



AGENDA FINANCE AND AUDIT COMMITTEE MEETING

Wednesday, April 17, 2024

9:00 A.M. To Proceed In Camera, Reconvene Open Meeting at 10:00 A.M.

SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE

80 COMMERCIAL STREET, NANAIMO, BC

SCHEDULED RECESS AT 12:00 P.M.

Pages

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

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

2. **INTRODUCTION OF LATE ITEMS:**

3. **ADOPTION OF AGENDA:**

4. **PROCEDURAL MOTION:**

That the meeting be closed to the public in order to deal with agenda items under the *Community Charter*.

Community Charter Section 90(1):

(d) the security of property 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,

Community Charter Section 90(2):

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

5. **ADOPTION OF MINUTES:**

a. Minutes

Minutes of the Finance and Audit Committee Meeting held in the Shaw

5 - 19

6. PRESENTATIONS:

- a. City of Nanaimo Canadian Award for Financial Reporting for the Fiscal Year
Ending December 31, 2022

To be introduced by Laura Mercer, General Manager, Corporate Services.

7. DELEGATIONS:

8. REPORTS:

- a. 2023 Annual Financial Statements 20 - 102

To be introduced by Laura Mercer, General Manager, Corporate Services.

*Purpose: To present the 2023 Annual Financial Statements for acceptance by
the Finance and Audit Committee.*

Presentation:

1. Liette Bates-Eamer, KPMG, and Sarah Burden, KPMG, to provide a
presentation regarding the 2023 Summary of Audit Findings.

Recommendation: That the Finance and Audit Committee recommend that
Council accept the 2023 Annual Financial Statements for the City of Nanaimo.

- b. British Columbia Social Procurement Initiative (BCSPI) 2024 Annual Review 103 - 106

To be introduced by Laura Mercer, General Manager, Corporate Services.

*Purpose: To provide Council with an update on the status of the British
Columbia Social Procurement Initiative's (BCSPI) request for Provincial funding
and seek direction on membership renewal.*

Recommendation: That the Finance and Audit Committee receive an update
on the British Columbia Social Procurement Initiative and determine whether or
not to recommend to Council to renew the City's membership for 2024.

- c. Update of Reserve Policy 107 - 125

To be introduced by Laura Mercer, General Manager, Corporate Services.

*Purpose: To update the Reserve Policy to reflect the new Online
Accommodation Platform Reserve Fund and changes to the Housing Legacy
Reserve Fund.*

Recommendation: That the Finance and Audit recommend that Council amend
Reserve Policy COU-231 to include the new Online Accommodation Platform

Reserve Fund and reflect the changes to the Housing Legacy Reserve Fund.

- d. Community Resiliency Investment Program (FireSmart Community Funding and Supports Program) 126 - 128

To be introduced by Tim Doyle, Fire Chief, Fire Rescue.

Purpose: To gain Council's support in applying for a grant under the Community Resiliency Investment Program for FireSmart activities in the City of Nanaimo for 2024.

Recommendation: That the Finance and Audit Committee recommend Council endorse an application to the Community Resiliency Investment Program and if successful the 2024-2028 Financial Plan be amended to include this grant.

- e. Non-Market Housing Permissive Exemption Policy Options 129 - 157

To be introduced by Laura Mercer, General Manager, Corporate Services.

Purpose: To present the Finance and Audit Committee with policy options related to Permissive Tax Exemptions for Non-Market Housing.

Presentation:

1. Jamie Slater, Manager, Financial Services and Special Projects, and Kasia Biegun, Planner.

Recommendation: That the Finance and Audit Committee recommend that Council direct Staff to bring forward a new 'Permissive Tax Exemption' policy that includes criteria for non-market housing as outlined in the Staff report dated 2024-APR-17, and a separate 'Other Grants Policy' for the City's other grant programs.

- f. Give Where You Live Grant Application Update Harry Wipper Park 158 - 159

To be introduced by Richard Harding, General Manager, Community Services/Deputy CAO.

Purpose: To advise the Finance and Audit Committee that the City has submitted a grant application to the Nanaimo Foundation's "Give Where You Live" fund for the Rocky Point Neighbourhood Association's Partners in Parks Project at Harry Wipper Park.

- g. Marie Davidson BMX Park Redevelopment 160 - 162

To be introduced by Richard Harding, General Manager, Community Services/Deputy CAO.

Purpose: To update the Finance and Audit Committee on project progress and to request additional funds to complete the Marie Davidson BMX Redevelopment Project (the "Project").

Recommendation: That the Finance and Audit Committee recommend that Council increase the 2024 project budget for the Marie Davidson BMX Park by \$330,000 from \$1,507,827 to \$1,837,827 and fund the increase from the Growing Communities Fund Reserve.

h. 2024-2028 Financial Plan Update

163 - 172

To be introduced by Laura Mercer, General Manager, Corporate Services.

Presentation:

1. Wendy Fulla, Director, Finance.

9. **OTHER BUSINESS:**

10. **QUESTION PERIOD:**

11. **ADJOURNMENT:**



MINUTES

FINANCE AND AUDIT COMMITTEE MEETING

Wednesday, March 20, 2024, 9:00 A.M.
SHAW AUDITORIUM, VANCOUVER ISLAND CONFERENCE CENTRE
80 COMMERCIAL STREET, NANAIMO, BC

Members:	Mayor L. Krog, Chair Councillor S. Armstrong* (disconnected 10:23 a.m.) Councillor H. Eastmure Councillor B. Geselbracht Councillor E. Hemmens Councillor J. Perrino
Absent:	Councillor T. Brown Councillor P. Manly Councillor I. Thorpe
Staff:	D. Lindsay, Chief Administrative Officer L. Mercer, General Manager, Corporate Services B. Sims, General Manager, Engineering and Public Works W. Fulla, Director, Finance A. Groot, Director, Administrative Police Services K. Ing, Director, IT D. Osborne, Director, Recreation and Culture J. Holm, Director, Planning and Development M. Bryson, Acting Director, Facility and Parks Operations K. Robertson, Deputy Corporate Officer T. Pan, Manager, Sustainability J. Slater, Manager, Financial Services and Special Projects P. Stewart, Manager, Engineering Projects N. Sponaule, Communications Advisor J. Tonella, Recording Secretary

* Denotes electronic meeting participation as authorized by "Council Procedure Bylaw 2018 No. 7272"

1. CALL THE MEETING TO ORDER:

The Finance and Audit Committee Meeting was called to order at 9:00 a.m.

2. INTRODUCTION OF LATE ITEMS:

(a) Add Agenda Item 6(j) Housing Accelerator Fund Update

3. ADOPTION OF AGENDA:

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

4. ADOPTION OF MINUTES:

It was moved and seconded that the Minutes of the Finance and Audit Committee Meeting held in the Shaw Auditorium, Vancouver Island Conference Centre, 80 Commercial Street, Nanaimo, BC, on Wednesday, 2024-FEB-21, at 9:00 a.m. be adopted as circulated. The motion carried unanimously.

5. PRESENTATIONS:

1. 2025 - 2028 Project Plan

Presentation:

1. Laura Mercer, General Manager, Corporate Services, introduced the project plan overview for 2025-2028.

Wendy Fulla, Director, Finance, continued the presentation. Highlights included:

- Staff will bring the 2024-2028 Financial Plan back to Council for review and adoption in April 2024
- Reviewed how projects align with the integrated action plan
- Components considered when developing the project plan include strategic projects and opportunities that arise in conjunction with planned projects that support Council's objectives
- Renewal projects make up the majority of the projects in the plan and help maintain current levels of service
- New Corporate Asset Management System (CAMS) software will help provide information on repair/maintenance of specific assets
- Upgrade projects are generally Development Cost Charge (DCC) projects required to support growth

- Project planning constraints include: staff capacity, available contractors, and supply chain challenges
- Projects are prioritized based on risk opportunities, maintaining levels of service, and alignment with Council priorities
- Larger capital projects that are currently not in the project plan include the Nanaimo Operations Center (NOC), Police Operations Building, Waterfront Walkway and the South End Community Center
- There are \$223.6 million in projects scheduled over the next four years
- The majority of funding for projects come from reserves
- A portion of general taxation is allocated to projects each year
- In 2023, the base funding for projects was set at \$8 million and the 20-year investment plan and recommendations were based on an annual 5% increase to that amount to address inflation and growth in city infrastructure

Project Highlights - Sustainability

Introduced by Wendy Fulla, Director, Finance.

Ting Pan, Manager, Sustainability, continued the presentation. Highlights included:

- Projects being wrapped up in 2024 include:
 - The Nanaimo Region Deep Energy Retrofit Feasibility Study
 - Consumption Based Emissions Inventory
- Projects starting in 2024 include:
 - The Nanaimo E-Mobility Strategy
 - Building Retrofit Road Map
- Council has supported the CleanBC Better Homes Municipal Top-up Rebate Program since April 2020
- In 2023, the City issued 607 rebates to help homeowners complete their retrofits

Committee and Staff discussion took place. Highlights included:

- Council has allocated \$296,000 over four years for top-up rebates

- A \$350 top-up is offered to homeowners and there is a \$50 rebate that the contractor can claim
- The Province gives up to \$6,000 for heat pump conversions
- Based on income, residents could claim up to \$29,000 from the Province for heat pump conversions, insulation, windows and doors

Ting Pan, Manager, Sustainability, continued the presentation:

- A report regarding establishing a home retrofit financing program and a feasibility study will be brought to Council and will likely require grant funding support
- An e-bike program is planned to be developed after the E-Mobility Strategy is complete
- In 2023, the Province had a successful e-bike rebate program

Committee and Staff discussion took place. Highlights included:

- Home retrofit financing options
- The E-Mobility Strategy will mostly be done through a consultant
- There is high demand for an e-bike share program
- The 2024 budget for the E-Mobility Strategy is \$120,000 funded from the Climate Action Reserve

Project Highlights - Information Technology

Introduced by Wendy Fulla, Director, Finance.

Kerry Ing, Director, Information Technology/Chief Information Officer, continued the presentation. Highlights included:

- Staff are working on updates to current systems that rely on numerous Excel spreadsheets, manual intervention, and maintenance
- Corporate Asset Management System (CAMS) allows information about a particular asset to be stored on a tablet so information can be accessed remotely
- Improved navigation on the City website to create a better user experience for citizens
- Completing phase one of the Development Permitting System to reduce the overall cycle time in issuing permits to developers

- Enterprise Resource Planning (ERP) replacement will allow for reducing cycle times for payroll and budgeting
- Continuing to engage security consultants to provide assessments on the City's cyber security
- The Network Redesign is a multi-year project to make changes in the connectivity within the facility and between facilities
- Cloud Migration Strategy involves moving Microsoft services that are located in servers to the Microsoft 365 Cloud environment
- Updates to the Geographical Information System (GIS)

Committee and Staff discussion took place regarding the City's security system.

Engineering and Public Works

Introduced by Bill Sims, General Manager, Engineering and Public Works.

- Due to the increase in carryforwards each year, Staff are working on creating a gap in the plan to allow for time to catch up on current projects

Phil Stewart, Manager, Engineering Projects, continued the presentation. Highlights included:

- Construction on the final phase of the Midtown Gateway 2B project is starting this year
- Phase 1 of Commercial Street construction is scheduled to start in September
- Ongoing DCC projects
- The majority of funding for transportation projects goes to maintaining existing infrastructure
- The base budget for pedestrian unallocated funds is \$300,000 per year and Staff will be returning to Council to review potential projects soon

Committee and Staff discussion took place. Highlights included:

- Sidewalk placements and pedestrian prioritization
- There is an 8-16 month cycle from when a project is initiated and when it is started

- Consideration of public impact regarding timing of construction

Phil Stewart, Manager, Engineering Projects, continued the presentation and spoke regarding upcoming projects.

- Rebuilding the underground infrastructure in the Townsite Road area over a number of years
- Hammond Bay Area Utilities Project to support growth in the area by upgrading sewer, intersections and road rehabilitation
- Road upgrades on Third Street/Fitzwilliam Street and replacing the underground infrastructure in that area
- Wexford Creek Culvert Upgrades to provide better flood protection and fish passage in the Southgate Area
- Millstone Trunk Sewer Central to upgrade sewer from East Wellington Road to Westwood Road
- Norwell Drive Project to renew pavement, signals and utilities
- East Wellington Road at Madsen Road traffic signal
- Towers Reservoir Upgrade to replace the existing sub-standard reservoir
- South Fork Dam requires seismic upgrades to comply with current standards and regulations
- Bowen Road repaving
- Listed a number of utility, transportation, and fleet projects over the next four years
- Ongoing programs and studies to understand the condition of assets and ensure the City is keeping up to date with growth

Committee and Staff discussion took place. Highlights included:

- \$30,000 is allocated for the Active School Travel programs to help the City work with schools and surrounding neighbourhoods to identify and prioritize concerns
- Drive-to-five programs have been implemented at a number of schools to reduce pick-up and drop-off traffic

Phil Stewart, Manager, Engineering Projects, continued the presentation and noted that the Regional District of Nanaimo (RDN) is planning to replace their large forcemain along Hammond Bay Road and that the City will have infrastructure to replace above ground and underground at that time.

Project Highlights – Facilities

Mike Bryson, Acting Director, Parks Recreation and Culture, continued the presentation. Highlights included:

- Staff continue to develop a Facility Asset Management Strategy
- Modernization of the freight elevators at the Vancouver Island Conference Centre (VICC)
- Upgrades to parkades including installation of CCTV cameras
- Facility renewals from 2025-2028 include:
 - Police Operations Building
 - City Hall
 - Nanaimo Fire Rescue Stations 2,3,4 and 7
 - VICC

Committee and Staff discussion took place regarding modernizing the current cameras outside City Hall and ensuring that all upgrades are done with a Privacy Information Assessment (PIA) first to ensure privacy of City staff and citizens.

Councillor Armstrong disconnected from the meeting at 10:23 a.m.

The Finance and Audit Committee Meeting recessed at 10:23 a.m.

The Finance and Audit Committee Meeting reconvened at 10:39 a.m.

Project Highlights - Parks Recreation and Culture

Mike Bryson, Acting Director, Parks Recreation and Culture, continued the presentation. Highlights included:

- Projects finalizing this year include:
 - The Harewood Centennial Park Artificial Turf Field
 - Marie Davidson BMX Bike Park Upgrade
 - Westwood Lake Beach Enhancement
 - Westwood Ridges Improvements
- Projects in progress include:
 - Cottle Lake Raised Boardwalk
 - Beban Park Pickleball Courts
- Staff are exploring systems to reduce the need for harsh chemicals in aquatic facilities
- Listed upgrades to various Parks and Recreation facilities

Committee and Staff discussion took place regarding Staff training through the Rick Hansen Foundation to become certified auditors.

Darcie Osborne, Director, Parks, Recreation and Culture, continued the presentation. Highlights included:

- Ongoing projects for 2024 include:
 - Replacing the roof at the Port Theatre
 - Adding additional Nanaimo 150 theme banners
 - Installation of 2024 Temporary Public Art

Mike Bryson, Acting Director, Parks Recreation and Culture, continued the presentation. Highlights included:

- Serauxmen Stadium improvements include bullpens, artificial turf infield and capping mine shafts
- New accessible washroom replacement at Maffeo Sutton Park

Committee and Staff discussion took place regarding having the Accessibility Committee on Accessibility and Inclusiveness (ACAI) review and provide input early in the design stage of the Maffeo Sutton Park washrooms.

Mike Bryson, Acting Director, Parks Recreation and Culture, continued the presentation. Highlights included:

- Re-roofing of Beban Pool/ Frank Crane
- Nanaimo Aquatic Centre (NAC) dehumidification improvements to maintain air quality and reduce greenhouse gas emissions

Darcie Osborne, Director, Parks, Recreation and Culture, continued the presentation. Highlights included:

- Beban Outdoor Learning Centre to create an accessible outdoor space for child, youth, and adult programs

Mike Bryson, Acting Director, Parks, Recreation and Culture continued the presentation and gave an overview of renewals and improvements to the Port Theatre that are scheduled to start in 2025 as well as Aquatic and Parks improvements and costs.

Darcie Osborne, Director, Parks, Recreation and Culture, continued the presentation. Highlights included:

- The City is continuing community partnerships to enable facility and infrastructure growth
- Working with the Seven Potatoes Society to redesign a room at Beban Park Social Centre and a heritage site at a local park

Committee and Staff discussion took place. Highlights included:

- The timeline of the South End Community Centre Project
- Third Street/Fitzwilliam Street upgrades
- Bike lanes and active transportation

6. REPORTS:

a. Hosting the 2025 AVICC Conference

Introduced by Karen Robertson, Deputy Corporate Officer, Legislative Services.

- The Association of Vancouver Island and Coastal Communities (AVICC) executive has asked Council to host the AVICC conference again in 2025 and every second year going forward
- The City is looking to co-host with the Regional District of Nanaimo (RDN)

Committee and Staff discussion took place noting that hosting this event will bring over \$500,000 into the Nanaimo economy.

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

1. Accept the invitation to host the AVICC conference at the Vancouver Island Conference Centre (VICC) in 2025 (April 11-13)
2. Approve adding a project to 2025 for \$48,000 for hosting the event, to be funded within existing project funding.
3. Extend an invite to co-host and cost share 50% of the AVICC Conference to the Regional District of Nanaimo (RDN) reducing the overall cost to the City to \$24,000.
4. Consider hosting the AVICC conference bi-yearly at the VICC and budget accordingly.

The motion carried unanimously.

b. 580 Fitzwilliam: Renovation Project

Art Groot, Director, Administrative Police Services, spoke regarding the renovation project at 580 Fitzwilliam. He noted that the renovations are

nearing completion; however, additional funding of \$150,000 is needed. This amount could be funded by the RCMP Contract Reserve and will not affect taxation.

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to increase the 2024 budget for the 580 Fitzwilliam Renovation Project by \$150,000 funded from the RCMP Contract Reserve. The motion carried unanimously.

c. 2023 Budget Carryforwards

Introduced by Laura Mercer, General Manager, Corporate Services.

- Each year, a review is done on operating and capital projects to determine what needs to be carried forward to the following year

Wendy Fulla, Director, Finance, continued the presentation. Highlights included:

- Budgets are carried forward for projects in progress, substantially completed, or delayed but anticipated to be completed within the end of the year
- At the end of 2023, \$94 million in project budgets and \$1.2 million in operating budgets were carried forward to 2024
- Project carryforwards can be due to capacity constraints internally and externally, cash flow, timing, and work plan changes
- Carryforwards will be reflected in the 2024-2028 final Financial Plan being brought back to Council next month

Committee and Staff discussion took place regarding the increase in dollar-wise carryforwards over the last few years.

d. 2024 Property Tax and Penalty Due Dates

Introduced by Jamie Slater, Manager, Financial Services and Special Projects.

- Property taxes are due every year on the first business day of July, this year being 2024-JUL-02
- By legislation, under the municipal tax regulation, penalties for unpaid taxes are at least 10%
- The City has a 2% penalty charge after the property tax due date and an 8% charge on the last business day of August
- Prior to COVID-19, there was a 5% and 5% split, but was switched to 2% and 8% to allow for flexibility and grace with payments

- It is common for residents to forget to claim their homeowners grants
Committee and Staff discussion took place regarding keeping the penalty charges the same.

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

1. Keep the property tax due date as the first business day in July each year.
2. Set the first property tax penalty rate at 2%; applied after the property tax due date each year.
3. Set the second property tax penalty rate at 8%; applied after the last business day of August each year.

The motion carried unanimously.

e. Capacity Funding for Housing Initiatives

Introduced by Jeremy Holm, Director, Planning and Development.

- The City of Nanaimo received \$619,936 from the Province to assist in implementing the recent provincial housing legislation
- Staff have looked into the impacts of the legislation on work plans over 2024-2025
- Five projects were identified that need additional funding
- Updates to the City Plan and zoning bylaw are needed in 2025 to address the housing needs report requirements
- The City will be contracting consulting services to help with the housing needs report; however, Staff are currently waiting on provincial guidance

Committee and Staff discussion took place. Highlights included:

- Funding received from the Province does not offset the staff costs of implementing the legislative changes
- Coordinating with leaders from other municipalities to implement the new legislation

It was moved and seconded that the Finance and Audit Committee recommend that Council endorse the allocation of \$619,936 in capacity funding provided by the Province to support the City of Nanaimo in meeting the legislative requirements in housing Bills 44, 46, and 47, as outlined in

the Staff Report titled "Capacity Funding for Housing Initiatives", dated 2024-MAR-20. The motion carried unanimously.

f. 2024 Local Government Development Approvals Program

Introduced by Jeremy Holm, Director, Planning and Development.

- A \$150,000 grant opportunity is being made available through the local government development approvals program
- The City is looking to support and accelerate a granular review of development approval processes
- Looking at recommending a consultant to do the business analysis and change management to support and accelerate work by around 20%
- This work would support Information Technology and would involve Staff in planning and development

It was moved and seconded that the Finance and Audit Committee recommend that Council support Staff's submission of the grant application to the Local Government Development Approvals Program for the Development Approvals Business Analysis and Process Improvements project, and direct Staff to provide overall grant management. The motion carried unanimously.

g. Parks and Open Spaces Fees and Charges Amendments

Introduced by Darcie Osborne, Director, Recreation and Culture.

- Parks, Recreation and Culture fees and charges were adopted in June 2023
- Unintended barriers were identified regarding the fee adjustments for the regular non-commercial parks and open spaces users and smaller, not-for-profit based events
- Staff consulted with park users to understand their concerns
- Staff recommend replacing fees based on a two-tier system that considers if the booking has a high or low impact on the park and park users
- High impact bookings would take the commercial rate which is similar to the current rate, and the lower impact bookings would be less than the current rate
- All fees would remain conditional on the current rate and discounts are applied to the user group classification

- Recommended adjustments to the percentage discounts for not-for-profit park users:
 - Commercial bookings remain full charge
 - Private groups receive approximately 10%
 - Not-for-profit (two adult groups) would receive 75% off, which is a new discount for only parks and open spaces
- Recommend adding Harewood Artificial Turf Fields to the parks bylaw process

Committee and Staff discussion took place regarding determining whether a booking is high or low impact.

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

1. Support the changes to the user rates for Parks and Open Spaces, fee implementation dates, and the field classification changes as outlined; and
2. Direct staff to bring forward an amendment to the “Fees and Charges Bylaw No. 7336” to incorporate the new Parks and Open Spaces fees, fee implementation dates, and field classification changes.

The motion carried unanimously.

h. Other Grant Request from Nanaimo Science & Sustainability Society

Introduced by Jamie Slater, Manager, Financial Services and Special Projects.

- The City received a grant application for an “In Kind” facility rental from the Nanaimo Science and Sustainability Society
- Request for up to 105 hours for the use of outdoor City park spaces
- “Science in the Park” is a free of charge program for Nanaimo residents
- The program allows children and caretakers to explore parks and beaches with the Nanaimo Science Outreach educators
- The grant is only for the free program “Science in the Park”

Committee and Staff discussion took place. Highlights included:

- Recognition of the work Elaine Parker, Executive Director, Nanaimo Science, has done

- The City has not received any other applications for outside park space rentals

It was moved and seconded that the Finance and Audit Committee recommend that Council direct Staff to award an 'In-Kind' facility rental 'Other Grant' to the Nanaimo Science & Sustainability Society to cover the costs of up to 105 hours for the use of outdoor City Park spaces. The motion carried unanimously.

i. 2024 Cultural Grant Funding Reallocation Recommendation

Darcie Osborne, Director, Recreation and Culture spoke regarding reallocating funds to the Culture & Event Program Grant fund as some organizations that put forward their applications were not able to follow through on their commitments.

It was moved and seconded that the Finance & Audit Committee recommend that Council approve the reallocation of available 2024 Culture & Event Project Grant funds as follows:

- **Applicant Name:** 8758999 Canada Society dba Artists' Collective Theatre (ACT Theatre)
- **Recommended:** \$6,000

The motion carried unanimously.

j. Housing Accelerator Fund Update

Introduced by Jeremy Holm, Director, Planning and Development.

- In August 2023, the City applied to the Canada Mortgage and Housing Corporation Housing Accelerator Fund (CMHC-HAF) for \$15,150,000 based on a formula of additional units expected to be built in the community from 2024-2026
- On 2024-FEB-2024, it was confirmed that the City was unsuccessful
- The requested grant was intended to be targeted to sanitary sewer upgrades and property acquisition to support affordable housing initiatives
- Nanaimo's application scored well and met the program criteria; however, the program is in high demand as 179 of 544 applicants were successful

Committee and Staff discussion took place. Highlights included:

- What the successful applications looked like

- Need for a more equitable approach for municipalities and a less rigorous application process
- Underground infrastructure was included in the application as those projects are necessary to support housing being built

7. QUESTION PERIOD:

The Committee received no questions from the public regarding agenda items.

8. ADJOURNMENT:

It was moved and seconded at 12:03 p.m. that the meeting adjourn. The motion carried unanimously.

CHAIR

CERTIFIED CORRECT:

DEPUTY CORPORATE OFFICER

DATE OF MEETING April 17, 2024

AUTHORED BY DAN BAILEY, MANAGER OF ACCOUNTING SERVICES

SUBJECT 2023 ANNUAL FINANCIAL STATEMENTS

OVERVIEW

Purpose of Report

To present the 2023 Annual Financial Statements for acceptance by the Finance and Audit Committee

Recommendation

That the Finance and Audit Committee recommend that Council accept the 2023 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 2023-DEC-31, once Council has approved 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 annual 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.

DISCUSSION

Highlights of the Financial Statements:

- The general fund operating surplus was **\$8,713,706** at 2023-DEC-31. This surplus was allocated to reserves as follows:

Source	Amount
RCMP Contract Reserve	\$ 1,700,000
General Financial Stability Reserve	1,200,000
Special Initiatives Reserve	2,870,000
Property Acquisition Reserve	500,000
General Capital Reserve	2,443,706
Total	\$ 8,713,706

- The sewer fund operating surplus was **\$519,078** at 2023-DEC-31. \$100,000 of this surplus was transferred to the sewer financial stability reserve, and the remaining \$419,078 was transferred to the sewer reserve.
- The water fund operating surplus was **\$394,584** at 2023-DEC-31. \$48,945 of this surplus was transferred to the water financial stability reserve, and the remaining \$345,639 was transferred to the water reserve.
- Funds held in reserves total \$257.6 million at 2023-DEC-31 (2022 – \$238.9 million), allocated as follows:

Operating Reserves	\$ 90.1 million
Development Cost Charges (developer contributions)	63.0
Statutory Reserves	<u>104.5</u>
	<u>\$257.6</u> million

- A listing of operating reserve accounts is shown on page 36 of the 2023 Financial Statements (Attachment A). This includes financial stability reserves which help ensure the ongoing financial stability and fiscal health of City operations as per the City's Reserve Policy and other operating reserves that will be used to help fund operating or capital projects in the 2024 – 2028 Financial Plan.
- Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2023 totaled \$6.3 million (2022 – \$8.4 million). The City continues to construct growth-related projects, which are funded from DCC's (\$11.5 million in 2023).
- 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 2023-DEC-31 are as follows:

Reserve	Amount
Community Works (Gas Tax Agreement)	\$ 12,396,391
Equipment Depreciation	11,339,981
Facility Development (Recreation)	4,520,120
Property Sales	2,389,598
Knowles Estate	446,473
Parkland Dedication	285,702
Old City Neighborhood Parking	103,244
General Asset Management	20,962,550
Sewer Asset Management	8,561,081
Water Asset Management	5,526,573

Cart Replacement	1,103,260
Copier Replacement	400,813
Information Technology	2,224,402
NDSS Community Field	208,412
Growing Communities	14,933,659
Parking	1,440,512
911	153,185
Property Acquisition	5,430,761
Housing Legacy	4,178,222
Strategic Infrastructure	6,800,803
Off-Street Parking	76,870
Climate Action	1,059,850
Total	\$ 104,542,462

- Outstanding debt and debt servicing costs:

	<u>2023</u>	<u>2022</u>
Outstanding debt	\$ 38.2 million	\$ 41.3 million
Per capita debt	\$ 352	\$ 397
Net increase (decrease) in debt during the year	\$ (3.1) million	\$ (4.6) million

Pages 22 and 23 of the 2023 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 \$857.5 million at 2023-DEC-31 (2022 - \$809.6 million). A detailed schedule is found on page 10 of the financial statements. Capital asset acquisitions were \$77.3 million (2022 - \$57.3 million), including developer contributed assets of \$5.4 million (2022 - \$2.6 million).

OPTIONS

- That the Finance and Audit Committee recommend that Council accept the 2023 Annual Financial Statements for the City of Nanaimo.
 - Budget Implication:** If Council does not approve the 2023 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.
- The Finance and Audit Committee could request further information pertaining to the 2023 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 2023-DEC-31, once Council has accepted 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 reserves at 2023-DEC-31 were \$257.6 million.
- Outstanding debt at 2023-DEC-31 was \$38.2 million.
- Net book value of tangible capital assets at 2023-DEC-31 was \$857.5 million.

ATTACHMENTS:

Attachment A: 2023 Annual Financial Statements (Including KPMG Audit Findings Report for the year ending December 31, 2023)

Submitted by:

Dan Bailey
Manager, Accounting Services

Concurrence by:

Wendy Fulla
Director, Finance

Laura Mercer
General Manager, Corporate Services

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CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2023

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 auditor, KPMG LLP, is 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 material respects, the financial position of the City of Nanaimo as at December 31, 2023.

Dale Lindsay
Chief Administrative Officer

Laura Mercer, CPA, CGA
General Manager, Corporate Services



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

INDEPENDENT AUDITOR'S 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, 2023
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statements 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, 2023 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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
April 22, 2024

CITY OF NANAIMO

STATEMENT OF FINANCIAL POSITION

as at December 31, 2023, with comparative figures for 2022

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 129,049,911	\$ 118,484,793
Accounts receivable (Note 3)	31,988,407	25,872,621
Development cost charges receivable (Note 4)	618,339	1,171,250
Temporary investments (Note 5)	185,000,000	171,942,522
	346,656,657	317,471,186
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	59,896,616	53,605,730
Compensated absences and termination benefits (Note 7)	9,252,759	9,134,493
Deferred revenue (Note 8)	29,160,720	26,146,540
Deferred development cost charges (Note 9)	63,008,279	65,416,377
Debt (Note 10)	38,170,336	41,301,913
Asset retirement obligations (Note 11)	1,818,739	-
	201,307,449	195,605,053
NET FINANCIAL ASSETS	145,349,208	121,866,133
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	857,489,915	809,586,940
Prepaid expenses	2,222,224	1,902,378
Inventories of supplies	3,218,115	2,446,243
	862,930,254	813,935,561
ACCUMULATED SURPLUS (Note 13)	\$ 1,008,279,462	\$ 935,801,694

Commitments and contingencies (Note 14)

Contractual rights (Note 25)

Approved on behalf of the Council

Leonard Krog
Mayor

Ian Thorpe
Councillor

CITY OF NANAIMO

STATEMENT OF OPERATIONS

for the year ended December 31, 2023, with comparative figures for 2022

	2023 Budget (Note 16)	2023	2022
REVENUES			
Taxes	\$ 143,194,038	\$ 143,458,228	\$ 131,968,343
Payments in lieu of taxes	2,618,100	2,542,209	2,566,901
Taxation and payments in lieu (Note 17)	145,812,138	146,000,437	134,535,244
User fees and sales of services (Note 18)	53,299,598	56,123,095	51,868,373
Transfers from other governments-capital (Note 19)	24,931,575	24,460,056	4,500,541
Investment income	7,399,168	11,618,399	5,684,548
Development cost charges (Note 9)	19,378,578	11,489,965	5,099,130
Other revenue	12,852,834	11,001,832	9,123,003
Transfers from other governments-operating (Note 19)	6,542,887	6,678,240	5,460,889
Developer contributed assets (Note 12)	-	5,395,488	2,563,598
Building permits	2,185,000	2,243,113	2,597,818
Donations and contributions-capital	3,436,309	1,298,161	2,549,971
Regional recreation sharing	1,284,723	1,284,723	1,281,927
Property rentals	931,507	923,899	897,571
	278,054,317	278,517,408	226,162,613
EXPENSES			
Police	41,632,759	38,410,312	35,698,638
Parks, recreation & culture	39,515,287	36,674,448	34,073,266
Engineering & public works	46,446,892	35,938,910	33,847,190
Fire	24,878,508	24,672,218	21,870,468
Water	20,749,876	18,991,244	16,867,494
Development services	19,012,360	16,402,774	13,659,190
Corporate services	14,504,804	13,740,413	12,604,062
Corporate & business development	8,217,677	8,592,958	7,034,207
City administration	7,201,473	6,474,874	6,185,056
Sewer	7,229,881	6,141,489	6,222,215
	229,389,517	206,039,640	188,061,786
ANNUAL SURPLUS	48,664,800	72,477,768	38,100,827
ACCUMULATED SURPLUS - BEGINNING OF YEAR	935,801,694	935,801,694	897,700,867
ACCUMULATED SURPLUS - END OF YEAR	\$ 984,466,494	\$ 1,008,279,462	\$ 935,801,694

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2023, with comparative figures for 2022

	2023 Budget (Note 16)	2023	2022
ANNUAL SURPLUS	\$ 48,664,800	\$ 72,477,768	\$ 38,100,827
Acquisition of tangible capital assets	(141,399,032)	(70,005,600)	(53,397,452)
Asset retirement obligations	-	(1,818,739)	-
In kind donations of capital assets	-	(65,821)	(1,380,290)
Developer contributed capital assets	-	(5,395,488)	(2,563,598)
	(141,399,032)	(77,285,648)	(57,341,340)
Amortization of tangible capital assets	32,523,752	29,258,862	28,035,992
Loss (gain) on disposal of assets	-	73,749	(1,387,738)
Proceeds on sale of tangible capital assets	-	50,062	2,661,251
	(108,875,280)	(47,902,975)	(28,031,835)
Acquisition of inventories of supplies	-	(7,135,655)	(5,782,821)
Acquisition of prepaid expenses	-	(2,030,605)	(1,557,902)
Consumption of inventories of supplies	-	6,363,783	5,377,900
Use of prepaid expenses	-	1,710,759	1,439,002
	-	(1,091,718)	(523,821)
CHANGE IN NET FINANCIAL ASSETS	(60,210,480)	23,483,075	9,545,171
NET FINANCIAL ASSETS - BEGINNING OF YEAR	121,866,133	121,866,133	112,320,962
NET FINANCIAL ASSETS - END OF YEAR	\$ 61,655,653	\$ 145,349,208	\$ 121,866,133

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2023, with comparative figures for 2022

	2023	2022
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 72,477,768	\$ 38,100,827
Non-cash items		
Amortization of tangible capital assets	29,258,862	28,035,992
Developer assets received	(5,395,488)	(2,563,598)
In kind donations of capital assets	(65,821)	(1,380,290)
Loss (gain) on disposal of tangible capital assets	73,749	(1,387,738)
Development cost charges recognized as revenue	(11,489,965)	(5,099,130)
Actuarial adjustment on long term debt	(1,161,700)	(1,139,028)
Change in non-cash operating assets and liabilities		
Accounts receivable	(5,562,875)	(3,653,459)
Accounts payable	6,290,886	836,508
Compensated absences termination benefits	118,266	368,329
Deferred revenue	3,014,180	1,937,312
Inventories of supplies	(771,872)	(404,921)
Prepaid expenses	(319,846)	(118,900)
Net change in cash from operating transactions	86,466,144	53,531,904
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(70,005,600)	(53,397,452)
Proceeds from the sale of tangible capital assets	50,062	2,661,251
Net change in cash from capital transactions	(69,955,538)	(50,736,201)
INVESTING TRANSACTIONS		
Change in investments	(13,057,478)	(49,416,979)
FINANCING TRANSACTIONS		
Debt repayment	(3,262,191)	(3,786,428)
Deferred development cost charges	9,081,867	9,900,566
Proceeds from long-term borrowing	1,292,314	280,269
Net change in cash from financing transactions	7,111,990	6,394,407
CHANGE IN CASH AND CASH EQUIVALENTS	10,565,118	(40,226,869)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	118,484,793	158,711,662
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 129,049,911	\$ 118,484,793

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2023

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2023
Revenues											
Taxes	\$ 7,024,244	\$14,842,904	\$ 5,384,505	\$ 8,784,928	\$22,372,790	\$39,476,165	\$25,529,717	\$20,042,975	\$ -	\$ -	\$ 143,458,228
Payments in lieu of taxes	124,476	263,029	95,418	155,677	396,466	699,553	452,410	355,180	-	-	2,542,209
User fees	20	121,436	2,955,042	1,713,796	147,411	67,063	6,915,067	9,357,243	9,457,189	25,388,828	56,123,095
Government capital transfers	-	20,302,850	-	375,000	-	-	3,257,555	524,651	-	-	24,460,056
Investment income	337,659	5,379,448	276,847	422,295	1,075,470	1,897,637	1,227,225	993,138	-	8,680	11,618,399
Development cost charges	-	-	-	-	-	-	1,481,812	1,478,590	2,633,915	5,895,648	11,489,965
Other revenue	166,099	2,137,180	82,645	2,562,538	1,888,281	809,386	1,908,862	1,234,558	53,863	158,420	11,001,832
Government operating transfers	125,364	589,988	96,099	2,390,661	437,125	2,010,865	607,060	376,078	45,000	-	6,678,240
Developer contributed assets	-	-	-	-	-	-	744,000	3,811,505	463,329	376,654	5,395,488
Building permits	-	-	-	2,243,113	-	-	-	-	-	-	2,243,113
Donations - capital	-	-	-	-	19,808	449,970	225,126	601,671	1,586	-	1,298,161
Regional recreation sharing	-	-	-	-	-	-	1,284,723	-	-	-	1,284,723
Property rentals	-	-	381,503	30,037	-	314,778	126,910	47,471	-	23,200	923,899
	7,777,862	43,636,835	9,272,059	18,678,045	26,337,351	45,725,417	43,760,467	38,823,060	12,654,882	31,851,430	278,517,408
Expenses											
Wages and benefits	4,345,215	8,409,062	738,870	9,470,306	18,044,414	6,056,905	17,701,011	12,568,705	1,110,862	3,803,555	82,248,905
Contracted services	1,195,661	4,688,285	4,338,198	2,989,582	2,145,904	30,160,522	7,890,717	10,707,778	1,153,397	1,834,679	67,104,723
Amortization	-	1,018,485	1,875,916	444,861	1,498,638	299,084	4,618,960	11,708,284	1,344,410	6,450,224	29,258,862
Other	443,418	(723,501)	1,584,579	3,256,060	1,087,509	1,815,095	4,208,992	(3,245,808)	2,161,892	5,058,173	15,646,409
Materials and supplies	490,580	356,332	59,731	241,965	1,436,231	78,706	2,214,137	4,130,022	251,423	1,310,586	10,569,713
Interest payments on debt	-	-	(4,336)	-	450,920	-	-	35,044	119,505	536,150	1,137,283
(Gain) loss on disposal of assets	-	(8,250)	-	-	8,602	-	40,631	34,885	-	(2,123)	73,745
	6,474,874	13,740,413	8,592,958	16,402,774	24,672,218	38,410,312	36,674,448	35,938,910	6,141,489	18,991,244	206,039,640
ANNUAL SURPLUS (DEFICIT)	1,302,988	29,896,422	679,101	2,275,271	1,665,133	7,315,105	7,086,019	2,884,150	6,513,393	12,860,186	72,477,768
Capital projects	\$ -	\$ 3,351,434	\$ 3,534,891	\$ 1,303,063	\$ 1,550,673	\$ 554,822	\$11,789,897	\$18,206,429	\$ 5,539,270	\$31,455,169	\$ 77,285,648

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2022

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2022
Revenues											
Taxes	\$ 6,548,122	\$10,801,602	\$ 5,396,314	\$ 7,248,920	\$20,017,047	\$37,743,610	\$24,766,504	\$19,446,224	\$ -	\$ -	\$ 131,968,343
Payments in lieu of taxes	127,367	210,100	104,964	140,998	389,349	734,147	481,730	378,246	-	-	2,566,901
User fees	2,037	122,090	1,890,118	1,423,415	155,542	83,253	5,662,865	8,808,955	9,116,959	24,603,139	51,868,373
Government capital transfers	-	4,041,138	-	-	-	-	446,403	13,000	-	-	4,500,541
Other revenue	197,484	1,790,317	368,709	2,525,686	1,897,685	662,282	798,902	704,700	41,157	136,081	9,123,003
Developer contributed assets	-	-	-	-	-	-	882,000	1,361,881	123,919	195,798	2,563,598
Government operating transfers	127,706	535,425	119,416	1,215,151	418,904	1,985,243	590,497	423,547	45,000	-	5,460,889
Investment income	187,606	2,186,516	160,099	207,684	573,495	1,081,368	709,569	572,110	-	6,101	5,684,548
Building permits	-	-	-	2,597,818	-	-	-	-	-	-	2,597,818
Development cost charges	-	-	-	-	-	-	167,703	1,177,523	56,272	3,697,632	5,099,130
Regional recreation sharing	-	-	-	-	-	-	1,281,927	-	-	-	1,281,927
Donations - capital	-	-	-	-	18,758	224,772	1,565,647	672,065	68,729	-	2,549,971
Property rentals	-	-	358,827	30,513	-	291,069	142,566	51,396	-	23,200	897,571
	7,190,322	19,687,188	8,398,447	15,390,185	23,470,780	42,805,744	37,496,313	33,609,647	9,452,036	28,661,951	226,162,613
Expenses											
Wages and benefits	4,155,337	8,305,216	739,237	8,453,719	16,357,456	5,757,174	16,096,619	12,347,052	1,123,814	3,476,956	76,812,580
Contracted services	1,214,900	4,371,284	4,203,197	2,908,833	2,040,793	27,788,875	7,644,735	9,396,095	1,160,418	1,568,115	62,297,245
Amortization	-	937,130	1,879,383	463,281	965,146	305,817	4,417,534	11,455,630	1,269,715	6,342,356	28,035,992
Other	417,900	(1,212,654)	285,879	1,562,194	1,001,765	1,776,707	3,969,723	(2,090,758)	2,279,214	3,808,420	11,798,390
Materials and supplies	396,919	197,138	66,985	271,163	1,093,325	70,065	1,956,489	4,143,929	194,177	1,096,091	9,486,281
Interest payments on debt	-	-	(81,573)	-	396,851	-	-	26,046	124,286	553,426	1,019,036
Loss (gain) on disposal of assets	-	5,948	(58,901)	-	15,132	-	(11,834)	(1,430,804)	70,591	22,130	(1,387,738)
	6,185,056	12,604,062	7,034,207	13,659,190	21,870,468	35,698,638	34,073,266	33,847,190	6,222,215	16,867,494	188,061,786
ANNUAL SURPLUS	1,005,266	7,083,126	1,364,240	1,730,995	1,600,312	7,107,106	3,423,047	(237,543)	3,229,821	11,794,457	38,100,827
Capital projects	\$ -	\$ 817,709	\$ 2,283,240	\$ 81,060	\$ 8,194,049	\$ 343,309	\$ 7,900,115	\$13,796,751	\$ 5,129,447	\$18,795,660	\$ 57,341,340

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2023

	COST				ACCUMULATED AMORTIZATION					
	Balance December 31, 2022	Additions	Disposals	Transfers	Balance December 31, 2023	Balance December 31, 2022	Additions	Disposals	Balance December 31, 2023	NET BOOK VALUE
Land	\$ 111,736,384	\$ 4,636,672	\$ -	\$ 97,830	\$ 116,470,886	\$ -	\$ -	\$ -	\$ -	\$ 116,470,886
Land improvements	50,836,989	3,696,117	160,700	45,719	54,418,125	22,192,040	1,758,157	160,700	23,789,497	30,628,628
Leasehold improvements	3,120,301	-	-	-	3,120,301	2,045,489	81,376	-	2,126,865	993,436
Marine structures	1,625,288	257,280	60,443	2,150	1,824,275	504,810	63,581	52,382	516,009	1,308,266
Buildings	228,258,560	3,849,371	123,365	2,447,465	234,432,031	102,370,311	6,769,535	84,706	109,055,140	125,376,891
Vehicles and equipment	61,837,989	4,153,783	683,465	251,900	65,560,207	34,111,521	4,200,763	634,048	37,678,236	27,881,971
IT Infrastructure	10,021,428	656,118	943,052	1,036,341	10,770,835	9,449,865	428,044	943,052	8,934,857	1,835,978
Drainage	120,942,589	3,215,114	171,700	104,759	124,090,762	37,490,139	1,839,655	171,700	39,158,094	84,932,668
Transportation	350,327,985	7,827,151	710,822	229,953	357,674,267	202,190,113	7,777,435	683,949	209,283,599	148,390,668
Sewer	71,435,134	3,510,420	-	903,813	75,849,367	16,313,997	1,276,045	-	17,590,042	58,259,325
Water	281,928,289	4,455,983	113,243	467,800	286,738,829	88,050,966	5,064,271	112,442	93,002,795	193,736,034
Work In Progress	32,235,255	41,027,639	-	(5,587,730)	67,675,164	-	-	-	-	67,675,164
	\$ 1,324,306,191	\$ 77,285,648	\$ 2,966,790	\$ -	\$ 1,398,625,049	\$ 514,719,251	\$ 29,258,862	\$ 2,842,979	\$ 541,135,134	\$ 857,489,915

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2022

	COST				ACCUMULATED AMORTIZATION					
	Balance December 31, 2021	Additions	Disposals	Transfers	Balance December 31, 2022	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022	NET BOOK VALUE
Land	\$ 109,826,420	\$ 3,030,644	\$ 938,928	\$ (181,752)	\$ 111,736,384	\$ -	\$ -	\$ -	\$ -	\$ 111,736,384
Land improvements	46,933,500	3,657,747	9,700	255,442	50,836,989	20,523,199	1,678,541	9,700	22,192,040	28,644,949
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,963,977	81,512	-	2,045,489	1,074,812
Marine structures	1,592,257	33,031	-	-	1,625,288	440,048	64,762	-	504,810	1,120,478
Buildings	208,481,398	5,913,684	1,472,480	15,335,958	228,258,560	97,533,567	6,276,927	1,440,183	102,370,311	125,888,249
Vehicles and equipment	58,856,688	5,712,487	2,732,430	1,244	61,837,989	32,693,491	3,979,012	2,560,982	34,111,521	27,726,468
IT Infrastructure	9,866,279	199,815	77,600	32,934	10,021,428	9,186,247	341,218	77,600	9,449,865	571,563
Drainage	116,336,647	3,815,412	215,400	1,005,930	120,942,589	35,906,520	1,782,896	199,277	37,490,139	83,452,450
Transportation	341,963,681	6,980,407	980,487	2,364,384	350,327,985	195,508,379	7,647,908	966,174	202,190,113	148,137,872
Sewer	67,945,049	3,477,713	280,200	292,572	71,435,134	15,313,397	1,211,438	210,838	16,313,997	55,121,137
Water	275,623,185	5,206,283	323,374	1,422,195	281,928,289	83,371,520	4,971,778	292,332	88,050,966	193,877,323
Work In Progress	33,450,045	19,314,117	-	(20,528,907)	32,235,255	-	-	-	-	32,235,255
	\$ 1,273,995,450	\$ 57,341,340	\$ 7,030,599	\$ -	\$ 1,324,306,191	\$ 492,440,345	\$ 28,035,992	\$ 5,757,086	\$ 514,719,251	\$ 809,586,940

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

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, 2023, 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. Prior year cash equivalents included investments in the Municipal Finance Authority of British Columbia (MFA) Money Market Funds which were recorded at cost plus earnings reinvested in the funds.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(h) Non-Financial Assets

(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	10-80
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	8-60
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.

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(h) Non-Financial Assets

(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.

(i) Asset Retirement Obligation

An asset retirement obligation (ARO) is recognized when, as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(i) Asset Retirement Obligation

The liability for the removal of asbestos and other hazardous materials in several buildings owned by the City has been recognized based on estimated future expenses on closure of the site and post-closure care. It is the City's practice to, as necessary, remediate these hazardous materials either on disposal of a tangible capital asset or in the course of completing repairs and maintenance. The liability has been recognized based on estimated present value of expenses to remediate the sites.

Under the prospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions will be reviewed annually and adjusted to present value, if required.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. The increase in building and fuel tank assets is being amortized in accordance with the amortization accounting policies outlined in Note 1(h)(i). Fuel tanks are considered equipment and are presented within the Vehicles and Equipment capital asset account.

(j) Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivables, development cost charges receivables, temporary investments, accounts payables and accrued liabilities and debt.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations. There are no unrealized changes in fair value as at December 31, 2023 and December 31, 2022. As a result, the City does not have a Statement of Remeasurement Gains and Losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(j) Financial Instruments

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

Long-term debt is recorded net of repayments and actuarial adjustments.

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(l) Revenue Recognition

(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.

(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, amounts to settle asset retirement obligations 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 - CHANGE IN ACCOUNTING POLICIES

(a) PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation

On January 1, 2023, the City adopted Public Accounting Standards PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 2 - CHANGE IN ACCOUNTING POLICIES

(a) PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation

Under PS 3450, all financial instruments, including derivatives, are included on the Statement of Financial Position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see Note 1 – Significant Accounting Policies).

The adoption of these standards did not result in changes to previously reported amounts.

(b) PS 3280 – Asset Retirement Obligations

On January 1, 2023, the City also adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the prospective basis at the date of adoption.

In accordance with the provisions of this new standard, the City reflected the following increases at January 1, 2023 to the following asset and liability accounts:

- Buildings - \$1,380,739
- Vehicles and Equipment - \$438,000
- Asset retirement obligations - \$1,818,739

NOTE 3 - ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Utilities	\$ 11,008,557	\$ 12,970,833
Due from Federal Government	5,303,465	1,464,341
Property Taxes	4,046,184	3,595,561
Trade and Other	3,835,730	3,721,732
Interest on Investments	3,499,624	1,891,339
Due from Provincial Government	2,657,373	1,004,436
Municipal Finance Authority Debt Reserve	1,015,431	984,822
Due from Regional Government	622,043	239,557
	<u>\$ 31,988,407</u>	<u>\$ 25,872,621</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 4 - 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>2023</u>	<u>2022</u>
Installments:								
2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,617
2024	11,194	212,796	583	65,298	17,288	205,327	512,486	406,633
2025	2,192	41,598	230	12,767	8,926	40,140	105,853	-
	<u>\$ 13,386</u>	<u>\$ 254,394</u>	<u>\$ 813</u>	<u>\$ 78,065</u>	<u>\$ 26,214</u>	<u>\$ 245,467</u>	<u>\$ 618,339</u>	<u>\$ 1,171,250</u>

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

NOTE 5 - TEMPORARY INVESTMENTS

	<u>2023</u>	<u>2022</u>
Term deposits	\$ 185,000,000	\$ 170,000,000
MFA pooled investment funds	-	1,942,522
	<u>\$ 185,000,000</u>	<u>\$ 171,942,522</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade and other	\$ 19,739,263	\$ 13,828,704
RCMP Contract	17,084,830	15,744,828
Deposits	13,502,966	11,421,026
Accrued wages and benefits	4,684,852	3,743,054
Other	3,412,705	7,408,118
Contaminated sites	1,472,000	1,460,000
	<u>\$ 59,896,616</u>	<u>\$ 53,605,730</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 7 - 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, 2022 and the results are extrapolated to December 31, 2025. The current valuation was completed in 2023. Significant assumptions used in the valuation include a discount rate of 5% (2022 - 5%), inflation of 2% (2022 - 2%) and compensation increases, excluding merit and promotion, of 3% (2022 - 3%). There is an unamortized actuarial gain of \$638,714 (2022 – gain of \$660,516).

	<u>2023</u>	<u>2022</u>
Actuarial Benefit Obligation, beginning of year	\$ 8,473,977	\$ 9,302,294
Unamortized Actuarial Gain (Loss), beginning of year	660,516	(536,130)
	<hr/>	<hr/>
Current Service Cost	9,134,493	8,766,164
Interest Costs	679,035	776,355
Benefits Paid	416,781	325,091
Amortization of Actuarial (Gain) Loss	(955,748)	(804,276)
	(21,802)	71,159
	<hr/>	<hr/>
	<u>9,252,759</u>	<u>9,134,493</u>
	<hr/>	<hr/>
Actuarial Benefit Obligation, end of year	8,614,045	8,473,977
Unamortized Actuarial Gain, end of year	638,714	660,516
	<hr/>	<hr/>
Accrued Benefit Liability, end of year	\$ 9,252,759	\$ 9,134,493

Actuarial gains and losses are amortized over 13 (2022 - 13) years for retirement benefits and 12 (2022 - 12) years for sick leave benefits, these 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 \$1,074,014 (2022 - \$1,172,605).

NOTE 8 - DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2023</u>	<u>2022</u>
Tax Prepayments	\$ 18,520,675	\$ 16,700,317
Other Prepayments	10,640,045	9,446,223
	<hr/>	<hr/>
	<u>\$ 29,160,720</u>	<u>\$ 26,146,540</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 9 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2023</u>	<u>2022</u>
Deferred Development Cost Charges - beginning of year	\$ 65,416,377	\$ 60,614,941
Additions	6,314,324	8,402,167
Interest Earned	2,767,543	1,498,399
Revenue Recognized	(11,489,965)	(5,099,130)
Deferred Development Cost Charges - end of year	<u>\$ 63,008,279</u>	<u>\$ 65,416,377</u>

NOTE 10 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY SINKING FUND DEPOSITS

The City obtains debt through the Municipal Finance Authority (MFA) pursuant to security issuing bylaws under the authority of the *Community Charter* to finance certain capital expenditures.

\$38,170,336 (2022 – \$41,301,913) of debt is with the MFA. Payments and actuarial allocations of \$36,454,186 on the gross amount borrowed of \$74,624,522 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 5.63% per annum.

	<u>2023</u>	<u>2022</u>
Total Outstanding Debt - beginning of year	\$ 41,301,913	\$ 45,947,100
Reduction of long-term debt	(4,423,891)	(4,925,456)
Proceeds from long-term borrowing	1,292,314	280,269
Total Outstanding Debt - end of year	<u>\$ 38,170,336</u>	<u>\$ 41,301,913</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 2023 at December 31, 2022 was \$51,683,357. The actual liability servicing cost was \$5,944,492 and the estimated cost on unissued debt is \$208,032, leaving \$45,530,833 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 10 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY SINKING FUND DEPOSITS

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>
2024	\$ 3,188,477	\$ 1,116,349	\$ 4,304,826
2025	3,291,743	1,157,620	4,449,363
2026	3,326,992	1,200,423	4,527,415
2027	2,337,348	1,244,816	3,582,164
2028	1,000,917	1,290,858	2,291,775
Thereafter	11,156,811	7,857,982	19,014,793
	<u>\$ 24,302,288</u>	<u>\$ 13,868,048</u>	<u>\$38,170,336</u>

Balance Outstanding

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>2023</u>	<u>2022</u>
<u>General Fund</u>						
5750	99	Port of Nanaimo Centre	1.53	2026	\$ 3,062,941	\$ 4,006,411
5750	101	Port of Nanaimo Centre	3.39	2027	3,988,096	4,913,593
7050	102	Fire Station #4	3.90	2027	999,325	1,228,398
7257	146	Fire Station #1	3.20	2038	2,596,102	2,731,620
7257	152	Fire Station #1	0.91	2040	1,742,397	1,829,758
7257	156	Fire Station #1	2.58	2041	10,253,949	10,712,015
7257	158	Fire Station #1	4.09	2042	270,359	280,269
		Garbage Trucks - Equipment	5.63	2023	-	446,260
		Garbage Trucks - Equipment	5.63	2025	152,644	227,014
		Garbage Trucks - Equipment	5.63	2028	1,236,475	-
					<u>24,302,288</u>	<u>26,375,338</u>
<u>Waterworks Fund</u>						
7127	126	Water Treatment Plant	4.52	2033	7,937,625	8,573,329
7127	127	Water Treatment Plant	3.30	2034	5,930,423	6,353,246
					<u>13,868,048</u>	<u>14,926,575</u>
					<u>\$ 38,170,336</u>	<u>\$ 41,301,913</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 11 - ASSET RETIREMENT OBLIGATIONS

The City owns and operates some buildings that are known to contain asbestos and other hazardous materials, which represents a health hazard when undergoing certain repairs and maintenance work and upon demolition of the building. Additionally, some sites owned by the City contain underground fuel tanks. As there is a legal obligation to remove hazardous materials, the City has recognized a liability relating to the removal and post-removal care of the asbestos and other hazardous materials in these buildings, and fuel tanks on these sites, as estimated at January 1, 2023.

The recognition of asset retirement obligations upon adoption of the standard involved an accompanying increase to the Buildings and Vehicles and Equipment asset values.

Changes to the asset retirement obligations in the year are as follows:

	<u>Buildings</u>	<u>Fuel Tanks</u>	<u>Total</u>
Opening balance	\$ -	\$ -	\$ -
Adoption of asset retirement obligations standard (Note 2(b))	1,380,739	438,000	1,818,739
Accretion expense	-	-	-
Closing balance	<u>\$ 1,380,739</u>	<u>\$ 438,000</u>	<u>\$ 1,818,739</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 12 - TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2023</u>	<u>2022</u>
Land	\$ 116,470,886	\$ 111,736,384
Land Improvements	30,628,628	28,644,949
Leasehold Improvements	993,436	1,074,812
Marine Structures	1,308,266	1,120,478
Buildings	125,376,891	125,888,249
Vehicles and Equipment	27,881,971	27,726,468
IT Infrastructure	1,835,978	571,563
Drainage	84,932,668	83,452,450
Transportation	148,390,668	148,137,872
Sewer	58,259,325	55,121,137
Water	193,736,034	193,877,323
	<hr/>	<hr/>
	789,814,751	777,351,685
Work In Progress	67,675,164	32,235,255
	<hr/>	<hr/>
	<u>\$ 857,489,915</u>	<u>\$ 809,586,940</u>

See schedule of tangible capital assets (page 10) for more information. The Linley Valley Dam (Developer Contribution) was revalued from \$1,237,756 to \$572,000 in 2023. Developer contributed assets recognized in 2023 were \$5,395,488 (2022 - \$2,563,598) 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, 2023

NOTE 13 - ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u>
Reserve Accounts (Note 23)	\$ 90,050,776	\$ 91,636,368
Investment in Tangible Capital Assets (Note 20)	813,686,224	762,309,770
Community Works Reserve Fund (Gas Tax Agreement)	12,396,391	11,334,551
Equipment Depreciation Reserve	11,339,981	10,470,572
Facility Development (Recreation) Reserve	4,520,120	3,727,612
Property Sales Reserve	2,389,598	2,283,297
Knowles Estate Reserve	446,473	426,613
Parkland Dedication Reserve	285,702	787,065
Old City Neighbourhood Parking Reserve	103,244	98,651
General Asset Management Reserve	20,962,550	17,041,030
Sewer Asset Management Reserve	8,561,081	5,618,996
Water Asset Management Reserve	5,526,573	10,309,745
Cart Replacement Reserve	1,103,260	-
Copier Replacement Reserve	400,813	411,061
Information Technology Reserve	2,224,402	2,512,523
NDSS Community Field Reserve	208,412	164,723
Growing Communities Reserve	14,933,659	-
Parking Reserve	1,440,512	1,239,407
911 Reserve	153,185	274,057
Property Acquisition Reserve	5,430,761	5,361,482
Housing Legacy Reserve	4,178,222	3,656,306
Strategic Infrastructure Reserve	6,800,803	5,213,745
Off-Street Parking Reserve	76,870	73,450
Climate Action Reserve	1,059,850	850,670
	<u>\$ 1,008,279,462</u>	<u>\$ 935,801,694</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 14 - 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, 2023, 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 \$1,926,056 (2022 – \$1,926,056) 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, 2023

NOTE 14 - COMMITMENTS AND CONTINGENCIES

(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 \$42,500,000 (2022 - \$52,200,000) 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 15 - 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, 2023, the balance of funds held in trust was \$651,508 (2022 - \$636,658).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 16 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 8, 2023. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2023 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 48,664,800
Cemetery Care Fund - not in reporting entity	10,000
Net Development Cost Charges	(11,416,911)
Annual Surplus from the 2023 Financial Plan	37,257,889
Amortization, not funded	32,523,752
Capital Expenditures	(141,399,032)
Proceeds from Borrowing	6,428,350
Principal Repayment of Debt	(4,616,353)
Transfers from Accumulated Surplus	69,805,394
Net Annual Budget - as approved	\$ -

NOTE 17 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2023</u> <u>Total</u>	<u>2022</u> <u>Total</u>
Property Taxes	\$ 141,951,416	\$ 93,954,940	\$ 235,906,356	\$ 215,207,250
Business Improvement Area Levies	-	204,265	204,265	201,500
Taxes in Lieu of Licenses	1,506,812	-	1,506,812	1,423,348
Payments in Lieu of Taxes	2,542,209	732,256	3,274,465	3,314,263
	<u>\$ 146,000,437</u>	<u>\$ 94,891,461</u>	<u>\$ 240,891,898</u>	<u>\$ 220,146,361</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 49,315,137	\$ 45,664,995
Regional District of Nanaimo			30,589,985	28,148,088
Nanaimo Regional Hospital District			13,377,436	10,500,636
Other Agencies			1,608,903	1,297,398
			<u>94,891,461</u>	<u>85,611,117</u>
Taxation and Payments in Lieu			<u>\$ 146,000,437</u>	<u>\$ 134,535,244</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 18 - USER FEES AND SALES OF SERVICES

	<u>2023</u>	<u>2022</u>
Waterworks	\$ 25,388,828	\$ 24,603,139
Sewer System	9,457,189	9,116,959
Garbage Collection	8,249,952	7,748,400
Recreation Programs	6,915,067	5,662,866
Vancouver Island Conference Centre	2,955,042	1,890,117
Parking	1,638,041	1,344,505
Public Works	1,107,291	1,060,555
Other	197,211	203,037
Fire Rescue	147,411	155,542
Police Services	67,063	83,253
	<u>\$ 56,123,095</u>	<u>\$ 51,868,373</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 19 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2023</u>	<u>2022</u>
<u>Federal</u>		
Capital	\$ 3,258,725	\$ 453,403
Gas Tax	4,214,850	4,041,138
Other	715,979	988,219
	<u>8,189,554</u>	<u>5,482,760</u>
<u>Provincial</u>		
Capital	898,481	6,000
Casino Gaming	2,560,346	2,569,865
Revenue Sharing	1,272,000	1,235,430
Growing Communities	16,088,000	-
Climate Action Plan	325,082	325,082
Other	1,735,988	285,531
	<u>22,879,897</u>	<u>4,421,908</u>
<u>Other Governments</u>		
Other	68,845	56,762
	<u>68,845</u>	<u>56,762</u>
Total transfers from other governments	<u>\$ 31,138,296</u>	<u>\$ 9,961,430</u>
Transfers from other governments - capital	\$ 24,460,056	\$ 4,500,541
Transfers from other governments - operating	6,678,240	5,460,889
Total transfers from other governments	<u>\$ 31,138,296</u>	<u>\$ 9,961,430</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 20 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Investment in Tangible Capital Assets - beginning of year	\$ 762,309,770	\$ 732,605,556
Add:		
Capital Additions	77,285,648	57,341,340
Reductions in Long-term Debt	4,423,891	4,925,456
Funding repaid to Deferred Capital Fund	341,902	337,006
Less:		
Amortization	(29,258,862)	(28,035,992)
Funding from Deferred Capital Fund	-	(195,843)
Used Borrowing - Fire Hall	-	(3,113,972)
New Borrowing - Fire Hall	-	(280,268)
New Borrowing - Sanitation Trucks	(1,292,314)	-
Net Book Value of Asset Disposals	(123,811)	(1,273,513)
Investment in Tangible Capital Assets - end of year	<u>\$ 813,686,224</u>	<u>\$ 762,309,770</u>

NOTE 21 - 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 City accounts for the Plan as a defined contribution plan. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2022, the Plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 21 - MUNICIPAL PENSION PLAN

The most recent valuation for the Municipal Pension Plan as at December 31, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. During 2023, City of Nanaimo contributions to the Plan were:

	<u>2023</u>	<u>2022</u>
Employer Portion	\$ 6,062,626	\$ 5,675,930
Employee Portion	5,303,243	4,962,886
	<u>\$ 11,365,869</u>	<u>\$ 10,638,816</u>

The next valuation will be as at December 31, 2024 with results available in 2025.

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 22 - FINANCIAL INSTRUMENTS

(a) Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The City is exposed to credit risk with respect to its accounts receivable, cash and cash equivalents and temporary investments.

The City assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at December 31, 2023 is \$192,800 (2022 - \$142,700).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 22 - FINANCIAL INSTRUMENTS

(a) Credit Risk

As at December 31, 2023, \$155,700 (2022 - \$657,700) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2022.

(b) Liquidity risk

Liquidity risk is the risk that the City will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The City manages its liquidity risk by monitoring its operating requirements. The City prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of long-term debt are disclosed in Note 10.

There have been no significant changes to the liquidity risk exposure from 2022.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the City's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk

The City is exposed to financial risk as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the City makes purchases denominated in U.S. dollars. The City does not currently enter into forward contracts to mitigate this risk. The City does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2022.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 22 - FINANCIAL INSTRUMENTS

(c) Market risk

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

There is no interest rate risk regarding City investments as only term deposits with guaranteed interest rates are held. There may be interest rate risk on long term debt issued by the Municipal Finance Authority as rates may be reset after the end of the first 10 year term, followed by subsequent interest rate resets every five years thereafter.

The City's investments are disclosed in Note 5 and debt in Note 10.

There has been no change to the interest rate risk exposure from 2022.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 23 - RESERVES

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2023</u>	<u>2022</u>
<u>General Revenue Fund Reserve Accounts</u>				
Brechin Boat Ramp	\$ -	\$ 53,992	\$ 53,992	\$ 137,683
Pipers Park	-	116,843	116,843	116,843
Strategic Partnerships	191,990	43	192,033	200,043
General Capital	2,632,210	5,808,874	8,441,084	4,877,101
Prior Year Carry Forwards	9,704,836	-	9,704,836	7,338,196
RCMP Contract Financial Stability	1,795,000	4,438,433	6,233,433	4,533,433
Fitzwilliam Street Parking	-	142,868	142,868	142,868
Vancouver Island Conference Centre	132,026	587,454	719,480	821,197
Snow and Ice Control Financial Stability	-	1,330,000	1,330,000	1,330,000
General Financial Stability	-	17,722,062	17,722,062	16,522,062
Special Initiatives	2,395,326	4,768,138	7,163,464	8,122,689
Casino	40,499	3,544	44,043	487,067
Sanitation Levelling	80,612	850,497	931,109	1,129,783
	<u>16,972,499</u>	<u>35,822,748</u>	<u>52,795,247</u>	<u>45,758,965</u>
<u>Sewer Revenue Reserve Accounts</u>				
Sewer General	2,522,819	11,372,031	13,894,850	14,616,668
Sewer Financial Stability	-	600,000	600,000	500,000
	<u>2,522,819</u>	<u>11,972,031</u>	<u>14,494,850</u>	<u>15,116,668</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
Water General	12,450,444	8,560,235	21,010,679	29,059,680
Water Financial Stability	-	1,750,000	1,750,000	1,701,055
	<u>12,450,444</u>	<u>10,310,235</u>	<u>22,760,679</u>	<u>30,760,735</u>
Total Reserve Accounts	<u>\$ 31,945,762</u>	<u>\$ 58,105,014</u>	<u>\$ 90,050,776</u>	<u>\$ 91,636,368</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 24 - SEGMENT REPORTING

The City's operations and activities are organized and reported by Fund. City services are provided by departments and their activities are reported in these funds. 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 Information Technology, and Financial Services and Supply Chain Management.

Corporate & Business Development

Corporate & Business Development is responsible for managing the City's real estate assets, delivering economic development services, and providing oversight of the City's external agencies (Nanaimo Prosperity Corporation and Tourism Nanaimo Society). In addition, the contractor for the Vancouver Island Conference Centre is overseen by this department.

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. In addition, the City provides oversight of the Nanaimo Systems Planning Organization Society, an external agency.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 24 - SEGMENT REPORTING

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.

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.

Parks, Recreation & 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 & 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 FUND

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

WATERWORKS FUND

The City Waterworks Utility is a self-funded department 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, 2023

NOTE 25 - 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:

2024	\$ 1,006,141
2025	1,003,860
2026	1,003,980
2027	1,004,101
2028	986,229
	<u>\$ 5,004,311</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 26 - COMPARATIVE FIGURES

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

GROWING COMMUNITIES FUND: RESERVE FUNDS (UNAUDITED)

The Province of British Columbia distributed conditional Growing Communities Fund (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of the population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia.

The City of Nanaimo received \$16,088,000 of GCF funding in March 2023.

	2023
Funds received	\$ 16,088,000
Eligible costs - Harewood Centennial Turf Fields	(1,731,796)
Interest earned on reserve balance	577,455
<u>Balance, December 31, 2023</u>	<u>\$ 14,933,659</u>



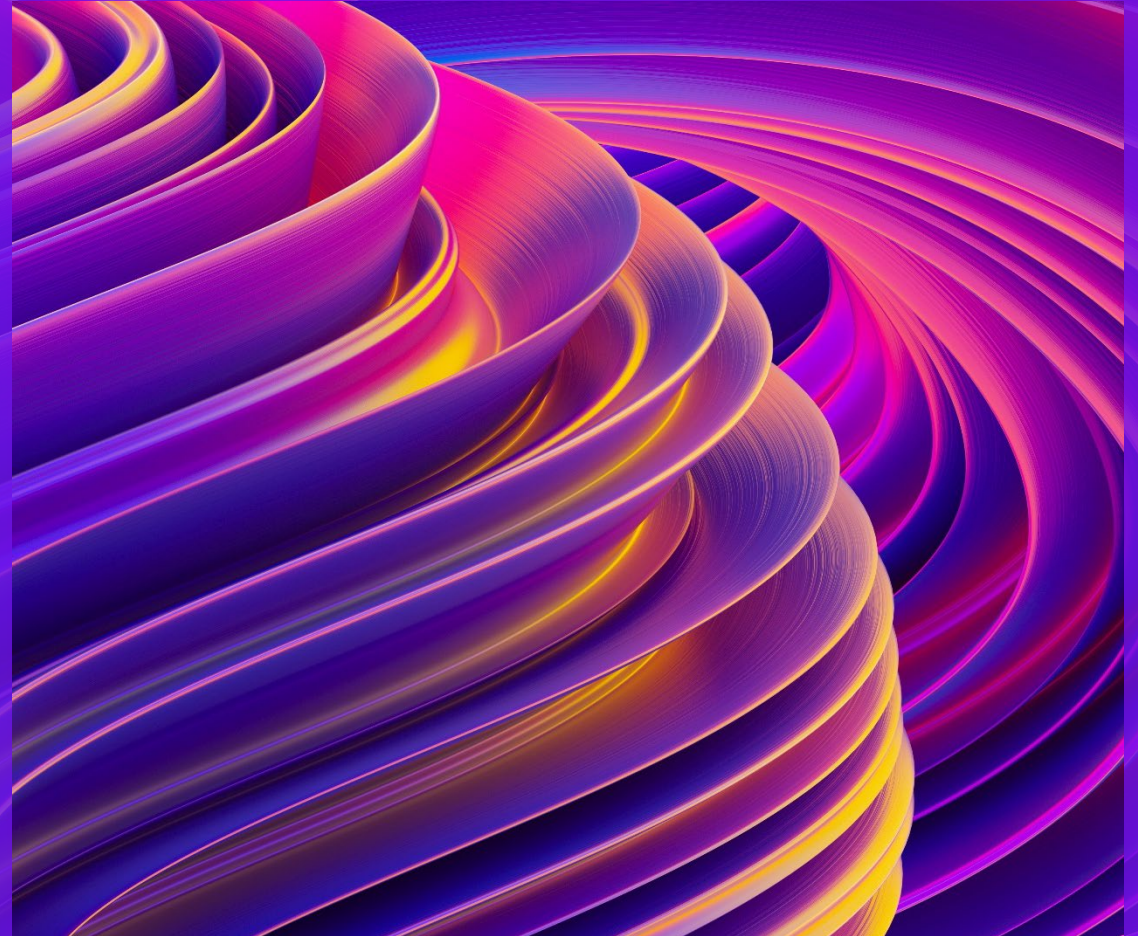
City of Nanaimo

**Audit Findings Report
for the year ended December 31, 2023**

KPMG LLP

Prepared for the meeting on April 17, 2024

kpmg.ca/audit



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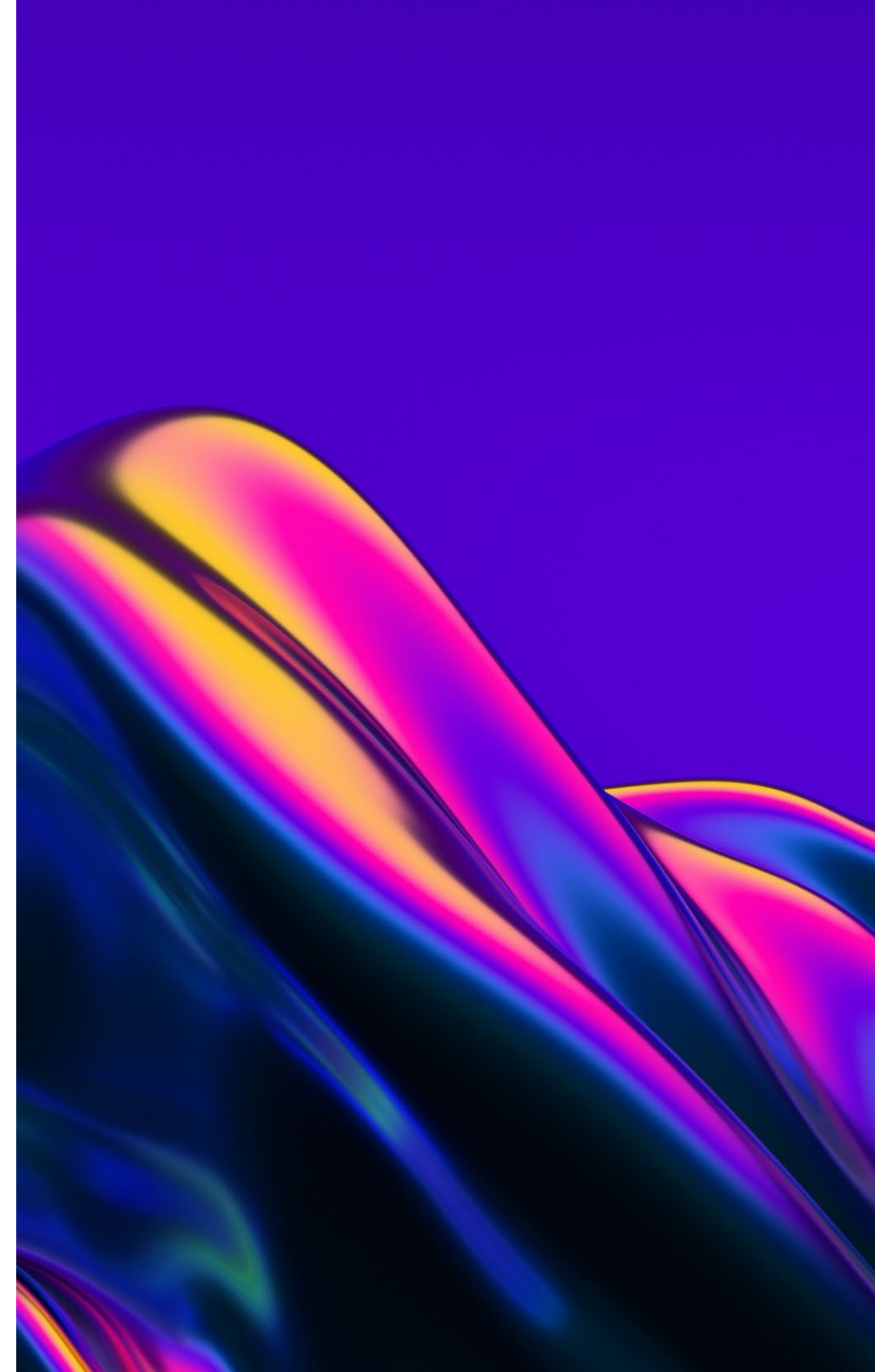


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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

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Highlights

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Status

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Audit risks and results

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Control deficiencies and improvement observations

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Additional matters

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Appendices

The purpose of this 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 as at and for the period ended December 31, 2023. This report builds on the Audit Plan we presented to the Finance and Audit Committee. This report is intended solely for the information and use of Management, the Finance and Audit Committee and the 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 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.



Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.



Significant changes



Significant changes since our audit plan

- No change to risk assessment or audit strategy

Risks and results



Significant risks



- Presumed risk of management override of controls



Other risks of material misstatement



- Capital assets and commitments
- Revenue and deferred revenue
- Salary and benefits
- Cash, investments and debt
- Expenditures other than salaries and benefits
- Asset retirement obligations



Going concern matters

Uncorrected misstatements



Uncorrected misstatements



We identified two misstatements in relation to timing differences for recognition of a transfer from work in progress and the valuation of a donated asset.

Corrected misstatements



Corrected misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements. One disclosure adjustment to reduce the gross amount borrowed and payments and actuarial allocations was recommended and accepted by management.

Control deficiencies



Control deficiencies



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

Policies and practices & Specific topics



Significant unusual transactions



Accounting policies and practices



Other financial reporting matters



Status

As of April 17, 2024, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Finance and Audit Committee
- Obtaining evidence of Council's acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of Council's acceptance 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 auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.

Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan.



Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

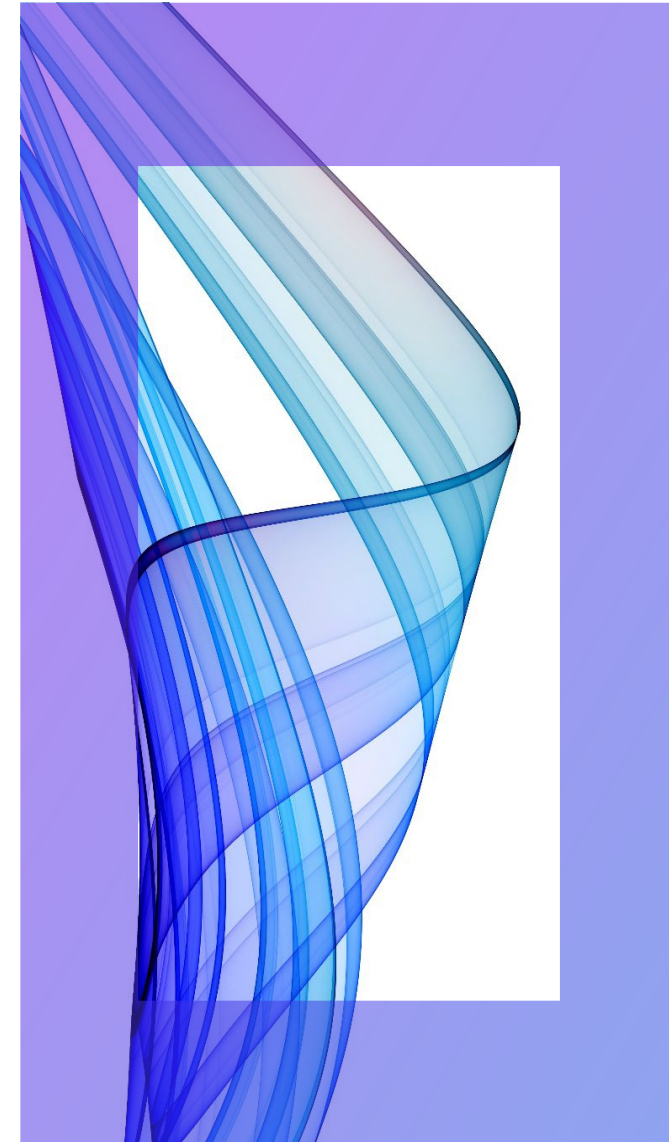
Our response

Our procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Significant findings

- We noted no issues as a result of our testing.





Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



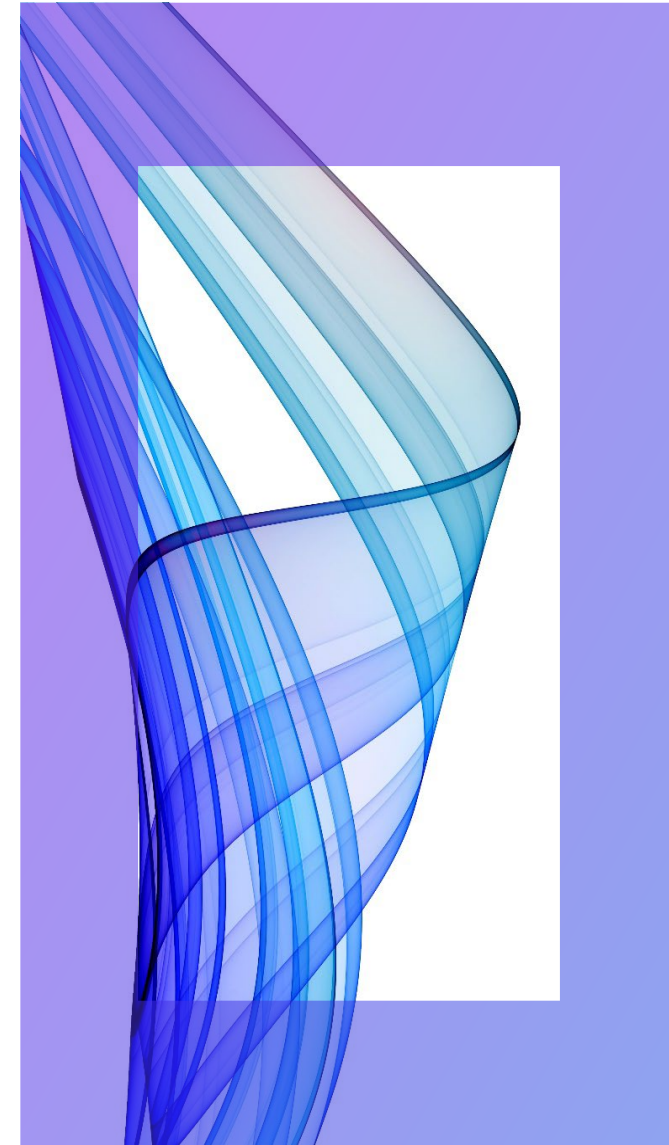
Capital assets and commitments

Our response

- We tested a sample of 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 evaluating the amount of revenue and assets recognized.
- We tested transfers from construction in progress to assets in use and confirmed the transfer occurred in the correct period and to the appropriate asset class.
- We verified the accuracy of the commitments disclosure by selecting a sample of contracts and spend to date to evaluate the remaining commitment.

Significant findings

- Two audit adjustments were identified from our testing:
 - An asset worth \$655,549 was transferred from work in progress to in use during fiscal 2023, however it should have been transferred in fiscal 2021 when the asset was installed. We concur with management's assessment that the difference is not material and it is appropriate to recognize during fiscal 2023. Total amortization of \$196,665 would have been incurred in fiscal 2021 and 2022 if the asset had been transferred in fiscal 2021.
 - An asset that was donated to the City in 2022 had been valued at the time of donation based on best estimates developed internally. In early 2024 the City received a third party valuation of the donated asset which was \$665,756 less than the amount originally estimated. The City recognized an adjustment of \$665,756 to the value of the asset in fiscal 2023. The valuation adjustment should have been recorded in fiscal 2022 when the asset was donated. We concur with management's assessment that the difference is not material and it is appropriate to recognize during fiscal 2023.
- We noted no other issues as a result of our testing.





Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



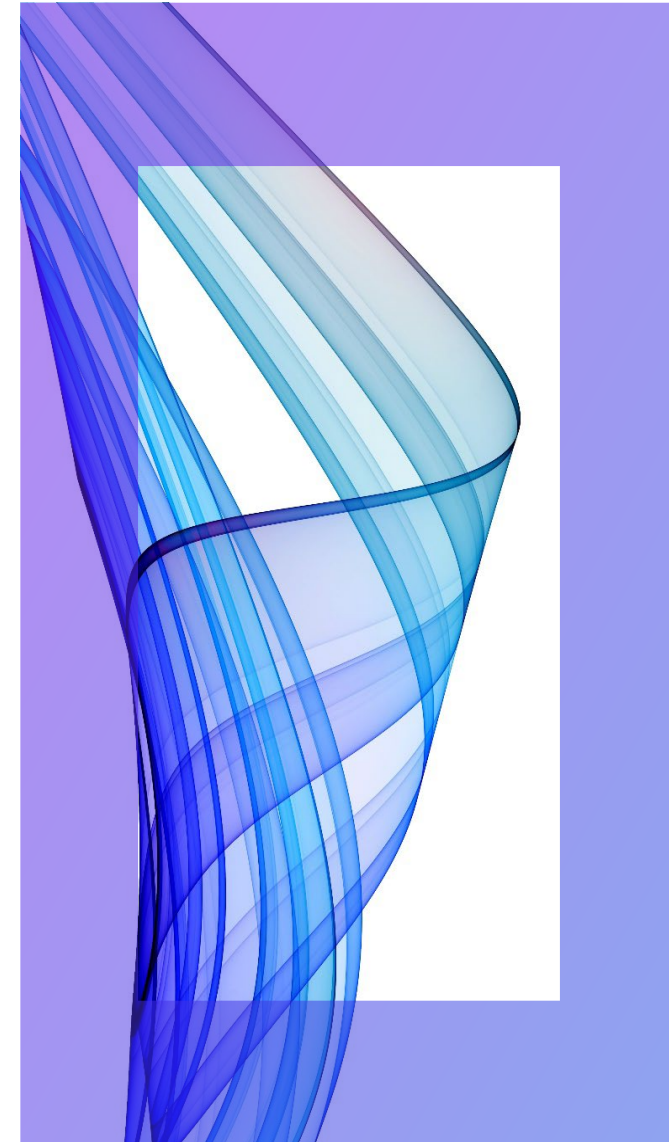
Revenue and deferred revenue

Our response

- 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 substantive testing over deferred revenue and deferred development cost charges by agreeing to supporting documents and cash receipts for amounts received in the year and by agreeing to related spend to support revenue recognition.

Significant findings

- We noted no issues as a result of our testing.





Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



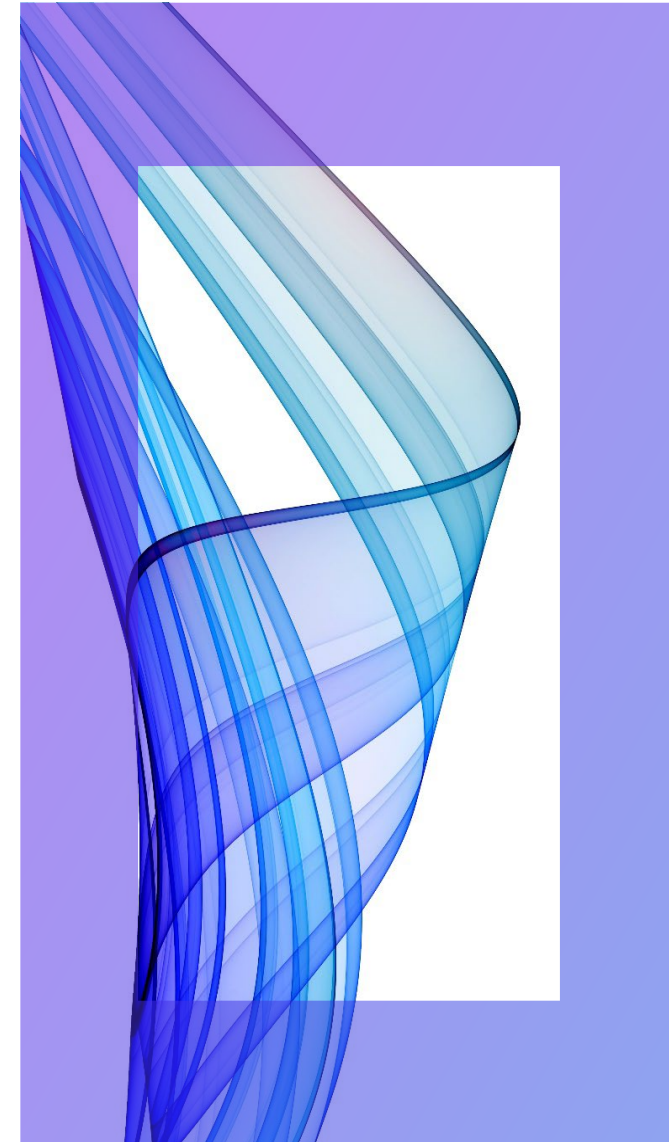
Salaries and benefits

Our response

- We updated our understanding of the payroll processes.
- We calculated expected payroll expense and payroll accruals based on known staff numbers and salary increases from prior year. 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.

Significant findings

- We noted no issues as a result of our testing.





Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



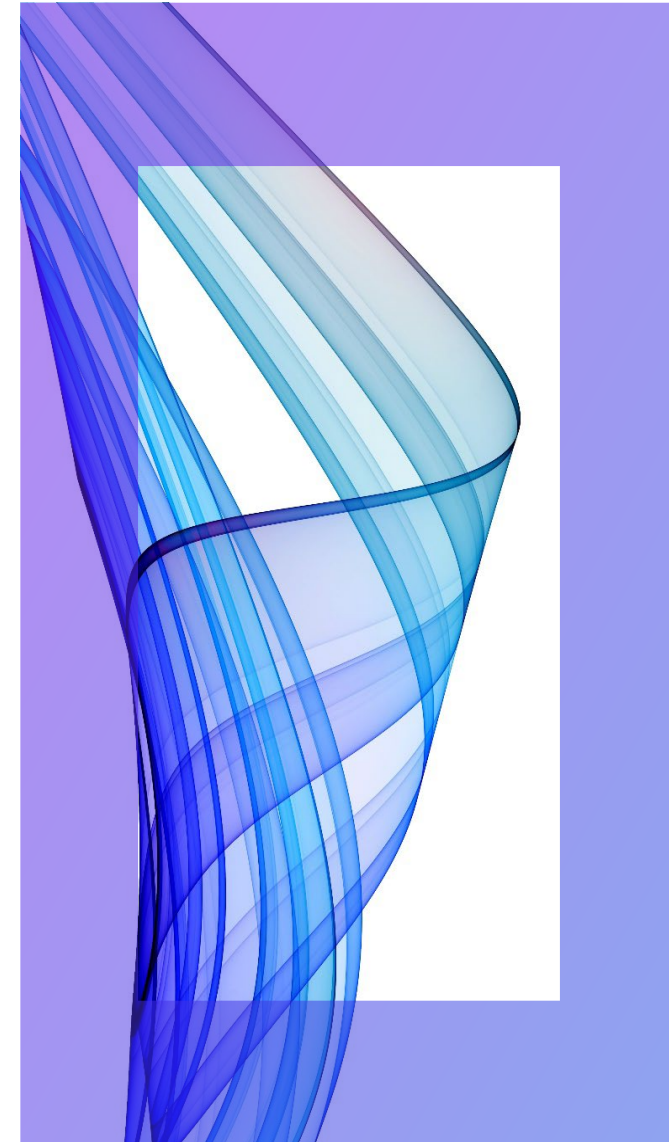
Cash, investments and debt

Our response

- We confirmed cash and investment balances held as at December 31, 2023 with the appropriate financial institutions and reviewed bank reconciliations for all key operating accounts to identify and verify any significant period end reconciling items.
- We confirmed debt balances held as at December 31, 2023 with the Municipal Finance Authority and performed recalculation of related balances and transactions in the financial statements and verified the accuracy of related disclosures.
- Management performed an assessment of the impact of adopting PS3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation*. The City does not hold any financial instruments which are mandatorily held at fair value and did not make any policy decisions to hold other financial instruments at fair value. There was no impact to the valuation of any financial instruments on adoption of these standards.
- Management included appropriate additional disclosures on credit, liquidity and market risk in the financial statements in accordance with the requirements of the new standard.

Significant findings

- One disclosure adjustment to reduce the gross amount borrowed and payments and actuarial allocations was recommended and accepted by management.
- We noted no other issues as a result of our testing.





Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



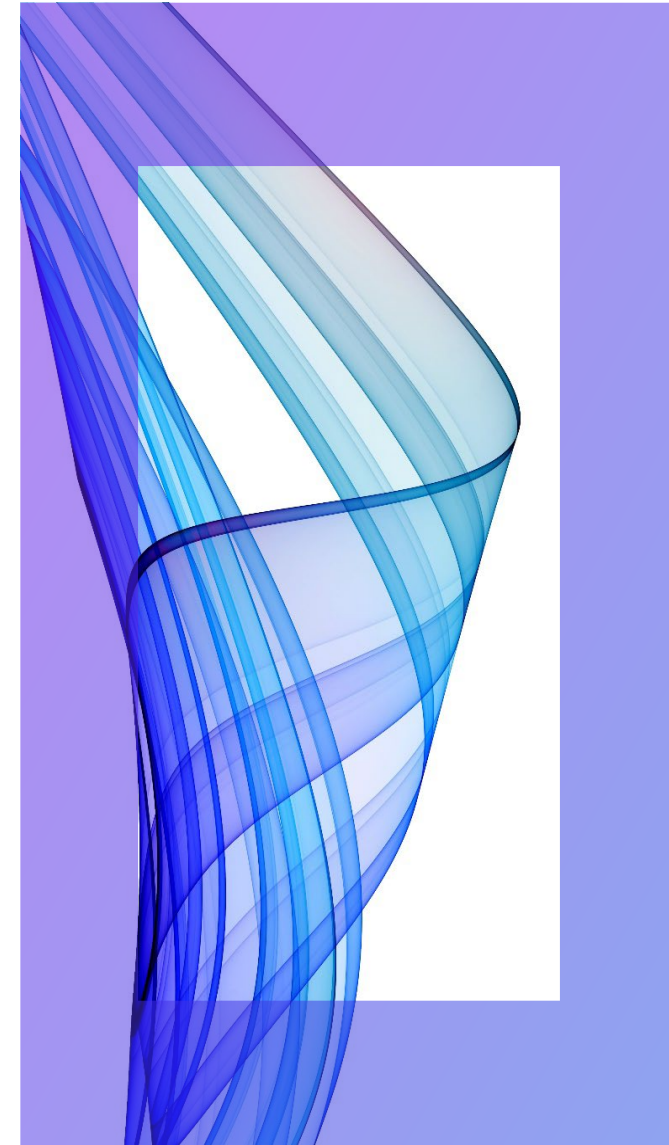
Expenditures other than salaries and benefits

Our response

- 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 expenses and liabilities to expectations taking into account known significant changes in operations and costs.

Significant findings

We noted no issues as a result of our testing.





Audit focus areas



Asset retirement obligations

The City adopted PS 3280 *Asset Retirement Obligations* ("ARO") for the fiscal year ended December 31, 2023. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. Under the new standard, an entity is required to review its tangible capital assets and identify any legal obligations associated with the retirement of those tangible capital assets (ex: removal of asbestos), estimate the future remediation cost, and record the future obligation as a corresponding depreciable asset and liability in the statement of financial position today. This significant new accounting standard has implications that have the potential to go beyond financial reporting, and will require organizations to think about how these future obligations will be funded. Management calculated the City's asset retirement obligation to be \$1.8M on adoption.

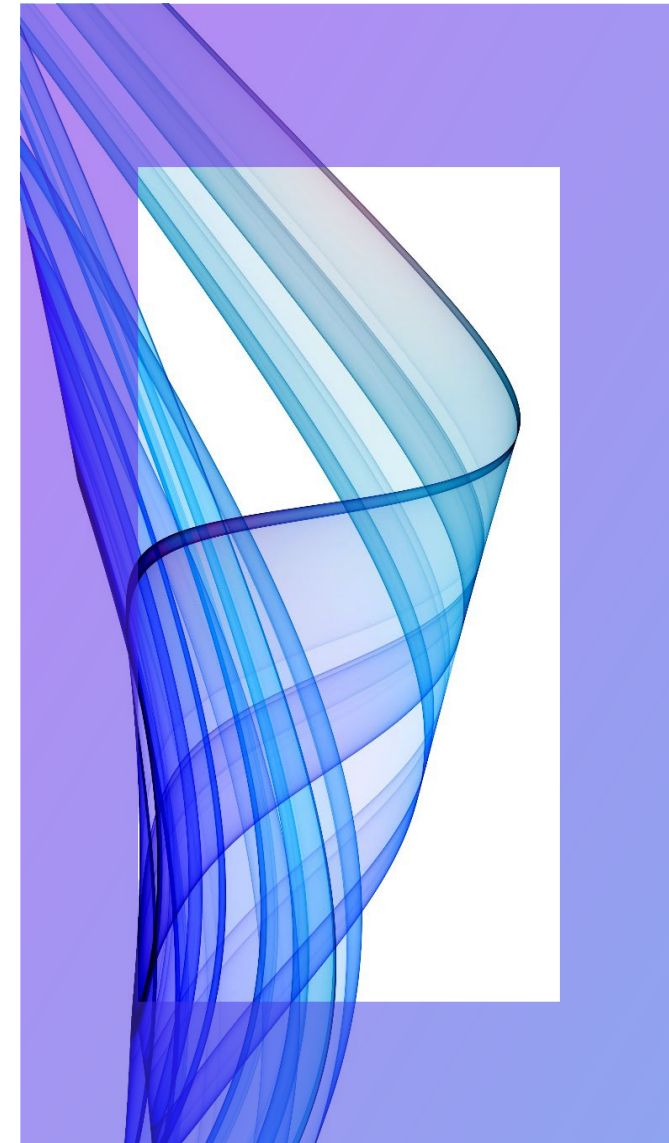
Our response

- We obtained an understanding of management's process for adopting the standard through discussion with management and review of their scoping and measurement memo.
- We tested completeness of in-scope identified assets, through discussions with internal experts, review of external hazardous materials reports, and review of other external source documents to validate whether any AROs existed at the financial reporting date.
- We tested the accuracy of the calculations made by management to arrive at the estimated remediation cost, including sampling a number of buildings and validating the appropriateness of inputs and assumptions that feed into the calculations.
- We reviewed the related financial statement disclosures and accounting policies.
- We compared actual expenses and liabilities to expectations taking into account known significant changes in operations and costs.

Significant findings

The City has applied the prospective transitional provisions on initial implementation of PS 3280. There was no impact to prior year comparative balances in the financial statements.

We noted no issues as a result of our audit procedures.



Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
- This includes the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Below is a summary of the impact of the uncorrected misstatements:

	Statement of operations	Financial position		
Description	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Valuation of donated asset	665,756	-	-	(665,756)
Transfer of asset from work in progress to in use	-	(655,549) 655,549	-	-
Total misstatements	665,756	-	-	(665,756)



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting


A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance

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



Significant accounting policies and practices


We also highlight the following:



Significant accounting policies




- Management adopted PS 3280 *Asset Retirement Obligations* during the year using the prospective method. There were no issues noted as a result of adoption.
- Management adopted PS 3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation* during the year. There were no issues noted as a result of adoption.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded, beyond those noted in relation to transfers of tangible capital assets.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant qualitative aspects of financial statement presentation and disclosure



- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.



Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.

Appendices

1

Other required communications

2

Management representation letter

3

Audit quality

4

New accounting standards

5

New auditing standards

6

Thought leadership and insights



Appendix 1: Other required communications



Auditor's report

Refer to the draft report attached to the financial statements.

Engagement letter

A copy of the engagement letter and any subsequent amendments has been provided to management.



Independence

As required by professional standards, we have considered all relationships between KPMG and the City that may have a bearing on 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 other standards or applicable legislation or regulation from January 1, 2023 up until the date of this report.

Management representation letter

A copy of the management representation letter is attached.



Appendix 2: Management representation letter

See attached management representation letter

KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC
V8W 3Y7

April 22, 2024

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 the City of Nanaimo ("the Entity") as at and for the period ended December 31, 2023.

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 November 23, 2022, 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 Entity 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 or illegal acts, 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 Entity'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 Entity's ability to continue as a going concern.

Misstatements:

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

12) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Other information:

13) We confirm that the final version of Annual Report 2023 will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your required procedures in accordance with professional standards.

Assets & Liabilities - General

14) The City has satisfactory title to all owned assets.

15) 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.

16) We have no knowledge of any plans or interactions that may materially affect the carrying value or classification of assets and liabilities.

17) All developer contributed assets accepted by the City have been included in the financial statements.

Contractual Agreements:

18) 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:

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

Non-Financial Assets:

20) 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:

21) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

22) We have no knowledge of arrangement (contractual or otherwise) by which programs have been established to provide post-employment benefits, except as disclosed to you.

23) The significant accounting policies the City has adopted in applying PS 3255, Post-employment benefits, compensated absences and termination benefits (hereinafter referred to as "PS3255") are disclosed in the notes to the financial statements.

24) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:

- a) pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.
- b) post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.
- c) compensated absences for which it is expected employees will be paid. These benefits include accumulated sick days, and termination benefits.

25) 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.

26) The assumptions included in the actuarial valuation are those that management instructed Nexus Actuarial Consultants Ltd. ("Nexus") to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with PS 3255.

27) In arriving at these assumptions, management has obtained the advice of Nexus, but has retained the final responsibility for them.

28) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

29) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension and other post-employment benefit costs.

Segment Disclosures:

30) 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:

31) 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.

Non-SEC registrants or non-reporting issuers:

32) 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).

33) 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.

Other:

34) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.

35) 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

36) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.

Yours very truly,

Dale Lindsay, Chief Administrative Officer

Laura Mercer, General Manager, Corporate Services

Cc: Finance and Audit Committee

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.

Attachment II – Summary of Audit Misstatements Schedule**Year ended December 31, 2023****Summary of Corrected Audit Misstatements**

The gross amount of borrowed debt and the payments and actuarial allocations was reduced by \$1,593,415

Year ended December 31, 2023**Summary of Uncorrected Audit Misstatements**

	Statement of operations	Financial position		
Description	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Valuation of donated asset	665,756	-	-	(665,756)
Transfer of asset from work in progress to in use	-	(655,549) 655,549	-	-
Total misstatements	665,756	-	-	(665,756)

Year ended December 31, 2022

Summary of Uncorrected Audit Misstatements

	Statement of operations	Financial position		
Description	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Valuation of donated asset	(665,756)	(665,756)	-	-
Transfer of asset from work in progress to in use	-	(655,549) 655,549	-	-
Total misstatements	(665,756)	(665,756)	-	-



Appendix 3: Audit quality - How do we deliver audit quality?

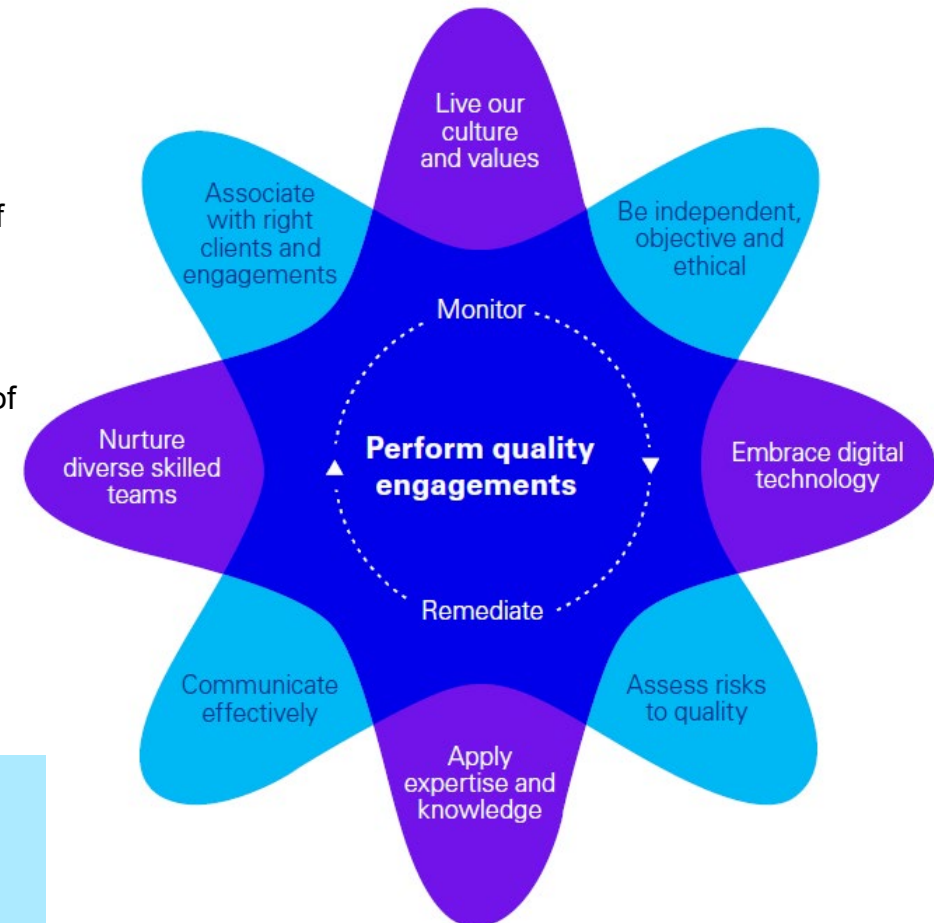
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendix 4: Current developments

Changes to accounting standards

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenue 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 revenue arises when no performance obligations are present, and recognition occurs when the City records the revenue and an event has happened that gives the public sector entity the right to the revenue.
Public Private Partnerships	<ul style="list-style-type: none"> The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard notes 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 public private partnership ends. The public sector entity recognizes 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 standard can be applied retroactively or prospectively.
Purchased Intangibles	<ul style="list-style-type: none"> The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. The guideline can be applied retroactively or prospectively.



Appendix 4: Current developments

Changes to accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is 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, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix 4: Current developments

Changes to accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called 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 total assets followed by total 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. The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix 4: Current developments (continued)

Tax updates

Topic	Summary
Enhanced trust reporting measures	<ul style="list-style-type: none"> On December 15, 2022, Bill C-32 was passed into law incorporating enhanced trust reporting measures. NPOs that hold funds or other assets in trust on behalf of others, including bare trust arrangements will be required to disclose specific information on these trusts. This disclosure will be required for fiscal years ending after December 30, 2023. An NPO may be subject to penalties if it fails to collect and file the information related to the trust. NPOs should review any trust arrangements it uses either for itself or on behalf of others. Given the extent of changes and severity of penalties for non-compliance, affected NPOs are recommended to start gathering information early and consult with their auditors or tax professionals ahead of preparation of T3 returns. CRA announced they will not require registered charities to file the T3, for internal trusts. <p>Internal trusts are those created when a charity:</p> <ul style="list-style-type: none"> receives property as a gift that is subject to certain legally enforceable terms and conditions; and, holds that property as the trustee of the trust. Download this edition of KPMG's TaxNewsFlash to learn more, including information about limited relief provided by CRA in November 2023 – Additional TaxNewsFlash.



Appendix 5: Changes to auditing standards

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

.....
(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

.....
Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

.....
Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

None noted at this time that are applicable to the audit of the entity



Appendix 6: Thought leadership and insights

Thought leadership - Boards, Audit Committees and C-Suite

Global Economic Outlook

We may be only part-way through 2023, but the phrase that has overwhelmingly dominated conversations – from board rooms to political chambers and Main Streets – has been the cost-of-living crisis. In recent years, the world has faced waves of challenges, from the pandemic to the invasion of Ukraine, to the unfolding bank liquidity challenges amidst skittish depositors. The impact of such a lengthy period of uncertainty is being felt by everyone and that's reflected in KPMG's latest Global Economic Outlook.

[Click here](#) to access KPMG's portal.

2023 CEO Outlook

While CEOs maintain confidence in the future of the global economy, their views on what constitutes a risk to their business have shifted significantly. The persistent flux in global politics, trade dynamics and international relations has required a new level of resilience from CEOs. They are reassessing their strategic priorities, focusing on the rise of generative AI, talent management and high stakeholder expectations in addressing environmental, social and government (ESG) issues.

[Click here](#) to access KPMG's portal.

Board Leadership Centre

KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.

[Click here](#) to access KPMG's portal.



Appendix 6: Thought leadership and insights (continued)

Thought leadership - Boards, Audit Committees and C-Suite

Momentum

Offering curated insights for management, boards and audit committees, our quarterly newsletter provides the latest thought leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[Click here](#) to access KPMG's portal.

Accelerate

Our annual article series, developed by KPMG subject matter experts, which tackles the most pressing risks and opportunities that face audit committees, boards and management teams across the country. The focus areas for 2024 include:

- Economic uncertainty
- Cyber risk
- Digital transformation
- Talent retention
- Mandatory ESG reporting

[Click here](#) to access KPMG's portal.



Appendix 6: Thought leadership and insights

What is ESG?

ESG is a framework to integrate environmental, social and governance risks and opportunities into an organization's strategy to build long term financial sustainability and create value. ESG includes a wide range of non-financial scoring categories, used by investors and other stakeholders to assess the impact of an organisation's products and business practices on sustainability and social causes.

Environmental

Our IMPACT on our planet

- Climate change
- Greenhouse gas (GHG) emissions
- Natural resource depletion
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity

Social

Our IMPACT in our communities

- Working conditions, including slavery and child labour
- Impact on local communities
- Conflict regions
- Health and safety
- Employee diversity, equity, and inclusion
- Product mis-selling
- Data protection

Governance

Our conduct

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches

ESG strategies can help entities deliver long-term value through effective engagement with all stakeholders – generating trust and a competitive advantage.



Appendix 6: Thought leadership and insights (continued)

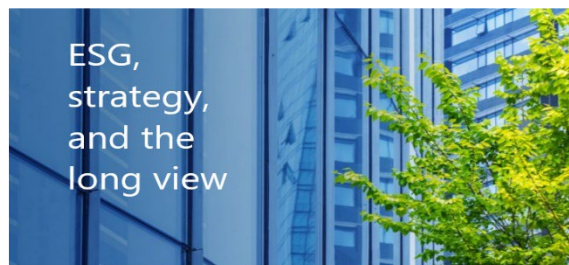
Thought leadership – Environmental, social and governance (“ESG”)

Note: Click on images to visit document link.



CoP26 made progress towards tackling climate change, but there is much more to do.

At KPMG, we're committed to accelerating the changes required to fight climate change.



This highlights a five-part framework to help organizations shape the total impact of strategy and operations on performance both externally, and internally.



You can't go green without blue

The blue economy is critical to all companies' ESG ambitions



The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.



This report outlines the updates in regulatory sustainability reporting.

Its focus is comparing and contrasting proposals from the ISSB, EFRAG, and the SEC.

In this report, KPMG considers how leading corporations and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.



Appendix 6: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

How the 'S' in ESG is changing the way we do business

The social component of ESG calls for more heart, empathy and interconnectedness

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

Climate change, human rights and institutional investors

The adverse impacts to people from a changing climate will create risks for institutional investors throughout the value chain

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.



This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.

KPMG's Climate Change Financial Reporting Resource Centre

KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

[Click here](#) to access KPMG's portal.

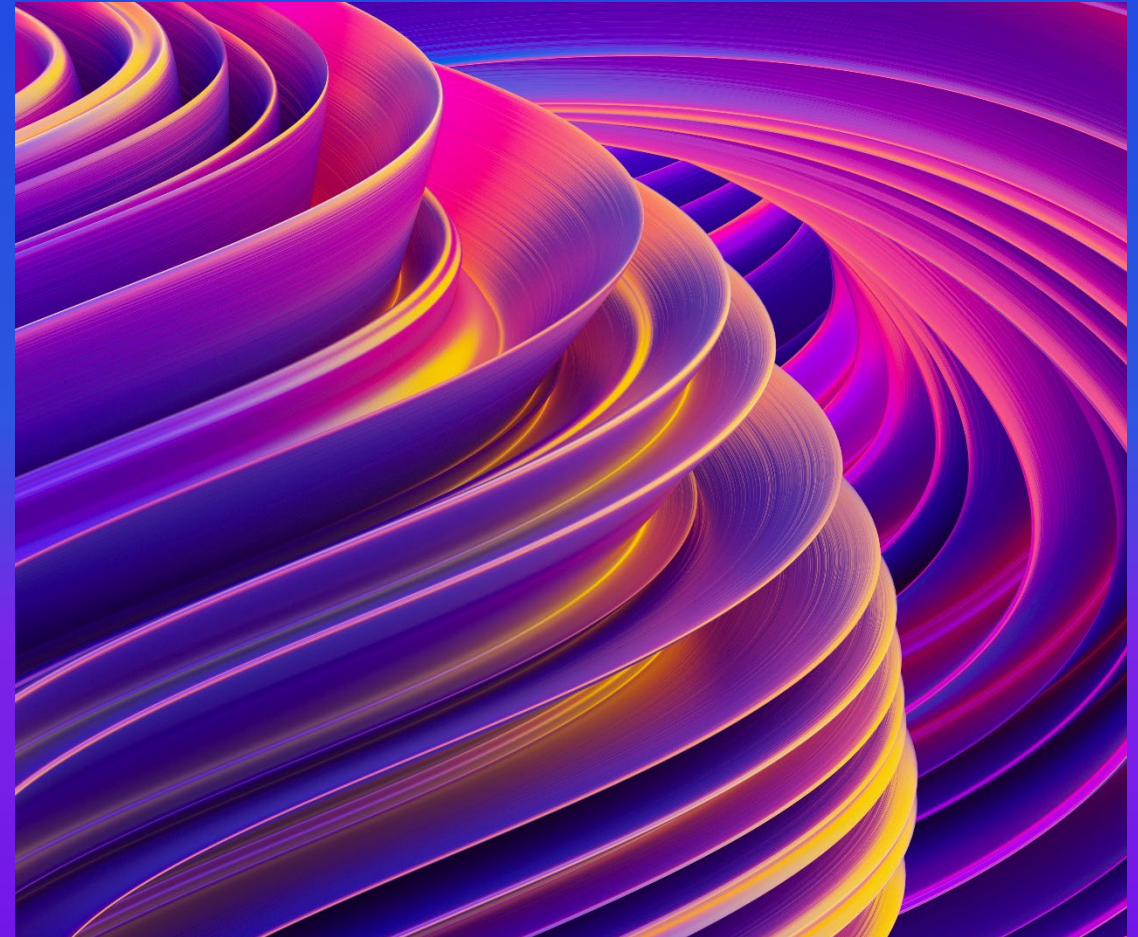
A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report ([click here](#)) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.



<https://kpmg.com/ca/en/home.html>

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Staff Report for Decision

DATE OF MEETING | APRIL 17, 2024 |

AUTHORED BY | JANE RUSHTON, MANAGER, SUPPLY CHAIN MANAGEMENT |

SUBJECT **BRITISH COLUMBIA SOCIAL PROCUREMENT INITIATIVE (BCSPI)
2024 ANNUAL REVIEW**

OVERVIEW

Purpose of Report

To provide Council with an update on the status of the British Columbia Social Procurement Initiative's (BCSPI) request for Provincial funding and seek direction on membership renewal.

Recommendation

That the Finance and Audit Committee receive an update on the British Columbia Social Procurement Initiative and determine whether or not to recommend to Council to renew the City's membership for 2024.

BACKGROUND

The British Columbia Social Procurement Initiative (BCSPI) formerly known as Coastal Communities Social Procurement Initiative (CCSPI) is a public sector initiative led by and for local governments that fosters positive social, environmental, cultural and economic impact across British Columbia. BCSPI supports local governments and institutions to build capacity through training, consulting, resources, and support to implement purchasing that achieves community goals. The City joined the BCSPI in 2019, actively participating in the quarterly meetings and leveraging the training when onboarding new procurement staff.

In 2021, BCSPI received a one-time, 3-year funding injection from the Province to expand its membership across the province. This funding covered 65% of BCSPI's operating budget. At the 2023-OCT-18 Finance and Audit Committee meeting the Committee recommended that the Mayor, on behalf of Council, sign the British Columbia Social Procurement Initiative letter to be sent to the Province in support of continued grant funding.

Since 2020, the City is also a member of the Canadian Collaboration of Sustainable Procurement (CCSP). This is a national organization based out of Vancouver that provides training, support, and collaboration events on all pillars of the City's Sustainable Procurement Policy. The membership includes eight peer exchange webinars, a working group that advances a jointly selected topic, contract directory, resource library as well as the annual benchmark report that the City's uses to gauge our advancement.

DISCUSSION

The City has been advised that despite best-efforts the BCSPI has been unable to secure ongoing funding support from the Province. As a result, BCSPI will transition into a fee-for-service model as of 2024-APR-01, where the initiative is supported solely by annual membership fees with

services administered by BCSPi service delivery partner Buy Social Canada. This change will result in fees increasing by 20% for 2024. Membership fees are based on population and in 2019, the City's annual membership fee was \$7,956. and has incrementally grown to \$10,581 in 2023. Based on population growth and taking into consideration the 20% increase in fees, the 2024 invoice is estimated to be \$13,000.

The CCSP's membership started at \$2,000 annually and recently increased to \$2,205 in 2024.

CONCLUSION

Sustainable procurement is an evolving discipline that requires participants to stay involved and up to date on emerging philosophies and trends. Organizations such as the BCSPI and CCSP provide necessary support and allow the City to learn and adopt practical methods from experts and peers.

The CCSP membership to date has proven to be good value for the funds invested. The BCSPi membership has not provided additional benefits reflective of the higher cost. The funds currently allocated to the BCSPi could be invested in other training opportunities to enhance the City's sustainable procurement policy.

OPTIONS

That the Finance and Audit Committee receive an update on the British Columbia Social Procurement Initiative and determine whether or not to recommend to Council to renew the City's membership for 2024.

SUMMARY POINTS

- The City has been an active participating member of British Columbia Social Procurement Initiative (BCSPI) since 2019.
- BCSPi provides training to Procurement staff.
- The 2024 membership fee for the BCSPi will increase by 20% for 2024.

ATTACHMENTS:

BCSPI Co-Chair Update – March 2024

Submitted by:

Jane Rushton
Manager, Supply Chain Management

Concurrence by:

Wendy Fulla
Director, Finance

Laura Mercer
General Manager, Corporate Services



March 14, 2024

Re: British Columbia Social Procurement Initiative

Dear BCSPI member,

We are writing with an important update about the future of the British Columbia Social Procurement Initiative (BCSPI).

Since 2019, BCSPI has grown from six to over 40 members, trained almost 1,000 staff, created almost \$1 billion in public sector spending with added social value, and supported its members to implement social procurement in over 1,000 purchasing projects.

In 2021, BCSPI received one-time, 3-year funding injection from the BC Government to expand its membership across the province. This funding covered 65% of BCSPI's operating budget and is now coming to an end, despite best-efforts to secure ongoing support from the Province. As a result, BCSPI will transition into a fee-for-service model as of April 1, 2024, where the initiative is supported solely by annual membership fees with services administered by BCSPI service delivery partner Buy Social Canada.

You will receive an invoice in April to renew your membership for 2024, as per usual. If your organization joined in the past 6 months, your current fees will cover your membership for the first half of 2024 and your April 2024 invoice will be for 50% of the annual fee.

Whilst the transition will require a 20% increase in member fees to maintain service levels, you will still receive BCSPI's comprehensive current membership benefits. Access to core training, templates and tools, member learning events, the Community of Practice, member resource library, and impact measurement tools will continue as normal. However, customized training and consulting services will transition to an on-demand basis at \$150 per hour.

In order to reflect the change in delivery mode, the governance structure for BCSPI will also shift from having a steering committee to an executive committee. The executive committee will meet four times per year and be comprised of representatives from the different member types: municipal governments, regional districts, institutional purchasers, and Crown Corporations. Those interested in joining the executive committee are invited to self-nominate. Please contact Em Chapman at em@buysocialcanada.com if you are interested in joining the Executive Committee.

We want to take this opportunity to acknowledge the incredible and innovative work BCSPi members are doing across the province, and the value of the shared learning created by this incredible initiative. We would also like to thank the delivery partners: Scale Collaborative, Buy Social Canada, and the Vancouver Island Construction Association, for their support, enthusiasm, and integrity that has turned the vision of BCSPi into a sturdy network for systemic change.

We are confident that this new model will continue to meet the needs of members in supporting their social and sustainable procurement goals and objectives, and we are excited to welcome you to the next phase of BCSPi as we support each other to create lasting impact in our province together.

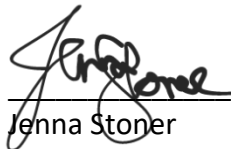
We will be speaking about the highlights and learnings from the first five years of BCSPi at a webinar April 11 from 2-3:30pm “Lessons Learned in Supporting Local Governments to Adopt Social Procurement.” Please [register here](#) to join us.

Please do not hesitate to contact us if you have questions.

Sincerely,



Vickey Brown
Mayor, Village of Cumberland
Co-Chair, BCSPi Steering Committee
mayor.brown@cumberland.ca
(250) 218-0321



Jenna Stoner
Councillor, District of Squamish
Co-Chair, BCSPi Steering Committee
jstoner@squamish.ca
(604) 389-8504

DATE OF MEETING APRIL 17, 2024

AUTHORED BY WENDY FULLA, DIRECTOR, FINANCE

SUBJECT UPDATE OF RESERVE POLICY

OVERVIEW

Purpose of Report

To update the Reserve Policy to reflect the new Online Accommodation Platform Reserve Fund and changes to the Housing Legacy Reserve Fund. |

Recommendation

That the Finance and Audit recommend that Council amend Reserve Policy COU-231 to include the new Online Accommodation Platform Reserve Fund and reflect the changes to the Housing Legacy Reserve Fund.

BACKGROUND

At the 2019-JUL-22 Council meeting, Council endorsed Reserves Policy COU-204 as well as a number of recommendations including the establishment of, or revision to, a number of statutory reserves to ensure a systematic approach for the setting aside of funds to maintain, replace and renew City infrastructure. At the 2019-NOV-18 Council meeting, the Reserve Fund bylaws required to support the new policy were adopted. Since endorsement a number of changes have been approved including:

1. Approval at the 2020-NOV-18 Finance and Audit Committee Meeting, to change the minimum reserve balance and set a maximum reserve balance for the three (3) financial stability reserves;
 2. Repealing Reserve Policy COU-204 and replacing it with Reserve Policy COU-231 effective 2022-DEC-19, to reflect reserves that had been created, repealed or revised since adoption as well as revisions to the interest calculation method for Reserve Funds and other minor updates for clarity and consistency;
 3. Approval at the 2023-JUL-19 Finance and Audit Committee to revise the minimum reserve balances for the General Financial Stability Reserve and the Sewer Financial Stability Reserve effective January 1, 2024, and amendment of Reserve Policy COU-231 to include the Growing Communities Reserve Fund; and
 4. Approval at the 2023-NOV-15 Finance and Audit Committee to amend Reserve Policy COU-231 to include the Harewood Centennial Turf Field Reserve Fund.
- |

DISCUSSION

On 2024-APR-08 Council adopted the amended *Housing Legacy Reserve Fund Bylaw No. 7299.01* and the new *Online Accommodation Platform Reserve Fund Bylaw No. 7374*.

In 2018, affordable housing was added as a permissible use of the Online Accommodation Platform (OAP) revenues collected under the Municipal and Regional Tax program. Online Accommodation Platform revenue was previously placed in the Housing Legacy Reserve Fund until allocated to an approved project.

As allocation of OAP funds must comply with the provincial guidelines which may vary from the permitted uses of the Housing Legacy Reserve Fund a separate reserve fund was created to ensure there is no conflict between the bylaw governing the Housing Legacy Reserve Fund and the allocation of OAP funds

The Housing Legacy Reserve Fund bylaw was updated to provide a broader range of uses to help support the City's strategy to address the need to fund the support of affordable housing in the community.

The updated Reserve Policy reflects the new Online Accommodation Platform Reserve Fund and the changes to the Housing Legacy Reserve Fund. |

OPTIONS

1. That the Finance and Audit Committee recommend that Council amend Reserve Policy COU-231 to include the new Online Accommodation Platform Reserve Fund and reflect the changes to the Housing Legacy Reserve Fund.

- The advantages of this option: Ensures the Reserve Policy reflects current reserves and Reserve Funds.

2. That the Finance and Audit Committee provide alternative direction.

SUMMARY POINTS

- Council adopted a Reserve Policy in 2019 to ensure a systematic approach for the setting aside of funds to maintain, replace and renew City infrastructure.
- Reserve Policy COU-231 has been amended to include the Online Accommodation Platform Reserve Fund and changes to the Housing Legacy Reserve Fund.

ATTACHMENTS:

Attachment A: Reserve Policy COU-231 Amended |

Submitted by:

Wendy Fulla
Director, Finance

Concurrence by:

Laura Mercer
General Manager, Corporate Services



RCRS Secondary:	GOV-02	Effective Date:	2022-DEC-19
Policy Number:	COU-231	Amendment Date/s:	2023-JUL-24 COUNCIL, 2023-NOV-202 COUNCIL
Title:	Reserve Policy	Repeal Date:	
Department:	Finance	Approval Date:	2022-DEC-19

PURPOSE:

The City of Nanaimo (the City) is committed to sustainable, prudent and transparent management of financial resources used to provide valued community services.

The purpose of this Policy is to:

- Establish responsible governance for the development, maintenance and use of the City's Reserves;
- Establish governance roles and responsibilities that ensure appropriate establishment and management of Reserves;
- Define principles and objectives for Reserves management that are appropriate for the City's financial position, and are reasonable, logical and necessary for delivery of sustainable, affordable services; and
- Ensure the City's Reserves management is compliant with the statutory and legal requirements of the *Local Government Act* and the *Community Charter*, and in accordance with Canadian Public Sector Accounting Standards.

DEFINITIONS:

Five Year Financial Plan	The City's annual budget required under the <i>Community Charter</i> .
Funds	The resources and operations of the City are segregated into General, Sanitary Sewer Utility, Waterworks Utility and Reserve Funds for accounting and budgeting purposes. The General and Utility Funds also have corresponding Capital Funds.
Operating Reserves	Specific reserves in the City's operating funds (General, Sewer and Water) established for specified purposes.
Public Sector Accounting Board (PSAB)	Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board of Canada (PSAB) and the Chartered Professional Accountants of Canada.
Reserves	All the City's Operating Reserves and Reserve Funds.
Reserve Funds	Specific reserve funds for specified purposes as required by and pursuant to specific legislation and City bylaws. Also referred to as Statutory Reserves.
Sustainability	The pillars of sustainability include ensuring that current socio-cultural, economic and environmental commitments are considered in investment decisions and do not compromise the ability of future generations to meet their own needs.

SCOPE:

Council is responsible for:

- Adoption, periodic review and updating the Reserves Policy.

CAO is responsible for:

- Implementing the Reserves Policy.

Director of Finance is responsible for:

- Implementing internal processes and systems in compliance with this Policy;
- Ensuring Reserves and Reserve Funds are established and maintained in compliance with this Policy;
- Recommending target minimum and maximum reserve balances where appropriate;
- Ensuring utilization of reserve funding is clearly disclosed in the City's Five Year Financial Plan and other long-term financial plans;
- Recommending revisions or amendments to this Policy due to changes in applicable statutes, accounting standards or to support the City's long-term financial management.

POLICY:

Reserves will be established and expended to:

- Provide for contingencies;
- Fund strategic initiatives and capital investment identified in strategic and master plans adopted by Council;
- Fund equipment and vehicle replacement;
- Fund infrastructure renewal;
- Fund new/upgraded infrastructure required due to growth.

The Reserves Framework groups reserves by common purposes and guidelines in compliance with this Policy. Reserve Funds are utilized to comply with Provincial legislation or contractual requirements and where specific annual contributions support long-term organizational purposes.

A description of each reserve is outlined below within the Reserves Framework.

Financial Stability Reserves

Financial Stability Reserves are required to ensure the ongoing financial stability and fiscal health of City operations.

- **General Financial Stability Reserve**
- **RCMP Contract Financial Stability Reserve**
- **Sewer Financial Stability Reserve**
- **Snow and Ice Control Financial Stability Reserve**
- **Water Financial Stability Reserve**

Each of these reserves is funded from an allocation of operating year-end surplus from the appropriate fund.

All appropriations from these reserves are to be considered in accordance with the following priorities:

1. Operating and Environmental Emergencies
 - a. These appropriations are the highest priority and are based on public safety and maintenance of current levels of service.
2. Revenue and Operating Expenditures Contingency

- a. These appropriations are intended to stabilize the impacts of cyclical revenue downturns and cost increases that are largely temporary and not within the City's ability to adjust in the short-term.
- **Sanitation Levelling Reserve** - This reserve is used to smooth user rate increases, fund unanticipated expenditures and fund sanitation projects. Contributions are provided from an allocation of any year-end surplus from user fee funded sanitation operations.

Equipment Reserves

Equipment Reserves are established to provide funding for equipment replacement. Currently, the City has established equipment reserves for the following:

- **Cart Replacement Reserve Fund** – This reserve is to fund the replacement of residential carts used in solid waste collection. Annual contributions are provided from an allocation of sanitation user fees.
- **Copier Replacement Reserve Fund** – This reserve is to fund copier replacement. Internal charges to user departments provide annual contributions to this reserve.
- **Equipment Depreciation Reserve Fund** – This reserve is to fund the replacement of the City's fleet including fire apparatus, ice resurfacers, solid waste collection trucks, heavy-duty construction equipment and vehicles. Internal charges to user departments provide annual contributions to this reserve.
- **Information Technology (IT) Reserve Fund** – This reserve is to fund IT corporate infrastructure replacement and improvements. Internal charges to user departments provide annual contributions to this reserve.

Infrastructure Reserves

Infrastructure Reserves are established to provide funding for infrastructure replacement and for new/upgraded infrastructure required due to growth. Currently, the City has established infrastructure reserves for the following:

- **Brechin Boat Ramp Reserve** – This reserve is to fund improvements to the Brechin boat ramp. Annual contributions are from net parking revenues.
- **Cemetery Care Reserve Fund** – This reserve is to fund ongoing care of the cemetery. Revenues from annual plot sales and head stone installation provide contributions to this reserve.
- **Community Works Reserve Fund** – This reserve was established in 2005 in compliance with an agreement between the Union of BC Municipalities (UBCM) and the City. Annual grant funding from UBCM provides contributions to this reserve and funding from this reserve must meet the eligibility criteria in the agreement.
- **Facility Development Reserve Fund** – This reserve is to fund improvements, including infrastructure renewal of the City's recreation facilities that contribute to the reserve and for construction of new recreation facilities that will contribute to the reserve. Annual contributions are provided by an allocation of recreation facility revenues.
- **General Asset Management Reserve Fund** – This reserve is to fund upgrading or replacement of infrastructure relating to transportation, storm drainage, facilities, parks amenities and major technology. The assist factor for General Development Cost Charge projects may also be funded from this reserve. Annual contributions are provided from an allocation of property taxes.

- **General Capital Reserve** – This reserve provides funding for projects. Contributions may be from an allocation of General Operating Fund surplus.
- **Growing Communities Reserve Fund** – This reserve was established in 2023 in compliance with the requirements of the one-time funding received from the Province of British Columbia's Growing Communities Fund. Funding from this reserve must meet eligible uses of the program.
- **Harewood Centennial Turf Field Reserve Fund** – This reserve is to fund major capital improvements (as determined by the City), or for replacement of components, of the Facility (as defined in the Joint Use License Agreement), West Field and/or East Field of the Harewood Centennial Turf Field. Annual contributions are provided through budget allocation, contribution from School District 68 and net annual operating revenues from user fees for the field.
- **NDSS Community Field Reserve Fund** – This reserve is to fund capital improvements to the field. Annual contributions are provided through budget allocation, contribution from School District 68 and net annual operating revenues from user fees for the field.
- **Pipers Park Reserve** – This reserve provides funding for improvements to Pipers Park. Annual net revenues from the facilities in the park provides contributions to this reserve.
- **Sewer Reserve** – This reserve provides funding for sewer studies, infrastructure assessment programs and projects. Annual contributions are from sewer user fees in excess of annual operating expenditures, debt repayment and transfer to the Sewer Asset Management Reserve.
- **Sewer Asset Management Reserve Fund** – This reserve is to fund upgrading or replacement of sewer infrastructure. The assist factor for Sewer Development Cost Charge projects may also be funded from this reserve. Annual contributions are provided from an allocation of sewer user fees.
- **Vancouver Island Conference Centre (VICC) Reserve** – This reserve provides funding for improvements to VICC. Contributions to this reserve are from a budget allocation.
- **Water Reserve** – This reserve provides funding for water studies, infrastructure assessment programs and projects. Annual contributions are from water user fees in excess of annual operating expenditures, debt repayment and transfer to the Water Asset Management Reserve.
- **Water Asset Management Reserve Fund** – This reserve is to fund upgrading or replacement of water infrastructure. The assist factor for Water Development Cost Charge projects may also be funded from this reserve. Annual contributions are provided from an allocation of water user fees.

Parking Reserves

Parking Reserves are established to provide funding for renewal of parking infrastructure, new parking infrastructure and parking studies. Currently, the City has established parking reserves for the following:

- **Fitzwilliam St Parking Reserve** – This reserve is to fund parking amenities at the City owned Prideaux Street parking lot.
- **Parking Reserve Fund** – This reserve is to fund renewal of parking infrastructure or new parking infrastructure and parking studies. Annual contributions are provided from net parking revenues.

- **Old City Parking Reserve Fund** – This reserve is to fund the creation of new off-street parking spaces.
- **Off Street Parking Reserve Fund** – This reserve is to fund transportation infrastructure that supports walking, bicycling, public transit or alternative forms of transportation. Contributions are provided from cash-in-lieu payments from developers.

Property Reserves

Property Reserves are established to provide funding for property acquisitions. Currently, the City has established property acquisition reserves for the following:

- **Parkland Dedication Reserve Fund** – This reserve provides funding for the purchase of parkland pursuant to the *Community Charter*, Section 188. Contributions are provided from cash-in-lieu payments from developers.
- **Property Acquisition Reserve Fund** – This reserve provides funding for property acquisitions. Property acquisitions include property needed to expand City infrastructure, to implement strategic initiatives and for parkland. Contributions to this reserve are either by allocation of budget or General Operating Fund surplus.
- **Property Sales Reserve Fund** – This reserve provides funding for capital project pursuant to the *Community Charter*, Section 188. Contributions are provided from the sale of civic land.

Strategic Reserves

Strategic Reserves are established to provide funding for strategic initiatives identified by Council. Currently, the City has established strategic reserves for the following:

- **Housing Legacy Reserve Fund** – This reserve provides funding to support the City's strategy to address affordable housing in the community including but not limited to property acquisition and capital investment, development cost charges and works and services reductions for eligible projects, rent bank and rent supplement programs, provision of humanitarian basic needs services to the City's unsheltered population and the development of strategies, plans and solutions to address and create more affordable housing in the City. Contributions are provided from annual budget allocations and community amenity contributions.
- **Online Accommodation Platform Reserve Fund** – This reserve is to fund affordable housing initiatives as identified in the approved Affordable Housing Municipal and Regional District Tax (MRDT) Plan. Contributions are provided from the allocation of the Municipal and Regional District Tax (MRDT) for online accommodations.
- **Special Initiatives Reserves** – This reserve provides funding for short-term initiatives. Contributions may be from an allocation of General Operating Fund surplus.
- **Strategic Infrastructure Reserve Fund** - This reserve provides funding for strategic initiatives and capital infrastructure. Annual contributions to this reserve are from casino and Fortis revenues.
- **Strategic Partnerships Reserve** – This reserve provides funding to support consultation with Snuneymuxw First Nation regarding joint projects.
- **Climate Action Reserve Fund** – This reserve provides funding to support initiatives, plans or projects that reduce the City's greenhouse gas emissions and support the City in becoming carbon neutral and/or support the reduction of energy consumption in City owned and operated

facilities. Contributions to this reserve are from annual budget allocations and funding for climate initiatives that may exist from time to time, from higher levels of government.

Other Reserves

- **911 Reserve Fund** – This reserve is used to fund Provincial Enhanced 911 Services (E-911) and fire dispatch services within the City including annual operating costs or projects. Contributions to the reserve are from call answer levy revenue in excess of provision of E-911 service.
- **Casino Reserve** – This reserve is available to provide funding for eligible operating or capital expenditures. There are no further contributions to this reserve. This reserve will be eliminated when funding is fully allocated.
- **Knowles Estate Reserve Fund** – This reserve is required due to a bequest. Only accumulated interest may be spent for parks and sport facility improvements in the south end of the City.
- **Prior Year Carry-Forward Reserve** – This reserve is required to allow for unspent budgets to be carried forward to the following year. Where projects are not completed or are delayed, budget may be carried forward to the following year. Under specific circumstances, operating budgets may also be carried forward from one fiscal year to the next.

Summary of City Reserves

A summary of Reserves and Reserve Funds is provided in Schedule A.

This policy should be reviewed every 4 years from its effective date.

PROCESS:

Reserves are either classified as Reserves in each of the City's operating funds or separate Reserve Funds. Reserve Funds are statutory reserves required by Provincial legislation or established by Council and receive specific contributions that can only be used in compliance with the appropriate City bylaw.

The City maintains reserves that provide funding to:

1. Mitigate risk;
2. Replace equipment;
3. Renew existing infrastructure;
4. Construct new/upgraded infrastructure required due to growth;
5. Purchase land;
6. Implement strategic initiatives and capital investment;
7. Comply with special bequests; and
8. Facilitate specific functions or commitments.

Unique Corporate Purpose

Each Reserve must have a unique and specific corporate purpose.

Corporate Context

The management of the City's reserves is an integral part of the City's long-term planning, asset management, the City's Five Year Plan, the 10 Year Project Plan and the 20 Year Investment Plan.

Implementation, Review and Reporting

The implementation, review and reporting associated with this policy will be integrated within City business processes. Due to the importance of this policy, the management of the City's reserves will be reported to Council, and implementation of this policy reviewed periodically by Council.

Benefits of Compliance

Implementing this policy will improve the City's governance through enhanced accountability, performance, sustainability and resiliency.

Principle Statements and Objectives

Reserves shall be established, maintained and used in accordance with following principles and objectives.

Affordability

1. The City will consider impact on property taxes, utility and other user fees when implementing and managing reserves.

Long-Term Financial Sustainability and Resiliency

2. The City will implement and manage reserves that support mitigation of risks arising from operating emergencies, unforeseen expenditures or decreases in revenues.
3. The City shall strive to implement and manage reserves to meet future financial obligations with respect to the City's strategic initiatives, investment in equipment and infrastructure, and fiscal needs.
4. The City will make informed decisions to implement and manage reserves that best support the long-term financial needs for City services and strategic priorities.
5. The City will develop and maintain financial plans that adequately identify the long-term funding needs and sources to sustain City services.

Transparency and Accountability

6. All Reserves must be established, maintained and used for a specified purpose mandated by this policy, statute, or City Bylaw.
7. A Council Resolution or an Adopted Budget Bylaw is required for all appropriations from Operating Reserves and Reserve Funds.
8. The City will conduct an annual review of all reserves and report the results to Council.
9. The City's Five Year Financial Plan will provide a summary of projected reserve balance, contributions and withdrawals.

Statutory and Legal Requirements

10. Reserves will be established to meet Provincial and Federal government legislation, City Bylaws or required by contractual agreement.

Accounting Standards

11. Administration of Reserves must meet the accounting standards applicable to local governments (PSAB).

Administration

The following key administrative processes will support implementation of the Reserve Policy. Additional information is provided in the City's Reserves Processes document.

Interest and Calculation Method

All Reserve Funds will earn interest. Interest will be calculated and allocated monthly based on the City's investment earnings and the current Reserve Fund balance.

Minimum and Maximum Balances

A minimum and maximum balance may be established for a Reserve. A minimum balance will ensure that each fund is not depleted to the degree that it is no longer able to service its intended purpose. A maximum balance ensures that it does not grow beyond its intended purpose.

The annual allocation of General Operating Fund, Sewer Operating Fund and Water Operating Fund surplus will prioritize replenishment of reserves to minimum target balances.

The City's financial planning processes will strive to maintain the recommended target minimum reserve balances for the Five Year Financial Plan.

Repayment Period for Target Minimum Balances

A time period will be specified for the repayment or replenishment of a Reserve with a specified minimum balance.

Reporting

The City will develop and maintain annual reporting processes that provide decision makers with all relevant reserves information.

RELATED DOCUMENTS:

Local Government Act

Community Charter

Canadian Public Sector Accounting Standards

Cremation, Interment and Funeral Services Act

REPEAL or AMENDMENT:

This policy repeals Reserve Policy COU-204.

Appendix A

The City has established a framework for Reserves. A Reserve Fund is established for each Statutory Reserve under the authority of the *Community Charter*. In addition to this policy, Statutory Reserves are supported by a bylaw that outlines the purpose and use of each fund.

A summary of reserves is provided below within a framework that supports the primary objectives of this Policy:

- Financial Stability Reserves
- Equipment Reserves
- Infrastructure Reserves
- Parking Reserves
- Property Acquisition Reserves
- Strategic Reserves
- Special Reserves

Financial Stability Reserves

Financial Stability Reserves are required to protect the City's financial stability and resiliency. The primary intent of these reserves is to mitigate risk by providing funding for unknown expenditures arising from operating emergencies or necessity.

Guidelines for Using Reserves

An Adopted Budget Bylaw is required for all appropriations from the Financial Stability Reserves.

1. General Financial Stability Reserve

Contributions to this reserve are through an allocation of General Operating Fund surplus or budget allocation

This reserve can provide a source of funds where:

- a. Expenditures exceed planned due to emergency or necessity
- b. Revenues are below planned due to emergency or necessity

2. RCMP Contract Financial Stability Reserve

Contributions to this reserve are through an allocation of RCMP contract surplus, General Operating Fund surplus or budget allocation.

This reserve can provide a source of funds where the actual annual RCMP contract costs exceed the budget estimate.

3. Sanitation Levelling Reserve

Contributions to this reserve are through an allocation of annual Residential Solid Waste Collection surplus.

This reserve can provide a source of funds to:

- a. Smooth sanitation user fee increases
- b. Fund unanticipated expenditures or sanitation projects

4. Sewer Financial Stability Reserve

Contributions to this reserve are through an allocation of Sewer Operating Fund surplus or budget allocation.

This reserve can provide a source of funds where:

- a. Expenditures exceed planned due to emergency or necessity
- b. Revenues are below planned due to emergency or necessity

5. Snow and Ice Control Reserve

Contributions to this reserve are through an allocation of annual SNIC surplus, General Operating Fund surplus or budget allocation.

This reserve can provide a source of funds where the actual annual costs for snow and ice control exceed the budget estimate.

6. Water Financial Stability Reserve

Contributions to this reserve are through an allocation of Water Operating Fund surplus or budget allocation.

This reserve can provide a source of funds where:

- a. Expenditures exceed planned due to emergency or necessity
- b. Revenues are below planned due to emergency or necessity

Equipment Reserves

Equipment Reserves provide a funding source for equipment and fleet replacement.

Guidelines for Using Reserves

An Adopted Budget Bylaw is required for all appropriations from the Equipment Reserves.

1. Cart Replacement Reserve Fund

Contributions to this reserve are through an allocation of sanitation user fees.

This reserve provides funding for replacement of residential automated solid waste collection carts.

2. Copier Replacement Reserve Fund

Contributions to this reserve are through annual internal charges to user departments that are included in the department's annual operating budgets.

This reserve provides funding for replacement of the City's copiers.

3. Equipment Replacement Reserve Fund

Contributions to this reserve are through annual internal charges to user departments that are included in the department's annual operating budgets.

This reserve provides funding for replacement of the City's fleet including vehicles, trucks, heavy equipment, fire apparatus and ice resurfacers.

4. Information Technology Reserve Fund

Contributions to this reserve are through annual internal charges to user departments that are included in the department's annual operating budgets.

This reserve provides funding for replacement of the City's technology assets including data lines, server hardware and enterprise software.

Infrastructure Reserves

Infrastructure Reserves provide a funding source for renewal of current infrastructure and new/upgraded infrastructure required due to growth, new regulatory requirements or service level changes.

Guidelines for Using Reserves

An Adopted Budget Bylaw is required for all appropriations from the Infrastructure Reserves.

1. Brechin Boat Ramp Reserve

Contributions to the reserve are through an allocation of annual net parking revenues at the Brechin Boat Ramp facility.

This reserve provides funding for renewal or improvements to the Brechin Boat Ramp facilities.

2. Cemetery Care Reserve Fund

Contributions to the reserve are through annual plot and head stone installation revenues. The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the Cremation, Interment and Funeral Services Act.

Interest revenues earned by monies in this reserve are available to provide funding for annual cemetery care operating and maintenance expenditures.

3. Community Works Reserve Fund

Contributions to the reserve are through annual funding received from the Gas Tax Agreement (GTA) administered by the Union of British Columbia Municipalities (UBCM).

This reserve provides funding for specific types of infrastructure projects as allowed under the terms of the GTA.

4. Facility Development Reserve Fund

Contributions to the reserve are through a 20% allocation of contributing recreation facility and program revenues.

This reserve provides funding for improvements, including infrastructure renewal of contributing recreation facilities and can provide funding for new recreation facilities that will contribute to the reserve.

5. General Asset Management Reserve Fund

Contributions to the reserve are through budget allocations from annual property tax revenues.

This reserve provides funding for City infrastructure renewal excluding sewer and water infrastructure. The assist factor for Development Cost Charge projects may also be funded from this reserve.

6. General Capital Reserve

Contributions to the reserve are through allocations of General Operating Fund surplus.

This reserve provides funding for project investment.

7. Growing Communities Reserve Fund

Contribution to the reserve from one-time provincial funding from the Growing Communities Fund.

This reserve provides funds to address the increasing need for infrastructure and amenities to serve population growth in a way that reflects each unique community. Eligible expenditures are defined by the Province of British Columbia's Growing Communities Fund program.

8. Harewood Centennial Turf Field Reserve Fund

Contributions to the reserve are through budget allocation, contribution from School District 68 and net annual operating revenues from user fees for the field.

This reserve provides funding for major capital improvements (as determined by the City), or for replacement of components, of the Facility (as defined in the Joint Use License Agreement), West Field and/or East Field of the Harewood Centennial Turf Field.

9. NDSS Community Field Reserve Fund

Contributions to the reserve are through budget allocation, contribution from School District 68 and net annual operating revenues from user fees for the field.

This reserve provides funding for major capital improvements or field replacement for NDSS Community Field.

10. Piper's Park Reserve

Contributions to the reserve are through allocation of net annual operating revenues from rental of building located at Piper's Park.

This reserve provides funding for improvements to Pipers Park.

11. Sewer Asset Management Reserve Fund

Contributions to the reserve are through budget allocations from annual sewer user fees.

This reserve provides funding for renewal of the City's sewer infrastructure. The assist factor for Development Cost Charge projects may also be funded from this reserve.

12. Sewer Operating Reserve

Contributions to the reserve are through annual net operating allocations from the Sewer Operating Fund.

This reserve provides funding for studies, condition assessment programs and renewal or new/upgraded infrastructure required to maintain levels of service.

13. Vancouver Island Convention Centre Reserve

Contributions to the reserve are through unspent annual budget allocation.

This reserve provides funding for renewal of the Port of Nanaimo Centre facility.

14. Water Asset Management Reserve Fund

Contributions to the reserve are through budget allocations from annual water user fees.

This reserve provides funding for renewal of the City's water infrastructure. The assist factor for Development Cost Charge projects may also be funded from this reserve.

15. Water Operating Reserve

Contributions to the reserve are through annual net operating allocations from the Water Operating Fund.

This reserve provides funding for studies, condition assessment programs and renewal or new/upgraded infrastructure required to maintain levels of service.

Parking Reserves

Parking reserves provide a funding source for renewal or new/upgraded parking infrastructure including parkades and meters.

Guidelines for Using Reserves

An Adopted Budget Bylaw is required for all appropriations from the Parking Reserves.

1. Fitzwilliam St Parking Reserve

There are no specified future contributions to this reserve.

This reserve provides funding for improvements to parking amenities at the Prideaux Street Parking lot.

2. Old City Parking Reserve Fund

Contributions to this reserve are from cash-in-lieu payments from developers.

This reserve provides funding for the creation of new off-street parking spaces

3. Parking Reserve Fund

Contributions to this reserve are through annual net operating allocations from parking operations.

This reserve provides funding for parking studies, renewal of current parking infrastructure or new parking infrastructure.

4. Off Street Parking Reserve Fund

Contribution to this reserves are provided from cash-in-lieu payments from developers.

This reserve provides funding for transportation infrastructure that supports walking, bicycling, public transit or alternative forms of transportation.

Property Acquisition Reserves

Property Acquisition Reserves provide funding sources to purchase land needed for new infrastructure projects and for new parkland. Contributions to these reserves are through sale of City owned property and through annual budget allocations subject to Council approval.

Guidelines for Using Reserves

An Adopted Budget Bylaw is required for all appropriations from the Parking Acquisition Reserves.

1. Parkland Dedication Reserve Fund

Contributions for this reserve are received from development in lieu of parkland and from the sale of City parkland. This reserve is required by the *Community Charter*.

This reserve provides funding for purchase of City parkland.

2. Property Acquisition Reserve Fund

Contributions to this reserve are through unspent annual budget allocation or allocation of General Operating Fund surplus.

This reserve provides funding for the purchase of new land.

3. Property Sales Reserve Fund

Contributions for this reserve are received from the sale of City land and improvements. This reserve is required by the *Community Charter*.

This reserve provides funding for purchase of City land and improvements.

Strategic Reserves

Strategic Reserves provide funding sources to advance and implement priorities identified in strategic and master plans adopted by Council.

Guidelines for Using Reserves

An Adopted Budget Bylaw is required for all appropriations from the Strategic Reserves.

1. Housing Legacy Reserve Fund

Contributions to this reserve are through unspent annual budget allocation and community amenity contributions.

This reserve provides funding to support the City's strategy to address affordable housing in the community.

2. Online Accommodation Platform Reserve Fund

Contributions to this reserve are thought allocation of the Municipal and Regional District Tax (MRDT) for online accommodations.

This reserve provides funding to implement affordable housing initiatives as identified in the approved Affordable Housing Municipal and Regional District Tax (MRDT) Plan.

3. Special Initiatives Reserve

Contributions to this reserve are through an allocation of general operating fund surplus.

This reserve provides funding to implement specific initiatives in the subsequent year.

4. Strategic Infrastructure Reserve Fund

Contributions to this reserve are through annual budget allocation of Casino and Fortis Gas revenues.

This reserve provides funding to implement Council's strategic initiatives and capital investment.

5. Strategic Partnerships Reserve

Contributions to this reserve are through an allocation of General Operating Fund surplus or budget allocation.

This reserve provides funding for consultation with Snuneymuxw First Nation regarding joint projects.

6. Climate Action Reserve Fund

Contributions to this reserve are from annual budget allocations and funding received, from time to time, for climate initiatives from higher levels of government.

This reserve provides funding to support initiatives, plans or projects that reduce the City's greenhouse gas emissions and support the City in becoming carbon neutral and/or support the reduction of energy consumption in City owned and operated facilities.

Other Reserves

Reserves can be established as a result of a bequest or for a one-time expenditure. The City currently has the following special reserves.

Guidelines for Using Funds

An Adopted Budget Bylaw is required for all appropriations from the Other Reserves.

1. 911 Reserve Fund

Contributions to the reserve are from call answer levy revenue in excess of provision of E-911 service.

This reserve can be used to fund Provincial Enhanced 911 Services (E-911) and fire dispatch services within the City including funding annual operating costs or projects.

2. Casino Reserve

This reserve will be eliminated once all current funds have been allocated.

This reserve provides funding for eligible expenditures in compliance with Provincial agreement.

3. Knowles Estate Reserve Fund

This reserve was established as a bequest, with the accumulated interest to be used for park and youth sports facility improvements in the south end of Nanaimo.

4. Prior Year Carry Forward Reserve

Contributions to this reserve are budget allocations for specific projects or operating initiatives that were delayed or not completed in the current year.

This reserve provides funding for delayed or incomplete projects or operating initiatives to be completed in a subsequent year.

DATE OF MEETING April 17, 2024

AUTHORED BY Geoff Whiting, DEPUTY FIRE CHIEF – OPERATIONS

**SUBJECT COMMUNITY RESILIENCY INVESTMENT PROGRAM (FIRESMART
COMMUNITY FUNDING AND SUPPORTS PROGRAM)**

OVERVIEW

Purpose of Report

To gain Council's support in applying for a grant under the Community Resiliency Investment Program for FireSmart activities in the City of Nanaimo for 2024.

Recommendation

That the Finance and Audit Committee recommend Council endorse an application to the Community Resiliency Investment Program and if successful the 2024-2028 Financial Plan be amended to include this grant.

BACKGROUND

The Community Resiliency Investment Program's FireSmart Community Funding and Supports program provides funding to First Nations and local governments in BC to increase community resiliency by undertaking community-based FireSmart planning and activities.

FireSmart BC is a group composed of agencies whose collaborative goal is to maintain and improve the delivery of the FireSmart BC program to support better wildfire preparedness, prevention and mitigation by ensuring alignment with FireSmart disciplines and provides the tools and education necessary to enable citizens, communities, First Nations and local governments to increase their wildfire resiliency.

The FireSmart Community Funding and Supports Program intake is open, and funding permitted, applications are being accepted between October 1, 2023 and September 30, 2024 for the 2024 program and up to \$100,000 for 100% of eligible project costs is available towards FireSmart initiatives.

DISCUSSION

The current Community Wildfire Protection Plan rates the city as having a "Low with pockets of moderate" fire risk. In addition to this, the 2015 Hazard Risk and Vulnerability Analysis (HRVA) determined that the risk for wildland fires in the City is "Medium". While the forested areas in the City are decreasing as a result of development, areas of risk remain both within the City boundary and immediately outside the boundary with potential to affect City lands. In addition, there are a number of parks and Crown lands that interface with urban development contributing to interface fire potential.

Having the community involved in the application of FireSmart principles to their homes and property will build resiliency in the community and allow property and structures to better withstand a wildland fire event and limit damage. This in turn allows resources to concentrate on controlling and extinguishing the spread of a fire. Community FireSmart events have been held in the Long Lake Heights, Cottle Hill and Protection Island communities over the past several years.

This funding will support the continued efforts to FireSmart these higher risk areas and improve community safety by reducing the risk of damage resulting from a wildfire. In addition to continuing these projects, funding for 2024 will support broader community FireSmart education and training initiatives for Fire Department staff. Beginning in 2023 the CRI began providing funding for the equipping of a Structural Protection Unit trailer over a four year phase in. This trailer will carry the equipment necessary to install protection sprinklers on residences at threat from wildfire. The current application includes funding for phase two of this process. Staff is requesting a contribution from UBCM in the amount of \$65,000.00 which is one hundred percent of total project costs. |

OPTIONS

1. That the Finance and Audit Committee recommend Council support endorse an application to the Community Resiliency Investment Program and if successful the 2024-2028 Financial Plan be amended to include this grant.
 - Advantages: The funding would assist in the further development of the FireSmart program and improve community safety and resiliency by reducing the risk of damage resulting from a wildfire in Nanaimo. Community involvement and environmental protection are also key advantages of accessing the funding grants.
 - The funding will equip a Structural Protection Unit trailer which will be an additional resource for protection of property within the City.
 - Financial Implications: Will allow the City to undertake FireSmart activities that are not currently in the budget. The 2024 – 2028 Financial Plan will be amended if the grant application is successful.
2. That the Finance and Audit Committee recommend Council do not endorse an application to the Community Resiliency Investment Program and if successful the 2024-2028 Financial Plan be amended to include this grant.
 - Advantages: No change to current operations or resources.
 - Disadvantages: The lack of funding would result in a severe reduction in the City's FireSmart program and would leave the City more susceptible to the threat of wildfire and at greater risk of property loss.
 - Financial Implications: If any FireSmart activities are required throughout the year, there will be limited funding available.

SUMMARY POINTS

- The FireSmart program is a community-based wildland fire prevention initiative where communities come together as a group and FireSmart their neighborhoods.
- This initiative is being promoted by the Province to reduce the risk of damage caused by wildfires and grants are available through UBCM.
- Staff is requesting a contribution from UBCM for the amount of \$65,000.00 which is one hundred percent of total project costs.

Submitted by:

Geoff Whiting
Deputy Chief - Operations

Concurrence by:

Tim Doyle
Fire Chief

Wendy Fulla
Director, Finance

Richard Harding
General Manager, Community Services &
Deputy CAO

Laura Mercer
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DATE OF MEETING APRIL 17, 2024

AUTHORED BY JAMIE SLATER, MANAGER, FINANCIAL SERVICES & SPECIAL PROJECTS

KASIA BIEGUN, PLANNER, COMMUNITY PLANNING

SUBJECT NON-MARKET HOUSING PERMISSIVE EXEMPTION POLICY OPTIONS

OVERVIEW

Purpose of Report

To present the Finance and Audit Committee with policy options related to Permissive Tax Exemptions for Non-Market Housing. |

Recommendation

That the Finance and Audit Committee recommend that Council direct Staff to bring forward a new 'Permissive Tax Exemption' policy that includes criteria for non-market housing as outlined in the Staff report dated 2024-APR-17, and a separate 'Other Grants Policy' for the City's other grant programs.

BACKGROUND

At the 2023-SEP-13 Finance and Audit Committee meeting, a recommendation to Council was made to:

"direct Staff to review permissive tax exemption options related to housing and bring forward recommendations to Council, which may include a proposed update to the existing 'Grants Policy and Guidelines' document, or other policy recommendations."

The motion was adopted by Council by consent at their meeting on 2023-SEP-25.

The review was triggered by an absence of policy to determine eligibility in granting permissive tax exemptions for non-market housing providers. As the need for non-market housing continues to grow and evolve, staff from Finance and Community Planning worked together to complete the research for this project, and to propose new policy recommendations.

For reference, a copy of the existing 'Grants Policy and Guidelines' document is attached as Attachment A.

Permissive Tax Exemptions

A municipality is empowered under the *Community Charter* to provide permissive tax exemptions (PTE). These exemptions are generally available to non-profit organizations that provide a valued service in the community. This can include 1) building and operating non-market housing in our

community, a need identified in the *Housing Needs Report 2023*; and, 2) supporting initiatives like recovery houses, which benefit the community through providing treatment services and programs.

Non-Market Housing

Non-market housing is defined for this project as a range of housing options, where the cost of housing is lower than the average cost of market housing due to some level of subsidization. Non-market housing includes temporary housing, supportive housing, and social housing, but excludes community care facilities providing licensed care services, warming centres, and rooming houses. The three categories of non-market housing that were used for this project were informed by the *Housing Needs Report (2023)*, and are defined as follows:

Temporary Housing: Temporary beds offering emergency and support services for people who are homeless or at risk of becoming homeless; leaving physically, psychologically, or sexually abusive relationships; or immediate post-acute phase of recovery from drug and alcohol dependency or addiction. Stays are temporary ranging from one night to longer depending on a person's individual needs. Temporary Housing includes:

- permanent year-round shelter beds;
- temporary year-round shelter beds;
- temporary winter response shelters;
- extreme weather response shelters;
- transition houses; and,
- recovery centres.

Warming Centres, rooming houses, and halfway houses, in conjunction with the administration of justice, for the purpose of shelter and support of persons serving or on parole from any part of a sentence (including unconditional sentence) imposed by a court, are not considered shelters.

Supportive Housing: Permanent housing that is subsidized to be lower than the average cost of private-market housing and has on-site supports for people to transition out of homelessness. This includes temporary modular housing, which are demountable structures, not permanently affixed to land.

Social Housing: Permanent housing that is subsidized to be lower than the average cost of private-market housing. Individuals and families live independently with no onsite supports. Social housing can include below-market rental, below-market ownership, co-ops, co-housing, and temporary modular housing, which are demountable structures, not permanently affixed to land. Social housing excludes supportive and temporary housing.

DISCUSSION

This section focuses on a review of non-market housing in Nanaimo, a jurisdictional review of PTE policies, consultation findings from interviews with non-market housing providers, as well as considerations of granting property tax exemptions for non-market housing.

Non-Market Housing in Nanaimo

An inventory of the City of Nanaimo's existing non-market housing units was initiated to estimate a baseline of non-market housing units currently available in Nanaimo. The data was provided by non-market housing providers and placed into the three non-market housing categories listed above. The inventory identifies approximately 259 temporary beds, 338 supportive housing units, and 1,452 social housing units. It is important to note that these numbers are estimates, as data was not provided by all non-market housing providers. Further, due to definitions of non-market housing varying across government agencies and non-market housing providers, there are limitations to the data. The purpose of the estimate for this project is to provide a general sense of how many existing providers could be eligible for a PTE.

Jurisdictional Review & Consultation

Staff reviewed the permissive tax exemption policies of 13 other comparable BC municipalities either by size or by region. Although almost every municipality has a permissive tax exemption policy, very few municipalities have policies that specifically refer to non-market housing (see Attachment B for a summary of the findings). In addition, most municipalities did not have their permissive tax exemption policy combined with their grant policy. For ease of administration, Staff are recommending that the general permissive tax exemption policy and other grants policy are both brought forward as separate policies, as indicated in the recommended motion.

Consultation with Non-Market Housing Providers

Staff met with 12 non-market housing providers in Nanaimo to gain insight into the potential benefits and drawbacks that a permissive tax exemption policy could have on existing and future non-market housing in the city. Overall, non-market housing providers were supportive of a new policy as property taxes can significantly impact the viability of operating non-market housing. Providers also emphasized the importance of continuing to provide PTEs for legacy properties (i.e. non-market housing currently receiving a PTE). Without the PTE, legacy providers are limited in their ability to increase rents due to operational agreements in place. Unless an existing agreement includes the subsidization of property taxes, providers would be responsible for generating the additional funds to off-set the property taxes.

Considerations to Granting Property Tax Exemptions for Non-Market Housing

There are several factors to consider regarding granting property tax exemptions for non-market housing.

Housing Needs Report & Provincial Housing Targets

Based on Nanaimo's *Housing Need Report* (2023), 46% of future housing units should be at a price point affordable to households earning less than \$40,000 per year. This translates to an average of 525 new homes that are needed per year at non-market or near market levels.

As of 2023-MAY-31, the *Housing Supply Act* grants the Province of BC the authority to set housing targets in municipalities with the greatest need and highest projected population growth. The Province expects to issue housing target orders to 16-20 municipalities each fiscal year. On 2023-SEP-26, targets were released for 10 municipalities (refer to Attachment C). The City of Nanaimo

was not included on the initial list, but it is anticipated that housing targets for Nanaimo could be issued in the future. Similar to the needs estimates identified in the *Housing Needs Report*, Staff anticipate the Provincial targets for non-market housing could be high, potentially placing major financial implications on the existing tax base if exemptions were provided.

Shift of Costs to Existing Residential Taxpayers

There is expected to be an increase in the construction of non-market housing, thus when contemplating property tax exemptions for non-market housing consideration needs to be given to the potential impact on existing taxpayers. Property taxes are the largest source of City revenue and help to fund day to day operations, as well as infrastructure requirements. The annual Financial Plan, approved by Council, sets the amount of property taxes required to be collected from the tax base. If non-market units are granted exemptions, the remaining residential taxpayers would be required to absorb these costs as the full property tax amount must still be collected from Class 1 (Residential) taxpayers.

Currently, approximately 50-150 non-market housing units are built annually in Nanaimo. If 150 non-market units are built annually, and the average assessed value of each unit is \$400,000, the total amount of assessment exempted would increase by \$60,000,000 each year (if all units were given a tax exemption). Using 2023 property tax rates, this annual exemption increase would generate approximately \$350,000 of municipal and other government agency property taxes that would be shifted to the other existing Class 1 (Residential) taxpayers.

If 525 non-market units were built annually and the average assessed value of each unit was \$400,000, the total amount of assessment exempted would be increased by \$210,000,000 annually (if they were all given a tax exemption). Of course, it would take many years to achieve that level of non-market housing, but it gives an idea of the magnitude of the exemptions that could be requested over time. Using 2023 property tax rates, this annual exemption increase would generate approximately \$1,225,000 of municipal and other government agency property taxes that would be shifted to the other existing Class 1 (Residential) taxpayers.

The disadvantage of shifting additional property tax costs to existing residential taxpayers is that many taxpayers may be struggling themselves, which has been made evident by the number of properties that do not pay their full property taxes before the due date. Property taxes not paid by the due date are also subject to late payment penalties. If more costs are shifted, homeowners may no longer be able to afford the housing that they currently own, which in turn would create a need for that resident to access non-market housing. This could create a cycle that is unsustainable in the long term (refer to Attachment D). There may also be other market implications, such as landlords increasing the rent of market units to cover their annual property taxes.

Existing Mechanisms for Property Tax Relief Related to Housing – Assessment Reductions

Staff consulted with BC Assessment to obtain clarity around properties that are eligible for a reduced assessed value, therefore reducing the need for a Property Tax Exemption. According to BC Assessment, non-market housing generally falls under two main property classifications: Class 1 (Residential) and Class 3 (Supportive).

Properties classified as Class 1 (Residential) are not eligible for a reduction in assessed value unless there is a lease agreement registered on the title of the land that: 1) restricts the use of the

property to the provision of 'affordable housing', or similar terms, and 2) restricts the rents that may be charged to the point that the development operates at or near non-for-profit levels. BC Assessment confirmed that property assessments can be adjusted where long-term restrictions are in place. The restrictions typically need to be for a minimum of 40+ years and run with the land. An example is a restrictive covenant with a housing agreement between the owner/operator and the City of Nanaimo. It is important to note that the assessed value is reduced but not to the nominal amount as Class 3 (Supportive).

Properties classified as Class 3 (Supportive) are subject to special valuation rules that reduce the assessed value to a nominal amount. Eligible supportive housing properties are those that are used by, or on behalf of, a person who receives funding from the provincial government or a regional health board for the provision of supportive housing. As Class 3 properties are often reduced to a nominal value of \$2, a property tax exemption is not necessary.

Class 3 Supportive Housing exemptions also shift costs to other City taxpayers. In this case, the burden of the reduced tax assessment is borne by all of the property classes within the City assessment jurisdiction.

Proposed Policy Recommendation

Staff recommend the following approach be taken to granting permissive tax exemptions for non-market housing.

Legacy Properties: Staff recommend that properties with existing permissive tax exemptions continue to receive exemptions if they continue to provide the same or similar services as their originally granted exemptions. A sale or change in use of the property would end the exemption and the new owner would need to re-apply for a permissive tax exemption, which is consistent with current municipal and BC Assessment practice. Not granting continued exemptions for legacy properties could potentially lead to the loss of existing non-market housing units, due to non-market housing providers inability to generate sufficient revenue to offset the property taxes.

A summary of the current permissive tax exemptions granted that are related to the housing categories being proposed are as follows:

Tax Exemption Category	Properties (#)	Units (#)
Temporary Housing	13	31
Supportive Housing	2	53
Social Housing	14	519
Other Properties (Not housing related or exempted through other legislation including Seniors Housing and Community Care Facilities)	144	-
Total	173	603

Temporary Housing: Staff recommend that exemptions be considered for properties providing temporary housing services on a year-round basis that are owned or leased by a Non-Profit Society or Charity, if property tax costs are not provided for in any funding agreements with BC Housing or any other government entity. The City may require that future negotiations allow for the funding of municipal property taxes.

Supportive Housing: Where BC Assessment does not offer a reduced assessed value for supportive housing, Staff recommend exemptions be considered for properties providing supportive housing services on a year-round basis that are owned or leased by a registered Non-Profit entity, if property tax costs are not provided for in any funding agreements with BC Housing or any other government entity. Services are generally free of charge or heavily subsidized and services can not be charged at fair market value. The City may require that future negotiations allow for the funding of municipal property taxes.

Social Housing: Staff recommend exemptions not be considered for social housing. However, a reduction of up to 70% of the assessed value can be obtained through BC Assessment with a restrictive covenant and housing agreement registered on the land title. Assessment reductions apply if the non-market housing provider can show evidence of long-term financial and profit restrictions.

OPTIONS

1. That the Finance and Audit Committee recommend that Council direct Staff to bring forward a new 'Permissive Tax Exemption' policy that includes criteria for non-market housing as outlined in the Staff report dated 2024-APR-17, and a separate 'Other Grants Policy' for the City's other grant programs.

- **The advantages of this option:** Operations of current non-profit organizations with current permissive tax exemptions will not be disrupted.

Permissive tax exemptions will still be considered and could be provided for properties like Shelters, Safe Homes, Transition Houses, etc. These types of properties are already captured with the current permissive tax exemption bylaw.

Existing Class 1 Residential Taxpayers would not have to absorb a significant tax shift due to permissive tax exemptions if there are large amounts of non-market housing being constructed. If properties are willing to enter into long-term housing agreements to restrict the use of the property through a covenant/housing agreement on the land title, there is an assessment reduction mechanism in place to provide property tax relief that is administered through BC Assessment. This would also save administrative time and resources because the City does not have the capacity to be able to continually monitor rent rolls and the changing number of market and non-market units in each building.

For new non-market housing being constructed and being owned or leased by Non-Profit entities, the cost of municipal property taxes could be factored into agreements with BC Housing.

- **The disadvantages of this option:** Permissive tax exemptions would not be directly provided by the municipality for non-market housing, which could impact the financial analysis or financial viability for new non-market housing units in the City.
- **Financial Implications:** True financial implications of providing permissive tax exemptions for all new potential non-market units cannot be accurately predicted.

Tax exemption costs would depend on the number and timing of new buildings built, the assessed values at various stages of construction, the estimated future tax rates for a variety of government entities, the number of units that would qualify as non-

market according to the definitions of what qualifies as a non-market unit, which can be changed, etc. There are too many financially significant assumptions to be made to be able to provide a reasonable estimate.

However, as outlined in the report above, with 46% of all new housing units needing to be non-market, it is fair to say that the cost that would be shifted to other existing residential taxpayers could be significant over time.

The proposed new policy around temporary housing and supportive housing could potentially initiate permissive tax exemptions from properties that do not currently have an exemption. Of the properties that staff are aware of, there could be potential additional applications for \$3,476,000 of assessment, which could result in approximately \$20,300 of municipal and other government agency property taxes being shifted to other existing Class 1 (Residential) taxpayers based on 2023 rates.

2. That Council provide alternative direction. |

SUMMARY POINTS

- As directed by Council, Staff have reviewed permissive tax exemption options related to housing, and have grouped the City's existing non-market housing into three categories for the purpose of the review i) temporary housing; ii) supportive housing; and iii) social housing.
- Staff recommend that: i) a permissive tax exemption should continue to be provided for legacy properties currently receiving an exemption to ensure their viability; and ii) permissive tax exemptions should be offered to the temporary housing and supportive housing categories (where BC Assessment does not offer a reduced property assessment).

ATTACHMENTS:

- ATTACHMENT A: Grants Policy and Guidelines Document
ATTACHMENT B: Jurisdictional Review of Permission Tax Exemptions related to Housing
ATTACHMENT C: Provincial Housing Targets
ATTACHMENT D: Shift of Costs to Existing Residential Taxpayers |

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ATTACHMENT A

Grants Policy and Guidelines



CITY OF NANAIMO

COUNCIL POLICY MANUAL

Pages: 1 of 12
Approval Date: 2003-APR-14

SECTION: FINANCIAL ADMINISTRATION
SUBJECT: Grants Policy and Guidelines

GRANTS POLICY AND GUIDELINES INDEX

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GRANTS POLICY AND GUIDELINES

1. COMPOSITION AND TERM

The Grants Advisory Committee shall be appointed by Council and shall be comprised of:

- ☐ 1 member recommended by the Parks, Recreation and Culture Commission
- ☐ 1 member recommended by the United Way
- ☐ 1 Council member as appointed by Council and that member serve as Chair of the Committee (Rev. 2003-APR-14)
- ☐ 1 member recommended by the Nanaimo Alcohol and Drug Action Committee (Rev. 2000-FEB-03)
- ☐ 1 member recommended by the Social Planning Advisory Committee (Rev. 1990-OCT-22)
- ☐ 2 members of the general public appointed by Council
- ☐ 1 non-voting Staff liaison recommended by the City Manager

The bodies recommending appointees shall be requested to ensure that the recommended representatives provide a good balance of knowledge in their respective areas of service, and to ensure the commitment and attendance of their recommended representatives.

The maximum term for any member shall be three years.

2. TERMS OF REFERENCE

The Terms of Reference of the Grants Advisory Committee shall be:

- (a) to advise Council on the amount of financial assistance which the municipality should grant to all applicants for financial assistance. Organizations that are "cultural" in nature shall be reviewed by the Cultural Committee (Rev. 1994-DEC-05). Recommendations shall be made in accordance with the guidelines and criteria defined in this Policy;
- (b) to carry out an evaluation of the effectiveness of the service being provided in relation to the needs of the community;
- (c) to recommend policies to Council with regard to non-statutory tax exemption (Permissive Tax Exemptions under Sections 224, 225, 226, 227 of the *Community Charter*);
- (d) to make recommendations on requests for the subsidized use of civic facilities and resources as if they were requests for financial assistance ("in-kind" grants);

- (e) to hold all meetings in "In Camera" sessions, out of consideration to the sensitive nature of the matters discussed;
- (f) to maintain the confidentiality of all matters reviewed by the Committee;
- (g) to provide all applicants with observations, recommendations and/or reasons for the recommendations of the Committee;
- (h) to ensure that civic grant funding does not subsidize activities that are the responsibility of senior governments, as this would represent a downloading of senior government costs to local taxpayers;
- (i) to ensure that priority of funding in all categories shall be given to small organizations, rather than larger ones;
- (j) to ensure that grants from the City will be awarded on the basis of demonstrated need for the service within the community and the financial end of the organization (Rev. 1993-FEB-08).

3. CATEGORIES OF GRANT FUNDING

Grant funding will be divided into the following categories:

- ☐ Community Services
- ☐ Travel Assistance
- ☐ Security Checks
- ☐ Social Impacts of Gaming (Rev. 2000-MAY-08)
- ☐ Other Grants
- ☐ Permissive Tax Exemptions (Cash Grants)

Recommendations on the amount of grant funding any applicant will be awarded from these categories shall be made in accordance with the guidelines that are outlined in this Policy.

4. YEARLY ALLOCATION FOR GRANT FUNDING

The amount of money available in each category shall be determined by Council during the Provisional Budget process each year.

5. COORDINATION OF GRANTS-IN-AID PROCEDURES (with the Regional District of Nanaimo)

Funding: The amount raised from the Regional District levy on the City of Nanaimo shall be returned to the City each year on the condition that the funds are used as either basic or supplementary grants to those organizations which have a primary base of operations within the city, but also provide services which are of a benefit to residents outside the City.

6. GUIDELINES FOR MAKING GRANT RECOMMENDATIONS (by category)

(a) COMMUNITY SERVICES

Statement of Purpose: "Community service grants are given to social agencies providing advocacy, preventative and self-help services to residents of Nanaimo. Grants are given to fund services required by significant segments of the population and that are not funded exclusively by other levels of government. Agencies funded by the City should provide service to people who are in some way disadvantaged and need assistance in maximizing their quality of life (Rev. 1993-FEB-15). Community service grants will not be available to organizations whose main purpose is to provide day care. The scope and nature of these organizations falls within the area of responsibility of senior governments. Only social services are eligible for Community Service Grants."

Criteria for Awarding Grants:

- ☐ large number of volunteers
- ☐ registered nonprofit society
- ☐ sound financial and administrative management
- ☐ demonstrated financial need
- ☐ accessible to a large portion of the community
- ☐ number of people served in the community
- ☐ must have a broad base of support
- ☐ must have other source of financial support
- ☐ must be able to identify services provided to residents of Nanaimo
- ☐ must adhere to all City of Nanaimo bylaws and policies (Rev. 1998-OCT-19)
- ☐ cash grants will not be provided if the organization receives a Permissive Tax Exemption, or where the facility is provided by the City of Nanaimo free of charge or at a substantially reduced rate. Notwithstanding the above statement, organizations facing critical financial difficulties are eligible to apply for emergency funding (1997-JUN-16)

Kind of Funding:

- ☐ operating grants
- ☐ emergency funding
- ☐ capital grants on a matching basis up to a maximum of \$5,000. (Rev. 1998-OCT-19)
- ☐ in-kind funding for facility rental
- ☐ the maximum of all funding awarded to any one group will not exceed \$5,000. (excluding security check grants) (Rev. 1998-OCT-19).

(b) TRAVEL ASSISTANCE

Statement of Purpose: "Travel grants are awarded in recognition that representatives of local organizations traveling outside the Province to attend championships become ambassadors for the City of Nanaimo. It is also recognized that funding for in-Province travel is available from the Provincial Government."

Criteria for Awarding Grants:

- ☐ winner of Provincial, Regional, or National championship (or equivalent)
- ☐ must be attending a Regional, National or International championship
- ☐ must be traveling out of Province
- ☐ maximum \$100. per person up to \$2,000. per group
- ☐ there must be other sources of funding
- ☐ must be from Nanaimo
- ☐ the application must be made by a local organization
- ☐ payments will only be made to the organization applying for the grant, not to individuals
- ☐ must adhere to all City of Nanaimo bylaws and policies (Rev. 1998-OCT-19)
- ☐ grants to participants only, not coaches or chaperones (Rev. 1998-OCT-19)
- ☐ cash grants will not be provided if the organization receives a Permissive Tax Exemption, or where the facility is provided by the City of Nanaimo free of charge or at a substantially reduced rate. Notwithstanding the above statement, organizations facing critical financial difficulties are eligible to apply for emergency funding
- ☐ application may be made retroactively
- ☐ demonstrated financial need (Rev. 2002-FEB-25)

Kind of Funding:

- ☐ Travel Assistance only

(c) SECURITY CHECKS (Rev. 1998-OCT-19)

Statement of Purpose: Security Check grants are awarded to organizations that must have security checks performed by the R.C.M.P. on their employees and/or volunteers and meet the criteria specified below.

Criteria for Awarding Grants:

- ☐ must be able to identify services provided to residents of Nanaimo
- ☐ nonprofit organization
- ☐ sound financial and administrative management
- ☐ demonstrated financial need
- ☐ \$300./year maximum award to any organization from this category
- ☐ eligible organizations can only apply for financial support from this category once a calendar year (applications reviewed in November)
- ☐ applications for this category must be received by October 31st
- ☐ must adhere to all City of Nanaimo's bylaws and policies (Rev. 1998-OCT-19)
- ☐ awards from this category are exclusive of awards from the other categories

Kind of Funding:

- ☐ Security Check Fee Reimbursement

(d) SOCIAL IMPACTS OF GAMING (Rev. 2000-MAY-08)

Statement of Purpose: "Social Impacts of Gaming Category grants are provided to social agencies that clearly address one or more of the following four areas of need. The areas of need are listed in order of priority, therefore, proposals that address the top priorities will be given preference:

- (1) education/prevention on the impacts of gaming;
- (2) sensitization and training of existing family and youth agency staff with respect to 3 gaming addiction;
- (3) support for families dealing with the symptoms associated with gaming addiction and related personal problems;
- (4) research into impacts of gaming identifying indicators and monitoring systems."

Additional Criteria for Awarding Grants:

- ☐ registered non-profit society
- ☐ sound financial and administrative management
- ☐ demonstrated financial need
- ☐ accessible to a large portion of the community
- ☐ other source(s) of funding
- ☐ able to identify services provided to residents of Nanaimo

Kind of Funding:

- ☐ Program Funding

(e) OTHER GRANTS

Criteria for Awarding Grants:

- ☐ large number of volunteers
- ☐ registered nonprofit society
- ☐ sound financial and administrative management
- ☐ financial need
- ☐ accessible to a large portion of the community
- ☐ must have a broad base of support
- ☐ must have another source of financial support
- ☐ must be local in focus must adhere to all City of Nanaimo's bylaws and policies (Rev. 1998-OCT-19)
- ☐ cash grants will not be provided if the organization receives a Permissive Tax Exemption, or where the facility is provided by the City of Nanaimo free of charge or at a substantially reduced rate. Notwithstanding the above statement, organizations facing critical financial difficulties are eligible to apply for emergency funding

Kind of Funding:

- ☐ educational funding
- ☐ emergency funding
- ☐ capital grants on a matching basis up to a maximum of \$5,000.
- ☐ in-kind funding for facility rental

(f) PERMISSIVE TAX EXEMPTIONS (Cash Grants)

Statement of Purpose: "An organization may only be added to the Permissive Tax Exemption roll for the following year. In some cases it may be appropriate to give an organization a cash grant during the current year."

Criteria for Awarding Grants:

- ☐ the property must be recommended for a Permissive Tax Exemption in the following year; and
 - (1) the property qualifies for Permissive Tax Exemption as a Church, Public Hospital, Community Care Facility, or Private School; or
 - (2) the organization can demonstrate a financial need.
 - (3) must adhere to all City of Nanaimo's bylaws and policies (Rev. 1998-OCT-19)

Application Deadline: Will be considered at the time of application for Permissive Tax Exemption.

7. PERMISSIVE TAX EXEMPTIONS

Section 220 of the *Community Charter* identifies certain properties which are exempt from taxation. This section includes property owned and occupied by Her Majesty, the municipality, School Boards, hospitals and churches. As Section 220 exemptions are specifically provided for, Council's discretion is restricted, except in determining the extent of the exemption in certain cases.

Sections 224, 225, 226 of the *Community Charter* identify situations in which Council may exercise discretion in granting full or partial exemptions from taxation. These exemptions must be adopted by bylaw, by the 31st of October of the year preceding exemption, and passed with a two-third's majority.

All buildings and properties that receive a permissive tax exemption must be reviewed every three years to ensure that they continue to meet the specific criteria set out in their applicable category.

In making recommendations to Council, the Grants Advisory Committee should ensure that:

- (a) the goals, policies, and general operating principles of the municipality as a whole are reflected in the organizations that receive municipal support;

- (b) exemptions are not given to services that are otherwise provided on a private, for profit basis, this would provide an unfair competitive advantage;
- (c) the services provided by the organizations should be an extension of municipal services and programs and must fall under the responsibility of local government, senior government program costs must not be transferred to property taxpayers, as this would represent a downloading of senior government costs to local taxpayers;
- (d) the taxation burden resulting from the exemption must be a justifiable expense to the taxpayers of the municipality, the sources of municipal revenue are limited and requests for exemption must be considered in concert with the other needs of the municipality;
- (e) the services should be used primarily by residents of the City of Nanaimo, and the organization's regulations must allow all Nanaimo residents to participate.
- (f) the organization is adhering to all City of Nanaimo's bylaws and policies.

In order to more clearly specify criteria, Permissive Tax Exemptions will be divided into the following categories:

- ☐ Churches
- ☐ Public Hospital
- ☐ Senior Citizens' Housing Facilities
- ☐ Community Care Facilities
- ☐ Private Schools
- ☐ Recreation
- ☐ Community Services
- ☐ Heritage Properties (Rev. 1998-OCT-19)
- ☐ Other Permissive Exemptions

8. GUIDELINES FOR MAKING RECOMMENDATIONS ON PERMISSIVE TAX EXEMPTION BY CATEGORY

(a) CHURCHES

General: The buildings set apart for public worship and the land upon which they stand are exempt from taxation under Section 220(1)(h) of the *Community Charter*. Church halls and such lands as Council considers necessary to support the statutory exemption may be considered as an extension of the exemption under Section 224(2)(f).

Policy: The maximum area of land to be exempted from taxation shall be 2 acres of the land upon which the buildings for public worship stand plus the footprint of the building(s) used for public worship (Rev. 1986-AUG-25). This exempted area will not exceed the land area of the legal parcel(s) upon which these buildings stand. Church properties which are currently on the PTE roll and do not conform are to be removed (Rev. 1995-OCT-16).

Buildings for public worship shall be those established by the Area Assessor and will not include a church manse.

(b) PUBLIC HOSPITALS

General: Buildings set apart and used as a hospital under the *Hospital Act*, except a private hospital under that *Act*, and the land upon which they stand are exempt from taxation under Sections 220(1)(j) and 220(1)(k) of the *Community Charter*. Council may, by bylaw, under section 224(2)(h) of the *Community Charter*, exempt any area of land surrounding the exempted building under Sections 220(1)(j) and 220(1)(k).

Policy: Where a building has been identified as a hospital under the *Hospital Act* (except a private hospital) by the Area Assessor, Council will exempt the legal parcel(s) upon which the hospital building stands and any adjoining parcel that Council finds to be necessary to the operation of the hospital.

(c) SENIOR CITIZENS' HOUSING FACILITIES

General: Section 220(1)(i) of the *Community Charter* exempts from taxation a building that was constructed or reconstructed with the assistance of aid granted by the Province after 1947-JAN-01, but before 1974-APR-01, and that is owned and used exclusively without profit by a corporation to provide homes for elderly citizens, together with the land on which the building stands. It also allows Council to exempt, by bylaw, any area of land surrounding the exempted building.

Policy: Where a building has been identified as meeting the above criteria by the Area Assessor, Council will exempt the legal parcel(s) upon which the building stands. As it is impossible for any new building to meet this criteria, this section will apply to only three existing properties: The Mt. Benson Sr. Citizens' Housing Society (tax folio 01315.000), the Rebekah Housing Society (C16006.006), and George R. Pearkes Sr. Citizens Housing Society (C16006.051).

(d) COMMUNITY CARE FACILITIES

General: Section 224(2)(a) of the *Community Charter*, allows Council to exempt from taxation land and improvements owned or held by a person or organization and operated as a private hospital licensed under the *Hospital Act* or an institution licensed under the *Community Care Facility Act*.

Policy: Council will exempt property that meets the above criteria and is owned and operated by a registered non-profit society.

(e) PRIVATE SCHOOLS

General: Section 220(1)(l) of the *Community Charter* with certain restrictions, exempts private schools from taxation. It also allows Council, by bylaw, under Section 224(2)(h) of the *Community Charter*, to exempt from taxation any area of land surrounding the exempted building that Council deems as being reasonably necessary in connection with that building.

Policy: Where a building has been identified as meeting the above criteria by the Area Assessor, Council will exempt the legal parcel(s) upon which the building stands and any adjoining parcel that Council finds to be necessary to the operation of the school.

(f) RECREATION

General: Section 224(2)(a) of the *Community Charter* permits Council, by bylaw, adopted by two-thirds of its members, to exempt from taxation, certain organizations using property as a public park or recreation ground, or for public athletic or recreational purposes.

Policy: Permissive Tax Exemptions will be given to organizations that own property that is maintained and used as a public park if they:

- (1) provide full financial and operating information as requested by the Grants Advisory Committee;
- (2) meet the conditions of Sections 224, 225, 226, 227 of the *Community Charter*;
- (3) meet the general guidelines outlined in 7(a) to 7(f) of this Policy;
- (4) are registered non-profit societies; and,
- (5) allow their facilities to be used by all members of the public. If admission fees are charged, they must be within the ability of average citizens to pay.

Other organizations with public athletic or recreational purposes will be considered for Permissive Tax Exemption if they meet the above requirements and:

- (6) have a long-term financial need. A windfall profit in a single year will not exclude an organization from permissive exemption.

(g) COMMUNITY SERVICES

General: Section 224(2)(a) of the *Community Charter* permits Council, by bylaw adopted by two-thirds of its members, to exempt from taxation, property not being operated for profit or gain and owned by a charitable or philanthropic organization supported by public funds and used exclusively for charitable or philanthropic purposes. This has been historically interpreted to include social service agencies.

Policy: Permissive Tax Exemptions may be given to organizations that:

- (1) provide full financial and operating information as requested by the Grants Advisory Committee;
- (2) meet the conditions of Sections 224, 225, 226, 227 of the *Community Charter*;
- (3) meet the general guidelines outlined in 7(a) to 7(f) of this Policy;
- (4) are registered non-profit societies;
- (5) have a long-term financial need. A windfall profit in a single year will not exclude an organization from permissive exemption.

(h) HERITAGE PROPERTY

General: Council may with at least a two-third's majority exempt from taxation "eligible heritage property" as defined in Section 225 of the *Community Charter* in whole or in part including an area of land surrounding the exempted property, limit the exemption to a specified portion of the net taxable value of the property, and subject the property to specific conditions.

Policy: Permissive Tax Exemptions may be awarded to eligible heritage properties that meet the general criteria in Sections 225, 226, 227 of the *Community Charter* and the specific criteria outlined in this Policy:

- (1) provide full financial and operating information as requested by the Grants Advisory Committee;
- (2) meet the conditions of Sections 224, 225, 226, 227 of the *Community Charter*;
- (3) property must be included on the Downtown Heritage Conservation Area schedule of buildings.
- (4) property must be on the Nanaimo Community Heritage Register.
- (5) Council approval must occur prior to the commencement of any work on the proposed project.
- (6) the applicant must agree to enter into a Maintenance Agreement with the City.
- (7) the applicant must agree to have the Designation Bylaw and Maintenance agreement registered on the title of the designated property.
- (8) no abatement of delinquent taxes will be provided.
- (9) all heritage properties that are added to the tax exemption roll must be reviewed with the other properties receiving a tax exemption every three years.

(i) OTHER PERMISSIVE EXEMPTIONS

General: Sections 224, 225, 226, 227 of the *Community Charter* permit Council, by bylaw adopted by two-thirds of its members, to exempt from taxation, certain organizations using property for specified purposes other than profit purposes.

Policy: Permissive Tax Exemptions may be given to organizations that:

- (1) provide full financial and operating information as requested by the Grants Advisory Committee;
- (2) meet the conditions of Sections 224, 225, 226, 227 of the *Community Charter*;
- (3) meet the general guidelines outlined in 7(a) to 7(f) of this Policy;
- (4) are registered non-profit societies;
- (5) allow their facilities to be used by all members of the public. If admission fees are charged, they must be within the ability of average citizens to pay;
- (6) have a long-term financial need. A windfall profit in a single year will not exclude an organization from permissive exemption.

Previous Revision/s: 2002-FEB-25, 2000-MAY-08, 2000-FEB-02, 2000-JAN-13,
1998-OCT-19, 1998-JUN-29, 1998-JUN-15, 1998-APR-17, 1997-JUN-16, 1997-APR-28,
1996-DEC-11, 1995-OCT-16, 1994-DEC-05, 1994-FEB-14, 1993-FEB-15, 1993-FEB-08,
1991-OCT-28, 1991-MAY-27, 1991-MAR-18, 1991-FEB-18, 1990-OCT-22, 1990-OCT-22,
1989-APR-06, 1986-AUG-25, 1986-JUL-28, 1985-MAY-09, 1985-JAN-21, 1985-JAN-21,
1984-JUN-18, 1984-FEB-13, 1982-JUN-28

ATTACHMENT B

Jurisdictional Review of Permissive Tax Exemptions Related to Housing

Municipality	Criteria Specific to Housing?	Most Recent Policy Date	Types of Housing	Duration of Exemption	Exemption Amount							
City of Abbotsford	Yes	2023-MAY-29	<p>First Stage: Emergency shelters, extreme weather shelters, youth safety houses, and transition housing. No rent is collected.</p> <p>Second Stage: Recovery homes, transitional housing, and supportive housing (homelessness). Rent collected as a program fee, supported by income assistance.</p> <p>No provisions noted for social or non-market housing.</p>	<p>Four (4) years for Non-Profits, Community Care Facilities and Athletic or Services Clubs, subject to annual renewal.</p> <p>Ten (10) years for Places of Worship and Independent School, subject to annual renewal.</p>	<table><tr><td rowspan="3">Percentage of total services or programs benefiting residents of the City:</td><td>Greater than or equal to 75%</td><td>100% Exemption</td></tr><tr><td>Greater than or equal to 25% and less than 75%</td><td>50% Exemption</td></tr><tr><td>Less than 25%</td><td>No Exemption</td></tr></table> <p>Exemptions are generally for 100% of the assessed value but policy articulates the percentage can be at Council’s discretion. No annual funding cap.</p>	Percentage of total services or programs benefiting residents of the City:	Greater than or equal to 75%	100% Exemption	Greater than or equal to 25% and less than 75%	50% Exemption	Less than 25%	No Exemption
Percentage of total services or programs benefiting residents of the City:	Greater than or equal to 75%	100% Exemption										
	Greater than or equal to 25% and less than 75%	50% Exemption										
	Less than 25%	No Exemption										
District of Central Saanich	Yes	2023-JUN-16	<p>Supportive housing for seniors or persons with disabilities. Non-market housing must include supportive services for seniors or persons with disabilities.</p> <p>New affordable rental housing and existing affordable rental housing.</p>	<p>Supportive – exemption follows a 4-year cycle.</p> <p>New affordable housing – 5-year term, final year for applications is 2030.</p> <p>Existing affordable housing – approved exemptions will last until 2027, final year for application is 2026.</p>	<p>Regular PTE policy is separate from Affordable Housing PTE policy.</p> <p>Regular PTE policy will not exceed 1.5% of current year’s total budgeted property tax requisition.</p> <p>Exemptions are for 100% of the assessed value. No limit noted on affordable housing PTE policy.</p> <p>Council presentation noted that reports will be brought back to Council after each sunset date in 2026 and 2030 to report back to Council with options for extending the PTEs.</p>							

Municipality	Criteria Specific to Housing?	Most Recent Policy Date or Review	Types of Housing	Duration of Exemption	Exemption Amount
Duncan	No	2016-JUN-20	No provisions noted for social or non-market housing.	Not specifically articulated in policy, bylaw brought forward each year.	N/A
Golden	Yes	2016-APR-19	Special needs and supportive housing and non-market affordable housing owned and operated by a non-profit society.	Exemptions are on a 2-year cycle.	Exemptions are for 100% of the assessed value, funding cap is up to 1.25% of the current year's total budgeted property tax requisition
Kamloops	Yes	2005-APR-26	Short-term housing including emergency shelters, temporary supported housing, and group homes.	Exemptions are on a 5-year cycle with an annual declaration.	Exemptions are for 100% of the assessed value. Funding cap is determined by Council for each five-year period, all exemptions are reduced if the funding cap is exceeded.
Kelowna	Yes	2017-OCT-01	Short term housing with length of stay up to a maximum of 2 years.	5-year cycle Comprehensive application required year 1 and then at year 4 only. A renewal application is required years 2 and 3.	Exemptions are for 100% of the assessed value, no funding cap.
Ladysmith	No	2012-AUG-07	No provisions noted for social or non-market housing.	Exemptions are on a 3-year cycle. Comprehensive application required year 1 and renewal application years 2 and 3.	Exemptions are for 100% of the assessed value, no funding cap.

Municipality	Criteria Specific to Housing?	Most Recent Policy Date or Review	Types of Housing	Duration of Exemption	Exemption Amount
North Cowichan	No	2013-JUL-13	No provisions noted for social or non-market housing.	Term up to 10 years, bylaw brought forward each year.	Exemptions are for 100% of the assessed value.
District of North Saanich	No	2022-JUN-21	No provisions noted for social or non-market housing.	Exemptions are on a 4-year cycle.	N/A
North Vancouver	No	2007-SEP-10	No provisions noted for social or non-market housing.	Exemptions are on a 3-year cycle.	Financial cap equal to 0.6% of the tax levy applies to Section 224 exemptions (regular PTE's) and excludes section 225 (other special exemption authority) and Section 226 (Revitalization) exemptions.
Prince George	No	2016-APR-15	No provisions noted for social or non-market housing.	Not specifically articulated in policy, bylaw brought forward each year.	Exemptions are generally for 100% of the assessed value.
Sidney	Yes	2015-OCT-13	Affordable workforce rental housing under a Housing Agreement with the municipality.	Not specifically articulated in policy, bylaw brought forward each year.	Exemptions are for 100% of the assessed value, no funding cap.
Victoria	Yes	2021-MAY-06	<p>Short-term emergency or crisis protection, supportive housing for people with special needs, halfway houses, transitional homes, and group homes with supportive staff.</p> <p>Affordable rental housing for specific projects reviewed at Council on 2010-MAR-25, exemption no longer than 10-years.</p>	Exemptions are generally on a 4-year cycle.	Funding cap is up to 1.6% of the current year's total budgeted property tax requisition.

ATTACHMENT C

Provincial Housing Target Guidelines

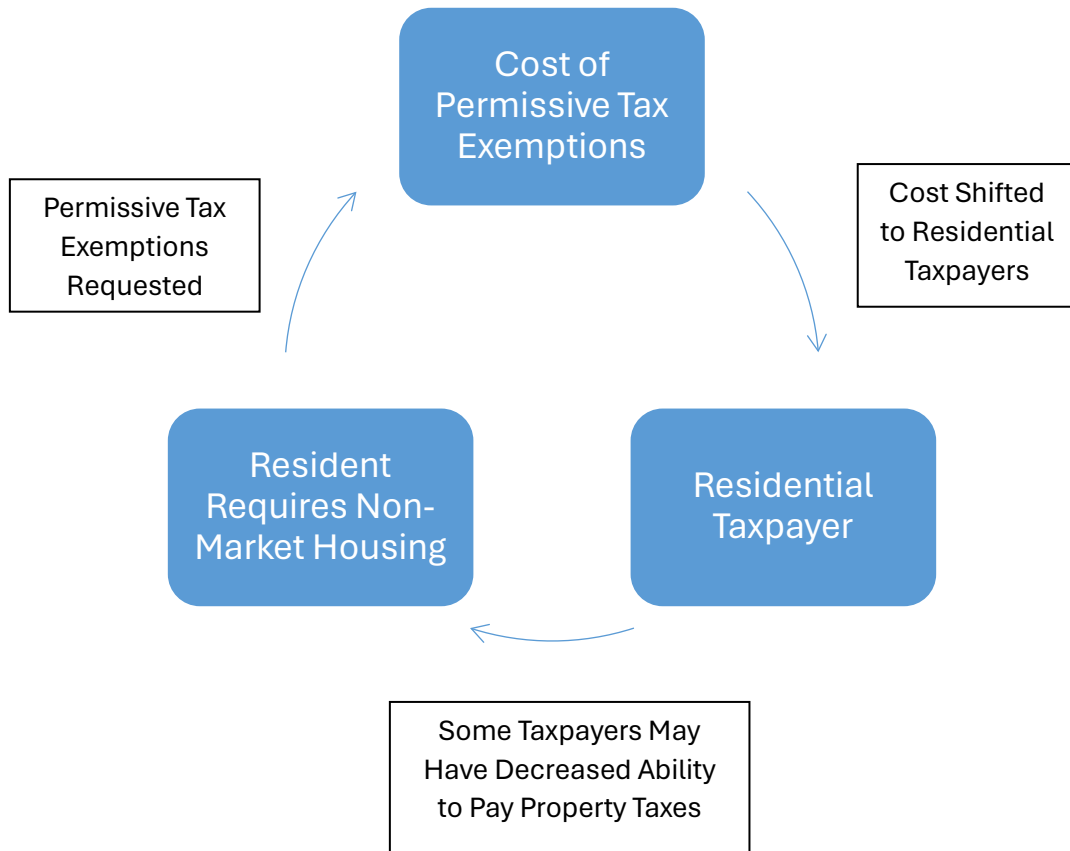
Housing Target Guidelines

Housing targets include guidelines for the different types of units to support delivering the right type of housing in each community, including a recommended number of below market rental units.

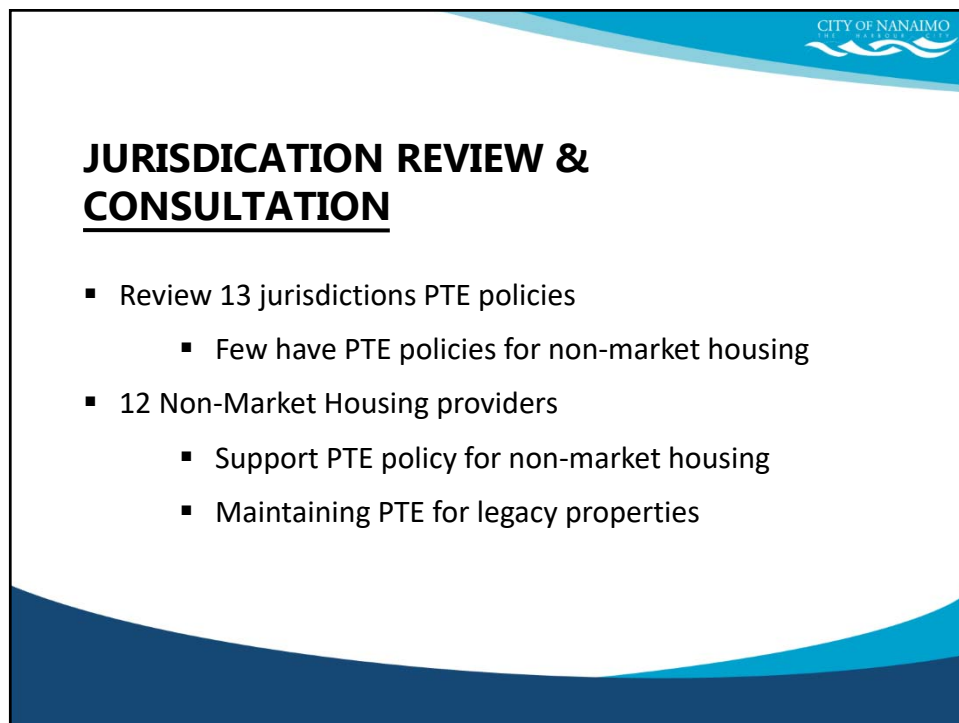
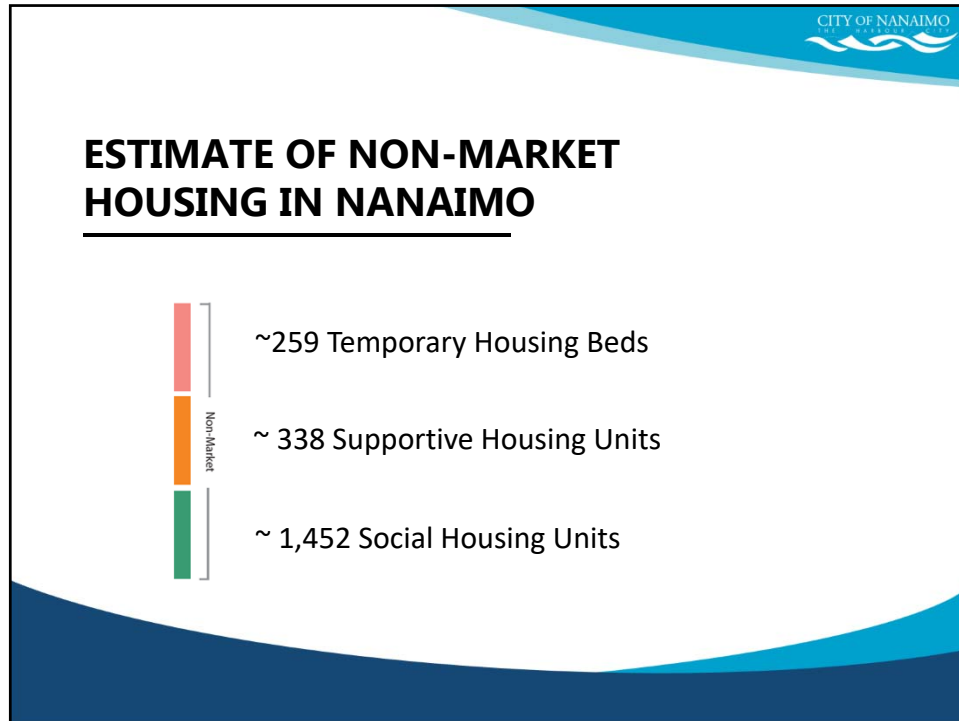
COMMUNITY	TOTAL UNITS*	UNITS BY SIZE			UNITS BY TENURE		RENTAL UNITS BY MARKET RATE		SUPPORTIVE RENTAL UNITS (with on-site supports)
		Studio /1-bed	2- bed	3 or more bed	Rental	Owned	Below Market	Market	
Abbotsford	7240	3991	1213	2034	3753	3487	2331	1421	198
Delta	3607	2021	682	904	2030	1577	830	1199	95
District of North Vancouver	2838	1605	534	698	1541	1297	657	884	78
Kamloops	4236	2642	739	854	2227	2009	1320	907	115
Oak Bay	664	446	100	118	246	418	141	104	20
Port Moody	1694	903	328	462	704	989	238	466	30
Saanich	4610	3001	780	828	2495	2115	1161	1334	131
Vancouver	28900	17459	5231	6209	20886	8015	7894	12992	583
Victoria	4902	3365	801	736	3483	1419	1798	1685	102
West Vancouver	1432	854	256	321	985	446	435	551	39

ATTACHMENT D

Shift of Costs to Existing Residential Taxpayers







CONSIDERATION TO GRANTING PROPERTY TAX EXEMPTIONS FOR NON-MARKET HOUSING

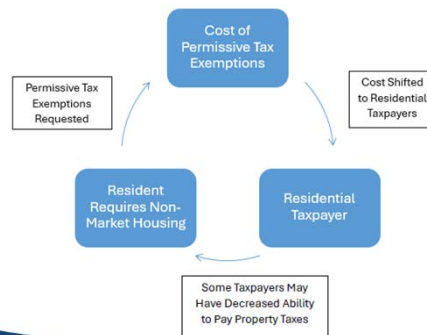
1) HOUSING NEEDS REPORT & PROVINCIAL HOUSING TARGETS

- HNR: Need for ~ 525 (46%) new non-market housing units per year
- Provincial Housing Targets

COMMUNITY	TOTAL UNITS*	UNITS BY SIZE			UNITS BY TENURE		RENTAL UNITS BY MARKET RATE	SUPPORTIVE RENTAL UNITS (with on-site supports)
		Studio /1-bed	2-bed	3 or more bed	Rental	Owned	Below Market	Market

CONSIDERATION TO GRANTING PROPERTY TAX EXEMPTIONS FOR NON-MARKET HOUSING

2) SHIFT OF COSTS TO EXISTING RESIDENTIAL TAXPAYERS



CONSIDERATION TO GRANTING PROPERTY TAX EXEMPTIONS FOR NON-MARKET HOUSING

3) EXISTING MECHANISMS FOR PROPERTY TAX RELIEF RELATED TO HOUSING

BC Assessment:

- Class 1 | Residential
 - Potential for reduced assessment
- Class 3 | Supportive Housing

POLICY RECOMMENDATION

RECOMMENDED FOR PROPERTY TAX EXEMPTION

1. Legacy Properties
2. Temporary Housing
3. Supportive Housing

NOT RECOMMENDED FOR PROPERTY TAX EXEMPTION

1. Social Housing

DATE OF MEETING APRIL 17, 2024

AUTHORED BY CHARLOTTE DAVIS, MANAGER, PARKS OPERATIONS

SUBJECT GIVE WHERE YOU LIVE GRANT APPLICATION UPDATE HARRY WIPPER PARK

OVERVIEW

Purpose of Report:

To advise the Finance and Audit Committee that the City has submitted a grant application to the Nanaimo Foundation's "Give Where You Live" fund for the Rocky Point Neighbourhood Association's Partners in Parks Project at Harry Wipper Park.

BACKGROUND

The Nanaimo Foundation's "Give Where You Live" fund provides grants towards capital projects and pilot projects to a maximum of \$15,000 for initiatives within Nanaimo, Ladysmith, Cedar, Gabriola Island and Lantzville. Qualified donees include registered charities and municipalities. The fund supports projects that:

- Demonstrate need, likelihood of effectiveness, and potential to serve as a model to others;
- Build on the strengths of the community to respond to identified issues and priorities;
- Align with Nanaimo Foundation's mission to steward gifts of energy, ideas, time and money to make meaningful and lasting impacts in our community.

The grant application deadline was 2024-MAR-31 and it is anticipated that funding will be announced in the summer of 2024.

DISCUSSION

On 2023-MAY-17 the Finance and Audit Committee approved \$50,000 from the Partners In Parks (PIP) Program funds to The Rocky Point Neighbourhood Association's proposed PIP Project to install a playground at Harry Wipper Park. The total project cost is anticipated to be \$130,000, which required the Rocky Point Neighborhood Association to raise the remaining \$80,000. The association have successfully raised the funds to begin work on the PIP playground project, the target was met by raising \$42,250 in cash donations and also by receiving a number of in-kind contributions including site preparation, construction fencing, and playground installation labour.

Members of the Rocky Point Neighbourhood Association recently identified the Nanaimo Foundation's "Give Where You Live" fund as a potential funding source to cover additional amenities to the Park in addition to those included within the current scope of the PIP project. These amenities include benches, picnic tables, a bike rack and a water fountain. These additional amenities make the site more comfortable for users but are not part of the original project scope and therefore not essential to the project and are not required in order for the project to proceed.

FINANCIAL CONSIDERATIONS

The 2024 – 2028 Financial Plan will be amended to increase the budget for the project from \$130,000 to \$145,000 if the grant application is successful. Funding announcements are expected this summer.

CONCLUSION

The City pursues other revenues such as grants to provide funds for projects currently in the Financial Plan that benefit the community.

SUMMARY POINTS

- The City has submitted a grant application to the “Give Where you Live” fund which offers up to \$15,000 in grant funding.
- The Rocky Point PIP group have successfully raised the funds to begin work on the PIP playground project at Harry Wipper Park.
- Funding announcements are expected this summer, which if successful, will see additional amenities added to the PIP project.

Submitted by:

Charlotte Davis
Manager, Parks Operations |

Concurrence by:

Wendy Fulla
Director, Finance

Michelle Miller
Manager, Financial Planning

Richard Harding
General Manager, Community Services and
Deputy CAO

Laura Mercer
General Manager, Corporate Services

Dale Lindsay
CAO |

DATE OF MEETING APRIL 17, 2024

AUTHORED BY CHARLOTTE DAVIS, MANAGER, PARKS OPERATIONS
 PETE ENTWISTLE, PARKS PROJECT COORDINATOR

SUBJECT MARIE DAVIDSON BMX PARK REDEVELOPMENT

OVERVIEW

Purpose of Report

To update the Finance and Audit Committee on project progress and to request additional funds to complete the Marie Davidson BMX Redevelopment Project (the "Project").

Recommendation

That the Finance and Audit Committee recommend that Council increase the 2024 project budget for the Marie Davidson BMX Park by \$330,000 from \$1,507,827 to \$1,837,827 and fund the increase from the Growing Communities Fund Reserve.

BACKGROUND

In 1989, the Nanaimo Kinsmen requested permission to convert some of the grounds within Beban Park into a BMX track. Permission was granted and the track opened in 1991 on the former logger sports area, which today is known as the Marie Davidson BMX Park. Since 1991, the Nanaimo BMX Association ("BMX"), a non-profit society, has held a license of use agreement with the City of Nanaimo and continues to operate and maintain the track and surrounding site. The track is well utilized and open to the public year round except during club practices and race days. BMX operates under the umbrella of the BMX Canada sanctioning body and current membership is approximately 350 riders who live in the Mid-Island area.

On 2019-OCT-28 BMX presented to City Council at a Committee of the Whole meeting, a partnership request to cover safety upgrades, including a new start hill to the value of \$35,000. At that meeting Council referred the request to Staff, requesting the preparation of a report for Council's consideration for Capital planning purposes in fall/winter 2019.

Through staff's work with BMX it was established that the course was in need of a complete redevelopment and on 2019-NOV-13, Council adopted Staff's recommendation that the City undertake a design and cost estimation exercise in order to redevelop the Marie Davidson BMX Park. City Staff worked with BMX and their recommended designer to design a redeveloped track. The design included a five-meter start hill and a track that offers both amateur and professional race tracks.

On 2021-JUN-07 Council directed Staff to include the Project into the Draft 2022 – 2026 Financial Plan for Council consideration. The budget was adopted in early 2022.

The Project was originally slated to begin in 2022, however, the original procurement process was cancelled as the lone bid came in considerably over budget. It was felt that the cause of the high

bid was related to several factors with the design and not purely as a result of the post-pandemic pricing crisis. As a result, Staff reworked some factors within the design and divided the Project procurement process in two separating the specialist track shaping work required, from Civil work. In addition to this, several infrastructure items including the start gate were pre-purchased using donated funds.

DISCUSSION

In Spring 2024 the civil portion of the work was procured and is to include the demolition of the existing track, the construction of a start hill, underground utilities and track sub-base. Two bids for the work were received. Including contingency and other costs, an additional \$330,000 is required before the contract can be awarded. This will bring increase the Project budget for 2024 to \$1,837,827 million and the total cost of the Project including prior year spending to \$1,931,100.

FINANCIAL CONSIDERATIONS

The Growing Communities Fund Reserve currently has \$1.16M available to be allocated to projects and funding must be fully spent by March 2028.

OPTIONS

1. That the Finance and Audit Committee recommend that Council increase the 2024 Project budget for the Marie Davidson BMX Park by \$330,000 from \$1,507,827 to \$1,837,827 and fund the increase from the Growing Communities Fund Reserve .
 - The advantages of this option: The Project can proceed with estimated completion in fall 2024. The new track will be safer and greatly improve the BMX track for both recreational and professional uses.
 - The disadvantages of this option: The Growing Communities Fund Reserve will have less funds available for use on other projects/priorities.
 - Financial Implications: The addition of \$330,000 will bring the 2024 Project budget to \$1,837,827, and the total Project budget to \$1,931,100. The 2024 – 2028 Financial Plan will be amended for final to include the budget increase.
2. That the Finance and Audit Committee provide alternate direction. |

SUMMARY POINTS

- The Marie Davidson BMX Park redevelopment project has been developed by City staff in partnership with the Nanaimo BMX Association.
- The redeveloped track will be safer and will feature a new five-meter start hill and both amateur and professional race tracks.
- Staff recommends that \$330,000 is allocated to the Project from the Growing Communities Fund Reserve for Project completion in 2024.

Submitted by:

Charlotte Davis
Manager Parks Operations

Pete Entwistle
Parks Project Coordinator

Concurrence by:

Michelle Miller
Manager, Financial Planning

Richard Harding
General Manager, Community Services and
Deputy CAO

Laura Mercer
General Manager, Corporate Services


Dale Lindsay
CAO



2024 – 2028 Financial Plan

*Finance & Audit Committee Meeting
April 17, 2024*

1



Projected Property Tax Increases

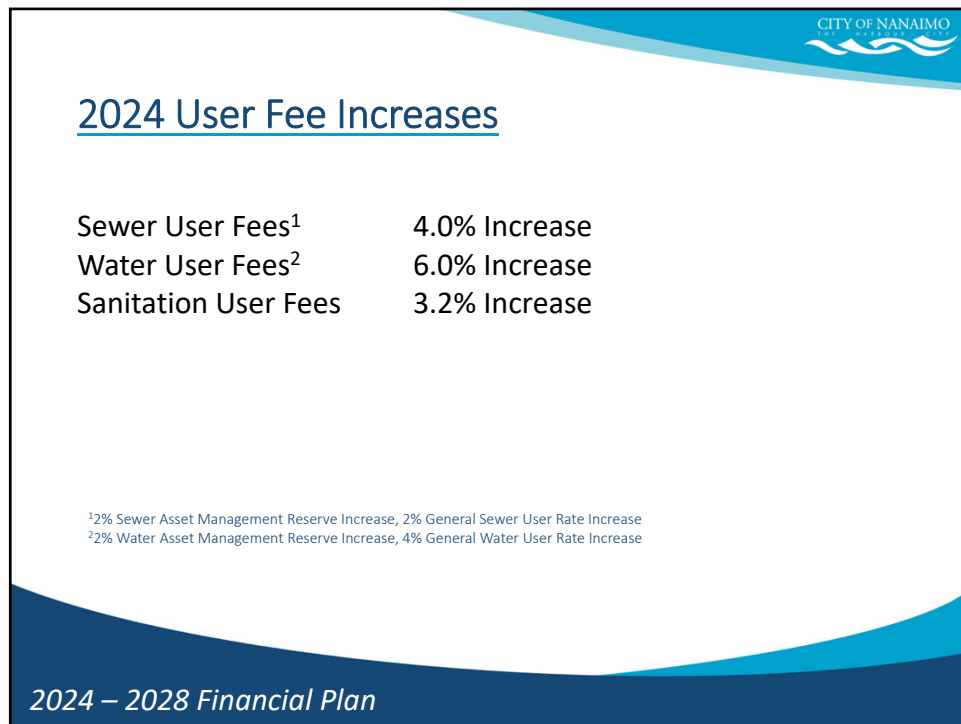
	2024	2025	2026	2027	2028
General Asset Management Reserve	1.0%	1.0%	1.0%	1.0%	1.0%
General Property Tax Increase	7.4%	5.4%	3.1%	1.5%	1.7%
Total Municipal Taxes	8.4%	6.4%	4.1%	2.5%	2.7%

Reserve Funding Allocated to Reduce Property Taxes

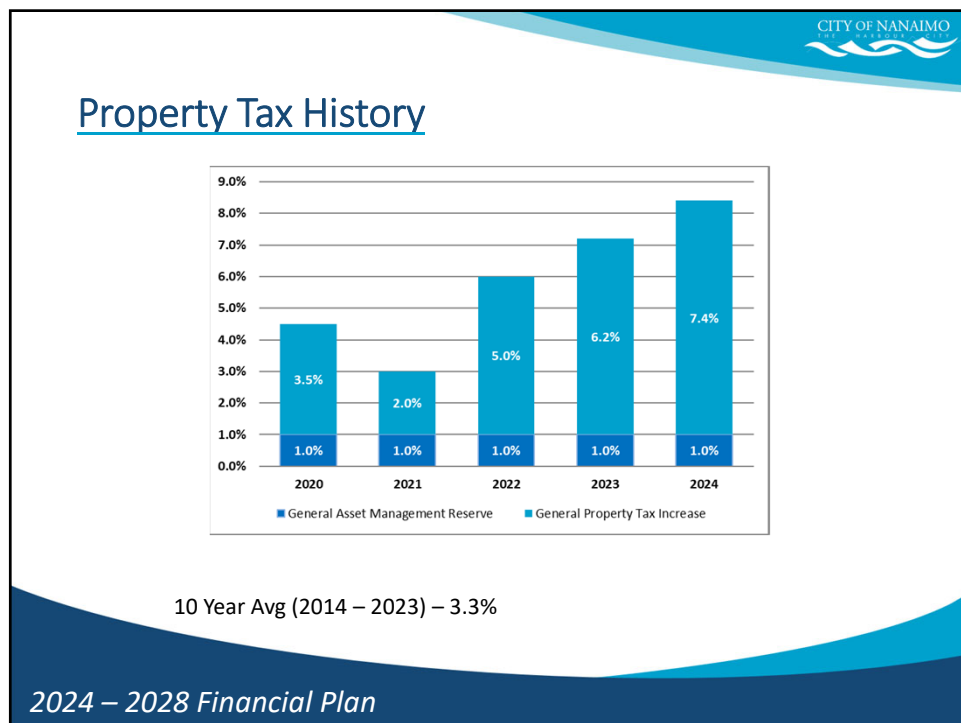
	2024	2025
Special Initiatives Reserve	300,000	100,000

2024 – 2028 Financial Plan

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3



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CITY OF NANAIMO
THE QUALITY OF LIFE

Typical Home

*excludes property taxes collected for the RDN, School District,
Hospital and Vancouver Island Regional Library*

5

CITY OF NANAIMO
THE QUALITY OF LIFE

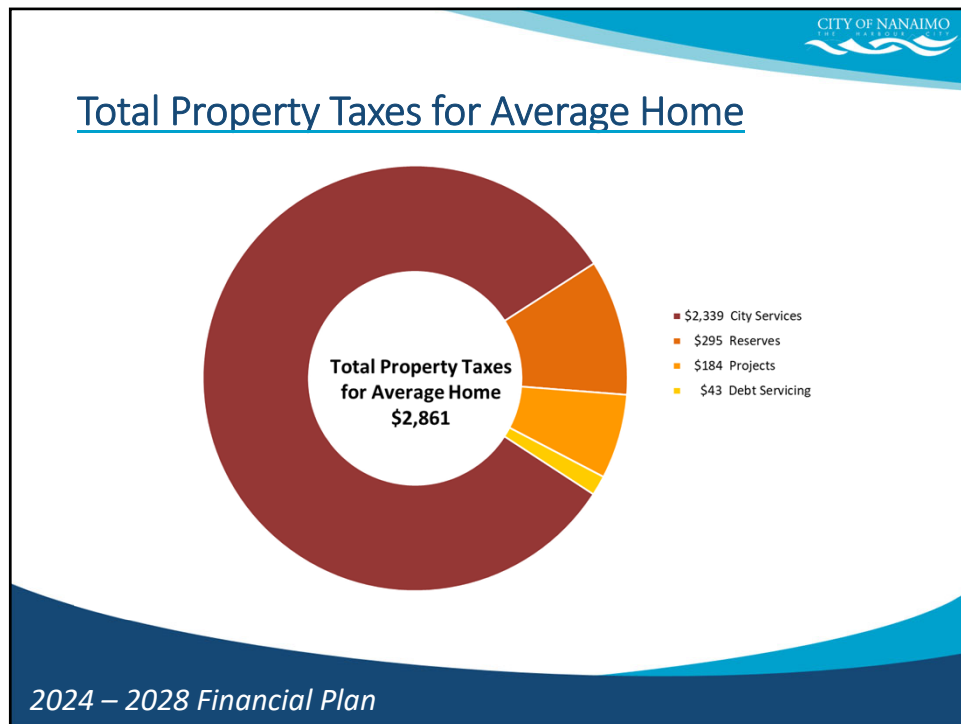
Impact on a Typical Home

	2023	2024	\$ Change	% Change
Assessment - Average Home	\$806,636	\$783,808	(\$22,828)	-2.8%
Property Taxes	\$2,639	\$2,861	\$222	8.4%
Municipal User Fees				
Water Fees*	478	506	28	6.0%
Sewer Fees	158	164	6	4.0%
Sanitation Fees	221	228	7	3.2%
Total Municipal Taxes & User Fees	\$3,496	\$3,759	\$263	7.5%

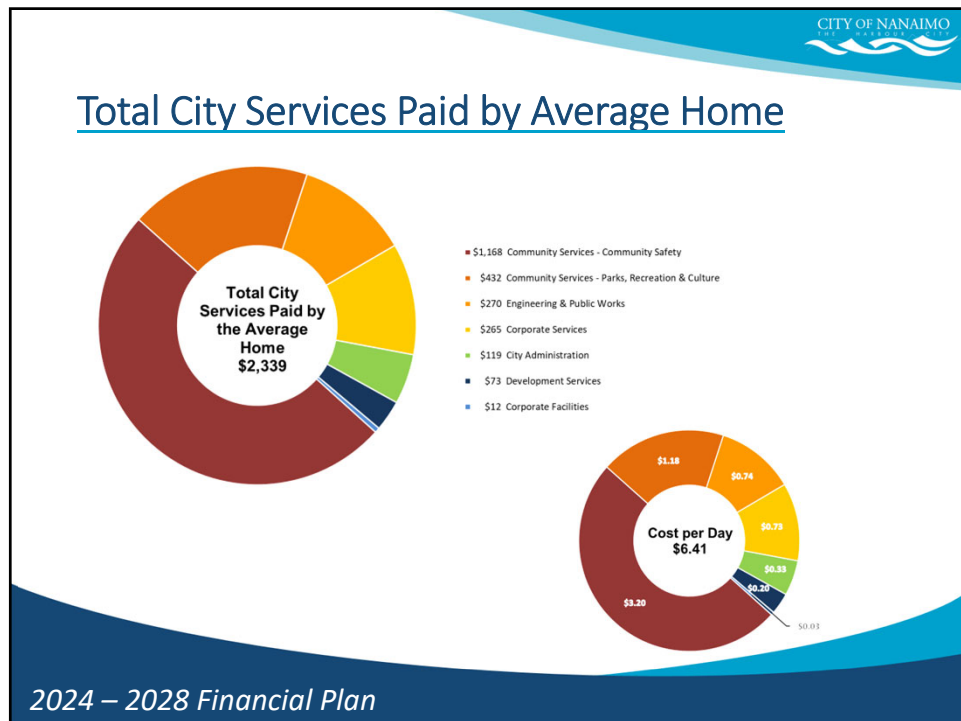
Rounded to nearest dollar
Assumes a typical single family house with average Class 1 assessment change
*Based on average seasonal usage.

2024 – 2028 Financial Plan

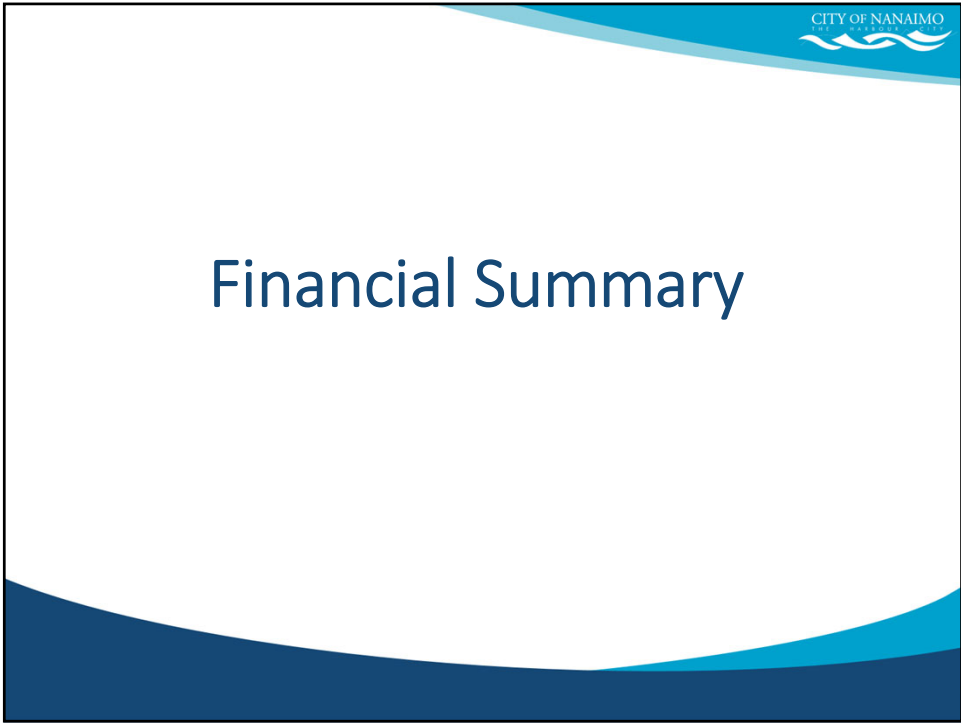
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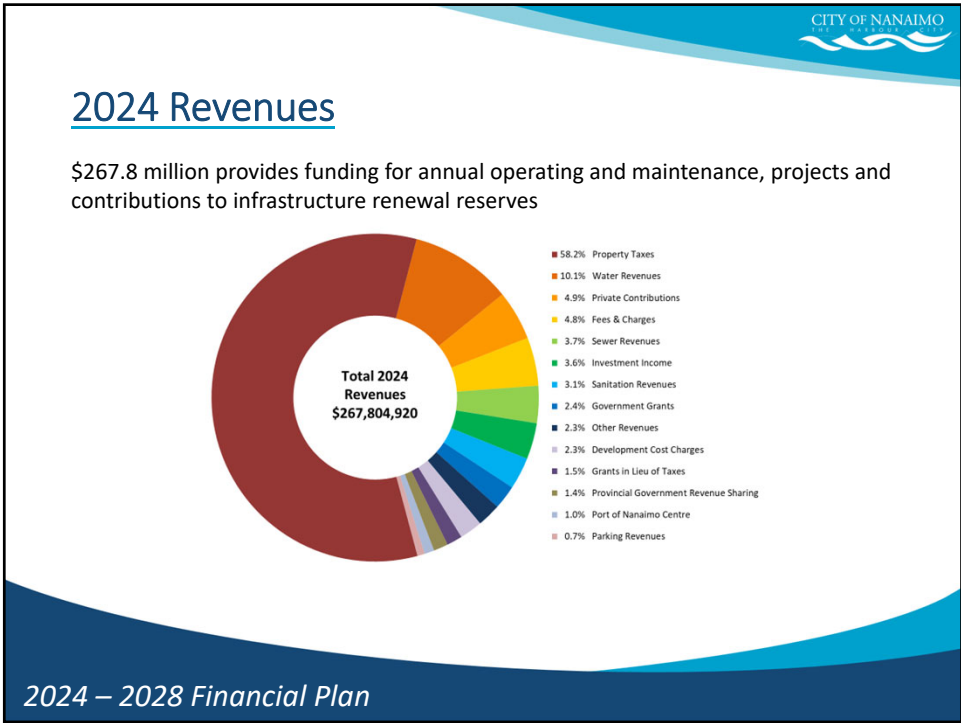
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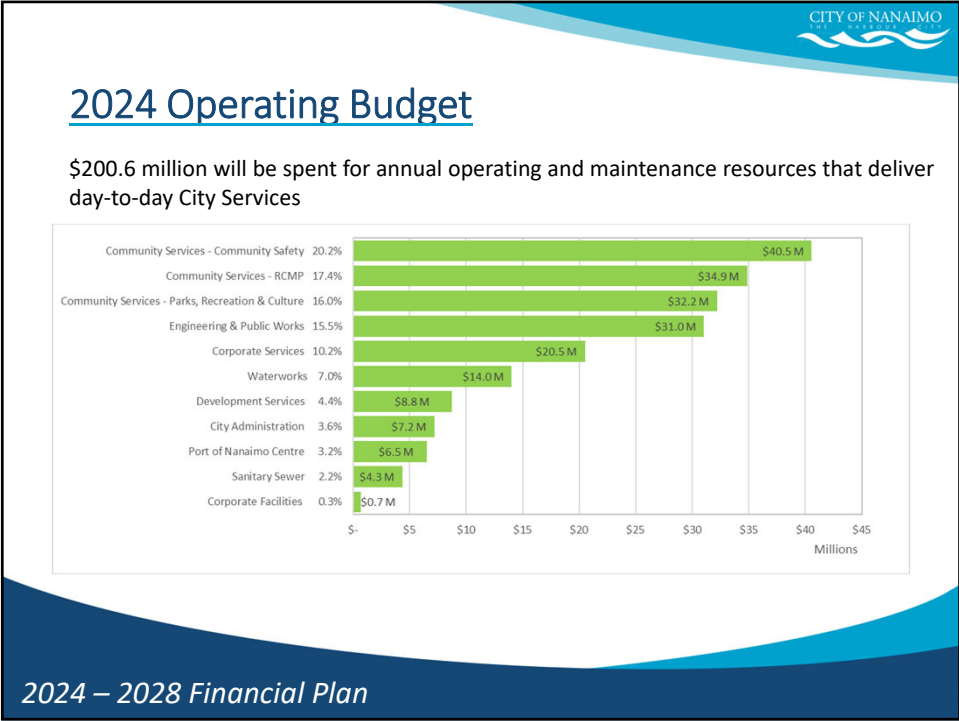
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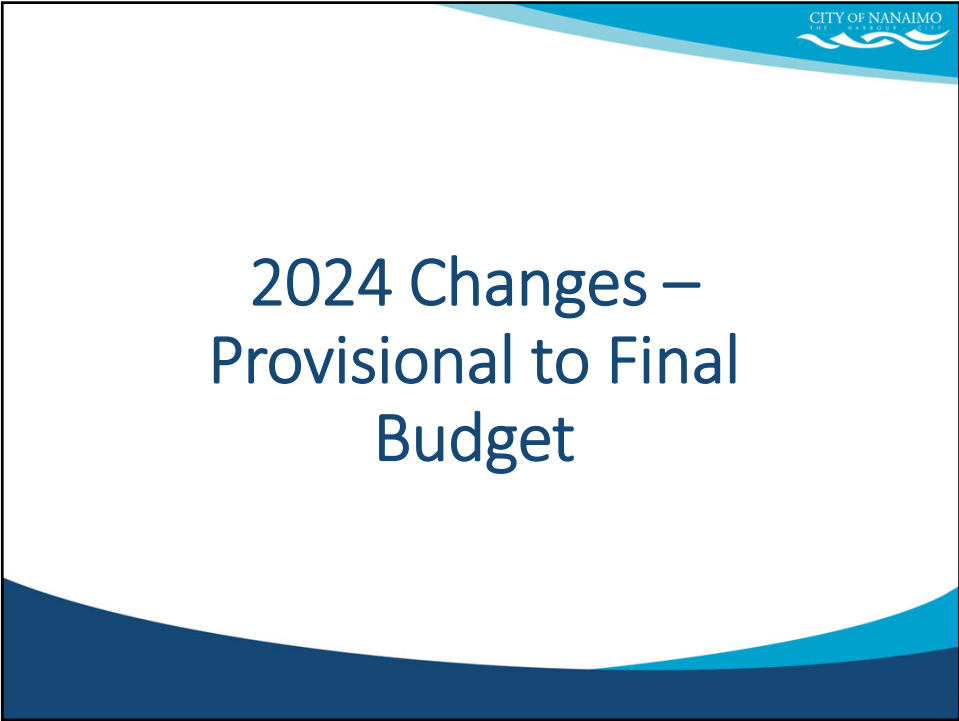
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Summary of Changes to Budget Drivers		
911 Services - Net	76,000	0.06%
RCMP Contract	(152,000)	-0.11%
Management Consulting	25,000	0.02%
Wages & Benefits	220,000	0.16%
Other	17,000	0.01%
Investment Income	600,000	0.44%
Growth	(274,000)	-0.20%
Total	\$ 512,000	0.38%
Provisional Property Tax Increase		8.0%
Net Changes		0.4%
Revised Final Property Tax Increase		8.4%

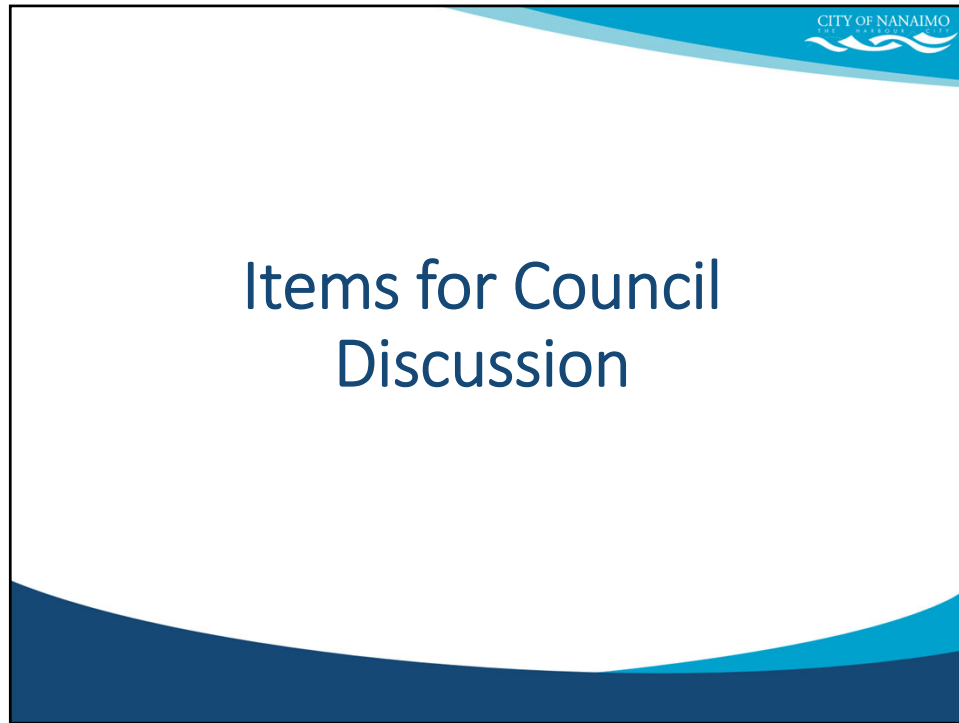
2024 – 2028 Financial Plan

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Other Changes Highlights	
Project Plan Changes:	
• Project Budgets Added/Adjusted – Updated cost estimates, grants, Council direction	
• Project Timings Adjusted	
• Funding Sources – Successful grant applications	
Fortis Operating Agreement – Increased contribution to SIR	
Sewer Fund – Sewer user fee revenue, debt servicing for internal borrowing and benefit changes.	
Water Fund – Chemical budget for Water Treatment Plant (WTP), water user fee revenue, debt servicing for WTP and benefit changes.	

2024 – 2028 Financial Plan

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 A presentation slide with a white background and a blue decorative header and footer. The header features the City of Nanaimo logo. The title "#1 RCMP Contract" is underlined. The text discusses the 2024-2028 Final Financial Plan budgeting for the RCMP contract at 95%, with an option to change to 93% for 2024. It includes the impact on property taxation and a motion for Council to budget the contract at 93% for 2024 and 95% for 2025-2028. The footer text "2024 – 2028 Financial Plan" is in italics.

#1 RCMP Contract

The 2024 – 2028 Final Financial Plan budgets the RCMP contract at 95% for all years due to the history of vacancies and to minimize annual operating surplus.

Option #1 Change Percentage to 93% for 2024 Only (95% for 2025 forward).


Impact to 2024 Property Taxation ~ 0.53% reduction
Impact to 2025 Property Taxation ~ 0.49% increase

Motion

That the Finance and Audit Committee recommend that Council budget the RCMP contract at 93% for 2024 and 95% for 2025 to 2028 for the 2024 – 2028 Financial Plan.

2024 – 2028 Financial Plan

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#1 RCMP Contract

Continued

Option #2 Change Percentage to 92% for 2024 Only (95% for 2025 forward).

Impact to 2024 Property Taxation ~ 0.80% reduction
Impact to 2025 Property Taxation ~ 0.73% increase

Motion
That the Finance and Audit Committee recommend that Council budget the RCMP contract at 92% for 2024 and 95% for 2025 to 2028 for the 2024 – 2028 Financial Plan.

Option #3 Status Quo – *No Motion Required*

2024 – 2028 Financial Plan

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Next Steps

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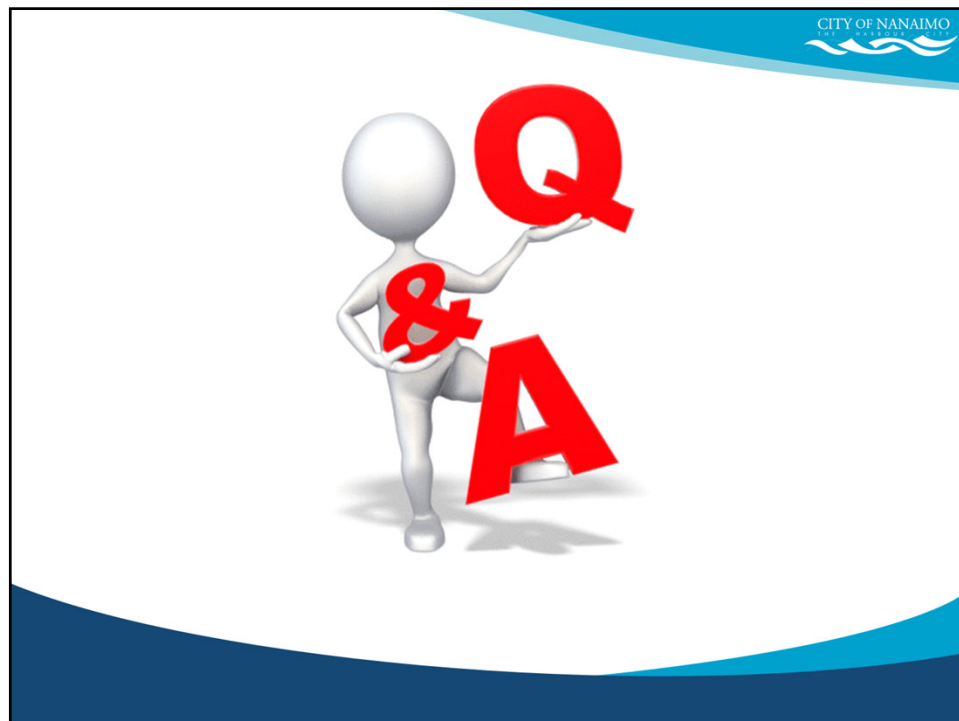
CITY OF NANAIMO
THE QUALITY CONNECTION

Next Steps

April 29	<ul style="list-style-type: none"> Financial Plan Amendment Bylaw to Council for first three readings Property Tax Bylaw to Council for first three readings
May 6	<ul style="list-style-type: none"> Financial Plan Amendment Bylaw and Property Tax Bylaw for adoption

2024 – 2028 Financial Plan

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