

**TO:** CHAIR AND MEMBERS  
FINANCIAL MANAGEMENT COMMITTEE

**DATE:** 2020 January 08

**FROM:** DIRECTOR FINANCE

**FILE:** 7500-01

**SUBJECT: MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA  
(MFABC) – FOSSIL FUEL FREE SHORT TERM BOND FUND**

**PURPOSE:** To provide support for the MFABC Fossil Fuel Free Short Term Bond Fund.

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**RECOMMENDATIONS:**

1. **THAT** the Financial Management Committee recommend Council support a new MFABC Fossil Fuel Free Short Term Bond Fund.
2. **THAT** a copy of this report be sent to the City of New Westminster and MFABC.

**REPORT****1.0 INTRODUCTION**

On 2019 December 12, the City of Burnaby received a letter from Mayor Jonathan Côté, City of New Westminster, requesting support for a new MFABC short term pooled investment fund that would utilize industry screening for the purpose of excluding securities of companies that are directly involved in the extraction, processing and transportation of fossil fuel commodities such as oil, natural gas or coal.

The request explicitly seeks support through 1) a resolution of Council outlining the intention to invest funds in the new MFABC Fossil Fuel Free Short Term Bond Fund; and 2) communication to the MFABC on the amount to be invested.

**2.0 POLICY SECTION****Goal**

- A Connected Community
  - Partnership –  
Work collaboratively with businesses, educational institutions, associations, other communities and governments

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- A Thriving Organization
  - Organizational culture –  
Ensure that our core values are reflected in our policies, programs and service delivery
  - Financial viability –  
Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

### **3.0 BACKGROUND**

Over the last several years, various municipalities have sought the creation of a new MFABC Pooled Fund focused on a Socially Responsible Investment (SRI) strategy through requests to the MFABC. In 2017, City of Burnaby Council supported investing up to \$20 million in a new MFABC SRI fund. At that time however, there was insufficient support from BC municipalities to enable the MFABC to create the new fund. In order to demonstrate the City's commitment to socially responsible investments, the City of Burnaby invested in a Bank of Montreal Fossil Fuel Free principal protected note, moving forward with alternative investment strategies that support the environment through carbon emissions reduction. Where beneficial, staff continue to seek out viable socially responsible investments.

Discussions with the MFABC have continued over the years and have culminated into the most recent request from the City of New Westminster for support of a new MFABC SRI fund based on fossil fuel screening. The number of municipalities seeking to participate in SRI strategies has grown, with many municipalities declaring climate emergencies and carbon reductions, thus seeking to reduce environmental impacts. Due to the interest in an SRI investment opportunity based on fossil fuel screening, the MFA has been able to negotiate an improved portfolio approach with Phillips Hager and North to keep fund costs to a minimum.

While there are various SRI goals such as a cleaner environment (fossil fuel free), promoting peace, promoting health, and social justice for example, there are also many ways to be a socially responsible investor such as negative screening, positive screening, community investing, and shareholder actions. Identifying a fund to be fossil fuel free is only one approach to socially responsible investing. However, it is a start and an important first step for many municipalities.

As a result, at this time the City is able to commit \$10 million to \$20 million in such an investment opportunity. Staff will assess this investment opportunity amongst others at the time of execution to ensure a balance between risk and return.

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Over time, it is anticipated that other ways to invest socially - such as Impact Investing or through the United Nations Foundation support for Principles of Responsible Investing - can be explored and included as a basis for this or another MFA SRI Fund. These other methods may be considered a more advantageous approach to making long term impactful social and environmental changes that socially responsible investors seek. City of Burnaby staff will continue to engage the MFABC and other municipalities on SRI strategies and opportunities as a means of providing positive input and influence.

#### **4.0 RECOMMENDATION**

In conjunction with the City of Burnaby's corporate strategic goals and its commitment to environmental protection through the City's declaration of a climate emergency, it is requested that the Financial Management Committee recommend Council approve the proposed request for a new MFABC Fossil Fuel Free Short Term Bond Fund.

Upon approval, staff will communicate to the City of New Westminster and the MFABC, Burnaby City Council's support for a new MFABC Fossil Fuel Free Short Term Bond Fund.



Noreen Kassam, CPA, CGA  
DIRECTOR FINANCE

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Copied to: City Manager