



FINANCIAL MANAGEMENT COMMITTEE A G E N D A

Wednesday, November 17, 2021, 5:00 p.m.

Council Chamber, City Hall

4949 Canada Way, Burnaby, BC

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1. <u>CALL TO ORDER</u>	
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4.6. Report from the Deputy Chief Administrative Officer / Chief Financial Officer - Re: Sanitary Sewer Utility Report

4.7. Report from the Deputy Chief Administrative Officer / Chief Financial Officer, and the Director Public Safety and Community Services - Re: Insurance Contract - Network Security and Privacy Liability

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5. **NEW BUSINESS**

6. **INQUIRIES**

7. **CLOSED**

Public excluded according to Sections 90 and 92 of the Community Charter for the Committee to consider matters concerning negotiations and related discussions respecting the proposed provision of a municipal service that is at the preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if held in public; and labour relations or other employee relations.

8. **ADJOURNMENT**



FINANCIAL MANAGEMENT COMMITTEE

MINUTES

Wednesday, October 13, 2021, 5:00 p.m.

Council Chamber, City Hall
4949 Canada Way, Burnaby, BC

PRESENT: His Worship, Mayor Mike Hurley, Chair
Councillor Sav Dhaliwal, Vice Chair
Councillor Pietro Calendino, Member
Councillor Joe Keithley, Member
Councillor James Wang, Member

STAFF: Mr. Leon Gous, Chief Administrative Officer
Ms. Noreen Kassam, Deputy CAO/CFO
Mr. Dipak Dattani, Director Corporate Services
Mr. James Lota, Director Engineering
Mr. Dave Ellenwood, Director Parks, Recreation & Cultural Services
Mr. Ed Kozak, Director Planning & Building
Mr. Dave Critchley, Director Public Safety & Community Services
Mr. Tim Van Driel, Manager Civic Building Projects
Ms. Kathryn Matts, Administrative Officer 2
Ms. Georgette Cabrilo, Council Support Assistant

1. **CALL TO ORDER**

His Worship, Mayor Mike Hurley, called the Open meeting to order at 5:00 p.m.

His Worship, Mayor Mike Hurley, recognized the ancestral and unceded homelands of the hən̓q̓əmiñəm and Skwxwú7mesh speaking peoples, and extended appreciation for the opportunity to hold a meeting on this territory.

2. **MINUTES**

2.1 **Minutes of the Financial Management Committee Open meeting held on 2021 September 07**

MOVED BY COUNCILLOR DHALIWAL
SECONDED BY COUNCILLOR CALENDINO

THAT the minutes of the Financial Management Committee meeting held on 2021 September 07 be now adopted.

CARRIED UNANIMOUSLY

3. **CORRESPONDENCE**

3.1 **Memorandum from the Deputy Chief Administrative Officer and Chief Financial Officer - Re: Financial Report as at 2021 Period 08**

A memorandum was received from the Deputy Chief Administrative Officer and Chief Financial Officer, providing an overview of the City's financial activity as of the end of Period 08 and to compare that activity with the 2021-2025 Financial Plan adopted by Council on 2021 May 1

The City is currently in a net favourable position of \$11.4M, at the end of Period 08, due to reduced expenditures of \$12.3M primarily due to compensation savings and overall lower operating expenditures. This favourable position in expenditures is offset by \$1.0M in lower than budgeted revenues primarily due to reduced parking revenues and Parks, Recreation and Cultural Services program and registration revenues. The higher permit and fee revenues, and business licence revenues, as well as other external recoveries offset these lower revenues. The year-end General Fund forecast shows a \$6.0M surplus attributed, in part, by the remaining \$4.9M from the 2020 BC Restart Grant.

The City Sanitary Sewer Fund and the Waterworks Utility Fund operating results show a year-end forecast of \$1.1M and \$2.1M, respectively.

The capital plan total for 2021 is \$293.6M. The 2021 capital expenditures to the end of Period 08 are \$110.0M. To date, 37.5% of the planned capital expenditures have been spent compared to 26.1% in the same period in 2020.

3.2 **Memorandum from the Director Planning and Building - Re: Major Civic Building Projects Status Update**

A memorandum was received from the Director Planning and Building summarizing the current status of the following major civic building projects: Burnaby Lake Aquatic and Arena; Brentwood Community Centre; Confederation Park Community Centre; Cameron Community Centre; South Burnaby Arena;

Laurel Street Works Yard (Phase 2); Highway 1/Burnaby Lake Overpass; Fire Hall #8-SFU; and, City Hall Space Needs Study.

Staff advised that, with respect to the South Burnaby Arena Project, the estimated completion date has been delayed due to a delay in materials.

The Committee expressed concern with the extended delay of the South Burnaby Arena and the impact that the delay has on other projects including the Burnaby Aquatic and Arena project.

3.3 Memorandum from the Acting Deputy City Clerk - Re: 2022 Fees for Planning and Building Permits, Applications and other Services

A memorandum was received from the Acting Deputy City Clerk advising that Council, at the Open Council meeting held on 2021 September 20, approved the 2022 fees for Planning and Building Department's permits, applications and other services for cost recovery purposes. Arising from discussion, Council directed that the Financial Management Committee review future Planning and Building fees to achieve fee equity.

Staff advised that a thorough review is conducted on an annual basis and they will add the fee equity lens in terms of fees going forward.

3.4 Memorandum from the Acting Deputy City Clerk - Re: Request for Community Benefit Bonus Affordable Housing Reserve Grant M'akola Housing Society 6488 Byrnepark Drive Rezoning Reference #20-16 Edmonds Town Centre Plan Area

A memorandum was received from the Acting Deputy City Clerk advising that Council, at the Open Council meeting held on 2021 October 04, approved a Community Benefit Bonus Affordable Housing Reserve grant of \$552,516.60.

4. REPORTS

4.1 Report from the Deputy Chief Administrative Officer and Chief Financial Officer - Re: Temporary Financing Bylaw

The Deputy Chief Administrative Officer and Chief Financial Officer submitted a report seeking Council authorization to obtain borrowing authority to temporarily finance expenditures.

The Deputy Chief Administrative Officer and Chief Financial Officer recommended:

1. **THAT** the Financial Management Committee recommend Council authorize the City Solicitor to bring forward a Temporary Financing Bylaw to permit borrowing of up to \$10 million as required, during the period 2022 January 01 to 2022 December 31, repayable 2022 December 31.

MOVED BY COUNCILLOR KEITHLEY
SECONDED BY COUNCILLOR WANG

THAT the recommendation of the Deputy Chief Administrative Officer and Chief Financial Officer be adopted.

CARRIED UNANIMOUSLY

4.2 Report from the Director Engineering - Re: Engineering Capital Projects Status Update

The Director Engineering submitted a report providing an update on the current status of Engineering capital projects.

The Director Engineering recommended:

1. THAT the Financial Management Committee forward this report to Council for information.

MOVED BY COUNCILLOR WANG
SECONDED BY COUNCILLOR DHALIWAL

THAT the recommendation of the Director Engineering be adopted.

CARRIED UNANIMOUSLY

4.3 Report from the Director Planning and Building - Re: Child Care at the Christine Sinclair Community Centre

The Director Planning and Building submitted a report seeking Committee and Council approval to initiate a Request for Proposals process to select an operator for a new child care centre at the Christine Sinclair Community Centre.

The Director Planning and Building recommended:

1. THAT the Committee request Council approve the proposed Request for Proposal process to select a non-profit operator of a new child care centre at the Christine Sinclair Community Centre, as outlined in Section 7.0 of the report.

MOVED BY COUNCILLOR DHALIWAL
SECONDED BY COUNCILLOR CALENDINO

THAT the recommendation of the Director Planning and Building be adopted.

CARRIED UNANIMOUSLY

4.4 Report from Director Planning and Building - Re: City-School District Partnership on Child Care Facilities - Update and Request for Funding

The Director Planning and Building submitted a report updating Council on recently funded projects and seeking funding approval for new child care spaces at Burnaby North Secondary and Brentwood Park Elementary.

The Director Planning and Building recommended:

1. **THAT** the Committee recommend Council authorize the release of a capital grant of \$664,000, previously approved in principle by Council, from the Community Benefit Bonus Reserve to finance 24 new infant/toddler spaces at Burnaby North Secondary, as detailed in Section 5.0 of the report.
2. **THAT** the Committee recommend that Council approve in principle an expenditure of \$1,429,864 from the Community Benefit Bonus Reserve funds for a new 37-space child care centre (12 infant/toddler spaces and 25 three-to-five year old spaces) at the Brentwood Park Elementary school site, as detailed in Section 6.0 of the report.
3. **THAT** staff be authorized to apply for Provincial New Spaces funding to support the development of the new child care centre at the Brentwood Park Elementary site.

MOVED BY COUNCILLOR CALENDINO
SECONDED BY COUNCILLOR KEITHLEY

THAT the recommendations of the Director Planning and Building be adopted.

CARRIED UNANIMOUSLY

Staff advised that they have recently adopted a strategic plan for delivering child care across the spectrum. The plan includes a number of strategies to increase the number of child care spaces in the City. Staff will continue to work with School District 41 and look for other opportunities to partner with them.

4.5 Report from the Director Planning and Building - Re: Community Amenity Space at 2038 Rosser Avenue - Brentwood Town Centre

The Director Planning and Building submitted a report requesting the use of the Community Benefit Bonus Reserve to finance improvements at the Community Amenity Space Solo District Phase 3 in the Brentwood Town Centre.

The Director Planning and Building recommended:

1. THAT the Financial Management Committee recommend Council authorize the use of the Community Benefit Bonus Reserve in the amount of \$250,000 to finance improvements at the Community Amenity Space Solo District Phase 3, as outlined in the report.

MOVED BY COUNCILLOR WANG

SECONDED BY COUNCILLOR DHALIWAL

THAT the recommendation of the Director Planning and Building be adopted.

CARRIED UNANIMOUSLY

4.6 Report from the Major Civic Building Project Coordination Committee - Re: Burnaby Fire Station #8 - Burnaby Mountain

The Major Civic Building Project Coordination Committee submitted a report requesting the use of the Community Benefit Bonus Reserve to finance a Feasibility Study and Schematic Design work for Burnaby Fire Station #8.

The Major Civic Building Project Coordination Committee recommended:

1. **THAT** the Financial Management Committee recommend Council authorize the use of the Community Benefit Bonus Reserve in the amount of \$1,000,000 to finance a feasibility study and the Phase I design work for Burnaby Fire Station #8, as outlined in the report.

MOVED BY COUNCILLOR KEITHLEY

SECONDED BY COUNCILLOR WANG

THAT the recommendation of the Major Civic Building Project Coordination Committee be adopted.

CARRIED UNANIMOUSLY

5. NEW BUSINESS

Water Supply Issues

His Worship, the Mayor, advised that the Provincial Government announced grants for projects that support water supply issues and water improvement issues.

Staff undertook to investigate projects that could qualify for the grants.

6. INQUIRIES

There were no inquiries brought before the Committee at this time.

7. CLOSED

MOVED BY COUNCILLOR CALENDINO
SECONDED BY COUNCILLOR KEITHLEY

THAT the Committee, in accordance with Sections 90 and 92 of the Community Charter, do now resolve itself into a Closed meeting from which the public is excluded to consider matters concerning negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public.

CARRIED UNANIMOUSLY

8. ADJOURNMENT

Without objection, the Open Committee/Commission meeting adjourned at 5:34 p.m.

His Worship, Mayor Mike Hurley
CHAIR

Kathryn Matts
ADMINISTRATIVE OFFICER 2



City of
Burnaby
Civic Building Projects

INTER-OFFICE MEMORANDUM

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 8

FROM: DIRECTOR PLANNING AND BUILDING

FILE: 4230 01

SUBJECT: MAJOR CIVIC BUILDING PROJECTS STATUS UPDATE

The following table summarizes the current status of select major civic building projects, and provides an estimated project completion date:

Project	Current Project Phase	Est. Completion of Current Project Phase	Est. Project Completion Date	Additional Comments
Burnaby Lake Aquatic and Arena	Detailed Design	Fall 2021	Fall 2025	Rezoning Nov 22 Council 1 st Read
Brentwood – Comm Benefit Bonus	Schematic Design	December 2021*	TBD	Master agreement approved
Confederation Park Community Centre	Detailed Design	Fall 2022	Winter 2025	Initiating Detailed Design
Cameron Community Centre	Schematic Design	Complete	Summer 2025	Public Open House Nov 24, 25 (online)
South Burnaby Arena	Construction	October 2022	October 2022	Mass timber install in progress (Rink B)
Laurel Street Works Yard (Phase 2)	Construction	Summer 2023	Summer 2023	Ongoing
Hwy 1/Burnaby Lake Overpass	Schematic Design	December 2021*	TBD	BC Hydro analysis on Options #3-#4
Fire Hall #8 – SFU	Feasibility Study		2024	Project delivery method review
City Hall Space Needs Study	Functional Needs Assessment	Feb 2022	Aug 2022	Future planning concepts

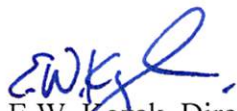
* Indicates date revised from previous FMC update

Chair and Members FMC

Subject: Major Civic Building Projects Status Update

2021 November 08..... Page 2

A more detailed project update summary will be provided in the December update report to members of the Financial Management Committee and Council.



E.W. Kozak, Director
PLANNING AND BUILDING

TVD:sla

cc: Members of Council
Chief Administrative Officer
Deputy Chief Administrative Officer and Chief Financial Officer
Director Engineering
Director Parks, Recreation and Cultural Services
Director Public Safety and Community Services
Director Corporate Services
Assistant Director Civic Building Projects
Chief Librarian
City Clerk

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Meeting 2021 Nov 17

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 10

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 7800-02

SUBJECT: ASSESSMENT APPEAL COSTS - UPDATE

PURPOSE: To update Council following correspondence received from the BC Minister of Finance with regards to the assessment appeal process.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council receive this report as information.

REPORT

1.0 INTRODUCTION

On 2021 February 25, Mayor Hurley wrote to the honourable Selina Robinson, BC Minister of Finance, on behalf of Burnaby City Council, to request that an urgent review of BC Assessment processes, including the implication and timing of appeal decisions on property taxation, be undertaken. This followed the imposition of significant appeal costs of over \$6.4 million in 2020, on the City of Burnaby, in the form of current and prior year appeal costs, and related interest charges. A follow up letter was subsequently sent by Mayor Hurley on 2021 June 10, following no response to the original letter.

This report provides a summary of the response from the Minister, dated 2021 October 8. A copy of the letter is provided as Attachment 1.

2.0 POLICY SECTION

Goal

- A Dynamic Community
 - Economic opportunity – Foster an environment that attracts new and supports existing jobs, businesses and industries
- A Thriving Organization
 - Financial viability – Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: Assessment Appeal Costs - Update
 2021 November 17..... Page 2

3.0 BACKGROUND

Table 1 provides a summary of assessment appeal charges incurred by the City of Burnaby over the past six years to date:

Table 1 - Annual Appeal Expenses:

Expenses	2016	2017	2018	2019	2020	2021 *
Current Year Appeal Board Decisions	94,938	1,330,747	372,203	(166,514)	708,415	13,912
Prior Year Appeal Board Decisions	172,080	712,513	782,669	472,359	5,617,091	865,402
Prior Year Interest on Refunds	1,180	10,132	13,511	12,429	118,553	8,523
Total	\$268,198	\$2,053,392	\$1,168,383	\$318,274	\$6,444,059	\$887,837

* As at 2021 October 29.

4.0 CITY OF BURNABY CONCERNS

The minister has provided a response to each of the following concerns as raised by the City of Burnaby:

- The number of appeals;
- Transparency in appeal decisions;
- Instability in assessment values; and,
- Property Valuation / Prescribed Classes of Property Regulation.

4.1 Number of Appeals

Recent significant appeal costs incurred by the City of Burnaby highlighted a trend in recent years of property value assessment appeal numbers growing on an annual basis. Such appeals are difficult to manage in terms of their implications on municipal finances, given the uncertain nature of their outcome and timing. These concerns were raised by the City of Burnaby in the February correspondence to the minister.

In responding to the City's concerns, the minister noted that the Attorney General's office has responsibility for the Property Assessment Appeal Board (PAAB), and that discussions will be held between their office and BC Assessment (BCA) to identify any joint actions that could be undertaken to address the appeal backlog.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: Assessment Appeal Costs - Update
 2021 November 17..... Page 3

Staff are pleased to report that recent data would seem to suggest that for the North Fraser Region, there has been a slowdown in new appeal activity, and that BCA is starting to make some headway in clearing the backlog of appeals, with all appeals prior to 2018 now resolved or withdrawn. Staff will continue to monitor these numbers and work with BCA to ensure the authority has the most relevant and timely information to make the most accurate assessment valuations going forward. Table 2 lists appeals for the past six years to date.

Table 2 – North Fraser Region Appeals - as at 2021 October 29:

Status	2016	2017	2018	2019	2020	2021
Appeals	245	424	663	1,264	938	539
Resolved	245	424	653	1,191	818	174
Outstanding	0	0	10	73	120	365
Outstanding %	0%	0%	1.5%	5.8%	12.8%	68%

4.2 Information Sharing and Transparency

In writing to the Minister, Council expressed concern that readily accessible information is not available during all stages of the appeal process. This includes a lack of information relating to appeals heard by the Property Assessment Review Panel (PARP), which precedes possible escalation to PAAB, and is the first level of appeal for property assessments in British Columbia, whereby complainants who have filed an appeal complaint with BCA are awarded a 30 minute hearing before a panel to state their case (currently in person hearings are on hold due to COVID-19). In addition, the information made available on the PAAB website does not provide an adequate explanation for each appeal decision. As such, municipalities must reach out to contacts at BCA for additional information including adjustments in assessment values or classifications.

The Minister conveyed to the City that work will be carried out with BCA regarding timely and complete data sharing. It was noted that consideration will be given to approaching PAAB to revisit how they communicate their decisions to local government. City of Burnaby staff welcome any potential improvement in data sharing at the PAAB stage of the appeal process, but note that improvements in reporting are very much needed very early on in the appeal process, namely from initial submission through to completion of PARP hearings. Therefore, given that members of a PARP receive their appointments from the Minister of Finance, it is feasible that the Province has the ability to completely reconfigure the PARP process. This should involve not only reporting on cumulative appeals to date, as well as withdrawn, settled and rejected appeals, but also on PARP membership, with greater transparency on who is appointed to the panel.

To: *Financial Management Committee*
 From: *Deputy Chief Administrative Officer & Chief Financial Officer*
 Re: *Assessment Appeal Costs - Update*
 2021 November 17..... Page 4

With assessment appeal information only coming to the City after June each year, staff do not have figures for the number of appeals that are withdrawn or settled outside of a formal setting from early January through to late April. Therefore, the true number of appeals being lodged could in theory be much greater than those listed in Table 2. It is therefore felt that continued vocalization of municipal concerns to the Province is warranted until appropriate measures can be put in place to improve transparency in the appeal process.

4.3 Instability in Assessment Values/Property Taxation Revenue

The next area of concern expressed by Council was the implications a successful appeal can have on the assessment roll. It is not uncommon for multiple outcomes to transpire. Assessment appeals come throughout the year and as experienced in 2020, may relate to appeals generated several years in the past. The City can only estimate when appeal costs and their value are likely to arise, and is reliant on timely and clear information from BCA. A change to the current process was suggested to lessen the impact of appeal costs on the tax base.

The province has responded by noting that work has commenced on the Property Assessment Strategic Review, focusing on a long-term property tax mitigation strategy for commercial tenants. As part of this review, the Province is considering two alternatives: The first is the potential for a split classification and the second is to prescribe statutory changes to triple net lease arrangements - which would require an amendment to the Commercial Tenancy Act. City staff welcome such a review, but would like to remind Council that such roll instability also has a significant impact on residential properties, with a cyclical pattern playing out from year to year, with assessment related tax shocks shifting between business and residential classes and back again.

4.4 Property Valuation / Prescribed Classes of Property Regulation

The Prescribed Classes of Property Regulation, B.C. Reg. 438/81 (the "Regulation") provides that land should be classified as Class 6 Business and Other, unless it falls into another class. A property can be Class 1 Residential if it is used for residential purposes (Section 1(1) (a) of the Regulation) or if it has no present use and is specifically zoned for residential, non-business uses (Section 1(1)(c) of the Regulation).

Where such a classification was not provided in the assessment roll by BCA, various entities sought an appeal through PAAB. Initially, PAAB concluded that the classification of the property should be amended to include the split classification. This was appealed by BCA, but ended in a determination by the BC Supreme Court that the PAAB decision was correct. Following the decision, there were several additional assessment appeals, resulting in additional appeal costs for many municipalities. Attempts to overturn the decision of the BC Supreme Court continue, and it is currently unclear how the Prescribed Classes of Property Regulation is being applied in practice. The City's concerns on this matter were raised to the Province in the Mayor's letter dated 2021 February 25.

To: *Financial Management Committee*
 From: *Deputy Chief Administrative Officer & Chief Financial Officer*
 Re: *Assessment Appeal Costs - Update*
 2021 November 17..... Page 5

In their response, it is noted that the Property Assessment Strategic Review will look to address the conflicting decisions on how to split the classification of unbuilt density. City staff are awaiting the results from this review. At this time, a clear timetable, terms of reference, and membership details of the Property Assessment Strategic Review have not been provided to the City.

5.0 RECOMMENDATION

An inter-municipal committee through the Metro Vancouver Regional Finance Advisory Committee (RFAC) continues to meet monthly to understand where the Province is with regards to this policy area. The committee has reached out to the Province to request that municipal government representation be at the table during the Property Assessment Strategic Review. The committee is following up with the Province regularly on this request and the status of the review. Further information will be shared with Council as it is received.

It is recommended that the Financial Management Committee recommend Council receive this report as information.



Noreen Kassam, CPA, CGA
 DEPUTY CHIEF ADMINISTRATIVE OFFICER
 & CHIEF FINANCIAL OFFICER

NK:RR / md

Attachment: Letter from Selina Robinson - dated 2021 October 08

Copied to: Chief Administrative Officer
 Director Planning & Building



October 8, 2021

480386

His Worship Mike Hurley, Mayor
City of Burnaby
mayor@burnaby.ca

Dear Mayor Hurley: *Mike,*

Thank you for your thoughtful letter sent on February 25, 2021, and follow up letter of June 10, 2021 regarding your concerns with property assessment processes and appeals. I appreciate you taking the time to share your ideas and feedback with me. The staff report attached to your letter was also useful in providing focus on the issues you raised.

I apologize for the delay in responding, but I wanted to provide Ministry of Finance (Ministry) staff with the opportunity to fully review your correspondence. In addition, I wanted staff to review your concerns within the context of input received from other municipalities on assessment processes and appeals.

This review has now been completed and I offer the following comments on the four major concerns you raised with the assessment processes and appeals:

The number of annual appeals:

- In response to concerns with the increasing appeals to the Property Assessment Board (PAAB) and the time to resolve them, the Ministry will endeavor to facilitate discussions with the Ministry of Attorney General, which has responsibility for the oversight of PAAB, and with BC Assessment (BCA), to identify any joint actions that could be undertaken to address appeal backlog issues.

.../2

Information sharing and transparency:

- The Ministry will work with BCA on confirming timely and complete data sharing regarding the progress of property assessment appeals and decisions, and potential impacts on municipal revenues and financial planning.
- Consideration may be given to approaching PAAB to revisit how they communicate their decisions, in the context of local government needs. However, PAAB is a quasi-judicial tribunal that delivers its adjudications and decisions completely independent of government. The Ministry will need to consider the independence of PAAB when engaging with them.

Assessment fluctuations and roll instability:

- The unprecedented volatility in the real estate market has impacted the assessment roll and taxation base stability to some extent.
- The Ministry has commenced work on the Property Assessment Strategic Review (Review) which will focus on a long-term property tax mitigation strategy for commercial tenants, particularly small businesses and non-profits, with triple-net leases.
- The Review will include consideration of two approaches: an indirect approach which would reduce tax burden on tenants without altering the triple-net lease structure and tax model (e.g., split classification/exemption/subclass), and a direct approach which would prescribe statutory changes to the triple-net lease tax model (e.g., amend the *Commercial Tenancy Act*).

Application of the Prescribed Property Regulation:

- The regulation allows qualified vacant properties with development potential to be split classified between residential and commercial classes. The purpose of the regulation was to reduce the property tax on these properties (residential taxes rates are substantially lower than commercial).
- The application of this regulation was open to subsequent PAAB and BC Supreme Court decisions, which has resulted in somewhat conflicting decisions on how to split-class development properties with unbuilt density. The Review will consider the issue of split classification and its application, including criteria.

Thank you again for taking the time to write. Your confidence in the assessment and appeal processes are important to us and I appreciate your input on how we can improve it and build a better British Columbia.

- 3 -

Sincerely,

A handwritten signature in black ink that reads "Selina Robinson". The signature is written in a cursive, flowing style.

Selina Robinson

Minister

cc: Honourable David Eby, Attorney General



Meeting 2021 Nov 17

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 10

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 5820-20

SUBJECT: **BRITISH COLUMBIA SOCIAL PROCUREMENT INITIATIVE (BCSPI)**

PURPOSE: To provide information on the British Columbia Social Procurement Initiative.

RECOMMENDATION:

1. **THAT** the Financial Management Committee receive this report for information.

REPORT**1.0 INTRODUCTION**

A letter was sent to His Worship, Mayor Hurley and received by Council on 2021 July 26 offering information to the City of Burnaby to join the British Columbia Social Procurement Initiative (BCSPI). The correspondence was then referred to the Financial Management Committee who requested staff to provide information on the benefits of joining BCSPI. BCSPI is an expansion of the Coastal Communities Social Procurement Initiative (CCSPI), which has established a network of local governments on Vancouver Island and in Coastal Communities since 2018 with a goal to advance the implementation of social procurement best practices.

2.0 POLICY SECTION**Goal**

- A Connected Community
 - Partnership –
Work collaboratively with businesses, educational institutions, associations, other communities and governments
- A Dynamic Community
 - Economic opportunity –
Foster an environment that attracts new and supports existing jobs, businesses and industries

To: *Financial Management Committee*
 From: *Deputy Chief Administrative Officer & Chief Financial Officer*
 Re: *British Columbia Social Procurement Initiatives (BCSPI)*
 2021 November 17.....Page 2

3.0 BACKGROUND

Social procurement initiatives typically leverage government spending to try to achieve additional social benefits for a community, including social goals as well as operational priorities through a blending of social, environmental and economic considerations in public sector purchasing to meet specific community needs.

Local governments participating in BCSPI receive access to a full suite of professional development and training, template documents, case studies, impact measurement tools, a members-only website, and expert consultation for an approximate annual cost of \$7,500. Fees are commensurate with those of the Lower Mainland Local Government Association.

The current approach to purchasing goods, services, and construction by City of Burnaby staff is directed by the City's key strategies, initiatives, policies and legislation based on trade agreements. As needs are identified, Purchasing and other departmental staff collaborate to ensure specifications reflect Council and City priorities in bid documents and are considered when awarding contracts.

The trade agreements set out obligations for local governments when undertaking procurement activities and expressly prohibit governments to restrict competition to local suppliers only, above certain trade thresholds. For contracts below \$75,000, there is, however, some flexibility within the City's Purchasing Policy to directly solicit quotes from local and capable suppliers to fulfill operational needs who could for example be a social enterprise or a non-profit organization.

Under the umbrella of social procurement, the City has been an active leader and participant on several fronts:

Fair Wage Policy

In 1988, Council adopted a fair wage policy requiring all City designed construction contracts over the estimated threshold of \$250,000 to ensure fair wages and remuneration be paid to workers of contractors and subcontractors who undertake such contracts. The minimum rates (CUPE rates for civil projects and Construction Labour Relations Association of BC (CLRA) rates for civic facilities projects) are stipulated in the Compensation Schedule of the tender construction documents.

Living Wage Policy

In 2020 January, the City became a Living Wage Employer, and as part of the certification, the City adopted a living wage policy that applies to all service contracts (for service providers and their subcontractors) having an estimated annual value greater than \$250,000 and when work is completed on City-owned premises.

To: Financial Management Committee
From: Deputy Chief Administrative Officer & Chief Financial Officer
Re: British Columbia Social Procurement Initiatives (BCSPI)
2021 November 17.....Page 3

Procurement Cards

The City’s procurement card program (PCard) is another method of staff engaging in procurement strategies to increase spending with social benefit suppliers. These targeted low-value purchases can increase participation of social benefit businesses, and award purchases to the local vendor community, and staff can purchase goods or services directly from a particular business without soliciting from other suppliers.

4.0 SUMMARY

Currently, there is sufficient training and network opportunities, as well as learning materials available to staff to pursue next phases of social procurement development at the City. The BCSPI has been using some of the materials from the City of Vancouver’s Social Procurement Program for their initiative. More recently, the BC Government provided the City of Victoria a one time grant of \$500,000 to continue with the group and their social procurement efforts, and since then the BCSPI have decided to expand to other regions in BC and invite larger municipalities to join. Given the City’s current and planned initiatives into social procurement, the value proposition is not as strong for the City to join as our membership fees would be significantly higher and we may not be receiving the full merits of the benefits of membership. City staff have also been looking at more national forums where the City may benefit from shared leverage with the work of larger local governments.

At the request of Council at its open meeting on 2021 January 25, staff are currently supporting efforts with the Social Purpose Institute of the United Way and the Burnaby Board of Trade with in-kind staff time, participation at upcoming social purpose workshops in October and November, and reviewing social purpose procurement opportunities as an output of these workshops in an effort to promote social purpose in business in Burnaby.

For 2022, plans include a focus on supplier diversity, targeting social enterprises as new vendors when opportunities present themselves. The Purchasing Department will work to identify service categories for social value opportunities, validate a baseline for its community of vendors, and bring awareness and education to City staff through training workshops. It is recommended that the Financial Management Committee receive this report for information.



Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER

NK:GC:RT / ew

Copied to: Chief Administration Officer



Meeting 2021 Nov 17

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 09

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 7300-20

SUBJECT: GAMING REVENUE UPDATE

PURPOSE: To provide an update on the status of gaming revenue.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council receive this report as information.

REPORT**1.0 INTRODUCTION**

The City of Burnaby is eligible to receive 10% of net gaming income from the Grand Villa (Gateway) Casino as per the Host Financial Assistance Agreement between the City of Burnaby and the Province of British Columbia. Gaming revenue is typically distributed quarterly to the City. Due to the temporary closure of the Grand Villa Casino in compliance with COVID-19 health orders, the City has not received gaming revenue since 2020 April 30. Recently, the City was notified that revenue distribution would resume in October 2021. The purpose of this report is to inform Council on the communications received from the Province regarding the recommencement of gaming revenue distribution to the City.

2.0 POLICY SECTION

The funds received through this program and changes to its eligibility guidelines support the following goal and sub goal of the Corporate Strategic Plan:

- A Thriving Organization
 - Financial viability –
Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

To: *Financial Management Committee*
 From: *Deputy Chief Administrative Officer & Chief Financial Officer*
 Re: *Gaming Revenue Update*
 2021 November 17..... Page 2

3.0 BACKGROUND

As per City policy, the eligibility criteria for use of casino gaming revenue include operating expenditures and/or capital projects that serve to protect or improve Burnaby's environment, including beautification, heritage, public safety, international relations, arts and culture or other projects or programs at the discretion of Council.

In addition, operating expenditures and/or capital project initiatives would satisfy the following criteria:

- a) Ad hoc pilot projects which extend over a specific period of time.
- b) Discrete capital projects that do not require ongoing capital funding requirements.
- c) Gaming funds on hand shall be sufficient to complete the proposed project.
- d) The activity and/or project shall have little or no ongoing impact on the operating budget or result in a reliance on the property tax levy.

Council reviews and approves all operating expenditures and capital project initiatives funded by the Gaming Reserve annually prior to inclusion in the Financial Plan.

Following the onset of the COVID-19 pandemic and under the guidance of the Provincial Health Officer, the Grand Villa Casino in Burnaby was temporarily closed on 2020 March 16. On 2020 April 30, Burnaby received revenue from the Province representing its share of net gaming income for the first quarter of the year. However, no subsequent revenue was received by the City as the casino was closed and unable to generate any income.

On 2021 July 01, in alignment with Step 3 of the Province's Restart Plan, the Grand Villa Casino reopened. According to a letter received from the Province on 2021 October 13, the reopening has thus far been successful and the Province is in a position to recommence revenue sharing with the City.

Despite the success of the re-opening, prior to 2021 July 01, the BC Lottery Corporation (BCLC) continued to incur administrative costs attributable to each BC Casino. As such, a net loss of \$2,440,201 attributable to the Grand Villa Casino was recorded by the Province for the first quarter of its fiscal year (April 1 – March 31, 2021). Burnaby's share of this loss is 10% and will be applied equally over the next three revenue distribution payments, reducing each payment received by \$81,340 ($\$2,440,200/3 * 10\%$).

On 2021 October 20, the Province informed Burnaby that it would be receiving \$3,273,221 for the period of 2021 July 1, to 2021 September 30. Although these revenues have been reduced by the \$81,340 cost share, the overall revenue payment received is an increase over the average quarterly revenue of approximately \$2.9 million seen prior to the COVID-19 pandemic in 2017 to early 2020.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: Gaming Revenue Update
 2021 November 17..... Page 3

The following table provides the actual gaming revenue received by the City for the past 5 years, along with the forecasted amount expected for 2021 and the 2022 budget, which has been re-established to pre-COVID levels:

Year	Budget (\$)	Actual (\$)
2016	9,500,000	10,715,090
2017	9,500,000	11,015,359
2018	9,500,000	12,558,049
2019	11,500,000	11,892,514
2020	11,500,000	5,342,091
2021*	3,250,000	6,546,443
2022	11,500,000	

*Actual column represents a forecast consisting of payments for two quarters in 2021.

At the end of each fiscal year, the total annual interest income earned on the balance of the Gaming Reserve is transferred to the Gaming Interest Reserve with the intent to use the proceeds to fund priority one-time operating projects, as determined by Council.

The table below provides the balance in the Gaming Reserve and Gaming Interest Reserve as of 2020 December 31.

Reserve	Gaming Reserve	Gaming Interest Reserve
Balance (\$)	82,396,196	10,692,978

The Gaming Reserve and the Gaming Interest Reserve have sufficient funding available for capital and operating initiatives outlined in the proposed 2022 – 2026 Financial Plan. These funding sources continue to allow the City to provide for programs and resources that would otherwise have to be funded from taxation increases.

4.0 RECOMMENDATION

It is recommended that the Financial Management Committee recommend Council receive this report as information.



Noreen Kassam, CPA, CGA
 DEPUTY CHIEF ADMINISTRATIVE OFFICER
 & CHIEF FINANCIAL OFFICER

NK:RG:gm / md

Copied to: Chief Administrative Officer



Meeting 2021 Nov 17

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 09

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 7500-01

SUBJECT: EXPANDING INVESTMENT OPPORTUNITIES

PURPOSE: To provide an update on alternative asset class investing with the Municipal Finance Authority of British Columbia.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council receive this report for information.

REPORT**1.0 INTRODUCTION**

On 2019 April 29, Council approved the submission of a resolution for the 2019 Union of Municipalities British Columbia (UBCM) convention, seeking changes to section 183 of the Community Charter to allow municipalities increased investment flexibility beyond the prescribed legislated methodology. The goal being the expansion of asset class investments through prudent investment standards as a means of reducing portfolio risks while ensuring long term municipal financial sustainability.

While ultimately declining to make a change to the Community Charter, the Ministry of Municipal Affairs and Housing noted in their response the prescribed list of investments for municipalities which are available through the Municipal Finance Authority of British Columbia (MFA) pooled investment funds. Municipalities should work with the MFA to identify ways of meeting our investment needs and goals. In anticipation of this response, the MFA and City of Burnaby began the engagement process, obtaining a legal opinion and exploring options for the creation of a new pooled investment fund under the existing legislation. After the UBCM response, the team held multiple meetings with the Inspector of Municipalities, Provincial Ministry, Department of Finance, and other municipalities and local governments to provide information and communicate the intention to create the new fund under the existing prudent standard legislation available through the MFA Act and Trustee Act in British Columbia.

City of Burnaby staff have been engaged with the MFA for over four years to provide feedback, input, support, and risk mitigation measures for the creation of a sanctioned and diversified asset class fund for all British Columbia local governments. Council received updated reports on the progress of the provincial review and activities related to the creation of the new fund on 2020 March 11, 2020 October 14, and the 2020 investment review memorandum dated 2021 February 22.

To: *Financial Management Committee*
 From: *Deputy Chief Administrative Officer & Chief Financial Officer*
 Re: *Expanding Investment Opportunities*
 2021 November 17..... Page 2

2.0 POLICY SECTION

Goal

- A Connected Community
 - Partnership –
Work collaboratively with businesses, educational institutions, associations, other communities and governments
- A Dynamic Community
 - Economic opportunity –
Foster an environment that attracts new and supports existing jobs, businesses and industries
 - Community development –
Manage change by balancing economic development with environmental protection and maintaining a sense of belonging
- A Thriving Organization
 - Financial viability –
Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

3.0 DIVERSIFIED MULTI ASSET CLASS FUND

3.1 Fund Governance

An agreement in principal has been reached between the MFA and the Provincial Government for the creation of a new investment pooled fund called the Diversified Multi Asset Class (DMAC) Fund. It has been agreed that existing legislation provides MFA with the authority to create this diversified asset class fund based on prudent investment standards. An understanding between the MFA and the Province sets out guidelines and controls for the monitoring, participation and parameters for which a municipality or local government can invest in the new fund.

The diversified fund is not precluded from investing in any investment types or geographical exposures and can therefore invest in assets such as global equities, bonds, mortgages, infrastructure debt, private equity, and other fixed income products and assets. This diversification is purposeful as it mitigates inherent risks in such a portfolio, and risk is further mitigated through an intended long-term holding period by an investor. This means a municipality must have a clear understanding of their short and long term operating and capital costs and reserves, and enter into such an investment for a period of ten years minimum. In addition, the fund will set a maximum investment limit of 25% of a municipality's eligible reserves for municipalities with a population greater than 10,000 residents.

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From: *Deputy Chief Administrative Officer & Chief Financial Officer*
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The MFA has set up a list of criteria and questionnaires to help ensure that a municipality has a clear understanding that the fund is intended only for long-term investments and will exhibit higher short-term volatility in returns with the benefit of higher expected long-term returns. This criteria includes updated municipal policies and procedures, a review of reserves and reserve balances, and a long-term capital forecast. It is important to emphasize that as professional institutional investors, the ultimate responsibility for suitability of any investment lies with the local government. It is therefore critically important that municipal staff and Council discuss and be keenly aware of the risks of such investments and the need to commit funds for the long term. One of the biggest risks in investing for the long term in growth assets such as equities is the propensity for investors to panic during inevitable market corrections and sell the funds prior to when they were intended to be used, thereby crystalizing paper losses. Updating internal policies and providing ongoing communications to the current and future Councils will be key components to ensure transparency; and to ensure the City's long-term investment timeframe and goals for investing in the DMAC is maintained, even during turbulent markets.

3.2 Fund Creation and Management

In 2021 April, a Request for Proposal (RFP) was issued by the MFA seeking a firm to act as the Outsourced Chief Investment Officer (O-CIO) for the new investment fund. The MFA currently offers municipalities and local governments five investment pooled funds to invest, all currently managed by PH&N, a subsidiary of Royal Bank of Canada.

- Money Market Fund - For investments 0 to 24 months.
- Govt. Focused Ultra-short Bond Fund - For investments 0 to 24 months.
- Short-term Bond Fund - For investments 2 to 5 years
- Fossil Fuel Free Short-term Bond Fund - For investments 2 to 5 years
- Mortgage Fund - For investments 3 plus years

The RFP process has been a collaborative effort conducted by a team of MFA staff, the Capital Regional District, the City of Burnaby and a consultant. Ultimately, the final responsibility for hiring an O-CIO/Asset Manager based on recommendations from this RFP advisory team is that of the MFA Trustees. The RFP team conducted an exhaustive process to find the best possible firm/manager for this new fund, taking into consideration many factors including fees and costs, historical performance, risk management and breadth of knowledge and offered investment products. A total of sixteen O-CIO's and Asset Managers responded with varying models and strategies including fund of funds approach and diversified asset management representing both passive and active approaches to investing.

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Respondents to the RFP were required at a minimum to manage at least \$10 billion in assets, be a United Nations Principles for Responsible Investment (UN PRI) signatory, and be Global Investment Performance Standards compliant. The RFP also required proponents to submit their recommended portfolio mix to achieve an expected return of 5.5% per annum over the long run and to provide comment and data related to investing based on responsible investing strategies, whether through investment exclusion or other guidelines and metrics.

The DMAC fund will be managed under an Environmental Social and Governance (ESG) framework using the United Nations Principals for Responsible Investing (PRI), which is the world's leading proponent of Responsible Investing. Signatories of the PRI follow six key principles and incorporate those into their processes. ESG factors must be incorporated into the fabric of the investment selection process for the DMAC in addition to the financial review when evaluating potential stocks for a portfolio. Other responsible investing strategies will also be employed, including an active stewardship program and proxy voting where a Corporate Governance & Responsible Investment group monitors company governance issues and conveys the asset manager's views on material concerns.

The MFA Board of Trustees has announced the hiring of PH&N as the Asset Manager for the new DMAC Investment Pool Fund. PH&N was founded in Vancouver, BC in 1964 specifically to provide investors with active investment management, transparency of operations, and a more modest fee structure on assets invested; thus providing investors with more options and lower costs than the existing landscape of brokerage and insurance firms. In 2008, PH&N was acquired by the Royal Bank of Canada, expanding the depth and breadth of liquid and alternative investment strategies available to investors. Today, PH&N oversees over \$130 billion in assets globally for clients, utilizing over 300 investment professionals and 23 investment teams. PH&N is a UN PRI signatory and will incorporate ESG review for each investment in the DMAC fund.

Preliminary discussions with PH&N and the Trustees for portfolio asset diversification has identified the opportunity for the DMAC fund to hold 44% of the portfolio in fossil fuel free investments by employing an exclusionary screen without compromising expected return or risk. This is a great opportunity to include this strategy at inception and align with the City's views on climate risk, while ESG and Socially Responsible Investment (SRI) standards continue to develop for a consistent set of metrics utilized by all asset managers globally.

The behind the scenes work will continue, completing asset build, negotiations, signing agreements, setting up custodianship, authorizations, settlement and many other components needed to operate and report on the fund net asset value. The target go-live for the DMAC is 2022 January.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
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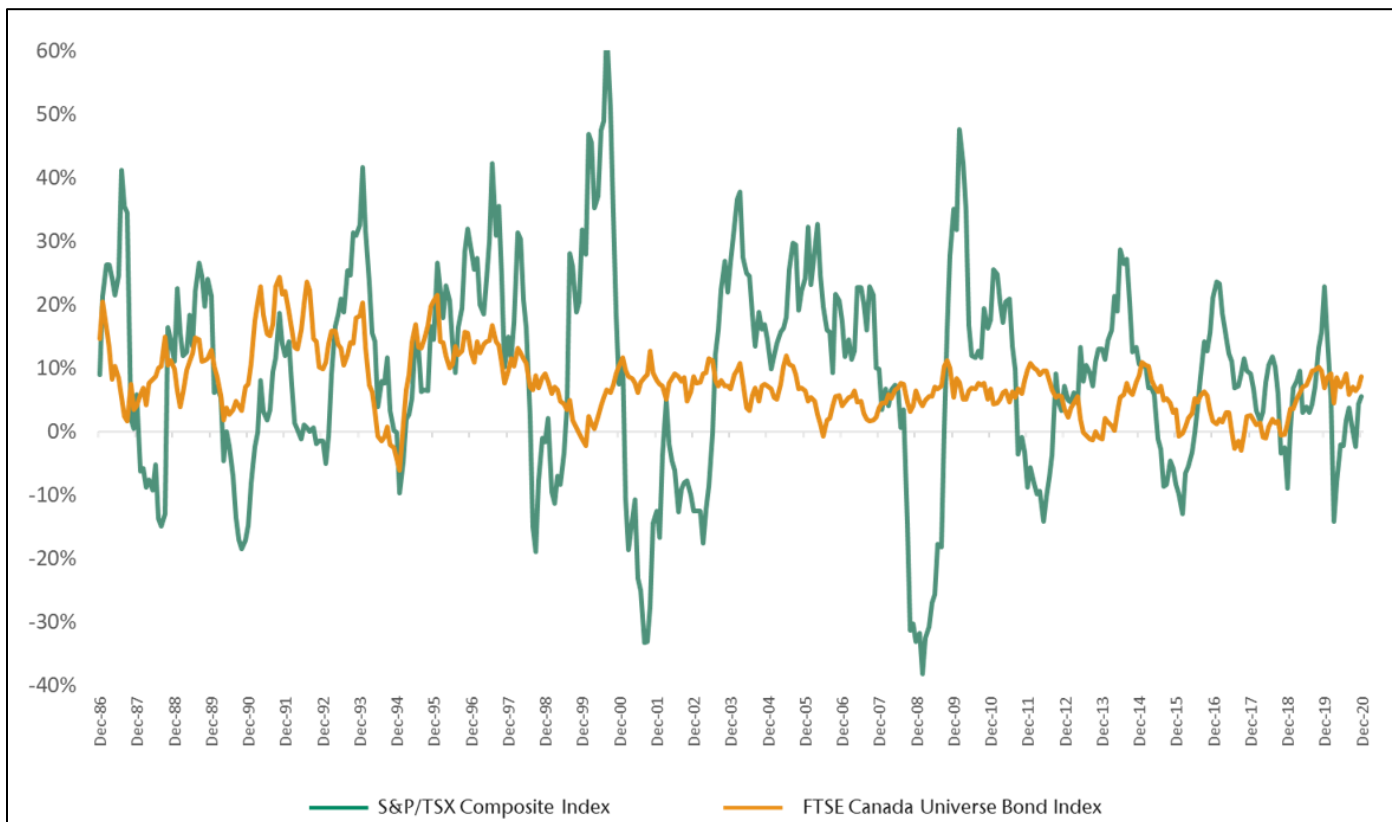
3.3 Markets, Risks and Investing

As supported by Council nearly three years ago, the exhaustive and collaborative work of the RFP team and MFA to create a new investment fund with additional asset class diversification is coming to fruition. While the City will be the seed investor into this fund, the nature of the underlying assets can now provide for long term portfolio growth and financial stability of all local governments throughout BC, not just the City of Burnaby.

Any fund or investment, but especially one comprised of global growth assets, will be more volatile in the short term than over the long term. If one is able to ignore the short term volatility and understand the history of capital markets and investments over the long term, one can attain improved risk adjusted returns that beat inflation expectations, and risks can be mitigated. The annual targeted returns for this fund over ten years is 5.5% per annum. As an investor, the City must take into account that money in the DMAC is no longer available to assist for short-term liquidity purposes and is committed to a longer time horizon.

Graph 1 shows the comparison between Rolling 1-Year Periods of Stock and Bonds. The green line represents the S&P/TSX Composite Index (stocks) and the yellow line represents the FTSE Canada Universe Bond Index. Stocks shown on a 1-year rolling period can have significant volatility where as a pure bond index has less volatility.

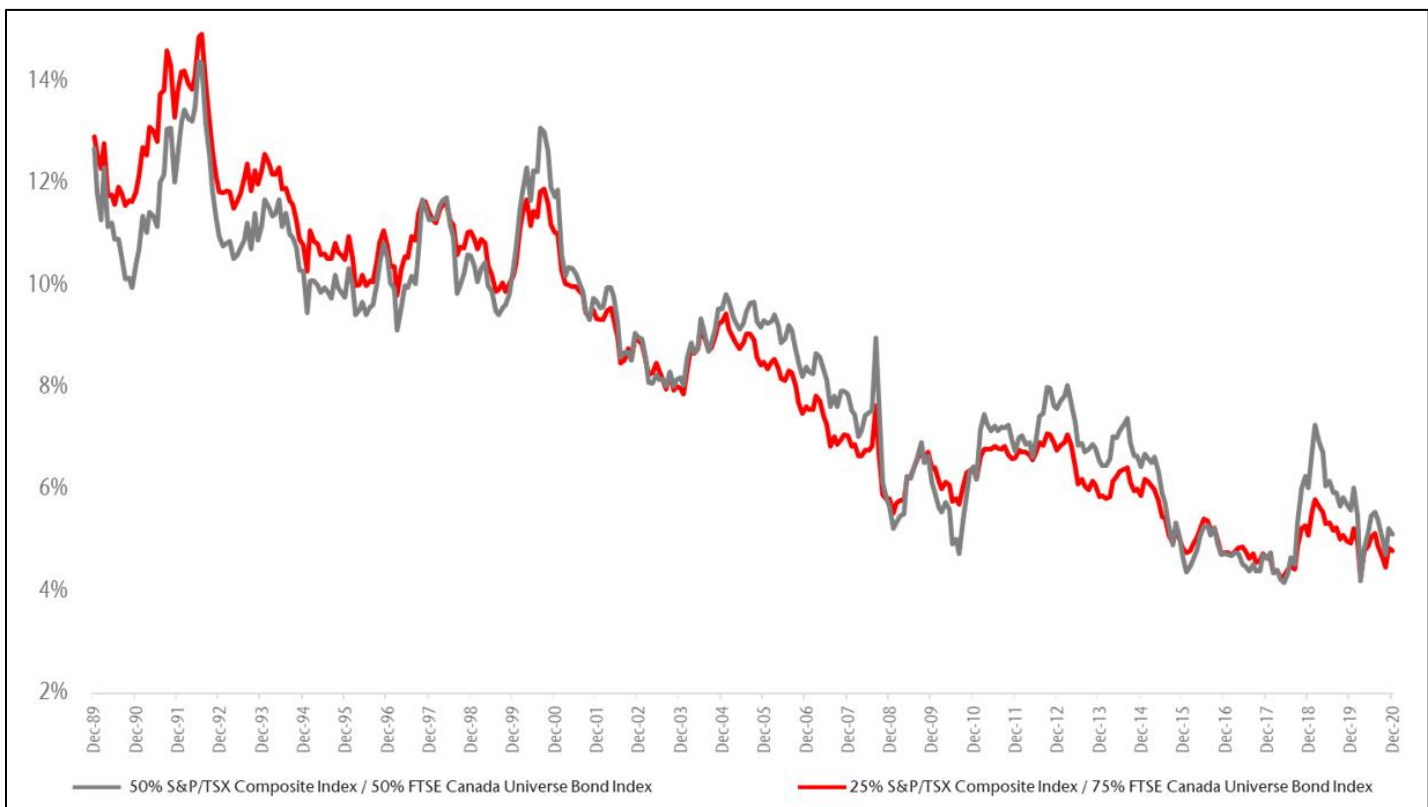
Graph 1: Rolling 1-Year Periods



To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: Expanding Investment Opportunities
 2021 November 17..... Page 6

Looking at these distinctly different asset classes returns over short time periods can naturally lead most local governments to focus primarily on fixed income securities in order to minimize the possibility of extreme gains and losses. However, if one does not need funds for the long term, and can effectively mitigate the risk of selling early, investments in growth assets such as equities are best suited to offer returns above inflation – which is certainly not the case with bonds in the current ultra-low rate environment. A great way to illustrate this point is to look at historical returns over longer periods. As shown in Graph 2, the rolling 10-year returns remove the daily, monthly and annual volatility to show long term investment returns of equities.

Graph 2: Rolling 10-Year Periods



As experienced in 2020 March, equities and other investment assets dropped significantly, between 30% and 40%, depending on the index and sector. As asset prices started dropping, skittish investors fled the market, which increased market volatility and compounded the continued downward spiral. History has taught us time and time again that selling investments during these sharp contraction periods is ill advised, yet history is also full of stories of both retail and sophisticated investors making impulse decisions to sell and crystalize losses. In March/April of 2020, like many time periods in the past, those investors that stayed the course and stuck to their original investment goals of holding for the long term have seen their growth assets recover and grow more. In the most recent case, it took just 18 months.

To: *Financial Management Committee*
From: *Deputy Chief Administrative Officer & Chief Financial Officer*
Re: *Expanding Investment Opportunities*
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Investors with professional portfolio managers benefited from leaving the funds fully invested and many further benefited from allowing portfolio adjustments made by the managers during the difficult period. Many good managers shifted holdings – within client predetermined guidelines – into more equities to capitalize on lower share prices of well managed companies. This is critically important to understanding that less sophisticated asset owners will want to sell during these panic periods, but staying the course will provide long-term financial benefits and compounding of interest and returns.

Various metrics and valuation methods – such as Value at Risk (VaR), Conditional Value at Risk (CVaR), Standard Deviation, Sharpe Ratio, and others - are calculated and analysed when building a diversified portfolio such as the DMAC. Previous results of the model portfolio and future projections are stress tested using multiple market scenarios. Such statistics are used to measure the designed portfolio risk over a period of time. Usually for a long term fund like the DMAC, a period of one year is used to define the risk variance. For an increase in expected return, there is an increase in risk and volatility. These metrics provide the fund Trustees and investors a gauge to determine acceptable levels of portfolio risk.

For example, VaR is a risk measure which helps us understand how much value a portfolio might lose in a worst-case scenario in a given year – such as a 12% loss of value over the next one year period in the worst 5% of possible market outcomes. The Sharpe Ratio is a measure of how efficient a portfolio is taking risk. Sharpe is a volatility-adjusted performance measure which incorporates both expected return and VaR and CVaR values. These measurements are important because many variations of portfolio holdings can then be compared side by side to find the appropriate level of risk for a given target return of 5.5%. Determining an appropriate threshold for these metrics will be a key decision for the MFA Trustees to reach a consensus on. It will serve as the bedrock in determining the acceptable level of risk that the proposed fund may be willing to accept. While a final portfolio has not yet been determined, as tools to measure risk, the asset manager will continue to communicate risks associated with an evolving fund and these risk measurements for the entire duration of the fund. It is a constant measure and re-measure of risk mitigation and strategy. MFA staff, its Pooled Fund Advisory Committee and its Trustees will be actively monitoring these risk metrics, market developments, and the performance of its chosen asset manager for the DMAC fund.

Global diversification is especially important to maximize risk-adjusted returns in growth portfolios. The Canadian capital markets are very concentrated, representing less than 3% of global domestic product. A global approach is more diversified and less risky than a narrow or country-specific one. A global approach accounts for performance rotation, with sectors exhibiting differing growth opportunities over time and uncorrelated country-specific economic cycles. No region or asset class is inherently superior and leadership rotates frequently. A global approach increases opportunities to outperform and mitigates country-specific risk factors, like political, economic or legislative risks.

To: *Financial Management Committee*
 From: *Deputy Chief Administrative Officer & Chief Financial Officer*
 Re: *Expanding Investment Opportunities*
 2021 November 17..... Page 8

A well-diversified portfolio, which may be comprised of stocks, bonds and hard assets like real estate and commodities, is critically important. Spreading invested funds across multiple market sectors and asset classes allows an investor to ride out downturns with less volatility than that experienced in more narrow investment asset classes. It is also important that investors have a certain amount of liquidity available within an investment portfolio. The City has set aside and maintains liquidity in both short term and sellable fixed income products – and so will be able to “ride out” performance variability in the DMAC fund. The DMAC will also itself maintain some liquidity, which will not overly limit growth potential, but in fact leaves adequate flexibility for the asset manager to increase returns. However, that liquidity is maintained within the fund and will not be available to investors unless they sell units of the DMAC. A combination of investing into the DMAC as well as the other MFA pooled funds and maintaining our current directly invested portfolio management strategies - can bring long term benefits to overall value of the City’s investment portfolio – in terms of enhancing returns and managing overall risks

Once invested in the DMAC, the City’s financial statements will be modified slightly to meet Public Account Board Standards reporting guidelines. The statements will emphasize any gains or losses of the DMAC holdings at the end of the fiscal year based on fair market value. These requirements provide transparency for the assets held. It is in this reporting that the short term volatility of long term holdings will show most prevalent. It is a snapshot in time that may not always represent the long-term investment vision positively when a market correction has occurred. Staying the course will be paramount.

As the lead investor into the DMAC fund, the City of Burnaby will invest \$350 million which represents 18% of the City’s total investment portfolio. This amount is under the Province’s guidelines for a maximum of 25% reserve investment by a municipality. As we get closer to the initial investment date, the City, the MFA, and asset manager PH&N will discuss the current investment environment and economic cycle to determine the best deployment strategy of the City’s funds. This may be an immediate investment the first week or an approach that may prolong full investment over a few months.

Other municipalities have shown keen interest in diversifying their holdings and the fund is expected to grow over time. While the total size of the future portfolio is unknown, it is estimated the fund could reach \$750 million to over \$1 billion in assets within a few years.

4.0 SUMMARY

From the initial request to Council in 2019 April for the support of a UBCM resolution to introduce further portfolio asset diversification, the MFA, City staff, and other partners have worked diligently to create a new MFA pooled fund. Sixteen proponents responded to the RFP with PH&N being selected as the DMAC fund asset manager.

To: *Financial Management Committee*
From: *Deputy Chief Administrative Officer & Chief Financial Officer*
Re: *Expanding Investment Opportunities*
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While the investment firm has been selected, there is plenty of work to complete before the fund goes live which is targeted for 2022 January. Portfolio design, risk measurement, custodianship, reporting, investor limits and controls, and many more aspects of the DMAC will be decided in the coming weeks. These decisions include the opportunity for fossil fuel exclusion screening for approximately 44% of the portfolio; which is in addition to the required Environmental, Social and Governance framework using the United Nations Principals for Responsible Investing.

The City of Burnaby will be investing \$350 million of our reserve funds into the DMAC in 2022. The deployment of these funds has yet to be determined and may be on the go-live date or over an extended period of weeks or months. We will not be trying to “time” the market, but will rely on the asset managers suggested approach and guidance based on current market conditions and investment theory.

This report has been provided for information purposes.



Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER

NK:ds/md

Copied to: Chief Administrative Officer



Meeting 2021 Nov 17

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 10

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 39500-07
Reference: Water Rates

SUBJECT: 2022 WATERWORKS UTILITY RATES

PURPOSE: To request Council approval for the 2022 Waterworks Utility rates.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Waterworks Regulation Bylaw 1953, to reflect the 2022 rates in Schedule C of this report, effective 2022 January 01.

REPORT

1.0 INTRODUCTION

The Waterworks Utility is financially self-sustaining and debt free. As such, there is no impact on demands for property taxation, from input cost increases. Rates are reviewed annually to ensure there is sufficient funding available for the respective annual operating and capital programs. Upon Council approval of the subsequent year's annual rate, the Burnaby Waterworks Regulation Bylaw 1953 is amended and adopted by Council prior to the end of the current year.

Waterworks Utility charges are payable on or before March 15 (or the next business day if the due date falls on a weekend). To promote payment by the due date, the City of Burnaby offers discounted rates for payments received on or before the due date. Metered Water customers are offered the same incentive for payments made within 30 days of the billing date, both monthly and quarterly.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Waterworks Utility Rates
 2021 November 17 Page 2

2.0 POLICY SECTION

Goal:

- A Dynamic Community:
 - Economic opportunity - Foster an environment that attracts new and supports existing jobs, businesses and industries
 - City facilities and infrastructure – Build and maintain infrastructure that meets the needs of our growing community
- A Thriving Organization
 - Financial viability – Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

3.0 BACKGROUND

All rates within the Burnaby Waterworks Regulation Bylaw 1953 are approved by Council on an annual basis. As per prior years, the single biggest driver for the budget and rate changes are the costs imposed upon the City by the Great Vancouver Water District (GVWD) for the delivery of water to Burnaby. City of Burnaby rates changes therefore take into account projected GVWD increases, revenues and expenditures, plus the sustainability of the operating and capital reserves over a 5 year period. Other key components include the City's planned capital program and annual operating requirements.

Rate changes are communicated to customers in the form of the Annual Utility Brochure, and Metered Water and Sewer Customer Information Bulletins, which are sent out early in the new year with Utility Notices. Table 1 provides rate change information over the past 5 years and the proposed rate for 2022. The proposed rate increase for 2022 is 2.0%.

Table 1 – City of Burnaby Waterworks Utility Rate Changes

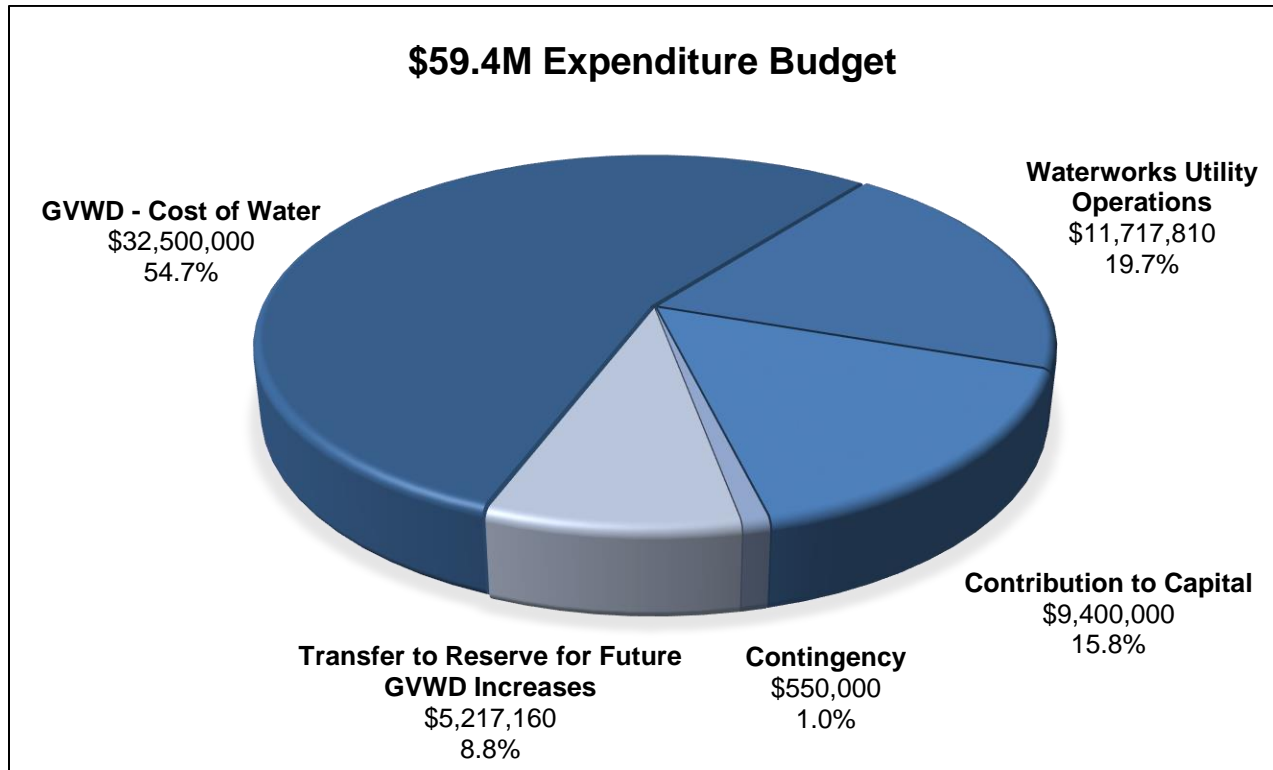
2017	2018	2019	2020	2021	Proposed 2022
1.0%	1.0%	2.0%	1.0%	0.0%	2.0%

4.0 WATERWORKS UTILITY EXPENDITURES

Waterworks Utility expenditures for 2022 are projected at \$59.4M, an overall change of approximately \$3.3M from 2021. The change in overall expenditure is mainly the result of an increase in the provision for future GVWD increases to partially shield customers from fluctuations in GVWD rates, which vary significantly year to year. Schedule A outlines the City's Waterworks Utility 5 Year Operating Plan. Chart 1 summarises the 2022 Waterworks Utility operating expenditure budget:

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Waterworks Utility Rates
 2021 November 17 Page 3

Chart 1 – 2022 Waterworks Utility Operating Expenditure Budget



4.1 Metro Vancouver Greater Vancouver Water District (GVWD) Costs

The GVWD cost of water continues to form the largest percentage of the overall expenditure for 2022, at 54.7% of total expenditure. The GVWD is responsible for acquiring and maintaining the water supply, treating it to ensure its quality and delivering it to the City. The GVWD also provides ongoing capital work for the treatment of water, including the upgrading of facilities to meet safety and environmental standards.

Schedule B summarizes the projected 2022 – 2026 GVWD increases in the cost of water services provided to Burnaby, with historical data going back to 2017. Consumption estimates for 2022 are based on recent City of Burnaby consumption, while figures for 2023 and beyond are based on GVWD projected volume figures. The City's budget includes projected rate increases for the cost of water from 2027 to 2031, based on the average of prior year planned rate increases. The blended average 2022 rate increase for the GVWD is 4.1%, which when combined with estimated consumption, equals an overall cost increase of 2.8%.

For the second year in a row, Peak Rates are increasing and Off-Peak rates remain at 2020 levels. The real increase in Peak Rates is 8.6%

- Peak = 1.0371 per cubic metre (June to September)
- Off-Peak = 0.7119 per cubic metre

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 From: Deputy Chief Administrative Officer & Chief Financial Officer
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 2021 November 17 Page 4

The differential rates between Peak and Off-Peak are intended to incentivize conservation efforts in the region and reduce long term pressures on the capital budget.

Table 2 shows the current five year rates compared to the projected rates provided in 2020.

Table 2 – GVWD Rate Projections

Projections	2022	2023	2024	2025	2026
2021 – 2025 Plan <i>Prior Year</i>	5.2%	6.4%	8.9%	10.8%	6.9%*
2022 – 2026 Plan <i>Current Year</i>	4.1%	6.1%	10.7%	11.7%	11.5%

*City of Burnaby estimate based on Metro Vancouver planned increases.

GVWD 2022 Major Capital Projects:

GVWD capital program expenditures over the next five years are required to expand the system to meet the needs of a growing population, to improve system resiliency, and to maintain aging infrastructure. Highlights of capital projects planned or ongoing for 2022, include the following:

- Continue construction of Central Park Main No. 2 Phase 1;
- Continue construction of Douglas Road Main No. 2 (Still Creek Section);
- Continue construction of Capilano Raw Water Pump Station back-up power;
- Continue construction of Pebble Hill Reservoir Units 1 & 2 Seismic Upgrade;
- Continue detailed design of Seymour Main No. 5 North;
- Continue construction of Fleetwood Reservoir;
- Continue construction of Kennedy-Newton Main; and,
- Continue detailed design of Cape Horn Pump Station 3.

4.2 Waterworks Utility Operations

The City's Engineering Department, Water Services Division, provides high quality drinking water to homes and businesses, as well as water supply for fire suppression. This division manages the installation and maintenance of over 700km of water mains and connections throughout the City. Planned 2022 operational expenditures are \$11.7M, which represents an increase of 9.4% over 2021. The bulk of the increase relates to collective agreement increases, internal staff reorganization between business units, contracting and consulting services, and third party water connections.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Waterworks Utility Rates
 2021 November 17 Page 5

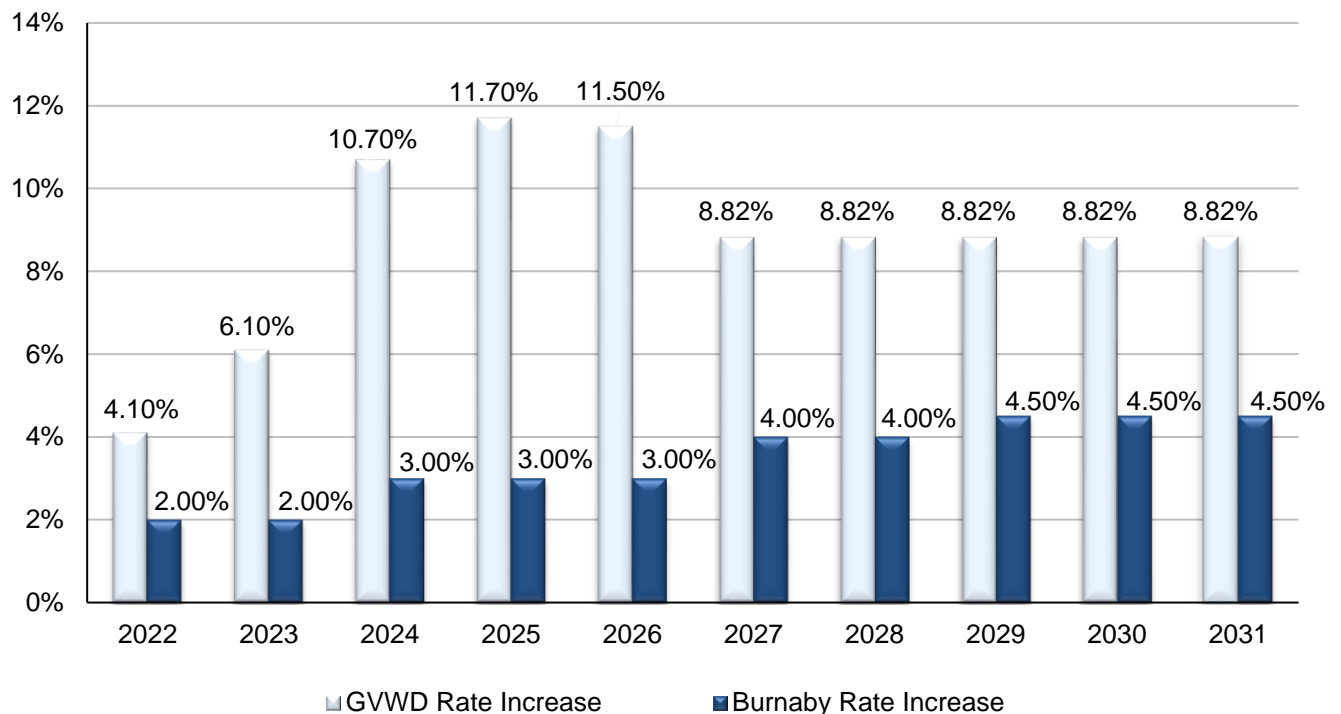
4.3 Contribution to Capital

The City’s pay-as-you-go financing policy of funding ongoing replacement and the development of new capital infrastructure annually has provided assurance that funding is available to sustain the capital program without the need for external debt financing. Currently, the capital reserve has sufficient funding to meet the City’s target level of five year capital expenditure requirements. Staff recommend a 2022 contribution to capital of \$9.4M, which is less than the proposed capital plan, at \$10.9M. This is intended to gradually reduce the balance of the reserve over time.

4.4 Transfer to Reserve for Future GVWD Increases

The provision of \$5.2M for future rate increases (up from \$2.2M in 2021) helps to mitigate fluctuations in GVWD rates. Through the use of reserves held by the City, Burnaby has the ability to offset the immediate impact of rate increases by the GVWD. Hence, planned future City of Burnaby increases will be lower than those imposed upon the City by GVWD, as illustrated in Chart 2.

Chart 2 – Planned GVWD and Burnaby Rate Increases



To: Financial Management Committee
From: Deputy Chief Administrative Officer & Chief Financial Officer
Re: 2022 Waterworks Utility Rates
2021 November 17 Page 6

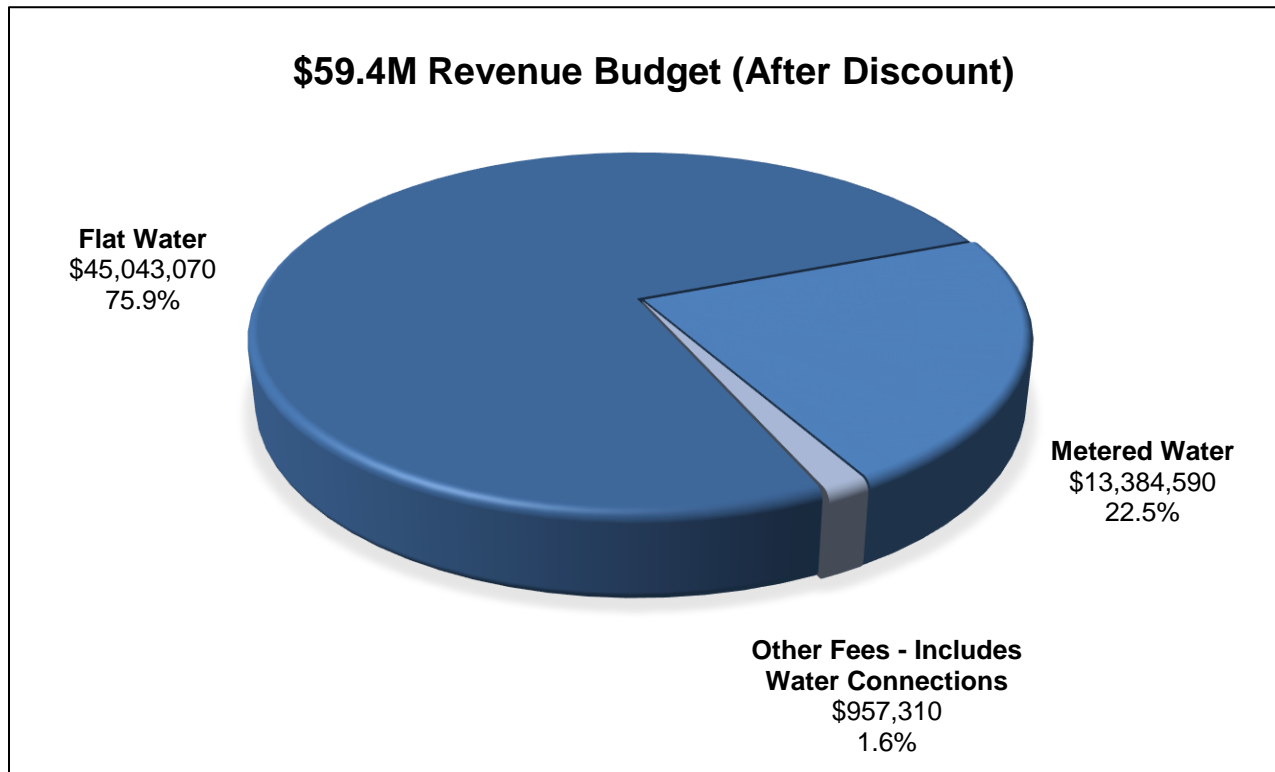
4.5 Contingency

A contingency amount, consistent with prior years, of \$550,000 has been built into the budget to accommodate for any unforeseen costs that may arise during the year.

5.0 WATERWORKS UTILITY REVENUES

Total annual revenue for the Waterworks Utility is estimated at \$59.4M, after applicable customer discounts which is 5.0% for on time payments. The primary revenue source for 2022 is Flat Water, at \$45.0M (2021 - \$42.8M), with Metered Water contributing over \$13.3M (2021 - \$12.6M). Chart 3 provides a breakdown of revenues net of discounts. There is an estimated additional \$3.3M in net revenues for 2022, reflecting continued growth in housing units and an expectation of metered water revenue recovering slightly in 2022.

Chart 3 – 2022 Waterworks Utility Operating Revenue Budget



5.1 Flat Water

The \$45M budget for Flat Water in 2022, which makes up approximately 75.9% of all revenues, is based on prior year actuals and a 1.0% growth factor. The City continues to see strong growth in new residential units, resulting in additional water utility charges.

In 2021, there was an additional 3,190 Strata Apartment/Townhouse and 379 Suite accounts being charged. It is expected that the City will continue to realize a similar growth in housing units in 2022.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Waterworks Utility Rates
 2021 November 17 Page 7

5.2 Metered Water

The City has around 2,600 active water meters for commercial customers, which accounts for 22.5% of total revenues (net of discounts). Following a significant drop in revenue during 2020 as a result of the pandemic, 2021 revenues are starting to trend slightly up, but are expected to still fall short of pre pandemic levels. Metered water revenues for 2022 are therefore based on 2019 and 2020 average actuals, at a modest \$13.4M, which is still around \$2.0M lower than pre pandemic levels.

5.3 Other Fees

Other Fee revenues in 2022 include construction water charges, water permits, water turn-On and turn-off requests and water connection revenue. Water connection revenue is the biggest revenue driver of these fees, which, prior to 2020 was reported outside of the Utility. Water connection services are performed by City crews and invoiced directly to customers.

6.0 BYLAW AMENDMENTS

6.1 Water Permit

Staff have identified a duplication of the Watering Permit Fee within the Burnaby Waterworks Regulation Bylaw 1953. The rate for a Watering Permit is listed in Schedule A of the bylaw, which conflicts with the rate set out in section 3.1 of Schedule B. In order to remove the duplication and conflict, it is proposed that section 3.1 of Schedule B be amended to reference the fee in Schedule A and the latter part of section 3.1 be amended to read as follows:

upon application by the person, operator or owner and, except for a person referred to in section 3.1(b), payment of the fee set out in Schedule "A".

The above amendment will allow the fee to be adjusted, as necessary, during the annual review of fees under the bylaw.

6.2 Water Meter Box Fee

Currently collected under the "Water Connection" fee, this defined fee is being added to Schedule A of the bylaw to provide transparency, and assist in the avoidance of fee confusion. This proposed fee is being set at \$1,500. Currently, staff are collecting \$850, and an increase is required to ensure that a greater portion of costs related to this service are properly recovered.

It is proposed that Schedule A is updated to incorporate the revised fee.

To: Financial Management Committee
From: Deputy Chief Administrative Officer & Chief Financial Officer
Re: 2022 Waterworks Utility Rates
2021 November 17 Page 8

7.0 RECOMMENDATION

It is recommended that the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Waterworks Regulation Bylaw 1953, to reflect the 2022 rates in Schedule C of this report, effective 2022 January 01.



Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER

NK:RR/md

*Attachments: Schedule A – 2022 Waterworks Utility - 5 Year Operating Budget
Schedule B – Cost of Water Supplied to Burnaby by the Greater Vancouver Water District
Schedule C – 2022 Waterworks Utility Rates*

Copied to: Chief Administrative Officer
Director Corporate Services
Director Engineering
City Solicitor
City Clerk

2022 Waterworks Utility - 5 Year Operating Budget

Schedule A

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Annual	2022 Budget	2023 Projected	2024 Projected	2025 Projected	2026 Projected
	\$	\$	\$		\$	\$	\$	\$	\$	\$
EXPENDITURE										
GVWD - Cost of Water	26,983,020	27,842,870	28,680,347	29,940,937	31,605,014	32,500,000	34,510,000	38,754,270	43,295,780	48,398,880
Waterworks Utility Operations	6,822,740	6,933,230	8,469,790	8,505,601	10,715,510	11,717,810	12,069,340	12,431,420	12,804,360	13,188,490
Contribution to Capital	21,131,130	18,809,700	9,190,812	4,135,402	11,000,000	9,400,000	9,000,000	8,000,000	6,000,000	6,000,000
Transfer to Reserve for Future GVWD Increases	-	-	3,415,800	7,727,930	2,232,750	5,217,160	6,945,390	5,740,680	5,287,090	2,354,820
Special Project - One Time Request	-	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	550,000	550,000	550,000	550,000	550,000	550,000
Surplus	-	1,834,040	7,202,700	6,824,190	-	-	-	-	-	-
TOTAL	54,936,890	55,419,840	56,959,449	57,134,060	56,103,270	59,384,970	63,074,730	65,476,370	67,937,230	70,492,190
GROSS REVENUES/TRANSFERS										
Flat rates (Net of Discounts)	39,153,707	39,729,876	40,586,050	42,578,447	42,822,980	45,043,070	46,399,940	48,266,330	50,207,830	52,227,470
Metered Rates (Net of Discounts)	15,552,029	15,257,777	15,488,440	13,290,680	12,664,080	13,384,590	15,690,940	16,161,670	16,646,520	17,145,910
Construction - Metered Charges	3,412	-	55,949	82,711	64,820	80,000	81,600	84,050	86,570	89,170
Construction - Flat Rate Charges	32,800	109,300	33,252	27,506	26,390	100,000	102,000	105,060	108,210	111,460
Permits and Fees	22,714	22,140	33,737	34,017	35,000	31,690	32,320	33,290	34,290	35,320
Other / Recovery General	22,732	300,748	55,796	4,338	-	5,620	5,730	5,900	6,080	6,260
Water Connections (new 2020)	-	-	706,227	1,116,364	490,000	740,000	762,200	785,070	808,620	832,880
Previous Year's Surplus Brought Forward	-	-	-	-	-	-	-	35,000	39,110	43,720
TOTAL	54,936,890	55,419,840	56,959,450	57,134,060	56,103,270	59,384,970	63,074,730	65,476,370	67,937,230	70,492,190
Rate Increase	1.00%	1.00%	2.00%	1.00%	0.00%	2.00%	2.00%	3.00%	3.00%	3.00%

Cost of Water Supplied to Burnaby by the Greater Vancouver Water District

Schedule B

	Cost/m ³		Increase Over Prior Year				Volumes m ³			Change in Volume	Annual Cost to Burnaby	Increase in Total Cost	
	Off-Peak	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak	Peak	Total m ³	%	Including Adjustments	000 \$	%
			\$	\$	%	%							
2017 Actual	0.6113	0.7641	0.0187	0.0234	3.16	3.16	23,270	16,700	39,970	0.62	26,983	1,397	5.4%
2018 Actual	0.6350	0.7938	0.0237	0.0297	3.88	3.89	23,528	16,330	39,858	-0.28	27,843	860	3.2%
2019 Actual	0.6719	0.8399	0.0369	0.0461	5.81	5.81	23,380	15,433	38,814	-2.62	28,680	837	3.0%
2020 Actual	0.7119	0.8899	0.0400	0.0500	5.95	5.95	23,186	16,207	39,393	1.49	29,941	1,261	4.4%
2021 Budget	0.7119	0.9546	0.0000	0.0647	0.00	7.27	23,677	15,451	39,128	-0.67	31,605	1,664	5.6%
2022 Budget	0.7119	1.0371	0.0000	0.0825	0.00	8.64	23,736	15,046	38,782	-0.88	32,500	895	2.8%
2023 Estimate	0.7553	1.1004	0.0434	0.0633	6.10	6.10	22,830	15,693	38,523	-0.67	34,510	2,010	6.2%
2024 Estimate	0.8361	1.2181	0.0808	0.1177	10.70	10.70	23,158	15,919	39,077	1.44	38,754	4,244	12.3%
2025 Estimate	0.9340	1.3606	0.0978	0.1425	11.70	11.70	23,162	15,922	39,083	0.02	43,296	4,542	11.7%
2026 Estimate	1.0414	1.5171	0.1074	0.1565	11.50	11.50	23,221	15,962	39,184	0.26	48,399	5,103	11.8%
Increase 2017 - 2021			0.1193	0.2139	16.46	24.93						6,019	17.13
Projected Increase 2022 - 2026			0.3295	0.5625	46.28	46.28						16,794	48.92

Notes:

2017-2020 volumes are based on actuals up to December 31 2020.

2021 volumes and costs are as per the budget for 2021.

2022 volumes are based on the City of Burnaby average volume for the prior two years, using current year actual consumption to date. Rates are as per GVWD.

2023 - 2026 rates are based on GVWD projected rate increases, and volumes are based on GVWD projected increases.

2022 Waterworks Utility Rates

Schedule C

	Effective Jan 1 2021 Paid by Mar. 15	Effective Jan 1 2021 Paid after Mar. 15	Effective Jan 1 2022 Paid by Mar. 15	Effective Jan 1 2022 Paid after Mar. 15
FLAT RATES	\$	\$	\$	\$
Detached Single Family Dwelling	595.65	627.00	607.56	639.54
Twin Family Dwelling (non stratified - entire property)	893.48	940.50	911.34	959.31
Two Family Dwelling, including strata, forming part of a duplex Per Unit	446.69	470.20	455.62	479.60
Multiple Family Dwelling, including strata, not part of a duplex Per Unit: (includes Tri-Plex and Four-Plex)	342.00	360.00	348.84	367.20
Rented Suite in a Single Family Dwelling - Supplementary Utility Fee	297.83	313.50	303.78	319.77
Rented Suite in a Two Family Dwelling - Supplementary Utility Fee	223.35	235.10	227.81	239.80
Commercial - not more than 3 stores / offices:				
Commercial and living quarters, 1 family	1191.30	1,254.00	1215.13	1,279.08
Commercial and no living quarters	595.65	627.00	607.56	639.54
Miscellaneous Structure - Rate per unit	59.38	62.50	60.56	63.75
City Facility – Unit Charge	59.38	62.50	60.56	63.75
Cross Connection Controls				
Per Device	53.58	56.40	54.65	57.53
Minimum Per Unit	6.75	7.10	6.88	7.24
	Paid within 30 days of billing date	Paid 31 or more days after billing date	Paid within 30 days of billing date	Paid 31 or more days after billing date
METERED RATES				
Monthly				
Per cubic metres	1.587	1.670	1.618	1.703
Minimum monthly	49.647	52.260	50.640	53.305
Quarterly				
Per cubic metres	1.587	1.670	1.618	1.703
Minimum quarterly	148.913	156.750	151.891	159.885
Water Connection	As per agreed cost of connection		As per agreed cost of connection	
Water Tie In	As per agreed cost of connection		As per agreed cost of connection	
Water Transfers	As per agreed cost of connection		As per agreed cost of connection	
Meter Purchase and Installation				
Water Meter 5/8" to 10"	Actual cost		Actual cost	
Water Meter 5/8" installation	No discount	353.50	No discount	360.60
Water Meter 3/4" installation	No discount	454.50	No discount	463.60
Water Meter 1" installation	No discount	656.50	No discount	669.60
Water Meter 1.5" installation	No discount	1,111.00	No discount	1,133.20
Water Meter 2" installation	No discount	1,262.50	No discount	1,287.80
Water Meter 3" installation	No discount	2,121.00	No discount	2,163.40
Water Meter 4" installation	No discount	2,626.00	No discount	2,678.50
Water Meter 6" installation	No discount	5,050.00	No discount	5,151.00
Water Meter 8" installation	No discount	6,565.00	No discount	6,696.30
Water Meter 10" installation	No discount	7,575.00	No discount	7,726.50

	Effective Jan 1 2021 Paid by Mar. 15	Effective Jan 1 2021 Paid after Mar. 15	Effective Jan 1 2022 Paid by Mar. 15	Effective Jan 1 2022 Paid after Mar. 15
OTHER INSTALLATION / DEVICE FEES				
Nelson box purchase and installation for driveway MR6	No discount	180.00	No discount	183.60
Fireline meter purchase - 6" to 10"		Actual cost		Actual cost
6" Fireline Installation	No discount	5,050.00	No discount	5,151.00
8" Fireline Installation	No discount	6,570.00	No discount	6,701.40
10" Fireline Installation	No discount	7,580.00	No discount	7,731.60
Water Meter Box Fee	New 2022	New 2022	No discount	1,500.00
CONSTRUCTION FLAT WATER ANNUAL CHARGE				
19 mm Connection	No discount	1,440.00	No discount	1,468.80
25 mm Connection	No discount	3,710.00	No discount	3,784.20
50 mm Connection	No discount	11,230.00	No discount	11,454.60
CONSTRUCTION OTHER				
Construction Meter Deposit 2019 (Previously connection charge)	No discount	5,150.00	No discount	5,253.00
Construction meter Usage Charge		As per Metered rates		As per Metered rates
MISCELLANEOUS CHARGES				
I. Water Turn-on / Turn-off request (per occurrence)				
Regular hours: 7am to 11 pm Monday to Friday except statutory holidays	No discount	60.00	No discount	61.20
After hours: 11pm to 7am Mon - to Fri, weekends and statutory holidays	No discount	160.00	No discount	163.20
II. Fire Hydrant				
Permit (Inspection fee)	No discount	160.00	No discount	163.20
Water use per day	No discount	30.00	No discount	30.60
Damage deposit (refundable)	No discount	550.00	No discount	561.00
III. Meter Test or retest				
16 mm, 19 mm, 25 mm, 32 mm, 38 mm or 50 mm meters	No discount	130.00	No discount	132.60
76 mm, 102 mm, 152 mm or meters over 152 mm	No discount	250.00	No discount	255.00
IV. Service Disconnection				
At Property Line	No discount	365.00	No discount	372.30
At Main	No discount	3,610.00	No discount	3,682.20
V. Special Meter Reading	No discount	90.00	No discount	91.80
VI. Watering Permit *	No discount	60.00	No discount	61.20
General Rate Increase	0.00%	0.00%	2.00%	2.00%

Note:

Full payment of the amount specified is required by the due date in order to receive the lower rate, where applicable.



Meeting 2021 Nov 17

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 10

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 36000-07
Reference: Sewer Rates

SUBJECT: 2022 SANITARY SEWER RATES

PURPOSE: To request Council approval for the 2022 Sanitary Sewer Fund rates.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994, the Burnaby Sewer Charge Bylaw 1961, and the Burnaby Sewer Connection Bylaw 1961, to reflect the 2022 rates in Schedule C of this report, effective 2022 January 01.

REPORT

1.0 INTRODUCTION

The Sanitary Sewer Fund is financially self-sustaining and debt free. Rate changes do not impact what is collected for general property taxes; however, Sewer Parcel Tax is billed with Property Taxes in May. As such, any increase in Sanitary Sewer Fund rates would therefore influence the total amount billed on the Tax Notice. Sanitary Sewer Fund rates are reviewed annually and adjustments are made to provide funding for operating and capital sewer programs through the adoption of amendments to the Burnaby Sewer System Parcel Tax Bylaw 1994, the Burnaby Sewer Charge Bylaw 1961, and the the Burnaby Sewer Connection Bylaw 1961.

The due date for Sanitary Sewer Fund charges is March 15 (or the next business day if the due date falls on a weekend). To promote payment by the due date, Burnaby offers discounted rates for payments received on or before the due date. Metered Sanitary Sewer customers are offered the same incentive for payments made within 30 days of the billing date. Metered customers are assigned either a monthly or quarterly account, based on volume.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Sanitary Sewer Rates
 2021 November 17..... Page 2

2.0 POLICY SECTION

Goal:

- A Dynamic Community:
 - Economic opportunity - Foster an environment that attracts new and supports existing jobs, businesses and industries
 - City facilities and infrastructure – Build and maintain infrastructure that meets the needs of our growing community
- A Thriving Organization
 - Financial viability – Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

3.0 BACKGROUND

The annual budget process for the Sanitary Sewer Fund takes into account projected revenues and expenditures, plus sustainability of the operating and capital reserves over a 5 year period. As per prior years, the single biggest driver for budget and rate increases are the costs imposed on the City by the Metro Vancouver Regional District (MVRD) for distribution and processing, in the form of the Greater Vancouver Sewage and Drainage District (GVS&DD) Levy. Other key components include the City's anticipated annual capital spend and annual operating requirements.

All rates within the three bylaws are updated annually by the same percentage amount, barring specific rate adjustments or new rates. Rate increases are communicated to customers in the form of the Annual Utility Brochure, and Metered Water and Sewer Customer Information Bulletins, which are sent out in the new year with Utility Notices. Table 1 provides rate increase information over the past 5 years and the proposed rate for 2022. The proposed rate change for 2022 is 2.0%.

Table 1 – City of Burnaby Sanitary Sewer Rate Changes

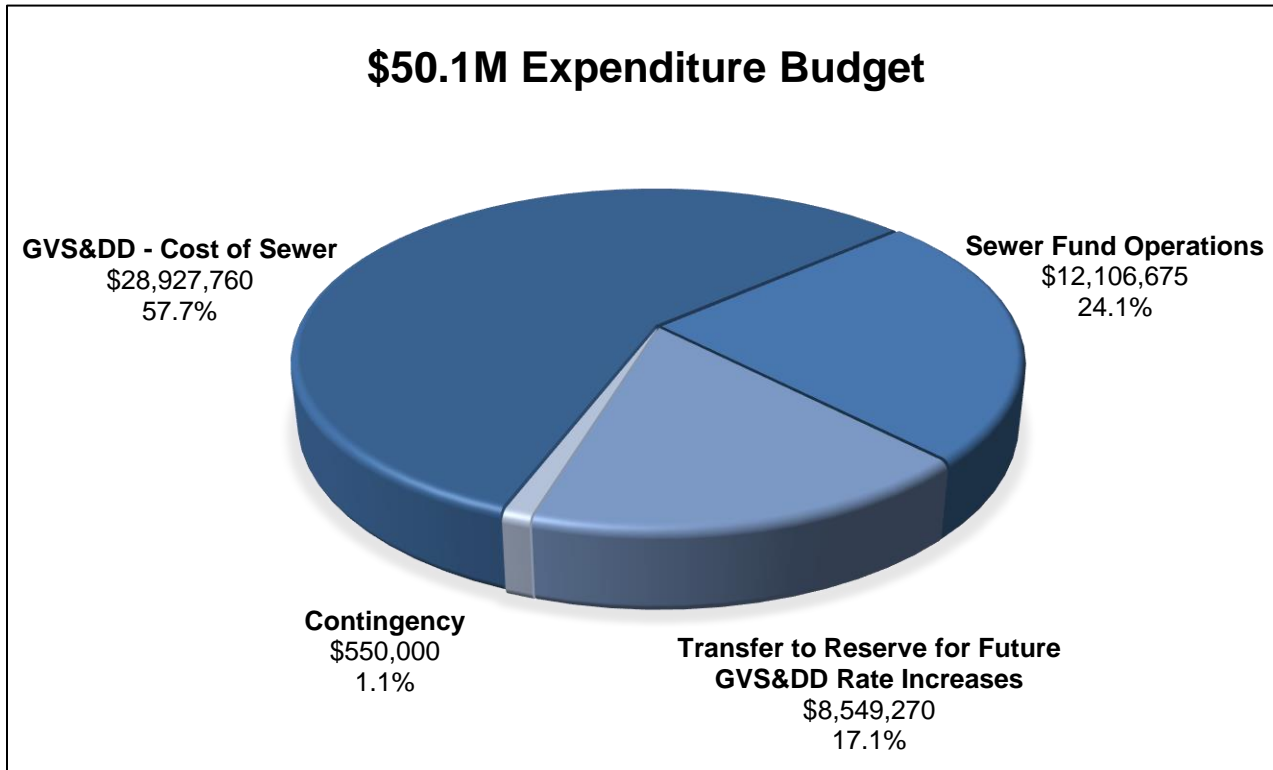
2017	2018	2019	2020	2021	Proposed 2022
1.5%	0.0%	2.0%	2.0%	0.0%	2.0%

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Sanitary Sewer Rates
 2021 November 17..... Page 3

4.0 SANITARY SEWER FUND EXPENDITURES

Sanitary Sewer Fund expenditures for 2022 are projected at \$50.1M, an overall change of \$2.8M over 2021. As per the previous year, this expenditure increase is primarily due to increases in GVS&DD costs, partially offset by a slight reduction in the amount transferred to reserve for future GVS&DD rate increases. Schedule A outlines the City’s Sanitary Sewer Fund 5 Year Operating Plan. Chart 1 summarises the 2022 Sanitary Sewer Fund operating expenditure budget:

Chart 1 – 2022 Sanitary Sewer Fund Operating Expenditure Budget



4.1 Metro Vancouver Regional District - Greater Vancouver Sewerage and Drainage District Costs

The GVS&DD levy remains the largest single item of expenditure, at 57.7% of total costs, (58.4% in 2021). Based on the finalised GVS&DD net levy increase of 4.1%, the 2022 GVS&DD levy is estimated at just under \$28.9M. It is noted that in recent years, MVRD rates are subject to large fluctuations from year to year.

Burnaby rates do not need to match those of MVRD each year, given the City’s ability to draw down from reserves. However, in the long term, Burnaby rates will have to increase to double digits if the reported GVS&DD rate increases are realised, and continue each year.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Sanitary Sewer Rates
 2021 November 17..... Page 4

Table 2 provides a comparison of previously reported annual rate increases, to those reported in the most recent MVRD 2022-26 plan document. Significant rate increases are being projected, which for 2023 and 2024 are partially the result of a lower than previously reported increases for 2022.

Table 2 – MVRD Rate Projections

Projections	2022	2023	2024	2025	2026
2021 – 2025 Plan <i>Prior Year</i>	9.4%	12.8%	12.3%	18.5%	11.5%*
2022 – 2026 Plan <i>Current Year</i>	4.1%	19.3%	17.6%	18.4%	30.1%

*City of Burnaby estimate based on Metro Vancouver Regional District planned increases.

Schedule B summarizes the projected 2022 – 2026 GVS&DD increases for liquid waste services provided to Burnaby, with historical data going back to 2017. Data for 2022-2025 is based on MVRD rate predictions, with 2026 costs based on average proposed rate increases. The City's budget includes projected rate increases for liquid waste services through to 2031.

GVS&DD 2022 Major Capital Projects:

The MVRD Capital program for 2022 - 2026 is driven by a need to expand the system and address challenges posed by the growing population. This is coupled with efforts to improve wastewater discharge quality and maintenance of the aging infrastructure. The largest of the projects as set out in their five year plan are:

- North Shore Waste Water Treatment Plant Advanced Treatment Upgrade
- Northwest Langley Waste Water Treatment Plant Expansion
- Iona Island Waste Water Treatment Plant Advanced Treatment Upgrade
- Annacis Island Waste Water Treatment Plant Stage 5 Expansion and Outfall System (transitioning to Project Delivery in 2022)

4.2 Sanitary Sewer Fund Operations

The 2022 Sewer Maintenance and Operations Expenditure budget is set at \$12.1M, an increase around \$611,000 or 5.3% over 2021. The main drivers for the change include collective agreement increases, internal re-allocation of staff between business units, two additional labourer 2 positions, expenditure to fund Engineering studies and external modeling, and finally, an increase in allocation overhead.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: 2022 Sanitary Sewer Rates
 2021 November 17..... Page 5

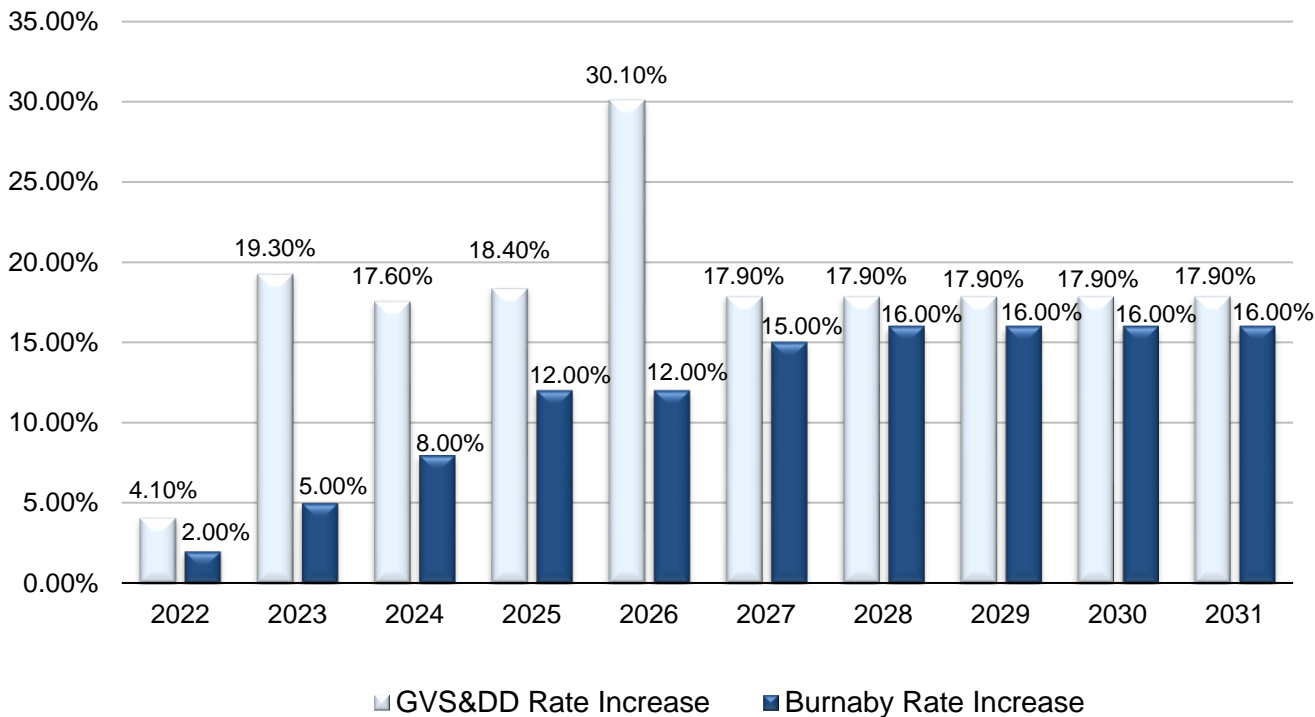
4.3 Contribution to Capital

Capital funding is reviewed annually to align reserve balances with planned expenditure over a 5 to 10 year period. As was the case for the 2021 budget cycle, the Sanitary Sewer Capital Reserve has sufficient funding, exceeding the City’s target level of five years capital works funding. Based on planned annual spend and the current balance of the reserve, no transfer to capital has been allocated in 2022.

4.4 Transfer to Reserve for Future MVRD GVS&DD Increases

As per the previous budget, in order to mitigate against potential fluctuations in GVS&DD rates, a provision is set aside for future rate fluctuations as part of the 2022 budget. As noted above, GVS&DD rates are increasing significantly in double digits from 2023. Fluctuations in annual GVS&DD increases by MVRD are demonstrated in Chart 2. The chart demonstrates how, by putting funds aside now, the City is able to smooth out its rate increases, which can be seen to lag below those set by the MVRD. By tapering the rate increases, the City is limiting the immediate impact of GVS&DD rate increases. The provision for 2022 is \$8.5M.

Chart 2 – Planned MVRD GVS&DD and Burnaby Rate Increases



To: Financial Management Committee
From: Deputy Chief Administrative Officer & Chief Financial Officer
Re: 2022 Sanitary Sewer Rates
2021 November 17..... Page 6

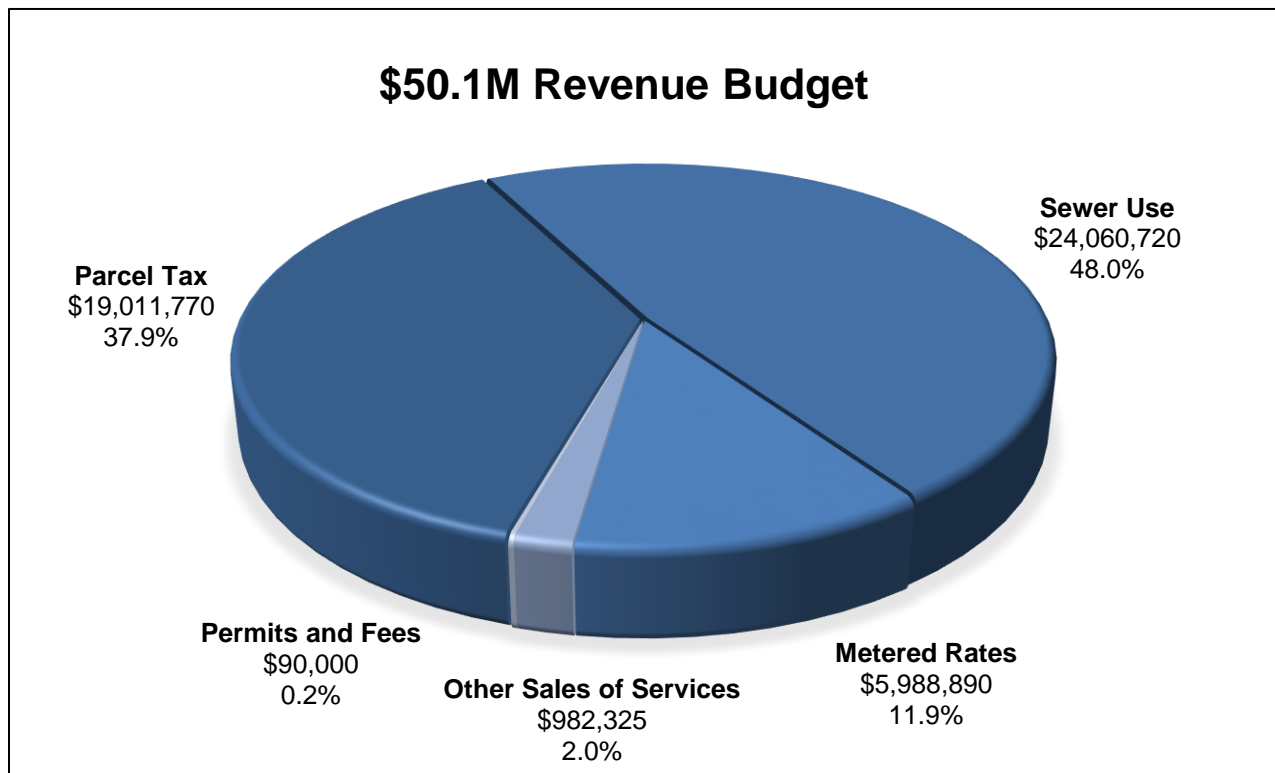
4.5 Contingency

A contingency amount, consistent with prior years, of \$550,000 has been built into the budget to accommodate for any unforeseen costs that may arise during the year.

5.0 SANITARY SEWER FUND REVENUES

The primary sources of revenues for 2022 are Sewer Parcel Tax, Sewer Use, and Metered Sewer revenue. A smaller percentage of revenue comes from permits and fees, private works and inspection activities. Chart 3 provides a breakdown of revenues net of discounts. There is a \$2.8M overall increase in funds being raised. The primary source being Sewer Use, which reflects continued annual growth in residential units. There is also a slight increase in 2022 over 2021 budget figures for Metered Sewer, which takes into account year to date figures, suggesting a slight recovery in consumption.

Chart 3 – 2021 Sanitary Sewer Fund Operating Revenue Budget



To: *Financial Management Committee*
 From: *Deputy Chief Administrative Officer & Chief Financial Officer*
 Re: *2022 Sanitary Sewer Rates*
 2021 November 17..... Page 7

5.1 Sewer Parcel Tax

Owners of every parcel of land with the ability to connect to the City's sewer network are charged an annual flat Sewer Parcel Tax, which is billed with property taxes. Two or more units on a parcel (such as a Two Family Dwelling) share the Sewer Parcel Tax and also pay a Sewer Use Fee. Sewer Parcel Tax revenue is based on prior-year actuals multiplied by the recommended rate increase for 2022. As Sewer Parcel revenue is fairly stable, a percentage increase for growth is not included. Budgeted Sewer Parcel Tax revenue for 2022 stands at \$19.0M.

5.2 Sewer Use

Sewer Use revenue continues to grow each year as new properties come online. For 2022 a two percent growth factor has been incorporated into budget projections. Net revenue for 2022 is set at just over \$24.1M, which is an increase of 6.8% over 2021. Sewer Use Fees are paid by all owners of multi-family, commercial, and industrial properties, including duplex, townhouse, apartment, strata and non-stratified units.

5.3 Metered Rates

Rates for Metered Sewer customers increase at the same percentage as flat rates. Following a sharp decline in metered consumption during 2020, latest 2021 figures suggest that revenues are recovering slightly. As such, Metered Sewer revenue is set at \$6.0M after discount, a 14.4% increase over 2021. This is still below pre-pandemic revenue, which on average is around \$6.5M for the years 2017-2019.

5.4 Other Sales of Services, Permits, and Fees

Around 2.0% of net revenues is comprised of other fees and permits. There is a very small increase in revenue for 2022, for a total of \$982,325. Permit fee revenue comprises a further \$90,000.

6.0 BYLAW AMENDMENT – STORM SERVICE CONNECTION FEES

Storm Service Connection Fees are contained within the Sewer Connection Bylaw 1961 Schedule A. The amount levied for Sewer Service Connection to Single and Two Family dwellings is a flat fee amount and is updated annually in line with the general increase in fees. Currently, Schedule A does not separately identify the fee for multi family, institutional, commercial and industrial properties, which are charged based on the actual cost of connection. It is proposed that these fees be separately identified in section 1 of Schedule A of the Sewer Connection Bylaw. This change is incorporated in the fees outlined in Schedule C, attached to this report.

To: *Financial Management Committee*
From: *Deputy Chief Administrative Officer & Chief Financial Officer*
Re: *2022 Sanitary Sewer Rates*
2021 November 17..... Page 8

7.0 RECOMMENDATION

It is recommended that Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994, the Burnaby Sewer Charge Bylaw 1961, and the Burnaby Sewer Connection Bylaw 1961, to reflect the 2022 rates in Schedule C of this report, effective 2022 January 01.



Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER

NK:RR/md

*Attachments: Schedule A – 2022 Sanitary Sewer - 5 Year Operating Budget
Schedule B – Sanitary Sewer Rates Charged by Metro Vancouver
Schedule C – 2022 Sanitary Sewer Rates*

Copied to: Chief Administrative Officer
Director Corporate Services
Director Engineering
City Solicitor
City Clerk

2022 Sanitary Sewer - 5 Year Operating Budget

Schedule A

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Annual	2022 Budget	2023 Projected	2024 Projected	2025 Projected	2026 Projected
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE										
GVS&DD Cost of Sewer	21,245,845	22,476,527	23,814,530	26,629,571	27,789,080	28,927,760	34,510,820	40,584,720	48,052,310	62,516,060
Sewer Fund Operations	6,642,219	7,215,520	8,510,180	9,846,585	11,494,850	12,106,675	12,469,880	12,843,980	13,229,300	13,626,180
Infrastructure Investment	13,898,105	11,895,810	2,950,730	240,638	-	-	-	-	2,000,000	2,000,000
Transfer to Reserve for Future GVS&DD Rate Increases	-	-	8,475,530	8,305,416	7,548,205	8,549,270	5,322,632	3,351,366	648,897	-
Contingency	-	-	-	-	550,000	550,000	550,000	550,000	550,000	550,000
Surplus	1,791,334	2,827,933	1,244,390	2,551,090	-	-	-	-	-	-
TOTAL	43,577,500	44,415,790	44,995,360	47,573,300	47,382,140	50,133,705	52,853,330	57,330,070	64,480,510	78,692,240
REVENUES/TRANSFERS										
Parcel Tax	18,644,486	18,689,728	18,964,375	18,628,137	18,628,137	19,011,770	19,962,360	21,559,350	24,146,470	27,044,050
Sewer Use	18,673,081	19,155,487	19,575,451	22,402,700	22,535,160	24,060,720	25,476,690	27,763,290	31,365,720	35,435,640
Metered Rates	6,140,269	6,438,868	6,362,771	5,395,631	5,236,508	5,988,890	6,288,332	6,791,396	7,606,367	8,519,128
Other Sales of Services	5,201	13,717	18,363	1,062,956	882,330	982,325	1,031,440	1,113,960	1,247,640	1,397,350
Permits and Fees	114,466	117,986	74,396	83,875	100,000	90,000	94,500	102,060	114,300	128,020
Previous Year's Surplus Brought Forward / Transfer From Reserve	-	-	-	-	-	-	10	10	10	6,168,052
TOTAL	43,577,500	44,415,790	44,995,360	47,573,300	47,382,140	50,133,705	52,853,330	57,330,070	64,480,510	78,692,240
Rate Increase	1.50%	0.00%	2.00%	2.00%	0.00%	2.00%	5.00%	8.00%	12.00%	12.00%

Sanitary Sewer Rates Charged by Metro Vancouver

Schedule B

Year	GVS&DD Sewerage Levy		Increase From Previous Year	
		\$	\$	%
2017		21,245,845	1,515,024	7.68%
2018		22,476,803	1,230,958	5.79%
2019		23,814,534	1,337,731	5.95%
2020		26,629,571	2,815,037	11.82%
2021		27,789,081	1,159,510	4.35%
2022		28,927,761	1,138,680	4.10%
2023		34,510,819	5,583,058	19.30%
2024		40,584,723	6,073,904	17.60%
2025		48,052,312	7,467,589	18.40%
2026		62,516,058	14,463,746	30.10%
2017 - 2022 Change		7,681,916	36.16%	
2023 - 2026 Change		28,005,239	81.15%	

Notes:

2022-2025 charges are based on Metro Vancouver estimates.

2026 changes are based on prior year actual Metro Vancouver increases.

2022 Sanitary Sewer Rates

Schedule C

	Effective January 1 2021		Effective January 1 2022	
Sewer Parcel Taxes not paid in full by the due date for Property Taxes will be subject to a 5% penalty in line with other Property Taxes.	\$		\$	
SEWER PARCEL TAX (SEWER PARCEL TAX BYLAW 1994) Every owner of every real parcel capable of being drained	Payable by Property Tax Due Date		Payable by Property Tax Due Date	
- Municipal installed	563.29		574.56	
- Subdivider installed (for installations prior to January 1 2016)	281.65		287.28	
Full payment of the amount specified is required by the due date in order to receive the lower rate, where applicable.	\$	\$	\$	\$
	Paid by Mar. 15	Paid after Mar. 15	Paid by Mar. 15	Paid after Mar. 15
SEWER USE (BURNABY SEWER CHARGE BYLAW 1961)				
a) Strata lot (not part of a duplex)	305.11	321.17	311.21	327.59
b) Two Family dwelling unit including strata, forming part of a duplex, each unit.	140.83	148.24	143.64	151.20
c) Multiple family dwelling, including strata, (not part of a duplex) each unit. (includes tri-plex and four-plex).	305.11	321.17	311.21	327.59
d) Rental Suite in a Single Family Dwelling - Supplementary Utility Fee.	281.65	296.47	287.28	302.40
e) Rental Suite in a Two Family Dwelling - Supplementary Utility Fee.	210.71	221.80	214.93	226.24
f) Sewer Use - Exempt Properties (in lieu of Parcel Tax)	561.89	591.46	573.12	603.29
>SEWER USE, CONTAMINATED GROUNDWATER DISCHARGES (Rate applies to all consumption levels.)				
Vancouver Sewerage Area - per cubic metre	0.9231	N/A	0.9231	N/A
Fraser Sewerage Area - per cubic metre	0.9231	N/A	0.9231	N/A
>SEWER USE, METERED RATES - REGULAR CUSTOMERS	Paid within 30 days of billing date	Paid 31 or more days after billing date	Paid within 30 days of billing date	Paid 31 or more days after billing date
<u>Monthly:</u> Per Cubic Metre	0.9392	0.9886	0.9580	1.0084
<u>Quarterly:</u> Per Cubic Metre	0.9392	0.9886	0.9580	1.0084
>SEWER USE, METERED RATES - PERMITTED BOD/TSS CUSTOMERS	Paid within 30 days of billing date	Paid 31 or more days after billing date	Paid within 30 days of billing date	Paid 31 or more days after billing date
<u>Monthly:</u> Per Cubic Metre	0.4696	0.4943	0.4790	0.5042
<u>Quarterly:</u> Per Cubic Metre	0.4696	0.4943	0.4790	0.5042
>Metered Customer Credit: Customers receive a credit reduction based on the "Discounted" Parcel tax charge applied to the property, based on 1/12 or 1/4 for monthly and quarterly accounts respectively, as set out in Schedule A of the Bylaw. The exemption is not to exceed monthly or quarterly calculated meter charges.				

Full payment of the amount specified is required by the due date in order to receive the lower rate, where applicable.

SEWER CONNECTION FEES (SEWER CONNECTION BYLAW 1961, Schedule A)

1. Fees

- a) Sewer Connection Adjustment Application
- b) Service Connection (Sanitary)
- c) Storm Service Connection - Single & Two Family
- d) Storm Service - Multi Family & ICI

2. Fees

- a) For each sanitary sewer connection inspection
- b) For each storm sewer connection inspection
- c) For each combined sewer connection inspection
- d) For the third & each subsequent inspection (section 15(2))
- e) Sanitary Inspection Chamber Box - purchase
- f) Storm Inspection Chamber Box - purchase
- g) Sewer Video Inspection - Sanitary
- h) Sewer Video Inspection - Storm

RATE INCREASE

Effective January 1 2021	
\$ Paid by Mar. 15	\$ Paid after Mar. 15
No discount	387.60
No discount	Actual cost
No discount	11,400.00
New 2022	New 2022
No discount	92.82
No discount	92.82
No discount	92.82
No discount	63.24
As per agreed cost of purchase	
As per agreed cost of purchase	
510.00	Plus GST
510.00	Plus GST
0.00%	0.00%

Effective January 1 2022	
\$ Paid by Mar. 15	\$ Paid after Mar. 15
No discount	395.00
No discount	Actual cost
No discount	11,400.00
No discount	Actual cost
No discount	95.00
No discount	95.00
No discount	95.00
No discount	65.00
As per agreed cost of purchase	
As per agreed cost of purchase	
520.00	Plus GST
520.00	Plus GST
2.00%	2.00%



Meeting 2021 Nov 17

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 09

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 5820-01
Aon Reed Stenhouse Inc.

DIRECTOR PUBLIC SAFETY &
COMMUNITY SERVICES

**SUBJECT: INSURANCE CONTRACT – NETWORK SECURITY AND PRIVACY
LIABILITY**

PURPOSE: To obtain approval to award an insurance contract for the Network Security and Privacy Liability Policy.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council approve the award of one contract of insurance for a total amount payable to Aon Reed Stenhouse Inc. of \$139,903 to fund the insurance premium for the Network Security and Privacy Liability Policy.

REPORT**1.0 INTRODUCTION**

The City is currently in the first year of a two year contract that was awarded to the international brokerage firm, Aon Reed Stenhouse Inc, (Aon) through a Request for Proposals for insurance brokerage services in 2020. Working closely with Aon, the Risk Management Division of the Public Safety and Community Services Department manages the process of marketing, selecting, and arranging insurance coverage for the City. In consideration of an annual fee, Aon is providing a wide range of professional services that include: advice and negotiation of coverage and policy wording; marketing of the City's risk in the global insurance market; binding coverage and paying premium on behalf of the City; and, as necessary, acting as a claims advocate with insurers.

Cybersecurity events are increasing annually around the world. In 2020 and 2021 Canadian government organizations have seen an increase in cyberattacks and ransomware events. Consequently, the City has deployed a number of preventative measures to protect City assets and digital infrastructure, such as increasing cybersecurity awareness through mandatory staff training, deploying more frontend security tools and using multi-factor authentication.

To: Chief Administrative Officer
From: Deputy Chief Administrative Officer & Chief Financial Officer
and Director Public Safety & Community Services
Re: Insurance Contract – Network Security and Privacy Liability
2021 November 17.....Page 2

The City continuously reviews its cybersecurity strategy and tools to improve resiliency and protection against the threat of a cybersecurity event occurring. The City also looks to further mitigate cyber risk exposure by purchasing insurance. As a result, Aon was instructed to research and approach markets for cybersecurity insurance options. Cybersecurity insurance includes but is not limited to coverage for Security & Privacy Liability, Incident Response/Crisis Management, Data Restoration and Cyber Extortion.

2.0 POLICY SECTION

Goal

- A Thriving Organization
 - Reliable services, technology and information –
Protect the integrity and security of City information, services and assets

3.0 INSURANCE PROGRAM

Due to high frequency of cybersecurity events, insurers are limiting their exposure to losses. In the current insurance market, it is very difficult and in some cases not possible to obtain cybersecurity insurance. The City is fortunate to be able to purchase a policy at this time. If the City chooses not to purchase this coverage, it is unlikely the opportunity will be available in the future. As the City continues to reinforce its cybersecurity infrastructure and maintain a clear claims record, then higher limits could potentially be purchased in future years.

The Network Security and Privacy Liability coverage for data assets is purchased from American International Group Inc. and includes a maximum limit amount of \$3,000,000. The cost of this program is in alignment with current insurance market rates and is a necessary operating expense that will be included in the City’s 2022 – 2026 Financial Plan. This policy will be incorporated into the City’s overall insurance program which is renewed annually in May. The premium for the Network Security and Privacy Liability is \$139,903. Insurance charges are exempted from PST and GST.

To: Chief Administrative Officer
From: Deputy Chief Administrative Officer & Chief Financial Officer
and Director Public Safety & Community Services
Re: Insurance Contract – Network Security and Privacy Liability
2021 November 17.....Page 3

4.0 RECOMMENDATION

It is recommended that the Financial Management Committee recommend Council approve the award of one contract of insurance as outlined in this report. The total amount payable to Aon Reed Stenhouse is \$139,903 to fund the insurance premiums for the Network Security and Privacy Liability policy.



Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER



Dave Critchley
DIRECTOR PUBLIC SAFETY & COMMUNITY SERVICES

NK:DC / md

Copied to: Chief Administrative Officer
Chief Information Officer
Risk Manager