



Committee of the Whole Report

For the Meeting of June 15, 2017

To: Committee of the Whole
From: Susanne Thompson, Director of Finance
Subject: MFA SRI Survey

Date: June 2, 2017

RECOMMENDATION

That Council:

1. Direct staff to respond to the Municipal Finance Authority Socially Responsible Investment Fund survey question 3. "What is the dollar amount your organization would be willing to invest in an SRI fund?" noting the City would be willing to invest up to \$15 million in an SRI fund, to represent a maximum of 10% of the City's investment portfolio balance, consistent with the current Investment Policy.
2. Direct staff to report back on any financial impacts if the new fund is created by the Municipal Finance Authority.

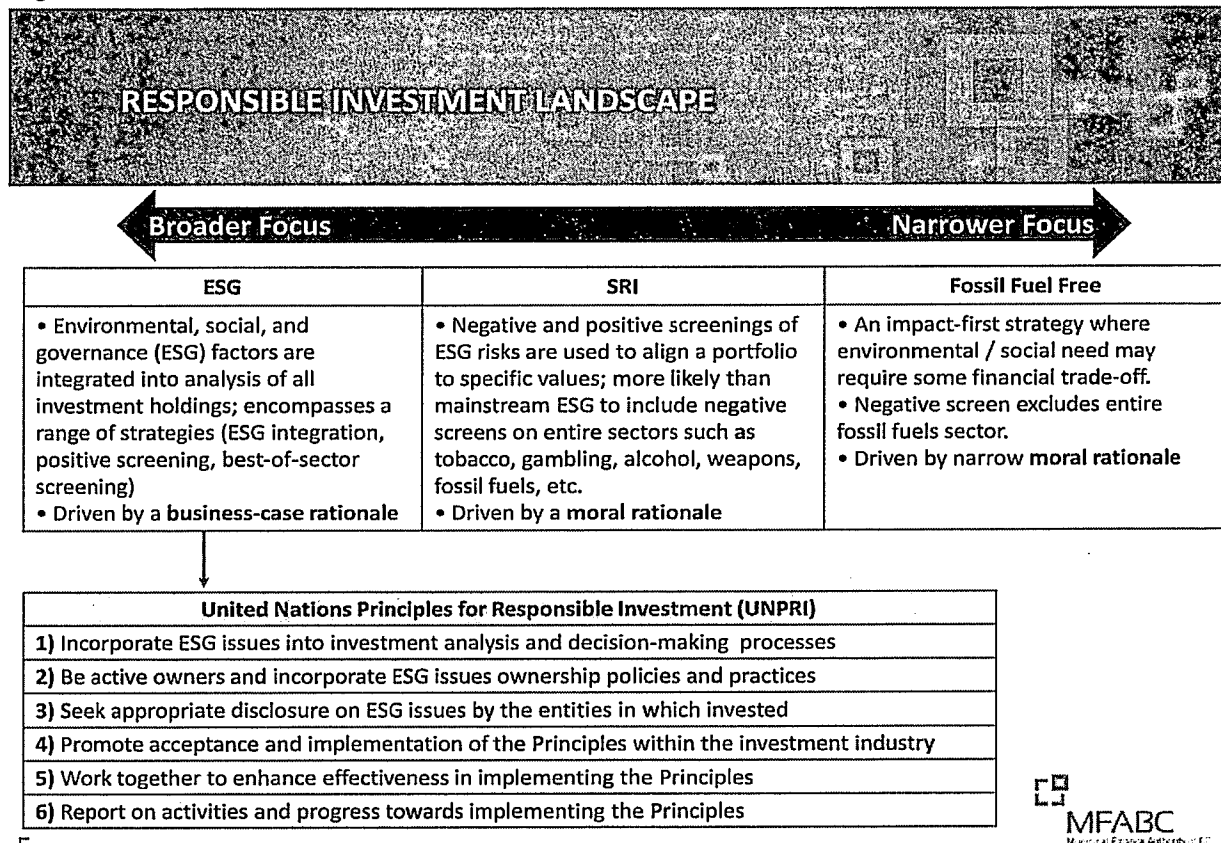
EXECUTIVE SUMMARY

On May 25, 2017 Council directed staff to obtain clarification of the definition the Municipal Finance Authority (MFA) is using for Socially Responsible Investing (SRI) and to report back on an amount for investing in the potential MFA SRI fund (attached as Appendix A).

In response to the request for clarification regarding what the MFA means by SRI, Figure 1 below is a slide from an MFABC Socially Responsible Investing Panel presentation, attached as Appendix B, dated March 29, 2017. This slide illustrates Responsible Investing on a continuum from the broader focus of Environmental, Social and Governance (ESG) to the narrower focus of Fossil Fuel Free. The MFA has not yet determined how SRI will be defined for the new fund. As requested in the MFA survey (Question 2.d), a representative from the City would participate in an advisory group to define the parameters of the SRI fund. Based on Council direction, staff would work with the MFA to develop the SRI policy.

For Council's consideration, the broader focus would allow increased opportunities for diversification and may be more consistent with the parameters identified in the CRD investment policy.

Figure 1. Slide from MFABC Presentation March 29, 2017

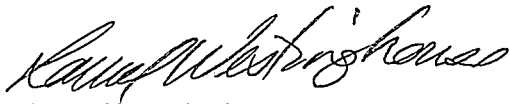


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In response to Council's direction for staff to propose an amount for survey question 3. "What is the dollar amount your organization would be willing to invest in an SRI fund?", the City's investment policy supports diversification with a maximum investment of 10% of the total portfolio balance to any one issuer. Since the MFA has indicated that diversification will likely be a concern for the potential new fund, staff recommend not exceeding this 10% limit. The City's total portfolio fluctuates throughout the year, due to cash flow demands and the majority of property tax revenue being collected during a short period, with the 2016 balance ranging from \$156 million to \$214 million. Based on the 2016 balances, a maximum investment of \$15 million for a three year commitment would comply with the City's investment policy.

As noted in the May 25 report to Committee of the Whole (attached as Appendix C), based on experience in 2016, the rates of return may be 50% lower than other investment opportunities. Therefore, the resulting impact of investing \$15 million may be as high as a \$120,000 annual revenue loss should the potential new fund only yield similar returns to what was available during 2016. Investment revenue partially funds the programs and services within the operating budget (approximately 1/3) and the remainder funds reserves that are used for capital replacement (approximately 2/3). At this point, the MFA is only requesting an indication as to how much funding the City is interested in investing in the potential new fund. Should the potential new fund result in a revenue loss, Council direction will be required to determine how this is to be mitigated to balance the Financial Plan. For Council's consideration, a revenue loss could be offset by allocating less to reserves for future capital spending, reducing a program or a service, increasing property taxes,

Respectfully submitted,

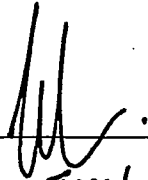


Laurel Westinghouse
Manager, Accounting



Susanne Thompson
Director of Finance

Report accepted and recommended by the City Manager:



Date:

June 6, 2017

List of Attachments

- Appendix A – City of Victoria Council motion from May 25, 2017
- Appendix B – Socially Responsible Investing Panel Presentation March 29, 2017
- Appendix C – May 25, 2017 report to Committee of the Whole on the MFA survey