating levy • Land sales surpluses	• Interim funding for general projects awaiting debt proceeds • Long-term funding for unanticipated projects that have no other viable funding source • Interest earned on the fund is often transferred to the Capital Expenditure Reserve for use on projects
Storm Drainage	• MFA Sinking Fund surpluses	• Storm drainage capital projects
Northern Capital & Planning Grant	• One-time grant from the province	• Planning and infrastructure development
Land Development	• Proceeds from land sales	• Repayment of prior land purchases covered by the Endowment Fund • Transfer to Capital Expenditure Reserve for use on projects
Snow Control	• Snow Control Levy	• Snow and ice control • Winter sand cleanup • Other uses of a capital nature related to snow and ice control; land, facilities and site reclamation

Road Rehabilitation	• Road Rehabilitation Levy	• Road rehabilitation projects
General Infrastructure Reinvestment	• General Infrastructure Reinvestment Levy	• General infrastructure reinvestment projects
Mobile Equipment Replacement	• Internal Lease principal and interest repayments • Equipment disposal proceeds	• Interim equipment loans
Computer Reserve	• Annual contribution from Capital Expenditure Reserve	• Costs related to acquisition, replacement, betterment and maintenance of computer equipment and software
South-West Sector – College Heights	• Funded by Council Directive post amalgamation	• Recreation related projects
South-West Sector – Peden Hill		
South-West Sector – South Fort George		
South-West Sector – Van Bien		
South-West Sector – Vanway		
Parkland Acquisition (Required by Community Charter)	• Cash contributions received from developers in lieu of parkland dedications • Proceeds from sale of parkland	• Acquisition of parkland
Downtown Off-Street Parking (Required by Community Charter)	• Off-Street parking operating and maintenance surpluses	• Off-Street parking facility projects
Fortis BC (Terasen)	• Lease proceeds from Fortis BC for the operation of the natural gas distribution system within Prince George as part of a 35 year Lease-in Lease-out agreement	• Payment of long-term debt and capital lease payments associated with the purchase of Fortis BC's natural gas distribution system within Prince George • At the conclusion of this Lease-in Lease out agreement a large financial benefit will accrue to the City, the value of which will depend upon many factors
Extension Ospika/Marleau/St. Lawrence	• Developer contribution	• Future widening of Ospika Boulevard from 2 lanes to 4
Development Cost Charges (D.C.C.s)	• Developers pay D.C.C.s on new developments	• Capital projects that have been identified in

	because they place demands on municipal infrastructure The Community Charter provides for five separate D.C.C. reserves: Roads, Parkland, Drainage, Sewer and Water	the Capital Expenditure Plan as growth related
Regulated Reserve For Future Expenditures (RRFEs)		
Miscellaneous	Unused operating budgets for special programs, grants, and fibre optic revenues	Continuation of special operating programs and investment in fibre optic infrastructure
Debt Reduction	- One-time consolidation of old RRFEs that were no longer required - MFA debt surpluses Excess debt proceeds	Capital projects that would otherwise require the procurement of new debt
Tyner Boulevard Water Main Extension	Money to pay for this came from the Endowment Fund via the Land Development Reserve	Proceeds from lot sales in this area to repay the Endowment Fund loan over time
Gaming	Gaming revenue from the provincial government which equals 10% of the Treasure Cove Casino's net profits	Utilized to fund general capital expenditure projects and major events
Carbon Tax Initiative Program	Carbon Tax Rebate	Projects that offset the City's carbon footprint
Community Works	Federal Gas Tax grants	Funds eligible infrastructure projects
Solid Waste Services	User Fees	Purchase and replacement of solid waste equipment
Deferred Revenue		
Traffic Fine Revenue	Provincial government remits Prince George's share of traffic fine revenue	Improve public safety through community policing, crime prevention and education
EVP Crown Land Forest	Seeded by various government grants	Urban forestry management
Performing Arts Centre	One-time contribution from Initiatives Prince George from sale of ACS building	To be used to fund the development of a Performing Arts Centre
Deferred Revenue Miscellaneous	BC Ministry of Aboriginal Relations Grant (2016)	For the construction of a memorial plaque at the site of the new

	Grant no longer shows as it was committed to a project that was completed in 2018	Lheidli T'enneh Memorial Park Pavilion
Major Events	Gaming revenue	Funds western, national, and international events of a sporting or cultural nature
Valentina Goodwin Donation	Donation from the Estate of Valentina Goodwin	To fund projects in and around the Hudson's Bay Wetlands area
Trusts (The balances of which are not included in the above report)		
Winter Games Legacy	Grant from BC Winter Games Society (1982)	Interest earnings fund travel for individual and group sporting events
Cemetery Care (Established in accordance with the Cemeteries' Act)	Cemetery plot fees	- To pay for the upkeep and maintenance of facility upon its closure - Interest earnings on the Reserve are used to offset ongoing operating costs
Festival of the Arts/Discovery Place	Legacy from hosting the Festival of the Arts	Public art installations
Northwood Pollution Penalty	Pollution penalty	Environmental projects
Elections BC Campaign Surplus (mandated by the provincial government)	Local election surplus funds exceeding \$500, must be held in trust and accrue interest on behalf of the local candidate	If the candidate runs again in the next general election, the excess campaign funds plus any interest accrued thereon must be returned to the candidate's financial agent. If the candidate does not run again, the funds will be forfeited to the jurisdiction in which they're held to be used at the jurisdiction's discretion.

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

1100 Patricia Blvd. | Prince George, BC, Canada V2L 3V9 | www.princegeorge.ca

DATE: April 15, 2019

TO: **STANDING COMMITTEE ON FINANCE AND AUDIT**

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: Sustainable Finance Guidelines

ATTACHMENT(S): Proposed Sustainable Finance Guidelines – April 2019
Current Sustainable Finance Guidelines – August 2013

RECOMMENDATION(S):

That the Standing Committee on Finance and Audit:

1. ENDORSE the draft Sustainable Finance Guidelines attached to the report dated April 15, 2019 from the Director of Finance; and
2. RECOMMEND to Council that the Sustainable Finance Guidelines attached to the report dated April 15, 2019 from the Director of Finance, BE APPROVED.

PURPOSE:

To update the Sustainable Finance Guidelines which outline the guiding principles for the development of sustainable finance at the City.

STRATEGIC PRIORITIES:

The Sustainable Finance Guidelines support Council's Goals of "Sustainable Fiscal Management" and "Sustainable Infrastructure".

POLICY/REGULATORY ANALYSIS:

The Sustainable Finance Guidelines are guided by relevant sections of the *Community Charter* as identified in the appropriate section of the guidelines.

OTHER CONSIDERATIONS:

The changes to the Sustainable Finance Guidelines are summarized below (Guideline number is in parenthesis):

- (2.0) – a few changes have been suggested:
 - o the consideration for Major Industry tax rates to be compared to the Provincial Average has been removed. There is now a consideration that the Business Tax Rate not exceed a Residential tax rate multiple of 2.5:1.

- o a consideration that the estimated Representative Home tax increase match the overall tax levy approved by Council in that year has been added. This is a practice that the City has been using for a number of years that has been easy to communicate and to understand.
 - o the Utility Tax rate will be set at the greater of the rates allowed under BC Regulation 329/96. This is already being done but has been put into the Guidelines for information to the reader.
- (7.1) – the annual general contingency has a goal of being equal to 1% of the total operating budget has been added.
- (8.1) – a section has been added to link the City’s Asset Management Policy and Strategy to the Sustainable Finance Guidelines.
- (10.2) – the Snow Control Reserve has a goal of being equal to 25% of the annual net snow expenses, as well as the needs of the snow control function.
- (12.0) – this section was removed as it was redundant. The remainder of Guideline 12 already states that monies borrowed are repaid with interest but does not specifically guide length of term or interest rate.
- (13.0) – wording was changed to be less prescriptive. The City has ongoing capital programs where debt should at least be considered as an ongoing funding source.
- (13.1 and 13.2) – two sections were removed that directed the City to have the same level of debt or lower than the previous year. Inflation alone makes this goal unachievable. It also indirectly restricts the City from investing in new capital that will promote growth. The Province has a Liability Servicing Limit which grows with revenues and this is what the City works within. The Sustainable Finance Guidelines currently do not restrict this limit further.
- (14) – Budget Management changes as follows:
 - o **Budget transfers** (moving money that was approved in the Financial Plan by Council) are no longer performed at the City. Variances are now explained instead of adjusting the budget to align with spending.
 - o **Budget amendments** (new money that has been added to the Financial Plan – examples can be a grant that is received mid-year or a draw from reserve to cover additional spending in a capital project) are proposed to have a different Administrative delegated authority level. Historically, Administration has been delegated budget amendment authority of up to \$1,000,000 per project. The recommendation is that there is a cumulative authority level equal to 5% of the total operating budget. This will allow the limit to naturally scale with the City’s budget growth and will place a more defined limit on the amount by which Administration may amend the Financial Plan.

SUMMARY AND CONCLUSION:

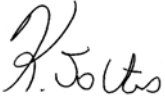
Sustainable Finance Guidelines are a tool to help guide the development of sustainable finance within the City. They clearly articulate Council’s financial expectations and are used to assist staff to develop business related processes.

RESPECTFULLY SUBMITTED:



Kris Dalio, Director of Finance

APPROVED:



Kathleen Soltis, City Manager
Meeting date: April 29, 2019

SUSTAINABLE FINANCE GUIDELINES

City Government – Sustainable Fiscal Management

Approved by Council: September 23, 2013

PURPOSE:

To provide the framework for excellent financial management to enable the City to provide high quality services today and in the future.

GUIDELINES:

1. Financial Plan (Community Charter Sections 165 and 166)

The City's Financial Plan is aligned with its Strategic and Corporate Plans and reflects the revenues from and costs of delivering its services.

Guideline 1.0

Administration regularly reviews departmental/divisional operations and identifies efficiencies and cost savings.

Guideline 1.1

Budget Service Category Plans outline the levels of services to be provided and any operational cost savings that may be achieved.

Guideline 1.2

Approved new services and enhancements to existing services may be funded by one or a combination of the following:

- a. Reduced cost of existing services;
- b. Increased non-property tax revenues;
- c. Increased property tax revenue;
- d. Accumulated surplus (for one-time expenditures only).

2. Property Tax Rates (Community Charter Sections 197 and 199)

The City has property tax rates that are stable and fair in comparison to “peer municipalities”.

Guideline 2.0

Annually, the Finance and Audit Committee will determine a preferred tax rate option and recommend that Council approve it. During its deliberations, the Committee may consider the following information:

Sustainable Finance Guidelines

- a. Value of taxes from new construction;
- b. The City and its peer municipalities' assessed values, tax rates, percentages of taxation by class, tax class multiples, and taxes levied and utility fees charged on a representative home;
- c. The City's Class 4 (Major Industry) tax rate compared to the BC average municipal Class 4 tax rate.

3. Self-Funded Services

The City's water, sewer, district energy, solid waste, and off-street parking services are self-funded.

Guideline 3.0

User fees, parcel taxes, special agreements, and government grants are used to fully fund water, sewer, district energy, solid waste and off-street parking services.

Guideline 3.1

The cost structure of the water, sewer, district energy, solid waste, and off-street parking services include a management fee so that the users contribute to the City's general overhead costs which include the provision of facilities and office and general corporate services such as human resources and accounting.

4. User Fees (Community Charter 194)

The City of Prince George provides goods and services that benefit the community and goods and services that benefit specific organizations and individuals. The City follows the general principle that taxpayers pay for public goods and services and users pay for private goods and services but recognizes that there is the need for exceptions to that principle.

Guideline 4.0

Annually, budget managers will review their good's and service's costs and provide recommendations to the Finance and Audit Committee concerning the introduction of new user fees and the modification of existing user fees.

Guideline 4.1

Goods or services provided to specific, identifiable recipients will be fully funded through user fees except when:

- a. Subsidized or free use of a good or service will provide a significant public benefit or influence personal choice;
- b. Attempting to fully recover costs through user fees will result in reduced use of a good or service and in reduced revenue to the City;
- c. Attempting to fully recover costs through user fees will result in denied access to intended users;
- d. The cost of collecting user fees will be excessive or will require extreme measures.

Sustainable Finance Guidelines

Guideline 4.2

Exceptions to the general principle that taxpayers pay for public goods and services and users pay for private goods and services will only be made after considering the impacts of making exceptions on the City, the taxpayers, and the users.

5. Financial Assistance

The City of Prince George may provide financial assistance to community organizations as a cost-effective means of achieving the City's objectives.

Guideline 5.0

Programs may be developed which provide financial assistance to community organizations. Such programs will include statements concerning the objectives to be achieved and will be recommended to Council for approval.

Guideline 5.1

The City's annual budget process will identify the funds which may be available for programs which provide financial assistance to community organizations.

Guideline 5.2

Organizations applying for financial assistance will be required to demonstrate that:

- a. The programs or projects for which they're applying for financial assistance will contribute to the attainment of the City's objectives.
- b. They have a need for financial assistance to operate the programs or projects.
- c. The level of public benefits provided by the proposed programs or projects is proportionate to the private or commercial benefits of the proposed programs or projects.
- d. In operating their programs or projects, they maximize partnerships, cooperation, or co-ordination with other community organizations.
- e. They have an inclusive approach and actively encourage potential beneficiaries of the programs or projects to participate in them.
- f. They adhere to acceptable standards of governance and accountability.

Guideline 5.3

City staff or Council committees will adjudicate applications for financial assistance. City Council will approve applications for financial assistance or, in the case of some programs, delegate the authority to approve applications to staff.

Guideline 5.4

Organizations which have received financial assistance will be required to report on their programs' or projects' activities, contribution to the City's objectives, and use of public funds.

Sustainable Finance Guidelines

Guideline 5.5

The City may provide permissive tax exemptions (Community Charter Section 224) to non-profit organizations as a means of achieving its objectives of enhancing the community's quality of life and delivering services economically.

Guideline 5.6

The City may provide revitalization tax exemptions (Community Charter Section 226) as a means of encouraging development which will enhance the community's economic, social, and cultural quality of life. Revitalization tax exemption programs will be enacted by bylaw and included in the City's Financial Plan.

6. Investments (Community Charter Section 183)

The City invests funds that are in excess of its current needs.

Guideline 6.0

Staff primarily purchases Municipal Finance Authority investments due to their competitive rates and lower administrative costs.

Guideline 6.1

Staff purchases a combination of short, medium, and long term investments that both maximize the rate of return and ensure that funds are available to meet the City's current and scheduled financial obligations.

Guideline 6.2

Reports on investment activities and results are provided to the Finance and Audit Committee in accordance with its Terms of Reference.

7. Accumulated Surpluses for Operating Contingencies

The City projects revenues and expenses conservatively and analyzes budget variances regularly. This approach usually results in modest annual operating surpluses. General, water, sewer and district energy fund accumulated surpluses are retained to: reduce the need to borrow early in the year before property tax and utility fee revenues are received and provide funds that may be required to deal with major emergencies.

Guideline 7.0

The City attempts to maintain the General, Water, Sewer and District Energy Operating Funds' accumulated surpluses for operating contingencies between 5% and 10% of the respective Operating Fund's annual expenditures. Funds in excess of 10% of an Operating Fund's annual expenditures are transferred to the respective fund's infrastructure reserves.

8. Capital Expenditure Plan

The City's Capital Expenditure Plan is closely coordinated with its Official Community Plan so that land use policies reflect the City's ability to fund growth and development and so that financial planning reflects the need to invest in infrastructure.

Sustainable Finance Guidelines

The City funds capital projects from a variety of sources including property taxes, gaming income, grants, reserves, and debt. Once capital projects are completed, they usually have ongoing operating (e.g. maintenance) and capital (e.g. replacement) costs.

Guideline 8.0

The City balances the need and desire for major capital expenditures against its ability to fund them.

Guideline 8.1

Each capital funding request will clearly indicate the initial cost, the future operating and replacement costs, and the estimated service life of the project and will identify the sources of sustainable funding for those costs.

Guideline 8.2

The unspent amount of funding for an approved capital project may be carried forward to the following year's Financial Plan if the project has begun. Unspent onetime operating funds or capital funds for projects that have not begun may be carried forward with the Director of Corporate Services' approval.

9. Gaming Income

The City has a Host Financial Assistance Agreement with the Province of BC (Minister of Public Safety and Solicitor General) for the Treasure Cove Casino. The agreement provides for 10% of net gaming income to be transferred to the City on a quarterly basis. The funds can be used for any purposes that are within the lawful authority of the City.

Guideline 9.0

The following guideline will be implemented over a four year period beginning in 2014:

Gaming income will be used to fund general capital projects and non-recurring general operational projects or programs approved by Council in the 5 year financial plan.

10. Reserves (Community Charter Sections 188 and 189)

The City establishes and maintains reserves to:

- a. Provide sources of funds for future capital expenditures.
- b. Provide sources of funds for areas of expenditures that may fluctuate significantly from year to year (e.g. mobile equipment, computer equipment).
- c. Protect the City from uncontrollable or unexpected increases in expenditures (e.g. snow control) or decreases in revenues or a combination of both.

Guideline 10.0

Money in a reserve, including the interest earned, will only be used for the purpose for which the reserve was established. Proposals to appropriate funds from reserves will include repayment plans.

Sustainable Finance Guidelines

Guideline 10.1

Annually, Administration will present information to the Finance and Audit Committee concerning reserve balances and recommended transfers. Reserves that are repealed will have their balance (if any) transferred to either the Endowment or the Capital Expenditure Reserve.

11. FortisBC (formerly Terasen Gas) Lease-In Lease-Out Agreement

The City has entered into an agreement with Fortis BC that has resulted in the creation of the FortisBC Reserve Fund. Under the terms of the agreement, the City has entered into 35 year capital and 17 year operating leases, both commencing on November 1, 2004. At the end of the operating lease term (October 31, 2021), FortisBC has the option of terminating the agreement with the City and making a lump-sum payment estimated to be \$29 million or negotiating a new 18 year operating lease and continuing to make semi-annual lease payments.

Guideline 11.0

Maximization of long-term benefits to City residents will be Council's guiding principle in making decisions concerning the use of the FortisBC LILO Agreement's revenues.

Guideline 11.1

Prior to the temporary depletion of the FortisBC Reserve, forecast to occur in 2017, Council will determine how shortfalls between the City's payments to the Municipal Finance Authority and to FortisBC under the capital lease and payments from FortisBC under the operating lease will be covered (options include City internal borrowing, MFA or FortisBC external borrowing, or alternate short term financing).

12. Internal Debt

The City operates the Endowment Reserve as a "revolving fund". Appropriations from this reserve are referred to as "internal debt" and the monies borrowed are repaid with interest from the General Operating Fund.

Guideline 12.0

Repayment of monies appropriated from the Endowment Reserve is not a legal requirement. As required, Council may approve adjustments to internal debt interest rates and repayment schedules to meet budget needs.

13. External Debt (Community Charter Sections 174 and 175)

The City of Prince George may use long term debt to finance major capital projects. Using long term debt allows the costs of acquiring capital assets to be spread out over their useful lives and to be paid for by their current and future beneficiaries. The Community Charter governs the maximum amount of external debt that the City can incur. The City makes debt payments for general, sewer, water and district energy projects from their respective operating funds.

Sustainable Finance Guidelines

Guideline 13.0

The City will only incur external debt for one-time capital projects; it will not incur external debt for ongoing programs (e.g. road rehabilitation).

Guideline 13.1

The City will make every effort to maintain its current property tax supported debt servicing charges at their current or a lower level (i.e. to only add new debt in years when old debt is retired).

Guideline 13.2

Notwithstanding Guideline 13.1, the City may incur new debt for self-financed entities (e.g. Water Utility, Sewer Utility, FortisBC Lease-In Lease-Out Agreement).

Guideline 13.3

The City will review balances owing on Municipal Finance Authority issued debentures upon their 1st ten year maturities and consider using the Debt Reduction Reserve to retire the debentures.

14. Budget Management

City department directors are accountable for their departments' financial results.

Guideline 14.0

At scheduled times during the year; budget managers will review and document their capital and operating variances (i.e. the differences between their Service Categories' budgeted revenues and expenses and their actual revenues and expenses) and submit them to the Manager, Financial Planning. Budget managers will explain business unit variances that exceed 10%.

Guideline 14.1

Budget transfers within a department require the director's approval. Budget transfers between departments require the approval of both directors.

Guideline 14.2

Budget amendments of \$250,000 or less may be approved by directors. Budget amendments greater than \$250,000 and less than or equal to \$1,000,000 may be approved by the City Manager. Budget amendments greater than \$1,000,000 require Council's approval.

SUSTAINABLE FINANCE GUIDELINES

City Government – Sustainable Fiscal Management

Approved by Council:

PURPOSE:

To provide the framework for financial management to enable the City to provide services today and in the future.

GUIDELINES:

1. Financial Plan (Community Charter Sections 165 and 166)

The City's Financial Plan is aligned with its Strategic and Corporate Plans and reflects the revenues from and costs of delivering its services.

Guideline 1.0

Administration regularly reviews departmental/divisional operations and identifies efficiencies and cost savings.

Guideline 1.1

Budget Service Category Plans outline services to be provided and any operational cost savings that may be achieved.

Guideline 1.2

Approved new services and enhancements to existing services may be funded by one or a combination of the following:

- a. Reduced cost of existing services;
- b. Increased non-property tax revenues;
- c. Increased property tax revenue;
- d. Accumulated surplus (for one-time expenditures only).

2. Property Tax Rates (Community Charter Sections 197 and 199)

The City has property tax rates that are stable and fair in comparison to “peer municipalities”.

Guideline 2.0

Annually, the Finance and Audit Committee will determine a preferred tax rate option and recommend that Council approve it. During its deliberations, the Committee may consider the following information:

Sustainable Finance Guidelines

- a. Value of taxes from new construction;
- b. The City and its peer municipalities' assessed values, tax rates, percentages of taxation by class, tax class multiples, and taxes levied and utility fees charged on a representative home;
- c. Residential tax rates should be structured to have the estimated Representative Home tax increase match the overall tax levy increase approved by Council in that year;
- d. The Utility Tax rate will be set at the greater of the rates allowed under BC Regulation 329/96;
- e. The Business Tax rate should not exceed a multiple of 2.5 of the Residential Tax Rate.

3. Self-Funded Services

The City's water, sewer, solid waste, and off-street parking services are self-funded.

Guideline 3.0

User fees, parcel taxes, special agreements, and government grants are used to fully fund water, sewer, solid waste and off-street parking services.

Guideline 3.1

The cost structure of the water, sewer, solid waste, and off-street parking services include a management fee so that the users contribute to the City's general overhead costs which include the provision of facilities and office and general corporate services such as human resources and accounting.

4. User Fees (Community Charter 194)

The City of Prince George provides goods and services that benefit the community and goods and services that benefit specific organizations and individuals. The City follows the general principle that taxpayers pay for public goods and services and users pay for private goods and services but recognizes that there is the need for exceptions to that principle.

Guideline 4.0

Annually, budget managers will review their goods' and services' costs and provide recommendations to the Finance and Audit Committee concerning the introduction of new user fees and the modification of existing user fees.

Guideline 4.1

Goods or services provided to specific, identifiable recipients will be fully funded through user fees except when:

- a. Subsidized or free use of a good or service will provide a significant public benefit or influence personal choice;
- b. Attempting to fully recover costs through user fees will result in reduced use of a good or service and in reduced revenue to the City;
- c. Attempting to fully recover costs through user fees will result in denied access to intended users;

Sustainable Finance Guidelines

- d. The cost of collecting user fees will be excessive or will require extreme measures.

Guideline 4.2

Exceptions to the general principle that taxpayers pay for public goods and services and users pay for private goods and services will only be made after considering the impacts of making exceptions on the City, the taxpayers, and the users.

5. Financial Assistance

The City of Prince George may provide financial assistance to community organizations as a cost-effective means of achieving the City's objectives.

Guideline 5.0

Programs may be developed which provide financial assistance to community organizations. Such programs will include statements concerning the objectives to be achieved and will be recommended to Council for approval.

Guideline 5.1

The City's annual budget process will identify the funds which may be available for programs which provide financial assistance to community organizations.

Guideline 5.2

Organizations applying for financial assistance will be required to demonstrate that:

- a. The programs or projects for which they're applying for financial assistance will contribute to the attainment of the City's objectives.
- b. They have a need for financial assistance to operate the programs or projects.
- c. The level of public benefits provided by the proposed programs or projects is proportionate to the private or commercial benefits of the proposed programs or projects.
- d. In operating their programs or projects, they maximize partnerships, cooperation, or co-ordination with other community organizations.
- e. They have an inclusive approach and actively encourage potential beneficiaries of the programs or projects to participate in them.
- f. They adhere to acceptable standards of governance and accountability.

Guideline 5.3

City staff or Council committees will adjudicate applications for financial assistance. City Council will approve applications for financial assistance or, in the case of some programs, delegate the authority to approve applications to staff.

Guideline 5.4

Organizations which have received financial assistance will be required to report on their programs' or projects' activities, contribution to the City's objectives, and use of public funds.

Sustainable Finance Guidelines

Guideline 5.5

The City may provide permissive tax exemptions (Community Charter Section 224) to non-profit organizations as a means of achieving its objectives of enhancing the community's quality of life and delivering services economically.

Guideline 5.6

The City may provide revitalization tax exemptions (Community Charter Section 226) as a means of encouraging development which will enhance the community's economic, social, and cultural quality of life. Revitalization tax exemption programs will be enacted by bylaw and included in the City's Financial Plan.

6. Investments (Community Charter Section 183)

The City invests funds that are in excess of its current needs.

Guideline 6.0

Staff primarily purchases Municipal Finance Authority investments due to their competitive rates and lower administrative costs.

Guideline 6.1

Staff purchases a combination of short, medium, and long term investments that both maximize the rate of return and ensure that funds are available to meet the City's current and scheduled financial obligations.

Guideline 6.2

Annually, Administration presents information to the Finance and Audit Committee concerning investment composition, balances and earnings as of December 31st of the prior year.

7. Accumulated Surpluses

The City projects revenues and expenses conservatively and analyzes budget variances regularly. This approach usually results in modest annual operating surpluses. General, water, sewer, district energy, solid waste and off-street parking fund accumulated surpluses are retained to: reduce the need to borrow early in the year before property tax and utility fee revenues are received and provide funds that may be required to deal with major emergencies.

Guideline 7.0

The City attempts to maintain the General, Water, Sewer and District Energy Operating Funds' accumulated surpluses between 5% and 10% of the respective Operating Fund's annual expenditures. Funds in excess of 10% of an Operating Fund's annual expenditures are transferred to the respective fund's infrastructure reserves.

Guideline 7.1

The goal of the City is to maintain a general contingency in the annual operating budget that is equal to 1% of the operating budget.

8. Capital Expenditure Plan

The City funds capital projects from a variety of sources including property taxes, gaming income, grants, reserves, and debt. Once capital projects are completed, they usually have ongoing operating (e.g. maintenance) and capital (e.g. replacement) costs.

Guideline 8.0

The City's Capital Expenditure Plan is closely coordinated with its Official Community Plan so that land use policies reflect the City's ability to fund growth and development and so that financial planning reflects the need to invest in infrastructure.

Guideline 8.1

The City's Capital Expenditure Plan is aligned with its Asset Management Policy and Strategy, which supports the City in managing its infrastructure assets in a way that ensures sustainable service delivery, meaning that services are provided to the community today in a way that:

- is fiscally, environmentally, and socially responsible;
- is adaptive to changing circumstances and future conditions; and
- does not compromise the ability of future generations to meet their own needs.

The Asset Management Policy and Strategy facilitates the City's long-term financial planning for infrastructure replacement by understanding life cycle costs, service levels, and risk. This supports informed decision making and moves the City toward a sustainable future.

Guideline 8.2

The City balances the need and desire for major capital expenditures against its ability to fund them.

Guideline 8.3

Each capital funding request will clearly indicate the initial cost, the future operating and replacement costs, and the estimated service life of the project and will identify the sources of sustainable funding for those costs.

Guideline 8.4

The unspent amount of funding for an approved capital project may be carried forward to the following year's Financial Plan if the project has begun. Every year, unspent capital funds for projects that have not begun will be reviewed and considered for carryforward approval by the Senior Leadership Team.

9. Gaming Income

The City has a Host Financial Assistance Agreement with the Province of BC (Minister of Public Safety and Solicitor General) for the Treasure Cove Casino. The agreement provides for 10% of net gaming income to be transferred to the City on a quarterly basis. The funds can be used for any purposes that are within the lawful authority of the City.

Sustainable Finance Guidelines

Guideline 9.0

Gaming income will be used to fund general capital projects and non-recurring general operational projects or programs approved by Council in the 5 year financial plan.

10. Reserves (Community Charter Sections 188 and 189)

The City establishes and maintains reserves to:

- a. Provide sources of funds for future capital expenditures.
- b. Provide sources of funds for areas of expenditures that may fluctuate significantly from year to year (e.g. mobile equipment, computer equipment).
- c. Protect the City from uncontrollable or unexpected increases in expenditures (e.g. snow control) or decreases in revenues or a combination of both.

Guideline 10.0

Money in a reserve, including the interest earned, will only be used for the purpose for which the reserve was established. Proposals to appropriate funds from reserves will include repayment plans.

Guideline 10.1

Annually, Administration will present information to the Finance and Audit Committee concerning reserve balances and recommended transfers. Reserves that are repealed will have their balance (if any) transferred to either the Endowment or the Capital Expenditure Reserve.

Guideline 10.2

The Snow Control Reserve will have a goal of maintaining a reserve equal to 25% of the annual net snow control expenses, as well as the capital needs of the snow control function.

11. FortisBC (formerly Terasen Gas) Lease-In Lease-Out Agreement

The City has entered into an agreement with Fortis BC that has resulted in the creation of the FortisBC Reserve Fund. Under the terms of the agreement, the City has entered into 35 year capital and 17 year operating leases, both commencing on November 1, 2004. At the end of the operating lease term (October 31, 2021), FortisBC has the option of terminating the agreement with the City and making a lump-sum payment estimated to be \$25 million or negotiating a new 18 year operating lease and continuing to make semi-annual lease payments.

Guideline 11.0

Maximization of long-term benefits to City residents will be Council's guiding principle in making decisions concerning the use of the FortisBC LILO Agreement's revenues.

12. Internal Debt

The City operates the Endowment Reserve as a "revolving fund". Appropriations from this reserve are referred to as "internal debt" and the monies borrowed are repaid with interest from the General Operating Fund.

13. External Debt (Community Charter Sections 174 and 175)

The City of Prince George uses debt as an important component of capital financing and realistic long term financial plans. Using long term debt allows the costs of acquiring capital assets to be spread out over their useful lives and to be paid for by their current and future beneficiaries. The Community Charter governs the maximum amount of external debt that the City can incur. The City makes debt payments for general, sewer, water, district energy, solid waste and off-street parking projects from their respective operating funds.

Guideline 13.0

The City will look at asset classes and determine whether or not to establish stable ongoing funding through a levy (ie. Road Rehabilitation) or through debt as needed.

Guideline 13.1

The City will review balances owing on Municipal Finance Authority issued debentures upon their 1st ten year maturities and consider using the Debt Reduction Reserve to retire the debentures.

14. Budget Management

City department directors are accountable for their departments' financial results.

Guideline 14.0

At scheduled times during the year; budget managers will review and document their capital and operating variances (i.e. the differences between their Service Categories' budgeted revenues and expenses and their actual revenues and expenses) and submit them to the Finance Department. Budget managers will explain business unit variances that equal or exceed 5%.

Guideline 14.1

Cumulative budget amendments in a calendar year of up to 5% of the total operating budget may be approved by the City Manager. If the cumulative budget amendments in a calendar year total 5% of the total operating budget, subsequent budget amendments must be approved by Council.

**Standing Committee on Finance and Audit
Work Plan
Year 2019**

Month	Date	Agenda Item Description
January	21 st	• 2019 Operating Budget Options • Finance and Audit Committee Terms of Reference
February	25 th	• BC Transit Fare Review • Review 2019 Audit Plan – KPMG LLP representatives to attend • Review 2019 Assessment information – BC Assessment representatives to attend • Tax rate setting background information and options
April	29 th	• Revision of Sustainable Finance Guidelines • Report on Year 2018 investment results • Report on Reserve Funds
May	13 th	• Presentation by KPMG LLP of City of Prince George 2018 Financial Statements • Presentation of Other Controlled Entities 2018 Financial Statements (Public Library and Tourism PG)
July	29 th	• Placeholder for potential agenda items
August	19 th	• Recommendations for Fees and Charges for 2020 – 2023
September	9 th	• Report on 2020 Recommended Permissive Tax Exemptions
November	18 th	• Placeholder for potential agenda items
December	2 nd	• Report on 2020 - 2022 Operating Budget Guidelines • Draft Year 2020 Capital Expenditure Plan • Draft 2020 Committee Work Plan