



## Governance and Priorities Committee Report

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**Date:** January 08, 2014

**From:** Jocelyn Jenkins, Acting City Manager

**Subject:** Twin City Tax Receipt Program

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### Executive Summary

The City of Victoria has twinning relationships with four cities, three of which are currently supported by local associations. The Twin City Associations are:

- Victoria Suzhou Sister City Association
- Victoria Morioka Friendship Association, and
- Victoria Khabarovsk Association.

From time to time, these Twin City Associations engage in fundraising efforts in support of a charitable project based either in Victoria or the twin city. The purpose of this report is to obtain Council's endorsement of a program that will support CRA guidelines for issuing tax receipts for charitable donations received on behalf of Twin City Association fundraising efforts.

### Recommendation

That Council authorize the Corporate Administrator to execute agreements in a form satisfactory to the City Solicitor with the Victoria Morioka Friendship Society, the Victoria-Khabarovsk Association and the Victoria Suzhou Sister City Association in support of Twin City Associations' fundraising efforts and that follow CRA guidelines for issuing tax receipts.

Respectfully submitted,

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Sheryl Masters  
Manager, Protocol

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Brenda Warner  
Director Finance

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Jocelyn Jenkins  
Acting City Manager

## Purpose

The purpose of this report is to obtain Council's endorsement of a program that will support the issuance of tax receipts by the City for charitable donations received in support of Twin City Association fundraising efforts.

## Background

The City of Victoria has twinning relationships with four cities, three of which are currently supported by local associations. The Twin City Associations are:

- Victoria Suzhou Sister City Association
- Victoria Morioka Friendship Association, and
- Victoria Khabarovsk Association.

From time to time, these Twin City Associations engage in fundraising efforts in support of a charitable project based either in Victoria or the twin city. Three examples are:

1. In the summer of 2013, two years after "The Great Disaster", the City of Morioka continued to feel the long-term impact of assisting displaced families from coastal communities and the financial burden of contributing to restoration efforts.

Recognizing that active living is a key component of a thriving community, the Victoria Morioka Friendship Association raised \$31,250 for sports equipment for schools in need, as identified by the City of Morioka.

2. In 2011, local funds were raised by the Victoria Morioka Friendship Association to purchase a "Victoria Morioka Friendship Van", which is being used to help Iwate Prefecture with ongoing tsunami relief & restoration efforts.
3. In 1998, and numerous years following, the Victoria Khabarovsk Association provided travel and miscellaneous funding to support a student from Khabarovsk, Russia to attend Pearson College of the Pacific.

Traditionally, the City has supported the fundraising efforts of our Twin City Associations by issuing tax receipts for donations, which are received by the City on an association's behalf. This type of arrangement is allowed by the Canada Revenue Agency, which recognizes listed municipalities as *Other Qualified Donees*, so long as the City maintains direction and control over the use of the donations by the association.

This practice appears to have started in 1998, following a request from the Victoria Khabarovsk Association to help with the finances for a student from Khabarovsk who was attending Pearson College of the Pacific. At the time, Council directed staff to enter into an agreement with that association to formalize the arrangement, but it appears that an agreement was never formally executed.

## Issues and Analysis

The City of Victoria Twin City Associations do not issue tax receipts directly, as qualifying as a charity under Canada Revenue Agency's definition is:

- expensive to sustain, i.e. annual audited financial statements cost more than membership dues for the associations;
- requires time and resources to maintain exclusively charitable activities.



There is currently no formal arrangement between the City and individual Twin City Associations to govern the distribution of funds received by the City on behalf of the Twin City Associations.

Establishing agreements with each of the Twin City Associations would address CRA's requirement that the City maintain direction and control over the use of the donations by the association, in compliance with guidelines for *Other Qualifying Donees*.

## **Options and Impacts**

### Option 1 – City enters into agreements with Twin City Associations and continues to issue tax receipts (recommended)

Under this recommended option, the City will continue the practice of issuing tax receipts for donations to the Twin City Associations for specific charitable activities. The arrangement will be formalized through signed agreements with each association that reflect the recommendations published by the Canada Revenue Agency. The Finance Department will be responsible for receiving donations, issuing tax receipts and maintaining the appropriate records. The Protocol Office will work with Twin City Associations to develop and promote fundraising initiatives.

#### **Impacts:**

- Donors may be more inclined to support Twin City Association fundraising efforts if they are able to obtain a tax receipt for their donations.

### Option 2 – City does not enter in agreements with Twin City Associations and continues the practice of issuing tax receipts

Under this option, the City will continue the practice of issuing tax receipts. There is a risk that CRA could challenge the City's donation tax receipt process as there is no documentation indicating that the City maintains direction and control over the use of the donations by the association as defined under the Income Tax Act.

#### **Impacts:**

- If found to be non-compliant with documentation requirements, the CRA may suspend the City's receipting privileges or delist it. If the City's qualified donee status is suspended, it cannot issue official donation receipts or receive gifts from registered charities during that period.
- If donors are unable to obtain tax receipts for donations, the fundraising efforts of the Twin City Associations will likely be impeded.

### Option 3 – City discontinues the practice of issuing tax receipts

Under this option, the City will discontinue the practice of issuing tax receipts. It is unlikely that Twin City Associations will qualify for registration as a charity under the Income Tax Act that would enable them to issue their own tax receipts due to financial and other resource constraints.

#### **Impacts:**

- If donors are unable to obtain tax receipts for donations, the fundraising efforts of the Twin City Associations will likely be impeded.

## **Official Community Plan Consistency Statement**

Not applicable. The Official Community Plan does not address twin city relationships.

## **Financial and Staff Capacity Assessment**

There are no financial impacts associated with the recommended option.

Requests from Twin City Associations for the issuance of tax receipts are infrequent. The impact on staff capacity would be minimal.

## **Public Engagement and Consultation**

Public engagement and consultation is not required.

## **Recommendation**

That Council authorize the Corporate Administrator to execute agreements in a form satisfactory to the City Solicitor with the Victoria Morioka Friendship Society, the Victoria-Khabarovsk Association, and the Victoria Suzhou Sister City Association in support of Twin City Associations' fundraising efforts and that follow CRA guidelines for issuing tax receipts.