

**AMENDED AGENDA**  
REGULAR COMMITTEE OF THE WHOLE MEETING  
SHAW AUDITORIUM, 80 COMMERCIAL STREET, NANAIMO, BC  
MONDAY, 2013-APR-15, AT 4:30 P.M.

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CHAIR: MAYOR RUTTAN

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

2. **INTRODUCTION OF LATE ITEMS:**

- Add delegation Mr. Fred Taylor to Item 12 (a) Councillor Anderson to Request Reconsideration of Motion #16013.

3. **ADOPTION OF AGENDA:**

4. **ADOPTION OF MINUTES:**

- (a) Minutes of the Special Open Committee of the Whole Meeting held in the Shaw Auditorium, 80 Commercial Street, on Wednesday, 2013-MAR-27 at 4:31 p.m.

*Pg. 5-7*

5. **PRESENTATIONS:**

- (a) RCMP representative from E Division to provide a presentation regarding the policing budget.

6. **ADMINISTRATION:**

NONE

7. **COMMUNITY SAFETY AND DEVELOPMENT:**

NONE

8. **CORPORATE SERVICES:**

- (a) Delegations pertaining to the 2013-2017 Financial Plan

- (b) 2012 Annual Financial Statements

*Purpose: To obtain Council's acceptance of the 2012 Financial Statements.*

Staff Recommendation: That Council accept the unaudited 2012 Annual Financial Statements for the City of Nanaimo.

*Pg. 8-10*

*[Note: Due to the large volume of material the unaudited 2012 Financial Statements and Audit Findings Report will be included in the electronic version agenda posted on the City's website at [www.nanaimo.ca](http://www.nanaimo.ca) and available for viewing in the Legislative Services Office.]*

(c) **2013 - 2017 Financial Plan Bylaw Preparation**

*Purpose: To update the Financial Plan with changes made since adoption on 2013-FEB-18 and allow for the preparation of the Tax Rates Bylaw by 2013-MAY-15 as required by the Community Charter.*

Presentation: Mr. B.E. Clemens, Director of Finance, to provide a presentation regarding the 2013-2017 Financial Plan Bylaw Preparation.

Staff Recommendation: That Council direct Staff to amend the Financial Plan Bylaw and prepare the Tax Rates Bylaw for three readings on 2013-APR-22, based on the information contained in the report.

*Pg. 11-13*

(d) **Purchasing Policy Revision – Prequalification**

*Purpose: To respond to the direction from Council at its meeting held 2012-DEC-17 “to develop a policy to guide the process of pre-qualification of contractors for work with the City of Nanaimo”.*

Staff Recommendation: That Council amend its current Purchasing Policy to include the section on prequalification as attached to the report.

*Pg. 14-18*

(e) **2013 Grants Advisory Committee Recommendation**

To be introduced by Councillor Johnstone, Chair, Grants Advisory Committee.

*Purpose: To obtain Council's approval of the Committee's recommendation regarding an “Other Grant” application.*

Staff Recommendation: That Council deny an Other Grant to the Nanaimo & District SPCA (OG-02) in the amount of \$25,000 for the SNIP program (low income spay and neuter service).

*Pg. 19*

(f) **Minutes of the Grants Advisory Committee Meeting held 2013-FEB-20**

To be introduced by Councillor Johnstone, Chair, Grants Advisory Committee.

Staff Recommendation: That Council receive for information the Minutes of the Grants Advisory Committee meeting held 2013-FEB-20.

*Pg. 20-22*

(g) **Strategic Plan Implementation Progress**

*Purpose: To provide information to the community on the progress of implementing the Corporate Strategic Plan.*

Staff Recommendation: That Council receive for information the report regarding the strategic plan implementation progress. Pg. 23-27

9. **COMMUNITY SERVICES:**

(a) **Strathmore Water, Storm and Sidewalk Improvements**

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

Staff Recommendation: That Council receive for information the report regarding the Strathmore water, storm and sidewalk improvements. Pg. 28

(b) **Additional Position in Engineering & Public Works**

*Purpose: To obtain Council's approval to add a full time position in Engineering Services.*

Staff Recommendation: That Council approve an additional full time staff position in the Engineering Services Section of Engineering & Public Works. Pg. 29-30

(c) **Nanaimo Boathouse and Paddling Centre Proposal**

*Purpose: To provide information regarding a proposed boathouse and paddling centre.*

Staff Recommendation: That Council receive for information the report regarding the Nanaimo boathouse and paddling centre proposal. Pg. 31-33

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

NONE

11. **NOTICE OF MOTION:**

12. **OTHER BUSINESS:**

(a) **Councillor Anderson to Request Reconsideration of Motion #16013 as per Section 33 of COUNCIL PROCEDURE BYLAW 2007 NO. 7060**

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Delegation:

1. Mr. Fred Taylor

Pg. 33.1

"16013 It was moved and seconded that Council defer consideration of the Nanaimo Fire Rescue Department Business Model and synopsis until Staff conduct a further review, taking into consideration comments made by Council at the Regular Council Meeting held 2013-APR-08. The motion carried.

Opposed: Mayor Ruttan, Councillors Johnstone and Pattje"

[Note: Should Council wish to reconsider motion 16013 Council may also wish to consider the following two recommendations that were contained in the report at the regular meeting of Council held 2013-APR-08:

1. direct Staff to consult with stakeholders; and
2. present the completed Business Model documentation at a subsequent Council Meeting.]

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

- |     |  |           |
|-----|--|-----------|
| (a) | Mr. Dwight Yochim, Executive Director, Truck Loggers Association, regarding the importance of the logging industry in the community. | Pg. 34    |
| (b) | Ms. Jennifer O'Rourke, Save Linley Valley West Society, regarding the 2012 Biological Inventory of Linley Valley.                    | Pg. 35    |
| (c) | Mr. Daniel Appell, regarding the Vancouver Island Conference Centre.   | Pg. 36-40 |
| (d) | Mr. Charles Thirkill, regarding the Vancouver Island Conference Centre.  | Pg. 41    |

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

15. **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.

16. **ADJOURNMENT:**

ACTING MAYOR: Councillor Johnstone  
2013-MAR-11 to 2013-APR-28

**MINUTES**  
**SPECIAL OPEN COMMITTEE OF THE WHOLE MEETING**  
**SHAW AUDITORIUM, 80 COMMERCIAL STREET,**  
**WEDNESDAY, 2013-MAR-27 AT 4:31 P.M.**

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**PRESENT:** Mayor J. R. Ruttan, Chair

**Members:** Councillor G. Anderson  
Councillor M. D. Brennan  
Councillor G. E. Greves (arrived 4:32 p.m.)  
Councillor D. K. Johnstone  
Councillor J. A. Kipp  
Councillor W. B. McKay  
Councillor J. F. K. Pattje

**Absent:** Councillor W. L. Bestwick

**Staff:** A. C. Kenning, City Manager  
D. W. Holmes, Assistant City Manager and General Manager of Corporate Services  
E. C. Swabey, General Manager of Community Safety and Development  
T. M. Hickey, General Manager of Community Services  
B. E. Clemens, Director of Finance  
R. J. Harding, Director of Parks, Recreation and Culture  
J. Ritchie, Senior Manager, Parks and Civic Facilities  
S. Samborski, Senior Manager, Recreation and Culture Services  
P. Kristensen, Director of Information Technology  
B. Prokopenko, Senior Manager of Engineering  
D. Fournier, Municipal Infrastructure Engineer  
B. Labelle, Manager Fleet/Service Center  
D. Duncan, Manager Finance, Community Services  
S. Snelgrove, Recording Secretary

**1. CALL THE OPEN MEETING TO ORDER:**

The Special Open Committee of the Whole Meeting was called to order at 4:31 p.m.

**2. INTRODUCTION OF LATE ITEMS:**

(a) Add Agenda Item 11 (a) Notice of Motion – Councillor Kipp.

**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 Committee of the Whole Meeting held in the Shaw Auditorium, 80 Commercial Street, Nanaimo, BC, on Monday, 2013-MAR-18 at 4:30 p.m. be adopted as circulated. The motion carried unanimously.

Councillor Greves entered the Shaw Auditorium at 4:32 p.m.

5. PRESENTATIONS:

- (a) Mr. B. Prokopenko, Senior Manager of Engineering, and Mr. R. Harding, Director, Parks, Recreation and Culture, provided a presentation regarding the 5-Year Capital Plan.

6. CORPORATE SERVICES:

- (a) Delegations pertaining to the 2013-2017 Financial Plan

- 1. Mr. Gord Fuller, re: Tax structure, 5-Year Capital Plan.
- 2. Mr. Fred Taylor, re: 5-Year Capital Plan.

- (b) Municipal Costs

Mr. B. E. Clemens, Director of Finance, provided a PowerPoint presentation regarding municipal cost pressures.

It was moved and seconded that Council receive the report regarding municipal costs. The motion carried unanimously.

7. NOTICE OF MOTION:

- (a) Councillor Kipp referenced, for discussion at a future meeting, two UBCM resolutions related to Public Procurement and the Canada European Union Trade Agreement (CETA). The documents will be added under "Other Business" to the 2013-APR-08, Council Agenda for discussion.

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

- (a) Mr. Bill Carter spoke regarding the proposed development of the Nanaimo Harbour.
- (b) Dr. Doug Hay and Mr. David MacKenzie spoke regarding the proposed development of the Nanaimo Harbour.

It was moved and seconded that Council direct Staff to request that the Nanaimo Port Authority provide a development plan or cost benefit analysis of the proposed Nanaimo Marina development project to Council. The motion carried unanimously.

It was moved and seconded that Council direct Staff to invite Dr. James Lunney, Nanaimo-Alberni MP, Ms. Jean Crowder, Nanaimo-Cowichan MP, and Mr. Bob Bennie, Chair, Nanaimo Port Authority, to a future meeting of Council to discuss issues that are arising in the community. The motion carried unanimously.

9. ADJOURNMENT:

It was moved and seconded at 6:26 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: 2013-APR-15

AUTHORED BY: L. A. COATES, MANAGER, ACCOUNTING SERVICES

RE: 2012 ANNUAL FINANCIAL STATEMENTS

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### STAFF RECOMMENDATION:

That Council accept the unaudited 2012 Annual Financial Statements for the City of Nanaimo.

### PURPOSE:

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 December 31, 2012, once the Council has accepted the statements.

### BACKGROUND:

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.

The financial statements continue to reflect a healthy financial position for the City of Nanaimo. Council's ongoing commitment to ensure the financial stability of the City will provide a strong framework in which to meet community requirements in future years.

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

- Accumulated operating surpluses total \$12 million, allocated as follows:

General Fund (deficit)	\$ (0.1)	million
Sewer Fund	6.6	
Water Fund	5.5	
	<u>\$12.0</u>	million

☐ Council  
☒ Committee COW  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2013-APR-15



The general fund deficit reflects the impact of accruing \$3,140,000 as an estimate of the cost for the remediation work on the Colliery Dams. \$2,500,000 will be returned to operating surpluses from the General Capital Reserve account in 2013 as Council has approved this funding source. The remaining \$640,000 will be returned to operating surplus when principal repayments are made on the borrowed funds.

- Funds held in reserves total \$114.4 million at December 31, 2012 (2011 - \$118.5 million), allocated as follows:

Work in progress	\$ 19.3 million
Reserve accounts (surplus appropriations)	41.3
Development Cost Charges (developer contributions)	34.5
Statutory Reserves	<u>19.3</u>
	<u>\$114.4 million</u>

A listing of reserve accounts is shown on page 22 of the statements. The majority of the funds have been set aside for specific projects or purposes.

Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2012 totaled \$4.3 million (2011 - \$4.7 million). The City continues to construct growth-related projects, which are funded from DCC's (\$4.8 million in 2012).

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 December 31, 2012:

Community Works Reserve	\$ 11,488,367
Property Sales Reserve	2,791,286
Equipment Depreciation Reserve	2,363,153
Local Improvement Reserve	1,520,661
Knowles Estate Reserve	443,276
Parkland Dedication Reserve	349,549
Facility Development (Recreation) Reserve	280,557
Old City Neighbourhood Parking Reserve	80,783

Council received a full report on reserves on 2013-MAR-18.

- Outstanding debt and debt servicing costs

	<u>2012</u>	<u>2011</u>
Outstanding debt	\$ 33.2 million	\$ 35.2 million
Per capita debt	\$ 379.00	\$ 405.00
Debt reduction during current year	\$ 2.0 million	\$ 2.9 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.

Council received a detailed report on debt on 2013-FEB-25.

- Tangible capital assets net book value totals \$586 million at December 31, 2012 (December 31, 2011 - \$556 million). A detailed schedule is found on page 27 of the statements. Capital asset acquisitions were \$50.0 million (2011 - \$29.7 million), including developer contributed assets of \$7.9 million (2011 - \$4.0 million).

Respectfully submitted,

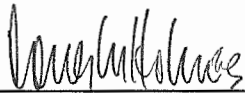


Lorrie A. Coates  
Manager, Accounting Services

Concurrence by:



B. E. Clemens  
Director of Finance



D. W. Holmes  
Assistant City Manager/General  
Manager, Corporate Services

CITY MANAGER COMMENT:

I concur with the staff recommendation.

Drafted: 2013-APR-02  
LAC/tw

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**CITY OF NANAIMO, BRITISH COLUMBIA, CANADA**  
**FINANCIAL REPORT**  
**for the year ended December 31, 2012**

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**CITY OF NANAIMO**  
**2012 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, 2012.



B. E. Clemens, CMA  
Director of Finance

April 9, 2013

**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at December 31, 2012, with comparative figures for 2011

	2012 Actual	2011 Actual Recast (Note 2)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 57,700,182	\$ 39,954,398
Accounts receivable and other assets (Note 3)	24,344,242	19,409,797
Development cost charges receivable (Note 4)	880,015	1,046,537
Portfolio investments (Note 5)	93,401,796	113,928,279
	<b>176,326,235</b>	<b>174,339,011</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	31,992,980	22,195,046
Post-employment benefits payable (Note 7)	6,241,975	5,954,564
Deferred revenue and other liabilities (Note 8)	12,990,787	13,766,134
Deferred development cost charges (Note 9)	34,468,404	34,239,271
Due to Cemetery Care fund (Note 10)	509,488	503,140
Debt (Note 11)	33,152,899	35,193,419
	<b>119,356,533</b>	<b>111,851,574</b>
<b>NET FINANCIAL ASSETS</b>	<b>56,969,702</b>	<b>62,487,437</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	586,111,331	556,477,111
Prepaid expenses	1,250,174	870,433
Inventories of supplies	578,702	721,790
	<b>587,940,207</b>	<b>558,069,334</b>
<b>ACCUMULATED SURPLUS (Note 2 and 13)</b>	<b>\$ 644,909,909</b>	<b>\$ 620,556,771</b>

Commitments and contingencies (Note 14)



**B. E. Clemens, 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, 2012, with comparative figures for 2011

	2012 Budget (Unaudited Note 14)	2012 Actual	2011 Actual Recast (Note 2)
<b>REVENUES</b>			
Taxes	\$ 87,524,673	\$ 87,386,690	\$ 83,876,786
Payments in lieu of taxes	1,256,940	1,398,588	1,204,333
Taxation and payments in lieu (Note 16)	88,781,613	88,785,278	85,081,119
User fees and sales of services (Note 17)	30,473,622	30,871,190	28,840,649
Investment income	2,943,493	3,498,620	3,756,821
Other revenue	8,468,242	9,473,103	9,068,202
Development cost charges (Note 9)	7,684,653	4,810,065	7,707,703
Donations and contributions - capital	1,288,420	1,214,965	1,257,965
Transfers from other governments - capital (Note 18)	8,344,685	8,518,460	925,600
Transfers from other governments - operating (Note 18)	5,524,327	5,739,599	5,478,365
Municipal Finance Authority refunds and debt forgiven	-	119,159	685,729
Developer assets provided (Note 12)	-	7,948,337	4,037,351
Gain (loss) on sale of assets	-	(705,491)	558,189
	153,509,055	160,273,285	147,397,693
<b>EXPENSES</b>			
Corporate services	11,421,135	9,371,524	9,217,202
Development services	9,971,458	9,625,776	9,277,772
Community safety	40,003,110	39,754,798	37,528,146
Strategic relationships	8,351,711	8,035,616	7,428,497
Parks, recreation and culture	29,662,338	31,653,640	28,791,355
Engineering and public works	24,955,880	24,371,693	23,621,619
Sewer system	4,916,872	4,251,970	4,024,334
Waterworks	8,911,764	8,855,130	8,205,732
	138,194,268	135,920,147	128,094,657
<b>ANNUAL SURPLUS</b>	15,314,787	24,353,138	19,303,036
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	620,556,771	620,556,771	601,253,735
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	\$ 635,871,558	\$ 644,909,909	\$ 620,556,771

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, 2012, with comparative figures for 2011

	2012 Budget (Unaudited Note 15)	2012 Actual	2011 Actual Recast (Note 2)
<b>ANNUAL SURPLUS</b>	\$ 15,314,787	\$ 24,353,138	\$ 19,303,036
Acquisition of tangible capital assets	(62,834,073)	(42,050,726)	(25,696,611)
Developer contributed capital assets	-	(7,948,337)	(4,037,351)
	(62,834,073)	(49,999,063)	(29,733,962)
Amortization of tangible capital assets	19,059,483	19,424,028	19,160,655
(Gain) loss on sale of tangible capital assets	-	705,491	(558,189)
Proceeds on sale of tangible capital assets	-	235,324	792,144
	(43,774,590)	(29,634,220)	(10,339,352)
Acquisition of inventories of supplies	-	(3,633,420)	(3,525,168)
Acquisition of prepaid expenses	-	(1,227,710)	(839,182)
Consumption of inventories of supplies	-	3,776,508	3,480,566
Use of prepaid expenses	-	847,969	520,017
	-	(236,653)	(363,767)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(28,459,803)	(5,517,735)	8,599,917
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	62,487,437	62,487,437	53,887,520
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 34,027,634	\$ 56,969,702	\$ 62,487,437

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, 2012, with comparative figures for 2011

	2012 Actual	2011 Actual Recast (Note 2)
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 24,353,138	\$ 19,303,036
Non-cash items		
Amortization	19,424,028	19,160,655
Developer assets provided	(7,948,337)	(4,037,351)
(Gain) loss on sale of tangible capital assets	705,491	(558,189)
Development cost charges recognized as revenue	(4,810,065)	(7,707,703)
Debt forgiven	-	(492,038)
Actuarial adjustments	(449,267)	(659,588)
Change in non-cash operating assets and liabilities		
Accounts receivable	(4,767,923)	(2,187,362)
Accounts payable	10,085,345	4,569,519
Deferred revenue	(775,347)	1,336,464
Due to Cemetery Care Fund	6,348	10,340
Inventories of supplies	143,088	(44,602)
Prepaid expenses	(379,741)	(319,165)
Net change in cash from operating transactions	35,586,758	28,374,016
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(42,050,726)	(25,696,611)
Proceeds from the sale of tangible capital assets	235,324	792,144
Net change in cash from capital transactions	(41,815,402)	(24,904,467)
<b>INVESTING TRANSACTIONS</b>		
Change in investments	20,526,483	4,576,426
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(1,591,253)	(1,794,864)
Deferred development cost charges	5,039,198	5,628,914
Net change in cash from financing transactions	3,447,945	3,834,050
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	17,745,784	11,880,025
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	39,954,398	28,074,373
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 57,700,182	\$ 39,954,398

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, 2012**

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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 Canadian Institute of Chartered Accountants. 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 accountable for the administration of their financial affairs and resources to the City and which are owned or 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 are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

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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 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) Post-Employment 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. Post-employment 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, 2012

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

**(i) Post-Employment 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 post-employment plan is 13 years for sick leave benefits and 14 years for retirement allowance benefits.

**(j) Debt**

Debt is recorded net of related sinking fund balances.

**(k) 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	10 – 30
Marine Structures	15 – 35
Buildings	10 – 40
Vehicles and Equipment	2 – 25
IT Infrastructure	4 – 10
Drainage	25 – 75
Transportation – Linear Infrastructure, Lighting and Signals	10 – 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, 2012

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

(i) **Tangible Capital Assets (Continued)**

Tangible capital assets are written down 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, 2012

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

**(I) 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 post-employment 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 – RECAST OF PRIOR PERIOD BALANCES**

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The City retroactively recast the comparative 2011 financial statements to remove the cemetery trust fund assets and liabilities in accordance with Public Sector Accounting Standards, Section 1300. The impact of this immaterial adjustment is as follows:

**2011 Accumulated Surplus**

January 1, 2011 Accumulated Surplus – as previously reported	\$ 601,746,535
Less: Cemetery Care Fund Reserve Balance at January 1, 2011	<u>(492,800)</u>
January 1, 2011 Accumulated Surplus – as recast	<u>\$ 601,253,735</u>

**2011 Annual Surplus**

Annual Surplus as Previously Reported	\$ 19,313,376
Less: Cemetery Revenue	<u>(10,340)</u>
Annual Surplus – as recast	<u>\$ 19,303,036</u>

**NOTE 3 – ACCOUNTS RECEIVABLE**

	<u>2012</u>	<u>2011</u>
Property Taxes	\$ 4,899,757	\$ 4,188,254
Other Governments	9,725,534	4,859,588
Trade and Other	<u>9,718,951</u>	<u>10,361,955</u>
	<u>\$ 24,344,242</u>	<u>\$ 19,409,797</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

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**NOTE 4 – DEVELOPMENT COST CHARGES RECEIVABLE**

	<u>2012</u>	<u>2011</u>
Installments Receivable:		
2012	\$ -	\$ 632,578
2013	637,307	413,959
2014	<u>242,708</u>	<u>-</u>
	<u>\$ 880,015</u>	<u>\$ 1,046,537</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.

**NOTE 5 – PORTFOLIO INVESTMENTS**

	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
	<u>Cost</u>	<u>Market</u>		<u>Cost</u>	<u>Market</u>
Term Deposits	\$ 71,343,123	\$ 71,343,123		\$ 84,751,792	\$ 84,751,792
Debentures	<u>22,058,673</u>	<u>22,158,550</u>		<u>29,176,487</u>	<u>29,655,250</u>
	<u>\$ 93,401,796</u>	<u>\$ 93,501,673</u>		<u>\$113,928,279</u>	<u>\$ 114,407,042</u>

**NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2012</u>	<u>2011</u>
Trade and Other	\$ 13,590,937	\$ 9,805,798
RCMP Contract	5,441,182	4,520,459
Deposits	4,531,549	3,491,073
Accrued Wages and Benefits	4,121,843	3,350,226
Colliery Dam Remediation	3,140,000	-
Other Governments	<u>1,167,469</u>	<u>1,027,490</u>
	<u>\$ 31,992,980</u>	<u>\$ 22,195,046</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

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**NOTE 7 – POST EMPLOYMENT BENEFITS PAYABLE**

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, 2010 and the results are extrapolated to December 31, 2012. 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 losses of \$336,529 (2011 – \$367,346).

	<u>2012</u>	<u>2011</u>
Actuarial Benefit Obligation, beginning of year	\$ 6,321,910	\$ 6,142,205
Unamortized Actuarial Losses, beginning of year	<u>(367,346)</u>	<u>(398,163)</u>
	5,954,564	5,744,042
Current Service Cost	529,835	494,710
Interest Cost	299,277	289,155
Benefits Paid	(572,518)	(604,160)
Amortization of Actuarial Loss	<u>30,817</u>	<u>30,817</u>
	<u>\$ 6,241,975</u>	<u>\$ 5,954,564</u>
Actuarial Benefit Obligation, end of year	\$ 6,578,504	\$ 6,321,910
Unamortized Actuarial Losses, end of year	<u>(336,529)</u>	<u>(367,346)</u>
Accrued Benefit Obligation, end of year	<u>\$ 6,241,975</u>	<u>\$ 5,954,564</u>

Actuarial gains and losses are amortized over 13 – 14 years, being the expected average remaining service period of the related employee group, commencing the year after the gain or loss arises.

**NOTE 8 – DEFERRED REVENUE AND OTHER LIABILITIES**

	<u>2012</u>	<u>2011</u>
Tax Prepayments	\$ 9,421,128	\$ 9,325,871
Other Prepayments	3,562,253	3,139,559
Other Liabilities	<u>7,406</u>	<u>1,300,704</u>
	<u>\$ 12,990,787</u>	<u>\$ 13,766,134</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

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**NOTE 9 – DEFERRED DEVELOPMENT COST CHARGES**

	<u>2012</u>	<u>2011</u>
Deferred Development Cost Charges – beginning of year	\$ 34,239,271	\$ 36,318,060
Additions	4,280,067	4,741,921
Interest Earned	759,131	886,993
Revenue Recognized	<u>(4,810,065)</u>	<u>(7,707,703)</u>
Deferred Development Cost Charges – end of year	<u>\$ 34,468,404</u>	<u>\$ 34,239,271</u>

**NOTE 10 – 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. At December 31, 2012, the balance of funds held in trust was \$509,488 (2011 – \$503,140).

**NOTE 11 – 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.

\$31,854,254 (2011 – \$33,783,922) of debt is with the MFA. Payments of \$12,383,274 on the amount borrowed of \$44,237,528 are held in a sinking fund by the MFA. The remaining \$1,298,645 (2011 – \$1,409,497) is with the Royal Bank. The rates of interest on the principal amount of the MFA debentures vary between 3.00% and 4.82% per annum. The rate of interest on the Royal Bank debt is 5.48%.

	<u>2012</u>	<u>2011</u>
Total Outstanding Debt – beginning of the year	\$ 35,193,419	\$ 38,139,909
Reduction of Long-term Debt	2,040,520	2,454,452
Debt Forgiven	<u>-</u>	<u>492,038</u>
Total Outstanding Debt – end of year	<u>\$ 33,152,899</u>	<u>\$ 35,193,419</u>



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

**NOTE 11 – 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>
2013	\$ 2,014,176	\$ 113,650	\$ 2,127,826
2014	2,099,137	119,333	2,218,470
2015	2,187,691	125,299	2,312,990
2016	2,256,364	-	2,256,364
2017	2,351,685	-	2,351,685
Thereafter	<u>21,885,564</u>	<u>-</u>	<u>21,885,564</u>
	<u>\$ 32,794,617</u>	<u>\$ 358,282</u>	<u>\$ 33,152,899</u>

The \$1,298,645 (2011 – \$1,409,497) 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.

Bylaw #	MFA Issue #		Interest Rate %	Year Matures	Balance Outstanding 2012	Balance Outstanding 2011
<u>General Fund</u>						
5456	73	Local Improvement, 2000	3.15	2015	\$ 64,621	\$ 84,333
5425	72	Leisure and Aquatic Centre	3.15	2020	2,319,585	2,556,226
5457	73	Leisure and Aquatic Centre	3.15	2020	2,113,400	2,329,006
Royal Bank		Harbourfront Parkade	5.48	2021	1,298,645	1,409,497
5750	99	Port of Nanaimo Centre	4.43	2026	11,658,796	12,271,656
5750	101	Port of Nanaimo Centre	4.52	2027	12,271,656	12,860,945
7050	102	Fire Station #4	4.82	2027	<u>3,067,914</u>	<u>3,215,236</u>
					32,794,617	34,726,899
<u>Waterworks Fund</u>						
50	61	North Nanaimo Reservoir	3.00	2015	<u>358,282</u>	<u>466,520</u>
<b>Total Outstanding Debt</b>					<b>33,152,899</b>	<b>35,193,419</b>
<u>Authorized and Unissued Debt</u>						
7127		Water Treatment Plant			<u>22,500,000</u>	<u>22,500,000</u>
<b>Total</b>					<b><u>\$ 55,652,899</u></b>	<b><u>\$ 57,693,419</u></b>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

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**NOTE 12 – TANGIBLE CAPITAL ASSETS**

<u>Net Book Value</u>	<u>2012</u>	<u>2011</u>
Land	\$ 65,986,378	\$ 61,860,187
Land Improvements	14,560,624	14,489,655
Leasehold Improvements	478,596	578,869
Marine Structures	257,755	298,115
Buildings	133,749,917	122,313,666
Vehicles and Equipment	13,602,322	12,373,236
IT Infrastructure	2,150,586	1,537,446
Drainage	71,999,328	70,592,574
Transportation	146,020,815	142,550,181
Sewer	16,751,735	15,909,164
Water	<u>102,231,369</u>	<u>96,251,462</u>
	567,789,425	538,754,555
Work In Progress	<u>18,321,906</u>	<u>17,722,556</u>
	<u>\$ 586,111,331</u>	<u>\$ 556,477,111</u>

See schedule of tangible capital assets (page 29) for more information. There were no write downs of tangible capital assets for 2012 and 2011. Developer contributed assets recognized in 2012 were \$7,948,337 (2011 - \$4,037,351) recorded at fair market value at the end of the maintenance period. These include transportation, drainage, sewer and water infrastructure, trailways and the land under these assets.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

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**NOTE 13 – ACCUMULATED SURPLUS**

	<u>2012</u>	<u>2011</u> Recast (Note 2)
Reserve Accounts – Note 23	\$ 60,634,208	\$ 65,971,063
Surplus (Deficit) – General	(62,184)	3,012,677
Surplus – Sewer System	6,567,284	6,495,681
Surplus – Waterworks	5,494,537	5,448,305
Investment in Tangible Capital Assets – Note 19	552,958,432	521,283,692
Community Works Reserve Fund (Gas Tax Agreement)	11,488,367	9,127,944
Equipment Depreciation Reserve	2,363,153	2,963,831
Facility Development (Recreation) Reserve	280,557	1,135,908
Property Sales Reserve	2,791,286	2,610,280
Local Improvement Reserve	1,520,661	1,484,889
Knowles Estate Reserve	443,276	437,132
Parkland Dedication Reserve	349,549	506,416
Old City Neighborhood Parking Reserve	<u>80,783</u>	<u>78,953</u>
	<u>\$ 644,909,909</u>	<u>\$ 620,556,771</u>

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**(a) Liability Claims**

In the ordinary course of business, various claims and lawsuits are brought against the City. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. The City accrues the best estimate of costs to settle claims and any subsequent adjustments will be recorded in the period the claim is settled. 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.

**(b) BC Assessment Authority Appeals**

As at December 31, 2012, 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.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2012**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(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 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 \$1,396,271 (2011 – \$1,396,271) are contingent in nature and 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) Site Restoration**

Due to the past use of the former site of the Nanaimo foundry, should this property be developed, restoration work would be required to address environmental concerns. In 2011, Council rezoned this property as park land. There is no further intention for remediation and the cost has not been determined.

**(e) Royal Canadian Mounted Police (RCMP)**

The City has a contract with the federal government whereby the federal government provides RCMP policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the financial statements as at December 31, 2012.

**(f) Credit Facilities**

The City has adopted a revenue anticipation borrowing bylaw to support a credit facility in the amount of \$2,000,000 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, 2012, no amounts were drawn against this facility.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2012**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(g) Commitments**

The City has \$28.5 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. Since the beginning of 2013 and prior to the preparation of these financial statements, an additional \$1.3 million in contracts have been awarded.

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 September 2015 are \$119,270 (2011 – \$31,693)

**NOTE 15 – ANNUAL BUDGET**

The financial statements have included the Annual Budget as approved by Council on May 14, 2012. 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	\$ 15,314,787
Cemetery Care Fund – not in reporting entity	7,500
Development Cost Charges – change from restricted revenue presentation	<u>(3,266,809)</u>
Annual Surplus from the 2012 Financial Plan	12,055,478
Amortization, not funded	19,059,483
Capital Expenditures	(62,834,073)
Proceeds from Borrowing	480,000
Principal Repayment of Debt	(2,532,798)
Transfers from Accumulated Surplus	<u>33,771,910</u>
Net Annual Budget - as approved	<u>\$ -</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

**NOTE 16 – TAXATION AND PAYMENTS IN LIEU**

			<u>2012</u>	<u>2011</u>
	<u>Municipal</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Property Taxes	\$ 85,859,203	\$ 54,594,332	\$ 140,453,535	\$ 135,621,192
Local Improvement Frontage Fees	20,627	-	20,627	25,807
Business Improvement Area Levies	218,545	-	218,545	211,664
Taxes in Lieu of Licences	1,288,315	-	1,288,315	1,242,498
Payments in Lieu of Taxes	<u>1,398,588</u>	<u>484,037</u>	<u>1,882,625</u>	<u>1,665,590</u>
	<u>\$ 88,785,278</u>	<u>\$ 55,078,369</u>	<u>143,863,647</u>	<u>138,766,751</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			37,278,598	36,988,206
Regional District of Nanaimo			13,291,992	12,266,276
Nanaimo Regional Hospital District			3,444,669	3,346,856
Other Agencies			<u>1,063,110</u>	<u>1,084,294</u>
			<u>55,078,369</u>	<u>53,685,632</u>
Taxes Available for Municipal Purposes			<u>\$ 88,785,278</u>	<u>\$ 85,081,119</u>

**NOTE 17 – USER FEES AND SALES OF SERVICES**

	<u>2012</u>	<u>2011</u>
		Recast (Note 2)
Waterworks	\$ 11,932,673	\$ 11,252,876
Recreation Programs	5,849,978	5,780,201
Sewer System	5,006,930	4,719,216
Garbage Collection	3,228,844	2,920,319
Vancouver Island Conference Centre	2,087,020	1,740,769
Public Works	1,104,650	911,998
Parking	1,057,688	1,044,370
Other	435,768	276,128
Community Safety	<u>167,639</u>	<u>194,772</u>
	<u>\$ 30,871,190</u>	<u>\$ 28,840,649</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2012

**NOTE 18 – TRANSFERS FROM OTHER GOVERNMENTS**

	<u>2012</u>	<u>2011</u>
<u>Federal</u>		
Capital	\$ 3,389,574	\$ 41,550
Other	<u>10,301</u>	<u>13,799</u>
	<u>3,399,875</u>	<u>55,349</u>
<u>Provincial</u>		
Capital	5,128,886	884,050
Casino Gaming	2,301,777	2,479,871
Revenue Sharing	1,834,285	1,711,541
Other	<u>212,486</u>	<u>210,707</u>
	<u>9,477,434</u>	<u>5,286,169</u>
<u>Regional District of Nanaimo</u>		
Recreation Services, Sports Fields and Other	<u>1,380,750</u>	<u>1,062,447</u>
 Total Transfers from Other Governments	 <u>\$ 14,258,059</u>	 <u>\$ 6,403,965</u>
 Capital Transfers from Other Governments	 \$ 8,518,460	 \$ 925,600
Operating Transfers from Other Governments	<u>5,739,599</u>	<u>5,478,365</u>
Total Transfers from Other Governments	<u>\$ 14,258,059</u>	<u>\$ 6,403,965</u>

**NOTE 19 – INVESTMENT IN TANGIBLE CAPITAL ASSETS**

	<u>2012</u>	<u>2011</u>
Investment in Tangible Capital Assets – beginning of year	\$ 521,283,692	\$ 507,997,850
Add: Capital Additions	49,999,063	29,733,962
Reduction in Long-term Debt	2,040,520	2,454,452
Debt Forgiven	-	492,038
Less: Amortization	(19,424,028)	(19,160,655)
Net Book Value of Asset Disposals	<u>(940,815)</u>	<u>(233,955)</u>
Investment in Tangible Capital Assets – end of year	<u>\$ 552,958,432</u>	<u>\$ 521,283,692</u>

**NOTE 20 – 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 176,000 active

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2012**

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**NOTE 20 – MUNICIPAL PENSION PLAN (CONTINUED)**

members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent actuarial valuation as at December 31, 2009 indicated a \$1.024 billion funding deficit for basic pension benefits. The next valuation will be at December 31, 2012 with results available later in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. Contributions to the plan were:

	<u>2012</u>	<u>2011</u>
Employer Portion	\$ 3,957,247	\$ 3,735,812
Employee Portion	<u>3,294,410</u>	<u>3,053,118</u>
	<u>\$ 7,251,657</u>	<u>\$ 6,788,930</u>

**NOTE 21 – FINANCIAL INSTRUMENTS**

**Financial risk and fair market values**

The City's financial instruments consist of cash, 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 due to their short period to maturity, except with respect to investments as indicated in Note 5 and long-term debt, as indicated in Note 11.

**Credit risk**

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

**NOTE 22 – 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, 2012

**NOTE 23 – RESERVES**

	<u>Work in progress</u>	<u>Available for future commitments</u>	<u>2012</u>	<u>2011</u>
<b><u>General Revenue Fund Reserve Accounts</u></b>				
Corporate Services	\$ 505,416	\$ 118,912	\$ 624,328	\$ 889,987
Community Safety	613,547	735,232	1,348,779	954,059
Development Services	183,442	35,309	218,751	214,239
Parks, Recreation and Culture	651,186	450,267	1,101,453	1,233,839
Engineering and Public Works	2,729,364	725,000	3,454,364	2,574,658
Strategic Relationships	35,848	185,870	221,718	726,932
General Capital	937,116	2,622,297	3,559,413	5,383,372
Uncollected Taxes	-	2,882,653	2,882,653	2,865,648
Housing Legacy	309,000	2,565,822	2,874,822	2,854,719
Property Acquisition	-	2,693,298	2,693,298	2,093,298
Uninsured Claims	-	2,363,995	2,363,995	1,990,179
Computer Upgrade	1,390,518	271,950	1,662,468	2,297,910
RCMP Contract	-	1,507,115	1,507,115	1,257,115
Sustainability Initiatives	378,085	726,615	1,104,700	1,046,504
Priority Capital	890,395	-	890,395	5,806,661
Parking – General	-	660,626	660,626	454,674
Emergency 911	70,200	418,024	488,224	486,653
Port of Nanaimo Centre Projects	-	453,682	453,682	353,682
Snow Removal	-	400,000	400,000	400,000
Firehall Improvements	300,000	96,414	396,414	396,414
Other	10,000	356,641	366,641	336,827
Photocopier Replacement	172,000	15,123	187,123	90,601
Local Improvement Projects	-	181,260	181,260	181,260
Casino Funds	25,458	-	25,458	195,977
Parkland Acquisition	-	-	-	21,357
	<u>9,201,575</u>	<u>20,466,105</u>	<u>29,667,680</u>	<u>35,106,565</u>
<b><u>Sewer Revenue Reserve Accounts</u></b>				
General Capital	4,445,674	6,936,191	11,381,865	12,200,168
Growth Related Projects	-	850,000	850,000	850,000
	<u>4,445,674</u>	<u>7,786,191</u>	<u>12,231,865</u>	<u>13,050,168</u>
<b><u>Waterworks Revenue Fund Reserve Accounts</u></b>				
General Capital	5,679,153	12,305,849	17,985,002	17,064,669
Growth Related Projects	-	400,000	400,000	400,000
User Rate Leveling	-	250,000	250,000	250,000
Local Improvement Projects	-	99,661	99,661	99,661
	<u>5,679,153</u>	<u>13,055,510</u>	<u>18,734,663</u>	<u>17,814,330</u>
<b>Total Reserve Accounts</b>	<u>\$ 19,326,402</u>	<u>\$ 41,307,806</u>	<u>\$ 60,634,208</u>	<u>\$ 65,971,063</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2012**

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**NOTE 24 – 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 four key areas – Legislative Services, Human Resources and Organizational Planning, Information Technology and Financial Services.

**Community Safety and Development – three segments**

**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.

**Fire**

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

**Police**

The City hires the Royal Canadian Mounted Police on contract 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.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2012**

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**NOTE 24 – SEGMENT REPORTING (CONTINUED)**

**Strategic Relationships**

The Strategic Relationships Department acts as a facilitator between community stakeholders and the City to build stronger relationships. This includes being the liaison to the Nanaimo Economic Development Corporation, the Vancouver Island Conference Centre, the Nanaimo Port Authority and Snuneymuxw First Nation.

**Parks, Recreation and Culture**

The Parks, Recreation and Culture 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.

**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, 2012

	Corporate Services	Development Services	Fire	Police	Strategic Relationships	Parks, Recreation and Culture
<b>Revenues</b>						
Taxes*	\$ 10,865,120	\$ 5,461,016	\$ 13,268,621	\$ 20,713,646	\$ 3,668,606	\$ 18,930,289
Payments in lieu of taxes*	170,862	87,641	212,942	332,422	58,876	303,803
User fees and sales of services	135,779	1,256,390	84,173	83,466	2,188,309	5,849,977
Investment income	279,926	143,584	348,865	544,614	96,457	497,725
Other - general revenue*	100,500	51,550	125,251	195,529	34,630	178,695
Other revenue	212,398	3,330,446	654,687	1,393,958	164,375	675,316
Development cost charges	-	-	-	-	-	241,012
Donations and contributions - capital	121,078	-	-	-	-	327,524
Transfers from other governments - capital	-	-	-	-	102,310	-
Transfers from other governments - operating	27,691	199,645	15,000	1,718,360	179,871	1,270,425
Casino revenue sharing**	103,194	136,629	128,609	518,902	988,516	140,145
Municipal Finance Authority refunds and debt forgiven	-	-	-	-	-	-
Developer assets provided	-	-	-	-	-	3,084,100
Gain (Loss) on disposal of assets	103	1,680	(12,616)	-	-	(159,715)
	<b>12,016,651</b>	<b>10,668,581</b>	<b>14,825,532</b>	<b>25,500,897</b>	<b>7,481,950</b>	<b>31,339,296</b>
<b>Expenses</b>						
Wages and salaries	7,737,732	5,832,321	12,248,896	4,856,377	771,356	12,314,005
Services and supply contracts***	2,429,653	1,853,788	856,712	19,855,290	3,586,421	8,717,398
Amortization	389,356	402,631	553,502	334,336	2,262,801	3,796,190
Material and supplies	602,370	251,942	571,620	87,277	246,126	1,485,328
Other	538,192	1,210,187	719,202	121,890	32,448	5,238,154
Interest payments on debt	-	74,907	158,775	-	1,136,464	102,565
	<b>11,697,303</b>	<b>9,625,776</b>	<b>15,108,707</b>	<b>25,255,170</b>	<b>8,035,616</b>	<b>31,653,640</b>
Interprogram credits	(2,325,779)	-	(609,079)	-	-	-
	<b>9,371,524</b>	<b>9,625,776</b>	<b>14,499,628</b>	<b>25,255,170</b>	<b>8,035,616</b>	<b>31,653,640</b>
<b>Excess (Deficiency) of revenues over expenses</b>	<b>\$ 2,645,127</b>	<b>\$ 1,042,805</b>	<b>\$ 325,904</b>	<b>\$ 245,727</b>	<b>\$ (553,666)</b>	<b>\$ (314,344)</b>
<b>Expenditures on capital projects</b>	<b>\$ 12,695,418</b>	<b>\$ 103,049</b>	<b>\$ 773,498</b>	<b>\$ 278,072</b>	<b>\$ 447,197</b>	<b>\$ 7,269,844</b>

for the year ended December 31, 2011  
recast

	Corporate Services	Development Services	Fire	Police	Strategic Relationships	Parks, Recreation and Culture
<b>Revenues</b>						
Taxes*	\$ 10,840,798	\$ 5,302,771	\$ 12,648,638	\$ 18,811,457	\$ 3,750,674	\$ 17,936,539
Payments in lieu of taxes*	153,003	76,332	182,072	270,785	53,990	258,191
User fees and sales of services	123,117	1,196,286	79,635	115,137	1,741,864	5,780,201
Investment income	304,101	151,713	361,879	538,199	107,421	430,046
Other - general revenue*	100,531	50,154	119,631	177,920	35,474	169,645
Other revenue	182,388	3,354,914	584,325	1,452,562	112,068	588,724
Development cost charges	-	-	-	-	-	1,350,067
Donations and contributions - capital	-	-	-	-	10,100	697,599
Transfers from other governments - capital	-	50,750	-	-	97,301	41,550
Transfers from other governments - operating	24,242	63,628	-	1,711,541	1,405	1,196,640
Casino revenue sharing**	108,542	136,664	126,758	505,985	1,174,162	281,834
Municipal Finance Authority refunds and debt forgiven	-	147,416	-	-	-	-
Developer assets provided	-	-	-	-	-	619,000
Gain (Loss) on disposal of assets	(21,375)	696,058	(30,607)	-	-	(30,666)
	<b>11,815,347</b>	<b>11,226,686</b>	<b>14,072,331</b>	<b>23,583,586</b>	<b>7,084,459</b>	<b>29,319,370</b>
<b>Expenses</b>						
Wages and salaries	7,502,423	5,591,282	11,555,225	4,780,030	528,741	12,078,919
Services and supply contracts***	2,485,317	1,960,625	1,015,966	18,070,170	2,979,263	6,159,057
Amortization	293,689	392,190	580,904	323,355	2,263,039	3,784,687
Material and supplies	655,426	247,190	660,595	66,077	118,398	1,720,178
Other	552,382	981,689	792,725	123,252	355,920	4,926,424
Interest payments on debt	-	104,796	164,465	-	1,183,136	122,090
	<b>11,489,237</b>	<b>9,277,772</b>	<b>14,769,880</b>	<b>23,362,884</b>	<b>7,428,497</b>	<b>28,791,355</b>
Interprogram credits	(2,272,035)	-	(604,618)	-	-	-
	<b>9,217,202</b>	<b>9,277,772</b>	<b>14,165,262</b>	<b>23,362,884</b>	<b>7,428,497</b>	<b>28,791,355</b>
<b>Excess (Deficiency) of revenues over expenses</b>	<b>\$ 2,598,145</b>	<b>\$ 1,948,914</b>	<b>\$ (92,931)</b>	<b>\$ 220,702</b>	<b>\$ (344,038)</b>	<b>\$ 528,015</b>
<b>Expenditures on capital projects</b>	<b>\$ 2,790,800</b>	<b>\$ 329,875</b>	<b>\$ 582,684</b>	<b>\$ -</b>	<b>\$ 1,229,990</b>	<b>\$ 4,264,144</b>

\*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, 2012

Engineering and Public Works	Sewer System	Waterworks	Reserve Funds	Consolidated	
\$ 14,479,392	\$ -	\$ -	\$ -	\$ 87,386,690	<b>Revenues</b>
232,042	-	-	-	1,398,588	<b>Taxes*</b>
4,333,493	5,006,930	11,932,673	-	30,871,190	<b>Grants in lieu of taxes*</b>
391,917	-	1,214	1,194,318	3,498,620	<b>User fees and sales of services</b>
136,485	-	-	-	822,640	<b>Investment income</b>
536,871	-	28,937	1,653,475	8,650,463	<b>Other - general revenue*</b>
1,787,953	376,566	2,404,534	-	4,810,065	<b>Other revenue</b>
103,622	-	662,741	-	1,214,965	<b>Development cost charges</b>
37,011	-	8,379,139	-	8,518,460	<b>Donations and contributions - capital</b>
26,830	-	-	-	3,437,822	<b>Transfers from other governments - capital</b>
285,782	-	-	-	2,301,777	<b>Transfers from other governments - operating</b>
98,289	-	20,870	-	119,159	<b>Casino revenue sharing*</b>
3,687,929	511,324	664,984	-	7,948,337	<b>Municipal Finance Authority refunds and debt forgiven</b>
(474,008)	(31,350)	(29,585)	-	(705,491)	<b>Developer contribution at subdivision</b>
25,663,608	5,863,470	24,065,507	2,847,793	160,273,285	<b>Gain (Loss) on disposal of assets</b>
8,915,247	1,017,632	1,877,097	-	55,570,663	<b>Expenses</b>
6,780,799	721,636	1,079,337	-	45,881,034	<b>Wages and salaries</b>
8,436,674	544,164	2,704,374	-	19,424,028	<b>Services and supply contracts***</b>
2,799,324	270,811	456,866	-	6,771,664	<b>Amortization</b>
1,808,093	1,697,727	2,747,189	-	14,113,082	<b>Material and supplies</b>
397	-	(9,733)	-	1,463,375	<b>Other</b>
28,740,534	4,251,970	8,855,130	-	143,223,846	<b>Interest payments on debt</b>
(4,368,841)	-	-	-	(7,303,699)	<b>Interprogram credits</b>
24,371,693	4,251,970	8,855,130	-	135,920,147	
\$ 1,291,915	\$ 1,611,500	\$ 15,210,377	\$ 2,847,793	\$ 24,353,138	<b>Excess (Deficiency) of revenues over expenses</b>
\$ 8,599,792	\$ 2,288,440	\$ 17,543,753	\$ -	\$ 49,999,063	<b>Expenditures on capital projects</b>

**for the year ended December 31, 2011**  
**recast**

Engineering and Public Works	Sewer Revenue Fund	Waterworks Revenue Fund	Reserve Funds	Consolidated	
\$ 14,585,909	\$ -	\$ -	\$ -	\$ 83,876,786	<b>Revenues</b>
209,960	-	-	-	1,204,333	<b>Taxes*</b>
3,832,317	4,719,216	11,252,876	-	28,840,649	<b>Grants in lieu of taxes*</b>
513,167	-	5,988	1,344,307	3,756,821	<b>User fees and sales of services</b>
137,954	-	-	-	791,309	<b>Investment income</b>
357,959	-	45,499	1,598,454	8,276,893	<b>Other - general revenue*</b>
4,105,889	428,393	1,823,354	-	7,707,703	<b>Other revenue</b>
114,630	-	435,636	-	1,257,965	<b>Development cost charges</b>
-	-	735,999	-	925,600	<b>Donations and contributions - capital</b>
1,038	-	-	-	2,998,494	<b>Transfers from other governments - capital</b>
145,926	-	-	-	2,479,871	<b>Transfers from other governments - operating</b>
19,459	-	518,854	-	685,729	<b>Casino revenue sharing*</b>
2,678,594	361,338	378,419	-	4,037,351	<b>Municipal Finance Authority refunds and debt forgiven</b>
(24,919)	(354)	(29,948)	-	558,189	<b>Developer contribution at subdivision</b>
26,677,883	5,508,593	15,166,677	2,942,761	147,397,693	<b>Gain (Loss) on disposal of assets</b>
8,967,868	891,823	1,801,350	-	53,697,661	<b>Expenses</b>
5,882,270	666,737	749,239	-	39,968,644	<b>Wages and salaries</b>
8,362,274	534,469	2,626,048	-	19,160,655	<b>Services and supply contracts***</b>
2,910,954	282,643	404,274	-	7,065,735	<b>Amortization</b>
1,629,320	1,648,662	2,547,591	-	13,557,965	<b>Material and supplies</b>
125	-	77,230	-	1,651,842	<b>Other</b>
27,752,811	4,024,334	8,205,732	-	135,102,502	<b>Interest payments on debt</b>
(4,131,192)	-	-	-	(7,007,845)	<b>Interprogram credits</b>
23,621,619	4,024,334	8,205,732	-	128,094,657	
\$ 3,056,264	\$ 1,484,259	\$ 6,960,945	\$ 2,942,761	\$ 19,303,036	<b>Excess (Deficiency) of revenues over expenses</b>
\$ 12,381,287	\$ 1,465,253	\$ 6,689,929	\$ -	\$ 29,733,962	<b>Expenditures on capital projects</b>

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2012

	<b>ASSETS</b>				<b>ACCUMULATED AMORTIZATION</b>					
	Balance December 31, 2011	Additions	Disposals	Transfers	Balance December 31, 2012	Balance December 31, 2011	Additions	Disposals	Balance December 31, 2012	NET BOOK VALUE
Land	\$ 61,860,187	\$ 4,107,536	\$ 145	\$ 18,800	\$ 65,986,378	\$ -	\$ -	\$ -	\$ -	\$ 65,986,378
Land improvements	24,404,154	1,135,788	193,500	(20,741)	25,325,701	9,914,499	1,017,361	166,783	10,765,077	14,560,624
Leasehold improvements	2,106,458	-	-	-	2,106,458	1,527,589	100,273	-	1,627,862	478,596
Marine	867,490	-	-	-	867,490	569,375	40,360	-	609,735	257,755
Buildings	171,298,504	14,231,287	551,362	1,960,861	186,939,290	48,984,838	4,582,834	378,299	53,189,373	133,749,917
Vehicles and equipment	29,110,946	2,399,941	2,633,723	1,058,337	29,935,501	16,737,710	2,080,311	2,484,842	16,333,179	13,602,322
Computer	7,082,299	843,623	80,000	477,446	8,323,368	5,544,853	707,929	80,000	6,172,782	2,150,586
Storm	92,598,749	1,968,779	348,425	1,131,116	95,350,219	22,006,175	1,458,015	113,299	23,350,891	71,999,328
Transportation	278,601,146	4,936,636	1,344,503	5,185,175	287,378,454	136,050,965	6,360,497	1,053,823	141,357,639	146,020,815
Sewer	25,869,110	860,290	168,200	497,972	27,059,172	9,959,946	484,180	136,689	10,307,437	16,751,735
Water	147,163,715	5,401,698	363,561	3,205,169	155,407,021	50,912,253	2,592,268	328,869	53,175,652	102,231,369
Work in progress	17,722,556	14,113,485	-	(13,514,135)	18,321,906	-	-	-	-	18,321,906
	\$ 858,685,314	\$ 49,999,063	\$ 5,683,419	\$ -	\$ 903,000,958	\$ 302,208,203	\$ 19,424,028	\$ 4,742,604	\$ 316,889,627	\$ 586,111,331

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for the year ended December 31, 2011

	<b>ASSETS</b>				<b>ACCUMULATED AMORTIZATION</b>					
	Balance December 31, 2010	Additions	Disposals	Transfers	Balance December 31, 2011	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011	NET BOOK VALUE
Land	\$ 58,858,024	\$ 2,981,831	\$ 2,175	\$ 22,507	\$ 61,860,187	\$ -	\$ -	\$ -	\$ -	\$ 61,860,187
Land improvements	22,216,548	2,029,155	129,400	287,851	24,404,154	9,036,359	979,164	101,024	9,914,499	14,489,655
Leasehold improvements	2,106,458	-	-	-	2,106,458	1,427,320	100,269	-	1,527,589	578,869
Marine	867,490	-	-	-	867,490	519,716	49,659	-	569,375	298,115
Buildings	171,072,996	261,603	254,111	218,016	171,298,504	44,687,097	4,534,696	236,955	48,984,838	122,313,666
Vehicles and equipment	28,854,030	1,812,656	1,615,953	60,213	29,110,946	16,111,121	2,081,827	1,455,238	16,737,710	12,373,236
Computer	7,082,343	15,081	30,200	15,075	7,082,299	4,948,590	626,463	30,200	5,544,853	1,537,446
Storm	91,359,419	1,078,921	27,900	188,309	92,598,749	20,592,257	1,439,572	25,654	22,006,175	70,592,574
Transportation	275,738,339	3,197,660	435,769	100,916	278,601,146	130,116,133	6,363,924	429,092	136,050,965	142,550,181
Sewer	24,853,425	868,082	-	147,603	25,869,110	9,484,394	475,552	-	9,959,946	15,909,164
Water	145,231,977	1,987,051	78,265	22,952	147,163,715	48,464,379	2,509,529	61,655	50,912,253	96,251,462
Work in progress	3,284,076	15,501,922	-	(1,063,442)	17,722,556	-	-	-	-	17,722,556
	\$ 831,525,125	\$ 29,733,962	\$ 2,573,773	\$ -	\$ 858,685,314	\$ 285,387,366	\$ 19,160,655	\$ 2,339,818	\$ 302,208,203	\$ 556,477,111

An abstract graphic consisting of several thin blue lines that intersect to form a large parallelogram in the upper left quadrant. The parallelogram is filled with a solid blue color. The lines extend across the page, creating a sense of movement and structure.

AUDIT

# City of Nanaimo

**Audit Findings Report**

For the year ended December 31, 2012

**KPMG, LLP, Chartered Accountants**

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

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## Executive summary

### Overview

The purpose<sup>1</sup> 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, 2012

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you for the purpose above, and we look forward to discussing our findings and answering your questions.

### Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures which include:

- completing our discussions with Council
- obtaining evidence of Council's approval of the consolidated financial statements.
- obtaining 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

Please refer to the Appendices for our draft auditors' reports. We will update you on significant matters, if any, arising from the completion of the audit, including completion of the above procedures. Our auditors' report will be dated upon completion of any remaining procedures.

### Audit scope

Our audit was performed to obtain reasonable, rather than absolute, assurance whether the consolidated financial statements are free of material misstatement. You should be aware that there is a risk that material errors, fraud, and other illegal acts may exist and may not be detected by an audit performed in accordance with Canadian Auditing Standards ("CAS") as a result of such factors as: the nature of audit evidence, much of which is pervasive, rather than conclusive, and which is based on the use of testing; the inherent limitations of internal controls; and the characteristics of fraud.

Our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter included in last year's report. For the current year, materiality of \$2,500,000 was determined. We did not identify any significant risks of material misstatement, including risks of fraud, during the course of our audit.

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<sup>1</sup> This Audit Findings Report should not be used for any other purpose or by anyone other than council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

## Significant audit, accounting and reporting matters

Included in this report are significant matters we have highlighted for discussion at the upcoming meeting. We look forward to discussing these matters and our findings with you.

### Matters related to management's judgment and estimates

We have highlighted below significant matters related to management's judgment and estimates that we would like to bring to your attention:

<b>Colliery Dam Removal Project</b>
<ul style="list-style-type: none"> <li>The City was advised by the Dam Safety Branch of the Provincial Government that action was required to reduce risks associated with the Lower and Middle Colliery Dams.</li> <li>A decision to remove the Lower and Middle Colliery Dams was approved by Council on October 29, 2012.</li> <li>Management has estimated that the cost of the dam removals is approximately \$3.1 million and this has been accrued as a liability at December 31, 2012. Further costs of \$3.9 million are anticipated in order to revitalize the areas surrounding the dams. These costs will be expensed as incurred.</li> <li>Public Sector Accounting Standards require that liabilities be recorded when the government has little or no discretion to avoid a future transfer of assets based on a past event or transaction.</li> <li>Since the Province had required that action be taken and this action had been approved by Council, the dam removal costs have been considered by Management to be a liability. As the revitalization of the areas surrounding the dams is not essential to mitigate the risk, no accrual has been made for the costs associated with this part of the project.</li> </ul>
<b>KPMG comments regarding effect on the audit</b>
<ul style="list-style-type: none"> <li>We agree with Management's treatment of this transaction as described above.</li> <li>KPMG has reviewed the assumptions and method in which the calculation was made and has no basis to disagree with the approach.</li> </ul>
<b>Misstatements</b>
<ul style="list-style-type: none"> <li>No misstatements were noted.</li> </ul>
<b>Significant deficiencies</b>
<ul style="list-style-type: none"> <li>No control deficiencies were noted.</li> </ul>

## Other matters

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

<b>Recast of prior period related to the Cemetery Trust Fund</b>
<ul style="list-style-type: none"> <li>During the prior year audit, KPMG informed Management that, while immaterial, the City should consider excluding the Cemetery Trust from the consolidated statements in accordance with PS1300.40 which states:  <i>"Trusts administered by a government or government organization should be excluded from the government reporting entity."</i></li> <li>To be in full compliance with the PSAB requirement, the City has recast the prior year figures to exclude these transactions.</li> <li>The prior period recast has resulted in a reduction of the 2011 opening accumulated surplus by \$492,800 and a reduction in the annual surplus as at December 31, 2011 by \$10,340.</li> </ul>
<b>KPMG comments</b>
<ul style="list-style-type: none"> <li>We discussed with Management the nature and cause of the accounting difference.</li> <li>We have reviewed and audited Management's recast account balances as at December 31, 2011 and did not note any differences.</li> <li>We have reviewed the disclosure of the prior period recast in the financial statements and concur that the presentation and disclosure is appropriate.</li> </ul>
<b>Misstatements</b>
<ul style="list-style-type: none"> <li>We did not note any additional misstatements relating to this issue.</li> </ul>
<b>Control deficiencies</b>
<ul style="list-style-type: none"> <li>No control deficiencies were noted related to this issue.</li> </ul>

## **Matters previously discussed**

We have highlighted below certain matters that we have previously discussed with you:

### **Contingent liability related to RCMP retrospective pay adjustment**

- As a result of prior negotiations, RCMP employees were scheduled to receive a 3.5% wage increase in 2009 and a 2% increase in 2010. After this salary package was agreed upon the Federal Government implemented the Financial Restraint Act which limited all Federal Departments to a maximum increase of 1.5%. As a result, the scheduled increases of 3.5% and 2% were reduced to 1.5%.
- RCMP membership has subsequently challenged the reduced rate increases, totaling 2.5% over 2 years, and has won the initial assessment of their claim. The Federal Government appealed the decision and a hearing took place in November 2012 in the Federal Court of Appeal. No decision has been communicated as of the date of this report.
- Should the Government be unsuccessful in its appeal, they would retain the ability to appeal to the Supreme Court of Canada, and as such it is unlikely anything tangible will be determined in 2012. Even if the judgment in favour of the RCMP employees is upheld, it is unclear how the RCMP would pass the incremental costs along to the City (i.e. a lump sum retroactive charge, incremental costs over a time span, etc.). As a result, management has not recorded a liability in the financial statements.

### **KPMG comments**

- We have reviewed the facts as described above and note that the situation applies to many municipalities in BC.
- We have reviewed the treatment by the City in light of the undeterminable nature of the outcome of the claim, and concur with Management that no amount is required to be accrued in the financial statements. This treatment is also consistent with other cities.
- There have been no further updates since the prior year.

### **Misstatements**

- During our audit work we did not note any misstatements.

### **Control deficiencies**

- No control deficiencies were noted.



**Nanaimo Port Authority – naming rights for the convention centre and theatre**

- In prior years, the City entered into two agreements with the Port Authority for the naming rights of the convention centre and the theatre.
- The agreement relating to the convention centre represented total consideration of \$1,000,000 to be paid over 10 years. There was an upfront payment of \$280,000, followed by \$80,000 per annum for the remaining 9 years. The City recorded \$1,000,000 as revenue in 2007.
- The agreement relating to the theatre represented total consideration of \$1,000,000 to be paid over 20 years. The City recorded \$1,000,000 as revenue in 1998.

**KPMG comments**

- We have determined that the revenue derived from the contracts should have been recognized on a straight-line basis over the length of the contracts, being \$100,000 and \$50,000 per annum respectively.

**Misstatements**

- An uncorrected misstatement has been proposed to decrease opening accumulated surplus by \$900,000 and increase deferred revenue by \$750,000 as at December 31, 2012, and increase revenue for the year ended December 31, 2012 by \$100,000. The misstatement has been included in the summary of uncorrected audit misstatements, as presented in the appendices to this report.
- Management has represented that the misstatement is immaterial to the financial statements taken as a whole, and as such has not corrected the misstatement. We concur with this assessment.

**Control deficiencies**

- No control deficiencies were noted related to this issue.

## Significant qualitative aspects of accounting policies and practices

Our professional standards require that we communicate our views regarding the matters below, which represent judgments about significant qualitative aspects of accounting policies and practices. Judgments about quality cannot be measured solely against standards or objective criteria. These judgments are inherently those of the individual making the assessment: the engagement partner. However, although judgments about quality are those of the engagement partner, the views discussed below are not contrary to positions KPMG has taken.

The following are the matters we plan to discuss with you:

<b>Significant accounting policies</b>	<ul style="list-style-type: none"> <li>• Critical accounting policies and practices adopted by the City are appropriate and properly disclosed in the financial statements.</li> <li>• There were no significant changes in accounting policies during 2012, other than the Cemetery Trust as outlined previously.</li> <li>• There are no significant accounting policies in controversial or emerging areas.</li> <li>• The transactions were correctly recorded in relation to the period in which they are related to.</li> <li>• There were no significant unusual transactions undertaken during the year.</li> </ul>
<b>Critical accounting estimates</b>	<p>Critical accounting estimates relate to the determination of post-employment benefits, estimates of useful lives of tangible capital assets and the Colliery dam removals</p> <ul style="list-style-type: none"> <li>• Management's identification of accounting estimates and process for making such accounting estimates are appropriate.</li> <li>• There were no indicators of possible management bias noted during our audit.</li> <li>• Disclosure of estimation uncertainty in the financial statements is appropriate.</li> </ul>
<b>Critical disclosures and financial statement presentation</b>	<p>The financial statements include disclosures and presentation requirements under the relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items were discussed with Management and adjusted where appropriate</p> <ul style="list-style-type: none"> <li>• There are no particularly sensitive financial statement disclosures.</li> <li>• The disclosures in the financial statements are consistent and clear. Any potential effect on the financial statements of significant risks, exposures and uncertainties have been appropriately disclosed.</li> </ul>

# Misstatements

## Identification of misstatements

Misstatements identified during the audit have been categorized as follows:

- corrected misstatements, including disclosures
- uncorrected misstatements, including disclosures.

## Corrected misstatements

The representation letter in the Appendices includes all corrected misstatements communicated to Management identified as a result of the audit procedures performed.

## Uncorrected misstatements

Refer to Management's representation letter and the Summary of Uncorrected Audit Misstatements in the Appendices for all uncorrected audit misstatements.

Professional standards require that we request of Management that all uncorrected misstatements be corrected. We have already made this request of Management. However, based on both quantitative and qualitative considerations, Management has decided not to correct certain misstatements and represented to us that the uncorrected misstatements—individually and in the aggregate—are, in their judgment, not material to the financial statements.

We concur with Management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditors' report.

## **Documents containing or referring to the audited financial statements**

### **KPMG not engaged to consent to the use of our auditors' report**

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

As of the date of this Audit Findings Report, we have not read the Annual Financial Report containing, or incorporating by reference, the audited financial statements and our related auditors' report.

Should such documents become available prior to the date of our auditors' report we will communicate any unresolved matters, if any, at such time.



## Control deficiencies

In planning and performing our audit of the financial statements, we considered internal control 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 consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies.

We did not identify any control deficiencies that we consider to be significant deficiencies in internal control. We have included updates to our control recommendations from the prior year in Appendix 4.

## Appendices

**Draft audit report**

**Independence letter**

**Management representation letter**

**Management letter**

**KPMG's Audit Quality Framework**

**Other current developments**

## Draft audit report

**KPMG Enterprise™**

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## 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, 2012 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, 2012, 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

Burnaby, Canada  
April 15, 2013

## Independence letter



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Council Members  
City of Nanaimo  
455 Wallace St.  
Nanaimo, BC V9R 5J6

April 9, 2013

Dear Council Members

We have been engaged to express an opinion on the consolidated financial statements of the City of Nanaimo (the “City”) as at and for the year ended December 31, 2012.

Professional standards specify that we communicate to you in writing all relationships between the City (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of British Columbia and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
  - holding a financial interest, either directly or indirectly, in a client
  - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
  - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
  - economic dependence on a client

#### **PROVISION OF SERVICES**

The following summarizes the professional services rendered by us to the Entity (and its related entities) from January 1, 2012 up to the date of this letter:

Description of Professional Services
<ul style="list-style-type: none"><li>• Audit of the City’s December 31, 2012 consolidated financial statements</li><li>• Audit of the Home Owners Grant for the year ended December 31, 2012</li><li>• Audit of the City’s compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act for the year ended December 31, 2012</li><li>• Tax compliance services for the year ended December 31, 2011</li></ul>



*Council Members  
City of Nanaimo  
April 9, 2013*

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

#### **OTHER RELATIONSHIPS**

We are not aware of any other relationships between our firm and the City (and its related entities) that may reasonably be thought to bear on our independence from January 1, 2012 up to the date of this letter.

#### **CONFIRMATION OF INDEPENDENCE**

We confirm that we are independent with respect to the City (and its related entities) within the meaning of the Rules of Professional Conduct/Code of Ethics of the Institute of Chartered

Accountants of British Columbia and any applicable legislation or regulation from January 1, 2012 up to the date of this letter.

#### **OTHER MATTERS**

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

Chartered Accountants

Nancy Adie-MacKay  
*Partner*  
(604) 527-3721

## Management representation letter





KPMG LLP  
Metrotower II  
Suite 2400 – 4720 Kingsway  
Burnaby, BC V5H 4N2

April 15, 2013

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, 2012.

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 11, 2011, for:
  - a) the preparation and fair presentation of the financial statements
  - 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 City 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 City'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) We have disclosed to you any:
- a) Material commitments, contingent losses or other liabilities, including those related to environmental matters, not recorded or disclosed in the financial statements.
  - b) Claims that are outstanding or possible claims not recorded or disclosed in the financial statements, whether or not these claims were discussed with legal counsel.

**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.

- 8) Significant judgments assumptions underlying significant accounting estimates, including fair value estimates and disclosures, are reasonable in the circumstances.
- 9) Fair value estimates and disclosures reflect management's intent and ability to carry out specific courses of action on behalf of the City.
- 10) The nature and extent of estimates, which could change materially within the near term, and all areas of measurement uncertainty have been disclosed in the financial statements.

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

- 11) 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:**

- 12) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 13) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

**ACCOUNTING POLICIES:**

- 14) The accounting policies selected and applied are appropriate in the circumstances.

**ASSETS & LIABILITIES - GENERAL:**

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

**RECEIVABLES:**

- 18) Receivables reported in the financial statements represent valid claims against taxpayers and other debtors for taxes, fees or other charges arising on or before the balance sheet date. Receivables have been appropriately recorded at their net realizable value.

**CONTRACTUAL AGREEMENTS:**

- 19) 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**

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

**EMPLOYEE FUTURE BENEFITS**

- 21) The employee future benefit costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 22) 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.
- 23) The significant accounting policies the City has adopted in applying PS 3255, *Post-employment benefits, compensated absences and termination benefits* (hereinafter referred to as "PS 3255") are disclosed in notes to the financial statements.
- 24) 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 accumulating sick days; and
  - d) termination benefits.
- 25) The post-employment benefit costs, assets and obligations 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.


KPMG LLP  
April 15, 2013


- 26) 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.
- 27) In arriving at these assumptions, management has obtained the advice of Nexus, but has retained the final responsibility for them.
- 28) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 29) 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.
- 30) 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:**

- 31) We have appropriately reported the amounts of Home Owner Grants collected as stated on the Home Owners Grants: Treasurer / Auditor Certificate.
- 32) We have complied with subsection 2 and 3 section 124 of Part 8 of the School Act for the year ended December 31, 2012.
- 33) 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.

Yours very truly,

  
\_\_\_\_\_  
Mr. Brian Clemens, Director of Finance

  
\_\_\_\_\_  
Ms. Lorrie Coates, Accounting Manager

## **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 party* is defined as:

- When one party has the ability exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties 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

### Summary of uncorrected audit misstatements - 2012

Ref	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	Dr. Accumulated Surplus Cr. Other revenue Cr. Deferred revenue <i>To adjust for the deferral of naming rights on the Convention Centre and Theatre</i>	-	(750,000)	(150,000)	900,000
	<b>Total</b>	-	<b>(750,000)</b>	<b>(150,000)</b>	<b>(900,000)</b>

### Summary of corrected audit misstatements - 2012

Ref	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	Dr. Cash Cr. Due to Cemetery Fund <i>To reflect the cash balance held by the City which related to the Cemetery Fund</i>	509,488	(509,488)		
	<b>Total</b>	<b>509,488</b>	<b>(509,488)</b>	-	-

## Attachment II – Summary of Audit Misstatements Schedule

### Summary of uncorrected audit misstatements - 2011

Ref	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	DR Accumulated Surplus Cr. Operating Expenses			(302,000)	302,000
2	Dr. Accumulated Surplus Cr. Other revenue Cr. Deferred revenue <i>To adjust for the deferral of naming rights on the Convention Centre and Theatre</i>	-	(900,000)	(150,000)	1,050,000
	<b>Total</b>	-	<b>(900,000)</b>	<b>(452,000)</b>	<b>1,352,000</b>

### Summary of corrected audit misstatements - 2011

Ref	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	Dr. Accounts payable Cr. Legal fees and expenses <i>To adjust the liability for potential legal claims</i>		570,000	(570,000)	
	<b>Total</b>		<b>570,000</b>	<b>(570,000)</b>	



### **Attachment III – Management Responsibilities**

Management acknowledges and understands that it is responsible for:

- the preparation of the financial statements for consolidation purposes
- ensuring that all transactions have been recorded and are reflected in the financial statements for consolidation purposes
- such internal control as management determines is necessary to enable the preparation of financial statements for consolidation purposes that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements for consolidation purposes such as records, documentation and other matters
- providing us with additional information that we may request from management for the purpose of the audit
- providing us with unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence
- identifying and ensuring that the City complies with the laws and regulations applicable to its activities
- providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion when management does not provide certain written representations required

An audit does not relieve management or those charged with governance of their responsibilities.

## Management Letter

**KPMG Enterprise™**

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Canada

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

Mr. Brian Clemens  
Director of Finance  
City of Nanaimo  
455 Wallace Street  
Nanaimo, BC V9R 5J6

April 9, 2013

Dear Mr. Clemens

In planning and performing our audit of the financial statements of the City of Nanaimo (the “City”) for the period ended December 31, 2012, we considered internal control relevant to the City’s 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 the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies 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.

**CONTROL DEFICIENCIES**

Refer to Appendix B for the definitions of various control deficiencies.

We did not identify any control deficiencies that we consider to be significant deficiencies in internal control over financial reporting.

The matters being reported are limited to those deficiencies in internal control that we identified during the audit.

**OTHER INTERNAL CONTROL DEFICIENCIES**

Refer to Appendix A for other control deficiencies or performance improvement points identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.

**MANAGEMENT'S RESPONSES**

The City's written actual or proposed responses to our communications on control deficiencies has not been subjected to the audit procedures applied in the financial statement audit, and accordingly, we express no opinion on it.



*Mr. Brian Clemens  
City of Nanaimo  
April 9, 2013*

**USE OF LETTER**

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. Below the signature is a horizontal line.

Chartered Accountants

Nancy Adie-MacKay  
*Partner*  
(604) 527-3721

## Appendix A

**There were no new observations from 2012, the following items were identified in the prior year and we have provided updates**

### **1. Parks and Recreation Cash Reconciliations**

#### ***Observation and Implication***

During the audit, we noted that at the end of each shift, park and recreation employees print out their cash reports which list the total amount of cash, cheques, debit, and credit card transactions that were processed. The employee will then compare this listing to the total contents of each point-of-sale machine to determine if there are any differences.

In the absence of 'blind' counts (where the staff is unaware of the balance that should be in the tills), staff may not record any cash overages.

#### ***Recommendation***

We recommend that the City implement a system where the employee counts the contents of the point-of-sale machine without having access to the cash reports and the totals thereon.

The reconciliation of the cash reports and the physical cash should be completed by a central cash clerk.

#### ***Management Response - 2011***

*Management will undertake a review of the processes currently in place and make changes where prudent to do so.*

#### ***2012 Update***

The employees now receive a report that lists everything but the cash amount for the till. Employees count the cash, account for all the non-cash items on the report and give the report to the Accounting Clerk – Parks to complete the reconciliation and deposit and funds.

### **2. Physical Security of Cash at Parks and Recreation Locations**

#### ***Observation and Implication***

We noted that the safes in the Parks and Recreation locations and the main cash room at Beban Park are accessible by multiple employees and are kept unlocked for the majority of the day. The safes are used to store the floats and deposits that are collected at the end of every shift or at the end of the day.

Without the safes and the cash room being secured, there is the potential for funds to be misappropriated.

***Recommendation***

We recommend that the City review the controls around the accessibility of cash at the Parks and Recreation Department locations. Physical security could be improved through measures such as the use of drop safes, the limitation of the number of employees granted access to the safes, and the installation of security cameras in the safe rooms to deter theft and to preserve evidence in the event of a misappropriation.

***Management Response***

*Management will undertake a review of the processes currently in place and make changes where prudent to do so.*

***2012 Update***

Management has recommended that security cameras be put in place and is working to implement them.

**3. Whistleblower Policy*****Observation and implication***

During our audit, we noted that the City does not have a formal whistleblower policy by which employees are able to confidentially report irregularities.

***Recommendation***

We recommend that a whistleblower policy be implemented and disseminated to the employees. Once implemented, a log book should be maintained of any complaints to ensure issues are followed up on a regular basis

***Management Response***

*The senior leadership team is reviewing this recommendation and is considering how best to proceed with implementing a whistleblower policy.*

***2012 Update***

The City implemented a policy – *Reporting Serious Misconduct* – on November 1, 2012. The policy outlines how employees can report serious misconduct in a confidential manner without fear of retaliation.

## Appendix B

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, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

## KPMG's Audit Quality Framework

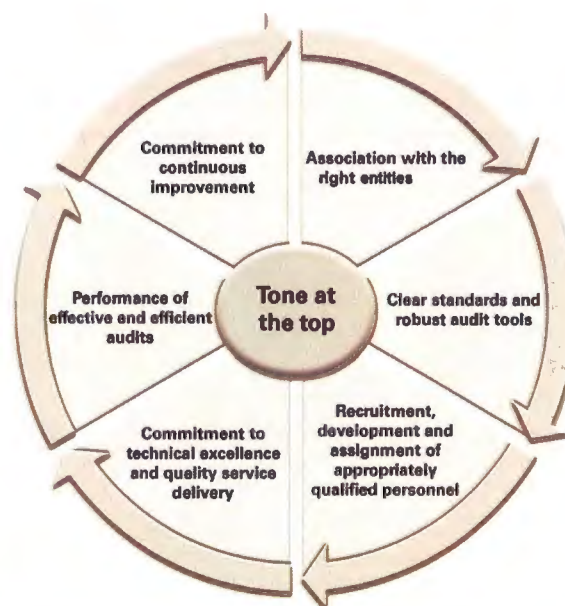
Audit quality, and the respective roles of the auditor and those in charge of financial reporting oversight, is fundamental to the integrity of financial reporting.

This is why audit quality is at the core of everything we do at KPMG. And we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To help ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

The framework comprises seven key drivers of audit quality.

### The seven key drivers of audit quality



Driver	What it does	What it means to you
<b>Tone at the top</b>	<b>Audit quality is part of our culture and our values and therefore non-negotiable</b>  Allows the right behaviours to permeate across our entire organization and each of our engagements	<b>Assures you that:</b> <ul style="list-style-type: none"> <li>Our culture supports our promise to you of excellent service and a high quality audit—consistently</li> <li>You're receiving an independent, transparent, audit opinion</li> <li>You're receiving an efficient and high quality audit that will help you maintain investor confidence in your financial statements.</li> </ul> <b>Provides you with:</b> <ul style="list-style-type: none"> <li>An engagement team handpicked for your business needs – a team with relevant professional and industry experience</li> <li>An audit engagement team whose qualifications evolve as your business grows and changes</li> </ul>
<b>Association with the right entities</b>	<b>Ethics above all</b>  Eliminates any potential independence and conflict-of-interest issues	
<b>Clear standards and robust audit tools</b>	<b>A solid rule book</b>  Rigorous internal policies and guidance that help ensure our work meets applicable professional standards, regulatory requirements, and KPMG's standards of quality	
<b>Recruitment, development and assignment of appropriately qualified personnel</b>	<b>People who add value</b>  Helps us attract and retain the best people and reinforces the importance of developing their talents  Assigns Partners' portfolios based on their specific skill sets	



Driver	What it does	What it means to you
<b>Commitment to technical excellence and quality service delivery</b>	<b>The right tools for the right job</b>  Promotes technical excellence and quality service delivery through training and accreditation, developing business understanding and industry knowledge, investment in technical support, development of specialist networks, and effective consultation processes	<ul style="list-style-type: none"> <li>• An audit opinion that continues to meet your needs</li> </ul> <b>Assists you with:</b> <ul style="list-style-type: none"> <li>• Assessing the effectiveness and efficiency of the audit</li> <li>• Performing your governance role with confidence.</li> </ul>
<b>Performance of effective and efficient audits</b>	<b>We understand that how an audit is conducted is as important as the final result.</b>  A code of conduct, audit delivery tools, and internal policies and procedures that help ensure the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and our standards of quality	
<b>Commitment to continuous improvement</b>	<b>Comprehensive and effective monitoring</b>  We regularly solicit feedback from our clients. Our robust internal quality review program ensures the work of each partner is reviewed every three years. Additionally, our procedures and a sample of our audits of listed entities are reviewed by the Canadian Public Accountability Board (CPAB), the independent regulator of the accountancy profession in Canada. The Public Company Accounting Oversight Board (PCAOB) in the US also conducts an annual inspection of a sample of our audits of SEC registrants. Finally, a sample of other audits and reviews is undertaken annually by the various provincial institutes in Canada. We consider the recommendations that come from these reviews and implement actions to strengthen our policies and procedures, as appropriate.	

## **The regulatory landscape is changing**

Uncertain economic forecasts and a changing regulatory environment define today's world; reliable financial information and high quality audits have never been more essential.

We believe that high quality audits contribute directly to market confidence and we share your objectives of credible and transparent financial reporting.

We see our role in being transparent to you as a key mechanism to support you in the execution of your responsibilities.

## **Our commitment to quality**

The independence, judgment and professional skepticism of your auditors add value to your financial statements, and we believe it is important to be transparent about the processes we follow to develop a KPMG auditors' report. We want you to have absolute confidence in us and in the quality of your audit.

Our own professional standards dictate technical requirements for reaching and communicating an audit opinion. And we live and abide by these requirements. We invest heavily in our quality, and the Audit Quality Framework helps ensure these investments are the right ones—that they help us continuously drive and maximize our quality improvements. But we feel it is also important that we communicate to you how we view and implement audit quality. The seven key drivers outlined here, combined with the commitment of each individual in KPMG, are meant to do just that.

KPMG member firms across the world use this audit quality framework to describe, focus on and enhance audit quality for the benefit of the entities we audit and in support of the efficacy of our capital markets.

It is our hope that sharing our vision of what audit quality means is a significant step in building confidence in the value of our audits.

**Audit quality is fundamental to the way we work.**

## Other current developments

### Government Transfers (PS 3410)

- New Accounting Standard, Government Transfers PS3410 has been approved by the Public Sector Accounting Standards Board ("PSAB") and is effective for years commencing on or after April 1, 2012.
- Government transfers (e.g. grants, contributions, in-kind) are recognized as revenue in the period that the transfer is authorized by the transferring government, and eligibility criteria, if any, have been met by the recipient, except when and to the extent that the transfer gives rise to a liability under PS3200. If a liability is created, then the corresponding amount is recorded as a liability (e.g. deferred revenue/contributions) and is recognized as revenue when and in proportion to how the liability is settled, through the transfer or use of assets, or the provision of goods or services.
- Applies to both operating and capital transfers.
- Application of this Section will require significant professional judgment by Management.

### Tax Revenue (PS 3510)

- New Accounting Standard, Tax Revenue PS3510 has been approved by the PSAB and is effective for years commencing on or after April 1, 2012.
- The guidance differentiates between tax concessions and tax transfers. Tax concessions are available only to taxpayers and are netted against tax revenue. Tax transfers are available to people who may not pay tax, and are to be included in expenses. The standard also provides guidance for taxes imposed on behalf of others.

### Liability for Contaminated Sites (PS 3260)

- New Accounting Standard, Liability for Contaminated Sites PS3260 has been approved by the PSAB and is effective for years commencing on or after January 1, 2014. Early adoption is encouraged.
- Governments will be required to recognize a liability for contaminated sites when the government is responsible for, or accepts responsibility for, the contamination, and the contamination exceeds existing environmental standards. The amount recorded as a liability must be reasonably estimable and would include costs directly related to the remediation activities and post-remediation costs that are an integral part of the remediation strategy. Costs related to assets purchases to be used in remediation would be included in the liability to the extent that the assets have no alternative use.

## **Financial Instruments and Foreign Currency Translation (PS 3450 and PS 2601)**

- New Accounting Standards, Financial Instruments PS3450 and Foreign Currency Translation PS2601 have been approved by the PSAB and are effective for years commencing on or after April 1, 2015 for governments. Early adoption is permitted.
- Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.
- Hedge accounting is not permitted.
- A new statement, the Statement of Re-measurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.

## **Related Party Transactions**

- The PSA Handbook currently has no specific accounting standards relating to Related Party Transactions. PSAB has issued an exposure draft for a new standard on related party transactions. New standards are expected to be approved in Spring 2013. The exposure draft contains the following proposed recommendations:
  - Related parties include entities that control or are controlled by a reporting entity, entities that are under common control and entities that have shared control over or that are subject to shared control of a reporting entity.
  - Individuals that are members of key management personnel and close members of their family are related parties. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.
  - Determining which related party transactions to disclose is a matter of judgment based on assessment of:
    - the terms and conditions underlying the transactions;
    - the financial significance of the transactions;
    - the relevance of the information; and
    - the need for the information to enable users' understanding of the financial statements and for making comparisons
  - A related party transaction, with the exception of contributed goods and services, should normally be recognized by both a provider organization and a recipient organization on a gross basis.

- A reporting entity may either:
  - disclose information about contributed goods and services; or
  - recognize a revenue and expense if those goods and services would otherwise have been purchased.
- Related party transactions, if recognized, should be recorded at the exchange amount. A public sector entity's policy, budget practices or accountability structures may dictate that the exchange amount is the carrying amount, consideration paid or received or fair value.
- It may not be necessary or practical for the provider organization or recipient organization to disclose information about transactions undertaken by an entity as part of its operations.

### **Appropriations**

PSAB has issued an exposure draft for a new standard on the use of appropriations. New standards are expected to be approved in Spring 2013. We do not expect there to be any impact on the City's reporting as a result of this standard.

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# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2013-APR-15

AUTHORED BY: B. E. CLEMENS, DIRECTOR OF FINANCE

RE: 2013 – 2017 FINANCIAL PLAN BYLAW PREPARATION

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### STAFF RECOMMENDATION:

That Council direct Staff to amend the Financial Plan Bylaw and prepare the Tax Rates Bylaw for three readings on 2013-APR-22, based on the information contained in this report.

### PURPOSE:

To update the Financial Plan for changes made since adoption on 2013-FEB-18 and allow for the preparation of the Tax Rates Bylaw by May 15<sup>th</sup> as required by the *Community Charter*.

### SUMMARY:

Staff have completed updating the 2013 – 2017 Financial Plan with new information that has been received. The changes outlined in the report result in an overall reduction in the property tax increase from 2.6% to 1.9%. The residential tax increase is reduced from 3.3% to 2.9%. Staff will bring forward both bylaws for three readings on 2013-APR-22 and final adoption on 2013-MAY-13.

### DISCUSSION:

The 2013 – 2017 Financial Plan being presented by staff includes property tax increases as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Blended	1.9%	4.2%	3.6%	4.0%	3.9%
Residential	2.9%	4.2%	3.6%	4.0%	3.9%
Commercial	1.9%	4.2%	3.6%	4.0%	3.9%
Industrial	-24.2%	4.2%	3.6%	4.0%	3.9%

Increases in water rates (7.5%), sewer rates (5%) and garbage and recycling fees (3.9%) were implemented on January 28<sup>th</sup>.

The impact of the 2.9% residential tax increase on a typical single family home assessed at \$350,000 would be an increase in the City of Nanaimo portion of the property tax bill of \$55.95. With the increases in water and garbage rates already approved by Council, this makes the total increase in the cost of City services \$90.48, or 3.6%. This does not include any impact of other agencies, such as school, hospital and regional district.

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☐ In-Camera Meeting  
Meeting Date: 2013-APR-15



The average assessment change for residential property is estimated to be a decrease of about 2.1%. Properties which experienced a change in assessment greater than a 2.1% decrease will have a tax increase that is larger than the 2.9% average. Conversely, properties where assessment decreased by more than 2.1% will have a lower increase, or even a decrease in property taxes.

Staff have updated the Financial Plan with new information received since Council last reviewed it in March. The final assessment roll has been received and it indicates that revenue from new construction will be \$1,989,289, which is up considerably from the earlier estimate of \$1,200,000. This was due to a much larger than usual increase in commercial construction, with \$73.8 million in new assessment being added to the roll. In the last couple of years, BC Assessment has improved the accuracy of the earlier assessment rolls, which will allow the City to better estimate new construction revenue in the future.

Significant changes to the 2013 budget since the budget was last presented to Council include:

- Reduction in the operating subsidy to the Vancouver Island Conference Centre (\$89,000 reduction)
- Energy Manager BC Hydro funding (\$37,500 reduction)
- Disability Management consultant (\$50,000)
- Added purchase of Wellcox Yard from reserves (\$3.4 million from reserves)
- Maintenance related to Wellcox Yard (\$30,000)
- Work on Centre Stage exterior in 2013 (\$160,000 funded from the new Asset Management reserve) as approved by Council
- Washroom for Diana Krall Plaza (\$110,000 capital plus \$10,000 operating) as approved by Council, with \$23,000 in funding from the DNBIA
- Additional items less than \$20,000 individually (\$58,000)

The Financial Plan also has been updated to include projects that were incomplete at the end of 2012 and were carried forward to be completed in 2013. No additional funding is required for these projects. Although the City was unsuccessful in obtaining a grant for the Departure Bay walkway rehabilitation, the project remains in the budget funded from Port of Nanaimo PILTs (payments in lieu of taxes).

The net effect of the above changes is to reduce the overall property tax increase from 2.6% to 1.9%. The residential tax increase is reduced from 3.3% to 2.9%.

The increase for residential property taxes is about 1.0% higher than other classes to complete the shift of industrial taxes to residential. The shift was previously calculated to be only 0.7%. However, with a significant portion of the growth in assessment being in the commercial class, the commercial rate needed to raise that classification's share of the tax burden is lower. As the objective of the industrial tax shift was to match the commercial rate, and the commercial rate is lower, the transfer to residential had to be slightly higher. Fortunately, the growth in the tax base more than made up for the change in shift and the resulting residential tax increase is still 0.4% lower than the last version of the financial plan. This shift will bring light and major industrial tax rates into line with commercial tax rates in 2013. These rates will remain in alignment in the future unless alternate direction from Council is received.



There are numerous items that vary from year to year. However, we can generally quantify the increase in taxation as follows:

• One additional support staff at Police Services	\$ 93,400
• Increased RCMP costs	1,439,300
• Asset management (taxes and user rates)	1,407,373
• Increased VICC subsidy	145,000
• Vancouver Island Regional Library requisition	217,900
• Decreased casino revenue	200,000
• Increased Building Inspection fees	(153,000)
• Higher Service Levels (none funded from taxes)	250,000

Council may wish to review the outstanding Higher Service Level Requests and provide direction, if desired. The requests not currently recommended by the City Manager (and therefore not funded in the budget) are:

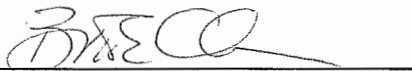
• Increase annual budget for property acquisition	\$400,000
• Social development strategy	50,000
• Sign Bylaw review and update	100,000
• Service & Resource Centre boardroom video recording	89,000
• Centre Stage Theatre operating grant	6,000

If Council would like to consider the Centre Stage request for an annual operating grant, Staff recommends that the issue be referred to the Parks, Recreation & Culture Cultural Committee. Given the small amount of the request, it is not urgent to resolve this prior to adopting the budget.

1% of taxes equates to \$878,900 for 2013.

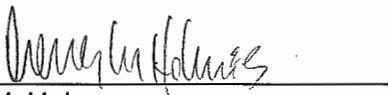
Based on the preceding and subject to direction from Council, Staff will prepare amendments to 2013 Financial Plan Bylaw and the Property Tax Rate Bylaw and bring forward to the next Council meeting.

Respectfully submitted,



B.E. Clemens  
Director of Finance

Concurrence by:



D.W. Holmes  
Assistant City Manager/  
General Manager, Corporate Services

CITY MANAGER COMMENT:

I concur with the staff recommendation.

# City of Nanaimo

## REPORT TO COUNCIL

DATE OF MEETING: 2013-APR-15

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

RE: PURCHASING POLICY REVISION – PREQUALIFICATION

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### STAFF RECOMMENDATION:

That Council amend its current Purchasing Policy to include the section on Prequalification as attached to this report.

### PURPOSE:

To respond to the direction from Council at the meeting held 2012-DEC-17 “to develop a policy to guide the process of pre-qualification of contractors for work with the City of Nanaimo”.

### SUMMARY:

Council’s current Purchasing Policy does not contain a policy statement regarding prequalifying suppliers. As directed by Council, Staff has performed a review and is recommending Council include the attached Prequalification Policy into its Purchasing Policy to ensure any future Prequalification process is guided by Council policy.

### DISCUSSION:

Prequalification is a subjective and low cost method of evaluating and screening potential bidders/proponents before a formal Tender or Request for Proposal is issued.

The purpose is to ensure that each bidder/proponent demonstrates they have the expertise and resources to complete the work required. It reduces the risks of uncertainty when selecting suppliers. It attempts to match the work at hand with the strengths of the bidders/proponents to better assure a successful outcome.

Prequalification is commonly used to short list Consultants and General Contractors/Major Subcontractors for large construction projects or smaller construction projects requiring specialized expertise. It may also be used to prequalify vendors and service providers where there is a need for special expertise due to environmental considerations, specialized public safety requirements, or other clearly identified criteria.

Typically, the City issues a Request for Prequalification by posting the opportunity on the City’s website, BC Bid website, sending it directly to local firms and anywhere else the Project Manager recommends. Responses are evaluated against the evaluation criteria, ranked and a list of qualified firms is created. The subsequent Tender/RFP is issued only to the list of prequalified firms.

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☒ Open Meeting  
☐ In-Camera Meeting  
*2013-APR-15*

Trade agreements, such as the Agreement on Internal Trade (AIT) and the New West Partnership Trade Agreement (NWPTA) recognize prequalification as an acceptable procurement process providing the Request for Prequalification is posted electronically, and all vendors have equal access to the opportunity.

Currently, the use of prequalification is at the discretion of the individual City Project Manager. From February 2010 to present, prequalification has been utilized on the following projects:

<b>Solicitation</b>	<b>Project</b>
1017	Bastion Restoration
1043	SAP Consultants
1090	Millstone Sewer Trunk & Laterals Study
1219	Green Lake Design Consultant
1236	South Fork Dam II Consultant
1287	General Contractors for Cliff McNabb Arena Upgrade
1319	Service and Resource Centre Furniture
1320	Water Treatment Plant & Reservoir #1 Pipe Supply
1321	City Jail Cell CCTV
1338	Water Treatment Plant & Reservoir #1 Pipe Installation
1360	Sherwood Forest Utility Design Consultant
1361	RCMP Jail Cell Renovations
1365	City Hall Renovations
1372	Water Treatment Plant General Contractor & Major Sub Trades Construction
1373	Reservoir #1 & Energy Recovery Construction
1392	Water Treatment Plant Instruments & Controls Contractors

During this timeframe, 16 of 81 capital projects or approximately 20% of the capital projects utilized prequalification.

Process improvements are recommended and have been incorporated into the new Prequalification policy. Specifically, the new prequalification process details the instances where prequalification will be allowed and provides a check and balance process that aligns with the authority levels in Council's Purchasing Policy, i.e. the use of prequalification must be approved in advance by the Director of Finance or Assistant City Manager/General Manager of Corporate Services (under \$250,000), or included in the report to Council prior to the release of the tender/RFP (over \$250,000).

In the past, the City has limited the number of firms that can be pre-qualified. As well, the use of a weighted evaluation scoring system has been utilized for the most part, but not in all of the above referenced projects.

The new process mandates the consistent use of a weighted evaluation scoring system and suppliers must achieve a reasonably established minimum score in order to be pre-qualified. Weighting is important as it identifies the criteria that are most important for the project at hand. All pre-qualified firms, regardless of the number, will be invited to participate in the subsequent Tender/RFP process.

The Prequalification policy was developed with input from the following City Departments: Engineering & Public Works, Information Technology and Parks, Recreation & Culture. As well, City Staff met with the Vancouver Island Construction Association's Chief Executive Officer and members of their Procurement Task Team, and solicited their input.


Additionally, the City has, in effect, done prequalification through the Engineering and Public Works "Approved Products List" and the policy includes the provision to continue this practice.

Staff are recommending Council include the Prequalification policy into their Purchasing Policy. Alternative strategies would be for Council to not allow Prequalification in any form, or, to continue to have the use of prequalification at the sole discretion of the City's Project Manager for each job. Staff do not recommend these alternatives.

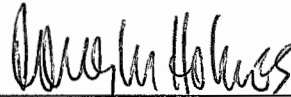
Respectfully submitted,



K. Felker,  
Manager, Purchasing and Stores



B. E. Clemens  
Director of Finance



D. W. Holmes  
Assistant City Manager/General Manager of  
Corporate Services

Drafted: 2013-MAR-13

KF/BEC/tw

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## **PREQUALIFICATION POLICY**

A Request for Prequalification is a subjective and low cost method of evaluating and screening potential vendors and specialized service providers for subsequent participation in a competitive bidding process. Prequalification can also be used to establish a standardized list of materials and goods.

It is in the interest of the taxpayer to have a process that is as inclusive as possible. Accordingly, prequalification of vendors or service providers must only be used in limited circumstances, and where it is determined that there is a need to pre-qualify them because of special expertise requirements, such as specific environmental considerations, or specialized public safety requirements, or other clearly identified criteria. The prequalification process must not be used to limit the number of qualified bidders.

The purpose of prequalifying vendors and specialized service providers is to ensure that each potential vendor can demonstrate they have the expertise and resources to complete the work required. Responses to the Request for Prequalification are evaluated and the list of qualified vendors is then invited to participate in the subsequent Request for Tender/Proposal process. Thus, the actual Request for Tender/Proposal is open only to those vendors which were successful in the Prequalification stage. For this reason, it is vital that the Prequalification process is both open and fair. Criteria for selection must be explicit and capable of providing guidance for evaluation.

The use of prequalification may be considered for:

- (a) Complex work requiring, but not limited to, specialized expertise, equipment, materials, safety, environmental, technological, or financial considerations. For projects valued over \$250,000, if prequalification is to be used, notification must be included in the Report to Council prior to commencing the procurement process. For complex work valued over \$25,000 up to \$250,000, if prequalification is to be used, justification must be included and written approval from the Assistant City Manager/GM, Corporate Services, or Director of Finance must be obtained prior to commencing the procurement process.
- (b) Creating a standardized list of materials and goods such as Engineering and Public Works "Approved Products List".

The general administrative procedures for issuing the Request for Prequalification and advertising the opportunity will be in accordance with Council's Purchasing Policy.

A Request for Prequalification for General Contractors and specialized service providers may be evaluated on, but not limited to, the following criteria:

- (a) Company Qualifications, Experience and References in similar work and other work;
- (b) General Company information regarding legal structure, ownership, key personnel, location, areas of expertise and size of projects completed;
- (c) Financial stability and Bonding capabilities;
- (d) Company Health and Safety policies including Letters of Clearance and Certifications;
- (e) Current Workload and availability;
- (f) Company's Quality Control program;
- (g) Company Warranties/Guarantees offered;
- (h) Ability to obtain security clearance;
- (i) Any other criteria the Project Manager deems important.

When choosing evaluation criteria for vendors and specialized service providers, it is important to understand the goal of the process is to identify vendors who are clearly capable of carrying out the work on behalf of the City. Evaluation criteria should be weighted and must be directly relevant to the work at hand. Only weighted evaluation criteria contained in the Request for Prequalification is be used when evaluating potential vendors. To be prequalified, a vendor must achieve the reasonably established minimum score as identified in the prequalification document.

Appropriate staff and/or project consultants will evaluate and rank the submissions, create a list of vendors that have achieved the minimum score and which will be invited to participate in the subsequent Request for Tender/Proposal. All qualified vendors will be permitted to compete.

Unsuccessful vendors will be provided a debriefing opportunity in order to review their scoring and to discuss the strengths and weaknesses of their submission.

## REPORT TO COUNCIL

DATE OF MEETING: 2013-APR-15

AUTHORED BY: COUNCILLOR DIANA JOHNSTONE, CHAIR, GRANTS ADVISORY COMMITTEE

RE: 2013 GRANTS ADVISORY COMMITTEE RECOMMENDATION

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### COMMITTEE RECOMMENDATION:

That Council deny an Other Grant to the Nanaimo & District SPCA (OG-02) in the amount of \$25,000 for the SNIP program (low income spay and neuter service).

### PURPOSE:

To obtain Council's approval of the Committee's recommendation regarding an "Other Grant" application.

### BACKGROUND:

The Grants Advisory Committee met on 2013-MAR-20.

The Grants Advisory Committee has reviewed in detail the financial data and background information provided by the applicants. Recommendations are made in accordance with the Grants Policy and Guidelines adopted by Council.

The Committee recognizes both the limited funding that the City has available and the excellent community services provided by the various organizations. We are hopeful that the funds allocated by Council will allow the organizations in need of assistance to continue to provide their valuable services.

### DISCUSSION:

#### **NEW APPLICATIONS**

#### **Other Grants Category**

#### **Application OG-02 Nanaimo & District BC SPCA**

The Committee recommends that Council deny a \$25,000 Other Grant to the Nanaimo & District BC SPCA for the SNIP program (low income spay and neuter service). The Committee felt that the SNIP program is an ongoing operational program and that the intent of an Other Grant was not to fund general operations. The Nanaimo & District BC SPCA has applied for SNIP program funding every two years since 2005 and has been awarded funding from Council contingency each time.

Respectfully submitted



Councillor Diana Johnstone  
Chair, Grants Advisory Committee

Drafted: 2013-MAR-26  
LM/tw

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☐ Council  
☒ Committee *can*  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: *2013-APR-15*



**MINUTES**  
**GRANTS ADVISORY COMMITTEE**  
**MEETING HELD WEDNESDAY, 2013-FEB-20, 3:00 PM**  
**IN THE BOARD ROOM, 411 DUNSMUIR STREET**

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**MEMBERS PRESENT:**

Councillor G. Anderson, Acting Chair  
W. Anderson  
L. Avis

D. Bonner  
I. Thorpe

**MEMBERS ABSENT:**

Councillor D. Johnstone  
F. Tellier

V. Alcock-Carter

**STAFF PRESENT:**

L. Mercer, Manager of Revenue Services  
T. Wilkinson, Recording Secretary

---

1. CALL TO ORDER:

The meeting was called to order at 3:05 p.m.

2. ADOPTION OF AGENDA:

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

3. ADOPTION OF MINUTES:

It was moved and seconded that the Minutes of the Grants Advisory Committee Meeting held in the Bylaw Services Meeting Room, 238 Franklyn Street, Nanaimo, BC on Wednesday, 2012-SEP-19 at 3:00 p.m. be adopted as circulated. The motion carried.

4. INFORMATION ITEMS:

There is \$7,000. left in the Other Grant budget.

☐ Council  
☒ Committee of the Whole  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2013-APR-15



5. DELEGATIONS – NEW APPLICATIONS:

(a) Nanaimo Volunteer & Information Centre Society (OG-01)

Committee members noted:

- the Nanaimo Volunteer & Information Centre Society has been awarded this type of grant the last few years.

It was moved and seconded that Nanaimo Volunteer & Information Centre Society be awarded an Other Grant in the amount of \$1,539.87 to cover the cost of the rental at Beban Park Auditorium on 2013-APR-18 for their 2013 Annual Volunteer Appreciation Luncheon. The motion carried.

Opposed: W. Anderson

(b) Columbian Care Society (PTE-01)

Committee members noted:

- generally an applicant who requests to be placed on the Permissive Tax Exemption Bylaw and a request for cash-in-lieu of taxes does not get approved for both requests.
- an error was made by Provincial authorities regarding the Class status of the property at 2352/2356 Bowen Road and by the time the error was discovered and the Class status was revised, the deadline for PTE applications had passed.

It was moved and seconded that the Columbian Care Society be placed on the City's 2013 Permissive Tax Exemption Bylaw for property at 2352/2356 Bowen Road, and for a cash-in-lieu of 2013 taxes in the amount of \$3,840. (estimated value).

It was moved and seconded that the main motion be amended to advise Council that the Grants Advisory Committee generally does not recommend that an organization receive both a cash-in-lieu of taxes grant and be placed on the PTE Bylaw but under these extraordinary circumstances, the Committee has approved the Columbian Care Society's application. The motion carried.

The vote was taken on the main motion, as amended.

The motion carried.

6. NEXT MEETING

The next meeting of the Grants Advisory Committee is scheduled for Wednesday, 2013-MAR-20 in the Board Room, Service and Resource Centre, 411 Dunsmuir Street.

7. ADJOURNMENT:

It was moved and seconded at 3:20 p.m. that the meeting terminate. The motion carried.



Chair

April 5/2013

Date

# City of Nanaimo

## REPORT TO CITY COUNCIL

DATE OF MEETING: 2013-April 15

AUTHORED BY: Terry Hartley, Director of HR & Organizational Planning

RE: Strategic Plan Implementation Progress

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### STAFF RECOMMENDATION:

That Council receive this report for information.

### PURPOSE:

To provide information to the community on the progress of implementing the Corporate Strategic Plan.

### BACKGROUND:

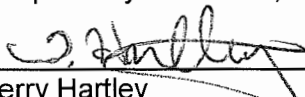
On July 9, 2012, Council approved the Corporate Strategic Plan for 2012-2015. The Strategic Plan includes a long-term vision, mission, values and operating philosophy as well as a list of on-going commitments in the areas of economic health, environmental responsibility, social equity and cultural vitality. The Plan also outlines six strategic priorities that require focus over the next few years. In each priority area, there are suggested strategies and/or initiatives, as well as desired outcomes.

On September 10, 2012, Staff reported on the initial steps taken to implement the Corporate Strategic Plan. Since then, Staff has been in the process of implementing the strategies and initiatives. A quarterly progress report was provided as of December 31, 2012. This progress report relates to implementation as of March 31, 2013.

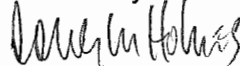
### DISCUSSION:

See attached. This information is also available to the community through the City's website.

Respectfully submitted,

  
Terry Hartley  
Director, HR & Organizational Planning

Concurrence by:

  
D.W. Holmes  
Assistant City Manager/General Manager,  
Corporate Services

### CITY MANAGER COMMENT:

I concur with the staff recommendation.

Drafted: April 10, 2013  
TH

☐ Council  
☒ Committee COW  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: 2013-APR-15

## Strategic Plan Progress Report, as of March 31, 2013

<b>1. ASSET MANAGEMENT</b>		
<i>Strategy/Initiative</i>	<i>Progress</i>	<i>Next Steps</i>
1.a. Develop a comprehensive asset management plan.	Asset management plan presented to Council on Jan. 14, 2013.	Continue to update and refine Asset Management Plan. Ensure on-going maintenance and replacement of infrastructure.
1.b. Ensure the term of the financial plan is sufficient to encompass the major growth/expansion period in Nanaimo's history	The proposed 2013-2017 Financial Plan incorporates increases in water and sewer rates as well as a 1.0% tax increase per year for 5 years to fund asset management.	Incorporate Asset Management Plan into 2014-2018 Financial Plan.
<b>2. COMMUNITY BUILDING PARTNERSHIPS</b>		
<i>Strategy/Initiative</i>	<i>Progress</i>	<i>Next Steps</i>
2.a. Support & Facilitate the development of a Nanaimo Social and Health Network	Initial meeting with stakeholders held in December 2012. Four meetings of the steering committee have been held since January.	Continue to work with community stakeholders to identify scope and roles and responsibilities
2.b. Participate in the Successful Cities workshops and collaborate with the Chamber to evaluate, and where appropriate, to monitor existing and future actions	City liaison participated in Successful Cities workshop in October. Have been preparing for transition of Successful Cities from the Chamber of Commerce to a community driven committee administered by the Chamber of Commerce, the City and Vancouver Island University.	Complete transition of Successful Cities to a community driven committee. Prepare for Fall 2013 Forum.
2.c. Review & define municipal role in facilitation and maintenance of a vibrant "community benefit sector" in Nanaimo		Meet with key sector participants to define roles and develop "partnership" framework (define types of partners). Community workshops to be scheduled for Fall 2013.

<b>3. TAKING RESPONSIBILITY</b>		
<i>Strategy/Initiative</i>	<i>Progress</i>	<i>Next Steps</i>
3.a. Commission an external Governance Policy, Structure and Processes Review and Audit	Request for Proposal issued in November 2012. Consultant selection process resulted in Council approval of Watson Inc. to lead the governance policy, structure and processes review and audit. Council established a Governance Steering Committee to provide oversight for the review.	Complete review by June 30, 2013.
3.b. Establish a coordinated and consistent Current Service Summary across all departments		Develop format and complete Current Service Summary in time for 2015 budget review.
3.c. Continue development of the Balanced Scorecard	The Scorecard has been finalized and publicized on the City's website.	A meeting is scheduled for mid-April to review the alignment of the Scorecard with the Strategic Plan and to integrate the Scorecard into the Annual Municipal Report.
3.d. Develop a comprehensive Communications Policy and Strategy	A draft of the Communication Plan was presented to Council at a COW meeting March 4. Public feedback on the draft was collected through the month of March.	A final draft of the Communication Plan will be presented to Council in April for approval. Once approved, will communicate and provide training on policy and strategy.
3.e. Explore options for Town Hall Meetings"	Council directed staff to proceed with public participation and engagement on the budget by scheduling a town hall meeting that would also allow electronic participation. The first e-Town Hall Budget Meeting was conducted on March 25th and was considered to be a very successful format for engaging the public.	Other options for Town Hall meetings will be explored. A report will be provided to Council outlining these options, the advantages & disadvantages of each and how Town Hall meetings would assist
3.f. Adopt a Public Service Excellence Program		Explore program models and develop report for Council with options and recommendations for a preferred approach (Fall 2013).
3.g. Continue to facilitate change and overall development, and take action steps to be a catalyst for investment in the City's future	A development Forum was held in December 2012 to review achievements and to receive input for the 2013 work plan. Additional input was received through a ThoughtStream survey process. The Development Process Review Committee has been meeting bimonthly.	The Development Process Review Committee (DPRC) will continue to meet bimonthly to review and make recommendations relating to development processing.

<b>4. TRANSPORTATION AND MOBILITY</b>		
<i>Strategy/Initiative</i>	<i>Progress</i>	<i>Next Steps</i>
4.a. Complete comprehensive Sustainable Transportation Master Plan	Process is well underway. Research completed. One stakeholder meeting and two public open houses have been held and a PlaceSpeak survey administered. A site has been selected for the Regional District of Nanaimo transit exchange. Provided status report to Council in March on existing transportation conditions, issues and opportunities.	Report back to Council for input on Vision, Goals, Objectives and Targets in late Spring. Complete Transportation Master Plan by Fall 2013 and present to Council for approval.
4.b. Continue efforts to integrate land use and mobility planning through the OCP processes	Director of Planning facilitated at a stakeholder workshop in November 2012. Planning Staff sit on the Transportation Advisory Committee and the technical working group for the Transportation Master Plan. A workshop of the technical committee was held on March 28th to look at alternative land use scenarios with the consultants for the Transportation Master Plan.	Undertake 5 year review of Official Community Plan. Review will focus on transportation and land use.
4.c. Review DCC rates to better consider cost to service different parts of City and encourage development within currently serviced areas to reduce infrastructure costs	Review in process.	Review scheduled to be completed in Fall 2013.
4.d. Work with other organizations (e.g. NEDC, BCFC, Airport Authority, NPA, RDN) to advocate for and support improvement of external connections	Staff have been in discussion with external organizations in relation to the Transportation Master Plan.	Consider needs for external transportation connections in Transportation Master Plan recommendations.
4.e. Work with the Island Corridor Foundation ("ICF") to increase the viability of the E & N Rail line	Regional District of Nanaimo has committed funding to ICF. Staff have been working with ICF regarding the viability of incorporating passenger rail service into the new proposed transit exchange on the former CP Lands site.	Consider needs for external transportation connections in Transportation Master Plan recommendations.

<b>5. WATER</b>		
<i>Strategy/Initiative</i>	<i>Progress</i>	<i>Next Steps</i>
5.a. Confirm preferred water supply option with detailed plans, designs and agreements	Process of confirming water supply is continuing.	Confirm water supply option. Develop detailed plans, designs and agreements.
5.b. Update of Water Conservation Strategy	Working with a Community Advisory Group on Conservation Strategy.	Results of Water Audit to be presented to Council in late Spring 2013.
5.c. Implement initiatives and opportunities consistent with the Blue Community designation	Completed the development of a communication plan. Removed water bottles from City facilities and have commenced upgrade of water fountains.	Complete upgrading of water fountains.
5.d. Continued commitment to full-cost water pricing	Rate review report went to Council in January 2013.	Review of rate structure in Fall 2013.
5.e. Enhance water billing information to encourage awareness and wise use of water		Develop water conservation messages to deliver through billing system in Fall 2013.
<b>6. WATERFRONT ENHANCEMENT</b>		
<i>Strategy/Initiative</i>	<i>Progress</i>	<i>Next Steps</i>
6.a. Create a Waterfront Interdepartmental Staff Team ("WIST) mandated to build partnerships and to identify and act on opportunities to create an uninterrupted waterfront trail and other priority outcomes	The acquisition of the CP Lands resulted in a Higher Service Level request being approved for a South Waterfront Master Plan. A report on this subject was presented to Council in January and the recommendations for the creation of a Steering Committee were endorsed. A second Higher Service Level request has been submitted on the overall waterfront enhancement strategy.	Steering Committee selection underway regarding the CP Lands.
6.b. Update Maffeo Sutton Park Improvement Plan	Public input process completed.	Options to be drafted by Spring 2013.
6.c. Assess and address concerns related to aging infrastructure at Georgia Park	Public input process completed as part of 6.b.	Recommendations to be drafted by Spring 2013 as part of 6.b.
6.d. Upgrade and improve existing Departure Bay section of the Waterfront Trail from Kin Hut to Hammond Bay Road	Applied for partial funding from Community Infrastructure Improvement Program.	Grant application denied. Project will be funded by Payments in Lieu of Taxes (PILTS) in the 2013-2017 Financial Plan.
6.e. Work with SFN and BC Parks to explore options for improving access to Newcastle Island	Working toward re-establishing Newcastle Island Collaborative Management committee to commence discussions.	Once committee has been re-established, explore options for improving access.

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

DATE OF MEETING: 2013-APR-15

AUTHORED BY: S. RICKETTS, MANAGER, CONSTRUCTION

RE: STRATHMORE WATER, STORM AND SIDEWALK IMPROVEMENTS

---

**STAFF RECOMMENDATION:**

That Council receive this report for information.

**PURPOSE:**

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

**DISCUSSION:**

This tender will replace 1950's vintage cast iron water along Strathmore Street between Waddington and Boundary Avenues. The water mains are under capacity for fire flows because of tuberculation, (a form of corrosion which causes internal blockages in iron pipes). The tender also includes a new storm main for a proposed sidewalk and bus bay improvement fronting Woodlands Secondary School.

This construction only impacts the area neighbourhood which includes Woodlands Secondary School. Construction is scheduled to start in June and be mostly complete while school is out of session. The residents will receive project notices prior to construction starting.

The water main replacement will increase fire flows to the neighbourhood. The sidewalk and bus bay improvements will facilitate pedestrians, bicycle and transit movements as well as provide for on-street parking at Woodlands School. The budget for this project is \$870,000.

***Strategic Plan Considerations***

This action supports Council's commitment to Asset Management.

Respectfully submitted,

Concurrence by:



Steve Ricketts, Manager  
Construction



Susan Clift, Director  
Engineering & Public Works



Tom Hickey, General Manager  
Community Services

**CITY MANAGER COMMENT:**

I concur with the staff recommendation.

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SR/cl

☐ Council  
☒ Committee *COW*  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date: *2013 APR-15*



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

DATE OF MEETING: 2013-APRIL-15

AUTHORED BY: POUL ROSEN, P. ENG., MANAGER, ENGINEERING DESIGN  
SUSAN CLIFT, P. ENG., DIRECTOR, ENGINEERING & PUBLIC WORKS

RE: ADDITIONAL POSITION IN ENGINEERING & PUBLIC WORKS

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**STAFF RECOMMENDATION:**

That Council approve an additional full time staff position in the Engineering Services Section of Engineering & Public Works.

**PURPOSE:**

Increases in full time positions are approved by City Council.

**BACKGROUND:**

The Review of Contracted Services report completed by MMK Consulting in February 2012 identified the potential to achieve moderate cost savings and to strengthen the City's internal engineering resources by adding up to three civil engineering staff. The authors assessed the potential for increased in-house provision of engineering services as HIGH for one new staff member and MEDIUM for two additional staff members. And finally it recommended: "That the City gives further consideration to the hiring of one or more additional Engineering Services staff."

**DISCUSSION:**

The Engineering Services Section completes the engineering, survey, design and drafting work related to the replacement and upgrading of the City's water, sewer, and storm and transportation infrastructure. Currently engineering technical services are provided primarily by City staff. However, external consultants are also used to supplement workload demands and for specialized work. The additional position would reduce the reliance on external consultants. Increasing the City's capacity to complete the engineering design work will also improve engineering services response and support during the construction phase of the projects.

**Financial Implications:**

The requested position is for a Computer Aided Design Technician. The total annual cost of this position is \$71,000, inclusive of benefits (2013 rates). There will be an additional one time cost of \$3,000 for a computer workstation. Funding for this position will be found within the existing financial plan through a reduction in the design budget. This proposal is expected to be save approximately \$10,000 per year for the City.

**Labour Relations:**

CUPE 401 is supportive of this proposal.

☐ Council  
☒ Committee COW  
☒ Open Meeting  
☐ In-Camera Meeting  
Meeting Date 2013-APR-15

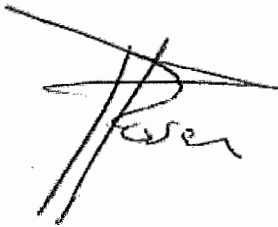
**Strategic Plan Considerations:**

It is one of the City's core functions to provide water, sewer, storm and transportation services to the community. Providing design for new and replacement infrastructure is required before the installation can be undertaken. This is consistent with the following Strategic Priorities:

- Asset Management and Stewardship of Current Infrastructure
- Transportation and Mobility

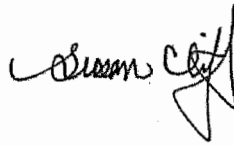
Respectfully submitted,

Concurrence by:



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Poul Rosen P. Eng.  
Manager, Engineering Design



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Susan Clift 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.

Drafted: 2013-Apr-05  
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SC/fg

## City of Nanaimo

### REPORT TO COUNCIL

DATE OF MEETING: 2013-APR-15

AUTHORED BY: COMMISSIONER DIANA JOHNSTONE, CHAIR,  
PARKS, RECREATION AND CULTURE COMMISSION

RE: NANAIMO BOATHOUSE AND PADDLING CENTRE PROPOSAL

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#### RECOMMENDATION:

That Council receives for information.

#### BACKGROUND:

At their meeting on 2013-MAR-27, the Parks, Recreation and Culture Commission received a presentation from Camela Tang, President of the Nanaimo Boathouse Society exploring the feasibility of a new Nanaimo Boathouse and Paddling Centre. The society requested approval to undertake a feasibility study for this facility at the Brechin Boat Ramp.

The Parks, Recreation and Culture Commission approved that the society proceed with a feasibility study on the concept of the Boathouse and Paddling Centre at the Brechin Boat Ramp. The motion carried unanimously.

#### DISCUSSION:

The first step in the process for a capital project on City of Nanaimo parkland is to receive approval from the Parks, Recreation and Culture Commission to proceed with a feasibility study. The purpose of a feasibility study is to determine if the project is in the community's interest and if it assists in the achievement of the goals of Nanaimo and that the project is financially feasible and sustainable.

Once a feasibility study is completed the group will return with the findings and if favourable, request Approval in Principle from the Parks, Recreation and Culture Commission and Council.

The attached Guidelines for City Assisted Community Capital Projects (Schedule A) is the process used for projects such as the proposed Nanaimo Boathouse and Paddling Centre.

The Nanaimo Boathouse Society is seeking at this time authority to proceed with a feasibility study at the location of the Brechin Boat Ramp.

Parks, Recreation and Culture Commission is forwarding this information report to Council to ensure Council is aware of the study and possible project on City of Nanaimo parkland.

☐ Council  
☒ Committee *COL*  
☒ Open Meeting  
☐ In-Camera Meeting

Meeting Date *2013-APR-15*

STRATEGIC PLAN CONSIDERATIONS

Community Building Partnerships: Working with a local non-profit society in the feasibility study of a possible recreational facility.

Respectfully submitted,



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Diana Johnstone  
CHAIR  
PARKS, RECREATION AND CULTURE COMMISSION

2013-APR-10  
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## **SCHEDULE A**

### **GUIDELINES FOR CITY ASSISTED COMMUNITY CAPITAL PROJECTS**

The City of Nanaimo through its Parks, Recreation and Culture Commission encourages community projects that enhance the quality of life and leisure in Nanaimo. The Commission may support projects by recommending that City Council provide financial assistance, enable the use of City land or assign staff to help with project development.

#### **STEP 1 – DETERMINING PROJECT FEASIBILITY**

A community organization or group considering a community capital project that may either require the City's financial assistance or be constructed on City land, is to present its idea to the Parks, Recreation and Culture Commission. If the Commission determines that the project is in the community's interest and helps achieve the goals of the Commission, staff will be asked to work with the community group in the development of a project plan.

#### **STEP 2 – APPROVAL IN PRINCIPLE**

The community organization will make a presentation to the appropriate standing Sub-Committee of the Parks, Recreation and Culture Commission. The presentation will include:

1. A description of the project and its benefit to the community including reference to community master plans.
2. A conceptual drawing and a site plan.
3. An estimated project budget including all funding sources (cash, grants, loans, donations and volunteer hours) and the financial assistance that is being requested from the City.
4. An estimated operating budget and how the project will be operated and/or maintained.
5. A detailed fundraising plan.
6. An estimated project timeline.

Based on this presentation, a recommendation will be forwarded to the Parks, Recreation and Culture Commission. Commission endorsement of the project will be subject to approval by City Council. If support is given for the project, the organization may initiate a fundraising campaign and develop more detailed plans.

#### **STEP 3 – APPROVAL TO PROCEED**

Before the project proceeds, the community organization must present to department staff:

1. Construction drawings and specifications.
2. A detailed site plan.
3. A project budget including written quotes for all work.
4. A construction plan and schedule.
5. An operating plan and budget.
6. A verification of financing from all sources.

All capital projects built on City property will become the property of the City.



### Delegation Request

Dwight Yochim, Executive Director, Truck Loggers Association has requested an appearance before council. The request is made on behalf of Heidi Walsh, Tree Frog Creative Communciations

The requested date is Apr 15, 2013.

The requested meeting is:  
FPCOW

#### Presenter's information

City: Vancouver  
Province: BC

#### Details of Presentation:

Dwight Yochim is the newly hired Executive Director of the Truck Loggers Association (TLA), the organization that represents independent logging and forestry contractors that live and work in the community of Nanaimo. Mr. Yochim requests the opportunity to make a brief presentation about the importance of the industry to the community through their businesses, the employees they hire and the related social and economic benefits generated, but also the potential it has to lead in future job creation and economic growth. For example, as the economy improves and demand for wood products continues to increase, the industry as whole is facing a shortage of workers. The TLA is involved in efforts to meet these needs, working closely with community and educational leaders such as the VIU Forestry Department to encourage young people to consider forestry as a career choice. A recent survey of leaders up and down the Coast signals a bright future for forestry but capitalizing on the opportunities requires renewed collaboration between industry and government—at all levels, something the TLA is fully committed to. Suffice to say, Mr. Yochim is keen to initiate a two-way discussion in this regard.

<input type="checkbox"/> Council	Agenda Item	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> Committee (COW)	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>2013-APR-15</u>		

Delegation Request

Jennifer O'Rourke has requested an appearance before council.

The requested date is Apr 15, 2013.

The requested meeting is:  
FPCOW

Presenter's information

City: Nanaimo  
Province: B. C.

Details of Presentation:

Save Linley Valley West Society will present, among other items, its 2012 Biological Inventory of Linley Valley





RECEIVED

MAR 27 2013

# REQUEST TO APPEAR AS A DELEGATION

ON 2013 - 04 - 15  
year month day

LEGISLATIVE SERVICES



## COUNCIL

(at 7:00 p.m. in the Shaw Auditorium, 80 Commercial Street)



## COMMITTEE OF THE WHOLE

(at 4:30 p.m. in the Shaw Auditorium, 80 Commercial Street)

NAME OF PERSON MAKING PRESENTATION: <u>DANIEL APPELL</u>			
Print			
ADDRESS: _____	_____	<u>NANAIMO</u>	<u>B.C.</u>
street address	City	Province	Postal Code
PHONE _____	_____	FAX: _____	_____
home	business		
NAME OF APPLICANT IF OTHER THAN ABOVE: _____			
DETAILS OF PRESENTATION:			
<u>HOTELS, CONVENTION CENTRES AND</u>			
<u>WHEELIN', DEALIN' IN NANAIMO.</u>			

### PLEASE NOTE

- Audio/Visual presentations must be provided on a CD or by e-mail no later than 12:00 noon on the Friday preceding a Meeting.
- Please submit a written copy of your presentation to the Recording Secretary either at, or prior to, the Meeting.
- Multiple speakers on a single issue or topic shall be given 5 minutes each to make their presentations as per Section 18 of the Council Procedure Bylaw.

Legislative Services Department  
455 Wallace Street, Nanaimo BC V9R 5J6

<input type="checkbox"/> Council	Agenda Item	<input checked="" 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>2013-APR-15</u>		

## THE REAL HOTEL DEAL

Building a hotel next to the conference centre has many drawbacks. The possible benefits of the plan are insignificant relative to the city's accommodation industry, while the industry will be exposed to a considerable risk. It is difficult to understand why a great deal of effort and money are being devoted to achieve such a small effect.

Atlific Communications, the group that manages the conference centre, points out that without a five star hotel next door the conference centre has difficulties overcoming objections to the lack of hotel space in the area. This is one of many objections to not taking advantage of Nanaimo's venue. Overcoming this one objection might result in a few more bookings. Those who would still consider a new hotel a reasonable response to this objection ignore all the costs relative to possible returns.

As well, those proponents of the hotel are ignoring all the expert opinion from the hotel and financial industries. To make sense of the arrogance of their position is beyond my capabilities. There is very little short term benefit to this project and the long term effects will be crippling. There has to be a much more intelligent, and realistic approach to solving the problems associated with the conference centre.

My background is in city planning. As a planner all I do is argue for efficiency. This is my only socially redeeming function. Increased efficiency is the result of increased production and decreased consumption and waste. The net result of a more efficient city is a city that is easier to live in. The city's industries become more competitive relative to other centres. It is easier to find a job and earn a living. It is easier to increase wealth, and the wealth that is created tends to stay in the city. It is easier (less expensive) to get from one place to another. The city's population is generally healthier and happier. If all we do is increase efficiency within the city, by even a little bit, the benefits overtime are considerable and reach everyone. On the other hand, if inefficiency is maintained or created, the negative impact over time is likewise considerable, and unbalanced towards the disadvantaged.

The conference centre represents one of those many instances where the city has interfered with the development of the city in such a way as to make it less efficient. With only arrogance and delusion to guide them, city leaders made a whole series of blunders that made this city less capable. The effects of this conference centre on an annual basis are fairly small, but they accumulate. Failure to address this problem will make our city significantly less competitive, less capable of attracting investment capital, and less flexible in our response to the dynamics of a global economy. We will have to dig deeper into our pockets to pay for the upkeep of our city and we will be less capable of supporting amenities we all enjoy. In short, while the initial effect is small, the conference centre makes it increasingly harder for all of us to live in this city.

With respect, the conference centre's problem with bookings is not that big a problem. We have an entirely different set of much bigger problems associated with that conference centre.

From an urban planning perspective and the desire to make this city more efficient, we have four major problems associated with the conference centre: 1) It is a worthless building; 2) it is rapidly becoming purposeless or pointless, 3) it is in the wrong location; and it is costing us money. These are serious problems that need to be addressed sooner rather than later. These are real problems that a new hotel doesn't solve. In fact, the new hotel will create a whole new series of inefficiencies that will exacerbate the situation.

### 1) The building is worthless

This is a bitter pill to swallow. We spent about \$75 million on a building that is worthless. I believe city hall is just waking up to this reality now. The proposed plan for the hotel involves giving it over to a private firm for a dollar.

From a planning perspective, at least we get a dollar.

The problem is that building is on land that has some value. That land is being devalued only because the building that is on it is worthless. For a city planner the greatest crime is to reduce the value of land by adding development. The purpose of development is to add value to land. An ideal development policy would direct us to ensure all land is developed to its highest and best purpose. There is a circle in hell specifically for planners who allow development that takes away the value of land. The conference centre is on land that, at the very least, should be returning taxes to the city. This is land that can be much more productive than it is now. There is a lot of land in this city that, because of its location and topography, can't be productive. This is not one of those locations. This is the corner of a major node in the centre of this city. This property ought to be producing a significant amount of wealth for those who own it. The fact that we owners have sunk a huge amount of wealth into this location, and we are still sinking wealth into it, and, if things continue, we will sink even more wealth into this property with nothing to show for our investment but a worthless building, that is a huge problem.

Does this hotel deal solve that problem? No. The hotel deal makes sure that problem doesn't get solved for the duration of the lease. Our grandchildren are going to be returned a building that is still worthless on property that has been effectively rendered unproductive.

## **2) The building has no purpose**

If you remember there were three reasons for building this conference centre on this site: 1) It would spur development and an influx of capital into our city; 2) It would bring people into our downtown and allow our downtown businesses to revive; and 3) it would support the accommodation industry.

Reasons 1 and 2 haven't panned out as promised. One would have to look very long and hard for very minute signs that the conference centre has contributed at all to our economic development. One could argue that the worldwide recession negated the contribution the conference centre could have made, but I would argue that conference centres are not supposed to do these things. Conference centres never contribute to economic development or revitalization in a significant way. They are not designed to do that. If you are building a conference centre to do those two things, then you are building a conference centre for the wrong reasons.

A conference centre does one thing only; it puts suits in hotel rooms. To expect a conference centre to do anything more than that is unrealistic, wishful thinking.

If a conference centre is not putting suits in hotel rooms then it has no purpose. This means that a conference centre is built to serve hotels. If you build a hotel to serve the conference centre then you have reversed the working model. Just by doing that you have introduced an unreasonable amount of inefficiency into your local accommodation industry. This inefficiency will make it much easier for other municipalities to compete for business that would otherwise want to come here.

The conference centre should be in the service of the hotels. The best working model for the relationship between the hotels and conference centres is to have a local hotel or a consortium of local hotels run the conference centre from their own offices. The hotel would notify the conference centre staff that they have booked something for such and such a date and the conference centre staff would get ready for it. The city wouldn't be involved, and the industry wouldn't have to restructure itself to suit the conference centre; although it may restructure to better serve its clients. This is the arrangement that works when it is employed everywhere else, but it is not the arrangement we have here.

We have a city hall that is far too involved. It is interfering with a productive and otherwise healthy, functioning economy in a way that weakens that economy.

Would a new hotel restore the purpose of the conference centre? No, it introduces a new hotel to a region that doesn't require it, and it gives such favourable terms to the new development that the other hotels cannot compete. The accommodation industry is forced to restructure itself at a time when it is most vulnerable to devastating market forces. We end up with a purposeless building, a broken inefficient segment of our industrial base, and any wealth generated by the arrangement of conference centre and new hotel is sent out of the community.

## **3) The building is in the wrong location**

For anybody who isn't a developer or a planner this is a hard problem to understand. To get an understanding of the magnitude of this problem I remind people that in real estate development and development planning there has to be consideration given to only three critical issues: 1) location; 2) location; and 3) location. There is a lot at stake when it comes to real estate development. Get the location right, and all will be well; get it wrong and trouble and grief will surely follow.

I brought up part of the problem of location before. Unfortunately, there is quite a bit more to it than putting a worthless building on a site which has much greater potential.

Related to use. Public amenities such as meeting halls, museums, civic art galleries and libraries don't mix well with retail. For many of you this sounds counterintuitive. The trend to put these amenities on Commercial Street as retail space becomes empty has been progressing since 1996 with the introduction of the library and the Diana Krall Plaza. Each time a new institution is added to the street we are promised that the classic "win-win." The people who are attracted to the amenity will support the neighbouring businesses. People who visit the street to shop will find it convenient to take in a gallery show. Yet, retail continues to decline, opening up more space for public amenities. The public amenities are seldom pushed out by an increased demand for retail space. Even if there is an increased demand for retail the non-taxable amenities resist moving.

I was altered to this problem when I discovered that shopping mall managers will strongly resist allowing public amenities into their malls even when they have an abundance of unused space.

Public amenity on a retail street is counterproductive. Essentially, the amenity is a distraction, competing for the attention of someone shopping. Sometimes the shop associated with the amenity is competing directly with the store across the street devoted to making a profit. The museum shop will sell the same T-Shirt sold across the street in a store which pays taxes, pays rent, pays employees and struggles to make a profit. The civic art gallery manned by volunteers, free from paying rent or taxes can afford to stock a high volume of merchandise that the private gallery next door can't handle. In the case of the conference centre, which has its own kitchen, it competes with the restaurants on the same street. Since public coffers subsidize every meal produced by the conference centre, and all the kitchen equipment was paid for by the city, the private run businesses don't have a level playing field while they have to struggle to yearn enough money to pay the taxes that go to subsidizing the conference centre.

This is not a win-win situation. The retail on a retail street works best when the public amenities are nearby but not on their street. When the shopping street is an actual level playing field then the competition between store owners is healthy and invigorating. The competition compels the participants to create efficiencies which allows the whole street to better compete with other retail areas.

The proper location for public amenities is on land that can't be taxed. The leftover bits of real estate that will never have a taxable use or a civic park. We could have put the conference centre in Maffeo-Sutton park, for example, and it would have been far enough away from the retail street to avoid the disruption the business on the street. Also, it would have been close enough to all the hotels in the area to provide excellent service. A tunnel could have directly connected the conference centre to the hotel across the street. And, the walk from all the other downtown hotels is both very short and very attractive. That would have been a win-win. Right now we have a situation where everybody loses.

One must also note that the conference centre, the museum, the library and the civic art gallery are all on land which could otherwise be taxed. Those taxes could make a significant contribution to the construction, maintenance and operations of those amenities. To be sure, the city acquired those lands because the street was in transition. Businesses moved and left the properties. Retail streets do transition. It's a normal part of the cycle. The street was gentrifying. The city could have helped in that process and returned all those properties into productive, taxable entities, but instead it chose a different approach. That approach has left the street less efficient, less adaptable, less able to compete and less able to pay taxes.

One other consideration of location has to do with the intention of building a tourist industry. Tourism can be defined as all the legal methods of separating tourists from their money. From a planner's perspective the easiest and most productive way to separate a tourist from their money is retail located in the downtown. This is derived from simple observation. In any town that has a tourist industry the downtown retail sector is outsized relative to the population. Victoria has about the same size population of Nanaimo yet the downtown retail sector is roughly 8 to 10 times larger than Nanaimo's. Also, Victoria's retail sector, on a square foot basis, is much more productive than Nanaimo's. Nanaimo has a large retail sector, but it is all in suburban malls. The malls serve people living in Nanaimo, but they do not serve tourists. So as a means of adding wealth to the community, malls do a very poor job. If anyone was to look at downtown Nanaimo and compare it to downtown Victoria, or downtown Banff, or downtown Niagara Falls, then one would have to conclude that we have virtually no tourist industry. If Nanaimo wanted to develop a tourist industry, then the best place to start (the easiest place to start) would have been where the conference centre is. That site could have been developed to optimize retail for tourism. We chose a design that minimizes the retail, restricts its growth, and arbitrarily breaks-up the shopping space with gaps such as the road to Gordon street, large stairwells to the conference centre and a blank face to Terminal Avenue. The choice hasn't worked out well for us. The conference centre is not as productive as a tourist oriented retail sector would be, and it doesn't provide the needed stimulation to the surrounding businesses that a properly designed retail building would have.

#### **4) The conference centre is costing us too much money**

This is a very obvious problem, with a very obvious solution. There are two initial steps to be taken, then there is a third and fourth step which may not be needed depending on the success of steps one and two.

The first step is to address the empty site that is designated for another hotel. Level it, plant grass and trees, and if anyone mentions building a hotel on that site again thank them by hitting them in the face with the flat side of a shovel.

The second step is to give the task of managing the conference centre to the hotels who would benefit from having it. Ask these hotels to form a working relationship that will allow them to manage and use the conference centre. They should be able to do this task in house, but if they want to hire an agency to help them, they are welcome to do so. The city just stops paying for the management of this centre. Also, the city backs away from the maintenance of the building. Costs associated with building upkeep are all borne by revenues derived from activities in the building.

If the local hotels don't want this arrangement, then shut the building down.

This eliminates inefficiencies associated with the management of the conference centre, and it makes the accommodation industry more competitive relative to other urban centres.

However, the location and design of that conference centre does not make it easy to develop a vital tourist industry. Unless we are prepared to move our downtown retail to some other location, then the best (easiest) solution is to remove the conference centre and locate it somewhere else. Then rebuild on that site retail space designed to succeed.

While steps one and two are fairly easy and inexpensive, steps three and four are costly. A new conference centre with parking structure would cost about \$20 million and the new retail with residential above it would cost about \$30 million. Still the combined costs are less than what we spent on the original conference centre and a lot less than the costs associated with the proposal city hall is making to get a hotel. Also this new arrangement would be considerably more productive, flexible, manageable and competitive than the arrangement city hall has been proposing.

I am just a planner. My only interest has to do with efficiencies. I know very little about the hotel/ accommodation industry, conference centres and tourist industries but I do know enough about urban planning and design to know that the current situation is inefficient to the point of being unsustainable. If these inefficiencies were eliminated the accommodation and tourist sectors would have a chance to develop and make a much more significant contribution to our local and regional economy. If we continue to let city hall interfere with the management of the hotel sector, and diminish the size of the downtown retail sector we will lose the potential of these two valuable assets.

City hall can barely manage city hall, why we should trust these people to manage a very valuable resource run by skilled professionals is beyond my understanding. We should do what we can to put an end to this nonsensical situation. Stop the hotel deal now, and then we can start to repair the damage done by building the conference centre where we did.

### Delegation Request

Charles Thirkill has requested an appearance before council.

The requested date is Apr 15, 2013.

The requested meeting is:  
FPCOW

#### Presenter's information

City: Nanaimo  
Province: BC

#### Details of Presentation:

Ten-minute presentation on ways to use the VICC to bring visitors into the city. The intent is to create a series of displays on the history, culture and natural history (wildlife and rare plants) in the area. This would educate the people of Nanaimo and their visitors about the city and the immediate surroundings. It would be an educational tool for schools and it would double the number of people using the building on an annual basis.

Please note that this is not a proposal to change the use of the VICC but to expand and build on it.

<input type="checkbox"/> Council	Agenda Item	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> Committee <i>CAW</i>	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>2013-APR-15</u>		