

**AGENDA**  
REGULAR COMMITTEE OF THE WHOLE MEETING  
SHAW AUDITORIUM, 80 COMMERCIAL STREET, NANAIMO, BC  
MONDAY, 2015-APR-13, AT 4:30 P.M.

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1. **CALL THE REGULAR COMMITTEE OF THE WHOLE MEETING TO ORDER:**

A Minute of Silence will be observed in memory of Mr. John Lee, President, Vancouver Island Rainbow Association.

2. **INTRODUCTION OF LATE ITEMS:**

3. **ADOPTION OF AGENDA:**

4. **ADOPTION OF MINUTES:**

- (a) Minutes of the Regular Committee of the Whole Meeting held in the Shaw Auditorium, 80 Commercial Street, on Monday, 2015-MAR-09 at 4:33 p.m.

*Pg. 6-11*

5. **PRESENTATIONS:**

NONE

6. **ADMINISTRATION:**

NONE

7. **CORPORATE SERVICES:**

(a) **2014 Annual Financial Statements**

*Purpose: To present the 2014 Annual Financial Statements for acceptance by Council.*

Staff Recommendation: That Council accept the 2014 Annual Financial Statements for the City of Nanaimo.

*Pg. 12-73*

(b) **Quarterly Direct Award Purchases – Period Ending 2015-MAR-31**

*Purpose: To comply with Bylaw No. 7175 by reporting direct award purchases made by Staff during the three month period 2015-JAN-01 to 2015-MAR-31.*

Staff Recommendation: That Council receive for information the report pertaining to Quarterly Direct Award Purchases for the period ending 2015-MAR-31.

Pg. 74-76

(c) **Quarterly Single Submission Purchases – Period Ending 2015-MAR-31**

*Purpose: To comply with Bylaw No. 7175 by reporting single submission purchases made by Staff during the three month period 2015-JAN-01 to 2015-MAR-31.*

Staff Recommendation: That Council receive for information the report pertaining to Quarterly Single Submission Purchases for the period ending 2015-MAR-31.

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8. **COMMUNITY SERVICES:**

(a) **College Park Water Supply Main Capacity Upgrade – Engineering Work Award**

*Purpose: To request approval to award the engineering work for the new water supply main as per the City's Purchasing Policy.*

Staff Recommendation: That Council award the engineering design, project management and construction administration for the College Park Water Supply Main Capacity Upgrade to Opus, Dayton Knight, with estimated fees at \$501,000.

Pg. 79-84

(b) **Extension Road Watermain Upgrade Tender**

*Purpose: To advise Council of a public tender call of \$250,000 and above in accordance with the City's Purchasing Bylaw.*

Staff Recommendation: That Council receive for information the report pertaining to the Extension Road Watermain Upgrade Tender.

Pg. 85-86

(c) **Grant Applications to the Federal Gas Tax Fund**

*Purpose: To obtain direction from Council in order for Staff to apply to the Federal Gas Tax Fund Strategic Priorities Fund under the category of Capacity Building Stream for a grant targeted on a risk assessment tool to facilitate asset management.*

Staff Recommendation: That Council direct Staff to apply to the Federal Gas Tax Fund Strategic Priorities Fund under the category of Capacity Building Stream for an asset management risk assessment framework project.

Pg. 87-88



(d) **Replacement of the Parks and Recreation Management Software**

To be introduced by Councillor Thorpe, Acting Chair, Parks and Recreation Commission.

*Purpose: To obtain Council approval of the process related to the replacement of the Parks and Recreation Management Software.*

Presentation:

1. Ms. Elizabeth Williams, Manager, Recreation Services, and Mr. Jason Birch, Manager, Information Technology.

Recommendation: That Council authorize Staff to sign a Memorandum of Understanding to work with the Corporation of Delta to develop a multi-city Request for Proposals for the replacement of the Parks and Recreation Management Software.

*Pg. 89-97*

(e) **Travel Assistance Grant Recommendations**

To be introduced by Councillor Thorpe, Acting Chair, Parks and Recreation Commission.

*Purpose: To obtain Council approval for travel assistance grants.*

Recommendation: That Council approve the following applications for Travel Assistance Grants to:

*Pg. 98-99*

1. Harbour City Football Club in the amount of \$350 for 7 athletes to attend the Provincial A Cup U18 Girls Soccer Tournament, being held in Surrey, B.C., 2015-JUL-09 to 2015-JUL-12;
2. Nanaimo Lawn Bowling Club in the amount of \$400.00 for 4 athletes to attend the IBD World Bowls for Disabled Championship, held in Wellington, New Zealand, 2015-FEB-17 to 2015-FEB-25;
3. Nanaimo Raiders Lacrosse in the amount of \$950.00 for 19 athletes to attend the Youth Field Lacrosse Provincials, held in Burnaby, B.C., 2015-FEB-20 to 2015-FEB-22; and,
4. Vancouver Island Special Needs Hockey Association in the amount of \$1,300.00 for 13 athletes to attend the UTC Winter Hockey Festival, held in Valencia, California, 2015-JAN-13 to 2015-JAN-30.

- (f) Minutes of the Parks, Recreation and Culture Commission Meeting held 2014-NOV-26.

*Pg. 100-106*

9. **CORRESPONDENCE (not related to a Report to Council):**

- (a) Letter dated 2015-APR-09 from Mr. Glen Davidson, Comptroller of Water Rights, Ministry of Forests, Lands & Natural Resource Operations, regarding the Middle Chase River Dam and Lower Chase River Dam – Order. *Pg. 107-112*

10. **NOTICE OF MOTION:**

NONE

11. **OTHER BUSINESS:**

12. **DELEGATIONS (not related to a Report to Council): (10 MINUTES)**

- (a) Mr. Paul Chapman, Nanaimo & Area Land Trust, regarding the Nanaimo River Watershed Roundtable initiative. *Pg. 113*
- (b) Mr. Randy O'Donnell, President, Nanaimo Taxpayers Association, regarding the proposed core review process. *Pg. 114*

13. **QUESTION PERIOD: (Agenda Items Only)**

14. **PROCEDURAL MOTION:**

That the meeting be closed to the public in order to deal with agenda items under the *Community Charter* Section 90(1):

- (a) personal information about an identifiable individual who holds or is being considered for a position as an officer, employee or agent of the municipality or another position appointed by the municipality;
- (c) labour relations or other employee relations;
- (d) the security of property of the municipality;
- (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the municipality;
- (n) the consideration of whether a Council meeting should be closed under a provision of this subsection or subsection (2); and,

*Community Charter* Section 90(2):

- (b) the consideration of information received and held in confidence relating to negotiations between the municipality and a provincial government or the federal government or both, or between a provincial government or the federal government or both and a third party.

15. **ADJOURNMENT:**

ACTING MAYOR: COUNCILLOR BRENNAN  
2015-MAR-09 to 2015-APR-26

**MINUTES**  
REGULAR COMMITTEE OF THE WHOLE MEETING  
SHAW AUDITORIUM, 80 COMMERCIAL STREET,  
MONDAY, 2015-MAR-09 AT 4:33 P.M.

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PRESENT: Mayor W. B. McKay, Chair

Members: Councillor W. L. Bestwick  
Councillor M. D. Brennan  
Councillor J. Hong  
Councillor J. A. Kipp  
Councillor W. L. Pratt  
Councillor I. W. Thorpe  
Councillor W. M. Yoachim

Absent: Councillor G. W. Fuller

Staff: E. C. Swabey, City Manager  
T. M. Hickey, General Manager of Community Services  
T. P. Seward, Director of Social & Protective Services  
B. E. Clemens, Director of Finance  
T. L. Hartley, Director of Human Resources & Organizational Planning  
D. Lindsay, Director of Community Development  
L. Mercer, Manager of Accounting Services  
D. Duncan, Manager of Financial Planning  
C. Richardson, Fire Chief  
B. Sims, Manager of Water Resources  
R. J. Harding, Director of Parks, Environment & Recreation  
S. Samborski, Senior Manager of Culture & Heritage  
G. Goodall, Director of Engineering & Public Works  
P. Cooper, Communications Manager  
D. Blackwood, Client Support Specialist  
G. Ferrero, Director of Information Technology & Legislative Services  
C. Jackson, Manager of Legislative Services  
D. Smith, Recording Secretary

1. CALL THE OPEN MEETING TO ORDER:

The Regular Committee of the Whole Meeting was called to order at 4:33 p.m.

2. INTRODUCTION OF LATE ITEMS:

- (a) Item 7(a) Operating Results for the Period Ending 2014-DEC-31 – immediately following Agenda Page 50, insert “Appendix 1 – Sewer Revenue Fund” and “Appendix 1 – Water Revenue Fund”.
- (b) Item 7(c) 2014 Surplus Reserve Allocation – add delegation Mr. Fred Taylor.

3. ADOPTION OF AGENDA:

It was moved and seconded that the Agenda, as amended, be adopted. The motion carried unanimously.

4. ADOPTION OF MINUTES:

It was moved and seconded that Council adopt as circulated the following Minutes:

- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Thursday, 2015-JAN-08 at 9:00 a.m.;
- Regular Committee of the Whole Meeting held in the Shaw Auditorium, 80 Commercial Street, on Monday, 2015-JAN-12 at 4:30 p.m.;
- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Thursday, 2015-JAN-15 at 9:00 a.m.;
- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Wednesday, 2015-JAN-21 at 9:00 a.m.;
- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Thursday, 2015-JAN-22 at 9:00 a.m.;
- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Friday, 2015-JAN-30 at 9:00 a.m.;
- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Wednesday, 2015-FEB-04 at 9:00 a.m.;
- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Thursday, 2015-FEB-05 at 9:30 a.m.; and,
- Special Committee of the Whole Meeting held in the Board Room, Service and Resource Centre, 411 Dunsmuir Street, on Thursday, 2015-FEB-12 at 10:00 a.m.

The motion carried unanimously.

5. PRESENTATIONS:

- (a) Dr. Paul Hasselback, Medical Health Officer, Island Health, provided a presentation regarding the 2014 Local Health Area Profile Data for Nanaimo.

It was moved and seconded that Council receive the presentation from Dr. Paul Hasselback, Medical Health Officer, Island Health. The motion carried unanimously.

6. CORPORATE SERVICES:

(a) Operating Results for the Period Ending 2014-DEC-31

It was moved and seconded that Council receive for information the report pertaining to Operating Results for the Period Ending 2014-DEC-31. The motion carried unanimously.

(b) Capital Project Results for the Period Ending 2014-DEC-31

It was moved and seconded that Council receive for information the report pertaining to the Capital Project Results for the Period Ending 2014-DEC-31. The motion carried unanimously.

(c) 2014 Surplus Reserve Allocation

Delegation:

1. Mr. Fred Taylor.

It was moved and seconded that Council receive the delegation from Mr. Fred Taylor. The motion carried unanimously.

It was moved and seconded that Council receive the report pertaining to the 2014 Surplus Reserve Allocation. The motion carried unanimously.

(d) 2015-2019 Financial Plan Review

Presentation:

1. Mr. Brian Clemens, Director of Finance.

It was moved and seconded that Council receive for information the report pertaining to the 2015–2019 Financial Plan Review. The motion carried unanimously.

Councillor Bestwick vacated the Shaw Auditorium at 6:09 p.m.

It was moved and seconded that Council direct Staff to prepare a list of potential meeting dates and times for a Special Committee of the Whole Meeting to prioritize items in the draft 2015 budget; and, that the information be distributed to Council via email for consensus on the date. The motion carried unanimously.

Councillor Bestwick returned to the Shaw Auditorium at 6:10 p.m.

(e) Volunteer Nanaimo Grant Request

It was moved and seconded that Council award an Other Grant to the Nanaimo Volunteer & Information Centre Society (OG-01) in the amount of \$1,526.23 to cover the cost of the rental at Beban Park Auditorium on 2015-APR-16 for their 2015 Volunteer Appreciation Luncheon. The motion carried unanimously.

(f) Authority to Enter On and Use Private Property – 1066 St. George Crescent

It was moved and seconded that Council adopt the resolution as described in Attachment A, authorizing employees of the City and its contractors to enter upon lands at 1066 St. George Crescent as part of the Hospital Area Utility Upgrade Project. The motion carried unanimously.

7. COMMUNITY SERVICES:

(a) 2014 City Fleet Fuel Consumption

It was moved and seconded that Council receive for information the report pertaining to 2014 City Fleet Fuel Consumption. The motion carried unanimously.

It was moved and seconded that Council direct Staff to prepare on an annual basis a City Fleet Fuel Consumption report and include Fire Rescue and Police Department vehicle information. The motion carried unanimously.

8. DELEGATIONS (not related to a Report to Council):

Councillor Brennan vacated the Shaw Auditorium at 6:22 p.m.

- (a) Ms. June Ross, on behalf of the Vancouver Island Water Watch Coalition, requested that Council establish a Watershed Board to protect Nanaimo's watershed.

It was moved and seconded that Council receive the delegation from Ms. June Ross. The motion carried unanimously.

Councillor Brennan returned to the Shaw Auditorium at 6:36 p.m.

- (b) Mr. Paul Manly, on behalf of the Mid Island Chapter of the Council of Canadians, submitted a petition of 1340 signatures in favour of requesting that the City of Nanaimo and the RDN work with First Nations, senior levels of government and the current land owners to begin a process to make the community drinking watershed publicly owned and controlled.

It was moved and seconded that Council receive the delegation from Mr. Paul Manly. The motion carried unanimously.

- (c) Ms. Morgan Kennah, Island Timberlands and Mr. Chris Cole, TimberWest Forest Corp., provided an overview of their ownership, activities and partnerships with respect to land and water management in the supply area from where the City sources its drinking water.

Councillor Brennan vacated the Shaw Auditorium at 6:58 p.m.

It was moved and seconded that Council receive the delegation from Ms. Morgan Kennah and Mr. Chris Cole. The motion carried unanimously.

- (d) Mr. Alan Boos, requested that the City revisit its policy related to retail vendors in City parks in order to permit vendors to sell handmade goods within City parks.

Councillor Brennan returned to the Shaw Auditorium at 7:16 p.m.

It was moved and seconded that Council receive the delegation from Mr. Alan Boos. The motion carried unanimously.

It was moved and seconded that Council refer Mr. Boos' delegation to a future Parks and Recreation Commission meeting for review of the expansion of the policy related to retail vendors within parks. The motion carried unanimously.

- (e) Mr. Kevan Griffith and Rev. Samaya Oakley, Unitarian Extreme/Cold Weather Shelter, spoke regarding the future and funding sources of the Shelter.

It was moved and seconded that Council receive the delegation from Mr. Kevan Griffith and Rev. Samaya Oakley. The motion carried unanimously.

It was moved and seconded that Council refer the request from the Unitarian Extreme/Cold Weather Shelter for \$60,000 in annual funding to the Social Planning Advisory Committee for discussion and recommendations to Council. The motion carried unanimously.

It was moved and seconded that Council direct Staff to establish a Nanaimo Watershed Board with the Terms of Reference and operational guidelines to be developed by the Board once established.

It was moved and seconded that Council postpone consideration of the motion to establish a Nanaimo Watershed Board until the 2015-MAR-23 Committee of the Whole Meeting. The motion carried unanimously.

It was moved and seconded that Council direct Staff to prepare a report on the establishment of a Watershed Board including recommendations on the general structure and membership. The motion carried unanimously.

9. QUESTION PERIOD:

- Mr. Ian Gartshore, re: 2015-2019 Financial Plan.
- Mr. Fred Taylor, re: Wellcox site trestle; Nanaimo Watershed Board.
- Ms. Sonia Furstenau, Area B Director, Cowichan Valley Regional District, re: Nanaimo Watershed Board.
- Mr. Paul Manly, re: Nanaimo Watershed Board and subsurface rights.



10. PROCEDURAL MOTION:

It was moved and seconded that the meeting be closed to the public in order to deal with agenda items under the *Community Charter* Section 90(1):

- (a) personal information about an identifiable individual who holds or is being considered for a position as an officer, employee or agent of the municipality or another position appointed by the municipality;
- (c) labour relations or other employee relations;
- (j) information that is prohibited, or information that if it were presented in a document would be prohibited, from disclosure under section 21 of the *Freedom of Information and Protection of Privacy Act*, and,
- (n) the consideration of whether a Council meeting should be closed under a provision of this subsection or subsection (2).

The motion carried unanimously.

Council moved into "In Camera" at 8:29 p.m.

Council moved out of "In Camera" at 9:10 p.m.

11. ADJOURNMENT:

It was moved and seconded at 9:11 p.m. that the meeting terminate. The motion carried unanimously.

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CHAIR

CERTIFIED CORRECT:

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CORPORATE OFFICER

# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2015-APR-13

AUTHORED BY: L. L. MERCER, MANAGER, ACCOUNTING SERVICES

RE: 2014 ANNUAL FINANCIAL STATEMENTS

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### STAFF RECOMMENDATION:

That Council accept the 2014 Annual Financial Statements for the City of Nanaimo.

### PURPOSE:

To present the 2014 Annual Financial Statements for acceptance by Council.

### BACKGROUND:

The Canadian audit standards require that "those with the recognized authority have asserted that they have taken responsibility for the financial statements" prior to the issuance of the audit report. The City's auditors, KPMG, have completed the audit work and are prepared to issue an unqualified opinion that the financial statements fairly represent the financial position of the City as at 2014-DEC-31, once the Council has accepted the statements.

As noted in the Management Report, City Council has delegated to the management of the City the responsibility for the accuracy, integrity and objectivity of the financial information presented in the financial statements.

The consolidated financial statements as required by the *Community Charter* have been prepared and meet the reporting standards for local governments.

### **Highlights of the Financial Statements:**

- Accumulated operating surpluses total \$14.1 million, allocated as follows:

General Fund	\$2.3 million
Sewer Fund	6.6
Water Fund	5.2
	<u>\$ 14.1</u> million

☐ Council  
☒ Committee of the Whole  
✓ open meeting  
2015-APR-13

- Funds held in reserves total \$121.5 million at 2014-DEC-31 (2013 – \$119.4 million), allocated as follows:

Work in progress	\$ 26.1 million
Reserve accounts (surplus appropriations)	37.2
Development Cost Charges (developer contributions)	41.4
Statutory Reserves	16.8
	<u>\$121.5 million</u>

A listing of reserve accounts is shown on page 23 of the statements. The majority of the funds have been set aside for specific projects or purposes. Staff can provide Council with a detailed report on reserves at a future Committee of the Whole meeting.

Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2014 totaled \$5.8 million (2013 – \$4.5 million). The City continues to construct growth-related projects, which are funded from DCC's (\$3.4 million in 2014).

Statutory Reserves are established by bylaw and can only be used for the purposes specified in the bylaw. These are the statutory reserve funds and the balance at 2014-DEC31:

Equipment Depreciation Reserve	4,172,501
Community Works Reserve (Gas Tax Agreement)	3,609,979
General Asset Management Reserve	2,524,998
Local Improvement Reserve	1,585,200
Facility Development (Recreation) Reserve	1,359,985
Property Sales Reserve	1,074,208
Water Asset Management Reserve	943,649
Sewer Asset Management Reserve	746,650
Knowles Estate Reserve	437,651
Regional Emissions Reduction Reserve	218,754
Old City Neighbourhood Parking Reserve	84,098
Parkland Dedication Reserve	50,215

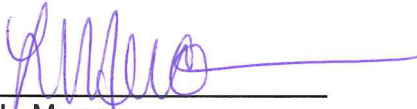
- Outstanding debt and debt servicing costs

	<u>2014</u>	<u>2013</u>
Outstanding debt	\$ 50.9 million	\$ 44.3 million
Per capita debt	\$ 572	\$ 515
Net increase in debt during current year	\$ 6.5 million	\$ 11.2 million

Pages 13 and 14 of the statements provide note disclosure of the outstanding debt and details of the principal reductions for the next five years. In 2014, the City borrowed \$9.2 million to fund the water treatment plant project.

- Tangible capital assets net book value totals \$655 million at 2014-DEC-31 (2013 – \$626 million). A detailed schedule is found on page 29 of the statements. Capital asset acquisitions were \$50.4 million (2013 – \$60.8 million), including developer contributed assets of \$5.9 million (2013 - \$4.9 million).

Respectfully submitted,



L. L. Mercer  
MANAGER  
ACCOUNTING SERVICES

Concurrence by:



B. E. Clemens  
DIRECTOR  
FINANCE



I. Howat  
GENERAL MANAGER  
CORPORATE SERVICES

CITY MANAGER COMMENT:

I concur with the staff recommendation.

Drafted: 2015-MAR-16  
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LLM/tw

**CITY OF NANAIMO, BRITISH COLUMBIA, CANADA**  
**FINANCIAL REPORT**  
**for the year ended December 31, 2014**

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**CITY OF NANAIMO**  
**2014 FINANCIAL STATEMENTS**  
**MANAGEMENT REPORT**

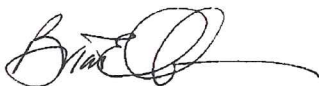
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The Council of the City of Nanaimo has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the City of Nanaimo. The financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for preparation of financial statements. These systems are monitored and evaluated by management.

The City of Nanaimo's independent auditors, KPMG LLP, are engaged to express an opinion as to whether these financial statements present fairly the City of Nanaimo's financial position and operating results in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all significant respects, the financial position of the City of Nanaimo as at December 31, 2014.



B. E. Clemens, CPA, CMA  
Director of Finance

April 13, 2015



**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2014, with comparative figures for 2013

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 60,839,567	\$ 61,966,228
Accounts receivable and other assets (Note 2)	20,109,818	21,146,204
Development cost charges receivable (Note 3)	498,609	304,302
Portfolio investments (Note 4)	104,590,313	94,033,738
	<b>186,038,307</b>	<b>177,450,472</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	31,028,130	27,932,232
Compensated absences and termination benefits (Note 6)	6,637,594	6,503,277
Deferred revenue and other liabilities (Note 7)	15,125,738	21,610,633
Deferred development cost charges (Note 8)	41,398,345	38,281,961
Debt (Note 10)	50,860,003	44,325,082
	<b>145,049,810</b>	<b>138,653,185</b>
<b>NET FINANCIAL ASSETS</b>	<b>40,988,497</b>	<b>38,797,287</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	655,356,252	625,969,197
Prepaid expenses	1,726,148	1,198,766
Inventories of supplies	642,632	720,934
	<b>657,725,032</b>	<b>627,888,897</b>
<b>ACCUMULATED SURPLUS (Note 12)</b>	<b>\$ 698,713,529</b>	<b>\$ 666,686,184</b>

Commitments and contingencies (Note 13)



**B. E. Clemens, CPA, CMA**  
**Director of Finance**

The accompanying notes form an integral part of the financial statements

**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
for the year ended December 31, 2014, with comparative figures for 2013

	2014 Budget (Note 14)	2014	2013
<b>REVENUES</b>			
Taxes	\$ 94,712,405	\$ 94,551,269	\$ 90,976,425
Payments in lieu of taxes	1,436,385	1,409,584	1,436,385
Taxation and payments in lieu (Note 15)	96,148,790	95,960,853	92,412,810
User fees and sales of services (Note 16)	32,722,405	33,699,231	32,139,631
Investment income	3,094,006	3,154,310	2,995,973
Other revenue	6,555,780	7,483,213	7,405,916
Development cost charges (Note 8)	10,205,994	3,421,649	1,440,955
Donations and contributions - capital	197,821	577,601	455,741
Transfers from other governments - capital (Note 17)	3,166,430	12,674,788	17,929,157
Transfers from other governments - operating (Note 17)	4,652,198	4,728,655	4,862,563
Municipal Finance Authority refunds and debt forgiven	-	-	74,734
Developer assets received (Note 11)	-	5,850,960	4,916,402
Gain on sale of assets	-	1,450,650	2,752,932
	156,743,424	169,001,910	167,386,814
<b>EXPENSES</b>			
Corporate services	16,585,665	14,888,151	15,492,359
Development services	6,250,399	6,104,472	7,129,585
Social and protective services	4,532,176	3,809,581	3,582,204
Fire	15,482,109	15,713,517	14,997,846
Police	27,410,520	25,032,728	25,085,643
Culture and heritage	10,545,110	10,224,787	9,556,477
Parks, recreation and environment	27,187,124	22,650,360	24,771,686
Engineering and public works	25,890,192	23,616,399	23,438,719
Sewer system	5,325,876	4,873,137	4,225,625
Waterworks	11,358,514	10,061,433	9,126,707
	150,567,685	136,974,565	137,406,851
<b>ANNUAL SURPLUS</b>	6,175,739	32,027,345	29,979,963
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	666,686,184	666,686,184	636,706,221
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	\$ 672,861,923	\$ 698,713,529	\$ 666,686,184

The accompanying notes form an integral part of the financial statements



**CITY OF NANAIMO**
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**
**for the year ended December 31, 2014, with comparative figures for 2013**

	2014 Budget (Note 14)	2014	2013
<b>ANNUAL SURPLUS</b>	\$ 6,175,739	\$ 32,027,345	\$ 29,979,963
Acquisition of tangible capital assets	(59,390,461)	(42,368,519)	(54,081,177)
Developer contributed capital assets	-	(5,851,614)	(4,916,402)
Amortization of tangible capital assets	(59,390,461)	(48,220,133)	(58,997,579)
(Gain) on sale of tangible capital assets	21,150,778	20,199,518	20,241,471
Proceeds on sale of tangible capital assets	-	(1,450,650)	(2,752,932)
	-	84,210	1,651,174
	(38,239,683)	(29,387,055)	(39,857,866)
Acquisition of inventories of supplies	-	(3,088,591)	(3,434,280)
Acquisition of prepaid expenses	-	(1,707,121)	(1,181,789)
Consumption of inventories of supplies	-	3,166,893	3,292,048
Use of prepaid expenses	-	1,179,739	1,233,197
	-	(449,080)	(90,824)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(32,063,944)	2,191,210	(9,968,727)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	38,797,287	38,797,287	48,766,014
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 6,733,343	\$ 40,988,497	\$ 38,797,287

The accompanying notes form an integral part of the financial statements

**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended December 31, 2014, with comparative figures for 2013

	2014	2013
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 32,027,345	\$ 29,979,963
Non-cash items		
Amortization	20,199,518	20,241,471
Developer assets received	(5,851,614)	(4,916,402)
Gain on sale of tangible capital assets	(1,450,650)	(2,752,932)
Development cost charges recognized as revenue	(3,421,649)	(1,440,955)
Actuarial adjustments	(613,910)	(529,896)
Change in non-cash operating assets and liabilities		
Accounts receivable	842,079	3,773,751
Accounts payable	3,230,215	(4,308,934)
Deferred revenue	(6,484,895)	416,158
Inventories of supplies	78,302	(142,232)
Prepaid expenses	(527,382)	51,408
Net change in cash from operating transactions	38,027,359	40,371,400
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(42,368,519)	(54,081,177)
Proceeds from the sale of tangible capital assets	84,210	1,651,174
Net change in cash from capital transactions	(42,284,309)	(52,430,003)
<b>INVESTING TRANSACTIONS</b>		
Change in investments	(10,556,575)	(631,942)
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(2,051,169)	(1,597,921)
Deferred development cost charges	6,538,033	5,254,512
Proceeds from long term borrowing	9,200,000	13,300,000
Net change in cash from financing transactions	13,686,864	16,956,591
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,126,661)	4,266,046
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	61,966,228	57,700,182
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 60,839,567	\$ 61,966,228

The accompanying notes form an integral part of the financial statements

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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The City of Nanaimo (the City) was incorporated December 24, 1874 under a statute of the Province of British Columbia now known as the *Community Charter*. The principal activities of the City are preservation, protection and enhancement of the quality of life in Nanaimo through the facilitation of municipal services in an equitable, efficient and effective manner.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

The City prepares its consolidated financial statements in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following include significant policies that have been adopted by the City:

**(a) Basis of Consolidation**

The City's resources and operations are segregated into general, water, sewer, capital and reserve funds. The consolidated financial statements reflect the assets, liabilities, revenues and expenses of these funds.

**(i) Consolidated Entities**

The reporting entity is comprised of all organizations controlled by the City. These organizations include the Nanaimo Economic Development Corporation and the Vancouver Island Conference Centre.

**(b) Basis of Accounting**

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the delivery of goods or services and/or upon the creation of a legal obligation to pay. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

**(c) Government Transfers**

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which eligible expenses are incurred, provided they are authorized and eligibility criteria are met.



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Cash and Cash Equivalents**

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Municipal Finance Authority of British Columbia (MFA) Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

**(e) Portfolio Investments**

Portfolio investments consist of term deposits and debentures which are expected to be held for a term exceeding 90 days. Investments are recorded at cost. When, in the opinion of management, there is a decline in value, other than a temporary decline, investments are written down to their net realizable value.

**(f) Accounts Receivable**

Accounts receivable are presented net of an allowance for doubtful accounts and therefore represent amounts expected to be collected.

**(g) Development Cost Charges**

Deferred development cost charges are restricted by legislation to expenditures on capital infrastructure and related debt servicing costs and operating projects. These amounts are deferred upon receipt and recognized as revenue when the expenditures are incurred in accordance with the restrictions.

**(h) Deferred Revenue**

The City defers a portion of the revenue collected from permits, licenses and other fees and recognizes this revenue in the year in which related inspections are performed or other related expenditures are incurred.

**(i) Compensated Absences and Termination Benefits**

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred. Compensated absences and termination benefits also accrue to the City's employees. The liabilities related to these termination benefits and earned sick leave are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefit plans are accrued based on projected benefits prorated as employees render services necessary to earn the future benefits. Actuarial gains and losses on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Compensated Absences and Termination Benefits (CONTINUED)**

The net accumulated actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the compensated absence and termination benefits plan is 12 years for sick leave benefits and 14 years for retirement allowance benefits.

**(k) Debt**

Debt is presented net of related sinking fund balances.

**(l) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended to be sold in the ordinary course of operations.

**(i) Tangible Capital Assets**

Tangible capital assets are comprised of capital assets and capital works in progress, and are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost of the tangible capital assets, excluding land, are amortized on a straight-line basis over the estimated useful lives of the assets, commencing at the time the assets are available for use.

Estimated useful lives are as follows:

<b>Asset</b>	<b>Useful Life - Years</b>
Land Improvements	10 – 60
Leasehold Improvements	3 – 30
Marine Structures	15 – 35
Buildings	10 – 40
Vehicles and Equipment	4 – 25
IT Infrastructure	4 – 10
Drainage	2 – 75
Transportation – Linear Infrastructure, Lighting and Signals	2 – 80
Sewer – Linear Infrastructure and Equipment	8 – 60
Water – Linear Infrastructure and Equipment	8 – 80

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Tangible Capital Assets (CONTINUED)**

Tangible capital assets are written down to their residual value when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of the future economic benefits associated with the asset are less than the book value of the asset.

**(ii) Contribution of Tangible Capital Assets**

Subdivision streets, lighting, sidewalks, drainage and other infrastructure assets are required to be provided by subdivision developers. Tangible capital assets received from developers are recorded at their fair value at the date of receipt and also recorded as revenue. The City is not involved in the construction and does not budget for assets received from developers.

**(iii) Natural Resources**

Natural resources are not recognized as assets in the financial statements.

**(iv) Works of Art and Cultural and Historical Assets**

Works of art and cultural and historical assets are not recognized as assets in the financial statements.

**(v) Interest Capitalization**

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

**(vi) Leased Tangible Capital Assets**

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

**(vii) Inventories of Supplies**

Inventories of supplies are recorded at cost, net of an allowance for obsolete stock. Cost is determined on a weighted average basis.



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of compensated absences and termination benefits, collectability of accounts receivable, useful lives of tangible assets for calculation of amortization and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

**NOTE 2 – ACCOUNTS RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Property Taxes	\$ 5,199,630	\$ 4,965,037
Other Governments	4,816,958	6,611,743
Trade and Other	<u>10,093,230</u>	<u>9,569,424</u>
	<u>\$ 20,109,818</u>	<u>\$ 21,146,204</u>

**NOTE 3 – DEVELOPMENT COST CHARGES RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Installments Receivable:		
2014	\$ -	\$ 263,824
2015	258,496	40,478
2016	<u>240,113</u>	<u>-</u>
	<u>\$ 498,609</u>	<u>\$ 304,302</u>

Development cost charges are collected on the approval of a subdivision or the issuance of a building permit. These funds assist the City in the cost of development including constructing capital improvements, operating projects and the related debt servicing costs. Installments receivable represent funds due from developers within two years and are secured by irrevocable standby letters of credit and/or cash on deposit. No interest is charged on these outstanding installments.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 4 – PORTFOLIO INVESTMENTS**

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Term Deposits	\$ 99,590,313	\$ 100,124,761	\$ 85,033,738	\$ 85,625,596
Debentures	<u>5,000,000</u>	<u>5,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>
	<u>\$ 104,590,313</u>	<u>\$ 105,124,761</u>	<u>\$ 94,033,738</u>	<u>\$ 94,625,596</u>

**NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2014</u>	<u>2013</u>
Trade and Other	\$ 12,492,078	\$ 11,276,812
RCMP Contract	6,462,088	5,436,321
Deposits	3,370,058	3,070,770
Accrued Wages and Benefits	4,679,806	4,133,578
Colliery Dam Remediation	3,000,000	3,140,000
Other Governments	<u>1,024,100</u>	<u>874,751</u>
	<u>\$ 31,028,130</u>	<u>\$ 27,932,232</u>

**NOTE 6 – COMPENSATED ABSENCES AND TERMINATION BENEFITS**

The City provides certain post-employment benefits, non-vested sick leave, compensated absences and termination benefits to its employees. An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2013 and the results are extrapolated to December 31, 2014. The current valuation was completed in 2014 and resulted in a \$473,675 decrease in the actuarial benefit obligation as at December 31, 2013. Significant assumptions used in the valuation include a discount rate of 4.75%, inflation of 2% and compensation increases, excluding merit and promotion, of 3%. There are unamortized actuarial gains of \$160,813 (2013– \$167,963).



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 6 – COMPENSATED ABSENCES AND TERMINATION BENEFITS (CONTINUED)**

	<u>2014</u>	<u>2013</u>
Actuarial Benefit Obligation, beginning of year	\$ 6,335,314	\$ 6,578,504
Unamortized Actuarial Losses, beginning of year	<u>167,963</u>	<u>(336,529)</u>
	6,503,277	6,241,975
Current Service Cost	427,832	567,453
Interest Cost	297,228	310,577
Benefits Paid	(583,593)	(647,545)
Amortization of Actuarial Loss(Gain)	<u>(7,150)</u>	<u>30,817</u>
	<u>\$ 6,637,594</u>	<u>\$ 6,503,277</u>
Actuarial Benefit Obligation, end of year	\$ 6,476,781	\$ 6,335,314
Unamortized Actuarial Gains, end of year	<u>160,813</u>	<u>167,963</u>
Accrued Benefit Liability, end of year	<u>\$ 6,637,594</u>	<u>\$ 6,503,277</u>

Actuarial gains and losses are amortized over 12 – 14 years, being the expected average remaining service period of the related employee groups, commencing the year after the gain or loss arises. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$739,433 (2013 - \$606,652).

**NOTE 7 – DEFERRED REVENUE AND OTHER LIABILITIES**

	<u>2014</u>	<u>2013</u>
Tax Prepayments	\$ 10,769,629	\$ 9,793,364
Other Prepayments	4,356,109	3,613,581
Community Works (Gas Tax) and other liabilities	<u>-</u>	<u>8,203,688</u>
	<u>\$ 15,125,738</u>	<u>\$ 21,610,633</u>

During the year the City entered into a new Gas Tax Agreement effective April 1, 2014 which broadened the scope of eligible expenditures for these funds. As the City has incurred eligible expenditures under the agreement the amounts have been recognized into revenue in the current year.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 8 – DEFERRED DEVELOPMENT COST CHARGES**

	<u>2014</u>	<u>2013</u>
Deferred Development Cost Charges – beginning of year	\$ 38,281,961	\$ 34,468,404
Additions	5,772,539	4,521,185
Interest Earned	765,494	733,327
Revenue Recognized	<u>(3,421,649)</u>	<u>(1,440,955)</u>
Deferred Development Cost Charges – end of year	<u>\$ 41,398,345</u>	<u>\$ 38,281,961</u>

**NOTE 9 – CEMETERY CARE FUND**

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The trust fund assets and liabilities are not included in the consolidated financial statements.

**NOTE 10 – DEBT, NET OF MUNICIPAL FINANCE AUTHORITY (MFA) SINKING FUND DEPOSITS**

The City issues debt instruments through the MFA pursuant to security issuing bylaws under authority of the *Community Charter* to finance certain capital expenditures.

\$49,803,006 (2013 – \$43,143,955) of debt is with the MFA. Payments of \$16,934,522 on the gross amount borrowed of \$66,737,528 are held in a sinking fund by the MFA. The remaining \$1,056,997 (2013 – \$1,181,127) is with the Royal Bank. The rates of interest on the principal amount of the MFA debentures vary between 1.6% and 4.82% per annum. The rate of interest on the Royal Bank debt is 5.48%.

	<u>2014</u>	<u>2013</u>
Total Outstanding Debt – beginning of the year	\$ 44,325,082	\$ 33,152,899
Reduction of Long-term Debt	(2,665,079)	(2,127,817)
Proceeds from long-term borrowing	<u>9,200,000</u>	<u>13,300,000</u>
Total Outstanding Debt – end of year	<u>\$ 50,860,003</u>	<u>\$ 44,325,082</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 10 – DEBT, NET OF MUNICIPAL FINANCE AUTHORITY (MFA) SINKING FUND DEPOSITS (CONTINUED)**

Future payments on net outstanding debt over the next five years and thereafter are as follows:

<u>Year</u>	<u>General</u>	<u>Water</u>	<u>Total</u>
2015	\$ 2,187,521	\$ 898,754	\$ 3,086,275
2016	2,256,325	804,393	3,060,718
2017	2,351,671	836,569	3,188,240
2018	2,450,924	870,032	3,320,956
2019	2,554,408	904,833	3,459,241
Thereafter	<u>16,880,492</u>	<u>17,864,081</u>	<u>34,744,573</u>
	<u>\$ 28,681,341</u>	<u>\$ 22,178,662</u>	<u>\$ 50,860,003</u>

The \$1,056,997 (2013 – \$1,181,127) loan from the Royal Bank has been secured by a collateral mortgage in the amount of \$4,000,000 covering the Harbourfront Parkade and lot located on the Gordon Street site.

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2014</u>	<u>2013</u>
<u>General Fund</u>						
5456	73	Local Improvement, 2000	1.60	2015	\$ 22,495	\$ 44,021
5425	72	Leisure and Aquatic Centre	2.10	2020	1,813,877	2,072,295
5457	73	Leisure and Aquatic Centre	1.60	2020	1,652,643	1,888,091
Royal Bank		Harbourfront Parkade	5.48	2021	1,056,997	1,181,127
5750	99	Port of Nanaimo Centre	4.43	2026	10,358,552	11,021,421
5750	101	Port of Nanaimo Centre	4.52	2027	11,021,422	11,658,796
7050	102	Fire Station #4	4.82	2027	<u>2,755,355</u>	<u>2,914,699</u>
					<u>28,681,341</u>	<u>30,780,450</u>
<u>Waterworks Fund</u>						
50	61	North Nanaimo Reservoir	3.00	2015	125,299	244,632
7127	126	Water Treatment Plant	3.85	2033	12,853,363	13,300,000
7127	127	Water Treatment Plant	3.30	2034	<u>9,200,000</u>	<u>-</u>
					<u>22,178,662</u>	<u>13,544,632</u>
<b>Total Outstanding Debt</b>					<b><u>\$ 50,860,003</u></b>	<b><u>\$ 44,325,082</u></b>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 11 – TANGIBLE CAPITAL ASSETS**

<u>Net Book Value</u>	<u>2014</u>	<u>2013</u>
Land	\$ 82,935,268	\$ 71,988,215
Land Improvements	13,977,208	14,451,404
Leasehold Improvements	387,287	459,852
Marine Structures	195,635	226,695
Buildings	127,337,633	131,312,555
Vehicles and Equipment	12,365,575	13,454,503
IT Infrastructure	1,463,228	1,698,641
Drainage	72,193,612	72,606,966
Transportation	139,797,013	143,602,616
Sewer	20,882,963	18,801,349
Water	<u>113,782,818</u>	<u>104,278,620</u>
	585,318,240	572,881,416
Work In Progress	<u>70,038,012</u>	<u>53,087,781</u>
	<u>\$ 655,356,252</u>	<u>\$ 625,969,197</u>

See schedule of tangible capital assets (page 30) for more information. There were no write downs of tangible capital assets for 2013 and 2014. Developer contributed assets recognized in 2014 were \$5,850,960 (2013 - \$4,916,402) recorded at fair market value at the time of receipt. These include transportation, drainage, sewer and water infrastructure and the land under these assets.



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 12 – ACCUMULATED SURPLUS**

	<u>2014</u>	<u>2013</u>
Reserve Accounts – Note 22	\$ 63,328,611	\$ 61,451,995
Surplus – General	2,343,849	670,959
Surplus – Sewer System	6,569,167	6,576,414
Surplus – Waterworks	5,167,765	4,912,792
Investment in Tangible Capital Assets – Note 18	604,496,249	581,644,115
Community Works Reserve Fund (Gas Tax Agreement)	3,609,979	-
Equipment Depreciation Reserve	4,172,501	3,179,005
Facility Development (Recreation) Reserve	1,359,985	782,694
Property Sales Reserve	1,074,208	3,735,466
Local Improvement Reserve	1,585,200	1,553,582
Knowles Estate Reserve	437,651	439,542
Parkland Dedication Reserve	50,215	128,762
Old City Neighborhood Parking Reserve	84,098	82,469
General Asset Management Reserve	2,524,998	837,682
Sewer Asset Management Reserve	746,650	238,155
Water Asset Management Reserve	943,649	308,840
Regional Emissions Reduction Reserve	<u>218,754</u>	<u>143,712</u>
	<u>\$ 698,713,529</u>	<u>\$ 666,686,184</u>

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**(a) Liability Claims**

In the ordinary course of business, various claims and lawsuits are brought against the City. The City records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. Liability insurance is carried by the City, subject to a deductible of \$25,000 per claim. Effective January 1, 2002, the City no longer has insurance coverage for claims filed after that date resulting from construction deficiencies related to building envelope failure.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(b) BC Assessment Authority Appeals**

As at December 31, 2014, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes a provision against property taxes receivable for the impact of appeals where the losses are likely and the amounts are reasonably determinable.

**(c) Joint and Several Liabilities**

The City has a contingent liability with respect to debentures of the Regional District of Nanaimo and the Regional Hospital District of Nanaimo, to the extent provided for in their respective Acts of Incorporation. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

The City issues its debt instruments primarily through the MFA. Demand notes are executed in connection with each debenture whereby the City may be required to pay certain amounts to the Regional District of Nanaimo. These demand notes of \$1,956,891 (2013 – \$1,742,615) are contingent in nature and given the low likelihood of payment are not reflected in the accounts.

The City is a participant in the Municipal Insurance Association of British Columbia (the Association). Should the Association pay out claims in excess of premiums received, it is possible that the City, along with other participants, would be required to contribute towards the deficit.

**(d) Colliery Dams**

A liability of \$3,000,000 has been recorded in the financial statements relating to the remediation of the Colliery Dams (Note 5) as directed by the provincial government of British Columbia. A Technical Committee has been established with a mandate to identify an environmentally minimally invasive, cost, and time effective remediation solution. Engineering studies have been completed and cost estimates to remediate the Colliery Dams range from \$3 million to \$8.1 million, dependent on which alternative is selected. The remediation options are presently being addressed by City Council, and the full costs to remediate the Colliery Dams are unknown at this time. Additional liabilities will be recorded if further remediation costs are determined to be likely and the amounts are reasonably determinable.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**(e) Subsidence of Mines**

Continued existence of abandoned underground mines has resulted in risk to private land and public roads due to potential collapse or instability. The full impact of the abandoned mines and any potential liabilities are unknown at this time and a partnership with the Province of BC to complete studies to address any potential risks has been requested. No determination of the City's liability, if any, has been made and no estimate of potential loss can be made or recorded at this time. A liability will be recorded if remediation costs are determined to be likely and the amounts are reasonably determinable.

**(f) Credit Facilities**

The City has adopted a revenue anticipation borrowing bylaw to support a credit facility in the amount of \$6,000,000 with an interest rate of Royal Bank Prime Rate less .5%. This facility creates a floating charge on certain assets and undertakings of the City. At December 31, 2014, no amounts were drawn against this facility.

**(g) Commitments**

The City has \$16.5 million in open purchase orders at year end which have not been recorded in the financial statements. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the period that the goods and services, to which they relate, are received.

The City has entered into an operating lease for the purposes of acquiring gym equipment for the Nanaimo Aquatic Centre. The minimum lease payments to the end of the lease term in August 2015 are \$29,817 (2013 – \$74,544).

**(h) Guarantees**

The City has guaranteed the amount of a \$2 million line of credit for the Port Theatre Society. Management considers the likelihood of payment on the guarantee to be low.



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 14 – ANNUAL BUDGET**

These financial statements include the Annual Budget as approved by Council on May 12, 2014. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 6,175,739
Cemetery Care Fund – not in reporting entity	7,500
Development Cost Charges – change from restricted revenue presentation	<u>(5,574,949)</u>
Annual Surplus from the 2014 Financial Plan	608,290
Amortization, not funded	21,150,778
Capital Expenditures	<u>(59,390,461)</u>
Proceeds from Borrowing	9,339,567
Principal Repayment of Debt	<u>(2,665,108)</u>
Transfers from Accumulated Surplus	<u>30,956,934</u>
Net Annual Budget - as approved	<u>\$ -</u>

**NOTE 15 – TAXATION AND PAYMENTS IN LIEU**

			2014	2013
	<u>Municipal</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Property Taxes	\$ 92,921,467	\$ 57,104,792	\$ 150,026,259	\$ 145,421,557
Local Improvement Frontage Fees	20,627	-	20,627	20,627
Business Improvement Area Levies	226,941	-	226,941	224,539
Taxes in Lieu of Licences	1,382,234	-	1,382,234	1,351,831
Payments in Lieu of Taxes	<u>1,409,584</u>	<u>483,185</u>	<u>1,892,769</u>	<u>1,928,817</u>
	<u>\$ 95,960,853</u>	<u>\$ 57,587,977</u>	<u>153,548,830</u>	<u>148,947,371</u>

Less Collections for Other Governments:

Province of British Columbia (School Tax)	37,932,257	37,849,288
Regional District of Nanaimo	14,993,887	14,053,858
Nanaimo Regional Hospital District	3,584,991	3,554,127
Other Agencies	<u>1,076,842</u>	<u>1,077,288</u>
	<u>57,587,977</u>	<u>56,534,561</u>

Municipal Taxes	<u>\$ 95,960,853</u>	<u>\$ 92,412,810</u>
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**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 16 – USER FEES AND SALES OF SERVICES**

	<u>2014</u>	<u>2013</u>
Waterworks	\$ 14,575,628	\$ 13,230,471
Recreation Programs	6,091,796	5,974,885
Sewer System	5,539,616	5,307,087
Garbage Collection	3,409,237	3,450,414
Vancouver Island Conference Centre	1,562,048	1,802,381
Public Works	644,435	710,706
Parking	1,303,404	1,167,967
Other	370,480	338,980
Community Safety	<u>202,587</u>	<u>156,740</u>
	<u>\$ 33,699,231</u>	<u>\$ 32,139,631</u>

**NOTE 17 – TRANSFERS FROM OTHER GOVERNMENTS**

	<u>2014</u>	<u>2013</u>
<u>Federal</u>		
Capital	\$ 1,000,000	\$ 4,348,426
Gas Tax	11,674,788	2,163,821
Other	<u>46,350</u>	<u>62,118</u>
	<u>12,721,138</u>	<u>6,574,365</u>
<u>Provincial</u>		
Capital	-	11,416,910
Casino Gaming	2,392,585	2,547,598
Revenue Sharing	970,275	963,732
Other	<u>101,366</u>	<u>251,402</u>
	<u>3,464,226</u>	<u>15,179,642</u>
<u>Regional District of Nanaimo</u>		
Recreation Services, Sports Fields and Other	<u>1,218,079</u>	<u>1,037,713</u>
Total Transfers from Other Governments	<u>\$ 17,403,443</u>	<u>\$ 22,791,720</u>
Capital Transfers from Other Governments	\$ 12,674,778	\$ 17,929,157
Operating Transfers from Other Governments	<u>4,728,655</u>	<u>4,862,563</u>
Total Transfers from Other Governments	<u>\$ 17,403,443</u>	<u>\$ 22,791,720</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 18 – INVESTMENT IN TANGIBLE CAPITAL ASSETS**

	<u>2014</u>	<u>2013</u>
Investment in Tangible Capital Assets – beginning of year	\$ 581,644,115	\$ 552,958,432
Add: Capital Additions	50,427,870	60,842,579
Reduction in Long-term Debt	2,665,079	2,127,817
Less: Proceeds from long-term borrowing	(9,200,000)	(13,300,000)
Amortization	(20,199,518)	(20,241,471)
Net Book Value of Asset Disposals	<u>(841,297)</u>	<u>(743,242)</u>
Investment in Tangible Capital Assets – end of year	<u>\$ 604,496,249</u>	<u>\$ 581,644,115</u>

**NOTE 19 – MUNICIPAL PENSION PLAN**

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from Local Government.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan. Contributions to the plan were:

	<u>2014</u>	<u>2013</u>
Employer Portion	\$ 4,441,111	\$ 4,206,222
Employee Portion	<u>3,718,409</u>	<u>3,503,195</u>
	<u>\$ 8,159,520</u>	<u>\$ 7,709,417</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 20 – FINANCIAL INSTRUMENTS**

**Financial risk and fair market values**

The City's financial instruments consist of cash and cash equivalents, portfolio investments, development cost charges receivable, accounts receivable and other assets, accounts payable and accrued liabilities and debt. The City does not hold any asset-backed commercial paper or hedge funds. The financial risk is the risk to the City's earnings that arises from fluctuations in interest rates, foreign exchange rates, and the degree of volatility of these rates. The City does not use derivative instruments to reduce its exposure to interest rate risk nor foreign exchange risk as management does not consider the risks material. Based on available market information, the carrying value of the City's financial instruments approximates their fair value with the exception of Portfolio investments for which market values are disclosed in Note 4.

**Credit risk**

The City is not exposed to significant risk from its accounts receivables. The City's tax base has a significant number of participants which reduces the concentration of credit risk. Credit risk is further minimized as the City has the ability to expropriate land in the event of non-payment of property tax receivables.

**NOTE 21 – COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 22 – RESERVES**

	Work in progress	Available for future commitments	2014	2013
<b><u>General Revenue Fund Reserve Accounts</u></b>				
Corporate Services	\$ 162,122	\$ 141,937	\$ 304,059	\$ 761,207
Social & Protective Services	429,594	1,142,869	1,572,463	1,902,086
Parks, Recreation & Environment	1,380,340	587,847	1,968,187	1,753,128
Engineering & Public Works	3,560,423	284,046	3,844,469	3,025,447
Culture & Heritage	11,072	-	11,072	-
General Capital	600,000	4,286,454	4,886,454	2,486,454
Housing Legacy Reserve	234,125	2,640,240	2,874,365	2,916,910
Uncollected Taxes	-	2,803,848	2,803,848	2,879,825
Uninsured Claims	-	2,568,624	2,568,624	2,224,367
RCMP Contract	-	2,507,115	2,507,115	2,507,115
Information Technology Infrastructure	1,680,105	297,026	1,977,131	2,143,029
Sustainability Initiatives	783,985	351,981	1,135,966	1,103,579
Parking Reserve	210,444	672,832	883,276	672,653
Conference Centre	-	600,682	600,682	553,682
Snow Removal	-	400,000	400,000	400,000
Property Acquisition	21,074	354,982	376,056	537,246
Colliery Dam Reserve	232,685	140,000	372,685	1,548,648
Photocopier Reserve	127,000	199,556	326,556	271,336
Casino Funds	30,545	140,183	170,728	247,598
	<u>9,463,514</u>	<u>20,120,222</u>	<u>29,583,736</u>	<u>27,934,310</u>
<b><u>Sewer Revenue Reserve Accounts</u></b>				
General Capital	3,800,655	6,727,877	10,528,532	11,900,930
Growth Related Projects	-	850,916	850,916	850,000
	<u>3,800,655</u>	<u>7,578,793</u>	<u>11,379,448</u>	<u>12,750,930</u>
<b><u>Waterworks Revenue Fund Reserve Accounts</u></b>				
General Capital	12,832,100	7,533,666	20,365,766	18,767,094
Growth Related Projects	-	1,500,000	1,500,000	1,500,000
User Rate Leveling	-	400,000	400,000	400,000
Local Improvement Projects	-	99,661	99,661	99,661
	<u>12,832,100</u>	<u>9,533,327</u>	<u>22,365,427</u>	<u>20,766,755</u>
<b>Total Reserve Accounts</b>	<b>\$ 26,096,269</b>	<b>\$ 37,232,342</b>	<b>\$ 63,328,611</b>	<b>\$ 61,451,995</b>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 23 – SEGMENT REPORTING**

The City's operations and activities are organized and reported by Fund. City services are provided by departments and their activities are reported in these funds.

**GENERAL REVENUE FUND**

Certain departments have been separately disclosed in the segmented information, along with the services they provide as follows:

**Corporate Services**

Consists of the City Manager's Office and the Corporate Services Department. The City Manager's Office assists Council to establish its strategic direction for the City and takes the lead role in managing the implementation of policy direction established by Council. The Office also provides managerial leadership and direction to all City departments and operations.

Providing service to both the internal organization and the community, the Corporate Services Department is responsible for five key areas – Legislative Services, Human Resources and Organizational Planning, Information Technology, Financial Services and Purchasing, and Community Development Administration. The Corporate Services Department is also the liaison to the Nanaimo Economic Development Corporation, the Vancouver Island Conference Centre, the Nanaimo Port Authority and Snuneymuxw First Nation.

**Development Services**

Development Services is responsible for a variety of tasks relating to planning and development. This includes processing development applications and developing related policies and regulations.

**Social and Protective Services**

The Social and Protective services department is responsible for the City's regulatory services, including the bylaw, animal control, and parking functions. Protective services include emergency management, planning and coordination functions.

**Fire**

The Fire Department has the responsibility of protecting the City's citizens and infrastructure through prevention and quick and high quality response to fire, medical and other emergency incidents in the most effective and responsive manner possible.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 23 – SEGMENT REPORTING (CONTINUED)**

**Police**

The City contracts the Royal Canadian Mounted Police to provide top quality policing services in Nanaimo. With administrative support services provided by City employees, the detachment provides all standard policing services, including response to emergency and non-emergency calls, criminal investigations and traffic safety measures.

**Culture & Heritage**

The Culture & Heritage department fosters the importance and visibility of cultural vitality in Nanaimo. This department facilitates cultural planning and development and also focuses on heritage conservation.

**Parks, Recreation and Environment**

The Parks, Recreation and Environment department manages, facilitates and maintains a system of services, facilities, parks and open spaces and works to enhance the quality of life for the citizens of Nanaimo.

**Engineering and Public Works**

Engineering and Public Works is responsible for the planning, design, construction, operation and maintenance of the City's infrastructure including the City's water, sanitary sewer, drainage and transportation infrastructure. Department operations also include maintenance of the City's fleet, cemeteries, solid waste collection and recycling.

**SEWER SYSTEM**

The City Sanitary Sewer Utility is a self-funded entity that operates and maintains a sewer collection system that serves the City.

**WATERWORKS**

The City Waterworks Utility is a self-funded entity that delivers water to residential, commercial and industrial premises in Nanaimo. The Utility operates and maintains a supply system consisting of dams, transmission mains, reservoirs and treatment facilities as well as a distribution system.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 23 – SEGMENT REPORTING (CONTINUED)**

**RESERVE FUNDS**

These funds have been created to hold assets for specific future requirements pursuant to the *Community Charter*. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Taxes, grants in lieu of taxes and any revenues not directly attributable to a segment are apportioned to the General Revenue Fund services based on the net annual budget.



**CITY OF NANAIMO**  
**SCHEDULE OF OPERATIONS BY SEGMENT**  
for the year ended December 31, 2014

	Corporate Services	Development Services	Social and Protective Services	Fire	Police	Culture & Heritage
<b>Revenues</b>						
Taxes*	\$ 13,448,723	\$ 3,109,814	\$ 1,816,386	\$ 14,265,876	\$ 23,043,921	\$ 8,044,684
Payments in lieu of taxes*	197,631	46,483	27,150	213,236	344,443	120,246
User fees and sales of services	229,667	120,750	1,323,034	89,345	113,242	1,562,481
Investment income	274,840	64,643	37,757	296,544	479,012	167,441
Other - general revenue*	120,067	28,240	16,495	129,549	209,263	73,054
Other revenue	264,572	3,144,097	619,504	871,490	390,985	149,711
Development cost charges	-	-	-	-	-	-
Donations and contributions - capital	353	-	-	-	-	-
Transfers from other governments - capital	-	-	-	-	-	-
Transfers from other governments - operating	221,525	-	3,158	-	842,466	-
Casino revenue sharing**	123,223	28,983	103,877	132,954	738,476	978,014
Municipal Finance Authority refunds and debt forgiven	-	-	-	-	-	-
Developer assets provided	-	-	-	-	-	-
Gain (Loss) on disposal of assets	(327,999)	965,730	(346)	(9,851)	-	-
	14,552,602	7,508,740	3,947,015	15,989,143	26,161,808	11,095,631
<b>Expenses</b>						
Wages and salaries	9,623,057	4,497,352	1,420,180	13,303,153	5,083,433	429,729
Services and supply contracts	3,929,068	1,009,036	1,319,993	993,648	19,349,990	3,063,847
Amortization	983,655	289,263	401,295	570,374	327,924	1,649,205
Material and supplies	789,226	180,967	88,035	562,040	98,850	124,875
Other	770,264	127,854	577,571	632,595	172,531	4,957,131
Interest payments on debt	1,037,442	-	61,628	146,707	-	-
	17,132,712	6,104,472	3,868,702	16,208,517	25,032,728	10,224,787
Interprogram credits	(2,244,561)	-	(59,121)	(495,000)	-	-
	14,888,151	6,104,472	3,809,581	15,713,517	25,032,728	10,224,787
<b>Excess (Deficiency) of revenues over expenses</b>	\$ (335,549)	\$ 1,404,268	\$ 137,434	\$ 275,626	\$ 1,129,080	\$ 870,844
<b>Expenditures on capital projects</b>	\$ 2,802,853	\$ -	\$ 121,978	\$ 119,272	\$ -	\$ 140,454

for the year ended December 31, 2013

	Corporate Services	Development Services	Social and Protective Services	Fire	Police	Culture & Heritage
<b>Revenues</b>						
Taxes*	\$ 13,128,660	\$ 4,115,827	\$ 1,229,153	\$ 13,439,193	\$ 22,490,665	\$ 6,910,745
Payments in lieu of taxes*	204,289	65,158	19,459	212,759	356,053	109,405
User fees and sales of services	207,258	103,522	1,196,167	84,607	72,133	1,802,381
Investment income	254,256	80,879	24,154	264,092	441,961	135,802
Other - general revenue*	119,939	38,256	11,425	124,914	209,045	64,234
Other revenue	256,300	2,754,376	672,182	816,822	1,329,756	100,243
Development cost charges	-	-	-	-	-	-
Donations and contributions - capital	50,043	-	-	-	-	-
Transfers from other governments - capital	62,529	-	-	-	-	-
Transfers from other governments - operating	212,007	34,481	3,300	-	839,276	-
Casino revenue sharing**	144,905	46,218	114,465	150,913	635,173	1,123,068
Municipal Finance Authority refunds and debt forgiven	-	-	-	-	-	-
Developer assets provided	-	-	-	-	-	-
Gain (Loss) on disposal of assets	2,635,519	-	1,040	(1,720)	(9,272)	-
	17,275,705	7,238,717	3,271,345	15,091,580	26,364,790	10,245,878
<b>Expenses</b>						
Wages and salaries	10,021,588	5,552,829	1,173,014	12,599,600	4,969,129	14,118
Services and supply contracts***	4,277,173	794,472	1,272,688	915,926	19,614,292	2,941,818
Amortization	907,795	327,053	384,171	550,784	300,725	1,954,987
Material and supplies	842,270	202,196	104,386	627,510	83,765	51,373
Other	714,376	253,035	638,582	710,176	117,732	4,594,181
Interest payments on debt	1,087,924	-	68,239	152,860	-	-
	17,851,126	7,129,585	3,641,080	15,556,856	25,085,643	9,556,477
Interprogram credits	(2,358,767)	-	(58,876)	(559,010)	-	-
	15,492,359	7,129,585	3,582,204	14,997,846	25,085,643	9,556,477
<b>Excess (Deficiency) of revenues over expenses</b>	\$ 1,783,346	\$ 109,132	\$ (310,859)	\$ 93,734	\$ 1,279,147	\$ 689,401
<b>Expenditures on capital projects</b>	\$ 6,705,676	\$ -	\$ 6,350	\$ 189,597	\$ 925,812	\$ 59,627

\*Prorated based on net annual budget

\*\*Prorated based on casino revenue allocation

\*\*\*Parks, Recreation and Culture includes an accrual for Colliery Dam remediation



**CITY OF NANAIMO**  
**SCHEDULE OF OPERATIONS BY SEGMENT**  
for the year ended December 31, 2014

Parks, Recreation and Environment	Engineering and Public Works	Sewer System	Waterworks	Reserve Funds	Consolidated	
\$ 15,237,822	\$ 15,584,043	\$ -	\$ -	\$ -	\$ 94,551,269	Revenues
227,764	232,631	-	-	-	1,409,584	Taxes*
6,091,796	4,053,672	5,539,616	14,575,628	-	33,699,231	Grants in lieu of taxes*
316,748	333,862	-	7,224	1,176,239	3,154,310	User fees and sales of services
138,375	141,332	-	-	-	856,375	Investment income
721,088	357,065	6,170	75,616	26,540	6,626,838	Other - general revenue*
1,298,028	1,212,042	451,375	460,204	-	3,421,649	Other revenue
343,671	145,228	56,786	31,563	-	577,601	Development cost charges
-	-	-	12,674,788	-	12,674,788	Donations and contributions - capital
1,265,330	3,591	-	-	-	2,336,070	Transfers from other governments - capital
142,012	145,046	-	-	-	2,392,585	Transfers from other governments - operating
-	-	-	-	-	-	Casino revenue sharing*
2,718,061	2,348,979	384,554	399,366	-	5,850,960	Municipal Finance Authority refunds and debt forgiven
1,083,598	(31,272)	(16,460)	(212,750)	-	1,450,650	Developer contribution at subdivision
29,584,293	24,526,219	6,422,041	28,011,639	1,202,779	169,001,910	Gain (Loss) on disposal of assets
12,428,919	9,060,987	1,036,317	1,992,989	-	58,876,116	Expenses
3,969,376	5,905,801	1,092,185	837,797	-	41,470,741	Wages and salaries
3,706,810	8,753,321	592,708	2,924,963	-	20,199,518	Services and supply contracts***
1,531,830	2,702,673	312,397	571,377	-	6,962,270	Amortization
977,776	2,462,679	1,839,530	3,025,132	-	15,543,063	Material and supplies
35,649	(1,422)	-	709,175	-	1,989,179	Other
22,650,360	28,884,039	4,873,137	10,061,433	-	145,040,887	Interest payments on debt
-	(5,267,640)	-	-	-	(8,066,322)	Interprogram credits
22,650,360	23,616,399	4,873,137	10,061,433	-	136,974,565	
\$ 6,933,933	\$ 909,820	\$ 1,548,904	\$ 17,950,206	\$ 1,202,779	\$ 32,027,345	Excess (Deficiency) of revenues over expenses
\$ 13,204,665	\$ 6,813,511	\$ 3,440,038	\$ 23,785,099	\$ -	\$ 50,427,870	Expenditures on capital projects

for the year ended December 31, 2013

Parks, Recreation and Environment	Engineering and Public Works	Sewer Revenue Fund	Waterworks Revenue Fund	Reserve Funds	Consolidated	
\$ 15,178,427	\$ 14,483,755	\$ -	\$ -	\$ -	\$ 90,976,425	Revenues
240,293	228,969	-	-	-	1,436,385	Taxes*
5,974,885	4,161,120	5,307,087	13,230,471	-	32,139,631	Grants in lieu of taxes*
298,269	294,924	-	5,234	1,196,402	2,995,973	User fees and sales of services
141,080	134,431	-	-	-	843,324	Investment income
612,633	548,720	27	19,637	(548,104)	6,562,592	Other - general revenue*
512,415	316,220	221,491	390,829	-	1,440,955	Other revenue
302,107	97,501	1,527	4,563	-	455,741	Development cost charges
-	26,681	-	17,839,947	-	17,929,157	Donations and contributions - capital
1,225,268	633	-	-	-	2,314,965	Transfers from other governments - capital
170,444	162,412	-	-	-	2,547,598	Transfers from other governments - operating
-	61,645	-	13,089	-	74,734	Casino revenue sharing*
662,300	3,128,704	487,947	637,451	-	4,916,402	Municipal Finance Authority refunds and debt forgiven
259,098	(111,426)	(1,989)	(18,318)	-	2,752,932	Developer contribution at subdivision
25,577,219	23,534,289	6,016,090	32,122,903	648,298	167,386,814	Gain (Loss) on disposal of assets
12,391,529	8,502,246	1,002,473	1,996,224	-	58,222,750	Expenses
6,012,523	6,362,669	621,351	797,450	-	43,610,362	Wages and salaries
3,722,338	8,695,305	579,827	2,818,486	-	20,241,471	Services and supply contracts***
1,619,447	2,563,470	259,612	513,743	-	6,867,772	Amortization
943,690	1,876,739	1,762,362	2,881,286	-	14,492,159	Material and supplies
82,159	(492)	-	119,518	-	1,510,208	Other
24,771,686	27,999,937	4,225,625	9,126,707	-	144,944,722	Interest payments on debt
-	(4,561,218)	-	-	-	(7,537,871)	Interprogram credits
24,771,686	23,438,719	4,225,625	9,126,707	-	137,406,851	
\$ 805,533	\$ 95,570	\$ 1,790,465	\$ 22,996,196	\$ 648,298	\$ 29,979,963	Excess (Deficiency) of revenues over expenses
\$ 3,633,565	\$ 7,123,080	\$ 2,010,814	\$ 40,188,058	\$ -	\$ 60,842,579	Expenditures on capital projects

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2014

**ASSETS** **ACCUMULATED AMORTIZATION**

	Balance December 31, 2013	Additions	Disposals	Transfers	Balance December 31, 2014	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014	NET BOOK VALUE
Land	\$ 71,988,215	\$ 11,359,681	\$ 412,628	\$ -	\$ 82,935,268	\$ -	\$ -	\$ -	\$ -	\$ 82,935,268
Land improvements	26,123,592	308,801	43,300	292,649	26,681,742	11,672,188	1,075,206	42,860	12,704,534	13,977,208
Leasehold improvements	2,160,400	13,894	-	-	2,174,294	1,700,548	86,459	-	1,787,007	387,287
Marine	867,490	-	-	-	867,490	640,795	31,060	-	671,855	195,635
Buildings	188,967,895	1,145,550	1,754,425	98,573	188,457,593	57,655,340	5,139,896	1,675,276	61,119,960	127,337,633
Vehicles and equipment	30,891,692	745,506	1,818,917	247,924	30,066,205	17,437,189	1,962,241	1,698,800	17,700,630	12,365,575
Computer	8,570,982	306,880	33,800	-	8,844,062	6,872,341	542,293	33,800	7,380,834	1,463,228
Storm	97,425,140	1,104,580	91,605	63,585	98,501,700	24,818,174	1,543,795	53,881	26,308,088	72,193,612
Transportation	290,881,356	2,630,232	266,490	37,835	293,282,933	147,278,740	6,463,981	256,801	153,485,920	139,797,013
Sewer	29,620,617	1,851,475	81,176	779,358	32,170,274	10,819,268	532,749	64,706	11,287,311	20,882,963
Water	160,017,162	4,390,929	1,169,148	8,100,187	171,339,130	55,738,542	2,821,838	1,004,068	57,556,312	113,782,818
Work in progress	53,087,781	26,570,342	-	(9,620,111)	70,038,012	-	-	-	-	70,038,012
	\$ 960,602,322	\$ 50,427,870	\$ 5,671,489	\$ -	\$ 1,005,358,703	\$ 334,633,125	\$ 20,199,518	\$ 4,830,192	\$ 350,002,451	\$ 655,356,252

for the year ended December 31, 2013

**ASSETS** **ACCUMULATED AMORTIZATION**

	Balance December 31, 2012	Additions	Disposals	Transfers	Balance December 31, 2013	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013	NET BOOK VALUE
Land	\$ 65,986,378	\$ 6,211,536	\$ 201,882	\$ (7,817)	\$ 71,988,215	\$ -	\$ -	\$ -	\$ -	\$ 71,988,215
Land improvements	25,325,701	657,603	218,800	359,088	26,123,592	10,765,077	1,057,030	149,919	11,672,188	14,451,404
Leasehold improvements	2,106,458	75,260	21,318	-	2,160,400	1,627,862	94,004	21,318	1,700,548	459,852
Marine	867,490	-	-	-	867,490	609,735	31,060	-	640,795	226,695
Buildings	186,939,290	2,429,771	860,496	459,330	188,967,895	53,189,373	5,078,846	612,879	57,655,340	131,312,555
Vehicles and equipment	29,935,501	1,217,017	1,099,739	838,913	30,891,692	16,333,179	2,103,011	999,001	17,437,189	13,454,503
Computer	8,323,368	269,295	21,681	-	8,570,982	6,172,782	710,244	10,685	6,872,341	1,698,641
Storm	95,350,219	2,079,466	75,891	71,346	97,425,140	23,350,891	1,499,670	32,387	24,818,174	72,606,966
Transportation	287,378,454	3,973,074	562,904	92,732	290,881,356	141,357,639	6,434,619	513,518	147,278,740	143,602,616
Sewer	27,059,172	1,199,410	10,000	1,372,035	29,620,617	10,307,437	519,842	8,011	10,819,268	18,801,349
Water	155,407,021	4,433,736	168,504	344,909	160,017,162	53,175,652	2,713,145	150,255	55,738,542	104,278,620
Work in progress	18,321,906	38,296,411	-	(3,530,536)	53,087,781	-	-	-	-	53,087,781
	\$ 903,000,958	\$ 60,842,579	\$ 3,241,215	\$ -	\$ 960,602,322	\$ 316,889,627	\$ 20,241,471	\$ 2,497,973	\$ 334,633,125	\$ 625,969,197





cutting through complexity

AUDIT

# City of Nanaimo

Audit Findings Report  
For the year ended December 31, 2014

*KPMG LLP*

April 13, 2015

[kpmg.ca](http://kpmg.ca)



The contacts at KPMG in connection with this report are:

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Partner

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Audit Senior Manager

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**



# Executive summary

## Purpose of this report

The purpose of this Audit Findings Report is to assist you, as council members, in your review of the results of our audit of the consolidated financial statements of the City of Nanaimo as at and for the year ended December 31, 2014.

## Materiality

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. For the current period, we have determined a materiality of **\$3,400,000**.

## Audit risks and results

As part of our audit planning, we identified **significant financial reporting** risks that, by their nature, require special audit consideration.

By focusing on these risks, we established an overall audit strategy and effectively targeted our audit procedures. We are satisfied that our audit work has appropriately dealt with the risks.

## Critical accounting estimates

Overall, we are satisfied with the reasonability of **critical accounting estimates** taken. The most critical areas of estimates relate to: the amortization of tangible capital assets, estimates for contingent liabilities and estimates for employee future benefits.

## Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

## Independence

We are independent with respect to the City (and its related entities), within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

## Control and other observations

We did not identify any control deficiencies that we determined to be material weaknesses in ICFR.

# Executive summary (continued)

## Finalizing the audit

As of April 2, 2015, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- completing our discussions with Council
- obtaining evidence of Council's approval of the financial statements
- obtaining the signed management representation letter
- completing subsequent event review procedures up to the date of Council approval of the financial statements, including updating our discussions with management regarding any changes to our understanding of legal matters.

We will update you on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

## Audit adjustments and differences

There were no uncorrected differences.

A reclassification adjustment was communicated to management and subsequently corrected in the financial statements.

See page 10 and Appendix 1b (containing the Management representation letter)



# Audit risks and results

## Materiality

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The determination of materiality requires judgment and is based on a combination of quantitative and qualitative assessments, including the nature of account balances and financial statement disclosures.

We determine performance materiality (from materiality) in order to assess risks of material misstatement and to determine the nature, timing and extent of audit procedures.

We determine an audit misstatement posting threshold (from materiality) in order to accumulate misstatements identified during the audit.

For the current period, the following amounts have been determined:

	Materiality	Performance Materiality	Audit Misstatement Posting Threshold
2014 Consolidated	\$3,400,000 which has been set at 2.5% of expenses.	\$2,550,000, which has been set at 75% of materiality	\$170,000, which has been set at 5% of materiality. A reclassification threshold was set at \$680,000.

Materiality has not changed from the prior year.

Inherent risk is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

We highlight our significant findings in respect of significant financial reporting risks as identified during our audit planning.

## Significant financial reporting risks

As part of our audit planning, we identified the significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we established an overall audit strategy and effectively target our audit procedures. The *significant* financial reporting risks identified during our audit planning are listed below:

### Significant financial reporting risks

### Our significant findings from the audit

Risk of management override:

We performed the required procedures under professional standards:

- Test all material journal entries made in the preparation of the year-end financial statements, entries potentially related to fraud or management override of controls, and inspect the relevant documentation for authorization and appropriateness
- A retrospective review of estimates, including the assumptions used by management
- Evaluating the business rationale of significant unusual transactions

We are satisfied that our audit work has appropriately dealt with the risk of management override.

## Responsibilities of KPMG and management

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter dated November 14, 2011.



# Critical accounting estimates

Asset / Liability	Balance	Highlights of audit procedures and KPMG comments
Compensated absences and termination benefits	\$6,637,594	<ul style="list-style-type: none"> <li>We performed substantive analytical procedures on the provision for payroll and vacation accruals prepared by management</li> <li>We obtained an actuarial confirmation from Nexus, the City's actuary</li> <li>We assessed the reasonableness of the discount rates and assumptions used by Nexus</li> <li>We performed attribute testing over the data provided to Nexus</li> <li>The current valuation was performed as at December 31, 2013 with results being extrapolated to December 31, 2014</li> <li>The current valuation was completed in 2014 and resulted in a \$473,675 decrease in the actuarial benefit obligation as at December 31, 2013</li> </ul>
Useful lives of tangible capital assets	\$655,356,252	<ul style="list-style-type: none"> <li>We recalculated and reviewed the tangible capital asset continuity schedules and performed substantive analytical procedures on amortization expense</li> <li>We assessed the reasonability and consistency of managements' estimates of useful lives for the various categories of assets</li> </ul>
Provisions – Colliery Dam	\$3,000,000	<ul style="list-style-type: none"> <li>We obtained an understanding and assessed the reasonability of Management's analysis of the provision for the Colliery Dam.</li> <li>We understand there are various options available to the City in the remediation project and that the estimated remediation costs vary from \$3M to \$8M depending on which option is chosen.</li> <li>While the remediation costs may exceed \$3M, Management has chosen to accrue this amount as the most reasonable estimate of the minimum obligation to the City as mandated by the Province of British Columbia.</li> </ul>
Land Swap	\$2,320,938	<ul style="list-style-type: none"> <li>We analyzed the methodology of the valuation of the land swap with the School Board.</li> <li>We assessed the accounting treatment on non-monetary transactions and agree that fair value of the assets received is the appropriate basis of measurement.</li> </ul>

We believe management's process for identifying critical accounting estimates is considered adequate.

# Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the City's relevant financial reporting framework. We would like to highlight the following changes in financial statement presentation:

## Form, arrangement, and content of the financial statements

- Compensated Absences and Termination Benefits – the current valuation was completed in 2014 and resulted in a \$473,675 decrease in the actuarial benefit obligation as at December 31, 2013.
- Segment Reporting – the reorganization has resulted in reclassification of expenses reported by departments on the Statement of operations and the Schedule of operations by segment.
- Additional disclosures to describe the contingent liabilities in relation to the Subsidence of Mines and the Colliery Dams.

## Application of accounting pronouncements issued but not yet effective

### Contaminated Sites

- The Public Sector Accounting Board ('PSAB') has issued PS 3260 *Liability for Contaminated Sites* ("PS 3260"), which requires the recognition, measurement and disclosure of liabilities resulting from remediation of contaminated sites
- PS 3260 applies to fiscal years beginning on or after April 1, 2014, meaning the City will be required to report liabilities under this standard for the year ended December 31, 2015 and for all reporting periods thereafter
- Management has begun to prepare estimates for future application of the pronouncement



## Other matters

Professional standards require us to communicate to Council Other Matters, such as identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the City's related parties, significant difficulties encountered during the audit, and disagreements with management.

None of the above described matters were noted.

We have highlighted below other significant matters that we would like to bring to your attention:

### Matter

### KPMG comment

#### Recognition of Gas Tax

- In prior periods Gas Tax revenues were deferred until spent since the agreement with the Union of British Columbia Municipalities ("UBCM") contained specific stipulations as to how the funds were to be spent.
- During 2014, a new Gas Tax agreement was signed which significantly broadened the scope of eligible expenditures.

- We read the new agreement with the UBCM, particularly noting the allowable eligible expenditures.
- It was determined that sufficient eligible expenditures had occurred under the scope of the new agreement, such that no liability could be recognized under public sector accounting standards.
- Accordingly, the full amount of Gas Tax received in 2014 and earlier years of \$11.7M was recognized into revenue in 2014.
- Although the amounts have been recognized into revenue as required under public sector accounting standards, management has set up a reserve fund to facilitate the designation of gas tax revenues received for future eligible capital projects. The balance of this fund is \$3.6M. We concur with this treatment.

#### Colliery Dam Provisions

- In 2013, the City accrued \$3,140,000 as a liability for the removal of the Colliery Dam. In 2014, it was determined that the Colliery Dams would be remediated instead of removed.
- Reports from Golder & Associates estimate remediation options that range from \$3 – 8M. Subsequent to year end, the City has not determined which options will be pursued.
- The Dam Safety Branch of the Province of British Columbia, Ministry of Forests, Lands and Natural Resource Obligations, has imposed to the City that certain steps must be taken to reduce the risk. Accordingly Management has assessed that the City has no discretion to avoid future obligations in respect of this matter and they have accrued an estimated liability of \$3M.

- We have analysed the accounting treatment under public sector accounting standards and concur that the situation meets the criteria for a liability. We have recommended further disclosure in the notes and Management has agreed with our recommendation.
- Management has determined that since the project has been revised from removal of the dams to remediation and extension of the useful life of the dam, the expenditures should be capitalized as a betterment to existing assets of the City. We concur with this treatment.
- We read the report prepared by Golder Associates Ltd containing cost estimates for remediation. We concur with the \$3M estimate as the minimum amount of remediation costs the City will be obligated to pay in respect of this matter.

<p>Abandoned Mine Contingency</p> <ul style="list-style-type: none"> <li>• The existence of abandoned underground mines has resulted in risk to private land and public roads due to a potential for collapse or instability.</li> <li>• The full impact of the abandoned mines is unknown at this time.</li> </ul>	<ul style="list-style-type: none"> <li>• We have discussed the matter with Management and read the legal opinion regarding allocation of responsibility for future expenditures related to repairing weakened mine shafts.</li> <li>• It was determined that insufficient evidence of likelihood or measurement is available at this time to support an accrual of any future expenditures that may be incurred by the City.</li> <li>• We recommended disclosure of the situation as a contingent liability and Management has agreed with our recommendation.</li> </ul>
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# Audit adjustments and differences

Audit adjustments and differences identified during the audit have been categorized as Corrected audit adjustments; or Uncorrected audit differences. These include disclosure adjustments and differences.

## Corrected audit adjustments

The management's representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

## Uncorrected audit differences

We did not identify differences that remain uncorrected.



# Appendices

Appendix 1: Required communications

Appendix 2: Value for fees

Appendix 3: Audit quality and risk management

Appendix 4: Background and professional standards

Appendix 5: Current developments

## Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report. (Appendix 1a)
- **Management representation letter** – we will obtain from management at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to Council. (Appendix 1b)



**KPMG LLP**  
**Chartered Accountants**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3

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Internet [www.kpmg.ca/enterprise](http://www.kpmg.ca/enterprise)

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Nanaimo, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Nanaimo as at December 31, 2014, and its consolidated results of operations, its changes in net consolidated financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Vancouver, Canada  
April \_\_, 2015

# Appendix 1b: Management representation letter

KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

April \_\_, 2015

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of the City of Nanaimo (“the City”) as at and for the period ended December 31, 2014.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 14, 2011, for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with Canadian public sector accounting standards
  - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, and access to such relevant information
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
  - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 3) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, regulators, or others
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**COMMITMENTS & CONTINGENCIES:**

- 4) There are no:
- a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
  - b) other environmental matters that may have an impact on the financial statements
  - c) guarantees, whether written or oral, under which the City is contingently liable.

**SUBSEQUENT EVENTS:**

- 5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 6) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and



transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 7) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 8) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the City will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**MISSTATEMENTS:**

- 9) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

**ASSETS & LIABILITIES – GENERAL:**

- 10) The City has satisfactory title to all owned assets.
- 11) We have no knowledge of any liens or encumbrances on assets and/or assets that have been pledged or signed as security for liabilities, performances of contracts, etc., not disclosed in the financial statements.
- 12) We have no knowledge of any plans or interactions that may materially affect the carrying value or classification of assets and liabilities.

**CONTRACTUAL AGREEMENTS:**

- 13) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance including violations or default of the covenants in the City's debt agreements.

**ENVIRONMENTAL MATTERS:**

- 14) The City has appropriately recognized, measured and disclosed environmental matters in the financial statements.

**NON-FINANCIAL ASSETS:**

- 15) We have reviewed non-financial assets, including tangible capital assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

**EMPLOYEE FUTURE BENEFITS:**

- 16) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 17) We have no knowledge of arrangement (contractual or otherwise) by which programs have been established to provide post-employment benefits, except as disclosed to you.
- 18) The significant accounting policies the City has adopted in applying PS 3255, *Post-employment benefits, compensated absences and termination benefits* (hereinafter referred to as "PS3255") are disclosed in the notes to the financial statements.
- 19) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:
- a) pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.
  - b) post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.
  - c) compensated absences for which it is expected employees will be paid. These benefits include accumulated sick days, and
  - d) termination benefits.
- 20) The post-employment benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with PS 3255. In particular:
- a) each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events; and
  - b) the best estimate assumptions used are, as a whole, consistent within themselves, and with the valuation method adopted for purposes of this evaluation.
- 21) The assumptions included in the actuarial valuation are those that management instructed Nexus Actuarial Consultants Ltd. ("Nexus") to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with PS 3255.

- 22) In arriving at these assumptions, management has obtained the advice of Nexus, but has retained the final responsibility for them.
- 23) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 24) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension and other post-employment benefit costs.

**SEGMENT DISCLOSURES:**

- 25) The City's operating segments have been appropriately identified and the related segment and enterprise-wide disclosures have been made in the financial statements in accordance with the relevant financial reporting framework. The operating segment information disclosed in the financial statements is consistent with the form and content of the information used by the City's chief operating decision maker for the purposes of assessing performance and making operating decisions about the City's individual operations. All significant differences in measures used to determine segment income have been appropriately identified and described in the disclosures of segment information in accordance with the relevant financial reporting framework.

**EXPERTS / SPECIALISTS:**

- 26) The information provided by us to Nexus, and used in the work and findings of Nexus, is complete and accurate. We agree with Nexus's findings in evaluating the accuracy and completeness of employee future benefits and have adequately considered their qualifications in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to Nexus with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on Nexus's independence and objectivity.

**OTHER:**

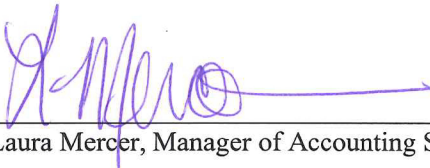
- 27) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.
- 28) We have appropriately reported the amounts of Home Owner Grants collected as stated on the Home Owners Grants: Treasurer / Auditor Certificate.
- 29) We have complied with subsection 2 and 3 section 124 of Part 8 of the School Act.

- 30) All reserve transactions have been appropriately approved, in accordance with applicable legislation and are appropriately credited to or charged against fund balances. Reserve amounts represent only those amounts that are available for use at the City's discretion and do not include restrictions on use by third parties
- 31) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.

Yours very truly,

A handwritten signature in blue ink, appearing to be 'B. Clemens', with a long horizontal line extending to the right.

Mr. Brian Clemens, Director of Finance

A handwritten signature in blue ink, appearing to be 'L. Mercer', with a long horizontal line extending to the right.

Ms. Laura Mercer, Manager of Accounting Services

cc: The Mayor and Council of the City of Nanaimo

## **Attachment I – Definitions**

### **MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### **FRAUD & ERROR**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### **RELATED PARTIES**

In accordance with Public Sector Accounting Standards *related parties* exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Public Sector Accounting Standards a related party transaction is defined as a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.



## **Attachment II – Summary of Audit Misstatements Schedule(s)**

### **Corrected misstatements**

We recommended reclassification of \$11.7M of Gas tax revenues realized in 2014 from Other revenue to Capital transfers from other governments.

We recommended disclosure of the contingent liabilities surrounding the abandoned underground mines and the Colliery Dam remediation.

# Appendix 2: Value for fees

## The value of our audit services

We recognize that the primary objective of our engagement is the completion of the audit of the consolidated financial statements in accordance with professional standards. We also believe that our role as external auditor of the City and the access to information and people in conjunction with our audit procedures, places us in a position to provide other forms of value. **We know that you expect this of us.**

We understand your expectations. To facilitate a discussion (either in the upcoming meeting or in separate discussions), we have outlined some of the attributes of our team and our processes that we believe enhanced the value of our audit service. We recognize that certain of these items are necessary components of a rigorous audit.

We welcome your feedback.

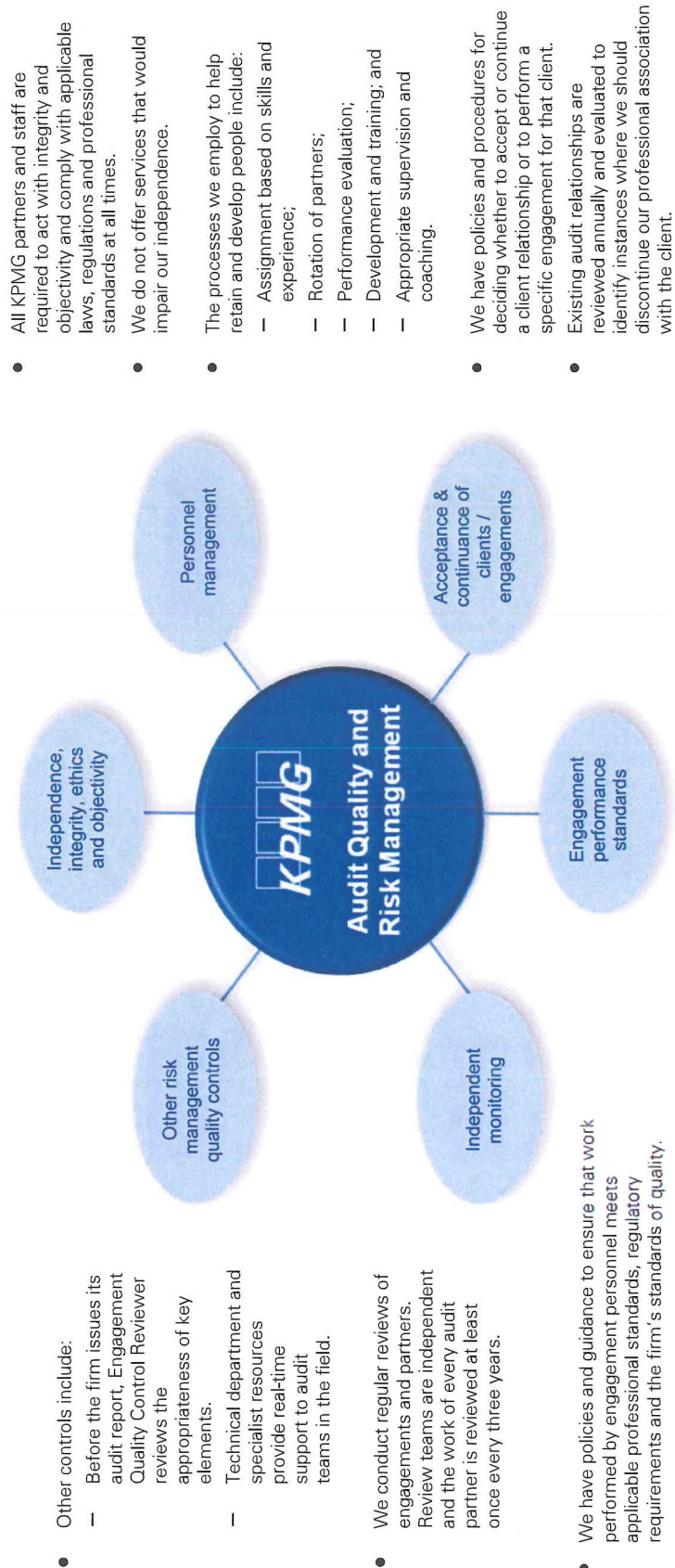
- Extensive industry experience on our audit team – as you have experienced, the members of our audit team have extensive experience in audits of municipalities. This experience ensures that we are well positioned to identify and discuss observations and insights that are important to you.
- Timely responses and helpful guidance are provided on complex accounting matters and in the adoption of new accounting standards including PS3410 – Government transfers and the upcoming section PS3260 – Liability for contaminated sites.
- Current development update sessions – Annually we organize and deliver tailored information sessions on current developments in financial reporting and other matters that are likely to be significant to municipalities in order to assist clients in proactively responding to / addressing financial reporting and regulatory changes.
- Involvement of specialists – Our audit team is supported by KPMG specialists in income and other taxes, information risk management, valuations and derivatives.

## Appendix 3: Audit quality and risk management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Can/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.





# Appendix 4: Background and professional standards

## Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies or material weaknesses] and therefore, there can be no assurance that all significant deficiencies or material weaknesses and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Terminology	Definition
<b>Deficiency in internal control</b>	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when: (a) a control necessary to meet the control objective is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
<b>Significant deficiency in internal control</b>	A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet is of sufficient importance to merit the attention of those charged with governance.
<b>Material weakness in internal control</b>	A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's annual financial statements will not be prevented or detected and corrected on a timely basis.

## Appendix 5: Current developments

### GST/HST harmonized audits

The Canada Revenue Agency (CRA) has followed through on its intent to focus on public service bodies (e.g., municipalities, universities, colleges, hospitals, schools, associations, charities, non-profits etc.) for purposes of conducting GST/HST audits. Many public service bodies have undergone audits or have been contacted to begin an audit.

We offer the following general observations on the impact of the CRA's increased focus on the public sector:

- It is important that you have a plan in place for a GST/HST audit, including having a fixed point of contact for the auditor. Planning and managing the audit is as important as having the appropriate policies and procedures.
- The CRA has been focusing on documentation, sharing arrangements, grants and sponsorships, and the allocation of inputs between taxable and exempt activities for input tax credit purposes (e.g., the filing of a section 211 election and claiming of input tax credits on the use of real property).
- The CRA has not consistently been applying audit offsets (e.g., allowing unclaimed input tax credits or rebates) that would help minimize the impact of any assessments.

Our experience with GST/HST auditors has varied from audit to audit. However, in each case, the taxpayer has the burden of proof. The best approach is to be prepared in advance of receiving that call from CRA.

### Cyber Security, Is your organization at risk?

Cyber attacks are an inevitable part of life today, and the financial and reputational costs of not being prepared against such attacks are significant. Cyber attacks are being launched against all forms of valuable information including both financial and non financial data sources. Estimates suggest the global financial impact of cybercrime is US\$114 billion; companies are thought to bear almost 80% of those costs. The nature of these attacks and the perpetrators behind them are always changing. Hacktivists, organized criminals, competitors, and even rogue governments are mounting attacks with a high level of sophistication and persistence. These perpetrators have different motives, however are common in that they are looking to either disrupt or better themselves by stealing another entities data.

Patching servers and installing intrusion detection systems is no longer enough to protect your critical assets and business processes. Cyber Security has never been solely about IT; it has always been a business issue first. To survive and prosper requires a business-wide understanding of the threats, safeguards, and responses involved. Key elements to consider include:



- Preparing your people, processes, infrastructure and technology to resist an attack
- Detecting the attack and initiating your response
- Containing and investigating the attack
- Recovering from an attack and resuming business operations
- Reporting on and improving security

Non-profit organizations should begin to review their organization and consider Cyber Risks. Key data that may be identified includes key research data; client or member data etc.

## Developments in Canadian Public Sector Accounting Standards:

### Standard on Contaminated Sites

#### Highlights

A new standard has been issued establishing standards on accounting for and reporting the liability related to contaminated sites.

This standard requires a government to record a liability when the standard exists, the contamination in question exceeds an authoritative environmental standard and the government is directly responsible or accepts responsibility. Voluntary compliance with a non-authoritative policy or guideline may create a liability.

#### Effective date and transition

The standard is effective for fiscal periods beginning on or after April 1, 2014 however earlier adoption is permitted. For municipalities, implementation will be in the year ended December 31, 2015.

#### Implications

Municipalities will have to review any contaminated sites and determine if a liability meets the standards such that it must be reported.

### New Standard on Financial Instruments

#### Highlights

A new standard has been issued establishing standard on accounting for and reporting all types of financial instruments including derivatives.

The standard requires that all financial instruments that are equity instruments and trade in an active market or derivatives be recorded at fair value. The standard requires that all other financial instruments are recorded at cost but permits the option of fair value for any financial instruments that are managed and reported at fair value. This standard also includes a requirement to identify and report embedded derivatives separate from the host contract with an option to value the full contract which includes the embedded derivatives at fair value.

#### *Effective date and transition*

The standard is effective for fiscal periods beginning on or after April 1, 2016. Earlier adoption is permitted. An entity early adopting this standard must also early adopt the revised Foreign Currency Translation standard.

#### *Implications*

This standard requires municipalities to record any equity investments that trade in an active market at fair market value. Municipalities can also elect to record any investments that are managed and evaluated on a fair value basis at fair value. Changes in fair value of all assets that are recorded at fair market value will be reported in a new financial statement; the statement of remeasurement gains and losses.

This standard will also require municipalities to identify any contracts that have embedded derivatives and recognize these on the statement of financial position at fair value.

This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the municipality. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type (credit, liquidity and market).

## Revised Standard on Foreign Currency Translation

#### *Highlights*

A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.

#### *Effective date and transition*

The standard is effective for fiscal periods beginning on or after April 1, 2016. Earlier adoption is permitted. An entity early adopting this standard must also adopt the new Financial Instruments standard.

#### *Implications*

Exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.

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# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2015-APR-13

AUTHORED BY: K. FELKER, MANAGER, PURCHASING AND STORES

RE: QUARTERLY DIRECT AWARD PURCHASES

---

### STAFF RECOMMENDATION:

That Council receive for information the report pertaining to Quarterly Direct Award Purchases for the period ending 2015-MAR-31.

### PURPOSE:

To comply with Bylaw No. 7175 by reporting direct award purchases made by Staff during the three month period covered by the report.

### BACKGROUND:

Under the Council's Purchasing Power Delegation bylaw 2013 No. 7175, a report to Council will be provided each quarter summarizing any direct award purchases between \$25,000 to \$250,000. Council approves any direct awards over \$250,000. This report covers the period between 2015-JAN-01 to 2015-MAR-31.

### DISCUSSION:

Bylaw No. 7175 gives authority for Staff to directly award a contract to a vendor if certain conditions are met. This bylaw also requires staff to report on these direct awards valued at \$25,000 to \$250,000 each quarter.

According to the bylaw, the circumstances under which a direct award can be made are as follows:

1. to ensure compatibility with existing equipment, facilities or to maintain specialized products by the manufacturer or representative.
2. one with which staff has specialized training and/or extensive experience.
3. where there is an absence of competition and no acceptable alternative or substitute exists.
4. for the purchase of used equipment or at auction.
5. where it can be demonstrated the product or service is available only through one authorized manufacturer, distributor, dealer, or service provider.
6. item is purchased for testing or trial use.
7. for matters involving high security and/or to protect the confidentiality of the City.
8. urgently required on an emergency basis (e.g. life/death, health, safety, critical equipment or facility breakdown).
9. a Notice of Intent to Direct Award is posted electronically and is not challenged.
10. where there is demonstrated value to continue consultant services into the next project phase (i.e. from design to construction).
11. any other situation where it is clearly demonstrated there is only one viable source of supply.

☐ Council  
☒ Committee...if the whole  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2015-APR-13



There were five (5) direct awards made during the three month period covered by the report. Details of these are given below.

Vendor: Island Communications Ltd  
Amount: \$26,395.00 + GST & PST  
Description: Upgrades to communication system  
Reason: Phase 2 of multi-phase project  
Department: Fire Department

Vendor: Urban Systems Ltd  
Amount: \$28,664.00 + GST  
Description: Design/Field Engineering for Cedar Pump Station  
Reason: Next Project Phase from study to design  
Department: Engineering Services

Vendor: Tetra Tech EBA Inc  
Amount: \$210,000.00 + GST  
Description: 1 Port Drive Environmental Site Analysis  
Reason: Original RFQ indicated they would be awarded the next project phase.  
2015 early approval project  
Department: Engineering Services

Vendor: FH Black & Company Incorporated  
Amount: \$33,702.00 + GST & PST  
Description: Caseware Implementation  
Reason: Only certified Caseware trainer and consultant in Western Canada  
Department: Finance Department

Vendor: Trane  
Amount: \$44,001.25 + GST  
Description: Maintenance Service Contract for Multistack HVAC equipment  
Reason: Only manufacturer's authorized service provider in British Columbia  
Department: Parks, Recreation, & Environment

Respectfully submitted,



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K. Felker  
Manager, Purchasing & Stores

Concurrence by:



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B. E. Clemens,  
Director of Finance



---

Ian Howat,  
General Manager, Corporate Services



CITY MANAGER COMMENT:

I concur with the staff recommendation.

G:\Reports\Quarterly Reports\2015\Direct Award\Quarter 1

**City of Nanaimo**  
**REPORT TO COUNCIL**

DATE OF MEETING: 2015-APR-13

AUTHORED BY: K. FELKER, MANAGER, PURCHASING AND STORES

RE: QUARTERLY SINGLE SUBMISSION PURCHASES

---

**STAFF RECOMMENDATION:**

That Council receive for information the report pertaining to Quarterly Single Submission Purchases for the period ending 2015-MAR-31.

**PURPOSE:**

To comply with Bylaw No. 7175 by reporting single submission purchases made by Staff during the three month period covered by the report.

**BACKGROUND:**

Under Council's Purchasing Power Delegation Bylaw 2013 No. 7175, a report to Council will be provided each quarter summarizing any single submissions received after either publicly tendering or inviting at least three (3) vendors to bid on the work. The value of these purchases is between \$25,000 to \$250,000. Council approves any single submission purchases over \$250,000. This report covers the period between 2015-JAN-01 to 2015-MAR-31.

**DISCUSSION:**

There was one (1) single submission award made during the three month period covered by the report. Details are given below.

Request for Tender No. 1596

Vendor: Slegg Lumber

Amount: \$70,726.00 + GST

Description: Fast setting concrete mix & culvert concrete bags

Reason: Single response to Request for Tender. Four (4) local suppliers were invited to bid.

Respectfully submitted,



---

K. Felker  
Manager, Purchasing & Stores

☐ Council  
☒ Committee of the Whole  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2015-APR-13

Concurrence by:



B. E. Clemens,  
Director of Finance



Ian Howat,  
General Manager, Corporate Services

CITY MANAGER COMMENT:

I concur with the staff recommendation.

G:\Reports\Quarterly Reports\2015\Single Submission\Quarter 1

# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2015-APR-13

AUTHORED BY: Bill Sims, Manager, Water Resources

RE: College Park Water Supply Main Capacity Upgrade – Engineering Work Award

---

### STAFF RECOMMENDATION:

That Council award the engineering design, project management and construction administration to Opus, Dayton Knight, with estimated fees at \$501,000.

### PURPOSE:

The purpose of this report is to request approval to award the engineering work for the new water supply main as per the City's Purchasing Policy.

### BACKGROUND:

At its meeting of 2014-NOV-17, Council directed staff to issue a Request for Proposals for the College Park Supply Main Upgrade. That report is attached for information.

The City issued a Request for Proposals based on a Qualifications Based Selection process. This ensures that the most qualified consultant is engaged and that the engineering work can maximize lifecycle efficiency of the facility being designed. Qualifications Based Selection is used in many jurisdictions across North America; the process is focussed first on qualifications and experience, then on scope of work and fees. Scope and fees are determined after a consultant has been selected. Award to the successful firm occurs after scope and fees are satisfactory to both parties. Research has proven that the best opportunity to add highest lifecycle value is during the initial engineering stage.

### DISCUSSION:

In accordance with the Purchasing Policy, staff issued a Request for Proposals on 2014-DEC-05. The City received five qualified proposal submissions, which were evaluated by a selection committee. After careful deliberation the selection committee entered scope and fee negotiations with the top rated consultant: Opus, Dayton Knight. Opus, Dayton Knight best met the project requirements, experience, work plan and demonstration of best value. Opus, Dayton Knight prepared a fee submission consisting of the following:

Preliminary and Detailed Design (2015):	\$211,500
Construction Services (2016):	<u>\$289,500</u> (based on 21 weeks construction)
Total:	\$501,000

✓ Council  
✓ Committee of the Whole  
✓ Staff Meeting  
✓ Public Meeting  
2015-APR-13

In the 5 year plan, funding is allocated under P-9260 as follows;

- 2014 \$220,000 (carried forward)
- 2015 \$540,000
- 2016 \$1,800,000
- 2017 \$1,800,000

The detailed design is proposed to occur through 2015, with material procurement to follow; and construction planned to start in the fall of 2016.

STRATEGIC PLAN CONSIDERATIONS:

This project supports the Council's Corporate Strategic Plan pillars for Water and Asset Management.

Respectfully submitted,



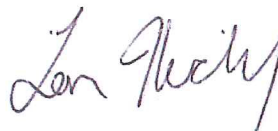
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Bill Sims  
Manager, Water Resources  
Engineering & Public Works



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Geoff Goodall, P.Eng.,  
Director  
Engineering & Public Works



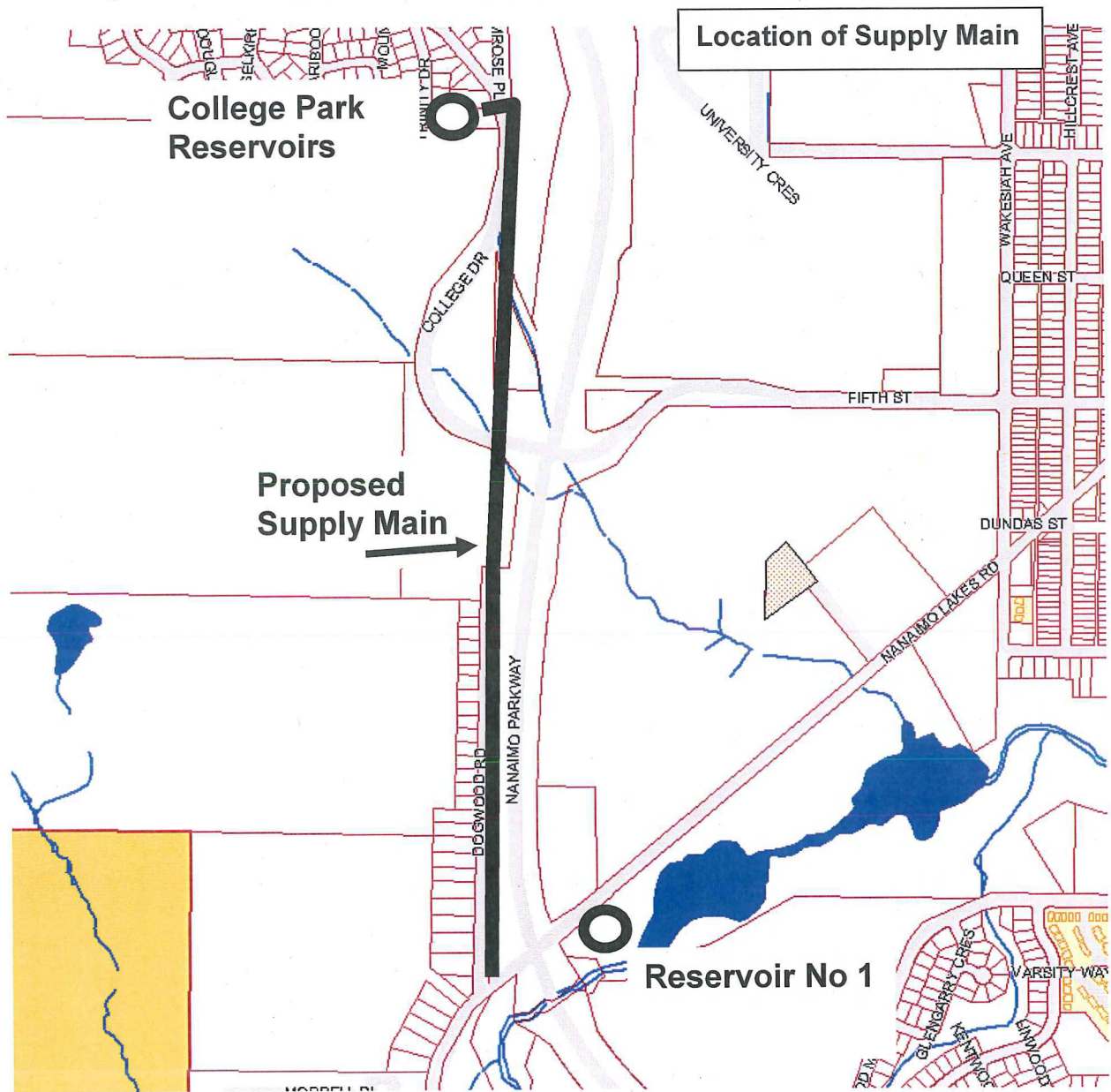
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Tom Hickey,  
General Manager  
Community Services

CITY MANAGER COMMENT:

I concur with the staff recommendation.





DCC WS41 Water Supply Capacity Upgrade RFP

# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2014-NOV-17

AUTHORED BY: Bill Sims, Manager, Water Resources

RE: College Park Water Supply Main Capacity Upgrade – Engineering Work

---

### STAFF RECOMMENDATION:

That Council direct staff to issue a Request For Proposals (RFP) for the engineering design, project management and construction administration of a water supply main on Dogwood Road from Nanaimo Lakes Road to College Park Reservoirs.

### PURPOSE:

The purpose of this report is to request approval to proceed with an RFP for the new water supply main as per the City's Purchasing Policy.

### BACKGROUND:

The majority of the City's water supply mains are twinned to provide capacity and redundancy, sufficient fire flow when required and adequate alternative feeds to accommodate maintenance and pipeline shutdowns. The existing section of water supply main from Dogwood Road to College Park reservoirs is one section of the water supply network where only a single pipeline exists.

The water for 70% of the City passes through College Park reservoirs before being fed to the north end of Nanaimo. DCC Project WS41 will increase capacity to the reservoirs at College Park, by twinning the existing supply main which is reaching its limit.

This project is included in the water supply long term plan and incorporated in DCC Bylaw since 2008.

In the draft 2015-2019 Capital Plan, the new twin supply main is scheduled to commence construction in the fall of 2016 and complete by spring 2017. Construction is planned over the wetter winter months when water demand and consumption is at its lowest.

### DISCUSSION:

Development Cost Charge Project WS41 twins the existing supply main from Nanaimo Lakes Road to College Park Reservoirs. The new pipeline is now required since the existing main is at the point of reaching its capacity. The new main will provide additional capacity to permit growth to continue in the area served by the College Park reservoir (approximately 70% of the City).

Staff propose to publicly issue an RFP to seek a qualified engineering consultant to undertake a detailed design, assist in the procurement and manage construction of the proposed new pipeline.

In the 5 year plan, funding is allocated under P-9260 as follows;

- 2014 \$220,000
- 2015 \$540,000
- 2016 \$1,800,000
- 2017 \$1,800,000

Detailed design is proposed to occur through 2015, with material procurement to follow, and construction planned to start in the fall of 2016.

STRATEGIC PLAN CONSIDERATIONS:

This project supports the Council's Corporate Strategic Plan pillars for Water and Asset Management.

Respectfully submitted,



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Bill Sims  
Manager, Water Resources  
Engineering & Public Works



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Geoff Goodall, PEng.,  
Director  
Engineering & Public Works



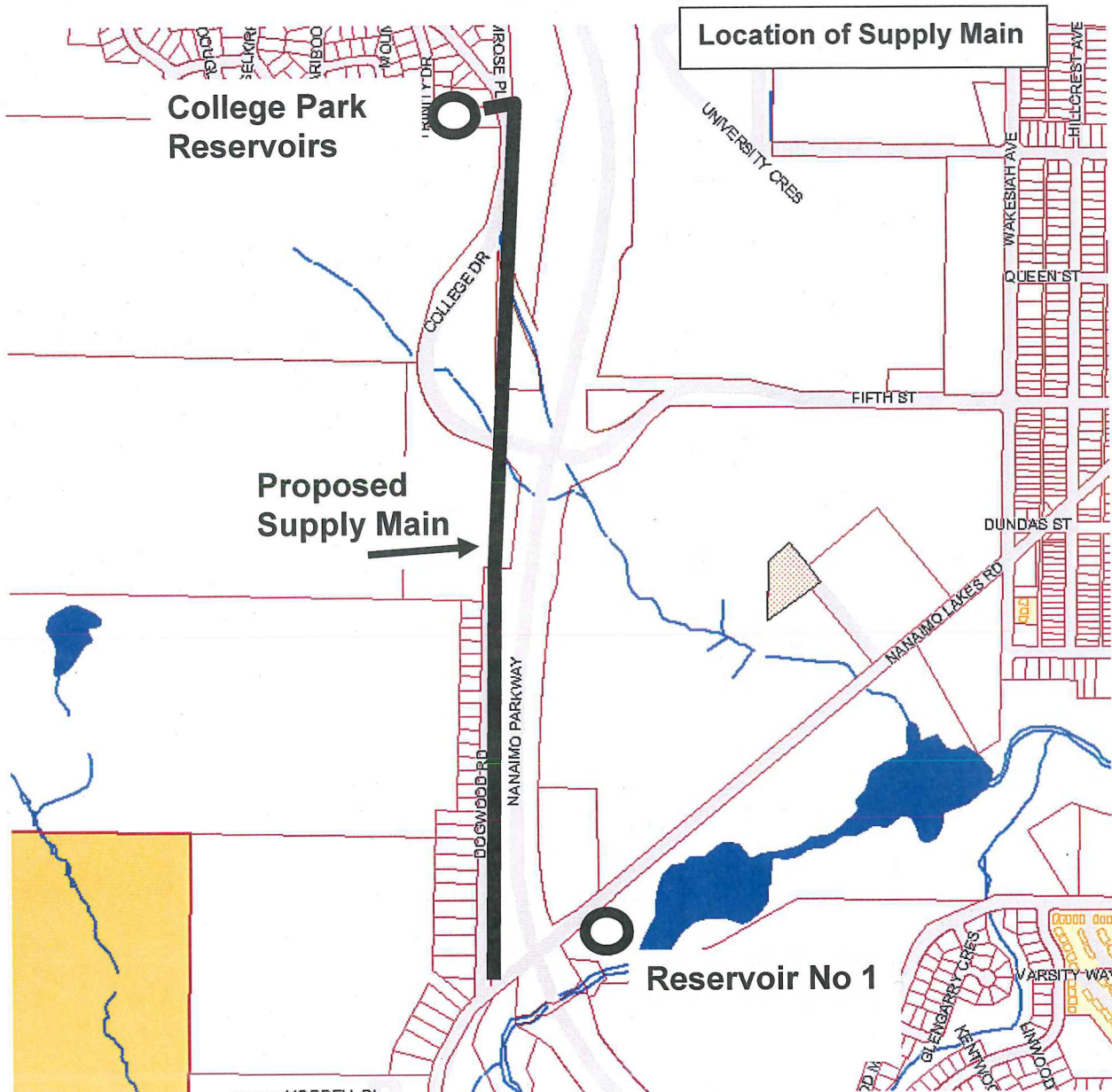
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Tom Hickey,  
General Manager  
Community Services

CITY MANAGER COMMENT:

I concur with the staff recommendation.





DCC WS41 Water Supply Capacity Upgrade RFP 17NOV2014



**City of Nanaimo**  
**REPORT TO COUNCIL**

DATE OF MEETING: 2015-APR-13

AUTHORED BY: S. RICKETTS, MANAGER, CONSTRUCTION

RE: EXTENSION ROAD WATERMAIN UPGRADE TENDER

---

**STAFF RECOMMENDATION:**

That Council receive for information the report regarding the Extension Road Watermain Tender.

**PURPOSE:**

In accordance with the City's Purchasing Bylaw, this report is to advise Council of a public tender call of \$250,000 and above.

**DISCUSSION:**

The work will consist of a new 0.6 km watermain loop from 2360 Extension Rd to the Duke Point Supply Main and renewal of the concrete storm drainage pipe crossing Extension Road in front of 2300 Extension Rd. Further project information, budgets and funding sources are detailed on the attached project sheet.

Tender preparation is underway. The tender will allow the contractor to schedule the work to suit their resources for a three month period between May and December. Alternating single lane traffic is expected during construction, with a potential short term detour to install the storm drainage pipe. Properties impacted will receive construction notices.

Council gave these projects early budget approval on 2015-JAN-12.

***Strategic Plan Consideration***

This action supports Council's Strategic Plan for Asset Management.

Respectfully submitted,

Concurrence by:



S. Ricketts, Manager  
Construction Department



G. Goodall, Director  
Engineering & Public Works



T. Hickey, General Manager  
Community Services

**CITY MANAGER COMMENT:**

I concur with the staff recommendation.

☐ Council  
☒ Committee of the Whole  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2015-APR-13

## Engineering and Public Works Project Summary Sheet

**Concurrent Project:** Extension Rd WM: Duke Point Supply

**Components:** P-5213 2300 Extension Rd Drainage  
P-7284 Extension Road WM: Duke Point Supply

<b>Budget:</b>	Drainage	\$ 30,000
	Water Distribution	\$ 425,000
		<b>\$ 455,000</b>

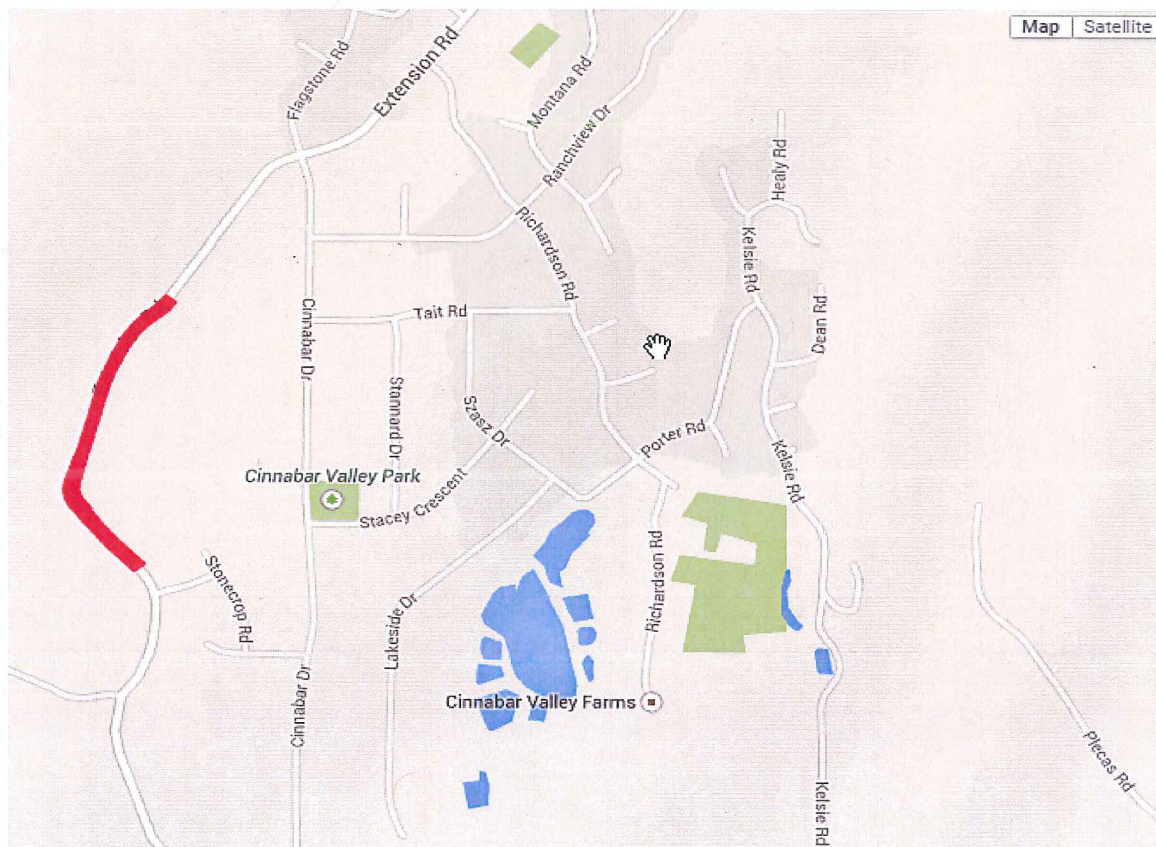
<b>Funding:</b>	General Taxation	\$ 30,000
	Water Reserves	\$ 425,000
		<b>\$ 455,000</b>

**Asset Category:** New/Upgrades

**Project Description:** The City will construction a new 0.6 km watermain to loop 2360 Extension Rd to the Duke Point Supply Main. The connection is needed for supply redundancy and to improve minimum pressures and flows for firefighting in the Cinnabar area. The renewal of the concrete storm drainage pipe crossing Extension Road in front of 2300 Extension will be undertaken at the same time due to the deteriorating condition of the pipe.

**Project Map:**

*Red shading indicates project limits*



# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2015-APR-13

AUTHORED BY: GEOFF GOODALL, DIRECTOR, ENGINEERING AND PUBLIC WORKS

RE: GRANT APPLICATION TO THE FEDERAL GAS TAX FUND

---

### STAFF RECOMMENDATION:

That Council direct staff to apply to the Federal Gas Tax Fund Strategic Priorities Fund Under the category of Capacity Building Stream for an asset management risk assessment framework project.

### PURPOSE:

To gain direction from Council in order for staff to apply to the Federal Gas Tax Fund Strategic Priorities Fund Under the category of Capacity Building Stream for a grant targeted on a risk assessment tool to facilitate asset management.

### DISCUSSION:

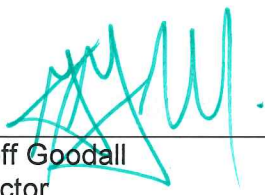
As we move forward in asset management and get more information on the condition of assets, prioritizing the replacement of those assets become more important. Risk management is a fundamental component of an asset management system. It is important to understand the different issues and concerns associated with each asset and which of these will have the highest risk to the delivery of a specific service.

The intent of this grant application will be the development of risk management framework including a consequence matrix. This will further our ability to include risk based decision making into investment planning and prioritization processes.

Under the Federal Gas Tax Fund Strategic Priorities Fund each eligible Local Government may submit two (2) applications under the SPF---Capital Infrastructure Projects Stream and one (1) application under the SPF---Capacity Building Stream for a total of three (3) applications. Council has already directed one application under the Capital Infrastructure Projects Stream, (Port Theatre), but none under the Capacity Building Stream.

The estimated amount for this grant application will be \$30,000 to \$40,000.

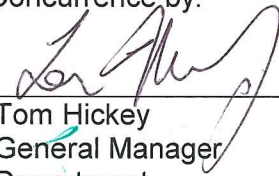
Respectfully submitted,



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Geoff Goodall  
Director  
Engineering and Public Works

Concurrence by:



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Tom Hickey  
General Manager  
Department

CITY MANAGER COMMENT:

I concur with the staff recommendation.

Drafted: 2015-APR-09  
g/Administration/Council Reports/2015/Grant Application to the Federal Gas Tax Fund  
GG:\*jw



# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2015-APR-13

AUTHORED BY: IAN THORPE, ACTING CHAIR  
PARKS AND RECREATION COMMISSION

RE: REPLACEMENT OF THE RECREATION MANAGEMENT SOFTWARE

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### RECOMMENDATION:

That Council approve that the City of Nanaimo sign the memorandum of understanding to work with the Corporation of Delta to develop a multi-city RFP for the replacement of the Parks and Recreation Management Software.

### PURPOSE:

To obtain Council approval of the process related to the replacement of the Parks and Recreation Management Software.

### BACKGROUND:

Parks and Recreation utilizes ACTIVE Network Class software to manage the point of sale, rental bookings, registration processes, internet registration and financial reporting. In 2014 more than 6.7 million dollars were processed through the Class software.

Class is a robust software system that many North American recreational organizations purchased over the past two decades. At the time there were few alternatives in the marketplace and Class software became a common application in many municipalities. The software is hosted on a server locally and is compatible with the municipality's financial transaction system (Moneris).

ACTIVE Network has served notice that it will no longer support the Class software product after 2017, making it necessary to replace the current Class software.

### DISCUSSION:

ACTIVE Network's market share in its Class software is significant. All communities currently using Class are faced with the decision to either maintain the existing system unsupported or migrate to a Recreation Management Software program (e.g. ActiveNet).

Maintaining the existing system, unfortunately, will not be an option as the unsupported system would not meet Payment Card Industry (PCI) compliance. Without compliance we would be unable to accept credit or debit card payments.

Migrating to a new Recreation Management Software will require a Request for Proposals (RFP) process as the tender will exceed the City's purchasing threshold of \$25,000. Nanaimo can pursue an independent RFP or pursue a unique multi-city RFP opportunity.

☐ Council  
☒ Committee of the Whole  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2015-APR-13

Staff has been working with its counterparts in other municipalities and has identified an opportunity to work together in developing requirements for the replacement system and to procure a product that will meet those requirements. Working together, staff believe there is a greater opportunity to have an enhanced response in terms of product, price and service than if each municipality goes to the marketplace on its own.

The Corporation of Delta staff has developed a MOU (attached) that outlines a procedure for developing the product requirements utilizing an independent facilitator and a procurement process. The facilitator cost will be shared jointly amongst the participants. The MOU provides flexibility to each participant that does not require all or any participants to be bound by the results of the procurement submissions. Signatories to the MOU will only be committed to their share of the facilitator and will be free to make a choice on the procurement submissions.

The collaborative approach to the requirements and procurement submissions outlined in the MOU will take approximately 18 months to complete. Once the results of the process are known, a further report on procurement for Council's consideration will follow.

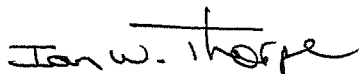
There are financial implications that are inherent in this collaborative approach. Each community will be responsible for their share of the cost of the facilitator and travel to the lower mainland. The City of Nanaimo portion will be \$3,300.00, plus staff travel costs.

#### STRATEGIC PLAN CONSIDERATIONS:

Asset Management is an integrated approach involving planning, finance, engineering and operations to effectively manage existing and new assets. The intent is to maximize benefits, reduce risks and provide satisfactory levels of service to the community in a sustainable manner.

At their meeting held on 2015-MAR-31, the Parks and Recreation Commission unanimously recommended that the Commission approve and recommend that Council approve that the City of Nanaimo sign the memorandum of understanding to work with the Corporation of Delta to develop a multi-city RFP for the replacement of the Parks and Recreation Management Software.

Respectfully submitted,



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Ian Thorpe  
ACTING CHAIR  
PARKS AND RECREATION COMMISSION

Attachment - MOU

2015-MAR-31  
File: A4-2-1 / A2-4 / A3-13 / A3-45  
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## MEMORANDUM OF UNDERSTANDING

### For Municipal Collaboration to Develop Requirements and Procure New Parks and Recreation Management Software

Dated for reference as of the \_\_\_\_ day of \_\_\_\_\_, 2015

BETWEEN:

**THE CORPORATION OF DELTA,**  
a Municipal Corporation having offices at  
4500 Clarence Taylor Crescent  
Delta, BC V4K 3E2

("Delta")

AND:

**(LOCAL GOVERNMENT)**

a Municipal Organization having offices at

#### PREAMBLE:

A majority of municipalities in Canada, as well as many in the United States, use the ACTIVE Network Class software for recreation management, including bookings, membership, point of sale, and activity scheduling. ACTIVE Network has given notice to municipalities that it will discontinue support for Class in December 2017. A number of companies, including ACTIVE Network provide parks and recreation management software with similar functionality to Class, and several others are pursuing development of competitive products.

#### General Terms

##### 1. Definitions

- a) Cloud-based Solution: cloud software or "Software as a Service (SaaS)" does not run on the client premises, but rather is accessed over the Internet from a vendor location. The vendor is responsible for all necessary computing hardware required, performing upgrades, backups and managing the

software. Pricing is often transactional or monthly and no capital investment is required (i.e., no licensing or software purchase is needed).

- b) Self-hosted Solution: self-hosted software requires the client to purchase all required software, licensing, and hardware necessary to operate the software from their own premises. This model typically includes a capital outlay for software and hardware, as well as ongoing yearly maintenance costs. The client is also responsible for upgrades, backup and management of the software.
- c) System Requirements: requirements that relate to the necessary conditions needed to operate the software, i.e. hardware, cloud, security, response time, etc.
- d) Functional Requirements: requirements that describe how the software needs to operate, i.e. point of sale, bookings, programs, etc.
- e) Founding Group: the founding group comprises local governments that sign this MOU and work collaboratively to create functional/system requirements and a procurement strategy for the replacement of Class. Founding group members must be BC local governments.
- f) Champion: an executive or senior manager from each founding group municipality. Champions require authority to represent the municipality within this initiative and are responsible for assigning relevant subject matter experts (i.e. parks, recreation and IT staff) to collaboration chapters.

## **2. Purpose**

This agreement outlines the terms of partnership between municipalities to support collaboration for the purpose of replacing the Class software product. Collaboration is intended to produce functional and system requirements that will be used in a competitive procurement process (request for proposal) in order to reduce cost, leverage value and ensure software quality. Collaborating on new parks and recreation management software will produce robust requirements that address needs today and into the future, as well as create a larger “client” with greater ability for volume discount and effective post-implementation vendor support.

The intention of the procurement process is to select a vendor to provide parks and recreation management software under a single model for terms, conditions and pricing that reflects the collaborative requirements and cumulative volume of the participating municipalities. Two vendors may be required if both cloud-based and self-hosted software solutions are needed. Vendor(s) will also be required to provide implementation pricing for all participating municipalities.



Participating municipalities will need to contract separately with the selected vendor under the single terms, conditions and pricing model developed by the procurement process.

### **3. Governance**

A founding group of up to 15 municipalities will develop system and functional requirements, as well as manage the overall procurement process, including determination of successful vendor(s). Following an initial phase to establish requirements, additional municipalities can be admitted to the second phase of the project, the procurement process. Additions will not be able to change the requirements package, but will have the opportunity to benefit from the volume driven pricing discount and a robust set of requirements. Municipal champions will develop procurement strategies for parks and recreation management software products considered. Champions will lead the collaboration, and the Corporation of Delta will provide coordination services.

Decision making will be based on the consensus model with voting used only as a failsafe when facilitated sessions are unable to achieve consensus. Both functional and system requirements will be broken into chapters and developed separately through collaboration among founding group subject matter experts. Independent professional facilitation will be used during requirements creation and evaluation strategy development.

Initial meetings for requirements (functional and system) as well as procurement will take place in-person in the greater Vancouver area. To the extent possible, all other meetings will be conducted virtually by means of WebEx or GoToMeeting technologies.

### **4. Partners**

The founding group includes the following municipalities:

- The Corporation of Delta
- A minimum of nine (9) additional local governments

This collaborative initiative will not proceed under the terms of this MOU if fewer than nine (9) local governments join the founding group. A minimum founding group size of 10 is required to maintain facilitation costs at a maximum of \$3,300 per local government.

The work product (requirements and strategy) of the founding group will be jointly shared among members. Any members leaving the initiative will have full access to and use of the work product.

### **5. Adding and Removing Partners**

Founding group members will be finalized in April 2015 through this form of MOU, thereby permitting time to provide information to (or gain consent from) their senior management and/or Council. Additional members can join the initiative before the request for proposal is issued.

Members can leave the initiative prior to the request for proposal or contract award phases. No refund of expenses related to the initiative will be provided.

## **6. Roles and Responsibilities**

Delta will retain a facilitator on behalf of the founding group and provide general administrative and purchasing coordination for the project.

Participating municipalities must secure funding for implementation of the chosen parks and recreation management software system(s) by 2016.

Founding group municipalities will:

- a) Provide one champion who can speak for the municipality and ensure that the appropriate subject matter experts (those skilled in recreation management and IT systems) are retained for the project and participate in the relevant requirements discussions (chapters).
- b) Provide one or more subject matter experts from both the Parks/Recreation and IT areas.
- c) Provide information on their current recreation management system in order to allow vendors to include transition and implementation costs with their bids.
- d) Contribute a business analyst to the project for the purpose of recording functional and system requirements, as developed in the collaboration chapters. The business analysts will also write use-cases in order to clarify requirements functionality. Only two (2) to three (3) municipalities will be asked to provide a business analyst.
- e) Equally share the costs of a professional facilitator that are expected to total approximately \$33,000.
- f) Pay for any individual expenses related to the members' own travel.
- g) Contribute staff time (anticipated to be up to 20 days) for development of requirements and evaluation of bid responses. Municipalities contributing a business analyst should plan for a similar time commitment for this role. Approximately two (2) groups of meetings, one at onset of requirements collaboration and one during evaluation, will be conducted in person at a greater Vancouver premises. It is expected that each of the two groups of meetings will require approximately three (3) days each.

Municipalities added after establishment of requirements and evaluation strategy will:

- a) Provide information on their current recreation management system in order to allow vendors to include transition and implementation costs with their bids.
- b) Participate for up to five (5) days in the evaluation strategy, if requested by the founding group.

## 7. Procurement Model

Procurement will be undertaken through a request for proposal (RFP) process incorporating a "piggy-back" clause that will permit any British Columbia municipality to use the terms, conditions and costs set out in the winning bid.

## 8. Term

It is expected that the project will begin in 2015, run through the majority of the year, and position participants for implementation of new recreation management software starting early in 2016.

## THE CORPORATION OF DELTA

On behalf of Parks Recreation and Culture )

  
Ken Kuntz, Director of Parks, Recreation & Culture )

On behalf of Information Services: )

  
Karl Preuss, Director of Finance )

**LOCAL GOVERNMENT:**

On behalf of Parks and Recreation:

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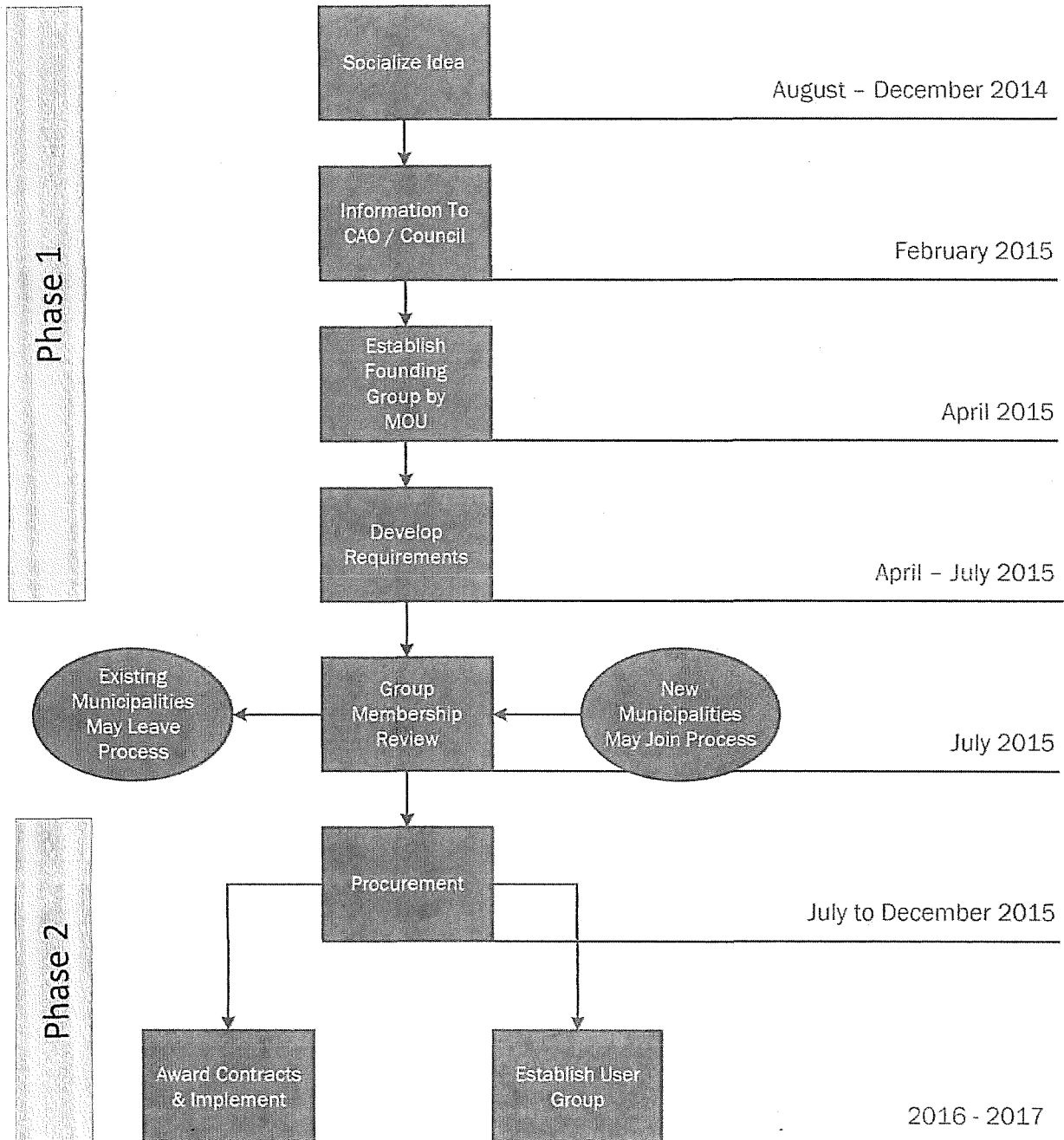
On behalf of Information Services:

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# Recreation Management Software

## Municipal Collaboration Procurement Flowchart



# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2015-APR-13

AUTHORED BY: IAN THORPE, ACTING CHAIR  
PARKS AND RECREATION COMMISSION

RE: TRAVEL ASSISTANCE GRANT RECOMMENDATIONS

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### RECOMMENDATION:

That Council approve the following applications for Travel Assistance Grants to:

1. Harbour City Football Club in the amount of \$350 for 7 athletes to attend the Provincial A Cup U18 Girls Soccer Tournament, being held in Surrey, B.C., 2015-JUL-09 to 2015-JUL-12;
2. Nanaimo Lawn Bowling Club in the amount of \$400.00 for 4 athletes to attend the IBD World Bowls for Disabled Championship, held in Wellington, New Zealand, 2015-FEB-17 to 2015-FEB-25;
3. Nanaimo Raiders Lacrosse in the amount of \$950.00 for 19 athletes to attend the Youth Field Lacrosse Provincials, held in Burnaby, B.C., 2015-FEB-20 to 2015-FEB-22; and,
4. Vancouver Island Special Needs Hockey Association in the amount of \$1,300.00 for 13 athletes to attend the UTC Winter Hockey Festival, held in Valencia, California, 2015-JAN-13 to 2015-JAN-30.

### PURPOSE:

To obtain Council approval for travel assistance grants.

### BACKGROUND:

The City of Nanaimo provides a contingency account for amateur sports and cultural groups and individuals to travel within BC (excluding travel on Vancouver Island) and out of province to a Regional, National or International Championship. These funds are available to sports and cultural groups winning Provincial or Regional competitions and the current policy provides \$50 per person to a maximum of \$1,000 per application for travel within B.C., or \$100 per person to a maximum of \$2,000 per application for travel outside of B.C. Requests are considered on a first-come, first-served, basis as funds remain available.

Staff review all Travel Assistance Grant applications and forward recommendations to the Parks and Recreation Commission for approval. Staff have reviewed the Travel Assistance Grant applications submitted by the groups as noted and determined that applications #1, #2, and #3 did meet all of the grant criteria.

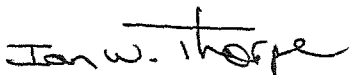
☐ Council  
☒ Committee of the Whole  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2015-APR-13

Application #4 (Vancouver Island Special Needs Hockey Association) technically did not meet all of the grant criteria but the uniqueness of the league prevents them from being able to qualify for the grant for this tournament. The two criteria they did not meet are: (1) the need to qualify at a provincial, regional or national level; and, (2) the need to be attending a provincial, regional or national championship. However, they are the only special needs ice hockey team on Vancouver Island and will be the only Canadian team participating in this tournament. They meet the grant criteria in all other ways.

Staff subsequently forwarded the applications to the Parks and Recreation Commission requesting that the Commission recommend that Council approve the applications. If these travel grants are approved, \$4,000.00 remains available for future travel assistance grant applications in 2015.

At their meeting held 2015-MAR-19, the Parks and Recreation Commission passed motions recommending that Council approve the applications for Travel Assistance Grants to the Harbour City Football Club, Nanaimo Lawn Bowling Club, Nanaimo Raiders Lacrosse, and, Vancouver Island Special Needs Hockey Association.

Respectfully submitted,



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Ian Thorpe  
ACTING CHAIR  
PARKS AND RECREATION COMMISSION

2015-MAR-30  
File: A4-2-1 / A2-4 / A2-6 / B3-5-12  
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**MINUTES**  
REGULAR MEETING OF THE PARKS, RECREATION AND CULTURE COMMISSION  
SERVICE AND RESOURCE CENTRE BOARD ROOM  
411 DUNSMUIR STREET  
WEDNESDAY, 2014-NOV-26, AT 6:00 P.M.

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PRESENT: Commissioner D. Johnstone, Chair

Members: Commissioner T. Greves  
Commissioner F. Pattje  
Commissioner K. Alden  
Commissioner L. Avis  
Commissioner M. Beaudoin-Lobb  
Commissioner H. Houle  
Commissioner A. McPherson  
Commissioner D. Rinald  
Commissioner G. Savage  
Commissioner I. Thorpe  
Commissioner M. Young

Staff: R. Harding, Director, Parks, Recreation and Environment  
M. Smith, Manager of Recreation Services  
A. Groot, Manager of Facility Planning and Operations  
A. Britton, A/Manager of Parks Operations  
M. Demecha, Manager of Civic Facilities  
T. Stuart, Recreation Coordinator  
R. Tweed, Recording Secretary

1. CALL THE OPEN MEETING TO ORDER:

The Regular Meeting was called to order at 6:00 p.m.

2. INTRODUCTION OF LATE ITEMS:

- Item 5.(a) – Wording updated on the Report to accurately reflect the name of the “Parks, Recreation and Culture Commission”, and include the Report recommendation under Item 5.(a) on the Agenda.
- Add under Item 7.(b)(i) – Late Delegation – Ericka McDonald – Leap Card Application System.
- Add Item 9.(f) – Correspondence – Nanaimo Harbour City Seniors – Minutes of 2014-NOV-07.

3. ADOPTION OF AGENDA:

It was moved and seconded that the Agenda as amended be adopted. The motion carried unanimously.

4. ADOPTION OF MINUTES:

It was moved and seconded that the minutes of the regular Parks, Recreation and Culture Commission meeting held Wednesday, 2014-OCT-22 at 5:32 p.m. at Beacon House, Protection Island, be adopted as circulated. The motion carried unanimously.



5. PRESENTATIONS:

- (a) Philip Cooper, Communications Manager, and Suzanne Samborski, Senior Manager, Culture and Heritage, presenting a draft sponsorship policy for the City of Nanaimo.

The community has been looking at the overall issue of sponsorship and how the City deals with it. Mr. Cooper and Ms. Samborski have been working on the Sponsorship Policy and provided a review of the process and progress to date. Presented to the Culture and Heritage Commission three weeks ago.

The Policy highlights were reviewed by Mr. Cooper. It emphasizes a broad level of policy initially. In addition to the three policies, a strategy for sponsorship must be employed. An inventory analysis of what the assets are worth is also required. The sponsorship policies in other municipalities within the province were used as a comparison for developing this policy.

It was moved and seconded that the Parks, Recreation and Culture Commission recommend that Council:

1. approve the Corporate Sponsorship Policy for the City of Nanaimo; and,
2. direct staff to develop separate Naming Rights and Advertising Policies to be presented respectively to the Parks, Recreation and Culture Commission and Culture and Heritage Commission for feedback and recommendations prior to bringing forward to Council.

The motion carried unanimously

- (b) Facility Planning and Operations – Art Groot, Manager of Facility Planning and Operations, and, Mark Demecha, Manager of Civic Facilities.

Mr. Groot and Mr. Demecha provided a PowerPoint presentation giving an overview of Facility Planning and Operations.

6. CHAIR'S REPORT:

The Chair, Councillor Diana Johnstone, advised that a \$5,000 grant was received from the Royal Bank of Canada Foundation and its "Learn to Play" program. The grant has been provided to increase the involvement of schools in Nanaimo in skating lesson programming. These lessons provide a partial subsidy to schools and are a beginning point for children who are marginalized by economic, physical, social or cultural factors.

The Chair also extended her thanks to her colleagues for their service on the Commission.

7. REPORTS OF ADVISORY BODIES:

- (a) Parks Committee: Commissioner Thorpe reported on the Parks Committee meeting held 2014-NOV-17.

It was moved and seconded that the Parks Committee report be received. The motion carried unanimously.

- (b) Recreation Committee: Commissioner Greves reported on the Recreation Committee meeting held 2014-NOV-05.

(i) L.E.A.P. Program Application and Eligibility Requirements.

At the Parks, Recreation and Culture Commission meeting held on 2014-OCT-01, delegations were received with regard to the L.E.A.P. card application and eligibility requirements.

Commission determined by motion that the matter of possible changes to the LEAP program eligibility requirements to allow fixed income special needs adults living at home be referred to the Recreation Committee for review and report back to the Commission.

At their meeting held on 2014-NOV-05, the Recreation Committee reviewed the matter. As a result, two motions were unanimously carried:

1. that the Recreation Committee recommend that the Parks, Recreation and Culture Commission retain the existing criteria for eligibility under the LEAP program; and,
2. that the Recreation Committee direct staff to report back to the Committee on the development of a program for access to facilities based on permanent disability status.

Delegations: (10 minutes)

1. Debbie Remillard

Ms. Remillard spoke to her disappointment that the City of Nanaimo does not allow LEAP coverage for disabled adults living in the home. She suggested that the City should provide a permanent LEAP card for permanently disabled adults that would entitle them to ½ price off on all activities and programs. Ms. Remillard felt that disabled adult children living at home are being discriminated against.

It was moved and seconded that the Parks, Recreation and Culture Commission grandfather disabled adults who have previously been approved for LEAP, to allow for the exclusion under family income evaluation while a program is developed for adults with permanent disability status. The motion carried. ***Opposed: Commissioner Lynda Avis and Commissioner Mercedes Beaudoin-Lobb.***

2. Ericka McDonald (late delegation)

Ms. McDonald did not present as she felt the matter was adequately covered by Debbie Remillard.

It was moved and seconded that the Parks, Recreation and Culture Commission retain the existing criteria for eligibility under the LEAP program. The motion carried unanimously.

(ii) **Community Program Development Grant Application.**

At their meeting held on 2014-NOV-05, the Recreation Committee reviewed the application from the Cedar 4-H Senior Advisory Council to increase the allocation of funds determined by Council motion on 2014-MAR-10, “ *that Council approve three years of funding of \$4,000 per year from the Community Program Development Grant Fund, starting in 2015, for operations of the Cedar 4-H Barnyard within the City of Nanaimo, with funding options to be revisited in three years time*” and unanimously passed a motion recommending that the Parks, Recreation and Culture Commission deny the application.

It was moved and seconded that the Parks, Recreation and Culture Commission deny the application by the Cedar 4-H Senior Advisory Council for an increase in the funding as approved by Council on 2014-MAR-10. The motion carried unanimously.

It was moved and seconded that the Recreation Committee report be received. The motion carried unanimously.

(c) **Grants Advisory Committee:** No meetings to report.

8. **STAFF REPORTS:**

(a) **Chase River Activity Centre Seismic Funding and Ten-Year Lease Option.**

*Purpose: To obtain Commission and Council approval to proceed with the seismic upgrade of the City-owned Land and Building located at 1400 Cranberry Avenue, Nanaimo, and provide Approval in Principle to grant a 10-year lease to the Boys and Girls Clubs of Central Vancouver Island (the “Lessee”) for the same land and buildings.*

It was moved and seconded that That the Parks, Recreation and Culture Commission recommend that Council:

1. approve proceeding with the seismic upgrade of the City-owned Land and Building known as the Chase River Activity Centre, located at 1400 Cranberry Avenue, Nanaimo, with \$100,000 provided by the Boys and Girls Clubs of Central Vancouver Island (\$50,000 in 2014 and \$50,000 over the next 10 year period);
2. provide Approval in Principle to grant a 10-year Lease to the Boys and Girls Clubs of Central Vancouver Island for the Chase River Activity Centre located at 1400 Cranberry Avenue, Nanaimo; and \$5000 per year as part of payment to seismic upgrading; and,
3. direct Staff to publish a Notice of Disposition as required under Section 26 and Section 94 of the *Community Charter*.

The motion carried unanimously.

(c) **Parks & Facilities Monthly Report – October, 2014.**

The Parks & Facilities Monthly report was presented, and in addition an update was provided on Groveland Gyro Park. The park equipment arrived this week and will be installed next week. Levelling and preparation of the site is currently underway. Volunteers, a contracted supervisor, and Ed Tremblay, Parks Staff, will be working together and expect the installation to be complete within two weeks.

It was moved and seconded that the Parks & Facilities Monthly report be received. The motion carried unanimously.

(d) **Recreation Services Monthly Report – October, 2014.**

It was moved and seconded that the Recreation Services Monthly report be received. The motion carried unanimously.

9. **CORRESPONDENCE:** (not related to a Report to Commission)

- (a) Letter dated 2014-OCT-26 from Bobbie Taylor, President, Harbour City Football Club Nanaimo, providing feedback with regard to the Draft Beban Park Master Plan.
- (b) E-mail dated 2014-OCT-27 from Ian Kalina, Executive Director, Boys and Girls Clubs of Central Vancouver Island, providing feedback with regard to the Draft Beban Park Master Plan.
- (c) E-mail dated 2014-NOV-03 from Lynne Brown, Orca Coaching and Consulting, providing feedback with regard to the Draft Beban Park Master Plan.
- (d) E-mail dated 2014-NOV-04 from Lou Gagne, Secretary, Boys and Girls Clubs of Central Vancouver Island providing feedback with regard to the Draft Beban Park Master Plan.
- (e) E-mail dated 2014-NOV-12 from Anita Vallee, Director, Boys and Girls Clubs of Central Vancouver Island, providing feedback with regard to the Draft Beban Park Master Plan.
- (f) Minutes of the Nanaimo Harbour City Seniors Board of Directors Meeting held 2014-NOV-07.

It was moved and seconded that the correspondence be received. The motion carried unanimously.

10. **NOTICE OF MOTION:** (None.)

11. **OTHER BUSINESS:** (None.)

12. **DELEGATIONS (not related to a Report to Commission):**

- (a) Amber Bruner, Coordinator, Greater Nanaimo Early Years Partnership, and Tracy Stuart, Recreation Coordinator, presented to the Parks, Recreation and Culture Commission requesting their support to install “Unplug & Play” signage at playgrounds around Nanaimo to encourage parents and caregivers to disconnect from their electronic devices and connect with their children. Some funding has

been approved through the "Success by Six" funds and as a result, the group has \$1,000 to put towards the signage costs. Initially, the GNEYP would like to have the signs installed in some of the primary park playgrounds - Maffeo Sutton Park, OWCC, Altrusa, and Harewood Centennial – with signage in other parks as funding permits. The signs could be permanent or seasonal.

It was moved and seconded that the Parks, Recreation and Culture Commission direct Staff to work with the Greater Nanaimo Early Years Partnership in installing signs in playgrounds around Nanaimo. The motion carried unanimously.

- (b) David Mitchell, President, Nanaimo Lawn Bowling Club, requesting that the Parks, Recreation and Culture Commission approve a V.I.P. grant to cover all, or a portion of, the costs of the recently completed storage shed need to house equipment for green maintenance.

It was moved and seconded that the Parks, Recreation and Culture Commission approve VIP funding in the amount of \$6094.88 in order to assist in the costs of the Bowen Park Lawn Bowling equipment shed.

Commissioner Thorpe disclosed his membership with the Bowen Park Lawn Bowling Club and vacated the boardroom at 7:35 p.m.

The motion carried unanimously.

Commissioner Thorpe returned to the boardroom at 7:37 p.m.

It was moved and seconded that the delegation be received. The motion carried unanimously.

- (c) John Westhead, Vice-President, and Bettie Godfrey, President, Nanaimo Harbour City Seniors (NHCS), presented on behalf of the Society requesting that the Parks, Recreation and Culture Commission assist in funding 30% of the cost of a new piano keyboard, increase the membership fees by \$1.00 per year with the additional \$1.00/membership going to the NHCS, and provide suggestions for funding as appropriate for a New Horizon Federal Funding application. They advised that the current keyboard would remain and would be available for use by other groups. The NHCS has a current bank balance of approximately \$24,000.

Commissioner Thorpe disclosed his annual membership with the Nanaimo Harbour City Seniors and vacated the boardroom at 7:56 p.m.

Commissioner Savage disclosed his annual membership with the Nanaimo Harbour City Seniors and vacated the boardroom at 7:57 p.m.

It was moved and seconded that the delegation be received. The motion carried unanimously.

It was moved and seconded that the Parks, Recreation and Culture Commission direct Staff to meet with the Board of the Nanaimo Harbour City Seniors to review and clarify the relationship between the City and the Nanaimo Harbour City Seniors, as well as the Society Act. The motion carried unanimously.



It was moved and seconded that the Parks, Recreation and Culture Commission refer the requests made by the Nanaimo Harbour City Seniors to the Recreation Committee for review and report back to Commission. The motion carried unanimously.

Commissioner Thorpe returned to the boardroom at 8:02 p.m.  
Commissioner Savage returned to the boardroom at 8:02 p.m.

13. QUESTION PERIOD: *(No questions.)*

14. ADJOURNMENT:

It was moved and seconded at 8:03 p.m. that the meeting adjourn. The motion carried unanimously.

CERTIFIED CORRECT:



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D. Johnstone, Chair  
Parks, Recreation and Culture Commission



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R. Harding, Director  
Parks, Recreation and Environment

2014-NOV-28  
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April 9, 2015

File: 76915-20/D720001-00 & D720002-00

E.C. (Ted) Swabey  
City Manager  
City of Nanaimo  
455 Wallace St  
Nanaimo BC V9R 5J6

Dear Mr. Swabey:

**Re: Middle Chase River Dam and Lower Chase River Dam – Order**

Thank you for your letter, dated March 17, 2015, advising of the City of Nanaimo's (the City) March 16, 2015 Council Motion on Colliery Dams. We are also in receipt of the letter from Toby Seward, Acting City Manager, dated March 27, 2015, confirming that this motion remains Council's direction and providing a copy of the City's revised Colliery Dam Emergency Preparedness Plan (October 2014) along with the Operation, Maintenance and Surveillance manual for the Chase Dams (April 2004).

On February 25, 2015, a letter was sent to the City granting a one month extension to undertake the following steps by March 27, 2015:

- Select an option for remediation of Lower Dam;
- Prepare and submit to this office, a revised plan that clearly identifies and prioritizes all actions required to correct the potential safety hazard with Lower Dam. The plan must outline the timeline for taking those actions to address the recommended dam remediation requirements, as described by Golder Associates, within a reasonably expeditious time frame;
- Prepare and submit to this office, a revised conceptual plan that identifies and prioritizes any actions required to correct the potential safety hazard with Middle Dam, along with a timeline for taking those actions within a reasonably expeditious time frame, timed to follow after completion of actions to correct the potential safety hazard with Lower Dam; and,
- Implement both revised plans, based on the priorities identified in the plans, within a reasonably expeditious time frame and in accordance with Section 4 of the BC Dam Safety Regulation, as applicable to any alteration, improvement or replacement to all or any part of a dam intended to correct a potential safety hazard and which must be implemented in a timely manner.

.../2

Ministry of Forests, Lands &  
Natural Resource Operations

Resource Stewardship  
Division

Office of the Comptroller of Water  
Rights  
Water Management Branch  
Dam Safety Section

Mailing Address:  
PO Box 9340 Stn Prov Govt  
Victoria BC V8W 9M1

Location:  
3rd Floor, 395 Waterfront Cres  
Victoria BC V8V 1K2  
**Council Committee**  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2015-02-13

To date, this information has not been received and as a result, the City of Nanaimo is not in compliance with the B.C. Dam Safety Regulation, *Water Act*. Therefore, please find attached an Order, issued pursuant to Section 88(1)(d) of the *Water Act*, requiring the City of Nanaimo to correct the potential safety hazard of Middle and Lower Dam.

A right of appeal to my Order lies to the Environmental Appeal Board. Notice of any appeal must (1) be in writing, (2) include grounds for the appeal, (3) be directed by registered mail or personally delivered to the Chair, Environmental Appeal Board, 4<sup>th</sup> Floor, 747 Fort Street, PO Box 9425 Stn Prov Govt, Victoria, BC V8V 9V1, (4) be delivered within 30 days of receiving this Order; and (5) be accompanied by a fee of \$25, payable to the Minister of Finance.

You are also reminded that Section 92(9) of the *Water Act* states that: "An appeal does not act as a stay or suspend to operation of the Order being appealed unless the appeal board orders otherwise".

Sincerely,



Glen Davidson, P.Eng.  
Comptroller of Water Rights

pc: John Baldwin, Dam Safety Officer, Regional Operations, FLNR, Nanaimo  
Toby Seward, A/City Manager, City of Nanaimo

ORDER

Section 88

Water Act of British Columbia

Dam File No.: 76915-20/D720001-00 & D720002-00

Water Licence File No.: 0355097 & 0355174

**IN THE MATTER OF** Conditional Water Licences C061424 and C061423, held by the City of Nanaimo (the City), which authorize the storage of 75 acre feet of water behind the Middle Chase River Dam (Middle Dam) and 140 acre feet of water behind Lower Chase River Dam (Lower Dam), as part of the Colliery Dam system on Chase River.

**WHEREAS** engineering consultant, Golder Associates (Golder), was retained by the City to be technical advisor to the City's Colliery Dam Technical Committee (TC). The TC's mandate was to identify an environmentally minimally invasive, cost and time effective remediation solution for the Colliery (Middle and Lower) Dam system that meets safety standards, among other things. The mandate also included the development of a permanent solution to be put in place in 2014 if possible, but not later than 2015, with shorter term mitigation put in place, if required, in 2014;

**WHEREAS** the focus was primarily on the remediation of Lower Dam as Golder had determined that Middle and Lower Dams act together as a system, with Lower Dam largely controlling downstream consequences. For this reason, Golder determined that the remediation of Lower Dam would provide greatest reduction in risk to those living downstream of the dams, and remediation of this dam should be given highest priority. Golder indicated, in its report, Dam Remediation Options (August 29, 2014), that the remediation of the Middle Dam would be addressed separately at a later date;

**WHEREAS** Golder undertook a number of studies and produced several reports including their Hydrology, Hydraulics and Middle Dam Breach Analysis (July 25, 2014) which determined that Middle and Lower Dam's spillways both have inadequate flood routing capacity to pass the design flood event which could result in the dams overtopping. The report states (pg i, Executive Summary):

*"These calculations have determined that the spillway for the Middle Dam has the capacity to convey the flows associated with approximately the 50-year (2% annual exceedance probability) rainfall event. Storms larger than the 50-year overtop the dam embankment. The spillway for the Lower Dam has the capacity to convey the flows associated with approximately the 25-year (4% annual exceedance probability) rainfall event. Storms larger than the 25-year overtop the dam embankment."*

**WHEREAS** Golder calculated the existing flood routing capacity of Lower Dam to be 55.0 cubic meters per second (cms), equivalent to a 1 in 25 year flood event;

**WHEREAS** Golder reviewed the failure consequence classification for Lower Dam and concluded that a *very high* classification was appropriate;

**WHEREAS** in Canada, current practice for selection of the design flood event for dam safety is suggested in Table 6-1B in the Canadian Dam Association's (CDA) Dam Safety Guidelines (2013);

**WHEREAS**, with respect to flood routing capacity for Lower Dam, Golder states (pg. 17, Colliery Dams, Nanaimo, BC, Report on Dam Remediation Options, Golder, August 29, 2014):

*"...the risk of dam collapse due to flood events is significant and must be addressed by dam remediation to improve flood routing characteristics of the dam. The required flood routing capacity is given by the Table 6.1 CDA Guidelines, and is based on the Consequence Classification of the dam. For a Very High consequence dam, the dam must be able to pass a flood at least the equivalent of 2/3 of the way between a 1000 year and a PMF flood..."*

**WHEREAS** in accordance with CDA Table 6-1B Golder calculated the design flood event of Lower Dam, a *very high* consequence dam, to be a total peak outflow of 144.0 cms. A total peak outflow of 144.0 cms is 2.6 times greater than the calculated 55.0 cms flood routing capacity of Lower Dam's current spillway;

**WHEREAS** insufficient flood routing capacity is considered a *potential safety hazard* as it may lead to overtopping and possible failure of the dams;

**WHEREAS** the City has completed numerous studies and now has sufficient information and options to make an informed decision on the course of action required to correct this potential safety hazard;

**WHEREAS** two of these options are conceptually acceptable to this office: the (a) labyrinth spillway design and the (b) auxiliary spillway design;

**WHEREAS** on February 25, 2015, under Section 7.1 of the B.C. Dam Safety Regulation, the City was requested to undertake the following steps by no later than March 27, 2015:

- Select an option for remediation of Lower Dam;
- Prepare and submit to this office, a revised plan that clearly identifies and prioritizes all actions required to correct the potential safety hazard with Lower Dam. The plan must outline the timeline for taking those actions to address the recommended dam remediation requirements, as described by Golder, within a reasonably expeditious time frame;



- Prepare and submit to this office, a revised conceptual plan that identifies and prioritizes any actions required to correct the potential safety hazard with Middle Dam, along with a timeline for taking those actions within a reasonably expeditious time frame, timed to follow after completion of actions to correct the potential safety hazard with Lower Dam; and,
- Implement both revised plans, based on the priorities identified in the plans, within a reasonably expeditious time frame and in accordance with section 4 of the B.C. Dam Safety Regulation, as applicable to any alteration, improvement or replacement to all or any part of a dam intended to correct a potential safety hazard and which must be implemented in a timely manner.

**WHEREAS** the City of Nanaimo did not comply with the above noted request and therefore is not in compliance with the B.C. Dam Safety Regulation, *Water Act*;

**NOW THEREFORE**, I, Glen Davidson, Comptroller of Water Rights, pursuant to Section 88(1)(d) of the *Water Act*, hereby order the City of Nanaimo to correct the potential safety hazard of Middle Dam and Lower Dam by:

1. Immediately undertaking the necessary steps to increase the flood routing capacity of Lower Dam to 144.0 cms, as calculated by Golder, in order to meet an annual exceedance probability design flood event level that is 2/3 of the way between a 1 in 1000 year flood and the Probable Maximum Flood (PMF) in respect of Lower Dam, by:
  - a. Selecting one of the two following Lower Dam remediation options (as described by Golder) in order to address the potential safety hazard of Lower Dam:
    - i. the Labyrinth Spillway Design (Report on Dam Remediation Options, Golder, August 29, 2014); or
    - ii. the Auxiliary Spillway Design (Auxiliary Spillway - Conceptual Design, Golder, January 16, 2015;
  - b. Notifying this office of the selected option by **May 1, 2015**;
  - c. Preparing and submitting a design report and construction plans, for approval under Section 4 of the B.C. Dam Safety Regulation by **May 22, 2015**;
  - d. Substantially completing the chosen remediation option by **October 15, 2015**; and
2. Once the chosen remediation option for Lower Dam has been completed (as required by Section 1 of this Order), the City must undertake the following actions:
  - a. Prepare and submit to this office by the end of 2015, a revised conceptual plan that identifies and prioritizes any actions required to correct the potential safety hazard with Middle Dam, along with a timeline for taking those actions within a reasonably

expeditious time frame, timed to follow after completion of actions to correct the potential safety hazard with Lower Dam; and,

- b. Implement the revised plan, based on the priorities identified in the plan, within a reasonably expeditious time frame **but no later than the end of 2017**, and in accordance with Section 4 of the B.C. Dam Safety Regulation, as applicable to any alteration, improvement or replacement to all or any part of the dam intended to correct a potential safety hazard and which must be implemented in a timely manner.

Dated at Victoria, British Columbia this 9<sup>th</sup> day of April, 2015.



Glen Davidson, P. Eng.  
Comptroller of Water Rights

### Delegation Request

Gail Adrienne (Nanaimo & Area Land Trust) has requested an appearance before council. The request is made on behalf of Paul Chapman.

The requested date is Mar 16, 2015.

The requested meeting is:  
Council

#### Presenter's information

City: Nanaimo  
Province: British Columbia  
Bringing a presentation: No

#### Details of Presentation:

A presentation about the Nanaimo River Watershed Roundtable, a multi-stakeholder initiative to develop strategies and actions that will protect the values of the Nanaimo River watershed for the future. Participants in the Roundtable include representatives from the DFO, BC MoE, City of Nanaimo, RDN, forestry companies, property owners, recreation groups, VIU, environmental organizations, other stewardship committees, professional resource people and other community members too.

☐ Council      Agenda Item      ☐  
☒ Committee ~~of the whole~~ Delegation      ☒  
☒ Open Meeting      Proclamation      ☐  
☐ In-Camera Meeting      Correspondence      ☐  
Meeting Date: 2015-APR-13

## Delegation Request

Randy O'Donnell has requested an appearance before council.

The requested date is Apr 20, 2015.

The requested meeting is:  
Council

### Presenter's information

City: Nanaimo  
Province: B.C.  
Bringing a presentation: Yes

### Details of Presentation:

As president of the Nanaimo Taxpayers Association, I will outline what our members wished considered in the proposed 'core review' process and present data on the increased size, scope and cost of city governance and the implications of following past practice.

<input type="checkbox"/> Council	Agenda Item	<input type="checkbox"/>
<input checked="" type="checkbox"/> Committee of the Whole	Delegation	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> Open Meeting	Proclamation	<input type="checkbox"/>
<input type="checkbox"/> In-Camera Meeting	Correspondence	<input type="checkbox"/>
Meeting Date: <u>2015-APR-13</u>		