



City of
NELSON
2018 Annual Report

Photo by R. Richardson

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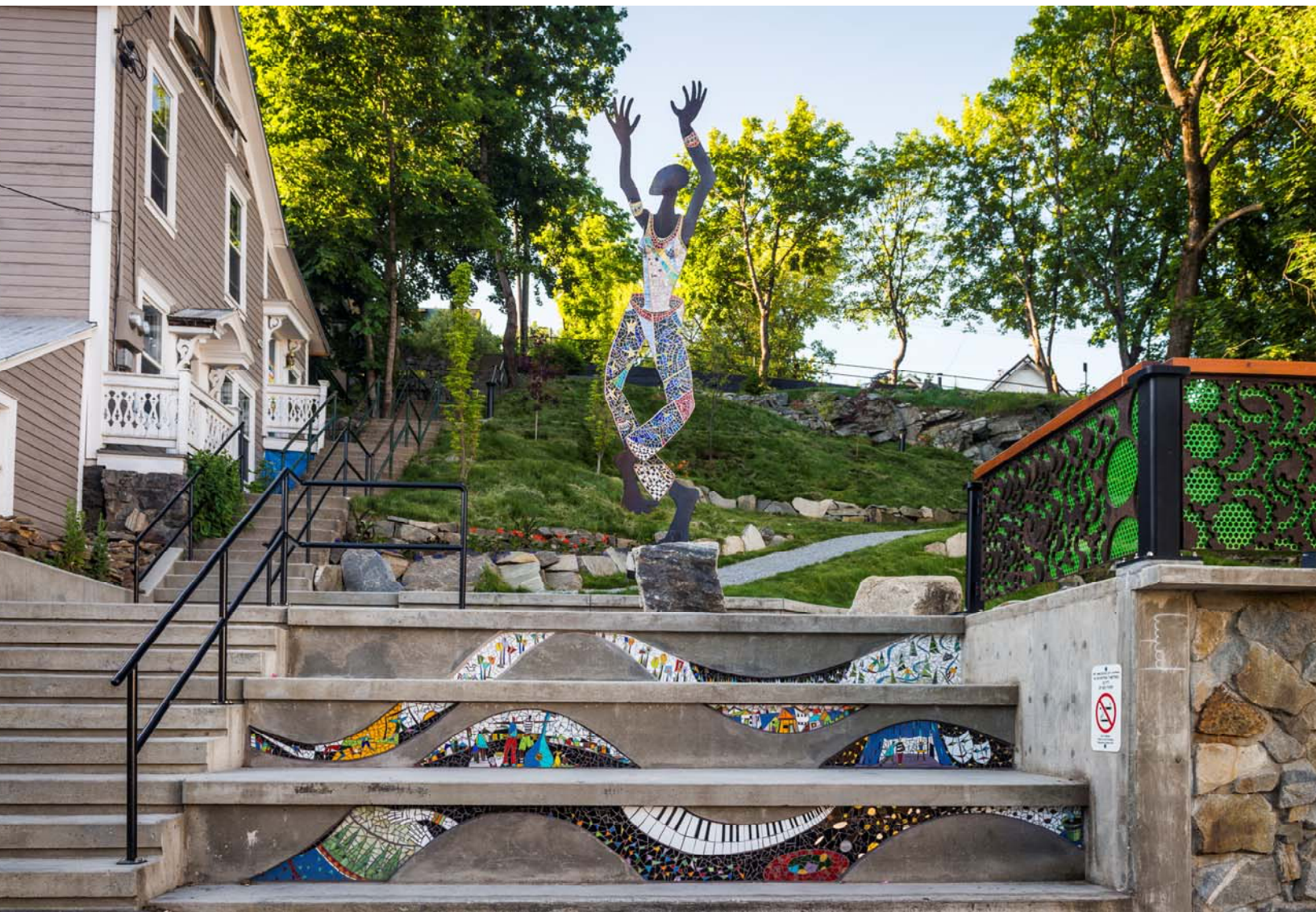
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City of Nelson 2018



Message from the Mayor



Our vision for the City of Nelson is to be the number one municipality in Canada based on value for service.

It is my pleasure to present the 2018 Annual Report on behalf of the City of Nelson. This report is a great tool to showcase our achievements and provide detail on the past 12 months while also outlining a few of our identified priorities for the year ahead.

The key to any success is collaboration. I have seen amazing work done in Nelson and I am continually impressed with the level of collaboration in our community as our partners, including economic, government and local community groups have worked together to advance our shared priorities. We have reached a number of milestones in Nelson including continued infrastructure renewal, enhanced amenities and development of world-class parks, plus an increase in prosperity in our downtown. Another milestone was the installation of festive tree lighting along parts of Baker Street with a planned extension to additional blocks in the coming months. This small project has added incredible value to our downtown core and ensured we remain the crown jewel in the Kootenays and beyond.

As a new Council, we have reviewed the strategic priorities currently set and have decided as a group that we would not make any significant changes to the core work of the City, but we have established a number of additional priorities. These include: implementing an emergency management plan, locating and securing a proven secondary water source, looking at clean business opportunities for Nelson Hydro, closing the landfill at 70 Lakeside Drive, further developing our succession planning, improve energy and GHG reduction of City owned facilities, vehicles and equipment, and review and recommend next steps for our Active Transportation Plan. We have a lot of work cut out for us over the next four years, and I am confident this Council is prepared and will continue to add to our successes.

I want to thank our residents, businesses, community groups and volunteers for your ongoing commitment to our community. Your passion and dedication has not gone unnoticed. Thank you as well to my fellow Councillors for your ambition and comradery as we work to achieve our goals and make Nelson the best City to live and work in. And last, but certainly not least, I want to honour our employees who continually bring a level of commitment and expertise that is unparalleled for a municipality of our size. This report is a tribute to their accomplishments as much as anything else.

I encourage you take some time to read through the annual report and see why I am so proud of Nelson. We have had some major achievement in 2018 and I am very optimistic that we will continue to have successes in 2019 and beyond.

A handwritten signature in black ink, consisting of a stylized 'J' and 'D'.

Mayor John Dooley

Nelson City Council 2018-2022

Mayor John Dooley



Brittny Anderson



Keith Page



Cal Renwick



Rik Logtenberg



Jesse Woodward



Janice Morrison

An elected Council comprised of a Mayor and six Councillors governs the City of Nelson. Councillors are elected for four year terms and each member of Council represents the City at large. The *Local Government Act* and the *Community Charter* give Council the authority to set budgets, levy taxes and establish policies to guide the growth, development and operation of the City for the benefit and protection of its citizens.

The powers of the Mayor and Council are exercised through the adoption of resolutions or the enacting of bylaws at Council meetings. Members of the public are welcome to attend open council meetings. See the City website at www.nelson.ca for information regarding dates and times of meetings.

2018-2022 Council Appointments

External Committees and Commissions - Council Voting Membership

| | |
|------------------------------------------------|-----------------------------------|
| Emergency Program Executive (Provincial) | Councillors Logtenberg / Anderson |
| Library Board (<i>Library Act</i>) | Councillors Page/Woodward |
| Nelson & Area Economic Development Partnership | Councillors Page/Logtenberg |
| Police Board (<i>Police Act</i>) | Mayor Dooley |
| RDCK Board (<i>Local Government Act</i>) | Councillors Morrison/Anderson |
| Recreation & Aquatic Commission | Councillors Morrison/Renwick/Page |

Standing Committees (established by Mayor)

| | |
|--------------------------------|------------------------------|
| Grievance Committee | Councillors Morrison/Renwick |
| Cultural Development Committee | Councillors Woodward/Page |
| Nelson Housing Committee | Councillors Woodward/Page |

Council Liaisons/Portfolios

| | |
|------------------------------|--------------------|
| Advisory Planning Commission | Councillor Renwick |
| Treaty Advisory | Mayor Dooley |
| Tri-Cities | Mayor Dooley |

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Report from the City Manager

In 2015, Council established four overarching goals each containing a number of specific goals and actions to achieve success. These were: **Enhance Sustainability of City Services and Infrastructure; Strengthen Neighbourhoods; Expand Local Jobs, Local Prosperity; and Achieve Excellence in City Governance.** Our new Council has agreed there would be no significant changes to the ongoing core work the City is doing; however, they asked staff to focus on the following priorities for the 2019 – 2022 period. Expanding our Emergency Management program, developing a secondary water source, looking for revenue generating opportunities through Nelson Hydro, and updating and implementing the Active Transportation plan to name a few. Specific goals and outcomes related to these strategic priorities will be shared with the public in the coming months.



In this year's annual report, I am providing a short summary on our successes and how they are leading the City of Nelson along the path to becoming the number one municipality in Canada based on value for service.

Strengthen Neighbourhoods:

The City of Nelson has experienced strong residential and commercial development over the past four years, including significant projects such as the Nelson Commons development and the Nelson Cares project. We anticipate over 200 additional units of housing will be underway in 2019. Affordable housing remains an ongoing issue in our community and I am pleased to report that we have made inroads in this area. The two Nelson Cares projects will provide over 90 units of affordable housing and the planned SHARE housing initiative will add another 39 affordable housing units once completed. The City has also developed new regulations for laneway housing, making it easier for residents to add additional housing units in Nelson, on land they already own. We have also reduced water and sewage rates for secondary suites by 75% in an effort to assist landlords with their bottom line, in hopes these savings will be passed on to the renter.

The City has finalized a number of community planning projects including the Railtown Sustainable Neighbourhood Action Plan (SNAP) and the final phase of the Hall Street Corridor project, which includes new underground services infrastructure and enhanced amenities such as park benches, xeriscaping, lighting, a parking pay station, a downtown washroom, new plazas at waterfront and upper Hall St., plus significant improvements to the I.O.D.E. park. In partnership with the Nelson-Izushi Friendship Society a number of improvements have been made to Cottonwood Park and others will be completed in 2019.

Water management and conservation continues to be an area of concern for most municipalities, including Nelson. In 2018, we installed an Emergency Water Intake near the airport, which can effectively increase our capacity by 20% in severe drought conditions. The City received a \$6 Million grant to bring our two smaller water sources (Selous and Anderson) to our main treatment facility at Mountain Station. Other efficiencies have been made with water main replacement and the delivery of an ongoing water conservation campaign to provide tools and resources for the public to reduce water usage. We have effectively reduced our water consumption by 20% since 1996 even with population growth.

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Report from the City Manager

Achieve Excellence in City Governance:

Nelson continues to be one of the most progressive and innovative communities in Canada, especially when it comes to managing costs and generating non-tax revenues to fund City services. As owners of our own electrical utility (Nelson Hydro), the City, like other regulated utilities, receives an annual return on these investments. In 2018, our return on investment was \$2,800,000. These utility revenues are used to fund general City operations, and without them, municipal taxes would have increased by 32%, or services greatly reduced. The City also generates significant revenues from leasing City-owned buildings, with the most important being City Hall at 310 Ward St. These leases generate over \$600,000 annually. The City's parking meter revenues allows the city to fund road resurfacing without the need to use general taxation.

What does this all mean? It means the City generates 50% (\$10,000,000) of its general operating budget from non-property tax activities. This allows Council to invest in the renewal of its facilities, roads, sidewalks, parks and downtown, as well as providing a high level of service, including fire rescue services, our own police force, world-class parks and amenities, recreation and cultural activities.

The City has a leadership program that's been in place since 2009, which includes coaching, leadership skills training and promotion of accountability for all staff. The City looks for opportunities for cross-training and sharing staff within and between departments. Cross-training is done on a regular basis in Finance, Development Services, Fire Dispatch, Public Works and Parks. Training programs are focused on achieving the strategic goals of Council. City staff are continuously upgrading their skill-sets through ongoing training and professional development.

Expand Local Jobs, Local Prosperity:

Nelson is a thriving community with vibrant small businesses and an entrepreneurial spirit. The City of Nelson works with local area partner's encouraging business retention and expansion practices and focusing on attracting businesses in the technology sector. The City's approach to business attraction is an "Open for Business" attitude where we make a conscious effort to provide a timely, streamlined process and of course we present a compelling case for the Nelson experience! We are seeing larger companies, such as Traction on Demand set-up satellite offices in Nelson, joining a growing list of tech businesses including the ThoughtExchange, Drop Design, Retreat Guru, Core-Logix and D-Pace to name a few. The City offers established broadband connectivity, and works closely with companies to navigate any potential issues related to re-locating their businesses, whether it be housing, finding office space or any other hurdles. This new tech sector strengthens our already robust business sector that ranges from retail and hospitality to construction. Our housing starts are at record levels and businesses are investing.

The City has also continued to promote economic prosperity through various downtown improvements including the finalization of the Hall Street project; additional angle parking stalls in the downtown core; designated commuter parking areas for workers; approved new developments such as Nelson Commons, the Falls Street affordable housing project, the 205 Hall Street mixed use building, an assisted living facility at 611 Vernon St. and more. We have also supported the International Mural Festival, Sculpture program, the Street Culture Collaborative team, as well as, re-establishing a beat police officer along Baker Street.

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Report from the City Manager

Sustainability of City Services & Infrastructure:

The City of Nelson has a number of programs and initiatives in place to promote the longevity of infrastructure and advance our community in a sustainable manner as we tackle issues such as climate change, waste reduction and diversion, safe and adequate water supply, aging infrastructure and emergency management capabilities.

Council continues to invest in water, sanitary sewer and electrical utility infrastructure with the addition of major storm work structure added along Hall Street during the last phase of construction. We continue to renew our underground utilities at a reduced cost from what was originally estimated – sometimes up to 50% the original estimate, which has saved the City millions of dollars. In 2017, a UV treatment facility was also completed which allows for the ongoing deferral of sedimentary treatment, which is very costly.

The City's EcoSave program continues to benefit homeowners in assessing and financing home energy retrofits. In 2018 Nelson became the first BC community to launch a heat mapping program. Nelson Hydro customers can visit myheat.ca to see where heat is escaping from their home. The EcoSave program also delivers the Green Home and Energy Show which features sustainable ways to build and renovate buildings plus electric modes of transportation, e-bikes and EV's are displayed.

With the threat of wildfire in our region and other potential emergencies identified, Council has appointed Fire Chief Len MacCharles as the Director of Emergency Management for the City of Nelson. The Director of Emergency Management will work closely with Council and staff to improve our Emergency Management capabilities and provide continuity and expertise. The City is in the process of establishing its own Emergency Operation Centre and will be hiring an Emergency Management Coordinator in early summer 2019.

In closing, I would like to thank Mayor and Council, our hard working staff and our active community members for their ongoing commitment in realizing our city's potential.









Kevin Cormack, CPA, CA
City Manager

City of Nelson Strategic Objectives 2015-2018

Enhance Sustainability of City Services and Infrastructure

Significant Capital Investments 2015 - 2018

| Infrastructure | Total Investment 2015-2018* | Highlights | Funding Sources | Average Rate Increase |
|-------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
|  Storm Sewer | \$1.93M | <ul style="list-style-type: none"> Hall St. Phase II \$1.3M in capacity upgrades for Hall Street (increase of 4.7 X) | <ul style="list-style-type: none"> Hall St. Phase II has a substantial storm sewer component Total project is being funded through \$4.4M in grants | — |
|  Facilities | \$3.76M | <ul style="list-style-type: none"> Civic Centre: Invested \$1M in improvements 2015-18 Facilities valued at \$140,000,000 Annual budgeted capital improvements increased from \$875K in 2014 to \$1.7M in 2018 | <ul style="list-style-type: none"> Rental income 310 Ward (City Hall) \$180K Provincial Gas Tax \$300K Grants \$300K Reserves \$800K Building Reserve <ul style="list-style-type: none"> - 2015 Opening Balance \$347K - 2018 Projected Ending \$500K | — |
|  Roads/Sidewalks | \$8.73M | <ul style="list-style-type: none"> Roads resurfaced: 9.4 km | <ul style="list-style-type: none"> The City's street paving program is funded from parking meter revenue | \$0.25/hr |
|  Nelson Hydro | \$12.3M | <ul style="list-style-type: none"> Plant \$1.1M Subs/transmission \$2.7M Distribution \$5.8M | <ul style="list-style-type: none"> Capital Reserve <ul style="list-style-type: none"> 2015 Opening Balance \$4M 2018 Projected Ending \$3.95M | 2.14% |
|  Sanitary Sewer | \$5.37M | <ul style="list-style-type: none"> Sewer Main (relined/replaced) 12.2 km Relining \$2M STP, Lift Stations \$500K | <ul style="list-style-type: none"> 40% of sewer fees fund capital improvements in the sewer system Capital Reserve <ul style="list-style-type: none"> 2015 Opening Balance \$4M 2018 Projected Ending \$3.95M | 1.75% |
|  Water | \$9.5M | <ul style="list-style-type: none"> Water Main Replacement 6.3 km UV/Treatment \$850K PRV upgrades \$840K | <ul style="list-style-type: none"> 65% of water fees fund capital improvements in the water system Capital Reserve <ul style="list-style-type: none"> 2015 Opening Balance \$3.7M 2018 Projected Ending \$4.4M | 2.5% |

*2015-2017 actual + 2018 budgeted

City of Nelson Reserves and Debt

The City has invested \$15,000,000 more in its capital assets than they have depreciated over the 4 year period. Reserves/surplus have also grown \$4,300,000 over that same period.

Over 50% of the City's debt is being paid by third parties (Selkirk College and FortisBC). Total debt has been reduced by \$3,500,000 since 2014.

| | 2014 | 2015 | 2016 | 2017 |
|------------------------------|-------------|-------------|-------------|-------------|
| Reserves/surplus | | | | |
| Reserves | 18,273,918 | 16,302,591 | 20,006,960 | 23,797,026 |
| Surplus | 5,704,572 | 4,554,868 | 4,464,067 | 5,003,340 |
| Investment in capital assets | 131,071,508 | 137,209,894 | 138,923,419 | 141,382,836 |
| Total accumulated surplus | 155,049,998 | 158,067,353 | 163,394,446 | 170,183,202 |
| Debt | | | | |
| Tax supported | 1,327,974 | 1,263,136 | 1,195,682 | 1,125,541 |
| Utilities supported | 8,485,529 | 8,091,662 | 7,682,039 | 7,256,030 |
| Third party supported | 9,017,620 | 8,351,930 | 7,658,333 | 6,935,651 |
| Total Debt | 18,831,123 | 17,706,728 | 16,536,054 | 15,317,222 |

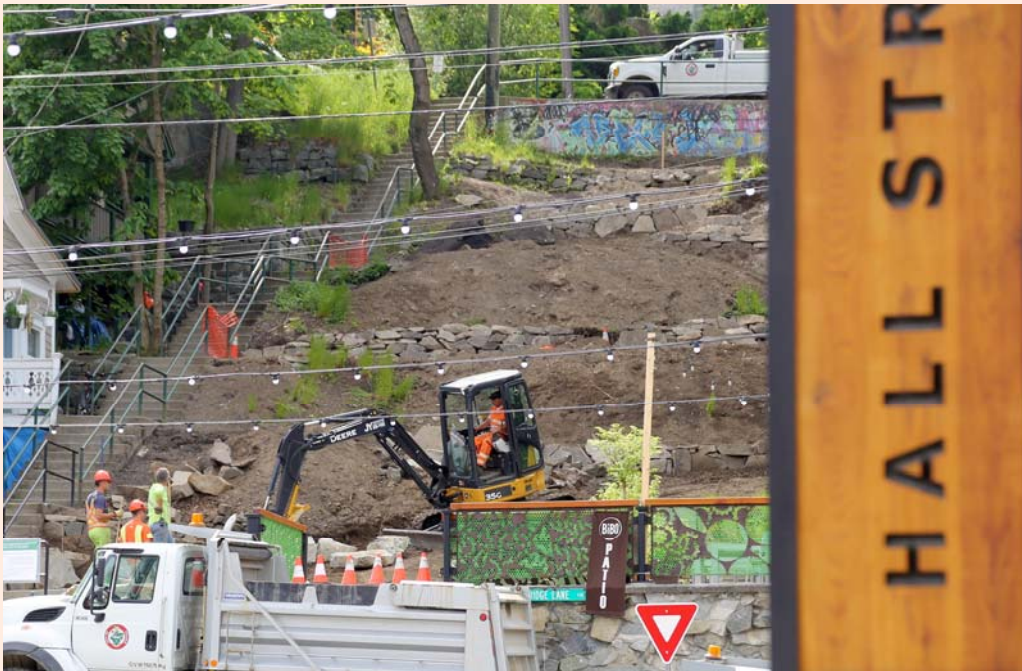


City of Nelson Strategic Objectives 2015-2018

Expand Local Jobs, Local Prosperity

Business Retention and Expansion

- Focus on the technology sector
- Nelson recognized as one of the top 10 cities in the world (ICF – 2018)
- Nelson Innovation Centre launched in 2018 – funded through the rural dividend fund
- Nelson Fibre continues to expand; City's co-location facility is at capacity and is being expanded
- Traction On Demand explored establishing a satellite office in Nelson with a projected 25+ employees, and they purchased a new prominent building in Nelson to set up their offices
- Tech Club relocated to the Nelson & District Youth Centre; Tech & Knowledge Workers Facebook Group has over 700 members; Start-Up Nelson Chapter 100+ members, Digital equality projects, Ladies Learning Code



Downtown Improvements

- Hall Street Plaza, downtown washroom, sidewalk, road and street lights, I.O.D.E. Park; ceramic tiles on social steps
- Added additional angled parking stalls
- New development (Nelson Commons, Red Fish Grill, 205 Hall Street)
- International Mural Festival
- Sculpture program - purchased additional sculptures; annual lease program
- Beat cop re-established; Street Outreach Collaborative program established; new pedestrian regulations adopted
- Falls Street housing project - targets employees at low salary range

City of Nelson Strategic Objectives 2015-2018

Strengthen Neighbourhoods

The City of Nelson has experienced strong residential and commercial development over the past four years, including significant new projects such as the Nelson Commons and the Nelson Cares projects. There are also over 200 additional units of new housing that are anticipated to be underway by 2019.

Building Permits & Development in Nelson

| Year | #Building Permits | #Dwelling Units | Estimated Value |
|-------|-------------------|-----------------|-----------------|
| 2015 | 180 | 56 | \$33,536,530 |
| 2016 | 166 | 30 | \$15,064,439 |
| 2017 | 188 | 75 | \$18,531,160 |
| 2018* | 123 | 90 | \$22,435,460 |

* Statistics up to July 31, 2018

Affordable Housing

- Nelson Cares Project - 47 units
- SHARE Housing Initiative - 39 units
- Laneway Housing – new regulations adopted
- Housing strategy reviewed – 9/14 recommendations underway with the remaining 6 strategies to be done by community agencies
- Reduced water & sewage rates for secondary suites by 75%

Community Planning

- Railtown Sustainable Neighbourhood Action Plan (SNAP) completed (Dec. 2016)
 - Maglio lands rezoned
 - Grants to Chamber of Commerce for CP Station House \$43,000
 - Improvements to Cottonwood Park
- **Downtown Urban Design/Waterfront Downtown Master Plan**
 - Lanes Alive Program - International Mural Festival 2018
 - Hall Street Plaza, Downtown Washroom, I.O.D.E. Park improvements
- **Policy**
 - Cannabis Regulations and Short-term Rental regulations
 - Parking Strategy

Water Management

- Emergency Intake (installed 2018) can effectively increase capacity by approximately 20% in severe drought situations.
- \$6 Million grant to bring Selous and Anderson to Mountain Station treatment facility.
- UV treatment facility completed (2017) – The UV treatment facility allows ongoing deferral of sedimentary treatment, which is very costly.
- Efficiency in water main replacement – delivering water main renewal projects at 50% of projected construction and engineering costs.
- Reduced leaks and reduced water usage by 20% from 1996 levels even with new development. This has reduced water usage per day by 1.9 megalitres of water indoors and a further 5.2 megalitres of outdoor water use in the summer. Combined, this is the equivalent amount of water to fill 3 Olympic sized swimming pools every day.

Emergency Management

- Full review of the City emergency management program was completed in 2017.
- Council approved developing the City's own emergency management program.
- Community Wildfire Protection Plan was updated and approved in 2017; funds were allocated in the 2018 budget to implement the new recommendations.

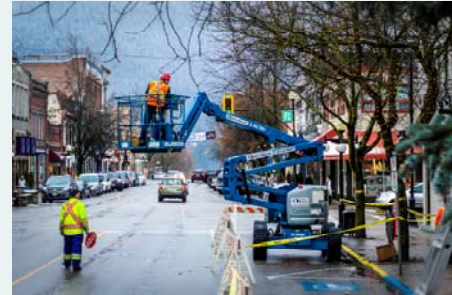


City of Nelson Strategic Objectives 2015-2018

Achieve Excellence in City Governance

Asset Management

- **Roads:** An initial staff review was completed and Council increased the road resurfacing program by \$350,000 annually.
- **Buildings:** A full facilities assessment was completed and new software purchased to better manage City facilities. An additional \$1,000,000 annually has been allocated to building renewal.
- **Utilities:** The City is on track with the upgrades identified in the master plans. The Water Master Plan was updated in 2017.
- **Grants:** The City was successful in securing over \$11,000,000 in grant funding to primarily fund infrastructure projects. The largest were Hall Street \$4,400,000 and the water treatment project at \$6,000,000.



Change in Residential Property Taxes

Council negotiated a reduction in regional district taxation.* The combined average property tax increase was 1.77%. The total property tax increase for an average Nelson home, valued at \$393,000 was \$54 per year. Nelson's business property taxes are 50% less than Cranbrook, Prince George, Fort St. John and Langley and 33% less than those in Vancouver, Burnaby, Victoria and Kelowna. (Source BC Business - City Guide)



| | 2015 | 2016 | 2017* | 2018* | Average |
|------------------|--------|-------|--------|--------|---------|
| Municipal | 2.07% | 1.78% | 5.61% | 2.42% | 2.97% |
| RDCK | -1.56% | 1.04% | -4.12% | -2.54% | -1.79% |
| Total | 1.06% | 1.58% | 3.26% | 1.17% | 1.77% |

Community Profile

NELSON, BC - The City of Nelson is located on the west arm of Kootenay Lake. Incorporated as a City on March 18, 1897 under the *"Speedy" Incorporation of Towns Act*, Nelson continues to be the government, financial, trading and educational centre of the Central Kootenay Region. Nelson, the Heritage Capital of the Kootenays, boasts in excess of over 150 registered heritage buildings. Self-guided, heritage walking tours and driving tours are available on a year-round basis. Nelson's historical buildings have attracted a number of movies to be produced in the City, and Nelson is still often scouted by Hollywood for other movies.

Nelson is located in the Selkirk Mountains and is ideally located for recreation. An 18-hole golf course is located within the municipal boundaries. A first-class ski hill is 30 minutes from the downtown core. The world-renowned Kokanee Glacier is within sight of Nelson and a 30-minute drive away. Many other recreational opportunities exist nearby. Kootenay Lake offers fishing, sailing and hundreds of beautiful beaches.

Although the population of the City of Nelson is only 10,800, it is central to a trading area in excess of 25,000. The residents of Nelson have come to expect amenities that are normally only found in a community much larger than Nelson.

Clean drinking water, fresh air and the pristine Kootenay Lake contribute to the City's high quality of life. Nelson has no polluting industries, nor does it have a large industrial tax base. In an effort to continue economic diversification, small businesses are establishing a new economic base in the Nelson area. There were over 1,200 business licences issued in 2017.

Nelson has, for years, been an educational centre for the Kootenay Region. Presently, Selkirk College offers post-secondary education, there is also a Waldorf School, as well as a Chinese Medicine School.

Nelson is rich in cultural life and provides high-quality theatre drama, music and dance programs. Many local artists produce their products in Nelson, some selling locally and others selling across Canada and internationally. Nelson hosts several cultural and musical festivals annually. Due to its scenery, moderate climate, amenities and unpolluted environment has developed a quality of life that is attractive to new residents and businesses.

A convention centre/hotel on the Nelson waterfront provides the finest convention facility in the West Kootenays and is able to host conventions of up to 400 people. Nelson has attracted several high tech industries and growth in this sector is projected to be one of the major economic engines for the community.

City Manager's Office

Kevin Cormack, BComm, CPA, CA - City Manager

The City Manager's office supports Council's strategic planning efforts and oversees the administration of the City, its officers and employees. This department provides recommendations to Council that reflect facts, options and professional opinion pertaining to issues considered by Council and developing in the community.

The City Manager's office takes the lead role in managing the implementation of policy direction established by Council. It provides leadership and direction to all City departments and operations.

The Finance, Development Services, Operations, Fire and Nelson Hydro department heads report directly to the City Manager. Management of Human Resources is also a component of the City Manager's office.



Corporate Services

Sarah Winton - Manager of Corporate Services & Corporate Officer

Gabriel Bouvet-Boisclair - Deputy Corporate Officer

Jordan Martin - Manager of Youth Centre & City Campground

Ginger Lester - Communications Coordinator

Sonya Martineau - Legislative Assistant

The Corporate Services functions includes those of the Corporate Officer, Legislative Services, and Communications. The Corporate Officer facilitates the business of Council by preparing minutes and agendas, reviewing and providing advice on municipal bylaws, and initiating the follow up actions to Council Meetings.

Legislative Services ensures Council is provided with relevant information from City staff, committees and the general public. It ensures meeting and agenda material is complete and provides the necessary information for informed decision making. It is responsible for the preparation of bylaws, policies, and agreements. This section of the department executes legal documents, handles legal matters, and responds to correspondence and inquiries. In addition, Legislative Services is responsible for carrying out procedures for local government elections as required under the provisions of the Community Charter and Local Government Act. Finally, Legislative Services processes and responds to requests from the public for documents and information made pursuant to the Freedom of Information and Protection of Privacy Act.

Communications works to accurately and consistently inform the public about Council decisions and other important City related news and events. It seeks to inform and engage citizens to ensure a governance model based on openness and accountability. This work includes proactive public engagement campaigns and an active social media presence.

Commencing in 2017 the Youth Centre now falls within the mandate of Corporate Services. See the Youth Centre section of this report for detailed information on its operations.

Finance

Colin McClure, CPA, CA - Chief Financial Officer

Chris Jury, CPA, CA - Deputy Chief Financial Officer

Suzanne Rorick, CPA, CMA- Manager of Finance and Purchasing



The Finance Department is responsible for the financial management of the City's assets. The Finance department's primary responsibility is the planning, implementation and monitoring of the City's five year financial plan for operating expenditures and capital expenditure plan. Staff must work closely with all other departments as well as the Nelson Police, the Nelson Public Library and the Nelson and District Youth Centre.

Functions of the department include levying and collection of taxes, administration of the annual tax sale, collection of water, sewer, garbage and hydro rates, processing of accounts payable, parking control and payroll. This section is also responsible for purchasing, procurement and inventory control.

Development Services

Pam Mierau—Director of Development Services

The Development Services department includes four planners, two building inspectors, and a development technician. Development Services is responsible for land use planning in Nelson, which includes development of long range policy that aligns with the vision of Council and the community, and crafting land use regulations to implement that vision. Development Services also supports applications through the planning and building approval process by working with applicants to ensure that their proposals are consistent with the city vision.

2018 saw an increase in development construction values in Nelson, going from \$18.5M in 2017 to \$29.3M in 2018. The majority of development this year was in the form of single-family homes, secondary suites and laneway homes. Development activity remained strong with 188 building permits this year, the same as in 2017, and 71 development permits (62 in 2017). The two Nelson Cares projects, one at 805 Nelson Avenue and the other at 205 Hall Street, included some of the key projects this year, as well as the SHARE housing initiative at 520 Falls Street and the Seniors facility at 611 Vernon Street.

In terms of community planning projects, Development Services worked on new regulations to facilitate laneway housing, a rezone of lands in the Railtown area, an affordable housing report as well as new cannabis regulations. Staff also worked on holiday lighting for Baker Street, new street lights for the entire downtown, as well as an update of the Sign Bylaw .



laneway housing

Nelson and District Youth Centre

Jordan Martin - Manager

The Nelson and District Youth Centre has been serving young people in this city with energy and pride for two decades.

Most people know the Youth Centre features a fabulous indoor skate park but that is just a fraction of what we offer. There's a band room, art room, dance studio, indoor basketball court, pool table, Foosball and ping pong tables - in short a whole host of healthy activities and special programs for youth to explore and learn. We provide a safe and supervised facility for youth to engage in educational programs and leisure activities which encourage the growth of positive self-esteem. The youth who attend our facility are able to freely express their opinions without fear of judgement, and are encouraged to participate in the development of programming.

We've also become the experts in finding jobs for young people starting out in the working world. NDYC runs the Youth Employment Centre in Nelson providing 16-22 year olds with one-on-one employment counselling, resume, cover letter and skill building workshops, computer, phone and copying services, and internet access for job searches. In short everything they need to find a job.

The Youth Centre also runs the Nelson City Campground, one of the most successful urban campgrounds in British Columbia. Revenue from the campground supports the youth centre The Youth

2018 Achievements

- The outside of the building got a new facelift with a mural painted by six talented youth in our community with the support and guidance by artist Coleman Webb. The strong efforts, vision and hard work from the NDAC, NYAN and the artists brought this mural to life.
- Selkirk College practicum students joined us for a month. They supported programming, assisted with outreach and increased their skills and abilities as they moved forward in their studies.
- We created new art, cooking and music programs that are free for youth ages 12-18.
- Pro-D day camps were a new addition to our camp roster, these are affordable for all families during SD8 Pro-D days.
- 2018 Summer Camps were very successful and became one of the most sought after Camps in Nelson. We were full every day and had the ability to employ four youth in our community.
- Increased our online presence to create more awareness as part of our marketing strategy.
- Implemented a new summer program called "Summer Break Learn to Skate" at the Art Gibbons Memorial park.
- Grew our Customized Employment Program to assist youth with disabilities or multiple barriers to employment.
- Hosted the second multi sector Job Fair in Nelson where excellent employment relationships were formed.
- Developed a relationship with SD8 and attended LVR and Mt. Sentinel weekly with the goal of assisting youth in the community find sustainable employment.
- Completed barriers for the tent platforms at the Nelson City Campground.
- Improved ventilation at the Nelson City Campground office, making it safer for patrons and staff .

Nelson and District Youth Centre



2019 Goals

Youth Centre

- Continue providing safe and accessible space for the community by ensuring a welcoming, comfortable, and inclusive atmosphere, programming, and events.
- Welcoming a new Bouldering wall into the centre with an upgrade to the skate park allowing eight sporting options under one roof during all operational hours.
- Continue expanding afterschool and camp programs.
- Partner with CBAL to create a mini library in our Hang zone that will bring multi generations together.
- Continuation of our urban garden with our six planter boxes and use the harvest for programming.
- Create free programming within our Tech space in partnership with the Nelson Tech Club.
- Develop programming with input from youth to ensure it meets their needs.
- Host more special events that benefit youth to be active and engaged.
- Strengthen community partnerships and awareness of Youth Centre services.

Parkade

- Work closely with Development Services to implement the parking strategy providing better options to the public.
- Create proper signage within the parkade to simplify parking options and availability to the public.

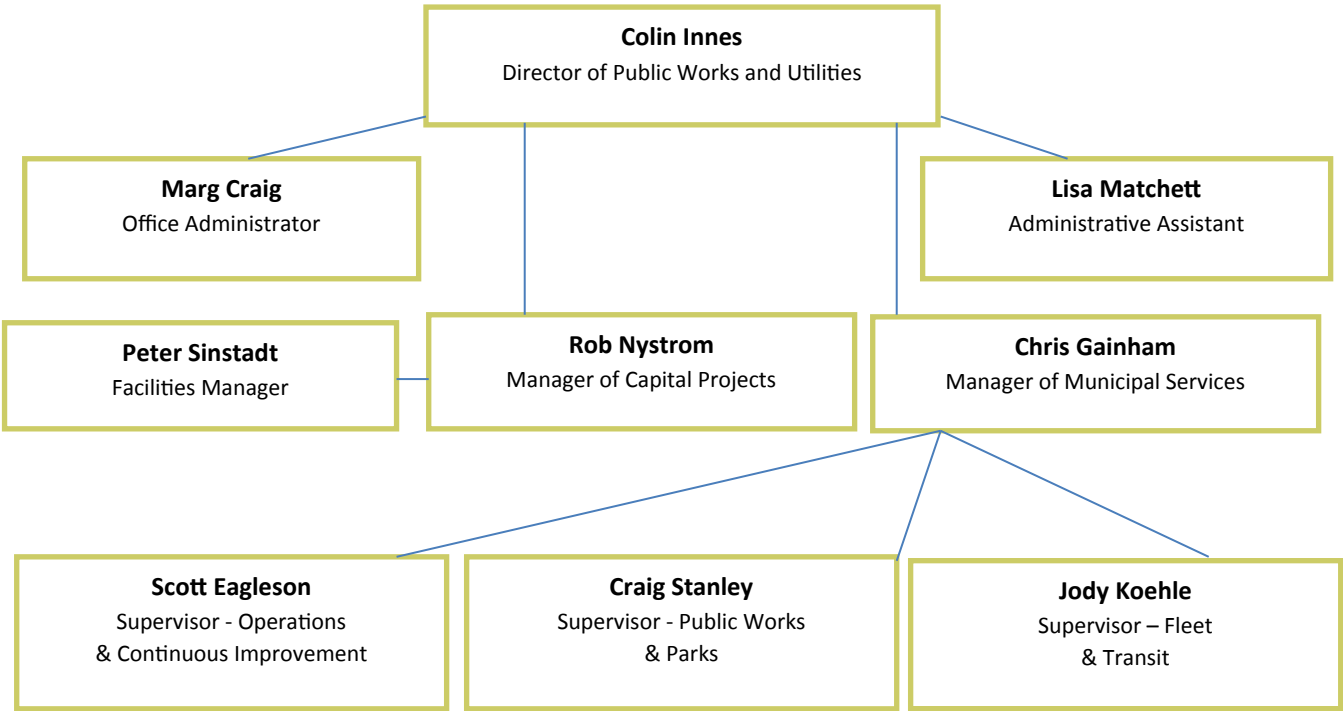
Campground

- Explore potential for revenue generation in concession.
- Improve the grounds and introduce an edible garden.
- Create signage that promotes tourism within the Kootenay Lake area .

For more information about our services and events, please visit our website www.nelson.ca/youth.

Public Works & Utilities

The City of Nelson Public Works & Utilities Department, located at the City Works and Utilities Complex on Lakeside Drive, oversees all outside Municipal services within the City. These services include Transportation, Water Utility, Sewer Utility, Public Works, Garage & Transit, Parks, Airport and City Buildings.



Water Utility & Waste Water Utility

The Water Utility provides quality water through a gravity system supplied by three creeks: Five Mile, Anderson and Selous. The City has been aggressively upgrading the system and has implemented a number of conservation measures.

The Sanitary Sewer System collects the raw sewage, and through a system of mains and five pump stations, transfers it to the Waste Water Utility.

The City has an on-going capital program to renew the sanitary sewer infrastructure .



Public Works & Utilities

Garage and Transit



The City's Garage maintains approximately 132 pieces of equipment for all departments including Public works, Transit, Hydro, police and Fire. The City has established an Equipment Replacement Reserve to fund the replacement, upgrade and purchase of additional equipment.

The City of Nelson operates one of the first established transit systems in the province. The Nelson streetcar system established in 1899 was the smallest system in the British Empire and the transit system has operated continuously since that time.

Nelson Transit, which is part of the newly established West Kootenay Transit System, operates a fleet of 6 buses and offers service 6 days per week. Funding for the local transit system is a partnership between the City of Nelson and BC Transit. Nelson Transit's regional service from Balfour to Castlegar is funded by the Regional District of Central Kootenay.



Parks & Recreation Facilities

The Parks and Recreational Facilities section is responsible for the maintenance of eleven municipal parks and playing fields covering 23.7 hectares.

As well as the municipal parks, this department maintains all boulevard trees, the flowers and trees in the downtown core area and operates the 45-acre Nelson cemetery, known as the Nelson Memorial Park.

Public Works & Utilities

Highlights & Accomplishments 2018

- Phase 2 of Hall Street upgrades - Final design & completion of multiphase project.
- 1075 metres of water main replaced.
- 3600 metres of sewer mains re-lined or replaced.
- Water Main Replacement 300-700 blocks of Third Street.
- Water Main Replacement 400-500 blocks of Gore Street.
- Repaving of: 400-500 block of Gore Street / 300 – 700 block of Third Street
- Emergency walk in access to secured Five Mile water transmission line.
- 3.5 Km of sanitary sewer relining.
- Cottonwood Park amenity area project phase one .



Public Works & Utilities

2019 Departmental Goals

- Water Distribution Upgrades
- Cottonwood Park amenity area project phase two
- Rosemont, Gyro & Lions Park playground upgrades.
- Hall Street waterfront plaza enhancements & washroom installation
- Cemetery water sprinkler system replacement
- ~26,600 m2 asphalt resurfacing
- Replacement of Gyro Park pedestrian bridge.
- Lakeside Park – extension of safety fencing at ball diamond.
- Lakeside shoreline erosion mitigation project .

Investment in City Facilities in 2018-2019

- Continuation of Electrical Distribution upgrade to the Civic Centre and start of Fire Alarm System upgrade to be completed in 2019.
- Restoration project planning of heritage assets, including 610 Railway & Touchstones Museum, to occur 2019/2020.
- Planning for major renewal of Police/Library mechanical and roof to occur 2019.
- Energy conservation projects such as LED lighting upgrades at Government Place & Public Works.
- Minor improvement of various facilities to ensure they continue to meet operational needs .

Nelson Police

Chief Constable Paul Burkart

The Nelson Police Department is the fifth oldest police service in British Columbia, with the first police officer, R.A. Winerals having been appointed at the Nelson City Council meeting of April 22, 1897. Our police department is the only independent municipal force in British Columbia's interior. The sworn and civilian men and women of the Nelson Police Department strive to provide a safe, crime-free community for its citizens.



The City of Nelson provides funding for the Nelson Police Department, which is administered by a Police Board under the provisions of the BC Police Act. The Board consists of six members, one of whom is appointed by Council and four by the Province, with the Mayor serving as Chair. The Department is under the command of a Chief Constable and has a total compliment of eighteen sworn officers.

The force is structured with two patrol teams, each under the leadership of a beat/community policing sergeant and a platoon sergeant with five constables. A dedicated beat officer works a regular weekly schedule outside the platoon teams along with two detectives in our General Investigations Section.

Our Mission: To preserve the quality of life in our community, the Nelson Police Department commits to preventing crime, preserving the peace and protecting lives and property by enforcing the laws of our country in a just, impartial and equitable manner.

Also under the command of the Chief Constable is the Bylaw Department consisting of three full-time bylaw enforcement officers, a two-person Integrated Victim Services Unit, a part-time Restorative Justice coordinator, four full-time police dispatchers and three administrative positions. The Department also has a sergeant and

two constables within the Integrated Road Safety Unit (IRSU), and a constable in the Integrated Impaired Driving Unit (IIDU); all four of these positions are integrated with the RCMP and are fully funded by the Province. Part-time relief dispatchers, restorative justice volunteers and a volunteer reserve force are used to augment the department's capabilities.

Our officers are actively engaged at the patrol level, with the highest case burdens per member among the British Columbia independent municipal police forces. In the spirit of community policing within this thriving and diverse "core city", the Department deploys officers to proactively conduct down-town foot-patrols, and is engaged in a host of community focused crime prevention and youth programs .

Nelson Police

Department Achievements 2018

- Implementation of the operational plan for the 2018 – 2022 Nelson Police Board Strategic Plan. This plan includes key directions of building on community relationships and communication, focusing on a healthy and engaged workforce by providing enhanced communication opportunities and improved guidance, support and development, and by providing the best value for our citizens through more efficient use of existing staff and resources, and by having our officers more visible in the community.
- Continued work with the Street Collaborative Committee, the Street Outreach Team, and the Fentanyl Task Force to tackle issues related to poverty, homelessness, mental illness and drug use. A secondary committee was formed to target the most common users of community resources and services in an attempt to assist them with their specific needs. The Fentanyl Task Force received a grant which will allow continued work within the sub-groups and larger committee, and funded a project to help address the stigma that comes with substance use.
- NPD constable seconded as the Drug Recognition Expert and Standard Field Sobriety Test coordinator for the SE District of the province for NPD and RCMP in the Integrated Impaired Driving Unit (IIDU). This position is fully funded by the Province .

Departmental Goals— 2019

- Engage a second beat officer from mid-June to mid-September to better police our very busy downtown core.
- Design and implement a program to better assist our staff in dealing with the stress and trauma of working as first responders
- Organize and run Emergency Services Camp for high school students who would like to experience what it would be like to work as a front line worker in first responder careers, including paramedics, fire, police, and conservation.
- Received a grant to hire staff to assist with the implementation of a restorative justice program in local schools.
- Dr. Nic Sparrow of the Kootenay Emergency Response Physicians Association and our own qualified members to provide training to all sworn NPD members in the use of Tactical Emergency Casualty Care, which will allow them to provide immediate trauma care until medical first responders can attend a scene safely.
- Augment our reserve officer contingency to better support our sworn officers and provide support services to community groups and events, including the LVR Grad Cavalcade, Canada Day, Road Kings Car Show and Parade, Nelson Rod and Gun Club Annual Firearms Show, and the Remembrance Day Veteran's March .

Nelson Fire & Rescue

Len MacCharles - Fire Chief

Mike Daloise - Assistant Fire Chief/ Training Officer

Rick Maida - Captain/Fire Prevention Officer

Nelson Fire & Rescue Services delivers emergency fire and rescue services as well as a number of fire prevention and safety programs throughout our community. Emergency responses include: fires and explosions, medical first responder, motor vehicle extrications, and technical rescues (hazardous material releases, high and low angle rope rescue, confined space, surface water rescue and other rescues).



The department takes proactive steps to protect life and property through programs such as fire prevention and inspections, fire investigations, public safety awareness, school programs and emergency medical first aid training. In addition, Nelson Fire & Rescue Services provides education on wildland-urban interface fire safety issues by promoting the principles for a FireSmart Community and conducting FireSmart home assessments.

Nelson Fire & Rescue Services upholds the regulatory provisions of the Fire Services Act and City Fire Bylaw No. 3268. The department consists of a Fire Chief, an on-shift Assistant Chief/Training Officer, an on-shift Captain/Fire Prevention Officer, two shift Captains, six full-time Firefighters, a Secretary/Dispatcher, and 22 Auxiliary Firefighters. Nelson Fire & Rescue Services also provides emergency services to a portion of RDCK Area 'E' for approximately 2000 residents through a contract with the Regional District.

Operations Goal

- To develop a comprehensive operations program in fire, technical rescues, medical and emergency management services designed to ensure a high level of readiness through staffing levels, apparatus, facilities, personnel training and operational guidelines.

Fire Prevention Goal

- To protect lives and property of the public and emergency personnel through inspections and application of the BC Fire Services Act and Fire Code, Nelson Fire By-law, National Fire Protection Association recommendations and related documents. In addition to inspections, the department educates the community through a well balanced public education program aimed at all levels of our community. We investigate all fires for cause and determination to take a proactive approach in prevention.

Training Goal

- To continue to develop and implement a Fire and Rescue Training Program to ensure our personnel are highly trained, effective and have the technical expertise required to safely conduct the emergency work provided by the department. Training will meet the standards and certifications recognized by British Columbia Fire Services.

Safety Goal

- To continue to promote a safety culture and create safe work environments in accordance with WorkSafe BC and NFPA 1500 (Fire Department Occupational Safety and Health Program).

Facilities Goal

- Maintain and upgrade the existing fire station to meet fire and life safety standards and to create a healthy and functional work environment for the members of the department.

Legislation & Recommended Practices

- To continue to meet regulatory requirements, stay informed on industry practices, review current contracts and complete outstanding operational guidelines, as well as continue with pre-fire planning as required.

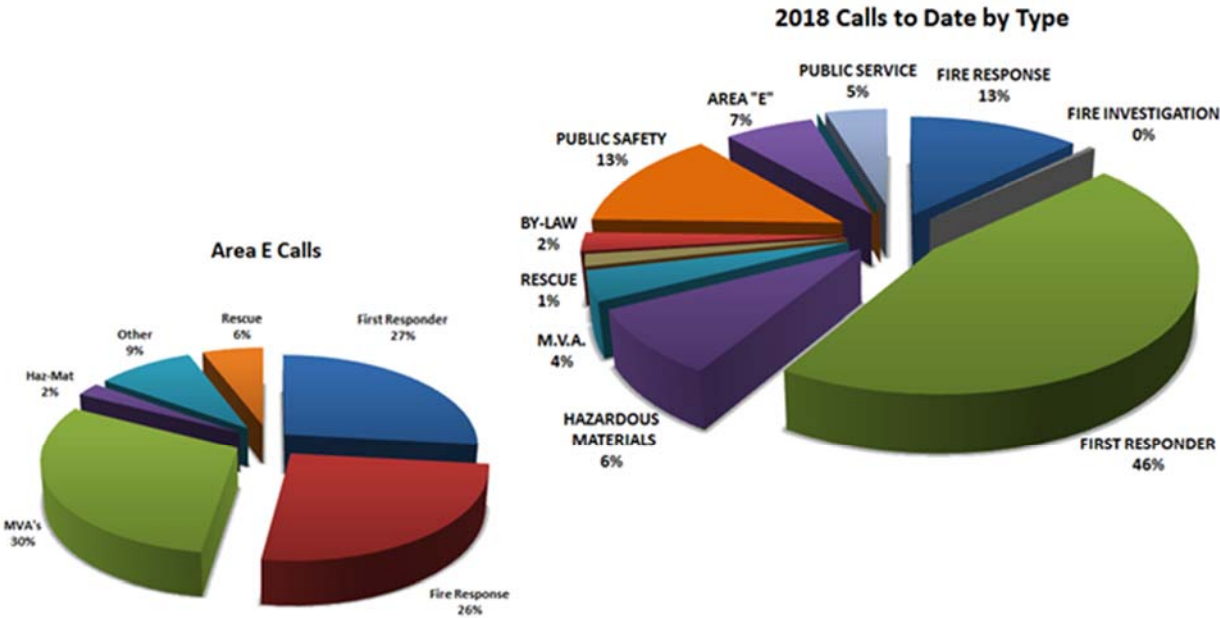
Nelson Fire & Rescue

Training Report

- Attended Annual Training Conference in Sooke and participated in a confined space refresher course.
- 8 additional Auxiliaries were hired and have started training and working towards Firefighter 1 certification.
- Attended the Crude by Rail emergency response course at the Security and Emergency Response Training Center in Colorado
- In addition to regular training for Career members, 2018 training included Rail Yard orientation with CPRail staff, Confined Space training at Nelson Ready Mix utilizing worker trapped in cement mixer scenario, Ammonia leak training at the NDCC and ongoing training of career and auxiliary staff.
- All members participated in the annual Residential and Commercial tanker shuttle training. This training is a yearly requirement to maintain fire underwriter’s insurance certification.

Fire Prevention Report

- Focus has been on completing commercial property inspections. Required frequent follow ups to gain BC Fire Code compliance.
- Conducted annual inspections utilizing a revised inspection frequency schedule to maximize inspection efficiencies and completion rates.
- FireSmart/Wildfire Preparedness booth at local markets throughout the summer— Education to the public on emergency preparedness.
- Hosted Disaster Day – showcasing how local emergency agencies work together and promoting Emergency Preparedness (est. attendees 600+)
- Help a Open House at the fire hall, inviting the community to come learn about fire safety, preparedness, FireSmart practices and see first hand some of the skilled used in rope rescue, vehicle extrication, and confined space (est. attendees 1,000+)
- Awarded grant to support the department’s FireSmart awareness campaigns— Conducted over 128 FireSmart Home/Property Assessments.
- Fire Prevention Awareness Programs continued to be an important program in 2018, conducted over 70 house-to- house smoke alarm testing and where required installed new alarms.



Nelson Hydro

Alex Love - General Manager
 Neal Dermody - Operations Manager
 Marg Craig - Office Administrator

The City of Nelson was the first municipality with hydro power in British Columbia, commencing service February 1, 1896. Nelson is the only municipality in western Canada with hydro-electric generation that services an area both within and outside its municipal boundaries. Consequently, the rural area hydro service and rates are subject to regulation by the BC Utilities Commission.

Nelson Hydro is responsible for efficient generation, distribution, and sale of electrical energy. Nelson Hydro runs the EcoSave program and partners with FortisBC on Power Sense programs to promote the conservation of electrical energy.

Nelson Hydro presently has over 10,600 customers. Total system load is now over 160,000 MWh per year.

In 2018, Nelson Hydro transferred \$2,800,000 in dividends to the City General Revenue Fund.

Nelson Hydro operates the Bonnington falls generating facility which is a 16 MW hydro plant on the Kootenay River 15 KM west of Nelson. The hydro plant has 4 operating generators producing about 55% of the utility energy needs .

Achievements in 2018

- Power Plant G5 Auxiliary Systems Upgrade: (Vibration Monitoring, Speed Sensing, Wicket Gate & Turbine Blade Angle Control systems)
- Installation of Bonnington substation Vacuum 69kv breaker.
- New Voltage Regulators at 6 Mile Sub and Volt-VAR optimization on North Shore feeder.
- Concrete refurbishment & wood decking replacement at the Bonnington Power Plant.
- 60L 3 Rebuild of East Richards Street Laneway Hydro line.
- Wooden Power Pole replacements throughout the system.
- COSA – Cost of Service Assessment completed & published.
- The Great Escape – launch of My Heat thermal heat mapping platform with EcoSave.
- Redesign of History of Nelson Hydro Padmount Transformer wraps in downtown core.
- Automated Call Dialer implemented for overdue Hydro accounts .

Nelson Hydro

2019 Department Goals

- District Energy – continuing development of business plan /Renewable Natural Gas
- Launch of Regional Energy Efficiency Program (REEP) with EcoSave & Community Energy Assoc. (CEA).
- Launch of Seniors Weatherization Project with Ecosave.
- CIS Advanced Utility Customer Service Software upgrade to Version 4.
- Continuing water flow studies for new generation.
- Vegetation Management on South Shore and North Shore
- Submarine Cable crossing replacement project.
- Continuation of Customer Service Inspections.
- Mill Street Substation re-development.



Nelson Public Library

Tracey Therrien - Chief Librarian

2018: A Year in review

The Nelson Public Library continued to be a popular community resource for information, learning, innovation, and public events. We welcomed over 146,000 visits, which showcased an increasing demand for library services. Digital circulation increased by 13% during the year, which is a reflection of shifting preferences for how library users access information.



Library Board

Back row: Keith Page – Nelson Council Rep, Karen Shoniker, Anni Holtby- Vice Chair, Tessa Bending, Christine Deynaka - Chair & Laurie Langille. Missing Tamara Martin and Ester Zdebiak

The backdrop to these achievements in 2018 was the ongoing implementation of the Library's five year Strategic Plan. The Board is proud of the efforts from the Chief Librarian, the staff and individual trustees to support the objectives outlined in the Strategic Plan, including an increasing focus on community partnerships and exploration of facilities options to meet community's needs.

School and children's programs were expanded and continue to be well attended and fun! Innovation was a core theme and included the introduction of the Teen & Tech program. In addition to author readings, the Library also arranged a number of presentations and workshops as part its life-long learning initiatives.

The successes of 2018 could only be achieved with the ongoing and generous support from the City of Nelson, the RDCK and the Province of BC. The Library is also extremely grateful for our hard-working and committed volunteers, from the Friends of the Library group to the individual volunteers who help every day in the Library.



Library Staff

In closing, we are proud of all the accomplishments of 2018 and excited for what 2019 will bring. Happy Discovering, Creating and Connecting at the Library!

~ Christine Deynaka, Nelson Public Library Board



"I had no idea a library could be so many things – thank you!" Library member

| Key Stats—On-site Traffic | |
|---------------------------|---------|
| Library members | 11,332 |
| Library visits | 146,500 |
| Items borrowed | 205,760 |
| Public computer sessions | 22,402 |
| Programs & Events | 295 |
| Program & Event attendees | 6,752 |
| Outreach programs | 67 |
| Outreach attendees | 1,803 |

| Key Stats—Online Library | |
|----------------------------------|--------|
| Online Visits | 45,448 |
| E-book and E-audiobook Downloads | 26,486 |
| E-magazine downloads | 430 |
| Online database usage | 34,441 |

Mission:

The Nelson Public library inspires a culture of discovery, creativity and connection.

Vision:

The Nelson Public Library is

- A gateway to the evolving world of information
- A catalyst for a strong, literate society
- A facilitator of strong community connections.



5,692 new BOOKS!

1,113 NEW members!

683 daily CHECK OUTS!

488 DAILY visits!



2018 Strategic Priority Highlights:

Community Needs: Online learning tools - we added an online training service offering hundreds of instructor-lead courses. If you're interested in learning technology, writing, management, and much more you'll want to check out GALE courses.

Spaces to Connect: Reconfiguration: we changed the layout of the main floor and added more public computers to address the growing demand; shelving was re-arranged to create more open spaces, and additional seating was installed.

Sustainability: Grants - the Library received \$36,000 to help improve technology and offer new services like our Teen & Tech program.

Municipal Buildings



Nelson Civic Centre

Built in the depression, the Nelson Civic Centre was the first of its kind in Western Canada. The complex included 2 ice rinks, a curling rink, 2 gymnasiums and a 700-seat theatre. The large rink in the Civic Centre is still utilized for hockey & figure skating, while the small rink was converted to an indoor soccer facility in 2007. The curling rink is leased to the Nelson Curling Club.



Capitol Theatre

This 420-seat performing arts centre is a restored theatre originally built in the 1920's. A dedicated volunteer group raised funds and renovated the theatre which opened in 1988.

The City leases the theatre to the Capitol Theatre Restoration Society and also partially funds its operations.



Nelson & District Youth Centre

The current Nelson & District Youth Centre was opened in 1997 and underwent major renovations in 2000-2001.

Prior to being used as the Youth Centre this building was the inventory warehouse for Nelson Hydro.



Museum, Archives & Art Gallery (Touchstones Nelson)

The distinctive heritage building at 502 Vernon Street, constructed of Spokane pink brick, Kaslo marble and local common brick, has served many functions since it was first built in 1902. It was originally a post office and customs house, spent a short time as a museum, was purchased by the City in 1961 and opened as the Nelson City Hall on January 8, 1962. It served as City Hall until April of 2005 when the City offices moved to 310 Ward Street. 502 Vernon then received extensive renovations and opened as Touchstones Nelson: Museum of Art and History in October 2006.

Municipal Buildings



City Hall (310 Ward Street)

The City finalized the purchase of 310 Ward Street from the Province in December of 2004 and moved the City offices in April 2005. The City occupies 20% of the building and the Provincial Government ministries lease the balance of the building from the City. The first floor of the building has the City's Finance Department co-locating with the Service BC's office. This co-location is proving to be very successful and convenient for our joint customers.



Works / Utilities Complex

The Works/Utilities complex was completed in 1988 utilising pre-cast concrete wall method of construction. The complex is 25,760 square feet and houses the Public Works, Water and Sewer Utilities, Nelson Hydro, Stores and Garage/Transit departments. This building provided a much-needed facility for centralising the public works and utilities functions.



Fire Hall

The present Fire Hall is on the heritage registry. It was constructed in 1912 and has served the City since then. This building was the centre for much of the filming of the movie "Roxanne."



Police Station/Library

In 1992, the City Police moved into a facility shared with the Nelson Municipal Library. The four-storey building was built in the late 1950's as the regional RCMP headquarters. Purchased by the City in 1990, the building was completely renovated with the top two floors being the police station and the first two floors occupied by the library. The lower floor was renovated in 2010 to house the children's collection.

Municipal Infrastructure

Roads, Bridges and Sidewalks

Nelson was a thriving community in the early 20th century; subsequently, some of its infrastructure dates back to that time.

The road and highway network, presently, is of sufficient capacity to handle existing traffic and upgrades have been completed or planned to accommodate new growth.

Residential roads are first paved through the local improvement program. There are a total of seven bridges within the municipal road system. Most of the bridges are short-span timber structures with an asphalt cover.

Many of the municipal sidewalks in the residential area date back to early in the 20th century. The cement sidewalks within the commercial core are in reasonably good shape; however, the older sidewalks in the residential area will require substantial maintenance and/ or replacement. The Active Transportation Plan, which was adopted by Council, identifies priority walking corridors and is used to establish the City's replacement and snow removal plans.

Waterworks

The City of Nelson collects potable water from three surface creeks: Five Mile, Anderson and Selous. The City of Nelson water supply is of premier quality.



Photo Credit: Rob Richardson

City has an on-going program of replacing older mains with those of a sufficient size for fire flow purposes. The City presently has three intake reservoirs and three storage reservoirs for the system. Due to the topography of the City, Nelson has 10 pressure reducing stations, to maintain proper flows and water pressure within the City.

Sanitary Sewer

The City installed a separate sanitary and storm sewer system in the early seventies. The City has a program to separate sanitary sewer from storm as the system is upgraded or as a result of new developments or upgrades of buildings. Much of the collection system is old vitrified clay pipe installed during the early part of the century. An issue associated with the old bituminous pipe is the infiltration of stormwater into the sanitary system.

The City regularly inspects the collection system with video cameras. The City has a program of either relining or replacing lines which the video inspections indicate require such work.

The City sewage is treated at a plant 3 km west of Nelson. Funding was secured to upgrade the plant to perform secondary treatment. This upgrade was completed in 2005.

Nelson Hydro

Nelson was the first municipal hydro electric utility in the Province of British Columbia. Presently, the City of Nelson distributes electrical energy within an approximate 30 km radius of the City of Nelson. The City owns and operates a hydro plant 14 km west of Nelson at Upper Bonnington Falls.

The plant has four operating turbines with a 16 MW capacity or approximately 55% of the system's electrical energy.

Municipal Infrastructure

Solid Waste

The Regional District of Central Kootenay operates a refuse transfer station where the City collection crews dispose of the collected garbage and where residents from the City or the rural area, if they choose, may dump their garbage. The garbage is then transferred to a landfill site at Salmo.

The City is a member of the Recycle BC Program and collects packaging and paper at curbside. This program is funded by producers that make or supply paper and packaging.

Drainage

The City has a number of streams running through the community which are monitored closely, particularly during spring runoff. All runoff from the drainage systems eventually end up in the West Arm of Kootenay Lake. The City is currently undertaking a study to identify areas at risk to flooding and to develop flood plane mapping. This study will identify problem areas and formulate a drainage plan to help guide future development and identify structural mitigation projects.

The City's storm water was separated from the sanitary sewer in the early 1970's. The system is in fairly good condition.



Parks

The City of Nelson is known for its beautiful parks. The City has 11 parks with a total area of 23.7 hectares. In addition, the parks department maintains the cemetery, which is 18.19 hectares.



The City is fortunate to have been developed on Kootenay Lake. There is a 3.0 km waterfront pathway extending from Cottonwood Creek to Lakeside Park.

Municipal Airport

The City of Nelson operates a 940-metre paved airport on the waterfront which is City-owned. The airport is the base for private helicopter companies, a charter aircraft company and numerous private aircraft. There is also a float plane dock facility at the west end of the airport. The airport offers a terminal building and avgas fuel facilities.



Chief Financial Officer's Report

It is my pleasure to present, on behalf of the Finance Department, the 2018 Annual Report for the City of Nelson. The Finance section of the report includes the Audit Report from Grant Thornton Chartered Professional Accountants and the Consolidated Financial Statements for the year ended December 31, 2018.

The purpose of the annual report is to provide the readers with a clear understanding of the financial position and activities of the City. The report is divided into three sections:

Introductory Section: Provides an overview of the City, including Council's strategic priorities and their progress, the organizational structure, and the nature and scope of the different departments and services provided by the City.

Financial Section: Presents the 2018 audited consolidated financial statements, notes, supplementary schedules, and the independent auditors' report.

Statistical Section: Reports a variety of statistical and financial information, mostly on a five-year comparative basis.



The City maintains a system of internal controls for the purpose of financial statement reliability and protection of City assets. The system includes budget preparation, safekeeping of City funds, receiving monies paid to the municipality, investing in authorized investments, expending funds as authorized by Council, and ensuring accurate and full accounting of all financial transactions.

The preparation and presentation of the financial statements and related information in the annual report is the responsibility of the finance department. Staff provide support to the external auditors during the year-end audit by preparing the working papers and ensuring unrestricted access to all related financial information.

The consolidated financial statements for the year ended December 31, 2018 included in this report were prepared by City staff in accordance with Canadian public sector accounting standards. The consolidated financial statements have been audited by Grant Thornton Chartered Professional Accountants resulting in an unqualified audit opinion, which can be reviewed on page 43 and 44.

2018 OPERATING RESULTS

It was a busy year for construction and for developers preparing for major housing projects that are expected to start in 2019. This resulted in building and development and other permit revenue to be \$90,000 or 20% higher than had been budgeted in 2018. With two bumps in the Bank of Canada rate during 2019 the operating fund interest revenue was \$90,000 higher than anticipated. On the expense side, legal and development services consultant expenses came in under budget, as did Public Works spending on sidewalk and pavement maintenance, the latter helping to offset increased resources required for snow plowing. Adding the higher than expected revenues noted above, the City had a \$507,000 operating surplus in 2018. Council allocated \$100,000 of the surplus to the Economic development reserve to help fund initiatives planned in 2019. In addition, \$400,000 was allocated to the Capital reserve to assist with future funding requirements of the storm sewer, sidewalk & retaining wall infrastructure deficit.

The City has a variety of revenue sources including taxation and grants-in-lieu of \$10.5 million and \$3.7 million in sales of other services. In addition the City receives significant revenue from user fees (including the electrical utility), which in 2018 amounted to \$25 million.

It is important to let the community know that in 2018 the City received \$526,000 in Provincial unconditional grants (revenue sharing and traffic fine sharing). The Traffic Fine portion of the Funds were used towards the administrative and operational costs of the City of Nelson Police department; the remaining funding was used to reduce the City's business and residential tax burden. Without the small community grant, the City would have needed to increase taxes by approximately 5.5%.

Chief Financial Officer's Report

Operating expenditures include \$6.6 million in protective services, \$3.4 million in transportation services, \$3.5 million in general government/corporate services and \$2.9 million in recreation, the Library and cultural services. Utility operations expenditures (including Nelson Hydro) total \$14.2 million. In addition, the City contributed \$286,000 towards the \$1.7 million gross 2018 operational expenses of Transit.

Overall the 2018 financial results were in line with what had been budgeted and expected for the year.

CAPITAL SPENDING AND RESERVES

A major highlight in 2018 was the City finalizing the second and final phase of the Stores to Shores Hall Street project. The second phase achieved the necessary upgrades to water, sewer, and storm systems as well as the creation of a new waterfront plaza and social steps providing access to the lake. The \$7 million Hall Street Phase II project was significantly funded by a \$4.4 million provincial & federal grant, with the water and sewer reserves contributing another \$2 million. In addition to the Hall street project, the City completed significant upgrades to the Sewer and Water utility through the relining or replacement of 3.6 km of sewer pipes and over a kilometer of water lines. Some other capital upgrades of note in 2018 are the Lakeside outdoor exercise equipment area, purchase of a new street sweeper and the updated protective services communication system. Nelson Hydro continued its ongoing upgrades to the transmission and distribution poles and power lines, investing \$1.6 million into renewing these assets in 2018.

The City's reserve funds are the major support of the City's capital program. Overall the City increased its capital reserves balance in 2018. This was due in large part to higher than anticipated revenue generated for Nelson Hydro over the past winter, as well as the additional commitments, made by Council in 2017, to allocate additional ongoing funding into the Building and Capital reserves to help cover the increased work on roads and buildings. Annually, Council and staff face the ongoing challenge to continue to address the City's infrastructure needs by balancing new debt with drawing down the reserves as required and continuing to rebuild them for future capital projects.

LONG-TERM DEBT

The long term debt issued and outstanding as of December 31, 2018 (including temporary borrowing and capital lease obligations) was \$14.3 million. In 2017, this balance was \$15.7 million.

The City's long term debt falls under two classifications—General debt and Utility debt. General debt is funded through taxation while Utility debt is funded and repaid through the related water, sewer and hydro rates.

The outstanding debenture debt at the end of 2018 for each of the City's funds is:

| | | | |
|---------------------|-----------------|-----------------|--------------------------|
| General \$7,235,254 | Water \$722,965 | Sewer \$459,583 | Nelson Hydro \$5,630,435 |
|---------------------|-----------------|-----------------|--------------------------|

As presented in the notes to the financial statements, \$7.3 million of the general debt is being repaid by FortisBC and Selkirk College through long term contractual agreements leaving just over \$1 million in general purpose debt funded by the taxpayer.

With the financial and operating environment becoming increasing complex and challenging the City looks for ways to be entrepreneurial in order to help limit the pressure to increase taxes. The City strives to be innovative and creative while promoting efficiency and effectiveness in how City services are delivered in a way that reflects Council priorities and community expectations. The City commits to being a good steward of the tax dollars received, and accountable in resource allocation that is sensitive to public needs. The City continues to work in preserving the current level of service and community infrastructure while balancing the economic conditions of the community.



Colin McClure, CPA, CA
Chief Financial Officer

THE CORPORATION OF THE CITY OF NELSON MANAGEMENT REPORT

For the Year Ended December 31, 2018

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements. The financial statements have been prepared in accordance with the accounting principles disclosed in Note 1 to the consolidated financial statements and include amounts that are based on estimates and judgments. Management believes that the financial statements fairly present The Corporation of the City of Nelson's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. The financial statements have been approved by Council.

Management has established and maintained appropriate systems of internal control including policies and procedures, which are designed to provide reasonable assurance that The Corporation of the City of Nelson's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of the financial statements.

The independent external auditors, Grant Thornton LLP, have been appointed by Council to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, The Corporation of the City of Nelson's financial position, results of operations, and changes in financial position in conformity with the accounting principles disclosed in Note 1 to the consolidated financial statements. The report of Grant Thornton LLP follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



Colin McClure, CPA, CA
Chief Financial Officer



Grant Thornton

An instinct for growth™

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Corporation of the City of Nelson

Grant Thornton LLP
513 Victoria Street
Nelson, BC
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Opinion

We have audited the accompanying consolidated financial statements of Corporation of the City of Nelson, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Nelson as at December 31, 2018, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

Other Matters

The consolidated financial statements of the Corporation of the City of Nelson for the year ended December 31, 2017, were audited by Berg Lehmann Chartered Professional Accountants who expressed an unmodified opinion on those statements on May 7, 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 City's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Grant Thornton LLP

Chartered Professional Accountants

May 6, 2019

Nelson, B.C.

THE CORPORATION OF THE CITY OF NELSON CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

| | 2018 | 2017 |
|---------------------------------------------------|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 2) | \$ 32,121,024 | \$ 30,642,773 |
| Investments (Note 3) | 3,045,552 | 3,005,368 |
| Accounts receivable (Note 4) | 7,114,429 | 6,123,372 |
| Long-term accounts receivable (Note 5) | 2,986,334 | 3,316,934 |
| MFA deposits (Note 6) | <u>320,748</u> | <u>313,917</u> |
| | <u>45,588,087</u> | <u>43,402,364</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities (Note 7) | 5,907,884 | 5,799,638 |
| Deferred revenue (Note 8) | 4,533,720 | 5,768,320 |
| Accrued future payroll benefits (Note 9) | 2,010,052 | 1,958,590 |
| Capital lease obligation (Note 10) | 343,916 | 350,235 |
| Debt (Note 11) | <u>14,048,237</u> | <u>15,317,222</u> |
| | <u>26,843,809</u> | <u>29,194,005</u> |
| Net Financial Assets | 18,744,278 | 14,208,359 |
| Non -Financial Assets | | |
| Tangible capital assets (Note 12) | 161,267,671 | 154,334,248 |
| Inventory (Note 13) | 1,231,677 | 1,321,861 |
| Prepaid expenses | <u>290,853</u> | <u>318,734</u> |
| | <u>162,790,201</u> | <u>155,974,843</u> |
| Accumulated Surplus (Note 14) | <u>\$181,534,479</u> | <u>\$170,183,202</u> |

Commitments and Contingencies (Note 18)



Colin McClure, CPA, CA
Chief Financial Officer

The accompanying summary of significant accounting policies and notes form an integral part of these consolidated financial statements

THE CORPORATION OF THE CITY OF NELSON

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2018

| | 2018 Budget (Note 21) | 2018 | 2017 |
|---------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Revenue | | | |
| Taxes | \$ 10,462,065 | \$ 10,520,754 | \$ 10,188,590 |
| Sale of services | 3,808,118 | 3,686,986 | 3,393,001 |
| Other revenue from own sources | 3,868,372 | 3,609,485 | 3,298,250 |
| Investment income | 480,900 | 973,698 | 523,976 |
| Grants - unconditional (Note 19) | 785,557 | 798,291 | 784,993 |
| Grants - conditional (Note 19) | 6,810,391 | 6,260,536 | 2,829,650 |
| Water user fees | 3,558,112 | 3,543,563 | 3,490,223 |
| Sewer user fees | 3,053,133 | 3,037,346 | 3,001,144 |
| Transit user fees | 269,060 | 286,702 | 282,828 |
| Nelson Hydro sales | <u>17,404,106</u> | <u>18,509,343</u> | <u>18,353,665</u> |
| | <u>50,499,814</u> | <u>51,226,704</u> | <u>46,146,320</u> |
| Expenses | | | |
| General government | 3,592,808 | 3,524,459 | 3,685,146 |
| Protective services | 6,683,907 | 6,619,777 | 6,426,410 |
| Transportation services | 3,764,697 | 3,389,898 | 3,138,873 |
| Environmental health services | 277,188 | 217,230 | 257,514 |
| Public health and welfare services | 193,641 | 170,686 | 183,659 |
| Parks, recreation and cultural services | 1,994,296 | 2,009,118 | 2,170,771 |
| Interest and other debt charges | 898,602 | 797,155 | 785,489 |
| Water utility operations | 1,340,385 | 1,353,784 | 1,381,373 |
| Sewer utility operations | 1,845,134 | 1,796,446 | 1,834,528 |
| Nelson Hydro operations | 11,493,794 | 11,427,555 | 11,328,455 |
| Transit operations | 1,639,911 | 1,678,083 | 1,568,395 |
| Library | 907,237 | 904,865 | 893,786 |
| Amortization | 5,456,407 | 5,786,038 | 5,342,649 |
| Loss on disposal of tangible capital assets | - | 200,333 | 360,516 |
| | <u>40,088,007</u> | <u>39,875,427</u> | <u>39,357,564</u> |
| Annual surplus | 10,411,807 | 11,351,277 | 6,788,756 |
| Accumulated surplus, beginning of the year | <u>170,183,202</u> | <u>170,183,202</u> | <u>163,394,446</u> |
| Accumulated surplus, end of the year | <u>\$180,595,009</u> | <u>\$181,534,479</u> | <u>\$170,183,202</u> |

The accompanying summary of significant accounting policies and notes form an integral part of these consolidated financial statements

THE CORPORATION OF THE CITY OF NELSON
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018

| | <u>2018 Budget</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Annual surplus | \$ 10,411,807 | \$ 11,351,277 | \$ 6,788,756 |
| Acquisition of tangible capital assets | (17,908,266) | (13,031,609) | (7,319,151) |
| Amortization of capital assets | 5,456,407 | 5,786,038 | 5,342,649 |
| Proceeds on sale of tangible capital assets | - | 111,815 | 101,163 |
| Loss on disposal of tangible capital assets | - | 200,333 | 360,516 |
| | <u>(2,040,052)</u> | <u>4,417,854</u> | <u>5,273,933</u> |
| Consumption (acquisition) of prepaid expenses | - | 27,881 | (54,165) |
| Consumption (acquisition) of supply inventory | - | 90,184 | (21,952) |
| | <u>-</u> | <u>118,065</u> | <u>(76,117)</u> |
| Increase (decrease) in net financial assets | (2,040,052) | 4,535,919 | 5,197,816 |
| Net financial assets, beginning of year | <u>14,208,359</u> | <u>14,208,359</u> | <u>9,010,543</u> |
| Net financial assets, end of the year | \$ <u>12,168,307</u> | \$ <u>18,744,278</u> | \$ <u>14,208,359</u> |

The accompanying summary of significant accounting policies and notes form an integral part of these consolidated financial statements

THE CORPORATION OF THE CITY OF NELSON

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------------------------|----------------------|----------------------|
| Cash Provided by (Used In) | | |
| Operating Activities | | |
| Annual surplus | \$ 11,351,277 | \$ 6,788,756 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 5,786,038 | 5,342,649 |
| Actuarial adjustments | (377,944) | (327,791) |
| Loss on disposal of tangible capital assets | <u>200,333</u> | <u>360,516</u> |
| | 16,959,704 | 12,164,130 |
| Increase (decrease) in non-cash operating items: | | |
| Accounts receivable | (991,057) | (339,288) |
| Long-term accounts receivable | 330,600 | 446,281 |
| MFA deposits | (6,831) | (6,005) |
| Accounts payable and accrued liabilities | 108,246 | 849,570 |
| Deferred revenue | (1,234,600) | 2,163,900 |
| Accrued future payroll benefits | 51,462 | (40,603) |
| Inventory | 90,184 | (21,952) |
| Prepaid expenses | <u>27,881</u> | <u>(54,165)</u> |
| | <u>15,335,589</u> | <u>15,161,868</u> |
| Financing Activities | | |
| Debt repayment | (891,041) | (891,041) |
| Repayment of capital lease obligations | <u>(6,319)</u> | <u>(5,808)</u> |
| | <u>(897,360)</u> | <u>(896,849)</u> |
| Capital Activities | | |
| Proceeds from disposal of tangible capital assets | 111,815 | 101,163 |
| Acquisition of tangible capital assets | <u>(13,031,609)</u> | <u>(7,319,151)</u> |
| | <u>(12,919,794)</u> | <u>(7,217,988)</u> |
| Investing Activities | | |
| Net purchase of investments | <u>(40,184)</u> | <u>(81,115)</u> |
| Net decrease in Cash | 1,478,251 | 6,965,916 |
| Cash and cash equivalents, beginning of year | <u>30,642,773</u> | <u>23,676,857</u> |
| Cash and cash equivalents, end of year | <u>\$ 32,121,024</u> | <u>\$ 30,642,773</u> |

The accompanying summary of significant accounting policies and notes form an integral part of these consolidated financial statements

THE CORPORATION OF THE CITY OF NELSON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

1. Significant Accounting Policies

The Corporation of the City of Nelson (the City) is a local government in the Province of British Columbia. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The following is a summary of the City's significant accounting policies:

- (a) **Basis of Presentation**
The City of Nelson's resources and operations are segregated into General, Water Utility, Wastewater Utility, Hydro Utility, Transit, and Reserve Funds for accounting and financial reporting purposes. The consolidated financial statements include all the accounts of these funds. All material inter-fund transactions and balances have been eliminated within the consolidated financial statements.
- (b) **Revenue Recognition**
Sources of revenue are recorded on the accrual basis and include revenue in the period in which the transactions or events occurred that give rise to the revenues. Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sale of services and user fee revenues are recognized when the service or product is rendered by the City.
Grant revenues are recognized when the funding becomes receivable. Revenue unearned in the current period is recorded as deferred revenue.
- (c) **Deferred Revenue**
Deferred revenue represents funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes as well as licenses, permits, other fees and grants which have been collected, but for which the related services have not been performed and or projects have not been constructed. These amount will be recognized as revenues in the fiscal year in which it is used for the specified purpose, the services are performed and or the projects are constructed.
- (d) **Government Transfers**
Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates can be made.
- (e) **Financial Instruments**
The City's financial instruments consist of cash and short term investments, accounts receivable, due from other governments, trades accounts payable and accrued liabilities, employee benefit plans and long term debt. It is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

THE CORPORATION OF THE CITY OF NELSON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

1. Significant Accounting Policies (continued)

(f) Accrued Future Payroll Benefits

The City records the cost of future payroll benefits over the employee's term of employment. Upon retirement a portion of accumulated sick leave credits are paid to the employee based on years of service.

(g) Interest and Actuarial Gains on Long Term Debt

The City records interest expense on long-term debt on an accrual basis and actuarial gains when realized as a reduction of the principal balance.

(h) Tangible Capital Assets

Tangible capital assets, comprised of capital assets and capital assets under construction, are recorded at cost and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put in to service. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

| | |
|---------------------------------------------|-----------------|
| Land Improvements | 15 to 20 years |
| Buildings | 10 to 75 years |
| Fixtures, Furniture, Equipment & Vehicles | 4 to 20 years |
| Technology | 4 to 10 years |
| Roads and Paving | 10 to 100 years |
| Bridges and other Transportation Structures | 10 to 100 years |
| Water Infrastructure | 10 to 100 years |
| Sewer Infrastructure | 10 to 100 years |
| Nelson Hydro Infrastructure | 10 to 100 years |
| Storm Drain Infrastructure | 10 to 100 years |

(i) 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.

(j) Inventory of supplies

Inventory of supplies held for consumption are recorded at the lower of weighted average cost and replacement cost.

(k) Statutory Reserves

Statutory reserves are funds that have been restricted by council. Formal establishing bylaws have been adopted pursuant to the Community Charter, which define how these reserves are to be used.

(l) Reserves Set Aside by Council

Reserves set aside by Council are non-statutory reserves which represent an appropriation of surplus for specific purposes. These internally restricted funds are not available for unrestricted purposes without the approval of Council.

THE CORPORATION OF THE CITY OF NELSON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

1. Significant Accounting Policies (continued)

(m) Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Significant areas requiring estimates include the useful lives of tangible capital assets for amortization, future employee benefits, allowance for doubtful accounts and provision for contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

(n) Budget

Budget data presented in these consolidated financial statements is based on the City's Five Year Financial Plan for the years 2018-2022, adopted by Council on May 7, 2018.

(o) Expenses

Expenses are recorded in the period in which the goods or services are acquired and the liability is incurred.

(p) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City is directly responsible, or accepts responsibility;
- it is expected that a future economic benefit will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance, and monitoring that are an integral part of the remediation strategy for a contaminated site.

There are no liabilities to be recorded as at December 31, 2018.

THE CORPORATION OF THE CITY OF NELSON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

2. Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are comprised of:

| | 2018 | 2017 |
|---------------------------------|----------------------|----------------------|
| Cash | \$ 5,425,275 | \$ 4,454,851 |
| MFA bond and money market funds | <u>26,695,749</u> | <u>26,187,922</u> |
| | <u>\$ 32,121,024</u> | <u>\$ 30,642,773</u> |

Municipal Finance Authority (MFA) pooled investment funds are considered equivalent to cash because of their liquidity.

3. Investments

Investments are carried according to the cost method, where cost is adjusted to reflect accrued interest less any permanent decline in market value below cost. Investments are composed of Government and Bank issued accrual notes and debentures as follows:

| <u>Maturity</u> | 2018 Carrying Value | 2018 Market Value | 2017 Carrying Value | 2017 Market Value |
|-----------------|------------------------|----------------------|------------------------|----------------------|
| 2017 | \$ - | \$ - | \$ 1,024,802 | \$ 1,024,802 |
| 2018 | 1,572,332 | 1,575,504 | 511,024 | 508,465 |
| 2019 | 305,548 | 285,600 | 301,870 | 292,076 |
| 2020 | 36,722 | 37,011 | 36,722 | 36,566 |
| 2021 | 96,171 | 88,200 | 96,171 | 92,248 |
| 2022 | 296,886 | 271,578 | 296,886 | 284,308 |
| 2023 | 399,800 | 360,714 | 399,800 | 387,918 |
| Thereafter | <u>338,093</u> | <u>350,596</u> | <u>338,093</u> | <u>342,412</u> |
| | <u>\$ 3,045,552</u> | <u>\$ 2,969,203</u> | <u>\$ 3,005,368</u> | <u>\$ 2,968,795</u> |

4. Accounts Receivable

| | 2018 | 2017 |
|---------------------------|---------------------|---------------------|
| Property taxes | \$ 397,038 | \$ 504,819 |
| Utility billings | 3,903,246 | 3,941,780 |
| Other governments | 224,040 | 273,075 |
| Trade & other receivables | <u>2,590,105</u> | <u>1,403,698</u> |
| | <u>\$ 7,114,429</u> | <u>\$ 6,123,372</u> |

5. Long Term Accounts Receivable

The City entered into an agreement with Selkirk College in April 2000, to undertake certain improvements to the Tenth Street Campus. Selkirk College is paying for the improvements over a 25 year term in equal monthly installments at the Municipal Finance Authority lending rate plus 1%.

On-bill financing refers to the financial loan service that the City of Nelson has made available for energy retrofits. The customer repays the on-bill financing loan on their regular Nelson Hydro utility bill through automatic withdrawal. The loan is available to those who reside within the City of Nelson and approval is based on payment history and property ownership verification. The maximum allowable loan is \$16,000 with the choice of a 5 or 10 year repayment term, the current fixed interest rate is 3.5% The interest rate is subject to change for any new loans on January first of each year.

THE CORPORATION OF THE CITY OF NELSON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

5. Long Term Accounts Receivable (continued)

The City has also entered into agreements with various organizations for goods and services or to repay long term financing agreements over an extended period of time.

| | 2018 | 2017 |
|--------------------------------------------------|---------------------|---------------------|
| Selkirk College | \$ 2,423,399 | \$ 2,716,047 |
| Ecosave energy retrofits on-bill financing loans | 270,585 | 243,030 |
| Various other agreements | <u>292,350</u> | <u>357,857</u> |
| | <u>\$ 2,986,334</u> | <u>\$ 3,316,934</u> |

6. Municipal Finance Authority Debt Reserve Fund

The Municipal Finance Authority of British Columbia (MFA) provides capital financing for regional districts and their member municipalities. The MFA is required to establish a Debt Reserve Fund. The MFA must then use this fund if at any time there are insufficient funds to meet payments on its obligations. If this occurs the regional districts may be called upon to restore the fund.

Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the Debt Reserve Fund certain amounts set out in the financing agreements. The interest earned on the Debt Reserve Fund, less administrative expenses, becomes an obligation of the MFA to the regional districts.

Upon maturity of a debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the Municipality. The proceeds from these discharges will be credited to income in the year they are received. As at December 31, 2018, the total of the Debt Reserve Fund was comprised of:

| | 2018 Cash Deposit | 2018 Demand Note | 2018 Total | 2017 Total |
|---------------|----------------------|---------------------|---------------------|---------------------|
| General fund | \$ 197,666 | \$ 470,990 | \$ 668,656 | \$ 664,447 |
| Sewer utility | 16,682 | 40,843 | 57,525 | 57,169 |
| Water utility | 14,739 | 36,091 | 50,830 | 50,516 |
| Nelson Hydro | <u>91,661</u> | <u>174,898</u> | <u>266,559</u> | <u>264,607</u> |
| | <u>\$ 320,748</u> | <u>\$ 722,822</u> | <u>\$ 1,043,570</u> | <u>\$ 1,036,739</u> |

7. Accounts Payable and Accrued Liabilities

| | 2018 | 2017 |
|----------------------------|---------------------|---------------------|
| Trades payable | \$ 5,226,264 | \$ 4,513,619 |
| Accrued wages and benefits | 397,525 | 1,007,420 |
| Accrued interest | 122,627 | 122,627 |
| Funds held on deposit | <u>161,468</u> | <u>155,972</u> |
| | <u>\$ 5,907,884</u> | <u>\$ 5,799,638</u> |

THE CORPORATION OF THE CITY OF NELSON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

8. Deferred Revenue

| | 2018 | 2017 |
|-------------------------------|---------------------|---------------------|
| Taxes and utility prepayments | \$ 2,992,267 | \$ 2,879,512 |
| Hydro utility prepayments | 604,922 | 422,078 |
| Grants | 346,918 | 1,966,935 |
| Other | 589,613 | 499,795 |
| | <u>\$ 4,533,720</u> | <u>\$ 5,768,320</u> |

9. Accrued Future Payroll Benefits

| | 2018 | 2017 |
|-----------------|---------------------|---------------------|
| Holiday Pay | \$ 741,140 | \$ 739,647 |
| Sick Leave | 1,111,791 | 1,054,786 |
| Banked Overtime | 157,121 | 164,157 |
| | <u>\$ 2,010,052</u> | <u>\$ 1,958,590</u> |

The City accrues holiday pay, sick leave, and banked overtime as they are earned by the employee, however, it is expected that these substantially funded liabilities will be met on a continuous basis over the long-term. Payment of these amounts will be funded from revenues of the period in which they are settled.

Employees of the City are entitled to accumulate earned benefits related to sick leave. Employees accumulate sick leave on a pro-rata basis at a rate dependent on the relevant contract or collective agreement with the City. Upon retirement from the City, employees are entitled to a portion of their accumulated sick leave based on years of service in excess of 5 years.

The deferred liability related to sick leave is valued at management's best estimate, which is based on past experience and assumptions about retirement, wage, and salary increases and employee turnover.

10. Capital Lease Obligations**FortisBC Energy Lease**

The City has entered into a 35 year capital lease with FortisBC Energy Inc (formerly Terasen Gas Inc.), commencing October 31, 2003 for the natural gas distribution system within the municipality's boundary for \$8,000,000. The City has prepaid \$7,600,000 of the capital lease obligation and has financed the prepayment through debt with the Municipal Finance Authority. The remaining obligation of \$400,000 is being paid through annual lease payments of \$36,354 including interest at 8.614%.

The City has also entered into a seventeen year operating lease with FortisBC expiring October 31, 2020 whereby the City leases back to FortisBC the operations of the gas distribution system. Under the operating lease FortisBC is required to make annual lease payments to the City calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. At the end of the seventeen year term FortisBC has the option of making a termination payment to the City equal to the unamortized portion of the City's \$7,600,000 prepayment under the capital lease which is estimated to be \$3,900,000, or negotiate a new eighteen year operating lease with a continuation of the annual lease payments which existed under the previous seventeen year operating lease. Discussions with Fortis regarding the continuation or cancellation of the lease have not yet commenced, but are expected to begin in advance of the maturity date.

THE CORPORATION OF THE CITY OF NELSON **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2018

11. Debt

| Debt Bylaw # | Purpose of Bylaw | Interest rate % | Year of Maturity | Original Issue | 2018 Balance | 2017 Balance |
|--------------------------|------------------------|--------------------|---------------------|-------------------|----------------------|----------------------|
| General Purposes: | | | | | | |
| 3107 | Catacombs | 3.85% | 2033 | \$ 275,000 | \$ 224,980 | \$ 235,784 |
| 3107 | Baker Street bridge | 3.85% | 2033 | 900,000 | 736,299 | 771,657 |
| 3034 | Street construction | 4.82% | 2022 | 50,341 | 16,435 | 20,157 |
| 2871 | Tenth Street campus | 3.15% | 2025 | 6,080,000 | 2,452,397 | 2,745,044 |
| 3036 | Highway 3A | 4.00% | 2021 | 300,000 | 74,878 | 97,943 |
| 2978 | Fortis Gas | 4.50% | 2020 | 4,200,000 | 976,661 | 1,437,003 |
| | | | | <u>11,805,341</u> | <u>4,481,650</u> | <u>5,307,588</u> |
| Short-term financing | | | | | CDOR+.5% | |
| | | | | | <u>2,753,604</u> | <u>2,753,604</u> |
| Water Purposes: | | | | | | |
| 3038 | Fairview reservoir | 4.82% | 2022 | 240,000 | 78,354 | 96,096 |
| 3106 | Water improvements | 4.90% | 2029 | 1,000,000 | 644,611 | 690,570 |
| | | | | <u>1,240,000</u> | <u>722,965</u> | <u>786,666</u> |
| Sewer Purposes: | | | | | | |
| 3037 | Sewage treatment plant | 4.00% | 2021 | 550,000 | 137,277 | 179,562 |
| 3109 | Sewer improvements | 4.90% | 2029 | 500,000 | 322,306 | 345,285 |
| | | | | <u>1,050,000</u> | <u>459,583</u> | <u>524,847</u> |
| Hydro Purposes: | | | | | | |
| 3110 | Hydro improvements | 4.90% | 2029 | 1,500,000 | 966,917 | 1,035,855 |
| 3223 | Hydro improvements | 3.05% | 2032 | 6,000,000 | 4,663,518 | 4,908,662 |
| | | | | <u>7,900,000</u> | <u>5,630,435</u> | <u>5,944,517</u> |
| Total Debt | | | | | <u>\$ 14,048,237</u> | <u>\$ 15,317,222</u> |

Principal payments and expected actuarial additions for the next 5 years and thereafter are as follows:

| | General | Water | Sewer | Hydro | Total |
|------------|---------------------|-------------------|-------------------|---------------------|----------------------|
| 2019 | \$ 3,614,042 | \$ 66,249 | \$ 67,875 | \$ 326,646 | \$ 4,074,812 |
| 2020 | 896,384 | 68,899 | 70,590 | 339,712 | 1,375,585 |
| 2021 | 416,015 | 71,665 | 73,414 | 353,300 | 914,394 |
| 2022 | 407,344 | 74,521 | 26,883 | 367,432 | 876,180 |
| 2023 | 420,855 | 55,916 | 27,959 | 382,129 | 886,859 |
| Thereafter | <u>(1,272,990)</u> | <u>385,715</u> | <u>192,862</u> | <u>3,861,216</u> | <u>3,166,803</u> |
| | <u>\$ 4,481,650</u> | <u>\$ 722,965</u> | <u>\$ 459,583</u> | <u>\$ 5,630,435</u> | <u>\$ 11,294,633</u> |

THE CORPORATION OF THE CITY OF NELSON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

12. Tangible Capital Assets

| | Cost | Accumulated Amortization | 2018 Net Book Value | 2017 Net Book Value |
|----------------------------------|----------------------|-----------------------------|------------------------|------------------------|
| Land | \$ 9,011,828 | \$ - | \$ 9,011,828 | \$ 9,011,828 |
| Buildings | 36,061,694 | 27,229,934 | 8,831,760 | 9,354,144 |
| Vehicles | 9,385,024 | 5,090,106 | 4,294,918 | 4,211,035 |
| IT, equipment & furniture | 3,993,584 | 1,835,563 | 2,158,021 | 1,219,314 |
| Library | 260,440 | 195,577 | 64,863 | 72,421 |
| Natural gas system capital lease | 8,186,404 | 3,742,354 | 4,444,050 | 4,677,947 |
| Transportation infrastructure | 29,928,848 | 11,081,150 | 18,847,698 | 16,377,302 |
| Parks & cemetery | 7,235,757 | 2,933,647 | 4,302,110 | 2,648,853 |
| Water infrastructure | 51,627,001 | 14,127,890 | 37,499,111 | 37,361,915 |
| Sewer infrastructure | 32,057,977 | 12,837,408 | 19,220,569 | 18,685,643 |
| Storm sewer infrastructure | 20,151,308 | 7,224,363 | 12,926,945 | 11,608,454 |
| Hydro generators & substations | 21,050,645 | 7,392,638 | 13,658,007 | 13,948,166 |
| Hydro infrastructure | 33,080,560 | 7,793,908 | 25,286,652 | 23,848,256 |
| Assets under construction | 721,139 | - | 721,139 | 1,308,970 |
| | <u>\$262,752,209</u> | <u>\$101,484,538</u> | <u>\$161,267,671</u> | <u>\$154,334,248</u> |

See schedule of consolidated tangible capital assets for more information.

13. Inventory

Inventories recognized in the statement of financial position are comprised of:

| | 2018 | 2017 |
|---------------------------------------------------|---------------------|---------------------|
| General, Water, Sewer Transit and Garage supplies | \$ 349,860 | \$ 376,711 |
| Fuel | 46,772 | 35,556 |
| Hydro operating supplies | 835,045 | 909,594 |
| | <u>\$ 1,231,677</u> | <u>\$ 1,321,861</u> |

THE CORPORATION OF THE CITY OF NELSON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

14. Accumulated Surplus

| | 2018 | 2017 |
|--------------------------------------|----------------------|----------------------|
| Reserves set aside by Council | | |
| Capital projects | \$ 2,291,437 | \$ 1,616,896 |
| Community works fund | 1,640,770 | 1,260,448 |
| Equipment replacement | 3,688,032 | 3,476,483 |
| Future power purchase | 1,106,571 | 1,079,908 |
| Nelson municipal library | 19,653 | 19,292 |
| Nelson Hydro capital | 6,359,648 | 4,853,717 |
| Sewer utility capital | 4,323,239 | 4,442,291 |
| Waterfront development | 30,183 | 29,537 |
| Water licence | 1,432,198 | 2,097,387 |
| Water utility capital | <u>5,440,596</u> | <u>4,639,080</u> |
| | 26,332,327 | 23,515,039 |
| Statutory reserves | | |
| Land sales | 141,366 | 138,399 |
| Off street parking | 10,007 | 9,793 |
| Parks acquisition | 43,744 | 111,308 |
| Tax sale | <u>22,979</u> | <u>22,487</u> |
| Total reserves | <u>26,550,423</u> | <u>23,797,026</u> |
| Surplus set aside by Council | | |
| Airport | 240,470 | 220,470 |
| Art in public places | 7,968 | 13,995 |
| Bridge | 359,789 | 319,789 |
| Building reserve | 949,170 | 540,000 |
| Economic development | 225,710 | 125,710 |
| Downtown & waterfront | 94,860 | 27,870 |
| Fortis | 640,286 | 683,173 |
| Insurance | 370,051 | 363,245 |
| Legal | 20,000 | 20,000 |
| Parking | 7,578 | 7,578 |
| Recycling reserve | 103,340 | 103,340 |
| 911 | 69,089 | 59,089 |
| 10th street | <u>152,285</u> | <u>131,481</u> |
| | 3,240,596 | 2,615,740 |
| Unappropriated surplus | <u>2,444,542</u> | <u>2,387,600</u> |
| Total surplus | <u>5,685,138</u> | <u>5,003,340</u> |
| Invested in capital assets | <u>149,298,918</u> | <u>141,382,836</u> |
| Total Accumulated Surplus | <u>\$181,534,479</u> | <u>\$170,183,202</u> |

THE CORPORATION OF THE CITY OF NELSON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

15. Trust Funds

The Cemetery Care, Cemetery Replacement, Justice McDonald, Better Gardens and Spurway Estate Trust Funds are not reported in these financial statements. The following is a summary of Trust Fund transactions for the year:

| | 2018 | 2017 |
|-----------------------------|-------------------|-------------------|
| Balances, beginning of year | \$ 971,257 | \$ 965,584 |
| Contributions received | 13,555 | 8,889 |
| Interest earned | <u>19,653</u> | <u>9,784</u> |
| | 1,004,465 | 984,257 |
| Expenses and transfers | <u>(15,000)</u> | <u>(13,000)</u> |
| Balances, end of year | <u>\$ 989,465</u> | <u>\$ 971,257</u> |

16. Taxes Levied For Other Paid Authorities

In addition to taxes levied for municipal purposes, the City is legally obligated to collect and remit taxes levied for the following authorities. These collections and remittances are not recorded as revenue and expenses.

| | 2018 | 2017 |
|------------------------------------------|----------------------|----------------------|
| Provincial Government - School taxes | \$ 8,568,817 | \$ 8,446,697 |
| Regional District of Central Kootenay | 4,107,175 | 4,145,993 |
| West Kootenay Boundary Hospital District | 721,113 | 697,673 |
| British Columbia Assessment Authority | 153,195 | 150,675 |
| Municipal Finance Authority | <u>525</u> | <u>485</u> |
| | <u>\$ 13,550,825</u> | <u>\$ 13,441,523</u> |

17. Pension Plan

The City of Nelson 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 provided are based on a formula. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

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

THE CORPORATION OF THE CITY OF NELSON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

17. Pension Plan (continued)

The City of Nelson paid \$1,602,878 (2017 - \$1,539,691) for employer contributions to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018 with results available in 2019.

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

18. Commitments and Contingencies**Regional District Debt**

Regional District debt is under the provisions of the Community Charter of BC a direct, joint and several liability of the District and each member municipality within the District including the City of Nelson.

Claims for Damages

In the normal course of a year the City is faced with lawsuits and claims for damages of a diverse nature. The outcome of these claims cannot be reasonably determined at this time.

Reciprocal Insurance Exchange Agreement

The City is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of British Columbia. The main purpose of the exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange agreement, the Municipality is assessed a premium and specific deductible based on population and claims experience. The obligation of the Municipality with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several and not joint and several. The City irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other Subscriber may suffer.

19. Grants

Grants received during the year were composed of the following government transfers and other:

| | 2018 | 2018 | 2017 | 2017 |
|-----------------------|-------------------|---------------------|-------------------|---------------------|
| | Unconditional | Conditional | Unconditional | Conditional |
| Federal Government | \$ 155,012 | \$ 2,175,249 | \$ 154,327 | \$ 595,484 |
| Provincial Government | 430,338 | 3,908,794 | 428,697 | 1,939,735 |
| Regional / Other | 212,941 | 176,493 | 201,969 | 294,431 |
| | <u>\$ 798,291</u> | <u>\$ 6,260,536</u> | <u>\$ 784,993</u> | <u>\$ 2,829,650</u> |

THE CORPORATION OF THE CITY OF NELSON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

20. Segmented Information

The City is a diversified municipal government institution that provides a wide range of services to its citizens. City Services are provided by departments and their activities are reported in these Service Areas. Departments disclosed in the segmented information, along with the services they provide, are as follows:

General Government Services

The Departments and Divisions within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying and collecting taxes and utilities; acquiring, disposing and managing City assets; developing and maintaining information technology systems and applications; ensuring effective financial management and communication; administering City grants; developing an effective labour force; administering collective agreements and payroll; emergency planning; economic development; monitoring and reporting performance; and ensuring that high quality City service standards are met.

Police & Bylaw Services

The mandate of Police Services is to keep our community safe by enforcing the law, and by preventing and reducing crime. Bylaw is responsible for parking and other bylaw enforcement, as well as domestic animal control.

Fire and Rescue Services

The mandate of the Fire and Rescue Services is to protect life, property and the environment through the provision of emergency response, inspections, code enforcement and public education, ensuring safety for the public.

Development Services

Development Services is responsible for preparing land use plans, bylaws and policies for sustainable development of the City, for reviewing and approving new development and building permits and inspections, management of City owned lands, heritage planning and development of the City's official community plan.

Engineering Services

Engineering Services is responsible for planning, building, operating and maintaining the City's physical infrastructure including roads and sidewalks, civic buildings and facilities. In addition, the divisions provide services for storm sewer services, solid waste and recycling, cemetery operations, and fleet services.

Parks, Culture and Recreation Services

Parks, Culture and Recreation is responsible for providing, facilitating the development of, and maintaining high quality parks, recreation facilities and programs, the youth centre and cultural services.

THE CORPORATION OF THE CITY OF NELSON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

20. **Segmented Information** (continued)

Transit

Transit is tasked with providing safe, timely and efficient public transit services within the City limits.

Library

As a controlled entity the City reports and is responsible for the successful operations of the Nelson Municipal Library.

Nelson Hydro

This segment includes all the operating activities related to the generation, distribution and supply of the City's electricity.

Utility Operations

The Water Utility operates and distributes over 8 million cubic meters of drinking water annually, and maintains water mains and pump stations. The Sewer and Drainage Utility is responsible for the collection, treatment and disposal of sanitary sewage and drainage, as well as the network of sewer mains and pump stations.

THE CORPORATION OF THE CITY OF NELSON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

20. **Segmented Information** (continued)
Statement of Operations by Object and Function:

| | General Government | Police & Bylaw | Fire Services | Development Services |
|---------------------------------|-----------------------|----------------------|----------------------|-------------------------|
| Revenues | | | | |
| Taxes | \$10,459,989 | \$ - | \$ - | \$ - |
| Sales of Service | 236,202 | 1,854,062 | 232,105 | 9,847 |
| Other revenue from own services | 1,520,277 | 301,589 | 125 | 272,240 |
| Investment income | 546,702 | - | - | - |
| Grants - unconditional | 415,493 | 110,964 | - | - |
| Grants - conditional | 555,065 | 86,083 | 45,000 | - |
| Water user fees | - | - | - | - |
| Sewer user fees | - | - | - | - |
| Transit user fees | - | - | - | - |
| Nelson Hydro sales | - | - | - | - |
| | <u>13,733,728</u> | <u>2,352,698</u> | <u>277,230</u> | <u>282,087</u> |
| Expenditures | | | | |
| Wages and benefits | 1,795,310 | 4,183,263 | 1,593,962 | 603,767 |
| Supplies and services | 1,298,075 | 424,081 | 417,386 | 119,820 |
| Interest and other debt charges | 409,510 | - | - | - |
| Amortization | 1,439,699 | 44,139 | 105,904 | - |
| Loss on disposal of assets | - | - | - | - |
| | <u>4,942,594</u> | <u>4,651,483</u> | <u>2,117,252</u> | <u>723,587</u> |
| Annual Surplus (Deficit) | <u>\$ 8,791,134</u> | <u>\$(2,298,785)</u> | <u>\$(1,840,022)</u> | <u>\$(441,500)</u> |

| Engineering Services | Parks Culture & Recreation | Transit | Library | Nelson Hydro | Utilities | 2018 Total |
|-------------------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| \$ 60,765 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,520,754 |
| 703,764 | 623,663 | - | 27,343 | - | - | 3,686,986 |
| 77,389 | 45,807 | 3,453 | 40,329 | 830,355 | 517,921 | 3,609,485 |
| - | - | - | 3,644 | 185,712 | 237,640 | 973,698 |
| - | - | - | 271,834 | - | - | 798,291 |
| 3,415,092 | 305,165 | 1,101,673 | 35,392 | 1,500 | 715,566 | 6,260,536 |
| - | - | - | - | - | 3,543,563 | 3,543,563 |
| - | - | - | - | - | 3,037,346 | 3,037,346 |
| - | - | 286,702 | - | - | - | 286,702 |
| - | - | - | - | 18,509,343 | - | 18,509,343 |
| <u>4,257,010</u> | <u>974,635</u> | <u>1,391,828</u> | <u>378,542</u> | <u>19,526,910</u> | <u>8,052,036</u> | <u>51,226,704</u> |
| 1,674,281 | 994,884 | 786,983 | 695,027 | 2,160,594 | 1,655,220 | 16,143,291 |
| 1,813,682 | 1,012,656 | 891,100 | 209,839 | 9,266,960 | 1,495,011 | 16,948,610 |
| 51,620 | - | - | - | 247,500 | 88,525 | 797,155 |
| 1,584,802 | 253,289 | - | - | 1,082,146 | 1,276,059 | 5,786,038 |
| 111,325 | - | - | - | 73,960 | 15,048 | 200,333 |
| <u>5,235,710</u> | <u>2,260,829</u> | <u>1,678,083</u> | <u>904,866</u> | <u>12,831,160</u> | <u>4,529,863</u> | <u>39,875,427</u> |
| \$ <u>(978,700)</u> | \$ <u>(1,286,194)</u> | \$ <u>(286,255)</u> | \$ <u>(526,324)</u> | \$ <u>6,695,750</u> | \$ <u>3,522,173</u> | \$ <u>11,351,277</u> |

THE CORPORATION OF THE CITY OF NELSON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

21. Budget Data

The reconciliation of the approved budget for the current year to the budget figures reported in these consolidated financial statement is as follows:

| | <u>2018</u> |
|---------------------------------------------------------|---------------|
| Budget surplus per Consolidated Statement of Operations | \$ 10,411,807 |
| Less: Capital expenditures | 19,997,714 |
| Debt principal repayments | 897,362 |
| Budgeted transfers to reserves | 3,004,166 |
| Add: Budgeted transfers from surplus and reserves | 8,031,028 |
| Amortization | 5,456,407 |
| Debt proceeds | <u>-</u> |
| Net annual budget | <u>\$ -</u> |

2018 Property Tax Exemptions

Through the adoption of a bylaw, the Municipal Council provides a permissive tax exemption (PTE) from municipal taxation to certain groups and organizations, which are evaluated and chosen at the discretion of Council. The legal capacity to provide these exemptions is through powers granted to the Council in the Community Charter.

To be considered for a PTE, an organization must: submit an application; have goals, policies, and operating principles that reflect those of the municipality; provide services that are an extension of municipal services and programs that are deemed to contribute to the well being of the community. They must be primarily used by residents of the City of Nelson and allow all Nelson residents to participate and adhere to all City of Nelson bylaws and policies.

Below is a listing of organizations granted a PTE in 2018 together with the estimated amount of municipal taxes that would have been imposed on the property if it were not considered exempt.

| | | |
|-------------------------------------------------------------|----|--------|
| ASCENSION LUTHERAN CHURCH | \$ | 547 |
| CANADIAN RED CROSS | | 916 |
| CHURCH OF JESUS CHRIST OF LATTER-DAY SAINTS | | 824 |
| CITY OF NELSON (CAPITOL THEATRE) | | 7,755 |
| CITY OF NELSON (GLACIER GYMNASTICS) | | 3,683 |
| CITY OF NELSON (NELSON & DISTRICT BOY SCOUTS & GIRL GUIDES) | | 457 |
| CITY OF NELSON (NELSON & DISTRICT MUSEUM) | | 16,999 |
| CITY OF NELSON (NELSON & DISTRICT ROD & GUN CLUB) | | 7,926 |
| CITY OF NELSON (NELSON CIVIC THEATRE SOCIETY) | | 3,855 |
| CITY OF NELSON (NELSON CURLING CLUB) | | 18,280 |
| CITY OF NELSON (NELSON SOCCER ASSOCIATION) | | 6,021 |
| EVANGELICAL COVENANT CHURCH OF CANADA | | 114 |
| FIRST BAPTIST CHURCH OF NELSON | | 315 |
| GRANITE POINTE GOLF & RECREATION SOCIETY | | 7,450 |
| KALEIN HOSPICE CENTRE SOCIETY | | 1,689 |
| KOOTENAY ADVOCACY NETWORK | | 1,015 |
| KOOTENAY CHRISTIAN FELLOWSHIP | | 1,787 |
| KOOTENAY COOPERATIVE RADIO | | 1,139 |
| KOOTENAY KIDS SOCIETY | | 4,445 |
| NELSON CARES SOCIETY | | 11,374 |
| NELSON CONGREGATION OF JEHOVAH'S WITNESSES | | 572 |
| NELSON KIWANIS PROJECTS SOC | | 1,698 |
| NELSON UNITED CHURCH | | 168 |
| PENTECOSTAL ASSEMBLIES OF CANADA | | 899 |
| ROMAN CATHOLIC BISHOP OF NELSON | | 281 |
| SALVATION ARMY IN CANADA | | 3,764 |
| SYNOD OF THE DIOCESE OF KOOTENAY | | 241 |
| UNITED PENTECOSTAL CHURCH OF BC | | 393 |
| WEST KOOTENAY WOMEN'S ASSOCIATION | | 1,371 |

Statistical Section

2018 Property Assessments and Tax Rates

| Assessments and property tax by Class | Residential | Utilities | Light Industry | Business Other | Recreational Non-Profit |
|---------------------------------------|-----------------|--------------|----------------|----------------|-------------------------|
| Assessment for General Purposes | \$1,562,378,100 | \$ 3,603,795 | \$ 1,644,200 | \$ 255,355,550 | \$ 2,211,700 |
| Percentage of Taxable Values | 85.60% | 0.20% | 0.09% | 13.99% | 0.12% |
| General Tax Levy by Class | 6,560,426 | 125,099 | 13,009 | 2,251,700 | 5,280 |
| Percentage of General Taxation | 73.26% | 1.40% | 0.15% | 25.14% | 0.06% |

2018 Rates (per \$1,000)

| | | | | | |
|-----------------------------|----------|-----------|-----------|-----------|----------|
| General | \$4.1990 | \$34.7131 | \$7.9122 | \$8.8179 | \$2.3871 |
| Debt | 0.0997 | 0.8244 | 0.1879 | 0.2095 | 0.0567 |
| School | 2.1755 | 13.4000 | 4.2000 | 4.2000 | 2.5000 |
| Regional Hospital | 0.2763 | 0.9671 | 0.9394 | 0.6766 | 0.2763 |
| Regional District | 1.3775 | 4.8213 | 4.6835 | 3.3746 | 1.3775 |
| B.C. Assessment | 0.0403 | 0.5037 | 0.1241 | 0.1241 | 0.0403 |
| Municipal Finance Authority | 0.0002 | 0.0007 | 0.0007 | 0.0005 | 0.0002 |
| | \$8.1685 | \$55.2303 | \$18.0478 | \$17.4032 | \$6.6381 |

Historical property tax levies

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Taxable Assessments (net of boundary expansion) | \$ 1,825,193,345 | \$ 1,672,934,193 | \$ 1,516,537,475 | \$ 1,446,634,020 | \$ 1,436,787,750 |
| Tax Levies | | | | | |
| General | \$ 8,955,514 | \$ 8,649,257 | \$ 7,910,168 | \$ 7,678,764 | \$ 7,476,034 |
| Debt | 212,673 | 212,892 | 213,229 | 213,050 | 213,020 |
| School | 8,546,901 | 8,429,179 | 8,425,909 | 8,369,225 | 8,389,044 |
| Regional Hospital | 717,752 | 695,251 | 662,934 | 645,227 | 621,572 |
| Regional District | 3,578,744 | 3,675,123 | 3,818,306 | 3,733,201 | 3,739,612 |
| B.C. Assessment | 156,611 | 150,261 | 160,511 | 163,154 | 168,163 |
| Municipal Finance Authority | 522 | 483 | 448 | 428 | 429 |
| | \$22,168,717 | \$21,812,446 | \$21,191,505 | \$20,803,049 | \$20,607,874 |

Statistical Section

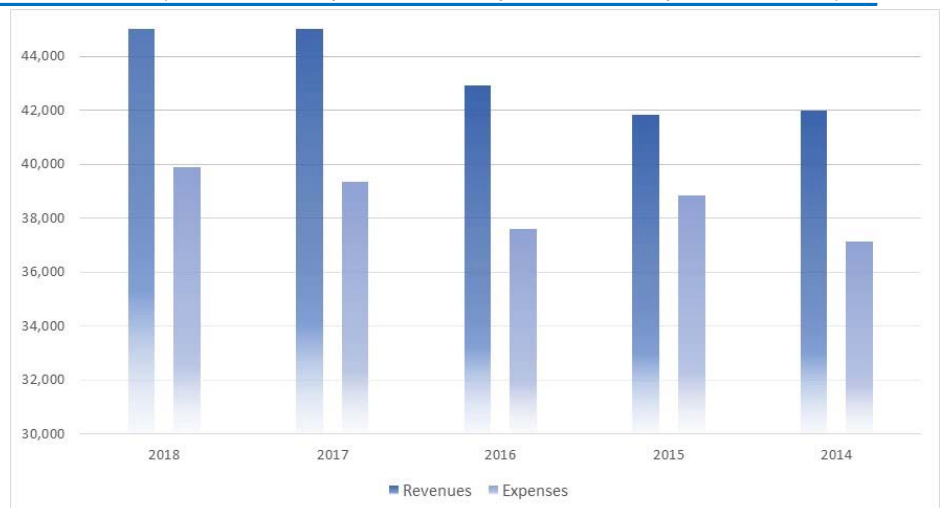
Historical Revenues and Expenses

Revenues (in thousands)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------|--------|--------|--------|--------|--------|
| Taxes | 10,521 | 10,189 | 9,445 | 9,138 | 8,958 |
| Sale of services | 3,687 | 3,393 | 3,037 | 3,076 | 3,151 |
| Other income | 3,609 | 3,298 | 3,308 | 3,653 | 3,144 |
| Investment income | 974 | 524 | 578 | 749 | 909 |
| Grants - unconditional | 798 | 785 | 797 | 807 | 604 |
| Grants - conditional | 6,261 | 2,830 | 2,416 | 2,056 | 2,917 |
| Water user fees | 3,544 | 3,490 | 3,391 | 3,294 | 3,165 |
| Sewer user fees | 3,037 | 3,001 | 2,923 | 2,869 | 2,783 |
| Transit user fees | 287 | 283 | 257 | 237 | 247 |
| Nelson Hydro sales | 18,509 | 18,354 | 16,778 | 15,965 | 16,105 |
| | 51,227 | 46,146 | 42,928 | 41,843 | 41,982 |

Expenses (in thousands)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------|--------|--------|--------|--------|--------|
| General government | 3,524 | 3,685 | 3,610 | 3,472 | 3,175 |
| Protective services | 6,620 | 6,426 | 5,700 | 5,368 | 5,389 |
| Transportation | 3,390 | 3,139 | 3,181 | 3,442 | 3,128 |
| Environmental health services | 217 | 258 | 223 | 227 | 205 |
| Public health and welfare | 171 | 186 | 184 | 182 | 180 |
| Parks, recreation and cultural | 2,009 | 2,171 | 2,519 | 2,509 | 2,496 |
| Interest and debt charges | 797 | 784 | 799 | 805 | 841 |
| Water utility operations | 1,354 | 1,381 | 1,442 | 1,396 | 1,108 |
| Sewer utility operations | 1,796 | 1,835 | 1,599 | 1,625 | 1,751 |
| Nelson Hydro operations | 11,428 | 11,328 | 10,418 | 11,989 | 11,212 |
| Transit operations | 1,678 | 1,568 | 1,495 | 1,485 | 1,411 |
| Library | 905 | 894 | 908 | 875 | 850 |
| Amortization | 5,786 | 5,343 | 5,225 | 5,083 | 5,031 |
| Loss on disposal of assets | 200 | 361 | 297 | 370 | 367 |
| | 39,875 | 39,359 | 37,601 | 38,826 | 37,142 |



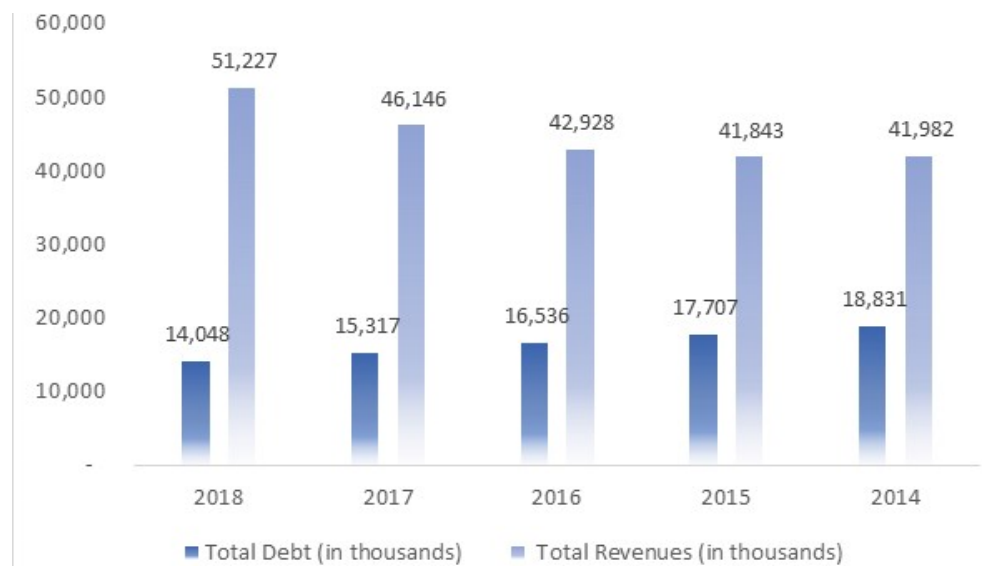
Statistical Section

Summary of Long-term Debts

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Debt (In thousands) | \$14,048 | \$15,317 | \$16,536 | \$17,707 | \$18,831 |
| Supported by: | | | | | |
| Selkirk College Lease | 2,452 | 2,745 | 3,025 | 3,293 | 3,550 |
| Property Tax | 1,052 | 1,125 | 1,195 | 1,263 | 1,328 |
| Water Utilities | 723 | 787 | 848 | 907 | 963 |
| Sewer Utilities | 460 | 525 | 588 | 648 | 706 |
| Nelson Hydro | 5,630 | 5,945 | 6,247 | 6,537 | 6,816 |
| Gas Franchise Lease Revenues | 3,731 | 4,190 | 4,633 | 5,059 | 5,468 |

| | | | | | |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Debt Service Payments (In thousands) | \$1,658 | \$1,646 | \$1,661 | \$1,665 | \$1,700 |
| Supported by: | | | | | |
| Long term lease | 270 | 270 | 270 | 270 | 297 |
| Property Tax | 109 | 110 | 116 | 118 | 118 |
| Water Rates | 100 | 106 | 106 | 106 | 106 |
| Sewer Rates | 78 | 78 | 93 | 93 | 93 |
| Nelson Hydro Rates | 499 | 499 | 499 | 499 | 499 |
| Gas Franchise Lease Revenue | 602 | 583 | 577 | 578 | 587 |

| | | | | | |
|------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Revenues (in thousands) | \$51,227 | \$46,146 | \$42,928 | \$41,843 | \$41,982 |
| Debts service payments as a percentage of revenue | 3.24% | 3.57% | 3.87% | 3.98% | 4.05% |



Statistical Section

Building Permits and Business Licenses

Building Permits

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Number of permits issued | 188 | 189 | 173 | 188 | 150 |
| Total building permit value | 192,415 | 212,766 | 142,777 | 236,719 | 130,434 |
| Total permit construction value | 29,650,460 | 18,762,010 | 15,064,439 | 33,548,333 | 18,452,679 |
| Average permit construction value | 157,715 | 99,270 | 87,078 | 178,449 | 123,018 |

| | | | | | |
|------------------------------|------------|------------|------------|------------|------------|
| New Business Licenses | 179 | 202 | 214 | 187 | 131 |
|------------------------------|------------|------------|------------|------------|------------|

