

THE CORPORATION OF THE CITY OF VICTORIA
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. 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



Government Finance Officers Association

**Canadian Award
for
Financial Reporting**

Presented to

**City of Victoria
British Columbia**

For its Annual
Financial Report
for the Year Ended

December 31, 2022

Christopher P. Morill
Executive Director/CEO

THE CORPORATION OF THE CITY OF VICTORIA
STATEMENT OF FINANCIAL POSITION

December 31	2023	2022
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 97,276,196	\$ 128,244,048
Accounts receivable		
Property taxes	4,189,736	3,047,594
Other	37,500,804	35,679,761
Portfolio investments (Note 4)	272,967,247	248,043,341
Mortgage receivable (Note 5)	1,044,652	1,012,458
Other assets	403	2,216
MFA debt reserve fund (Note 16)	1,323,540	1,310,667
	414,302,578	417,340,085
Liabilities		
Accounts payable and accrued liabilities	35,189,523	30,069,020
Deposits and prepayments	28,717,848	26,658,204
Deferred revenue (Note 6)	31,127,016	29,359,819
Long-term debt (Note 7)	48,962,799	54,066,383
Employee future benefit liability (Note 8)	19,987,861	19,423,526
Asset retirement obligations (Note 10)	1,706,893	-
	165,691,940	159,576,952
Net Financial Assets	248,610,638	257,763,134
Non-Financial Assets		
Tangible capital assets (Note 9)	722,459,962	641,709,643
Inventories of supplies	2,655,209	2,434,168
Deposits towards acquisition of tangible capital assets (Note 9(d))	535,000	3,400,000
Prepaid expenses and deposits	2,539,789	687,035
	728,189,960	648,230,846
Accumulated Surplus (Note 11)	\$ 976,800,598	\$ 905,993,980
Contingent liabilities (Note 16)		

On behalf of the City:

Deputy City Manager/CFO

Mayor

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF VICTORIA
STATEMENT OF OPERATIONS

For the year ended December 31	Financial Plan 2023	2023	2022
	(Note 17)		
Revenues			
Taxation (Note 12)	169,000,160	\$ 169,084,975	157,914,112
Grants in lieu of taxes	7,317,500	7,613,156	7,359,111
Sale of goods and services	56,818,630	66,304,108	58,259,637
Sale of water	24,747,980	26,734,144	23,990,399
Licences and permits	9,697,370	11,371,144	9,705,751
Fines	5,518,020	5,438,681	4,559,778
Rentals and leases	2,012,750	2,194,456	2,038,200
Investment income	4,000,000	16,378,744	7,344,892
Other interest and penalties	965,960	1,407,719	1,084,725
Unconditional transfers (Note 13)	2,000,000	1,988,000	2,003,713
Conditional transfers (Note 13)	15,224,990	26,009,318	12,884,707
Actuarial adjustment on debt	-	1,435,132	1,496,813
Development Cost Charges	7,859,000	6,134,789	4,888,598
Miscellaneous (Note 14)	3,146,740	4,213,705	10,185,652
	308,309,100	346,308,071	303,716,088
Expenses			
General government	33,377,600	27,707,915	21,335,160
Protective services	92,521,170	97,724,786	88,504,784
Engineering and transportation services	27,534,100	40,019,766	35,927,293
Environmental and public health services	8,936,270	10,387,184	9,818,872
Social services and housing	2,216,390	3,272,815	5,783,790
Planning and development	19,964,120	22,970,043	18,181,953
Parks, recreation and cultural services	32,677,700	48,072,553	41,155,232
Water utility	18,117,980	19,444,103	17,840,908
Sewer utility	4,308,880	5,902,287	5,657,271
	239,654,210	275,501,453	244,205,263
Annual Surplus	68,654,890	70,806,618	59,510,825
Accumulated surplus, beginning of year	905,993,980	905,993,980	846,483,155
Accumulated Surplus, end of year	\$ 974,648,870	\$ 976,800,598	\$ 905,993,980

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE CITY OF VICTORIA
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31	Financial Plan 2023 (Note 17)	2023	2022
Annual Surplus	\$ 68,654,890	\$ 70,806,618	\$ 59,510,825
Acquisition of tangible capital assets	(180,630,000)	(103,512,059)	(45,672,948)
Developer contributions of tangible capital assets	-	(30,000)	-
Amortization of tangible capital assets	14,500,000	20,906,966	17,809,743
Increase in tangible capital assets due to additions to asset retirement obligations	-	(1,692,989)	-
Net loss (gain) on disposal of tangible capital assets	-	3,534,452	(4,201,285)
Proceeds on disposal of tangible capital assets	-	43,311	6,503,600
	(166,130,000)	(80,750,319)	(25,560,890)
Purchase of inventories of supplies	-	(3,710,690)	(518,065)
Purchase of prepaids expense and deposits	-	(4,826,149)	-
Deposits towards acquisition of tangible capital assets	-	(535,000)	-
Consumption of deposits towards acquisition of tangible capital assets	-	3,400,000	-
Consumption of inventories of supplies	-	3,489,649	-
Consumption of prepaid expenses and deposits	-	2,973,395	1,046,150
	-	791,205	528,085
Change in Net Financial Assets	(97,475,110)	(9,152,496)	34,478,020
Net Financial Assets, Beginning of Year	257,763,134	257,763,134	223,285,114
Net Financial Assets, End of Year	\$ 160,288,024	\$ 248,610,638	\$ 257,763,134

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE CITY OF VICTORIA
STATEMENT OF CASH FLOWS

For the year ended December 31

2023

2022

Cash provided by (used in):

Operating Transactions:

Annual Surplus	\$ 70,806,618	\$ 59,510,825
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Items not involving cash:

Amortization of tangible capital assets	20,906,966	17,809,743
Net loss (gain) on disposal of tangible capital assets	3,534,452	(4,201,285)
Employee future benefits expense	2,718,000	2,008,478
Accretion expense	13,904	-
Actuarial adjustment on debt	(1,435,132)	(1,496,812)
Developer contributions of tangible capital assets	(30,000)	-

Change in non-cash operating assets and liabilities:

Accounts receivable other	(1,821,043)	(10,143,891)
Property taxes receivable	(1,142,142)	(880,902)
Mortgage receivable	(32,194)	(31,201)
Other assets	1,813	19,488
MFA debt reserve fund	(12,873)	38,712
Accounts payable and accrued liabilities	5,120,503	(244,117)
Deposits and prepayments	2,059,644	3,154,793
Deferred revenue	1,767,197	(25,626)
Inventories of supplies	(221,041)	(518,066)
Prepaid expenses and deposits	(1,852,753)	1,046,150
Change in employee future benefit liability due to cash payment	(2,153,665)	(1,776,184)
	98,228,255	64,270,105

Capital Transactions:

Acquisition of tangible capital assets	(103,512,059)	(45,672,948)
Consumption of deposits towards acquisition of tangible capital assets	3,400,000	-
Deposits towards acquisition of tangible capital assets	(535,000)	-
Proceeds on disposal of tangible capital assets	43,311	6,503,600
	(100,603,748)	(39,169,348)

Investing Transactions:

Net increase in portfolio investments	(24,923,906)	(29,495,038)
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Financing Transactions:

Debt repayments	(3,668,453)	(3,918,954)
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Decrease in Cash and Cash Equivalents	(30,967,852)	(8,313,235)
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Cash and Cash Equivalents, beginning of year	128,244,048	136,557,283
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Cash and Cash Equivalents, end of year	\$ 97,276,196	\$ 128,244,048
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The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, engineering and transportation services, environmental and public health services, social services and housing, planning and development, parks, recreation and cultural services, water utility, sewer utility and other general government operations.

The financial statements of the City are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board. 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 stipulations exist that give rise to an obligation that meets the definition of a liability for the City. Transfers received that meet the definition of a liability are initially recorded as deferred revenue and subsequently recognized in the periods that the stipulations that give rise to a liability are 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.

(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 Authority'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.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. Significant Accounting Policies (continued)

(i) Debt

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

(j) Employee Future Benefits

- (i) The City and its employees make contributions to the Greater Victoria Labour Relations Association and Canadian Union of Public Employees (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.

(k) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

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

The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate.

Upon the initial measurement the liability, and if the related tangible capital asset is in productive use, an equal amount is added to the carrying value of the related tangible capital asset. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the value of the liability is recorded as an expense.

(l) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the City is directly responsible or accepts responsibility;
- (iv) it is expected 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 best estimate of the cost of 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, 2023 or 2022.

(m) Financial Instruments

Financial instruments are classified into two categories: (i) fair value or (ii) cost, or amortized cost.

i. Fair value category: derivatives and portfolio investments in equity instruments that are quoted in an active market are required to be assigned to the fair value category. Instruments in this category are carried at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the statement of remeasurement gains and losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the statement of operations and related balances reversed from the statement of remeasurement gains and losses.

As at December 31, 2023, none of the City's financial instruments have been assigned to the fair value category. As a result, there are no unrealized gains and losses and a statement of remeasurement gains and losses has not been included in these financial statements.

ii. Cost or amortized cost category: other financial instruments are measured at cost or amortized cost. Gains and losses are recognized in the statement of operations when the financial instrument is derecognized due to disposal or impairment. Sales and purchases of portfolio investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Financial instruments assigned to the cost or amortized cost category are cash and cash equivalents, accounts receivable, portfolio investments, mortgage receivable, accounts payable and accrued liabilities, deposits liability, and long-term debt.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis. If there is a significant adverse change in the amount or timing of expected future cash flows, the value of the asset is reduced and an impairment loss is recorded in the statement of operations. If events and circumstances reverse in a future period, the impairment loss is reversed to the extent of the improvement, not exceeding the initial carrying value.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. Significant Accounting Policies (continued)

(n) 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	15-20
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

(ii) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also recorded as revenue. Where an estimate of fair value can not be made, the

(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 historical assets are not recognized as assets in the financial statements.

(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.

(o) 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, the amount and timing of costs of retirement 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.

2. Adoption of New Accounting Policies

PS 3280 – Asset Retirement Obligations:

On January 1, 2023, the City adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. This new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted prospectively, and as such, no adjustment has been made to the previously reported financial results of the organization. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On January 1, 2023, the City recognized a liability and a corresponding increase to the related tangible capital asset's cost base on several buildings owned by the City that contain asbestos.

In accordance with the provisions of this new standard, the City reflected the following adjustments at January 1, 2023:

- An increase of \$1,692,989 to buildings capital assets, representing the estimate of the obligation as of the date of adoption, and an accompanying amortization expense of \$1,389,430 for buildings that are already assessed as being at the end of their useful lives.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

2. Adoption of New Accounting Policies (continued)

PS 3450 – Financial Instruments & PS 2604 - Foreign Currency Translation

On January 1, 2023, the City adopted Public Accounting Standards PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation.

PS 2601 addresses the measurement of transactions that are denominated in foreign currencies. The transition to PS 2601 from PS 2600 is required upon adoption of PS 3450, and has had no impact on the City's previously reported financial results. PS 3450 addresses the recognition and measurement of financial instruments. This standard requires all instruments that meet the prescribed definition of a 'financial instrument' to be assigned to one of two measurement categories:

- (a) fair value; or
- (b) cost or amortized cost

The City has assigned its financial instruments to the measurement categories described in Note 1(m). This adoption has had no impact on the City's previously reported financial results. As a result of this adoption, the City has included additional disclosures relating to financial instruments in note 19.

3. Cash & Cash Equivalents

	2023	2022
Cash	\$ 85,276,196	\$ 106,734,187
Municipal Finance Authority (MFA) money market funds	12,000,000	21,509,861
	<u>\$ 97,276,196</u>	<u>\$ 128,244,048</u>

4. Portfolio Investments:

	2023	2022
MFA Pooled Bond Funds	\$ 115,967,266	\$ 87,028,546
Term deposits	156,999,981	161,014,795
	<u>\$ 272,967,247</u>	<u>\$ 248,043,341</u>

The Term Deposits held at December 31, 2023 have yields of 5.15% to 6.25% (2022 - 0.86% to 5.65%) and maturity dates to November 15, 2024. 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 is consistent with the City's adoption of PS 3450.

5. Mortgage Receivable

	2023	2022
Mortgage receivable	\$ 1,044,652	\$ 1,012,458

In 2015, the property that was used for a new permanent, safe, transitional and supportive housing 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 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 at the time that this balance was recognized.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

6. Deferred Revenue

	2022	Amounts Received	Interest Earned	Recognized as Revenue	2023
Deferred revenue	\$ 2,473,743	\$ 10,987,213	\$ -	\$ (5,777,097)	\$ 7,683,860
Building permit fees	6,991,801	4,919,573	-	(5,448,851)	6,462,532
Development cost charges	19,894,275	2,269,197	951,941	(6,134,789)	16,980,624
	\$ 29,359,819	\$ 18,175,983	\$ 951,941	\$ (17,360,737)	\$ 31,127,016

7. Long-Term Debt

	2023	2022
Equipment financing loans (a)	\$ 1,651,159	\$ 2,369,094
Long term borrowing (b)	47,311,640	51,697,289
	\$ 48,962,799	\$ 54,066,383

(a) Equipment financing Loans

The 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 and the loans have fixed monthly payments with the interest portion calculated on the last day of the month.

(i) Equipment financing loans are as follows:

MFA Loan No. - Council Resolution	Gross debt	Principal repaid	Equipment loan payable 2023	Equipment loan payable 2022
0001-0 - 2/28/2019	\$ 1,860,000	\$ 1,260,614	\$ 599,386	\$ 944,917
0002-0 - 2/28/2019	2,140,000	1,088,227	1,051,773	1,424,177
	\$ 4,000,000	\$ 2,348,841	\$ 1,651,159	\$ 2,369,094

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

	Principal repayment from the General Capital Fund	Interest payment	Total
2024	\$ 750,905	\$ 73,667	\$ 824,572
2025	648,538	31,088	679,626
2026	251,716	2,992	254,708
	\$ 1,651,159	\$ 107,747	\$ 1,758,906

(iii) Principal paid during the year was \$717,936 (2022 - \$762,997). Interest paid during the year was \$106,636 (2022 - \$61,575).

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(b) Long-term Borrowing

The City issues debt instruments through the 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 1.28% to 3.15%. The weighted average interest rate for 2023 was 2.78% (2022 - 2.70%).

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

	Year of Maturity	Rate	Gross debt	Repayment & actuarial earnings	Net debt 2023	Net debt 2022
Issue 79	2033	3.08%	\$ 10,000,000	\$ 5,120,361	\$ 4,879,639	\$ 5,270,582
Issue 80	2033	2.85%	10,000,000	5,025,310	4,974,690	5,347,401
Issue 81	2034	2.85%	10,000,000	4,755,428	5,244,572	5,618,921
Issue 103	2023	2.65%	1,800,000	1,800,000	-	110,256
Issue 105	2024	2.25%	5,240,015	4,897,236	342,779	788,290
Issue 110	2025	1.28%	5,200,000	4,434,370	765,630	1,191,902
Issue 115	2031	2.12%	10,200,000	5,173,136	5,026,864	5,554,053
Issue 130	2034	3.00%	23,200,000	8,315,305	14,884,695	15,959,864
Issue 139	2036	2.10%	5,500,000	1,579,586	3,920,414	4,166,537
Issue 142	2037	3.15%	9,600,000	2,327,643	7,272,357	7,689,482
			\$ 90,740,015	\$ 43,428,377	\$ 47,311,640	\$ 51,697,289

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

	Principal repayment from the General Capital Fund	Actuarial Earnings	Total
2024	\$ 2,949,917	\$ 1,466,743	\$ 4,416,660
2025	2,778,320	1,360,994	4,139,314
2026	2,521,310	1,316,785	3,838,095
2027	2,544,305	1,443,870	3,988,175
2028	2,568,195	1,576,042	4,144,237
Thereafter	14,759,286	12,025,873	26,785,159
	\$ 28,121,334	\$ 19,190,307	\$ 47,311,640

(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 \$2,950,516 (2022 - \$3,155,961). Interest paid during the year was \$2,439,196 (2022 - \$2,454,986).

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

8. Employee Future Benefit Liability

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

	2023	2022
Accrued benefit obligations:		
Balance, beginning of year	\$ 18,850,200	\$ 19,475,700
Service cost	1,435,500	1,487,300
Interest cost	856,200	502,300
Benefit payments	(2,124,300)	(1,804,900)
Immediate recognition loss (gain) for event driven liabilities	350,500	(41,700)
Actuarial gain	970,500	(2,841,900)
Plan amendment	75,800	2,073,400
Accrued benefit obligation, end of year	20,414,400	18,850,200
Less: unamortized net actuarial gain/(loss)	(970,500)	-
Add: pension over contributions due to staff	543,961	573,326
Employee future benefit liability, end of year	\$ 19,987,861	\$ 19,423,526

The accrued benefit obligations and the benefit costs for the year were estimated by actuarial valuation as of December 31, 2023 by an independent actuarial firm. Key estimates used in the valuation include the following:

	2023	2022
Discount rates	4.10%	4.40%
Expected future inflation rates	2.50%	2.25%
Expected wage and salary increases	2.50%	2.33 to 4.38%
Estimated average remaining service life of employees	12 years	13 years

The benefit liabilities include both vested and non-vested amounts as follows:

	City	Police	2023	2022
Vested benefits	\$ 4,757,966	\$ 7,647,795	\$ 12,405,761	\$ 12,896,226
Non-vested benefits	7,316,100	266,000	7,582,100	6,527,300
Total employee future benefit liability	\$ 12,074,066	\$ 7,913,795	\$ 19,987,861	\$ 19,423,526

Vested benefits include lump sum retirement payments, death benefits, and certain sick leave and vacation in year of retirement. 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 leave programs. Non-vested benefits are conditional upon future employment.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

8. Employee Future Benefit Liability (continued)

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, 2020 with an extrapolation prepared by the actuary as at December 31, 2022. At December 31, 2022, the total plan provision for approved claims was \$24,104,700 and the provision for unreported claims was \$1,703,000 with an accumulated deficit of \$3,026,543. The total plan provision for approved and unreported claims and net surplus/deficit at December 31, 2023 will be available later in 2024. The City paid \$849,657 (2022 – \$687,114) for employer contributions and City employees paid \$813,403 (2022 – \$653,474) for employee contributions to the plan in fiscal 2023.

Municipal Pension Plan

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2023, the Plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$13,294,369 (2022 - \$12,411,219) for employer contributions while City of Victoria employees paid \$11,104,534 (2022 – \$10,288,176) for the Plan in fiscal 2023.

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

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

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

9. Tangible Capital Assets

Cost	Land & Improvements	Buildings	Furniture, equipment, technology, vehicles	Roads, bridges, highways	Water infrastructure	Sewer infrastructure	Drainage infrastructure	Assets under construction	2023 Total	2022 Total
December 31, 2022	\$ 173,227,689	\$ 123,036,756	\$ 101,229,301	\$ 290,967,030	\$ 93,165,280	\$ 48,134,590	\$ 46,099,711	\$ 11,895,939	\$ 887,756,296	\$ 844,762,232
Asset retirement obligations	-	1,692,989	-	-	-	-	-	-	1,692,989	-
Additions	394,258	36,997,911	8,307,011	18,665,248	2,180,779	2,630,454	1,640,519	32,725,879	103,542,059	45,652,157
Disposals	-	-	(239,697)	-	-	-	-	(3,546,726)	(3,786,423)	(2,658,093)
Transfer of completed assets previously under construction	3,972,957	472,085	2,109,786	3,443,682	591,764	334,924	14,053	(10,939,251)	-	-
December 31, 2023	177,594,904	162,199,741	111,406,401	313,075,960	95,937,823	51,099,968	47,754,283	30,135,841	989,204,921	887,756,296
Accumulated amortization										
December 31, 2022	(1,238,480)	(61,287,031)	(76,052,773)	(80,109,263)	(14,163,007)	(8,053,569)	(5,142,530)	-	(246,046,653)	(228,613,480)
Disposals	-	-	208,660	-	-	-	-	-	208,660	110,467
Amortization	(253,291)	(5,142,271)	(6,256,760)	(7,190,403)	(1,008,906)	(550,122)	(505,213)	-	(20,906,966)	(17,543,641)
December 31, 2023	(1,491,771)	(66,429,302)	(82,100,873)	(87,299,666)	(15,171,913)	(8,603,691)	(5,647,743)	-	(266,744,959)	(246,046,653)
Net Book Value, December 31, 2023	\$ 176,103,133	\$ 95,770,439	\$ 29,305,528	\$ 225,776,294	\$ 80,765,910	\$ 42,496,277	\$ 42,106,540	\$ 30,135,841	\$ 722,459,962	\$ 641,709,643

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

9. Tangible Capital Assets

Cost	Land & Improvements	Buildings	Furniture, equipment, technology, vehicles	Roads, bridges, highways	Water infrastructure	Sewer infrastructure	Drainage infrastructure	Assets under construction	2022 Total	2021 Total
December 31, 2021	\$ 159,699,116	\$ 121,277,684	\$ 95,112,269	\$ 262,620,744	\$ 87,625,234	\$ 44,855,131	\$ 40,126,625	\$ 33,445,429	\$ 844,762,232	\$ 797,512,812
Additions	4,156,636	1,029,010	4,062,032	10,217,704	3,631,769	2,814,442	1,123,822	18,616,741	45,652,157	48,855,928
Disposals	(1,076,429)	-	(110,467)	-	-	-	-	(1,471,197)	(2,658,093)	(1,606,508)
Transfer of completed assets previously under construction	10,448,366	730,062	2,165,467	18,128,582	1,908,277	465,016	4,849,264	(38,695,034)	-	-
December 31, 2022	173,227,689	123,036,756	101,229,301	290,967,030	93,165,280	48,134,590	46,099,711	11,895,939	887,756,296	844,762,232
Accumulated amortization										
December 31, 2021	(1,004,104)	(58,035,938)	(70,418,197)	(73,731,485)	(13,192,484)	(7,540,981)	(4,690,291)	-	(228,613,480)	(212,455,596)
Disposals	-	-	110,467	-	-	-	-	-	110,467	501,102
Amortization	(234,376)	(3,251,093)	(5,745,043)	(6,377,778)	(970,523)	(512,588)	(452,240)	-	(17,543,641)	(16,658,986)
December 31, 2022	(1,238,480)	(61,287,031)	(76,052,773)	(80,109,263)	(14,163,007)	(8,053,569)	(5,142,531)	-	(246,046,653)	(228,613,480)
Net Book Value, December 31, 2022	\$ 171,989,209	\$ 61,749,725	\$ 25,176,528	\$ 210,857,767	\$ 79,002,273	\$ 40,081,021	\$ 40,957,180	\$ 11,895,939	\$ 641,709,643	\$ 616,148,752

a) Work in Progress

Assets under construction having a value of \$29,206,578 (2022 - \$11,895,939) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed Assets

One contributed asset with a value of \$30,000 was recognized in 2023. No contributed assets were recognized during 2022.

c) Write-down of Tangible Capital Assets

No write-down of tangible capital assets occurred during 2023 or 2022.

d) Deposits towards acquisition of tangible capital assets

The City had entered into a contractual arrangement for future acquisition of a building. The total cost of this arrangement was \$35,377,443 towards which the City had paid a deposit of \$3,400,000 in previous years. The remaining obligation to the City of \$31,977,443 was paid in 2023 and the acquisition completed as scheduled.

The City has entered into contractual arrangements for three future acquisitions of real property. In 2023, the City paid total deposits of \$535,000 for these future acquisitions.

The deposits are separately presented on the Statement of Financial Position and is not included in the assets under construction figure presented in this note.

The City expects to pay approximately \$14,312,037 to complete those three future acquisitions.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

10. Asset Retirement Obligations

The City's asset retirement obligations consists of the following obligations:

The City owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The related asset retirement costs are being amortized on a straight line basis over the remaining expected useful life of the related tangible capital assets in accordance with the amortization policies, as disclosed in note 1(n).

The estimated total future expenditures totaling \$1,741,996 have been discounted using a present value calculation with a discount rate of 4.58%. The timing of these expenditures is estimated to occur between 2024 and 2037. No recoveries are expected at this time.

The impact of the adoption of PSAS 3280 Asset Retirement Obligations on January 1, 2023 is described in Note 2.

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

Asset Retirement Obligations

Balance at January 1, 2023	\$	1,692,989
Accretion Expense		13,904
Balance at December 31, 2023	\$	1,706,893

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THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

11. Accumulated Surplus

Accumulated surplus consists of individual fund surplus as follows:

Surplus	2023	2022
Equity in tangible capital assets	\$ 671,790,270	\$ 587,643,259
Operating Fund	1,626,299	1,673,877
Unfunded employee benefit obligation	(5,557,610)	(4,604,158)
	667,858,959	584,712,979
Non-Statutory Reserve Accounts		
Development Stabilization Reserve	19,442,954	17,374,828
Reserves		
Financial Stability Reserves	54,616,815	84,492,353
Equipment & Infrastructure Replacement Fund	194,097,236	194,292,278
Tax Sale Lands Fund	8,751,109	8,403,007
Parks and Greenways Acquisition Fund	2,345,923	2,238,798
Local Amenities & Tree	2,659,337	2,128,550
Victoria Housing Fund	8,895,911	7,599,116
Climate Action	3,740,228	3,001,619
Art in Public Places	1,131,227	1,027,481
Downtown Core and Public Realm Improvements	315,639	661,335
Park Furnishing Dedication Program	93,260	61,636
Growing Communities Fund	12,852,000	-
	289,498,685	303,906,173
Total Accumulated Surplus	\$ 976,800,598	\$ 905,993,980

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THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

12. Taxation

Taxation revenue, reported on the statement of operations is made up of the following

	Financial Plan 2023	2023	2022
General taxation:			
General municipal purposes	\$ 166,257,960	\$ 166,258,930	\$ 155,147,521
Utility 1% tax	1,347,000	1,373,350	1,294,771
Special assessments:			
Boulevard frontage	535,200	527,602	532,241
Specified area improvement	71,000	129,094	143,717
Sewer frontage	789,000	795,999	795,861
Total taxes available for municipal purposes	\$ 169,000,160	\$ 169,084,975	\$ 157,914,112

13. Government grants and transfers

	Financial Plan 2023	2023	2022
Unconditional Transfers:			
Traffic fine revenue sharing	\$ 2,000,000	\$ 1,988,000	\$ 2,003,713
Conditional Transfers:			
Federal	12,984,190	10,365,315	8,418,689
Provincial	1,211,800	15,403,891	4,242,470
Other agencies	1,029,000	240,112	223,548
	\$ 15,224,990	\$ 26,009,318	\$ 12,884,707

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THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

14. Miscellaneous Revenue

	Financial Plan 2023	2023	2022
Cost Sharing	\$ 973,700	\$ 1,457,097	\$ 1,307,240
Arena lease equivalent, share of naming rights and ticket surcharge	590,060	526,650	625,933
Capital Region Emergency Service Telecommunications levy	400,000	290,441	290,037
Bus shelter advertising	150,000	130,288	158,749
Commission	750	37,595	1,341
Bonus density	-	19,046	344,488
Public Amenity	-	-	410,110
Fortis franchise fee	665,000	849,117	664,861
Other: administrative fees and lease fees	367,230	859,004	550,016
Gain on acquisition and disposal of tangible capital assets	-	44,467	5,832,876
	\$ 3,146,740	\$ 4,213,705	\$ 10,185,652

15. Trust Funds

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

	2023	2022
Ross Bay Cemetery	\$ 1,312,989	1,224,173
Nature Interpretive Centre	716,745	684,015
Bastion Square Revitalization	149,714	142,877
	\$ 2,179,448	2,051,065

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

The Nature Interpretive Centre is a trust for the construction of a Nature/Interpretive center in Beacon Hill Park.

The Bastion Square Revitalization Trust is a trust for the sole purpose of improving Bastion Square.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

16. Contingent Liabilities

(a) 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 future 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. Included in reserve funds is an insurance reserve of \$4,535,756 (2022 - \$4,328,631) 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 1, 2008, the City joined the Municipal Insurance Association and all insurable claims from that date forward are subject to a liability deductible of \$250,000 in any year.

(b) 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 debt reserve fund. These deposits are included in the City's financial assets as restricted cash (under the caption of MFA debt reserve fund) 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, 2023 the balance of the deposits was \$1,323,540 (2022 - \$1,310,667). At December 31, 2023 there were contingent demand notes of \$2,245,243 (2022 - \$2,314,040) which are not included in the financial statements of the City.

(c) 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. No liability has been recorded in relation to this. A liability would be recorded if it becomes likely that the Capital Regional District will default on these debt obligations.

(d) The City of Victoria and the District of Saanich established the Board of Cemetery Trustees of Greater Victoria 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, 2023 the Board had an outstanding demand loan of \$484,305 (2022 - \$795,917) with the Bank of Montreal and long-term debt of \$460,780 (2022 - \$540,199) through the Municipal Finance Authority. The City's guarantee portion of the outstanding debt at December 31, 2023 is \$472,543 (2022 - \$668,058). No liability has been recorded in relation to this. A liability would be recorded if it becomes likely that the Board of Cemetery Trustees of Greater Victoria will default on these debt obligations

(e) 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 FINANCIAL STATEMENTS**

December 31, 2023

17. Financial Plan Data

The financial plan data presented in these financial statements is based on the 2023 operating and capital financial plan approved by Council on May 4, 2023. The below table reconciles the approved financial plan to the financial plan figures reported in these financial statements.

Revenues		
Taxation (Note 12)	\$	169,000,160
Grants in lieu of taxes		7,317,500
Sale of goods and services		56,818,630
Sale of water		24,747,980
Licences and permits		9,697,370
Fines		5,518,020
Rentals and leases		2,012,750
Investment income		4,000,000
Other interest and penalties		965,960
Unconditional transfers (Note 13)		2,000,000
Conditional transfers (Note 13)		15,224,990
Actuarial adjustment on debt		-
Development Cost Charges		7,859,000
Miscellaneous (Note 14)		3,146,740
		<u>308,309,100</u>
Expenses		
General government		33,377,600
Protective services		92,521,170
Transportation services		27,534,100
Environmental and public health services		8,936,270
Social services and housing		2,216,390
Planning and development		19,964,120
Parks, recreation and cultural services		32,677,700
Water utility		18,117,980
Sewer utility		4,308,880
		<u>239,654,210</u>
Annual Surplus, per the Statement of Operations		68,654,890
Less:		
Capital expenditures		(180,630,000)
Debt repayments		(2,950,510)
Add:		
Funding and utilizations of reserves		114,925,620
Annual Surplus, per the financial plan bylaw	\$	<u>-</u>

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

18. Segmented Information

The City of Victoria is a diversified municipal organization that provides a wide range of services to its residents. 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 are reported within these funds. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) 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.

(b) Protective Services

Protective Services is comprised of four different functions, including the City's Emergency Management Division, Fire, Police and Bylaw Services. The Emergency Management Division 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 City Bylaws through education and information.

(c) Engineering and Transportation Services

Engineering and 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, and traffic signal timing.

(d) Environmental and Public Health Services

The Environmental and Public Health Services is comprised of three areas of Solid Waste Services, Storm Drains as well as 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, squares.

(e) 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.

(f) Parks, Recreation and Facilities

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. Recreation services facilitates the provision of recreation and wellness programs and services through the City's pool, arena, Royal Athletic Park, Community and Seniors' Centres. Facilities is responsible for the maintenance and repairs for all City facilities.

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

18. Segmented Information (continued)

(g) Planning and Development

This segment is comprised of four areas:

(i) Sustainable Planning and Community Development: Supports quality development and economic health of the City.

This function includes: community and city-wide land use planning; urban design; planning applications including zoning, development and variance permits, demographic, and other planning information services.

(ii) 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.

(iii) 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: advanced 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 a high quality of life which supports the building of a vibrant, prosperous, fiscally sound and economically robust community. The Arts and Cultural function supports community vibrancy and economic impact through tourism and visitor attraction.

(iv) Victoria Conference Centre: This function includes the Victoria Conference Centre which is the second largest conference facility in BC and has a significant economic impact on the local economy. Responsible for strengthening the City's economy through the implementation of a vision and action plan for economic sustainability and growth in Victoria.

(h) 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 fire fighting.

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 FINANCIAL STATEMENTS

December 31, 2023

18. Segmented Information (continued)

2023	General Fund						Water Fund	Sewer Fund	Total	
	General Government	Protective Services	Engineering & Transportation Services	Environmental & Public Health Services	Social Services & Housing	Planning and Development	Parks, Recreation and Cultural	Water Utility		Sewer Utility
Revenues										
Taxation	167,761,374	-	-	-	-	-	527,602	-	795,999	169,084,975
Grants in lieu of taxes	7,613,156	-	-	-	-	-	-	-	-	7,613,156
Sale of goods and services	1,461,295	10,009,837	18,401,878	10,449,823	-	11,012,158	3,011,169	1,540,078	10,417,870	66,304,108
Sale of water	-	-	-	-	-	-	-	26,734,144	-	26,734,144
Licences and permits	1,434,495	1,245,098	2,115,822	-	-	6,567,792	7,937	-	-	11,371,144
Fines	-	51,980	5,386,701	-	-	-	-	-	-	5,438,681
Rentals and leases	-	-	-	-	-	2,194,456	-	-	-	2,194,456
Investment income	16,378,744	-	-	-	-	-	-	-	-	16,378,744
Other interest and penalties	1,089,488	-	-	52,438	-	-	-	264,093	1,700	1,407,719
Unconditional transfers	-	1,988,000	-	-	-	-	-	-	-	1,988,000
Conditional transfers	21,265,966	238,544	447,951	13,691	1,500,677	50,000	71,919	1,922,189	498,381	26,009,318
Actuarial adjustment on debt	1,435,132	-	-	-	-	-	-	-	-	1,435,132
Development Cost Charges	5,307,628	-	-	572	-	-	-	513,000	313,588	6,134,789
Miscellaneous	2,166,690	1,329,266	154,996	-	-	461,095	101,658	-	-	4,213,705
	<u>225,913,967</u>	<u>14,862,726</u>	<u>26,507,349</u>	<u>10,516,525</u>	<u>1,500,677</u>	<u>20,285,502</u>	<u>3,720,283</u>	<u>30,973,503</u>	<u>12,027,538</u>	<u>346,308,071</u>
Expenses										
Salaries, wages and benefits	19,235,896	79,686,717	18,424,141	5,361,131	1,137,720	10,340,638	21,219,620	2,382,783	2,411,626	160,200,271
Materials, supplies and services	3,801,965	14,573,628	8,636,581	3,581,592	254,771	11,436,264	15,837,656	15,287,371	2,513,003	75,922,831
Interest and foreign exchange	362,588	-	1,561,696	-	-	-	877,500	-	-	2,801,784
Grants	-	-	-	-	1,880,324	384,627	4,632,774	-	-	6,897,725
Amortization	3,471,527	2,528,294	8,979,304	661,701	-	698,554	3,008,003	1,009,461	550,122	20,906,966
Capital Maintenance	835,938	936,147	2,418,045	782,760	-	109,961	2,497,000	764,489	427,536	8,771,876
	<u>27,707,915</u>	<u>97,724,786</u>	<u>40,019,766</u>	<u>10,387,184</u>	<u>3,272,815</u>	<u>22,970,043</u>	<u>48,072,553</u>	<u>19,444,103</u>	<u>5,902,287</u>	<u>275,501,453</u>
Annual surplus	\$ 198,206,053	\$ (82,862,060)	\$ (13,512,418)	\$ 129,341	\$ (1,772,137)	\$ (2,684,542)	\$ (44,352,270)	\$ 11,529,400	\$ 6,125,250	\$ 70,806,618

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

18. Segmented Information (continued)

2022	General Fund							Water Fund	Sewer Fund	Total
	General Government	Protective Services	Engineering & Transportation Services	Environmental & Public Health Services	Social Services & Housing	Planning and Development	Parks, Recreation and Cultural	Water Utility	Sewer Utility	
Revenues										
Taxation	156,586,009	-	-	-	-	-	532,241	-	795,861	157,914,112
Grants in lieu of taxes	7,359,111	-	-	-	-	-	-	-	-	7,359,111
Sale of goods and services	2,028,858	9,408,818	14,161,494	9,687,169	-	9,481,130	2,711,408	1,935,614	8,845,146	58,259,637
Sale of water	-	-	-	-	-	-	-	23,990,399	-	23,990,399
Licences and permits	1,399,381	1,090,835	2,166,521	-	-	5,038,939	10,076	-	-	9,705,751
Fines	-	6,395	4,553,383	-	-	-	-	-	-	4,559,778
Rentals and leases	-	-	-	-	-	2,038,200	-	-	-	2,038,200
Investment income	7,344,892	-	-	-	-	-	-	-	-	7,344,892
Other interest and penalties	796,820	-	-	49,007	-	-	-	237,048	1,850	1,084,725
Unconditional transfers	-	2,003,713	-	-	-	-	-	-	-	2,003,713
Conditional transfers	10,401,173	258,699	429,213	72,200	1,020,477	50,000	91,768	429,073	132,106	12,884,707
Actuarial adjustment on debt	1,496,813	-	-	-	-	-	-	-	-	1,496,813
Development cost charges	4,752,271	-	-	8,613	-	-	-	112,205	15,509	4,888,598
Miscellaneous	8,418,340	1,264,452	76,828	-	-	353,921	72,112	-	-	10,185,652
	200,583,667	14,032,912	21,387,438	9,816,989	1,020,477	16,962,190	3,417,606	26,704,338	9,790,472	303,716,088
Expenses										
Salaries, wages and benefits	16,517,231	74,578,902	17,045,240	4,940,883	1,736,807	8,204,267	18,580,418	2,161,107	2,127,323	145,892,179
Materials, supplies and services	854,122	11,755,092	8,333,585	3,810,393	463,709	8,895,765	14,759,907	14,452,423	2,247,206	65,572,200
Interest and foreign exchange	70,693	-	1,558,534	-	-	-	795,000	-	-	2,424,227
Grants	-	-	-	-	3,583,274	399,365	4,473,127	-	-	8,455,766
Amortization	2,831,517	2,103,923	8,088,805	734,118	-	682,556	1,883,925	970,523	514,376	17,809,743
Capital Maintenance	1,061,597	66,867	901,129	333,479	-	-	662,855	256,855	768,366	4,051,148
	21,335,160	88,504,784	35,927,293	9,818,872	5,783,790	18,181,953	41,155,232	17,840,908	5,657,271	244,205,263
Annual surplus	\$ 179,248,507	\$ (74,471,872)	\$ (14,539,855)	\$ (1,883)	\$ (4,763,313)	\$ (1,219,763)	\$ (37,737,627)	\$ 8,863,430	\$ 4,133,201	\$ 59,510,825

THE CORPORATION OF THE CITY OF VICTORIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

19. Financial risks and concentration of risk

The City is exposed to credit risk, interest rate risk, liquidity risk, and foreign exchange risk from the City's financial instruments as follows.

(a) Credit Risk

Credit risk arises from the City's cash and cash equivalents, accounts receivable, portfolio investments, and mortgage receivable.

Accounts receivable (excluding property taxes receivable as these are not considered financial instruments under PS 3450) consist primarily of amounts receivable from utilities, and transfers from other governments. To manage the risk, the City regularly reviews the collectability of its accounts receivable and if needed, will establish an allowance based on its best estimate of potentially uncollectible amounts. As at December 31, 2023, the amount of allowance for doubtful receivables was \$1,020,498 (2022 - \$913,511).

The City manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by investing guaranteed investment certificates with major Canadian financial institutions, and with the MFA. These investment meet the investment requirements of Section 183 of the Community Charter of the Province of BC.

There has been no change to the credit risk exposure from prior year.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The City is exposed to interest rate risk through its long-term debt and its portfolio investments.

The City manages cash flow risk on its long-term debt by holding all debt through MFA at a fixed rate, with refinancing typically being completed at the ten or fifteen year mark. Therefore, fluctuations in market interest rates do not impact future cash flows or results of operations relating to long-term debt prior to maturity. Note 7 provides further information on the City's long term debt.

Investments subject to interest rate risk are the MFA Pooled Bond Funds disclosed in note 4. As interest rates rise, the fair value of these investments decreases; as interest rates fall, the fair value of these investments increases.

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

(c) Liquidity Risk

Liquidity risk is the risk that the City will not be able to meet its financial obligations as they become due. The City is exposed to liquidity risk through its accounts payable and accrued liabilities, deposits liability, and long-term debt. The City manages liquidity risk through its planning, budgeting and forecasting process, and by continually monitoring actual and forecasted cash flows from operations, anticipated investing, and financing activities to ensure that its financial obligations are met. The City's planning and budgeting process includes both a 1-year budget and 5-year financial plan, each of which includes operational activities and capital investments. The repayment schedule for long-term debt is disclosed in note 7. Other financial liabilities are generally due within the next fiscal year.

There has been no change to the liquidity risk exposure from prior year.

(d) Foreign Exchange Risk

The City has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments immaterial and are short-term in nature and do not give rise to significant foreign currency risk.

There has been no change to the foreign exchange risk exposure from prior year.

20. Comparative Information

Certain comparative information has been reclassified to conform to financial statement presentation for the adopted current year.

SUPPLEMENTARY FINANCIAL INFORMATION

The Corporation of the City of Victoria

The following schedule is unaudited

Year Ended December 31, 2023

Draft

THE CORPORATION OF THE CITY OF VICTORIA

SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended December 31, 2023

Schedule A - BC Restart Grant (Unaudited)

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ -	\$ 1,740,000
Eligible Costs incurred:		
Revenue losses - parking, Victoria Conference Centre and leases	-	(1,740,000)
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>

Schedule B - Growing Communities Fund (Unaudited)

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ -	\$ -
Grant received March 2023	12,852,000	-
Eligible Costs incurred	-	-
Balance, end of the year	<u>\$ 12,852,000</u>	<u>\$ -</u>

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