

Tuesday, May 12, 2020, 6:00 p.m.

Heritage Room

3rd Floor, City Hall, 2580 Shaughnessy Street, Port Coquitlam, BC

Pages

1. CALL TO ORDER

2. ADOPTION OF THE AGENDA

2.1 Adoption of the Agenda

Recommendation:

That the Tuesday, May 12, 2020, Council Meeting Agenda be adopted as circulated.

3. CONFIRMATION OF MINUTES

None.

4. PROCLAMATIONS

4.1 Public Works Week - May 17 - 23, 2020

1

4.2 Child Find British Columbia - May 2020

2

4.3 Komagata Maru Remembrance Day - May 23, 2020

3

5. DELEGATIONS

None.

6. PUBLIC HEARINGS

None.

7. BYLAWS

7.1 Zoning Amendment Bylaw - 2951 Coast Meridian Road - First Two Readings

4

Recommendation:

That Council give Zoning Amendment Bylaw No. 4179 first two readings.

**7.2 Parking and Development Management Amendment (Housekeeping) Bylaw -
First Three Readings and Adoption**

29

Recommendation:

*That Council give Parking and Development Management Amendment Bylaw
No. 4180 first three readings and adoption.*

8. REPORTS

8.1 2019 Audited Financial Statements

32

Recommendation:

That Council:

1. *Accept the 2019 Audited Consolidated Financial Statements; and*
2. *Direct staff to amend the 2020 financial plan to include a transfer of
\$395,000 from accumulated surplus to the Sewer Long Term Reserve
Fund.*

8.2 COVID-19 Business Support (verbal report)

Recommendation:

None.

9. NEW BUSINESS

10. OPEN QUESTION PERIOD

None.

11. ADJOURNMENT

11.1 Adjournment of the Meeting

Recommendation:

That the Tuesday, May 12, 2020, Council Meeting be adjourned.

12. MEETING NOTES

PROCLAMATION

WHEREAS Public works infrastructure, facilities and services are vital to the health, safety and wellbeing of all residents of Port Coquitlam; and

WHEREAS Such facilities and services could not be provided without the dedicated efforts of public works professionals, engineers and administrators who are responsible for building, operating and maintaining the public works systems that serve our citizens; and

WHEREAS The Public Works Association instituted Public Works Week as a public education campaign “to inform communities and their leaders on the importance of our nation’s public infrastructure and public works services” and to recognize the contributions of the public works professionals; and

WHEREAS It is in the public interest of citizens and civic leaders to gain knowledge of the public works needs and programs of their respective communities; and

NOW THEREFORE: I, Brad West, Mayor of the Corporation of the City of Port Coquitlam,

DO HEREBY PROCLAIM

May 17-23, 2020

as

“Public Works Week”

BWT

Brad West
Mayor



PROCLAMATION

WHEREAS Child Find British Columbia, a provincial member of Child Find Canada is a non-profit, registered charitable organization, incorporated in 1984; and

WHEREAS The Mandate of Child Find British Columbia is to educate children and adults about abduction prevention; to promote awareness of the problem of missing children, and to assist in the location of missing children, and

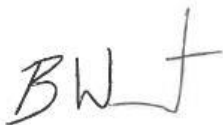
WHEREAS Child Find has recognized Green as the colour of Hope, which symbolizes a light in the darkness for all missing children; and

WHEREAS Child Find's annual Green Ribbon of Hope Campaign will be held in the month of May and I urge our citizens to wear a green ribbon as a symbol of Hope for the recovery of all missing children; and to remain vigilant in our common desire to protect and nurture the youth of our community.

NOW THEREFORE: I, Brad West, Mayor of the Corporation of the City of Port Coquitlam,

DO HEREBY PROCLAIM

**May as Child Find's Green Ribbon of Hope Month
and
May 25th as National Missing Children's Day**



Brad West
Mayor



PROCLAMATION

WHEREAS on May 23, 1914, three hundred and seventy-six British Subjects from India of Sikh, Muslim and Hindu origin arrived in Vancouver Harbour aboard the Komagata Maru, seeking to enter Canada, and were forced to leave; and

WHEREAS in 2008 and 2016, the BC Government and Government of Canada apologized for this act of discrimination, committing to learn from the mistakes of the past, to ensure they are never repeated; and

WHEREAS the City of Port Coquitlam is committed to protecting people from hate, racism, and discrimination and promoting multiculturalism and the full participation of all individuals in society; and

WHEREAS the City of Port Coquitlam is home to many diverse cultures, where individuals can practice their beliefs and customs while respecting and learning from other traditions.

NOW THEREFORE: I, Brad West, Mayor of the Corporation of the City of Port Coquitlam,

DO HEREBY PROCLAIM

May 23rd as

“Komagata Maru Remembrance Day”

BWT

Brad West
Mayor



Zoning Amendment Bylaw – 2951 Coast Meridian Road - First Two Readings

RECOMMENDATION:


1. That Council give Zoning Amendment Bylaw No. 4179 for 2951 Coast Meridian Road first two readings; and
2. That the zoning of 2951 Coast Meridian Road be amended from RS1 (Residential Single Dwelling 1) to RD (Residential Duplex).
3. That prior to adoption of the amending bylaw, the following conditions be met to the satisfaction of the Director of Development Services:
 - a. Installation of tree protection prior to issuance of a demolition permit;
 - b. Demolition of the existing building(s);
 - c. Submission of a security to ensure tree retention in the amount of \$1,500;
 - d. Completion of design and submission of securities and fees for off-site works and services, including construction of the lane adjacent to 2959 Coast Meridian Road; and,
 - e. Registration of a legal agreement to restrict secondary suites and the height of the main floor to no greater than 8.13m geodetic.

PREVIOUS COUNCIL / COMMITTEE ACTION

At the April 28, 2020, Committee of Council meeting, Committee recommended to Council:

1. That the zoning of 2951 Coast Meridian Road be amended from RS1 (Residential Single Dwelling 1) to RD (Residential Duplex).
2. That prior to adoption of the amending bylaw, the following conditions be met to the satisfaction of the Director of Development Services:
 - a. Installation of tree protection prior to issuance of a demolition permit;
 - b. Demolition of the existing building(s);
 - c. Submission of a security to ensure tree retention in the amount of \$1,500;
 - d. Completion of design and submission of securities and fees for off-site works and services, including construction of the lane adjacent to 2959 Coast Meridian Road; and,
 - e. Registration of a legal agreement to restrict secondary suites and the height of the main floor to no greater than 8.13m geodetic.

OPTIONS (✓ = Staff Recommendation)

	#	Description
	1	Give first two readings to the bylaw.

Zoning Amendment Bylaw – 2951 Coast Meridian Road - First Two Readings

	2	Delay first two readings and request staff to provide additional information.
	3	Deny first two readings of the bylaw.

2951 Coast Meridian Road – Rezoning Application

RECOMMENDATION:

That Committee of Council recommend to Council:

1. That the zoning of 2951 Coast Meridian Road be amended from RS1 (Residential Single Dwelling 1) to RD (Residential Duplex).
2. That prior to adoption of the amending bylaw, the following conditions be met to the satisfaction of the Director of Development Services:
 - a. Installation of tree protection prior to issuance of a demolition permit;
 - b. Demolition of the existing building(s);
 - c. Submission of a security to ensure tree retention in the amount of \$1,500;
 - d. Completion of design and submission of securities and fees for off-site works and services, including construction of the lane adjacent to 2959 Coast Meridian Road; and,
 - e. Registration of a legal agreement to restrict secondary suites and the height of the main floor to no greater than 8.13m geodetic.

REPORT SUMMARY

This report provides for consideration of a rezoning application to amend the zoning at 2951 Coast Meridian Road from RS1 (Residential Single Dwelling 1) to RD (Residential Duplex) to allow for a duplex use. As the proposed development would be in keeping with policies of the Official Community Plan which encourage additional dwellings in established neighbourhoods, retention of mature trees and infrastructure improvements, it is recommended for approval.

BACKGROUND

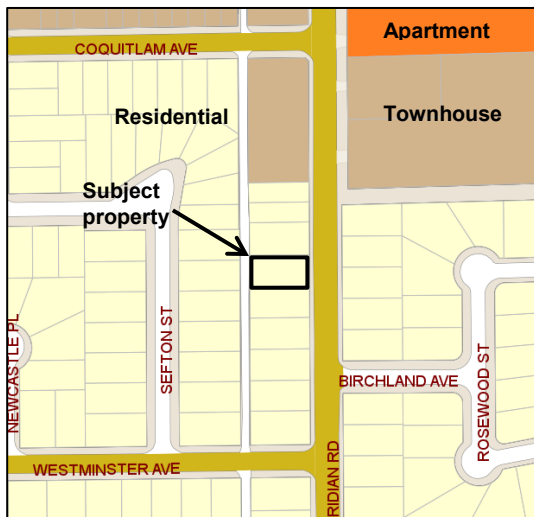
Proposal: The applicants, Mrs. and Mr. Alizada, has proposed to redevelop a 63-foot wide lot located mid-block on the west side of Coast Meridian Road between Coquitlam and Westminster Avenues with a two-storey (plus basement) duplex.



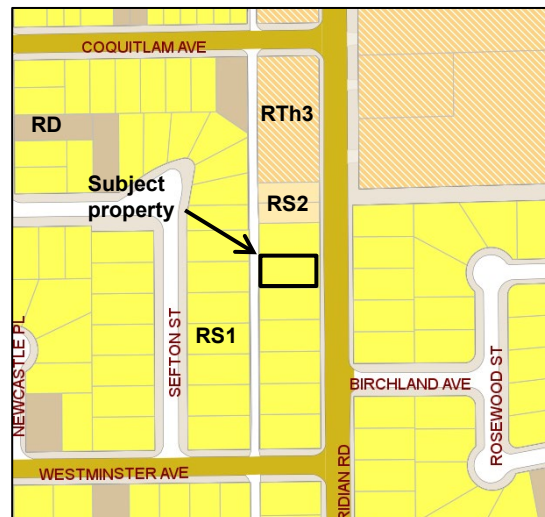
Location map

2951 Coast Meridian Road – Rezoning Application

Policy and Regulations: The site is currently zoned RS1 – Residential Single Dwelling 1; the proposed zoning is RD – Residential Duplex. The site is located in an area designated in the Official Community Plan as R – Residential.



Current OCP Land Designations



Current Zoning

The Official Community Plan encourages duplexes in areas designated Residential and provides for consideration of a rezoning to permit a duplex use if it is a corner lot or if there is no other duplex within 100m on or fronting the same street and if the rezoning would result in public benefits such as: dedication of lands; installation of adjacent infrastructure or extension of infrastructure to address gaps; retention of a heritage feature or a superior quality design of buildings and landscaping that enhances fit with the established neighbourhood character.

Duplex development is regulated by the Intensive Residential Development Permit area guidelines in the OCP. The guidelines for duplex development encourages a high quality of building design that is respectful of established neighbourhood characteristics, encourages vehicle access from the lane, the planting of at least two trees in the front yard and landscaping that provides privacy and minimizes hard surfaces.

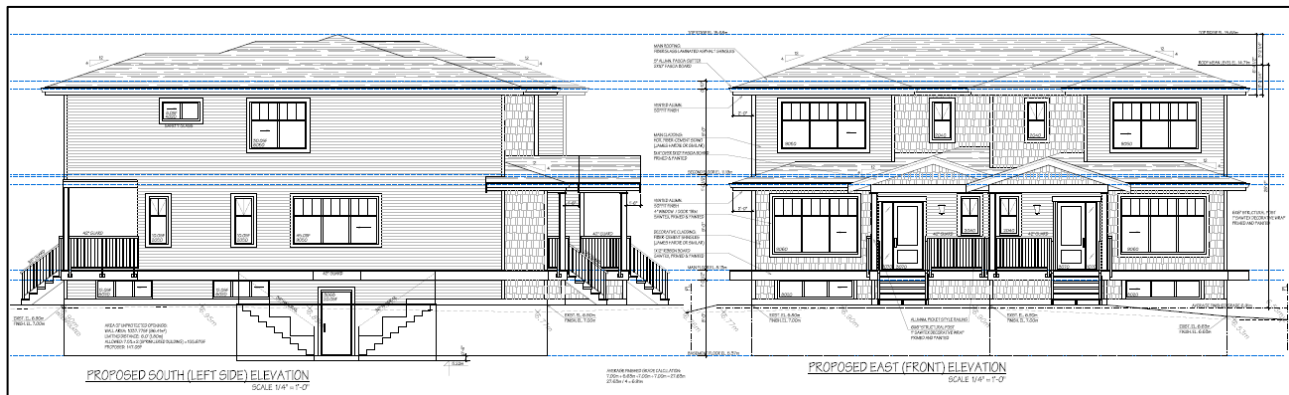
Site Context: The 702m² (7,556 ft²) lot is relatively flat and currently occupied by an older single-family home with vehicular access from Coast Meridian Road. Surrounding land uses include single-residential and townhouse uses. The house to the north is a relatively new two-storey house and the house to the south is a one storey with a partially above ground basement. The rear lane is partially paved from Coquitlam Avenue southward but ends behind 2973 Coast Meridian Road.

Proposed Development: The applicant is proposing to construct a two-storey plus basement side-by-side duplex. The proposed duplex units would each have a floor area of approximately 191 m² (2,061 ft²) on the two main floors, plus a 115m² (1,241 ft²) unfinished basement and a detached

2951 Coast Meridian Road – Rezoning Application

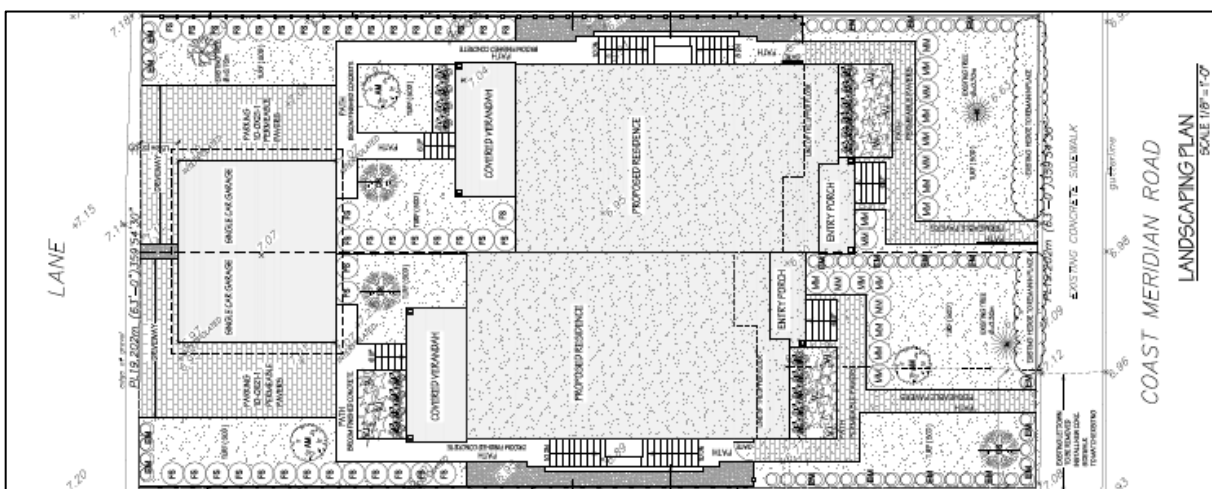
garage. Each unit would have an individual front entrance from Coast Meridian, with vehicular access from the rear lane.

The applicant describes the proposed architectural style as modern craftsman. To breakdown the front façade and building massing, the proposed design staggers the orientation of the dwelling units and incorporates variable roof lines. Each unit has a small street-friendly front porch and a useable rear deck. Cladding material consist of high quality fibre-cement horizontal board and wall shingles



Proposed front and south side building façades

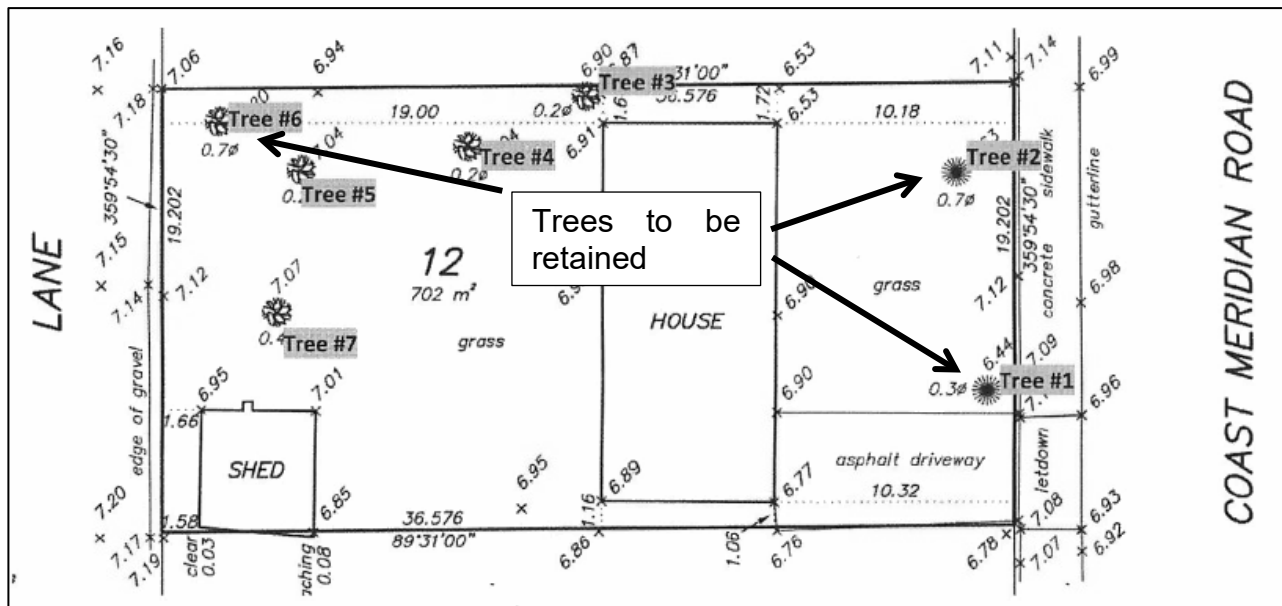
The proposed landscape plan calls for planting three amur maple and three colorado spruce trees, as well as a variety of hedges and shrubs in addition to retention of three mature trees. Privacy between units is to be provided by hedging and a fence in the rear yard. The parking pads at the rear are to be partially screened with landscaping and designed to have permeable pavers to increase the pervious surface area.



Proposed site plan and landscaping

2951 Coast Meridian Road – Rezoning Application

Trees: There are seven trees on the lot shown on the map below which consist of a large western redcedar, spruce and chestnut and four smaller ornamental trees consisting of two Japanese maples, lilac and mountain ash. The applicant has submitted an arborist report assessing the health and retention potential for each of these trees. In keeping with the recommendations of this report, the applicant intends to retain the three larger trees on the site (tree #1 – spruce, tree #2 – western redcedar, tree #6 – chestnut) and coordinate development under the supervision of an arborist. Four smaller ornamental trees would be removed as they are within the construction footprint. In accordance with the Tree Bylaw, these trees will be replaced.



Map of existing trees / trees to be retained

Off-site infrastructure and servicing:

In accordance with the Subdivision Servicing Bylaw, required offsite improvements and servicing will include:

- Upgrading Coast Meridian Road (road paving 1/2 road plus 1 meter, curb and gutter, sidewalk and street lighting) and the storm sewer if they do not meet City standards.
- Removing the existing driveway letdown on Coast Meridian Road and replacing with barrier curb and gutter and sidewalk.
- Lane improvements, including paving and storm drainage.
- Installation of service connections (water, sewer, sanitary) to each unit.
- Installation of a fire hydrant.

DISCUSSION

Land use and design: The Official Community Plan was amended in 2018 to allow greater opportunity for duplexes to be located within established neighbourhoods and this proposal meets

2951 Coast Meridian Road – Rezoning Application

this intent and complies with policies of the Plan for duplexes as there are no other sites on the same street within 100m that are zoned to permit this use, the design of the buildings and landscaping are of a high quality and the rezoning would result in off-site infrastructure improvements.

The building has been designed in a manner that is sensitive to the context of the site, which consists of mostly 1 and 2 storey homes. Although there are two full stories plus a basement on each side of the duplex, the building is designed to only have a two and a quarter storey profile which brings the scale down to meet the surrounding context while still allowing natural light into the basement. In addition, the two halves of the duplex have been staggered and include wall articulation and roof elements to help break-down the building mass. The final design of the building and landscaping would be confirmed in Committee's future consideration of the development permit, if the rezoning is approved. Given recent community concern about the height and mass of new houses and duplexes in the community, Staff recommends that a legal agreement be registered on title to ensure the basement protrudes above grade no more than shown in the proposed design.

The proposal would also allow the City to address a gap in infrastructure by requiring the lane improvements to extend beyond the property to include a 20m segment of the lane behind 2959 Coast Meridian Road. This would allow for paved access from Coquitlam Avenue to the subject site as shown on the diagram below. Staff recommend this extension be included as a condition of the rezoning.

Secondary suites: The duplex zone does not allow for secondary suites, which is consistent with the current BC Building Code for Part 9 buildings. The Province is in process of amending the Code to allow for secondary suites in duplexes; once these changes are enacted, the City can review it's regulations to determine if suites in duplexes are appropriate and if, so, how to appropriately address impacts such as building massing, parking and neighbourhood fit.



Recommended lane paving

2951 Coast Meridian Road – Rezoning Application

For this property, staff note that additional parking stalls could not be accommodated on sit. Therefore, if a secondary suite were ultimately permitted, it would have impacts to the neighbourhood. Staff recommend that a legal agreement be registered on title to ensure future owners are aware that secondary suite would not be a permitted use.

Tree preservation and replacement: The proposed development would require the removal of four ornamental trees in order to accommodate the new building and its required parking. The applicant has proposed replacing the four trees with six new trees (3 Colorado spruce and 3 amur maple) and preserving 3 large mature trees. Parks staff is satisfied with the assessment of the trees in the arbourist report and the proposed replacement plan. It is recommended protective fencing be installed prior to demolition of the existing building to protect these trees during construction processes and a security of \$1500 be required to ensure the trees are retained and best practices are following during construction.

FINANCIAL IMPLICATIONS

None.

PUBLIC CONSULTATION

The applicant contacted adjacent residents to provide them with information about the application and has submitted letters indicating their neighbours have no concern with the application. A sign notifying residents of the application is posted on the site and to date staff has not received any input.


Pursuant to section 464(2) of the *Local Government Act*, a local government may waive a public hearing where the bylaw is consistent with the Official Community Plan. Notice is provided to neighbours and the broader community through direct mailouts and newspaper advertisements. Individuals may submit written comments concerning the impact of the proposed development to be considered by Council.

At the April 7th, 2020 Special Council Meeting, a motion was passed by Council to waive public hearings due to the COVID pandemic where the application is eligible.

The rezoning application is consistent with the Official Community Plan and therefore eligible to have the public hearing waived. Notice will be mailed to surrounding properties as required by “Development Procedure Bylaw 2013, No. 3849” and advertised in the local paper. Written comments can be submitted to the City for consideration by Council.

2951 Coast Meridian Road – Rezoning Application

OPTIONS (✓ = Staff Recommendation)

	#	Description
	1	Recommend to Council that the zoning of 2951 Coast Meridian Road be amended from RS1 to RD and that the specified conditions be met prior to adoption of the rezoning bylaw.
	2	Request additional information or amendments to the application to address specified issues prior to making a decision on the application
	3	Recommend to Council that the rezoning application be refused.

ATTACHMENTS

Attachment 1: Arborist report

Lead author(s): Bryan Sherrell

ABC TREE MEN

CERTIFIED ARBORIST REPORT

PROJECT LOCATION:

2951 Coast Meridian Rd, Port Coquitlam

PREPARED FOR:

Alizada Family

PREPARED BY:

ABC Tree Men

March 25, 2020

Francis R. Klimo
ISA Certified Arborist
ISA Certified Tree Risk Assessor
BC Wildlife Danger Tree Assessor

1.0 SCOPE OF WORK

ABC Tree Men was contracted by Alizada Family to conduct and prepare a Tree assessment, Tree management plan, Tree Replacement Plan, and Arborist report for their proposed Duplex located at 2951 Coast Meridian Rd, Port Coquitlam. The objective of this report is to ensure the proposed development will be in compliance with the City of Port Coquitlam *"Tree Bylaw, 2019, No. 4108"* and *Best Management Practices*. We conducted our field inspections on March 25, 2020 at around 2:00pm. Our scope of work was to identify all key trees on/off-site, assess, document their condition, and recommend actions on removing or retaining the trees in question.

❖ 1.1 Limits of assignment

- Our investigation is based solely on visual inspection of the trees on March 25, 2020 and the analysis of photos taken and tree diagnosis gathered during the inspection.
- Our inspection was conducted from ground level. We did not conduct soil tests or below grade root examination to assess the condition of the root system of the trees.
- We conducted a level 2 assessment.
- Sunny Spring day, no adverse weather conditions

❖ 1.2 Purpose and use of the report

- Meet municipal criteria for Arborist report submissions and to provide documentation pertaining to on-site trees to supplement the proposed development for 2951 Coast Meridian Rd, Port Coquitlam.

2.0 SITE ANALYSIS

Currently on the property there is an existing house situated on a 700 (Approx.) square meter lot. The existing house will be slated for demolition to make way for a new duplex and rear car garage.

A total of seven (7) trees were observed and examined on-site. The subject trees were located throughout the property. The majority of the trees identified on-site consisted of deciduous species located towards the back yard area and ranged from being in fair to good condition. Observing the site, the property is bounded by residential properties to north and south, with a laneway towards the east, and Meridian Road towards the front. The property is flat-lying without any significant grade differences.



Figure 1. Location of subject site— 2951 Coast Meridian Rd, Port Coquitlam

3.0 TREE ASSESMENT PROCESS

Our tree inspection process is a systematic process for accurately identifying and cataloging trees. Using the site survey as a reference to their location and the proposed plans aiding in our suitability for retention assessment, we have produced accurate findings to our recommendations to ensure the use of proper tree protection during the construction phase and as applicable, prescribing tree removal recommendations. Our assessment of the on-site and off-site trees consists of gathering and documenting sizes (*DBH, Height, and Crown spread*), condition, species, location, growth form, and other site factors. The data collected will be documented into the inventory and will also aid in the selection for retention and or removal of the subject trees. In addition, accurate tree preservation measures could be implemented for the optimal retention and protection of trees throughout the duration of construction and up to the completion of the project.

- **3.1 Health and structure rating**

Basic Definition of general overall tree health, broken into five (5) defined categories with their corresponding suitability for retention split into three (3) categories:

- **Good** - A healthy, vigorous tree, reasonably free of disease, with good structure and form typical of the species. ***Suitable for retention.***
- **Fair to good** - Tree is growing well for its species. No overt or identifiable significant defects, and is well suited for retention. ***Suitable for retention.***
- **Fair** - Subject tree that has an average vigour for its species. Small amount of twig dieback, minor structural defects that could be corrected. ***Marginal for retention.***
- **Fair to poor** - A tree with moderate to poor vigor, moderate twig and small branch dieback, thinning of crown, poor leaf color, moderate structural defects that may affect its survival considering construction impacts. ***Marginal for retention.***
- **Poor** - A tree in decline, epicormics growth, extensive dieback of medium to large branches, significant structural defects that cannot be abated. And a tree in severe decline, dieback of scaffold branches and or trunk, mostly epicormic growth; extensive structural defects that cannot be abated. ***Unsuitable for retention***

4.0 SUMMARY OF FINDINGS

On March 25 2020, ABC Tree Men conducted a site visit and visual inspection. A total of seven (7) trees have been identified on-site.

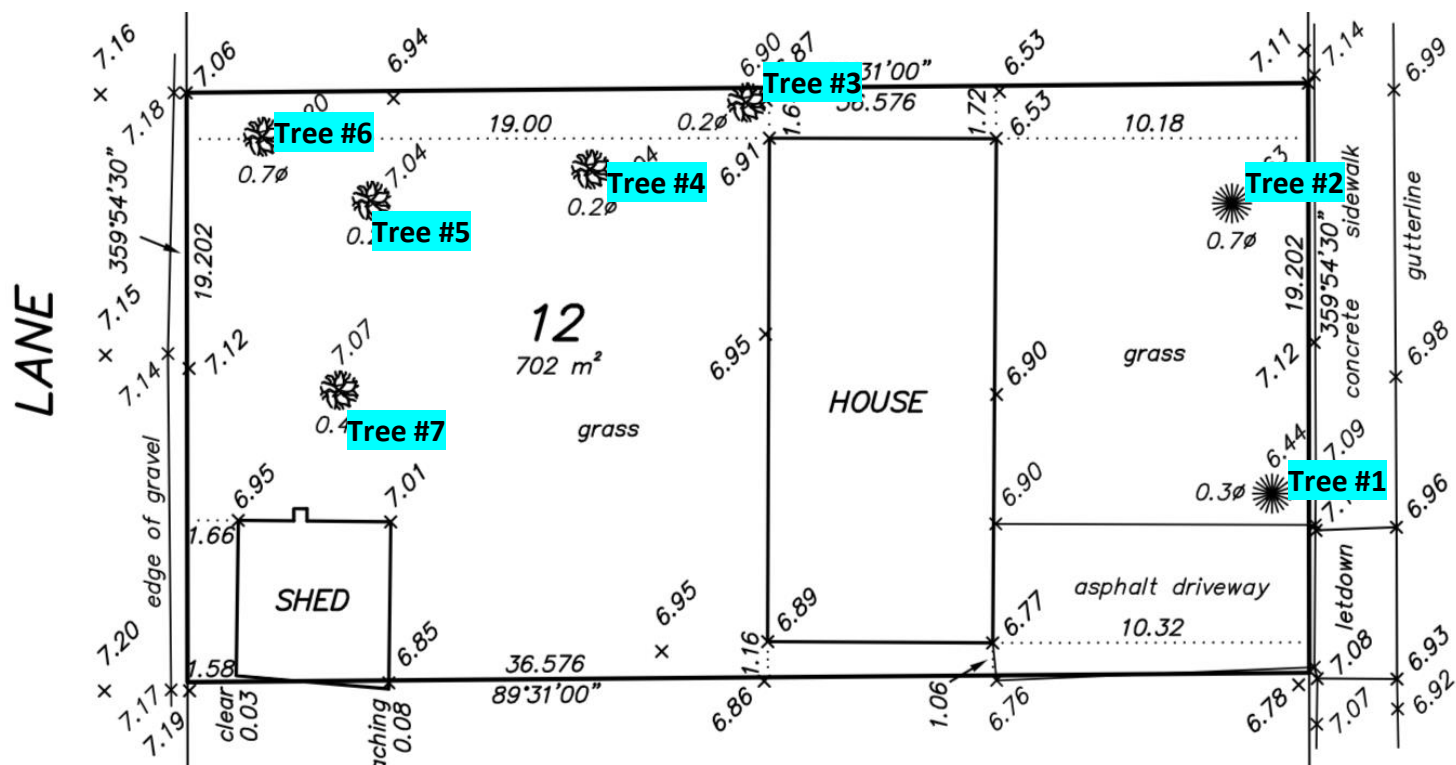
- Seven (7) trees were observed on-site,

Overall, the subject trees range from being in fair to good condition. Four (4) of the subject trees identified on-site are located directly within construction zones with high disturbances requirements and have been selected for removal.

We observed six (6) types of species located on-site: Western redcedar, Spruce, Common lilac, Chestnut, Japanese maple, and Mountain ash.

DBH varies from 21cm to 65cm for trees identified on-site.

Of the seven (7) trees identified, the three (3) on-site trees will be retained using tree protection measures and the four (4) on-site trees are recommended for removal.

5.0 SITE MAP

COAST MERIDIAN ROAD

6.0 TREE INVENTORY

Table 1								
ABC TREE MEN								
March 25, 2020								
2951 Coast Meridian Rd, Port Coquitlam								
Tag #	Name	Species	DBH(cm)	Height (m)	Condition (rating)	Retain or Remove	Comments	TPZ (m)
1	Spruce	<i>Picea</i>	21	5	On-site tree situated towards the front of the lot. Topped at around 3m. The development of new tops examined. Situated within close proximity to a retaining wall and driveway. Developing within the hedge. Overall, subject tree is in fair to good condition.	Retain	Place tree protection barriers to protect trunk, roots, and structure.	1.3
2	Western redcedar	<i>Thuja plicata</i>	61/46	12	On-site tree situated towards the front of the lot. Multi stemmed base with a high live crown ratio. Each stems have developed into a single stemmed growth form. No other major defects and or signs of stress. Overall, subject tree is in fair to good condition.	Retain	Place tree protection barriers to protect trunk, roots, and structure.	5.0
3	Common lilac	<i>Syringa vulgaris</i>	15/8/4	4	On-site tree situated along the north P/L. Multi stemmed base with stems developing towards the neighboring property removed. Few stems appears to be dead and decaying. Overall, subject tree is in fair condition.	Remove	Removal is recommended due to conflicts with the proposed development.	1.7
4	Mountain ash	<i>Sorbus</i>	14/13/7	8	On-site tree situated towards the rear of the lot. Co dominant base. Large trunk wood. With observable decay towards the southern stem. Asymmetrical crown developing towards the east due to the previously removed tree. Overall, subject tree is in fair condition.	Remove	Removal is recommended due to conflicts with the proposed development.	2.1
5	Japanese maple	<i>Acer palmatum</i>	20	10	On-site tree situated towards the rear of the lot. Basal lean and the growth of its crown observed to be developing towards the south. One limb appears to be dead. No other major defects and or signs of stress. Overall, subject tree is in fair to good condition.	Remove	Removal is recommended due to conflicts with the proposed development.	1.2
6	Chestnut	<i>Castanea</i>	65	8	On-site tree situated towards the back corner of the lot. Co dominant at around 2m. Previously topped and the rapid and dense growth of new shoots examined. Crown appears to be healthy without any signs of stress. Overall, subject tree is in fair condition.	Retain	Place tree protection barriers to protect trunk, roots, and structure.	4.0
7	Japanese maple	<i>Acer palmatum</i>	12/14/11/13	7	On-site tree situated towards the back of the lot. Multi stemmed base. Open wounds observed from previous pruning cuts with observable deadwood and hollowed out structures. Sparseness of the crown towards the east examined. Overall, subject tree is in fair to poor condition.	Remove	Removal is recommended due to conflicts with the proposed development.	2.4

7.0 TREE RETENTION/REMOVAL RECOMMENDATIONS

A total of seven (7) trees have been found on-site. All identified trees are protected by the City of Port Coquitlam Tree Bylaw. Based on the factors that include the pre-existing condition of the subject trees as detailed in the general observations, tree inventory, and the proposed development, trees are proposed to be treated as follows.

❖ Tree retention

Pursuant to the *City of Port Coquitlam Tree Bylaw, 2005, No. 3474* the following trees are recommended for retention as detailed in the report and tree recommendations. Information regarding specific recommendations can be found in the *Tree retention plan recommendations above and section 9.0 Tree Protection barriers*.

- **Tree #1, #2, and #6** will be retained with tree protection measures implemented. Place barriers to specifications and leave during whole construction period and remove when the director has authorized its removal.
- The proposed service connections may encroach within the **TPZ of trees #1 and #2**. Shifting the service connections and/or conducting the connection process under Arborist supervision via Hydro Vac, manual excavation etc. will be required.
- The installation of the new parking pad will have to use the existing grade and an arborist supervising the installation within the **TPZ of tree #6** is recommended. The grade below will need to be undisturbed for the new surface to be placed on grade and is required to be constructed of pavers. A maximum removal of the existing granular layer of 10cm can be done in order to install the subgrade.
- The method of excavation for the garages foundation within the **TPZ of tree #6** will be done in a carefully coordinated effort under the direct guidance and supervision of an Arborist. If roots do come in contact during excavation light root pruning of severed and tangled roots should be hand pruned with loppers that are sterilized with alcohol or bleach to minimize the risk of transferring diseases and to promote new root development.

❖ Tree removal

Pursuant to the *City of Port Coquitlam Tree Bylaw, 2005, No. 3474* the following trees are recommended for removal as per the following sections or as detailed in the report.

- **Trees #3, #4, #5, #6, and #7** are unsuitable for retention as the trees would be in direct conflict with the proposed development resulting in root loss, stability impacts resulting from excavation and related grading and development changes. As the proposed plans have yet to be planned, the removal recommendations are preliminary and are based on the proposed designs and setbacks

8.0 GENERAL OBSERVATIONS, RECOMMENDATIONS AND PHOTOS



Photo 1 - Facing towards on-site tree #1



Photo 2 - Facing towards on-site tree #2

Species: Spruce (*Picea*), Western redcedar (*Thuja plicata*)

Tree#: 1, 2

Observations: Trees #1 and #2 are both coniferous trees situated on-site towards the back of the lot. The DBH measures a co dominant 23/29cm for tree #1 and 33/49cm for tree #2. Tree #1 has an overall height of about 12m and tree #2 has an overall height of about 8m. A crown spread of about 6m was measured on both trees.

- Observing the overall structure of tree #1, it was observed to be topped at around 3m. The development of new tops examined. Situated within close proximity to a retaining wall and driveway. Developing within the hedge. Overall, subject tree is in fair to good condition.
- Tree #2 has a multi stemmed base with a low lying crown. Both of the stems have developed into a single stemmed growth form. Crown appears to be healthy with no other major defects and or signs of stress. Overall, subject tree is in fair to good condition.

Recommendations: Trees #1 and #2 will be retained. It is required to place tree protection barriers to protect its trunk, roots, and structure. Place barriers to drip line or to the measurements outlined in section 9.0.

The proposed service connections may encroach within the TPZ of trees #1 and #2. Shifting the service connections and or conducting the connection process under Arborist supervision via Hydro Vac, manual excavation etc. will be required.

On-site trees #3 and #4 discussion

Photo 3 - Facing towards tree #3 and #4

Species: Common lilac (*Syringa vulgaris*), Mountain ash (*Sorbus*)

Tree#: 3, 4

Observations: Trees #3 and #4 are located towards the back of the lot situated within the proposed building envelope. The DBH measures a combined 27cm for tree #3 a combined 34cm for tree #4. An overall height of about 4m to 8m and a crown spread of 3m to 6m was measured.

- ❖ Observing the overall structure, a multi stemmed base with stems developing towards the neighboring property removed. Few stems appears to be dead and decaying. Overall, subject tree is in fair condition.
- ❖ Tree #4 has a co dominant base with a large trunk wood along its base. With observable decay towards the southern stem. An asymmetrical crown developing towards the east due to the previously removed tree was observed. Overall, subject tree is in fair condition.

Recommendations: Trees #3 and #4 will be in direct conflict with the proposed development, and falls within or is in direct conflict with the proposed building footprint & within zone of heaviest construction & excavation activity. Removal is recommended.

On-site trees #5, #6, and #7 discussion



Photo 4 - Facing towards the back trees #5, #6, and #7

Species: Chestnut (*Castanea*), Japanese maple (*Acer palmatum*)

Tree#: 5, 6, 7

Observations: The subject trees are situated towards the back of the property. The trees consist of two (2) Japanese maples and one (1) Chestnut. Their DBH measures between 20cm to 65cm and with an overall height of about 7m to 10m.

- Observing the two (2) Japanese maples, a basal lean and the growth of its crown observed to be developing towards the south was examined on tree #5. One limb appears to be dead. No other major defects and or signs of stress. Overall, subject tree is in fair to good condition. The other Japanese maple, Tree #7, has a multi stemmed base with open wounds observed from previous pruning cuts with observable deadwood and hollowed out structures. Sparseness of the crown towards the east examined. Overall, subject tree is in fair to poor condition.
- The Chestnut tree is situated further towards the north western corner of the lot. The structure is co dominant at around 2m with a previously topped growth form. The rapid and dense growth of new shoots was examined. Crown appears to be healthy without any significant signs of stress and or defects. Overall, subject tree is in fair condition.

Recommendations: Trees #5 and #7 will be in direct conflict with the proposed development, and falls within or is in direct conflict with the proposed building footprint & within zone of heaviest construction & excavation activity. Removal is recommended.

Trees #6 will be retained. It is required for tree protection barriers to be placed to protect its trunk, roots, and structure. Place barriers to drip line and as a group or to measurements outlined in section 9.0. Please see discussion on pg. 10.

On-site tree #6 parking pad and garage discussion

Photo 5 - Facing towards the existing parking area of tree #6

Species: Chestnut (*Castanea*)

Tree#: 6

Observations: The area of the proposed excavation line & parking pad has been previously used as a parking surface as supported by the light layer of a granular surface absorbed by the soil and its compacted surface. The soil condition is compacted creating an unfavorable condition for larger critical roots to develop extensively. During excavation for the foundations of the garage and the placement the parking pad, significant impacts to its overall health, roots, and or structure should not be of concern.

Recommendations: Trees #6 will be retained with the placement of tree protection barriers to protect its trunk, roots, and structure. Barriers are required to be placed to the drip line or to measurements outlined in section 9.0.

❖ **Method for placement of the proposed parking pad within TPZ of tree #6**

The installation of the new parking pad will have to use the existing grade and an arborist supervising the installation within the TPZ is recommended. The grade below will need to be undisturbed for the new surface to be placed on grade and is required to be constructed of pavers. A maximum removal of the existing granular layer of 10cm can be done in order to install the subgrade. Overall, no concerns can be made if the proposed methodology is prescribed and is followed.

❖ **Method of excavation for the garage within the TPZ of tree #6**

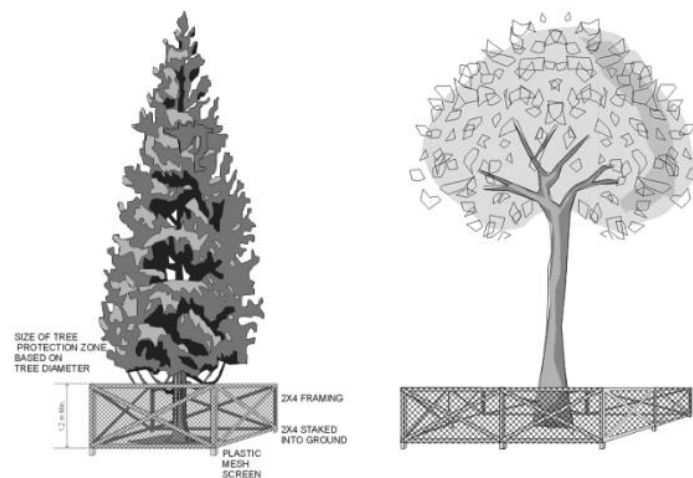
The method of excavation for the garages foundation within the TPZ of tree #6 will be done in a carefully coordinated effort under the direct guidance and supervision of an Arborist. If roots do come in contact during excavation light root pruning of severed and tangled roots should be hand pruned with loppers that are sterilized with alcohol or bleach to minimize the risk of transferring diseases and to promote new root development. No major concern can be examined if the proposed methodology is followed.

9.0 TREE PROTECTION BARRIER

Tree protection barrier summary		
Tree number (species)	DBH(cm)	Minimum tree protection barrier Radial span (m)
1	21	1.3
2	61/46	5.0
6	65	4.0

All trees identified above will require tree protection barriers to protect and prevent the tree trunk, branches and roots being damaged by any construction activities/operations. Prior to any construction activity on site, tree protection fences must be constructed at the specified distance from the tree trunks. The protection barrier or temporary fencing must be at least 1.2 m in height and constructed of 2 by 4 lumber with orange plastic mesh screening. Structure must be sturdy with vertical posts driven firmly into the ground. This must be constructed prior to excavation or construction and remain intact throughout the entire period of construction. Further standards for fencing construction can be found at: City of Port Coquitlam *"Tree Bylaw, 2019, No. 4108"*.

Page -3-



10.0 TREE REPLACEMENT PLAN

Outlined in the City of Port Coquitlam *"Tree Bylaw, 2019, No. 4108"* replacement trees will be needed to be planted for every protected tree being removed depending on lot size. According to the bylaw a replacement of one (1) tree will be needed based on one (1) tree being removed. A total of four (4) trees will be required to be planted on-site as four 4 bylaw sized trees will be removed. Any of the trees outlined in the table below could be planted as long as the measurements requirements are in place.

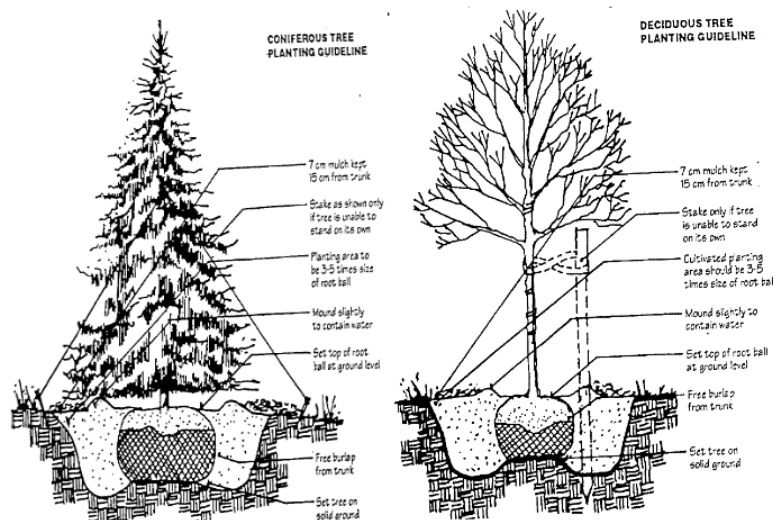
It is important to locate your new plantings in accordance with the species' growing habits or tendencies. It is crucial to avoid planting your trees alongside buildings in which root ingress into drainage systems can occur and this can result in costly remedial work, also it is good practice not to plant your tall growing trees under power lines or utility lines as this can lead to pruning that may grossly adulterate the overall form or shape of the tree. Planting trees in the right location is the key to sustaining a balanced urban forest.

ABC TREE MEN

The proposed replacement trees will need to be a minimum 6cm in caliper size (*trunk width measured at 15 centimetres above the ground*) or 3.5 metres height at the time of planting. At least one metre away from any site boundary, any accessory building or any other structure on or adjacent to the site that may adversely affect the tree, and at least 3.0 metres away from any principle building, and; at least 2.5 metres away from any other tree on or adjacent to the site.

Tree replacement plan		
Planting(s) should be scheduled for the late winter/ early spring or early fall		
Quantity	Name	Species
2	Amur Maple	<i>Acer ginnala</i>
2	Colorado spruce	<i>Picea pungens</i>

Please see map for location Note: Planting cannot be within 3 meters of another significant tree



10.1 TREE REPLACEMENT PLAN RECOMMENDATIONS

Based on the factors that include the existing condition of the trees as detailed in the tree inventory list, the general observations as noted above, and our recommendations, trees are proposed to be treated as follows.

- **Planting techniques:** Ideally when digging a planting hole it should be at least two to three times the width of the root ball at the base. If the root ball is burlaped remove the top and upper side portions. In very compacted clay landscape soils, widening the planting hole to five times the width of the soil ball will be recommended. If the sides of the planting hole are glazed breaking up the surface would be beneficial. When backfilling use the same soil that was removed from the planting hole.
- **Water demands:** Proper watering is the key to survival of newly planted trees. If water is excessively soaked into the planting hole it displaces soil oxygen and results in transplant death. Watering should be done as follows, after backfilling water to moisten the soil to 1 foot deep. This amount of water is 1 to 1.5 inches on a light, sand soil and 2 to 2.5 inches on a heavy, clay soil. Water should be gently soaked into the root ball.

- **Fertilizing:** Fertilizing is neither recommended nor necessary since the root system of a newly planted tree is limited. If fertilizer is used a slow release nitrogen fertilizer is suggested.
- **Mulching:** One of the simplest and least expensive things that can be done to help trees survive there new location would be to apply 2 to 4 inches of organic mulch. The radius in which to spread the mulch would depend on the trees size. For example a tree with a caliper of 1 to 2 inches a circle of mulch of at least 6 feet would be recommended. It is crucial to not to place mulch against the stem of the tree as this will increase the chance of bacterial and fungal infections.
- **Tree stabilization:** Tree stabilizing of newly planted trees is not always necessary. Usually it can have a negative effect on trunk taper and produce less roots for anchorage. Tree stabilization could be used on trees that do need support and on windy sites. A common method is to use two stakes and attach a material that is smooth non-abrasive and somewhat elastic as low along the trunk as is practical while still providing necessary support.

11.0 CONCLUSIONS

Based on our findings, a total of seven (7) trees have been identified on-site. A total of three (3) on-site trees will be retained and protected with tree protection barriers implemented and four (4) on-site trees are recommended for removal as due to conflicts with the proposed service connections and other related construction requirements.

Thank you for choosing ABC Tree Men. Any further questions can be forwarded to Francis Klimo at (604)358-5562

Regards,



Francis R. Klimo

ISA Certified Arborist #PN-8149A

ISA Certified Tree Risk Assessor (TRAQ)

BC Wildlife Danger Tree Assessor #7193

CITY OF PORT COQUITLAM
ZONING AMENDMENT BYLAW, 2020

Bylaw No. 4179

The Council of the Corporation of the City of Port Coquitlam enacts as follows:

1. CITATION

This Bylaw may be cited as “Zoning Bylaw, 2008, No. 3630, Amendment Bylaw, 2020, No. 4179”.

2. ADMINISTRATION

2.1 The Zoning Map of the "Zoning Bylaw, 2008, No. 3630" be amended to reflect the following rezoning:

Civic: 2951 Coast Meridian Road

Legal: Lot 12, District Lot 466, New Westminster District, Plan NWP17811

From: RS1 (Residential Single Dwelling 1)

To: RD (Residential Duplex)

as shown on Schedule 1 attached to and forming part of this Bylaw.

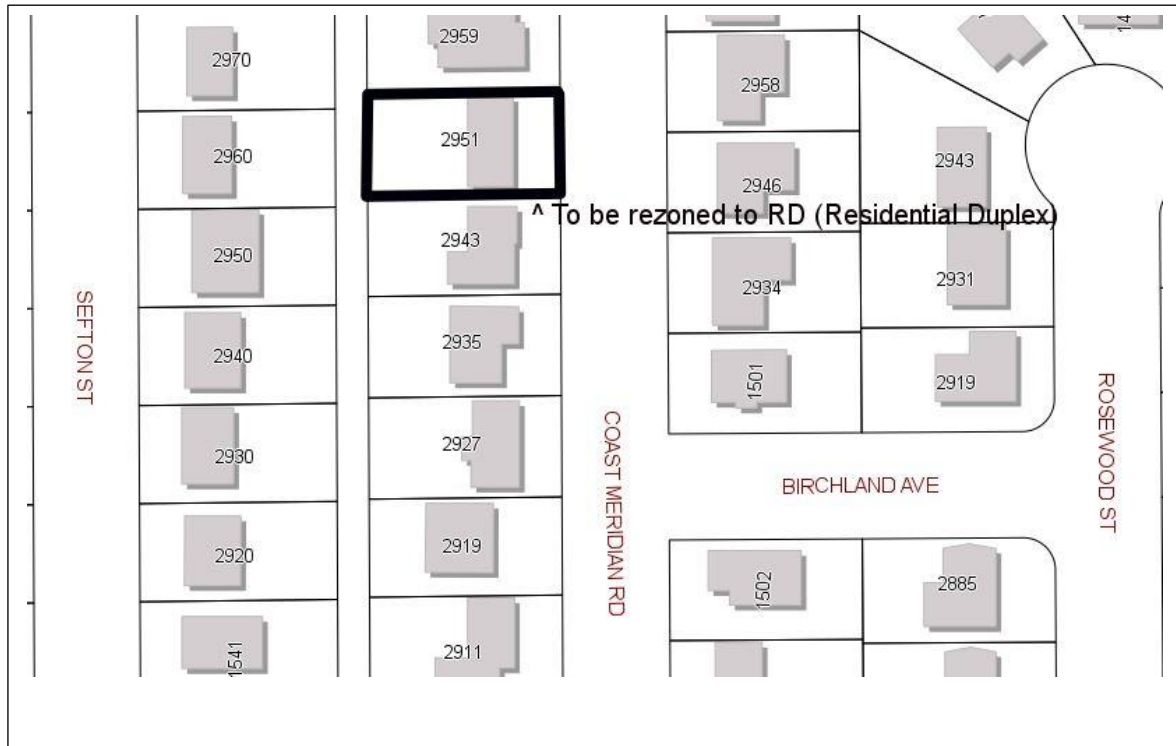
READ A FIRST TIME this _____ day of _____, 2020

READ A SECOND TIME this _____ day of _____, 2020

Mayor

Corporate Officer

SCHEDULE 1



Parking & Development Management Amendment Bylaw – First Three Readings and Adoption


RECOMMENDATION:

That Council give Parking & Development Management Amendment Bylaw No. 4180 first three readings and adoption.

REPORT SUMMARY

The references in Section 17 of the Parking and Development Management Bylaw that read “Section 16” should actually be Section 17. There were some section changes in the bylaw, when it was amended in 2018, that did not update correctly and the section should be revised.

OPTIONS (✓ = Staff Recommendation)

	#	Description
	1	Give first three readings and adoption to the bylaw.
	2	Delay first three readings and request staff to provide additional information.
	3	Give first three readings but delay adoption.

CITY OF PORT COQUITLAM

PARKING AND DEVELOPMENT MANAGEMENT AMENDMENT BYLAW

Bylaw No. 4180

The Council of the Corporation of the City of Port Coquitlam enacts as follows:

1. CITATION

This Bylaw is cited as "Parking and Development Management Bylaw, 2018, No. 4078, Amendment Bylaw, 2020, No. 4180".

2. ADMINISTRATION

The Parking and Development Management Bylaw, 2018, No. 4078, Section 17 – Works and Services is amended by replacing the words "Section 16" with the words "Section 17" as follows:

17.2 The works and services required by Section 17 of this Bylaw are those highway, water, sewage disposal, storm drainage, street lighting, sidewalk, underground utility and other works and services required in Sections 401 through 408 of the "Subdivision Servicing Bylaw, 1987, No. 2241" all as constructed to the standards established in that Bylaw and its Schedules for land in the relevant zone and the construction of such works shall be completed prior to subdivision approval or permit issuance, or secured in the manner provided in the bylaw except that:

- a) for a development that is not in the Downtown as defined by Schedule A, underground wiring is not required; and
- b) off-site services are not required for a single detached residence or duplex in an area designated by the Official Community Plan as Residential or Small Lot Residential.

17.3 Where a portion of the works and services required by Section 17 have been previously provided, the owner of the land shall provide the remaining works required to fully comply with Section 17 of this Bylaw.

READ A FIRST TIME this	day of	, 2020
READ A SECOND TIME this	day of	, 2020
READ A THIRD TIME this	day of	, 2020
ADOPTED this	day of	, 2020

Corporate Officer

RECOMMENDATION:


That Council:

1. Accept the 2019 Audited Consolidated Financial Statements; and
2. Direct staff to amend the 2020 financial plan to include a transfer of \$395,000 from accumulated surplus to the Sewer Long Term Reserve Fund.

REPORT SUMMARY

At its May 12, 2020, meeting, Committee of Council is considering the report, "2019 Audited Financial Statements". If Committee of Council is in agreement with the report, the above recommendation will be before Council for adoption.

OPTIONS (✓ = Staff Recommendation)

	#	Description
	1	Adopt the Financial Statements and direct the financial plan to be amended.
	2	Request additional information before proceeding.

RECOMMENDATION:

That Committee of Council recommend that:

1. Council accept the 2019 Audited Consolidated Financial Statements; and
2. That the 2020 financial plan be amended to include a transfer of \$395,000 from accumulated surplus to the Sewer Long Term Reserve Fund.

REPORT SUMMARY

This report provides a review and analysis of the 2019 consolidated financial statements audited by the City auditors, KPMG LLP. This report presents the overall financial results of the City for 2019, including the impacts of operating and capital revenue and expense transactions. In previous years, this report was the only annual summary of the financial activities of the City. For the 2019 financial year, the operating variance information is being presented separately to align with the format and presentation of the variance reports that are presented to Committee of Council throughout the year. This report focuses on the annual impact of the revenues and expenses on the City's accumulated surplus and the 2019 ending position of City's various reserves and funds.

In 2019, the city recorded an annual surplus of \$11.88 million consisting of both cash and non-cash items including restricted and non-restricted reserves and equity in tangible capital assets. The \$11.88 million surplus is derived from a \$35.37 million increase in capital equity less a \$22.35 million decrease in restricted reserves, and a \$1.14 million decrease in non-restricted reserves. There is no "cash" surplus in 2019.

BACKGROUND

The consolidated financial statements (attachment 1) are intended to report on the City's financial condition as at December 31, 2019 and consist of four required statements (consolidated statement of financial position, consolidated statement of operations, consolidated statement of change in net financial assets and consolidated statement of cash flows) as well as additional notes and supporting schedules. KPMG LLP have audited the 2019 consolidated financial statements and provided an independent auditors report and audit findings report (attachment 2 and 3).

The Public Sector Accounting Board standards require the City's audited consolidated financial statements to include a comparison of the annual actual financial results to the approved original budget which is presented in the consolidated statement of operations. The City approved the 2019 Financial Plan Bylaw on May 14, 2019 which established the City's expense authority for the year. It should be noted that Committee of Council approved a number of financial plan amendments throughout the year, which are included in the operating variance report, but as per accounting rules are not included in the financial statement original budget.

The following summary information provides insight and discussion on the 2019 consolidated financial statements revenues and expenses as well as the City's accumulated surplus for 2019.

DISCUSSION

Revenues and Expenses

Actual revenues were greater than budget due to greater investment returns in the year as a result of higher interest rates in the later part of the year compared to plan, a watercourse cash in lieu contribution received in the year, an update to the accounting recognition of metered water utility revenues and more significant developer non-cash contributions received in the year. Actual expenses were more than budget due primarily to the disposal and accounting write down of the previous recreation complex with the opening of the first phase of the Port Coquitlam Community Centre in 2019.

Table 1 presents the overall revenue and expenses compared to budget for 2019.

Table 1- 2019 Consolidated Revenues and Expenses

	2019 Budget	2019 Actual Results	Annual Budget Variance	Results as % of Budget	2018 Actual Results
Revenues	\$ 109,036,300	\$ 115,545,054	\$ 6,508,754	105.97%	\$ 120,228,896
Expenses	85,984,300	86,811,952	(827,652)	100.96%	80,337,121
Amortization	12,000,000	12,394,810	(394,810)	103.29%	11,194,146
Loss on disposal of assets	-	4,456,874	(4,456,874)	NA	596,419
Difference between revenue and expenses¹	\$ 11,052,000	\$ 11,881,418	\$ 829,418	107.50%	\$ 28,101,210

Actual revenues in 2019 were lower than in 2018 due to the recognition of the Build Canada Grant for the partial funding of the Port Coquitlam Community Centre in 2018. Actual expenses were higher in 2019 compared to 2018 due to the previously mentioned disposal and accounting write down of the previous recreation complex in 2019, as well as budgeted increases in Recreation, Police Services and Fire and Emergency Services.

Additional detailed analysis of the 2019 ongoing operating revenues and expenses can be found within the 2019 Year-end Operating Variance Report.

Annual Surplus

Of the \$11.88 million in annual surplus, the largest component relates to the 2019 addition of capital assets (\$35.37 million increase) with corresponding decreases in the restricted reserve funds (\$22.35 million) and the General Fund (\$2.13 million).

¹ Difference between revenues and expenses includes funds collected to transfer to reserves and funds collected to pay off debt principle.

2019 Audited Financial Statements Report

Table 2 presents the components of the annual surplus.

Table 2- Components of Annual Surplus

	2019 Budget	2019 Actuals	Difference	Financial Statement Reference
Capital Equity	\$ 53,799,685	\$ 35,369,688	\$ (18,429,997)	Note 15
Reserve Funds	(38,855,879)	(22,352,860)	16,503,019	Note 14
General Fund	(3,672,744)	(2,132,205)	1,540,539	Note 13
Water Fund	(144,062)	496,150	640,212	Note 13
Sewer Fund	(75,000)	500,645	575,645	Note 13
Annual Surplus	\$ 11,052,000	\$ 11,881,418	\$ 829,418	

Accumulated Surplus

Accumulated surplus is the cumulative amount of annual surpluses from all prior years up to the current year. The City's accumulated surplus increased to \$797.23 million of which \$704.91 million is Equity in Tangible Capital Assets (Note 15).

The audited consolidated financial statements outline in Note 13 additional supplemental information on the composition of the accumulated surplus balance. The 2019 accumulated surplus consists of Unrestricted Reserves or Funds (General, Water, and Sewer), Restricted Reserves, Equity in Tangible Capital Assets as well as Equity in Inventory and Prepaid Expenses and the Port Coquitlam Community Foundation (Table 3).

Table 3 presents the 2019 opening and ending accumulated surplus balances.

Table 3- 2019 Accumulated Surplus Details

	2019 Opening	Annual Surplus	2019 Closing	Notes
Unrestricted General Reserve	\$ 11,312,451	\$ (2,177,371)	\$ 9,135,080	Unrestricted
Unrestricted Water Reserve	1,059,499	496,150	1,555,649	Unrestricted
Unrestricted Sewer Reserve	1,480,379	500,645	1,981,024	Unrestricted
Subtotal- Unrestricted Reserves	\$ 13,852,329	\$ (1,180,576)	\$ 12,671,753	
Restricted Reserves	100,710,091	(22,352,860)	78,357,231	Restricted
Equity in Tangible Capital Assets	669,541,186	35,369,688	704,910,874	Non-cash
Equity in Inventory and Prepaids	606,418	16,290	622,708	Non-cash
Equity in Port Coquitlam Community Foundation	643,028	28,876	671,904	Foundation
Total Accumulated Surplus	\$ 785,353,052	\$ 11,881,418	\$ 797,234,470	

Of the \$12.67 million of total unrestricted reserves at year end and taking into account the minimum balance requirements, future commitments and transfers, there is a remaining balance in the general fund of \$3.57 million. Factors contributing to this balance are higher revenues in investment income, permits and licenses, sales of services and other revenues. Offsetting these higher revenues are greater expense balances mainly due to personnel and contracted service costs. Equity in Tangible Capital Assets increased by \$35.37 million largely as a result of the capital work in progress on the Community Centre and Neighborhood Rehabilitation projects. As a result of capital work completed in 2019, Restricted Reserves decreased by \$22.35 million after accounting for annual contributions and transfers of \$22.79 million, project allocations of \$47.57 million and an annual interest allocation of \$2.43 million (Note 14).

Table 4 outlines the minimum balances for the general, water and sewer funds, and well as the amounts available to fund future projects.

Table 4- 2019 General, Water and Sewer Fund Accumulated Surplus Balances

	General Fund	Water Fund	Sewer Fund
2019 ending balance	\$ 9,135,080	\$ 1,555,649	\$ 1,981,024
Add:			
Ventana Prepayment	\$ 5,000,000	-	-
Less:			
2019 Carry Forward	1,079,790	124,429	70,090
2020 Financial Plan	1,252,900	-	-
Balance after Commitments and Transfers	\$ 11,802,390	\$ 1,431,220	\$ 1,910,934
Minimum Balance Required	(8,234,554)	(1,535,607)	(1,120,865)
Balance Available for Future Projects	\$ 3,567,836	\$ (104,387)	\$ 790,069

*Ventana prepayment was temporarily withdrawn from accumulated surplus. This amount will be repaid near the end of the community centre project.

The Annual Surplus Allocation Policy sets out the guidelines for the fiduciary management of any year-end operating surplus in the general fund. Based on the policy, accumulated surplus should be maintained at a minimum of 12% of the prior year's general property taxation revenue. Once the minimum balance is achieved, a minimum of 50% of the remaining current annual general fund surplus will be transferred to the Long Term Replacement Infrastructure Reserve ("LTR"). While not specifically mentioned in the policy, water and sewer funds have historically been treated the same way.

2019 Audited Financial Statements Report

General Fund: After accounting for the 2019 Carry forwards and 2020 Financial Plan Commitments, and maintaining the minimum balance required, the general fund reports \$3.57 million available to fund future projects. No LTR transfers are contemplated as there is not an annual general fund surplus per Table 2.

Water Fund: 2019 Carry forwards are reported at \$124 thousand. As the minimum balance has not yet been achieved, there are no funds available for future projects or transfer to LTR.

Sewer Fund: 2019 Carry forwards are reported at \$70 thousand. There is \$790 thousand available for future projects after accounting for the minimum balance required. An amount of \$395 thousand is recommended to be transferred to the Sewer LTR reserve, as per the policy noted above.

CONCLUSION

The 2019 consolidated financial statements result in an annual surplus of \$11.88 million and an ending accumulated surplus of \$797.23 million. The annual surplus result is due to greater revenues than budget offset by expenses greater than budget, mostly as a result of the disposal and accounting write down of the previous recreation complex.

The accumulated surplus is made up of a number of different unrestricted and restricted funds. The capital fund continues to increase as a result of capital asset expenditure relating to the new community centre and the neighbourhood rehabilitation program. The restricted funds balances have decreased consistent with the prior year as certain restricted reserves are used to fund capital expenditures.

OPTIONS (✓ = Staff Recommendation)

	#	Description
✓	1	Council accept the 2019 consolidated financial statements and the amendment to the financial plan for a transfer to the sewer LTR.
	2	Council accept the 2019 consolidated financial statements.
	3	Council provide further direction to staff.

Lead author: Chris Adams-Brush

Contributing author: Farouk Zaba

Attachment 1: 2019 Consolidated Financial Statements

Attachment 2: KPMG Independent Auditors Report

Attachment 3: 2019 KPMG Audit Findings Report

THE CORPORATION OF THE CITY OF PORT COQUITLAM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 30,474,536	\$ 4,439,646
Investments (Note 3)	180,343,107	171,847,539
Accounts and other receivables (Note 4)	9,178,069	24,556,289
Due from other governments (Note 5)	875,592	704,233
	220,871,304	201,547,707
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	18,351,981	22,261,073
Deferred revenue (Note 7)	16,588,378	15,326,759
Deposits (Note 8)	8,784,720	9,962,499
Development cost charges (Note 9)	38,768,715	35,978,928
Post-employment future benefits and compensated absences (Note 10)	2,875,000	2,813,000
Debt (Note 11)	71,987,937	20,465,325
	157,356,731	106,807,584
NET FINANCIAL ASSETS	63,514,573	94,740,123
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	733,097,189	690,006,511
Inventories	371,731	372,431
Prepaid expenses	250,977	233,987
	733,719,897	690,612,929
ACCUMULATED SURPLUS (Note 13)	\$ 797,234,470	\$ 785,353,052

Commitments and contingencies (Note 17)

Subsequent event (Note 25)

See accompanying notes to consolidated financial statements

KRISTEN DIXON
Chief Administrative Officer

KAREN GROMMADA
Director of Finance

THE CORPORATION OF THE CITY OF PORT COQUITLAM
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31

	2019 Budget (Notes 2(c) and 22)	2019	2018
REVENUE			
Taxation (Note 20)	\$ 68,731,200	\$ 68,621,282	\$ 66,347,197
Utility charges	24,206,700	25,123,398	23,148,835
Sale of services	6,596,600	7,224,919	6,864,438
Contributions (Note 21)	4,157,300	5,042,085	15,508,028
Permits and licenses	2,812,600	3,485,762	3,219,649
Investment income	2,039,900	4,033,773	3,618,483
Penalties and fines	429,500	570,351	473,984
Other revenue	62,500	1,443,484	1,048,282
	\$ 109,036,300	\$ 115,545,054	\$ 120,228,896
EXPENSES			
General government	\$ 9,168,130	\$ 10,093,502	\$ 9,042,904
Engineering and public works	17,440,835	18,947,983	17,401,245
Recreation	15,001,410	19,336,276	13,104,051
Police services	15,692,374	15,483,411	14,680,603
Fire and emergency services	13,105,042	13,023,686	12,226,040
Development services	4,050,285	3,479,995	3,201,571
Solid waste operations	4,139,000	4,050,963	3,710,344
Water operations	10,901,445	10,934,231	10,837,877
Sanitary sewer operations	8,485,779	8,313,589	7,923,051
	\$ 97,984,300	\$ 103,663,636	\$ 92,127,686
ANNUAL SURPLUS	\$ 11,052,000	\$ 11,881,418	\$ 28,101,210
ACCUMULATED SURPLUS, beginning of year	785,353,052	785,353,052	757,251,842
ACCUMULATED SURPLUS, end of year	\$ 796,405,052	\$ 797,234,470	\$ 785,353,052

See accompanying notes to consolidated financial statements

THE CORPORATION OF THE CITY OF PORT COQUITLAM
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31

	2019 Budget (Notes 2(c) and 22)	2019	2018
Annual surplus	\$ 11,052,000	\$ 11,881,418	\$ 28,101,210
Acquisition of tangible capital assets	(79,130,900)	(58,005,947)	(55,692,870)
Developer contributions of tangible capital assets	(1,000,000)	(2,009,256)	(1,412,331)
Amortization of tangible capital assets	12,000,000	12,394,810	11,194,146
Loss on disposals of tangible capital assets	-	4,456,874	596,419
Proceeds on disposals of tangible capital assets	-	72,841	411,921
Use (increase) of inventories	-	700	(77,960)
Increase of prepaid expenses	-	(16,990)	(76,431)
Change in net financial assets	(57,078,900)	(31,225,550)	(16,955,896)
NET FINANCIAL ASSETS, beginning of year	94,740,123	94,740,123	111,696,019
NET FINANCIAL ASSETS, end of year	\$ 37,661,223	\$ 63,514,573	\$ 94,740,123

See accompanying notes to consolidated financial statements

THE CORPORATION OF THE CITY OF PORT COQUITLAM
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31

	2019	2018
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Annual surplus	\$ 11,881,418	\$ 28,101,210
Items not involving cash:		
Developer contributions of tangible capital assets	(2,009,256)	(1,412,331)
Amortization of tangible capital assets	12,394,810	11,194,146
Loss on disposal of tangible capital assets	4,456,874	596,419
Change in non-cash operating assets and liabilities:		
Accounts and other receivables	15,378,220	(1,004,582)
Due from other governments	(171,359)	(77,762)
Accounts payable and accrued liabilities	(3,909,092)	9,957,076
Deferred revenue	1,261,619	3,551,343
Deposits	(1,177,779)	232,352
Development cost charges	2,789,787	3,094,324
Post employment future benefits and compensated absences	62,000	70,000
Inventories	700	(77,960)
Prepaid expenses	(16,990)	(76,431)
Cash provided by operating activities	40,940,952	54,147,804
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	52,000,000	-
Debt repayment	(477,388)	(615,325)
Cash provided by (used in) financing activities	51,522,612	(615,325)
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(58,005,947)	(55,692,870)
Proceeds on disposals of tangible capital assets	72,841	411,921
Cash used in capital activities	(57,933,106)	(55,280,949)
INVESTING ACTIVITIES		
Purchase of investments	(107,665,000)	(159,000,000)
Redemption of investments	99,169,432	161,299,067
Cash provided by (used in) investing activities	(8,495,568)	2,299,067
INCREASE IN CASH AND CASH EQUIVALENTS	26,034,890	550,597
CASH AND CASH EQUIVALENTS, beginning of year	4,439,646	3,889,049
CASH AND CASH EQUIVALENTS, end of year	\$ 30,474,536	\$ 4,439,646

See accompanying notes to consolidated financial statements

THE CORPORATION OF THE CITY OF PORT COQUITLAM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

1 OPERATIONS

The Corporation of the City of Port Coquitlam (the "City") is incorporated under the Local Government Act of British Columbia. The City's principal activities include the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sanitary sewer services.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

(a) Basis of Presentation

The consolidated financial statements comprise the City's General, Capital, Water, Sewer and Reserve funds and the Port Coquitlam Community Foundation. All inter-fund and inter-entity balances and transactions have been eliminated on consolidation.

Under the Community Charter, City Council may, by bylaw, establish reserve funds for specified purposes:

(i) Internally restricted reserves are in accordance with City policy and with bylaws adopted by City Council pursuant to the Community Charter. The policy and bylaws define the funding source for each reserve and their usage.

(ii) Statutorily restricted reserves are reserves restricted by the provincial government in accordance with the Community Charter. The legislation defines the funding source for each reserve and their usage.

Trust funds are those that are administered for certain beneficiaries. In accordance with PSAB recommendations, trust funds are not included in the City's consolidated financial statements. Trust funds administered by the City are presented in Note 19.

(b) Basis of Accounting

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

(c) Budget Information

The budget information reported in the consolidated statement of operations and the consolidated statement of change in net financial assets reflects the 2019 Financial Plan Bylaw adopted by City Council on May 14, 2019.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, highly liquid money market investments, and investments with maturities of less than 90 days at acquisition.

(e) Investments

Investments have maturity dates of more than 90 days at acquisition and are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary.

(f) Revenue Recognition

Taxes are recorded at estimated amounts when they meet the definition of an asset, they are authorized and the taxable event occurs. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. British Columbia Assessment Authority's appeal process may adjust taxes by way of supplementary roll adjustments. These adjustments are recognized in the year they are adjusted.

2 SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Deferred Revenue

The City defers a portion of the revenue collected from permits, licenses and recreation and other fees and recognizes this revenue in the year in which related services are performed or other related expenditures are incurred. The City also defers prepaid property taxes which are recognized in the taxation year to which they relate.

(h) Deposits

Deposits represent cash collected by the City as security against work performed by property developers. The security is returned to the developer upon satisfactory completion of the work, or recognized into revenue if the work is not performed in accordance with the applicable bylaws.

(i) Development Cost Charges

Development cost charges, collected to pay for capital projects due to be developed, are deferred upon receipt and are recognized as revenue when the capital costs for which they were collected are incurred.

(j) Post-employment Future Benefits and Compensated Absences

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred.

Post-employment future benefits and compensated absences also accrue to City employees. Liabilities related to these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. Liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(k) Debt

Debt is recorded in the consolidated financial statements net of sinking fund credits.

(l) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, is amortized on a straight line basis over the asset's useful life as follows:

Major Asset Category	Useful Life
Land	Not amortized
Parks infrastructure	3 to 100 years
Vehicles, machinery and equipment	5 to 25 years
Transportation infrastructure	10 to 100 years
Buildings	20 to 70 years
Drainage	25 to 100 years
Land improvements	45 to 100 years
Water	25 to 80 years
Sanitary sewer	25 to 100 years

Amortization begins once the asset is in use and ends when the asset is disposed or decommissioned. Assets under construction are not amortized until the asset is available for productive use.

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

2 SIGNIFICANT ACCOUNTING POLICIES - Continued

(l) Non-Financial Assets-Continued

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property, are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Natural resources, works of art and historic assets are not recorded as assets in these consolidated financial statements.

Inventories

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

(m) Government Transfers

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred and eligibility terms are met or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

(n) Liabilities for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic, radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standards;
- (iii) The City is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up and
- (v) A reasonable estimate of the amount can be made.

The 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.

(o) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of post-employment future benefits and compensated absences, allowance for doubtful accounts receivable, provision for contingencies and liability for contaminated sites, valuation of contributed tangible capital assets, and useful lives of tangible capital assets. Actual results may differ from management's estimates as additional information becomes available. Adjustments, if any, will be reflected in the consolidated financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

(p) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Financial information is presented in segmented format in Note 23.

3 INVESTMENTS

	2019	2018
Deposits (a)	\$ 173,277,745	\$ 165,591,240
Municipal Finance Authority Intermediate Fund (b)	6,400,345	6,256,299
Portfolio Investments (c)	665,017	-
	<u>\$ 180,343,107</u>	<u>\$ 171,847,539</u>

(a) Deposits include term deposits in credit unions guaranteed by the Province of British Columbia with varying maturity dates from January, 2020 to June, 2021 and have rates of return ranging from 2.25% to 4.00% (2018 - 2.10% to 4.00%).

(b) The carrying value of the Municipal Finance Authority Intermediate Fund at December 31, 2019 was \$6,400,345 (2018 - \$6,256,299) and the market value at December 31, 2019 was \$6,199,884 (2018 - \$6,060,859).

(c) The Port Coquitlam Community Foundation's portfolio investments are comprised of fixed income and equity securities. The fixed income securities have varying maturity dates from February, 2020 to November, 2023 and have rates of return ranging from 1.92% to 3.87%.

4 ACCOUNTS AND OTHER RECEIVABLES

	2019	2018
Land sale receivable (a)	\$ 2,150,000	\$ 8,150,000
Accounts receivable	2,584,312	12,246,850
Property tax and utility receivable	3,198,375	2,501,061
Development cost charges receivable	272,886	1,289,180
Other	972,496	369,198
	<u>\$ 9,178,069</u>	<u>\$ 24,556,289</u>

(a) Land sale receivable

In 2017, the City sold land to a developer for \$17,275,000. The City also entered into an agreement with a contractor to construct the community centre situated on adjacent land. As per the land purchase and sale agreement, the payments remitted by the developer for the land sale are to be offset against progress payments payable by the City to the contractor for the community centre construction. As of December 31, 2019, the City has received a total of \$15,125,000 (2018 - \$9,125,000) of land sale proceeds in the form of cash of \$1,125,000 (2018 - \$1,125,000) and offsets against progress payments on a construction contract of \$14,000,000 (2018 - \$8,000,000). The remaining land sale receivable of \$2,150,000 is due by July 29, 2020 and will be offset by progress payments. The land sale receivable is non-interest bearing.

5 DUE FROM OTHER GOVERNMENTS

	2019	2018
Government of Canada	\$ 810,266	\$ 643,383
Province of British Columbia	65,326	60,850
	<u>\$ 875,592</u>	<u>\$ 704,233</u>

6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable and accrued liabilities	\$ 13,729,654	\$ 14,152,507
Wages and benefits payable	1,715,445	2,161,195
Statutory holdbacks	2,903,130	5,935,513
Due to other governments	3,752	11,858
	<u>\$ 18,351,981</u>	<u>\$ 22,261,073</u>

7 DEFERRED REVENUE

	December 31, 2018	Additions	Revenue earned	December 31, 2019
Property taxes and utilities prepayments	\$ 8,455,559	\$ 15,717,770	\$ (15,013,474)	\$ 9,159,855
Programs and services	2,185,671	2,875,478	(3,149,073)	1,912,076
Other	4,685,529	3,012,220	(2,181,302)	5,516,447
	<u>\$ 15,326,759</u>	<u>\$ 21,605,468</u>	<u>\$ (20,343,849)</u>	<u>\$ 16,588,378</u>

8 DEPOSITS

Deposits represent cash collected as security for highway use, subdivision servicing, soil removal and other development activities.

9 DEVELOPMENT COST CHARGES

	December 31, 2018	Third Party Contributions	Interest Allocation	Capital Expenditures	December 31, 2019
<u>Area 1</u>					
Drainage	\$ 4,550,934	\$ 224,830	\$ 128,195	\$ -	\$ 4,903,959
Transportation	10,728,810	747,479	305,211	-	11,781,500
Parks	4,749,650	477,667	134,306	(205,710)	5,155,913
Water	4,803,957	107,028	133,444	(6,365)	5,038,064
Sanitary	1,596,802	38,344	44,423	-	1,679,569
<u>Area 2</u>					
Drainage	329,407	184,092	11,586	-	525,085
Transportation	4,653,567	212,939	130,853	-	4,997,359
Parks	1,167,802	18,262	32,354	-	1,218,418
Water	1,500,469	39,970	41,797	-	1,582,236
Sanitary	908,519	10,544	25,120	-	944,183
Parks Interest	989,011	-	26,188	(72,770)	942,429
	<u>\$ 35,978,928</u>	<u>\$ 2,061,155</u>	<u>\$ 1,013,477</u>	<u>\$ (284,845)</u>	<u>\$ 38,768,715</u>

10 POST-EMPLOYMENT FUTURE BENEFITS AND COMPENSATED ABSENCES

The City provides sick leave and retirement benefits to its employees. Eligible employees accumulate sick leave entitlement on a monthly basis and can only use this entitlement for paid time off under certain circumstances. Retirement benefits represent the City's share of the cost to provide eligible employees with severance pay upon retirement.

The amount recorded for these benefits is based on an actuarial valuation done by an independent firm of actuaries using a projected benefit actuarial valuation method pro-rated on services. The most recent actuarial valuation of the City's future benefits was completed as at December 31, 2017 with results extrapolated to December 31, 2019.

Information regarding the City's obligations for these benefits is as follows:

	Non-Vested Sick			2018
	Leave	Severance	2019	
Accrued benefit obligation, beginning of year	\$ 661,000	\$ 2,529,000	\$ 3,190,000	\$ 3,432,000
Service cost	48,000	140,000	188,000	190,000
Interest cost	22,000	81,000	103,000	98,000
Benefit payments	(67,000)	(226,000)	(293,000)	(307,000)
Amortization of net actuarial loss	32,000	48,000	80,000	(223,000)
Accrued benefit obligation, end of year	696,000	2,572,000	3,268,000	3,190,000
Unamortized actuarial loss	(264,000)	(129,000)	(393,000)	(377,000)
Accrued benefit liability	\$ 432,000	\$ 2,443,000	\$ 2,875,000	\$ 2,813,000

The unamortized actuarial loss is amortized over a period equal to the employees' average remaining service lifetime. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligation are as follows:

	2019	2018
Discount rate	2.70%	3.20%
Expected future inflation rate	2.50%	2.50%
Expected compensation increase	2.58% - 4.63%	2.58% - 4.63%
Expected average remaining service lifetime	10 years	10 years

11 DEBT

The City incurs debt through the Municipal Finance Authority ("MFA") in accordance with the Community Charter to finance certain capital expenditures. Sinking fund credits managed by the MFA are netted against related debt. The gross amount of debt and the amount of sinking fund credits available to retire the debt are as follows:

	2019				2018
	Sinking Fund				Net Debt
	Gross Debt	Credits	Interest Accrual	Net Debt	
Coast Meridian Overpass, Bylaw 3611, 2.25% due 2039	\$ 25,000,000	(\$ 5,397,959)	\$ 121,747	\$ 19,723,788	\$ 20,465,325
Port Coquitlam Community Centre, Bylaw 4004, 2.24% due 2049	\$ 52,000,000	\$ -	\$ 264,149	\$ 52,264,149	-
Total	\$ 77,000,000	(\$ 5,397,959)	\$ 385,896	\$ 71,987,937	\$ 20,465,325

Future payments on net outstanding debt over the next five years and thereafter are paid from the General Fund and are as follows:

2020	3,266,054
2021	3,266,054
2022	3,266,054
2023	3,266,054
2024	3,266,054
Thereafter	71,568,824
Principal and interest payments	87,899,094
Amount representing interest	15,911,157
Debt principal repayments	\$ 71,987,937

The City paid \$1,185,398, net of earnings on the debt reserve deposit, in interest on debt during the year (2018 - \$862,928).

The City has available a revolving facility up to a maximum of \$5,000,000 which bears interest at an annual rate of bank prime per annum. The City provided security for the facility by way of a general security agreement. No amounts are outstanding under the banking facility.

12 TANGIBLE CAPITAL ASSETS

(a) Assets Under Construction: Assets under construction with a value of \$59,301,539 (2018 - \$71,055,436) have not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Contributed Tangible Capital Assets: Contributed tangible capital assets (including transportation infrastructure, drainage, water and sanitary sewer assets) have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$2,009,256 (2018 - \$1,412,331).

(c) Works of art and historical treasures: The City manages and controls some works of art and non-operational historical assets located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(d) Write-down of tangible capital assets: The write-down of tangible capital assets during the year was nil (2018 - nil).

As at December 31, 2019

	Land	Parks Infrastructure	Vehicles, Machinery, Equipment	Transportation Infrastructure	Buildings	Drainage	Land Improvements	Water	Sanitary Sewer	Assets Under Construction ("AUC")	2019 Total
COST											
Opening Balance	\$ 226,153,739	\$ 20,335,024	\$ 27,027,789	\$ 271,763,895	\$ 37,909,022	\$ 89,205,126	\$ 20,593,001	\$ 78,944,334	\$ 59,476,112	\$ 71,055,436	\$ 902,463,478
Add: Additions	5,854,217	714,288	2,126,120	513,944	579,079	137,339	40,335	422,775	314,357	49,312,749	60,015,203
Add/(Deduct): Transfers from AUC	-	2,731,028	2,569,912	4,970,544	40,348,849	7,202,542	(25,563)	2,341,975	882,033	(61,021,320)	-
Less: Disposals	113,903	(42,641)	(1,009,133)	(790,013)	(9,926,510)	(211,480)	-	(212,398)	(84,238)	(45,326)	(12,207,836)
Closing Balance	232,121,859	23,737,699	30,714,688	276,458,370	68,910,440	96,333,527	20,607,773	81,496,686	60,588,264	59,301,539	950,270,845
ACCUMULATED AMORTIZATION											
Opening Balance	-	11,959,496	16,058,498	66,297,058	20,153,577	33,118,077	6,559,677	35,506,671	22,803,913	-	212,456,967
Add: Amortization	-	829,049	1,708,463	4,537,348	1,107,596	1,418,672	288,689	1,601,036	903,957	-	12,394,810
Less: Disposals	-	(42,641)	(965,234)	(422,529)	(5,907,733)	(144,006)	-	(141,266)	(54,712)	-	(7,678,121)
Closing Balance	-	12,745,904	16,801,727	70,411,877	15,353,440	34,392,743	6,848,366	36,966,441	23,653,158	-	217,173,656
Net Book Value as at December 31, 2019	\$ 232,121,859	\$ 10,991,795	\$ 13,912,961	\$ 206,046,493	\$ 53,557,000	\$ 61,940,784	\$ 13,759,407	\$ 44,530,245	\$ 36,935,106	\$ 59,301,539	\$ 733,097,189

As at December 31, 2018

	Land	Parks Infrastructure	Vehicles, Machinery, Equipment	Transportation Infrastructure	Buildings	Drainage	Land Improvements	Water	Sanitary Sewer	Assets Under Construction (AUC)	2018 Total
COST											
Opening Balance	\$ 224,772,948	\$ 20,322,845	\$ 25,268,899	\$ 264,076,475	\$ 37,821,683	\$ 89,130,189	\$ 20,567,438	\$ 77,511,397	\$ 59,396,054	\$ 28,658,444	\$ 847,526,372
Add: Additions	1,340,635	12,179	2,509,864	1,347,127	87,339	245,503	-	710,139	87,209	50,765,206	57,105,201
Add/(Deduct): Transfers from AUC	60,239	-	-	6,788,737	-	-	25,563	931,281	-	(7,805,820)	-
Less: Disposals	(20,083)	-	(750,974)	(448,444)	-	(170,566)	-	(208,483)	(7,151)	(562,394)	(2,168,095)
Closing Balance	226,153,739	20,335,024	27,027,789	271,763,895	37,909,022	89,205,126	20,593,001	78,944,334	59,476,112	71,055,436	902,463,478
ACCUMULATED AMORTIZATION											
Opening Balance	-	11,244,298	15,460,921	62,239,773	19,358,403	31,896,420	6,268,768	34,041,086	21,912,907	-	202,422,576
Add: Amortization	-	715,198	1,200,994	4,383,151	795,174	1,335,166	290,909	1,580,138	893,416	-	11,194,146
Less: Disposals	-	-	(603,417)	(325,866)	-	(113,509)	-	(114,553)	(2,410)	-	(1,159,755)
Closing Balance	-	11,959,496	16,058,498	66,297,058	20,153,577	33,118,077	6,559,677	35,506,671	22,803,913	-	212,456,967
Net Book Value as at December 31, 2018	\$ 226,153,739	\$ 8,375,528	\$ 10,969,291	\$ 205,466,837	\$ 17,755,445	\$ 56,087,049	\$ 14,033,324	\$ 43,437,663	\$ 36,672,199	\$ 71,055,436	\$ 690,006,511

13 ACCUMULATED SURPLUS

	2019	2018
Unrestricted Reserves		
General	\$ 9,135,080	\$ 11,312,451
Water	1,555,649	1,059,499
Sewer	1,981,024	1,480,379
Port Coquitlam Community Foundation	671,904	643,028
	13,343,657	14,495,357
Restricted reserves (Note 14)	78,357,231	100,710,091
Investment in tangible capital assets (Note 15)	704,910,874	669,541,186
Investment in inventories and prepaids	622,708	606,418
	705,533,582	670,147,604
	<u>\$ 797,234,470</u>	<u>\$ 785,353,052</u>

14 RESTRICTED RESERVES

	December 31, 2018	Contributions / Transfers	Interest Allocation	Use of Reserves	December 31, 2019
Building maintenance	\$ 662,475	\$ -	\$ 13,700	\$ (324,988)	\$ 351,187
Cemetery expansion	175,002	47,202	4,721	(40,335)	186,590
Community amenities	401,803	17,187	11,282	-	430,272
Community centre	12,786,070	4,867,250	177,767	(17,506,212)	324,875
Environmental	500,575	-	13,761	-	514,336
Equipment	11,893,407	920,002	311,911	(2,014,143)	11,111,177
Gas tax	53,329	462,561	7,824	-	523,714
General capital	10,265,826	10,137,984	260,343	(11,781,283)	8,882,870
Land sale	23,269,628	74,099	469,737	(12,438,223)	11,375,241
Long term infrastructure	11,114,188	839,000	316,783	(20,216)	12,249,755
Operating	3,128,957	426,428	87,677	(338,556)	3,304,506
Parking	3,365,261	94,884	93,564	(18,299)	3,535,410
Parks and recreation	762,744	-	20,337	(45,863)	737,218
Parkland acquisition	2,380,467	-	65,439	-	2,445,906
Public safety building	174,709	-	3,762	(75,694)	102,777
Public works special capital	24,703	(24,703)	-	-	-
RCMP	2,220,961	-	55,553	(400,219)	1,876,295
Roads and drainage infrastructure	2,668,674	671,613	78,069	(542,022)	2,876,334
Sewer	5,068,098	2,574,008	160,258	(837,881)	6,964,483
Social housing	475,686	17,188	13,313	-	506,187
Water	9,317,528	1,663,900	262,634	(1,185,964)	10,058,098
	<u>\$ 100,710,091</u>	<u>\$ 22,788,603</u>	<u>\$ 2,428,435</u>	<u>\$ (47,569,898)</u>	<u>\$ 78,357,231</u>

15 INVESTMENT IN TANGIBLE CAPITAL ASSETS

	2019	2018
Cost of tangible capital assets (Note 12)	\$ 950,270,845	\$ 902,463,478
Accumulated amortization (Note 12)	(217,173,656)	(212,456,967)
Debt incurred to purchase tangible capital assets (Note 11)	(71,987,937)	(20,465,325)
Unspent proceeds from debt for future community centre construction costs	43,801,622	-
	<u>\$ 704,910,874</u>	<u>\$ 669,541,186</u>

16 PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$3,112,807 (2018 - \$2,951,515) for employer contributions while employees contributed \$2,548,230 (2018 - \$2,393,133) to the plan in 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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

17 COMMITMENTS AND CONTINGENCIES

- (a) The loan agreements with the Metro Vancouver Regional District and the Municipal Finance Authority provide that, if at any time the scheduled payments provided for in the agreements are not sufficient to meet the authorities' obligations in respect of such borrowing, the resulting deficiency becomes a joint and several liability of the City and the other participants.
- (b) A number of legal claims have been initiated against the City in varying or unspecified amounts. The outcome of these claims cannot reasonably be determined at this time. The amount of loss, if any, arising from these claims will be recorded in the period in which the loss is assessed as being likely to occur and the amount can be reasonably estimated. Liability insurance is carried by the City, subject to a deductible of \$250,000. The City self insures claims under \$250,000.

17 COMMITMENTS AND CONTINGENCIES - Continued

- (c) The City is a shareholder and member of E-Comm Emergency Communications for British Columbia Incorporated ("E-Comm") whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 1 Class A share and 2 Class B shares (of a total of 34 Class A and 20 Class B shares issued and outstanding as at December 31, 2019).
As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.
- (d) The City provides a share of both the ongoing operations and any additional costs relating to tangible capital assets (in accordance with a negotiated agreement) for the RCMP building located at 2986 Guildford Way, Coquitlam, BC.
- (e) The City has entered into an agreement for construction of a community centre for \$122,552,850 with a term of 5 years. The City will offset a further \$2,150,000 of progress payments against the proceeds from a related land sale in 2020 (Note 4(a)).

18 CONTRACTUAL RIGHTS

The City's contractual rights arise from rights to receive payments from rentals, grants and advertising. The City is scheduled to receive the following amounts in the next five years and thereafter:

2020	\$	722,478
2021		644,041
2022		642,753
2023		644,507
2024		342,394
Thereafter		812,935
Total	\$	<u>3,809,108</u>

The City receives certain payments under grant and cost sharing agreements, however the timing and revenue from these agreements can vary depending on development activity. As a result, the revenue from these agreements has not been included in the above amounts.

19 TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by an agreement or statute. The City holds the assets for the benefit of, and stands in a fiduciary relationship, to the beneficiary. The following trust funds are excluded from the City's consolidated financial statements.

	2019	2018
Cemetery Perpetual Care Fund		
Cash balance, beginning of the year	\$ 1,685,521	\$ 1,584,487
Net contributions received	70,182	67,056
Interest earned	47,300	33,978
Cash balance, end of the year	<u>\$ 1,803,003</u>	<u>\$ 1,685,521</u>
Campaign Funds Held in Trust		
Cash balance, beginning of the year	\$ -	\$ -
Net contributions received	55,099	-
Interest earned	1,515	-
Cash balance, end of the year	<u>\$ 56,614</u>	<u>\$ -</u>

20 TAXATION AND OTHER LEVIES

In addition to levying and collecting real property tax for municipal purposes, the City is required to levy and collect taxes on behalf of other jurisdictions as noted below. The amounts are reflected on a net basis within the Consolidated Statement of Operations:

	2019	2018
Gross taxes levied on property	\$ 108,745,617	\$ 104,052,389
Taxes levied and collected on behalf of other jurisdictions		
Province of British Columbia - School Taxes	31,357,602	29,672,279
Metro Vancouver Regional District	1,091,492	1,010,407
BC Assessment Authority	1,015,671	975,298
South Coast British Columbia Transportation Authority	6,654,461	6,042,632
Municipal Finance Authority	5,109	4,576
	40,124,335	37,705,192
Taxation	<u>\$ 68,621,282</u>	<u>\$ 66,347,197</u>

21 GOVERNMENT TRANSFERS

Included in contributions are the following government transfers:

	2019	2018
Federal	\$ 358,804	\$ 10,758,607
Provincial & Regional	2,496,228	2,956,645
	<u>\$ 2,855,032</u>	<u>\$ 13,715,252</u>

22 BUDGET INFORMATION

The budget information presented in these consolidated financial statements is based upon the 2019 Financial Plan Bylaw approved by City Council on May 14, 2019. The chart below reconciles the approved budget to the budget figure reported in these consolidated financial statements.

	Budget Amount
Revenue	109,036,300
Expenses	(97,984,300)
Annual surplus per consolidated statement of operations	11,052,000
Add:	
Amortization	12,000,000
Transfers from reserves	41,524,700
Cash from external borrowing	16,000,000
Less:	
Capital expenditures	(79,130,900)
Capital contributed by developers	(1,000,000)
Debt principal repayments	(445,800)
Approved budget	<u>\$ -</u>

23 OPERATIONS BY SEGMENT

The City provides a wide range of municipal services to its residents, businesses, industries, farms and other properties within its boundaries. The City's operations and activities are organized and reported by segments broadly based on departmental business units. The departments disclosed in the segmented information, along with the services they provide, are as follows:

General government:

General: Includes activities that are attributable to multiple segments.

Corporate support: These support services include: communications and administrative services, corporate office, bylaw services and information services.

Finance: Provides financial services to citizens, City departments and City Council including financial planning and systems, accounting services, revenue and collections, payroll, purchasing and risk management.

Human resources: Provides specialized advice and assistance in all facets of people management including recruitment, labour relations, occupational health and safety, staff training and development, benefit administration, wage and salary administration.

Office of the CAO: Oversees the implementation of the vision, plans and priorities by ensuring effective policies are in place and adhered to and by providing leadership that enables an engaged and productive municipal workforce.

Engineering and public works: Provides and maintains a number of essential municipal services and infrastructure including transportation, parks, trails, athletic fields, roads and drainage, environmental protection, management of the City's fleet and related engineering services.

Recreation: Delivery of recreation, sport, community and cultural programs, events and services, and the operation of recreation facilities.

Police services: Is a shared service with the City of Coquitlam that protects the community from criminal activity and ensures public safety.

Fire and emergency services: Protects life, property and the environment through the provision of emergency response, inspections, code enforcement and public education.

Development services: Ensures orderly and safe development within the City, including Planning, Building and Development Engineering services.

Solid waste operations: Includes curbside garbage, recycling and organics collection and glass collection from depot locations across the City.

Water operations: The water utility is an essential service delivered by the City to its residents and businesses for the supply of high quality, potable water at flows and pressures suitable for fire protection.

Sanitary sewer operations: The sanitary sewer utility is an essential service provided by the City to its residents and businesses for the collection and disposal of liquid wastes.

	General government														
	General	Corporate support	Finance	Human resources	Office of the CAO	Engineering and public works	Recreation	Police services	Fire and emergency services	Development services	Solid waste operations	Water operations	Sanitary sewer operations	2019	2018
REVENUE															
Taxation	\$ 68,457,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,217	\$ -	\$ -	\$ -	\$ 68,621,282	\$ 66,347,197
Utility charges	(119,888)										3,106,022	12,796,725	9,340,539	25,123,398	23,148,835
Sale of services	657,019	8,853	206,697			1,579,727	3,730,560	35,054	58,624	316,384	632,001			7,224,919	6,864,438
Contributions	556,564	1,445	-			1,721,626	67,347	644,448	35,783	1,950,941		56,431	7,500	5,042,085	15,508,028
Permits and licenses	17,814	199,260	34,261			57,380			1,390	3,137,876		18,125	19,656	3,485,762	3,219,649
Investment income	4,033,773													4,033,773	3,618,483
Penalties and fines	360,084	61,843										86,495	61,929	570,351	473,984
Other revenue	1,010,476	297	115,333			231,772	5,432	22,295	42,855	12,924	1,000	1,100		1,443,484	1,048,282
	\$ 74,972,907	\$ 271,698	\$ 356,291	\$ -	\$ -	\$ 3,590,505	\$ 3,803,339	\$ 701,797	\$ 138,652	\$ 5,582,342	\$ 3,739,023	\$ 12,958,876	\$ 9,429,624	\$ 115,545,054	\$ 120,228,896
EXPENSES															
Personnel	\$ 13,096	\$ 3,233,152	\$ 2,326,017	\$ 960,479	\$ 323,362	\$ 7,997,464	\$ 8,397,998	\$ -	\$ 11,965,811	\$ 3,118,646	\$ 1,113,519	\$ 686,768	\$ 315,281	\$ 40,451,593	\$ 37,173,192
Contracted and other services	81,887	1,304,903	73,730	728,570	-	2,498,337	3,777,294	15,417,291	99,427	262,025	1,488,797	7,126,396	5,658,858	38,517,515	35,822,171
Telephone, utilities and rent	55,334	28,351	238	396	-	644,216	805,519	-	60,383	122	1,621	27,197	80,623	1,704,000	1,675,566
Materials and supplies	89,946	87,855	10,023	8,272	922	2,224,925	810,061	284	192,772	17,196	(53,257)	180,873	75,824	3,645,696	3,352,555
Internal charges (recoveries)	(765,671)	(520,158)	(249,290)	1,063	-	(2,761,142)	(63,100)	-	217,927	53,439	1,500,278	1,324,962	1,261,692	-	-
Insurance and claims	630,952	-	-	-	-	226,688	1,942	-	-	-	-	-	-	859,582	953,780
Interest and bank charges	1,029,141	16,156	461	-	-	3,364	157,092	-	-	13,567	5	-	-	1,219,786	1,063,247
Grants and financial assistance	71,330	4,100	-	-	-	-	323,350	-	-	15,000	-	-	-	413,780	296,610
Amortization	93,401	532,859	-	-	-	7,694,339	1,112,322	65,836	487,366	-	-	1,516,902	891,785	12,394,810	11,194,146
Loss on disposals of tangible capital assets	4,979	(82,354)	-	-	-	419,792	4,013,798	-	-	-	-	71,133	29,526	4,456,874	596,419
	\$ 1,304,395	\$ 4,604,864	\$ 2,161,179	\$ 1,698,780	\$ 324,284	\$ 18,947,983	\$ 19,336,276	\$ 15,483,411	\$ 13,023,686	\$ 3,479,995	\$ 4,050,963	\$ 10,934,231	\$ 8,313,589	\$ 103,663,636	\$ 92,127,686
ANNUAL SURPLUS (DEFICIT)	\$ 73,668,512	\$ (4,333,166)	\$ (1,804,888)	\$ (1,698,780)	\$ (324,284)	\$ (15,357,478)	\$ (15,532,937)	\$ (14,781,614)	\$ (12,885,034)	\$ 2,102,347	\$ (311,940)	\$ 2,024,645	\$ 1,116,035	\$ 11,881,418	\$ 28,101,210

24 COMPARATIVE FIGURES

Certain prior year figures have been reclassified for comparative purposes to conform with the current year presentation.

25 SUBSEQUENT EVENT

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Controlling the spread of COVID-19 is causing unprecedented social and economic disruption across the country. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the City is not practicable at this time. Although there may be some unforeseen impacts to the city's cash flow, revenues and expenses, measures have been put in place to mitigate the effect on the City's operations.



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Corporation of the City of Port Coquitlam

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Port Coquitlam (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

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

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

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Vancouver, Canada

[Date]



Corporation of the City of Port Coquitlam

Audit Findings Report for the year
ended December 31, 2019

KPMG LLP

May 7, 2020, for presentation on May 12, 2020

kpmg.ca/audit



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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.

This Audit Findings Report should not be used for any other purpose or by anyone other than Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Summary of audit findings



Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements (“financial statements”) of the Corporation of the City of Port Coquitlam (the “City”) as at and for the year ended December 31, 2019.

This Audit Findings Report builds on the Audit Plan we presented to Council dated January 6, 2020.



Changes from the Audit Plan

Due to the COVID-19 pandemic and related physical distancing protocols implemented by both KPMG and the City, the year-end audit work was performed remotely, with all information required to complete the audit provided in electronic format by management. There were no delays in the audit schedule and all audit procedures were completed as planned. Further, there was no change to our initial risk assessment as a result of COVID-19. See page 4 for our considerations related to COVID-19 as a subsequent event.

Aside from conducting the audit remotely, there were no other significant changes regarding our audit from the Audit Planning Report previously presented to you.



Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with Council;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council’s acceptance of the financial statements; and,
- Completing subsequent event review procedures up to the date of Council’s acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

Summary of audit findings



Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Subsequent event – COVID-19;
- Community Center capital project;
- Taxation and utility charges revenue;
- Development cost charges; and
- Tangible capital assets.

See pages 4 to 6 for the audit findings related to these areas of audit focus.



Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

We identified two uncorrected differences that were communicated to management. Professional standards require that we request of management and Council that all identified adjustments or differences be corrected. We have already made this request of management. Based on both qualitative and quantitative considerations, management has decided not to correct the differences, and represented to us that the uncorrected differences are, individually and in the aggregate, in their judgment, not material to the financial statements. We concur with management’s representation and accordingly, the differences have no effect on our auditors’ report.

There were no corrected adjustments noted in the audit.

See pages 5, 6 and Appendix 2 for further details.

Summary of audit findings



Significant accounting policies and practices

There was no financial reporting impact from the new accounting standard PS 3430 *Restructuring transactions* effective for the City's 2019 fiscal year-end. There have been no other initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

The presentation and disclosure of the financial statements are, in all material respects, in accordance with Canadian public sector accounting standards. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

See page 8 for further details.



Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting.

We conducted a Lean in Audit workshop with City staff as part of our audit walkthroughs. See page 9 for further details.



Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2019 up to the date of this report.



Current developments

There have been no significant updates to the current developments included in our Audit Plan previously provided to Council. See pages 10 and 11 for audit and industry information, and COVID-19 resources that may be of interest to you.

Areas of audit focus and results

Area of audit focus	Our response and significant findings
Subsequent event – COVID-19	<p>Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market and social impact. As such enhanced subsequent events procedures were performed.</p> <ul style="list-style-type: none"> – As the COVID-19 outbreak occurred subsequent to December 31, 2019, we discussed with management the impact and the subsequent event disclosure. Note 25 of the financial statements describes the nature of the event and also discloses that an estimate of the impact of the outbreak cannot be made at this time. – Actions undertaken by the City as of the date of this report and potential future financial implications are as follows: <ul style="list-style-type: none"> ▪ Closure of community facilities to the public from March 16, 2020 based on public health recommendations to slow the transmission of the virus; ▪ Implementation of work from home arrangements to facilitate employees working remotely; and, ▪ Potential future decreases in revenue, additional utilization of reserves, and potential revenue anticipation borrowing. <p>See page 11 for further details on COVID-19 resources.</p>
Community Center capital project	<ul style="list-style-type: none"> – We inquired with management about changes to the terms and conditions of the agreements for the Community Center capital project. There were none noted. – We updated our understanding of the process activities and controls over management's monitoring of the Community Center capital project. – We selected the monthly contractor invoices and agreed the amount recorded in tangible capital assets and holdbacks payable to the invoice. We also verified that each invoice had an accompanying report from the third party consultant used by the City to verify the progress payment. – We ensured that amortization of the completed phases of the Community Center capital project was appropriately recorded once the assets were put into service. – We reviewed the receivables related to the Community Center project to ensure that they are appropriately recorded. – We tested that the holdback was appropriately released to the contractor from accounts payable and accrued liabilities at the completion of the first phase. – We reviewed the accounting treatment that was applied to the Building Canada Fund grant. We agreed the funding received in 2019 to cash receipts. We noted that \$1,034,100 of funding, relating to a 10% holdback, is due from the Government of Canada and will be released upon completion of construction. This revenue was previously recognized by the City in 2018 when it incurred eligible project expenditures and met the eligibility criteria for funding. – There were no issues noted in our testing.

Areas of audit focus and results (continued)

Area of audit focus	Our response and significant findings
Taxation and utility charges revenue	<ul style="list-style-type: none"> – We updated our understanding of the process activities and controls over taxation and utility charges revenue. – We analyzed the change in taxation and utility charges revenue relative to the prior year based on changes to Council-approved rates and the tax base. – In 2019, management reviewed its water and sewer revenue process and made the decision to recognize revenue consistent with the year in which the water and sewer consumption occurred. This resulted in five quarters of metered revenue being recognized in 2019, or \$742,075 that should have been adjusted as revenue in a prior period. The adjustment was not corrected in the financial statements since it is not considered material to the financial statements. – Except for the adjustment noted, there were no issues noted in our testing.
Development cost charges (“DCC”)	<ul style="list-style-type: none"> – We updated our understanding of the process activities and controls over DCC. – We selected a sample of DCC charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation (e.g. Council-approved rates) and agreed the amount recorded to cash receipts or letters of credit. – We selected a sample of permits approved in 2019 and tested that the corresponding DCC was appropriately calculated and recorded. – There were no issues noted in our testing.

Areas of audit focus and results (continued)

Area of audit focus	Our response and significant findings
Tangible capital assets ("TCA")	<ul style="list-style-type: none">– We updated our understanding of the process activities and controls over TCA.– We selected a sample of TCA additions and agreed the amount recorded to supporting documentation. We ensured each item was recorded in the appropriate TCA category and were appropriate to capitalize.– In 2019, management recognized the unamortized book value of the old Community Centre that was demolished as an expense. We reviewed the accounting treatment and amount recorded.– In 2019, management reviewed prior land sales and recorded an adjustment for the correct net book values. This resulted in an adjustment of \$844,956 that should have been reflected in a prior period, but was adjusted for in 2019 and not corrected in the prior period comparatives since it is not considered material to the financial statements. A related 2018 audit adjustment of \$958,860 was corrected for in the current year, resulting in a net impact of \$113,904.– We performed analytical procedures on amortization expense to assess whether the change in the balance from prior year is reasonable.– Other than the adjustments noted, there were no issues noted in our testing.

Audit risks

Professional requirements

Fraud risk from management override of controls.

Why is it significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments;
- Performing a retrospective review of significant estimates; and
- Evaluating the business rationale of significant unusual transactions.

There were no issues noted in our testing.



Significant accounting policies and practices

The following items relate to the qualitative aspects of accounting practices of the City:



Significant accounting policies

- There were no changes to the critical accounting policies and practices.
- There were no changes in significant accounting policies.
- Section 3431 *Restructuring transactions* is effective for the City's 2019 fiscal year. There was no impact on the financial statements from the adoption of the new accounting standard.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they are recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the City's asset and liability carrying values.



Significant disclosures

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.
- A subsequent event note disclosure about the impact of COVID-19 was included in the financial statements. There were no issues noted with the subsequent event note disclosure.

Control observations



As your auditors, we are required to obtain an understanding of internal control over financial reporting (“ICFR”) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing and extent of audit procedures performed, as well as other factors.

In accordance with professional standards, we are required to communicate to Council any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in internal control over financial reporting. No significant deficiencies in ICFR have been identified.

Lean in Audit™ Workshop

Our award-winning Lean in Audit™ (“LiA”) approach involves deepening our understanding of your operations through the application of Lean Six Sigma process analysis techniques. In most organizations, there is a gap between how processes are designed and how they actually operate, leading to inefficiency, waste and unnecessary cost. In a LiA workshop, our audit team gains an understanding of how your processes really work. The result is a more focused, high-quality audit that also identifies opportunities for improving operational efficiency and productivity.

On December 4, 2019, KPMG met with personnel from the Finance department with the objective of understanding the payroll processing process as part of an audit walkthrough using the LiA approach. No significant deficiencies in internal control over financial reporting were identified during the workshop.

Opportunities identified for improving operational efficiency and productivity were categorized by City staff into four areas – Prioritise, Action, Consider, and Eliminate/Park – based on the expected benefit to the City and the level of effort to implement. Management has incorporated the opportunities identified in the LiA session into their work plan for 2020.

Current developments

Our discussions with you, our audit opinion, and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
2019 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report
Put your data to work to gain competitive advantage	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	Link to report
Predictive analytics, it works	CEOs recognize the value that predictive analytics delivers to their decision-making process.	Link to report
Creating the workforce of the future	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	Link to report
Accelerate	<p>Introducing the new 2019/2020 Accelerate report, a KPMG report and video series offering insight into the key issues driving the Audit Committee agenda, including:</p> <ul style="list-style-type: none">– Digital disruption of the finance function– Digital business brings increased cyber risk– Taking the lead on data privacy– Boards bracing for climate change– Future-proofing your ERM	Link to report

Current developments – Response to COVID-19 pandemic

Resources	Summary	Links
Resources for management, Mayor and Council members	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none"> – Business continuity guide – Immediate actions to take – Medium to long-term actions – Tax considerations and a summary of federal and provincial programs – Legal considerations – Financial reporting and audit considerations – Global perspectives 	COVID-19 Alerts (Live Link)
Strategies for managing your finances through COVID-19 webinar	<p>KPMG in Vancouver hosted a webinar on April 24, 2020 looking at some of the key financial challenges facing municipalities across British Columbia as a result of the pandemic. Topics covered include:</p> <ul style="list-style-type: none"> – Managing cash flows in the current environment – Cash flow measures and short-term borrowing – Infrastructure stimulus funding 	Replay Link

Appendices



Appendix 1: Required communications



Appendix 2: Management representation letter

Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit.

These include:



Auditors' Report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.



Management representation letter

In accordance with professional standards, a copy of the management representation letter is provided to Council in Appendix 2.



Independence

In accordance with professional standards, we have confirmed our independence.

Appendix 2: Management representation letter

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
777 Dunsmuir Street
P.O. Box 10426
Vancouver, B.C. V7Y 1K3

Date of Council's Acceptance of the Consolidated Financial Statements

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the Corporation of the City of Port Coquitlam (the "City") as at and for the period ended December 31, 2019.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 5, 2016, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others
 where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the City's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

Misstatements:

- 11) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Other information:

- 12) We confirm that the final version of the 2019 Annual Report will be provided to you when available, and prior to issuance by the City, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

- 13) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 14) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Kristen Dixon, Chief Administrative Officer

Karen Grommada, Director of Finance

Chris Adams-Brush, Manager of Accounting Services

cc: Council

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedules

Summary of Corrected Audit Misstatements

There were no corrected audit misstatements noted.

Summary of Uncorrected Audit Misstatements

Increase (decrease)

#	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	Dr. Utility charges revenue Cr. Accumulated surplus - opening <i>To recognize the prior period impact of recording an additional quarter's utility charges revenue in 2019.</i>			(742,075)	742,075
2	Dr. Gain on disposal of tangible capital assets Cr. Accumulated surplus – opening <i>To recognize the current period impact of recognizing a gain on the sale of land that occurred in a prior period.</i>			(844,956)	844,956
	Total	-	-	1,587,031	(1,587,031)

kpmg.ca/audit



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