

Report to Council



Date: September 17, 2018
File: 0160-20
To: City Manager
From: Genelle Davidson, Divisional Director, Financial Services
Subject: Investment of Kelowna Funds
Report Prepared by: Financial Analyst Liz Demers

Recommendation:

THAT Council Policy No. 316, being Investment of Kelowna Surplus Funds, be revised as outlined in the Report from the Divisional Director, Financial Services dated September 17, 2018.

Purpose:

To rename and amend the policy and to define treatment of new funds.

Background:

The objectives of an investment policy are to provide for safety, liquidity, and return on investment of cash assets. This investment policy defines the City's investment portfolio and outlines diversification, constraints, reporting, and performance objectives for each portfolio.

According to regulation, all cemetery owners must establish a care fund for the care and maintenance of a cemetery. Creation and management of the care fund is regulated by the Community Charter, the Cremation, Interment, and Funeral Services Act, the Cremation, Interment, and Funeral Services Regulation, and the Trustee Act.

Funds are derived as a percentage of fees and charges at the cemetery and are required to be kept in a separate bank account, and invested apart from other City investments. Interest and dividend income earned on the investment is permitted to be used only for the upkeep, care, and repair of the cemetery. Principal is not to be reduced unless in accordance with the Act. (See policy - Appendix B)

The Legacy Fund consists of City owned Fortis Inc. corporate shares purchased with the proceeds of the sale of the City's electrical utility, along with the proceeds received from the termination of the City's natural gas lease-in lease-out agreement with FortisBC Energy Inc. in 2018. The Legacy Fund is to be an investment fund that benefits the citizens of Kelowna in perpetuity.

Investments from the Legacy fund are to be allocated between different types of allowable investments, as approved by the Finance Officer and in consultation with the City departments responsible for sourcing these investment opportunities. The investment of Legacy funds is intended to provide ongoing opportunities that are supported by reliable revenue streams in the future.

There are several constraints that are to be adhered to when investing the Legacy Fund. Infrastructure investments that do not have associated revenue streams attached, or created by the City, are restricted.

Use of the fund as a dividend to the City and/or to use in approved projects should be at a maximum amount so that the defined performance objectives can be achieved (See policy - Appendix C)

Performance objectives for the Legacy Fund are outlined in the policy and are more aggressive than City of Kelowna cash flow funds as the intention of this investment is to generate additional revenue and provide for future opportunities.

The City's Finance Officer will invest the funds received from the termination of the natural gas lease-in lease-out agreement in a short term one-year locked-in investment. City staff will source out opportunities in 2019 and these opportunities will be presented to Council for approval as they arise.

As per current practice, the performance of the City's investment portfolio in its entirety, will be reported to Council annually in the first quarter of each year by the Financial Officer.

Internal Circulation:

D. Edstrom, Divisional Director, Community Planning & Strategic Investments

S. Fleming, City Clerk

G. King, Financial Planning Manager

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by: G. Davidson, Divisional Director, Financial Services

Approved for inclusion:



Genelle Davidson, Divisional Director, Financial Services