



REVISED AGENDA - COMMITTEE OF THE WHOLE

Thursday, April 25, 2019, 9:00 A.M.

COUNCIL CHAMBERS, CITY HALL, 1 CENTENNIAL SQUARE

The City of Victoria is located on the homelands of the Songhees and Esquimalt People

Pages

A. APPROVAL OF AGENDA

B. CONSENT AGENDA

Proposals for Consent Agenda:

C.1 - Minutes from the meeting held April 11, 2019

G.2 - CleanBC Grant Application for HVAC Replacement Project at Oaklands Community Centre

I.1 - Federation of Canadian Municipalities Conference - Housing Affordability Motion

I.2 - Carbon Pricing on Corporate Air Travel

I.4 - City of Montreal - Motion for International Accountability Against the Government of Myanmar

C. READING OF MINUTES

C.1 Minutes from the meeting held April 11, 2019

1

D. Presentation

*D.1 Presentation- Royal McPherson Theatre Society

12

Addendum: Letter from The Royal Theatre User Group

A presentation providing information on the Royal Theatre.

E. UNFINISHED BUSINESS

F. LAND USE MATTERS

G. STAFF REPORTS

*G.1 2018 Financial Statements

25

Addendum: Presentation

A report providing Council with an overview of the City's 2018 audited Financial Statements and requesting Council's acceptance of the Financial Statements

as required by Section 167 of the Community Charter.

***G.2 CleanBC Grant Application for HVAC Replacement Project at Oaklands Community Centre 110**

Addendum: Report

A report requesting Council's endorsement to submit a grant application for the CleanBC Communities Fund.

H. NOTICE OF MOTIONS

I. NEW BUSINESS

I.1 Federation of Canadian Municipalities Conference - Housing Affordability Motion 112

A Council member motion seeking consultation with FCM staff to ensure a stronger federal-municipal partnership on the issue of housing affordability across the country.

I.2 Carbon Pricing on Corporate Air Travel 114

A Council member motion encouraging adoption of principles laid out in the report as the basis for Carbon Pricing for Corporate Air Travel Interim Policy.

***I.3 Future Governance Options for Victoria's Historic Community Theatres 118**

Addendum: Report

A report providing information and findings from a previous Council request for governance options for the McPherson and Royal Theatres.

I.4 City of Montreal - Motion for International Accountability Against the Government of Myanmar 133

A Council member motion requesting that Victoria Council pass a motion calling for action to invoke the Genocide Convention against the Government of Myanmar.

***I.5 Climate Action through a Major Expansion of Public Transit Ridership 138**

Addendum: Report

A Council member motion requesting endorsement of a resolution regarding climate action through a major expansion of public transit ridership.

J. ADJOURNMENT OF COMMITTEE OF THE WHOLE



MINUTES - COMMITTEE OF THE WHOLE

April 11, 2019, 9:00 A.M.

COUNCIL CHAMBERS, CITY HALL, 1 CENTENNIAL SQUARE

Located on the traditional territory of the Esquimalt and Songhees People

PRESENT: Mayor Helps in the Chair, Councillor Alto, Councillor Isitt, Councillor Loveday, Councillor Thornton-Joe, Councillor Dubow, Councillor Potts, Councillor Collins

ABSENT: Councillor Young

STAFF PRESENT: J. Jenkyns - City Manager, C. Coates - City Clerk, P. Bruce - Fire Chief, S. Thompson - Deputy City Manager / Director of Finance, F. Work - Director of Engineering & Public Works, T. Soulliere - Director of Parks, Recreation & Facilities, B. Eisenhauer - Head of Engagement, C. Havelka - Deputy City Clerk, A. Meyer - Assistant Director of Development Services, A. Hudson - Acting Director of Sustainable Planning & Community Development, C. Mycroft - Manager of Executive Operations, T. Zworski - City Solicitor, K. Sidhu - Committee Secretary, J. O'Connor - Deputy Director of Finance

A. APPROVAL OF AGENDA

Moved By Councillor Alto

Seconded By Councillor Thornton-Joe

That the agenda be approved.

Amendment:

Moved By Councillor Thornton-Joe

Seconded By Councillor Loveday

That the Agenda of the April 11, 2019, Committee of the Whole meeting be amended as follows:

Consent Agenda:

C.1 Minutes from the Committee of the Whole Meeting held March 28, 2019

E.4 933 Collinson Street - Development Permit with Variances Application No. 00086 (Fairfield)

F.2 Proclamation - National Dental Hygienists Week

H.1 Amendment to the AVICC Climate Emergency Declaration Motion

H.2 **Late Motion to AVICC Convention - Subsidies to Fossil Fuel Companies**

H.3 **Attendance at the AVICC Conference, Powell River, April 12-14**

CARRIED UNANIMOUSLY

Main Motion as amended:

CARRIED UNANIMOUSLY

B. CONSENT AGENDA

That the following items be approved without further debate:

C.1 Minutes from the meeting held March 28, 2019

Moved By Councillor Isitt

Seconded By Councillor Collins

That the minutes from the meeting held March 28, 2019 be adopted.

CARRIED UNANIMOUSLY

E.4 933 Collinson Street - Development Permit with Variances Application No. 00086 (Fairfield)

Committee received a report from the Acting Director of Sustainable Planning and Community Development dated March 28, 2019 proposing to recognize the placement of a deck and stairs in the rear yard of a small lot house located at 933 Collinson Street. Resulting from a Bylaw complaint, it was determined that a new deck and stairs have been constructed without appropriate permits.

Moved By Councillor Isitt

Seconded By Councillor Collins

That Council, after giving notice and allowing an opportunity for public comment at a meeting of Council, consider the following motion:

"That Council authorize the issuance of Development Permit with Variance Application No. 00086 for 933 Collinson Street, in accordance with:

1. Plans date stamped March 9, 2019.
2. Development meeting all *Zoning Regulation Bylaw* requirements, R1-S2 Zone, except for the following variances:
 - i. to reduce the rear yard setback from 6.0m to 2.0m (for deck and stairs)
 - ii. increase the site coverage from 40% to 60.1% (for deck and stairs).
3. The Development Permit lapsing two years from the date of this resolution."

CARRIED UNANIMOUSLY

F.2 Proclamation - National Dental Hygienists Week

Committee received a report dated April 5, 2019 from the City Clerk regarding a proclamation for a National Dental Hygienists Week from April 6 to 12, 2019.

Moved By Councillor Isitt

Seconded By Councillor Collins

That the *National Dental Hygienists Week* Proclamation be forwarded to the April 11, 2019 Council meeting for Council's consideration.

CARRIED UNANIMOUSLY

H.1 Amendment to the AVICC Climate Emergency Declaration Motion

Committee received a report dated April 5, 2019 from Mayor Helps and Councillor Isitt seeking Council to endorse proposed amendments to the AVICC Resolution 16 Climate Emergency Declaration submitted by the Sunshine Coast Regional District.

Moved By Councillor Isitt

Seconded By Councillor Collins

That Council endorse the proposed amendments to AVICC Resolution 16 Climate Emergency Declaration submitted by the Sunshine Coast Regional District. The deletions are struck through and the additions are in red:

WHEREAS the impacts of climate change in the form of extreme weather events, wildfires and drought are occurring at an accelerated rate and with growing frequency throughout BC and are creating major financial, social and environmental costs which are largely being borne by local governments and the residents they serve;

AND WHEREAS there is an urgency for action but a lack of resources and coordination to support local governments in their ability to adapt to and mitigate the ongoing effects of climate change, especially with respect to infrastructure upgrades, repairs and maintenance, and emergency preparedness measures:

THEREFORE BE IT RESOLVED that the provincial government be urged to declare a province wide Climate Emergency and to assist local governments in achieving carbon neutrality by 2030 and a 45% reduction in greenhouse gas emissions by 2030 and a 100% reduction in greenhouse gas emissions by 2050 as per the Intergovernmental Panel on Climate Change October 2018 report. ~~in order to emphasize the critical imperative for immediate action and to assist with province-wide collaboration and coordination of resources that will support local~~

governments

BE IT FURTHER RESOLVED THAT the President of UBCM communicate to the Provincial Minister of the Environment local government's support to help the Province close the 25% emissions gap in the *CleanBC Plan*, and call on the Province to provide the powers and resources to local governments to do so.

CARRIED UNANIMOUSLY

H.2 Late Motion to AVICC Convention - Subsidies to Fossil Fuel Companies

Committee received a report dated April 5, 2019 from Mayor Helps and Councillor Isitt to endorse a AVICC motion to subsidize Local Climate Action instead of Fossil Fuels.

Moved By Councillor Isitt

Seconded By Councillor Collins

That Council endorse the following motion and submit to the Association of Vancouver Island and Coastal Communities as a late resolution for consideration at the 2019 Convention:

WHEREAS the Federal government recently released a scientific report that reveals that Canada is warming at twice the global rate, the Provincial government recently approved a \$5.35-billion package of tax incentives for a \$40-billion LNG Canada megaproject, supported by \$1.275 billion from the Federal government, and, according to a 2015 report by the International Monetary Fund, the annual Federal government subsidy to the fossil fuel industry is \$46 billion;

AND WHEREAS the funding formula for local governments has changed little since 1867 with local governments receiving roughly 8 cents of every tax dollar leaving them unprepared for the emerging and significant costs of mitigation and adaption to climate change;

THEREFORE BE IT RESOLVED that UBCM call on the Provincial government to end all subsidies to fossil fuel companies and to invest the money instead in climate change mitigation and adaptation activities being undertaken by local governments in a predictable and regularized funding formula and that the UBCM through the FCM call on the Federal government to end all subsidies to fossil fuel companies and to invest the money instead in climate change mitigation and adaptation activities being undertaken by local governments in a predictable and regularized funding formula.

CARRIED UNANIMOUSLY

H.3 Attendance at the AVICC Conference, Powell River, April 12-14

Committee received a Council Member Motion dated April 9, 2019 from Councillor Potts requesting authorization to attend the AVICC Conference held in Powell River from April 12-14, 2019.

Moved By Councillor Isitt

Seconded By Councillor Collins

That Council authorize the attendance and associated costs for Councillor Sarah Potts to attend the AVICC Conference to be held in Powell River, April 12-14, 2019.

CARRIED UNANIMOUSLY

E. LAND USE MATTERS

E.1 Inclusionary Housing and Density Bonus Policy

Committee received a report dated April 5, 2019 from the Acting Director of Sustainable Planning and Community Development, as well as Blair Erb from Coriolis Consulting providing an update to Council on the Inclusionary Housing and Community Amenity Policy and to seek direction on implementation.

Committee discussed:

- pros and cons of the amendments to the revised policy as proposed by Councillor Isitt.
- the need for more affordable housing

Moved By Councillor Isitt

Seconded By Councillor Alto

That Council:

1. Adopt the Inclusionary Housing and Community Amenity Policy, 2019.
2. Direct staff to:
 - a. Apply the Inclusionary Housing and Community Amenity Policy, 2019 to rezoning applications received after April 11, 2019;
 - b. Issue an Expression of Interest to non-profit housing and government agencies to purchase and/or operate inclusionary housing units;
 - c. Monitor the requirements for staff resources needed for policy implementation, administration and monitoring and report back in one year with requests for additional resources as needed;
 - d. Report back on policy results in three years following policy implementation (2022).

Amendment:

Moved By Councillor Isitt

Seconded By Councillor Collins

Add item 2.e: report back within 6 months with a progress update on the impacts of the policy to date.

Amendment to the amendment:

Moved By Councillor Alto

replace “6 months” with “one year”

Defeated due to no seconder

On the amendment:

CARRIED UNANIMOUSLY

Amendment:

Moved By Councillor Isitt

Seconded By Councillor Potts

That the Inclusive Housing and Community Amenity Policy, Attachment A be amended as outlined in the revised policy document provided by Councillor Isitt (with proposed new text shown in green, and proposed deleted text shown in red)

Motion to refer:

Moved By Councillor Isitt

Seconded By Councillor Dubow

1. That the matter be referred to staff to report back by May 16 with any proposed amendments to the revised Attachment A to ensure a workable policy; and
2. That any amendments be consistent with the principle that new density beyond the entitlement in the existing zoning should be targeted toward the social purpose of expanding inclusivity and affordability in the community.
3. That the Interim Policy adopted by Council in November 2018 remain in effect until a new policy is adopted.

Amendment to the referral:

Moved By Councillor Thornton-Joe

Seconded By Councillor Alto

New #2: that the revised attachment a be forwarded to the working group for comment

CARRIED UNANIMOUSLY

On the main referral motion:

Moved By Councillor Loveday

Seconded By Councillor Alto

Postpone referral motion and this matter to next week's Committee of the Whole Meeting.

FOR (4): Councillor Alto, Councillor Loveday, Councillor Potts and Councillor Thornton-Joe

OPPOSED (4): Mayor Helps, Councillor Collins, Councillor Dubow and Councillor Isitt

DEFEATED (4 to 4)

On the motion to refer:

Motion to refer:

1. That the matter be referred to staff to report back by May 16 with any proposed amendments to the revised Attachment A to ensure a workable policy; and
2. Revised attachment A be forwarded to the working group for comment
3. That any amendments be consistent with the principle that new density beyond the entitlement in the existing zoning should be targeted toward the social purpose of expanding inclusivity and affordability in the community.
4. That the Interim Policy adopted by Council in November 2018 remain in effect until a new policy is adopted.

Postpone Motion to refer:

Moved By Councillor Collins

Seconded By Councillor Potts

Postpone the motion to refer to ask questions.

CARRIED UNANIMOUSLY

Council discussed:

- the housing crisis and the need for more affordable housing
- staff and consultant's rationale for proposing 10% affordable units

Moved By Mayor Helps
Seconded By Councillor Loveday

Motion to lift the postponed motion to refer from the table

CARRIED UNANIMOUSLY

On the motion to refer:

FOR (7): Councillor Alto, Councillor Collins, Councillor Dubow, Councillor Isitt, Councillor Loveday, Councillor Potts and Councillor Thornton-Joe

OPPOSED (1): Mayor Helps

CARRIED (7 to 1)

Committee recessed at 10:31 a.m. and returned at 10:37 a.m.

E.2 1900 - 1912 Richmond Road - Rezoning Application No. 00651 and Development Permit Application No. 000531 (North Jubilee)

Committee received a report dated March 28, 2019 from the Acting Director of Sustainable Planning and Community Development providing information on a Rezoning and a Development Permit Application proposing to construct a five-storey assisted living and memory care building with ground floor commercial uses along Fort Street and Richmond Street.

Moved By Councillor Thornton-Joe
Seconded By Councillor Alto

Rezoning Application No. 00651

That Council instruct staff to prepare the necessary Zoning Regulation Bylaw Amendment that would authorize the proposed development outlined in Rezoning Application No. 00651 for 1900-1912 Richmond Road, that first and second reading of the Zoning Regulation Bylaw Amendment be considered by Council and a Public Hearing date be set once the following conditions are met:

1. Preparation and execution of the following legal documents to the satisfaction of the City Solicitor:
 - a. Statutory Right-of-Way of 1.82m off Fort Street
 - b. Statutory Right-of-Way of 1.39m off Birch Street
 - c. Statutory Right-of-Way of 4.53m off Richmond Road
 - d. Statutory Right-of-Way of 1.44m off Ashgrove Street
 - e. Housing Agreement to secure the building as rental in perpetuity and to secure the amenity spaces as noted on plans date stamped March 14, 2019.
2. Submission of revised plans that address the parking shortfall and the slope of the driveway to the underground parking.

Development Permit Application No. 000531

That Council, after the Public Hearing for Rezoning Application No. 00651, if it is approved, consider the following motion:

"That Council authorize the issuance of Development Permit Application No. 000531 for 1900-1912 Richmond Road, in accordance with:

1. Plans date stamped March 14, 2019.
2. Development meeting all *Zoning Regulation Bylaw* requirements.
3. Council authorizing anchor-pinning into the City Right-of-Way, provided that the applicant enters into an Encroachment Agreement in a form satisfactory to the City Solicitor and the Director of Engineering and Public Works.
4. The Development Permit lapsing two years from the date of this resolution."

FOR (6): Mayor Helps, Councillor Alto, Councillor Collins, Councillor Loveday, Councillor Potts and Councillor Thornton-Joe

OPPOSED (2): Councillor Dubow and Councillor Isitt

CARRIED (6 to 2)

E.3 2921 Gosworth Road - Rezoning Application No. 00667 and Development Permit with Variances Application No. 00096 (Oaklands)

Committee received a report dated March 28, 2019 from the Acting Director of Sustainable Planning and Community Development providing information on a rezoning and development permit with variances application to subdivide to create two small lots, retain the existing dwelling on one lot and build a new single-family dwelling on the additional lot at 2921 Gosworth Road.

Moved By Councillor Isitt

Seconded By Councillor Alto

That the applicant works with staff to make changes to the proposed design and return to a Committee of the Whole meeting. Revisions should address:

- reducing the massing of the proposed house to better respond to the neighbourhood context
- revise the materials and colour of the proposed house to better reflect the neighbourhood context
- revise the landscaping and screening for the proposed patio for the existing house

CARRIED UNANIMOUSLY

F. STAFF REPORTS

F.1 Revenue and Tax Policy Benchmark Monitoring and 2019 Tax Rates

Committee received a report dated April 3, 2019 from the Deputy Director of Finance providing updated benchmark measures related to the City's Revenue and Tax Policy and seeking direction on 2019 tax rates.

Moved By Councillor Isitt

Seconded By Councillor Collins

That Council:

1. Approve 2019 tax rates based on current policy as follows:

Residential	3.1564
Utility	31.6048
Major Industrial	10.9821
Light Industrial	10.9821
Business	10.9821
Rec/Non Profit	7.1031

2. Direct staff to bring forward Tax Bylaw, 2019 for first, second and third readings to the April 25, 2019 Council meeting and for adoption at the daytime Council meeting on May 2, 2019

CARRIED UNANIMOUSLY

H. NEW BUSINESS

H.4 Lobbying Efforts by Big Oil Companies to Deter Climate Action

Committee received a report dated April 10, 2019 from Councillor Ben Isitt endorsing the information received by a non-profit organization documenting lobbying efforts by major fossil fuel corporations to deter climate action by governments.

Moved By Councillor Isitt

Seconded By Mayor Helps

That Council receive the report *Big Oil's Real Agenda on Climate Change* for information.

CARRIED UNANIMOUSLY

I. **ADJOURNMENT OF COMMITTEE OF THE WHOLE**

Moved By Councillor Loveday

Seconded By Councillor Alto

That the Committee of the Whole Meeting be adjourned at 11:48 a.m.

CARRIED UNANIMOUSLY

CITY CLERK

MAYOR

DRAFT



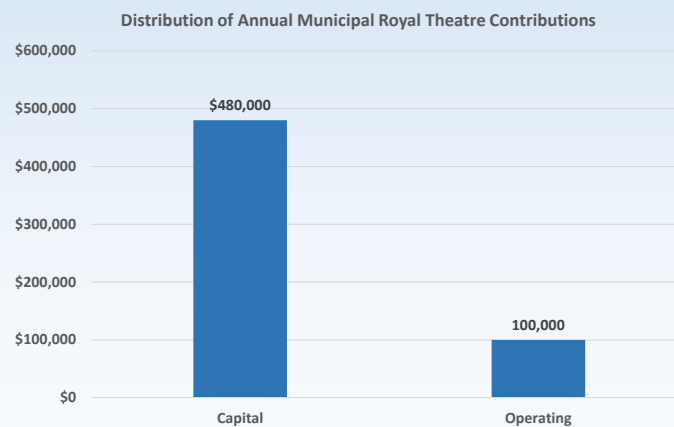
The Royal Theatre

A Theatre for All



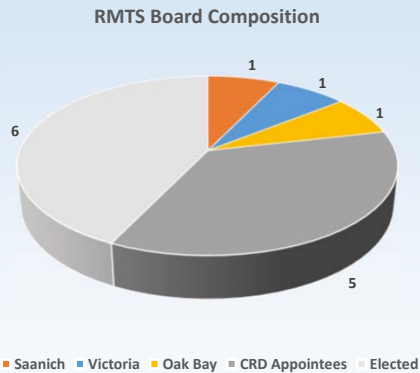
Royal Theatre Background & Funding

- Opened in 1913
- 1416 seats – the largest theatre on Vancouver Island
- Bought by Oak Bay, Saanich and Victoria in 1972 then transferred to CRD
- Operated by the RMTS since 1998



Governance

- The Royal and McPherson Theatres Society (RMTS) is a not-for-profit, charitable organization



RMTS Strategic Plan

Vision statement: *To be the integral hub of the performing arts in the region, recognized for diverse and valued performances, professional standards, and historic spaces*

- Enhancing Community Presence and Profile



- Presenting new Entertainment Options



- Reconstitution of CRD RMTS Advisory Committee



Royal Theatre Vision

The Royal Theatre is the Capital Region's flagship venue for contemporary, classical and popular performing arts and entertainment.

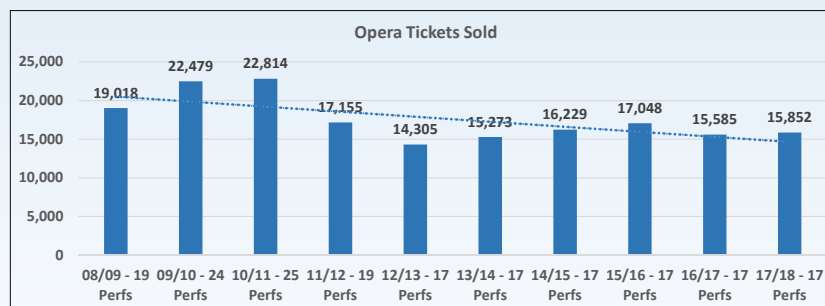
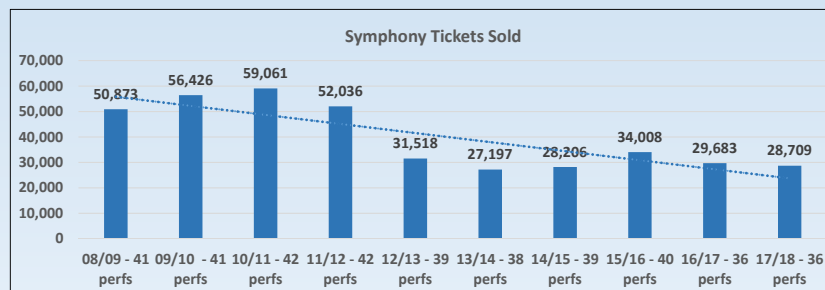
As it has done since 1913, the Royal Theatre serves the evolving tastes and live performance attendance patterns of our growing, changing population.

It is a theatre for all.

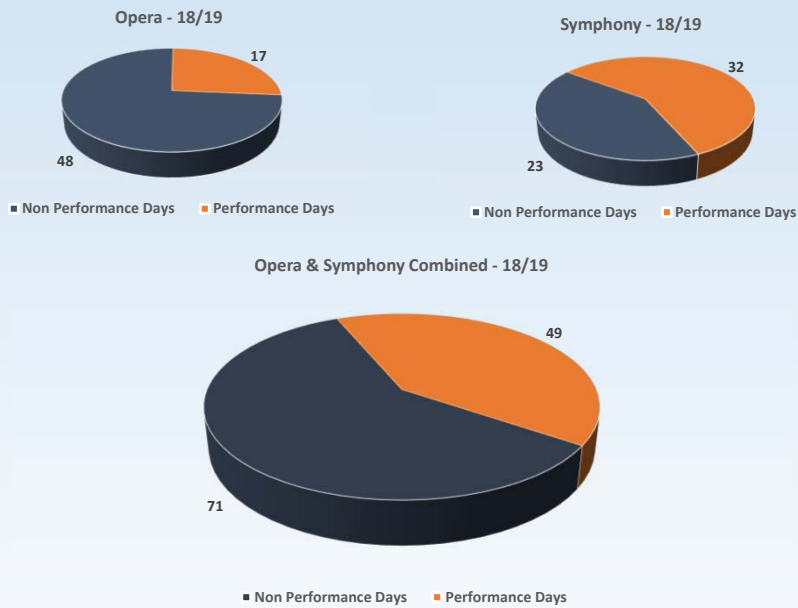
Efficient use of this community resource provides our citizens access to the best, diverse entertainment the world has to offer, while supporting the work of our local not-for-profit organizations.



Royal Theatre Ticket Sales – VS & POV



Royal Theatre Use



Arts and Entertainment Survey of Greater Victoria Residents



Public Opinion Survey Preliminary Highlights
April 17, 2019

Methodology

- Online surveys were conducted with adult residents of the Capital Region District, including Victoria, Saanich, Oak Bay, Central and Northern Saanich, Sidney, Langford, Colwood, View Royal, Esquimalt, the Highlands, Metchosin, Sooke, Juan de Fuca, Salt Spring and the Gulf Islands:
 - Preliminary results (as of April 16) were derived from 414 surveys out of 500 planned surveys.
 - Participants were contacted via a representative online panel reflective of the regional population by age, gender and geographic location.
- The margin of error for a random representative sample of that size is +/- 4.4% at a 95% confidence level (19 times out of 20).



Greater Victoria Arts & Entertainment Survey, April 2019

Initial Conclusions: Access, Efficiency and Adaptation

- There is widespread agreement among citizens of the region with positions taken by the RMTS, namely:
 - **Access:** 84% agree with the RMTS changing rental rates to achieve greater access for a wider range of acts at the Royal Theatre. On a related note, two thirds of residents think that the Royal Theatre should not be reserved mainly for performances by the Symphony and Opera.
 - **Efficiency:** Nine in ten residents (89%) agree with the goal of encouraging more efficient use of the Royal Theatre and reducing the number of dark days.
 - **Adaptation:** Almost all residents (87%) agree with RMTS changes to booking and pricing to encourage more and different types of acts to use the Royal Theatre, to reflect the changing demographics and interests of Greater Victoria residents.



Greater Victoria Arts & Entertainment Survey, April 2019

Initial Conclusions: Direction, Funding, Governance

- **Right Direction.** Nine in ten residents who expressed an opinion on the matter (89%) think the RMTS is moving in the right direction with changes to booking and pricing policies, while only one in ten (11%) think the changes proposed by RMTS are going in the wrong direction.
- **Funding.** The current funding model is not supported by most residents, who want to see funding for the Royal Theatre rise with inflation (77%) and for that funding to be shared fairly among all municipalities within the Capital Region District (74%).
- **Governance** is not viewed as a problem by residents of the region. When asked about how RMTS is managing and maintaining the theatres, about one third could not offer an opinion. Among those with an opinion, 87% believe the RMTS is well managed, and only one in seven residents (13%) disagree.



Greater Victoria Arts & Entertainment Survey, April 2019

Approval of the Approach Taken by the RMTS Toward Changing Booking and Pricing Policies

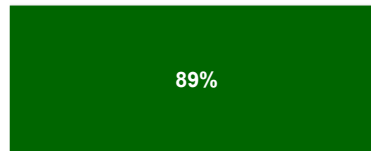
"How would you summarize your feelings about the use of the Royal Theatre and the changes being proposed by the RMTS to encourage more access, variety and efficient use? Would you say that overall the RMTS is moving in the right direction with the changes being implemented, or is it moving in the wrong direction?"

Wrong Direction

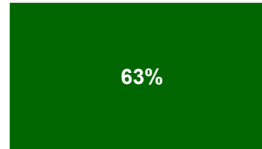
Right Direction



Among Those
with an
Opinion



All Residents
(Unsure 29%)



Greater Victoria Arts & Entertainment Survey, April 2019

Royal Theatre Facts

- New rental rates for not-for-profits at the Royal Theatre are comparable to other Canadian theatres.
- There are no restrictions on the number of performances for the three large not-for-profit clients at the Royal Theatre.
- The three large not-for-profit clients generate 55% of the Royal Theatres audiences but occupy 91% of the theatre's peak performance dates.
- Discussions about changes at the theatre have been transparent and lengthy. The RMTS Board has a representative from each owner municipality and the CRD has been informed.
- Since 1913, touring shows have been a key part of the Royal Theatre.
- The RMTS regularly turns away bookings at the theatre for lack of dates. Recently this includes David Blaine, Buddy Guy, Morrissey, Virtue and Moir.



Royal Theatre Discussions on Needed Changes

- Requests from the RMTS to the three large not-for-profit clients to voluntarily reduce non-performance days to increase access to the Royal theatre for others, to rehearse in alternate venues, and to utilize the McPherson for shows that traditionally sell few tickets have all gone ignored.
- After multiple meetings in 2018, the RMTS sent letters with new Royal Theatre booking policies and rental rates on October 29, 2018. Subsequently, the four organizations met twice in January 2019, where the three large not-for-profit clients requested more time to adapt to the changes.



Royal Theatre Discussions on Needed Changes

- In letters of March 19, 2019, the RMTS communicated that it is providing a full 2 years' notice for price changes and 3 full years' notice for changes to booking policies.
- Symphony, Opera and Dance will still have two years advance booking privileges.
- New dates are freed up without asking Symphony, Opera and Dance to reduce performances.
- The RMTS still supports local not-for-profits through discounted rates at the Royal Theatre that are as much as 50% less than for commercial shows.



Royal Theatre – Moving Forward

The Royal Theatre is alive with classical, contemporary and popular performing arts and entertainment.

New efficiencies means the number of performances is increasing and there is more choice for more audiences on the Royal Theatre's stage.



April 25, 2019

Legislative Services
City of Victoria
1 Centennial Square,
Victoria, BC V8W 1P6

Re. RMTS Presentation to Council

Dear Mayor and Council,

The User Group supports a broad array of arts and entertainments at the Royal Theatre, and are pleased that the Royal and McPherson Theatres Society (RMTS) have begun to communicate directly with owner municipalities. We recognize the importance of sharing multiple perspectives on the subject of access to the public's theatres, but wish to voice our concern about the misleading information and biased research in the RMTS presentation. Enclosed is information to provide you with important context. We are also concerned that the RMTS Strategic Plan was created without public consultation, nor the participation of the non-profit users or owner municipalities.

The Royal Theatre User Group has consulted with all the non-profit arts users, who collectively represent 78 percent of the public who use the Royal Theatre.

In order to resolve these issues in a transparent fashion, and restore positive relationships among all parties involved, **we are recommending a third-party review and a comprehensive stakeholder consultation.**

Sincerely,



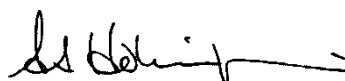
Kathryn Laurin
CEO, Victoria Symphony




Stephen White
Executive Producer, Dance Victoria



Ian Rye
CEO, Pacific Opera Victoria



Alan Hollingworth
Chair, Board of Directors



Susan Howard
Chair, Board of Directors



Robert Milne
Chair, Board of Directors

on behalf of:

2,500 members
+ 450 volunteers

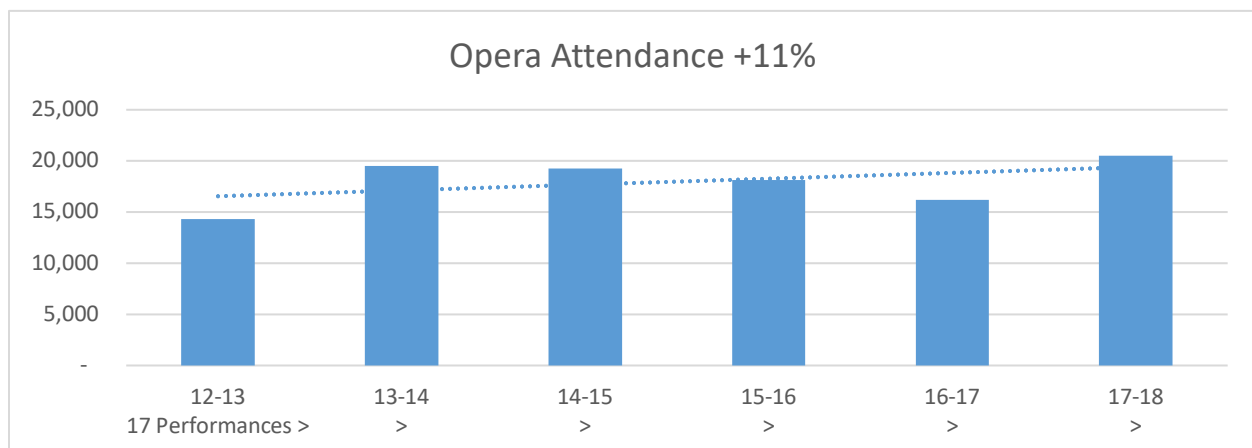
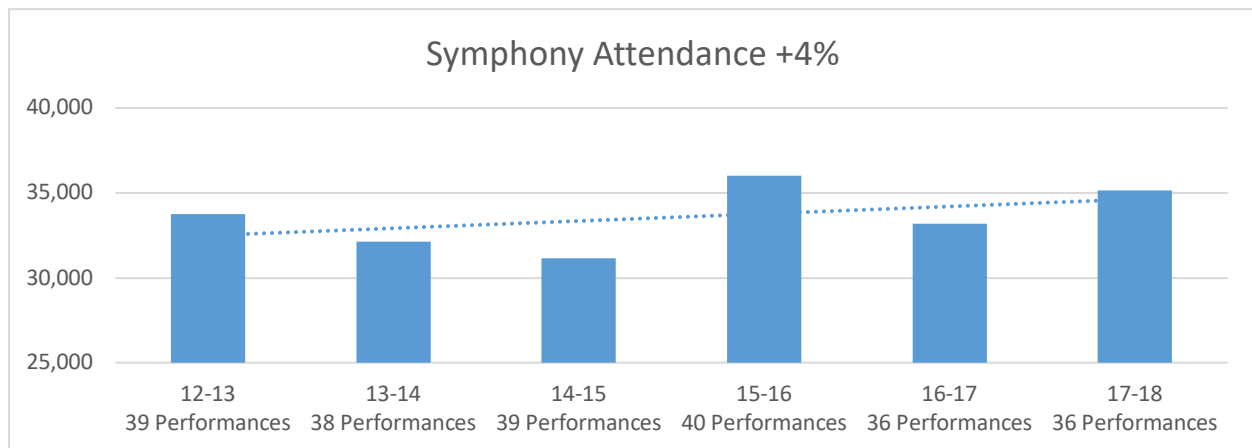
1,200 members
+ 85 volunteers

3,280 members
+120 volunteers

and **68,138 audiences** at the Royal Theatre, plus **56,300 at community** events and **25,700 youth**

Royal Theatre Ticket Sales

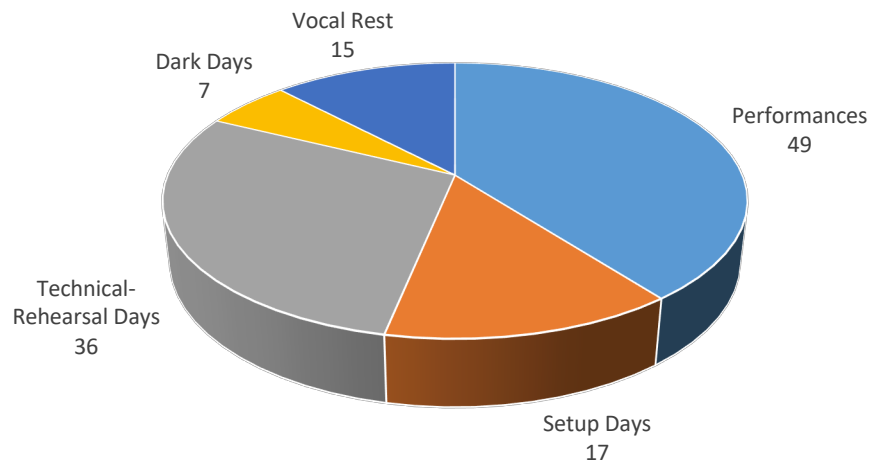
The RMTS data as it is presented is misleading. It does not factor the overall attendance including students and complimentary ticket programs, nor the number of performances, thereby comparing apples to oranges. For example, Pacific Opera presented 24 performances per year between 2009 and 2011, and after the recession reduced the number of opera titles (and its theatre use), offering 17 performances per year since 2011 - during which period attendance grew by 11%.



Royal Theatre Use

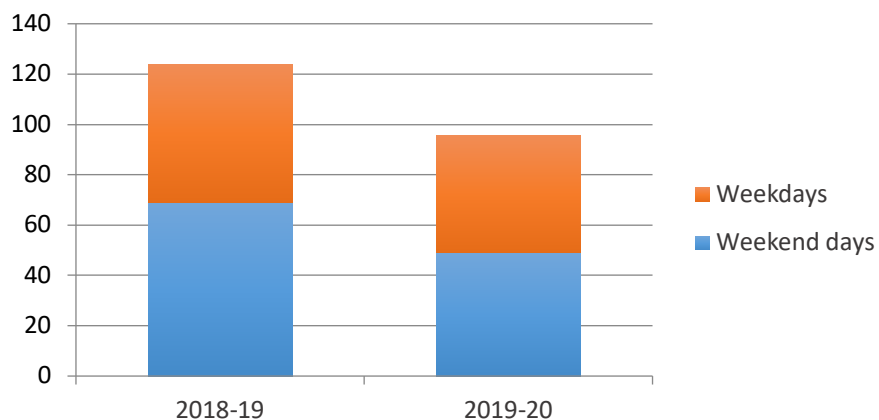
The RMTS presentation implies that the Symphony and Opera's use of the theatre is inefficient. It does not account for the fact that Symphony and Opera performances are created from the ground up, with as many as 100 artists, requiring considerably more setup and technical-rehearsal time than a touring music/theatre/comedy act. One day of vocal rest between opera performances are industry standard worldwide, and protected by collective agreements. Pacific Opera has developed scenarios for 2021-22 to reduce the number of technical days from 36 to 32 per year. The elimination of 7 dark days per year can be accomplished by moving 5 performances from weekends to weekdays, resulting in an estimated 7% decline in attendance.

2018-19 Opera and Symphony Theatre Use



The Victoria Symphony have released 18 weekend days per year by taking the risk of moving half their programming to UVic Centre.

Symphony and Opera Theatre Use



Arts and Entertainment Survey

The CRD's own research offers an alternate perspective on the intended purpose of the Royal Theatre, for all citizens to participate in the arts (64%), to showcase local professional artists (63%) and community arts groups (61%).



Regional Arts Facilities:

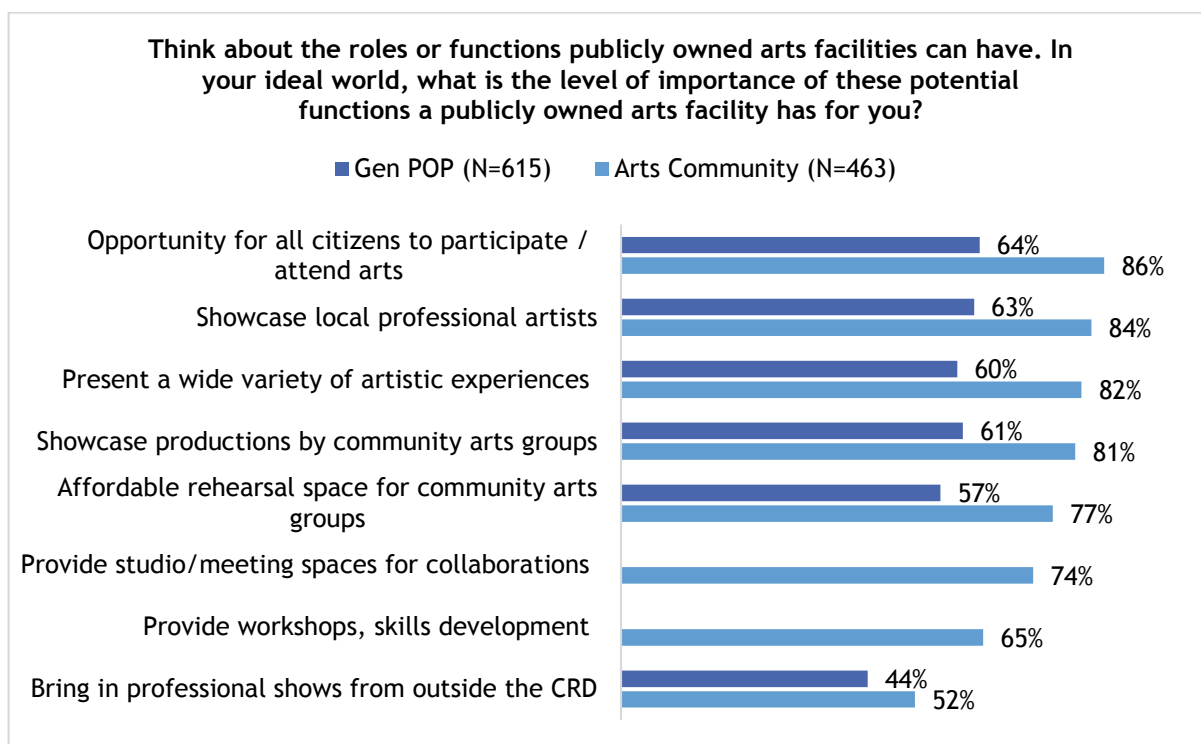
A Framework

December 2016

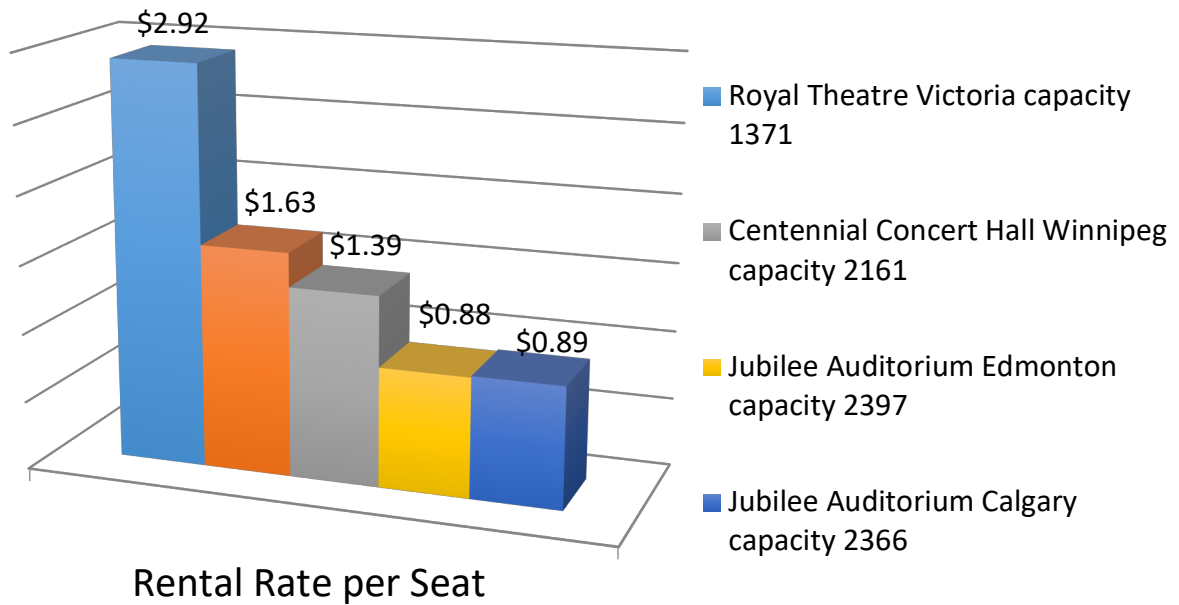


IDENTIFYING NEEDS

Priorities identified by the general public in the CRD and the arts community are broad and should be considered by decision-makers and decision influencers.



Royal Theatre Rent Per Seat



Weekend Performance Rates



Committee of the Whole Report

For the Meeting of April 25, 2019

To: Committee of the Whole **Date:** April 9, 2019
From: Susanne Thompson, Deputy City Manager and
Chief Financial Office
Subject: 2018 Financial Statements

RECOMMENDATION

That Council approve the 2018 Financial Statements.

EXECUTIVE SUMMARY

Under section 167 of the Community Charter, a municipality's financial statements must be prepared by its Financial Officer and presented to Council for its acceptance. The 2018 financial statements are the responsibility of management and have been prepared in accordance with "generally accepted accounting principles" for local governments established by the Public Sector Accounting Board.

The information in the Financial Statements can provide indicators of the financial condition of an organization, as will be discussed in this report.

Under section 171 of the Community Charter, the City's Municipal Auditor (BDO) must report to Council on the annual financial statements. The report must be in accordance with the form and the reporting standards recommended by CPA Canada.

As outlined in their audit findings report, the focus areas for this year's audit included risk of management overrides; revenue recognition; capital assets; employee future benefits; salaries and benefits; and cash and investments. All testing was executed as planned and no errors were noted.

BDO has also reviewed a number of financial policies and procedures primarily related to the focus areas listed above and have provided their observations for improvements in the management letter. The suggestions include reviewing indirect taxation processes and documentation for streamlining opportunities, as well as consideration of balancing funding decisions between strategic initiatives and infrastructure asset management. For some of the recommendations, City processes are in place or the suggested components are already being undertaken, however improvements are underway to incorporate recommended actions going forward. Staff appreciate the suggestions provided by the external auditors and welcome their insight towards opportunities to refine our operations in the spirit of continuous improvement.

Once accepted by Council, BDO will issue an Auditor's Report expressing that in their opinion the financial statements present fairly, in all material aspects, the financial position of the City as at December 31, 2018.

PURPOSE

To provide Council with an overview of the City's 2018 audited Financial Statements and request Council's acceptance of the Financial Statements as required by Section 167 of the Community Charter.

BACKGROUND

Section 167 of the Community Charter requires that annual audited financial statements be prepared and presented to Council for acceptance. The City's audited consolidated financial statements for 2018 have been prepared by management in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of CPA Canada.

Under PSAB reporting requirements, the following statements are presented for Council's review: (page references to Appendix A)



Statement of Financial Position (pg.4) – provides a summary of the City's economic resources (assets net of liability balances) available to meet its obligations and provide services. By continuing to grow its net financial asset position, the City strengthens its capacity to meet financial obligations.



Statement of Operations and Accumulated Surplus (pg.5) – identifies the current year contribution to the Accumulated Surplus balance from revenue and expenses



Statement of Changes in Net Financial Assets (pg.6) – supplementary detail of the changes in assets and liabilities that explain the change to the Net Financial Assets balance on the Statement of Financial Position








Statement of Cash Flows (pg.7) – supplementary detail to support the change to Cash and Cash Equivalents balance on the Statement of Financial Position



Notes to the Financial Statements (pgs.8-32) - additional detail to disclose relevant reporting information and support significant balances in the Financial Statements.

The relationship between the statements are illustrated below (Figure 1): the Statement of Operations and Accumulated Surplus, the Statement of Changes and Net Financial Assets, and the Statement of Cash Flows provide expanded detail on the balances in the Statement of Financial Position.

The Corporation of the City of Victoria Statement of Financial Position As at December 31, 2018, with comparative figures for 2017				
	2018	2017		
Financial Assets				
Cash and cash equivalents (Note 2)	\$ 104,955,258	\$ 110,003,479	Statement of Cash Flows	
Accounts receivable				
Taxes	1,652,910	1,816,637		
Other	31,117,781	31,000,806		
Portfolio investments (Note 4)	171,000,025	137,900,025		
Mortgage receivable (Note 5)	893,216	865,687		
Other assets	56,774	1,799		
Restricted cash (Note 18)	1,270,467	1,243,414		
	<u>310,946,431</u>	<u>282,831,848</u>		
Liabilities				
Accounts payable and accrued liabilities (Note 6)	28,578,753	29,406,144		
Deposits and prepayments	17,638,717	15,664,116		
Deferred revenue (Note 7)	30,602,821	24,876,181		
Long-term debt (Note 8)	69,272,953	73,250,606		
Employee future benefit liability (Note 9)	17,896,701	17,688,187		
	<u>163,989,945</u>	<u>160,885,235</u>		
Net Financial Assets (net debt)	146,956,486	121,946,613	Statement of Changes in Net Financial Assets	
Non-Financial Assets				
Tangible capital assets (Note 10)	525,021,659	495,784,737		
Inventories of supplies	1,147,765	1,045,591		
Prepaid expenses	2,153,337	1,145,524		
	<u>528,322,761</u>	<u>497,975,852</u>		
Accumulated Surplus (Note 11)	\$ 675,279,247	\$ 619,922,465	Statement of Operations and Accum Surplus	
The accompanying notes are an integral part of these financial statements.				

ISSUES & ANALYSIS

Indicators of Financial Condition

Financial condition is a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. Applying indicators of financial condition specific to government organizations offers readers of the financial statements insights into the short and long-term implications of policy decisions, and illustrates a government's financial ability to maintain the level and quality of its services and to finance new programs.

Assessing a government's financial condition using the elements of sustainability, flexibility, and vulnerability, at a minimum, provides a framework to support a variety of strategic and policy decisions.

Sustainability

Sustainability is the degree to which a government can maintain its existing financial obligations both in respect of the service commitment to the public and financial commitment to creditors, employees, and other without increasing the debt or tax burden. The ratio of assets to liabilities illustrates the extent to which a government finances its operations by issuing debt. A ratio of higher than one indicates that a government has accumulated surplus and has assets greater than debt. A ratio of less than one, or downward trending, may not be sustainable. For the ratio of financial assets to liabilities, a result of less than one indicates liabilities in excess of financial assets.

The City's ratio of assets to liabilities, and financial assets to liabilities, are positive and trending upward, to indicate strengthening sustainability: the current revenue is sufficient to cover operating costs; and resources are on hand that can finance future operations.

Figure 2. Sustainability Indicators



Flexibility

Flexibility refers to the degree to which a government can change its debt or tax burden on the economy within which it operates in order to meet its existing commitments. This provides insights into how a government manages its finances: increasing current borrowing reduces future flexibility to respond when adverse economic circumstances develop; increasing taxation or user fees reduces its ability to do so in the future as a government approaches the limit that citizens and businesses are willing to bear.

Public debt charges to revenues illustrates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial and services commitment in the current period. The more a government uses revenues to meet the interest costs on past borrowing, the less it will be available for program spending.

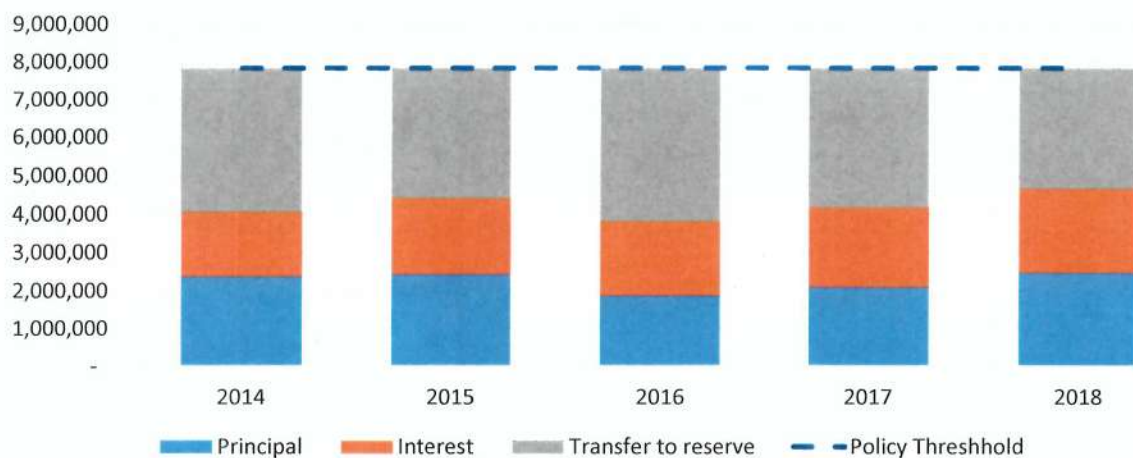
The City's external debt service costs include principal repayment and interest costs. The ratio of debt service costs to taxation revenue fluctuates in response to new debt issues, changes to interest rates, and debt issue maturity.

Figure 3. Debt Service Costs (principal repayment and interest costs) to Taxation Revenue



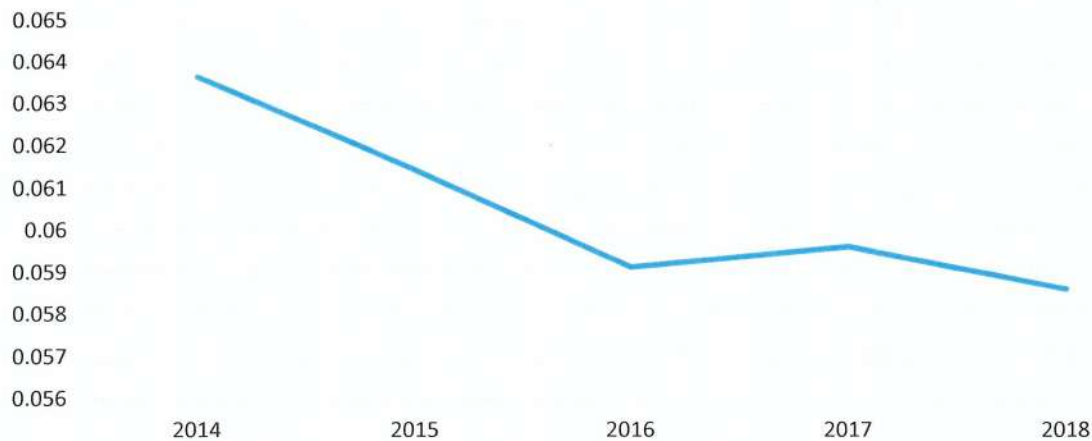
The City's Financial Sustainability Policy provides direction for debt management to maintain a constant threshold of debt service charges, which include external debt service costs and internal transfers to the Debt Reduction Reserve, at a conservative ratio of total debt services charges to taxation revenue well below the legislated allowable maximum. The buffer of transfers to reserves allows for debt service costs to fluctuate without having an impact on property taxes, and enables reserves to be built to allow internal borrowing as a lower cost alternative to external borrowing, both indicators of strength of flexibility.

Figure 4. Total Debt Service Charges



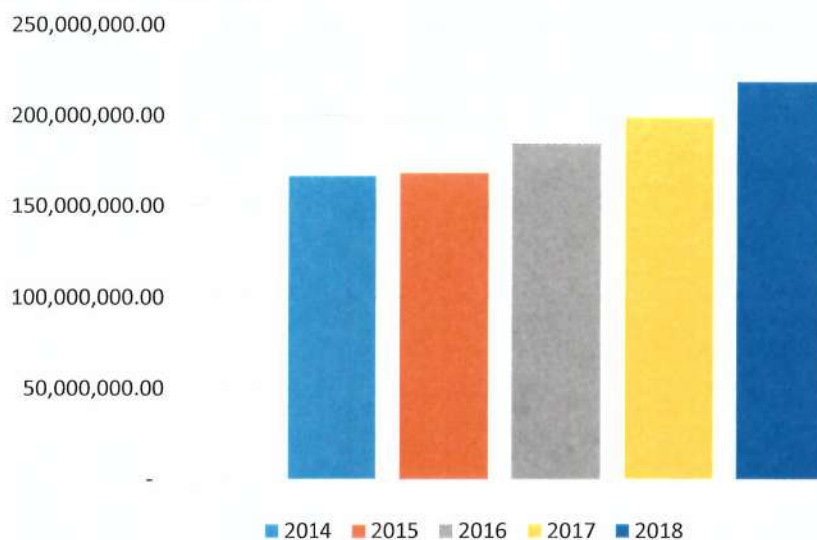
Maintaining the policy threshold level of total debt charges results in a downward trend of the debt charges to taxation revenue indicator, adding further strength to flexibility.

Figure 5. Total Debt Service Charges to Taxation Revenue



The City's Reserve Fund Policy, which was most recently reviewed and updated in 2015, guides the development and use of reserve funds. The City continues to grow reserve balances (Figure 6) in alignment with the City's strategic objectives for services and asset replacement funding requirements. The City does not yet have all master plans in place to determine asset replacement funding needs, however there is sufficient information to identify funding gaps for facilities, fleet and roads. Until complete asset master plans are developed, these gaps are addressed by continuing to grow reserve balances to support strengthening the City's sustainability and flexibility in relation to capital funding decisions.

Figure 6. Reserve Fund Balances

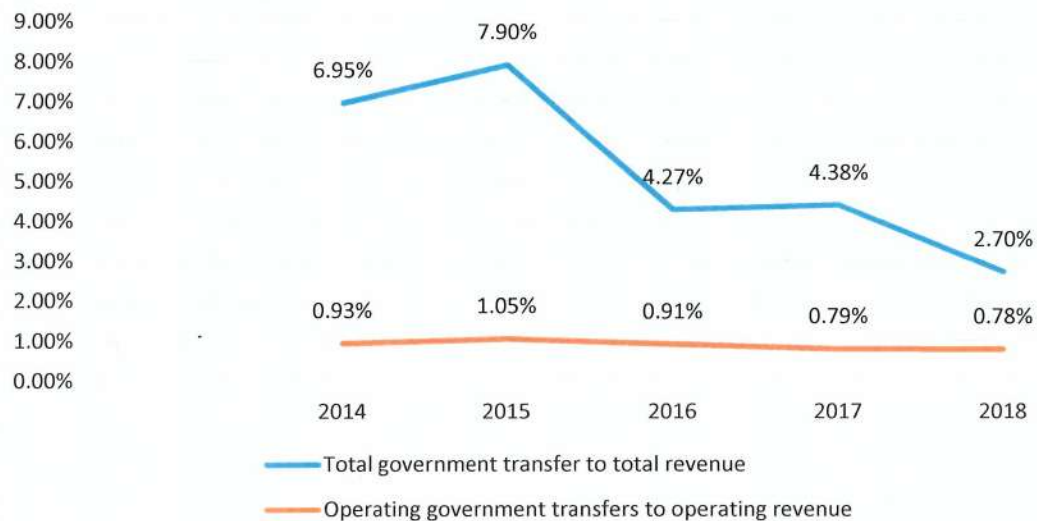


Vulnerability

Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations. A government whose vulnerability is relatively low has greater control over its financial condition.

The government transfers to total revenue indicator can provide insight into a government's vulnerability as a result of dependency on another government. The City's ratio of total government transfers to total revenue is at a downward trend, indicating a reduction of vulnerability. This ratio is impacted by large grants received for large capital projects. Considering only the operating government transfers received in relation to total operating revenue, the ratio is significantly lower and continues to trend downward.

Figure 7. Vulnerability Indicators



The City's Financial Sustainability Policy states in its Primary Objective that the "policies shall be designed and structured to develop principles that guide, support, and respect the direction of the community so that tax payers can look forward to stable, equitable and affordable property taxation". The indicators of financial condition illustrate that the application of these principles guide decisions that support building the City's financial strengths in sustainability and flexibility, while considering the risk of vulnerability.

Financial Statement Analysis

Accumulated Surplus

The Accumulated Surplus balance at December 31, 2018, as reported on the Statement of Financial Position, is \$675 million. This is the accumulation of the City's increases in equity in capital assets and reserve balances since its inception. The balance represents the total economic resources available to the City and indicates how much the City's assets exceed its liabilities.

Of the economic resources available, equity in capital assets makes up the most significant portion of the accumulated surplus balance, followed by reserve balances (Figure 2). The current year General Fund Surplus of \$4.554 million makes up a small portion of the Accumulated Surplus balance.

Figure 2. Accumulated Surplus

At December 31, 2018

\$675,279,247

Reserve
Balances,
215,119,543

2018 General
Fund Surplus,
4,544,049

Equity in
Tangible Capital
Assets,
455,615,655



This means that the majority of the \$675 million accumulated surplus consists of the City's tangible capital assets, such as roads, underground infrastructure, land, buildings, and equipment, along with funds set aside in reserves for future spending.

Annual Surplus

The annual surplus represents the economic resources gained by the City during the year and is reported on the Statement of Operations. The City's annual surplus for 2018 is \$55 million. Most of this surplus is comprised of increased equity in capital assets and growth in reserve balances (Figure 3). Of the total annual surplus balance, \$4.554 million is the General Fund surplus which is available for future spending.

The primary contributions to the 2018 General Fund surplus of \$4.554 million are higher than expected revenue from parking and the Victoria Conference Centre, as well as expenditures less than budgeted due to staff vacancies and unspent contingency. Council makes a decision annually on the use of the current year General Fund surplus which is incorporated into the following year's budget.

Figure 3. Annual Surplus

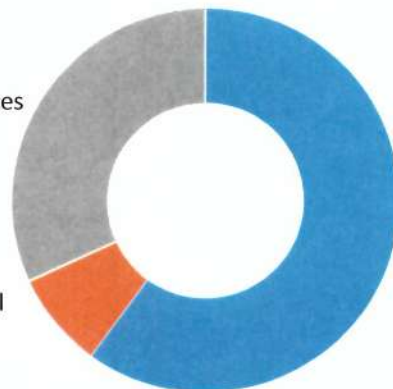
For the year ended December 31, 2018

\$55,356,780

Change in
Reserve Balances
17,598,158

2018 General
Operating
Surplus
4,544,049

Change in Equity
in Tangible
Capital Assets
33,214,575



Reserves

All of the City reserve funds were established by bylaw under section 188 of the Community Charter. Funding from these reserves can only be used for the specific purposes outlined in the bylaw.

In 2018 the City's reserves grew by \$19.5 million (Table 1). The reserve balance total includes funding for capital projects in progress. Funding is only drawn down from reserves as capital projects are completed; fewer projects than planned were completed by December 31; and some projects experienced schedule adjustments to begin at a later date.

Specific to 2018, Capital projects that are underway include:

- Cecelia Ravine New Park
- Topaz Park – Park Improvement Plan
- Bicycle Master Plan Implementation
- David Foster Harbour Pathway
- Ship Point Pier
- Summit Park – Playground Upgrade
- Gates of Harmonious Interest
- Parkade Repair and Rehabilitation
- Point Ellice Bridge Rehabilitation
- Public Washroom Improvements
- Laurel Point Remediation
- Vehicle and Heavy Equipment Replacement
- Water, sewer, and storm water mains replacement projects

Table 1. Reserve Balances

Reserve Fund Description	Dec 31, 2017	Transfer To	Transfer From	Interest	Dec 31, 2018
Financial Stability Reserves	\$ 54,794,384	\$ 4,832,852	\$ (698,067)	\$ 1,216,434	\$ 60,145,602
Equipment & Infrastructure Replacement Fund	131,429,907	29,657,678	(17,208,421)	2,917,743	146,796,907
Tax Sale Lands Fund	5,789,588	50,000	(1,992,161)	128,529	3,975,956
Parks and Greenways Acquisition Fund	2,724,295	482,608	(380,465)	60,479	2,886,917
Local Amenities	754,439	194,449	-	16,748	965,636
Affordable Housing	1,950,332	237,285		43,298	2,230,915
Climate Action	850,691	131,228	(206,360)	18,885	794,445
Art In Public Places	596,335	135,000	(277,107)	13,239	467,467
Downtown Core Area Public Realm Improvements	153,451	59,321	-	3,407	216,180
Heritage Building Seismic Upgrades	89,112	59,321	-	1,978	150,411
Total Reserve Funds Balance	\$ 199,132,534	\$35,839,743	\$ (20,762,581)	\$ 4,420,740	\$ 218,630,436

Development Cost Charges

Development Cost Charges (DCCs) are contributions from developers collected under bylaw to provide funds to assist the City to pay the capital costs of providing, constructing, altering or expanding transportation, water, drainage, and sewage facilities, and of providing and improving parkland related to population growth.

DCC balances (Table 2) increased in 2018 by \$354,619 in interest revenue allocated and \$3.17 million in charges, compared to \$2.47 million in charges collected in 2017. A total of \$114,173 was used to fund capital projects in 2018, compared to \$251,814 funded from the DCC balances in 2017.

A review of DCCs was completed in early 2017, and the City's DCC bylaw and rates were updated in the spring of 2017. At that time, Parks DCC projects and Sewer DCC projects were only partially updated due to the pending completion of the Parks and Open Spaces Master Plan and the update

of the Sewer Master Plan. Council also approved a DCC Policy, which contemplates annual inflationary updates to fees as well as a full review of the Bylaw and fees every five years.

In May 2018 Council approved updated DCC rates for parks and sewage to reflect newly available engineering and planning information, and to combine the Parkland Acquisition Fund and Parkland Development Fund. The amended DCC bylaw was adopted in September 2018.

Table 2. DCC Balances

Development Cost Charges	Dec 31, 2017	Transfer To	Transfer From	Interest	Dec 31, 2018
Water and Environment	\$ 748,807	\$ -	\$ 50,115	\$ 16,624	\$ 715,316
Transportation	6,614,538	1,121,996	38,881	146,843	7,844,496
Water	676,461	192,460	-	15,018	883,939
Drainage	393,136	120,500	-	8,728	522,364
Sewage	2,720,172	545,701	25,177	60,388	3,301,084
Parkland Acquisition and Development	4,820,647	1,193,963	-	107,018	6,121,628
Total Development Cost Charges	\$15,973,761	\$3,174,620	\$ 114,173	\$354,619	\$19,388,827

Capital Assets

The City's inventory of capital assets (Table 3), cost before accumulated amortization, increased by \$42 million with the most significant increases resulting from:

- \$11.8 million of water/sewer/storm drain infrastructure
- \$ 6.7 million of bridge infrastructure
- \$ 3.8 million of street rehabilitation
- \$ 3.4 million for Douglas Street Bus Lanes
- \$ 2.4 million for vehicle and heavy equipment replacement
- \$ 1.9 million of bicycle master plan implementation
- \$ 1.6 million for Laurel Point remediation

Table 3. Capital Assets

Capital Assets (Historical Costs)	2018	2017
Land	\$ 138,460,093	\$ 138,382,972
Buildings	114,660,197	112,096,953
Furniture, Equip, Tech & Vehicles	79,497,660	75,414,390
Roads, Bridges and Highways	222,495,284	109,137,764
Water Infrastructure	72,927,515	68,644,720
Sewer Infrastructure	28,089,393	24,210,056
Drainage Infrastructure	25,079,575	23,725,459
Assets Under Construction	27,772,870	115,308,436
Total Capital Assets	708,982,587	666,920,750
Accumulated Amortization	(183,960,929)	(171,136,014)
Total Capital Assets (Net Book Value)	\$ 525,021,658	\$ 495,784,736

Debt

The City's outstanding debt (Table 4) decreased in the year by \$3.98 million. No new debt was issued in 2018.

Debt Management is governed by the City's Financial Sustainability Policy, which directs that debt can only be incurred for one-time capital purchases and not for ongoing capital programs or operational expenses. The philosophy supporting the City's Financial Sustainability Policy and Reserve Fund Policy is to balance the use of debt and reserves for capital funding to recognize the appropriate sharing of funding from current taxpayers as well as future beneficiaries.

Table 4. Debt

Debt Issues (in millions)	Expiry Date	2018	2017
Issue 79, 80, 81 – Arena	2033 / 2034	20.32	21.22
Issue 102 – City Hall Upgrades & Burnside Gorge Community Centre	2022	1.46	1.80
Issue 105 – Crystal Gardens	2024	1.58	1.82
Issue 103, 105, 110 – Parkades Upgrades	2023 / 2023 / 2025	4.25	4.86
Issue 115, 130, 139, 142 – Johnson Street Bridge	2031 / 2034 / 2036/ 2037	41.66	43.55
Total Debt		\$69.27 m	\$73.25 m

Figure 5. Total Debt Balance over 5 years



Debt service charges (principal repayment, interest costs, and transfer to debt reduction reserve) are directed by the Financial Sustainability Policy to be maintained at a maximum of 7% of the prior year's property tax levy and new debt is added only in the years when other debt issues are retired. The current debt servicing costs (principal repayment and interest) are well below this level, therefore \$3 million is transferred to the Debt Reduction Reserve to be available for internal borrowing as an alternative to incurring external debt. This internal borrowing will allow funding for the replacement of Fire Department Headquarters to occur at a lower interest cost.

Portfolio Investments

The City's investment portfolio (Tables 5 and 6) returned \$5.39 million in 2018, an increase of \$1.95 million over 2017. The actual investment portfolio rate of return was 2.42%:

- 47.5% greater than the return of the MFA money market fund
- 24% greater than the City's average bank account interest rate

The increase in investment revenue over 2017 is due primarily to increased rates of return in the investment market.

The investment portfolio is governed by the City's Investment Policy, which prioritizes the safety of public funds through diversification, provides liquidity to meet cash flow demands, and yields the highest returns within the limits prescribed by Community Charter s.183, Investment of Municipal Funds.

Council has also directed staff to seek out investments that are fossil fuel free and has committed to investing in a new Socially Responsible Investment Fund through the Municipal Finance Authority, should it be created. Currently the market is limited in fossil fuel free investments that the City has the authority to invest in under the Community Charter. However, the largest portion of the City's investments are held with Credit Unions who generally have a philosophy that aligns with that principle. These investments currently also provide competitive yields in the market and therefore align with the City's policy for highest returns.

The majority of investment revenue is allocated to reserves, per the City's Reserve Fund Policy.

Table 5. Investment Portfolio

Investment Portfolio	Share	2018		Share	2017	
			Value			Value
MFA Pooled Investments (Cash and Cash Equiv)	30%	\$	73,532,054	31%	\$	69,527,783
Schedule 1 Banks	21%		51,000,000	23%		50,900,000
Credit Unions	49%		120,000,000	46%		102,000,000
	100%	\$	244,532,054	100%	\$	222,427,783

Table 6. Investment Returns

Investment Returns	2018	2017
Investment Returns	\$ 5,392,768	\$ 3,433,384
Actual Rate of Return	2.42%	1.60%
MFA Money Market Return	1.64%	0.98%
Average Bank Interest Rate	1.95%	1.20%

Figure 7. Rate of Return on Portfolio Investments over 5 years



Revenues and Expenses

The Financial Statements are presented in accordance with PSAB reporting standards to ensure comparability between government organizations across Canada. The budget information in the Statement of Operations was developed for the purpose of the Financial Plan, which is customized to the operations of individual government organizations. The format of the financial statements does not provide an effective comparison of budget to actual performance as the budget process does not take into account adjustments made for PSAB reporting standards.

In order to provide a meaningful comparison of budget to actual performance, additional schedules are attached to this report providing 2018 comparison of budget to actual for operating revenues and expenses (Appendix C), and capital expenditures (Appendix D). These comparisons are provided in the format for budget reporting for the year.

Information Presentation

Recently Council passed a motion to improve governance and transparency. This report speaks to two of the best practices identified in the motion:

- Publish information on Council member expense on a quarterly basis
- Provide clear and accessible summaries of financial information in the municipality's Annual Report and in annual financial planning documents

The City's quarterly reporting has been updated and will include information on Council member expenses, beginning with 2019 Q1.

The City continues to fulfill statutory obligations to provide an Annual Report and Audited Financial Statements that meet the requirements of the Community Charter. Specific to the motion, the annual report provides an annual summary of the quarterly progress reports and provides key highlights and performance measures in visual graphics so that it is easily understood. The annual financial planning documents includes an in-depth detailed plan as well as short versions of the budget and financial information highlights.

CONCLUSION

BDO conducted the City's 2018 audit and have stated in the Auditor's Report their opinion is that these financial statements present fairly, in all material respects, the City's financial position as of December 31, 2018, and its results of operations and changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Respectfully submitted,



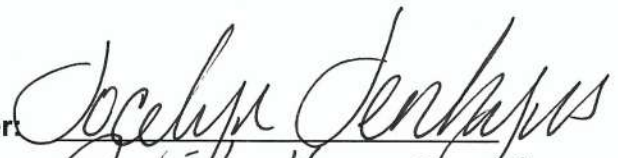
Laurel Westinghouse
Manager, Accounting



Susanne Thompson
Deputy City Manager/CFO

Report accepted and recommended by the City Manager:

Date:


April 16, 2019

List of Appendices

- Appendix A – Draft Audited Financial Statements for the year ended December 31, 2018
- Appendix B – Audit Findings Report
- Appendix C – Budget to Actual Operating Revenues and Expenses
- Appendix D – Budget to Actual Capital Expenditures

Appendix A

The Corporation of the City of Victoria
Financial Statements
For the year ended December 31, 2018

The Corporation of the City of Victoria
Financial Statements
For the year ended December 31, 2018

	Contents
Management's Responsibility for the Financial Statements	1
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 32

Management's Responsibility for the Financial Statements

The accompanying financial statements of The Corporation of the City of Victoria (the "City") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the City. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's financial statements.

City Manager

Deputy City Manager/CFO

April XX, 2019

Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the City of Victoria

Opinion

We have audited the financial statements of The Corporation of the City of Victoria, which comprise the Statement of Financial Position as at December 31, 2018, the Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and its results of operations, its changes in net financial assets, and 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 report. We are independent of the City 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 these financial statements in accordance with Canadian public 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 City'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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City'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 these financial statements.

Independent Auditor's Report

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 City'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 City'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 City 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.

We 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, British Columbia

April XX, 2019

The Corporation of the City of Victoria
Statement of Financial Position

December 31	2018	2017
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 104,955,258	\$ 110,003,479
Accounts receivable		
Property taxes	1,652,910	1,816,637
Other (Note 3)	31,117,781	31,000,807
Portfolio investments (Note 4)	171,000,025	137,900,025
Mortgage receivable (Note 5)	893,216	865,687
Other assets	56,774	1,798
Restricted cash (Note 18)	1,270,467	1,243,414
	<u>310,946,431</u>	<u>282,831,847</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	28,578,753	29,406,143
Deposits and prepayments	17,638,717	15,664,116
Deferred revenue (Note 7)	30,602,821	24,876,181
Long-term debt (Note 8)	69,272,953	73,250,606
Employee future benefit liability (Note 9)	17,896,700	17,688,187
	<u>163,989,944</u>	<u>160,885,233</u>
Net Financial Assets	<u>146,956,487</u>	<u>121,946,614</u>
Non-Financial Assets		
Tangible capital assets (Note 10)	525,021,658	495,784,736
Inventory of supplies	1,147,765	1,045,591
Prepaid expenses and deposits	2,153,337	1,145,524
	<u>528,322,760</u>	<u>497,975,851</u>
Accumulated Surplus (Note 11)	<u>\$ 675,279,247</u>	<u>\$ 619,922,465</u>
Contractual obligations (Note 16)		
Contingent liabilities (Note 18)		

Deputy City Manager/CFO

Mayor

The Corporation of the City of Victoria
Statement of Operations

For the year ended December 31	Financial Plan 2018 (Note 19)	2018	2017
Revenue			
Taxation (Note 12)	\$ 133,485,983	\$ 133,547,760	\$ 127,697,471
Net grants in lieu of taxes	6,186,400	6,249,533	6,328,534
Sale of goods and services	48,215,251	54,890,533	51,152,653
Sale of water	19,760,763	21,040,252	20,516,753
Licences and permits	4,509,840	5,273,383	4,417,980
Fines	3,255,000	3,767,054	3,399,598
Rentals and leases	1,480,817	1,536,055	1,489,176
Other penalties and interest	790,000	656,745	658,474
Investment income	2,700,000	5,418,758	3,493,023
Unconditional transfers (Note 13)	1,755,000	1,861,494	1,755,723
Conditional transfers (Note 13)	5,258,000	5,002,380	8,708,374
Actuarial adjustment on debt	-	912,982	781,729
Miscellaneous (Note 14)	10,095,133	14,114,047	8,337,747
	<u>237,492,187</u>	<u>254,270,976</u>	<u>238,737,235</u>
Expenses			
General government	21,247,635	18,096,703	16,868,104
Protective services	75,837,496	76,001,095	75,128,184
Transportation services	24,794,439	29,112,312	25,980,557
Environmental and public health services	8,122,039	7,835,510	7,614,739
Social services and housing	1,048,186	1,250,590	1,550,606
Planning and development	15,290,711	17,381,621	15,353,385
Parks, recreation and cultural services	30,493,687	30,273,382	28,937,509
Water utility	14,660,592	15,106,478	14,257,562
Sewer utility	3,890,415	3,856,503	3,561,492
	<u>195,385,200</u>	<u>198,914,194</u>	<u>189,252,138</u>
Annual Surplus	42,106,987	55,356,782	49,485,097
Accumulated Surplus, beginning of year	619,922,465	619,922,465	570,437,368
Accumulated Surplus, end of year	<u>\$ 662,029,452</u>	<u>\$ 675,279,247</u>	<u>\$ 619,922,465</u>

The Corporation of the City of Victoria
Statement of Change in Net Financial Assets

For the year ended December 31	Financial Plan 2018 (Note 19)	2018	2017
Annual Surplus	\$ 42,106,987	\$ 55,356,782	\$ 49,485,097
Net acquisition of tangible capital assets	(95,200,000)	(42,634,040)	(52,894,881)
Amortization of tangible capital assets	10,000,000	13,334,709	11,872,574
Gain on disposal of tangible capital assets	-	(8,651)	(112,225)
Proceeds on disposal of tangible capital assets	-	71,060	112,225
	(43,093,013)	29,236,921	8,462,790
Net consumption of inventory of supplies	-	(102,174)	(81,378)
Net acquisition (use) of prepaid expenses and deposits	-	(1,007,813)	34,051
Change in Net Financial Assets	(43,093,013)	25,009,873	8,415,463
Net Financial Assets, beginning of year	121,946,614	121,946,614	113,531,151
Net Financial Assets, end of year	\$ 78,853,601	\$ 146,956,487	\$ 121,946,614

The Corporation of the City of Victoria
Statement of Cash Flows

For the year ended December 31

2018

2017

Cash provided by (used in):

Operating Transactions

Annual surplus	\$ 55,356,782	\$ 49,485,097
Items not involving cash		
Amortization of tangible capital assets	13,334,709	11,872,574
Gain on disposal of tangible capital assets	(8,651)	(112,225)
Change in future employee benefits and other liability	208,513	637,064
Actuarial adjustment on debt	(912,982)	(781,729)
Changes in non-cash operating assets and liabilities		
Accounts receivable other	(116,974)	(3,035,800)
Property taxes receivable	163,727	862,924
Mortgage receivable	(27,529)	(26,680)
Other assets	(54,976)	466
Restricted cash	(27,053)	(118,426)
Accounts payable and accrued liabilities	(827,390)	2,330,293
Deposits and prepayments	1,974,601	2,057,026
Deferred revenue	5,726,640	5,539,233
Inventory of supplies	(102,174)	(81,378)
Prepaid expenses and deposits	(1,007,813)	34,051

73,679,430 68,662,490

Capital Transactions

Acquisition of tangible capital assets	(42,634,040)	(52,894,881)
Proceeds on disposal of tangible capital assets	71,060	112,225
	(42,562,980)	(52,782,656)

Investing Transactions

Net increase in portfolio investments	(33,100,000)	(1,000,000)
---------------------------------------	--------------	-------------

Financing Transactions

Debt issued	-	9,600,000
Debt repayments	(3,064,671)	(2,691,090)
	(3,064,671)	6,908,910

Increase (decrease) in Cash and Cash Equivalents

(5,048,221) 21,788,744

Cash and Cash Equivalents, beginning of year

110,003,479 88,214,735

Cash and Cash Equivalents, end of year

\$ 104,955,258 \$ 110,003,479

The Corporation of the City of Victoria

Notes to the Financial Statements

December 31, 2018

The Corporation of the City of Victoria (the "City") is incorporated and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The City provides municipal services such as: protective services, transportation services, environmental and public health services, community planning, parks, recreation and community development, water utility, sewer utility and other general government operations.

The financial statements of The Corporation of the City of Victoria (the "City") are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the City are as follows:

1. Significant Accounting Policies

(a) Reporting Entity

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues and expenses of all of the City's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

The financial statements exclude trust assets that are administered for the benefit of external parties (Note 15).

(b) Basis of Accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are accounted for in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period the transfers are authorized and any eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue and are recognized over the period that the liability is settled.

(d) Deferred Revenue

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or the services are performed.

(e) Deposits and Prepayments

Receipts restricted by third parties for future services or repayment are deferred and reported as deposits and are refundable under certain circumstances. Deposits and prepayments are recognized as revenue when qualifying expenditures are incurred.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

(f) Taxation Revenue

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal services in the year they are levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

Through the British Columbia Assessment's appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded.

(g) Investment Income

Investment income is reported as revenue in the period earned. When required by the funding agreement, investment income earned on deferred revenue is deferred and forms part of the deferred revenue balance.

(h) Cash and Cash Equivalents

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

(i) Long-Term Debt

Long-term debt is recorded net of related sinking fund balances and actuarial earnings.

(j) Employee Future Benefits

- (i) The City and its employees make contributions to the GVLRA- CUPE Long Term Disability Trust and Municipal Pension Plan. As these are multi-employer pension plans, contributions are expensed as incurred.
- (ii) Sick leave and other retirement benefits are also available to the City's employees. The costs of these benefits are actuarially determined based on years of service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

The Corporation of the City of Victoria

Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

(k) Non-Financial Assets

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

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

	Useful life in years
Land improvements	15-50
Buildings	20-50
Furniture, equipment, technology and motor vehicles	5-25
Roads, bridges and highways	10-80
Water infrastructure	20-125
Sewer infrastructure	50-100
Drainage infrastructure	50-100

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset. Assets under construction are not amortized until the asset is available for service. The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural Resources

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

(iv) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

(k) Non-Financial Assets (Continued)

(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. 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 held for consumption are recorded at the lower of cost and replacement cost.

(vii) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made upon adoption of accounting standard PSAS 3150 - Tangible Capital Assets, the tangible capital asset was recognized at a nominal value.

(l) 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating useful lives of tangible capital assets, estimating provisions for accrued liabilities, estimates related to contaminated sites and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

(m) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Authority 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. No liability for contaminated sites exists as at December 31, 2017 or 2018.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

2. Cash and Cash Equivalents

	<u>2018</u>	<u>2017</u>
Cash	\$ 31,423,204	\$ 25,475,696
MFA Money Market Funds	73,532,054	69,527,783
Guaranteed investment certificate	-	15,000,000
	<u>\$ 104,955,258</u>	<u>\$ 110,003,479</u>

3. Accounts Receivable

	<u>2018</u>	<u>2017</u>
Sewer	\$ 3,850,910	\$ 3,468,768
Water	14,885,088	14,800,754
Grants	2,466,218	4,741,274
GST and carbon tax	455,020	772,560
Investment interest income	1,461,091	923,120
Parks, recreation and community development	2,571,827	2,304,463
Municipal tickets	1,585,811	1,411,054
Victoria police department	1,160,651	875,504
Rental properties	64,334	69,053
Permits	475,856	334,811
Garbage	532,044	505,837
Third party billing	544,892	406,507
Miscellaneous	2,099,374	1,182,507
Valuation allowance	(1,035,335)	(795,405)
	<u>\$ 31,117,781</u>	<u>\$ 31,000,807</u>

The Corporation of the City of Victoria Notes to the Financial Statements

December 31, 2018

4. Portfolio Investments

	Yield	Maturity	2018	2017
Schedule 1 bank bonds	3.10%	December 17, 2019	\$ 9,000,000	\$ -
Term deposits	2.35% to 3.07%	December 24, 2019	162,000,025	137,900,025
			<u>\$ 171,000,025</u>	<u>\$ 137,900,025</u>

Portfolio investments are comprised of Canadian bank bonds and Guaranteed Investment Certificates of Canadian Banks and Credit Unions with yields of 2.35% to 3.07% (2017 - 1.88% to 2.25%), and maturity dates to December 24, 2019. The City's investments are carried at cost which approximates market values.

5. Mortgage Receivable

In 2011, the Federal Government of Canada entered into an agreement with the Capital Regional District to provide a financial contribution for new permanent, safe, transitional and supportive housing. Subsequently, the Capital Regional District entered into a sub project funding agreement in which \$1,200,000 was contributed to the City towards the purchase of two properties within the City. The agreement states that if the properties are not operated for their intended purpose or are sold and the proceeds of disposition are not applied to providing similar services then the City will be required to repay the contribution amount. The amount of the required repayment is dependent on the length of time that the intended purpose of the contribution is met and extends to March 31, 2026 at which point no further repayment is required.

In 2013, one of the properties was purchased by Provincial Rental Housing Corporation. In 2015, the remaining property was purchased by a not-for-profit housing society and a mortgage of \$1,300,000 was issued by the City. The mortgage bears no interest and is secured by the property. Payment is not due until the mortgage matures on September 15, 2029. The mortgage is guaranteed by BC Housing Management Commission, therefore if the not-for-profit organization defaults on the terms of the loan, BC Housing Management Commission assumes responsibility for the loan repayment. The balance represents the present value of the payment, using the City's estimated cost of borrowing.

Both purchases include transfer of the funding agreement repayment obligation applicable to each property.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

6. Accounts Payable and Accrued Liabilities

	2018	2017
Trade account payable and other liabilities	\$ 11,055,700	\$ 8,662,899
Capital projects	3,156,782	3,484,069
Payroll accounts payable	7,940,805	7,213,279
Contract holdbacks	717,393	6,192,934
School authorities	651,689	686,706
Capital Regional District	437,644	445,004
Capital Regional District sewer	2,374,072	1,378,996
Legal settlements	1,916,051	1,003,683
Recreation Integration Victoria	86,472	81,830
BC Transit	130,151	140,112
Regional Hospital District	92,429	96,469
BC Assessment Authority	19,565	20,162
	<u>\$ 28,578,753</u>	<u>\$ 29,406,143</u>

7. Deferred Revenue

	2018	2017
Building permit fees	\$ 7,182,343	\$ 5,612,043
Development cost charges	19,388,787	15,973,761
General operating deferred revenue	4,031,691	3,290,377
	<u>\$ 30,602,821</u>	<u>\$ 24,876,181</u>

Building permit fees

	2018	2017
Opening balance of building permit fees	\$ 5,612,043	\$ 3,958,073
Add: fees and contributions received	3,917,843	3,666,196
Less: revenue earned and/or fees refunded	(2,347,543)	(2,012,226)
	<u>\$ 7,182,343</u>	<u>\$ 5,612,043</u>

Development cost charges

	2018	2017
Opening balance of unspent funds	\$ 15,973,761	\$ 13,534,862
Add: development cost charges received during year	3,174,580	2,474,357
Add: interest earned	354,619	216,357
Less: amount spent on projects and recorded as revenue	(114,173)	(251,815)
	<u>\$ 19,388,787</u>	<u>\$ 15,973,761</u>

The Corporation of the City of Victoria

Notes to the Financial Statements

December 31, 2018

7. Deferred Revenue (Continued)

Development cost charges include the following:

	2018	2017
Water and environment	\$ 715,316	\$ 748,809
Transportation	7,844,455	6,614,537
Water	883,940	676,462
Drainage	522,365	393,136
Sewage	3,301,083	2,720,171
Parkland acquisition and development	6,121,628	4,820,646
	<u>\$ 19,388,787</u>	<u>\$ 15,973,761</u>

There are no waivers and/or reductions in development cost charges during 2018 or 2017.

8. Long-Term Debt

The City issues debt instruments through the Municipal Finance Authority ("MFA"), pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures. Sinking fund balances, managed by the MFA, are used to reduce long-term debt. Interest rates on long-term debt range from 2.10% to 4.90%. The weighted average interest rate for 2018 was 2.91% (2017 - 3.03%).

(a) Gross amount of debt and the repayment and actuarial earnings to retire the debt are as follows:

	Rate	Gross debt	Repayment & actuarial earnings	Net debt 2018	Net debt 2017	Year of Maturity
Issue 79	2.10%	10,000,000	(3,341,759)	6,658,241	6,964,861	2033
Issue 80	2.40%	10,000,000	(3,287,481)	6,712,519	7,014,160	2033
Issue 81	2.40%	10,000,000	(3,052,111)	6,947,889	7,241,543	2034
Issue 102	2.25%	4,509,000	(3,046,901)	1,462,099	1,796,523	2022
Issue 103	4.65%	1,800,000	(1,109,083)	690,917	822,398	2023
Issue 105	4.90%	5,240,015	(2,833,472)	2,406,543	2,772,968	2024
Issue 110	4.50%	5,200,000	(2,462,893)	2,737,107	3,088,846	2025
Issue 115	3.89%	10,200,000	(2,727,336)	7,472,664	7,908,274	2031
Issue 130	3.00%	23,200,000	(3,336,686)	19,863,314	20,747,183	2034
Issue 139	2.10%	5,500,000	(418,485)	5,081,515	5,293,850	2036
Issue 142	3.15%	9,600,000	(359,855)	9,240,145	9,600,000	2037
		<u>\$ 95,249,015</u>	<u>\$ (25,976,062)</u>	<u>\$ 69,272,953</u>	<u>\$ 73,250,606</u>	

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

8. Long-Term Debt (Continued)

- (b) Future aggregate payments of net outstanding debenture debt, including sinking fund payments, over the next five years and thereafter are as follows:

2019	\$ 4,091,598
2020	4,258,040
2021	4,431,404
2022	4,611,983
2023	4,394,540
Thereafter	<u>47,485,388</u>
Total	<u>\$ 69,272,953</u>

- (c) Scheduled debt repayments may be suspended in the event of excess sinking fund earnings within the MFA. Principal paid during the year was \$3,064,671 (2017 - \$2,691,090). Interest paid during the year was \$2,769,203 (2017 - \$2,668,366).

9. Employee Future Benefit Liability

Information about liabilities for the City's employee obligation is as follows:

	2018	2017
Accrued benefit obligation		
Balance, beginning of year	\$ 18,270,101	\$ 18,093,001
Service cost	1,298,000	1,389,300
Interest cost	537,300	618,700
Benefits payments	(1,801,600)	(1,364,400)
Immediate recognition loss/(gain) for event driven liabilities	90,000	(167,700)
Actuarial gain (loss)	<u>(818,600)</u>	<u>(298,800)</u>
Accrued benefit obligation, end of year	17,575,201	18,270,101
Less unamortized net actuarial loss	(72,059)	(1,022,577)
Add pension over contributions due to staff	<u>393,558</u>	<u>440,663</u>
Accrued benefit liability, end of year	<u>\$ 17,896,700</u>	<u>\$ 17,688,187</u>

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

9. Employee Future Benefit Liability (Continued)

The accrued benefit obligation and the benefit costs for the year were estimated by actuarial valuation as of December 31, 2018 by an independent actuarial firm. Key estimates were used in the valuation including the following:

	2018	2017
Discount rates	3.30%	2.90%
Expected future inflation rates	2.25%	2.25%
Expected wage and salary increases	2.33% to 4.38%	2.33% to 4.38%
Estimated average remaining service life of employees	11 years	11 years

The accrued benefit liability includes both vested and non-vested amounts as follows:

	City	Police	2018	2017
Vested benefits	\$ 4,828,606	\$ 8,052,435	\$ 12,881,041	\$ 12,185,123
Non-vested benefits	4,015,957	999,702	5,015,659	5,503,064
Total accrued benefit liabilities	8,844,563	9,052,137	17,896,700	17,688,187
Charged to operating fund surplus in current and past years	(4,828,605)	(7,676,753)	(12,505,358)	(11,722,766)
Portion of benefits charged against reserves	\$ 4,015,958	\$ 1,375,384	\$ 5,391,342	\$ 5,965,421

Vested benefits include lump sum payments, death benefits, and certain sick leave and vacation in the year of retirement benefits. Vested benefits are contractually required to be paid to an employee regardless of their future employment. Non-vested benefits include long service leave, personal leave program and certain sick leave programs. Non-vested benefits are conditional upon future employment.

GVLRA - CUPE Long Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long term disability income benefit plan. The City and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2017. At December 31, 2017, the total plan provision for approved claim was \$15,844,900 and the provision for unreported claims was \$1,332,400 with an accumulated surplus of \$3,852,573. The total plan provision for approved and unreported claims and net surplus or deficit at December 31, 2018 will be available later in 2019.

The City paid \$561,314 (2017 - \$584,709) for employer contributions and City employees paid \$561,314 (2017 - \$584,709) for employee contributions to the Plan in fiscal 2018.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

9. Employee Future Benefit Liability (continued)

Municipal Pension Plan

The City of Victoria and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan) (the "Plan"). The Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of the 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.

The most recent valuation for the Municipal Pension Plan as of December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation will be as at December 31, 2018, with results available later in 2019.

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 costs to individual employers participating in the Plan.

The City of Victoria paid \$11,515,427 (2017 - \$11,428,849) for employer contributions and City of Victoria employees paid \$9,089,467 (2017 - \$8,964,286) for the Plan in fiscal 2018.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

10. Tangible Capital Assets

	Land & land improvements	Buildings	Furniture, equipment, technology, motor vehicles	Roads, bridges, highways	Water infrastructure	Sewer infrastructure	Drainage infrastructure	Assets under construction	2018 Total	2017 Total
Cost, beginning of year	\$ 138,382,972	\$ 112,096,953	\$ 75,414,390	\$ 109,137,764	\$ 68,644,720	\$ 24,210,056	\$ 23,725,459	\$ 115,308,436	\$ 666,920,750	\$ 615,114,599
Additions	77,121	2,563,244	4,655,474	113,357,520	4,282,795	3,879,337	1,354,116	17,375,364	147,544,971	58,388,705
Disposals/transfers	-	-	(572,204)	-	-	-	-	(104,910,930)	(105,483,134)	(6,582,554)
Cost, end of year	138,460,093	114,660,197	79,497,660	222,495,284	72,927,515	28,089,393	25,079,575	27,772,870	708,982,587	666,920,750
Accumulated amortization, beginning of year	364,846	45,824,855	51,390,274	53,990,355	10,156,679	6,039,089	3,369,917	-	171,136,015	160,352,170
Disposals	-	-	(509,795)	-	-	-	-	-	(509,795)	(1,088,730)
Amortization	102,513	2,939,857	5,390,730	3,709,876	645,169	299,735	246,829	-	13,334,709	11,872,574
Accumulated amortization, end of year	467,359	48,764,712	56,271,209	57,700,231	10,801,848	6,338,824	3,616,746	-	183,960,929	171,136,014
Net carrying amount, end of year	\$ 137,992,734	\$ 65,895,485	\$ 23,226,451	\$ 164,795,053	\$ 62,125,667	\$ 21,750,569	\$ 21,462,829	\$ 27,772,870	\$ 525,021,658	\$ 495,784,736

- a.) Work in Progress - Assets under construction having a value of \$27,772,870 (2017 - \$115,308,436) have not been amortized. Amortization of these assets will commence when the asset is put into service.
- b.) Contributed Assets - No contributed assets have been recognized in 2018 or 2017
- c.) Tangible Capital Assets Disclosed at Nominal Values - Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.
- d.) Works of Art and Historical Treasures - The City manages and controls various works of art and non-operational historical cultural assets. These assets are not recorded as tangible capital assets are not amortized.
- e.) Write down of Tangible Capital Assets - No write down of tangible capital assets occurred during 2018 or 2017.
- f.) Leased Tangible Capital Assets - Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

11. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	<u>2018</u>	<u>2017</u>
Surplus		
Equity in tangible capital assets	<u>\$ 455,615,655</u>	<u>\$ 422,401,080</u>
Non-Statutory Reserve Accounts		
Development Stabilization Reserve Account	1,880,449	327,846
Reserves		
Operating Fund	4,544,049	4,026,427
Financial Stability Reserves	60,145,602	54,794,382
Equipment and Infrastructure Replacement Fund	146,796,907	131,429,908
Tax Sale Lands Fund	3,975,956	5,789,588
Parks and Greenways Acquisition Fund	2,886,917	2,724,295
Local Amenities	965,636	754,439
Victoria Housing Fund	2,230,915	1,950,332
Climate Action	794,445	850,691
Art in Public Places	467,467	596,335
Downtown Core Area Public Realm Improvements	216,180	153,451
Downtown Heritage Building Seismic Upgrades	150,411	89,112
Less:		
Underfunded employee benefit obligation (Note 9)	<u>(5,391,342)</u>	<u>(5,965,421)</u>
Total reserves	<u>219,663,592</u>	<u>197,521,385</u>
	<u><u>\$ 675,279,247</u></u>	<u><u>\$ 619,922,465</u></u>

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

12. Taxation

Taxation revenue, reported on the Statement of Operations is made up of the following:

	Financial Plan 2018	2018	2017
General taxation			
General municipal purposes	\$ 130,751,783	\$ 130,751,326	\$ 124,916,051
Utility 1% tax	1,329,000	1,329,555	1,300,830
Collections for other governments			
Capital Regional District	-	23,152,530	21,072,574
School Authorities	-	49,533,747	48,471,680
Regional Hospital District	-	7,792,266	7,681,732
Municipal Finance Authority	-	6,857	5,971
BC Assessment Authority	-	1,530,969	1,463,498
BC Transit	-	8,520,191	8,673,719
Business Improvement Association	-	1,066,050	1,035,314
Special assessments			
Boulevard frontage	535,200	535,042	538,235
Specified area improvement	81,000	138,852	150,370
Sewer frontage	789,000	792,985	791,985
Hotel tax			
Tourism Victoria	-	-	-
Victoria Conference Centre	-	-	-
	<u>133,485,983</u>	<u>225,150,370</u>	<u>216,101,959</u>
Less taxes levied for other authorities			
Capital Regional District	-	23,152,530	21,072,574
School Authorities	-	49,533,747	48,471,680
Regional Hospital District	-	7,792,266	7,681,732
Municipal Finance Authority	-	6,857	5,971
BC Assessment Authority	-	1,530,969	1,463,498
BC Transit	-	8,520,191	8,673,719
Business Improvement Association	-	1,066,050	1,035,314
	<u>-</u>	<u>91,602,610</u>	<u>88,404,488</u>
Net taxes available for municipal purposes	<u>\$ 133,485,983</u>	<u>\$ 133,547,760</u>	<u>\$ 127,697,471</u>

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

13. Government Transfers

The City recognizes the transfer of government funding as revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Statement of Operations are:

	Financial Plan 2018	2018	2017
Unconditional transfers			
Traffic fine revenue sharing	\$ 1,755,000	\$ 1,861,494	\$ 1,755,723
Conditional transfers			
Jail	34,000	28,947	38,884
Gas tax	3,591,000	3,590,746	3,474,900
Infrastructure grants:			
General capital	250,000	-	1,019,492
Johnson Street Bridge	1,383,000	1,382,687	3,550,355
Cost-sharing agreements:			
General capital	-	-	624,743
	5,258,000	5,002,380	8,708,374
	\$ 7,013,000	\$ 6,863,874	\$ 10,464,097

Traffic Fine Revenue Sharing program is an unconditional grant provided to municipalities to assist in ensuring community safety and addressing community specific strategic priorities. The program returns 100% of net revenues from traffic violations to municipalities that are directly responsible for paying for policing.

Gas Tax is provided by the Government of Canada. The use of the funding is established by a funding agreement between the City and the Union of British Columbia Municipalities. These funds may be used towards designated infrastructure projects that achieve positive environmental results.

Infrastructure grants related to the Johnson Street Bridge Replacement Project are restricted to eligible expenses as defined by the funding agreement established between the City, Union of British Columbia Municipalities and The Government of Canada's Building Canada Fund Program.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

14. Miscellaneous Revenue

	Financial Plan 2018	2018	2017
Third party billing, cost sharing and recoveries	\$ 6,208,010	\$ 8,853,770	\$ 3,658,808
Arena lease equivalent, share of naming rights and ticket surcharge	634,000	738,040	504,133
CREST levy	400,000	341,672	338,395
Rezoning applications	371,250	1,237,618	984,657
Dog licences and fines	210,000	384,722	355,476
Bus shelter advertising	150,000	171,765	188,264
Tax certificates	125,000	127,060	145,585
Bonus density	-	280,341	-
Traffic and sidewalk permits	138,250	126,487	118,203
Fortis franchise fee	574,000	573,805	542,359
Development cost charges	671,000	105,147	251,815
Other: administrative fees, lease fees, information sales and asset disposals	613,623	1,173,620	1,250,052
	<u>\$ 10,095,133</u>	<u>\$ 14,114,047</u>	<u>\$ 8,337,747</u>

Third party billing and CREST levy are offset by expenses therefore budget variance has no impact on the City's operating surplus. Ticket surcharge revenue from the arena is impacted by arena annual operational activity. Amounts for bonus density are not determinable in advance, and do not impact operating surplus as balances are transferred to reserves, therefore no budget amount is provided in the Financial Plan.

15. Trust Funds

Trust funds administered by the City have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations .

	2018	2017
Ross Bay Cemetery	\$ 1,024,932	\$ 972,181
Nature Interpretation Centre	632,668	618,928
Bastion Square Revitalization	242,524	237,256
	<u>\$ 1,900,124</u>	<u>\$ 1,828,365</u>

The Ross Bay Cemetery Trust is a fund for the non-commercial Ross Bay Cemetery and is used for perpetual maintenance.

The Nature Interpretation Centre is a trust for the construction of a nature interpretation centre in Beacon Hill Park.

The Bastion Square Revitalization Trust is a trust received from the Bastion Square Association Society for the sole purpose of improving Bastion Square.

The Corporation of the City of Victoria

Notes to the Financial Statements

December 31, 2018

16. Contractual obligations

In the normal course of business, the City enters into commitments for both capital and operational expenses. These commitments have been budgeted for within the appropriate annual budget and have been approved by Council.

17. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The significant contractual rights that existed at December 31, 2018 are as follows:

Lease revenue

The City has entered into a number of fixed term lease agreements for the use of City owned land and/or buildings that are anticipated to provide the City with future revenues.

Developer contributions

The City has entered into a number of public works development agreements which require the developers to contribute various infrastructure assets to the City. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at time of contribution, which cannot be determined with certainty at this time.

18. Contingent Liabilities

The City is a defendant in various lawsuits. 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. Included in reserve funds is an insurance reserve of \$4,003,695 (2017 - \$3,916,744), maintained to offset settlements and insurance coverage is maintained to provide for insurable claims should they exceed the liability deductible of \$1,000,000 in any year. As of November 2008, the City joined the Municipal Insurance Association and all insurable claims from that date forward will be subject to a liability deductible of \$250,000 in any year.

Change orders for significant additional construction costs have been presented to the City by the contractor responsible for the construction of the Johnson Street Bridge. A smaller amount has been claimed to be owing by the City for additional fees by the designer of the Bridge. The City disputes that it owes any amount to either party. Litigation has been commenced by both parties and the City is represented by legal counsel. Any settlement is subject to approval by City Council.

The Corporation of the City of Victoria

Notes to the Financial Statements

December 31, 2018

18. Contingent Liabilities (Continued)

Under borrowing arrangements with the Municipal Finance Authority, the City is required to lodge security by means of demand notes and interest bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the City's financial assets as restricted cash and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the City. At December 31, 2018 the balance of the deposits was \$1,270,467 (2017 - \$1,243,414). At December 31, 2018 there were contingent demand notes of \$2,490,784 (2017 - \$2,490,784) which are not included in the financial statements of the City.

Capital Regional District debt, under provisions of the Local Government Act, is a direct, joint and several liability of the Capital Regional District and each member municipality within the Capital Regional District, including the City.

The City of Victoria and the District of Saanich established the Board of Cemetery Trustees of Greater Victoria (the "Board") in 1922 under the Municipal Cemeteries Act. The Board is a not-for profit organization that operates the Royal Oak Burial Park. The terms of the agreement provides the Board a borrowing limit of \$3 million with the City and the District of Saanich providing equal guarantee. At December 31, 2018 the Board had an outstanding demand loan of \$1,196,655 (2017 - \$1,819,791) with the Bank of Montreal and long-term debt of \$821,814 (2017 - \$884,041) through the Municipal Finance Authority. The City's guarantee portion of the outstanding debt at December 31, 2018 is \$1,009,235 (2017 - \$1,351,916).

The City is reviewing environmental objectives and potential liabilities for its activities and properties including potential site reclamation obligations. The amount of any such obligations is not presently determinable.

The City is a shareholder and member of Capital Regional Emergency Service Telecommunications (CREST) Incorporated, which provides centralized emergency communications and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

19. Financial Plan Data

The financial plan data presented in these financial statements is based upon the 2018 operating and capital financial plan approved by Council on April 26, 2018. The table below reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan bylaw	Financial statement budget
Revenues		
Taxation	\$ 139,672,383	\$ 139,672,383
User fees and other revenue	67,976,014	67,976,014
Other	29,843,790	29,843,790
	<u>237,492,187</u>	<u>237,492,187</u>
Expenses		
General government	19,782,037	21,247,635
Protective services	74,554,425	75,837,496
Transportation services	20,445,572	24,794,439
Environmental and public health services	7,722,993	8,122,039
Social services and housing	1,048,186	1,048,186
Planning and development	14,754,356	15,290,711
Parks, recreation and cultural services	29,235,230	30,493,687
Water utility	14,176,765	14,660,592
Sewer utility	3,665,636	3,890,415
Amortization	10,000,000	-
	<u>195,385,200</u>	<u>195,385,200</u>
	42,106,987	42,106,987
Less:		
Capital expenditures	(95,200,000)	-
Debt repayment	(3,064,671)	-
Add:		
Interfund transfers	56,157,684	-
Annual surplus	<u>\$ -</u>	<u>\$ 42,106,987</u>

The Corporation of the City of Victoria

Notes to the Financial Statements

December 31, 2018

20. Segmented Information

The City of Victoria is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. City services are provided by departments and their activities reported within these funds. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) General Government

The General Government operations provide the functions of Corporate Administration, Finance, Human Resources, Legislative Services and any other functions categorized as non-departmental.

(ii) Protective Services

Protective Services is comprised of four different functions, including the City's Emergency Management Agency, Fire, Police and the permits and inspections function of the Sustainable Planning and Community Development department. The Emergency Management Agency prepares the City to be more prepared and able to respond to, recover from, and be aware of, the devastating effects of a disaster or major catastrophic event that will impact the community. The Fire Department is responsible for providing critical, life saving services in preventing or minimizing the loss of life and property from fire and natural or man made emergencies. The Police Department ensures the safety of the lives and property of Victoria as well as Esquimalt citizens through the enforcement of municipal bylaws, criminal laws and the laws of British Columbia, the maintenance of law and order, and the prevention of crime. The Sustainable Planning and Community Development department has a broad range of policy, regulatory and program responsibilities including processing undertakings related to permits and inspections for Building Permits, Plumbing Permits, Electrical Permits, and signs.

(iii) Transportation Services

Transportation Services is responsible for a wide variety of transportation functions such as Parking, Engineering Operations and Streets. As well, providing services around infrastructure, traffic control, transportation planning, review of land development impacts on transportation, traffic management, pedestrian and cycling issues, on-street parking regulations, including street signs and painting as well as traffic signal timing.

(iv) Environmental and Public Health Services

The Environmental and Public Health Services is comprised of three sections in the areas of Solid Waste Services, Storm Drains, and Street Cleaning. The Solid Waste Collection and Recycling Operations section is responsible for the collection of household garbage. The Storm Drains section provides the design, inspection and technical supervision of civil engineering projects related to the construction and maintenance of the storm drain collection systems to protect public health. The Street cleaning section is responsible for the collection and disposal of litter and debris from streets, sidewalks and squares.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

20. Segmented Information (Continued)

(v) Social Services and Housing

Social Services and Housing includes grants to non-profit organizations for the purpose of facilitating social inclusion and community wellness, and to support affordable housing initiatives.

(vi) Parks, Recreation and Cultural Services

Parks is responsible for the maintenance, planning and development of all park facilities such as ornamental gardens, natural ecosystems, sport and entertainment venues and playgrounds for recreational and cultural enjoyment in a beautiful and safe environment; preserves and enhances green spaces on public lands. Recreation Services facilitates the provision of recreation and wellness programs and services through the Crystal Pool, Save-On Foods Memorial Arena, Royal Athletic Park, and Community and Seniors Centers. The Arts and Culture function supports community vibrancy and economic impact through tourism and visitor attraction.

(vii) Planning and Development

This segment is composed of four departments:

Sustainable Planning and Community Development: Supports quality development and economic health of the City. This function includes regulatory and program responsibilities including: community and city-wide land use planning; urban design; planning applications including zoning, development and variance permits, demographic and other planning information services.

Real Estate: Administers the City's portfolio of commercial properties; in particular, negotiating leases and lease renewals with tenants (lease-outs) and landlords (lease-ins).

Economic Development: This function is guided by six primary "engines" to drive Victoria's businesses, generate jobs, raise household incomes, and increase well-being. The six engines include: advance education and research and development; the ocean and marine sector; experimental tourism; government; technology; and entrepreneurship, start-ups and social enterprise.

Victoria Conference Centre: Responsible for strengthening the City's economy through the implementation of a vision and action plan for economic sustainability and growth in Victoria. Economic development in Victoria focuses on the prospects for the future as a city with high quality of life which supports the building of a vibrant, prosperous, fiscally sound and economically robust community.

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

20. Segmented Information (Continued)

(viii) Water and Sewer Utilities

The Sewer Utility protects the environment and human health from the impacts of liquid wastes generated as a result of human occupation and development in the City. The Water Utility delivers clean, safe and aesthetically pleasing potable water, in accordance with the Provincial Drinking Water Protection Act, to the citizens of the City of Victoria and Township of Esquimalt. The water is for the purpose of domestic consumption and firefighting.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. The General Fund reports on municipal services that are funded primarily by taxation such as property taxes and other tax revenues. Taxation and payments in lieu of taxes are apportioned to the General Fund services based on budgeted taxation revenue as presented in the 2018-2022 consolidated financial plan.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

The Corporation of the City of Victoria
Notes to the Financial Statements

For the year ended December 31, 2018

20. Segmented Information (Continued)

	General Fund							Water Fund	Sewer Fund	
	General Government	Protective Services	Transportation Services	Environmental and Public Health Services	Social Services and Housing	Parks Recreation and Cultural Services	Planning and Development	Water Utility	Sewer Utility	Total
2018										
Revenues										
Taxation	\$ 25,851,501	\$ 63,554,732	\$ 13,166,712	\$ 2,504,177	\$ 756,697	\$ 28,325,502	\$ 4,844,987	\$ -	\$ 792,985	\$139,797,293
Goods & services	39,587	8,982,645	15,040,559	8,964,781	-	2,373,612	11,429,033	21,609,781	7,490,787	75,930,785
Government transfers	-	1,890,441	3,162,772	1,810,661	-	-	-	-	-	6,863,874
Other	7,437,985	5,064,432	10,268,887	37,083	87,529	2,075,484	5,278,931	867,054	561,639	31,679,024
	33,329,073	79,492,250	41,638,930	13,316,702	844,226	32,774,598	21,552,951	22,476,835	8,845,411	254,270,976
Expenses										
Salaries & wages	10,430,000	65,693,042	14,087,336	4,722,293	84,722	13,802,468	6,142,292	3,589,786	2,534,742	121,086,681
Materials, supplies, & services	5,005,373	8,564,234	7,169,537	2,417,907	320,143	11,641,395	10,034,416	10,813,005	763,238	56,729,248
Interests, & Foreign Exchange	72,995	-	1,801,690	-	-	748,226	168,561	-	-	2,791,472
Grants	-	-	-	-	845,725	2,313,669	314,416	-	-	3,473,810
Other	632,401	-	-	-	-	-	-	-	-	632,401
Capital expenditure not meeting tangible capital asset criteria	1,600	32,880	254,662	163,194	-	89,508	6,723	58,518	258,788	865,873
Amortization	1,954,333	1,710,939	5,799,087	532,116	-	1,678,116	715,214	645,169	299,735	13,334,709
	18,096,702	76,001,095	29,112,312	7,835,510	1,250,590	30,273,382	17,381,622	15,106,478	3,856,503	198,914,194
Annual surplus	\$ 15,232,371	\$ 3,491,155	\$ 12,526,618	\$ 5,481,192	\$ (406,364)	\$ 2,501,216	\$ 4,171,329	\$ 7,370,357	\$ 4,988,908	\$ 55,356,782

The Corporation of the City of Victoria
Notes to the Financial Statements

For the year ended December 31, 2017

20. Segmented Information (Continued)

	General Fund							Water Fund	Sewer Fund	
	General Government	Protective Services	Transportation Services	Environmental and Public Health Services	Social Services and Housing	Parks Recreation Cultural Services	Planning and Development	Water Utility	Sewer Utility	Total
2017										
Revenues										
Taxation	\$ 24,610,419	\$ 61,848,820	\$ 10,676,307	\$ 2,389,623	\$ 1,593,061	\$ 27,223,195	\$ 4,892,595	\$ -	\$ 791,985	\$134,026,005
Goods & services	41,494	8,567,115	14,185,281	8,437,761	-	2,258,821	9,123,463	21,290,240	7,765,231	71,669,406
Government transfers	-	1,794,608	7,117,460	1,220,657	-	331,372	-	-	-	10,464,097
Other	5,746,429	4,400,195	5,319,295	47,778	-	1,498,809	4,396,100	719,181	449,940	22,577,727
	30,398,342	76,610,738	37,298,343	12,095,819	1,593,061	31,312,197	18,412,158	22,009,421	9,007,156	238,737,235
Expenses										
Salaries & wages	10,338,994	64,787,852	13,579,528	4,470,817	-	13,009,336	5,496,687	3,430,490	2,357,179	117,470,883
Materials, supplies, & services	4,681,704	8,508,105	6,125,816	2,359,011	53,106	11,082,294	8,478,953	10,210,006	798,938	52,297,933
Interests, & Foreign exchange	127,146	-	1,601,996	-	-	794,112	168,561	-	-	2,691,815
Grants	-	-	-	-	1,497,500	1,978,055	319,031	-	-	3,794,586
Other	(315,285)	-	-	-	-	27,059	-	-	-	(288,226)
Loss (gain) on disposition of capital assets	-	-	-	-	-	-	-	-	-	-
Capital expenditure not meeting tangible capital asset criteria	19,475	168,933	179,219	275,511	-	432,372	188,647	10,718	137,698	1,412,573
Amortization	2,016,070	1,663,294	4,493,998	509,400	-	1,614,281	701,506	606,348	267,677	11,872,574
	16,868,104	75,128,184	25,980,557	7,614,739	1,550,606	28,937,509	15,353,385	14,257,562	3,561,492	189,252,138
Annual surplus	\$ 13,530,238	\$ 1,482,554	\$ 11,317,786	\$ 4,481,080	\$ 42,455	\$ 2,374,688	\$ 3,058,773	\$ 7,751,859	\$ 5,445,664	\$ 49,485,097

The Corporation of the City of Victoria
Notes to the Financial Statements

December 31, 2018

21. Comparative Figures

Certain figures in the comparative information have been reclassified to conform with the current year presentation.



Appendix B

CITY OF VICTORIA

FINAL REPORT TO THE COUNCIL

For the year ended December 31, 2018

Dated April 12, 2019 for presentation on April 25, 2019



Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
Suite 500
1803 Douglas Street
Victoria BC V8T 5C3

April 12, 2019
Members of Council
City of Victoria
1 Centennial Hall
Victoria, BC
V8W 1P6

Dear Members of Council:

We are pleased to present this report on the results of our audit of the financial statements of The Corporation of the City of Victoria (the "City") for the year ended December 31, 2018. The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Council and should be read in conjunction with the draft financial statements and our draft audit report which is included as Appendix A.

We would like to bring to your attention that our audit and therefore this report will not necessarily identify all matters that may be of interest to the Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our sincere appreciation for the co-operation we received during the audit from City's management and staff who have assisted us in carrying out our work. We look forward to connecting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink that reads "Bill Cox". The signature is written in a cursive, flowing style.

Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountant

TABLE OF CONTENTS

SUMMARY3

AUDIT FINDINGS6

INTERNAL CONTROL MATTERS 10

OTHER REQUIRED COMMUNICATIONS 11

APPENDIX A: INDEPENDENT AUDITOR’S REPORT 13

APPENDIX B: ADJUSTED AND UNADJUSTED DIFFERENCES 15

APPENDIX C: REPRESENTATION LETTER 16

APPENDIX D: MANAGEMENT LETTER 18

APPENDIX E: AUDITOR’S CONSIDERATIONS OF POSSIBLE FRAUD AND ILLEGAL ACTIVITIES 23

APPENDIX F: INDEPENDENCE 24

SUMMARY



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2018 financial statements, pending completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to financial statement approval date
- ▶ Approval of financial statements by Council.

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. See Appendix A for our draft independent auditor's report.



Materiality

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The materiality level was set at \$2.7 million overall, based on 2% of the City's revenue, with a specific materiality level of \$9.5 million, based on 2% of the City's tangible capital assets, used for items related to infrastructure.

These two materiality levels are used to acknowledge the difference in the magnitude of the City's infrastructure and daily operations.



Audit Findings

Our audit focused on the risks specific to your operations and key accounts. Our discussion points below focus on key areas of audit focus:

- ▶ Management override of internal controls
- ▶ Cash and investments
- ▶ Staff salaries
- ▶ Tangible capital assets and accumulated amortization
- ▶ Employee future benefits
- ▶ Deferred revenue government grants
- ▶ Development cost charges



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified.

There were no control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance. However, please refer to Appendix D for the management letter which outlines recommendations over areas of operational improvement.



Independence

We are not aware of any relationships between the City and us that, in our professional judgment, may reasonably be thought to bear on our independence to date. Our annual communication confirming our independence is included as Appendix F.



Adjusted and Unadjusted Differences

We have disclosed all adjusted and unadjusted differences and disclosure omissions greater than 5% of materiality identified through the course of our audit engagement. Each of these items has been discussed with management.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the financial statements taken as a whole. Should the Council agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of adjusted and unadjusted differences and disclosure omissions has been presented in Appendix B.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including them in the audit working papers, memoranda of discussions with management and written representations received from management.

A summary of the representations we have requested from management is set out in the representation letter included in Appendix C to the report.



Audit Scope

Auditing standards require auditors to document all significant manual and computer systems. Building on this, we focused much of our review of transaction streams using “tests of controls” (compliance procedures) in combination with substantive analytical procedures and detailed testing. Balances were tested using a combination of compliance procedures and substantive procedures (such as analysis of data and obtaining direct evidence as to the validity of the items).



Significant Audit Estimates

Management is responsible for determining the City's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the accounting policies and estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with Canadian public sector accounting standards.



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the City.

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the City, we request that you provide us with this information.

Please refer to the Auditor's Consideration of Possible Fraud and Illegal Activities included in Appendix E to the report.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters can also be discussed verbally with you. A summary of the key discussion points are as follows:

KEY AUDIT AREAS

The following key audit areas were identified based on our knowledge of the City's operations, our past experience, and knowledge gained from management.

Management Override of Controls

Key Audit Area	Approach	Results
<p>Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p><i>This risk is required to be addressed for all audits pursuant to Canadian audit standards.</i></p>	<p>Tested the appropriateness of journal entries recorded in the general ledger, review key estimates and other adjustments made in the preparation of the financial statements.</p> <p>We also obtained an understanding of the rationale for significant transactions that we became aware of that were outside the normal course of operations for the City, or that otherwise appear to be unusual given our understanding of the entities and their environment. We reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Cash and Investments

Key Audit Area	Approach	Results
<p>Cash planning and investment management are important aspects of good financial controls.</p> <p>Due to its nature, cash and investments are almost always considered to be a risk area in any audit.</p>	<p>Reviewed the year-end reconciliations and obtained third party confirmations.</p> <p>Considered the risk of impairment over investments.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Staff Salaries

Key Audit Area	Approach	Results
<p>A significant type of expenditures that covers many employees and departments. As a municipality, this figure is often of particular interest to financial statement users (ratepayers).</p>	<p>Applied computer audit testing to analyze all payroll transactions in the year.</p> <p>Performed systems testing, tests of controls and analytical review of staff salary and levels.</p> <p>Reviewed the consistency and appropriateness of the allocations to segments.</p> <p>Reviewed for payments made to key City personnel to assess their appropriateness.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Tangible Capital Assets

Key Audit Area	Approach	Results
<p>Useful life estimates will need to be re-evaluated to determine if they are still accurate. This involves a high level of estimation and coordination of the finance department with other departments.</p>	<p>Performed tests of controls for appropriate authorization of purchases combined with substantive testing of additions and disposals in the year and amortization calculations.</p> <p>Reviewed policies on procurement for major projects and perform review of actual expenditures to approved budgets. Considered impairment for existing assets that are being replaced by new capital projects.</p> <p>Reviewed for changes in estimates of useful lives of existing assets.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>

Employee Future Benefits

Key Audit Area	Approach	Results
A complex area that requires much estimation and reliance on actuarial experts, therefore significant judgement is used in determining employee future benefits.	<p>Reviewed actuarial reports and audited the significant assumptions.</p> <p>Directly communicated with the external actuaries.</p> <p>Reviewed the underlying data provided to the actuary for accuracy and completeness.</p> <p>Reviewed the appropriateness of financial statement disclosure.</p>	All audit testing in this area was executed as planned with no issues to be reported.

Revenue Recognition

Key Audit Area	Approach	Results
<p>Accounting standards in this area and are complex and open to interpretation. There is a risk that revenue may be incorrectly deferred into future periods or recognized before stipulations have been met.</p> <p><i>This risk is required to be addressed for all audits pursuant to Canadian audit standards.</i></p>	<p>Confirmed grant funding received through a review of the agreements, ensuring that the amounts recorded exist, are complete and are recorded accurately.</p> <p>Reviewed any stipulations in the agreement to ensure revenue was recognized when stipulations were met.</p> <p>Other revenue streams were reviewed in accordance with the latest revenue recognition standards.</p>	All audit testing in this area was executed as planned with no issues to be reported.

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the City’s internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were determined to be relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the City’s financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Deficiency	Issue and Impact
None noted	None noted

OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Required Communication	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓	Included in our engagement letter dated March 12, 2019
2. Our audit strategy and audit scope	✓	See Page 5
3. Fraud risk factors	✓	See Page 5
4. Going concern matters	✓	None noted
5. Significant estimates or judgments	✓	See Page 9
6. Audit adjustments	✓	See Appendix B
7. Unadjusted differences	✓	See Appendix B
8. Omitted disclosures	✓	None noted
9. Disagreements with management	✓	There were no disagreements with management
10. Consultations with other accountants or experts	✓	No external experts were consulted during this engagement
11. Major issues discussed with management in regards to retention	✓	None
12. Significant difficulties encountered during the audit	✓	No significant difficulties were encountered during our audit

Required Communication	Audit Results Presentation	Auditor Comments
13. Significant deficiencies in internal control	✓	No significant deficiencies were noted
14. Material written communication between BDO and management	✓	No material written communications were noted
15. Any relationships which may affect our independence	✓	See Appendix F
16. Any illegal acts identified during the audit	✓	No illegal activities identified through the audit process
17. Any fraud or possible fraudulent acts identified during the audit	✓	No fraud identified through the audit process
18. Significant transactions with related parties not consistent with ordinary business operations	✓	None noted
19. Non-compliance with laws or regulations identified during the audit	✓	No legal or regulatory non-compliance matters were noted as part of our audit
20. Limitations of scope over our audit, if any	✓	None
21. Written representations made by management	✓	See Appendix C
22. Any modifications to our opinion, if required	✓	Please see our draft independent auditor's report included in Appendix A

APPENDIX A: INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Mayor and Council of the Corporation of the City of Victoria

Opinion

We have audited the financial statements of The Corporation of the City of Victoria, which comprise the Statement of Financial Position as at December 31, 2018, the Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and its results of operations, changes in net financial assets, and 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 report. We are independent of the City 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 City'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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City'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 these 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 City'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 City'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 City 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the City audit. We remain solely responsible for our audit opinion.

We 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, British Columbia
April 25, 2019

APPENDIX B: ADJUSTED AND UNADJUSTED DIFFERENCES

SUMMARY OF ADJUSTED DIFFERENCES

The following is a summary of differences that were corrected by management during the course of our audit engagement:

	Dr. (Cr.)			
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
Reclassification of deposit payable from accounts payable to deposits	\$ -	\$ 1,892,000 (1,892,000)	\$ -	\$ -
Total Adjusted Differences	\$ -	\$ -	\$ -	\$ -

SUMMARY OF UNADJUSTED DIFFERENCES

There were no unadjusted differences noted during the course of our audit engagement.

SUMMARY OF DISCLOSURE OMISSIONS

There were no material disclosure omissions noted during the course of our audit engagement.

APPENDIX C: REPRESENTATION LETTER

City of Victoria

April 25, 2019

BDO Canada LLP
Chartered Professional Accountants
Suite 500
1830 Douglas Street
Victoria, BC
V8T 5C3

This representation letter is provided in connection with your audit of the financial statements of City of Victoria for the year ended December 31, 2018, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

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

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 31, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the practitioners during the review.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements

Other Representations

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.
- We will provide to you, when available and prior to issuance by the entity, the final version of the document(s) comprising the annual report.

Yours truly,

Signature

Position

Signature

Position

APPENDIX D: MANAGEMENT LETTER

April 11, 2019

Susanne Thompson, CPA, CGA, Director of Finance
The Corporation of the City of Victoria
1 Centennial Square
Victoria, BC V8W 1P6

Dear Ms. Thompson:

RE: Auditor's Management Letter

As your external auditors we are engaged to provide an audit opinion on your year-end financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels throughout the City gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As matters come to our attention we make note of these for subsequent follow-up. For minor matters, we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a management letter).

It is always worth noting that we almost always come up with points for all clients. The existence of points does not mean that there are significant problems with your systems or staff. They are just recommendations to make good systems better.

Current Year Recommendations

1. Indirect taxation

As can be expected given the aging of the "Baby Boomers", the City is experiencing staff turnover in various positions throughout the organization. (We have commented on the need for thoughtful succession planning in earlier letters). Changeover of staff has both positives and negatives - it does allow for creativity and opportunity for improving procedures; but on the other hand, there is a loss of "corporate memory". Proper charging of GST/PST (aka "indirect taxes") on invoicing is an area where staff change could have unexpected implications.

We specifically mention treatment of indirect taxes on invoicing for two reasons. First, it is a very complex area for local governments and is fraught with arcane rules that can cost the City money if not handled properly. Second, we understand that the City is currently undergoing a best practices review of the invoicing system and it would make sense to consider indirect taxes as part of this review.

We recommend that the City look to both an upgrading/streamlining of processes related to charging of indirect taxes and documentation of current practice (including all arcane and unusual rules) so as to capture as much of the current “corporate memory” as possible in this area prior to future transitions.

Management comments

The City has in prior years proactively invited external experts to inform the system setup of indirect taxes. Changes to Provincial consumer taxation over the past 10 years have provided opportunities to review and update the system setup. Staff are currently in the process of reviewing and testing improvements to streamline invoicing processes. This process review includes improving internal documentation to ensure consistent application of indirect tax legislation and provides the opportunity to share this knowledge with all applicable areas of the organization.

2. Council Work Plans

Council is quite aware that the 2018 British Columbia municipal elections resulted in one of the highest ever incidence of new councilors and mayors throughout the province. This changeover has resulted in many municipal councils developing new, comprehensive and ambitious plans for their term.

The City is certainly a leader in this area with an ambitious strategic plan for 2019 - 2022. The plan is exciting since some of the objectives, such as Indigenous relations and reconciliation, climate change and health and well-being are not areas where local government often takes the lead.

We recognize that Council is faced with difficult funding decisions to achieve multiple objectives that are important for the community. However, we want to bring to your attention that in earlier letters we have commented on the importance of asset management and long-term capital planning. Managing and refreshing the infrastructure is one of the most important responsibilities of any local government, particularly in this age of “infrastructure deficit” which is endemic across North America. As such, we wanted to take the opportunity to remind of the importance of some of the traditional local government operational areas. Striving for ambitious plans is exciting and will benefit the community, as long as this is balanced with other important areas, such as infrastructure management to avoid the unintended consequence of infrastructure failures.

Management comments

The City has a number of policies and practices in place to support consideration of the balance of demand for new initiatives with core service delivery requirements, including asset management and capital planning.

Balancing core services delivery with new initiatives is addressed in new Council orientation and the City’s policies and practices have foundation principles to support continual awareness.

City staff are mindful that a complete picture is required for informed decision making and strive to incorporate this in presentations to Council.

The following City practices support awareness of long-term capital planning:

- *The Financial Plan process identifies the City’s asset management plans and funding sources.*
 - *Each year, the Council report accompanying the Plan outlines gaps in infrastructure funding as well as those asset groups that have reached sustainable funding levels. The 2019 report identified gaps for*

facilities, fleet, and roads. Master planning activities for those asset groups are underway and will provide important information for future financial planning processes.

- *The 2019 Financial Plan increased ongoing funding for roads infrastructure.*
- *The Financial Sustainability Policy includes:*
 - *Annual increases to reserves from new tax revenue from new assessment. Each year, an additional \$500,000 is transferred to reserve. The City has increased its annual funding to over \$7 million from \$1.5 million in 1999.*
 - *Consideration of increasing property taxes to fund capital projects. Since 1999, this annual funding has increased from \$2.5 million to over \$11 million.*
- *When cost savings and efficiencies are found, the identified savings are transferred to reserves to be available for future funding needs - for example, savings by implementing LED streetlights are set aside in the Climate Action Reserve.*
- *Through the Financial Planning process, each year Council allocates new property tax revenue from new development and operating surplus amounts to various initiatives. Many years, Council chooses to allocate to reserves and typically any remaining amounts after funding initiatives are transferred to reserves. In 2019, Council approved additional resources for asset management with funding from new tax revenue from new assessment.*
- *The City's project management framework aims to tie all relevant projects into a single coherent system using principles of full lifecycle management and sustainability, and closely monitors accountability to project budget.*

Status of Prior Year Recommendations

1. PerfectMind Recreation System Software

In our letter last year we had noted that in November 2017, the City completed the replacement of its recreation management system CLASS to PerfectMind. Subsequent to implementation, it was noted that information summarized from PerfectMind was not suitable for financial reporting purposes

We recommended that the structural set up that was leading to these differences should be investigated and corrected.

2018 Update

We are pleased to report that the issues discussed above were largely resolved during the year.

Management's comments

Staff continue to work with PerfectMind recreation software to identify best practices and business process improvements for financial reporting tools.

2. Environmental Sustainability

Last year we commented on how the topic of sustainability is top of mind for many organizations and stakeholders, and that as a publically accountable organization, residents of Victoria will be interested in the City's impact to the environment and its long-term sustainability goals. Communication about sustainability can include topics such as visions, goals, policies, and mandates over environmental activities, infrastructure plans, and emission volumes.

We noted that the City was (and continues to be) actively engaged in the topic of sustainability through its Climate Leadership Plan, Victoria Sustainability Framework, and Community Workshops. We recommended that management consider further developing strategies in line with other local governments over public transparency and reporting of sustainability activities and metrics.

2018 Update

We are pleased to report that the City has completed and released its climate leadership plan, which includes specific goals and implementation strategies. We commend Management and Council for their efforts.

We recommend that management continue to monitor progress and adjust the goals and implementation strategies as appropriate.

Management comments

The City is advancing its Climate Leadership Plan including the building retrofit strategy, the electric vehicle strategy, and corporate energy and emissions management. The City's requirements for new buildings to meet energy performance targets in the BC Energy Step Code came into effect on November 1, 2018. The City also began development of a solid waste management strategy to guide waste reduction efforts across the community and organization.

3. Rate increases in Rental Agreements

The City has multiple long-term rental agreements with external tenants. Certain agreements call for increases in rent during the term of the lease. We noted that the City accounts for rental revenue based on cash collected. Accounting standards require that rent revenues be recorded evenly during the life of the lease.

Though this did not create a significant difference at present, incorrect accounting for large rental agreements in the future may result in material misstatements in revenue and deferred lease revenue. We recommended the City review future lease agreements for step-increases in rent revenue and to account for revenues evenly over the term of the lease.

2018 Update

Operating leases continue to be accounted for based on cash collected, but differences remain immaterial.

Management comments

The amount currently reported matches the actual lease conditions and recognizes revenues in the year they are funding the related costs. Management believes the amount being reported is of more use to the financial statement users and, given the lack of material difference, the resources required to adjust the amounts would outweigh the value added to the financial statements. Management will review lease agreements and in the event that lease conditions include discounted amounts, Management will consider recording revenue evenly throughout the term of the lease.

This communication is prepared solely for the information of management and those charged with governance and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the co-operation and assistance which we received from the City's management during the course of the audit.

We are pleased to discuss with you further any matters mentioned in this letter at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read "Bill Cox". The signature is fluid and cursive, with the first name "Bill" and last name "Cox" clearly distinguishable.

Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BC/jaw

cc: Council

APPENDIX E: AUDITOR'S CONSIDERATIONS OF POSSIBLE FRAUD AND ILLEGAL ACTIVITIES

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During the audit, we performed risk assessment procedures and related activities to obtain an understanding of the City and its environment, including the City's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the City, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud at the City; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.

In response to our risk assessment and our inquiries of management, we performed procedures to address the assessed risks, which may have included:

- ▶ Inquired of management, Council, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- ▶ Performed disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- ▶ Incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- ▶ Performed additional required procedures to address the risk of management's override of controls including:
 - Testing internal controls designed to prevent and detect fraud;
 - Testing the appropriateness of a sample of adjusting journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - Reviewing accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
 - Evaluated the business rationale for significant unusual transactions.

APPENDIX F: INDEPENDENCE

April 12, 2019

Dear Council Members:

At the core of the provision of external audit services is the concept of independence. We are communicating all relationships between BDO Canada LLP and its related entities and the Corporation of the City of Victoria that, in our professional judgment, may reasonably be thought to have influenced our independence during the audit.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the Chartered Professional Accountants of British Columbia covering such matters as the following:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the City and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

We hereby confirm that we are independent with respect to the City within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia as of the date of this letter.

This communication is intended solely for the use of Council, management and others with the City and should not be used for any other purposes.

Yours truly,



Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BC/jaw

APPENDIX C
**City of Victoria - Operating Budget Revenues/Funding Sources
For the Twelve Months Ending December 31, 2018**

	Q4 2017 Actual	Q4 2018 Actual	2018 Budget	Variance	%	Explanation
Business and Community Relations						
Arts, Culture and Events	697,299	433,303	579,405	146,102	75%	
Special Events Third Party Billings	59,734	54,030	-	(54,030)		Full cost recovery of related expenses
Downtown Late Night Strategy	4,825	15,600	-	(15,600)		Downtown Late Night Strategy contributions from business
Victoria Conference Centre (VCC)	4,218,524	4,699,318	3,987,405	(711,913)	118%	Increased revenues due to conference sales, audio, food and parking
VCC Event Costs Paid by Clients	4,934,878	6,739,403	3,460,000	(3,279,403)	195%	Full cost recovery; offsetting expenses
Legislative and Regulatory Services	87,203	71,099	263,575	192,476	27%	Reduced funding transfer for Records Management and Digitalized Archives as projects carried over to 2019
Bylaw Services	355,476	646,317	587,350	(58,967)	110%	Increased revenues due to dog licenses and bylaw fines
Bylaw Enforcement Third Party Billing	24,009	18,539	-	(18,539)		Full cost recovery of related expenses
Real Estate	1,759,237	1,826,367	1,921,085	94,718	95%	Reduced funding transfer for the Real Estate Strategic Plan as carried over to 2019
Engineering and Public Works				-		
Engineering and Public Works	495,485	781,641	1,259,382	477,741	62%	Reduced funding transfer for Climate Action, Asset Management and Sustainable Mobility Strategy projects as carried over to 2019; offset by higher than budget encroachment fee revenue
Third Party Billings	861,505	1,625,040	528,400	(1,096,640)	308%	Full cost recovery of related expenses
Solid Waste and Recycling	3,066,603	3,160,881	3,144,079	(16,802)	101%	Increased revenue due to increase in bins and an increased shift to larger bins from smaller bins
Sewer Utility	8,252,745	8,033,748	7,874,200	(159,548)	102%	Higher consumption resulted in greater revenue
Water Utility	20,814,841	21,304,049	19,925,763	(1,378,286)	107%	Higher consumption resulted in greater revenue
Storm Drain Utility	6,529,973	6,843,166	6,613,491	(229,675)	103%	Uptake of the Rainwater rewards program lower than projected
Finance						
Parking Services	17,584,878	18,807,613	16,992,663	(1,814,950)	111%	Total parkade transactions increased by 10.5%; 1.68m transactions compared to 1.52m in 2017 and ParkVictoria transactions increased by 28%; 778,000 from 606,000 in 2017
Parks, Recreation and Facilities	2,919,428	2,891,876	3,051,946	160,070	95%	Increased revenues in field rentals, facility rentals and summer camps, outdoor recreation and RAP food and beverages; though offsetting expenses. Offset by lower revenue in public swimming, aquatic and youth programs and transfers from reserves to match project expenses for initiatives including High Risk Tree Removal and Downtown Trees carried forward into 2019
Sustainable Planning and Community Development	4,195,466	5,045,806	4,018,740	(1,027,066)	126%	Building permits, electrical and plumbing permits and rezoning revenues are higher than budgeted; net amount transferred to Development Stabilization Reserve account. Offset by lower transfers from reserve to match project expenses for OCP and DCAP initiatives
Victoria Fire Department	432,477	312,452	128,750	(183,702)	243%	Fire safety plan reviews, oil burner permits and false alarms higher than expected and Wildfire recovery from the Province and training recovery for related expenses
Corporate						
Payment in Lieu of Taxes/Special Assessments	7,779,735	7,717,939	7,586,400	(131,539)	102%	Increase to Province of BC and Federal PILT revenue
Fees and Interest	4,151,498	6,075,503	3,490,000	(2,585,503)	174%	Increased investment revenue offset by lower revenue from tax penalties

APPENDIX C

City of Victoria - Operating Budget Revenues/Funding Sources For the Twelve Months Ending December 31, 2018

	Q4 2017 Actual	Q4 2018 Actual	2018 Budget	Variance	%	Explanation
Business and Other Licences	1,532,216	1,566,762	1,501,340	(65,422)	104%	Increased business licences due to short term rentals
Overhead Recoveries	3,256,060	3,319,109	3,319,109	0	100%	
Miscellaneous	9,182,366	9,384,440	8,373,053	(1,011,387)	112%	Traffic Fine revenue higher than budget by \$106,000, Arena revenue higher than budget by \$104,000 and Bus Sheltering Advertising higher than budget of \$25,000. Higher revenues received from Bonus Density, Heritage Building Seismic Upgrades, Downtown Core Area Public Realm and Pathway contributions; offset by transfer to reserves.
Prior Year's Surplus	3,827,930	3,809,853	3,809,825	(28)	100%	Total City surplus is \$4.026 million; \$216,575 is in the Police budget
Victoria Police Department	9,125,757	9,565,159	8,562,712	(1,002,447)	112%	Increased expenses due to Special Event, Regional Domestic Violence Unit and Emergency Response Team; offsetting recovery revenue
Property Taxes	124,916,053	130,751,326	130,761,783	10,457	100%	
Total	\$ 241,066,202	\$ 255,500,341	\$ 241,740,456	(13,759,884)	106%	

APPENDIX C

City of Victoria - Operating Budget Expenditures/Transfers to Reserve For the Twelve Months Ending December 31, 2018

	Q4 2017 Actual	Q4 2018 Actual	2018 Budget	Variance	%	Explanation
City Manager's Office	801,455	941,626	905,392	(36,233)	104%	
Council	616,391	689,508	614,595	(74,914)	112%	Retroactive payment
Business and Community Relations						
Arts, Culture and Events	2,065,004	1,585,809	1,786,243	200,434	89%	Art projects carried forward into 2019 that include the Johnson Street Parkade Art, indigenous Artist in Residence, Poet Laureate and Rock Bay Mural
Third Party Billing - Special Events	57,339	48,459	-	(48,459)		Full cost recovery; offsetting revenues
Economic Development	422,530	603,197	669,204	66,006	90%	Reduced expenses for trade mission
Neighbourhoods	570,903	560,385	559,865	(520)	100%	
Victoria Conference Centre (VCC)	3,514,735	3,493,942	3,538,935	44,993	99%	
VCC Event Costs Paid by Clients	4,934,878	6,739,403	3,460,000	(3,279,403)	195%	Full cost recovery; offsetting revenues
Legislative and Regulatory Services	1,640,832	1,936,577	2,201,119	264,542	88%	Records Management and Archives Digitalization projects carried forward into 2019
Bylaw Services	1,418,812	1,783,574	1,798,398	14,825	99%	
Third Party Billing - Bylaw Enforcement	24,009	18,539	-	(18,539)		Full cost recovery; offsetting revenues
Real Estate	1,488,389	1,536,800	1,746,943	210,143	88%	Real Estate Strategic Plan project carried forward into 2019 and lower than expected rental property costs
Engagement	1,450,554	1,499,816	1,643,362	143,545	91%	Vacancies
Engineering and Public Works						
Engineering and Public Works	14,429,788	15,411,757	15,929,652	517,895	97%	Climate Action, Asset Management and Sustainable Mobility Strategy projects carried forward into 2019
Third Party Billings	1,057,557	1,429,961	428,400	(1,001,561)	334%	Full cost recovery; offsetting revenues
Solid Waste & Recycling	2,913,473	2,938,085	3,144,079	205,994	93%	
Water Utility	20,806,748	21,304,049	19,925,763	(1,378,286)	107%	Surplus from higher revenue transferred to reserves
Sewer Utility	8,252,745	8,033,749	7,874,200	(159,548)	102%	Surplus from higher revenue transferred to reserves
Stormwater Utility	6,529,973	6,843,166	6,613,491	(229,675)	103%	Surplus from higher revenue transferred to reserves
Finance						
Finance	7,650,483	7,652,291	7,898,794	246,502	97%	Vacancies
Parking Services	7,704,030	9,528,977	8,537,652	(991,325)	112%	Increased payment to the Province under lease agreement due increased revenue at Broughton Parkade, increased transfer to reserve due to rate increases and tickets sent to collection
Human Resources	1,810,510	1,863,275	2,001,385	138,110	93%	Vacancies and the Inclusion Policy and Program project carried forward to 2019
Legal Services	738,479	734,870	753,946	19,075	97%	
Parks, Recreation and Facilities						
Parks	10,703,562	10,805,682	11,569,966	764,285	93%	Vacancies and Downtown Trees project carried forward to 2019
Recreation	4,514,630	4,749,959	4,394,062	(355,897)	108%	Increased expenses due to seasonal programs: Summer Camps, Outdoor Recreation and RAP food and beverage and administration. Increased expenses offset with increased revenues
Facilities	5,325,470	5,334,707	5,897,382	562,675	90%	Vacancies
Sustainable Planning and Community Development	6,021,802	7,137,616	6,466,860	(670,756)	110%	Increased development revenue transferred to the Development Stabilization Reserve; offset by DCAP and OCP projects carried forward to 2019
Victoria Fire Department	16,738,894	16,575,229	17,131,873	556,643	97%	Vacancy and benefit and employer costs lower than anticipated

APPENDIX C

City of Victoria - Operating Budget Expenditures/Transfers to Reserve For the Twelve Months Ending December 31, 2018

	Q4 2017 Actual	Q4 2018 Actual	2018 Budget	Variance	%	Explanation
Corporate						
Contingencies	-	-	1,518,895	1,518,895	0%	
Debt Principal, Interest and Reserve Transfer	7,864,557	7,827,583	7,827,583	-	100%	
Grants	3,758,035	3,203,762	2,981,081	(222,681)	107%	Payment of Victoria Housing Fund Grant offset by transfer from reserve and Council approved payments to the Greater Victoria Crossing Guard Program and Vancouver Island South Film and Media Commission
Miscellaneous	1,623,894	3,094,214	2,296,284	(797,930)	135%	Increased expenses due to higher than anticipated tax appeals
Transfer to VCC	300,000	300,000	300,000	-	100%	
Transfers to Reserve	20,606,030	24,107,341	19,462,046	(4,645,295)	118%	Increased transfers to affordable housing reserves for bonus density and interest allocated to reserves
Transfer to Capital Budget	10,161,000	10,165,000	10,165,000	-	100%	
Greater Victoria Public Library	4,879,695	5,164,652	5,387,720	223,068	96%	Lower operating costs for the main branch and lease agreement
Victoria Police Department	53,642,585	55,312,731	54,310,286	(1,002,445)	101%	Increased expenses due to Special Event, Regional Domestic Violence Unit and Emergency Response Team; offsetting recovery revenue
Total	\$ 237,039,774	\$ 250,956,291	\$ 241,740,456	(9,215,835)	104%	

APPENDIX D

City of Victoria - Capital Budget Expenditures For the Twelve Months Ending December 31, 2018

	Q4 2018 Actual	2018 Budget	Variance	%	Explanation
Active Transportation	6,378,584	18,772,000	12,393,416	34%	Projects in progress carried to 2019: BicyCle Master Plan Wharf/Humboldt, David Foster Harbour Pathway, Pathway Upgrades, Pedestrian Master Plan Implementation, Ship Point Master Plan Implementation and JSB Public Realm - Design
Complete Streets	3,870,669	4,852,000	981,331	80%	Projects in progress carried to 2019: Vancouver Street to Fairfield, Meares Street from Cook to East End, Pendergast-Heywood to Vancouver, Belleville Street and the Pavement Condition Assessment Study
Neighbourhoods	168,650	239,000	70,351	71%	Projects in progress carried to 2019: Wayfinding
Parks	1,111,491	2,592,000	1,480,509	43%	Projects in progress carried to 2019: Cecelia Ravine - Burnside Gorge New Park, Topaz Park - Park Improvement Plan, Summit Park - Playground Upgrade, Tree Well Replacement Program and Parks Condition Assessment
Street Infrastructure	1,573,583	1,911,000	337,417	82%	Projects in progress carried to 2019: Traffic Signal Fibre Optic Upgrades, Traffic Controller Replacement, Fire Pre-Emption Equipment, Audible/Accessible Pedestrian Signals and Surface Infrastructure program
Retaining Walls and Railings	806,066	2,506,000	1,699,934	32%	Projects in progress carried to 2019: Ship Point Pier, Ross Bay Seawall Replacement, Clover Point Shoreline Remediation, Wharf Street Retaining Wall and Dallas Road Bluff Study
Bridges	6,807,309	9,398,000	2,590,691	72%	Projects in progress carried to 2019: Point Ellice Bridge Rehabilitation/Painting and Johnson Street Bridge final completion
Facilities	4,231,085	78,365,000	74,133,915	5%	Projects in progress carried to 2019: VCC Upgrades and Repairs, VCC Architectural Renovations and Lifts, City Hall Window Restorations and Mechanical Design of HVAC system, Parkade and Repair and Rehabilitation projects, Parks Public Washroom Plan and Implementation, Public Works Master Plan, Public Works Yard Cameras, Paint Program, Visitor's Centre, Community Centre Repairs and Upgrades and Victoria Police Department Cooling Tower Replacement and Envelope Repairs and Crystal Pool Replacement
Equipment	3,274,274	9,363,000	6,088,726	35%	Purchases/Projects in progress carried to 2019: Vehicles and Heavy Equipment, Telematics and Data Improvements, Asset Management/GIS System Development and Parking Equipment Upgrades. Underground Fuel Storage Tank Replacement deferred to align with the Public Works Master Plan
Environmental Remediation	1,677,279	3,830,000	2,152,721	44%	Projects in progress carried to 2019: Laurel Point Park Environmental Remediation
Sanitary Sewers	4,463,176	7,825,000	3,361,824	57%	Projects in progress carried to 2019: Sewer mains replacement, system assessment, inflow and infiltration projects and the Sewer Master Plan to 2019
Stormwater	3,258,166	6,558,000	3,299,834	50%	Projects in progress carried to 2019: Stormwater mains replacement, brick main rehabilitation and system planning and assessment projects to 2019
Waterworks	4,505,257	6,197,000	1,691,743	73%	Projects in progress carried to 2019: Water mains and water meter replacements and the Water Master Plan to 2019
Contingency	-	324,000	324,000	0%	
Victoria Police	1,379,787	2,118,000	738,213	65%	Projects in progress carried to 2019: Computer equipment
Total	43,505,375	154,850,000	111,344,625	28%	

2018 FINANCIAL STATEMENTS

City of Victoria Draft Audited Financial Statements
For the year ended December 31, 2018

Committee of the Whole April 25, 2019



2018 Financial Statements
April 25, 2019 Committee of the Whole

Overview

- Reporting Timeline
 - Community Charter section 167
 - Submitted to Ministry by May 15, 2019
- 2018 Financial Statement Highlights
- Auditors Report



2018 Financial Statements
April 25, 2019 Committee of the Whole

Financial Statements

The Corporation of the City of Victoria Statement of Financial Position As at December 31, 2018, with comparative figures for 2017				
	2018	2017		
Financial Assets			Statement of Cash Flows	
Cash and cash equivalents (Note 2)	\$ 104,955,258	\$ 110,003,479		
Accounts receivable				
Taxes	1,652,910	1,816,637		
Other	31,117,781	31,000,806		
Portfolio investments (Note 4)	171,000,025	137,900,025		
Mortgage receivable (Note 5)	893,216	865,687		
Other assets	56,774	1,799		
Restricted cash (Note 18)	1,270,467	1,243,414		
	<u>310,946,431</u>	<u>282,831,848</u>		
Liabilities				
Accounts payable and accrued liabilities (Note 6)	28,578,753	29,406,144		
Deposits and prepayments	17,638,717	15,664,116		
Deferred revenue (Note 7)	30,602,821	24,876,181		
Long-term debt (Note 8)	69,272,953	73,250,606		
Employee future benefit liability (Note 9)	17,896,701	17,688,187		
	<u>163,989,945</u>	<u>160,885,235</u>		
Net Financial Assets (net debt)	146,956,486	121,946,613	Statement of Changes in Net Financial Assets	
Non-Financial Assets				
Tangible capital assets (Note 10)	525,021,659	495,784,737		
Inventories of supplies	1,147,765	1,045,591		
Prepaid expenses	2,153,337	1,145,524		
	<u>528,322,761</u>	<u>497,975,852</u>		
Accumulated Surplus (Note 11)	\$ 675,279,247	\$ 619,922,465	Statement of Operations and Accum Surplus	
The accompanying notes are an integral part of these financial statements.				



2018 Financial Statements
April 25, 2019 Committee of the Whole

Financial Condition Indicators

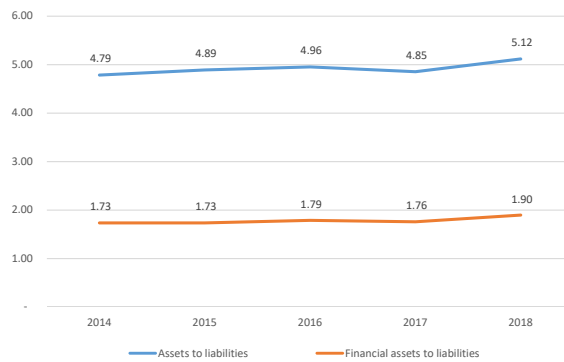
- Sustainability
- Flexibility
- Vulnerability



2018 Financial Statements
April 25, 2019 Committee of the Whole

Financial Condition Indicators

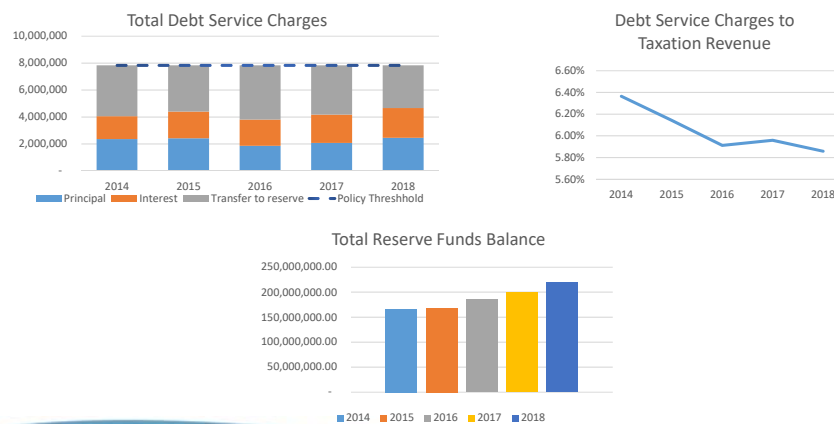
Sustainability Indicators



2018 Financial Statements
April 25, 2019 Committee of the Whole

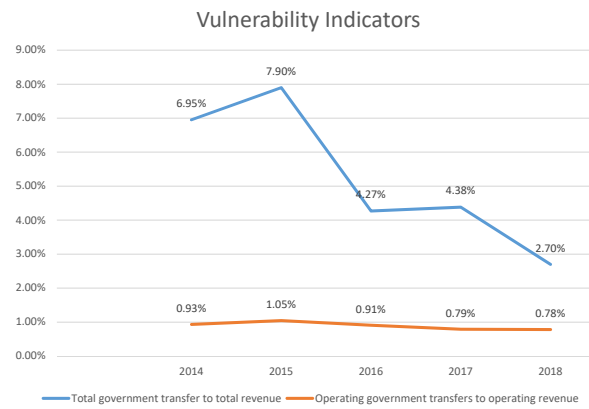
Financial Condition Indicators

Flexibility Indicators



2018 Financial Statements
April 25, 2019 Committee of the Whole

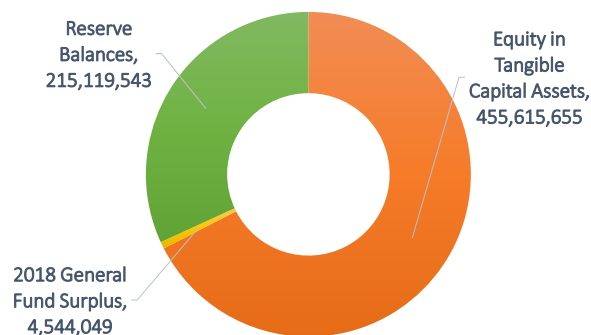
Financial Condition Indicators



2018 Financial Statements
April 25, 2019 Committee of the Whole

Accumulated Surplus

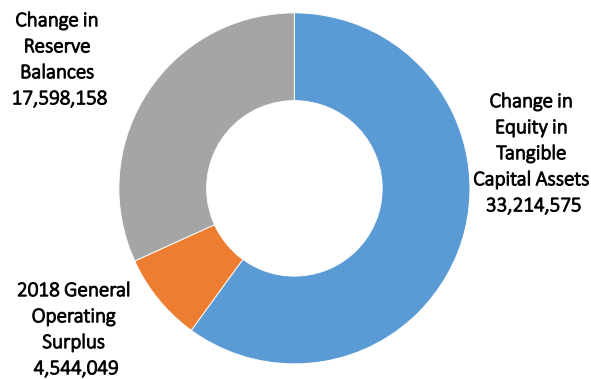
At December 31, 2018 \$675,279,247



2018 Financial Statements
April 25, 2019 Committee of the Whole

Annual Surplus

For the year ended December 31, 2018 \$55,356,780



2018 Financial Statements
April 25, 2019 Committee of the Whole

Financial Plan Comparison of Revenues & Expenses

- Financial Statements presented in PSAB format
- Budget comparison not effective in this format
- Meaningful comparison of budget to actual provided in the following:
 - Appendix C – Operating Revenues & Expenses
 - Appendix D – Capital Expenditures



2018 Financial Statements
April 25, 2019 Committee of the Whole

Audit Management Letter Observations

Current year:

- Review of processes and documentation of indirect taxation
- Consider the balance of funding decisions between strategic initiatives and infrastructure asset management



2018 Financial Statements
April 25, 2019 Committee of the Whole

Audit Management Letter Observations

Prior year:

- 3 observations were provided
- All items have been actioned by staff
- Status update: Appendix E, pages 20 – 21



2018 Financial Statements
April 25, 2019 Committee of the Whole

Recommendation

That Council approve the 2018 Financial Statements.



2018 Financial Statements
April 25, 2019 Committee of the Whole



Committee of the Whole Report

For the Meeting of April 25, 2019

To: Committee of the Whole **Date:** April 17, 2019
From: Thomas Soulliere, Director of Parks, Recreation, and Facilities
Subject: CleanBC Grant Application for HVAC Replacement Project at Oaklands Community Centre

RECOMMENDATION

THAT Council approve the City's application for a CleanBC grant for the HVAC Replacement Project at Oaklands Community Centre and that the Mayor and City Clerk be authorized to execute a contribution agreement should the grant application be successful.

EXECUTIVE SUMMARY

The City maintains the Oakland's Community Centre, which is operated by the Oaklands Community Association, in partnership with School District 61.

Staff request Council's endorsement to submit a grant application for the CleanBC Communities Fund (CCF). Council approval is a requirement of the CCF grant process. Staff are seeking the funding for the replacement of the heating, ventilation and air conditioning (HVAC) system at the Oaklands Community Centre, which is at its end of life. The upgrades align with the City's Climate Leadership Plan, which has a target to reduce 80% of GHGs by 2050.

The CCF supports infrastructure projects that promote the management of renewable energy, access to clean energy transportation, improved energy efficiency of buildings and the generation of clean energy. The program is a component of the wider Investing in Canada Infrastructure Program's (ICIP) Green Infrastructure – Climate Change Mitigation Sub-Stream. ICIP provides funding through a bilateral agreement between the federal and provincial governments.

The CCF funding will allow for a best practice heat-pump installation that is estimated to reduce the GHG emissions from the facility by 91%. In addition to GHG reductions and energy efficiency, occupants of the building will experience improved reliability and comfort provided by the new system. With improved digital controls, staff will also have the ability to monitor and control the HVAC system remotely. Switching to electric heat pumps have the additional benefit of reducing operating utility costs.

If the application is successful, the grant could cover up to approximately \$118,000 (73%) of the estimated \$162,100 total project cost.

Accessibility Impact Statement

No significant impacts relating to accessibility have been identified for this grant application.

2015 – 2018 Strategic Plan

This project aligns with Strategic Objective #6: Climate Leadership and Environmental Stewardship by significantly reducing our GHG emissions.

Impacts to Financial Plan

Funding for the HVAC Replacement Project was approved in the 2019 Financial Plan. Improved energy efficiency will reduce annual utility costs.

Official Community Plan Consistency Statement

This grant application and the project meet the Official Community Plan Objective #12 Climate Change and Energy with Council's initiative to support community centre improvements and the City's Climate Action commitment to reducing GHG emissions.

Respectfully submitted,



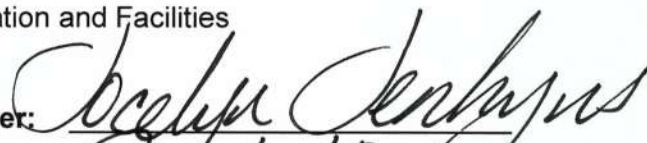
Derrick Newman
Assistant Director
Parks, Recreation and Facilities



Thomas Soulliere
Director
Parks, Recreation and Facilities

Report accepted and recommended by the City Manager:

Date:


April 18, 2019



Council Member Report

For the Committee of the Whole Meeting of April 25, 2019

To: Committee of the Whole

Date: April 16, 2019

From: Mayor Helps

Subject: Federation of Canadian Municipalities Conference – Housing Affordability Motion

BACKGROUND

The Annual Conference of the Federation of Canadian Municipalities (FCM) is being held in Quebec City, May 30 – June 2, 2019. Resulting from the recent Federal Budget, and in discussion with FCM Staff, there is an opportunity to advance an emergency resolution for consideration at the annual conference in connection with the housing crisis and housing affordability.

The motion proposed below, in consultation with FCM staff, seeks to ensure a stronger federal-municipal partnership on the issue of housing affordability across the country.

With the strong emphasis in the City's Strategic Plan regarding housing affordability, I would respectfully request Council's consideration and support of the proposed motion on this issue.

MOTION:

That Council forward the following motion to the Federation of Canadian Municipalities for consideration as an emergency resolution at the 2019 annual conference.

Prioritizing Housing Affordability

WHEREAS the National Housing Strategy prioritizes housing solutions for low- and moderate-income households, per FCM's recommendations;

WHEREAS renters and homeowners at a range of income levels and in cities and communities of all sizes are increasingly unlikely to be able to access or maintain a home that is affordable to them and meets their needs;

WHEREAS, on average, owning a home is more expensive now than at any time in the last 30 years;

WHEREAS average rent increases are outstripping inflation in many housing markets;

WHEREAS housing affordability pressures are exacerbated by record-high household debt-to-income levels in a rising interest-rate environment;

WHEREAS the stability of national and local housing markets has a direct linkage to national and local economic outcomes;

WHEREAS housing affordability is correlated to positive health and socioeconomic outcomes;

WHEREAS the federal government has influence over the affordability of housing, both rented and owned, through the regulation of mortgages and mortgage insurance, taxation levers and its spending power;

WHEREAS the federal government's 2019 budget underscored that housing affordability is a federal concern, and that it has an important role to play in addressing it through the announcement of the First-Time Home Buyer Incentive and enhancements to both the Rental Construction Financing Initiative and Home Buyer's Plan;

RESOLVED that the federal government assess and publically report on the impact of budget 2019 measures designed to improve housing affordability for renters and owners; and

RESOLVED that the federal government work with municipalities through FCM to determine the most effective federal role in improving housing affordability for renters and owners at the local level.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'L. Helps'.

Mayor Lisa Helps



Council Member Motion

For the Committee of the Whole Meeting April 25th 2019

Date: April 16, 2019

From: Mayor Helps and Councillor Collins

Subject: Carbon Pricing on Corporate Air Travel – Interim Policy

Background

In July 2018, Council adopted a bold Climate Leadership Plan that lays out a pathway to get to 100% renewable energy and an 80% reduction in greenhouse gas emissions by 2050. In October the Intergovernmental Panel on Climate Change (IPCC) released a report noting that as a global community we have until 2030 to significantly reduce emissions and keep the global temperature rise to no more than 1.5 degrees Celsius. The IPCC specifically calls for a 45% reduction in emissions by 2030 and a 100% reduction in emissions by 2050.

Motivated by the IPCC report, both the Capital Regional District and the City have declared a Climate Emergency and are working to achieve deep greenhouse gas reductions and the necessary adaptation to build resilience in our communities.

We are applying a 'Climate Lens' on all City business. The City is now developing its own detailed Corporate Energy and Emissions Management System (CEEMS), which will set comprehensive plans, priorities and tools to drive systematic GHG reductions across its facilities, fleet, operations and business decisions. One aspect of this work will be to define the most prudent and effective way to internally price carbon emissions across City operations and business, to help drive greenhouse gas reductions in daily decision making.

The Global Centre for Climate and Energy Solutions is a long-standing, non-profit global leader in climate action. They state that “companies around the world are taking climate action by instituting their own internal price on carbon. An internal price places a monetary value on greenhouse gas emissions, which businesses can then factor into investment decisions and business operations.”

This Carbon Pricing on Corporate Air Travel Interim Policy would place a \$150 per tonne price on carbon for any air travel for staff and council, in advance of the final CEEMS which will address carbon pricing comprehensively. This is equivalent to the carbon price adopted by Metro Vancouver in 2017, which has similar climate goals to Victoria. Metro Vancouver notes that carbon pricing on city projects and procurement is important as it improves the financial business-case for more climate friendly alternatives.

The carbon price will be calculated using a carbon price calculator to be determined by the finance department based on current best practices. The monies generated through policy implementation will go into the City's Climate Reserve Fund to directly reduce carbon and take climate action in our community and the corporation. The Climate Reserve Fund was established by Council to provide a source of funds for funding climate mitigation and adaptation strategies that target energy and GHG reductions associated with facilities or transportation of either City-owned assets or community public lands and services.

Council members and staff will calculate the price of carbon based on distance travelled and add these to requests for travel approval.

Staff ran the numbers for us based on 2018 travel using a \$100 per tonne calculation. The total transfer to the reserve would have been about \$4,000 at 100 per tonne (for comparison); which would be \$6000 at \$150 per tonne. There were about 100 air trips taken last year, with about 40 of those to Vancouver. The funding for the price on carbon would be existing travel and conference budgets.

These are some examples:

Economy return flight to Montreal... 1.22 tonnes of CO₂e @ \$150/tonne - \$183
Economy return flight to Vancouver... 0.02 tonnes of CO₂e @ \$150/tonne - \$30
Economy return flight to Toronto... 1.26 tonnes of CO₂e @ \$150/tonne - \$189
Economy return flight to London... 2.48 tonnes of CO₂e @ \$150/tonne - \$372
Economy return flight to Shanghai... 2.96 tonnes of CO₂e @ \$150/tonne - \$444

Recommendations

That Council:

1. Adopt the principles laid out in this report as the basis for a Carbon Pricing for Air Travel Interim Policy including:
 - a. The rate of \$150 per tonne set as the price on carbon for air travel.
 - b. The carbon price to be funded from the travel budget set for mayor, council and staff in the annual budget.
 - c. The carbon price calculator to be determined by the finance department based on current best practices.
 - d. Council and staff include the price of carbon in requests for travel approval.
 - e. The monies generated from the price on carbon to be deposited into the City's Climate Action Reserve Fund.
 - f. The price on carbon be reviewed as part of the CEEMS program development, and on an annual basis as part of the City's annual update on the Climate Action Program.

2. Direct staff to put the principles in #1 into the City's policy template (see attached) as the Carbon Pricing on Corporate Air Travel – Interim Policy.


Respectfully Submitted,



Mayor Helps



Councillor Collins

	CORPORATE POLICY GUIDE	
	No.xx	Page xx of xx
CHAPTER:		
SECTION:		
SUBJECT:		
AUTHORIZED BY:		
EFFECTIVE DATE:	REVISION DATE:	

CITY OF VICTORIA

1. PURPOSE
2. APPLICATION
3. DEFINITIONS
4. POLICY



BACKGROUND

A further update may emerge should additional substantive input arise after this report is shared with participating municipalities.

MOTION

That Council receive for information the report entitled *Future Governance Options for Victoria's Historic Community Theatres*.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'A. Alto', with a long horizontal flourish extending to the right.

Councillor Alto

Future Governance Options For Victoria's Historic Community Theatres

A Summary of Conversations about Theatre & Performance Space

Prepared for the City of Victoria's Committee of the Whole
April 25, 2019

Respectfully Submitted
Councillor Marianne Alto

At the Start

In 2017, Council asked Councillors Madoff and Alto to convene a working group in conjunction with Royal and McPherson Theatres Society (RMTS) Board Directors and Staff for the purpose of seeking additional municipal support for the McPherson Theatre, beyond the status quo.

Council received and adopted a workplan proposed by Councillors Alto and Madoff, which identified the work necessary to accomplish that purpose, including further consideration of the linkages between the McPherson and Royal theatres.

The core work team included Byron Smith (former RMTS Chair), Lorne DeLarge (current RMTS Chair) Lloyd Fitzsimonds (RMTS executive director), Randy Joynt (RMTS Manager of External Relations), Pamela Madoff (former Victoria City Councillor), Marianne Alto (Victoria City Councillor), Jocelyn Jenkyns (Victoria City Manager) and Nichola Reddington (Victoria City Senior Cultural Planner).

The core work team met seven times to script a baseline and locally adapted presentations, connect with other municipalities to schedule Council presentations, prepare notes from those presentations, discuss issues emerging from those presentations, and map out a way forward.

Initial presentations were made to eleven municipalities: View Royal, Highlands, Metchosin, Saanich, Colwood, Langford, North Saanich, Oak Bay, Sidney, Central Saanich, and Esquimalt. A presentation to Sooke municipality was unable to be scheduled.

After this first round of presentations, seven municipalities agreed to participate in further focused discussions about the future of the Royal and McPherson theatres: View Royal, Highlands, Metchosin, Colwood, North Saanich, Oak Bay, and Sidney. Two municipalities opted to consider participation after receiving more information about other municipalities' interest: Saanich and Esquimalt. Two more municipalities considered the matter further at full council or committees of the whole later on: Langford and Central Saanich.

The core presentation was tailored to reflect detail and data pertinent to each municipality, showing how many local residents patronized both theatres, what benefits accrued from community and commercial performances, and a host of related local and contextual information. Two to five members of the core work team presented to each municipality.

Along the Way

While the core work team's original workplan anticipated wrapping the project by mid-year, the calendar of municipal council meetings challenged that outcome with the simplest of realities – most municipalities hold their Council meetings on Monday evenings, not all municipalities could accommodate the presentation on an upcoming agenda, and not every Monday hosted a Council meeting. While 'doubling up' did occur (Sidney and Central Saanich were addressed the same evening), presenting to 11 municipalities necessarily stretched over months, following weeks of coordination.

Additionally, as the project unfolded and evolved, the questions posed by Council members from around the region demanded a re-evaluation of the time and process needed to engage interested municipalities in a meaningful way, and provide ample opportunity for input, advice and collaboration.

In corollary processes, the City created its *Arts and Culture Master Plan*, and the CRD created its regional arts and culture plan, *Building Our Arts Future*. In both cases, the roles, relationships and places of the Royal and McPherson theatres in the cultural and spatial environment of the City and region were purposely excluded, or overlooked. Discussion of the theatres' interface with the plans was added to this Project.

As a result, the core work team proposed a subsequent phase of work. The team met a further dozen times planning and preparing the different aspects of Phase Two.

Coming Together

Phase Two included an interim update on the project, provided to the 12 CRD municipalities, with an accompanying cover letter from Mayor Lisa Helps to Mayors and Councillors, referencing both confirmation of participation in Phase Two by those who agreed to do so, and a further invitation to participate to those that were non-committal.

Another letter from Mayor Helps was later sent to each municipality that expressed an interest in being part of the conversation, inviting those municipalities to send one or more elected representatives to participate in further collective conversations, to be held as round table discussions at Victoria City Hall. These letters included additional details about the content of Phase Two processes and expectations.

View Royal, Highlands, Colwood, North Saanich, Oak Bay, Sidney, and Saanich confirmed their interest in participating in Phase Two conversations. Three such conversations were planned and organized.

At the first of those conversations, elected Councillors from View Royal, Highlands, Colwood, North Saanich, Oak Bay, Sidney, Saanich, Esquimalt and Sooke participated.

Conversation One included a recap of the base presentation, a review of the theatres' current state, issues of governance and funding alignment, current barriers to maximizing impact, value of arts and culture and more in-depth detail of issues as had been requested by participating municipalities. As well, there were presentations of current and potential cost sharing models, responses to questions arising from the presentation sessions, and discussion of the role, relationship and place of the Royal and McPherson theatres, their governance, funding and operation, in the context of Victoria's emerging *Arts and Culture Master Plan*, and the CRD's *Building Our Arts Future*.

At Conversation Two, elected Councillors from View Royal, Highlands, Colwood, North Saanich, Oak Bay, Sidney, Saanich, Esquimalt, Sooke and Central Saanich participated.

Conversation Two included extensive presentations on the finances and operations of the theatres, economic and social values of arts and culture, five possible governance models, and a compilation of participants' ideas and comments from Session One. Each participant was given a flash drive with all this information, plus several external arts and culture reports and analyses. At this session, a further model evolved organically from the participants – that of a limited but multiple ownership model including a pilot trial under an operating agreement reflecting some of the aspects of the operating agreement used by the Greater Victoria Public Library.

At the third conversation, elected Councillors from View Royal, Highlands, Colwood, North Saanich, Saanich, Esquimalt, Sooke, Central Saanich and North Saanich participated.

Conversation Three provided an opportunity for conversation and participants' further comments about potential governance options for RMTS, the McPherson and Royal theatres, and future funding alignments.

At the conclusion of Conversation Three, participants decided one further session would help clarify their comments. This fourth session allowed for a final round table including a review of all the preceding sessions, topics, conclusions and possibilities, and a 'blue sky' conversation about how theatre and performance spaces would be designed, owned and operated in a near-perfect future, and what steps might begin the journey toward that future.

A summary of the questions, concerns and ideas raised by Councils during the initial presentations, and by Councillors at each subsequent conversation session, is attached as Appendix A.

The City of Langford chose not to participate beyond the initial Phase One presentation to its finance committee. Despite expressing initial interest in ongoing participation, the District of Metchosin also opted not to participate beyond Phase One.

Future Governance Model Options

While conversations provoked many ideas and possibilities for future governance of the theatres, these five scenarios arose most frequently throughout the project.

1) Status Quo

In this scenario, the McPherson and Royal theatres remain in their current state of governance, jointly governed by the RMTS, but with separate balance sheets, considered and operated as separate entities. Each has a different funding source (McPherson solely supported by the City of Victoria, the Royal funded jointly by the City of Victoria, the District of Saanich and the Municipality of Oak Bay). Funding for the theatres has been, and likely will remain static, unless there is a significant change in commitment from all ownership municipalities.

According to participants, the consequences of this option could be that the Royal theatre would likely need to focus on higher-margin commercial business to be financially sustainable, as its capacity suits the larger audience volumes demanded by touring shows and commercial performers. Local non-profits and long-time users may lose the special status and substantial discounts they presently receive at the Royal, as the mix of commercial/not-for-profit may need to change. The theatres may not be financially sustainable over the long term.

The McPherson funding approach would not change significantly as its size organically accommodates smaller-draw performers, local shows (including school performances) and performances that draw a limited or declining audience base. This accommodation may complement a more commercial bent at the Royal, as the McPherson could accommodate a greater number of smaller performances and performers that suffer from playing to a half-full, larger Royal theatre.

Participants generally expressed the view that the status quo is not sustainable over the long term.

This scenario spoke to the synergies that would arise if the McPherson and Royal theatres were aligned from an ownership, funding, and management perspective, as shows could be booked into one or the other maximizing each theatre's 'match' to each performance need and capacity.

2) McPherson ownership moves completely to the CRD.

In this scenario, both the McPherson and the Royal remain under the management of the RMTS, but the McPherson becomes more or less a regional 'service', funded via the CRD in much the same way as other regional services, based on population. As with some current CRD arts programs, municipalities may choose not to contribute or participate, although, as with other CRD services, all CRD municipalities are encouraged to participate in the funding, recognizing the regional benefit of such services.

Three (or more) financial partners/owners would remain in control of the Royal (Victoria, Oak Bay, Saanich currently).

Operating budgets could become combined, so surplus revenue from one theatre could be used to support work in the other theatre. The theatres benefit from the economies of scale arising from joint management.

With reliable, consistent, indexed funding, the RMTS continues to manage the McPherson and the Royal with a mandate to support local arts production while hosting commercial work when time allows, thus enabling RMTS to be more financially able to support not-for-profits locally.

Participants expressed cautious interest in this scenario.

This scenario could also include the CRD taking over management for the McPherson and Royal theatres, although participants were not predisposed to this option, expressing concerns about the CRD's capacity to operate and manage the theatres, and the potential financial burden that would place on participating municipalities.

Participants also discussed a related scenario in which both theatres were sold or gifted to the CRD, resulting in complete CRD responsibility for both theatres. Concerns were expressed similar to those noted in the previous CRD-both-theatre-management scenario, and participants said they would need a further, detailed exploration of this scenario before being able to support it.

3) Ownership vests with the CRD for both theatres, while interests are held by investors municipalities.

In this scenario, the CRD would hold title while 'beneficial interest' (the use, occupancy, earned income from) remains with the contributing municipalities.

To create this reality, there would need to be a legislative, bylaw-based funding guarantee, to create a level of certainty and continuity. There would also need to be an annual, formal, required reporting relationship to ensure transparency in operations and management, and a solid bond among, and interest by, the owners.

RMTS could hold beneficial ownership in trust for the CRD, and should the RMTS cease to exist, ownership would revert entirely to the CRD.

Participants were unclear about the benefits of this scenario.

4) Victoria repatriates the McPherson Playhouse ownership, operation & management.

In this scenario, management and financing of the McPherson is determined exclusively by City of Victoria. The financial and management expertise and subsequent benefits of managing the two theatres jointly are lost.

Funding for the Royal doesn't change, creating the risk that the Royal necessarily becomes more commercial, causing the local non-profits to lose the special consideration and discounts they presently receive. The McPherson, due to its size would continue to attract lower margin and smaller shows. Administrative costs will rise as those functions can't be shared. Participants believed that there is a strong possibility that costs to operate a stand-alone McPherson basis will rise, and that any current synergies (marketing, website, management expertise etc.) will be lost.

Participants wondered why the City would take on this scenario, although some expressed the opinion that this would most closely reflect the benefits accrued by the City from the theatres' location.

5) One organization owns the McPherson & Royal including the adjacent parking lot at Royal.

In this scenario, a single non-profit organization purchases, or is gifted, both theatres, to own, operate and manage outright.

This establishes an independent operation that is dedicated to best practises in performance spaces, and while funding alliances with public and private funders, such as government, foundations, corporations and individual donors would be critical, autonomy in operation and management would allow for a broad latitude of presentations in the two theatres.

Participants identified favourably with this option, while acknowledging its associated risk.

Emerging Consensus

Generally speaking, while after extensive conversation, reflection and consideration, there did not emerge firm support for any one governance scenario, a notable degree of consensus among the participants emerged on five different aspects of McPherson and Royal theatre governance. While not forming recommendations *per se*, the degree to which these ideas were repeated or restated indicates a strong basis for future consideration.

Alignment – common ownership and funding

In an aligned ownership and funding model, the Royal Theatre and McPherson Playhouse would have the same owner and receive funding from the same municipalities via the CRD, as recommended by a new, dedicated CRD subcommittee, subject to approval by the CRD Finance Committee and the CRD Board.

This would provide clarity of oversight for the participating municipalities. It provides the mechanism for the Royal and McPherson Society (RMTS) to report each year on its use of funds and accomplishments, via the CRD Finance Committee and/or the CRD Board. Strong bylaws with respect to the governance, reporting, and funding would provide certainty for the participant funders, the RMTS and, ultimately, the Theatres.

Funding – Two capital grants and a single operating grant

Under the current two-operating grant model, the two theatres are competitors.

A single, joint operating grant model recognizes that the two theatres, in fact, form a single performing arts centre with a main stage and a smaller, “incubator” stage. Most large public theatres across the country have multiple stages; new theatres are rarely built without this in mind. The Royal is typically more successful at bringing in large, for-profit performances that can subsidize increased access to the McPherson for local non-profit groups.

For internal performance management purposes, the Society would continue to keep accounts on a per-theatre operating budget. However, in recognition of the reciprocal relationship between the two theatres, a single operating grant from the participating municipalities would maximize efficiency.

Each theatre would have separate, dedicated capital funds, to maximize granting and fundraising opportunities for specific infrastructure needs.

Ownership

Title of the Royal Theatre and McPherson Playhouse would be aligned and held at the CRD. The ultimate beneficial interest in the theatres would belong to the participating municipalities. The CRD would provide funds to the RMTS pursuant to an operating agreement, and based on a new reporting and governance structure.

Governance (Owners level)

A special subcommittee of the CRD Finance Committee would be struck consisting of:

- Municipal councillors who also sit on the RMTS board;
- Municipal appointees (e.g. respective department of finance representatives and/or community representatives); and
- Representatives of CRD Finance.

At this level, the recognition of differing contributions by the municipalities could be reflected in the number of seated positions on the subcommittee, or the number of effective “votes”.

The RMTS would report to this sub-committee on an annual basis, including presentation of the Society's annual budget, as approved by the RMTS Board. If desired, reports and/or presentations could also be made to the CRD Finance committee and/or the CRD Board.

The sub-committee would be responsible for making recommendation to the CRD Finance Committee with respect to the provision of operating and capital funds of the theatres to the Society, as well as approving the CRD-appointed members of the RMTS Board of Directors. ⁽¹⁾

Governance (Society level)

The bylaws of the RMTS currently require that each financially participating municipality appoint one councillor to its Board. No change to that practice was suggested.

The bylaws of the RMTS require that the majority of the directors be made up of the municipal councillors and individuals appointed by the CRD. The only change hypothesized here, is that the aforementioned subcommittee of the Finance Committee would be responsible for approving these appointees and recommending them to the CRD Board.

⁽¹⁾ It should be noted that such a committee, with a slightly different structure and representation, has now been struck – the *Royal and McPherson Theatre Society Advisory Committee* is a sub-committee of, and reports to, the CRD Finance Committee.

The remaining RMTS Board members are elected by the Board itself at an annual general meeting. The RMTS currently has a well-developed and active “Board Development Committee”, which reviews a “skills matrix” each year, with a view to identifying and searching out candidates to oversee the current and anticipated issues in the Society’s future. Depending on the given year, skills in architecture, finance, legal, arts, or public communications may be sought. This process reflects common practice and no change is suggested at this time.

Conclusions

This project set out to determine the level of interest in broadening investment in and responsibility for the operation, ownership and management of the McPherson and Royal theatres, historic performance halls that serve the broad tastes of the region.

In taking the journey of information sharing, conversation, imagining, debating and really listening to one another, elected representatives from 11 of the CRD’s 13 municipalities delved deeply into a range of issues that explored the pros and cons of different possible governance options for the theatres.

Ultimately, two conclusions resonated with all participants.

1. The issues testing the governance of these two theatres is symptomatic of the over-arching arts and culture challenges facing local governments as populations grow and move, communities densify and become more diverse, demographics shift, audience tastes and expectations change, transportation evolves, and budgets become tighter.
2. If the region is to meet and manage these challenges, while valuing, supporting, and nurturing arts and culture performance, more work needs to be done, in particular the work that was absent from recent planning – a region wide inventory and analysis of performance spaces in the CRD, with identification of gaps and needs, and strategies to fill and fulfill them.

In the End

The work in both Phases of the project has informed this final report to Victoria Council, summarizing conversations that imagined possible future actions on the governance and funding of the Royal and McPherson theatres, suggesting the need for future work on a regional inventory and analysis of theatre and performance space capacity.

This content reflects the outcomes of region-wide municipal outreach, responses thereto, engaged collective discussion and deliberation, and the collaborative vision of a region with multiple theatre and performance spaces, accommodating the broadest possible range of local, regional and professional performances appealing to the region’s exploding, diversifying population.

This report will be shared with the CRD and its municipalities for their information and consideration. A further update may emerge should additional substantive input arise after this report is shared with participating municipalities.

Appendix A

Questions, Comments & Ideas from Municipal Participants in Phases One & Two

** A number in a bracket following a comment, such as (3), indicates the number of times this or a near-identical comment was made during the conversations. Comments have been ordered to reflect this emphasis.*

It seems to me that some kind of aligned ownership of the two theatres has the best chance of being efficient in operation and management, and in using the theatres to their best capacity to offer diverse presentations. One theatre can compensate for the other when one is making money and the other isn't, especially when the one in the red is in that place because it is catering to local not-for-profit groups. (9)

There really ought to be just the one funding pool – whether that is via the CRD, or municipal owners, or some other funding model. The two theatres shouldn't be going after the same sources – it makes them act as if they are competitors when really, they are serving the same communities, just with different abilities, capacities, offerings. (7)

There is a patchwork of governance among all the theatres in the region. (7)

What we really need is a regional assessment of available theatre and performance space – what do we have? What do we need? How do we close the gap between the two? (7)

Why wasn't this conversation part of the CRD arts strategy? This should be part of a larger conversation about regional assets and capacity. (6)

There seems to be a natural synergy between the McPherson and the Royal. How do we maximize that? Do they two theatres need to be part of one management program, or one ownership model? It sounds like having them operate together would mean the one could complement the other, and the bookings could be tailored to the performer, the audience, and the staging. (5)

Appreciate an analysis of the impact of the fixed public money contribution – what is today's real value of the 1998 dollars? How is it reasonable to expect that any organization reliant on public funding for some portion of their operations could be expected to continue to operate without any increase in that funding? (5)

Should we pursue partnerships beyond the public sector? What about commercial sponsorships of facilities ('naming rights')? Public/private partnerships? (5)

Have we measured how/if the union scale paid to workers at the two theatres affects their usage? And if the non-union stages have greater use by the non-profits? Is there a correlation between use and union/non-union scales? (4)

Regardless of who owns the theatres, there needs to be a better, more transparent way for them to report out on their activities, successes, failures, progress etc. (4)

There seem to be only two pots of funding – CRD arts funding and municipal funding – is it reasonable to expect that performance spaces can/should rely on just those sources of funding? (3)

The McPherson is the 'community theatre' for all the larger community performances – without its access, training schools and community performance would have no place to go to perform before, experience and reach larger audiences. (3)

The region needs an 800-seat theatre that is not based in a school. (3)

There is a need for a theatre that fills the gap between performers just starting out and professionals – to provide the experiential stage between learning and how and knowing how. It's an integral part of creating the future of arts and culture performance. (3)

Create municipal and regional incentives for a private developer/promoter to build a new theatre – one big enough to house large shows. Something in the 2000+ seat size. (3)

Need to consider just transferring ownership of the physical asset – to the CRD, the City or several municipalities. (2)

Appreciate that a 14% public contribution is very low compared to other facilities' public support – but is it reasonable to expect anything more in today's economy?

Can the 'Establishment Bylaw' that oversees the theatres be amended? How easily? What is the process?

Understand the current RMTS reserves are about \$460,000 – are any monies being fed into the reserve fund or is it just being depleted? Is there any plan to add to the reserve fund?

Do municipal/regional governments have a mandate/responsibility to create and/or maintain affordable and/or accessible performance spaces?

Calls have been made for a regional, unified vision for performance spaces – does a unified vision create uniformity? Should we not foster an organic development of performance space that meets diverse needs in diverse communities?

Are collaborations among performers/performing organizations the only way to go in the future? Should we expect/require greater collaboration? How would that affect independence?

There is room for diverse theatre space – we just need to ascertain how much we need, how much we can afford and how to pay for it.

Supporting arts and performance always requires a 'leap of faith' – it's hard to quantify the value of the arts to the quality of life in the region.

Perhaps we should stop funding the theatres, and increase funding to the arts and performance groups so they can pay market rental rates to the theatres.

Don't really understand the rationale for why the City of Victoria has/can support 2 large theatres. Any data to suggest this is still do-able, and compares with other populations this size?

Municipalities should support existing facilities – but should also be looking at what deficits exist in theatre infrastructure and planning for how to eliminate those deficits. It's easier to 'sell' the need to

contribute when you are planning for new upgrades that will build capacity for performance and attendance, and not just support the status quo.

There is a need to anticipate growth, throughout the region, and then anticipate where new performance spaces need to go. Must consider expansion within the city and in the westshore.

Need to anticipate the role and capacity of the McPherson and Royal theatres in the context of regional needs and capacity. Future performance capacity has to reflect population growth, financial capacity to contribute (private and public dollars), and economic capacity to attend.

If the theatres become part of the CRD as a real regional service, how would contributions be calculated?

An option not presented but needing consideration – close the McPherson theatre – if it's not sustainable we should let it go and focus on the theatres that can sustain themselves.

Arts and culture crosses borders – if ever there was a field that needs regional collaboration and cooperation it's this.

Perhaps we need a referendum on how, and how much, theatres are supported by public dollars?

(Municipality) residents would not want the McPherson or Royal theatres to fail outright.

Have we considered dinner theatre options? Perhaps as a new revenue stream?

Doubt the McPherson on its own is sustainable in any model of funding or governance. It serves the function of providing a space for the non-profit performing community and its supporters. That means we have to clearly identify that target audience, those users, and ask them what they are willing to pay to continue to have the McPherson available for their community performances. Will the audience pay more to enable a community performance space that the school and non-profit groups can access?

Expansion is a better 'sell' than building new – focus on what can be done to expand, improve – and how much that will cost, what benefits can be accrued. Add to the existing theatres so they can provide more diverse performance spaces to more diverse performers.

Does this conversation need public involvement on a larger scale? Should we use a PlaySpeak tool to solicit ideas, interest and willingness/ability to pay?

Concern about transferring to the CRD for ownership or operation/management – CRD services mean smaller communities have little or no control, based on the representation model at the CRD Board table.

Big questions are: who should own the theatres? Who should manage the theatres? Who should pay for the theatres?

Is a contracted operating agreement model an option? Something like the agreement that operates the Greater Victoria Library? Could we propose this as a time-limited trial of 3 – 5 years with an assessment at the end? Could directly involve several/all willing municipalities, or the CRD (prefer direct with willing municipalities).

Has anyone considered a community investment model? Where a non-profit 'corporation' is established, in which anyone can buy shares? This is an emerging concept that is blending classic corporate operating models with the community benefit of support, engagement and a sense of individual 'ownership'.

There are too many arts groups in the region – we can't be expected to support them all.

Partner with the university to create a precinct of different sized theatres – from 100 to 700 seats – to fit a wide range of performances. Use them as opportunities for university, community and professional performers to perform for the public.

Look at a downtown location for a new facility to house the art gallery, performance spaces and maybe a museum.

(Municipality) doesn't want its own theatre... cost share on a regional level, like recreation centres.

If we transfer the theatres to the CRD, real or not, the perception could be the "kiss of stagnation", an excuse not to "buy in" – the CRD is seen as being incompetent when it comes to running programs.

Government shouldn't be owning or operating theatres. Sell them both.

Appendix B

Participants

Thanks are due to the many elected Councillors who generously gave their time to participate in this project. Their commitment to theatre and arts and culture, combined with their wisdom, openness, collegiality and contributions created this document, and potential paths forward.

We thank all members of the Councils to which initial Phase One presentations were made:

- View Royal
- Highlands
- Metchosin
- Saanich
- Colwood
- Langford
- North Saanich
- Oak Bay
- Sidney
- Central Saanich
- Esquimalt

In addition, we thank individual Councillors who further contributed by participating in one or more of the Phase Two round table conversations:

- Carl Jensen (Central Saanich)
- Cynthia Day (Colwood)
- Susan Low (Esquimalt)
- Karel Roessingh (Highlands)
- Murray Weisenberger (North Saanich)
- Tara Ney, Kevin Murdock & Nils Jensen (Oak Bay)
- Vicki Sanders (Saanich)
- Barbara Fallot (Sidney)
- Brenda Parkinson (Sooke)
- John Rogers (View Royal)



Council Member Report

For the Committee of the Whole Meeting of April 25, 2019

To: Committee of the Whole

Date: April 17, 2018

From: Mayor Helps

Subject: City of Montreal – Motion for International Accountability against the government of Myanmar

BACKGROUND

The attached correspondence from the City of Montreal notes Parliament's designation of April 23 each year as a national day of commemoration and action against genocide. It also includes a motion and a request that Victoria Council pass a similar motion calling for action to invoke the Genocide Convention against the Government of Myanmar.

MOTION:

MOTION TO CALL FOR INTERNATIONAL ACCOUNTABILITY OF THE GOVERNMENT OF MYANMAR FOR ITS CRIMES OF GENOCIDE AGAINST THE ROHINGYA AND OTHER MINORITIES

WHEREAS the Parliament of Canada unanimously adopted M.P. Andrew Leslie's motion on September 20, 2018 recognizing that the crimes committed by Myanmar against the Rohingya constitute genocide;

AND WHEREAS the "cleansing operation" by Myanmar's military caused the exodus of over 725,000 people to flee to Bangladesh creating the world's largest refugee camp and one of the world's worst humanitarian crises;

AND WHEREAS the genocide is on-going with Myanmar continuing its persecution of the remaining Rohingya in Rakhine State,

AND WHEREAS the Government of Myanmar is defiant in its blatant disregard of international norms and standards, imprisoning journalists, denying access to the United Nations Special Rapporteur, and burning down villages of other ethnic groups such as the Kachin, Karen, Shan, and Chin minorities;

AND WHEREAS following the end of World War II and the Holocaust, both Canada as well as Myanmar signed and ratified the Convention on the Prevention and Punishment of the Crime of Genocide (the 'Genocide Convention');

AND WHEREAS Canadian human rights think tanks such as the Montreal Institute of Genocide Studies at Concordia University, the Raoul Wallenberg Centre for Human Rights, and the Human Rights Research and Education Centre at the University of Ottawa have called for Canada to invoke the Genocide Convention;

BE IT RESOLVED THAT City Council urge the Government of Canada without further delay to invoke the Genocide Convention and specifically to engage with like-minded States to pursue the matter before the International Court of Justice in order to hold Myanmar to its obligations and to seek provisional measures and ultimately reparations for the Rohingya people;

THAT City Council urge Canada to exert pressure on Myanmar to release the jailed Reuters journalists, and to allow for unobstructed access to Rakhine State by independent monitors in order to investigate the international crimes committed and to afford protection to remaining Rohingya;

THAT City Council urge the Government of Canada to continue to assist the Government of Bangladesh through multilateral aid in addressing the humanitarian needs of the Rohingya refugees, with particular focus on the needs of women and children, including education.

THAT the City Clerk provide a copy of this motion to the Minister of Foreign Affairs and the Minister of Justice of the Government of Canada.

Respectfully submitted,



Mayor Lisa Helps

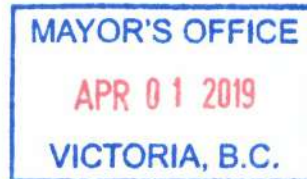


Councillor Sharmarke Dubow

**Borough Mayor and
City Councillors' office**
5160 Décarie, Suite 710
Montréal (Québec) H3X 2H9

mrotrand@ville.montreal.qc.ca

BY E-MAIL
BY MAIL



March 20, 2019

Lisa Helps
Mayor - City of Victoria
1 Centennial Square
Victoria, B.C. V8W 1P6

Dear Mayor Helps,

Parliament has designated every April 23 as the national day for commemoration and action against genocide.

I have been working with the Rohingya Support Network, the Montreal Institute of Genocide Studies at Concordia University, the Raoul Wallenberg Centre for Human Rights, and the Human Rights Research and Education Centre at the University of Ottawa to craft a motion that municipal Councils could adopt to urge the Federal Government to invoke the Genocide Convention against Myanmar and to pursue the matter before the International Court of Justice.

The situation of the Rohingya remains grave and their plight constitutes an enormous humanitarian crisis.

The Rohingya Support Network is urging municipalities across Canada to adopt this motion at their April Council meetings so as to alert the Government of Canada of the need for further efforts to assist those who have been victimized and remain in an extreme precarious situation.

Attached please find the proposed text recommended by the stakeholders. My role is limited to circulating the proposal to Councillors in various cities and tabling the same at Montreal's Council.

.../2

Please alert me if you will accept to move this motion in Victoria City Council for your April session. Permit me to thank you on behalf of the Rohingya for your efforts on their behalf. I can be reached at 514 774 1073 should you wish to discuss further.

Yours truly,

A handwritten signature in black ink, consisting of a large 'L' shape followed by a series of loops and a wavy line.

Marvin Rotrand
City Councillor - Snowdon
City of Montreal

Encl.

MOTION TO CALL FOR INTERNATIONAL ACCOUNTABILITY OF THE GOVERNMENT OF MYANMAR FOR ITS CRIMES OF GENOCIDE AGAINST THE ROHINGYA AND OTHER MINORITIES

Whereas the Parliament of Canada unanimously adopted M.P. Andrew Leslie's motion on September 20, 2018 recognizing that the crimes committed by Myanmar against the Rohingya constitute genocide;

Whereas the "cleansing operation" by Myanmar's military caused the exodus of over 725,000 people to flee to Bangladesh creating the world's largest refugee camp and one of the world's worst humanitarian crises;

Whereas the genocide is on-going with Myanmar continuing its persecution of the remaining Rohingya in Rakhine State,

Whereas the Government of Myanmar is defiant in its blatant disregard of international norms and standards, imprisoning journalists, denying access to the United Nations Special Rapporteur, and burning down villages of other ethnic groups such as the Kachin, Karen, Shan, and Chin minorities;

Whereas following the end of World War II and the Holocaust, both Canada as well as Myanmar signed and ratified the Convention on the Prevention and Punishment of the Crime of Genocide (the 'Genocide Convention');

Whereas Canadian human rights think tanks such as the Montreal Institute of Genocide Studies at Concordia University, the Raoul Wallenberg Centre for Human Rights, and the Human Rights Research and Education Centre at the University of Ottawa have called for Canada to invoke the Genocide Convention;

It is moved by

Seconded by

That City Council urge the Government of Canada without further delay to invoke the Genocide Convention and specifically to engage with like-minded States to pursue the matter before the International Court of Justice in order to hold Myanmar to its obligations and to seek provisional measures and ultimately reparations for the Rohingya people;

That City Council urge Canada to exert pressure on Myanmar to release the jailed Reuters journalists, and to allow for unobstructed access to Rakhine State by independent monitors in order to investigate the international crimes committed and to afford protection to remaining Rohingya;

That City Council urge the Government of Canada to continue to assist the Government of Bangladesh through multilateral aid in addressing the humanitarian needs of the Rohingya refugees, with particular focus on the needs of women and children, including education.

That the City Clerk provide a copy of this motion to the Minister of Foreign Affairs and the Minister of Justice of the Government of Canada.



Council Member Motion
For the Committee of the Whole Meeting of April 25, 2019

Date: April 23, 2019

From: Councillor Ben Isitt and Councillor Sharmarke Dubow

Subject: Climate Action through a Major Expansion of Public Transit Ridership

Background:

Public transit in the City of Victoria is currently provided by BC Transit, a provincial Crown Corporation, with governance and oversight of the Victoria Regional Transit System provided by the Victoria Regional Transit Commission, in accordance with the *British Columbia Transit Act*, *British Columbia Transit Regulation* and the *Motor Fuel Tax Act*.

Funding for public transit is currently provided through a combination of provincial government subsidies, local property taxation within the transit service area, federal gas tax transfers, advertising revenue and use fees paid by transit users (fares).

Existing Fare Structure

User fees are determined by the Victoria Regional Transit Commission, with a current rate of \$2.50 per user per ride and a discounted monthly pass of \$45 for person 0-18 years and 65 years of age and over, and \$85 per month for all other users.

Special arrangements relating to use fees include the following existing programs:

- “U-Pass”: a universal program provided to postsecondary students at the University of Victoria and Camosun College at a rate equivalent to an adult monthly pass for a 4-month semester (a 75% discount for people eligible for this program);
- “Employee Bus Pass”: a program available to employees of eligible employers on an opt-in basis, providing a 15% discount off the rate for an adult monthly pass.

Consideration is also being given to the following discounted programs to specific user groups:

- Extending eligibility for the “U-Pass” 75% discount to Royal Roads University students, and to University of Victoria and Camosun College students during semesters when they are not enrolled in courses;
- Providing a universal bus pass to secondary school students living on the Esquimalt and Songhees Nations.

Public Transit as Climate Action

A climate emergency has been declared by local governments in the Victoria Regional Transit System service area including the Capital Regional District, the Town of View Royal, the District

of Highlands, the District of Saanich and the City of Victoria, pledging these municipalities to become carbon neutral by 2030 in order to meet the Intergovernmental Panel on Climate Change (IPCC) targets to avoid the worst consequences of global warming.

In the Victoria Regional Transit System service area, emissions from transportation amount to more than half of community-based carbon emissions. This means that changes in transportation choices in the region have the potential to make the biggest impact toward carbon neutrality and meaningful climate action in line with the climate emergency and IPCC targets.

Phasing Out User-Fee Barriers

User fees currently pose a barrier to public transit use, in terms of the financial barrier to people with low to moderate incomes, as well as a perceptual barrier to people who may be technically able to afford the cost of public transit. Existing inadequate service levels also pose a substantial barrier to mode shift toward public transit.

Removing user fee barriers to public transit has been embraced as an appropriate policy response in the context of climate change, by national jurisdictions including Estonia and Luxembourg, and municipal jurisdictions including Kingston, Ontario, which eliminated user fees for public transit for people under the age of 15 and introduced a universal pass program for high school students in 2017.

In the context of the climate emergency, and with a view toward ensuring access to public transit for people of all income levels, it is recommended that the City of Victoria endorse the policy of phasing out user fees and substantially enhancing service levels of the public transit system in the Capital Region of British Columbia.

Recommendation:

That Council endorses the following resolution and directs staff to forward copies to members of the Victoria Regional Transit Commission and to the Mayors and Councils of local governments in the Capital Region by April 26, 2019, requesting favourable consideration and resolutions of support:

Resolution: Climate Action through a Major Expansion of Public Transit Ridership

WHEREAS local governments in the Capital Region have declared a climate emergency, pledging to achieve carbon neutrality by 2030 to avoid the worst consequences of global warming;

AND WHEREAS emissions from transportation generate the majority of community-based emissions within the region, meaning that changes in transportation choices have the potential to make the biggest impact in achieving carbon neutrality;

AND WHEREAS forward-looking jurisdictions around the world from Kingston, Ontario to Luxembourg and Estonia are eliminating user-fee barriers to public transit ridership, with residents paying for transit services through the tax system rather than at the fare box;

THEREFORE BE IT RESOLVED THAT the City of Victoria calls on the Victoria Regional Transit Commission and BC Transit to:

1. Embrace determined climate leadership through a major expansion of public transit ridership in the Capital Region, focused on the phasing out of user fees and a substantial improvement in service levels and fleet electrification.
2. Begin implementing this progressive policy with a pilot programme in the 2020 budget eliminating user fees for people 18 years of age and younger, replacing revenues currently generated through fares with adjustments to provincial transfers and the property tax requisition.
3. Develop an implementation plan for a pilot programme for free transit within the Capital Region as a form of climate action, including enhanced service levels and fleet expansion to meet increased demand, in conjunction with fleet electrification.

Respectfully submitted,



Councillor Isitt



Councillor Dubow