



AGENDA
SPECIAL FINANCE AND AUDIT COMMITTEE MEETING

April 14, 2021, 9:00 AM - 1:30 PM
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE
80 COMMERCIAL STREET, NANAIMO, BC
SCHEDULED RECESS 12:00 - 12:30 P.M.

Pages

1. CALL THE MEETING TO ORDER:

[Note: This meeting will be live streamed and video recorded for the public.]

2. 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 part of the Council meeting may be closed to the public if the subject matter being considered relates to or is one or more of the following:

(e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the municipality;

(k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the municipality if they were held in public; and,

(n) the consideration of whether a Council meeting should be closed under a provision of this subsection or subsection (2).

3. INTRODUCTION OF LATE ITEMS:

4. ADOPTION OF AGENDA:

5. ADOPTION OF MINUTES:

a. Minutes

Minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2021-MAR-17, at 9:01 a.m.

5 - 11

6. PRESENTATIONS:

- a. **KPMG 2020 Financial Statement Audit Presentation** 12 - 16
- Liette Bates-Eamer and Sarah Burden, Chartered Professional Accountants, KPMG, to present via Zoom.
- b. **2021-2025 Financial Plan Update** 17 - 33
- To be introduced by Shelley Legin, General Manager, Corporate Services.

7. REPORTS:

- a. **2020 Annual Financial Statements** 34 - 100
- To be introduced by Shelley Legin, General Manager, Corporate Services.
- Purpose: To present the 2020 Annual Financial Statements for acceptance by the Finance and Audit Committee.*
- Recommendation: That the Finance and Audit Committee recommend that Council accept the 2020 Annual Financial Statements for the City of Nanaimo.
- b. **Freezing Property Tax Revenues for Business Class Properties** 101 - 110
- To be introduced by Shelley Legin, General Manager, Corporate Services.
- Purpose: To provide the Finance and Audit Committee with possible scenarios for freezing property taxes for Business Class 6 for one year and the related impacts.*
- c. **Property Tax Due Date** 111 - 113
- To be introduced by Shelley Legin, General Manager, Corporate Services.
- Purpose: To provide Council with information on the City of Nanaimo's 2021 property tax penalty scheme.*
- Recommendation: That the Finance and Audit Committee recommend that Council:
- Keep the property tax due date at 2021-JUL-02;
 - Change the first property tax penalty due to 1% on 2021-JUL-02; and,
 - Extend the second property tax penalty due date to 2021-SEP-10 and change to 9%
- d. **Serauxmen Stadium Outfield Fencing Project Update** 114 - 126
- To be introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

Purpose: To provide Council with an update of the status of the Serauxmen Stadium Outfield fencing project, project funding requirements, and possible additional scope of work.

Recommendation: That the Finance and Audit Committee recommend that Council provide additional funding to the 2021 Serauxmen Stadium Outfield Fence Project as follows:

1. \$175,000 for project contingency and possible soil removal and disposal, funded from the Asset Management Reserve; and,
2. \$153,000 for left and right foul line fencing, funded from the Asset Management Reserve.

e. Asset Management Planning Program 127 - 129

To be introduced by Shelley Legin, General Manager, Corporate Services.

Purpose: To provide Council with information on a potential project for the 2021 Asset Management Planning Program, and obtain a Council resolution.

Recommendation: That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the 2021 Asset Management Planning Program for the Sanitary Lift Station Condition Assessment Project, and provide overall grant management.

f. Local Government Development Approvals Program 130 - 132

To be introduced by Shelley Legin, General Manager, Corporate Services.

Purpose: To provide Council with information on a suitable project for an application under the Local Government Development Approvals Program.

Recommendation: That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Local Government Development Approvals Program for the Development Approval Improvement project, and provide overall grant management.

g. Canada Healthy Communities Initiative - Second Intake 133 - 138

To be introduced by Shelley Legin, General Manager, Corporate Services.

Purpose: To provide Council with information on potential projects for the Canada Healthy Communities Initiative Second Intake, and obtain a Council resolution for the selected project.

Recommendation: That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Canada Healthy Communities Initiative for the Maffeo Sutton Playground Phase 2.

h. Tire Stewardship BC Grant 139 - 140

To be introduced by Shelley Legin, General Manager, Corporate Services.

Purpose: To advise the Finance and Audit Committee that the City has submitted a grant application totaling \$14,635 for the Harewood Centennial Park Accessible and Inclusive Playground Upgrade project.

i. Vancouver Island Economic Alliance - 2021 Conference Sponsorship

141 - 148

To be introduced by Dale Lindsay, General Manager, Development Services.

Purpose: To request funding for the City of Nanaimo's sponsorship of the 2021 Vancouver Island Economic Alliance Conference.

Recommendation: That the Finance and Audit Committee recommend that Council sponsor the 2021 Vancouver Island Economic Alliance Summit as a platinum sponsor with a \$10,000 financial contribution.

8. OTHER BUSINESS:

9. ADJOURNMENT:

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE,
80 COMMERCIAL STREET, NANAIMO, BC
WEDNESDAY, 2021-MAR-17, AT 9:01 A.M.

Present: Mayor L. Krog, Chair
Councillor S. D. Armstrong
Councillor D. Bonner
Councillor T. Brown (joined electronically 9:38 a.m.)
Councillor B. Geselbracht
Councillor E. Hemmens
Councillor Z. Maartman
Councillor I. W. Thorpe
Councillor J. Turley

Staff: J. Rudolph, Chief Administrative Officer
R. Harding, General Manager, Parks, Recreation and Culture
B. Sims, General Manager, Engineering and Public Works
T. Doyle, Fire Chief
J. Le Masurier, Assistant Chief, Education and Training, Fire Rescue Department
A. Groot, Director, Facilities and Parks Operations
L. Mercer, Director, Finance
L. Wark, Director, Recreation and Culture
C. Davis, Manager, Parks Operations
W. Fulla, Manager, Business, Asset and Financial Planning
S. Pamminger, Manager, Infrastructure Planning and Energy
S. Gurrie, Director, Legislative Services
S. Snelgrove, Deputy Corporate Officer
K. Lundgren, Recording Secretary

1. CALL THE FINANCE AND AUDIT COMMITTEE MEETING TO ORDER:

The Finance and Audit Committee Meeting was called to order at 9:01 a.m.

2. APPROVAL OF THE AGENDA:

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

3. ADOPTION OF THE MINUTES:

It was moved and seconded that minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2021-FEB-17, at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

4. DELEGATIONS:

- (a) Peter Sinclair, Executive Director, Nanaimo Loaves and Fishes Food Bank, provided a PowerPoint presentation regarding a request for financial support from the City of Nanaimo (the City), in the amount of \$930,000, to build a warehouse and distribution centre at 1861 East Wellington Rd. He spoke regarding the success of the Nanaimo Loaves and Fishes Food Bank and the limitations of the current facility.

Committee discussion took place. Highlights included:

- Figures to evaluate food based on weight and dollar amount
- Nanaimo Loaves and Fishes' work is very valuable and appreciated
- Fundraising campaigns to raise funds for this project
- Potential partnerships with other groups for the use of the large scale kitchen in the new facility

5. REPORTS:

- (a) TK2140 Portable Radio Replacement - Fire Dispatch Transition

Introduced by Tim Doyle, Fire Chief.

- Advised the committee that \$58,000 has been added to year 2021 of the 2021-2025 Financial Plan for replacement of the Nanaimo Fire Rescue's portable radios
- The models currently in use are incompatible with Surrey's emergency signaling technology
- Emergency signalling technology allows the firefighter to signal the dispatch and provides information such as the unit number and the time of the call
- Surrey's communication consultant highly recommends the replacement of the radios

Committee discussion took place. Highlights included:

- The older models, that are being replaced, will be used for training purposes or situations where the emergency call button is not needed
- The information that is relayed to the dispatcher when the emergency signalling is activated (Unit ID number)

- (b) 2020 Budget CarryForwards

Introduced by Laura Mercer, Director, Finance.

- Informed the committee of the 2020 budget carried forward to 2021
- Carryforwards include projects that have not yet been completed and projects that have been delayed

(c) 2020 Surplus Allocation

Introduced by Laura Mercer, Director, Finance.

- Informed the committee of the 2020 surplus
- Listed some of the biggest drivers for the surplus. These included:
 - The COVID-19 Safe Restart Grant
 - Cost saving measures implemented prior to being aware of the COVID-19 Safe Restart Grant
 - Savings in the Parks and Recreation department due to COVID-19
 - Less traveling for conferences
 - Higher than anticipated revenues in business licensing
- The water fund recorded a deficit; user fees related to water are difficult to predict as it is based on many factors including consumption and weather

Councillor Brown joined electronically at 9:38 a.m.

- Advised leaving money in the reserve as a contingency measure

Jake Rudolph, Chief Administrative Officer, spoke regarding:

- Growth and the challenge to maintain service levels; particularly funding pressures in the RCMP
- Areas of interest may be brought forward for further discussion at the 2021-APR-14 Special Finance and Audit Committee meeting
- A large portion of the surplus funds are already committed to projects
- Consideration for the uncertainties of the future and unforeseen challenges

Committee discussion took place. Highlights included:

- Taking a conservative approach and leaving the money alone until the next budget
- Suggestion that part of the surplus be allocated to lowering taxes and sewer rates
- Desire to help the Nanaimo Loaves and Fishes with their ask for funding
- Recognizing the potential for a third wave of COVID-19

It was moved and seconded that the Finance and Audit Committee recommend that Council approve the allocation of the 2020 operating surplus as follows:

1. General Fund
 - a. Special Initiatives Reserve \$7,482,599
 - b. Property Acquisition Reserve \$1,000,000Total: \$8,482,599
2. Sewer Fund
 - a. Sewer Reserve \$589,873
 - b. Sewer Financial Stability Reserve \$28,751Total: \$618,624

The motion carried unanimously.

(d) Kal's Replay Fund

Introduced by Laura Mercier, Director, Finance.

- Advised the committee that the City has submitted a grant application totaling \$28,519 to Kal Tire's RePlay Fund
- The funding will go towards the Harewood Centennial Park Accessible and Inclusive Playground Upgrade Project
- Funding expected to be announced April 2021

(e) Sponsorship Asset Inventory and Valuation for the City of Nanaimo, Request for Proposals to be Issued

Introduced by Laura Mercer, Director, Finance.

- The Request for Proposals (RFP) for a Sponsorship Asset Inventory and Valuation is ready to be issued and anticipate that the contract will be awarded late May 2021
- Consultants to provide a comprehensive Sponsorship Asset inventory and valuation. Deliverables will include:
 - Identifying all sponsorship assets
 - Developing both an outsource and internal (City-resourced) strategy
 - Drafting a Sponsorship Policy

Committee discussion took place. Highlights included:

- Pleased to see the Sponsorship Asset Inventory and Valuation project moving ahead
- Possibility of taking advantage of sponsorship opportunities in the short term
- This project will allow the City to generating additional revenue

(f) Port Theater - Chiller Equipment Renewal and Low Carbon Electrification Options

Introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

Scott Pamminger, Manager, Infrastructure Planning and Energy, gave an overview of the Port Theater chiller equipment renewal project. Highlights included:

- The chiller equipment that is used for cooling in the Port Theater is in need of replacement
- An electrification study was conducted that outlines three options
- Two of the presented options would reduce Green House Gas (GHG) emissions

Committee discussion took place regarding Option A (Air Source Heat Recovery Heat Pump) which would include the added benefit of both heating and cooling and has a better GHG emission than the other options.

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to:

1. Proceed with installing the recommended Option A – Air Source Heat Recovery Heat Pump system to replace the existing chiller; and,
2. Increase the budget for the Port Theatre Chiller Replacement project by \$500,799 in 2021 funded by \$150,000 from the Emission Reduction Reserve and \$350,799 from the General Asset Management Reserve.

The motion carried unanimously.

(g) Serauxmen Stadium Maintenance for 2021

Introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

- Requesting approval to amend the 2021 Parks Operations budget to include funding for additional facility and field maintenance of Serauxmen Stadium

Committee discussion took place. Highlights included:

- Funding to come from General Revenue as the maintenance of the stadium would be long term
- The Serauxmen Stadium is a tremendous asset to our community, a valuable investment, and another source of income for the City.

It was moved and seconded that the Finance and Audit Committee recommend that Council approve adding \$59,113 to the 2021 Parks Operations Budget for Parks and Facility Operations to conduct additional facility and field maintenance of Serauxmen Stadium, to be funded from General Revenue. The motion carried unanimously.

(h) Beban Park Pool Improvements for 2021

Introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

- To obtain approval to amend the 2021-2025 Financial Plan to include funding for facility upgrades at Beban Park Pool
- Changes and upgrades will improve change rooms as well as reduce touch points in the facilities

Art Groot, Director, Facility and Parks Operations, spoke regarding the opportunity to take advantage of the current extended closure at Beban Park Pool to perform these upgrades.

It was moved and seconded that the Finance and Audit Committee recommend that Council amend the 2021-2025 Financial Plan to include \$255,000 in 2021 for change room and washroom upgrades at Beban Park Pool, to be funded from the Facility Development Reserve. The motion carried unanimously.

(i) Proposed Development of a Medium-Sized Stadium at NDSS Community Field

Introduced by Richard Harding, General Manager, Parks, Recreation and Culture.

- At the 2020-JUL-27 Special Council Meeting, Council directed Staff to present the concept of a medium-sized stadium at NDSS Community Field to School District 68 and other stakeholders.
- Staff have received support from user groups
- Staff can provide a phased implementation plan for the development of a medium-sized stadium at the NDSS Community Field
- Using NDSS community field as the stadium-site is that it will benefit other surrounding venues, such as the Serauxmen Stadium and Rotary Bowl

Committee discussion took place. Highlights included:

- Requesting that the Advisory Committee on Accessibility and Inclusiveness provide feedback on the implementation plan
- Parking and transit
- Benefit of centralizing amenities in that area

It was moved and seconded that the Finance and Audit Committee recommend that Council approve:

1. The NDSS Community Field be designated as the medium-sized stadium site for the City of Nanaimo;
2. That a phased implementation plan with options and costing be developed for Council's review and consideration in making NDSS Community Field a medium-sized stadium;
3. That in development of the phased improvement plan, that shared amenities that would benefit Rotary Bowl and Serauxmen Stadium be included; and,
4. That the current Joint Use Agreement with School District #68 be updated to address any changes required of this location being a medium-sized stadium.

The motion carried unanimously.

6. OTHER BUSINESS:

(a) Nanaimo Loaves and Fishes Food Bank

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to review the Nanaimo Loaves and Fishes Community Food Bank's ask for funding, identify options and provide a report to Council for information. The motion carried unanimously.

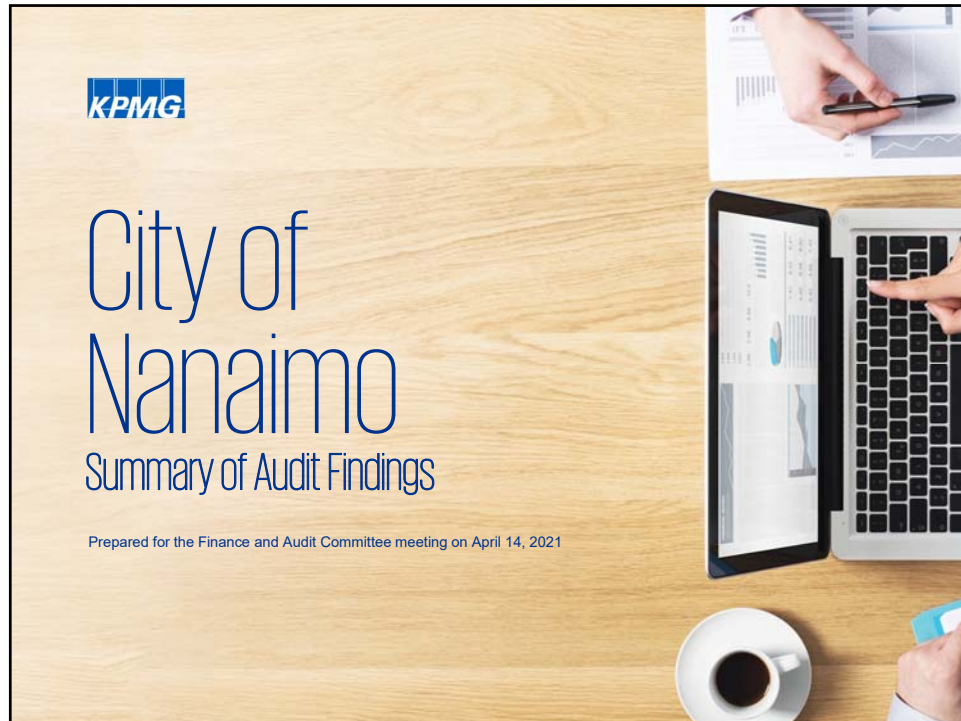
7. ADJOURNMENT:

It was moved and seconded at 10:25 a.m. that the meeting adjourn. The motion carried unanimously.

C H A I R

CERTIFIED CORRECT:

CORPORATE OFFICER



Audit Status

We have completed the audit with the exception of:

- *Discussions with the Finance and Audit Committee*
- *Council's approval of the financial statements*
- *Obtaining the signed management representation letter*
- *Completing subsequent event review procedures*

We anticipate issuing a "clean" audit opinion.

We received the full cooperation of management throughout the audit.



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2

Areas of focus

- Management override

- Professional standards
- Required procedures
- Satisfied in our findings

- Areas of audit focus (no issues noted):

- Tangible capital assets and developer contributed capital assets
- Cash and investments
- Revenues and receivables management
- Salaries and benefits
- Expenses, procurement and payables
- COVID-19



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3

Audit response to financial reporting impacts of COVID-19

- We performed substantive analytical procedures over User Fee and Sale of Services revenues specifically related to:
 - Recreation programs revenue decline
 - Casino revenue decline
 - Vancouver Island Conference Centre revenue decline
- We worked with management to customize the wording of COVID related disclosures for the City's specific situation



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4

New auditing standard

| Standard | Overview |
|--|---|
| CAS 540 Auditing Accounting Estimates and Related Disclosures | <p>The new standard was effective for the City's 2020 fiscal year-end.</p> <p>Impact on the audit:</p> <ul style="list-style-type: none"> - Performed granular risk assessment to identify estimates which may result in a material misstatement due to estimation uncertainty, subjectivity and/or complexity. - We concluded that the compensated absences and termination benefits estimate had a risk of material misstatement due to estimation uncertainty that was greater than remote. - In response we analyzed in detail each of the components of the estimate (method, data, assumptions). - Additional detailed written representations were required from management. - No issues were noted as a result of these additional procedures. |



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5

Audit differences

One corrected audit disclosure difference:

- Decrease of \$330K to contractual rights disclosure to exclude contract liabilities based on variable future revenues.

Minor presentation and disclosure adjustments

No uncorrected adjustments



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6

Management letter

Update on previous year's other control deficiencies in internal controls over financial reporting related to:

- Expense report review, authorization and policies

No significant or other control deficiencies identified in the current year to bring to the Committee's attention



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7



Questions



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.





Projected Property Tax Increases

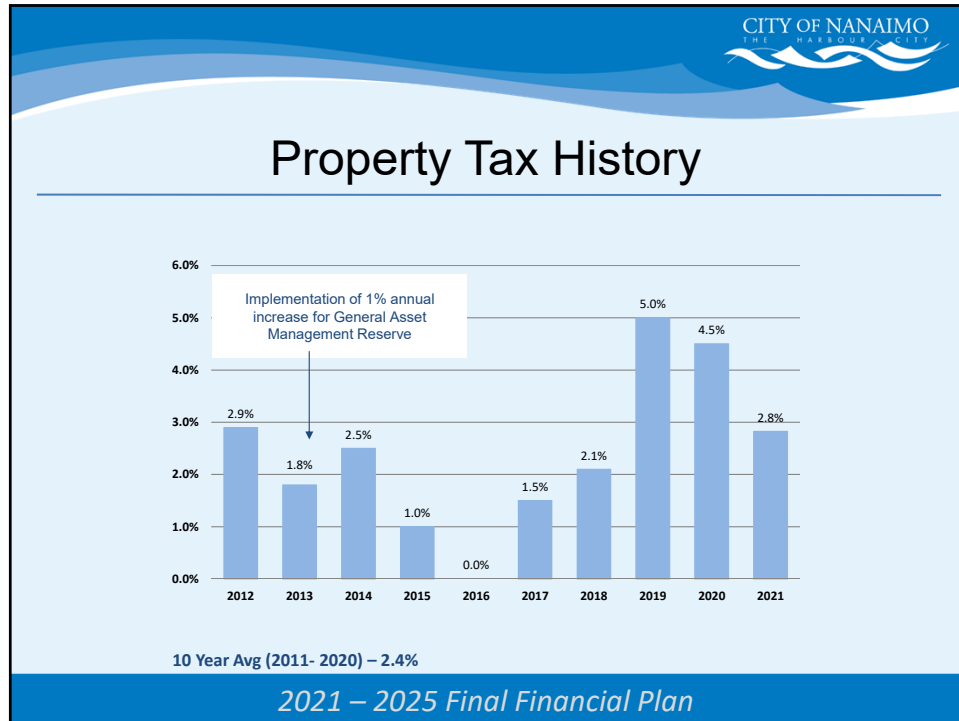
| | Pandemic 2021 | Recovery - New Normal 2022 | 2023 | 2024 | 2025 |
|----------------------------------|------------------|----------------------------------|-------------|-------------|-------------|
| General Asset Management Reserve | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| General Property Tax Increase | 1.8% | 2.4% | 2.5% | 2.2% | 1.7% |
| Total Municipal Taxes | 2.8% | 3.4% | 3.5% | 3.2% | 2.7% |

Reserve Funding Allocated to Reduce Property Taxes

| | 2021 | 2022 | 2023 |
|-------------------------------------|------------------|----------------|----------------|
| Special Initiatives Reserve | 400,000 | 800,000 | 200,000 |
| General Financial Stability Reserve | 1,408,806 | | |
| | 1,808,806 | 800,000 | 200,000 |

Council allocated up to an additional \$400,000 from Special Initiatives Reserve to reduce property taxes to 3% in 2021. None of the additional funding was required as proposed property taxes are less than 3% in 2021.

2021 – 2025 Final Financial Plan

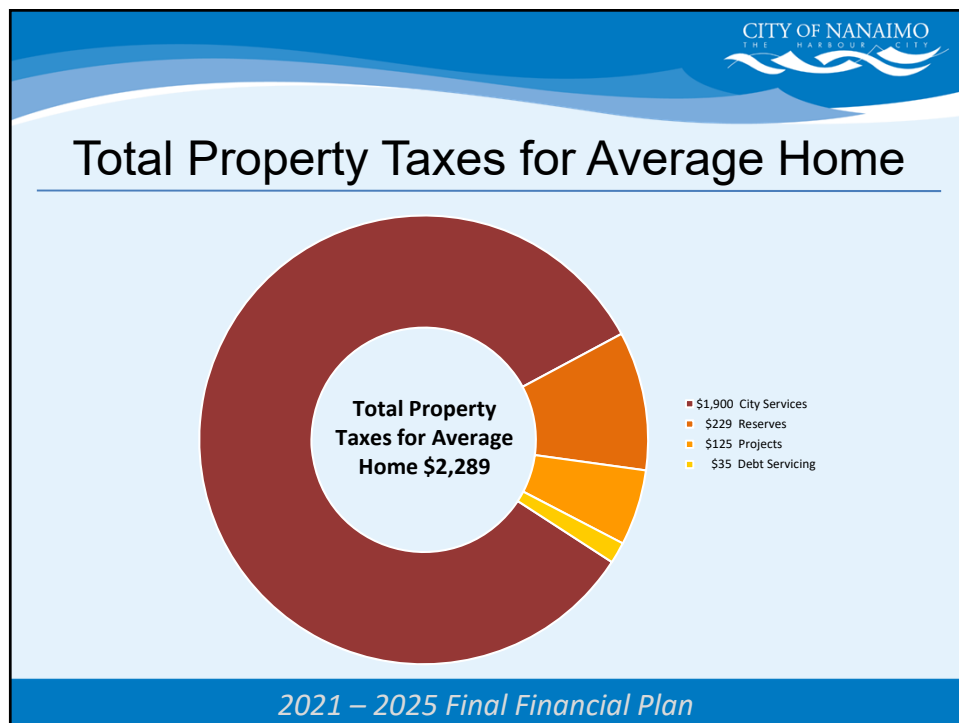
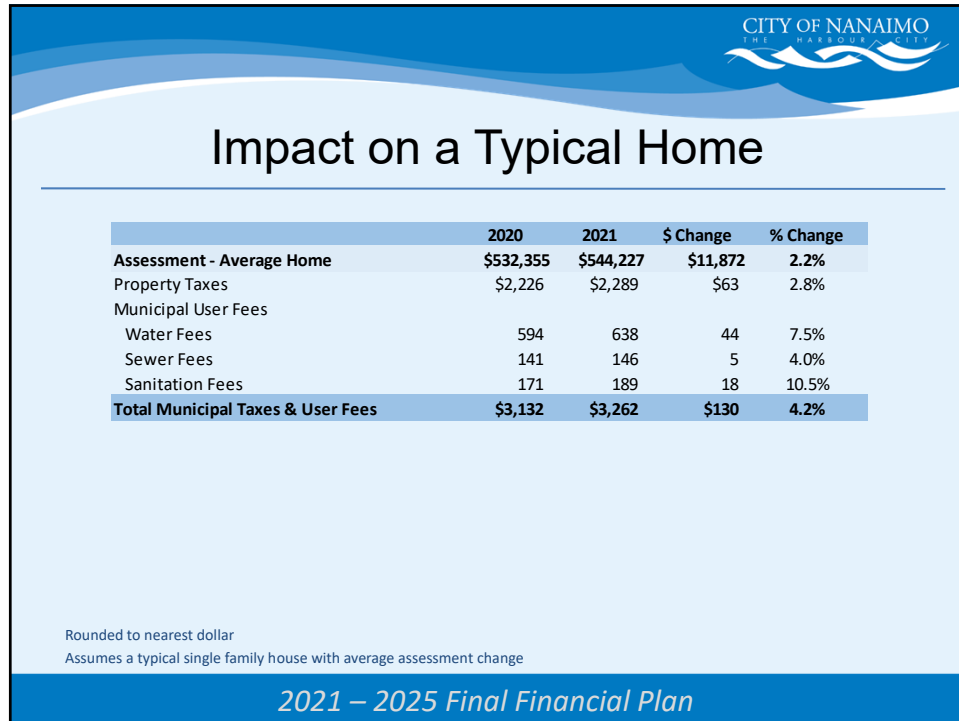


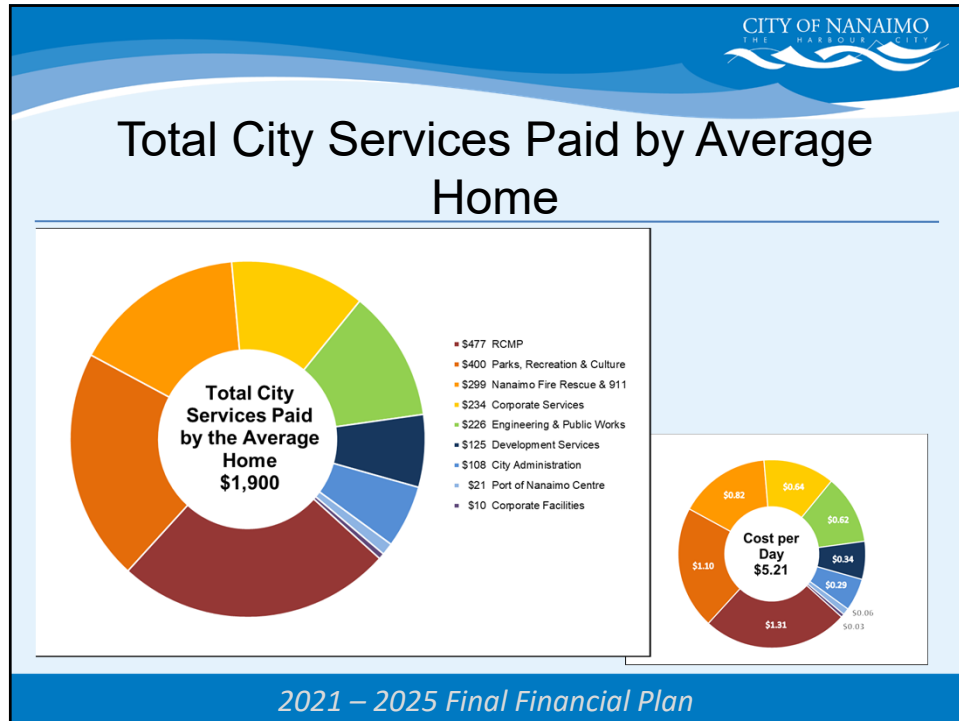
CITY OF NANAIMO
THE HARBOUR CITY

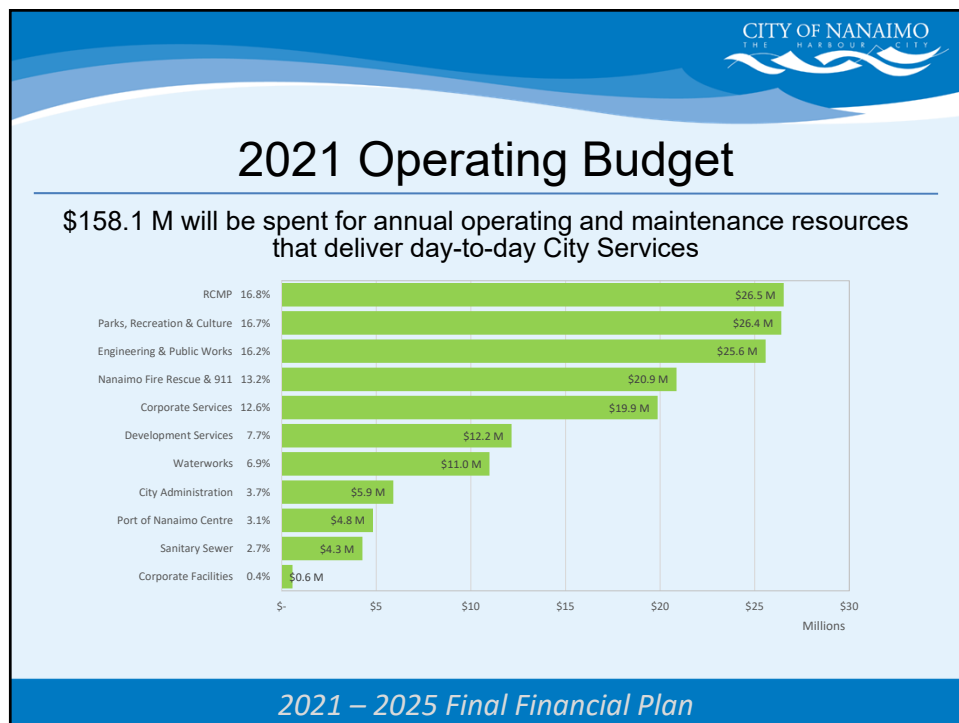
TYPICAL HOME

EXCLUDES PROPERTY TAXES COLLECTED FOR THE
RDN, SCHOOL DISTRICT, HOSPITAL AND VANCOUVER
ISLAND REGIONAL LIBRARY

2021 – 2025 Final Financial Plan









| 2021 Changes That Impacted Property Taxes | | |
|--|------------------|---------------|
| Aquatics - Net | 22,300 | 0.02% |
| Arenas - Net | (29,000) | -0.03% |
| Health & Housing Initiatives | | |
| Add Operating Budget | 480,000 | |
| Remove Daytime Drop In Centre | (100,000) | |
| | 380,000 | 0.33% |
| Insurance - Corporate | (29,300) | -0.03% |
| Investment Income | (400,000) | -0.35% |
| Management Consulting - Intelligent City/Virtual City Hall | 60,000 | 0.05% |
| Mayor's Leaders' Table | 12,000 | 0.01% |
| Other | (10,400) | -0.01% |
| Parking - Net | 109,200 | 0.10% |
| RCMP Contract - Fleet Units | 70,600 | 0.06% |
| RDN Recreation Sharing Agreement | 72,500 | 0.06% |
| Recreation | (10,800) | -0.01% |
| Serauxmen Stadium Maintenance - Net | 59,100 | 0.05% |
| Special Initiatives Reserve Funding to Reduce Taxes to 3% | 355,400 | 0.31% |
| Growth | (836,700) | -0.73% |
| Total | (175,100) | -0.15% |
| Provisional Property Tax Increase | | 3.0% |
| Net Changes | | -0.2% |
| Proposed Final Property Tax Increase | | 2.8% |

Rounded to nearest hundred dollars

2021 – 2025 Final Financial Plan

| CITY OF NANAIMO THE HARBOUR CITY | |
|--|----------------|
| 2021 Other Changes | |
| Funded From 911 Reserve and General Financial Stability Reserve | |
| Fire Adjustment Plan - Net | 718,995 |
| net impact to property taxes 2022 - 2025 \$472,825 | |
| Total | 718,995 |
| Funded From General Asset Management Reserve | |
| Nanaimo Fire Rescue - Radio Replacement | 58,000 |
| Port Theatre Chiller | 350,799 |
| Total | 408,799 |
| Funded From General Capital Reserve | |
| Civic Precinct Study | 25,000 |
| Total | 25,000 |
| Funded From Emission Reduction Reserve | |
| Port Theatre Chiller | 150,000 |
| Total | 150,000 |
| Funded From Facility Development Reserve | |
| Beban Pool Changeroom/Washroom Upgrades | 255,000 |
| Total | 255,000 |
| Funded From Grants/Private Contributions | |
| Alternative Transportation Education & Marketing | 1,600 |
| FireSmart | 49,380 |
| Nanaimo Situation Table | 30,000 |
| Serauxmen Stadium | 150,000 |
| Total | 230,980 |
| 2021 – 2025 Final Financial Plan | |

| CITY OF NANAIMO THE HARBOUR CITY | |
|--|------------------|
| 2021 Other Changes | |
| Funded From IT Reserve | |
| Microsoft 365 Implementation | 50,000 |
| ERP Replacement | 60,000 |
| Total | 110,000 |
| Funded from Parkland Dedication and Parks DCC Reserve | |
| Property Acquisitions | 1,260,044 |
| Total | 1,260,044 |
| Funded From PILT's | |
| Wesley Street Cleanup | 38,100 |
| Total | 38,100 |
| Funded From RCMP Contract Reserve | |
| RCMP Contract - Fleet Units | 250,000 |
| Total | 250,000 |
| Funded From Strategic Infrastructure Reserve | |
| Downtown Transit Exchange Functional Design | 250,000 |
| Total | 250,000 |
| Funded From Special Initiatives Reserve | |
| Haliburton Sidewalk - Design (\$499k 2022 Construction) | 55,000 |
| Total | 55,000 |
| 2021 – 2025 Final Financial Plan | |

CITY OF NANAIMO
THE HARBOUR CITY

2021 COVID Internal Order Update

Council allocated \$500,000 from the Special Initiatives Reserve to a 2021 COVID Internal Order to cover continuing and potential new costs related to the pandemic.

To date the internal order has been allocated to:

- Facility Ambassadors
 - SARC Facility Ambassador to July 2, 2021
 - Extension of PRC Facility Ambassadors from April 1 to August 31 under a modified service model
- Security Services – SARC and City Hall
- Portable Toilets – SARC, Prideaux St, Bastion, Terminal and Oliver Woods Community Centre
- Laptops – Purchases and leases for staff working remotely
- 2 Trailers – To address space issues at Police Services
- Personal Protective Equipment – Additional partitions, masks, wipes, etc
- Other costs related to COVID

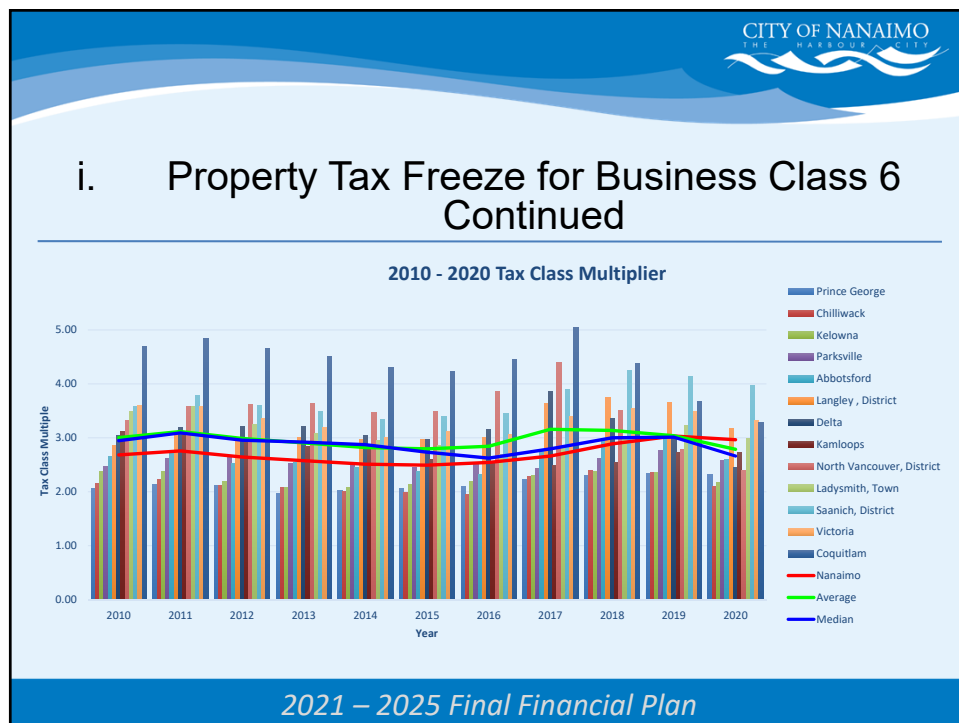
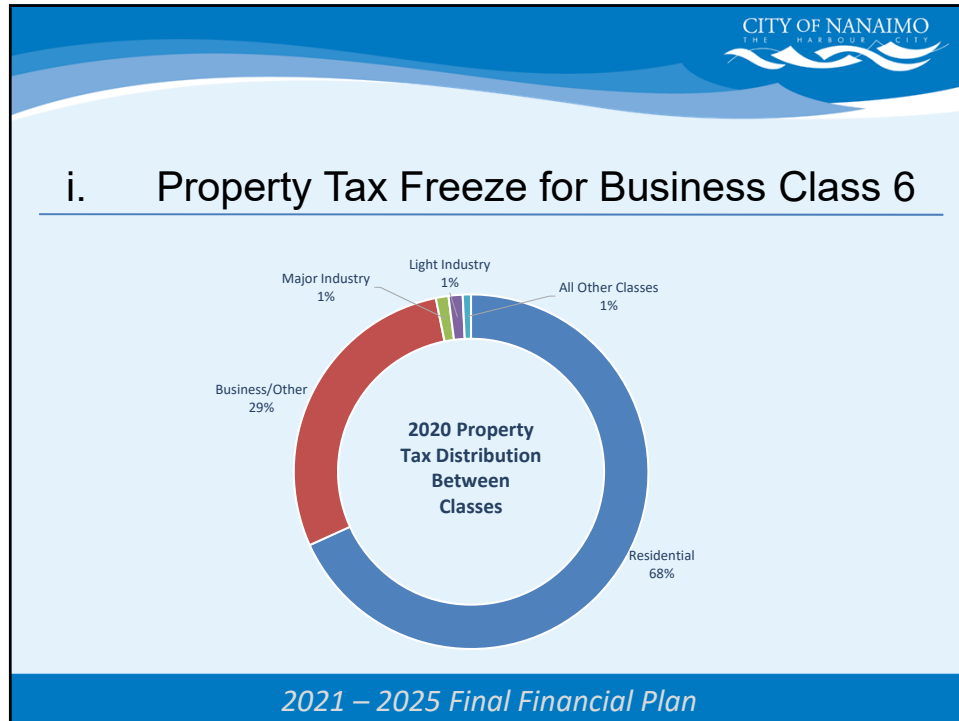
2021 – 2025 Final Financial Plan


CITY OF NANAIMO
THE HARBOUR CITY

COUNCIL DISCUSSION POINTS



2021 – 2025 Final Financial Plan





i. Property Tax Freeze for Business Class 6 Continued


| Residential Class Properties | | | | | |
|------------------------------|-------------|-----------|-----------|-----------|-----------|
| | Provisional | Senario 1 | Senario 2 | Senario 3 | Senario 4 |
| 2021 | 3.0% | 4.3% | 4.3% | 3.0% | 2.8% |
| 2022 | 3.4% | 2.2% | 3.4% | 4.3% | 3.4% |
| 2023 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2024 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2025 | 2.6% | 2.6% | 2.6% | 2.6% | 2.8% |

*Includes both Asset Management Reserve and General Taxation increases

| Business Class Properties | | | | | |
|---------------------------|-------------|-----------|-----------|-----------|-----------|
| | Provisional | Senario 1 | Senario 2 | Senario 3 | Senario 4 |
| 2021 | 3.0% | 0.0% | 0.0% | 0.0% | 2.8% |
| 2022 | 3.4% | 6.4% | 3.4% | 4.3% | 3.4% |
| 2023 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2024 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2025 | 2.6% | 2.6% | 2.6% | 2.6% | 2.8% |

*Includes both Asset Management Reserve and General Taxation increases

2021 – 2025 Final Financial Plan



i. Property Tax Freeze for Business Class 6 Continued

Possible Scenarios for freezing property taxes for Business Class 6 for one year.

Information report provides impact of various scenarios

Scenario 1

- Shift to Residential Class 1 and back to Business Class 6 in 2022

Scenario 2

- Shift to Residential Class 1 permanently

Scenario 3

- Use funding from Special Initiatives Reserve to fund Business Class 6 increase in 2021

Scenario 4

- Use funding from Special Initiatives Reserve to reduce property taxes for all classes

Options:

That the Finance and Audit Committee recommend that Council direct staff to:

- Implement scenario 1, 2, 3 or 4; or
- Proceed with the calculation of property taxes as presented

2021 – 2025 Final Financial Plan

ii. Records and Information Specialist

To ensure capacity to successfully implement, on time and on budget, the records management project and provide on-going support.

Business case provided

- July 1st Implementation

Funding Source:

- General Revenue ~ 0.04% in 2021 and ~0.04% in 2022

Option:

That the Finance and Audit Committee recommend that Council add a Records and Information Specialist position to the 2021 – 2025 Financial Plan effective July 1, 2021 funded from general revenue.

2021 – 2025 Final Financial Plan

iii. Development Service Recommendations - Staffing

To support the creation of two building permit fast track streams as recommended in the Building Permit Function Review, add an additional Building Supervisor and an additional Building Official.

- July 1st Implementation


Funding Source:

- General Revenue ~ 0.11% in 2021 and ~0.09% in 2022

Option:

That the Finance and Audit Committee recommend that Council add a Building Supervisor position and a Building Official position to the 2021 – 2025 Financial Plan effective July 1, 2021 funded from general revenue.

2021 – 2025 Final Financial Plan


CITY OF NANAIMO
THE HARBOR CITY

iv. Development Service Recommendations - Software

To support investment in technology as recommended in the Building Permit Function Review to support implementation of improvements to the online application system including ability for cost recovery option for credit card fees.

2021 Budget - \$375,000 estimate
A request for proposals would be undertaken to refine cost estimates and determine the best product solution

Ongoing Budget - \$150,000/yr, estimate for annual software license

Funding Sources:

- Special Initiatives Reserve and/or General Revenue for 2021 implementation and licensing costs
- General Revenue for ongoing annual software license

The City will pursue a grant for the software from the Local Government Development Approvals Program and if grant application is successful any grant funding received will offset City funding

Option:
That the Finance and Audit Committee recommend that Council add \$375,000 to 2021 of the 2021 – 2025 Financial Plan for online application system improvements and \$150,000 for annual operating costs.

2021 – 2025 Final Financial Plan


CITY OF NANAIMO
THE HARBOR CITY

v. Development Service Recommendations - Implementation

To support implementation of the recommendations in the Building Permit Function Review allocate \$25,000 in 2021 for consulting services to assist with:

- Developing a terms of reference for Joint Building Permit Advisory Working Group
- Developing eligibility criteria for the proposed Fast Track Program & specific elements, requirements and terms for the proposed Approved Professionals Pilot Project.
- Reviewing and updating internal process guides and supporting the development of an internal service agreement.

Funding Sources:

- Special Initiatives Reserve
- General Revenue

The City will pursue a grant for funding to assist in the implementation of the recommendations from the Building Permit Function Review from the Local Government Development Approvals Program and if grant application is successful any grant funding received will offset City funding

Option:
That the Finance and Audit Committee recommend that Council add \$25,000 to 2021 of the 2021 – 2025 Financial Plan to support implementation of the recommendations in the Building Permit Function Review.

2021 – 2025 Final Financial Plan



vi. South End Recreation Centre Feasibility Study

Allocate \$200,000 for a feasibility study and conceptual design for South End Recreation Centre, including:

- Stakeholder engagement – programming requirements, community needs
- Conceptual design – review through public process
- Class 'D' budget or opinion of probable costs

Funding Source:

- Special Initiatives Reserve

Option:

That the Finance and Audit Committee recommend that Council add \$200,000 to 2021 in the 2021 – 2025 Financial Plan for a South End Recreation Centre Feasibility Study funded from the Special Initiatives Reserve

2021 – 2025 Final Financial Plan



vii. Haliburton Street Sidewalk

At the Council meeting on March 15th it was moved and seconded that Council accelerate in the Financial Plan the Haliburton Street Sidewalk project.

Revised timeline:

- Design – 2021
- Construction - 2022


Funding Source:

March 15th motion changed funding source from Community Works Fund to Special Initiatives Reserve

Motion:

That the Finance and Audit Committee recommend that Council fund the acceleration of the Haliburton Street Sidewalk to 2021/2022 from the Community Works Reserve Fund.

2021 – 2025 Final Financial Plan



viii. Health and Housing Task Force


At the Special Finance and Audit Committee meeting on December 4th it was moved and seconded that Council reserve \$400,000 from the Special Initiatives Reserve and \$100,000 from the Daytime Resource Centre, to be allocated to the 2021 Budget, for the recommendations coming from the Health and Housing Task Force.

Subsequent to this motion being approved by Council at the December 14 Special Council meeting, Council approved that \$380,000 be added to the 2021 – 2025 Financial Plan for Health and Housing Initiatives; and that \$100,000 allocated for the Daytime Resource Centre be reallocated to Health and Housing Initiatives in the 2021 – 2025 Financial Plan.

Motion:

That the Finance and Audit Committee recommend that Council not reserve \$400,000 in funding from the Special Initiatives Reserve for recommendations coming from the Health and Housing Task Force as a budget line item has been added to 2021 to 2025 of the 2021 – 2025 Financial Plan.

2021 – 2025 Final Financial Plan




Summary of Discussion of Points

| Discussion Point | Funding Source | Projected Property Tax Impact | |
|--|--|-------------------------------|-------|
| | | 2021 | 2022 |
| i Property Tax Freeze Class 6 | General Revenue | 0.04% | 0.04% |
| ii Records and Information Specialist | General Revenue | 0.11% | 0.09% |
| iii Building Supervisor and Building Official | General Revenue and Reserves | 0 - 0.33% | 0.13% |
| iv Online Applications Software | General Revenue or Reserves | 0 - 0.02% | |
| v Development Services Review Implementation | Reserves | | |
| vi South End Recreation Centre Feasibility Study | Change Funding Source from Special Initiatives Reserve to Community Works Fund | | |
| vii Halliburton Street Sidewalk | Removing Reserving of Funds in Special Initiatives Reserve | | |
| viii Health And Housing Task Force | | | |

2021 – 2025 Final Financial Plan

| CITY OF NANAIMO THE HARBOUR CITY | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| Strategic Infrastructure Reserve | | | | | |
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| Contributions | | | | | |
| Projected Opening Balance | 4,025,304 | 1,051,426 | 727,664 | 1,962,691 | 3,216,244 |
| Interest | 37,792 | 13,244 | 20,027 | 38,553 | 57,356 |
| Casino Revenue | | 1,256,250 | 1,675,000 | 1,675,000 | 1,675,000 |
| Fortis Revenue | 440,000 | 440,000 | 440,000 | 440,000 | 440,000 |
| Total Annual Contributions | 477,792 | 1,709,494 | 2,135,027 | 2,153,553 | 2,172,356 |
| Withdrawals | | | | | |
| 3 D Nanaimo Sign | 10,000 | | | | |
| Diana Krall Plaza Redevelopment Plan | 10,000 | | | | |
| Downtown Transit Exchange Functional Design | 250,000 | | | | |
| Downtown Way-Finding Signage | 91,773 | | | | |
| EMR Training | 72,900 | 60,000 | | | |
| Haliburton St Area WM & PED/CYC | 300,000 | | | | |
| Harewood Centennial Park - Turf Field* | 119,250 | 1,073,256 | | | |
| Long Lake Paddling & Rowing Centre: Design | 83,739 | | | | |
| Marie Davidson Bike Park: Design | 5,195 | | | | |
| Nanaimo Art Gallery - Feasibility Study | 25,000 | | | | |
| Ped Transportation Improvements | 1,247,168 | 300,000 | 300,000 | 300,000 | 300,000 |
| Property Acquisitions | 662,320 | 600,000 | 600,000 | 600,000 | 600,000 |
| Public Engagement | 13,500 | | | | |
| Rotary Centennial Gardens | 3,419 | | | | |
| VIU Bikeways - Albert Street | 300,000 | | | | |
| Waterfront Walkway - #1 Port Drive | 257,406 | | | | |
| Total Withdrawals | 3,451,670 | 2,033,256 | 900,000 | 900,000 | 900,000 |
| Projected Closing Balance | 1,051,426 | 727,664 | 1,962,691 | 3,216,244 | 4,488,600 |
| *If grant application is successful | | | | | |
| minimum target balance \$320,183 | | | | | |
| 2021 – 2025 Final Financial Plan | | | | | |

| CITY OF NANAIMO THE HARBOUR CITY | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| Special Initiatives Reserve | | | | | |
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| Withdrawals | | | | | |
| Projected Opening Balance | 12,195,731 | 5,700,004 | 4,043,604 | 3,606,104 | 3,405,604 |
| 2021 Pandemic Response | 500,000 | | | | |
| 2021 Projects Reinstated | 883,120 | | | | |
| Community Clean Team - Pilot Extension | 248,300 | | | | |
| Community Connect Grant - Pilot Extension | 147,000 | | | | |
| Community Watercourse Restoration Grant | 20,000 | 20,000 | | | |
| Corporate Asset Management System | 40,500 | 182,400 | 237,500 | 200,500 | |
| Haliburton Sidewalk | 55,000 | 499,000 | | | |
| Health & Housing Task Force Recommendations - Reserved | 400,000 | | | | |
| Offset Parking Loss | 84,000 | | | | |
| Project Engineer | 155,000 | 155,000 | | | |
| Property Tax Reduction | 400,000 | 800,000 | 200,000 | | |
| Property Tax Reduction - Reserved | 400,000 | | | | |
| SARC: Modifications | 723,092 | | | | |
| Sponsorship Project | 100,000 | | | | |
| Start Date Reinstated to January 1 (3 Positions) | 217,748 | | | | |
| VICC: Audio Visual Upgrade | 1,121,967 | | | | |
| VIU Bikeways - Albert Street | 1,000,000 | | | | |
| Total Withdrawals | 6,495,727 | 1,656,400 | 437,500 | 200,500 | - |
| Projected Closing Balance | 5,700,004 | 4,043,604 | 3,606,104 | 3,405,604 | 3,405,604 |
| Council has allocated up to \$400,000 to reduce property taxes to 3% in 2021, current Final 2021 – 2025 Financial Plan does not use any of the additional funds | | | | | |
| 2021 – 2025 Final Financial Plan | | | | | |



Next Steps

- May 3rd
 - Financial Plan Amendment Bylaw to Council for first three readings
 - Property Tax Bylaw to Council for first three readings
- May 10th
 - Financial Plan Amendment Bylaw and Property Tax Bylaw for adoption

Financial Plan Amendment Bylaw must be adopted by May 15th
Bylaws allows staff to calculate and collect 2020 property taxes

2021 – 2025 Final Financial Plan

Staff Report for Decision

DATE OF MEETING APRIL 14, 2021

AUTHORED BY DAN BAILEY, MANAGER, ACCOUNTING SERVICES

SUBJECT 2020 ANNUAL FINANCIAL STATEMENTS

OVERVIEW

Purpose of Report

To present the 2020 Annual Financial Statements for acceptance by the Finance and Audit Committee.

Recommendation

That the Finance and Audit Committee recommend that Council accept the 2020 Annual Financial Statements for the City of Nanaimo.

BACKGROUND

The Canadian audit standards require that “those with the recognized authority have asserted that they have taken responsibility for the financial statements” prior to the issuance of the audit report. The City’s auditors, KPMG, have completed the audit work and are prepared to issue an unqualified opinion that the financial statements fairly represent the financial position of the City as at 2020-DEC-31, once the Council has accepted the statements.

As noted in the Management Report, Council has delegated to management 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. Section 167(4) of the *Community Charter* states, by May 15 in each year, a municipality must submit to the Inspector of Municipalities its audited financial statements for the preceding year.

Highlights of the Financial Statements

- Accumulated operating surplus has been allocated to reserves in accordance with the new reserve policy, which was effective on 2020-JAN-01. \$7.5 million of the \$8.5 million general operating surplus from 2020 was allocated to the Special Initiatives reserve, and the remaining \$1.0 million was transferred to the Property Acquisition reserve. The \$600,000 sewer operating surplus was transferred to sewer reserves.

- Funds held in reserves total \$217.7 million at 2020-DEC-31 (2019 – \$174.4 million), allocated as follows:

| | |
|--|------------------------|
| Work in progress | \$ 56.2 million |
| Reserve accounts (surplus appropriations) | 33.3 |
| Development Cost Charges (developer contributions) | 56.8 |
| Statutory Reserves | <u>71.4</u> |
| | <u>\$217.7</u> million |

A listing of reserve accounts is shown on page 32 of the 2020 Financial Statements (Attachment A). The majority of the funds have been set aside for specific projects or purposes. Work in progress funds have been targeted to be used to fund existing operating or capital projects in the 2021 – 2025 budget.

- Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2020 totaled \$7.9 million (2019 – \$7.6 million). The City continues to construct growth-related projects, which are funded from DCC's (\$1.7 million in 2020).
- Statutory Reserves are established by bylaw and can only be used for the purposes specified in the bylaw. A listing of each statutory reserve fund and their balance at 2020-DEC-31 are as follows:

| | |
|--|---------------|
| Community Works Reserve Fund (Gas Tax Agreement) | \$ 15,088,694 |
| Equipment Depreciation Reserve | \$ 9,066,494 |
| Facility Development (Recreation) Reserve | \$ 3,634,205 |
| Property Sales Reserve | \$ 3,129,464 |
| Knowles Estate Reserve | \$ 410,565 |
| Parkland Dedication Reserve | \$ 1,126,691 |
| Old City Neighborhood Parking Reserve | \$ 165,628 |
| General Asset Management Reserve | \$ 11,464,273 |
| Sewer Asset Management Reserve | \$ 3,441,257 |
| Water Asset Management Reserve | \$ 7,604,782 |
| Emission Reduction Reserve | \$ 513,697 |
| Copier Replacement Reserve | \$ 382,026 |
| Information Technology Reserve | \$ 1,827,833 |
| NDSS Community Field Reserve | \$ 94,661 |
| Parking Reserve | \$ 1,040,669 |
| 911 Reserve | \$ 1,596,057 |
| Property Acquisition Reserve | \$ 3,440,266 |
| Housing Legacy Reserve | \$ 2,973,608 |
| Strategic Infrastructure Reserve | \$ 4,025,304 |
| Sustainability Reserve | \$ 420,880 |

- Outstanding debt and debt servicing costs

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|------------------|------------------|
| Outstanding debt | \$ 39.3 million | \$ 41.6 million |
| Per capita debt | \$ 388 | \$ 417 |
| Net decrease in debt during the year | \$ (2.3) million | \$ (4.5) million |

Pages 20 and 21 of the 2020 Financial Statements provide note disclosure of the outstanding debt and details of the principal reductions for the next five years.

Tangible capital assets net book value totals \$749 million at 2020-DEC-31 (2019 - \$730 million). A detailed schedule is found on page 10 of the Statements. Capital asset acquisitions were \$46.3 million (2019 – \$56.7 million), including developer contributed assets of \$10.4 million (2019 - \$8.1 million).

OPTIONS

1. That the Finance and Audit Committee recommend that Council accept the 2020 Annual Financial Statements for the City of Nanaimo.
 - **Budget Implication:** If Council does not accept the 2020 Financial Statements, it could significantly impact the City's ability to borrow from the Municipal Finance Authority, as the City would not be compliant with Provincial reporting requirements.
2. The Finance and Audit Committee could request further information pertaining to the 2020 Financial Statements.

SUMMARY POINTS

- 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 2020-DEC-31, once Council has approved the statements.
- By May 15th in each year, a municipality must submit to the Inspector its audited financial statements for the preceding year.
- Funds held in reserve at 2020-DEC-31 were \$217.7 million.
- Outstanding debt at 2020-DEC-31 was \$39.3 million.
- Net book value of tangible capital assets at 2020-DEC-31 was \$749 million.

ATTACHMENTS:

Attachment A: 2020 Annual Financial Statements (including KPMG Audit Findings Report for the year ending 2020-DEC-31) |

Submitted by:

Dan Bailey
Manager, Accounting Services |

Concurrence by:

Laura Mercer
Director, Finance

Shelley Legin
General Manager, Corporate Services
|

ATTACHMENT A

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2020

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CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2020

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, 2020.

Jake Rudolph
Chief Administrative Officer

Laura Mercer, CPA, CGA
Director, Financial Services



KPMG LLP
800 – 730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Nanaimo

Opinion

We have audited the financial statements of the City of Nanaimo (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
 - the statement of operations for the year then ended
 - the statement of changes in net financial assets for the year then ended
 - the statement of cash flows for the year then ended
 - and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, including the schedules of operations by segment and tangible capital assets
- (hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
Date

CITY OF NANAIMO

STATEMENT OF FINANCIAL POSITION

as at December 31, 2020, with comparative figures for 2019

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 165,007,070 | \$ 86,646,891 |
| Accounts receivable (Note 2) | 24,891,134 | 19,378,525 |
| Development cost charges receivable (Note 3) | 1,175,580 | 514,789 |
| Temporary investments (Note 4) | 98,566,400 | 148,990,798 |
| | 289,640,184 | 255,531,003 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 5) | 48,233,281 | 38,209,488 |
| Compensated absences and termination benefits (Note 6) | 8,383,004 | 8,243,951 |
| Deferred revenue (Note 7) | 21,240,818 | 20,011,567 |
| Deferred development cost charges (Note 8) | 56,751,703 | 49,483,535 |
| Debt (Note 9) | 39,306,835 | 41,616,953 |
| | 173,915,641 | 157,565,494 |
| NET FINANCIAL ASSETS | 115,724,543 | 97,965,509 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 10) | 749,351,662 | 729,839,510 |
| Prepaid expenses | 1,694,346 | 1,834,973 |
| Inventories of supplies | 1,465,549 | 1,407,091 |
| | 752,511,557 | 733,081,574 |
| ACCUMULATED SURPLUS (Note 11) | \$ 868,236,100 | \$ 831,047,083 |

Commitments and contingencies (Note 12)

Contractual rights (Note 23)

Approved on behalf of the Council

Leonard Krog
Mayor

Ian Thorpe
Councillor

CITY OF NANAIMO

STATEMENT OF OPERATIONS

for the year ended December 31, 2020, with comparative figures for 2019

| | 2020 Budget (Note 14) | 2020 | 2019 |
|--|-----------------------------|----------------|----------------|
| REVENUES | | | |
| Taxes | \$ 118,235,289 | \$ 118,370,973 | \$ 111,483,549 |
| Payments in lieu of taxes | 2,042,980 | 2,111,857 | 2,077,224 |
| Taxation and payments in lieu (Note 15) | 120,278,269 | 120,482,830 | 113,560,773 |
| User fees and sales of services (Note 16) | 46,490,235 | 40,618,459 | 45,848,098 |
| Developer assets received (Note 10) | - | 10,400,599 | 8,134,351 |
| Transfers from other governments-operating (Note 17) | 4,935,576 | 9,730,686 | 4,565,401 |
| Other revenue | 5,338,528 | 6,960,051 | 7,904,144 |
| Investment income | 3,468,899 | 4,636,197 | 5,262,350 |
| Transfers from other governments-capital (Note 17) | 3,864,715 | 4,379,065 | 7,623,208 |
| Building permits | 1,800,000 | 1,790,008 | 2,062,637 |
| Development cost charges (Note 8) | 4,357,990 | 1,647,250 | 6,252,024 |
| Regional recreation sharing | 1,335,318 | 1,335,318 | 1,231,500 |
| Property rentals | 995,493 | 825,525 | 1,023,365 |
| Donations and contributions-capital | 862,559 | 735,524 | 1,865,131 |
| | 193,727,582 | 203,541,512 | 205,332,982 |
| EXPENSES | | | |
| Police | 32,034,859 | 32,238,119 | 29,605,427 |
| Engineering & public works | 31,630,223 | 29,559,454 | 28,031,568 |
| Parks, recreation & culture | 34,573,290 | 27,803,649 | 31,039,154 |
| Fire | 18,942,913 | 18,600,069 | 17,866,209 |
| Water | 18,431,966 | 16,508,376 | 15,996,314 |
| Corporate services | 16,794,360 | 15,306,364 | 14,333,478 |
| Development services | 14,545,134 | 11,130,954 | 11,586,686 |
| City administration | 6,257,074 | 6,111,310 | 5,506,080 |
| Sewer | 6,242,678 | 5,644,576 | 5,239,057 |
| Port of Nanaimo centre | 4,728,755 | 3,449,624 | 5,239,133 |
| | 184,181,252 | 166,352,495 | 164,443,106 |
| ANNUAL SURPLUS | 9,546,330 | 37,189,017 | 40,889,876 |
| ACCUMULATED SURPLUS - BEGINNING OF YEAR | 831,047,083 | 831,047,083 | 790,157,207 |
| ACCUMULATED SURPLUS - END OF YEAR | \$ 840,593,413 | \$ 868,236,100 | \$ 831,047,083 |

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2020, with comparative figures for 2019

| | | 2020 Budget (Note 14) | 2020 | 2019 |
|---|----|-----------------------------|-----------------------|---------------|
| ANNUAL SURPLUS | \$ | 9,546,330 | \$ 37,189,017 | \$ 40,889,876 |
| Acquisition of tangible capital assets | | (73,593,653) | (35,855,358) | (48,376,888) |
| In kind donations of capital assets | | - | (70,920) | (226,520) |
| Developer contributed capital assets | | - | (10,400,599) | (8,134,351) |
| | | (73,593,653) | (46,326,877) | (56,737,759) |
| Amortization of tangible capital assets | | 26,034,829 | 25,514,512 | 24,606,903 |
| (Gain) Loss on disposal of assets | | - | (283,403) | 679,600 |
| Proceeds on sale of tangible capital assets | | - | 1,583,616 | 3,521,501 |
| | | (47,558,824) | (19,512,152) | (27,929,755) |
| Acquisition of inventories of supplies | | - | (4,686,334) | (4,672,020) |
| Acquisition of prepaid expenses | | - | (1,221,664) | (1,467,558) |
| Consumption of inventories of supplies | | - | 4,627,876 | 4,525,748 |
| Use of prepaid expenses | | - | 1,362,291 | 1,257,892 |
| | | - | 82,169 | (355,938) |
| CHANGE IN NET FINANCIAL ASSETS | | (38,012,494) | 17,759,034 | 12,604,183 |
| NET FINANCIAL ASSETS - BEGINNING OF YEAR | | 97,965,509 | 97,965,509 | 85,361,326 |
| NET FINANCIAL ASSETS - END OF YEAR | \$ | 59,953,015 | \$ 115,724,543 | \$ 97,965,509 |

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2020, with comparative figures for 2019

| | 2020 | 2019 |
|--|----------------|---------------|
| CASH PROVIDED BY (USED FOR) | | |
| OPERATING TRANSACTIONS | | |
| Annual Surplus | \$ 37,189,017 | \$ 40,889,876 |
| Non-cash items | | |
| Amortization of tangible capital assets | 25,514,512 | 24,606,903 |
| Developer assets received | (10,400,599) | (8,134,351) |
| In kind donations of capital assets | (70,920) | (226,520) |
| (Gain) Loss on disposal of tangible capital assets | (283,403) | 679,600 |
| Development cost charges recognized as revenue | (1,647,250) | (6,252,024) |
| Actuarial adjustment on long term debt | (1,260,567) | (1,122,034) |
| Change in non-cash operating assets and liabilities | | |
| Accounts receivable | (6,173,400) | 1,730,010 |
| Accounts payable | 10,023,793 | 7,238,750 |
| Compensated absences termination benefits | 139,053 | 382,712 |
| Deferred revenue | 1,229,251 | 1,261,040 |
| Inventories of supplies | (58,458) | (146,272) |
| Prepaid expenses | 140,627 | (209,666) |
| Net change in cash from operating transactions | 54,341,656 | 60,698,024 |
| CAPITAL TRANSACTIONS | | |
| Cash used to acquire tangible capital assets | (35,855,358) | (48,376,888) |
| Proceeds from the sale of tangible capital assets | 1,583,616 | 3,521,501 |
| Net change in cash from capital transactions | (34,271,742) | (44,855,387) |
| INVESTING TRANSACTIONS | | |
| Change in investments | 50,424,398 | (9,047,059) |
| FINANCING TRANSACTIONS | | |
| Debt repayment | (3,456,136) | (3,381,656) |
| Deferred development cost charges | 8,915,418 | 8,770,142 |
| Proceeds from long term borrowing | 2,406,585 | - |
| Net change in cash from financing transactions | 7,865,867 | 5,388,486 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 78,360,179 | 12,184,064 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 86,646,891 | 74,462,827 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 165,007,070 | \$ 86,646,891 |

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2020

| | City Admin | Corporate Services | Development Services | Fire | Police | Port of Nanaimo Centre | Parks, Recreation & Culture | Engineering & Public Works | Sewer | Water | 2020 |
|-----------------------------------|------------------|--------------------|----------------------|-------------------|-------------------|------------------------|-----------------------------|----------------------------|------------------|-------------------|-----------------------|
| Revenues | | | | | | | | | | | |
| Taxes | \$ 6,023,354 | \$14,793,887 | \$ 6,622,570 | \$17,494,036 | \$29,765,516 | \$ 2,721,195 | \$23,160,195 | \$17,790,220 | \$ - | \$ - | \$ 118,370,973 |
| Payments in lieu of taxes | 112,433 | 178,473 | 123,618 | 326,546 | 555,607 | 50,794 | 432,311 | 332,075 | - | - | 2,111,857 |
| User fees | (100) | 127,002 | 1,092,158 | 121,849 | 62,273 | 670,016 | 2,691,171 | 6,827,192 | 8,215,799 | 20,811,099 | 40,618,459 |
| Developer assets | - | - | - | - | - | - | 3,330,526 | 5,294,858 | 864,675 | 910,540 | 10,400,599 |
| Other revenue | 60,234 | 756,440 | 2,750,929 | 2,078,907 | 404,392 | 16,502 | 414,128 | 394,089 | 560 | 83,870 | 6,960,051 |
| Development cost charges revenue | - | - | - | - | - | - | 17,801 | 824,360 | 266,624 | 538,465 | 1,647,250 |
| Government operating transfers | 719,512 | 357,206 | 709,397 | 410,764 | 1,990,291 | 60,130 | 4,880,187 | 394,187 | 90,000 | 119,012 | 9,730,686 |
| Government capital transfers | - | 3,866,429 | 32,000 | - | - | - | - | 480,636 | - | - | 4,379,065 |
| Investment income | 122,608 | 2,498,328 | 134,805 | 356,099 | 605,887 | 55,391 | 471,438 | 386,226 | - | 5,415 | 4,636,197 |
| Building permits | - | - | 1,790,008 | - | - | - | - | - | - | - | 1,790,008 |
| Regional recreation sharing | - | - | - | - | - | - | 1,335,318 | - | - | - | 1,335,318 |
| Property rentals | - | - | 286,500 | 7,908 | 274,644 | - | 187,821 | 47,652 | - | 21,000 | 825,525 |
| Donations - capital | - | - | - | - | - | - | 419,951 | 109,004 | 169,838 | 36,731 | 735,524 |
| | 7,038,041 | 22,577,765 | 13,541,985 | 20,796,109 | 33,658,610 | 3,574,028 | 37,340,847 | 32,880,499 | 9,607,496 | 22,526,132 | 203,541,512 |
| Expenses | | | | | | | | | | | |
| Wages and salaries | 4,001,183 | 7,930,344 | 7,667,318 | 15,594,431 | 5,133,703 | 1,075 | 13,493,126 | 10,565,886 | 1,180,424 | 3,564,491 | 69,131,981 |
| Contracted services | 1,418,950 | 3,122,851 | 2,757,544 | 1,464,003 | 26,528,680 | 1,818,934 | 6,640,084 | 7,385,553 | 1,016,836 | 1,902,698 | 54,056,133 |
| Amortization | 6,770 | 870,565 | 495,489 | 550,840 | 309,202 | 1,635,053 | 3,984,244 | 10,663,661 | 1,019,046 | 5,979,642 | 25,514,512 |
| Other | 143,403 | 3,193,887 | 892,714 | 94,748 | 199,960 | 8,849 | 2,578,306 | (2,788,955) | 2,167,144 | 3,487,183 | 9,977,239 |
| Materials and supplies | 541,004 | 188,717 | 264,505 | 777,925 | 66,574 | 30,446 | 1,366,293 | 3,084,286 | 189,003 | 877,314 | 7,386,067 |
| Interest payments on debt | - | - | - | 111,601 | - | (44,733) | (252,897) | 63,915 | 70,478 | 621,602 | 569,966 |
| (Gain) Loss on disposal of assets | - | - | (946,616) | 6,521 | - | - | (5,507) | 585,108 | 1,645 | 75,446 | (283,403) |
| | 6,111,310 | 15,306,364 | 11,130,954 | 18,600,069 | 32,238,119 | 3,449,624 | 27,803,649 | 29,559,454 | 5,644,576 | 16,508,376 | 166,352,495 |
| ANNUAL SURPLUS | 926,731 | 7,271,401 | 2,411,031 | 2,196,040 | 1,420,491 | 124,404 | 9,537,198 | 3,321,045 | 3,962,920 | 6,017,756 | 37,189,017 |
| Capital projects | \$ - | \$ 98,036 | \$ 3,135,336 | \$ 4,566,711 | \$ - | \$ 51,487 | \$ 7,811,458 | \$15,020,940 | \$ 5,792,605 | \$ 9,850,304 | \$ 46,326,877 |

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2019

| | City Admin | Corporate Services | Development Services | Fire | Police | Port of Nanaimo Centre | Parks, Recreation & Culture | Engineering & Public Works | Sewer | Water | 2019 |
|-----------------------------------|--------------|--------------------|----------------------|--------------|--------------|------------------------|-----------------------------|----------------------------|--------------|--------------|-----------------------|
| Revenues | | | | | | | | | | | |
| Taxes | \$ 5,715,594 | \$14,031,184 | \$ 5,637,134 | \$17,077,195 | \$28,199,761 | \$ 2,737,215 | \$22,421,427 | \$15,664,039 | \$ - | \$ - | \$ 111,483,549 |
| Payments in lieu of taxes | 110,775 | 188,484 | 109,254 | 330,976 | 546,544 | 53,050 | 434,554 | 303,587 | - | - | 2,077,224 |
| User fees | 728 | 132,519 | 1,756,686 | 119,785 | 82,663 | 2,397,916 | 6,993,693 | 6,195,527 | 7,694,946 | 20,473,635 | 45,848,098 |
| Developer assets | - | - | - | - | - | - | 123,200 | 6,082,967 | 872,099 | 1,056,085 | 8,134,351 |
| Other revenue | 123,557 | 751,762 | 2,435,771 | 2,447,099 | 438,589 | 20,644 | 478,551 | 1,111,644 | 2,675 | 93,852 | 7,904,144 |
| Development cost charges revenue | - | - | - | - | - | - | 827,193 | 3,744,704 | 1,273,791 | 406,336 | 6,252,024 |
| Government operating transfers | 144,357 | 387,715 | 329,308 | 431,315 | 1,883,191 | 69,133 | 871,903 | 392,611 | 45,000 | 10,868 | 4,565,401 |
| Government capital transfers | - | 7,623,058 | - | - | - | - | - | 150 | - | - | 7,623,208 |
| Investment income | 160,534 | 2,503,369 | 158,331 | 479,648 | 792,047 | 76,880 | 629,751 | 455,800 | - | 5,990 | 5,262,350 |
| Building permits | - | - | 2,062,637 | - | - | - | - | - | - | - | 2,062,637 |
| Regional recreation sharing | - | - | - | - | - | - | 1,231,500 | - | - | - | 1,231,500 |
| Property rentals | - | - | 285,461 | 24,695 | 282,520 | - | 357,781 | 51,908 | - | 21,000 | 1,023,365 |
| Donations - capital | - | - | - | - | - | - | 1,610,692 | 246,671 | 1,220 | 6,548 | 1,865,131 |
| | 6,255,545 | 25,618,091 | 12,774,582 | 20,910,713 | 32,225,315 | 5,354,838 | 35,980,245 | 34,249,608 | 9,889,731 | 22,074,314 | 205,332,982 |
| Expenses | | | | | | | | | | | |
| Wages and salaries | 3,643,378 | 7,361,633 | 7,319,186 | 15,087,529 | 4,889,670 | 1,434 | 15,313,079 | 10,032,634 | 1,107,842 | 3,325,747 | 68,082,132 |
| Contracted services | 1,318,630 | 2,792,521 | 2,340,698 | 1,286,503 | 24,152,736 | 3,475,208 | 7,552,088 | 7,093,322 | 929,580 | 1,889,391 | 52,830,677 |
| Amortization | 6,770 | 954,108 | 431,771 | 541,446 | 325,195 | 1,635,053 | 3,872,995 | 10,205,079 | 864,222 | 5,770,264 | 24,606,903 |
| Other | 129,276 | 3,097,825 | 829,783 | 92,867 | 162,185 | 29,240 | 2,647,926 | (2,627,162) | 2,068,108 | 3,251,966 | 9,682,014 |
| Materials and supplies | 408,026 | 152,391 | 288,350 | 738,745 | 74,869 | 79,386 | 1,766,547 | 3,115,351 | 228,189 | 926,953 | 7,778,807 |
| Interest payments on debt | - | - | - | 118,526 | - | 18,812 | (160,482) | 116,920 | 31,070 | 658,127 | 782,973 |
| (Gain) Loss on disposal of assets | - | (25,000) | 376,898 | 593 | 772 | - | 47,001 | 95,424 | 10,046 | 173,866 | 679,600 |
| | 5,506,080 | 14,333,478 | 11,586,686 | 17,866,209 | 29,605,427 | 5,239,133 | 31,039,154 | 28,031,568 | 5,239,057 | 15,996,314 | 164,443,106 |
| ANNUAL SURPLUS | 749,465 | 11,284,613 | 1,187,896 | 3,044,504 | 2,619,888 | 115,705 | 4,941,091 | 6,218,040 | 4,650,674 | 6,078,000 | 40,889,876 |
| Capital projects | \$ - | \$ 99,032 | \$ 6,102,155 | \$ 1,211,381 | \$ - | \$ - | \$ 3,850,819 | \$23,444,946 | \$ 8,875,506 | \$13,153,920 | \$ 56,737,759 |

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2020

| | COST | | | | ACCUMULATED AMORTIZATION | | | | | NET BOOK VALUE |
|------------------------|---------------------------------|---------------|--------------|--------------|---------------------------------|---------------------------------|--------------|--------------|---------------------------------|----------------|
| | Balance December 31, 2019 | Additions | Disposals | Transfers | Balance December 31, 2020 | Balance December 31, 2019 | Additions | Disposals | Balance December 31, 2020 | |
| Land | \$ 99,069,560 | \$ 5,485,399 | \$ 600,061 | \$ - | \$ 103,954,898 | \$ - | \$ - | \$ - | \$ - | \$ 103,954,898 |
| Land improvements | 40,387,766 | 2,931,886 | 2,900 | 185,257 | 43,502,009 | 17,855,193 | 1,469,881 | 2,900 | 19,322,174 | 24,179,835 |
| Leasehold improvements | 3,215,921 | - | 95,620 | - | 3,120,301 | 1,893,959 | 84,126 | 95,620 | 1,882,465 | 1,237,836 |
| Marine structures | 829,224 | 126,553 | - | 72,590 | 1,028,367 | 560,777 | 38,214 | - | 598,991 | 429,376 |
| Buildings | 198,607,545 | 1,606,112 | - | 2,418,822 | 202,632,479 | 86,446,834 | 5,494,421 | - | 91,941,255 | 110,691,224 |
| Vehicles and equipment | 38,595,682 | 3,312,890 | 725,241 | 283,159 | 41,466,490 | 20,945,671 | 2,495,081 | 620,197 | 22,820,555 | 18,645,935 |
| IT Infrastructure | 9,848,274 | 10,454 | 26,305 | - | 9,832,423 | 8,819,677 | 341,149 | 26,305 | 9,134,521 | 697,902 |
| Drainage | 111,107,145 | 2,594,087 | 862,290 | 327,077 | 113,166,019 | 33,150,682 | 1,708,748 | 349,905 | 34,509,525 | 78,656,494 |
| Transportation | 323,460,531 | 8,859,727 | 912,037 | 1,743,063 | 333,151,284 | 182,637,335 | 7,139,970 | 906,403 | 188,870,902 | 144,280,382 |
| Sewer | 51,906,257 | 5,460,379 | 29,889 | 6,046,154 | 63,382,901 | 14,227,164 | 1,010,118 | 28,244 | 15,209,038 | 48,173,863 |
| Water | 273,778,573 | 8,453,996 | 459,014 | 1,666,647 | 283,440,202 | 79,941,435 | 5,732,804 | 383,570 | 85,290,669 | 198,149,533 |
| Work In Progress | 25,511,759 | 7,485,394 | - | (12,742,769) | 20,254,384 | - | - | - | - | 20,254,384 |
| | \$1,176,318,237 | \$ 46,326,877 | \$ 3,713,357 | \$ - | \$1,218,931,757 | \$ 446,478,727 | \$25,514,512 | \$ 2,413,144 | \$ 469,580,095 | \$ 749,351,662 |

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2019

| | COST | | | | ACCUMULATED AMORTIZATION | | | | | |
|------------------------|---------------------------------|---------------|--------------|-------------|---------------------------------|---------------------------------|---------------|--------------|---------------------------------|-------------------|
| | Balance December 31, 2019 | Additions | Disposals | Transfers | Balance December 31, 2019 | Balance December 31, 2019 | Additions | Disposals | Balance December 31, 2019 | NET BOOK VALUE |
| Land | \$ 97,177,758 | \$ 5,678,724 | \$ 3,786,922 | \$ - | \$ 99,069,560 | \$ - | \$ - | \$ - | \$ - | \$ 99,069,560 |
| Land improvements | 37,262,334 | 2,847,186 | 72,425 | 350,671 | 40,387,766 | 16,566,517 | 1,358,084 | 69,408 | 17,855,193 | 22,532,573 |
| Leasehold improvements | 3,215,921 | - | - | - | 3,215,921 | 1,805,967 | 87,992 | - | 1,893,959 | 1,321,962 |
| Marine structures | 829,224 | - | - | - | 829,224 | 519,614 | 41,163 | - | 560,777 | 268,447 |
| Buildings | 197,791,273 | 792,776 | - | 23,496 | 198,607,545 | 81,065,405 | 5,381,429 | - | 86,446,834 | 112,160,711 |
| Vehicles and equipment | 37,883,676 | 1,431,122 | 1,073,699 | 354,583 | 38,595,682 | 19,414,495 | 2,435,610 | 904,434 | 20,945,671 | 17,650,011 |
| IT Infrastructure | 9,766,391 | 29,951 | - | 51,932 | 9,848,274 | 8,395,497 | 424,180 | - | 8,819,677 | 1,028,597 |
| Drainage | 107,680,841 | 3,717,634 | 346,000 | 54,670 | 111,107,145 | 31,832,218 | 1,662,398 | 343,934 | 33,150,682 | 77,956,463 |
| Transportation | 312,306,475 | 11,192,400 | 899,644 | 861,300 | 323,460,531 | 176,658,013 | 6,823,799 | 844,477 | 182,637,335 | 140,823,196 |
| Sewer | 48,692,971 | 3,107,066 | 29,000 | 135,220 | 51,906,257 | 13,388,132 | 857,986 | 18,954 | 14,227,164 | 37,679,093 |
| Water | 266,051,887 | 8,234,369 | 991,249 | 483,566 | 273,778,573 | 75,223,804 | 5,534,262 | 816,631 | 79,941,435 | 193,837,138 |
| Work In Progress | 8,120,666 | 19,706,531 | - | (2,315,438) | 25,511,759 | - | - | - | - | 25,511,759 |
| | \$ 1,126,779,417 | \$ 56,737,759 | \$ 7,198,939 | \$ - | \$ 1,176,318,237 | \$ 424,869,662 | \$ 24,606,903 | \$ 2,997,838 | \$ 446,478,727 | \$ 729,839,510 |

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2020

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

(a) Basis of Presentation

The City's resources and operations are segregated into general, water and sewer, capital and reserve funds for accounting and financial reporting purposes. The financial statements reflect the assets, liabilities, revenues and expenses of these funds. All transactions and balances between funds have been eliminated.

Reporting Entity

As at December 31, 2020, the City does not control any significant external entities.

(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) 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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Accounts Receivable

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

(e) 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.

(f) Temporary Investments

Temporary 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.

(g) Compensated Absences and Termination Benefits

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

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Debt

Debt is presented net of repayments and actuarial adjustments.

(j) 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, is 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 in years are as follows:

| Asset | |
|--|-------|
| Land Improvements | 8-80 |
| Leasehold Improvements | 15-30 |
| Marine Structures | 15-35 |
| Buildings | 10-40 |
| Vehicles and Equipment | 2-25 |
| IT Infrastructure | 5-10 |
| Drainage | 40-75 |
| Transportation - Linear Infrastructure, Lighting and Signals | 10-80 |
| Sewer - Linear Infrastructure and Equipment | 25-60 |
| Water - Linear Infrastructure and Equipment | 8-80 |

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Non-Financial Assets (continued)

(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 values 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, Works of Art and Cultural and Historical Assets

Natural resources, works of art, and cultural and historical assets are not recognized as assets in the financial statements.

(iv) Interest Capitalization

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

(v) 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 with a corresponding lease liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) 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 FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- i. An environmental standard exists;
- ii. Contamination exceeds the environmental standard;
- iii. The City is directly responsible or accepts responsibility;
- iv. It is expected that future economic benefits will be given up; and
- v. A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(l) Revenue Recognition

(i) Taxation Revenue

Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal purposes. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Taxes are recognized as revenue in the year they are levied.

Through the BC Assessment appeal process, taxes may be adjusted by way of supplementary roll adjustments. The impacts of these adjustments on taxes are recognized at the time they are awarded.

(ii) Development Cost Charges

Development cost charges are recognized as revenue during the period in which the related costs are incurred.

(iii) Government Transfers

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which eligible expenses are incurred provided they are authorized and meet eligible criteria.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Use of Estimates

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

NOTE 2 - ACCOUNTS RECEIVABLE

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Utilities | \$ 14,574,106 | \$ 9,293,795 |
| Property Taxes | 4,274,391 | 3,740,485 |
| Trade and Other | 2,145,814 | 2,362,657 |
| Due from Provincial Government | 905,449 | 903,051 |
| Municipal Finance Authority Debt Reserve | 834,189 | 976,776 |
| Due from Federal Government | 1,162,693 | 627,909 |
| Interest on Investments | 615,461 | 1,282,965 |
| Due from Regional Government | 379,031 | 190,887 |
| | <u>\$ 24,891,134</u> | <u>\$ 19,378,525</u> |

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 3 - DEVELOPMENT COST CHARGES RECEIVABLE

| | <u>Water Distribution</u> | <u>Roads</u> | <u>Drainage</u> | <u>Sewer</u> | <u>Parks</u> | <u>Water Supply</u> | <u>2020</u> | <u>2019</u> |
|---------------|-------------------------------|-------------------|-----------------|-------------------|------------------|-------------------------|---------------------|-------------------|
| Installments: | | | | | | | | |
| 2021 | \$ 17,612 | \$ 334,587 | \$ 3,122 | \$ 102,674 | \$ 62,395 | \$ 322,845 | \$ 843,235 | \$ 425,088 |
| 2022 | 6,915 | 131,166 | 441 | 40,258 | 26,997 | 126,568 | 332,345 | 89,701 |
| | <u>\$ 24,527</u> | <u>\$ 465,753</u> | <u>\$ 3,563</u> | <u>\$ 142,932</u> | <u>\$ 89,392</u> | <u>\$ 449,413</u> | <u>\$ 1,175,580</u> | <u>\$ 514,789</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 4 - TEMPORARY INVESTMENTS

| | <u>2020</u> | | <u>2019</u> | |
|---------------|----------------------|----------------------|-----------------------|-----------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Term deposits | \$ 93,601,731 | \$ 93,744,907 | \$ 135,535,284 | \$ 136,012,282 |
| Debentures | 4,964,669 | 5,227,406 | 13,455,514 | 13,620,017 |
| | <u>\$ 98,566,400</u> | <u>\$ 98,972,313</u> | <u>\$ 148,990,798</u> | <u>\$ 149,632,299</u> |

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2020</u> | <u>2019</u> |
|----------------------------|----------------------|----------------------|
| Trade and Other | \$ 8,487,746 | \$ 12,395,826 |
| RCMP Contract | 13,104,121 | 9,974,701 |
| Deposits | 10,843,253 | 10,175,078 |
| Accrued wages and benefits | 3,203,026 | 4,472,979 |
| Contaminated sites | 170,000 | 170,000 |
| Other governments | 12,425,135 | 1,020,904 |
| | <u>\$ 48,233,281</u> | <u>\$ 38,209,488</u> |

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 6 - COMPENSATED ABSENCES AND TERMINATION BENEFITS

The City provides certain post-employment benefits, non-vested sick leave, compensated absences and termination benefits to its employees. An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2019 and the results are extrapolated to December 31, 2020. The current valuation was completed in 2020. Significant assumptions used in the valuation include a discount rate of 3.5%, inflation of 1.75% and compensation increases, excluding merit and promotion, of 2.75%. There is an unamortized actuarial loss of \$607,289 (2019 – loss of \$678,448).

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Actuarial Benefit Obligation, beginning of year | \$ 8,922,399 | \$ 8,478,144 |
| Unamortized Actuarial Loss, beginning of year | (678,448) | (616,905) |
| | <u>8,243,951</u> | <u>7,861,239</u> |
| Current Service Cost | 696,593 | 807,296 |
| Interest Costs | 308,081 | 338,576 |
| Benefits Paid | (936,780) | (824,111) |
| Amortization of Actuarial Loss | 71,159 | 60,951 |
| | <u>8,383,004</u> | <u>8,243,951</u> |
| Actuarial Benefit Obligation, end of year | 8,990,293 | 8,922,399 |
| Unamortized Actuarial Loss, end of year | (607,289) | (678,448) |
| Accrued Benefit Liability, end of year | <u>\$ 8,383,004</u> | <u>\$ 8,243,951</u> |

Actuarial gains and losses are amortized over 12 years, being the expected average remaining service period of the related employee groups, commencing the year after the gain or loss arises. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$1,075,833 (2019 - \$1,206,823).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 7 - DEFERRED REVENUE AND OTHER LIABILITIES

| | <u>2020</u> | <u>2019</u> |
|-------------------|----------------------|----------------------|
| Tax Prepayments | \$ 13,405,043 | \$ 12,821,621 |
| Other Prepayments | 7,835,775 | 7,189,946 |
| | <u>\$ 21,240,818</u> | <u>\$ 20,011,567</u> |

NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Deferred Development Cost Charges - beginning of year | \$ 49,483,535 | \$ 46,965,417 |
| Additions | 7,877,509 | 7,591,978 |
| Interest Earned | 1,037,909 | 1,178,164 |
| Revenue Recognized | (1,647,250) | (6,252,024) |
| Deferred Development Cost Charges - end of year | <u>\$ 56,751,703</u> | <u>\$ 49,483,535</u> |

NOTE 9 - 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.

\$39,306,835 (2019 – \$41,616,953) of debt is with the MFA. Payments and actuarial allocations of \$38,474,486 on the gross amount borrowed of \$77,781,321 are held in a sinking fund by the MFA. The rates of interest on the principal amount of the MFA debentures vary between 0.91% and 3.85% per annum.

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Total Outstanding Debt - beginning of year | \$ 41,616,953 | \$ 46,120,643 |
| Reduction of Long-term Debt | (4,716,703) | (4,503,690) |
| Proceeds from long-term borrowing | 2,406,585 | - |
| Total Outstanding Debt - end of year | <u>\$ 39,306,835</u> | <u>\$ 41,616,953</u> |

The City of Nanaimo is subject to 'Liability Servicing Limits' as outlined in Section 174 of the *Community Charter*. The maximum value of liability servicing cost for a given year is 25% of a municipality's controllable and sustainable revenues for the previous year. The calculated liability servicing limit for the City of Nanaimo for 2020 at December 31, 2019 was \$44,839,046. The actual liability servicing cost was \$5,286,663 and the estimated cost on unissued debt is \$874,113, leaving \$38,678,270 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 9 - 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> |
|-------------|----------------------|----------------------|----------------------|
| 2021 | \$ 3,395,317 | \$ 978,667 | \$ 4,373,984 |
| 2022 | 3,445,190 | 1,017,814 | 4,463,004 |
| 2023 | 2,992,836 | 1,058,526 | 4,051,362 |
| 2024 | 2,472,492 | 1,100,867 | 3,573,359 |
| 2025 | 2,538,697 | 1,144,901 | 3,683,598 |
| Thereafter | 7,539,248 | 11,622,280 | 19,161,528 |
| | <u>\$ 22,383,780</u> | <u>\$ 16,923,055</u> | <u>\$ 39,306,835</u> |

| | | | | | <u>Balance Outstanding</u> | |
|---|--------------------|----------------------------|------------------------|---------------------|----------------------------|----------------------|
| <u>Bylaw #</u> | <u>MFA Issue #</u> | | <u>Interest Rate %</u> | <u>Year Matures</u> | <u>2020</u> | <u>2019</u> |
| <u>General Fund - Tax Supported</u> | | | | | | |
| 5425 | 72 | Leisure and Aquatic Centre | 1.67 | 2020 | \$ - | \$ 336,528 |
| 5457 | 73 | Leisure and Aquatic Centre | 1.67 | 2020 | - | 306,614 |
| 5750 | 99 | Port of Nanaimo Centre | 1.75 | 2026 | 5,785,884 | 6,624,625 |
| 5750 | 101 | Port of Nanaimo Centre | 2.25 | 2027 | 6,624,625 | 7,431,107 |
| 7050 | 102 | Fire Station #4 | 2.25 | 2027 | 1,656,157 | 1,857,777 |
| 7257 | 146 | Fire Station #1 | 3.20 | 2038 | 2,990,930 | 3,114,948 |
| 7257 | 152 | Fire Station #1 | 0.91 | 2040 | 2,000,000 | - |
| | | Garbage Trucks-Equipment | 1.22 | 2022 | 578,687 | 879,778 |
| | | Garbage Trucks-Equipment | 1.22 | 2023 | 2,360,791 | 3,201,494 |
| | | Garbage Trucks-Equipment | 1.22 | 2025 | 386,706 | - |
| | | | | | <u>22,383,780</u> | <u>23,752,871</u> |
| <u>Waterworks Fund - User Fee Supported</u> | | | | | | |
| 7127 | 126 | Water Treatment Plant | 3.85 | 2033 | 9,772,327 | 10,337,466 |
| 7127 | 127 | Water Treatment Plant | 3.30 | 2034 | 7,150,728 | 7,526,616 |
| | | | | | <u>16,923,055</u> | <u>17,864,082</u> |
| | | | | | <u>\$ 39,306,835</u> | <u>\$ 41,616,953</u> |

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 10 - TANGIBLE CAPITAL ASSETS

| <u>Net Book Value</u> | <u>2020</u> | <u>2019</u> |
|------------------------|-----------------------|-----------------------|
| Land | \$ 103,954,898 | \$ 99,069,560 |
| Land Improvements | 24,179,835 | 22,532,573 |
| Leasehold Improvements | 1,237,836 | 1,321,962 |
| Marine Structures | 429,376 | 268,447 |
| Buildings | 110,691,224 | 112,160,711 |
| Vehicles and Equipment | 18,645,935 | 17,650,011 |
| IT Infrastructure | 697,902 | 1,028,597 |
| Drainage | 78,656,494 | 77,956,463 |
| Transportation | 144,280,382 | 140,823,196 |
| Sewer | 48,173,863 | 37,679,093 |
| Water | 198,149,533 | 193,837,138 |
| | <hr/> | <hr/> |
| | 729,097,278 | 704,327,751 |
| Work In Progress | 20,254,384 | 25,511,759 |
| | <hr/> | <hr/> |
| | <u>\$ 749,351,662</u> | <u>\$ 729,839,510</u> |

See schedule of tangible capital assets (page 10) for more information. There were no write downs of tangible capital assets for 2019 and 2020. Developer contributed assets recognized in 2020 were \$10,400,599 (2019 - \$8,134,351) recorded at fair value at the time of receipt. These include transportation, drainage, sewer and water infrastructure and the land under these assets.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 11 - ACCUMULATED SURPLUS

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Reserve Accounts (Note 21) | \$ 89,515,381 | \$ 76,198,807 |
| Surplus - General * | - | 5,842,097 |
| Surplus - Sewer * | - | 6,898,003 |
| Surplus - Water * | - | 5,827,039 |
| Investment in Tangible Capital Assets (Note 18) | 707,273,665 | 687,573,892 |
| Community Works Reserve Fund (Gas Tax Agreement) | 15,088,694 | 13,610,936 |
| Equipment Depreciation Reserve | 9,066,494 | 8,416,206 |
| Facility Development (Recreation) Reserve | 3,634,205 | 3,350,653 |
| Property Sales Reserve | 3,129,464 | 2,061,173 |
| Knowles Estate Reserve | 410,565 | 439,868 |
| Parkland Dedication Reserve | 1,126,691 | 1,747,348 |
| Old City Neighborhood Parking Reserve | 165,628 | 123,741 |
| General Asset Management Reserve | 11,464,273 | 9,172,413 |
| Sewer Asset Management Reserve | 3,441,257 | 2,227,853 |
| Water Asset Management Reserve | 7,604,782 | 6,919,104 |
| Emission Reduction Reserve | 513,697 | 637,950 |
| Copier Replacement Reserve ** | 382,026 | - |
| Information Technology Reserve ** | 1,827,833 | - |
| NDSS Community Field Reserve ** | 94,661 | - |
| Parking Reserve ** | 1,040,669 | - |
| 911 Reserve ** | 1,596,057 | - |
| Property Acquisition Reserve ** | 3,440,266 | - |
| Housing Legacy Reserve ** | 2,973,608 | - |
| Strategic Infrastructure Reserve ** | 4,025,304 | - |
| Sustainability Reserve ** | 420,880 | - |
| | <u>\$ 868,236,100</u> | <u>\$ 831,047,083</u> |

* Accumulated Operating Surplus transferred to Reserves in 2020

** New Statutory Reserves in 2020

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 12 - COMMITMENTS AND CONTINGENCIES

(a) Liability Claims

In the ordinary course of business, various claims and lawsuits are brought against the City. The City records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. Liability insurance is carried by the City, subject to a deductible of \$25,000 per claim.

(b) BC Assessment Authority Appeals

As at December 31, 2020, there were various appeals pending with respect to assessed values of properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes a provision against property taxes receivable for the impact of appeals where the losses are likely and the amounts are reasonably determinable.

(c) Joint and Several Liabilities

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

The City issues its debt instruments primarily through the MFA. Demand notes are executed in connection with each debenture whereby the City may be required to pay certain amounts to the Regional District of Nanaimo. These demand notes of \$1,661,815 (2019 – \$1,951,342) are contingent in nature and given the low likelihood of payment are not reflected in the accounts.

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(d) Subsidence of Mines

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

(e) Commitments

The City has \$29,600,000 (2019 - \$16,800,000) 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.

(f) Guarantees

The City has guaranteed the amount of a \$2,000,000 line of credit for the Port Theatre Society. Management considers the likelihood of payment on the guarantee to be low.

NOTE 13 - 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 financial statements. At December 31, 2020, the balance of funds held in trust was \$603,907 (2019 - \$590,988).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 14 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 11, 2020. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2020 financial statements and the annual financial plan bylaw:

| | |
|---|-------------------|
| Annual Budgeted Surplus - Statement of Operations | \$ 9,546,330 |
| Cemetery Care Fund - not in reporting entity | 10,000 |
| Net Proceeds from Internal Borrowing | 1,964,198 |
| Net Development Cost Charges | <u>1,340,903</u> |
| Annual Surplus from the 2020 Financial Plan | 12,861,431 |
| Amortization, not funded | 26,034,829 |
| Capital Expenditures | (73,593,653) |
| Proceeds from Borrowing | 4,615,890 |
| Principal Repayment of Debt | (4,705,511) |
| Transfers from Accumulated Surplus | <u>34,787,014</u> |
| Net Annual Budget - as approved | \$ - |

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 15 - TAXATION AND PAYMENTS IN LIEU

| | <u>Municipal</u> | <u>Other</u> | <u>2020</u> <u>Total</u> | <u>2019</u> <u>Total</u> |
|---|-----------------------|----------------------|-----------------------------|-----------------------------|
| Property Taxes | \$ 112,071,369 | \$ 64,157,449 | \$ 176,228,818 | \$ 171,950,803 |
| Business Improvement Area Levies | 42,010 | - | 42,010 | 41,594 |
| Vancouver Island Regional Library | 4,823,864 | - | 4,823,864 | 4,733,307 |
| Taxes in Lieu of Licenses | 1,433,730 | - | 1,433,730 | 1,456,423 |
| Payments in Lieu of Taxes | 2,111,857 | 451,978 | 2,563,835 | 2,627,060 |
| | <u>\$ 120,482,830</u> | <u>\$ 64,609,427</u> | <u>\$ 185,092,257</u> | <u>\$ 180,809,187</u> |
| | | | <u>2020</u> | <u>2019</u> |
| Less Collections for Other Governments: | | | | |
| Province of British Columbia (School Tax) | | | \$ 34,907,572 | \$ 40,114,781 |
| Regional District of Nanaimo | | | 24,390,187 | 22,039,402 |
| Nanaimo Regional Hospital District | | | 4,144,977 | 4,036,324 |
| Other Agencies | | | 1,166,691 | 1,057,907 |
| | | | <u>64,609,427</u> | <u>67,248,414</u> |
| Taxation and Payments in Lieu | | | <u>\$ 120,482,830</u> | <u>\$ 113,560,773</u> |

NOTE 16 - USER FEES AND SALES OF SERVICES

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|----------------------|----------------------|
| Waterworks | \$ 20,811,099 | \$ 20,473,635 |
| Recreation Programs | 2,691,171 | 6,993,693 |
| Sewer System | 8,215,799 | 7,694,946 |
| Garbage Collection | 6,137,720 | 5,957,790 |
| Vancouver Island Conference Centre | 670,016 | 2,397,916 |
| Public Works | 689,472 | 237,737 |
| Parking | 999,938 | 1,639,105 |
| Other | 219,122 | 250,828 |
| Fire Rescue | 121,849 | 119,785 |
| Police Services | 62,273 | 82,663 |
| | <u>\$ 40,618,459</u> | <u>\$ 45,848,098</u> |

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| <u>Federal</u> | | |
| Capital | \$ 20,000 | \$ - |
| Gas Tax | 3,866,429 | 7,623,058 |
| Other | 462,716 | 279,748 |
| | <u>4,349,145</u> | <u>7,902,806</u> |
| <u>Provincial</u> | | |
| Capital | 492,636 | - |
| Casino Gaming | 514,751 | 2,706,954 |
| Revenue Sharing | 1,332,568 | 1,170,957 |
| COVID-19 Restart Grant | 6,693,000 | - |
| Other | 621,313 | 351,815 |
| | <u>9,654,268</u> | <u>4,229,726</u> |
| <u>Other Governments</u> | | |
| Other | 106,338 | 56,077 |
| | <u>106,338</u> | <u>56,077</u> |
| Total transfers from other governments | <u>\$ 14,109,751</u> | <u>\$ 12,188,609</u> |
| Transfers from other governments - capital | \$ 4,379,065 | \$ 7,623,208 |
| Transfers from other governments - operating | 9,730,686 | 4,565,401 |
| Total transfers from other governments | <u>\$ 14,109,751</u> | <u>\$ 12,188,609</u> |

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 18 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|
| Investment in Tangible Capital Assets - beginning of year | \$ 687,573,892 | \$ 659,159,112 |
| Add: | | |
| Capital Additions | 46,326,877 | 56,737,759 |
| Reductions in Long-term Debt | 4,716,703 | 4,503,690 |
| Unused Borrowing - Fire Hall | 1,238,851 | 2,209,305 |
| Less: | | |
| Funding from Deferred Capital Fund | (1,152,043) | (2,857,969) |
| Amortization | (25,514,512) | (24,606,903) |
| Used Borrowing - Fire Hall | (2,209,305) | (3,370,000) |
| New Borrowing - Fire Hall | (2,000,000) | - |
| New Borrowing - Garbage Truck | (406,585) | - |
| Net Book Value of Asset Disposals | (1,300,213) | (4,201,102) |
| Investment in Tangible Capital Assets - end of year | <u>\$ 707,273,665</u> | <u>\$ 687,573,892</u> |

NOTE 19 - MUNICIPAL PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from Local Government.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding surplus and will be adjusted for the amortization of any unfunded liability.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 19 - MUNICIPAL PENSION PLAN (CONTINUED)

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. During 2020, City of Nanaimo contributions to the plan were:

| | <u>2020</u> | <u>2019</u> |
|------------------|----------------------|----------------------|
| Employer Portion | \$ 5,916,889 | \$ 5,492,219 |
| Employee Portion | 4,976,591 | 4,590,287 |
| | <u>\$ 10,893,480</u> | <u>\$ 10,082,506</u> |

The next valuation will be as at December 31, 2021 with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

NOTE 20 - FINANCIAL INSTRUMENTS

(a) Financial Risk and Fair Market Values

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 20 - FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit Risk

The City is not exposed to significant risk from its accounts receivables. The City's tax base has a significant number of participants which reduces the concentration of credit risk. Credit risk is further minimized as the City has the ability to expropriate land in the event of non-payment of property tax receivables. There has been no significant change to risk exposure over 2019.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 21 - RESERVES

| | <u>Work in Progress</u> | <u>Available for Future Commitments</u> | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|---|----------------------|----------------------|
| <u>General Revenue Fund Reserve Accounts</u> | | | | |
| Fire & Emergency Services | \$ - | \$ - | \$ - | \$ 3,397,729 |
| Parks & Recreation | - | 195,305 | 195,305 | 368,599 |
| Strategic Partnerships | - | 200,043 | 200,043 | 200,043 |
| General Capital | 211,658 | 3,086,388 | 3,298,046 | 6,040,729 |
| Prior Year Carry Forwards | 5,411,586 | - | 5,411,586 | 5,183,981 |
| Housing Legacy | - | - | - | 2,588,638 |
| Uncollected Taxes | - | - | - | 2,384,445 |
| Uninsured Claims | - | - | - | 2,732,755 |
| Allowance for Bad Debts | - | - | - | 44,000 |
| RCMP Contract | 225,000 | 1,783,433 | 2,008,433 | 2,816,942 |
| Information Technology Infrastructure | - | - | - | 1,341,690 |
| Sustainability Initiatives | - | - | - | 307,205 |
| Fitzwilliam Street Parking | - | 142,868 | 142,868 | 1,875,602 |
| Conference Centre | 110,200 | 669,982 | 780,182 | 680,182 |
| Snow Removal | - | 1,200,000 | 1,200,000 | 300,000 |
| Property Acquisition | - | - | - | 2,600,218 |
| Strategic Infrastructure | - | - | - | 3,090,982 |
| General Financial Stability | 2,108,806 | 15,580,329 | 17,689,135 | 814,012 |
| Special Initiatives | 6,396,164 | 5,799,567 | 12,195,731 | 4,968,073 |
| Colliery Dam | - | - | - | 130,538 |
| Photocopier | - | - | - | 394,133 |
| Casino Funds | 716,933 | 526,442 | 1,243,375 | 1,448,844 |
| Sanitation Leveling | 28,000 | 746,008 | 774,008 | 774,008 |
| | <u>15,208,347</u> | <u>29,930,365</u> | <u>45,138,712</u> | <u>44,483,348</u> |
| <u>Sewer Revenue Reserve Accounts</u> | | | | |
| General Capital | 5,704,135 | 11,137,898 | 16,842,033 | 11,250,976 |
| Sewer Financial Stability | - | 500,000 | 500,000 | - |
| | <u>5,704,135</u> | <u>11,637,898</u> | <u>17,342,033</u> | <u>11,250,976</u> |
| <u>Waterworks Revenue Fund Reserve Accounts</u> | | | | |
| General Capital | 12,398,237 | 12,935,344 | 25,333,581 | 18,564,483 |
| Growth Related Projects | - | - | - | 1,900,000 |
| Water Financial Stability | - | 1,701,055 | 1,701,055 | - |
| | <u>12,398,237</u> | <u>14,636,399</u> | <u>27,034,636</u> | <u>20,464,483</u> |
| Total Reserve Accounts | <u>\$ 33,310,719</u> | <u>\$ 56,204,662</u> | <u>\$ 89,515,381</u> | <u>\$ 76,198,807</u> |

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 22 - 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. See Schedule of Operations by Segment (page 8).

GENERAL REVENUE FUND

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

City Administration

The Chief Administrative Officer'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.

The City Administration department is also responsible for Human Resources and Organizational Planning, Legislative Services, and Communications.

Corporate Services

Providing service to both the internal organization and the community, the Corporate Services Department is responsible for Emergency Management, Information Technology, Financial Services and Purchasing.

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. Development Services is also responsible for bylaw, animal control, and parking.

Fire

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 22 - SEGMENT REPORTING (CONTINUED)

Police

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

Port of Nanaimo Centre

The operation of the Vancouver Island Conference Centre provides a full-service convention centre that hosts meetings, conferences, tradeshow, and weddings for up to 1,300 delegates.

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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 23 - CONTRACTUAL RIGHTS

The City of Nanaimo has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts for the years ending December 31 are as follows:

| | |
|------|---------------------|
| 2021 | \$ 997,100 |
| 2022 | 1,012,180 |
| 2023 | 1,094,425 |
| 2024 | 1,094,425 |
| 2025 | 1,094,425 |
| | <u>\$ 5,292,555</u> |

In addition to these contractual rights, the City has agreements with several parties that provide for the recovery of costs and payments of annual fees and commissions based on annual results.

NOTE 24 - COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and measures taken by various governments to contain the virus have affected economic activity. The City has taken a number of measures to monitor and mitigate the effects of COVID-19, as follows:

- i. Provided staff with all necessary personal protective equipment (PPE), implemented additional safety measures and initiated the Park Ambassador Program.
- ii. CAO authorized all vacant position postings on a priority needs basis.
- iii. Repurposed Parks and Recreation staff to fill vacancies and seasonal positions.
- iv. Cut expenditures for staff travel and conferences, space rental and service contracts.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak on financial markets as well as the effectiveness of government and central bank responses, remains unclear at this time. Management will continue to monitor and adapt as the City sees fit.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

NOTE 25 - COMPARATIVE FIGURES

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

SAFE RESTART GRANT SCHEDULE (UNAUDITED)

| | |
|---|--------------|
| Safe Restart Grant received November 2020 | \$ 6,693,000 |
| Revenue Shortfalls: | |
| Casino | (1,985,248) |
| Parks, Recreation & Culture | (3,786,664) |
| Parking | (284,527) |
| Total Revenue Shortfalls | (6,056,439) |
| Unplanned Pandemic Expenditures | (636,561) |
| Total eligible costs incurred | (6,693,000) |
| Balance, December 31, 2020 | \$ - |



City of Nanaimo

Audit Findings Report for the year ended December 31, 2020

KPMG LLP

Prepared on April 7, 2021 for presentation on April 14, 2021

kpmg.ca/audit

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This Audit Findings Report is intended solely for the information and use of Management, the Finance & Audit Committee, and the Mayor and City Council and should not be used for any other purpose or any other party. 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.

Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Finance and Audit Committee, in your review of the results of our audit of the financial statements of the City of Nanaimo (the “City”) as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to the Finance and Audit Committee on November 18, 2020.

Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Finalizing the audit

As of April 7, 2021, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with the Finance and Audit Committee;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council’s approval of the financial statements; and,
- Completing subsequent event review procedures up to the date of Council’s approval of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report, a draft of which is attached to the enclosed draft financial statements, will be dated upon the completion of any remaining procedures.

Adjustments and differences

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

We did not identify any differences that were corrected that impacted net income. There was one correction to the disclosure of contractual rights.

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

Significant accounting policies and practices

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

Control and other observations

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

Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2020 up to the date of this report.

Current developments

Please refer to Appendix 3 for a summary of upcoming changes to Public Sector Accounting Standards and various resource links, including those related to COVID-19.

What's new in 2020

COVID-19 pandemic

| Areas of impact | Key observations |
|--|---|
| Financial reporting impacts | <ul style="list-style-type: none"> - We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the financial statements. Suggestions were provided to management to enhance disclosures which have been reflected in the financial statements. Disclosure of the use of Safe Restart Funding has been appropriately included in an unaudited schedule appended to the financial statements. |
| Internal control over financial reporting | <ul style="list-style-type: none"> - There were minimal changes to internal controls over financial reporting due to the COVID-19 pandemic as the City did not move to a fully remote working environment and was able to maintain its internal controls and processes. |
| Risk assessment | <ul style="list-style-type: none"> - We performed a more thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud). No significant new risks were identified. |
| Auditing remotely | <ul style="list-style-type: none"> - We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management. - We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests. - We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence. |
| Direction and supervision of the audit | <ul style="list-style-type: none"> - The Senior Manager and Engagement Partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the City's financial reporting and the City's internal control over financial reporting. - The Senior Manager and Engagement Partner implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points. |
| Substantive testing – Response | <ul style="list-style-type: none"> - COVID-19 impacted revenues from recreation programs, the casino and the Vancouver Island Conference Centre. We performed procedures over these transactions to assess the reasonability of amounts factoring in the impact of closures of facilities on revenues. - As there were minimal changes to other parts of the City's business during the year, we did not change other areas of our approach for the audit. |

What's new in 2020 continued

New auditing standard

| Standard | Key observations |
|---|--|
| CAS 540, Auditing Accounting Estimates and Related Disclosures | <ul style="list-style-type: none">- The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty.- We assessed the risk of material misstatement due to estimation uncertainty for all estimates within the financial statements and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. In assessing this risk, we considered the degree of complexity, uncertainty and subjectivity involved in making each accounting estimate to determine the level of audit response.- We considered the potential for management bias.- The estimate over the calculation of compensated absences and termination benefits had a risk of material misstatement due to estimate uncertainty that was greater than remote and additional audit procedures were performed in line with the new standard. No issues were noted as a result of these additional procedures.- No other estimates had a risk of material misstatement due to estimation uncertainty that was greater than remote. |

Audit risks

Professional requirements

Fraud risk from management override of controls

Why is this significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments.
- Performing a retrospective review of significant estimates.
- Evaluating the business rationale of significant unusual transactions.

We used KPMG's data and analytics tools to select unusual or unexpected journal entries impacting reserves, including unusual journal entry pairings.

Significant findings

There were no issues noted in our testing.

Areas of audit focus

Area of audit focus

Tangible capital assets and developer contributed assets

Our response and significant findings

Our procedures:

- We tested asset additions by agreeing amounts to invoices or other supporting documentation.
- We calculated expected amortization expense based on known amortization rates and compared the expected amortization expense to actual.
- We performed testing over the developer contributed tangible capital assets by obtaining reports of assets contributed during the year and agreeing these reports to supporting approval of subdivisions.
- We tested transfers from construction in progress to asset classes and confirmed the transfer occurred in the correct period and to the appropriate asset class.

No issues or adjustments were noted.

Areas of audit focus continued

Area of audit focus

Cash and Investments

Our response and significant findings

Our procedures:

- We confirmed cash and investment balances held as at December 31, 2020 with the appropriate financial institutions and reviewed bank reconciliations for all key operating accounts to identify and verify any significant period end reconciling items.

No issues or adjustments were noted.

Area of audit focus

Revenues and receivables

Our response and significant findings

Our procedures:

- We compared revenue balances on a financial statement account level to budget.
- We performed analytical procedures over property tax revenue, investment income, and user fees and sales of services.
- We performed substantive testing over government transfers by agreeing revenues to supporting documentation and cash receipt.
- We performed analytical procedures over the year-end accounts receivable balance.
- We concur with management's assessment that there is a low valuation risk associated with the City's year-end accounts receivable balances.

No issues or adjustments were noted.

Areas of audit focus continued

Area of audit focus

Salaries and benefits

Our response and significant findings

Our procedures:

- We obtained an understanding of the payroll processes.
- We calculated expected payroll expense and payroll accruals based on known staff numbers and salary increases. In each case our calculated expectation was within an acceptable range from the actual payroll expense, or payroll accrual recorded in the financial statements.
- We tested the completeness and accuracy of the underlying payroll data used in the development of our expectation including agreeing amounts to employment contracts.
- We tested the reliability of the underlying data used by the actuary in estimating the liability of future employee benefits.
- We performed a review of assumptions and methods used by the actuary in estimating the liability of future employee benefits to determine if the assumptions and methods used are reasonable and consistent with Public Sector Accounting Standards.

No issues or adjustments were noted.

Area of audit focus

Expenses, procurement and payables

Our response and significant findings

Our procedures:

- We performed a search for unrecorded liabilities by testing payments made subsequent to year end and assessing the completeness of liabilities and expenses.
- We compared actual balances to expectations taking into account known significant transactions.

No issues or adjustments were noted.

Control and other observations

In accordance with professional standards, we are required to communicate to the Committee significant deficiencies in internal control over financial reporting (“ICFR”) that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR 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 ICFR.

The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to the Committee and to meet professional standards.

Significant deficiencies

We did not identify any significant deficiencies in internal control over financial reporting.

Other observations

We did not identify any other observations related to internal controls in the current year. In the prior year we identified a minor other control observation. A follow up on this matter is included in our management letter.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 3: Current developments and audit trends



Appendix 1: Required communications

Draft auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 2.

Independence

In accordance with professional standards, we have confirmed our independence.

Management letter

We have issued a letter on control observations to management detailing our follow up on a minor control observation identified in the prior year. We had no new observations to report in the current year.

Appendix 2: Management representation letter

Date of approval of financial statements

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 financial statements (hereinafter referred to as “financial statements”) of City of Nanaimo (“the City”) as at and for the period ended December 31, 2020.

General:

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 also 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:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 1, 2019 including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.

- f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) 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 we are 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 that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others
 where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, 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.

Subsequent events:

- 4) 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:

- 5) We have disclosed to you the identity of the City's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

Misstatements:

- 11) We approve the corrected misstatements to decrease the contractual rights note by \$330,000 to exclude variable revenue from the disclosure.

Other information:

- 12) We confirm that the final version of Annual Report 2020 will be provided to you when available, and prior to issuance by the City, to enable you to complete your audit procedures in accordance with professional standards.

Assets & Liabilities - General

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

Contractual Agreements:

- 16) 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:

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

Non-Financial Assets:

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

Employee future benefits:

- 19) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 20) 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.
- 21) The significant accounting policies the City has adopted in applying PS 3255, Post-employment benefits, compensated absences and termination benefits (hereinafter referred to as "PS3255") are disclosed in the notes to the financial statements.
- 22) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:
 - a) pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.
 - b) post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.
 - c) compensated absences for which it is expected employees will be paid. These benefits include accumulated sick days, and termination benefits.
- 23) The post-employment benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with PS 3255. In particular:
 - a) each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events; and

- b) the best estimate assumptions used are, as a whole, consistent within themselves, and with the valuation method adopted for purposes of this evaluation.
- 24) 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-names financial statements, in accordance with PS 3255.
- 25) In arriving at these assumptions, management has obtained the advice of Nexus, but has retained the final responsibility for them.
- 26) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 27) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension and other post-employment benefit costs.

Segment Disclosures:

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

Experts/Specialists:

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

Other:

- 30) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.
- 31) 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
- 32) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.

Non-SEC registrants or non-reporting issuers:

- 33) 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).
- 34) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Mr. Jake Rudolph, Chief Administrative Officer

Ms. Laura Mercer, Director, Finance

cc: The Mayor and Council of the City of Nanaimo

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it 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 perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

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.

Appendix 3: Current developments and audit trends

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting public sector entities today, or expected to impact them over the next few years. We provide this information to help public sector entities understand upcoming changes and challenges they may face in their industry. Some of these developments may not impact the City directly, but we believe it is important for Council to understand what is happening in the sector.

Public Sector Accounting Standards

| Standard | Summary and implications |
|------------------------------|---|
| Impact of COVID-19 | <ul style="list-style-type: none"> – In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19. |
| Asset Retirement Obligations | <ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues. |

Appendix 3: Current developments and audit trends (continued)

| Standard | Summary and implications |
|-------------------------------------|--|
| Revenue | <ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue. |
| Employee Future Benefit Obligations | <ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. |
| International Strategy | <ul style="list-style-type: none"> – PSAB has reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021. – An exposure draft to modify the GAAP hierarchy has been issued with responses due by February 15, 2021. |
| Purchased Intangibles | <ul style="list-style-type: none"> – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective. |

Appendix 3: Current developments and audit trends (continued)

| Standard | Summary and implications |
|--|---|
| Concepts Underlying Financial Performance | <ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. |

Appendix 3: Current developments and audit trends (continued)

| Standard | Summary and implications |
|--|---|
| Financial Instruments and Foreign Currency Translation | <ul style="list-style-type: none"> – The accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – 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 public sector entity'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 Remeasurement 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. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 <i>Financial Instruments</i> which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 <i>Financial Instruments</i>. The exposure drafts were released in summer 2020 with a 90-day comment period. |
| Public Private Partnerships ("P3") | <ul style="list-style-type: none"> – PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft. – The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. – The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023. |

Appendix 3: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought leadership

| Thought leadership | Overview | Link |
|--|--|--------------------------------|
| 2020 Audit Quality and Transparency Report | Learn about KPMG's ongoing commitment to continuous audit quality improvement. KPMG maintains a system of audit quality control that is designed to meet or exceed the requirements of the applicable professional standards. In fact, we are continuously reviewing our policies and practices to ensure we're aligned with all regulatory and professional requirements, which if our firm commitment to each other as well as to our clients and to the capital markets we serve. | Link to report |
| Put your data to work to gain competitive advantage | There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace. | Link to report |
| Predictive analytics, it works | CEOs recognize the value that predictive analytics delivers to their decision-making process. | Link to report |
| Creating the workforce of the future | You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy. | Link to report |
| Accelerate | Introducing KPMG's 2021 edition of Accelerate, a series of articles and videos offering insight into the key issues driving Board agendas, including: <ul style="list-style-type: none">– Cyber risk– Internal control over financial reporting, disclosures and regulation– Digital disruption– Enterprise risk management– The evolution of environmental, social and governance (ESG) and disclosures | Link to report |
| Board Leadership Centre | KPMG provides leading insights to help Board members maximize boardroom opportunities. | Link to site |

Appendix 3: Current developments and audit trends (continued)

COVID-19 pandemic resources

| Resources | Summary | Links |
|--|--|---|
| Resources for management and the Board of Directors | <p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none">– Business continuity guide– Immediate actions to take– Medium to long-term actions– Tax considerations and a summary of federal and provincial programs– Legal considerations– Financial reporting and audit considerations– Global perspectives | COVID-19 Alerts (Live Link) |



kpmg.ca/audit



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KPMG member firms around the world have 227,000 professionals, in 146 countries.

DATE OF MEETING APRIL 14, 2021

AUTHORED BY LAURA MERCER, DIRECTOR, FINANCE

SUBJECT FREEZING PROPERTY TAX REVENUES FOR BUSINESS CLASS PROPERTIES

OVERVIEW

Purpose of Report:

To provide the Finance and Audit Committee with possible scenarios for freezing property taxes for Business Class 6 for one year and the related impacts.

BACKGROUND

At the 2021-FEB-17 Finance and Audit Committee meeting, Mr. Kim Smythe of the Nanaimo Chamber of Commerce gave a presentation regarding the City Budget and upcoming municipal tax rates. The Committee made the following motion:

It was moved and seconded that the Finance and Audit Committee recommend that Council request a report from Staff with an analysis of the impact of freezing tax increases on commercial ratepayers for one year to assist and support the business community in Nanaimo. The motion carried.

Once a municipality has determined the total amount of property value tax to raise, it must then determine how to apportion that tax burden over the nine property classes (ie: (Class 1) Residential Class, (Class 6) Business Class, and (Class 4) Major Industrial Class). A guiding principle for determining the apportionment is the Statement of Objectives and Policies for Taxation required as part of the annual municipal budgeting process.

The Statement of Revenue Objectives & Policies in the 2021 – 2025 Financial Plan Bylaw, states that the City of Nanaimo will attempt to keep the proportional share of revenue from property taxes at a level similar to the average of comparable municipalities.

Once the tax apportionment to each property class is determined, the municipality will then set a tax rate for each class sufficient to raise the necessary tax revenue to meet its annual budgetary needs. Tax rates are expressed as a dollar figure per \$1,000 dollars of assessed property value of land and improvements.

While municipalities have broad authority to set tax rates and ratios, there are some specific restrictions on this authority. For the City of Nanaimo, the restrictions that apply are:

- **Utilities:** Under section 199 of the *Community Charter*, Cabinet may prescribe regulations limiting the tax rates and/or ratio for each property class. This regulatory authority is currently used to set a maximum tax rate and ratio on Utility (Class 2) properties. The maximum tax rate that can be levied by any municipality on a Utility (Class 2) property is the greater of \$46.32 per 1,000 or 2.5 times the Business (Class 6) property tax rate.

- **Farm:** Per the City of Nanaimo Letters Patent, the rate for Farm (Class 9) the property tax rate cannot exceed \$0.50 per \$1,000 of assessed value.

Public discussion regarding the comparison between property classes (usually residential, commercial and industrial tax rates) often tends to focus on tax ratios. A "ratio" is the tax rate relationship between two property classes. This ratio is calculated by dividing the commercial (or industrial) tax rate by the residential tax rate.

Between 2009 and 2013 a multi-year initiative was undertaken by Council to reduce the major and light industrial tax rates to be equal to the business tax rate. This shift resulted in a higher property tax increase for the residential class during the transition period to make up for the decreased property tax revenue from the major and light industry classes.

At the time, all of the properties in the Major Industry tax class in Nanaimo were related to the forest industry. This shift was done to reduce the risk to the City's tax revenue if the forestry industry declined further.

DISCUSSION

There are nine (9) property classes. These classes, and their assessments, are determined by BC Assessment.

| | Class | 2020 Rate | 2020 Ratio |
|---|-----------------------|------------------|-------------------|
| 1 | Residential | 4.1819 | 1.00 |
| 2 | Utility | 37.1663 | 8.89 |
| 3 | Supportive Housing | 0.0000 | 0.00 |
| 4 | Major Industry | 12.3994 | 2.96 |
| 5 | Light Industry | 12.3994 | 2.96 |
| 6 | Business/Other | 12.3994 | 2.96 |
| 7 | Managed Forest | 17.5863 | 4.20 |
| 8 | Recreation/Non-Profit | 8.5474 | 2.04 |
| 9 | Farm | 0.4793 | 0.11 |

The City of Nanaimo's business class ratio and percentage of total taxes from business class are comparable to similar size and neighbouring municipalities.

The table below compares the ratio of Class 6 Business tax rates to Residential Class 1 tax rates:

| Municipality | Business Class 6 Ratio | | | | |
|-------------------|------------------------|------|------|------|------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Kelowna | 2.19 | 2.30 | 2.38 | 2.36 | 2.17 |
| Prince George | 2.10 | 2.23 | 2.30 | 2.34 | 2.32 |
| Parksville | 2.50 | 2.43 | 2.61 | 2.76 | 2.57 |
| Kamloops | 2.56 | 2.48 | 2.55 | 2.72 | 2.72 |
| Nanaimo | 2.54 | 2.66 | 2.89 | 3.03 | 2.96 |
| Ladysmith, Town | 2.69 | 2.81 | 3.00 | 3.23 | 2.99 |
| Victoria | 3.05 | 3.40 | 3.53 | 3.48 | 3.33 |
| Saanich, District | 3.45 | 3.89 | 4.26 | 4.14 | 3.97 |
| Average | 2.64 | 2.77 | 2.94 | 3.01 | 2.88 |
| Median | 2.55 | 2.57 | 2.75 | 2.90 | 2.84 |

For 2020, the tax ratio for business properties in Nanaimo was 2.96, indicating that the business tax rate was 2.96 times the residential rate.

Over the last five (5) years, Class 6 business class property tax revenues have been approximately 28% of the total taxes collected for the City of Nanaimo. This percentage has ranged from 14% – 47% for the Cities listed in the table above.

The Average and Median percentages for the Municipalities above are:

| Municipality | % of Total Taxes Collected | | | | |
|--------------|----------------------------|------|------|------|------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Average | 28% | 27% | 28% | 27% | 27% |
| Median | 27% | 27% | 27% | 27% | 26% |

The Provisional 2021-2025 Financial Plan property tax increases are:

| | Pandemic 2021 | Recovery - New Normal 2022 | 2023 | 2024 | 2025 |
|----------------------------------|------------------|----------------------------------|-------------|-------------|-------------|
| General Asset Management Reserve | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| General Property Tax Increase | 2.0% | 2.4% | 2.2% | 2.2% | 1.6% |
| Total Municipal Taxes | 3.0% | 3.4% | 3.2% | 3.2% | 2.6% |

The Provisional budget includes:

- Funding of \$1,408,806 from the General Financial Stability Reserve to reduce taxes for all property tax classes in 2021. This funding is used to offset some of the impacts related to the COVID-19 Pandemic.
- Funding of \$1.4 million from the Special Initiatives Reserve to reduce taxes for all property tax classes over the next three (3) years.

Any further relief to one or all of the classes would be over and above the relief already given.

Outlined below are scenarios that are available to minimize the tax impact to Business class properties.

Per the motion, property tax revenue from Class 6 business properties would be capped at \$32,115,302, plus associated for growth in 2021.

At the time of drafting this report, the final growth figures have not been released so the impact examples outlined below only include the budgeted \$1.2 million in growth for a total of \$32,290,828 for business class properties.

Scenario 1 – Shift to Residential Class 1 in 2021 and back to Business Class 6 in 2022

This scenario would see the amount of business class taxes collected remain at \$32,290,828 for 2021. This would shift \$968,725 to the residential class properties for 2021 and then shift that amount back to business class properties in 2022 based on the tax increase in the Provisional 2021 – 2025 Financial Plan.

The projected impact on Residential and Business Classes are:

| | Based on Approved Provisional 2021-2025 Financial Plan | | | |
|------------------------|--|------|------------|------|
| | Without Shift | | With Shift | |
| | 2021 | 2022 | 2021 | 2022 |
| Property Tax Increase* | | | | |
| Residential | 3.0% | 3.4% | 4.3% | 2.2% |
| Business/Other | 3.0% | 3.4% | 0.0% | 6.4% |
| All Other Classes | 3.0% | 3.4% | 3.0% | 3.4% |

*Includes both Asset Management Reserve and General Taxation increases

Advantages: This would provide the requested relief for the business class properties in 2021.

Disadvantages: This would increase the tax burden on the residential class, many of whom are also affected by the ongoing economic impact of the pandemic. As the shift is only a one year relief measure the business class will see their property taxes go up by more than the average in 2022.

Scenario 2 – Shift to Residential Class 1 Permanently

This scenario would see the amount of business class taxes collected remain at \$32,290,828 for 2021. This would shift \$968,725 to the residential class properties for 2021 with no shift back to business class properties in 2022 based on the tax increase in the Provisional 2021 – 2025 Financial Plan. The 2022 business class taxation will resume including an increase in 2022 and beyond.

The projected impact on Residential and Business Classes are:

| | Based on Approved Provisional 2021-2025 Financial Plan | | | |
|------------------------|--|------|------------|------|
| | Without Shift | | With Shift | |
| | 2021 | 2022 | 2021 | 2022 |
| Property Tax Increase* | | | | |
| Residential | 3.0% | 3.4% | 4.3% | 3.4% |
| Business/Other | 3.0% | 3.4% | 0.0% | 3.4% |
| All Other Classes | 3.0% | 3.4% | 3.0% | 3.4% |

*Includes both Asset Management Reserve and General Taxation increases

Advantages: This would provide the requested relief for the business class properties in 2021 and not see any large impacts in 2022.

Disadvantages: This would increase the tax burden on the residential class, many of whom are also affected by the ongoing economic impact of the pandemic. Residential properties will not see any relief from the increase from 2021.

Scenario 3 – Use Reserves to Reduce Taxes for Business Class Properties

This scenario would see the amount of business class taxes collected remain at \$32,290,828 for 2021. The overall tax amount collected would be reduced by \$968,725 and be funded from the Special Initiatives Reserve. This would result in no impact from the freeze to Residential taxes in 2021.

However, as surplus is used to reduce the overall taxes collected and is a one time funding source, the tax increase in 2022 for all properties classes would be greater. As the City will now need this funding from property taxation, a larger tax increase in 2022 is needed to collect the total revenues needed to fund operations.

The projected impact on Residential and Business Classes are:

| | Based on Approved Provisional 2021-2025 Financial Plan | | | |
|------------------------|--|------|------------|------|
| | Without Shift | | With Shift | |
| | 2021 | 2022 | 2021 | 2022 |
| Property Tax Increase* | | | | |
| Residential | 3.0% | 3.4% | 3.0% | 4.3% |
| Business/Other | 3.0% | 3.4% | 0.0% | 4.3% |
| All Other Classes | 3.0% | 3.4% | 3.0% | 4.3% |

*Includes both Asset Management Reserve and General Taxation increases

Advantages: This would provide the requested relief for the business class properties in 2021.

Disadvantages: As the relief is only a one year, all classes would see a larger tax increase in 2022 as surplus would no longer be a funding source for a reduction. The surplus funds would not be available to fund other Council initiatives.

Scenario 4 – Use Reserves to Reduce Taxes for All Property Classes

This scenario would give all property tax classes some tax relief. One million dollars from the Special Initiatives Reserve could be allocated over four (4) years at \$250,000 per year, resulting in modest tax relief for all property classes and not just the Business Class.

The amount of business class taxes collected increases by \$897,364 to \$33,188,192 for 2021 however, in years 2022 to 2024 they see rates consistent with the 2021-2025 Provisional Financial Plan.

As reserves are used to reduce the overall taxes collected and is a one time funding source, the tax increase in 2025 for all properties classes would be greater. As the City will now need this funding from property taxation, a larger tax increase in 2025 is needed to collect the total revenues needed to fund operations.

The projected impact on Residential and Business Classes are:

| | Based on Approved Provisional 2021-2025 Financial Plan | | | |
|------------------------|--|------|------------|------|
| | Without Shift | | With Shift | |
| | 2021 | 2022 | 2021 | 2022 |
| Property Tax Increase* | | | | |
| Residential | 3.0% | 3.4% | 2.8% | 3.4% |
| Business/Other | 3.0% | 3.4% | 2.8% | 3.4% |
| All Other Classes | 3.0% | 3.4% | 2.8% | 3.4% |

*Includes both Asset Management Reserve and General Taxation increases

Advantages: This would provide the relief for all property classes for 2021.

Disadvantages: This tax reduction would not result in a complete freeze for Business Class properties. As the relief is for four (4) years, all property classes would see a larger tax increase in 2025 as surplus would no longer be a funding source for a reduction. The surplus funds would not be available to fund other Council initiatives.

CONCLUSION

There are advantages and disadvantages to each scenario listed. The City requires a set amount of money to fund all City operations. This means that as relief is given in one area another must make up the difference. Only a permanent change to a non-tax revenue source will result in no impacts to future year tax increases.

Summary of the property tax impact of the three scenarios:

Residential Class Properties

| | Provisional | Senario 1 | Senario 2 | Senario 3 | Senario 4 |
|------|-------------|-----------|-----------|-----------|-----------|
| 2021 | 3.0% | 4.3% | 4.3% | 3.0% | 2.8% |
| 2022 | 3.4% | 2.2% | 3.4% | 4.3% | 3.4% |
| 2023 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2024 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2025 | 2.6% | 2.6% | 2.6% | 2.6% | 2.8% |

*Includes both Asset Management Reserve and General Taxation increases

Business Class Properties

| | Provisional | Senario 1 | Senario 2 | Senario 3 | Senario 4 |
|------|-------------|-----------|-----------|-----------|-----------|
| 2021 | 3.0% | 0.0% | 0.0% | 0.0% | 2.8% |
| 2022 | 3.4% | 6.4% | 3.4% | 4.3% | 3.4% |
| 2023 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2024 | 3.2% | 3.2% | 3.2% | 3.2% | 3.2% |
| 2025 | 2.6% | 2.6% | 2.6% | 2.6% | 2.8% |

*Includes both Asset Management Reserve and General Taxation increases

SUMMARY POINTS

- The Chamber of Commerce requested a report from Staff with an analysis of the impact of freezing tax increases on commercial ratepayers for one year to assist and support the business community in Nanaimo.
- The tax ratio for business properties in Nanaimo was 2.96 in 2020.
- Business class property tax revenues have been approximately 28% of the total taxes collected for the City of Nanaimo over the last 5 years.
- The City of Nanaimo attempts to keep the proportional share of revenue from property taxes at a level similar to the average of comparable municipalities.
- \$2,808,806 in property tax reductions for all property classes has already been approved by Council and is included in the Provisional 2021 – 2025 Financial Plan.

ATTACHMENTS

Attachment A: 2021-FEB-17 Nanaimo Chamber of Commerce Letter to Mayor and Council |

Submitted by:

Laura Mercer
Director, Finance |

Concurrence by:

Shelley Legin
General Manager, Corporate Services |

Mayor & Council
City of Nanaimo

Re: City Budget and upcoming Municipal Tax Rates

In 2020, Council and Staff undertook the Municipal Budget process as part of its ongoing planning and management of municipal financial requirements. Planning and management of the city's financial resources is, obviously, a continual process with a Five-Year Financial Plan continuously being updated to guide decision making and policy development that lays out the direction for management of the City.

We commend the City for its processes and procedures in its role of careful financial management. The Chamber Task Force on the Budget Process observation of the process heard of the work of staff to ensure Council received clear and concise information on every aspect of the City's financial plan in clearly defined service areas. They further shared this information openly with the community through the City's website. This open communications policy and plan led to a public E-Townhall held December 7, just days after Council members received the information. During this townhall, we were impressed by the depth of knowledge exhibited by Council members and the fact they were all taking ownership of budget details. Their familiarity demonstrated they had each spent considerable time in review of the data and had significant conversations among themselves, bureaucrats and community members.

We support the areas of special attention in the budget, specifically:

- Public Safety – ongoing increased attention required, as the Chamber has pointed to previously
- Waterfront Development – one key to the future of our economy
- Infrastructure – support of the continued 1% contribution to General Asset Management Reserve

We're also pleased that current planning respects and retains the knowledge and insight gained through the Core Services Review conducted in 2016.

I'm going to go against the grain of some past appraisals of City budgets and proposed tax increases. This year the Chamber of Commerce heartily applauds City Council and Staff in their Budget and tax deliberations and their prudent stewardship.

But we're also here to propose to Council that they request a report from staff with an analysis of the impact of freezing tax increases on commercial ratepayers for one year to assist and support the business community in Nanaimo. The Covid-19 pandemic continues to have a devastating effect on our economy and employment.

Beginning with a three-month voluntary closure in March 2020, followed by a slow return to local shopping, reductions in local consumer demand, increasing competition from a global online marketplace, continuing restrictions on food and beverage purveyors, and an uncertain environment in 2021, our local businesses deserve all the help they can get. This effort would show support for local business, help shape the brand of Nanaimo as business friendly, and support new efforts at outreach for economic development. Most importantly, it would be a vote of confidence in the business community, perhaps strengthening their resiliency just a bit more and encouraging them to hold on just a little longer.

BC Chamber's Mindreader Pulse Check (with whom we are partners) holds regular province-wide surveys on business conditions and then releases results in regional reports. December's report indicated that on Vancouver Island, we have the lowest level of business optimism in the province with 46% of businesses categorizing themselves in "poor or very poor shape". When asked if they were pessimistic or optimistic about the next 12 months, 36% indicated they were "pessimistic or very pessimistic", placing our region in second place only to the resource regions of northern BC. This is a situation we are trying to improve. If any of you would like, I'm happy to send out links to this report.

Thank you for your consideration of this review and request.

Sincerely,



KIM SMYTHE, President and CEO

DATE OF MEETING APRIL 14, 2021

AUTHORED BY LAURA MERCER, DIRECTOR, FINANCE

SUBJECT PROPERTY TAX DUE DATES

OVERVIEW

Purpose of Report

To provide Council with information on the City of Nanaimo's 2021 property tax penalty scheme.

Recommendation

That the Finance and Audit Committee recommend that Council:

- Keep the property tax due date at 2021-JUL-02;
- Change the first property tax penalty due to 1% on 2021-JUL-02; and,
- Extend the second property tax penalty due date to 2021-SEP-10 and change to 9%.

BACKGROUND

Every year, prior to May 15th, Council must adopt a Property Tax Rates bylaw per Section 197 of the *Community Charter*. The bylaw imposes rates on all taxable land and improvements according to their assessed value to provide the funds required to operate City functions as specified in the *Charter*.

Under the default municipal tax collection scheme, property taxes are due on July 2 each year. Any unpaid tax, including unclaimed home owner grant are subject to a 10% penalty after July 2.

A municipality may opt for an alternative tax collection scheme which allows for changing the due date and/or penalty. The *Community Charter* provides legislation to establish an alternative municipal tax collection scheme under Section 235. This section includes how penalties are to be applied in relation to payments made after a due date established by the bylaw. The penalty rate is established in the *Municipal Tax Regulation* and is currently 10 percent.

DISCUSSION

The City of Nanaimo currently opts to use an alternative tax collection scheme. The general municipal taxation method due date of the first working day in July is used. However, the 10% penalty is broken into two (2) 5% due dates. The first 5% penalty is charged on any outstanding balance on the first day after the tax due date. The second 5% penalty is charged on outstanding

balances approximately 6 weeks later in August. Many municipalities opt to divide the penalty into two (2) due dates but not all have the same second due date.

In 2020, the property tax due date was 2020-JUL-02. However, the tax penalty dates were changed to 5% on 2020-OCT-01 and 5% on 2020-NOV-12. This temporary financial relief was in response to property owner's in the City who were experiencing financial duress due to the COVID-19 Pandemic.

The cash flows for the City were sufficient throughout 2020 and the collection rate for 2020 property taxes was consistent with prior years. The Provincial Government extended the tax payover date for School Taxes to December 31st to help municipalities manage their cash flows.

The Provincial Government has reverted back to all legislated due dates and this means that there will be no cash flow relief measure for municipalities in 2021.

Property Tax Due Date

Maintaining the 2021-JUL-02 property tax due date will support the City's cash flow needs as taxpayers with the capacity to pay on the due date will be encouraged to do so.

Property Tax Penalty Due Date

As the COVID-19 Pandemic is still impacting the community, Council has an option to extend the tax penalty dates again this year.

Extending the second due date to 2021-SEP-10 and changing the penalty percentages to 1% at 2021-JUL-02 and 9% at 2021-SEP-10 would provide temporary financial relief to property owner's again in 2021.

If Council chose to change the property tax late payment penalty due date for all classes, as well as the percentage split, the City is expected to have sufficient cash flows to cover expenses and required government payovers due 2021-AUG-01.

Staff have reached out to determine what other municipalities are doing with regards to property tax due dates and there has been a varied response. Some are keeping their regular penalty dates and percentages, while others are extending the dates and shifting the percentage breakdown again this year. |

OPTIONS

1. | That the Finance and Audit Committee recommend that Council:
 - Keep the property tax due date at 2021-JUL-02;
 - Change the first property tax penalty due to 1% on 2021-JUL-02; and,
 - Extend the second property tax penalty due date to 9% on 2021-SEP-10.

- The advantages of this option:
 - All property tax payers will be provided with some financial relief by delaying the second penalty date to 2021-SEP-10 and shifting the percentage split to 1% and 9%. This will provide incentive for those have the funds to pay to do so. This will help keep adequate cash flows for the City.
 - The disadvantages of this option:
 - The City could see a tax penalty revenue shortfall by delaying the tax penalty due date.
 - Financial Implications:
 - The City could see a tax penalty revenue shortfall if a higher than expected number of property owners pay before the delayed tax penalty due date.
2. That the Finance and Audit Committee recommend that Council:
- Keep the property tax due date at 2021-JUL-02; and,
 - Keep the property tax penalty due at 5% on 2021-JUL-02 and 5% at 2021-AUG-13.
 - The advantages of this option:
 - Consistent with pre-Pandemic practices
 - The disadvantages of this option:
 - Property owners would not receive any additional financial relief while still in a Pandemic world.
 - Financial Implications:
 - No financial impact.
3. That the Finance and Audit Committee provide alternative direction. |

SUMMARY POINTS

- Council must adopt a Property Tax Rates bylaw before May 15th of each year.
- Under the default municipal tax collection scheme, property taxes are due on July 2 each year and a 10% penalty is regulated to be charged on outstanding current year taxes.
- A municipality may opt for an alternative tax collection scheme which allows for changing the due date and/or penalty.
- The City of Nanaimo currently opts to use an alternative tax collection scheme where the 10% penalty is evenly broken into two (2) 5% due dates.
- Council could maintain the property tax due date of July 2nd to encourage payment and minimize the impact to cash flow.
- Council could change the property tax second late payment penalty due date to 2021-SEP-10 for all tax classes and change the percentage breakdown to 1% and 9% to provide temporary financial relief.

Submitted by:

Laura Mercer
Director, Finance |

Concurrence by:

Shelley Legin
General Manager, Corporate Services |

DATE OF MEETING APRIL 14, 2021

AUTHORED BY ART GROOT, DIRECTOR, FACILITY AND PARKS OPERATIONS
PARKS, RECREATION AND CULTURE

SUBJECT SERAUXMEN STADIUM OUTFIELD FENCING PROJECT UPDATE

OVERVIEW

Purpose of Report

To provide Council with an update of the status of the Serauxmen Stadium Outfield fencing project, project funding requirements, and possible additional scope of work.

Recommendation

That the Finance and Audit Committee recommend that Council provide additional funding to the 2021 Serauxmen Stadium Outfield Fence Project as follows:

1. \$175,000 for project contingency and possible soil removal and disposal, funded from the Asset Management Reserve; and,
2. \$153,000 for left and right foul line fencing, funded from the Asset Management Reserve.

BACKGROUND

The Serauxmen Stadium was purchased by the City of Nanaimo from School District #68 in 2017 as part of a purchase package that also included the purchase of the Rotary Bowl and the jointly funded construction of the Nanaimo District Secondary School (NDSS) Community Field. Since taking possession in 2018, and with the endorsement of Council, the City has been making improvements at the facility as part of the phased improvement plan.

At the 2020-JUL-15 Finance and Audit Committee meeting, Staff provided Council with an information report regarding the outfield fence known as the 'Green Monster' at Serauxmen Stadium. To address the immediate concerns relating to life safety, \$200,000 was added to the 2020 budget for the removal and replacement of the outfield fence and addition of safety netting. The outfield fence was taken down to a height of 8' from its original 24' following that approval. Of the \$200,000 allocated, approximately \$46,000 was used for the demolition. The remainder was carried forward to 2021 for the replacement project.

Initial designs were created in collaboration with the Serauxmen Stadium Amateur Baseball Association (SSABA) and other community partners and stadium users. SSABA have contributed \$150,000 to the fencing improvements at Serauxmen Stadium. These improvements and renewals address the safety concerns; create safer play for the athletes; an improved spectator experience with the ability to view the game from several vantage points; and support the approved stadium improvement plan with a high standard.

Request for Tender (RFT) No. 2785-2020 for the replacement of all stadium fencing as well as the addition of safety netting, went out to market 2020-DEC-23 and closed 2021-FEB-03.

Initial designs and scope focussed on the entire outfield fencing, backstop improvements and safety netting behind the backstop and along the first base/foul line. Tender results came in significantly higher than the available budget and the RFT was cancelled.

Staff reviewed alternative options with the design team and community partners to discuss what would be required to be able to safely play at the stadium. Scope was significantly reduced to only include the outfield fencing from foul line to foul line and the safety netting directly above the area formerly known as the Green Monster. The designs were simplified to try to bring the costs closer to the available 2020-21 budget. This would mean that there would be additional funding requests to complete the outfield fencing in its entirety. Concepts of the outfield fencing are attached (Attachment A).

RFT No. 2860-2021, for the replacement of the outfield fencing from foul line to foul line, went out to market 2021-MAR-03 and closed 2021-MAR-18.

DISCUSSION

The 2020-2021 budget available for the project is \$610,000 and the low bid received on 2021-MAR-18 was for \$838,000. Staff reviewed the bids along with the design team and determined that the pricing was fair, based on the current market and pandemic impacts on pricing and operational protocols and made the recommendation to accept and award to the lowest bidder as soon as possible to allow for seasonal play to occur when health restrictions ease.

To award the lowest bid so that the project could proceed as soon as possible, to support a 2021 season, Staff worked to transfer funds from 2020 carry-forward and 2021 current year projects to meet the budget shortfall. Some of these projects either had surplus, were substantially complete, or could be cancelled and re-budgeted in 2022 or a future year.

These project funds include:

1. \$100,000: PIP (Partners In Parks program) funds, general funding that can be replenished. Funding matched due to the contribution from SSABA.
2. \$25,000: Lions Great Bridge Pile remediation project. Project complete. Used surplus funds.
3. \$70,000: McGirr Outfield Fencing. Cancelled project and will enter in future year. Insufficient funds for the scope of work.
4. \$50,000: from trail development and rehab carry forward from 2020.

A total of \$245,000 was transferred from the above projects so the base bid scope of work could proceed as soon as possible. The tender was awarded on 2021-MAR-23.

The funds transferred however only cover the cost of the base bid scope of work. This does not include project contingency and possibly dealing with soil removal and disposal. There may be an opportunity to use the soils on site, but this has yet to be determined. The amount of budget required to add to the project for contingency and removal of soils is \$175,000. Any funds not

expended will be returned to the reserve they came from. This contingency funding is recommended to come from the Asset Management Reserve.

As part of RFT 2860-2021, the City requested pricing for four provisional items. Two of the provisional items that would complete the outfield fencing component of the stadium improvements are the removal, disposal, and replacement of the left and right foul line fencing at a cost of \$153,000. Contingencies are included in this amount.

The two other provisional items (perimeter and bullpen fencing estimated at a total of \$177,000) will be presented to Council in upcoming reports and presentations as possible current year or future year projects for consideration.

This does not include the safety netting components of the project required to provide safety for the plaza areas and the other sporting venues. These netting and back stop safety improvements are likely to cost \$650,000 (2021 estimate) and will also be presented to Council separately to this report.

OPTIONS

1. That the Finance and Audit Committee recommend that Council provide additional funding to the 2021 Serauxmen Stadium Outfield Fence Project as follows:
 1. \$175,000 for project contingency and possible soil removal and disposal, funded from the Asset Management Reserve; and,
 2. \$153,000 for left and right foul line fencing, funded from the Asset Management Reserve.
 - The advantages of this option: The base bid work will be completed and there will be enough funding to cover the costs of removing, transporting, and disposing of any soils. Completing the left and right foul line fencing finishes the entire replacement of the outfield fencing.
 - The disadvantages of this option: Additional funding is required to complete the project as outlined.
 - Financial Implications: The 2021-2025 Financial Plan would be amended to include \$328,000 in additional funding. This is additional to the \$245,000 already transferred from other projects.
2. That the Finance and Audit Committee recommend that Council provide additional funding to the 2021 Serauxmen Stadium Outfield Fence project as follows:
 1. \$175,000 for project contingency and possible soil removal and disposal, funded from the Asset Management Reserve;
 - The advantages of this option: The base scope of work will be completed and financially supported.
 - The disadvantages of this option: The left and right foul line fencing will not be completed and will need to be done in a future year at a potentially higher cost. The remaining fencing will be a safety concern and will require some work to ensure player safety.

- Financial Implications: The 2021-2025 Financial Plan would be amended to include \$175,000 in additional funding.

3. That the Finance and Audit Committee provide alternative direction. |

SUMMARY POINTS

- The City has been making improvements to the Serauxmen Stadium facility as part of a phased improvement plan in collaboration with community partners and user groups since 2018.
- The outfield fencing needs to be replaced at Serauxmen Stadium for safety reasons due to deterioration.
- Staff transferred \$245,000 to cover the costs of the low bid tender to supplement the \$610,000 budget available so work could proceed as soon as possible to support the 2021 season.
- Up to \$328,000 is still required to cover contingencies and to deal with potential contaminated soils. It is not expected that all of this funding will be required.
- Additional safety netting and backstop improvements are still required at an estimated cost of \$ 650,000 and will be presented to Council at a future meeting.

ATTACHMENTS:

ATTACHMENT A: Outfield fencing concepts for Serauxmen Stadium |

Submitted by:

Art Groot
Director, Facility and Parks Operations

Concurrence by:

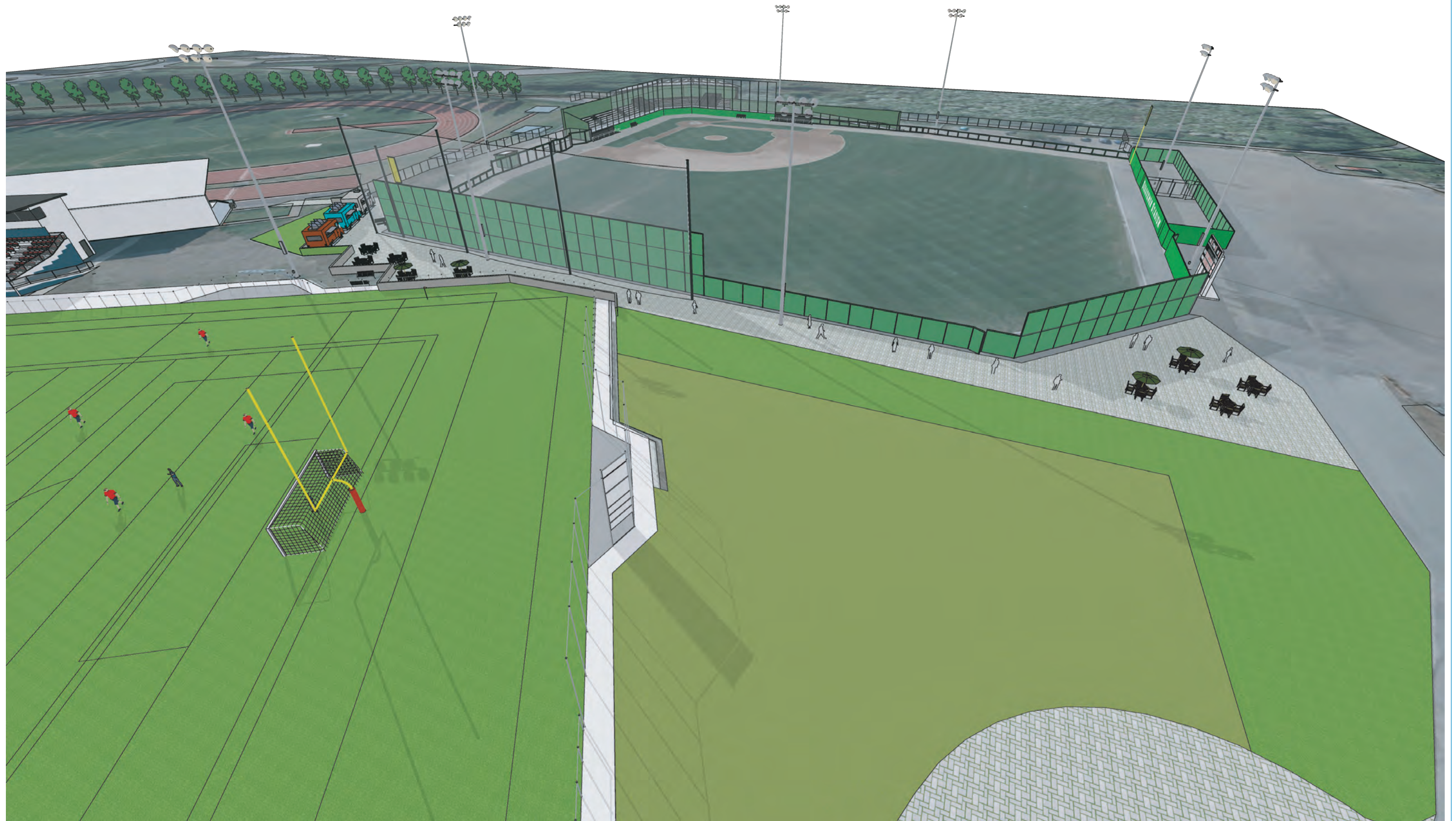
Richard Harding
General Manager, Parks, Recreation & Culture

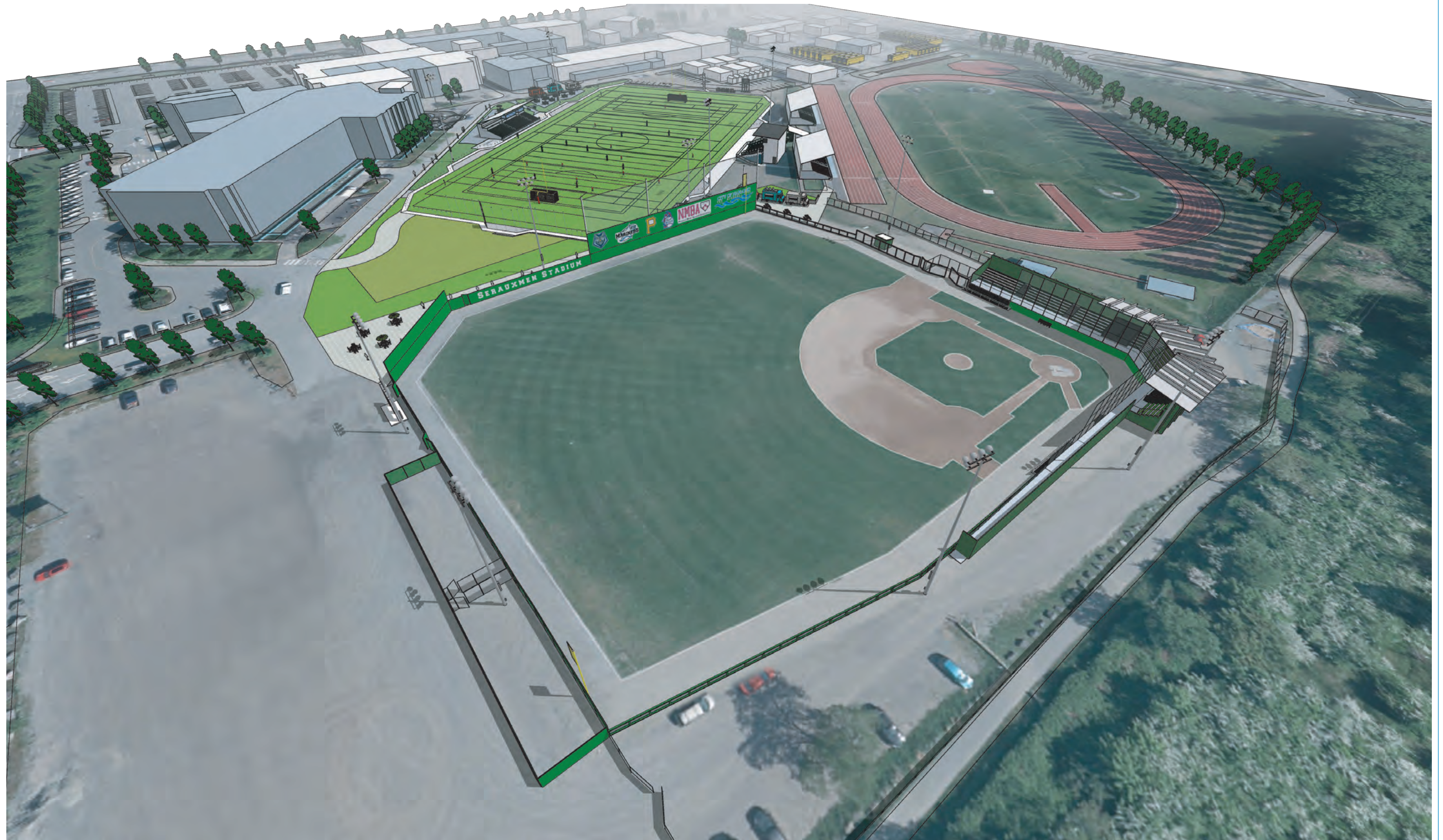
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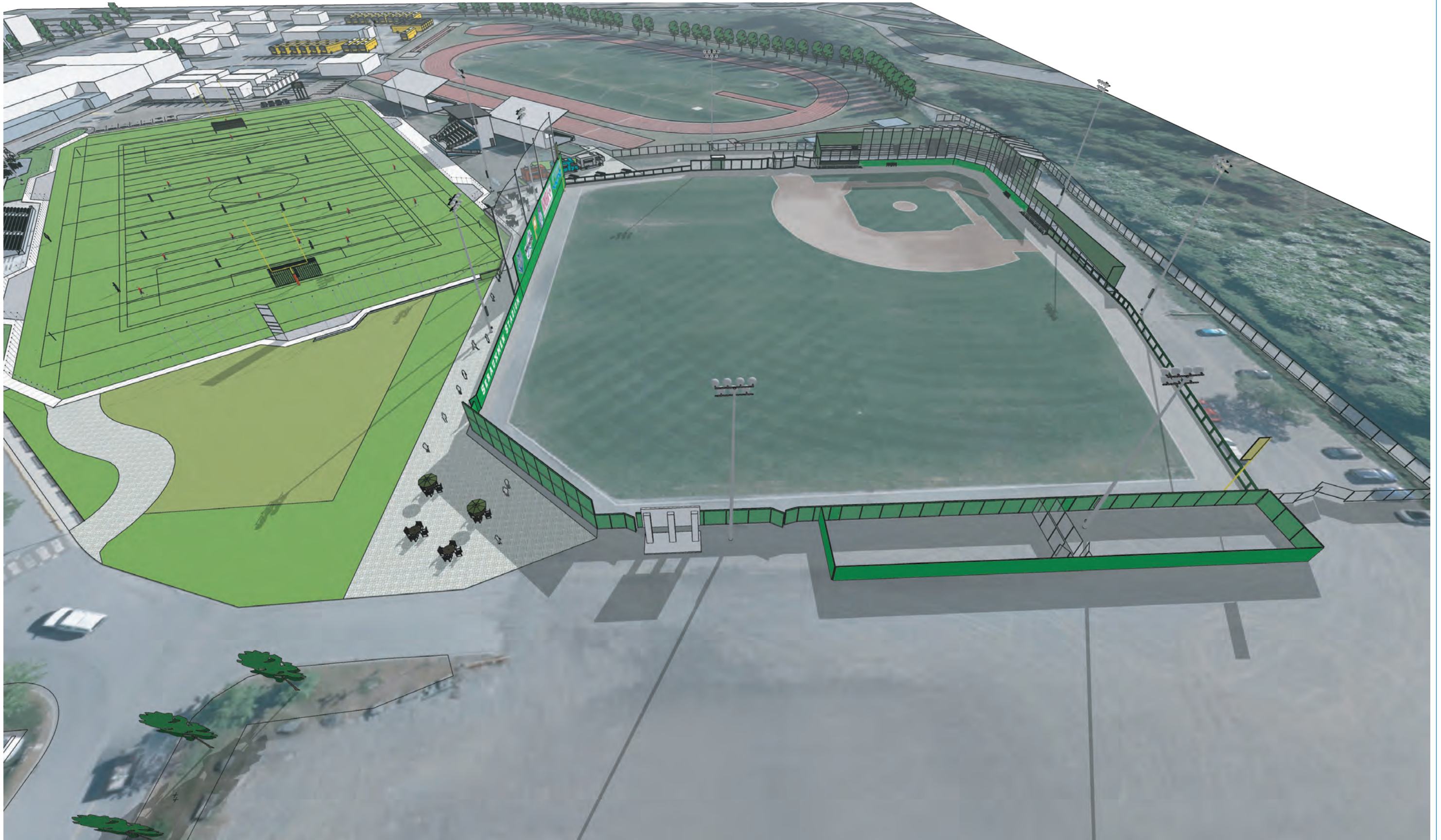
Laura Mercer
Director, Finance |

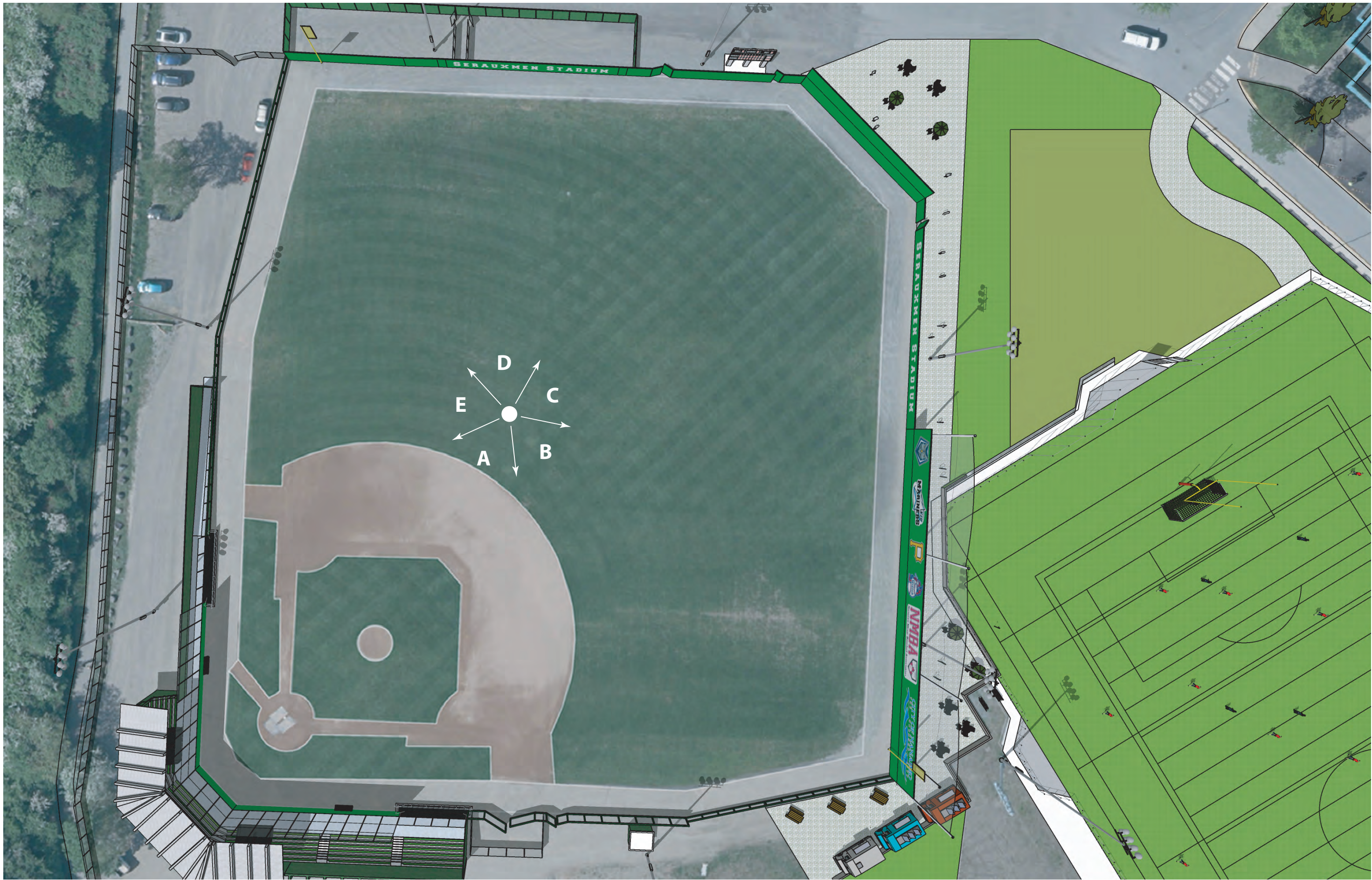


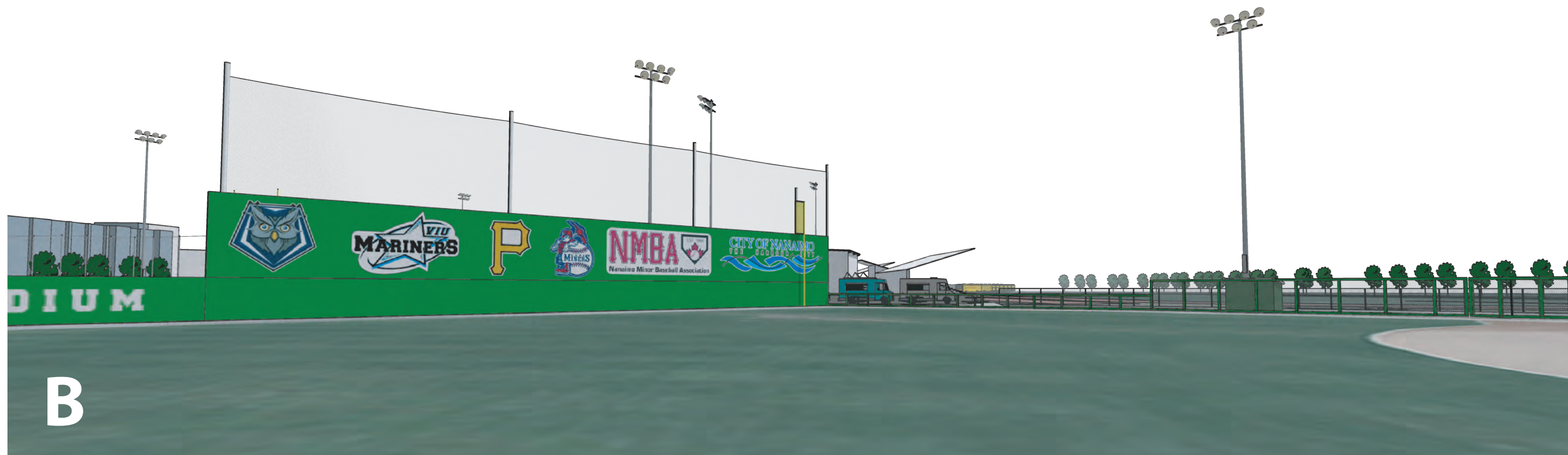
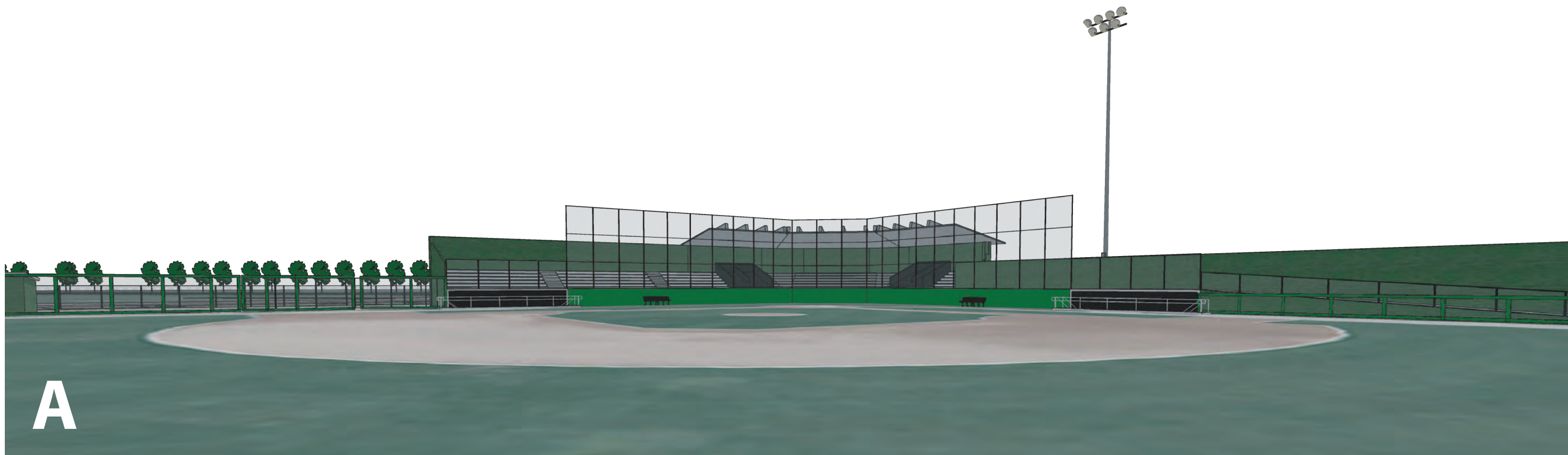


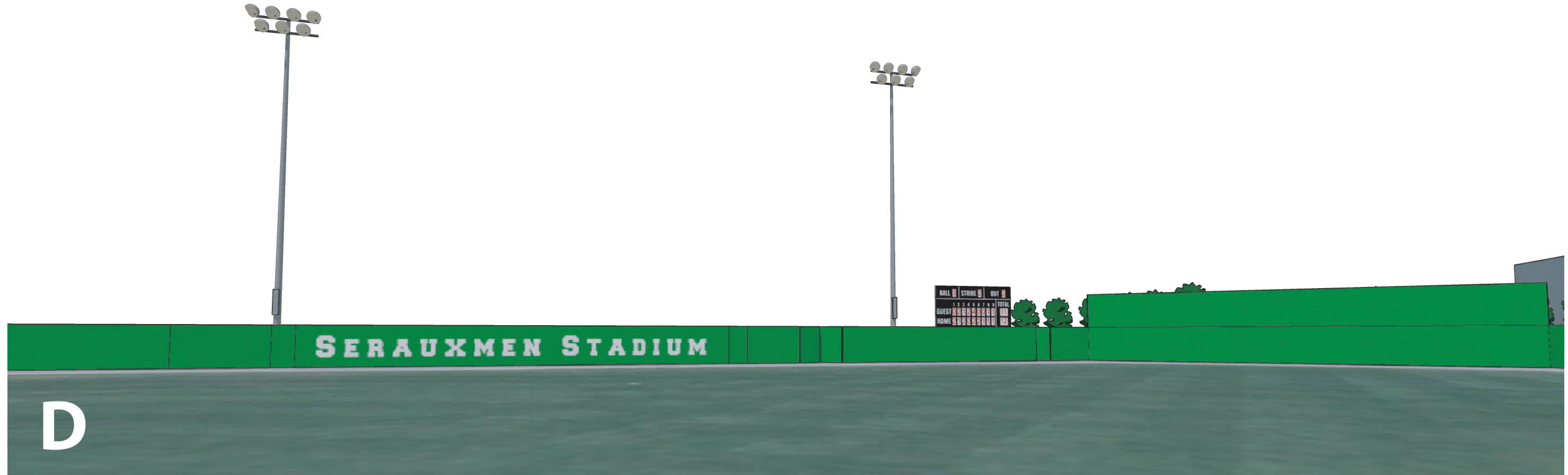
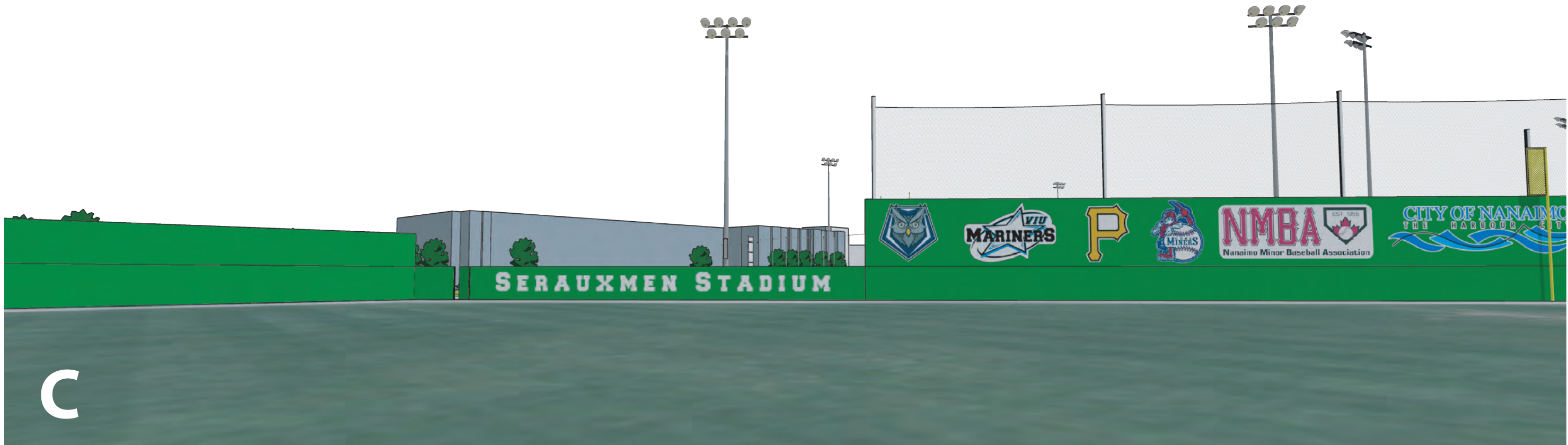


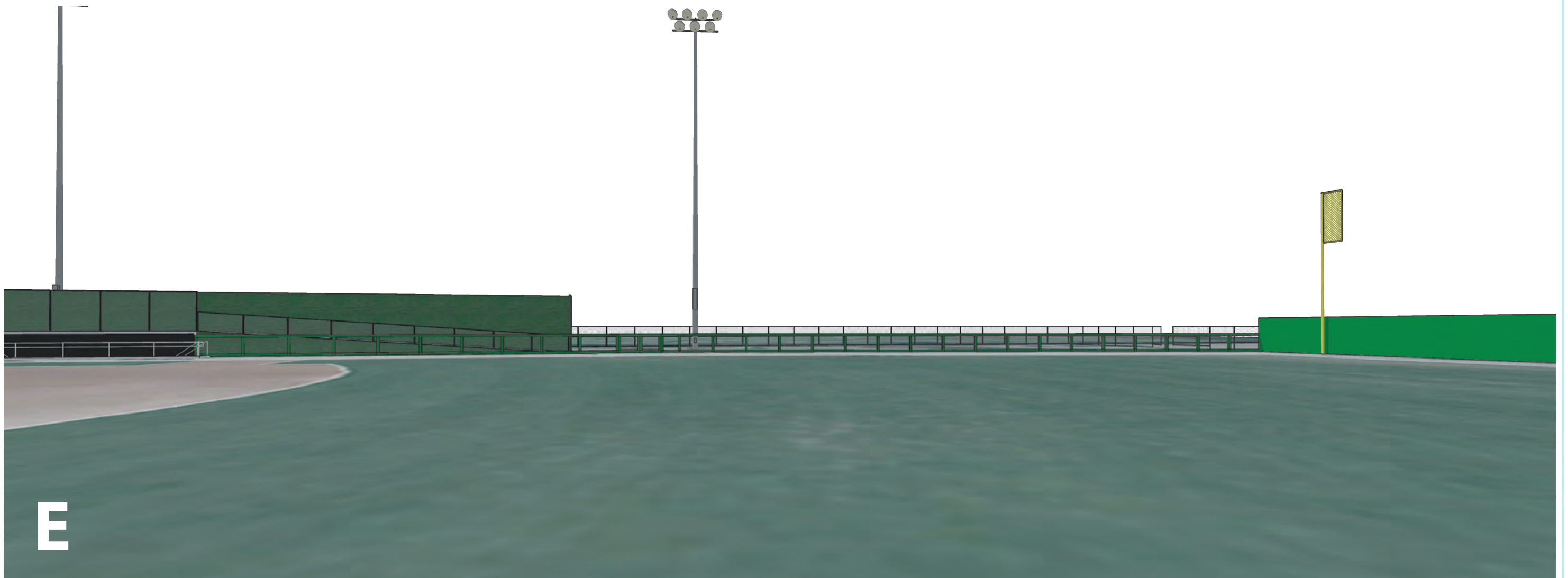












DATE OF MEETING APRIL 14, 2021

AUTHORED BY MICHAEL CHMIELEWSKI, FINANCIAL ANALYST
 DORIS FOURNIER, MANAGER, MUNICIPAL INFRASTRUCTURE

SUBJECT ASSET MANAGEMENT PLANNING PROGRAM

OVERVIEW

Purpose of Report

To provide Council with information on a potential project for the 2021 Asset Management Planning Program, and obtain a Council resolution.

Recommendation

That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the 2021 Asset Management Planning Program for the Sanitary Lift Station Condition Assessment Project, and provide overall grant management.

BACKGROUND

UBCM's Asset Management Planning program was created in 2014 with the intent of the program to assist local governments in delivering sustainable services by improving their asset management practices. Since 2015, more than 260 grants and subsidies have been awarded to local governments through the province.

Funding up to 50% of total project costs to a maximum of \$15,000 are available to support activities that improve local government's asset management planning or practices, and that facilitate the integration of asset management planning with long term financial planning. To qualify for funding, eligible projects must be a new project or project component and capable of being complete within one year from the grant approval date.

There are two intake dates for the grant; **2021-APR-30** and **2021-SEP-24**. Applicants will be advised of the status of their application within 60 days of the application dates.

DISCUSSION

Staff identified the Sanitary Lift Station Condition Assessment project as the project candidate for the first intake of this grant program. Other projects were proposed, however, this project was the only one that met all the eligible criteria, is currently in the 2021-2025 Financial Plan, and is ready to proceed once the grant application is submitted. The project is currently budgeted in the 2021-2025 Financial Plan for \$36,250 with funding from sewer reserves. Any grant funding received would reduce the funding needed from reserves.

Sanitary Lift Station Condition Assessments

The City will be working with a consultant on the development of a standardized asset summary for its sanitary lift stations. The assessment will identify the current conditions of each lift station, estimated remaining lifespan of identified assets and replacement value. An asset management plan from the assessment will be developed to include mid-life station retrofits and end of life replacements of entire stations.

The project is set to begin once the grant application has been submitted and should be complete by 2021-DEC-31.

OPTIONS

1. That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the 2021 Asset Management Planning Program for the Sanitary Lift Station Condition Assessment Project, and provide overall grant management.
 - The advantages of this option: This project will provide the City with an asset management plan for its current lift stations. Having the appropriate plan in place will reduce the risk of failures if assets are scheduled to be replaced at their end of life. Future budgetary requirements will also be identified and incorporated in the long term financial plan ensuring funding is available for future replacement of assets.
 - Financial Implications: The cost of the Sanitary Lift Station Condition Assessment is \$36,250. This project is included in the 2021-2025 Financial Plan, any grant funding received will reduce City funding sources.
2. That Council provide alternative direction to Staff for a project to submit an application to the 2021 Asset Management Planning Program.

SUMMARY POINTS

- An application to the 2021 Asset Management Planning Program for the Sanitary Lift Station Condition Assessment Project will be submitted.
- Funding will be announced within 60 days of the grant application date.
- Any grant funding received will reduce City funding sources.
- Estimated project completion date is 2021-DEC-31.

Submitted by:

Michael Chmielewski
Financial Analyst

Doris Fournier
Manager, Municipal Infrastructure

Concurrence by:

Laura Mercer
Director, Finance

Shelley Legin
General Manager, Corporate Services

Bill Sims
General Manager, Engineering and Public
Works

DATE OF MEETING APRIL 14, 2021

AUTHORED BY DEANNA WALKER, FINANCIAL ANALYST
JEREMY HOLM, DIRECTOR, DEVELOPMENT APPROVALS

SUBJECT LOCAL GOVERNMENT DEVELOPMENT APPROVALS PROGRAM

OVERVIEW

Purpose of Report

To provide Council with information on a suitable project for an application under the Local Government Development Approvals Program.

Recommendation

That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Local Government Development Approvals Program for the Development Approval Improvement project, and provide overall grant management.

BACKGROUND

In 2019, the Ministry of Municipal Affairs initiated the Development Approvals Process Review (DAPR). The Ministry engaged local governments and a broad range of stakeholders to discuss the challenges of current development approvals processes in B.C., to identify opportunities for addressing those challenges, and to develop an informed list of ideas about how to improve the efficiency and effectiveness of processes. A summary report of engagement findings identified several key themes. The Local Government Development Approvals Program, a component of the Canada-BC Safe Restart Agreement, is one element in addressing the DAPR Report findings.

The Local Government Development Approvals Program is intended to support the implementation of established best practices and to test innovative approaches to improve development approvals processes while meeting local government planning and policy objectives.

The development approvals process refers to all operational steps and decision making in relation to a local government's consideration of approving development, from the pre-application phase to the issuance of the building permit and, ultimately, approval of occupancy. The local government's review process ensures that development applications conform to policies, plans, and regulations for building and development.

The Ministry of Municipal Affairs has provided \$15 million in funding and UBCM is administering the program. Municipalities may submit one application for 100% funding of eligible project costs up to \$500,000. Eligible projects must be completed within two years of grant approval.

The grant application deadline is **2021-MAY-07**.

DISCUSSION

At its meeting of 2021-MAR-29, Council directed staff to implement the recommendations of Neilson Strategies Inc.'s Building Permit Function Review. Council's direction included submission of a grant application to the UBCM's Local Government Development Approvals Program. Staff have also identified additional areas in the City's development approvals processes, outside of the building permit functions, where efficiency and effectiveness could be improved through initiatives that meet the Local Government Development Approvals Program grant criteria. These initiatives have been combined into one project titled Development Approval Improvement in anticipation of applying for funding under the Local Government Development Approvals Program.

The Development Approval Improvement project will include the following suite of initiatives, for a total estimated cost of \$500,000:

- Investment in software technology as recommended in the Building Permit Function Review to support implementation of improvements to the online application system including ability for cost recovery option for credit card fees (\$375,000)
- Implementation of the recommendations in the Building Permit Function Review allocation for consulting services (\$25,000)
 - i. To review and update internal process guides and support the development of an internal service agreement;
 - ii. To develop a Terms of Reference for the Joint Building Permit Advisory Working Group;
 - iii. To develop eligibility criteria for the proposed Fast Track Program; and,
 - iv. To develop specific elements, requirements and terms for the proposed Approved Professionals Pilot Project.
- Consulting Services for a development process review focused on Current Planning approvals (\$50,000)
- Consulting and legal services (\$50,000)
 - i. To update the development approval procedures bylaw;
 - ii. To develop standard template legal instruments to support efficient development application approval;
 - iii. To update development permit guidelines to provide clear expectations to applicants and clear decision-making parameters for delegated and Council decisions; and,
 - iv. To review and update application forms, checklists and guidelines to clarify application requirements and expectations of local government-applicant interaction throughout the application process.

OPTIONS

1. That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Local Government Development Approvals Program for the Development Approvals Improvement project, and provide overall grant management.
 - The advantages of this option: Implementing these changes will help reduce development approval processing times, improve development approval process transparency, and provide clarity and consistency to application submission requirements.

- Financial Implications: These initiatives are not currently in the 2021 – 2025 Financial Plan; however, a discussion point is being presented for Council's consideration for the Software and Implementation phases of this project. If the application is successful, the 2021 – 2025 Financial Plan will be amended with the project fully funded from the grant.
2. That the Finance and Audit Committee recommend that Council provide alternative direction to Staff for a project to submit an application to the Local Government Development Approvals Program. |

SUMMARY POINTS

- The Local Government Development Approvals Program provides up to \$500,000 of funding for eligible project costs.
- The City may submit one application.
- The application deadline is 2021-MAY-07.

Submitted by:

Deanna Walker
Financial Analyst

Jeremy Holm
Director, Development Approvals |

Concurrence by:

Dale Lindsay,
General Manager, Development Services

Laura Mercer
Director, Finance

Shelley Legin
General Manager, Corporate Services

DATE OF MEETING APRIL 14, 2021

AUTHORED BY DEANNA WALKER, FINANCIAL ANALYST
ART GROOT, DIRECTOR, FACILITY & PARKS OPERATIONS

SUBJECT CANADA HEALTHY COMMUNITIES INITIATIVE – SECOND
INTAKE

OVERVIEW

Purpose of Report

To provide Council with information on potential projects for the Canada Healthy Communities Initiative Second Intake, and obtain a Council resolution for the selected project.

Recommendation

That the Finance and Audit Committee recommend that Council direct staff to submit an application to the Canada Healthy Communities Initiative for the Maffeo Sutton Playground Phase 2.

BACKGROUND

The Canada Healthy Communities Initiative is a \$31 million investment from the Government of Canada announced February 9th to fund small-scale infrastructure projects to create safer, more vibrant and inclusive communities. The program is available to local governments, Indigenous governing bodies, provincial or territorial organizations delivering municipal services, and federally or provincially incorporated not for profit organizations.

Healthy Communities Initiative projects will respond to identified needs arising from impacts of COVID-19; create and adapt public spaces, and programming and services for public spaces in the public interest; demonstrate consideration of and connections with the community; serve the general public or a community disproportionately impacted by COVID-19 ; and fall within the three Healthy Communities Initiative theme areas. The three theme areas are safe and vibrant public spaces, improved mobility options and digital solutions.

Eligible projects must be completed by 2022-JUN-30. There are two intake dates for the grant; 2021-MAR-09 and 2021-JUN-25. Municipalities may submit one application per intake for 100% funding of eligible project costs up to \$250,000. Under the first intake, the City of Nanaimo applied for funding for the Lighting of the E&N Trail Phase 1 (Northfield to Dorman).

The grant application deadline for the second intake is **2021-JUN-25**.

DISCUSSION

Staff shortlisted the following four potential projects as the best candidates for the second intake of this initiative.

- Maffeo Sutton Playground Phase 2
- Needham Street Sidewalk
- Lenhart Bridge
- Lighting of the E&N Trail Phase 2

Additional projects considered, and their approximate value are listed in the attached Appendix.

Maffeo Sutton Playground Phase 2

Maffeo-Sutton Park is Nanaimo's premier waterfront park space. In 2017, Council passed a motion for City staff to work with the Nanaimo Child Development Centre, Rotary Club of Nanaimo, and other community partners, to develop a plan for Maffeo- Sutton Park playground as the majority of the playground and surfacing had reached end of life and did not meet safety standards. The motion was to design this park to be all-inclusive and appeal to people of all ages and abilities.

A multi-phased plan was created to redevelop the space with traditional play elements, significant seating areas, planting, public art, public circulation routes, and interpretive materials with a theme to reflect the traditional First Nations territory. Phase 1 of the plan, which focused on inclusive play for 5 – 12 year olds, was completed in June 2020. As well, Rotary Centennial Garden with paving, plants, pagodas and logs was installed on nearby green space. Phase 2 focuses on inclusive play features for 2 - 5 year olds, upgraded safety surfacing and additional landscaping.

Phase 2 of this project will complete the upgraded playground space in Maffeo Sutton Park, the playground will be fully inclusive and accessible to all in Nanaimo.

Phase 2 of the project would supply and install new inclusive and accessible play equipment for ages 2 - 5 that meets Canadian Safety Association guidelines for children's play spaces and equipment, upgrade the safety surfacing to wood fiber and pour in place rubber. Landscaped areas, seating, hard surface trails and art features would also be added to the space. The project will include removal of existing play equipment and safety surfacing, and improved drainage, irrigation and electrical infrastructure to support the new space.

The opportunity presented by the Canada Healthy Communities Initiative will upgrade this playground and provide the opportunity for residents to enjoy an accessible, safe, outdoor space.

The City has budgeted \$663,300 for Maffeo Sutton Playground Phase 2 in 2023 of the 2021 - 2025 Financial Plan. If the grant application is successful, the project would be accelerated to 2021 in the 2021 – 2025 Financial Plan, and the \$413,300 remaining would be funded by PILTS.

Needham Street Sidewalk – Haliburton Street to Irwin Street

Needham Street is located within one of the oldest areas of Nanaimo and the vast majority of this neighbourhood has sidewalks that date back to the creation of the City. Snuneymuxw First Nation is conducting work on IR No. 1 which will connect to this proposed sidewalk. The Nation and local community have requested improvements to make their neighbourhood more walkable.

The cost for this project has been estimated at \$150,000, and has been included as part of the allocation of Unallocated Pedestrian Funds in the 2021 – 2025 Financial Plan.

Lighting E & N Trail Phase 2

The E&N trail is an All Ages and Ability (AAA) Active Transportation link between the Rutherford, Country Club, Hospital, and Downtown Mobility Hubs. With the completion of the Metral Drive Complete Streets project, this link will be extended north to the Woodgrove Mobility Hub effectively linking all mobility hubs/urban nodes north of Downtown. Use of the trail continues to increase.

The original section of the E&N, south of Mostar Road, is not currently lit which creates public safety concerns and is a barrier to year round and evening use, as reflected by the winter months in the graph above. Lighting 750 meters of the paved trail will provide the opportunity for residents to enjoy an accessible, safe, socially-distanced recreational and commuting corridor. The vibrancy and enjoyment of this trail will be increased with the inclusion of public art by incorporating banners on the light fixtures. This project is supported by public feedback from our current Relmagine Nanaimo public engagement, and the City of Nanaimo's Transportation Master Plan. The opportunity presented by the Canada Healthy Communities Initiative will enable the upgrade of this corridor to help increase safe social connectivity, walkability, and bike-ability.

Costs to light approximately 750 meters of trail (Dorman Road to Bowen Road and/or other priority locations) with banner friendly light fixtures is estimated at \$250,000. This project is not included in the 2021 – 2025 Financial Plan.

Lenhart Bridge Replacement

The Lenhart Bridge is an existing pedestrian footbridge over the Millstone River that connects Riverside Drive with an existing trail system in the northeast corner of Bowen Park. The existing bridge has a width of 1.4m with a wooden deck and chain-link fence railings, and is in fair condition overall. While the existing bridge provides a pedestrian connection, the narrow width and offset gates forces cyclists to dismount to cross.

Upgrading the crossing for the purpose of active transportation would entail replacing the bridge with a new 4 metre wide single span structure complete with guardrails, new concrete abutments, and a wearing surface appropriate for all forms of transportation. The added width provides a safer, socially-distanced cross-section for various users, and a reduction in approach grades would support accessibility.

With the completion of the Bowen Park Trailway and Utility Upgrade project, this would significantly enhance an existing mobility link between the hospital and downtown areas. The trailway lighting improvements on the south side of the bridge with the existing lighting on the north will serve to improve visibility and safety for users, with a resulting increase in utilization.

The opportunity to upgrade this bridge to an active transportation link would naturally complete this corridor and significantly improve a preferred mobility link.

The conceptual cost to replace the bridge structure is estimated to be \$237,000. If funding is successful, detailed design, procurement and construction would take place in the fall of 2021 and spring 2022.

OPTIONS

1. That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Canada Healthy Communities Initiative for Phase 2 of the Maffeo Sutton Playground.
 - The advantages of this option: This will further the goal of making the park all-inclusive and appealing to people of all ages and abilities.
 - Financial Implications: The cost for Phase 2 has been estimated at \$663,300. If the grant application is successful, the City would be eligible for up to \$250,000 of funding towards the project, with the remaining \$413,300 to be funded by the City. Currently, the City has budgeted \$663,300 in 2023 of the 2021 – 2025 Financial Plan. If selected, the project would be accelerated to 2021 in the 2021 – 2025 Financial Plan with the City's portion funded from PILTS. Acceleration of the project would be contingent on a successful grant application.
2. That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Canada Healthy Communities Initiative for Needham Street Sidewalk – Haliburton Street to Irwin Street.
 - The advantages of this option: Incorporating the requested sidewalk in conjunction with the planned utility upgrade, and in partnership with Snuneymuxw would be a cost effective way to complete the work.
 - Financial Implications: \$150,000 funding for this project has been included in the 2021 – 2025 Financial Plan. If the grant was successful, we would received the full project cost in grant funding, and be able to reallocate the \$150,000 to other pedestrian priorities.
3. That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Canada Healthy Communities Initiative for the Lighting of the E & N Trail Phase 2.
 - The advantages of this option: Lighting the original section of the E&N trail will increase safety and allow for increased usage of an accessible trail that provides socially-distanced recreational and commuting opportunities. The project can also be undertaken quickly and is scalable.
 - Financial Implications: This project is not currently in the 2021 - 2025 Financial Plan. If the application is successful, the 2021 – 2025 Financial Plan will be amended with the project fully funded from the grant.

4. That the Finance and Audit Committee recommend that Council direct Staff to submit an application to the Canada Healthy Communities Initiative for the Lenhart Bridge Replacement project
 - The advantages of this option: Upgrading the existing bridge will complete this corridor and significantly improve a preferred mobility link.
 - Financial Implications: Only the conceptual design stage (\$16,000) of this project is currently in the 2021 - 2025 Financial Plan, however a report will be presented to Council for the construction phase of the project at an upcoming meeting. If the application is successful, the 2021 – 2025 Financial Plan will be amended with the construction fully funded from the grant. The detailed design, procurement and construction of this project in 2021 and 2022 would be contingent on a successful grant application.
5. That the Finance and Audit Committee recommend that Council provide alternative direction to Staff for a project to submit an application to the Canada Healthy Communities Initiative.

SUMMARY POINTS

- The Canada Healthy Communities Initiative provides up to \$250,000 of funding for eligible project costs.
- The City may submit one application for each intake.
- Applications for the second intake are due by 2021-JUN-25.

ATTACHMENTS:

Appendix A: Listing of other projects considered |

Submitted by:

Deanna Walker
Financial Analyst

Art Groot
Director, Facility and Parks Operations
|

Concurrence by:

Laura Mercer
Director, Finance

Shelley Legin
General Manager, Corporate Services

Richard Harding,
General Manager, Parks, Recreation & Culture

Bill Sims
General Manager, Engineering & Public Works

Canada Healthy Communities Initiative Second Intake

Other Projects Considered

| <u>Description</u> | <u>Approximate Cost</u> |
|--|-------------------------|
| Outdoor classrooms/program space at Beban Park | \$150,000 |
| Haliburton Street Sidewalk – Woodhouse St to Robins St | \$554,000 |
| Centralized Stadium Entrance & Plaza (concrete work per concept) | \$200,000 |
| Neck Point Improvements including an outdoor classroom | \$150,000 |
| Chase River Estuary Park Improvements (re-naturalization) | \$100,000 |
| Tideline Park | \$380,000 |

DATE OF MEETING APRIL 14, 2021

AUTHORED BY MICHAEL CHMIELEWSKI, FINANCIAL ANALYST
 CHARLOTTE DAVIS, MANAGER, PARKS OPERATIONS

SUBJECT TIRE STEWARDSHIP BC GRANT

OVERVIEW

Purpose of Report:

To advise the Finance and Audit Committee that the City has submitted a grant application totaling \$14,635 for the Harewood Centennial Park Accessible and Inclusive Playground Upgrade project.

BACKGROUND

Tire Stewardship BC (TSBC) Community Grant Program

The TSBC Community Grant Program's primary objective is to bring products manufactured from recycled BC scrap tires "full circle" back to BC communities. This is achieved by providing financial support to communities who have decided to use recycled tire products in their projects. Eligible projects include a project that uses BC recycled rubber and is fully public and wheelchair accessible.

Funding may only be used towards the purchase, freight and installation of recycled tire products. Funding used towards installation will only be given if there is a written warranty provided by the installer.

The program provides matching funding up to 50% of eligible costs to a maximum of \$30,000 and only one application will be permitted in any given year.

The grant application deadline was 2021-MAR-31. Funding announcements are expected no later than 2021-MAY-14.

DISCUSSION

The City has applied for funding totaling \$14,635 for the Harewood Centennial Park Accessible and Inclusive Playground Upgrade project. This project met the eligibility requirements listed above and is included in the 2021 – 2025 Financial Plan. Any grant funding received will reduce City funding sources.

A grant application was already submitted to Kal's Replay Fund for the Harewood Centennial Park project. This project was the only 2021 project identified to be eligible for this type of grant funding.

Harewood Centennial Park Accessible and Inclusive Playground Upgrade

Phase 1 of this project includes the removal of all pea gravel surfacing from 10,000 sq ft and replacing it with a combination of wood fibre surfacing and poured in place recycled rubber surfacing. The project will be inclusive to people with diverse abilities by having a level playground surface surrounding an accessible merry-go-round and swing. The project schedule has been revised to begin 2021-MAY-24 and be complete by 2021-JUN-07.

The total project in the 2021-2025 Financial Plan is approximately \$75,000 of which a contribution of \$31,209 has already been received from the Nanaimo Lion's Club. The remaining \$43,791 will be funded from reserves unless grant funding is received. The cost of purchasing and installing the poured in place rubber surfacing is \$29,270.

CONCLUSION

The City is actively pursuing other revenues such as grants to help offset the costs of Parks, Recreation & Culture playground upgrade projects.

SUMMARY POINTS

- The City has applied for \$14,635 in funding from the Tire Stewardship BC Community Grant Program for the Harewood Centennial Park Accessible and Inclusive Playground Upgrade project.
- Funding announcements are expected no later than 2021-MAY-14.
- Any grant funding received will reduce City funding sources.
- Estimated project completion date is end of June.

Submitted by:

Michael Chmielewski
Financial Analyst

Charlotte Davis
Manager, Parks Operations

Concurrence by:

Laura Mercer
Director, Finance

Shelley Legin
General Manager, Corporate Services

Art Groot
Director, Facility & Parks Operations

DATE OF MEETING April 14, 2021

AUTHORED BY BILL CORSAN, DIRECTOR, COMMUNITY DEVELOPMENT

**SUBJECT VANCOUVER ISLAND ECONOMIC ALLIANCE – 2021
CONFERENCE SPONSORSHIP**

OVERVIEW

Purpose of Report

To request funding for the City of Nanaimo's sponsorship of the 2021 Vancouver Island Economic Alliance Conference. |

Recommendation

That the Finance and Audit Committee recommend that Council sponsor the 2021 Vancouver Island Economic Alliance Summit as a platinum sponsor with a \$10,000 financial contribution.

BACKGROUND

The Vancouver Island Economic Alliance (VIEA) Summit has been held for the past 14 years in Nanaimo. The Summit brings business and community leaders from across the island to Nanaimo to network with proactive business, government and community leaders to build relationships, develop business and identify potential opportunities.

The event has been held at the Vancouver Island Conference Centre in downtown Nanaimo since it was opened in 2008.

The 15th Annual Summit is planned for October 26-28, 2021 either virtual or in-person depending on the Public Health Orders in place at the time. |

DISCUSSION

VIEA has reached out to Staff to determine if the City of Nanaimo is interested in being a sponsor for the event. There are five levels of sponsorship available:

- Premier (\$15,000) one available
- Platinum (\$10,000) – four available
- Gold (\$7,500) – four available
- Silver (\$5,000) – eight available
- Bronze (\$2,650) – no limit.

The City of Nanaimo and the former Nanaimo Economic Development Corporation (NEDC) sponsored the Summit at the Platinum level prior to its dissolution in 2016. The City has not

contributed as a partner since 2017 despite the economic benefits of hosting the conference in Nanaimo each year.

Staff believe that the \$10,000 contribution to the Summit helps re-establish the City's reputation as an active partner in the Vancouver Island economy and builds on Council's recent successes of endorsing the Economic Development Strategy and Charter for the Nanaimo Prosperity Corporation.

Funding for the sponsorship is available through the \$300,000 allocated by Council to fund the new Economic Development Corporation in 2021.

OPTIONS

1. That the Finance and Audit Committee recommend that Council sponsor the 2021 Vancouver Island Economic Alliance Summit as a platinum sponsor with a \$10,000 financial contribution.
 - The advantages of this option: The sponsorship helps to promote Nanaimo as a City that is engaged with the wider Vancouver Island economy. There may also be opportunities for the City to showcase recent Council initiatives around the Doughnut Economic Framework, the new Economic Development Strategy and the Nanaimo Prosperity Corporation.
 - The disadvantages of this option: None identified.
 - Financial Implications: Funding is available through the \$300,000 allocated by Council in the 2021 budget to fund the new Economic Development Corporation. The use of these funds to promote Nanaimo aligns with the role of the Corporation.
2. That Council provide alternative direction.

SUMMARY POINTS

- The Vancouver Island Economic Summit has been held for the past 14 years in Nanaimo.
- The 15th Annual summit is planned for October 26-28 2021 either virtual or in person depending on the Public Health Orders in place at the time.
- The Summit brings business and community leaders from across the island to Nanaimo to network and discuss opportunities.
- Council is being asked to consider sponsor at the Platinum Level, which is a \$10,000 commitment.
- The funding for the sponsorship is available through the budget allocated by Council in the 2021 Budget to fund the new Economic Development Corporation which has a balance of \$300,000.

ATTACHMENTS:

ATTACHMENT A: Sponsorship Package

Submitted by:

Bill Corsan
Director, Community Development |

Concurrence by:

Laura Mercer
Director, Finance

Dale Lindsay
General Manager, Development Services |

SPONSORSHIP OPPORTUNITIES

2021 15TH ANNUAL SUMMIT

VANCOUVER ISLAND
ECONOMIC ALLIANCE



For more information

Contact George Hanson
george@viea.ca • 250-667-5225

- VIRTUAL AND/OR IN-PERSON FORMAT
- HIGH RELEVANCE FOR ISLAND STAKEHOLDERS
- OCTOBER 26-28, 2021

SHARING IDEAS; LAUNCHING INITIATIVES; CROSS-SECTOR NETWORKING...

is what the 2021 Summit is all about!

The State of the Island Economic Summit is the MUST-ATTEND event of its kind on Vancouver Island - raise the profile of your organization by sponsoring at this OCTOBER 26-28, 2021 event.

Since 2007, the Economic Summit has featured high profile presenters and advanced ideas important to the vitality and sustainability of the Island economy. In 2021, we do not yet know whether the Summit will be virtual, in-person or hybrid. But we do know that we will focus on in-depth consideration of emerging trends, new opportunities, and solutions to nagging problems across sectors--public and private, including First Nations.

The State of the Island Economic Summit offers opportunity to network with proactive business, government and community leaders to build relationships, develop business, and identify potential opportunities. Participants represent all levels of government, but it is not a government event; the tradeshow offers great opportunity for business-to-business networking across sectors but it's not just a tradeshow; and the program content is geared to explore important issues and emerging trends with relevance to everyone on Vancouver Island.

We invite you to check out the sponsorship opportunities outlined on the next page.



Your 2021 State of the Island Economic Summit Planning Team

Dave Willie, Black & White Event Rentals, Chair | Peter van Dongen, MNP | Dan Hurley, Hurley Martin Group | Po Wan, Blackberry Creative | Katie Bishop, TD Bank
William Litchfield, VIU | Wendy Sears, Lewis and Sears Marketing & Event Management | Jennifer Hufnagel, Innovation Island | Janet Bonaguro, ThinkSpace Consulting
Dirk Heydemann, HA Photography | Tristan Dennison, UVic | Gord Wright, Hemlock Printers | Terri Duguay, Maigus | George Hanson, VIEA



"Without question the most valuable conference I attend - Always timely, relevant, and forward looking!"

~ Gloria Hatfield
President & Owner
Page's Resort

SPONSORSHIP OPPORTUNITIES AND BENEFITS

Sponsors will be formally recognized and profiled throughout the Summit for maximum exposure to the expected audience of more than 600 Island leaders.

PREMIER SUMMIT SPONSOR (\$15,000) – One Available

- Exclusive opportunity to host and introduce presenters of a Plenary Address
- Logo on all Summit media releases Island-wide
- Summit exhibition space
- Prominent ad on digital Summit platform
- Prominent logo on Summit promotions
- Formal recognition as the Summit's Premier Sponsor
- 16 complimentary Summit delegate/tradeshow registrations
- Reduced registration rate for sponsor clients
- Recognition on VIEA website
- One-year VIEA membership

PLATINUM SUMMIT SPONSOR (\$10,000) – Four Available

- Exclusive opportunity to host and introduce presenters of a Plenary Address
- Logo on all Summit media releases Island-wide
- Summit exhibition space
- Prominent ad on digital Summit platform
- Prominent logo on Summit promotions
- Formal recognition as Summit Platinum Sponsor
- 12 complimentary Summit delegate/tradeshow registrations
- Reduced registration rate for sponsor clients
- Recognition on VIEA website
- One-year VIEA membership

GOLD SUMMIT SPONSOR (\$7,500) – Four Available

- Exclusive opportunity to host and introduce a concurrent session
- Logo on all Summit media releases Island-wide
- Summit exhibition space
- Prominent ad on digital Summit platform
- Prominent logo on Summit promotions
- Formal recognition as Summit Gold Sponsor
- 8 complimentary Summit delegate/tradeshow registrations
- Reduced registration rate for sponsor clients
- Recognition on VIEA website
- One-year VIEA membership

• **Array Web & Creative**

1 SOLD



SPONSORSHIP OPPORTUNITIES AND BENEFITS

SILVER SUMMIT SPONSOR (\$5,000) – Eight available

- Exclusive opportunity to host and introduce a concurrent session
- Logo on all Summit media releases Island-wide
- Summit exhibition space
- Ad on digital Summit platform
- Logo on Summit promotions
- Formal recognition as Summit Silver Sponsor
- 6 complimentary Summit delegate/tradeshow registrations
- reduced registration rate for sponsor clients
- Recognition on VIEA website

- **BC Ferries**
- **Vancouver Island Real Estate Board**
- **Port Alberni Port Authority**
- **Reliable Controls**

4 SOLD

BRONZE SUMMIT SPONSOR (\$2,650) – No Limit

- Name on all Summit media releases Island-wide
- Summit exhibition space
- Ad in Summit program
- Corporate listing on Summit Promotions
- Formal recognition as Summit Bronze Sponsor
- 4 complimentary Summit delegate/tradeshow registrations
- reduced registration rate for sponsor clients
- Recognition on VIEA website

"The Summit continues to be a unique opportunity applying an intensely local lens to regional, national and international topics."

~ Summit delegate



MEDIA SPONSORSHIP OPPORTUNITIES

VIEA will provide return value to the sponsor commensurate with the 'Gold, Silver, or Bronze' sponsorship opportunities outlined on the previous page in return for the television, magazine, newspaper, radio, social media, and website sponsors providing in-kind promotions to include:

TELEVISION SPONSOR - Exclusive **CHEK TV**

- Pre and post event interviews to increase awareness of the event & of VIEA
- Pre-event advertising/PR spots
- Pre-event promotion via sponsor's televised and on-line community calendars
- Promotion prior to and during the event via sponsor's social media capacity (e.g. Twitter, Facebook, Website)
- Televised news coverage of the event 'as it's happening'
- Anything else that you think might help that we haven't asked for...

RADIO SPONSOR - Exclusive **Jim Pattison Broadcast Group**

- Pre and post event interviews to increase awareness of the event & of VIEA
- Pre-event advertising/PR spots
- Pre-event promotion via sponsor's televised and on-line community calendars
- Promotion prior to and during the event via sponsor's social media capacity (e.g. Twitter, Facebook, Website)
- Radio news coverage of the event 'as it's happening'
- Anything else that you think might help that we haven't asked for...

PRINT MEDIA SPONSOR - MAGAZINE - Geographic/Market Exclusivity

- Topical articles, interviews, editorials pre and post event to increase awareness of the event & of VIEA
- Pre-event advertising
- Pre-event promotion via sponsor's print and on-line community calendars
- Promotion prior to and during the event via sponsor's social media capacity (e.g. Twitter, Facebook, Website)
- News and editorial coverage of the event before, during and after the event
- Anything else that you think might help that we haven't asked for...

SOCIAL MEDIA SPONSOR - Geographic/Market Exclusivity

- Topical articles, interviews, editorials pre and post event to increase awareness of the event & of VIEA
- Pre-event advertising
- Pre-event promotion via sponsor's on-line community calendars
- Promotion prior to and during the event via sponsor's social media capacity (e.g. Twitter, Facebook, Website)
- News and editorial coverage of the event before, during and after the event
- Anything else that you think might help that we haven't asked for...

2020 SUMMIT DEMOGRAPHICS

