

The Corporation of the City of Victoria
Financial Statements
For the year ended December 31, 2020

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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

April 22, 2021

Deputy City Manager/CFO

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 (the "City"), which comprise the Statement of Financial Position as at December 31, 2020, 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, 2020, 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 22, 2021

The Corporation of the City of Victoria
Statement of Financial Position

December 31	2020	2019
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 156,464,722	\$ 144,975,587
Accounts receivable		
Property taxes	2,879,392	2,003,093
Other (Note 3)	24,717,750	28,574,624
Portfolio investments (Note 4)	170,844,995	173,000,000
Mortgage receivable (Note 5)	950,928	921,620
Other assets	10,852	35,605
MFA debt reserve fund (Note 16)	1,326,811	1,300,059
	<u>357,195,450</u>	<u>350,810,588</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	29,203,958	34,516,702
Deposits and prepayments	20,702,720	20,400,100
Deferred revenue (Note 7)	27,839,138	26,749,918
Long-term debt (Note 8)	62,515,520	65,134,749
Employee future benefit liability (Note 9)	18,524,182	18,032,614
	<u>158,785,518</u>	<u>164,834,083</u>
Net Financial Assets	<u>198,409,932</u>	<u>185,976,505</u>
Non-Financial Assets		
Tangible capital assets (Note 10)	585,057,216	552,503,905
Inventory of supplies	1,732,227	1,389,253
Deposits towards acquisition of tangible capital assets	3,400,000	1,000,000
Prepaid expenses	894,998	885,761
	<u>591,084,441</u>	<u>555,778,919</u>
Accumulated Surplus (Note 11)	<u>\$ 789,494,373</u>	<u>\$ 741,755,424</u>
Contingent liabilities (Note 16)		

_____ Deputy City Manager/CFO _____ Mayor

The Corporation of the City of Victoria
Statement of Operations

For the year ended December 31	Financial Plan 2020 (Note 17)	2020	2019
Revenue			
Taxation (Note 12)	\$ 146,085,440	\$ 146,123,205	\$ 142,529,242
Net grants in lieu of taxes	6,205,500	6,700,530	6,682,618
Sale of goods and services	52,517,535	40,517,396	56,445,829
Sale of water	22,032,705	21,690,065	21,763,787
Licences and permits	5,219,400	7,580,102	6,810,402
Fines	3,895,000	2,720,546	3,596,484
Rentals and leases	1,586,002	1,029,500	1,637,015
Other penalties and interest	690,000	591,959	742,009
Investment income	3,500,000	4,859,652	6,864,447
Unconditional transfers (Note 13)	1,855,000	8,719,363	1,883,160
Conditional transfers (Note 13)	6,543,800	5,338,941	10,557,458
Actuarial adjustment on debt	-	1,198,989	1,056,589
Miscellaneous (Note 14)	11,513,233	11,645,108	11,800,762
	<u>261,643,615</u>	<u>258,715,356</u>	<u>272,369,802</u>
Expenses			
General government	25,294,501	18,542,374	19,276,236
Protective services	83,410,064	83,796,359	80,288,014
Transportation services	29,839,886	31,951,453	32,150,670
Environmental and public health services	8,804,302	9,549,602	8,773,861
Social services and housing	1,224,646	1,815,665	1,067,375
Planning and development	16,401,717	12,129,222	16,662,835
Parks, recreation and cultural services	33,121,798	31,646,073	29,946,279
Water utility	17,140,208	16,617,009	15,969,619
Sewer utility	4,275,259	4,928,650	4,367,450
	<u>219,512,381</u>	<u>210,976,407</u>	<u>208,502,339</u>
Annual Surplus	42,131,234	47,738,949	63,867,463
Accumulated Surplus, beginning of year	741,755,424	741,755,424	677,887,961
Accumulated Surplus, end of year	<u>\$ 783,886,658</u>	<u>\$ 789,494,373</u>	<u>\$ 741,755,424</u>

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

For the year ended December 31	Financial Plan 2020 (Note 17)	2020	2019
Annual Surplus	\$ 42,131,234	\$ 47,738,949	\$ 63,867,463
Net acquisition of tangible capital assets	(83,964,000)	(48,167,900)	(42,192,705)
Amortization of tangible capital assets	12,000,000	15,550,162	14,676,748
Gain on disposal of tangible capital assets	-	(82,503)	(106,015)
Proceeds on disposal of tangible capital assets	-	146,930	139,725
	(71,964,000)	(32,553,311)	(27,482,247)
Consumption (purchase) of inventory of supplies	-	(342,974)	(241,488)
Consumption (purchase) of deposits	-	(2,400,000)	(1,000,000)
Consumption (purchase) of prepaid expenses	-	(9,237)	1,267,576
	-	(2,752,211)	26,088
Change in Net Financial Assets (net debt)	(29,832,766)	12,433,427	36,411,304
Net Financial Assets, beginning of year	185,976,505	185,976,505	149,565,201
Net Financial Assets, end of year	\$ 156,143,739	\$ 198,409,932	\$ 185,976,505

The Corporation of the City of Victoria
Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in):		
Operating Transactions		
Annual surplus	\$ 47,738,949	\$ 63,867,463
Items not involving cash		
Amortization of tangible capital assets	15,550,162	14,676,748
Gain on disposal of tangible capital assets	(82,503)	(106,015)
Change in future employee benefits and other liability	491,567	135,914
Actuarial adjustment on debt	(1,198,988)	(1,056,588)
Changes in non-cash operating assets and liabilities		
Accounts receivable other	3,856,874	2,543,157
Property taxes receivable	(876,299)	(350,183)
Mortgage receivable	(29,308)	(28,404)
Other assets	24,753	21,169
Restricted cash	(26,752)	(29,592)
Accounts payable and accrued liabilities	(5,312,744)	5,937,949
Deposits and prepayments	302,620	2,761,383
Deferred revenue	1,089,220	(1,244,189)
Inventory of supplies	(342,974)	(241,488)
Prepaid expenses and deposits	(9,237)	1,267,576
	<u>61,175,340</u>	<u>88,154,900</u>
Capital Transactions		
Acquisition of tangible capital assets	(48,167,900)	(42,192,705)
Proceeds on disposal of tangible capital assets	146,930	139,725
Deposits towards future asset purchase	(2,400,000)	(1,000,000)
	<u>(50,420,970)</u>	<u>(43,052,980)</u>
Investing Transactions		
Net increase in portfolio investments	<u>2,155,005</u>	<u>(1,999,975)</u>
Financing Transactions		
Debt issued	1,860,000	-
Debt repayments	<u>(3,280,240)</u>	<u>(3,081,616)</u>
	<u>(1,420,240)</u>	<u>(3,081,616)</u>
Increase (decrease) in Cash and Cash Equivalents	11,489,135	40,020,329
Cash and Cash Equivalents, beginning of year	<u>144,975,587</u>	<u>104,955,258</u>
Cash and Cash Equivalents, end of year	<u>\$ 156,464,722</u>	<u>\$ 144,975,587</u>

The Corporation of the City of Victoria

Notes to the Financial Statements

For the year ended December 31, 2020

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 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 City. Transfers received that meet the definition of a liability are included in deferred revenue and are recognized in the periods 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. Building permit fees are recognized individually as inspections 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

For the year ended December 31, 2020

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) 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 certain 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

For the year ended December 31, 2020

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

For the year ended December 31, 2020

1. Significant Accounting Policies (Continued)

(k) Non-Financial Assets (Continued)

(v) Leased Tangible Capital Assets

Leases that 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.

(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, and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

(m) Contaminated Sites

A Contaminated site is defined as a site at which contamination occurs in concentrations that exceed acceptable amounts permitted under an environmental standard.

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. 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 City is directly responsible or accepts responsibility;
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

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

For the year ended December 31, 2020

1. Significant Accounting Policies (Continued)

(m) Contaminated Sites (Continued)

The liability is recognized as management's best estimate of the cost of remediation including operation, maintenance and monitoring that are an integral part of the mediation strategy for a contaminated site. No liability for contaminated sites exists as at December 31, 2019 or 2020.

A review of City sites identified one property that was no longer in productive use, at which substances exceeded environmental standards. The City is not directly responsible for the contamination, and has not accepted responsibility for the contamination. As the property was involuntarily acquired by the City through tax sale, Provincial legislation exempts the City from being held liable for the remediation.

2. Cash and Cash Equivalents

	2020	2019
Cash	\$ 74,273,573	\$ 34,295,362
MFA Money Market Funds	82,191,149	110,680,225
	<u>\$ 156,464,722</u>	<u>\$ 144,975,587</u>

3. Accounts Receivable

	2020	2019
Sewer	\$ 4,062,570	\$ 4,286,749
Water	13,719,384	13,233,361
Grants	496,597	1,407,493
GST and carbon tax	924,212	740,560
Investment interest income	206,261	1,070,372
Parks, recreation and community development	620,031	1,418,408
Municipal tickets	1,275,291	1,484,857
Victoria police department	1,053,199	1,028,355
Rental properties	457,103	128,584
Permits	125	236,894
Garbage	566,203	546,155
Third party billing	68,184	386,426
Miscellaneous	1,907,107	3,544,295
Valuation allowance	(638,517)	(937,885)
	<u>\$ 24,717,750</u>	<u>\$ 28,574,624</u>

The Corporation of the City of Victoria

Notes to the Financial Statements

For the year ended December 31, 2020

4. Portfolio Investments

	Yield	Maturity	2020	2019
MFA Pooled Bond Funds			\$ 36,844,995	\$ -
Term deposits	0.76% to 1.06%	December 18, 2021	134,000,000	173,000,000
			<u>\$ 170,844,995</u>	<u>\$ 173,000,000</u>

Portfolio investments are comprised of Term Deposits of Canadian Banks and Credit Unions as well as Municipal Finance Authority of BC (MFA) pooled bond funds. The GICs held at December 31, 2020 have yields of 0.76% to 1.06% (2019 - 2.15% to 3.04%), and maturity dates to December 18, 2021. The MFA pooled bond funds have varying returns and yields, and are intended to be held for two to five years. The City's investments are carried at cost which approximates market values.

5. Mortgage Receivable

	2020	2019
Mortgage receivable	<u>\$ 950,928</u>	<u>\$ 921,620</u>

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

For the year ended December 31, 2020

6. Accounts Payable and Accrued Liabilities

	2020	2019
Trade accounts payable and other liabilities	\$ 12,668,501	\$ 15,177,283
Capital projects	2,606,937	3,541,649
Payroll accounts payable	8,382,956	8,834,997
Contract holdbacks	668,490	1,103,882
School authorities	842,016	629,083
Capital Regional District	496,413	457,957
Capital Regional District sewer	2,336,153	3,069,209
Legal settlements	906,516	1,432,748
Recreation Integration Victoria	11,221	11,221
BC Transit	170,308	147,954
Regional Hospital District	93,340	91,973
BC Assessment Authority	21,107	18,746
	<u>\$ 29,203,958</u>	<u>\$ 34,516,702</u>

7. Deferred Revenue

	2019	Fees Received	Interest Earned	Recognized as Revenue	2020
General Operating Deferred Revenue	\$ 2,856,313	\$ 6,075,480	\$ -	\$ (7,000,557)	\$ 1,931,236
Building Permit Fees	4,564,857	5,653,142	-	(4,563,463)	5,654,536
Development Cost Charges:					
Water and environment	598,540	-	10,295	(25,899)	582,936
Streets					
Transportation	7,706,685	656,689	132,555	(1,051,711)	7,444,218
Water	1,100,795	192,005	18,934	-	1,311,734
Drainage	657,315	144,646	11,306	(4,959)	808,308
Sewage	2,357,166	206,581	40,543	(54,449)	2,549,841
Parkland acquisition and development	6,908,247	652,122	118,822	(122,862)	7,556,329
	<u>19,328,748</u>	<u>1,852,043</u>	<u>332,455</u>	<u>(1,259,880)</u>	<u>20,253,366</u>
	<u>\$ 26,749,918</u>	<u>\$ 13,580,665</u>	<u>\$ 332,455</u>	<u>\$ (12,823,900)</u>	<u>\$27,839,138</u>

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

For the year ended December 31, 2020

8. Long-term Debt

	2020	2019
Equipment financing (a)	\$ 1,678,979	\$ -
Debt (b)	60,836,541	65,134,749
	<u>\$ 62,515,520</u>	<u>\$ 65,134,749</u>

(a) Equipment Financing Loan

The Municipal Finance Authority ("MFA") has established an equipment financing program that replaced the former leasing program. Loans under the equipment financing program are available to both regional districts and municipalities under section 175 of the Community Charter, and are direct obligations of the entity requesting funding. In the case of a municipality, it does not have to seek consent of its regional district to obtain an equipment financing loan. The maximum length of an equipment financing loan agreement is five years. Interest rates are based on the Canadian Dollar Offered Rate (CDOR) and the loans have fixed monthly payments with the interest portion calculated on the last day of the month.

As part of the City's 2019 - 2023 Financial Plan approval process, a Council resolution, dated February 28, 2019, authorized up to \$4 million to be borrowed by the MFA Equipment Financing program for the purpose of vehicle fleet funding. The City borrowed \$1,860,000 in June 2020 to fund fleet equipment purchases. In March 2021, the City applied for the remaining \$2,140,000.

(i) Equipment Financing Loan Report:

MFA Loan No. - Council Resolution	Gross debt	Principal Repaid	Equipment loan payable 2020	Equipment loan payable 2019
0001-0 - 2/28/2019	1,860,000	(181,021)	1,678,979	-

(ii) Future estimated payments over the next five years are as follows:

	General Capital Fund	Interest Payment	Total
2021	\$ 372,823	13,776	\$ 386,599
2022	376,287	10,312	386,599
2023	379,726	6,873	386,599
2024	383,183	3,416	386,599
2025	166,960	390	167,350
Thereafter	-	-	-
Total	<u>\$ 1,678,979</u>	<u>\$ 34,767</u>	<u>\$ 1,713,746</u>

(iii) Principal paid during the year was \$181,021 (2019 - \$nil). Interest paid during the year was \$12,667 (2019 - \$nil).

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

For the year ended December 31, 2020

8. Debt (Continued)

(b) Long-term Borrowing

The City issues debt instruments through the MFA, pursuant to security issuing bylaws under the 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 1.28% to 3.89%. The weighted average interest rate for 2020 was 2.84% (2019 - 2.87%).

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

	Year of Maturity	Rate	Gross debt	Repayments & actuarial earnings	Net debt 2020	Net debt 2019
Issue 79	2033	2.25%	10,000,000	(4,001,764)	5,998,236	6,336,568
Issue 80	2033	2.85%	10,000,000	(3,936,764)	6,063,236	6,395,914
Issue 81	2034	2.85%	10,000,000	(3,684,200)	6,315,800	6,639,860
Issue 102	2022	2.25%	4,509,000	(3,756,414)	752,586	1,114,329
Issue 103	2023	2.65%	1,800,000	(1,388,032)	411,968	554,269
Issue 105	2024	2.25%	5,240,015	(3,610,880)	1,629,135	2,025,659
Issue 110	2025	4.50%	5,200,000	(3,197,738)	2,002,262	2,371,519
Issue 115	2031	3.89%	10,200,000	(3,650,050)	6,549,950	7,020,110
Issue 130	2034	3.00%	23,200,000	(5,211,902)	17,988,098	18,944,189
Issue 139	2036	2.10%	5,500,000	(862,455)	4,637,545	4,862,823
Issue 142	2037	3.15%	9,600,000	(1,112,275)	8,487,725	8,869,509
			<u>\$ 95,249,015</u>	<u>\$ (34,412,474)</u>	<u>\$ 60,836,541</u>	<u>\$ 65,134,749</u>

- (ii) Future aggregate sinking fund payments over the next five years and thereafter are as follows:

	General Capital Fund	Actuarial Earnings	Total
2021	3,136,960	1,286,593	\$ 4,423,553
2022	3,155,961	1,446,033	4,601,994
2023	2,950,516	1,431,746	4,382,262
2024	2,881,130	1,516,513	4,397,643
2025	2,640,743	1,463,765	4,104,508
Thereafter	21,223,693	17,702,888	38,926,581
Total	<u>\$ 35,989,003</u>	<u>\$ 24,847,538</u>	<u>\$ 60,836,541</u>

- (iii) Scheduled debt repayments may be suspended at the MFA's option in the event of excess sinking fund earnings. Principal paid during the year was \$3,099,220 (2019 - \$3,081,616). Interest paid during the year was \$2,546,901 (2019 - \$2,732,187).

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

For the year ended December 31, 2020

9. Employee Future Benefit Liability

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

	2020	2019
Accrued benefit obligation		
Balance, beginning of year	\$ 18,570,000	\$ 17,575,200
Service cost	1,410,600	1,257,600
Interest cost	515,200	593,300
Benefits payments	(1,746,700)	(1,736,900)
Immediate recognition loss (gain) for event driven liabilities	75,100	(77,300)
Actuarial loss (gain)	1,940,700	958,100
Accrued benefit obligation, end of year	20,764,900	18,570,000
Less unamortized net actuarial loss	(2,614,513)	(901,736)
Add pension over contributions due to staff	373,795	364,350
Benefit liability, end of year	\$ 18,524,182	\$ 18,032,614

The accrued benefit obligation and the benefit costs for the year were estimated by actuarial valuation as of December 31, 2020 by an independent actuarial firm. Key estimates used in the valuation include the following:

	2020	2019
Discount rates	1.80%	2.70%
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	13 years	11 years

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

	City	Police	2020	2019
Vested benefits	\$ 4,100,910	\$ 8,600,977	\$ 12,701,887	\$ 12,816,364
Non-vested benefits	4,815,630	1,006,665	5,822,295	5,216,250
Total benefit liabilities	8,916,540	9,607,642	18,524,182	18,032,614
Charged to operating fund surplus in current and past years	(5,104,072)	(8,489,134)	(13,593,205)	(13,289,052)
Portion of benefits charged against reserves	\$ 3,812,468	\$ 1,118,508	\$ 4,930,977	\$ 4,743,562

The Corporation of the City of Victoria

Notes to the Financial Statements

For the year ended December 31, 2020

9. Employee Future Benefit Liability (Continued)

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 with an extrapolation prepared by the actuary as at December 31, 2019. At December 31, 2019, the total plan provision for approved claim was \$17,748,900 and the provision for unreported claims was \$1,332,400 with an accumulated surplus of \$4,244,806. The total plan provision for approved and unreported claims and net surplus or deficit at December 31, 2020 will be available later in 2021.

The City paid \$580,104 (2019 - \$514,924) for employer contributions and City employees paid \$558,096 (2019 - \$514,924) for employee contributions to the Plan in fiscal 2019.

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, 2020, the Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 Corporation of the City of Victoria
Notes to the Financial Statements

For the year ended December 31, 2020

9. Employee Future Benefit Liability (continued)

Municipal Pension Plan (continued)

The most recent valuation for the Municipal Pension Plan as of December 31, 2018, indicated a \$2,866 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, 2021, with results available later in 2022.

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

The City of Victoria paid \$12,412,388 (2019 - \$11,474,017) for employer contributions and City of Victoria employees paid \$9,930,919 (2019 - \$9,130,892) for the Plan in fiscal 2020.

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

For the year ended December 31, 2020

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	2020 Total	2019 Total
Cost, beginning of year	\$ 142,885,438	\$ 116,904,676	\$ 83,950,357	\$ 239,593,163	\$ 76,690,559	\$ 30,996,910	\$ 35,132,979	\$ 24,192,214	\$ 750,346,296	\$ 708,982,587
Additions	11,698,614	1,342,584	7,053,704	12,296,521	4,788,901	7,475,379	2,858,937	11,480,898	58,995,538	62,629,564
Disposals/transfers	-	-	(1,001,389)	-	-	-	-	(10,827,637)	(11,829,026)	(21,265,852)
Cost, end of year	154,584,052	118,247,260	90,002,672	251,889,684	81,479,460	38,472,289	37,991,916	24,845,475	797,512,808	750,346,299
Accumulated amortization, beginning of year	(602,001)	(51,780,855)	(60,775,919)	(62,604,516)	(11,484,093)	(6,672,633)	(3,922,378)	-	(197,842,395)	(183,960,929)
Disposals	-	-	936,965	-	-	-	-	-	936,965	795,283
Amortization	(185,382)	(3,091,317)	(5,364,497)	(5,348,864)	(793,155)	(395,901)	(371,046)	-	(15,550,162)	(14,676,748)
Accumulated amortization, end of year	(787,383)	(54,872,172)	(65,203,451)	(67,953,380)	(12,277,248)	(7,068,534)	(4,293,424)	-	(212,455,592)	(197,842,394)
Net carrying amount, end of year	\$ 153,796,669	\$ 63,375,088	\$ 24,799,221	\$ 183,936,304	\$ 69,202,212	\$ 31,403,755	\$ 33,698,492	\$ 24,845,475	\$ 585,057,216	\$ 552,503,905

- a.) Work in Progress - Assets under construction having a value of \$24,845,475 (2019 - \$24,192,215) 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 received in 2020 or 2019.
- 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 2020 or 2019.
- f.) Leased Tangible Capital Assets - Leases that 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

For the year ended December 31, 2020

11. Accumulated Surplus

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

	2020	2019
Surplus		
Equity in tangible capital assets	\$ 522,408,647	\$ 487,236,106
Operating Fund	-	3,329,825
Underfunded employee benefit obligation (Note 9)	(4,930,977)	(4,743,562)
	<u>517,477,670</u>	<u>485,822,369</u>
Non-Statutory Reserve Accounts		
Development Stabilization Reserve Account	10,395,604	7,229,992
COVID-19 Safe Restart Grant Reserve Account	6,435,480	-
	<u>16,831,084</u>	<u>7,229,992</u>
Reserves		
Financial Stability Reserves	72,435,041	67,494,934
Equipment and Infrastructure Replacement Fund	168,511,403	167,712,765
Tax Sale Lands Fund	4,002,995	3,953,316
Parks and Greenways Acquisition Fund	1,496,630	2,183,453
Local Amenities	1,062,202	766,246
Victoria Housing Fund	5,145,799	4,264,942
Climate Action	1,443,208	1,164,075
Art in Public Places	835,956	772,180
Downtown Core Area Public Realm Improvements	226,209	222,384
Downtown Heritage Building Seismic Upgrades	-	154,728
Park Furnishing Dedication Program	26,176	14,040
	<u>255,185,619</u>	<u>248,703,063</u>
Total reserves	<u>\$ 789,494,373</u>	<u>\$ 741,755,424</u>

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

For the year ended December 31, 2020

12. Taxation

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

	Financial Plan 2020	2020	2019
General taxation			
General municipal purposes	\$ 143,327,240	\$ 143,327,322	\$ 139,700,938
Utility 1% tax	1,353,000	1,323,581	1,354,559
Special assessments			
Boulevard frontage	535,200	535,280	534,785
Specified area improvement	81,000	142,865	145,088
Sewer frontage	789,000	794,157	793,872
Collections for other governments			
Capital Regional District	-	28,099,064	25,144,105
School Authorities	-	38,964,581	51,807,049
Regional Hospital District	-	7,880,926	8,031,019
Municipal Finance Authority	-	8,102	7,670
BC Assessment Authority	-	1,773,081	1,583,469
BC Transit	-	11,051,218	9,789,846
Business Improvement Association	-	1,105,315	1,081,030
	<u>146,085,440</u>	<u>235,005,492</u>	<u>239,973,430</u>
Less taxes levied for other authorities			
Capital Regional District	-	28,099,064	25,144,105
School Authorities	-	38,964,581	51,807,049
Regional Hospital District	-	7,880,926	8,031,019
Municipal Finance Authority	-	8,102	7,670
BC Assessment Authority	-	1,773,081	1,583,469
BC Transit	-	11,051,218	9,789,846
Business Improvement Association	-	1,105,315	1,081,030
	-	<u>88,882,287</u>	<u>97,444,188</u>
Net taxes available for municipal purposes	<u>\$ 146,085,440</u>	<u>\$ 146,123,205</u>	<u>\$ 142,529,242</u>

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

For the year ended December 31, 2020

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 2020	2020	2019
Unconditional transfers			
COVID-19 Safe Restart Grant	\$ -	\$ 6,522,000	\$ -
Traffic fine revenue sharing	1,855,000	2,197,363	1,883,160
	1,855,000	8,719,363	1,883,160
Conditional transfers			
Climate Action Revenue Incentive Program	-	141,941	142,479
Jail	28,800	42,481	29,294
Gas tax	3,666,000	3,667,997	7,257,119
Infrastructure grants:			
Bicycle Master Plan Implementation	1,151,000	1,011,480	895,000
Point Ellice Bridge Rehabilitation/Painting	-	181,100	2,233,566
Cost-sharing agreements:			
Storm Drain	195,000	32,672	-
Sewer	849,000	147,614	-
Water	654,000	113,656	-
	6,543,800	5,338,941	10,557,458
	\$ 8,398,800	\$14,058,304	\$ 12,440,618

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.

The Canada-BC Safe Restart Grant for Local Governments is an unconditional grant provided through federal/provincial funding and distributed by the Province to support local governments as they deal with increased operating costs and lower revenue due to COVID-19.

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

For the year ended December 31, 2020

14. Miscellaneous Revenue

	Financial Plan 2020	2020	2019
Third party billing, cost sharing and recoveries	\$ 2,396,760	\$ 5,811,210	\$ 4,519,779
Arena lease equivalent, share of naming rights and ticket surcharge	634,000	411,044	513,634
CREST levy	400,000	301,162	325,539
Rezoning applications	534,500	877,987	919,128
Dog licences and fines	225,000	242,752	218,731
Bus shelter advertising	150,000	154,786	153,936
Tax certificates	125,000	132,540	129,738
Bonus density	-	288,563	1,000,000
Traffic and sidewalk permits	113,350	132,127	143,152
Fortis franchise fee	450,000	497,801	459,016
Development cost charges	5,876,000	1,254,921	2,464,041
Other: administrative fees, lease fees, information sales and asset disposals	608,623	1,540,215	954,068
	<u>\$ 11,513,233</u>	<u>\$ 11,645,108</u>	<u>\$ 11,800,762</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.

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

For the year ended December 31, 2020

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 .

	2020	2019
Ross Bay Cemetery	\$ 1,150,885	\$ 1,079,912
Nature Interpretation Centre	662,020	650,826
Bastion Square Revitalization	230,380	249,484
	<u>\$ 2,043,285</u>	<u>\$ 1,980,222</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

For the year ended December 31, 2020

16. 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. Management does not believe any outstanding claims are likely to result in a material loss to the City. In addition to the amounts accrued as liabilities, included in reserve funds is an insurance reserve of \$4,189,441 (2019 - \$4,118,601), 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.

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, 2020 the balance of the deposits was \$1,326,811 (2019 - \$1,300,059). At December 31, 2020 there were contingent demand notes of \$2,490,784 (2019 - \$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, 2020 the Board had an outstanding demand loan of \$1,091,966 (2019 - \$1,094,259) with the Bank of Montreal and long-term debt of \$687,871 (2019 - \$756,476) through the Municipal Finance Authority. The City's guarantee portion of the outstanding debt at December 31, 2020 is \$889,919 (2019 - \$925,369).

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

For the year ended December 31, 2020

16. Contingent Liabilities (Continued)

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

For the year ended December 31, 2020

17. Financial Plan Data

The financial plan data presented in these financial statements is based upon the 2020 operating and capital financial plan approved by Council on May 7, 2020. 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	\$ 152,290,940	\$ 152,290,940
User fees and other revenue	74,550,240	74,550,240
Other	34,802,435	34,802,435
	<u>261,643,615</u>	<u>261,643,615</u>
Expenses		
General government	23,729,256	25,294,501
Protective services	81,952,092	83,410,064
Transportation services	24,247,511	29,839,886
Environmental and public health services	8,302,100	8,804,302
Social services and housing	1,224,646	1,224,646
Planning and development	15,858,851	16,401,717
Parks, recreation and cultural services	31,699,195	33,121,798
Water utility	3,970,028	17,140,208
Sewer utility	16,528,702	4,275,259
Amortization	12,000,000	-
	<u>219,512,381</u>	<u>219,512,381</u>
	42,131,234	42,131,234
Less:		
Capital expenditures	(83,964,000)	-
Debt repayment	(3,099,221)	-
Add:		
Interfund transfers	44,931,987	-
Annual surplus	<u>\$ -</u>	<u>\$ 42,131,234</u>

The Corporation of the City of Victoria

Notes to the Financial Statements

For the year ended December 31, 2020

18. 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 five different functions, including the City's Emergency Management Agency, Fire, Police, Bylaw Services 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 goal of Bylaw Services is to achieve voluntary compliance of the City Bylaws through education and information. 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.

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

For the year ended December 31, 2020

18. Segmented Information (Continued)

(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.

(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) 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.

Strategic Real Estate: Manages all aspects of the City's real estate holdings based on an established real estate strategy and a triple bottom line (economic, social and environmental) perspective of returns. The real estate office provides a wide range of services including strategic advice and partnership development; as well as planning and leading transactions for the acquisition, sale, leasing or licensing of lands to meet the City's operational requirements and strategic goals.

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. 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.

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.

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

For the year ended December 31, 2020

18. Segmented Information (Continued)

(vii) 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 Centre, Royal Athletic Park, and Community and Seniors Centres. The Arts and Culture function supports community vibrancy and economic impact through tourism and visitor attraction. This function also includes the Victoria Conference Centre which is the second largest conference facility in BC and plays a significant economic impact on the local economy.

(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 2020-2024 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, 2020

18. Segmented Information (Continued)

	General Fund							Water Fund	Sewer Fund	
	General Government	Protective Services	Transportation Services	Environmental and Public Health Services	Social Services and Housing	Planning and Development	Parks Recreation and Cultural Services	Water Utility	Sewer Utility	Total
2020										
Revenues										
Taxation	\$ 31,023,483	\$ 67,809,780	\$ 15,918,192	\$ 2,410,107	\$ 367,463	\$ 4,666,444	\$ 29,834,106	\$ -	\$ 794,160	\$152,823,735
Goods & services	40,374	8,866,495	10,023,933	9,459,661	-	2,778,022	808,388	22,650,926	7,579,662	62,207,461
Government transfers	6,522,000	2,239,844	3,297,596	1,084,128	-	141,941	511,525	113,656	147,614	14,058,304
Other	8,060,453	7,738,935	6,497,614	38,892	324,563	4,257,819	1,736,682	631,632	339,266	29,625,856
	45,646,310	86,655,054	35,737,335	12,992,788	692,026	11,844,226	32,890,701	23,396,214	8,860,702	258,715,356
Expenses										
Salaries & wages	11,785,670	68,050,214	15,452,034	5,212,001	255,530	6,911,007	14,219,465	4,056,027	1,984,373	127,926,321
Materials, supplies, & services	4,836,761	13,742,858	6,534,085	3,111,277	140,574	3,778,354	10,716,045	11,614,121	1,798,941	56,273,016
Interests, & Foreign Exchange	146,196	-	1,573,048	-	-	77,400	845,726	-	-	2,642,370
Grants	-	-	-	-	1,419,561	536,011	3,744,643	-	-	5,700,215
Other	(274,396)	-	-	-	-	-	-	-	-	(274,396)
Capital expenditure not meeting tangible capital asset criteria	17,938	112,221	1,138,683	574,942	-	122,324	289,470	153,706	749,435	3,158,719
Amortization	2,030,205	1,891,066	7,253,603	651,382	-	704,126	1,830,724	793,155	395,901	15,550,162
	18,542,374	83,796,359	31,951,453	9,549,602	1,815,665	12,129,222	31,646,073	16,617,009	4,928,650	210,976,407
Annual surplus	\$ 27,103,936	\$ 2,858,695	\$ 3,785,882	\$ 3,443,186	\$ (1,123,639)	\$ (284,996)	\$ 1,244,628	\$ 6,779,205	\$ 3,932,052	\$ 47,738,949

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

For the year ended December 31, 2019

18. Segmented Information (Continued)

	General Fund							Water Fund	Sewer Fund	
	General Government	Protective Services	Transportation Services	Environmental and Public Health Services	Social Services and Housing	Planning and Development	Parks Recreation and Cultural Services	Water Utility	Sewer Utility	Total
2019										
Revenues										
Taxation	\$ 28,863,185	\$ 65,887,908	\$ 14,084,056	\$ 2,710,484	\$ 1,520,293	\$ 5,025,413	\$ 30,326,649	\$ -	\$ 793,872	\$149,211,860
Goods & services	40,677	9,227,194	16,060,464	9,350,617	-	10,371,629	2,370,423	22,814,540	7,974,071	78,209,615
Government transfers	3,277,315	1,912,454	5,720,195	1,388,175	-	142,479	-	-	-	12,440,618
Other	9,276,187	6,797,771	6,871,938	120,561	1,031,737	4,868,482	1,246,654	639,105	1,655,274	32,507,709
	41,457,364	83,825,327	42,736,653	13,569,837	2,552,030	20,408,003	33,943,726	23,453,645	10,423,217	272,369,802
Expenses										
Salaries & wages	10,148,333	65,615,814	15,181,234	5,017,979	232,249	6,179,431	13,981,561	3,979,864	2,720,535	123,057,000
Materials, supplies, & services	4,309,938	12,930,570	7,465,518	2,961,390	131,775	9,186,364	10,714,549	11,156,726	901,340	59,758,170
Interests, & Foreign Exchange	127,100	-	1,735,254	-	-	122,981	823,226	-	-	2,808,561
Grants	-	-	-	-	703,351	387,376	2,552,596	-	-	3,643,323
Other	2,758,283	-	-	-	-	-	-	-	-	2,758,283
Capital expenditure not meeting tangible capital asset criteria	-	24,602	831,437	199,367	-	65,959	116,339	150,784	411,766	1,800,254
Amortization	1,932,582	1,717,028	6,937,227	595,125	-	720,724	1,758,008	682,245	333,809	14,676,748
	19,276,236	80,288,014	32,150,670	8,773,861	1,067,375	16,662,835	29,946,279	15,969,619	4,367,450	208,502,339
Annual surplus	\$ 22,181,128	\$ 3,537,313	\$ 10,585,983	\$ 4,795,976	\$ 1,484,655	\$ 3,745,168	\$ 3,997,447	\$ 7,484,026	\$ 6,055,767	\$ 63,867,463

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

For the year ended December 31, 2020

19. COVID-19

The impact of COVID-19 in Canada and on the global economy has continued throughout the year. As the impacts of COVID-19 continue, there could be specific impact on the City, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the City's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the City is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The City's ability to continue delivering services and employ related staff will depend on the legislative mandates from the various levels of government. The City will continue to focus on collecting receivables, managing expenditures, and, if necessary, leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

Supplementary Financial Information - The following schedule is unaudited

The Corporation of the City of Victoria
Schedule A - Statement of Canada-BC Restart Grant
(unaudited)

For the year ended December 31, 2020

Safe Restart Grant received November 2020	6,522,000
Eligible costs incurred:	
Salvation Army - Grant for mobile showers	<u>(86,520)</u>
Balance, December 31, 2020	<u>6,435,480</u>