

# Ministry of Finance

Estimates Issue Notes  
May 2023



Ministry of  
Finance

Ministry of Finance – Budget 2023 Estimates Notes	
CSD	Corporate Services
01	Budget Changes by Core Business 2023/24
02	Changes to Service Plan from Budget 2022
03	Changes to Budget 2023 from Budget 2022
04	3 Year Changes to Budget from <i>Budget 2022</i>
05	Estimates Summary 2023/24 by Vote
06	Minister's Mandate Letter
07	Parliamentary Secretary Mandate Letter
08	Workforce – Headcount and FTE Information
09	FIN – Shared Recovery Mandate Summary
DMO	Deputy Minister's Office
01	BC Hydro Site C
02	BC Hydro – Potential Impacts from Federal Budget
03	ICBC
04	BC Ferries and TransLink
05	British Columbia Investment Management Corporation
06	LNG Canada and Coastal GasLink Update
07	Woodfibre LNG
08	2026 FIFA World Cup and Major Events MRDT
09	BC Prosperity Fund
10	Anti-Money Laundering/Cullen Commission

<b>GEO</b>	<b>Gender Equity Office</b>
01	GEO Overview & Ensuring Gender Equity in Budgets Policies & Programs
02	Closing the Gender Pay Gap
03	Ending Gender-Based Violence
<b>OCG</b>	<b>Office of the Comptroller General</b>
01	Audit Plan – IAAS 2022/23
02	Fraud Risk Management Overview
03	Internal Control over COVID Response Measures
04	Public Accounts Audit Qualifications
05	2022/23 Core Policy & Procedures Manual Amendments
<b>PLD</b>	<b>Policy and Legislation</b>
01	Cannabis Taxation/Revenue Sharing
02	Carbon Pricing
03	Homebuyer Protection Period Implementation
04	Dedicated Regional Fuel Taxes
05	Declaration Act Action Plan Update
06	Employer Health Tax and Elimination of MSP
07	Film Tax Credits
08	Housing Affordability and Progress on the 30-point Plan
09	Impact of 2023 Federal Budget Measures
10	Inflation and Affordability
11	Top Marginal Tax Rate of 20.5 Percent on Taxable Income Over \$220,000
12	Land Owner Transparency Registry
13	Federal Health Care Funding

14	Northwest BC Resource Benefits Alliance
15	Property Assessment Appeal Board Decisions and Process Time
16	Property Transfer Tax – For Homes Over \$3 Million
17	PST – E-Commerce and Marketplace Facilitators
18	Property Assessment Strategic Review
19	Renter’s Rebate
20	School Act – Industrial Property Tax Credit Removal
21	Speculation Tax – General
22	Insurance Related Issues
23	Tax Competitiveness for Individuals
24	Tax Competitiveness for Businesses
25	Treaty Nations’ Property Tax Exemption for Members
26	Local Government Fiscal Framework – UBCM
27	Purpose Built Rentals
<b>PSEC Secretariat</b>	<b>Public Sector Employer’s Council Secretariat</b>
01	Provincial Labour Relations & 2022 Shared Recovery Mandate
02	Provincial Public Sector Management Compensation
03	B.C. Public Sector Compensation Data Forecast
04	2021/22 Executive Compensation Disclosure
05	Public Sector Pension Plans
06	DRIPPA Actions – Provincial Public Sector

<b>PT</b>	<b>Provincial Treasury</b>
01	Provincial Treasury Operations
02	2022/23 Borrowing Plan
03	2022/23 Public Debt Q & A
04	Capital Market Performance
05	Credit Rating Status and Debt Servicing Cost Savings
06	Central Deposit Program
07	Environmental, Social, Governance (ESG) Profile and ESG Report
08	Green Bond
09	HSBC Canada Divestiture
<b>REV</b>	<b>Revenue Division</b>
01	Emergency Benefit for Workers and Recovery Benefit Audit work
02	PST Rebate on Select Machinery and Equipment
03	Tobacco Enforcement
<b>TBS</b>	<b>Treasury Board Staff</b>
01	2022/23 Third Quarter Report and Spending Changes
02	Finance Legislation Changes (non-tax)
03	Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response
04	Supplementary Estimates
05	Revenue Changes in 2023/24
06	Personal Income Tax Revenue
07	Corporate Income Tax Revenue
08	Property Transfer Tax Revenue

09	Natural Gas Royalties Revenue
10	Forest Revenue
11	Capital Plan
12	Status of Major Capital Projects in Planning
13	Cost Escalation on Capital Projects
14	Environmental, Social & Governance Framework for Capital
15	School Projects
16	Royal BC Museum
17	The Community Benefits Agreement
18	Cowichan District Hospital
19	Housing Starts and Homes for BC Plan
20	Housing Priority Initiatives Special Account
21	Provincial Debt & Debt Affordability
22	Fiscal Sustainability
23	Recent Economic Activity in BC
24	Personal and Corporate Tax Transfers Expenses
25	BCIB and CBA Key Messages
26	Economic and Fiscal Forecast
<b>CROWN CORPORATIONS</b>	
<b>BCA</b>	<b>BC Assessment Authority (PLD is Policy Lead)</b>
01	Overview of BC Assessment Authority
02	2022 Assessment Roll Highlights and Complaints Statistics
<b>BCFSA</b>	<b>BC Financial Services Authority (PLD is Policy Lead)</b>
01	BCFSA Overview
02	Credit Union Sector Tables

03	Pension Funding Responsibilities of Interior Logging Associations Members
<b>BCIB</b>	<b>BC Infrastructure Benefits (TBS is Policy Lead)</b>
01	BCIB Organizational Overview
02	Advice/Recommendations
<b>BCSC</b>	<b>BC Securities Commission (PLD is Policy Lead)</b>
01	Crypto-Assets and Crypto-Asset Trading Platforms
02	BCSC Enforcement
03	ESG Policy-Making (including Board Diversity & Climate Disclosures)
<b>CBT</b>	<b>Columbia Basin Trust (EMLI is Policy Lead)</b>
01	Columbia Basin Trust Background Information
<b>CPC</b>	<b>Columbia Power Corp (EMLI is Policy Lead)</b>
01	Columbia Power Corporation Background Information
<b>CRT</b>	<b>Columbia River Treaty (EMLI is Policy Lead)</b>
01	CRT Background
02	CRT Negotiations
03	CRT Interim Revenue Sharing
<b>IBC</b>	<b>Infrastructure BC (TBS is Policy Lead)</b>
01	Infrastructure BC Overview
02	Market Bidding Activity

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**Name: Budget Changes by Core Business 2023/24**

**Table of Contents**

**VOTE 26 - MINISTRY OPERATIONS**

Summary .....	2
Treasury Board Staff .....	3
Office of the Comptroller General .....	4
Provincial Treasury .....	5
Revenue Division .....	6
Policy and Legislation .....	7
Assessment Services .....	8
Public Sector Employers' Council Secretariat .....	9
Crown Agencies Secretariat .....	10
Minister's Office .....	11
Corporate Services .....	12

**Statutory Appropriations**

Housing Priority Initiatives Special Account .....	13
Insurance and Risk Management Special Account .....	15
Provincial Home Acquisition Wind Up Special Account .....	16
<i>Land Tax Deferment Act</i> .....	17
<b>Summary by Issue .....</b>	<b>18</b>
<b>Summary by Budget Adjustments .....</b>	<b>22</b>

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 1 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE  
2022/23 vs 2023/24 Budgets by Sub-Vote  
(\$ millions)**

	2022/23 Restated	2023/24	Increase / (Decrease) \$	Increase / (Decrease) %
<b>Ministry Operations</b>				
Treasury Board Staff	\$9.150	\$9.563	\$0.413	4.5%
Office of the Comptroller General	21.799	22.901	1.102	5.1%
Provincial Treasury	0.001	0.001	-	0.0%
Revenue Division	212.895	222.337	9.442	4.4%
Policy and Legislation	8.279	8.689	0.410	5.0%
Assessment Services	0.001	0.001	-	0.0%
Public Sector Employers' Council Secretariat	17.339	22.869	5.530	31.9%
Crown Agencies Secretariat	7.034	7.425	0.391	5.6%
Minister's Office	0.885	0.951	0.066	7.5%
Corporate Services	41.464	44.132	2.668	6.4%
<b>Subtotal Ministry Operations</b>	<b>318.847</b>	<b>338.869</b>	<b>20.022</b>	<b>6.3%</b>
<b>Statutory Appropriations and Special Accounts</b>				
Housing Priority Initiatives Special Account	785.738	1,042.010	256.272	32.6%
Insurance and Risk Management Special Account	4.630	5.858	1.228	26.5%
Provincial Home Acquisition Wind Up Special Acct	0.010	0.010	-	0.0%
<i>Land Tax Deferment Act</i>	-	70.000	70.000	
<b>Subtotal Stat Appropriations and Special Accts</b>	<b>790.378</b>	<b>1,117.878</b>	<b>327.500</b>	<b>41.4%</b>
<b>Government Communications and Public Engagement</b>				
Government Communications	28.338	29.341	1.003	3.5%
<b>Subtotal Government Communications and Public Engagement</b>	<b>28.338</b>	<b>29.341</b>	<b>1.003</b>	<b>3.5%</b>
<b>Public Service Agency</b>				
Public Service Agency	59.781	63.385	3.604	6.0%
Benefits	0.001	0.001	-	0.0%
Long Term Disability Fund Special Account	23.985	28.737	4.752	19.8%
<b>Subtotal Public Service Agency</b>	<b>83.767</b>	<b>92.123</b>	<b>8.356</b>	<b>10.0%</b>
<b>Total Ministry of Finance</b>	<b>\$1,221.330</b>	<b>\$1,578.211</b>	<b>\$356.881</b>	<b>29.2%</b>

**Contact:** Nicole Wright      **Phone:** 778 698-7768  
**Division:** Corporate Services Division      **Page:** 2 of 22  
**File Name:** Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE - TREASURY BOARD STAFF  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$9.150M, the core business net budget increased by \$0.413M to \$9.563M.

<b>Treasury Board Staff (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$9.150	\$9.150
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b> Shared Recovery Mandate		0.413
<b>Budget 2023/24</b>	<b>\$9.150</b>	<b>\$9.563</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$0.413
<b>Percentage changes from prior year plan:</b>		4.5%

Treasury Board Staff current year changes include:

- An increase of \$0.413M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 3 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE –  
OFFICE OF THE COMPTROLLER GENERAL  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$21.799M, the core business net budget increased by \$1.102M to \$22.901M.

<b>Office of the Comptroller General (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$21.799	\$21.799
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b> Shared Recovery Mandate		1.102
<b>Budget 2023/24</b>	<b>\$21.799</b>	<b>\$22.901</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$1.102
<b>Percentage changes from prior year plan:</b>		5.1%

Office of the Comptroller General current year changes include:

- An increase of \$1.102M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 4 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE – PROVINCIAL TREASURY  
2022/23 vs 2023/24 Budgets**

Provincial Treasury is a fully cost recovered sub vote (\$1K Vote). There is no change to the core business net budget.

<b>Provincial Treasury (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$0.001	\$0.001
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b> Shared Recovery Mandate		-
<b>Budget 2023/24</b>	<b>\$0.001</b>	<b>\$0.001</b>
<b>Changes from prior year plan increase/(decrease):</b>		-
<b>Percentage changes from prior year plan:</b>		0.0%

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 5 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE – REVENUE DIVISION  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$212.895M, the core business net budget increased by \$9.422M to \$222.337M.

<b>Revenue</b> (\$ millions)	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$212.895	\$212.895
<b>Prior Service Plan changes</b>		
Tax Measures		(0.639)
Revenue Services		0.165
<b>Increases/(Decreases):</b>		
Shared Recovery Mandate		9.916
<b>Budget 2023/24</b>	<b>\$212.895</b>	<b>\$222.337</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$9.442
<b>Percentage changes from prior year plan:</b>		4.4%

Revenue Division current year changes include:

- An increase of \$9.916M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

Revenue Division prior year changes include:

- A decrease of (\$0.639M) for the administration of priority tax measures and pandemic programs.
- An increase of \$0.165M for the repatriation and transition of revenue services to the Province.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 6 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE – POLICY AND LEGISLATION  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$8.279M, the core business net budget increased by \$0.410M to \$8.689M.

<b>Policy and Legislation</b> (\$ millions)	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$8.279	\$8.279
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b> Shared Recovery Mandate		0.410
<b>Budget 2023/24</b>	<b>\$8.279</b>	<b>\$8.689</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$0.410
<b>Percentage changes from prior year plan:</b>		5.0%

Policy and Legislation current year changes include:

- An increase of \$0.410M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 7 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE – ASSESSMENT SERVICES  
2022/23 vs 2023/24 Budgets**

Assessment Services is a fully cost recovered sub vote (\$1K Vote). There is no change to the core business net budget.

<b>Assessment Services</b> (\$ millions)	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$0.001	\$0.001
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b> Shared Recovery Mandate		-
<b>Budget 2023/24</b>	<b>\$0.001</b>	<b>\$0.001</b>
<b>Changes from prior year plan increase/(decrease):</b>		-
<b>Percentage changes from prior year plan:</b>		0.0%

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 8 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE –  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$17.339M, the core business net budget increased by \$5.530M to \$22.869M.

<b>PSEC (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$17.339	\$17.339
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b> Shared Recovery Mandate		5.530
<b>Budget 2023/24</b>	<b>\$17.339</b>	<b>\$22.869</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$5.530
<b>Percentage changes from prior year plan:</b>		31.9%

Public Sector Employers' Council Secretariat current year changes include:

- An increase of \$5.530M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate, including \$5.245M of funding for Employer Associations.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 9 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

## **MINISTRY OF FINANCE – CROWN AGENCIES SECRETARIAT 2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$7.034M, the core business net budget increased by \$4.445M to \$7.034M.

<b>Crown Agencies Secretariat (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$7.034	\$7.034
<b>Prior Service Plan changes</b> CAS Resourcing		(0.072)
<b>Increases/(Decreases):</b> Shared Recovery Mandate		0.463
<b>Budget 2023/24</b>	<b>\$7.034</b>	<b>\$7.425</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$0.391
<b>Percentage changes from prior year plan:</b>		5.6%

Crown Agencies Secretariat current year changes include:

- An increase of \$0.463M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

Crown Agencies Secretariat prior year changes include:

- A decrease of (\$0.072M) in the permanent base budget lift to fully fund CAS's existing staffing and operations, and the organization's increased scope of work resulting from its initial phase of implementation.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 10 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE – MINISTER’S OFFICE  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$0.885M, the core business net budget increased by \$0.066M to \$0.951M.

<b>Minister's Office</b> (\$ millions)	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$0.885	\$0.885
<b>Prior Service Plan changes</b> Minister's Office		0.013
<b>Increases/(Decreases):</b> Minister's Office		0.053
<b>Budget 2023/24</b>	<b>\$0.885</b>	<b>\$0.951</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$0.066
<b>Percentage changes from prior year plan:</b>		7.5%

Minister’s Office current year changes include:

- An increase of \$0.053M to support the Minister’s Office funding requirements.

Minister’s Office prior year changes include:

- An increase of \$0.013M to support the Minister’s Office resourcing requirements.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 11 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE – CORPORATE SERVICES  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$41.464M, the core business net budget increased by \$2.668M to \$44.132M.

<b>Corporate Services</b> (\$ millions)	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$41.464	\$41.464
<b>Prior Service Plan changes</b> Revenue Services		0.054
<b>Increases/(Decreases):</b> Shared Recovery Mandate		2.614
<b>Budget 2023/24</b>	<b>\$41.464</b>	<b>\$44.132</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$2.668
<b>Percentage changes from prior year plan:</b>		6.4%

Corporate Services current year changes include:

- An increase of \$2.614M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

Corporate Services prior year changes include:

- An increase of \$0.054M for specialized IT costs associated with the repatriation and transition of revenue services to the Province.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 12 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE  
HOUSING PRIORITY INITIATIVES SPECIAL ACCOUNT  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$785.738M, the Housing Priority Initiatives special account (HPI) net budget increased by \$256.272M to \$1.042B.

<b>Housing Priority Initiatives (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$785.738	\$785.738
<b>Prior Service Plan changes</b>		
HPI Reprofitting		(91.910)
Housing Supply Shortage		(100.000)
Permanent Housing Plan		(63.088)
<b>Increases/(Decreases):</b>		
Community Housing Fund		335.357
Indigenous Housing Fund		17.953
Improve Aging Rental Stock		82.480
Affordable Rental Acquisition Program		1.000
Deepening Affordability		30.250
Homelessness Reduction - Modular Housing		44.230
<b>Budget 2023/24</b>	<b>\$785.738</b>	<b>\$1,042.010</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$256.272
<b>Percentage changes from prior year plan:</b>		32.6%

HPI current year changes include:

- An increase of \$335.357M to provide additional affordable housing for a mix of low- and moderate-income households.
- An increase of \$17.953M to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 13 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

- An increase of \$82.480M to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.
- An increase of \$1.000M to support non-profit housing organizations purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
- An increase of \$30.250M for units created under the Investment in Housing Innovation and Provincial Investment in Affordable Housing programs.
- An increase of \$44.230M to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.

HPI prior year changes include:

- A decrease of (\$91.910M) to reflect the planned timing of housing initiatives and projects funded through the account. Overall funding commitments remained the same.
- A decrease of (\$100.000M) from one-time funding in *Budget 2022* for the Building BC Community Housing Fund to accelerate delivery of affordable rental housing supply for low- to moderate-income households across the province.
- A decrease of (\$63.088M) from one-time funding in *Budget 2022* to purchase or redevelop permanent housing for individuals housed in temporary leased spaces as part of government's pandemic response.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 14 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE  
INSURANCE AND RISK MANAGEMENT SPECIAL ACCOUNT  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$4.630M, the Insurance and Risk Management special account net budget increased by \$1.228M to \$5.858M.

<b>IRMA (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$4.630	\$4.630
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b>		
Shared Recovery Mandate		0.610
IRMA Staffing Increase		0.618
<b>Budget 2023/24</b>	<b>\$4.630</b>	<b>\$5.858</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$1.228
<b>Percentage changes from prior year plan:</b>		26.5%

IRMA current year changes include:

- An increase of \$0.610M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.
- An increase of \$0.618M for increased staffing to support higher demand for services, and client expansion.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 15 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE  
PROVINCIAL HOME ACQUISITION WIND UP SPECIAL ACCOUNT  
2022/23 vs 2023/24 Budgets**

Compared to its restated 2022/23 budget of \$0.010M, the Provincial Home Acquisition Wind Up special account budget has remained the same for 2023/24.

<b>Provincial Home Acquisition (\$ millions)</b>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	\$0.010	\$0.010
<b>Prior Service Plan changes</b> n/a		
<b>Increases/(Decreases):</b> n/a		
<b>Budget 2023/24</b>	<b>\$0.010</b>	<b>\$0.010</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$0.000
<b>Percentage changes from prior year plan:</b>		0.0%

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 16 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE  
LAND TAX DEFERMENT ACT  
2022/23 vs 2023/24 Budgets**

A budget of \$70.000M was created in *Budget 2023* for the *Land Tax Deferment Act* statutory appropriation.

<i>Land Tax Deferment Act</i>	<b>2022/23 Restated</b>	<b>2023/24</b>
<b>2022/23 Budget (Restated)</b>	-	-
<b>Prior Service Plan changes</b> n/a		-
<b>Increases/(Decreases):</b> <i>Land Tax Deferment Act</i>		70.000
<b>Budget 2023/24</b>	-	<b>\$70.000</b>
<b>Changes from prior year plan increase/(decrease):</b>		\$70.000
<b>Percentage changes from prior year plan:</b>		100.0%

The establishment of the LTDA budget reflects expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 17 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE  
2022/23 vs 2023/24 Budgets by Issue  
(\$ millions)**

	Note	Budget Change
<b>Ministry Operations</b>		
<i><b>Budget 2023 Changes</b></i>		
Shared Recovery Mandate	1	\$20.448
Minister's Office	2	0.053
<i><b>Prior Service Plan changes</b></i>		
Tax Measures	3	(0.639)
Revenue Services	4	0.219
CAS Resourcing	5	(0.072)
Minister's Office	6	0.013
<b>Subtotal Ministry Operations</b>		<b>\$20.022</b>
<b>Statutory Appropriations and Special Accounts</b>		
<i><b>Budget 2023 Changes</b></i>		
Community Housing Fund	7	335.357
Indigenous Housing Fund	8	17.953
Improve Aging Rental Stock	9	82.480
Affordable Rental Acquisition Program	10	1.000
Deepening Affordability	11	30.250
Homelessness Reduction - Modular Housing	12	44.230
Shared Recovery Mandate	1	0.610
IRMA Staffing Increase	13	0.618
<i>Land Tax Deferment Act</i>	14	70.000
<i><b>Prior Service Plan changes</b></i>		
HPI Reprofitting	15	(91.910)
Housing Supply Shortage	16	(100.000)
Permanent Housing Plan	17	(63.088)
<b>Subtotal Statutory Appropriations and Special Accounts</b>		<b>\$327.500</b>
<b>Government Communications and Public Engagement</b>		
<i><b>Budget 2023 Changes</b></i>		
Shared Recovery Mandate	1	1.003
<i><b>Prior Service Plan changes</b></i>		
n/a		
<b>Subtotal Government Communications and Public Engagement</b>		<b>\$1.003</b>
<b>Public Service Agency</b>		
<i><b>Budget 2023 Changes</b></i>		
LTD Spending Plan	18	4.752
Shared Recovery Mandate	1	2.539
CPI Growth Fees on Payroll Contract	19	1.065
<i><b>Prior Service Plan changes</b></i>		
n/a		
<b>Subtotal Public Service Agency</b>		<b>\$8.356</b>
<b>Total Ministry of Finance</b>		<b>\$356.881</b>

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 18 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET

MINISTRY OF FINANCE  
2022/23 vs 2023/24 Budgets by Issue

**Notes**

1. Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
2. Minister's Office – Minister's Office funding increase for resourcing requirements.
3. Tax Measures – a decrease in the administration costs of priority tax measures and pandemic programs.
4. Revenue Services – funding increase for the repatriation and transition of revenue services to the Province.
5. CAS Resourcing – a decrease in the permanent base budget lift to fully fund CAS's existing staffing and operations and the organization's increased scope of work resulting from its initial phase of implementation.
6. Minister's Office – funding provided to support the Minister's Office resourcing requirements.
7. Community Housing Fund – funding to provide additional affordable housing for a mix of low- and moderate-income households.
8. Indigenous Housing Fund – funding to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 19 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET

**MINISTRY OF FINANCE**  
**2022/23 vs 2023/24 Budgets by Issue**

**Notes**

9. Improve Aging Rental Stock – funding to redevelop BC Housing’s existing aging housing units and build additional units of affordable housing.
10. Affordable Rental Acquisition Program – funding to redevelop BC Housing’s existing aging housing units and build additional units of affordable housing.
11. Deepening Affordability – funding for units created under the Investment in Housing Innovation and Provincial Investment in Affordable Housing programs.
12. Homelessness Reduction Measures (Modulars) – funding to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.
13. IRMA Staffing Increase – funding for increased staffing to support higher demand for services, and client expansion.
14. Land Tax Deferral Act – funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferral Act*.
15. HPI Reprofiling – funding decrease to reflect the planned timing of housing initiatives and projects funded through the account. Overall funding commitments remained the same.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 20 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET

MINISTRY OF FINANCE  
2022/23 vs 2023/24 Budgets by Issue

**Notes**

16. Housing Supply Shortage – decrease from one-time funding in *Budget 2022* for the Building BC Community Housing Fund to accelerate delivery of affordable rental housing supply for low- to moderate-income households across the province.
17. Permanent Housing Plan – decrease from one-time funding in *Budget 2022* to purchase or redevelop permanent housing for individuals housed in temporary leased spaces as part of government's pandemic response.
18. LTD Spending Plan – funding for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.
19. CPI Growth Fees on Payroll Contract – funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 21 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**MINISTRY OF FINANCE  
2022/23 vs 2023/24 Budgets by Budget Adjustment**

2022/23 Restated Budget		Prior Year Budget Changes	Budget 2023 Changes										2023/24 Budget		Variance
			Shared Recovery Mandate	Minister's Office Resourcing	HPI Community Housing Fund	HPI Indigenous Housing Fund	HPI Improve Aging Rental Stock	HPI Affordable Rental Acquisition Program	HPI Deepening Affordability	HPI Homelessness Reduction - Modular Housing	IRMA Staffing Increase	Land Tax Deferment Act			
TBS	9.150	-	0.413										9.563	0.413	
OCG	21.799	-	1.102										22.901	1.102	
PT	0.001	-	-										0.001	-	
REV	212.895	(0.474)	9.916										222.337	9.442	
P&L	8.279	-	0.410										8.689	0.410	
AS	0.001	-	-										0.001	-	
PSEC	17.339	-	5.530										22.869	5.530	
CAS	7.034	(0.072)	0.463										7.425	0.391	
MO	0.885	0.013		0.053									0.951	0.066	
Corp Svcs	41.464	0.054	2.614										44.132	2.668	
Min Ops	318.847	(0.479)	20.448	0.053	-	-	-	-	-	-	-	-	338.869	20.022	
HPI	785.738	(254.998)			335.357	17.953	82.480	1.000	30.250	44.230			1,042.010	256.272	
IRMA	4.630	-	0.610								0.618		5.858	1.228	
PHA	0.010	-											0.010	-	
LTDA	-	-										70.000	70.000	70.000	
FIN Total	1,109.225	(255.477)	21.058	0.053	335.357	17.953	82.480	1.000	30.250	44.230	0.618	70.000	1,456.747	347.522	

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 22 of 22

**File Name:** 01\_MO\_CSD - Budget Changes by Core Business 2023/24

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

**ISSUE: CHANGES TO SERVICE PLAN FROM *BUDGET 2022***

**ADVICE AND RECOMMENDED RESPONSE:**

- The Ministry of Finance 2023/24 budget had an overall net increase of \$612.5M compared to the 2023/24 budget in the 2022/23 Service Plan.
- The Ministry Operations Vote increased by \$20.5M for ratified collective agreements under the Shared Recovery Mandate and Minister's Office resourcing requirements.
- The Government Communications and Public Engagement (GCPE) Vote increased by \$1.0M for ratified collective agreements under the Shared Recovery Mandate.
- The BC Public Service Agency Vote increased by \$3.6M as a result of the following:
  - \$2.5M increase for ratified collective agreements under the Shared Recovery Mandate.
  - \$1.1M increase for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- The Housing Priority Initiatives (HPI) Special Account saw a net increase of \$511.3M in 2023/24 due to:

**Contact:** Nicole Wright, ADM & EFO  
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**File Name:** 02\_MO\_CSD - Changes to Service Plan from Budget 2022

**Phone:** 250-216-4760

**Page:** 1 of 4

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

- \$335.4M increase to provide additional affordable housing for a mix of low- and moderate-income households.
- \$18.0M increase to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
- \$82.5M increase to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.
- \$1.0M increase to support non-profit housing organizations to purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
- \$30.30M for units created under the Investment in Housing Innovation and Provincial Investment in Affordable Housing programs.
- \$44.2M increase to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.

**Contact:** Nicole Wright, ADM & EFO  
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**File Name:** 02\_MO\_CSD - Changes to Service Plan from Budget 2022

**Phone:** 250-216-4760

**Page:** 2 of 4

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

- The Insurance and Risk Management Special Account increased by \$1.2M due to:
  - \$0.6M for ratified collective agreements under the Shared Recovery Mandate.
  - \$0.6M for increased staffing to support higher demand for services, and client expansion.
- The Long-Term Disability Fund Special Account increased by \$4.8M for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.
- A \$70M budget was created for the *Land Tax Deferral Act* for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferral Act*.

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**File Name:** 02\_MO\_CSD - Changes to Service Plan from Budget 2022

**Phone:** 250-216-4760

**Page:** 3 of 4

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

## BACKGROUND:

TABLE 1. CHANGES TO THE 2023/24 BUDGET FROM THE 2022/23 SERVICE PLAN

(\$ millions)	2023/24 in 2022/23 Service Plan	2023/24 in 2023/24 Service Plan	Changes to 2023/24
<b>Ministry Operations Budget 2022</b>	<b>318.368</b>	<b>318.368</b>	<b>0.000</b>
Transfer of Columbia River Treaty from FOR		0.000	0.000
<b>Min Ops Budget 2022 with 2022/23 Restated</b>	<b>318.368</b>	<b>318.368</b>	<b>0.000</b>
Sustainable Recovery Mandate		20.448	20.448
Minister's Office		0.053	0.053
<b>Budget 2023 Ministry Operations</b>	<b>318.368</b>	<b>338.869</b>	<b>20.501</b>
<b>Housing Priority Initiatives Special Account Budget 2022</b>	<b>530.740</b>	<b>530.740</b>	<b>0.000</b>
Community Housing Fund		335.357	335.357
Indigenous Housing Fund		17.953	17.953
Improve Aging Rental Stock		82.480	82.480
Affordable Rental Acquisition Program		1.000	1.000
Deepening Affordability		30.250	30.250
Homelessness Reduction - Modular Housing		44.230	44.230
<b>Budget 2023 HPI Special Account</b>	<b>530.740</b>	<b>1042.010</b>	<b>511.270</b>
<b>Insurance and Risk Management Special Account Budget 2022</b>	<b>4.630</b>	<b>4.630</b>	<b>0.000</b>
Sustainable Recovery Mandate		0.610	0.610
Staffing Increases		0.618	0.618
<b>Budget 2023 IRMA Special Account</b>	<b>4.630</b>	<b>5.858</b>	<b>1.228</b>
<b>Provincial Home Acquisition Wind Up Special Account Budget 2022</b>	<b>0.010</b>	<b>0.010</b>	<b>0.000</b>
No changes			0.000
<b>Budget 2023 PHA Special Account</b>	<b>0.010</b>	<b>0.010</b>	<b>0.000</b>
<b>Land Tax Deferment Act Budget 2022</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
Land Tax Deferment Act		70.000	70.000
<b>Budget 2023 Land Tax Deferment Act</b>	<b>0.000</b>	<b>70.000</b>	<b>70.000</b>
<b>Subtotal Ministry of Finance Main 2023/24 Budget</b>	<b>853.748</b>	<b>1456.747</b>	<b>602.999</b>
<b>GCPE Budget 2022</b>	<b>28.338</b>	<b>28.338</b>	<b>0.000</b>
Sustainable Recovery Mandate		1.003	1.003
<b>Budget 2023 GCPE</b>	<b>28.338</b>	<b>29.341</b>	<b>1.003</b>
<b>PSA and Benefits Budget 2022</b>	<b>59.629</b>	<b>59.629</b>	<b>0.000</b>
Transfer of 1 FTE from Health		0.153	0.153
<b>PSA and Benefits Budget 2022 with 2022/23 Restated</b>	<b>59.629</b>	<b>59.782</b>	<b>0.153</b>
Sustainable Recovery Mandate		2.539	2.539
CPI Growth Fees on Payroll Contract		1.065	1.065
<b>Budget 2023 PSA and Benefits</b>	<b>59.629</b>	<b>63.386</b>	<b>3.757</b>
<b>Long Term Disability Fund Special Account Budget 2022</b>	<b>23.985</b>	<b>23.985</b>	<b>0.000</b>
LTD Spending Plan		4.752	4.752
<b>Budget 2023 LTD Fund Special Account</b>	<b>23.985</b>	<b>28.737</b>	<b>4.752</b>
<b>Total Budget 2023</b>	<b>965.700</b>	<b>1578.211</b>	<b>612.511</b>

**Contact:** Nicole Wright, ADM & EFO

**Division:** Corporate Services Division

**File Name:** 02\_MO\_CSD - Changes to Service Plan from Budget 2022

**Phone:** 250-216-4760

**Page:** 4 of 4

MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE

**ISSUE: CHANGES TO *BUDGET 2023* FROM *BUDGET 2022***

**ADVICE AND RECOMMENDED RESPONSE:**

- The Ministry of Finance 2023/24 budget had an overall net increase of \$356.9M compared to the restated 2022/23 budget.  
(See Background-Table 1. Restated 2022/23 to 2023/24 Budget Changes pg. 5)
- The Ministry Operations Vote increased by \$20.0M as a result of the following:
  - \$20.5M increase for ratified collective agreements under the Shared Recovery Mandate and Minister's Office resourcing requirements.
  - (\$0.5M) decrease in previous service plan changes including:
    - (\$0.4M) net decrease for the administration of priority tax measures and pandemic programs, and revenue services.
    - (\$0.1M) net decrease for the Crown Agencies Secretariat and Minister's Office.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 1 of 5

**File Name:** 03\_MO\_CSD - Changes to *Budget 2023* from *Budget 2022*

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

- The Government Communications and Public Engagement (GCPE) Vote increased by \$1.0M for ratified collective agreements under the Shared Recovery Mandate.
- The BC Public Service Agency Vote increased by \$3.6M as a result of the following:
  - \$2.5M increase for ratified collective agreements under the Shared Recovery Mandate.
  - \$1.1M increase for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- Compared to the 2022/23 restated budget, the Housing Priority Initiatives (HPI) Special Account saw a net increase of \$256.3M in 2023/24 due to:
  - \$335.357M increase to provide additional affordable housing for a mix of low- and moderate-income households.
  - \$17.953M increase to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
  - \$82.480M increase to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 2 of 5

**File Name:** 03\_MO\_CSD - Changes to *Budget 2023* from *Budget 2022*

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

- \$1.000M increase to support non-profit housing organizations to purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
- \$30.250M for units created under the Investment in Housing Innovation and Provincial Investment in Affordable Housing programs.
- \$44.230M increase to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.
- (\$255.0M) decrease in previous service plan changes including:
  - (\$91.9M) decrease to reflect the planned timing of housing initiatives and projects funded through the account. Overall funding commitments remained the same.
  - (\$100.0M) decrease from one-time funding in *Budget 2022* for the Building BC Community Housing Fund to accelerate delivery of affordable rental housing supply for low- to moderate-income households across the province, and

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 3 of 5

**File Name:** 03\_MO\_CSD - Changes to *Budget 2023* from *Budget 2022*

MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE

- (\$63.1M) decrease from one-time funding in *Budget 2022* to purchase or redevelop permanent housing for individuals housed in temporary leased spaces as part of government's pandemic response.
- The Insurance and Risk Management Account Special Account increased by \$1.2M due to:
  - \$0.6M for ratified collective agreements under the Shared Recovery Mandate,
  - \$0.6M for increased staffing to support higher demand for services, and client expansion.
- The Long Term Disability Fund Special Account increased by \$4.8M for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.
- A \$70M budget was created for the *Land Tax Deferment Act* for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

**Contact:** Nicole Wright

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**Division:** Corporate Services Division

**Page:** 4 of 5

**File Name:** 03\_MO\_CSD - Changes to *Budget 2023* from *Budget 2022*

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

Table 1. Restated 2022/23 to 2023/24 Budget changes

(\$ millions)	2022/23 (Restated)	2023/24	Changes 2022/23 to 2023/24
<b>Ministry Operations Budget 2022</b>	<b>318.847</b>	<b>318.368</b>	<b>(0.479)</b>
Transfer of Columbia River Treaty from FOR		0.000	0.000
<b>Min Ops Budget 2022 with 2022/23 Restated</b>	<b>318.847</b>	<b>318.368</b>	<b>(0.479)</b>
Sustainable Recovery Mandate		20.448	20.448
Minister's Office		0.053	0.053
<b>Budget 2023 Ministry Operations</b>	<b>318.847</b>	<b>338.869</b>	<b>20.022</b>
<b>Housing Priority Initiatives Special Account Budget 2022</b>	<b>785.738</b>	<b>530.740</b>	<b>(254.998)</b>
Community Housing Fund		335.357	335.357
Indigenous Housing Fund		17.953	17.953
Improve Aging Rental Stock		82.480	82.480
Affordable Rental Acquisition Program		1.000	1.000
Deepening Affordability		30.250	30.250
Homelessness Reduction - Modular Housing		44.230	44.230
<b>Budget 2023 HPI Special Account</b>	<b>785.738</b>	<b>1042.010</b>	<b>256.272</b>
<b>Insurance and Risk Management Special Account Budget 2022</b>	<b>4.630</b>	<b>4.630</b>	<b>0.000</b>
Sustainable Recovery Mandate		0.610	0.610
Staffing Increases		0.618	0.618
<b>Budget 2023 IRMA Special Account</b>	<b>4.630</b>	<b>5.858</b>	<b>1.228</b>
<b>Provincial Home Acquisition Wind Up Special Account Budget 2022</b>	<b>0.010</b>	<b>0.010</b>	<b>0.000</b>
No changes			0.000
<b>Budget 2023 PHA Special Account</b>	<b>0.010</b>	<b>0.010</b>	<b>0.000</b>
<b>Land Tax Deferment Act Budget 2022</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
Land Tax Deferment Act		70.000	70.000
<b>Budget 2023 Land Tax Deferment Act</b>	<b>0.000</b>	<b>70.000</b>	<b>70.000</b>
<b>Subtotal Ministry of Finance Main Budget 2023</b>	<b>1109.225</b>	<b>1456.747</b>	<b>347.522</b>
<b>GCPE Budget 2022</b>	<b>28.338</b>	<b>28.338</b>	<b>0.000</b>
Sustainable Recovery Mandate		1.003	1.003
<b>Budget 2023 GCPE</b>	<b>28.338</b>	<b>29.341</b>	<b>1.003</b>
<b>PSA and Benefits Budget 2022</b>	<b>59.629</b>	<b>59.629</b>	<b>0.000</b>
Transfer of 1 FTE from Health	0.153	0.153	0.000
<b>PSA and Benefits Budget 2022 with 2022/23 Restated</b>	<b>59.782</b>	<b>59.782</b>	<b>0.000</b>
Sustainable Recovery Mandate		2.539	2.539
CPI Growth Fees on Payroll Contract		1.065	1.065
<b>Budget 2023 PSA and Benefits</b>	<b>59.782</b>	<b>63.386</b>	<b>3.604</b>
<b>Long Term Disability Fund Special Account Budget 2022</b>	<b>23.985</b>	<b>23.985</b>	<b>0.000</b>
LTD Spending Plan		4.752	4.752
<b>Budget 2023 LTD Fund Special Account</b>	<b>23.985</b>	<b>28.737</b>	<b>4.752</b>
<b>Total Budget 2023</b>	<b>1221.330</b>	<b>1578.211</b>	<b>356.881</b>

**Contact:** Nicole Wright**Phone:** 778 698-7768**Division:** Corporate Services Division**Page:** 5 of 5**File Name:** 03\_MO\_CSD - Changes to Budget 2023 from Budget 2022

MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE

**ISSUE: 3 YEAR CHANGES TO BUDGET FROM *BUDGET 2022***

**ADVICE AND RECOMMENDED RESPONSE:**

In *Budget 2023*, the following adjustments to the Ministry of Finance three-year budget resulted in an overall net increase of \$1.554B from *Budget 2022*

- The Ministry Operations Vote increased by \$65.8M over the three-year budget plan.
- The Government Communications and Public Engagement (GCPE) Vote increased by \$3.1M over the three-year budget plan.
- The BC Public Service Agency Vote increased by \$11.4M over the three-year budget plan.
- The Housing Priority Initiatives (HPI) Special Account saw a net increase of \$1.213B over the three-year budget plan.
- The Insurance and Risk Management Special Account increased by \$3.9M over the three-year budget plan.
- The Long Term Disability Fund Special Account increased by \$14.3M over the three-year budget plan.
- A \$70M budget was created for the *Land Tax Deferral Act* for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferral Act*.

**Contact:** Nicole Wright, ADM & EFO

**Division:** Corporate Services Division

**File Name:** 04\_MO\_CSD - 3 year Changes to Budget from Budget 2022

**Phone:** 250-216-4760

**Page:** 1 of 4

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- Ministry Operations: \$65.8M over the fiscal plan for Shared Recovery Mandate and Minister Office resourcing.
- GCPE: \$3.1M over the fiscal plan for Shared Recovery Mandate.
- BC Public Service Agency: \$8.2M and \$3.2M over the fiscal plan for Shared Recovery Mandate and contractual requirement under the Telus payroll contract.
- Housing Priority Initiative:
  - \$696.155M increase to provide additional affordable housing for a mix of low- and moderate-income households.
  - \$244.306M increase to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
  - \$193.117M increase to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.
  - \$5.000M increase to support non-profit housing organizations purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
  - \$30.250M increase for units created under the Investment in Housing Innovation and Provincial Investment in Affordable Housing programs.
  - \$44.230M increase to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.

**Contact:** Nicole Wright, ADM & EFO

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**Division:** Corporate Services Division

**Page:** 2 of 4

**File Name:** 04\_MO\_CSD - 3 year Changes to Budget from Budget 2022

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

- Insurance and Risk Management Special Account: \$2.1M and \$1.8M over the fiscal plan for Shared Recovery Mandate and increase staffing to support higher demand for services and client expansion.
- Long-Term Disability Fund: \$14.3M over the fiscal plan for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.

**Contact:** Nicole Wright, ADM & EFO

**Division:** Corporate Services Division

**File Name:** 04\_MO\_CSD - 3 year Changes to Budget from Budget 2022

**Phone:** 250-216-4760

**Page:** 3 of 4

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

## BACKGROUND:

TABLE 1. BUDGET 2023 SUMMARY OF CHANGES

(\$ millions)	2022/23	2022/23 (Restated)	2023/24	2024/25	2025/26	Changes 2023/24 to 2025/26
<b>Ministry Operations Budget 2022</b>	<b>318.847</b>	<b>318.847</b>	<b>318.368</b>	<b>318.277</b>	<b>318.277</b>	
Transfer of Columbia River Treaty from FOR		0.000	0.000	0.000	0.000	
<b>Min Ops Budget 2022 with 2022/23 Restated</b>	<b>318.847</b>	<b>318.847</b>	<b>318.368</b>	<b>318.277</b>	<b>318.277</b>	
Sustainable Recovery Mandate			20.448	22.573	22.573	65.594
Minister's Office			0.053	0.053	0.053	0.159
<b>Budget 2023 Ministry Operations</b>	<b>318.847</b>	<b>318.847</b>	<b>338.869</b>	<b>340.903</b>	<b>340.903</b>	<b>65.753</b>
<b>GCPE Budget 2022</b>	<b>28.338</b>	<b>28.338</b>	<b>28.338</b>	<b>28.338</b>	<b>28.338</b>	
Sustainable Recovery Mandate			1.003	1.025	1.025	3.053
<b>Budget 2023 GCPE</b>	<b>28.338</b>	<b>28.338</b>	<b>29.341</b>	<b>29.363</b>	<b>29.363</b>	<b>3.053</b>
<b>Statutory Appropriations and Special Accounts Budget 2022</b>	<b>814.363</b>	<b>814.363</b>	<b>559.365</b>	<b>566.669</b>	<b>566.669</b>	
<b>Housing Priority Initiatives Special Account Budget 2022</b>	<b>785.738</b>	<b>785.738</b>	<b>530.740</b>	<b>538.044</b>	<b>538.044</b>	
Community Housing Fund			335.357	176.242	184.556	696.155
Indigenous Housing Fund			17.953	154.011	72.342	244.306
Improve Aging Rental Stock			82.480	81.721	28.916	193.117
Affordable Rental Acquisition Program			1.000	2.000	2.000	5.000
Deepening Affordability			30.250	-	-	30.250
Homelessness Reduction - Modular Housing			44.230	-	-	44.230
<b>Budget 2023 HPI Special Account</b>	<b>785.738</b>	<b>785.738</b>	<b>1042.010</b>	<b>952.018</b>	<b>825.858</b>	<b>1213.058</b>
<b>Insurance and Risk Management Special Account Budget 2022</b>	<b>4.630</b>	<b>4.630</b>	<b>4.630</b>	<b>4.630</b>	<b>4.630</b>	
Sustainable Recovery Mandate			0.610	0.724	0.724	2.058
Staffing Increases			0.618	0.618	0.618	1.854
<b>Budget 2023 IRMA Special Account</b>	<b>4.630</b>	<b>4.630</b>	<b>5.858</b>	<b>5.972</b>	<b>5.972</b>	<b>3.912</b>
<b>Long Term Disability Fund Special Account Budget 2022</b>	<b>23.985</b>	<b>23.985</b>	<b>23.985</b>	<b>23.985</b>	<b>23.985</b>	
LTD Spending Plan			4.752	4.752	4.752	14.256
<b>Budget 2023 LTD Fund Special Account</b>	<b>23.985</b>	<b>23.985</b>	<b>28.737</b>	<b>28.737</b>	<b>28.737</b>	<b>14.256</b>
Provincial Home Acquisition Wind Up (no changes)	0.010	0.010	0.010	0.010	0.010	
<b>Land Tax Deferment Act Budget 2022</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	
Land Tax Deferment Act			70.000	81.000	92.000	243.000
<b>Budget 2023 Land Tax Deferment Act</b>	<b>0.000</b>	<b>0.000</b>	<b>70.000</b>	<b>81.000</b>	<b>92.000</b>	<b>243.000</b>
<b>Budget 2023 Special Accounts</b>	<b>814.363</b>	<b>814.363</b>	<b>1146.615</b>	<b>1067.737</b>	<b>952.577</b>	<b>1474.226</b>
<b>PSA and Benefits Budget 2022</b>	<b>59.629</b>	<b>59.629</b>	<b>59.629</b>	<b>59.629</b>	<b>59.629</b>	
Transfer of 1 FTE from Health		0.153	0.153	0.153	0.153	
<b>PSA and Benefits Budget 2022 with 2022/23 Restated</b>	<b>59.629</b>	<b>59.782</b>	<b>59.782</b>	<b>59.782</b>	<b>59.782</b>	
Sustainable Recovery Mandate			2.539	2.834	2.834	8.207
CPI Growth Fees on Payroll Contract			1.065	1.065	1.065	3.195
<b>Budget 2023 PSA and Benefits</b>	<b>59.629</b>	<b>59.782</b>	<b>63.386</b>	<b>63.681</b>	<b>63.681</b>	<b>11.402</b>
<b>Total Budget 2023</b>	<b>1221.177</b>	<b>1221.330</b>	<b>1578.211</b>	<b>1501.684</b>	<b>1386.524</b>	<b>1554.434</b>

**Contact:** Nicole Wright, ADM & EFO

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**Division:** Corporate Services Division

**Page:** 4 of 4

**File Name:** 04\_MO\_CSD - 3 year Changes to Budget from Budget 2022

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

## ESTIMATES SUMMARY 2023/24 BY VOTE

### Vote 26 Ministry Operations (\$ millions):

		<b>2023/24 Budget</b>
2022/23 Budget from <i>Budget 2022</i>		\$318.847
Transfer of Columbia River Treaty from FOR		-
<b>2022/23 Budget from <i>Budget 2022</i> Restated</b>		<b>318.847</b>
Previous Service Plan Budget Changes		
Tax Measures	(0.639)	
Revenue Services	0.219	
CAS Resourcing	(0.072)	
Minister's Office	0.013	(0.479)
New Changes:		
Shared Recovery Mandate	20.448	
Minister's Office	0.053	20.501
<b>2023/24 Budget</b>		<b>\$338.869</b>
<b>Total Changes from 2022/23 Restated to 2023/24:</b>		<b>\$20.022</b>

Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- Minister's Office – Minister's Office funding increase for resourcing requirements.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 1 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

Previous service plan budget changes include:

- (\$0.639M) decrease in administration costs for priority tax measures and pandemic programs.
- \$0.219M Revenue Services funding increase for the repatriation and transition of revenue services to the province.
- (\$0.072M) decrease in the permanent base budget lift to fund CAS's existing staffing, operations and increased scope of work resulting from its initial implementation.
- \$0.013M for the Minister's Office resourcing requirements.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 2 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**Vote 27 Government Communications and Public Engagement**

(\$ millions):

	<b>2023/24 Budget</b>
2022/23 Budget from <i>Budget 2022</i>	\$28.338
Previous Service Plan Budget Changes - none	-
New Changes:	
Shared Recovery Mandate	1.003
<b>2023/24 Budget</b>	<b>\$29.341</b>
<b>Total Changes from 2022/23 Restated to 2023/24:</b>	<b>\$1.003</b>

Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.

No previous service plan budget changes.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 3 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**Vote 28 BC Public Service Agency and Vote 29 Benefits (\$ millions):**

	<b>2023/24 Budget</b>
2022/23 Budget from <i>Budget 2022</i>	\$59.629
Transfer of 1 FTE from Health	0.153
<b>2022/23 Budget from <i>Budget 2022</i> Restated</b>	<b>59.782</b>
Previous Service Plan Budget Changes - none	-
New Changes:	
Shared Recovery Mandate	2.539
CPI Growth Fees on Payroll Contract	1.065
	3.604
<b>2023/24 Budget</b>	<b>\$63.386</b>
<b>Total Changes from 2022/23 Restated to 2023/24:</b>	<b>\$3.604</b>

Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- CPI Growth Fees on Payroll Contract – funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.

No previous service plan budget changes.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 4 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**Housing Priority Initiatives Special Account (\$ millions):**

		<b>2023/24 Budget</b>
2022/23 Budget from <i>Budget 2022</i>		\$785.738
Previous Service Plan Budget Changes		
HPI Reprofitting	(91.910)	
Housing Supply Shortage	(100.000)	
Permanent Housing Plan	(63.088)	(254.998)
New Changes:		
Community Housing Fund	335.357	
Indigenous Housing Fund	17.953	
Improve Aging Rental Stock	82.480	
Affordable Rental Acquisition Program	1.000	
Deepening Affordability	30.250	
Homelessness Reduction - Modular Housing	44.230	511.270
<b>2023/24 Budget</b>		<b>\$1,042.010</b>
<b>Total Changes from 2022/23 Restated to 2023/24:</b>		<b>\$256.272</b>

Current service plan changes include:

- Community Housing Fund – funding to provide additional affordable housing for a mix of low- and moderate-income households.
- Indigenous Housing Fund – funding to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
- Improve Aging Rental Stock – funding to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 5 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

- Affordable Rental Acquisition Program – funding to support non-profit housing organizations purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
- Deepening Affordability – funding for units created under the Investment in Housing Innovation and Provincial Investment in Affordable Housing programs.
- Homelessness Reduction – Modular Housing – funding to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.

Previous service plan budget changes include:

- (\$91.910M) decrease from Budget 2021 to reflect the planned timing of housing initiatives and projects funded through the account. Overall funding commitments remained the same.
- (\$100.000M) decrease from one-time funding in Budget 2022 for the Building BC Community Housing Fund to accelerate delivery of affordable rental housing supply for low- to moderate-income households across the province.
- (\$63.088M) decrease from one-time funding in Budget 2022 to purchase or redevelop permanent housing for individuals housed in temporary leased spaces as part of government's pandemic response.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 6 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**Insurance and Risk Management Account (\$ millions):**

	<b>2023/24 Budget</b>
2022/23 Budget from <i>Budget 2022</i>	\$4.630
Previous Service Plan Budget Changes - none	-
New Changes:	
Shared Recovery Mandate	0.610
IRMA Staffing Increase	0.618
	1.228
<b>2023/24 Budget</b>	<b>\$5.858</b>
<b>Total Changes from 2022/23 Restated to 2023/24:</b>	<b>\$1.228</b>

Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- IRMA Staffing Increase – funding for increased staffing to support higher demand for services, and client expansion.

No previous service plan budget changes

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 7 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**Long Term Disability Fund (\$ millions):**

	<b>2023/24 Budget</b>
2022/23 Budget from <i>Budget 2022</i>	\$23.985
Previous Service Plan Budget Changes	-
New Changes:	
Long Term Disability Fund Spending Plan	4.752
<b>2023/24 Budget</b>	<b>\$28.737</b>
<b>Total Changes from 2022/23 Restated to 2023/24:</b>	<b>\$4.752</b>

Current service plan changes include:

- Long Term Disability Fund Spending Plan – funding for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.

No previous service plan budget changes

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 8 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

***Land Tax Deferment Act*** (\$ millions):

	<b>2023/24 Budget</b>
2022/23 Budget from <i>Budget 2022</i>	-
Previous Service Plan Budget Changes	-
New Changes:	
<i>Land Tax Deferment Act</i>	70.000
<b>2023/24 Budget</b>	<b>\$70.000</b>
<b>Total Changes from 2022/23 Restated to 2023/24:</b>	<b>\$70.000</b>

Current service plan changes include:

- Land Tax Deferment Act – funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

No previous service plan budget changes

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 9 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**2022/23 to 2023/24 Budget Changes - All Votes (\$ millions):**

		<b>2023/24 Budget</b>
<hr/>		
<b>2022/23 Budget from <i>Budget 2022</i></b>		<b>\$1,221.177</b>
Transfer of Columbia River Treaty from FOR		-
Transfer of 1 FTE from Health		0.153
<b>2022/23 Budget from <i>Budget 2022</i> Restated</b>		<b>1,221.330</b>
Previous Service Plan Budget Changes		
Tax Measures	(0.639)	
Revenue Services	0.219	
CAS Resourcing	(0.072)	
Minister's Office	0.013	
HPI Reprofiting	(91.910)	
Housing Supply Shortage	(100.000)	
Permanent Housing Plan	(63.088)	(255.477)
New Changes:		
Shared Recovery Mandate	24.600	
Minister's Office	0.053	
CPI Growth Fees on Payroll Contract	1.065	
Community Housing Fund	335.357	
Indigenous Housing Fund	17.953	
Improve Aging Rental Stock	82.480	
Affordable Rental Acquisition Program	1.000	
Deepening Affordability	30.250	
Homelessness Reduction - Modular Housing	44.230	
IRMA Staffing Increase	0.618	
Long Term Disability Fund Spending Plan	4.752	
<i>Land Tax Deferral Act</i>	70.000	612.358
<b>2023/24 Budget</b>		<b>\$1,578.211</b>
<hr/>		
<b>Total Changes from 2022/23 Restated to 2023/24:</b>		<b>\$356.881</b>

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 10 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- Minister's Office – Minister's Office funding increase for resourcing requirements.
- CPI Growth Fees on Payroll Contract – Funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- Community Housing Fund – funding to provide additional affordable housing for a mix of low- and moderate-income households.
- Indigenous Housing Fund – funding to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
- Improve Aging Rental Stock – funding to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.
- Affordable Rental Acquisition Program – funding to support non-profit housing organizations purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
- Deepening Affordability – funding for units created under the Investment in Housing Innovation and Provincial Investment in Affordable Housing programs.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 11 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

- Homelessness Reduction – Modular Housing – funding to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.
- IRMA Staffing Increase – funding for increased staffing to support higher demand for services, and client expansion.
- Long Term Disability Fund Spending Plan – funding for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.
- Land Tax Deferment Act – funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

Previous service plan budget changes include:

- (\$0.639M) decrease in administration costs for priority tax measures and pandemic programs.
- \$0.219M Revenue Services funding increase for the repatriation and transition of revenue services to the province.
- (\$0.072M) decrease in the permanent base budget lift to fully fund CAS's existing staffing and operations and the organization's increased scope of work resulting from its initial phase of implementation.
- \$0.013M for the Minister's Office resourcing requirements.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 12 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

- (\$91.910M) decrease from Budget 2021 to reflect the planned timing of housing initiatives and projects funded through the account.
- (\$100.000M) decrease from one-time funding in Budget 2022 for the Building BC Community Housing Fund to accelerate delivery of affordable rental housing supply for low- to moderate-income households across the province.
- (\$63.088M) decrease from one-time funding in *Budget 2022* to purchase or redevelop permanent housing for individuals housed in temporary leased spaces as part of government's pandemic response.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 13 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**2023/24 to 2024/25 Budget Changes - All Votes (\$ millions):**

		<b>2024/25 Budget</b>
<b>2023/24 Budget from <i>Budget 2022</i></b>		<b>\$965.700</b>
Transfer of Columbia River Treaty from FOR		-
Transfer of 1 FTE from Health		0.153
<b>2023/24 Budget from <i>Budget 2022</i> Restated</b>		<b>965.853</b>
Previous Service Plan Budget Changes		
Housing Supply Shortage	7.304	
Revenue Services	(0.091)	7.213
New Changes:		
Shared Recovery Mandate	27.156	
Minister's Office	0.053	
CPI Growth Fees on Payroll Contract	1.065	
Community Housing Fund	176.242	
Indigenous Housing Fund	154.011	
Improve Aging Rental Stock	81.721	
Affordable Rental Acquisition Program	2.000	
IRMA Staffing Increase	0.618	
Long Term Disability Fund Spending Plan	4.752	
<i>Land Tax Deferral Act</i>	81.000	528.618
<b>2024/25 Budget</b>		<b>\$1,501.684</b>
<b>Total Changes from 2023/24 Restated to 2024/25:</b>		<b>\$535.831</b>

Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 14 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

- Minister's Office – Minister's Office funding increase for resourcing requirements.
- CPI Growth Fees on Payroll Contract – Funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- Community Housing Fund – funding to provide additional affordable housing for a mix of low- and moderate-income households.
- Indigenous Housing Fund – funding to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
- Improve Aging Rental Stock – funding to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.
- Affordable Rental Acquisition Program – funding to support non-profit housing organizations purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
- IRMA Staffing Increase – funding for increased staffing to support higher demand for services, and client expansion.
- Long Term Disability Fund Spending Plan – funding for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 15 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

- Land Tax Deferment Act – funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

Previous service plan budget changes include:

- \$7.304M for the Building BC Community Housing Fund to accelerate delivery of affordable rental housing supply for low- to moderate-income households across the province.
- (\$0.091M) decrease in costs for repatriation and transition of revenue services to the Province.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 16 of 18

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

**2024/25 to 2025/26 Budget Changes - All Votes (\$ millions):**

	<b>2025/26 Budget</b>
<b>2024/25 Budget from <i>Budget 2022</i></b>	<b>\$972.913</b>
Transfer of Columbia River Treaty from FOR	-
Transfer of 1 FTE from Health	0.153
<b>2024/25 Budget from <i>Budget 2022</i> Restated</b>	<b>973.066</b>
Previous Service Plan Budget Changes	-
New Changes:	
Shared Recovery Mandate	27.156
Minister's Office	0.053
CPI Growth Fees on Payroll Contract	1.065
Community Housing Fund	184.556
Indigenous Housing Fund	72.342
Improve Aging Rental Stock	28.916
Affordable Rental Acquisition Program	2.000
IRMA Staffing Increase	0.618
Long Term Disability Fund Spending Plan	4.752
<i>Land Tax Deferral Act</i>	92.000
	413.458
<b>2024/25 Budget</b>	<b>\$1,386.524</b>
<b>Total Changes from 2024/25 Restated to 2025/26:</b>	<b>\$413.458</b>

Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- Minister's Office – Minister's Office funding increase for resourcing requirements.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division

**Phone:** 250-216-4760  
**Page:** 17 of 18

**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
FACT SHEET**

- CPI Growth Fees on Payroll Contract – Funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- Community Housing Fund – funding to provide additional affordable housing for a mix of low- and moderate-income households.
- Indigenous Housing Fund – funding to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
- Improve Aging Rental Stock – funding to redevelop BC Housing's existing aging housing units and build additional units of affordable housing.
- Affordable Rental Acquisition Program – funding to support non-profit housing organizations purchase affordable residential rental buildings and ownership co-operatives to preserve lower-cost rental units at risk of redevelopment.
- IRMA Staffing Increase – funding for increased staffing to support higher demand for services, and client expansion.
- Long Term Disability Fund Spending Plan – funding for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.
- Land Tax Deferral Act – funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferral Act*.

**Contact:** Nicole Wright, ADM & EFO  
**Division:** Corporate Services Division  
**File Name:** 05\_MO\_CSD - Estimates Summary 2023-24 by Vote

**Phone:** 250-216-4760  
**Page:** 18 of 18



December 7, 2022

Honourable Katrine Conroy  
Minister of Finance and Minister responsible for the  
Columbia Basin Trust, Columbia Power Corporation,  
and the Columbia River Treaty  
Parliament Buildings  
Victoria, BC V8V 1X4

Dear Minister Finance:

Thank you for agreeing to serve as Minister of Finance and Minister responsible for the Columbia Basin Trust, Columbia Power Corporation, and the Columbia River Treaty. I trust in your leadership at this critical time to deliver results for the people of British Columbia.

British Columbians continue to recover from and respond to the upheaval caused by the COVID-19 pandemic and climate related natural disasters, while global inflation is driving up costs for more households and the world's economic outlook is concerning. Now more than ever, we need to focus on building a secure, low emission, sustainable economy, and a province where everyone can find a good home – whether you live in a rural area, in a city, or in an Indigenous community. We will continue working toward true and meaningful reconciliation by supporting opportunities for Indigenous Peoples to be full partners in the inclusive and sustainable province we are building together.

Our government is committed to delivering on the mandate British Columbians gave us in 2020. Together we can make life better for people in B.C., improve the services we all rely on, and ensure a sustainable province for future generations.

As we renew our work, my priority as Premier is to deliver results that people can see and feel in four key areas:

- **Attainable and affordable housing:** In the wake of soaring prices and record migration to B.C., we will take on the important work of building new homes that are actually attainable for the middle class, while continuing our work to address the housing crisis for those in distress on our streets.

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**Office of the  
Premier**

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Victoria BC V8W 9E1

**Location:**  
Parliament Buildings  
Victoria

- **Safer communities:** To address concerns about public safety, both for the people struggling with mental health and addiction on our streets, as well as the feeling that downtown centres are not as safe as they were before the pandemic, we will work with our partners at all levels of government, the justice and health care systems, the non-profit sector, and community leaders to find solutions for this complex challenge facing our province, and work overtime to seize the assets of high-level criminals.
- **Improved health care:** Amid unprecedented pressures we will continue to work to strengthen our public health care system, from family doctors to new hospitals, so care is there for each of us when we need it.
- **A sustainable, clean, secure, and fair economy:** We will continue our work investing in British Columbians, fighting racism and promoting equity, and building a clean economy that addresses our obligations to combat climate change by driving down emissions, while creating good, family supporting jobs.

Our government provided strong leadership in pandemic response and recovery, resulting in one of the fastest recoveries of any province coming out of the pandemic. This growth demonstrates the value of our approaches to supporting public health officials and investing in people. But the tests of our efforts to build a sustainable economy that works for everyone are not done.

Global inflationary pressures are impacting British Columbians at the checkout of the grocery store, buying essentials for kids, and in costs of housing and transportation. In addition, the decisions of central banks around the world calculated to create strong economic headwinds are pressures we need to continue to prepare for. We must provide a secure, stable economy for British Columbians through this turbulent time around the world.

Because of our work to date, record numbers of people are choosing to move to our province. We set a record for the number of people moving here from other countries and provinces last year, and this year's numbers are expected to be similar. It's good news, but it also means that fast growing communities are seeing pressures in essential services, infrastructure, and amenities like schools, health care, hospitals, roads, transit, and parks.

Because of careful economic management and our focus on people as the source of growth in our economy, we are currently receiving dividends that can be directed back into infrastructure and supports for communities, businesses, industry, families, seniors, and all British Columbians. We must invest in our people and our future. These investments must be targeted to reinforce the positive economic trends we're seeing as we build a strong, secure, and sustainable economy for all, ensuring that British Columbia is a province where everyone can build a good home for themselves and their families.

Since 2020, our government has made considerable progress on important initiatives including:

- Supporting British Columbians through the COVID-19 pandemic and ensuing global inflation challenges, including providing relief through the Recovery Benefit in 2021 and increases to the Climate Action Tax Credit, BC Affordability Credit, and the B.C. Family Benefit this year, while continuing to deliver responsible fiscal management.
- Delivering a record level of capital investment, including new schools, hospitals, child care spaces, roads, transit, and housing in communities across B.C.
- Providing a new tool for municipalities to offer tax relief to small businesses with triple-net leases.
- Expanding the Speculation and Vacancy Tax to new communities to deliver more homes for people.
- Taking significant action to address money laundering.

As you continue to make progress on items in the previous mandate letter, over the remaining period of this mandate I expect you to prioritize making progress on the following:

A more fair province:

- Explore additional ways to fight speculation and deliver more homes, including possible strengthening of the Speculation and Vacancy Tax and an effective flipping tax that fights increased costs due to short-term flipping by investors.
- Take action on unexplained wealth orders to target proceeds of crime from high-level organized criminals.
- Explore options and deliver solutions to close loopholes and take enforcement actions against those who are avoiding taxes and driving up the prices of real estate, including closing bare trust loopholes and strengthening the beneficial ownership registry.

A more secure province:

- Continue to deliver cost of living supports for British Columbians in response to global inflation and economic uncertainty.

.../4

- With support from the Minister of Housing, establish a Rental Housing Acquisition Fund to support non-profits to purchase affordable rental buildings for sale and protect renters from being displaced from their homes by big corporations.
- With support from the Minister of Environment and Climate Change Strategy, chart a path that aligns with the federal carbon price, including measures to support families, small businesses, and industry in BC to make the transition to a clean economy while ensuring no one gets left behind.
- Work to deliver the renters' rebate to help bring down costs for renters who need it most.

A stronger province:

- Work with the Minister of Municipal Affairs to identify effective measures to support fast growing communities.
- Work with the Minister of Jobs, Economic Development and Innovation to advance and support business innovation, exports, and transition across the province.
- Work with the Parliamentary Secretary for Rural Development to support economic opportunities in rural, regional, and remote communities.

To assist you in meeting the commitments we have made to British Columbians, you are assigned a Parliamentary Secretary for Gender Equity. You will work closely together and ensure your Parliamentary Secretary receives appropriate support to deliver on the priorities outlined in the mandate letter issued to them.

Our work together must continue to evolve to meet the changing needs of people in this province. Issues not contemplated by this letter will come forward for government action and I ask you to bring such matters forward for consideration by the Planning and Priorities Committee of Cabinet, with the expectation that any proposed initiatives will be subject to the usual Cabinet and Treasury Board oversight and include measurable outcomes for British Columbians. Your ministry's priorities must reflect our government's overall strategic plan as determined by Cabinet.

British Columbians expect their elected representatives to work together to advance the public good. That means seeking out, fostering, and championing good ideas regardless of their origin. I expect you to reach out to elected members from all parties as you deliver on your mandate. Further, you will build thoughtful and sustained relationships both with

.../5

title holders and through public and stakeholder engagement plans that incorporate diverse perspectives early in the policy development process. Federal partnerships and resources will be particularly important and, on behalf of our government, you will engage with the federal government on advancing priorities to improve the lives of British Columbians.

As a Cabinet, we will uphold the highest standards of ethics, collaboration, and good conduct in service of the public, and as a Minister of the Crown, you are expected to review, understand, and act according to the *Members' Conflict of Interest Act*. You will establish a collaborative working relationship with your Deputy Minister, and the public servants under their direction, who provide the professional, non-partisan advice that is fundamental to delivering on our government's priorities. Your Minister's Office must meet the highest standards for integrity and provide a respectful, rewarding environment for all staff.

The rural and urban challenges that we face are urgent and complex. In response, we must be forward-thinking, strategic, and ready to work across disciplines and old divisions in new ways. Labour shortages are a major issue globally, and British Columbia is no exception, including in the public service. Maintaining the BC Public Service as an employer of excellence will be key to retaining and recruiting the diverse professionals we rely on to deliver essential services, advice, and analysis.

At the core of this work is listening and responding to the priorities of people in B.C. Together, we can deliver results in very real ways – ways that people can see, feel, and touch, and that change their lives for the better. Thank you for doing this important work with me.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Eby', with a long, sweeping horizontal line extending to the right.

David Eby, KC  
Premier



December 7, 2022

Kelli Paddon, MLA  
Parliamentary Secretary for Gender Equity  
Parliament Buildings  
Victoria, BC V8V 1X4

Dear Parliamentary Secretary Paddon:

Thank you for agreeing to continue to serve as Parliamentary Secretary for Gender Equity. I trust in your leadership at this critical time to deliver results for the people of British Columbia.

British Columbians continue to recover from and respond to the upheaval caused by the COVID-19 pandemic and climate related natural disasters, while global inflation is driving up costs for more households and the world's economic outlook is concerning. Now more than ever, we need to focus on building a secure, low emission, sustainable economy, and a province where everyone can find a good home – whether you live in a rural area, in a city, or in an Indigenous community. We will continue working toward true and meaningful reconciliation by supporting opportunities for Indigenous Peoples to be full partners in the inclusive and sustainable province we are building together.

Our government is committed to delivering on the mandate British Columbians gave us in 2020. Together we can make life better for people in B.C., improve the services we all rely on, and ensure a sustainable province for future generations.

As we renew our work, my priority as Premier is to deliver results that people can see and feel in four key areas:

- **Attainable and affordable housing:** In the wake of soaring prices and record migration to B.C., we will take on the important work of building new homes that are actually attainable for the middle class, while continuing our work to address the housing crisis for those in distress on our streets.

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**Office of the  
Premier**

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Victoria BC V8W 9E1

**Location:**  
Parliament Buildings  
Victoria

- **Safer communities:** To address concerns about public safety, both for the people struggling with mental health and addiction on our streets, as well as the feeling that downtown centres are not as safe as they were before the pandemic, we will work with our partners at all levels of government, the justice and health care systems, the non-profit sector, and community leaders to find solutions for this complex challenge facing our province, and work overtime to seize the assets of high-level criminals.
- **Improved health care:** Amid unprecedented pressures we will continue to work to strengthen our public health care system, from family doctors to new hospitals, so care is there for each of us when we need it.
- **A sustainable, clean, secure, and fair economy:** We will continue our work investing in British Columbians, fighting racism and promoting equity, and building a clean economy that addresses our obligations to combat climate change by driving down emissions, while creating good, family supporting jobs.

As Parliamentary Secretary, you will assist the Minister of Finance in carrying out their duties in the House and speaking on the government's behalf when issues arise in the absence of the Minister. You will also play an important role in engaging British Columbians by representing the Minister at public events, delivering speeches on behalf of the Minister, or acting as a spokesperson for the government's position. You will reach out to stakeholders, businesses, civil society, and people across B.C. to better understand their perspectives and bring their views to the Minister.

You will work with your Minister to help advance these shared responsibilities:

- With support from the Minister of Labour, lead work to close the gender pay gap by continuing to address systemic discrimination in the workplace and moving closer to equal pay for equal work through new pay transparency legislation.
- With support from the Minister of Public Safety and Solicitor General, lead work to develop an action plan to end gender-based violence, including minimum standards for sexual assault response, more training for police, Crown Counsel and justices, and establishing core funding for sexual assault centres.
- With support from the Minister for Post-Secondary Education and Future Skills, and in partnership with student leadership across B.C., develop and deliver on an action plan related to preventing and responding to sexual assaults on campus.

.../3

- In coordination with the Ministry of Attorney General, takes steps to address non-consensual disclosure of intimate images.
- Support the Minister of Health to address gaps in health care services experienced by women, trans, and non-binary people, in consultation with partners.

Your Minister is responsible and accountable for their ministry and their mandate; all key decisions will be made by them. You will understand your Minister's policy goals, develop a deep understanding of the issues, build thoughtful and sustained relationships both with title holders and through public and stakeholder engagement plans, and provide your best advice to the public service as they develop options for decision by the Minister.

You will collaborate with your Minister, ministry, and the Premier's Office to develop a workplan to guide your efforts, including detail on how the professional public service will support your work.


All members are expected to review, understand, and act according to the *Members' Conflict of Interest Act* and conduct themselves with the highest level of integrity. As a Parliamentary Secretary, your conduct will reflect not only on you, but on your Minister and our government.

You will establish a collaborative working relationship with your Minister, your Minister's staff, and the public servants who provide the professional, non-partisan advice that is fundamental to delivering on our government's priorities.

The rural and urban challenges that we face are urgent and complex. In response, we must be forward-thinking, strategic, and ready to work across disciplines and old divisions in new ways. Labour shortages are a major issue globally, and British Columbia is no exception, including in the public service. Maintaining the BC Public Service as an employer of excellence will be key to retaining and recruiting the diverse professionals we rely on to deliver essential services, advice, and analysis.

At the core of this work is listening and responding to the priorities of people in B.C. Together, we can deliver results in very real ways – ways that people can see, feel, and touch, and that change their lives for the better. Thank you for doing this important work with me.

Sincerely,



David Eby, KC  
Premier

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUES NOTE**

## **ISSUE: WORKFORCE – HEADCOUNT AND FTE INFORMATION**

### **ADVICE AND RECOMMENDED RESPONSE:**

- On March 1, 2023, the ministry<sup>1</sup> had 1491 employees.
- This represents an average FTE burn of 1408 FTE's for fiscal year 2022/23 to the pay period ending February 25, 2023.<sup>2</sup>

### **KEY FACTS:**

- On March 1, 2023 there were 1452 regular employees and 39 auxiliary employees.
- Overall, there are no significant changes to staffing levels this fiscal.

<b>Division</b>	<b>March 1, 2023</b>	<b>Avg FTE 2022/23</b> (to February 25)
Corporate Services Division	165	151
Crown Agencies Secretariat	39	41
Deputy Minister's Office	13	11
Gender Equity	7	7
Government House	23	18
Minister's Office	7	6
Office of the Comptroller General	115	106
Policy & Legislation Division	64	57
Provincial Treasury (including IRMA)	113	112
Public Sector Employers Council	22	16
Revenue Division	855	820
Treasury Board Staff	68	62
<b>Total</b>	<b>1491</b>	<b>1408</b>

<sup>1</sup> BC Public Service Agency (PSA) and Government Communications and Public Engagement (GCPE) are not included.

<sup>2</sup> Headcount and FTE data is collected from HR Analytics. Headcount data effective March 1, 2023 and FTE data effective pay period ending February 25, 2023. FTE numbers are for HR reporting only and not to be compared with or used for budget purposes.

**Contact:** Nicole Wright, ADM & EFO

**Division:** Corporate Services Division

**File Name:** 08\_MO\_CSD\_Workforce - Headcount and FTE  
Information

**Phone:** 250-216-4760

**Page:** 1 of 1

MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE

## ISSUE: FIN - SHARED RECOVERY MANDATE SUMMARY

### ADVICE AND RECOMMENDED RESPONSE:

- In *Budget 2023*, the Ministry of Finance was provided \$78.9M to support cost increases resulting from the newly ratified collective agreements under the Shared Recovery Mandate.
- The three-year allocation includes \$14.2M for Employer Associations.
- The Shared Recovery Mandate applies to all public sector employers with unionized employees whose collective agreements expired on or after December 31, 2021.

### KEY FACTS:

- Negotiations were focused on providing a fair and reasonable offer to public-sector workers that includes significant inflation protection, while ensuring that government has the resources to continue to invest in building a stronger province for everyone.
- Core business level allocations, including the IRMA special account, were based on estimated impacts of negotiated wage increases on current staffing levels.

**Contact:** Nicole Wright

**Phone:** 778 698-7768

**Division:** Corporate Services Division

**Page:** 1 of 2

**File Name:** 09\_MO\_CSD - FIN - Shared Recovery Mandate Summary

**MINISTRY OF FINANCE  
CORPORATE SERVICES DIVISION  
ISSUE NOTE**

- In-year funding to support 2022/23 cost impacts of the wage increases was provided through the *Financial Administration Act*. The Ministry of Finance was provided with \$20.7M in FAA access, including \$9.7M for Employer Associations.
- Ministry level breakdown of Shared Recovery Mandate

(\$ millions)	2023/24	2024/25	2025/26	Total
<b>Core Business</b>				
Ministry Operations - Ministry Costs	\$15.203	\$18.080	\$18.080	<b>\$51.363</b>
Ministry Operations - Employer Associations	\$5.245	\$4.493	\$4.493	<b>\$14.231</b>
GCPE – Government Communications and Public Engagement	\$1.003	\$1.025	\$1.025	<b>\$3.053</b>
PSA – BC Public Service Agency	\$2.539	\$2.834	\$2.834	<b>\$8.207</b>
Statutory Appropriations (Special Accounts):	\$0.610	\$0.724	\$0.724	<b>\$2.058</b>
<b>Total</b>	<b>\$24.600</b>	<b>\$27.156</b>	<b>\$27.156</b>	<b>\$78.912</b>

- The Ministry Operations breakdown, excluding Employer Associations, is as follows:

(\$ millions)	2023/24	2024/25	2025/26	Total
<b>Core Business</b>				
Treasury Board Staff	\$0.413	\$0.423	\$0.423	\$1.259
Office of the Comptroller General	\$1.102	\$1.293	\$1.293	\$3.688
Provincial Treasury	-	-	-	-
Revenue Division	\$9.916	\$12.043	\$12.043	\$34.002
Policy and Legislation	\$0.410	\$0.424	\$0.424	\$1.258
Public Sector Employers' Council Secretariat	\$0.285	\$0.339	\$0.339	\$0.963
Crown Agencies Secretariat	\$0.463	\$0.550	\$0.550	\$1.563
Executive and Support Services	\$2.614	\$3.008	\$3.008	\$8.630
<b>Total</b>	<b>\$15.203</b>	<b>\$18.080</b>	<b>\$18.080</b>	<b>\$51.363</b>

**Contact:** Nicole Wright

**Phone:** 778 698-7768

**Division:** Corporate Services Division

**Page:** 2 of 2

**File Name:** 09\_MO\_CSD - FIN - Shared Recovery Mandate Summary

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

## **ISSUE: Site C Update**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Site C Project remains on track to complete within the approved \$16 billion budget.
- The Project is over 70 per cent complete and remains on track to have first power by December 2024, with all six generating units in-service by fall 2025.
- New project leadership and oversight was put in place in 2021 and BC Hydro continues to work with the Project Assurance Board, Peter Milburn, Ernst & Young and the Technical Advisory Board to actively manage risks.
- Completing Site C will provide BC with clean, reliable and affordable power for the next 100 years as we work to meet our climate targets and electrify our economy.
- BC Hydro is working to keep cumulative customer rate increases below inflation over the next decade, including the rate impacts related to Site C as it comes into service.

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 1 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

**KEY FACTS:*****Overview and Progress to December 31, 2022******(consistent with BC Hydro's 2022 Annual Report to the BCUC)***

- In February 2021, the government announced a revised cost estimate of \$16 billion (B) to complete the Site C Project (Project), along with a new full Project in-service date of 2025.
  - The revised budget and schedule, which were approved by Treasury Board in June 2021, addressed significant cost pressures and delays faced by the Project due to the COVID-19 pandemic, as well as the right bank foundation enhancements and other cost pressures prior to COVID-19.

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 2 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

<b>Description (\$ millions)</b>	<b>Project Budget</b>	<b>Actuals, life-to-date (as of December 31, 2022)</b>	<b>Remaining Budget (as of December 31, 2022)</b>
Dam, Power Facilities and Associated Structures and Transmission	8,258	5,962	2,296
Offsite Works, Direct Construction Supervision and Site Services	2,895	2,034	861
<b>Total Direct Construction Cost</b>	<b>11,153</b>	<b>7,996</b>	<b>3,157</b>
Indirect Costs	2,082	1,341	741
<b>Total Construction and Indirect Costs</b>	<b>13,235</b>	<b>9,337</b>	<b>3,898</b>
Interest During Construction and Contingency	2,765	1,127	1,638
<b>Total</b>	<b>16,000</b>	<b>10,464</b>	<b>5,536</b>

- As of December 31, 2022, the life-to-date actual costs are \$10.5 B, which results in a remaining budget of \$5.5 B.
- The Project Budget also includes an approved contingency of \$737 million (M) and the Project remains on track to be on budget and meet the full Project in-service date in 2025.
- A Project dashboard in Attachment 1 shows an overall amber rating as of December 2022, as there are still many risks to be managed over the remainder of the construction period.

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 3 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

- BC Hydro's Project Annual Report to December 31, 2022, filed with the BC Utilities Commission, provides further details on the dashboard and a summary of Project risks.
- In February 2021, the government released the Site C Project Review, led by Peter Milburn (Milburn Review).
  - 17 recommendations aimed at improving oversight, governance, risk management, and construction and claims management were fully implemented by September 30, 2021, and have resulted in enhancing the independence, mandate and expertise of the Project Assurance Board and strengthening BC Hydro's risk and commercial management processes.
  - Mr. Milburn continues to be involved in the Project to ensure his recommendations continue to be sustained.
- Ernst & Young (EY) continues to provide independent oversight for the Project, including budget oversight, schedule and commercial management evaluation and risk assessment analysis.
- By December 2022, the Project was 72% complete and BC Hydro continues to actively manage cost and schedule risks. Challenges in 2022 included:
  - Contractor labour attraction and retention.
  - Inflation (e.g., interest rates, supply chain disruptions).
  - COVID-19 pandemic and communicable diseases.
  - Relocation of Indigenous burial sites as appropriate.

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 4 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

- Work also included foundation enhancements to address geotechnical issues previously identified on the right bank.
  - 96 piles planned for installation under right bank structures.
  - Installation of 48 piles in spillways stilling basin now complete.
  - 48 piles in powerhouse tailrace area to complete this spring.
  - Improved waterproofing on the bottom of the approach channel scheduled to be complete in 2023.
  - All foundation enhancements expected to complete in 2023.
  - The Technical Advisory Board and independent dam experts have confirmed Project design continues to meet highest safety standards and international best practices.
- During 2022, Project construction achieved significant milestones, with some key parts already completed or nearing completion.
  - Earthfill dam is 88% complete – to be finished this year.
  - Penstocks, spillways, approach channel to complete this year.
  - Two 500 kilovolt, 75-kilometre transmission lines, along with new substation are complete and energized.
  - Re-alignment of Highway 29 more than 90% complete.
  - Hudson's Hope shoreline protection completed fall 2022.
- Provided there are no unforeseen delays and work continues to advance as scheduled, there is a possibility that reservoir filling could occur as early as fall 2023. However, a significant amount of work and potential schedule risks remain to fill the reservoir and complete the Project.

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 5 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

**Site C Workforce**

- October 2022 employment was at an all-time high with 5,554 workers. December employment eased to 4,476 workers.
- 69% of the workforce (3,088 workers) were B.C. residents; with 21% (788 workers) living in the Peace River Regional District.
- Onsite contractor workforce also included:
  - 12% women (459 workers).
  - 8% Indigenous (312 workers).
  - 13% apprentices (166 workers) in carpenter, electrician, millwright, ironworker, mechanic, and boilermaker jobs.

**Preliminary Site C Apprentices Snapshot  
(January 2022 to December 2022)**

Month	Number of Apprentices
January 2022	140
February 2022	159
March 2022	172
April 2022	170
May 2022	162
June 2022	167
July 2022	163
August 2022	162
September 2022	161
October 2022	185
November 2022	197
December 2022	166

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 6 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

**Indigenous Inclusion Snapshot  
(January 2022 to December 2022)**

<b>Month</b>	<b>Number of Indigenous Workers</b>
January 2022	299
February 2022	317
March 2022	337
April 2022	354
May 2022	381
June 2022	407
July 2022	412
August 2022	407
September 2022	403
October 2022	413
November 2022	386
December 2022	312

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 7 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

### **BC Hydro Overall**

- Site C is debt-financed, consistent with other BC Hydro major capital projects.
- BC Hydro debt is part of the Province's commercial self-supporting debt, as costs are expected to be recovered through future customer rates.
- A key sustainability metric is keeping debt: equity ratio at or below 80:20.

## **2023/24 – 2025/26 Service Plan**

**Our mission is: we are here to safely provide our customers with reliable, affordable, clean energy**

The five goals in our three-year Service Plan are to:

1. Deliver Reliable Power Safely
2. Energize our Province
3. Control our Costs
4. Strengthen our Resilience and Agility
5. Advance Reconciliation with Indigenous Peoples

The Service Plan aligns with our Five-Year Strategy, the priorities in our Government Mandate Letter and the Ministerial Mandate Letter

CONSOLIDATED STATEMENT OF NET INCOME (\$ millions)	ACTUAL F2022	Forecast			
		F2023	F2024	F2025	F2026
<b>Revenues</b>					
Domestic	5,619	5,331	5,844	6,131	6,621
Trade	1,972	2,684	2,100	2,036	2,197
Net Movement in Regulatory Balances	(608)	(391)	3	182	256
<b>Net Income</b>	<b>668</b>	<b>712</b>	<b>712</b>	<b>712</b>	<b>712</b>
Net Debt	25,642	27,200	29,077	31,146	32,081
Equity	7,046	7,758	8,470	9,182	9,894
<b>Debt to Equity Ratio</b>	<b>78 : 22</b>	<b>78 : 22</b>	<b>77 : 23</b>	<b>77 : 23</b>	<b>76 : 24</b>
Capital Expenditures (incl. Site C and net of CIA)	3,262	3,702	3,629	3,747	2,472

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 8 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

## **QUESTIONS AND ANSWERS**

### **ISSUE: Site C Update**

#### **What is government's confidence in \$16 B Site C budget and completion by 2025?**

- Site C is over 70 % complete as of December 2022. Independent experts have confirmed that new geotechnical measures will make the dam safe.
- While this is good news, there are still some risks – with varying degrees of likelihood – that will need to be managed by BC Hydro over the remaining construction period. That's why the Site C budget includes a \$737 M contingency allocation.
- BC Hydro is carefully watching the labour supply in light of competing demands across BC, Canada and North America, as well as construction claims and other risk management areas.
- BC Hydro, under oversight of the Project Assurance Board, the Project Oversight Advisor, the Special Advisor Mr. Milburn as needed, and the Minister responsible, continue to analyze Project risks and make regular report backs to government.

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 9 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

## **What is the impact of inflation/higher interest rates on Site C budget and debt?**

- Recent inflationary pressures have created potential risks on the Project's remaining costs due to potentially higher labour and fuel costs, and the effects of higher interest rates over the last year.
- There is also risk of supply chain challenges that could potentially cause schedule delays for some work areas.
- Major contract budgets do include some inflation provisions and the overall Site C budget includes a \$737 M contingency allocation.
- Site C debt is managed within BC Hydro's broader borrowing program. While interest rates have increased significantly over the past 12 months, impacts have been lessened by BC Hydro's borrowing and hedging strategy. On December 31, 2022:

- All of BC Hydro's long-term debt outstanding was fixed rate debt. Variable rate debt as a % of net debt was 10%.

Government Financial Information

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 10 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

Government Financial Information

- Site C interest during construction is expected to be close to budget in part due to later-than-planned spending.

**As Minister of Finance, are you concerned about Site C debt and credit ratings for BC Hydro and the Province?**

- No.
- Even with the addition of Site C debt, BC Hydro's debt/equity ratio – a key metric in assessing BC Hydro's fiscal sustainability – remains well below the commercial rating agency benchmark of 80/20.
- BC Hydro is working to keep cumulative customer rate increases below inflation over the next decade, including the rate impacts related to Site C as it comes into service.

**As Minister of Finance, are you concerned about Site C having enough skilled workers to finish the project?**

- No.
- As of December 2022, Site C was about 72% and key and critical pieces are now almost complete.

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 11 of 15

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

- As BC Hydro moves into its final stages of the Project, its critical workforce requirements are gradually declining.
- BC Hydro continues to monitor its labour force closely. In addition, BC Hydro is proactively taking health and safety measures to help ensure the site remains safe for workers.

### **How has Site C helped with government's Gender Equity goals?**

- October 2022 employment was at an all-time high with 5,554 workers. December employment eased to 4,476 workers.
- 69% of the workforce (3,088 workers) were B.C. residents; with 21% (788 workers) living in the Peace River Regional District.
- Onsite contractor workforce also included:
  - 12% women (459 workers).
  - 8% Indigenous (312 workers).

### **Attachment 1 Dashboard (from BC Hydro's December 2022 BCUC filing)**

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 12 of 15

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)**  
**ISSUE NOTE**

● On Target

● Moderate Issues

● At Risk

Status as of:		December 31, 2022
Overall Project Health	●	As of December 31, 2022, the overall Project health remained "amber." The Project is approximately 72% complete; and work continues to advance; however, there are still potential risks remaining. BC Hydro continues to review, assess, mitigate, manage and monitor potential risks to the Project.
Safety	●	<p>Safety remained "amber" as of December 31, 2022. This reporting period ends the busiest year to date on the Project, with multiple active work fronts and contractors across both the dam site and off dam site. Refer to section <u>3.1.8</u> for a summary of safety and regulatory performance metrics.</p> <p>In anticipation of 2022 being a peak construction year, the Project undertook six site specific safety reviews looking at current and active construction safety concerns. The six reviews were on regulatory compliance, construction roads, construction power, wildfires, structure fires, and risk tolerance culture. These reviews were completed by independent experts; the findings were reviewed internally and appropriate measures have been actioned to close the gaps identified.</p> <p>BC Hydro continued to conduct contractor safety verifications and field based safe work observations as a priority during 2022.</p> <p>COVID-19 remained manageable at site during 2022. Employers and workers continued to use the rapid testing program for symptomatic workers. BC Hydro suspended its COVID-19 mandatory vaccination policy on September 26, 2022, for employees and contractors, which included workers on the Site C Project. This reflected the changing nature of the pandemic, diminished risk factors, and the success of the vaccination policy.</p>
Scope	●	Scope status remained "amber" as of December 31, 2022. Provisions are included in the Project plans for potential scope adjustments for site conditions and interfaces. As construction progresses, there remains a risk of design changes due to unknown field conditions.

**Contact:** Doug Foster**Phone:** 250 387-9022**Division:** FIN DMO**Page:** 13 of 15**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)  
ISSUE NOTE**

<b>Status as of:</b>		<b>December 31, 2022</b>
<b>Schedule</b>	●	<p>Schedule status remained "amber" as of December 31, 2022. The Project is currently on schedule to achieve the approved 2025 in-service date and is approximately 72% complete, however, a significant amount of work and potential schedule risks remain.</p> <p>BC Hydro and Site C contractors have agreed to revised schedules, which recover certain schedule delays due to COVID-19 and provide three potential schedule scenarios for tunnel conversion and reservoir fill including the potential for an earlier in-service date. All potential schedule scenarios include risks and uncertainty; the scenario that potentially results in an earlier in-service date has a higher level of uncertainty and risk. Significant construction activities remain, which if not completed on time, could adversely affect the construction schedule.</p>
<b>Cost</b>	●	<p>Cost status remained "amber" as of December 31, 2022. Potential cost risks remain, as detailed in this report.</p> <p>As of December 31, 2022, the life-to-date actual costs are \$10.5 billion, which results in an estimated \$5.5 billion of remaining costs.</p>
<b>Quality</b>	●	<p>The quality rating for the Project remained "green" as of December 31, 2022, indicating that the work generally conforms to the requirements of the drawings and specifications. When a quality issue is identified during the course of construction, BC Hydro and its contractors work to rectify the issue to ensure that the quality of the completed work achieves the quality specifications.</p> <p>The Technical Advisory Board and independent international dam experts continued to review and confirm that the Project designs are appropriate, safe and serviceable over the long operating life of Site C.</p>
<b>Regulatory, Permits and Tenures</b>	●	<p>The regulatory, permits and tenures indicator status remained "green" as of December 31, 2022. Overall, BC Hydro continues to be issued permits and authorizations in accordance with construction timelines. As of December 31, 2022, 601 of the estimated 648 provincial and federal permits required for the Project have been received and are actively being managed.</p>

**Contact:** Doug Foster

**Division:** FIN DMO

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

**Phone:** 250 387-9022

**Page:** 14 of 15

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI)**  
**ISSUE NOTE**

<b>Status as of:</b>		<b>December 31, 2022</b>
<b>Environment</b>	●	<p>The Project environment status remained "amber" as of December 31, 2022, due to the unresolved April 2022 potentially acid-generating rock Environmental Assessment Office order and a warning letter received on September 26, 2022.</p> <p>BC Hydro worked with the B.C. Environmental Assessment Office to address the order and letter. BC Hydro is seeking an amendment to the Site C Construction Environmental Management Plan to clarify that the current approaches to managing potentially acid-generating rock provide adequate environmental protection. Additionally, BC Hydro is developing final treatment plans for potentially acid-generating sites that will not be addressed through dam construction or the creation of the reservoir.</p>
<b>Procurement</b>	●	<p>The procurement indicator status remained "amber" as of December 31, 2022, due to the remaining right bank foundation enhancements procurements that still need to be negotiated.</p> <p>The majority of the commercial agreements are scheduled to be in place by summer 2023.</p>
<b>Indigenous Relations</b>	●	<p>The Indigenous Relations indicator status remained "amber" as of December 31, 2022. BC Hydro has a mandate from the Government of British Columbia to reach project or impact benefits agreements with the 10 Indigenous groups that are most impacted by Site C. Eight of 10 agreements are fully executed and in implementation. BC Hydro has a standing offer to negotiate with the remaining two First Nations that have not signed agreements related to the Site C Project. BC Hydro also maintains a working relationship with those Nations through ongoing consultation and engagement.</p> <p>Consultation is ongoing with impacted First Nations regarding options and site-specific plans for managing identified burial and cultural sites impacted by reservoir filling, in particular in the Halfway River and Cache Creek / Bear Flats areas.</p>
<b>Stakeholder Engagement</b>	●	<p>The stakeholder engagement indicator status remained "green" as of December 31, 2022. BC Hydro continues to work with the communities, regional district and stakeholder groups on the implementation of various community agreements. Significant engagement occurred with residents and elected officials from the community of Old Fort and the District of Hudson's Hope throughout the latter half of 2022.</p>

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 15 of 15

**File Name:** 01\_MO\_DMO - BC Hydro Site C Update - 2023

MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE

## **ISSUE: BC Hydro – Potential Impacts from Federal Budget**

### **ADVICE AND RECOMMENDED RESPONSE:**

- We have noted with BC Hydro, and are encouraged, that the federal government has now extended the previously announced Investment Tax Credit (ITC) for Clean Electricity industry-wide, including to Crown corporations.
- We understand that these apply to renewable generation as well as to interprovincial transmission projects that begin construction after the day of the federal budget.
- As a result, BC Hydro believes that these tax credits could have potential to benefit BC Hydro ratepayers and improve the economics of new clean energy projects.
- Like other federal measures however, it's important that we understand the "fine print" for any conditions and BC Hydro looks forward to discussions with the federal government as it engages with provinces, territories, and other relevant parties to develop the design and implementation details of this measure.
- We are also encouraged by further funding for Natural Resources Canada to expand its programming to potentially include transmission in smaller-scale projects.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 1 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE**

## **KEY FACTS/BACKGROUND:**

- BC Hydro has provided a high-level assessment of the most relevant items in the federal government's recent budget, in relation to BC Hydro and clean energy development. However, BC Hydro is not yet at a stage where it can provide any quantitative analysis of the potential impacts.
- The federal government's clean energy development initiatives are important to the Minister of Finance and the Fiscal Plan.
  - The government's CleanBC Roadmap to 2030 has a key role for BC Hydro infrastructure capital projects.
  - Almost all of BC Hydro's major capital projects are debt-financed (guaranteed by the Province) and BC Hydro's commercial debt is included as part of the Province's total debt which is reviewed by credit rating agencies.
  - New federal measures that help to reduce BC Hydro's capital costs, or costs of obtaining other new energy sources, help to avoid BC Hydro debt increases and costs to ratepayers.

## **Investment Tax Credit (ITC) for Clean Electricity**

- Federal *Budget 2023* extract:  
*To support and accelerate clean electricity investment in Canada, Budget 2023 proposes to introduce a 15 per cent refundable tax credit for eligible investments in:*

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 2 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE**

- *Non-emitting electricity generation systems: wind, concentrated solar, solar photovoltaic, hydro (including large-scale), wave, tidal, nuclear (including large-scale and small modular reactors);*
- *Abated natural gas-fired electricity generation (which would be subject to an emissions intensity threshold compatible with a net-zero grid by 2035);*
- *Stationary electricity storage systems that do not use fossil fuels in operation, such as batteries, pumped hydroelectric storage, and compressed air storage; and,*
- *Equipment for the transmission of electricity between provinces and territories.*

*Taxable and non-taxable entities such as Crown corporations and publicly owned utilities, corporations owned by Indigenous communities, and pension funds, would be eligible for the Clean Electricity Investment Tax Credit.*

*The Clean Electricity Investment Tax Credit would be available as of the day of Budget 2024 for projects that did not begin construction before the day of Budget 2023. The Clean Electricity Investment Tax Credit would not be available after 2034. [emphasis added]*

- This measure extends previously announced tax credits industry-wide, including to Crown corporations. They apply to renewable generation as well as interprovincial transmission projects. As a result, the credits have the potential to benefit BC Hydro ratepayers and improve the economics of new clean energy projects.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 3 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE**

- The tax credits are conditional on a commitment “by a competent authority that the federal funding will be used to lower electricity bills, and a commitment to achieve a net-zero electricity sector by 2035”.
  - BC Hydro doesn’t believe this to be a likely barrier to accessing the credits.
- Labour requirements must be met in order to qualify for the ITC. The labour requirements apply to workers whose duties are primarily manual or physical in nature and would not apply to workers whose duties are primarily administrative, clerical, supervisory or executive. In addition, at least 10% of the labour hours in a taxation year must be performed by registered apprentices (journey person in a Red Seal trade).
  - BC Hydro does not yet know at this point the specifics of implementation. The Department of Finance has said it will engage with provinces, territories, and other relevant parties to develop the design and implementation details of the Clean Electricity ITC, and will also conduct targeted consultations on the possibility to introduce reciprocal treatment in light of some of the eligibility conditions associated with certain tax credits under the U.S. Inflation Reduction Act.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 4 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE**

**Canada Infrastructure Bank – Funding**

- Federal *Budget 2023* extract:

*Budget 2023 announces that the Canada Infrastructure Bank will invest at least \$10 billion through its Clean Power priority area, and at least \$10 billion through its Green Infrastructure priority area. This will allow the Canada Infrastructure Bank to invest at least \$20 billion to support the building of major clean electricity and clean growth infrastructure projects. These investments will be sourced from existing resources.*

Advice/Recommendations; Intergovernmental Communications

Advice/Recommendations; Government Financial Information

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 5 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE**

Advice/Recommendations; Government Financial Information

- BC Hydro has challenges accessing CIB money in the past, as its mandate restricts what it can offer. While BC Hydro doesn't see anything specific in the federal budget to indicate this has changed, BC Hydro will be examining this in more detail.

### **Canada Infrastructure Bank – First Nations Lending**

- Federal *Budget 2023* extract:

*Budget 2023 announces that the Canada Infrastructure Bank will provide loans to Indigenous communities to support them in purchasing equity stakes in infrastructure projects in which the Bank is also investing. These loans will be sourced from the Canada Infrastructure Bank's existing funding envelope.*

- CIB's ability to lend directly to First Nations (FN) has the potential to help enable FNs to participate in co-ownership transactions being currently contemplated by BC Hydro.
- While BC Hydro notes that a key challenge can be FN's access to market financing, and anything that mitigates this is helpful, it appears that the CIB opportunity is only available in deals CIB is already investing, which may limit applicability.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 6 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE**

### **Natural Resources Canada (NRCan) Funding**

- Federal *Budget 2023* extract:

*Budget 2023 proposes to provide \$3.0 billion over 13 years, starting in 2023-24, to Natural Resources Canada to:*

- *Recapitalize funding for the Smart Renewables and Electrification Pathways Program to support critical regional priorities and Indigenous-led projects, and add transmission projects to the program's eligibility;*
  - *Renew the Smart Grid program to continue to support electricity grid innovation; and,*
  - *Create new investments in science-based activities to help capitalize on Canada's offshore wind potential, particularly off the coasts of Nova Scotia and Newfoundland and Labrador.*
- BC Hydro believes that this appears to further fund NRCan's programs that were used to fund smaller-scale projects. Continued funding in this area will likely benefit BC Hydro and its stakeholders, and expanding the program to cover transmission is also helpful.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 7 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MEMLI  
AND BC HYDRO)  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: BC Hydro – Potential Impacts from Federal Budget

What do the federal government's Budget 2023 measures for clean energy development mean for the BC government's Budget and Fiscal Plan?

- The proposed federal clean energy development initiatives are important to the Province because:
  - The government's CleanBC Roadmap to 2030 has a key role for BC Hydro infrastructure capital projects.
  - Almost all of BC Hydro's major capital projects are debt-financed (guaranteed by the Province) and BC Hydro's commercial debt is included as part of the Province's total debt which is reviewed by credit rating agencies.
  - New federal measures that help to reduce BC Hydro's capital costs, or costs of obtaining other new energy sources, help to avoid BC Hydro debt increases and costs to ratepayers.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** FIN DMO

**Page:** 8 of 8

**File Name:** 02\_MO\_DMO - BC Hydro – Potential Impacts from Federal Budget

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TBS, CAS AND  
MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL)  
ISSUE NOTE**

**ISSUE: ICBC****ADVICE AND RECOMMENDED RESPONSE:**

- As of December 2022, ICBC's forecast net loss for the full year 2022/23 was \$298 million. This compares to planned net income of \$327 million in *Budget 2022*.
- The \$625 million forecast deterioration reflects:
  - Significantly lower investment earnings due to global market volatility and higher inflation and interest rates.
  - Increased overall claims costs primarily from higher injury and material damage costs due to inflationary pressures. This is partially offset by lower current year Enhanced Care claims and a lower valuation for unpaid claims.
- Going forward, ICBC expects to break even in 2023/24, followed by forecast surpluses of \$450 million in each of 2024/25 and 2025/26. This reflects:
  - A continuing weakened outlook for investment earnings in 2023/24, followed by a recovery in the next two years.
  - ICBC's December 2022 rate application to the British Columbia Utilities Commission, which proposes no

**Contact:** Doug Foster/ Susanne Steinmetz**Phone:**250 387-9022/  
778 698-1555**Division:** DMO/TBS**Page:**

1 of 7

**File Name:** 03\_MO\_DMO - ICBC

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TBS, CAS AND  
MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL)  
ISSUE NOTE**

overall change to Basic insurance rates for the next two years.

- Rising costs per claim due to the effects of inflation on replacement parts, labour and Enhanced Care benefits indexed to the B.C. consumer price index.
- Generally, all of ICBC's net income will stay with the corporation to help ensure that ICBC remains financially sustainable while keeping Basic rates as low as possible.

## KEY FACTS/DISCUSSION:

### Third Quarter – 2022/23

- Table 4.8 in *Budget 2023* (Third Quarterly Report – Q3) shows that ICBC has forecast a \$298 million (M) net loss in 2022/23. This compares to planned net income of \$327 M in *Budget 2022*, and net income of \$2.2 B in 2021/22.

**Table 4.8 2022/23 Revenue by Source**

(\$ millions)	Year-to-Date to December 31				Full Year			
	2022/23			Actual 2021/22	2022/23			Actual 2021/22
	Budget	Actual	Variance		Budget	Forecast	Variance	
<b>Commercial Crown corporation net income</b>								
ICBC .....	334	186	(148)	1,692	327	(298)	(625)	2,216

**Contact:** Doug Foster/ Susanne Steinmetz

**Phone:**

250 387-9022/  
778 698-1555

**Division:** DMO/TBS

**Page:**

2 of 7

**File Name:** 03\_MO\_DMO - ICBC

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TBS, CAS AND  
MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL)  
ISSUE NOTE**

- The Q3 forecast was \$625 M less than originally budgeted. The deterioration reflects:  
Advice/Recommendations
  - Claims costs: up<sup>Government</sup><sub>nt</sub> reflecting rising costs per claim due to the effects of inflation on replacement parts, labour and Enhanced Care benefits indexed to the B.C. consumer price index. The volume of large bodily injury claims from past years was also higher than planned.
  - Combined, operating costs, premium and other revenue sources were over<sup>Government</sup><sub>Financial</sub> better than planned.
- As expected, with the implementation of the Enhanced Care model on May 1, 2021, lower claims costs have continued to benefit ICBC's customers through lower premiums.

### **Outlook - 2023/24 - 2025/26**

- ICBC expects to break even in 2023/24, followed by forecast surpluses of \$450 M in each of 2024/25 and 2025/26. This reflects:  
Advice/Recommendations
  - ICBC's December 2022 rate application to the British Columbia Utilities Commission, which proposes no overall change to Basic insurance rates for the next two years.

**Contact:** Doug Foster/ Susanne Steinmetz

**Phone:**

250 387-9022/  
778 698-1555

**Division:** DMO/TBS

**Page:**

3 of 7

**File Name:** 03\_MO\_DMO - ICBC

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TBS, CAS AND  
MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL)  
ISSUE NOTE**

- However, as required, ICBC will continue to make changes to Optional rates, reflecting increasing costs for Optional vehicle repair and third-party coverages in line with experience of other optional insurers.
- Rising costs per claim due to the effects of inflation on replacement parts, labour and Enhanced Care benefits indexed to the B.C. consumer price index.

**Table 1.4 Revenue by Source**

(\$ millions)	Updated Forecast 2022/23	Budget Estimate 2023/24	Plan 2024/25	Plan 2025/26
<b>Commercial Crown corporation net income</b>				
ICBC .....	(298)	-	450	450

- Generally, all of ICBC's net income results flow to the corporation's capital reserves to help ensure that ICBC remains financially sustainable while keeping Basic rates as low as possible. Further details on ICBC's financial results, including capital reserves, will be provided later in the year when ICBC releases its Service Plan Report and audited financial statements.

**Contact:** Doug Foster/ Susanne Steinmetz**Phone:**250 387-9022/  
778 698-1555**Division:** DMO/TBS**Page:**

4 of 7

**File Name:** 03\_MO\_DMO - ICBC

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TBS, CAS AND  
MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL)  
ISSUE NOTE**

## **KEY QUESTION/TOPIC AREAS:**

### **Outlook Risks**

- ICBC continues to monitor the following forecast risks:

Advice/Recommendations

- ICBC is required to follow International Financial Reporting Standards (IFRS). Beginning in 2023/24, IFRS is changing its standards and this will impact on ICBC. Of most significance, ICBC will now be required to report as part of its annual net income/loss, any "below-the-bottom-line" changes in ICBC's investments (e.g., unrealized gains/losses and valuation adjustments). The effect of this change introduces even more volatility in ICBC's bottom-line results due to changes in investments markets, and another reason for using prudent ICBC and Fiscal Plan forecast assumptions and allowances.
- Costs per claim and the continued effects of inflation on replacement parts, labour and Enhanced Care benefits indexed to the B.C. consumer price index.
- Emergence of large bodily injury claims from crashes that occurred in previous years and covered under the previous insurance model (full legal tort claims).

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250 387-9022/  
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**Division:** DMO/TBS

**Page:**

5 of 7

**File Name:** 03\_MO\_DMO - ICBC

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TBS, CAS AND  
MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL)  
ISSUE NOTE**

- BC's Enhanced Care is a new product for which only *limited* experience data is available. Claims activity and cost assumptions continue to be developed using external data in other jurisdictions adjusted to reflect conditions in B.C. Should those assumptions turn out to be different, this could result in higher/lower claims costs for ICBC.
- Impacts from any legal challenges underway or that emerge.

### **ICBC's Fiscal Sustainability**

- ICBC continues its path back to financial health at a quicker than expected pace, despite the effects of emerging weaker-than-expected investment markets and high inflation in 2022/23.
- The corporation is also rebuilding its capital reserves that will help sustain ICBC's finances into the future.

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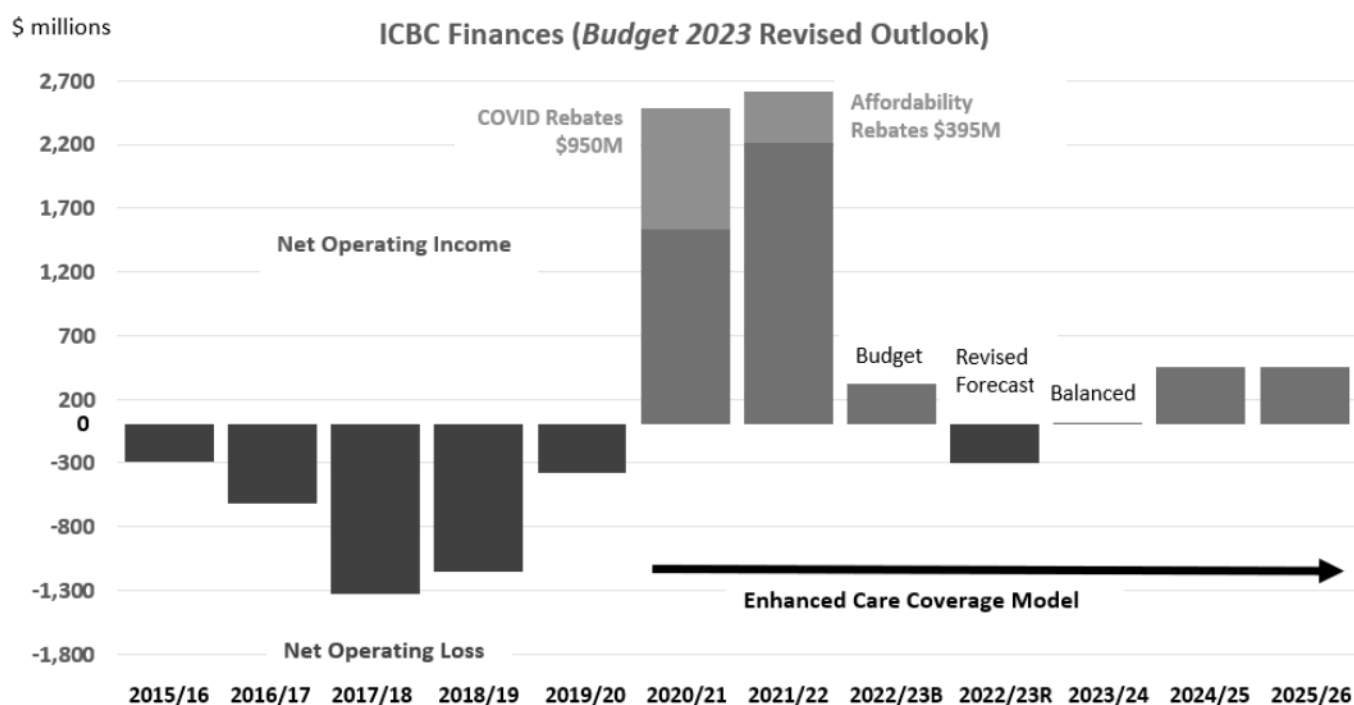
**Division:** DMO/TBS

**Page:**

6 of 7

**File Name:** 03\_MO\_DMO - ICBC

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TBS, CAS AND  
MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL)  
ISSUE NOTE**



- Starting in 2019, government purposefully and thoughtfully transformed B.C.'s public auto insurance system – the largest reform in ICBC's history.
- The new Enhanced Care model was successfully implemented on May 1, 2022, putting more dollars into care for the injured – instead of for legal bills.
- These changes are bringing ICBC back into financial health while keeping auto insurance costs affordable for British Columbians.

**Contact:** Doug Foster/ Susanne Steinmetz

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**Division:** DMO/TBS

**Page:**

7 of 7

**File Name:** 03\_MO\_DMO - ICBC

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MOTI)  
ISSUE NOTE**

## **ISSUE: BC Ferries and TransLink – Y-E Spending 2022/23**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Pandemic recovery and the effects of higher-than-expected inflation and interest rates, have continued to put financial pressure on BC Ferries and TransLink as they work to maintain affordable services for British Columbians.
- At the end of 2022/23, the government contributed \$500 million to BC Ferries to help reduce annual average fare increases to 3% for each of the next four years starting April 1, 2024. Without this relief, the Ferry Commissioner has recommended a preliminary fare increase cap of 9.2%.
- TransLink is receiving \$479 million in relief to keep transit fares stable until the end of 2025, support public transit infrastructure and services, avoid service cuts, continue to provide free public transit for kids 12 and younger, and to respond to needed transit in growing communities.
- Our government continues to make significant investments in building a strong, integrated public transportation system as part of an economy that works for everyone.

**Contact:** Doug Foster  
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**File Name:** 04\_MO\_DMO – BC Ferries and Translink

**Phone:** 250 387-9022  
**Page:** 1 of 4

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MOTI)  
ISSUE NOTE**

## **KEY FACTS/BACKGROUND:**

### **BC Ferries**

- In 2020, the Province and federal government provided BC Ferries with a Safe Restart contribution of \$308 million (M) to support a safe restart and recovery of BC Ferries operations during the four-year performance term five (April 1, 2020 – March 31, 2024).
  - The contribution provided for the pandemic's impact on lost ridership; extra costs to keep employees/passengers safe; continuation of discretionary sailings; and limiting average annual fare increase to 2.3% to the end of 2023/24.
- While BC Ferries' ridership has recovered to pre-pandemic levels, the impacts of high inflation on labour costs, fuel and repairs, and interest rates have created significant challenges for BC Ferries as it enters its next performance term six (covering April 1, 2024 – March 31, 2028). Challenges also include needed capital upgrades and replacements previously deferred during the pandemic period.
- On March 31, 2023, the BC Ferry Commission's report set a preliminary price cap on ferry fare increases of 9.2 per cent for each of the next four years commencing April 1, 2024. While the report did not consider the effect of the Province's announced \$500 M contribution, the Commission will consider this when it issues its final report on performance term six price caps by September 30, 2023.
- BC Ferries believes that the additional government investment will result in average annual fare increases limited to the 3% range.

**Contact:** Doug Foster  
**Division:** Deputy Minister's Office  
**File Name:** 04\_MO\_DMO – BC Ferries and Translink

**Phone:** 250 387-9022  
**Page:** 2 of 4

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MOTI)  
ISSUE NOTE**

## **TransLink**

- In October 2020, the Province and federal government provided TransLink with a Safe Restart contribution of \$675.8 M to:
  - Assist TransLink with maintaining transit services during the term of the agreement (2020 – 2024 calendar years);
  - Offset TransLink's estimated revenue losses from limiting average annual public fare increases to 2.3% through the end of the 2024 calendar year; and
  - Administer the Free Transit for Children 12 and Under Program
- In March 2022, the Province and federal government provided TransLink with a further \$176 M, to address longer than expected fiscal impacts of the pandemic, and to further assist TransLink with maintaining services during the 2023 through 2025 calendar years.
- Despite previous senior government assistance, TransLink continues to experience significant fiscal impacts due to slower-than-expected ridership recovery, changing travel patterns, and escalating labour, capital and borrowing costs.

• Advice/Recommendations; Government Financial Information; Intergovernmental Communications

• Advice/Recommendations; Government Financial Information; Intergovernmental Communications

**Contact:** Doug Foster  
**Division:** Deputy Minister's Office  
**File Name:** 04\_MO\_DMO – BC Ferries and Translink

**Phone:** 250 387-9022  
**Page:** 3 of 4

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MOTI)  
ISSUE NOTE**

- Together, the TransLink requirements total \$479 M and the Province's contribution will assist with keeping TransLink's annual fare increases at 2.3% while maintaining services, as the Authority develops its next Investment Plan to take effect starting in 2025.

### **Year-End Funding Sources**

- Funding for the BC Ferries contribution was provided through a Supplementary Estimate for the Ministry of Transportation and Infrastructure.
- Funding for the TransLink contribution was provided to the Ministry of Transportation and Infrastructure through access to the 2022/23 Contingencies vote.

**Contact:** Doug Foster  
**Division:** Deputy Minister's Office  
**File Name:** 04\_MO\_DMO – BC Ferries and Translink

**Phone:** 250 387-9022  
**Page:** 4 of 4

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

**ISSUE: British Columbia Investment Management Corporation (BCI)**

**ADVICE AND RECOMMENDED RESPONSE:**

- BCI operates under a dual accountability model as set out in the *Public Sector Pension Plans Act*, and is responsible to its clients and the BCI Board.
- Clients set their own investment policies and management frameworks and determine the diversification of the portfolio and the eligible investments. BCI's Chief Investment Officer is accountable to each client for their investment returns and for the management of their funds.
- BCI is not part of the government reporting entity (GRE) – the government does not control how BCI manages its business or makes its investment decisions – that is the intention of the legislation.
- However, the government is an investment client and BCI's sole shareholder. In addition to the major provincial public sector pension plans, BCI invests on behalf of key public sector entities such as ICBC, WorkSafe BC and more recently, TransLink.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 1 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

- With the Ministry of Finance, BCI continues to focus on ways to improve its annual Three-Year Business Plan and annual reports.
- BCI is expected to publish its Fiscal 2023 Corporate Annual Report including its audited results, in mid-July 2023.

**KEY FACTS/BACKGROUND:**

- British Columbia Investment Management Corporation (BCI) began operations under the *Public Sector Pension Plans Act* (PSPPA) in 2000 to provide investment services to British Columbia's public sector.
- BCI operates under a dual accountability model as set out in the PSPPA and is responsible to its clients and the BCI Board. Clients establish their investment policies and management frameworks and determine the diversification of the portfolio and the eligible investments. The Chief Investment Officer is accountable to each client for their investment returns and management of their funds.
- BCI is not part of the government reporting entity (GRE) however the government is an investment client and BCI's sole shareholder. In addition to the major provincial public sector pension plans, BCI also invests on behalf of key public sector entities such as ICBC and WorkSafe.
- Under section 20(s) of the PSPPA, BCI is required to provide the Minister of Finance with an annual business plan and an annual

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 2 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

report on the investment management corporation, including the audited financial statements.

### **BCI Overview**

- BCI managed \$211.1 billion (B) of assets (AUM) as of March 31, 2022 (end of Fiscal 2022). While the AUM for Fiscal 2023 will be publicly released in July 2023, BCI is currently managing around \$212 B.
- 32 clients, which include pension funds, insurance funds and special purpose funds; pension and insurance funds account for 98.1% of assets managed.
- 700 permanent BCI employees are currently located in Victoria, Vancouver, New York, and London, U.K.
- BCI's first office outside of North America will be opened in London, U.K. by mid-2023 for the infrastructure & renewable resources team and demonstrates the evolution of BCI's investment strategy.
  - The London presence provides a foundation to continue sourcing deals for new capital investment, asset management, and developing new partnerships in the UK and Europe.
- BCI is a cost-effective manager of pension fund assets within Canada. A recent cost-benefit analysis based on CEM Benchmarking data showed that BCI is the lowest-cost producer within their Canadian peer group, while delivering one of the highest value add over the past six years.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 3 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- While BCI is a global investor, examples of key investments in B.C. are provided in sections: **Notable BCI Investments in British Columbia; and QuadReal Investments in British Columbia.**
- BCI's public profile is rising and a scan of topical Media Matters and Issues Management is included at the end of this briefing note.

### **BCI Governance and Role**

- The PSPPA provides a unique structure that enables public sector employers and employees to take responsibility for their pension plans and share in the risks, rewards, and governance of their plans.
- BCI is responsible for generating investment returns that help their public sector clients build financially secure futures. BCI capitalizes on its well-constructed, diversified portfolio to optimize risk-adjusted returns – meeting or exceeding their clients' return objectives without taking on unnecessary risk.

### **Client Funding Status**

- The most recent funding ratios for BCI's six largest pension plan clients range from 103% to 133%. While the values of some assets were lowered during the market correction of 2022, BCI's pension plan clients remain well funded due to surpluses created by strong historical returns.
- The funding ratios for BCI's insurance clients range from 119% to 155%.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 4 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

## **Investment Returns and Peer Comparison**

- Updated valuation information for private market investments (over 40% of BCI's assets) is finalized annually in July.
- BCI has two reporting periods:
  - March 31 is its fiscal year-end and AUM are reported for that period. Public markets assets are valued as of March 31 and returns for the programs reflect the same period.
  - Due to lags in valuation updates, private market assets are fully valued on December 31 and internal rates of return for the programs reflect the calendar year.

## **Market Overview and BCI's Response**

- Elevated inflation dominates the global economy and capital market movements.
- One-year returns across most global public equity and fixed income markets are negative as high inflation and the resulting central bank rate hikes have lowered return expectations.
- BCI expects business earnings to lower and credit markets to tighten as the cost of capital rises.
- BCI's portfolio is built to withstand these market movements:
  - As BCI has sufficient liquidity, it is not forced to sell assets during market downturns and is positioned to take advantage of assets that become available and are priced at lower levels.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 5 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- BCI has diversified their sources of returns by adjusting investment strategies across its asset classes and with geographic diversification.
- 82% of assets are internally managed, up from 59% in 2014, resulting in more cost efficient investment and asset management services and a better alignment of interests relative to external managers.

### **Investment Highlights**

- Private Equity committed a record \$9.8 B in 2022, of which \$3.7 B was committed to direct investments and \$6.1 B to fund investments. More than \$4.5 B was received in distributions, with a significant portion received by locking in returns prior to the market downturn.
- Infrastructure & Renewable Resources is on track to commit \$3.9 B, more than double its 2022 target of \$1.8 B. The program holds 32 active direct investments, representing 85% of the portfolio.
- There were few safe havens during 2022 as inflation and interest rate hikes by central banks weighed down on public equities and fixed-income markets:
  - Despite negative returns, several of BCI's active public market strategies outperformed their benchmarks.
  - BCI internally manages 86% of its public market assets; internal asset management helps drive performance with lower costs and a better alignment of interests.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 6 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

- QuadReal is expecting to meet its real estate equity benchmark for 2022, and exceed its real estate debt benchmark:
  - Equity investments have benefited from returns in residential, industrial and alternatives sectors.
  - Debt investments have benefited from structures that take advantage of rising rates.

## **BCI's Notable Direct Investments in British Columbia:**

### **Corix Infrastructure Inc. (Corix)**

- Corix is a leading provider of sustainable water/wastewater solutions across the U.S. and Canada and has been held by BCI since 2006.
- Corix and SouthWest Water announced in August 2022 an agreement to combine their water and wastewater businesses in a merger of equals to create a leading regulated water and wastewater utility.
  - The transaction is expected to close by the end of 2023, subject to regulatory approvals and customary closing conditions.
  - The combined company will be headquartered in Sugarland, Texas, while Corix's district energy business and joint ventures, which are not included in the transaction, will remain headquartered in Vancouver, B.C.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 7 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

### **Global Container Terminals (GCT)**

- GCT is a leading global container operator headquartered in Vancouver that offers the infrastructure to import/export goods from coast-to-coast in two of North America's largest ports and held by BCI since 2018.
  - GCT operates container terminals in Vancouver and Delta in Canada, and New York and New Jersey in the U.S.
- GCT entered into an agreement in December 2022 to sell its U.S. business to CMA CGM Group.
  - The transaction is subject to customary and required regulatory approvals and consents and on close, GCT will retain full ownership of GCT Canada and its terminals (GCT Deltaport and GCT Vanterm).
- GCT submitted a proposal to the B.C. Environmental Assessment Office for a \$1.6 B project to increase capacity at its Delta port by adding a fourth berth for ships and expanding a rail yard along the 5 km causeway that connects the port to land.
  - This proposal is an alternative to the proposed new three-berth marine container terminal at Roberts Bank by the Vancouver Fraser Port Authority.

### **InTransit BC**

- InTransit BC (held by BCI since 2005) designed, built, partially financed, operates, and maintains the Canada Line Sky Train in

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 8 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

Vancouver through a 35-year concession agreement on behalf of TransLink.

- The Canada Line is a fully automated commuter transit system that connects downtown Vancouver, central Richmond, and the Vancouver International Airport.

### **Mosaic Forest Management (Mosaic)**

- BCI and a consortium of Canadian investors created Mosaic in 2018 to manage the affiliation of two timber companies in B.C. — TimberWest Forest Corp. and Island Timberlands Ltd. Partnership.
- Mosaic is committed to recognizing and respecting the rights of Indigenous Peoples and has an Indigenous Relations Policy.
- Mosaic announced its BigCoast Forest Climate Initiative in March 2022, which involves deferring harvest of 40,000 hectares in Coastal B.C. for the next 25 years and replacing timber harvesting revenues with the sale of carbon credits to other companies.

### **BCI and Environment, Social and Governance (ESG)**

- As a long-term investor, BCI integrates ESG considerations into its investment due diligence and asset management processes. BCI and its clients share the belief that companies employing robust ESG practices are better positioned to generate long-term value.
- BCI's corporate-wide ESG Strategy outlines its investment beliefs and ESG principles, and sets a framework for BCI's ESG-related initiatives.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 9 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- BCI's corporate ESG influence priorities are: climate change; water management; data security and privacy; human capital management; and diversity and inclusion.
- Highlights for the year include:
  - Participating in six collaborative engagement initiatives targeting 2,294 publicly traded companies on climate change, gender diversity, structuring sustainable bonds and sustainable finance.
  - Investing in 26 sustainable bond issuances valued at over \$1.4 B, increasing their total historical participation to \$4 B; and expecting their total historical sustainable bond participation to grow to \$5 B by 2025.
  - Investing in climate-related opportunities with BCI's first direct investment in solar power through Reden Solar.
  - Contributing to 11 policy consultations, roundtables, and joint statements supporting market or regulatory ESG improvement, including the SEC's consultations on climate disclosure rules and the Government of Canada's Sustainable Finance Action Council.
  - Escalating engagements with companies that lag BCI's expectations for ESG performance, including filing shareholder proposals at ExxonMobil and Imperial Oil on climate risk disclosure, and at Amazon on freedom of association.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 10 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- Using proxy voting to drive climate action by voting for 62% of climate change proposals and supporting 54% of all environmental-related proposals.

### **BCI and Climate Action**

- BCI has had integrated climate-related considerations in its investment processes since the early 2000s, and partners with portfolio companies and collaborates across capital markets on climate action.
- BCI released an updated Climate Action Plan in November 2022, affirming its commitment to supporting the global goal of achieving net-zero emissions by 2050, as well as strengthening the supporting actions identified for its four focus areas: engage and advocate; integrate; seek opportunities; and manage risk.
- BCI is focusing on capturing opportunities arising from the transition to a low carbon economy, while also protecting its clients' portfolios from undue physical and transition risks.
- BCI will continue to reduce systemic climate risks in its portfolio and will work to influence the broader market through engagement and advocacy, by using its influence.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 11 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

## **Quadreal Property Group (Quadreal)**

### **Structure**

- QuadReal manages over \$67.1 B of BCI's real estate equity and real estate debt. BCI's clients own the real estate and real estate debt through investment pools and receive investment returns on these pooled assets.
- BCI established QuadReal in 2016 and maintains corporate oversight of QuadReal through its board of directors. BCI's CEO/CIO appoints the QuadReal directors; two of the seven directors are members of BCI's executive management team.
- QuadReal's professional management team focuses exclusively on real estate opportunities and services and handles the portfolio's asset management and daily operations on behalf of BCI.

### **Investment Focus and Approach**

- QuadReal has a mandate to deliver prudent growth and strong investment returns. its global networks accelerate the deployment of capital that meets the allocation targets of BCI's clients and provides greater access to commercial financing opportunities.
- QuadReal's capabilities include investing in public and private debt and equity markets, and investing across the lifecycle of properties, from pre-development through to stabilization.
- QuadReal invests directly, via partnerships, and through operating companies in which it holds an ownership interest.

**Contact:** Doug Foster

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**Division:** Deputy Minister's Office

**Page:** 12 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

**BC Economic Impact Analysis 2019-2023 (as provided by QuadReal)**

- 24,900 direct jobs
- \$592.4 M in provincial taxes and \$653.3 M in federal taxes estimated to be paid
- 14 lower mainland projects
- \$6.1 B investment

**Residential Focus**

- QuadReal has established managers and developers of residential communities in Canada. QuadReal's residential portfolio as of Q4 2021 included:
  - Residential Units
    - Total global multi-family rental: 54,360 units
    - B.C. total: 1,698 units
  - Student Housing Beds
    - 33,555 suites (allocated outside Canada primarily in U.S.)
  - Parkbridge Units
    - Total: 26,097 homes
    - B.C. total: 2,032 homes (prior to the sale of Crispen Bay).
- Recent global disruptions have reinforced the benefits of QuadReal maintaining a very high level of conviction in the multi-family sector.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 13 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT  
MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)  
ISSUE NOTE (updated March 31, 2023)**

## **QuadReal's Notable Investments in British Columbia**

- **Oakridge Park**
  - A 29-acre transit-oriented redevelopment of a high-profile legacy shopping centre that will become the second official Town Center of Vancouver outside the downtown.
  - Vision is a cultural hub of world class retail office and residential uses paired with significant community amenities including: a community centre; public library; daycare; and a nine-acre public park.
  - Project includes a range of market and social housing, including over 2,000 condo units and 300 rental units.
  - Development will be powered by a highly sustainable on-site district energy system utilizing geo-thermal and electric energy.
- **Parkbridge Lifestyle Communities**
  - An asset held within BCI's real estate portfolio since 2010.
  - Portfolio of approximately 100 residential and RV camping and cottage resort portfolios in B.C., Alberta, Ontario, Quebec, Nova Scotia, and New Brunswick.
  - Within B.C., Parkbridge has eight residential properties and four resort properties.
  - Parkbridge employs over 1100 people.
- **The Post, downtown Vancouver**
  - Historical landmark that was previously the regional facility for Canada Post, and currently being transformed into a mixed-use

**Contact:** Doug Foster

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**Division:** Deputy Minister's Office

**Page:** 14 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

office and retail space, with Amazon occupying 100% of the office space starting in 2023, and retail tenants opening in the fall of 2023 and early 2024.

- Project will save about 25,000 tonnes of carbon by retaining the existing mid-century architecture of the building while redeveloping its office and retail facilities.
- Designed to LEED Gold Certification, which rates the building on how 'green' it is in terms of carbon emission, energy efficiency, as well as health and indoor environmental quality.
- Features numerous energy-saving measures such as waste heat recovery, passive solar shading, light shelves, and a building envelope that conserves energy.
- 6,000 people expected to work at The Post when completed, in addition to the people who visit every day for the amenities.

### **ESG at QuadReal**

- QuadReal identifies the Environment as a key stakeholder – striving for net positive impacts/continuous improvement, as well as seeking innovations to reduce energy consumption, pollution, and waste.
- BCI started tracking carbon at all Canadian-owned properties in 2007, which continued at QuadReal. Through energy efficiency projects, QuadReal's domestic real estate portfolio saw a decrease in normalized energy consumption of over 20% from 2007-2022 and a reduction in annual carbon emissions of more than 30%.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 15 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- QuadReal has set a net-zero target and publicly discloses its strategic pathway to reduce its greenhouse gas emissions to net zero by 2050.
- QuadReal is focused on reducing energy consumption, increasing energy efficiency, and transitioning to renewable energy sources in its properties.
- GRESB (widely used assessment of institutional real estate sustainability) rated QuadReal's diversified Canadian portfolio of office, industrial, retail, and residential assets 1<sup>st</sup> place in the Americas and 4<sup>th</sup> globally in 2022, complementing QuadReal's top GRESB rankings from the previous three years.
- QuadReal closed its \$2.5 B senior unsecured bank credit facility with sustainability-linked performance targets (SLL Facility) in March 2022 – a demonstration of the continued evolution of QuadReal's sustainable financing program.
  - The committed three-year SLL Facility incorporates sustainability-linked performance targets related to reductions in greenhouse gas intensity and energy usage.

### **BCI's Corporate Publications**

- BCI will submit the Fiscal 2024-2025 Business Plan to the Minister of Finance in advance of the annual meeting between the Minister and BCI's Chair of the Board and CEO/CIO.
- BCI will publicly release the following corporate publications in 2023:
  - Proxy Voting Guidelines - 11<sup>th</sup> edition (March 2023)

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 16 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- 2022 ESG Annual Report (April 2023)
- F2023 Corporate Annual Report (July 2023).
- Public-facing Fiscal 2024-2025 Business Plan (July 2023)

### **Proxy Voting Guidelines (11<sup>th</sup> Edition)**

- The 11<sup>th</sup> edition of BCI's Proxy Voting Guidelines outlines increased expectations on climate change disclosure, diversity, corporate governance roles, and protection of shareholder rights.

### **ESG Annual Report 2022**

- Reinforces BCI's approach to ESG and climate action as thoughtful, intentional, and grounded in the best financial interests of clients; and demonstrates how BCI continues to evolve its approach to address issues most material to their clients' investments; and highlights the sophistication of BCI's ESG teams and methodologies.
- Supports the PRI Assessment to reflect public and client disclosure.

### **Business Plan F2022-2024**

- BCI transformed into an active, global in-house investment manager from 2014 to 2022 and their current business plan focuses on strengthening their competitive edge by executing on four strategic ambitions centered around: clients; returns; technology; and talent.
- BCI is entering the final year of this three-year plan and remains on track. Selected highlights:

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 17 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- Clients: Operationalizing the client reporting project which provides clients with new, streamlined, and improved reports.
- Returns: BCI opened an office in New York City in April 2022 for the private equity team and an office in London, U.K. Both offices provide the investment teams with closer access to deal flows and the assets within those geographies.
- Technology: Established the Corporate Data & Operations department to support the increasing focus on and use of analytics and insights. BCI continues to automate manual workflows and processes.
- Talent: Career pathway frameworks were developed for all departments, and BCI continues with its ED&I strategy.

### **Corporate Annual Report F2023**

- Reflects the fiscal year's activities and comments on the annual and long-term investment returns, investment activities, risk management, operational initiatives, and corporate governance, and corporate financial statements.
- The report will focus on adaptability, a core tenant of BCI's long-term vision to ensure that it is evolving to continue to meet client needs. This includes evolving into a global active in-house investor with sophisticated investment strategies; an expanding global investment and physical footprint; benefiting from diversifying sources of investment returns; and promoting diversity of BCI's employees.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 18 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- BCI's climate-related disclosures, in accordance with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) will be included in BCI's Corporate Annual Report.

## **BCI and Issues Management**

### **Silicon Valley and Signature Banks**

- U.S. regulators have taken over Silicon Valley Bank (SVB) and Signature Bank, guaranteeing deposits and opening a broader emergency lending program in order to protect customers and promote stability in the banking system.
- In Canada, the Office of the Superintendent of Financial Institutions took over the Canadian operations of SVB and British regulators took equivalent measures in the U.K.
- Overall, BCI has no material exposure does not expect any significant impacts to its portfolio as a result of the failure of SVB and Signature Bank.

### **Corporate Knights Canadian Pensions Dashboard for Responsible Investing**

- Corporate Knights, a Canadian media, research, and financial information products company, released the second edition of its Canadian Pensions Dashboard for Responsible Investing. The dashboard examined how 14 of Canada's largest pension funds, including BCI, are addressing responsible investing across a range of environmental and social dimensions.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 19 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- Corporate Knights created their own methodologies for the dashboard using publicly-facing materials. Overall, the dashboard rates BCI performance as moderate against its peers and varies depending on the metric and associated nuances.

**Climate Action and Response to Shift Action for Pension Wealth and Health (Shift)**

- Shift Action for Pension Wealth and Planet Health (Shift) continues to engage with BCI and other Canadian pension plans about the financial risks that climate change poses to pension investments.
- BCI has provided written communication to Shift in response to Shift's questions about the financial risks to BCI's clients' portfolios.
- Shift continues to issue reports/engage with Canadian media seeking to pressure Canadian pension plans to divest from fossil fuels.
  - Shift released a 2022 Canadian Pension Climate Report Card in January 2023 which assigned a "climate score" to 11 funds. BCI's score (D+) was mid-range of the Canadian funds. While the report received media coverage, BCI received minimal inquiries.
  - In March 2023, CBC published a story on Canadian pension fund directors' ties to fossil fuel companies. The article related to the May 2022 Shift report which focused on Canadian pension plan investment managers who have directors that serve on the boards of oil and gas companies.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 20 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- BCI's executive vice president, Infrastructure & Renewable Resources, was referenced for board positions with portfolio companies Open Grid Europe and Czech Gas Networks.
- BCI states there is no conflict of interest. Receiving governance rights and board seats for the private portfolio companies in which BCI invests is a common practice and enables BCI to influence the strategic direction of companies in alignment with the best long-term financial interests of its clients.
- BCI anticipates that there will be continued calls to divest from fossil fuels and will engage and respond as appropriate.

### **BC Teachers' Federation AGM**

- A motion was put forward at the BC Teachers' Federation (BCTF) AGM in March 2022, requesting that "the BCTF lobby the Teachers' Pension Plan Board (TPBT) to set policy guiding BCI to divest from portfolios containing fossil fuel industries, and allocating a greater portion of investments using environmental, social, and governance criteria.
- TPBT responded to the BCTF in September 2022 and confirmed that the board and BCI share the belief that divestment is not an effective strategy for addressing long-term and persistent ESG risks.
- BCTF Divest Now, a grassroots movement of BC teachers (supported by Shift) is seeking the union's divestment of all fossil fuel companies and have initiated email campaigns targeting the BCTF and TPBT.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 21 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

**Parkridge Lifestyle Communities and Hawthorne Village**  
**(see bottom of page 9 – this investment of BCI/QuadReal)**

- A resident raised a concern that increases in monthly rental payments were not appropriate for Hawthorne Village, a land-lease community.
- A meaningful component of the monthly rental is determined by the land rent which Parkbridge pays on behalf of the residents, to the Tsawout First Nation, the owners of the land on which the community is situated.
- The Tsawout First Nation had not yet issued a rent increase notice for the next five-year period (beginning September of 2022).
  - Tsawout First Nation has a period of 180 days to do so and thereafter a period of negotiation would begin to ensure all parties agree on go-forward terms.
- Via correspondence and meetings coordinated by Parkbridge, residents of the community have been briefed on the rent increase situation and timing. Resident's concerns are managed on a case-by-case basis.

**Mosaic - Harvesting at Mount Washington**  
**(see bottom of page 14 – this investment of BCI)**

- A citizen from Comox communicated concerns to BCI about Mosaic's harvesting activities at Mount Washington.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 22 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- As BCI is not involved in the day-to-day operations of the company, BCI engaged with Mosaic and redirected the query to Mosaic to directly engage with the citizen.

### **ICBC Investment Returns**

- With assistance from BCI, ICBC completed an investment strategy review in 2020/21, which coincided with the launch of Enhanced Care Coverage (ECC).

Advice/Recommendations; Government Financial Information

- During F2021/2022 the ICBC Investment Fund continued on its path toward ICBC's long-term investment policy.

### **Recent Media Coverage and Mentions Featuring BCI Spokespeople**

- BCI is strategically raising its profile and has proactively engaged with local, provincial, national, and international media to demonstrate BCI's thought leadership. Notable interviews include:
  - BCI's executive vice president and global head, public markets were interviewed by Top 1000 funds on BCI's private debt program (April 2022).
  - BCI's executive vice president, investment strategy & risk, was interviewed on EuroMoney Wealth of Nations podcast about BCI's transformation and focus on private markets (May 2022).

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 23 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- BCI's executive vice president, human resources had an opposite editorial regarding 'The Great Resignation' published in the Times Colonist (September 2022)
- BCI's senior vice president, technology and innovation and chief technology officer was interviewed by Chief Investment Magazine for an article profiling BCI's technology strategy (November 2022)
- BCI's senior managing director of ESG, participated in The Globe and Mail's Board Games feature, offering commentary on corporate governance practices within Canada's largest companies (December 2022)
- BCI's executive vice president & global head, private equity, was interviewed for a feature story in Buyouts, a premier public equity publication, on BCI's private equity strategy, growth, and plans (December 2022), and also interviewed by Wall Street Journal Pro Private Equity providing commentary on partnering with private equity GPs (January 2023)
- BCI's executive vice president & global head of public markets spoke with BNN Bloomberg about deploying capital into private debt (February 2023).
- BCI's derivatives, trading & indexing team released an industry-first white paper detailing an innovative centralized trading framework.
  - The approach provides BCI's clients with greater portfolio returns, lower fees, and allows for improved risk management.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 23 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE**  
**DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH BC INVESTMENT**  
**MANAGEMENT CORPORATION AND PROVINCIAL TREASURY)**  
**ISSUE NOTE (updated March 31, 2023)**

- The end-to-end trading approach ensures connectivity at the highest levels and enables one cross-asset desk to execute for the entire corporation.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 23 of 25

**File Name:** 05\_MO\_DMO - British Columbia Investment Management Corporation (BCI)

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

## **ISSUE: LNG Canada and Coastal Gaslink Update**

### **ADVICE AND RECOMMENDED RESPONSE:**

#### **General:**

- Our LNG Investment Fiscal Framework introduced in 2019 helped us attract \$40 billion of new investment and up to \$23 billion in new government revenues over 40 years – prosperity that will help pay for services for people.
- The government's new energy action framework builds on actions outlined in the CleanBC roadmap to drive clean economic growth and future prosperity.

#### **LNG Canada:**

- In its 5<sup>th</sup> year of construction, LNG Canada is about 80% complete and on track to export LNG around mid-decade.
- At \$40 billion, the combined upstream, pipeline and plant is the largest private sector investment in Canadian history.
- The project is expected to generate up to \$23 billion in government revenue over 40 years – funds to invest in health care, housing and other key public services in B.C.

**Contact:** Doug Foster

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**Division:** Deputy Minister's Office

**Page:** 1 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

- To date, the project has awarded over \$4 billion in contracts to businesses in B.C. and Canada, including over \$2.7 billion to Indigenous-owned businesses.
- LNG Canada has also spent \$4 million to date on workforce development, in addition to social investments.
- February 2023 data shows a workforce of over 6,200 people.
- Government is working closely with First Nations, local communities and industry, to help ensure benefits are realized and permit and other approval conditions are met.

### **Coastal GasLink Pipeline (CGL):**

- At over 84% complete, CGL expects to complete construction by the end of 2023. Advice/Recommendations
- Advice/Recommendations
- Over \$1.5 billion has been awarded to local B.C. businesses to date, including over \$1.2 billion to Indigenous businesses.
- CGL is supported by Indigenous communities along the entire pipeline route, including the majority of Wet'suwet'en elected councils.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 2 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

- Government is working closely with First Nations, local communities and industry, to help ensure benefits are realized and permit and other approval conditions are met.

## **KEY FACTS/BACKGROUND:**

### ***LNG Canada (LNGC) Background/Update:***

- In October 2018, LNGC made a positive Final Investment Decision (FID) to construct a liquefied natural gas (LNG) export facility in Kitimat, B.C. – the largest private investment in Canadian history.
- LNGC is a joint venture of Shell Canada (40%), PETRONAS (25%), PetroChina (15%), Mitsubishi Corporation (15%) and KOGAS (5%).
- LNGC has all the major permits in place from the BC Energy Regulator (formerly the Oil and Gas Commission), including B.C.'s first LNG facility permit.
- LNGC requires the CGL pipeline to supply natural gas to the export facility (Phase 1 capacity is 2.1 billion cubic feet/day (bcf/d)).
  - LNGC's Phase 2 would require two more trains on site and an expansion of CGL's capacity (to 5 bcf/d) through the addition of up to seven compressor stations (for a total of eight).
  - A final decision on whether to pursue Phase 2 has not been made, but LNGC has been public about its intention to move forward with permitted construction.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 3 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

Construction Update:

- The plant is in its 5th year of construction and LNGC and its primary contractor, JGC Fluor BC LNG JV (JFJV), continue to hit milestones to keep the project on track to export LNG around mid-decade.
- The plant site is about 80% complete and as of February 2023, LNGC reported a total workforce of 6,247 people.

Benefits:

- Jobs and training: LNGC has prioritized local hiring first, followed by workers from within B.C. and Canada, and has spent \$4 million to date on workforce development.
- Economic: Together with construction/operations jobs, LNGC could generate up to \$23 billion in government revenue over 40 years.
- First Nations: LNGC has entered into agreements with all affected First Nations. To date, over \$2.7 billion has been awarded in contracts and procurement for Haisla and other First Nations.
- Environment/climate: LNGC is expected to have the lowest GHG emissions intensity of any comparable LNG facility of its kind in the world. However, consultations on LNGC's Phase 2 will be considerate of B.C.'s new action energy framework.

BC Output-Based Pricing System (OBPS):

- Further to Budget 2023, starting April 1, 2024, large emitters, such as pulp and paper mills, oil and gas operations, and large mines, will transition to a new carbon pricing model.
- This new, made-in-B.C. output-based pricing system (B.C. OBPS), will establish performance-based emissions limits and price

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 4 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE

operations' emissions that exceed those limits.

Advice/Recommendations

**Coastal GasLink (CGL) Background/Update:**

- CGL is a TC Energy project with 65% equity holders KKR and the Alberta Investment Management Corporation. There is also a 10% equity option signed with (16 of 20) First Nations (see First Nations).
- CGL is a 670-kilometre pipeline that will deliver natural gas from

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 5 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

northeastern B.C. to the LNGC facility in Kitimat. Once complete, the pipeline will have a capacity of 2.1 billion cubic feet per day (bcf/d) using two compressor stations.

- CGL received its B.C. Environmental Assessment Certificate (EAC) in October 2014 and has most provincial permits in place. The EAC also covers a Phase 2 pipeline expansion of up to 5 billion cubic feet per day (bcf/d), including up to eight compressor stations. This is dependent on LNGC's FID on Phase 2, which is covered by its EAC.
- Advice/Recommendations

*Construction Update:*

- At over 84% complete, CGL expects to complete construction by the end of 2023. Advice/Recommendations

Advice/Recommendations

*First Nations:*

- To date, over \$1.5 B has been awarded to local B.C. businesses by CGL. Including over \$1.2 B to Indigenous owned businesses or joint venture partnerships.
- CGL has signed agreements with all twenty elected First Nations along the right-of-way and the Province has signed pipeline benefits agreements with 17 of 20 First Nations along the pipeline right-of-way. Each agreement provides Nations with financial support to address their priorities, such as training and education, contracting and employment, etc.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 6 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

- In March 2022, 16 of 20 First Nations communities signed option agreements to purchase an equity stake in the Coastal GasLink Pipeline Limited Partnership.
- Advice/Recommendations; Intergovernmental Communications

**Government Oversight:**

- The BC Energy Regulator (BCER) and the Environmental Assessment Office (EAO) have been working closely to oversee compliance and enforcement of the CGL project's construction activities<sup>1</sup>. The BCER has conducted over 400 inspections<sup>2</sup> of CGL to date; the EAO has conducted 68 inspections<sup>3</sup> since construction started in 2019.
- As part of the escalating enforcement action in 2022, the EAO signed a compliance agreement with CGL requiring the project to take more stringent measures to protect waterways from erosion and sediment in areas of new construction. The EAO has issued several warnings and orders since construction started, predominantly related to sediment and erosion control, as well as three fines (Feb. and May 2022, and Jan. 2023).
- CGL's EAC also requires plans to manage socio-economic effects directly associated with the project. CGL has had five administrative and two field-based EAO inspections on its Socio-economic Effects Management Plan and was found fully compliant in all cases.

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<sup>1</sup> Other agencies include the Ministry of Forest, Federal Department of Fisheries and Oceans, and Environment and Climate Change Canada.

<sup>2</sup> Resulting in two orders, a dozen tickets, cited 49 deficiencies, plus three warning letters.

<sup>3</sup> Resulting in 52 warnings, 17 orders to cease/prevent/remedy, and three administrative penalties.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 7 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

## **QUESTION/TOPICAL AREAS:**

### **Impacts and timing of LNGC benefits on Province's Fiscal Plan**

- Based on joint modelling by the Province and LNGC, the entire project could generate up to \$23 B in potential government revenues over the 40-year project life.
- The project is expected to come into service around mid-decade and the Province has already benefited from additional tax revenues created through the significant construction jobs on both the LNGC and CGL site.
- And in the upstream, natural gas development and production has already increased significantly in anticipation of LNGC's new demand.

### **Impacts of new energy action framework for LNGC/CGL projects**

- The oil and gas industry as a whole, will need to fit within the overall emissions cap under the BC OBPS.
- Starting in April, the Province has begun engagements with First Nations, industry, labour, environmental organizations, local governments and other stakeholders

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 8 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

Advice/Recommendations; Cabinet Confidences

### **Overruns on LNGC/CGL projects**

- The current estimated cost to complete the CGL project rose to \$14.5 B, as indicated by TC Energy in February 2023. This is a commercial matter and does not involve the provincial government.
- CGL remains on track for completion by the end of the year and will be ready to support LNGC's facility around mid-decade.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 9 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE

## Workforce and diversity

- Based on February 2023 data, LNGC had 6,247 construction workers at the Kitimat plant site. Advice/Recommendations
- Advice/Recommendations

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 10 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

Advice/Recommendations

## **Status of TCE/CGL's equity offer to First Nations**

- TCE offered all 20 First Nations – those communities that have executed agreements with CGL – with an option to acquire equity interest (a total of 10%, or 0.5% each) in the CGL Ltd. Partnership.
  - In March 2022, 16 (of the 20) First Nations communities signed options agreements to purchase an equity stake.
  - These 16 First Nations were represented by two equity groups – the CGL First Nations Limited Partnership and the FN CGL Pipeline Limited Partnership.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 11 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

- The Province is supportive of TCE's equity offer to First Nations and the long-term economic opportunities it provides.

Advice/Recommendations; Intergovernmental Communications

## **Status LNGC's Phase 2**

- The Province is discussing a possible Phase 2 expansion with LNGC, and how that can be achieved while meeting B.C.'s five conditions for LNG development, as well as new energy action framework.
- There will be a task force established to accelerate the electrification of our economy and BC Hydro has an expression of interest out now to identify demand for electricity in northern B.C. Cost and time estimates will be developed as potential transmission upgrade projects proceed.
- At this time, LNG Canada has not made a final investment decision about Phase 2.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 12 of 12

**File Name:** 06\_MO\_DMO - LNG Canada and Coastal GasLink Developments

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

## **ISSUE: Woodfibre LNG Update**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Woodfibre LNG is proposing a 2.1 million tonnes/annum facility that utilizes electricity to manufacture liquefied natural gas and is located on private land in Squamish, B.C.
- Woodfibre announced its intention to proceed in April 2022, along with a pre-construction budget of \$600 million. Construction is expected to begin in June-September 2023.
- Woodfibre's investment is estimated at \$5.1 billion and includes plant and pipeline, supported by hundreds of jobs.
- Woodfibre, FortisBC and the Province are at various stages of concluding benefit arrangements with the Squamish, Tsleil-Waututh, Musqueam and Kwikwetlem First Nations.
- Woodfibre will be guided by government's new energy action framework that builds on actions outlined in the CleanBC roadmap to drive clean economic growth and future prosperity.
- Government is working closely with First Nations, local communities and industry, to help ensure benefits are realized and permit and other approval conditions are met.

**Contact:** Doug Foster  
**Division:** Deputy Minister's Office  
**File Name:** 07\_MO\_DMO - Woodfibre LNG Update

**Phone:** 250 387-9022  
**Page:** 1 of 3

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

**KEY FACTS/BACKGROUND:**

- In April 2022, Woodfibre LNG (Woodfibre) announced its intention build a liquefied natural gas (LNG) facility that utilizes electricity to manufacture liquefied natural gas (LNG) and is located on privately-owned land near Squamish, B.C.
  - The project is a 2.1 million (M) tonnes/annum export facility with 250,000 cubic metres of floating storage capacity.
  - Woodfibre announced a pre-construction budget of \$600 M, with construction expected to begin in June-September 2023.
  - Woodfibre's investment is estimated at \$5.1 billion (B) and includes the plant and pipeline.
  - The project remains on track for its targeted in-service date of the 4<sup>th</sup> quarter 2027.
  - Woodfibre has estimated up to 650 construction jobs and 100 jobs during operations.
- Woodfibre has incurred some delays since it started its development process around 2014/15.
  - In June 2019, Pacific Oil and Gas (original owners of Woodfibre) completed the acquisition of Canbriam Energy, representing one of the largest investments in B.C.'s upstream gas development sector since 2014.
  - In 2020 Woodfibre was granted an extension to its Environmental Assessment Certificate for 5 additional years.
  - In November 2022, Enbridge purchased a 30% ownership stake in the Woodfibre LNG project.

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**File Name:** 07\_MO\_DMO - Woodfibre LNG Update

**Phone:** 250 387-9022  
**Page:** 2 of 3

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH EMLI)  
ISSUE NOTE**

- With respect to Indigenous relations:
  - Woodfibre, FortisBC and the Province have concluded impact benefit agreements with Squamish First Nation.

Intergovernmental Communications

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**File Name:** 07\_MO\_DMO - Woodfibre LNG Update

**Phone:** 250 387-9022  
**Page:** 3 of 3

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

## **ISSUE: 2026 FIFA World Cup and Major Events MRDT**

### **ADVICE AND RECOMMENDED RESPONSE:**

- We are thrilled Vancouver was selected as one of the host cities for the FIFA World Cup 2026 – and we need to work in partnership to make it a success.
- The City of Vancouver is the first to use a new tool to help communities cover the costs of hosting major internationally recognized tourism events.
- In the fall, as a host of the FIFA 2026 World Cup, the City of Vancouver asked for a modest temporary increase to the Municipal and Regional District Tax (MRDT) on short-term accommodations to help with costs of hosting FIFA 2026.
- The City, Destination Vancouver, the Province and the local accommodation sector consulted on implementing an additional Major Events MRDT in Vancouver.
- As a result, effective February 1, 2023, an additional tax of 2.5% on purchases of accommodation in the City is being applied over seven years to help the City cover its estimated costs of hosting FIFA 2026. This in addition to the current 3% MRDT that is collected on behalf of Destination Vancouver.

**Contact:** Doug Foster

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**Division:** Deputy Minister's Office

**Page:** 1 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

- The additional Major Events MRDT is also available for other local governments looking to fund eligible major internationally recognized events with the potential to draw significant international visitation to the province.
- We are continuing to work with the ministry responsible for tourism, the accommodation sector and local governments to see how the Major Events MRDT can be applied in other communities.

**KEY FACTS/BACKGROUND:**

- In June 2022, Vancouver was selected as a Host City for FIFA World Cup (FWC) 2026 matches and the City of Vancouver (City) and B.C. Pavilion Corporation (PavCo on behalf of BC Place Stadium) each signed binding agreements with FIFA.

- Advice/Recommendations; Government Financial Information; Intergovernmental Communications

- *Budget 2023* does not show a specific allocation for provincial FWC 2026 costs. Advice/Recommendations; Government Financial Information; Intergovernmental Communications

Advice/Recommendations; Government Financial Information; Intergovernmental Communications

**Contact:** Doug Foster

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**Division:** Deputy Minister's Office

**Page:** 2 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

**The Cost of FIFA 2026:**

- Last year, government estimated the total costs of hosting FIFA at \$240 – \$260 million (M). This including costs for both the City and BC Place Stadium only. The City's expected costs were estimated at about one-half that amount.
- In January 2023, the City provided a public update which showed the City's estimated net costs at \$230 M for planning, staging and hosting FWC 2026.
- The government expected that costs would increase with more detailed planning, including FIFA's recent site visits, public safety and security and other hosting assessments.
- We also know that inflation has risen significantly since the earlier estimates were prepared.

**Major Events Municipal and Regional District Tax (MRDT)**

- The City of Vancouver is the first to use a new tool to help communities cover the costs of hosting major internationally recognized tourism events.
- In the fall, as a host of the FIFA 2026 World Cup, the City asked for a modest temporary increase to the Municipal and Regional District Tax (MRDT) on short-term accommodations to help with costs of planning, staging and hosting FIFA 2026 matches.
- The City, Destination Vancouver, the Province and the local accommodation sector consulted on implementing an additional Major Events MRDT in Vancouver. As a result, effective

**Contact:** Doug Foster

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**Division:** Deputy Minister's Office

**Page:** 3 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

February 1, 2023, an additional tax of 2.5% on purchases of accommodation in the City is being applied over seven years to help the City cover its estimated costs of hosting FIFA 2026. This in addition to the current 3% MRDT that is collected on behalf of Destination Vancouver.

- The additional Major Events MRDT is also available for other local governments looking to fund eligible major internationally recognized events with the potential to draw significant international visitation to the province.
- Use of additional accommodation taxes to help pay for major tourism events is not new in British Columbia. A similar approach was used in 2007 to help the Resort Municipality of Whistler pay for its costs of hosting the 2010 Olympic and Paralympic Winter Games

**Rate and duration:**

- Beginning February 1, 2023, overnight visitors to Vancouver are seeing an additional \$2.50 charged on each \$100 paid on short-term accommodations.
- The tax will be applied over seven years, but If the City's costs are covered sooner, the tax will be removed earlier.
- It is estimated that the temporary tax could generate about \$230 M in revenue over the term.

Advice/Recommendations; Government Financial Information; Intergovernmental Communications

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 4 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

Advice/Recommendations; Government Financial Information; Intergovernmental Communications

**Other communities accessing the additional Major Events MRDT:**

- There is already a variety of significant events supported by existing provincial programs aimed at encouraging vibrant communities.
- The additional Major Events MRDT was introduced to help pay for Vancouver's anticipated FIFA 2026 costs, but it's also designed to help other communities host major, internationally recognized tourism events that bring in significant international visitors, when existing programs don't provide enough support.
- We're working closely with the Ministry of Tourism, Arts, Culture and Sport, Destination BC, the tourism and accommodation sector and other stakeholders to develop appropriate policies and an application process.

**Accommodation sector:**

- The government understands that priorities of the accommodation sector include competitiveness, transparency and accountability.
- The sector in Vancouver remains supportive of FIFA 2026 and recognizes the positive impacts that visitors and 3.5 billion viewers of the event will have in bolstering tourism to our province.
- They also know that future major international tourism events in other BC cities will be good for tourism and good for the accommodation sector.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 5 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

- The City, Province and Destination Vancouver have spent a lot of time consulting with the Vancouver tourism and accommodation sector about this tax, including options around the rate and duration.
- As a result, representatives of the Vancouver accommodation understand that the Major Events MRDT will be applied in the City over seven years, or sooner once the City's costs are fully paid for, in order to support the success of hosting FIFA 2026 matches.
- The sector has made it clear that it anticipates that there will be strong oversight, accountability and transparency in how the additional Major Events MRDT is used and publicly reported – that will happen.
- We have heard that the introduction of the Major Events MRDT on February 1<sup>st</sup> has created particular challenges for accommodation and travel/tourism companies that had already made commitments and bookings for their clients before February 1, 2023.
  - The Ministries of Finance and Tourism, Arts, Culture and Sport are working with the B.C. Hotels Association and the broader tourism sector to help address some of those concerns.
  - If tourism operators have actual signed contracts and agreements for the purchase of a specified number of days of accommodation, entered into before February 1, 2023, the tourism operator may qualify for a refund of the additional Major Events MRDT paid on that accommodation.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 6 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

**Locals paying the tax (during medical stays, etc.):**

- Early estimates suggest that FIFA 2026 matches could result in an increase of 269,000 visitors, 45% from outside Canada and the US.
- We recognize some BC travelers will also be paying modestly more on their accommodation bills in the City of Vancouver.
- However, the additional \$2.50 for every \$100 of room charge represents a very small portion of a traveler's overall travel costs.
- It's also important to remember that the additional Major Events MRDT will be temporary. Once the City's major event costs have been paid for, the additional tax will be removed.

**Events that qualify for Major Events MRDT:**

- Communities required support and prior approval of the Minister responsible for tourism and the Minister of Finance to ensure that the tax is applied as intended and is time-limited and transparent.
- Some factors considered by the Minister of Finance and Minister responsible for tourism may include whether an event:
  - Is an internationally recognized tourism event;
  - Has great potential to draw significant international visitation and media attention;
  - Bolsters tourism, employment and social and economic benefits for people and businesses in a community and elsewhere in the Province;
  - Has a solid business case and doesn't take on unreasonable risks to communities or partners; and

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 7 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)  
ISSUE NOTE**

- Cannot be fully supported by existing municipal, provincial or federal support programs.
- The Ministry is working closely with the Ministry of Tourism, Arts, Culture and Sport, Destination BC, the tourism and accommodation sector and other stakeholders to develop appropriate policies and an application process.

**Contact:** Doug Foster

**Phone:** 250 387-9022

**Division:** Deputy Minister's Office

**Page:** 8 of 8

**File Name:** 08\_MO\_DMO - 2026 FIFA World Cup and Major Events MRDT

MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (PREPARED IN COOPERATION WITH  
PROVINCIAL TREASURY)  
ISSUE NOTE

## ISSUE: BC Prosperity Fund

### ADVICE AND RECOMMENDED RESPONSE:

- Our preliminary unaudited results show that BC Prosperity Fund (Fund) balance was <sup>Advice/Recommendations</sup> million as of March 31, 2023. This will be confirmed when we issue our audited *Public Accounts* later this summer.
- The BC Prosperity Fund remains part of the Province's overall investment portfolio and annual investment income is part of government's bottom line.
- The government has not made decisions on use of the Fund at this time. However, it will be considered as part of broader fiscal planning in the near – to medium-term.
- The Fund also remains available to provide liquidity support to the Province as it continues through economic recovery.

**Contact:** Doug Foster

**Division:** Deputy Minister's Office

**File Name:** 09\_MO\_DMO - Prosperity\_Fund - 2023 - Mar 31

**Phone:** 250 387-9022

**Page:** 1 of 6

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (PREPARED IN COOPERATION WITH  
PROVINCIAL TREASURY)  
ISSUE NOTE**

**KEY FACTS:**

- The BC Prosperity Fund (Fund) balance was <sup>Advice/Recommendation</sup> million (M) as of March 31, 2023. This will be confirmed when we issue our audited *Public Accounts* later this summer. The balance consists of:
  - An inaugural payment of \$100 M to establish the Fund in Budget 2016;
  - \$400 M transferred in September 2016, based on the 2015/16 final audited surplus; and
  - Accumulated external investment earnings of <sup>Advice/Recommendation</sup> M.
- The Fund's balance as of December 31, 2022, was <sup>Advice/Recommendation</sup> M.
- The Fund is established under section 47 of the Financial Administration Act and is intended to:
  - Help reduce the Province's taxpayer-support debt over time;
  - Make capital and operating investments in health care, education, transportation, family supports and other government priorities; and
  - Preserve a share for future generations.
- The Fund is simply another component of the government's Consolidated Revenue Fund. Annual revenue (e.g., investment income) and spending (excluding debt reduction) of the Fund are included as part of government's bottom line reported in the annual Budget, Estimates and Public Accounts.

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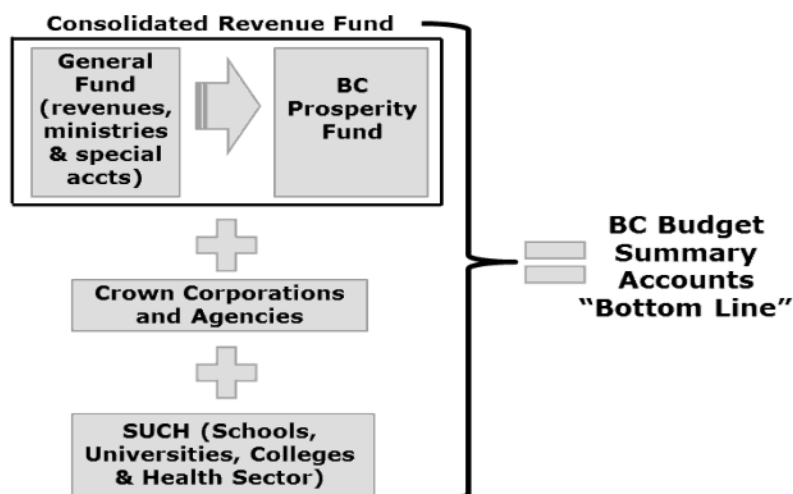
**File Name:** 09\_MO\_DMO - Prosperity\_Fund - 2023 - Mar 31

**Phone:** 250 387-9022

**Page:** 2 of 6

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (PREPARED IN COOPERATION WITH  
PROVINCIAL TREASURY)  
ISSUE NOTE**

**FIGURE 1: Components of BC Budget Summary Accounts**



- Under legislation, uses for the Fund are controlled by Treasury Board as follows:
  - 25% of the total of all amounts that have been transferred to or earned by the Fund must be retained by the Fund;
  - 50% (or 2/3 of the remaining 75%) must be used for reducing the debt of the taxpayer-supported government reporting entity; and
  - 25% will be available for priority spending including capital and operating improvements in health care, education, transportation and job training, and providing family supports.
- The Fund has real assets which are externally invested following Treasury Board approved policies. Advice/Recommendations

Advice/Recommendations

**Contact:** Doug Foster  
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**File Name:** 09\_MO\_DMO - Prosperity\_Fund - 2023 - Mar 31

**Phone:** 250 387-9022  
**Page:** 3 of 6

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (PREPARED IN COOPERATION WITH  
PROVINCIAL TREASURY)  
ISSUE NOTE**

- By September 15 each fiscal year, Treasury Board decides on any transfers to the Fund, provided that there was an operating surplus recorded in the previous fiscal year.

Advice/Recommendations: Government Financial Information

• Advice/Recommendations

## **BACKGROUND:**

- The Fund has two primary investment objectives:
  - Capital preservation – to protect against decreases in Fund asset values; and
  - Income generation – to meet or exceed the average yield on the Provincial working capital portfolio.
- The initial asset allocation policy weighting requires at least 75% of the fund to be invested in short term fixed income deposits and

**Contact:** Doug Foster

**Division:** Deputy Minister's Office

**File Name:** 09\_MO\_DMO - Prosperity\_Fund - 2023 - Mar 31

**Phone:** 250 387-9022

**Page:** 4 of 6

**MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (PREPARED IN COOPERATION WITH  
PROVINCIAL TREASURY)  
ISSUE NOTE**

permits a maximum of 25% of the fund to be invested in 1-5 year duration fixed income deposits.

- On an annual basis, the Ministry will review the performance of the Fund's investments, asset allocation framework, and asset class policies to ensure that the investments are managed prudently.
- Advice/Recommendations

Advice/Recommendations; Government Financial Information

Advice/Recommendations

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**Contact:** Doug Foster  
**Division:** Deputy Minister's Office  
**File Name:** 09\_MO\_DMO - Prosperity\_Fund - 2023 - Mar 31

**Phone:** 250 387-9022  
**Page:** 5 of 6

MINISTRY OF FINANCE  
DEPUTY MINISTER'S OFFICE (PREPARED IN COOPERATION WITH  
PROVINCIAL TREASURY)  
ISSUE NOTE

● Advice/Recommendations

Advice/Recommendations

However, near term this is expected to stabilize and level off as inflation pressure begins to ease causing reduced need for Bank of Canada interest rate intervention.

**Contact:** Doug Foster  
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**File Name:** 09\_MO\_DMO - Prosperity\_Fund - 2023 - Mar 31

**Phone:** 250 387-9022  
**Page:** 6 of 6

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

## **ISSUE: Anti-Money Laundering and the Cullen Commission**

### **ADVICE AND RECOMMENDED RESPONSE:**

- We are working hard to address money laundering and corruption by strengthening how we detect, deter, and disrupt illicit activity, including moving forward on actions like unexplained wealth orders.
- We are building a robust strategy that will comprehensively use the advice and recommendations from Commissioner Cullen in his final report on money laundering in B.C.
- We've already taken quick action by:
  - Cracking down on illegal activity in casinos.
  - Shining a light on hidden ownership through the first of its kind Land Owner Transparency Registry and the Condo and Strata Assignment Integrity Registry.
  - Ending the use of bearer shares and implementing transparency registries for beneficial owners of B.C. businesses.
  - Introducing a new Mortgage Service Act last year, which provides a much stronger regulatory system for B.C.'s mortgage brokers and mortgage lenders.

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**Division:** DMO/AMLS

**Page:** 1 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

- Introducing unexplained wealth orders as an amendment to the Civil Forfeiture Act.

## **KEY FACTS:**

- Since 2017, the B.C. government has used expert advice and information to work aggressively to reduce the risk of illicit financial activities, including significant measures underway and to be introduced later this year:
- **Mortgage Services Act:**
  - Will improve the regulation of mortgage brokers, lenders, and administrators and the give the regulator, BC Financial Services Authority (BCFSA), the authority to develop licensing and licensee conduct rules, and heighten disclosure and reporting rules, in line with recommendations from the Commission of Inquiry into Money Laundering in B.C.
- **Unexplained Wealth Orders and equipping Civil Forfeiture with Analysts and Investigators:**
  - Adoption of unexplained wealth orders were recommended in the final report in the Commission of Inquiry into Money Laundering in B.C. Unexplained wealth orders were introduced at the end of March.
  - The Cullen Commission report recommended expanding the operational capacity of the Civil Forfeiture Office. A business case outlining plans for expanding the office will be complete

**Contact:** Michele Jaggi-Smith

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**Division:** DMO/AMLS

**Page:** 2 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

this Spring and is examining how the work being done by others, including beneficial registries, oversight of MSBs and the potential to access information in the possession of Canada (e.g., FINTRAC), will impact the office.

- **Corporate Beneficial Ownership Registry**
  - Legislation was introduced in spring 2023, to create a Corporate Beneficial Ownership Registry. The registry will be operational by the end of 2024 and will bring transparency to beneficial ownership in B.C.-owned corporations.
- **Money Services Business Act**
  - Legislation was introduced in spring 2023 to regulate Money Services Businesses. The Act will require businesses to register with the BCFSa as the provincial regulator.
  - The Cullen Commission report identified these businesses as a risk for money laundering and recommended they be subject to a provincial regulatory regime.
  - In 2020, the B.C. government held a consultation about a new regulatory framework for money services businesses.
- **Gaming Control Act**
  - The Gaming Control Act received royal assent in November 2022. Several regulations are still waiting on implementation, including set cash buy-in limits and source of fund declaration through the BC Lottery Corporation.
  - The B.C. government aims to implement these regulations in late 2023.

**Contact:** Michele Jaggi-Smith

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**Division:** DMO/AMLS

**Page:** 3 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

**Securities Act**

- Amendments to the Securities Act were introduced on February 8<sup>th</sup>, 2023, to continue to improve enforcement in B.C.'s capital markets by closing loopholes and cracking down on those misusing financial systems.

The amendments will help better protect people from investment misconduct, and ensure provincial regulations continue to be in-line with other jurisdictions.

**BC Prosecution Service Media Statement, if asked,**

- A Special Prosecutor was appointed to review the case file “E-Nationalize,” a multi-year investigation into alleged money laundering and other offences, following a review of the Report to Crown Counsel to the BC Prosecution Service and the determination that the charge assessment standard had not been met and no charges would be approved. The Special Prosecutor was given a mandate to conduct an independent charge assessment in respect of the E-Nationalize investigation. (See Appendix A for BCPS media statement and Special Prosecutor’s findings)
- The Special Prosecutor issued a “clear statement” setting out his reasons for his conclusion not to approve any charges arising from the E-Nationalize investigation.

**Contact:** Michele Jaggi-Smith

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**Division:** DMO/AMLS

**Page:** 4 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE

- The Special Prosecutor's report stated he would not approve charges arising out of the E-Nationalize investigation given the wording of the federal *Proceeds of Crime Money Laundering Terrorist Financing Act* (PCMLTFA). The report recommends that explicit language is added to criminalize the operation of an unlicensed Money Services Business. He further suggests that *Criminal Code* could also be amended to specify that funds transmitted through a Money Services Business that has not complied with the registration requirements of the PCMLTFA, are derived from an indictable offence.
- The amendments to the PCMLTFA and the *Criminal Code* are within the purview of the federal government, and on March 15, 2023, a joint letter was sent by myself and my colleagues, the Honourable Minister Sharma, and the Honourable Minister Farnworth, to the federal Minister of Finance, the Honourable Minister Freeland requesting urgent legislative amendments to the PCMLTFA to criminalize the operation of unlicensed Money Services Businesses. These amendments are necessary to ensure charges can be laid successfully against those who use illicit funds to support their criminal activities.

**Contact:** Michele Jaggi-Smith

**Division:** DMO/AMLS

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**Phone:** Government

**Page:** 5 of 13

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

Advice/Recommendations

## **BACKGROUND:**

- Deputy Ministers from across government work together on an Anti-Money Laundering Committee, supported by an Anti-Money Laundering Secretariat to provide Cabinet with advice on implementing important actions.
- Previous actions to address the risk of illicit financial activities include:

### Gambling:

- Implemented new source of funds procedures for gambling facilities, in collaboration with BC Lottery Corp (BCLC).
- Enhanced presence of government regulators at Lower Mainland casinos during peak hours.

### Financial regulation:

- Required B.C. private companies to create and maintain transparency records in their corporate offices.

### Real estate:

- Strengthened tax auditor's ability to act on tax evasion associated with property transfers by amending the Property Transfer Tax

**Contact:** Michele Jaggi-Smith

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**Division:** DMO/AMLS

**Page:** 6 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

Act in 2018 to include an anti-avoidance provision.

- Implementing the speculation and vacancy tax that requires residential homeowners to provide their social insurance or business numbers.

## **BUDGET:**

- In 2018, the Secretariat was established in the Ministry of Attorney General, then moved to the Crown Agencies Secretariat, Ministry of Finance, then assigned to the Ministry of Public Safety and Solicitor General and moved to the Ministry of Finance in October 2022.

### **Advice/Recommendations**

- Existing ministry funding of approximately \$0.750M has been re-profiled to support FTE requirements and professional services required by the Secretariat.
- Effective March 2023, the Secretariat has 4.3 FTEs.
- Ministries which have Cullen Commission recommendations within their purview are responsible for financial implications.

**Contact:** Michele Jaggi-Smith

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**Division:** DMO/AMLS

**Page:** 7 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

## **QUESTIONS AND ANSWERS**

### **ISSUE: Anti-Money Laundering and the Cullen Commission**

**Question: Has government implemented any of Commissioner Cullen's recommendations from the final report into money laundering?**

**Answer:**

- The final report on the Commission of Inquiry into Money Laundering in B.C. was released by Commissioner Cullen last June which provided comprehensive advice and contained 101 recommendations.
- Government has a Deputy Ministers' Committee on Anti-Money Laundering and the Anti-Money Laundering Secretariat working to assess and address the report's extensive recommendations.
- Because recommendations are so widespread across many industries, work has been well underway with six ministries with anti-money laundering accountabilities (attorney general, citizens' services, finance, forests, post secondary education, public safety), three governing bodies (law

**Contact:** Michele Jaggi-Smith

**Division:** DMO/AMLS

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**Phone:** Government

**Page:** 8 of 13

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

society, chartered professional accountants, public notaries), several crowns and agencies (BC lottery corporation, BC financial services authority, BC land title and survey authority) and numerous federal agencies.

### Gaming Control Act

- A new Gaming Control Act was introduced last fall which is anticipated to be brought into force by regulation late 2023.
- The new act establishes statutory duty for service providers and the BC Lottery Corporation to refuse a cash buy-in that is over an amount prescribed by the general manager if a source of funds is not completed.

### Mortgage Services Act

- A new Mortgage Service Act was introduced last year, which provides a much more robust regulatory system for BC's mortgage brokers and mortgage lenders.

**Contact:** Michele Jaggi-Smith

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**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**Phone:** Government

**Page:** 9 of 13

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

### Unexplained Wealth Orders

- Government announced the introduction of Unexplained Wealth Orders this spring with changes to the Civil Forfeiture Act.
- Unexplained wealth orders are a court order that requires individuals to explain how they acquired property if there are reasonable grounds to suspect that it has been obtained through unlawful activity.
- Civil Forfeiture undermines the profit motive behind unlawful activity by going after the proceeds of crime. Most cases are linked directly to drugs, gangs, and organized crime.
- Unexplained Wealth Orders are a strong signal that government is being proactive in developing new methods to fight money laundering and organized crime in B.C.

### Corporate Beneficial Ownership Registry

- The Corporate Beneficial Ownership Registry is established under the recently amended Business Corporation Act, which requires BC corporations to register beneficial corporate ownership with BC Registries. The registry will

**Contact:** Michele Jaggi-Smith

**Division:** DMO/AMLS

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**Phone:** Government

**Page:** 10 of 13

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

help deter the use of shell companies and complex corporate structures to mask true ownership.

- BC Registries is already at work on the development of this registry and will be ready early next year when the regulations come into force.

### Money Services Businesses Act

- We introduced legislative changes in spring to regulate Money Services Businesses (MSBs). MSBs will be required to register and comply with reporting requirements. This will help government identify unregistered money services businesses and sanction them.

### Securities Act

- Amendments to the Securities Act were introduced on February 8<sup>th</sup>, 2023, to continue to improve enforcement in B.C.'s capital markets by closing loopholes and cracking down on those misusing financial systems.
- The amendments will help better protect people from investment misconduct, and ensure provincial regulations continue to be in-line with other jurisdictions.

**Contact:** Michele Jaggi-Smith

**Division:** DMO/AMLS

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

**Phone:** Government

**Page:** 11 of 13

**MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE**

- These collective changes will help address money laundering by closing loopholes and cracking down on those misusing financial systems.

**Contact:** Michele Jaggi-Smith

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**Division:** DMO/AMLS

**Page:** 12 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission

MINISTRY OF FINANCE  
ANTI-MONEY LAUNDERING SECRETARIAT  
ISSUE NOTE

## Appendix A – BCPS Media Statement and Special Prosecutor’s Findings

**Contact:** Michele Jaggi-Smith

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**Division:** DMO/AMLS

**Page:** 13 of 13

**File Name:** 10\_MO\_DMO\_Anti-Money Laundering - Cullen Commission



March 1, 2023

23-06

## **BC Prosecution Service announces Special Prosecutor decision not to approve charges after directive by Attorney General**

**Victoria** – In early 2021, the Joint Illegal Gaming Investigations Team (JIGIT) of the Combined Forces Special Enforcement Unit of British Columbia (CFSEU-BC) concluded a significant multi-year investigation into alleged money laundering and other offences. The investigation was carried out under the file name “E-Nationalize”. At the conclusion of the investigation, CFSEU-BC submitted a Report to Crown Counsel (RCC) to the BC Prosecution Service (BCPS) recommending a variety of charges under the *Criminal Code*.

Following a lengthy review of the RCC, the BCPS concluded that the charge assessment standard had not been met and no charges would be approved. The Attorney General was briefed on the decision by the Assistant Deputy Attorney General (ADAG) of the BC Prosecution Service (BCPS).

On November 26, 2021, the Attorney General issued a directive to the ADAG to retain the services of an experienced criminal lawyer to conduct an independent charge assessment in respect of the E-Nationalize investigation. The directive was issued pursuant to section 5 of the *Crown Counsel Act*, which gives the Attorney General the authority to issue a directive respecting the approval or conduct of specific prosecutions. A copy of the directive is attached to this statement.

On March 11, 2022, the ADAG appointed Christopher Considine KC as a Special Prosecutor. Mr. Considine is a senior Victoria lawyer in private practice. He was given a mandate to:

- conduct an independent charge assessment in respect of the E-Nationalize investigation; and,
- apply the established charge assessment policy, including, if necessary, the exceptional evidentiary test of a “reasonable prospect of conviction”, and make the charging decision he deems appropriate in the exercise of his independent discretion.

The Charge Assessment Guidelines that are applied by the BCPS and Special Prosecutors in reviewing all Reports to Crown Counsel are established in BCPS policy and are available at:

[www.gov.bc.ca/charge-assessment-guidelines](http://www.gov.bc.ca/charge-assessment-guidelines)

Pursuant to section 8 of the *Crown Counsel Act*, the ADAG directed that publication of the Attorney General's directive be delayed in the interests of the administration of justice pending the completion of the independent charge assessment process.

A clear statement setting out the Special Prosecutor's reasons for his conclusion not to approve any charges arising from the E-Nationalize investigation is attached to this statement.

The BCPS policy on Special Prosecutors and a related Information Sheet can be found at:

[Special Prosecutors \(SPE 1\)](#)

[Role of Special Prosecutors](#)

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To learn more about BC's criminal justice system, visit the British Columbia Prosecution Service website at: [gov.bc.ca/prosecutionservice](http://gov.bc.ca/prosecutionservice) or follow [@bcprosecution](https://twitter.com/bcprosecution) on Twitter.



## BRITISH COLUMBIA

November 26, 2021

Mr. Peter Juk QC  
Assistant Deputy Attorney General  
Criminal Justice Branch  
Ministry of Attorney General  
PO Box 9276 Stn Prov Govt  
Victoria, BC  
V8W 9J7

Dear Mr. Juk:

You have advised me as follows:

- a) under the file name of “E-Nationalize”, the Joint Illegal Gaming Investigations Team (JIGIT) of the Combined Forces Special Enforcement Unit of British Columbia (CFSEU-BC) conducted a significant multi-year investigation into alleged money laundering and other offences;
- b) from 2016 to 2021, members of CFSEU-BC consulted with Crown Counsel about the investigation;
- c) at the conclusion of the investigation, CFSEU-BC submitted a Report to Crown Counsel (RCC) recommending a variety of charges against Paul King Jin, including:
  - i. participation in the activities of a criminal organization contrary to s. 467.11(1) of the *Criminal Code of Canada*;
  - ii. possession of currency and bank drafts obtained by the commission of an indictable offence, contrary to s. 354(1)(a) of the *Criminal Code of Canada*; and
  - iii. laundering currency and bank drafts, knowing or believing that all or part of that property was obtained by the commission of a designated offence, contrary to s. 462.31(1)(a) of the *Criminal Code of Canada*;
- d) after reviewing and considering the RCC, Crown Counsel concluded that no charges would be approved because the prevailing charge assessment standard was not met, specifically:
  - i. although there was a possible path to prosecuting Mr. Jin for money laundering and other offences, there was not a substantial likelihood of conviction; and

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Ministry of  
Attorney General

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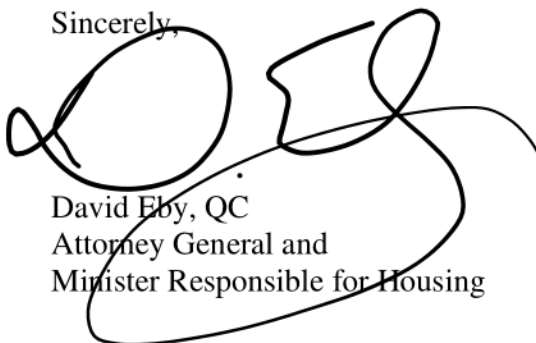
- ii. even if there was a substantial likelihood of conviction, the public interest did not require a prosecution, considering the anticipated length and expense of a potential prosecution as compared to overall societal benefit to be gained from it;
- e) CFSEU-BC appealed the charge assessment decision to you; and,
- f) giving reasonable deference to the Crown Counsel who conducted the charge assessment, you concluded that you should not interfere with or overturn the decision not to approve charges.

I have received a briefing from you about this matter and appreciate the time and effort that have gone into the charge assessment process.

Money laundering poses a threat to financial integrity in British Columbia and nationally. If there is a viable path to prosecuting Mr. Jin for money laundering or related offences and no prosecution is undertaken, public confidence in the justice system could be damaged. If there is a viable path to a prosecution, it is my opinion that there is a strong public interest in conducting a prosecution. Therefore, pursuant to Section 5 of the *Crown Counsel Act*, this letter is my direction to you to retain the services of an experienced criminal lawyer to conduct an independent charge assessment in respect of the E-Nationalize investigation. Applying the established charge assessment policy, including, if necessary, the exceptional evidentiary test of a “reasonable prospect of conviction”, if the lawyer concludes there is a viable path to prosecuting Mr. Jin or any other individual under section 467.11(1), section 354(1)(a), section 462.31(1)(a), or any other provision of the *Criminal Code of Canada*, that lawyer should initiate and conduct criminal proceedings under those sections.

As you may designate the lawyer to be either Crown Counsel pursuant to section 4(1) of the *Crown Counsel Act* or as Special Prosecutor pursuant to section 7 of the *Crown Counsel Act*, I leave that designation to you.

Sincerely,

A handwritten signature in black ink, appearing to be 'David Eby', with a large, stylized flourish extending from the bottom right.

David Eby, QC  
Attorney General and  
Minister Responsible for Housing

## Clear Statement

In accordance with Crown policy in cases such as this, I am issuing a "Clear Statement" respecting my work as Special Prosecutor in this matter.

On March 11, 2022, I was appointed special prosecutor for the purpose of conducting an independent charge assessment of the E-Nationalize investigation. The appointment was made pursuant to section 7 of the *Crown Counsel Act*.

## Mandate

As a Special Prosecutor, I was authorized to:

- conduct an independent charge assessment in respect of the E-Nationalize investigation;
- apply the established charge assessment policy, including, if necessary, the exceptional evidentiary test of a "reasonable prospect of conviction" and make the charging decision I deemed appropriate in the exercise of my independent discretion. My decision should be made in accordance with BC Prosecution Service policies;
- provide a written report to the Assistant Deputy Attorney General (ADAG), with the results of my assessment and the reasons for my decision;
- if I conclude there is a viable path to prosecuting Mr. X or any other individual under section 467.11(1), section 354(1)(a), section 462.31(1)(a), or any other provision of the *Criminal Code of Canada*, initiate and conduct criminal proceedings under those sections;
- offer such legal advice to the investigative agency as may be necessary in the circumstances; and,
- conduct any subsequent appeal(s) on behalf of the Crown.

This Clear Statement summarizes my findings and conclusions.

## The Review Process

I have conducted a thorough review of the E-Nationalize investigation. That review included consideration of substantial material provided by the Joint Illegal Gaming Investigations Team (JIGIT)/Combined Forces Special Enforcement Unit of British Columbia (CFSEU) and Crown counsel. I also considered the Cullen Commission Report on money laundering and anti-money laundering (AML) legislation in the United States and various Commonwealth jurisdictions.

I met with senior Crown counsel involved in the initial charge approval decision to better understand their concerns. I also met regularly with senior officers in CFSEU to explore various

aspects of the investigation and potential solutions to the concerns raised by Crown counsel. I met with an internationally-recognized money laundering expert. I also met with other members of the E-Nationalize investigative team as issues arose requiring the input of investigators with specialized knowledge.

## History of the Investigation

In 2016, JIGIT was formed within CFSEU. One of JIGIT's key strategic objectives was the prevention of criminal attempts to legalize the proceeds of crime through gaming facilities. In pursuit of this objective, between 2016 and 2018, JIGIT undertook a significant investigation into the suspected illegal gaming, loan sharking, and money laundering activities of one individual who is referred to in this statement as X. This investigation was assigned project name "E-Nationalize."

The investigation was lengthy and complex. It included both covert surveillance and elements of an undercover operation. The tactical phase of the investigation concluded in June 2017, culminating in the execution of multiple search warrants and the arrest of several individuals who were released without charges. From June 2017 to September 2018, the investigation focused on translating and analyzing the fruits of the investigation.

The evidence demonstrated that X's business model generally worked as follows. X would instruct his clients, primarily wealthy businessmen and women, to complete a money transfer from accounts held outside of Canada to nominee accounts in China associated with one of two individuals, referred to hereafter as A and B. The client would provide X with confirmation that the funds had been transferred, usually in the form of a screen capture, which X would forward to A or B. A or B would arrange for one of their couriers to deliver a near equivalent amount of Canadian cash to X's courier. The cash handoffs between couriers typically took place in discreet locations.

Once the cash was in the hands of X's courier, it would either be taken to X's stash house or delivered to X's loan facilitators. X's loan facilitators would sometimes deliver cash directly to the client. In other instances, X would first convert the cash into a bank draft or casino chips to assist the client. X turned a profit by the exchange rates he charged A and B and by the interest rates he charged his gambling clients.

The investigation revealed that between February 4 and May 19, 2017, X received approx. \$5.4 million in bulk cash from A and B; provided over \$6 million in cash, bank drafts or casino chips to clients; and arranged for the deposit of approx. \$7.2 million into the Chinese bank accounts associated to A and B.

Investigators identified ten events between the months of February and May 2017 for which the evidence of X's alleged money laundering was most robust. For these ten transactions, the investigators were able to trace the chain of communications and transfer of funds, demonstrating that the cash obtained by X was the end result of an offshore transfer of funds.

The total amount of cash moved by X in these 10 transactions was approximately \$2.4 million.

## **Proposed Charges**

CFSEU proposed charges on the following eight counts:

**Count 1:** Participate in criminal organization: *Criminal Code*, s. 467.11(1);

**Count 2:** Instruct person to commit robbery with firearm for benefit of criminal organization: *Criminal Code*, ss. 344(1)(a.1) and 467.13(1);

**Count 3:** Instruct person to commit intimidation and mischief for benefit of criminal organization: *Criminal Code*, ss. 423(1), 430(4) and 467.13(1);

**Count 4:** Counsel person to commit robbery with firearm: *Criminal Code*, ss. 344(1)(a.1) and 464(a);

**Count 5:** Counsel person to commit intimidation and mischief: *Criminal Code*, ss. 423(1), 430(4) and 464(a);

**Count 6:** Fail to register money services business (MSB): *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), ss. 11.1 and 74(1);

**Count 7:** Possession of property, to wit: currency and bank drafts, obtained by the commission of an indictable offence, to wit: failing to register an MSB: *Criminal Code*, s. 354(1)(a);

**Count 8:** Laundering currency and bank drafts, knowing or believing that all or part of that property was obtained by the commission of a designated offence, to wit: failing to register an MSB: *Criminal Code*, s. 462.31(1)(a).

In the context of this investigation, the most significant of the proposed offences are counts 7 and 8, alleging possession of the proceeds of crime and money laundering. This memorandum will focus primarily on the viability of a prosecution of those offences. My opinion with respect to the balance of the proposed counts will be addressed more briefly toward the end of this memorandum.

## **Potential Obstacles to Prosecution**

### **Disclosure Issues**

Several of the concerns identified by Crown counsel relate to the size and complexity of the investigation and the corresponding disclosure obligations that would face a prosecution team.

The challenging aspects of the disclosure include the following:

- The investigation produced 41,877 documents.
- Almost 90 smart phones were seized. The contents of 45 of those devices were extracted

resulting in a dataset containing 77,643 logged calls, 15,117 unique chats, over 1.6 million chat messages, 4,458 emails, 720 text message contacts, and 22,048 individual text messages.

- Over 2 million communications were intercepted, the majority of which were in Mandarin. 537,039 of these communications were intercepted between February and May 2017 (the time frame for the proposed indictment).

If charges were laid as a result of the E-Nationalize investigation, the Crown would have an obligation to disclose to defence all information in its possession of potential relevance to the defence. The extent to which the above-described information would meet that relevance threshold would likely be the subject of considerable dispute.

I am given to understand that for both the seized electronic communications (e.g., text messages, WeChat messages, etc.) and the intercepted communications, the vast majority of these communications are in Mandarin. Only a fraction of these communications have been translated into English.

While it is possible that disclosure and translation obligations could become problematic for the Crown from a resource perspective, I am not persuaded these challenges alone are sufficient to justify a decision not to approve charges. I believe these challenges could be managed and that defence applications for unduly expansive disclosure and/or translation could be successfully resisted.

#### E-Pirate Concerns

Prior to the E-Nationalize investigation, a somewhat similar investigation known as E-Pirate was undertaken by the Federal Serious Organized Crime Unit of the RCMP. It began on February 15, 2015, and culminated in charges of money laundering being laid by the Public Prosecution Service of Canada. These charges were eventually stayed in November 2018.

I have considered whether the issue which led to the termination of proceedings in the E-Pirate prosecution could rear its head again in an E-Nationalize prosecution.

I have had the opportunity to discuss this issue with the investigators. While there is some basis for concern, I do not foresee that a prosecution of offences disclosed by the E-Nationalize investigation would necessarily give rise to the same concern that caused the E-Pirate prosecution to fail.

While any prosecution can run into unexpected challenges, on the basis of the information I have been provided, I do not consider this issue to be a fatal impediment to successful prosecution at this time.

## The Need to Prove a Predicate Offence

Both of the principal charges under consideration require the Crown to prove beyond a reasonable doubt the existence of a “predicate offence” that has the effect of tainting the property in question as illicit in origin.

The E-Nationalize investigation produced ample evidence of X possessing, transferring, and sending cash to his clients. Potential evidence of X’s alleged intent to “conceal or convert” that cash is available as well, given the clandestine nature of his operation and the exchanging of cash for bank drafts or casino chips. See: *R. v. Tejani* (1999), 138 C.C.C. (3d) 366 (Ont. C.A.).

The critical question is whether the Crown would be able to demonstrate that this cash was itself the proceeds of crime. A judge or jury would need to be satisfied beyond reasonable doubt that the cash X was moving was “obtained by or derived directly or indirectly from” the commission of an indictable offence, in the case of s. 354(1), and “was obtained or derived directly or indirectly as a result of” the commission of a designated offence for the purposes of s. 462.31.

The proposed predicate offence for both charges is the operation of an unlicensed Money Service Business (MSB), contrary to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). The Crown’s theory would be that X was operating an MSB. Because he had not registered this MSB as required by the PCMLTFA, his business was illegal. As such, the cash received into and paid out of X’s unlicensed MSB became tainted with criminality by virtue of having passed through an unlawful enterprise.

The requirement for registration of an MSB under the PCMLTFA is found in s. 11.1:

*11.1 Except as otherwise prescribed by regulation, every person or entity referred to in paragraph 5(h) or (h.1), those referred to in paragraph 5(l) that issue or sell money orders to, or redeem them from, the public, and every other person or entity that is referred to in section 5 and that is prescribed must be registered with the Centre in accordance with this section and sections 11.11 to 11.2.*

Section 74(1) of PCMLTFA makes failure to comply with s. 11.1 an indictable offence:

*74 (1) Every person or entity that knowingly contravenes any of sections 6, 6.1 and 9.1 to 9.31, subsection 9.4(2), sections 9.5 to 9.7, 11.1, 11.43, 11.44 and 11.6, subsections 12(1) and (4) and 36(1), section 37, subsections 55(1) and (2), section 57 and subsections 62(2), 63.1(2) and 64(3) or the regulations is guilty of an offence and liable*

*(a) on summary conviction, to a fine of not more than \$250,000 or to imprisonment for a term of not more than two years less a day, or to both; or*

*(b) on conviction on indictment, to a fine of not more than \$500,000 or to imprisonment for a term of not more than five years, or to both.*

In the E-Nationalize investigation, it is proposed that the operation of an unlicensed MSB would serve as the predicate offence to charges of money laundering and possession of the proceeds of crime.

Like the police and the Crown counsel who reviewed this matter before me, I have been unable to locate any Canadian authority or precedent in which the operation of an unlicensed MSB served as a predicate offence for a money laundering or possession of the proceeds of crime prosecution. It appears this issue has not been considered by Canadian courts.

Although this question has not been litigated in Canadian courts, an analogous body of law has developed in the United Kingdom that is instructive. Canadian courts would not be bound by this line of authority. However, it is reasonable to expect that our courts would take guidance from established precedent in the UK. To that end, I have spent considerable time examining this line of authority and how it might impact the interpretation of the relevant Canadian legislation.

The central theme from the UK authorities is that to determine whether money is obtained as a result of criminal conduct requires a close analysis of the statute the individual has violated.

The question the UK authorities would invite us to ask is this: Does the legislation explicitly criminalize the operation of a MSB in the absence of a licence or does it merely criminalize the failure to obtain a licence? On the UK authorities, property derived from the latter type of offence is not considered to be the proceeds of crime.

Notably absent from s. 11.1 of the PCMLTFA is an explicit criminalization of the operation of an unlicensed MSB. Unlike most of the UK legislative instruments where the activity itself was found to be prohibited, the PCMLTFA leaves the distinct impression that it is the failure to register that is the offence, not the operation of an unlicensed MSB itself.

It is certainly the case that one of the primary objects of the PCMLTFA is “the investigation and prosecution of money laundering offences” (s. 3(a)). It is also clearly the case that it is contrary to the PCMLTFA to operate a money services business without being registered under the Act. However, based on the wording of the statute, it is arguable that although the PCMLTFA criminalizes the failure to register, it does not criminalize the operation of a money service business in the absence of registration.

That, according to the UK authorities, is the critical distinction. While the trend in the UK authorities is in the direction of recognizing unlicensed commercial activity as criminal conduct in and of itself, the absence of any overt criminalization of the operation of an unlicensed MSB in the PCMLTFA leaves the Crown’s potential theory of culpability vulnerable to challenge.

Some of the authorities to which my attention has been drawn suggest that it may be possible for the Crown to prove a proceeds of crime/money laundering offence in the absence of evidence of the illicit origin of the funds if the Crown can show that illegal activity of some kind is the only possible explanation.

The challenge in this regard is the paucity of evidence concerning the activities of A and B. They appear in the narrative as little more than ATMs from whom X obtains his cash, but with no evidence as to where A and B obtained the funds or what sort of activities they are involved in. Large bundles of cash are highly suspicious, but without evidence of A and B being engaged in unlawful activity, does the cash on its own lead to the irresistible inference that it can only be the proceeds of offences prosecutable by indictment? I am not certain it does.

In other words, the inference that X believed A's and B's money was dirty is not, in my view, irresistible.

Ultimately, while the evidence, taken together, paints a highly suspicious portrait of A's and B's operations, suspicion alone is not sufficient to prove a predicate offence beyond reasonable doubt. As the Supreme Court of Canada observed in *R. v. Villaroman*, 2016 SCC 33 at para. 30, "...an inference of guilt drawn from circumstantial evidence should be the only reasonable inference that such evidence permits ..." I am not satisfied that is the case here. These pieces of evidence taken together do not lead to the inexorable conclusion that A or B derived the cash supplied to X from drug trafficking. I am bolstered in this conclusion by the fact that CFSEU themselves did not propose drug trafficking as a predicate offence.

I have also considered the evidence that X was willing to accept and convert other limited funds offered to him in the course of the undercover operation, some of which were explicitly identified to him as being "not legit" or the result of credit card fraud. While these instances demonstrate a willingness on X's part to accept funds irrespective of their source, I am not satisfied that one can infer from this that A's and B's funds were illicit in origin.

## **Conclusion Re: Predicate Offence**

### **Substantial Likelihood of Conviction**

The Crown's normal charge approval standard requires that I be satisfied, in respect of any charges laid, that there is a substantial likelihood of conviction.

For the reasons explained above, I am concerned that a prosecution which relies on the operation of an unlicensed MSB as a predicate offence may be ill-fated from the outset. The language of the PCMLTFA combined with the UK case authorities gives rise to the very real prospect of a viable defence that could prevent the Crown from securing a conviction on proceeds of crime or money laundering charges.

In the absence of Canadian jurisprudence on this point, I am unable to predict how a Court would receive such a Crown theory of culpability. Because of this uncertainty, I cannot conclude there is a substantial likelihood of conviction on the most serious charges proposed by the investigating agency.

## Reasonable Prospect of Conviction

My mandate as special prosecutor included a direction that I consider not only the usual charge approval threshold, but also the exceptional evidentiary test of a “reasonable prospect of conviction.”

I am advised by the terms of my appointment that the Attorney General is of the view that there is a strong public interest in conducting a prosecution. I infer from this, as well as the explicit direction to consider the exceptional evidentiary test, that the Attorney General believes the public interest factors in this case are sufficiently weighty to warrant a resort to the lower charge assessment standard if necessary.

Informed by the above-referenced policy, I have asked myself whether I could lay these charges with a reasonable expectation of a conviction as a potential outcome, informed by my previous experience and common sense.

I have concluded that I cannot. I find the UK caselaw persuasive. While it is possible that a Canadian court would see matters differently, I am not satisfied that such an outcome is a reasonable expectation.

Moreover, even if there were a “reasonable prospect” of conviction with respect to the predicate offence issue, I cannot lose sight of the many other ways such a prosecution could be derailed. I am asked to apply my experience and common sense. I know from experience that it is difficult, if not impossible, to predict at the outset the challenges that a complex prosecution will face. My optimism with respect to the Crown’s ability to address disclosure and translation issues could be misplaced. The issue that prevented successful prosecution of the E-Pirate investigation could pose greater challenges than I anticipate. The Crown’s ability to lead the essential evidence of the transactions could be thwarted by a successful challenge to the many judicial authorizations. The complexities and time-requirements of the case – translation issues in particular – could create real difficulties with respect to the Crown’s ability to bring the case to trial within the time limits established by the Supreme Court of Canada in *R. v. Jordan*, 2016 SCC 27.

I am also concerned that the strong public interest in prosecuting money laundering is predicated on the very thing the Crown would be unable to establish, namely, that the money in question was “dirty money.”

While it is possible to identify on paper a theoretical legal path to conviction, my instincts tell me a prosecution is likely to founder. The public interest would not be well served by embarking on an expensive and lengthy prosecution that comes to naught.

## Viability of a Prosecution for Lesser Offences

I have also considered whether there is merit in a prosecution of X for the various other discrete offences alleged in the Report to Crown Counsel. This includes X's alleged conversion of a small sum of funds provided to him in the undercover operation, as well as his alleged counseling of an individual to commit various offences, such as mischief, intimidation, and robbery, and criminal organization offences.

For the purposes of this clear statement, I do not propose to analyze the strengths and weaknesses of each of these individual possible charges in detail. The Crown likely would be able to prove some of these offences, while others are less certain. However, my overriding concern with such a prosecution is that it would likely require a level of Crown and police resources comparable to what would be required for a trial on the money laundering and proceeds of crime charges. Even a slimmed-down prosecution on these lesser offences would still need to overcome many of the most challenging aspects of an E-Nationalize prosecution, such as disclosure and translation issues. In short, the Crown would be faced with a lengthy and complex mega-trial either way.

I am not persuaded that the modest sentence the Crown might achieve on such charges could possibly justify so significant an outlay of resources. As the police conceded in a November 10, 2020 memorandum, "... if a limited portion of the case is prosecuted there would be a relatively low sentence that would not be commensurate with the resources required to prosecute." I concur.

I fully appreciate the need to send a message that the Province takes money laundering seriously and that consequences will flow from the commission of such crimes. I am concerned that a multi-year, multi-Crown, multi-million dollar prosecution that results only in a non-custodial sentence may send the opposite message.

## Conclusion

For the foregoing reasons, I have come to the difficult conclusion that I will not be approving charges arising out of the E-Nationalize investigation. Given the wording of the PCMLTFA, the absence of a link between X's cash and true criminal activity, as distinct from unlicensed activity, is the principal obstacle to a successful prosecution.

In saying this, I intend no criticism of the investigators, many of whom have worked tirelessly to bring this unwieldy investigation to completion in a commendably orderly and coherent state. I have been consistently impressed with their commitment, professionalism, and dedication to the task. Regrettably, the challenge of proving a viable predicate offence, given the wording of the current legislation, combined with the complexity of an enormous data set in a foreign language, have conspired to make the prospects for conviction poor, despite the best efforts of many dedicated officers.

## Recommendations

### Legislative Changes

The viability of using the operation of an unlicensed MSB as a predicate offence could be substantially enhanced by amendments to the PCMLTFA. As discussed above, at present, the Act criminalizes the failure to obtain a licence, but does not explicitly criminalize the operation of an unlicensed MSB. Were such language to be introduced into the PCMLTFA, the line of authorities in the United Kingdom would support, rather than weaken, the case for using an unlicensed MSB as a predicate offence for money laundering or proceeds of crime offences.

Such an amendment would bring Canadian law into harmony with the approach in both the UK and the United States. The American equivalent of FINTRAC is the Financial Crimes Enforcement Network (FinCEN). Under the Federal *Bank Secrecy Act* regulations at 31 CFR 1022.380, MSBs must register with FinCEN and comply with various reporting requirements. As with the UK statute, the American federal legislation explicitly makes unlawful the *operation* of an unlicensed MSB. Similar prohibitions are found in s. 74 of Australia's *Anti-Money Laundering and Counter-Terrorism Financing Act* 2006.

Alternatively, the *Criminal Code* itself could be amended to specify that funds transmitted through an MSB that has not complied with the registration requirements of the PCMLTFA are, by definition, derived from the commission of an indictable offence.

I recognize, of course, that amendments to the PCMLTFA or *Criminal Code* are within the purview of Parliament, not the Provincial Legislature. I raise this issue simply as a potential point of discussion with the Attorney General's federal counterpart, should the Attorney General conclude that a change in the law is desirable.

### Legal Advice

I understand the E-Nationalize investigative team did have the benefit of access to legal advice from two senior Crown counsel during the course of the investigation. Other prosecutors were consulted on a more *ad hoc* basis as specific issues arose.

Nonetheless, it is apparent to me from my discussions with the lead investigators that JIGIT would benefit from a more formal and ongoing relationship with advisory Crown. JIGIT investigators embarking on a complex investigation would benefit from having access to a consistent source of legal advice. A more fixed relationship with legal advisors would provide JIGIT with guidance in shaping the course and objectives of similar investigations with the goal of ensuring a legally viable prosecution as the end result.

## Cullen Commission

In addition to the above recommendations, I would add my support to the suite of proposals in Recommendation 51 of the June 2022 Final Report of the Cullen Commission with respect to Provincial oversight and regulation of MSBs operating in British Columbia.

I am grateful for the opportunity to have conducted this independent charge assessment on behalf of the Attorney General. While I have come to the conclusion that the charge approval standard is not met in E-Nationalize, I trust the above analysis and the many productive discussions I have had with JIGIT investigators in the course of arriving at that conclusion will assist in guiding future investigations.

This Clear Statement concludes my involvement in this matter as Special Prosecutor.

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

## **ISSUE: Gender Equity Office Overview and Ensuring Gender Equity in Budget Policies and Programs**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Government is committed to gender equity and ensuring that all British Columbians are able to reach their full potential.
- The Gender Equity Office has a broad vision to achieve gender equality throughout British Columbia. Although much of the work is focused on women, the purpose of the Office is to support people of all genders.
- This means that no matter if you are a man or a woman, trans or non-binary, you are treated fairly and with respect.
- With this vision as a guide, the Gender Equity Office works across government and with community partners to help make life better and fairer for all British Columbians.
- Government remains committed to incorporating Gender Based Analysis (GBA+) into its policy and budget processes.
- Since 2018, the Province has used GBA+ to ensure that comprehensive, evidence-based policy advice is provided to

**Contact:** Asha Bhat, ADM

**Phone:** 778 698-1806

**Division:** Gender Equity Office

**Page:** 1 of 5

**File Name:** 01\_MO\_GEO\_GEO Overview & Ensuring Gender Equity in Budgets Policies & Programs

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

decision makers to achieve better results for all British Columbians.

- Budget 2023 uses GBA+ analysis to monitor economic trends and inform all spending and tax decisions. This analytical tool helps to assess, where appropriate, the effect of different spending or tax measures on different groups, including people of different genders, incomes, ethnicities, geographic locations, ages, abilities, or sexual orientations.
- The use of the GBA+ lens informed many Budget 2023 priorities that support the Province's commitment to diversity, inclusion, and equity.
- This includes new investments that prioritize culturally safe services in health, justice and housing, as well as reducing barriers for women, trans and non-binary people by providing free prescription contraception.
- The budget also makes significant investments to provide more opportunities for lower-income people and families — from targeted training opportunities to new cost-of-living measures.
- These are just a few examples that show how the GBA+ lens has supported government decision making to ensure

**Contact:** Asha Bhat, ADM

**Phone:** 778 698-1806

**Division:** Gender Equity Office

**Page:** 2 of 5

**File Name:** 01\_MO\_GEO\_GEO Overview & Ensuring Gender Equity in Budgets Policies & Programs

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

services and opportunities are representative of the diverse population of British Columbia. Benefits for people are outlined in more detail throughout the expense and tax sections of the document.

## **KEY FACTS:**

- Government first appointed a Parliamentary Secretary for Gender Equity in February 2018 to serve under the direction of the Minister of Finance.
- A Gender Equity Office (GEO) was established in April 2018 to support the Parliamentary Secretary's mandate and to ensure that gender equity is a priority across government.
- The Parliamentary Secretary for Gender Equity mandate commitments are to:
  - Lead work to close the gender pay gap, with support from the Minister of Labour.
  - Lead work to develop an Action Plan to End Gender-Based Violence, with support from the Minister of Public Safety and Solicitor General.
  - With support from the Parliamentary Secretary for Gender Equity, and in partnership with post-secondary institutions, student leadership and Indigenous partners across B.C., to develop and deliver on an action plan related to preventing

**Contact:** Asha Bhat, ADM

**Phone:** 778 698-1806

**Division:** Gender Equity Office

**Page:** 3 of 5

**File Name:** 01\_MO\_GEO\_GEO Overview & Ensuring Gender Equity in Budgets Policies & Programs

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

and responding to sexualized violence at post-secondary institutions.

- In coordination with the Ministry of Attorney General, takes steps to address non-consensual disclosure of intimate images.
- Support the Minister of Health to address gaps in health care services experienced by women, trans, and non-binary people, in consultation with partners.
- In 2018, B.C. committed to ensuring that gender equity is reflected in all budgets, policies, and programs by implementing Gender Based Analysis Plus (GBA+).
- When applied to government's work, GBA+ can help us to understand how diverse groups including non-binary people, women, men, girls and boys experience public policy or initiatives in British Columbia. It helps us analyze who benefits, what barriers exist and how we can ensure everyone is included.
- GBA+ informs all stages of policy and program development, implementation, and evaluation; including issue identification, research and analysis, consultation, options development, and decision-making.
- Budget 2023 ensures that all genders, gender expressions, diverse identities and lived experiences inform government investments and spending decisions.

**Contact:** Asha Bhat, ADM

**Phone:** 778 698-1806

**Division:** Gender Equity Office

**Page:** 4 of 5

**File Name:** 01\_MO\_GEO\_GEO Overview & Ensuring Gender Equity in Budgets Policies & Programs

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

**BUDGET:**

- Funding for the Gender Equity Office, including costs for 8 FTEs, is part of the Corporate Services Division's overall budget
- Gender Equity Office funding for 2022/23 was approximately \$1.2M.
- For 2023/24 it is estimates that Gender Equity Office funding will increase to approximately \$2M in 2023/24 to support the implementation of the new Pay Transparency Act.

**Contact:** Asha Bhat, ADM

**Phone:** 778 698-1806

**Division:** Gender Equity Office

**Page:** 5 of 5

**File Name:** 01\_MO\_GEO\_GEO Overview & Ensuring Gender Equity in Budgets Policies & Programs

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

## ISSUE: Closing the Gender Pay Gap

### ADVICE AND RECOMMENDED RESPONSE:

- Government is committed to closing the gender pay gap and removing barriers that stop British Columbians from reaching their full potential.
- The gender pay gap is caused by multiple systemic factors, which is why government is taking a comprehensive approach to closing the gap, including:
  - Making historic investments in B.C.'s childcare plan;
  - Increasing the minimum wage; and,
  - Making prescription contraception free for B.C. residents.
- The Pay Transparency legislation we introduced in March will address systemic discrimination in the workplace by requiring employers to enhance transparency in their pay practices and by prohibiting employer conduct that contributes to the gender pay gap.
- The Ministry's Gender Equity Office is establishing a new Pay Transparency Unit under a Director of Pay Transparency to support employers in meeting their requirements and to monitor and track compliance.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 1 of 19

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

## **KEY FACTS:**

- According to Statistics Canada, in 2022 women in B.C. earned 17 per cent less than men. Average hourly wages for men were \$35.50 while women earned an average wage of \$29.53 per hour.
- For Indigenous, racialized and newcomer women, the gap is higher. According to Statistics Canada:
  - Immigrant women earned an average of \$28.78 per hour.
  - Racialized women earned an average of \$27.44 per hour.
  - Indigenous women working full-time earned an average of 26.74 dollars per hour.
- Varied legislative approaches are used in other Canadian jurisdictions to address pay inequities. Until now, B.C. was one of three with no type of pay equity or pay transparency legislation.
- 2022 analysis of Statistics Canada's Labour Force Survey data on the median hourly gender wage gap identified B.C. as having the second largest gender pay gap among the provinces at 17 per cent (with Alberta the worst at 20 per cent).
- Factors that contribute to the gender pay gap include:
  - lower-paid women-dominated sectors (e.g., care work)
  - discrimination and harassment in the workplace
  - gender socialization, leading more women to take on unpaid care work and therefore more likely to work part-time
  - fewer women in leadership positions (i.e., glass ceiling).

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 2 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

## BACKGROUND:

- Opposition MLA for Kelowna-Mission, Renee Merrifield, reintroduced a members' bill (*Equal Pay Reporting Act*) for the sixth time on February 8, 2023. Although the bill shared similarities with the new Pay Transparency Act, it had the following challenges:

Advice/Recommendations

- In contrast, the Province's pay transparency legislation:

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806

**Page:** 3 of 19

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

- Is the result of consultation with Indigenous partners, business associations, organized labour, employee associations, employment and legal advocates, municipalities, and the non-profit and public sectors.
- Allows reporting requirements to be refined in regulation after consultation with impacted employers.
- Rolls out a requirement to report on pay gaps over a four-year period to provide smaller employers with time to prepare to meet the requirement.
- Will take an intersectional approach by using provincial data standards pertaining to sex, gender, and race, the latter after extensive consultation as required by the *Anti-Racism Data Act*.
- As well as pay gap reporting, introduces additional measures that have been demonstrated to help close the gender pay gap in other jurisdictions.
- Requires consultation with impacted Indigenous Governing Entities prior to the publication of annual reports.
- Establishes a director of pay transparency to monitor the impact of the reporting requirements and provide support and information to employers on reporting.
- Requires that the effectiveness of the legislation be reviewed within five years.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 4 of 19

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

**CURRENT STATUS:**

- The Minister of Finance introduced the Pay Transparency Act on March 7.
- Ministry staff have started developing reporting regulations in consultation with the first cohort of employers who are required to prepare their pay transparency reports by November 1.
- As of November 1, all employers in B.C. will be required to include pay or pay ranges on their public job postings.
- The Ministry's Gender Equity Office is establishing a new Pay Transparency Unit under a Director of Pay Transparency to support employers in meeting their requirements and to monitor and track compliance.
  - The Unit will include five FTEs, including a Director, project management, communications and intake staff.
  - In addition to five FTEs, the office will incur minor administrative expenses, including costs to develop a pay transparency calculator tool for employers and to purchase statistical data for the June annual report.
  - Existing Ministry funding is being used to support staff and operational costs associated with the Pay Transparency Unit.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 5 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Closing the Gender Pay Gap

**Question: What is the budget for the Pay Transparency Unit? Why is this not detailed in the Blue Book?**

**Answer:** Existing Corporate Services Division funding has been re-profiled to support FTE and operations requirements of the unit.

The ministry plans to hire five FTEs to support the office, including a director, project management, communications and intake staff.

The role of the unit will be to support B.C. employers to meet their obligations under the *Act*. Ministry staff will receive and respond to enquiries by employers and employees, monitor and track non-compliance, produce annual reports and review the effectiveness of the *Act*.

In addition to the five FTEs, the office will incur minor administrative expenses, including costs to develop a pay

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806

**Page:** 6 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

transparency calculator tool for employers and to purchase statistical data for the June annual report.

*[If asked for specific \$ amount, say "We expect spending on the Pay Transparency Unit in 2023/24 to be approximately \$800,000.00"]*

**Question: What is the gender pay gap in B.C.?**

**Answer:** According to Statistics Canada, women in B.C. earned a median hourly wage that was 17 per cent less than the wage paid to men in 2022. The gender pay gap is significantly wider for Indigenous women (35 per cent), other racialized women (33 per cent) and newcomer women (29 per cent). Although data is limited, the gap likely affects non-binary people as well. B.C. has the second highest gap in Canada, after Alberta, and is currently one of three provinces with neither pay equity nor pay transparency legislation. Most recently, the Province of Newfoundland passed pay transparency legislation that comes into force on April 1, 2023

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 7 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

**Question: How does pay transparency legislation help to close the pay gap?**

**Answer:** Pay transparency legislation alone will not close the pay gap, but research shows it has been effective in reducing the pay gap by up to four per cent in some jurisdictions. A key goal of the legislation is to shed light on the pay gap and to empower job seekers and employees in their job search and pay negotiation process.

Enhancing the transparency of employer pay practices can expose wage discrimination. This can empower employees to demand equal pay at the workplace and nudge employers to do more to ensure their pay practices are free of discrimination.

Addressing the pay gap requires an all-of-government approach. We are already making progress in narrowing the pay gap through investments in training, education and childcare, and through our increases to the minimum wage. Pay transparency legislation will be another critical tool we can use to shine a light on the gap and decrease it.

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806

**Page:** 8 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

**Question: What does the research tell us about the impact of pay transparency?**

**Answer:** Researchers at the University of Utah have found evidence that salary transparency laws significantly reduce pay inequity, narrowing it by as much as half for some employers. The researchers found that pay transparency practices they looked at appeared to have a “flattening effect” on the highest salaries, possibly because employers were disincentivized from negotiating exceptionally high levels of pay for some employees which reduced the overall gap.

**Question: How does this differ from Pay Equity legislation?**

**Answer:** Pay transparency legislation helps make pay disparities visible within an organization, while pay equity measures address the systematic undervaluation of female-dominated occupations. Pay equity legislation requires employers to evaluate female dominated job classes across their company to ensure that if female dominated jobs have similar skill level requirements, levels of effort, responsibilities

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806

**Page:** 9 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

and working conditions to male dominated jobs, they are compensated equally.

Some advocacy groups want government to go farther than what we're proposing – some would prefer that we introduce pay equity legislation, rather than pay transparency, that would require employers to take concrete steps to address their gaps, rather than simply expose it.

Advice/Recommendations

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 10 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

Advice/Recommendations

Today is about drawing a line in the sand – pay discrimination is not tolerated in B.C. Employers can take action today to close the pay gap. Pay transparency measures will be coming into force, and we are committed to working towards pay equity provisions in the years that follow.

**Question: Which jurisdictions in Canada have implemented Pay Equity legislation?**

**Answer:** The following provinces have had pay equity legislation in place for several decades: Manitoba (1986), Ontario (1987), P.E.I. (1988), New Brunswick (1989), Nova Scotia (1989) and Quebec (1996). Newfoundland will bring new pay equity legislation in force on April 1, 2023.

Ontario and Quebec's pay equity legislation applies to the public and private sectors, while every other province's legislation focuses on the public sector.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 11 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

B.C. added pay equity clauses to the provincial Human Rights Code in 2000, but these were removed in 2001 following a change in government.

Canada introduced a new Pay Equity Act in 2018 that came into force in August 2021. It applies to public and private sector federally regulated employers.

**Question: Are other jurisdictions doing something similar?**

**Answer:** B.C. is one of three provinces (along with Alberta and Saskatchewan) without pay equity or pay transparency legislation. Other jurisdictions in Canada are each at different stages in fulfilling their existing legislation; B.C. is one of the first provinces to implement pay transparency legislation in Canada.

The federal government already requires federally regulated employers to report on their pay gaps and is introducing a new public, searchable database with this information later this year.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 12 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

Newfoundland passed a pay equity and pay transparency bill in November 2022. Their pay equity requirements apply only to the public sector and will come into force on April 1, 2023.

While their pay transparency requirements are similar to B.C.'s, they will come into force by regulation after further employer engagement.

Ontario's Pay Transparency Act was passed in 2018 but was not brought into force. Last year, Prince Edward Island added new pay transparency measures to its Employment Standards Act.

**Question: Will you be establishing a central database to support research into pay gaps and their causes?**

**Answer:** Implementation will occur in a phased approach. At this stage, employers will be posting pay transparency reports on their websites – and the Director of Pay Transparency will be assessing data from the reports. We are in the process of looking at how the federal government will approach having a central database with a view to learning the best approach for undertaking this work. Our work doesn't end here and we're

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806

**Page:** 13 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

going to be working with our federal colleagues to determine best practices for future years.

Advice/Recommendations

Advice/Recommendations

For example, starting in November – job seekers will have information on the salary ranges for a position to help them negotiate fair compensation. Pay transparency will also quickly recognize B.C. employers who have worked hard to ensure they have fair and equitable pay practices. In a tight labour market, we expect workers will vote with their feet and seek out companies that are taking action to close the pay gap and will pay women fairly.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 14 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

**Question: What will be the cost to businesses?**

**Answer:** As the Ministry develops the reporting requirements in collaboration with employer groups, special attention will be paid to minimizing the burden on employers.

Some employers may already have robust HR practices and will find it simple to complete the reporting requirements, while others may have to update their payroll and employee data collection systems.

The Ministry will strike a balance between ensuring sufficient information is captured to meet the Province's transparency goals, while not making the reporting process overly onerous on employers.

The Ministry is committed to consulting with employers and payroll associations to develop a reporting tool that will be simple to use and that will help employers produce their reports quickly and efficiently.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 15 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

**Question: How will employers know how to meet these obligations?**

**Answer:** The Ministry of Finance website will host a web page to inform employers of their obligations under the Pay Transparency Act. Employers will be able to contact the Gender Equity Office's pay transparency team under the Director of Pay Transparency with any questions, or to ask for assistance. The employer reporting tool will be posted on the Ministry web page.

**Question: Who has been consulted in the development of this legislation?**

**Answer:** Engagement sessions were held in the Summer and Fall of 2022 that involved more than 100 representatives, including Indigenous partners, business associations, key companies, organized labour, employee associations, employment and legal advocates, municipalities, and the non-profit and public sectors. Fifteen engagement sessions were held in total.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 16 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

**Question: What was heard during the engagement sessions?**

**Answer:** There was general support for exposing the pay gap and a desire by some employers to use this requirement as a tool to attract talent. The Ministry heard the need for pay transparency reporting to be simple and standardized and that government should report back on progress in alleviating pay gaps. Many suggested the Ministry take a phased approach in implementing pay transparency reporting, starting with larger employers first. The Ministry listened closely and the proposed legislation reflects much of this feedback.

Similar to the private members bill, this legislation will appoint a Director of Pay Transparency and will require employers to post their reports publicly.

**Question: Has there been Indigenous consultation?**

**Answer:** Indigenous partners were consulted last year in the development of the legislation in several engagement

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806

**Page:** 17 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

sessions. Key partners were given a consultation draft of the legislation.

The Act requires that, before completing an annual report or a report on a review of the act, government provide written notice to any Indigenous entity that is authorized to act on behalf Indigenous peoples whose members could be affected by the publication of the report.

Additionally, the data standards developed under the Anti-Racism Data Act which will be used in developing the regulations will also be brought to all Indigenous Governing Entities before the standards are approved.

**Question: What is the expected reaction by employers to this legislation?**

**Answer:** Generally, employers, other stakeholders and Indigenous partners feel positive about the overall goal of the legislation.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 18 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

Some employers are interested in using pay transparency as marketing tool to attract talent and showcase themselves top employers. Some of the largest employers in B.C. and Canada are already participating in global initiatives such as the Bloomberg Gender Equality Index which measures the performance of public companies supporting gender equality. Employers also realize that pay transparency and pay equity are key elements of their diversity, equity and inclusion and ESG strategies and could reduce the potential for legal, financial and reputational risks.

During engagement sessions, some members of the business community expressed concern about the potential administrative burden on the new requirements. The Ministry listened carefully and will continue to listen as we develop the reporting regulations in collaboration with employers.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 02\_MO\_GEO\_Closing the Gender Pay Gap

**Phone:** 778 696-1806  
**Page:** 19 of 19

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

## ISSUE: Ending Gender-Based Violence

### ADVICE AND RECOMMENDED RESPONSE:

- All British Columbians deserve to live free of violence and abuse.
- Gender-based violence (GBV) all too often impacts women, girls, and non-binary people, with devastating and long-lasting effects. It disproportionately targets Indigenous women and girls, women of colour, 2SLGBTQ+ people, and those with disabilities.
- The safety and well-being of all people depend on us taking action to help end gender-based violence and make our province safer.
- That's why we're investing in transition housing, safe homes and second stage housing for women and children experiencing gender-based violence and providing annual stable funding for sexual assault services.
- It's also why we're developing a provincial gender-based violence action plan that will include minimum standards for sexual assault response, more training for police, Crown Counsel, and justices, and establish core funding for sexual assault centres.

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 1 of 14

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

- Building off engagements with the anti-violence sector in Spring 2022, the province is supporting further engagement with Indigenous partners and survivors this May and June to ensure that proposed actions reflect the rights and interests of Indigenous Peoples.

## **KEY FACTS:**

- The Parliamentary Secretary for Gender Equity, Minister of Finance and Minister of Public Safety and Solicitor General share a joint mandate commitment to develop an action plan to end Gender Based Violence (GBV), including minimum standards for sexual assault response, more training for police, Crown counsel and justices, and establishing core funding for sexual assault centres.
- Gender-based violence is violence committed against someone based on their gender, gender identity, or gender expression. It can be physical, sexual, emotional, psychological, or financial in nature, and constitutes a serious health, safety, and human rights issue impacting many people in B.C.
- Gender-based violence remains prevalent, with approximately 36.5% of women in British Columbia reporting an experience of sexual assault in their lifetime and 29.5% of women reporting an experience of physical assault.<sup>1</sup>

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<sup>1</sup> Statistics Canada, Survey of Safety in Public and Private Spaces, 2018.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806  
**Page:** 2 of 14

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

- Indigenous women, Black women, women of colour, transgender women, women who are disabled, and people with intersecting marginalized identities face a disproportionately higher risk of sexual assault.<sup>2</sup>
- The rate of self-reported sexual assault among Indigenous women is almost three times as high as non-Indigenous women (58 versus 20 per 1,000 population).<sup>3</sup>
- Women in rural areas experienced the highest overall rates of intimate partner violence (789 victims per 100,000 population), with rates close to four times higher than those for men in these areas.<sup>4</sup>

## **CURRENT STATUS:**

- Building from the Spring 2022 engagements, the Gender Equity Office is undertaking targeted engagement with Indigenous people in May and June 2023 on the Gender-Based Violence Action Plan.
- Métis Nations B.C. is leading its own engagements with funding from the province, while the province has engagement specialists to

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<sup>2</sup> Benoit, C., et al., (2015). Issue brief: Sexual violence against women in Canada. Available at: <https://cfc-swc.gc.ca/svawc-vcsfc/issue-brief-en.pdf>; Cotter A. and L. Savage. 2019. GBV and unwanted sexual behaviour in Canada, 2018: Initial findings from the Survey of Safety in Public and Private Spaces. Juristat. Statistics Canada. Available at:

<https://www150.statcan.gc.ca/n1/pub/85-002-x/2019001/article/00017-eng.htm>; Missing and Murdered Indigenous Women and Girls. (2019). *Reclaiming Power and Place: The Final Report of the National Inquiry into Missing and Murdered Indigenous Women and Girls*.

<sup>3</sup> Conroy, S., & Cotter, A. (2017): Self-reported sexual assault in Canada, 2014.

<sup>4</sup> Burczycka, M. (2018): Family Violence in Canada – A Statistical Profile 2017. "Section 2: Police-reported intimate partner violence in Canada, 2017".

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 3 of 14

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

consult with First Nations, Inuit, urban and rural on-and-off-reserve Indigenous people.

- Consultation and cooperation with Indigenous Peoples to develop and implement community-driven activities to end violence against Indigenous women, girls and 2SLGBTQQIA+ people is a commitment under the Declaration Act Action Plan (action 3.8).
- Implementation of the Action Plan will occur over five years and will be responsive to the wealth of research, recommendations, and partner feedback to date on gender-based violence prevention, interventions, and response.
- The Action Plan is being developed in close partnership with provincial leads for the Missing and Murdered Indigenous Women and Girls (MMIWG) response, and with federal colleagues from Women and Gender Equality Canada who are leading the implementation of a 10-year National Action Plan to End Gender-Based Violence.
  - The Gender-Based Violence National Action Plan was endorsed on November 9, 2022, at an FPT Ministerial Meeting and is complementary to B.C.'s plan.
  - Women and Gender Equality Canada (WAGE) has committed \$539.3M to enable provinces and territories to supplement and enhance services and supports within their jurisdictions to prevent gender-based violence and support survivors. Bilateral negotiations are underway.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806  
**Page:** 4 of 14

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

- Some steps to address gender-based violence in B.C. are already underway, including:
  - The distribution of \$10M annually that will provide stable funding for sexual assault response services starting in 2023.
  - Introduction of the *Intimate Images Protection Act* to address the non-consensual disclosure of intimate images.
  - Improved educational and awareness programs in K-12 and post-secondary schools.
  - Mandatory sexualized violence and misconduct policies at all public post-secondary institutions.
  - Modernization of the *Family Law Act* and access to protection orders.
  - Development of B.C. Provincial Policing Standards on sexual assault investigations.
  - Historic investments in childcare, which create opportunity for women's economic empowerment, a key factor in addressing Gender-Based Violence.
  - Building hundreds of new transition and safe homes, second-stage housing and affordable housing spaces for women experiencing or at risk of experiencing violence.

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 5 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Ending Gender-Based Violence

#### Question: Why is there no funding set out for the Gender-based Violence Action Plan in Budget 2023?

**Answer:** Budget 2023 includes funding for many initiatives that advance gender equity and support the prevention of gender-based violence. This includes:

- making prescription contraception free for all B.C. residents.
  - Please direct any further questions to the Minister of Health.
- \$620M in additional funding over three years for the Supportive Housing Fund to help build and operate more supportive housing for people experiencing or at risk of homelessness.
  - Please direct any further questions to the Minister of Housing.
- \$1.7B in operating and capital funding over three years to support building new homes through Building B.C. and B.C. Housing programs including targeted new

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 6 of 14

**MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE**

investments for the Community Housing Fund and funding to help double the number of units created through the Indigenous Housing Fund.

- Please direct any further questions to the Minister of Housing.
- In partnership with the B.C. First Nations Justice Council, opening ten new Indigenous Justice Centres over the next two years to provide free and culturally safe places that provide legal help, early resolution programs, support and representation for Indigenous Peoples.
  - Please direct any further questions to the Attorney General.

B.C. also provides more than \$42M of stable core funding to support over 400 victim service and violence-against-women programs each year. Additional annual funding of more than \$10M starting in 2023/24 will be allocated to service providers to provide victim-centred, trauma-informed, coordinated, cross-sector support to survivors of sexual assaults.

- Please direct further questions on funding for sexual assault services and victim services and violence against

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 7 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

women programs to the Minister of Public Safety and Solicitor General.

The development of the Gender-Based Violence Action Plan will continue to help inform funding decisions.

**Question: What is the timeline for the release of the Gender-Based Violence Action Plan?**

**Answer:** We are planning to release the action plan later this year, but we are not waiting to take action; work to prevent, address and respond to gender-based violence is already underway. This critical work includes:

- construction of new transition, second-stage, safe homes and supportive housing for women and children experiencing or at risk of experiencing violence in communities across the province;
- the delivery of stable annual funding of \$22M for sexual assault services; and
- updates to health guides to support educators in teaching consent to K-12 students with an age-

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 8 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

appropriate and non-discriminatory approach in the classroom.

It is critical that the Gender-Based Violence Action Plan includes Indigenous voices especially given the disproportionate rate of violence perpetrated against Indigenous women, girls and 2SLGBTQ+ people. We are taking time to engage with Indigenous partners on the Action Plan this Spring to ensure it is responsive to the needs, experiences and priorities of survivors, their families, communities, and those in the sector who support them.

**Question: What is the relationship between the provincial Gender-Based Violence Action Plan and the National Action Plan to End Gender-Based Violence?**

**Answer:** The National Action Plan has been endorsed by Federal, Provincial and Territorial governments and is a strategic framework for action within and across jurisdictions with the goal of having a Canada free of gender-based violence.

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 9 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

Federal Budget 2022 committed \$539.3M over five years, starting in 2022–23, to Women and Gender Equality Canada (WAGE) to enable provinces and territories to supplement and enhance services and supports within their jurisdictions to prevent gender-based violence and support survivors. WAGE and the provinces and territories are currently negotiating bilateral funding agreements. We look forward to these negotiations and will work to ensure that federal funding will be directed to where it is needed most in B.C. – including in prevention, culturally-safe and trauma-informed supports for survivors, and supporting Indigenous-led responses and approaches.

This is a critical step forward in B.C.'s commitment to taking a comprehensive all-of-government approach to addressing gender-based violence in B.C.

Advice/Recommendations

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806  
**Page:** 10 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

**Answer:** Developing the Gender-Based Violence Action Plan in consultation and cooperation with Indigenous peoples is a commitment of the Declaration Act Action Plan (Action 3.8). Indigenous partners, like the First Nations Leadership Council and Métis Nation B.C., have advised that it is important for the Province to conduct comprehensive, distinctions-based, and government-to-government engagement with First Nations, Métis, Inuit and urban and rural on-and-off Indigenous people on the Action Plan.

In October 2022, the Parliamentary Secretary for Gender Equity also met with the First Nations Leadership Council who advised that First Nations should be consulted directly on the Gender-Based Violence Action Plan in a comprehensive and meaningful way.

As we develop this action plan, we recognize that we are not starting from zero. There is already a valuable foundation of advocacy and research in place that will guide our work, a foundation formed through years of subject matter experts and Indigenous partners volunteering their time and expertise.

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 11 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

The approach to the engagements with Indigenous people on the Gender-Based Violence Action Plan recognizes and builds off the foundation of cumulative knowledge provided through reports and research to date including *Reclaiming Power and Place: The Final Report of the National Inquiry into Missing and Murdered Indigenous Women and Girls*, *A Path Forward: Priorities and Early Strategies for B.C.*, and *In Plain Sight: Addressing Indigenous-specific Racism and Discrimination in B.C. Health Care*.

**Question: What is the status of the Sexual Assault Services funding?**

**Answer:** Annual funding of more than \$10M starting in 2023/24 will be allocated to service providers to provide victim-centred, trauma-informed, coordinated, cross-sector support to survivors of sexual assaults. The development of the Gender-Based Violence Action Plan will continue to help inform funding decisions.

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 12 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

Please direct further questions on annual funding for sexual assault centres to the Minister of Public Safety and Solicitor General for additional details.

**Question: How will the Gender-Based Violence Action Plan respond to Missing and Murdered Indigenous Women?**

**Answer:** Ensuring that the provincial Gender-Based Violence Action Plan is aligned with and builds on the ongoing work to address Missing and Murdered Indigenous Women and Girls (MMIWG) is an essential component to preventing, addressing and responding to gender-based violence.

We recognize that extensive engagement has been undertaken with B.C.'s Indigenous communities since 2019 to identify gaps and set priorities to address violence against Indigenous women, girls and 2SLGBTQ+ people in response to the release of MMIWG *National Inquiry Final Report*. This engagement has shaped *B.C. Path Forward: Priorities and Early Strategies for B.C.* to address violence, and the Province will continue to leverage the important feedback provided in that

**Contact:** Asha Bhat

**Division:** Gender Equity Office

**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806

**Page:** 13 of 14

MINISTRY OF FINANCE  
GENDER EQUITY OFFICE  
ISSUE NOTE

context to inform the development of the Gender-Based Violence Action Plan.

Provincial leads on the MMIWG response, including those who report on progress related to *A Path Forward: Priorities and Early Strategies for B.C.*, are key partners in the development of the Gender-Based Violence Action Plan. Please direct further questions on *Path Forward* to the Minister of Public Safety and Solicitor General.

**Contact:** Asha Bhat  
**Division:** Gender Equity Office  
**File Name:** 03\_MO\_GEO - Ending Gender-Based Violence

**Phone:** 778-698-1806  
**Page:** 14 of 14

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

## **ISSUE: AUDIT PLAN – IAAS 2022/2023**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Internal Audit & Advisory Services (IAAS) mandate is to provide internal audit and consulting services to management at B.C.'s ministries and Crown corporations to promote sound governance, economy, efficiency and effectiveness of public sector operations, and to provide assurance that programs and systems are operating in compliance with mandates, policies and regulations.

### **KEY FACTS:**

- IAAS annually prepares an Audit Plan that identifies projects for the upcoming fiscal year.
- The process to identify projects includes among other processes:
  - interviewing members of the Deputy Minister's Audit Committee, Ministry Executive, Treasury Board Staff, Risk Management Branch and other key central agencies such as PSA;
  - reviewing Ministry Service Plans, Annual Reports and risk registers;
  - reviewing Minister Mandate Letters;

**Contact:** Carl Fischer, Comptroller General  
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**File Name:** 01\_MO\_OCG\_Audit\_Plan\_IAAS

**Phone:** 250 387-6692  
**Page:** 1 of 7

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

- reviewing Office of the Auditor General and other professional reports; and
- researching news and background information on Crown corporations, Ministries and the School Districts, Universities, Colleges and Health Authorities sector to identify changes, new priorities and potential issues.
- The nature and timing of future projects can be amended to reflect emerging issues or changing priorities that need to be reviewed in a timely manner.
- The Audit Plan is presented to the Deputy Mudit Audit Committee for their consideration and approval. The Audit Plan for Fiscal Year 2022/23 was reviewed and approved by the committee in December 2021.
- In addition to the Audit Plan, Internal Audit Advisory Services proactively responded to the pandemic by offering assistance to the ministries. This included providing staff to assist various branches, providing research support, providing high level risk assessments, assisting with emergency reporting among other activities.
- Internal Audit Advisory Services also reviews all ministries completed Financial Risk and Control Reviews and assesses whether all the risks have been identified; and risks have adequate mitigation strategies or compensating controls.
- The Audit Plan for Fiscal Year 2022/23 has a renewed focus on financial management and a continued emphasis in Information

**Contact:** Carl Fischer, Comptroller General  
**Division:** Officer of the Comptroller General  
**File Name:** 01\_MO\_OCG\_Audit\_Plan\_IAAS

**Phone:** 250 387-6692  
**Page:** 2 of 7

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

Management/Information Technology. This strategy will allow Internal Audit Advisory Services to cycle through the key financial systems and obtain greater comfort over their management and activities. The planned audits are tabulated below.

<b>Performance Audits</b>	
<b>Project #1:</b> Compliance and Enforcement Body Review	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>• Review compliance and enforcement body's approach to selecting compliance reviews to determine if they use a risk-based approach</li> <li>• Review a sample of projects reviewed to determine whether the information gathered is sufficient to monitor compliance</li> </ul> <p><b>Entity to review:</b> Multiple Ministries</p>
<b>Project #2:</b> BC Agri-Food Program Review	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>• Review GrowBC/BuyBC/FeedBC initiatives to assess whether program objectives are being met</li> <li>• Review sample of programs to assess monitoring, evaluation, and reporting activities</li> </ul> <p><b>Entity to review:</b> AFF</p>

**Contact:** Carl Fischer, Comptroller General  
**Division:** Officer of the Comptroller General  
**File Name:** 01\_MO\_OCG\_Audit\_Plan\_IAAS

**Phone:** 250 387-6692  
**Page:** 3 of 7

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

<b>Financial Management Audits</b>	
<b>Project #3:</b> Compliance Audit on the Small Communities Fund & Investing in Canada Infrastructure Program	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>Determine whether costs claimed by proponents are appropriate and eligible as per the Federal-Provincial funding agreement</li> </ul> <p><b>Entity to review:</b> MUNI/MOTI</p>
<b>Project #4:</b> Financial Management Environment: Data Integrity	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>Review of ministries' policies and procedures in place to protect data integrity</li> </ul> <p><b>Entity to review:</b> Multiple Ministries</p>
<b>Project #5:</b> Compliance Audit on the Low Carbon Economy Leadership Fund	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>Required under the Federal-Provincial funding agreement; procedures to be established by the Agreement Oversight Committee</li> </ul> <p><b>Entity to review:</b> FLNRORD/EMLI</p>
<b>Project #6:</b> Audit of Front-line Cash Management	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>Review policies, procedures, and financial management training, related to cash and equivalents</li> </ul>

**Contact:** Carl Fischer, Comptroller General  
**Division:** Officer of the Comptroller General  
**File Name:** 01\_MO\_OCG\_Audit\_Plan\_IAAS

**Phone:** 250 387-6692  
**Page:** 4 of 7

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

	<ul style="list-style-type: none"> <li>• Test a sample of transactions for evidence controls are implemented</li> </ul> <p><b>Entity to review:</b> Ministry regional offices</p>
<b>Project #7:</b> Audit of Miscellaneous Revenue	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>• Review the controls over the recording of miscellaneous revenue for a sample of ministries to ensure transactions are appropriately recorded and classified</li> <li>• Understand process for managing related receivables</li> </ul> <p><b>Entity to review:</b> Multiple Ministries</p>
<b>Project #8:</b> Audit of the Accounting for IT System Costs	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>• Review the policies, processes and tools that support the accurate accounting of IT costs</li> <li>• Audit a sample of ministries' IT projects and related costs to ensure they are accounted for correctly</li> </ul> <p><b>Entity to review:</b> Multiple Ministries</p>
<b>Project #9:</b> Audit of the Allowance for Doubtful Accounts	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>• Audit a sample of ministries' allowance for doubtful</li> </ul>

**Contact:** Carl Fischer, Comptroller General  
**Division:** Officer of the Comptroller General  
**File Name:** 01\_MO\_OCG\_Audit\_Plan\_IAAS

**Phone:** 250 387-6692  
**Page:** 5 of 7

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

	<p>accounts valuation adjustments to determine whether the estimate is reasonable, and the related process of collections is robust</p> <p><b>Entity to review:</b> Multiple Ministries, Receivables Management Office</p>
<b>IM/IT Audits</b>	
<p><b>Project #10:</b> IM/IT Procurement – Phase 2</p>	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>Review of IT equipment procurement, vendor support contract management, cloud procurement, including security/privacy of confidential information</li> <li>Parts of this audit can also be applied to Crowns/SUCH</li> </ul> <p><b>Entity to review:</b> Ministries</p>
<p><b>Project #11:</b> Financial Management Environment: System Development Life Cycle (SDLC)</p>	<p><b>Work Plan:</b></p> <ul style="list-style-type: none"> <li>Focus auditing procedures that can be applied across most types of SDLC; includes financial system governance and controls</li> <li>Parts of this audit can also be applied to Crowns/SUCH</li> </ul>

**Contact:** Carl Fischer, Comptroller General  
**Division:** Officer of the Comptroller General  
**File Name:** 01\_MO\_OCG\_Audit\_Plan\_IAAS

**Phone:** 250 387-6692  
**Page:** 6 of 7

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

	<b>Entity to review:</b> Ministries
<b>Project #12:</b> Digital Privacy Impact Assessments (PIA)	<b>Work Plan:</b> <ul style="list-style-type: none"> <li>Performing an upfront risk assessment to help right-size future digital PIA process</li> <li>Selecting sample of PIA's to determine how ministries have implemented and tracked mitigating actions to inform the "follow-up" process in the future digital PIA system</li> </ul> <b>Entity to review:</b> Ministries

**Contact:** Carl Fischer, Comptroller General  
**Division:** Officer of the Comptroller General  
**File Name:** 01\_MO\_OCG\_Audit\_Plan\_IAAS

**Phone:** 250 387-6692  
**Page:** 7 of 7

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

## **ISSUE: FRAUD RISK MANAGEMENT OVERVIEW**

### **ADVICE AND RECOMMENDED RESPONSE**

- A proactive approach to managing fraud risk is one of the best steps an organization can take to mitigate exposure. Although it is not economically feasible to eliminate all fraud risk, proactive and constructive steps can be taken.
- The combination of effective fraud risk governance, a thorough fraud risk assessment, strong fraud prevention and detection measures, along with a coordinated and timely response, can significantly mitigate fraud risks.
- On March 8, 2022, the Office of the Auditor General issued a positive report on the design of the Office of the Comptroller General's fraud risk management framework.
- The Office of the Auditor General will be releasing a report on part 1 of their 2022 Fraud Risk Survey that compiles a survey of fraud management practices at Crown Organizations.
- A survey is a non-authoritative practice that can only report the understanding or feelings of the individuals responding. If it is construed as audit work readers could

**Contact:** Carl Fischer, Comptroller General

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**Division:** Officer of the Comptroller General

**Page:** 1 of 3

**File Name:** 02\_MO\_OCG\_Fraud Risk Assessment Management

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

draw incorrect conclusions or assurances from the report. A government response to this report has not been requested and government has not been involved in the survey or the report.

- The Office of the Comptroller General has worked with both Crown Organizations and Ministries to improve their awareness of fraud risk management by providing tools and guidance including:
  - Policy guidance on fraud management responsibilities
  - Fraud Management online training
  - Fraud Risk Assessment materials and templates
  - Ongoing notices promoting Fraud Risk Management across the broader public sector

**KEY FACTS:**

- The Office of the Comptroller General established an effective fraud risk management framework by:
  - defining roles and responsibilities for fraud prevention and detection in cross-government functions responsible for overseeing government's financial management framework

**Contact:** Carl Fischer, Comptroller General

**Phone:** 250 387-6692

**Division:** Officer of the Comptroller General

**Page:** 2 of 3

**File Name:** 02\_MO\_OCG\_Fraud Risk Assessment Management

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

- building capacity through a fraud awareness campaign to inform government decision makers and employees of their roles and responsibilities in managing fraud risk and reporting incidents of actual or suspected fraud
- developing and distributing several tools that government organizations used to inform themselves on fraud risks and how to prevent and respond to them
- completing and amalgamating a cross-government fraud risk assessment to inform purposeful, coordinated, and efficient corporate action in response to fraud risks
- Developing a reporting process to facilitate oversight of the fraud risk management framework in conjunction with reporting to the Deputy Minister Audit Committee

**Contact:** Carl Fischer, Comptroller General

**Phone:** 250 387-6692

**Division:** Officer of the Comptroller General

**Page:** 3 of 3

**File Name:** 02\_MO\_OCG\_Fraud Risk Assessment Management

MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE

## ISSUE: INTERNAL CONTROL OVER COVID RESPONSE MEASURES

### ADVICE AND RECOMMENDED RESPONSE:

- The emergency nature of the pandemic required prompt action by governments across Canada. While timeliness of response is critical governments remain accountable to the public for the use and stewardship of public resources.
- The Office of Comptroller General is responsible for establishing the internal control framework followed by ministries that supports program delivery, ensures public money is managed in accordance with effectiveness, efficiency, and economy, and maintains the capacity to prepare financial reports that are correct and comprehensive.
- Whatever form it took, government's response required extraordinary spending authority, all parts and all levels of government were involved, and we anticipated additional scrutiny during and after the emergency.

### KEY FACTS:

**Contact:** Carl Fischer, Comptroller General

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**Division:** Officer of the Comptroller General

**Page:** 1 of 2

**File Name:** 03\_MO\_OCG\_Internal Control over COVID Response Measures

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

- The Office of the Comptroller General worked with the CFO community to initiate strategies in response to the pandemic. These strategies will continue while pandemic spending is in place:
  - comply with legislative and policy requirements;
  - monitor and report COVID-19 related spending;
  - focus compliance resources on identifying and monitoring pandemic related programs; and
  - leverage internal audit's expertise to support ministries in rapid program development.
- Supplementary disclosure of COVID-19 pandemic spending and related measures are provided in the Public Accounts. Spending and related measures focused on three categories: critical services, financial supports, and economic recovery. This disclosure will continue while pandemic spending is in place.

**Contact:** Carl Fischer, Comptroller General

**Phone:** 250 387-6692

**Division:** Officer of the Comptroller General

**Page:** 2 of 2

**File Name:** 03\_MO\_OCG\_Internal Control over COVID Response Measures

MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE

## ISSUE: PUBLIC ACCOUNTS AUDIT QUALIFICATIONS

### ADVICE AND RECOMMENDED RESPONSE:

- The 2021/22 Public Accounts were released on August 30, 2022, and included the Auditor General's opinion on the summary financial statements.
- The Auditor General's opinion included three points of reservation, related to two subject areas: Deferral of Revenues and the First Nations Gaming Revenue Sharing.
- The deferral of restricted revenues has been a longstanding qualification. Recent announcements from the public sector accounting standard setter confirm our recognition is appropriate under the standards. This will inform discussions during the 2022/23 financial audit.
- The First Nations Gaming Revenue Sharing arrangement was the subject of two new qualifications. We are unable to agree with the auditor's recommendation because public sector accounting standards explicitly prohibit us from doing so. We will continue to work with the Office of the Auditor General to refine their understanding of this arrangement.

**Contact:** Carl Fischer, Comptroller General

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**Division:** Office of the Comptroller General

**Page:** 1 of 4

**File Name:** 04\_MO\_OCG\_OAG Public Accounts Audit Opinion - Qualifications

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

- The 2022/23 Public Accounts will be prepared and audited over the next few months and the audit opinion will be provided by the Auditor General at the end of the audit process.

**KEY FACTS:**

- The Auditor General provided a qualified opinion for Public Accounts 2021/22 with three points of reservation.
- The Office of the Comptroller General believes the position of the Auditor General represents a very different view of B.C.'s long-standing accounting policies and is also different from the generally accepted practices followed by other jurisdictions in Canada.
- The application of GAAP, Generally Accepted Accounting Principles can be challenging and requires the use of professional judgment. This judgment is based on full analysis of the transactions and programs, application of Canadian guidance, and may involve broad consultation with other jurisdictions, and professional accountants, depending on the complexity of the issue.

**Contact:** Carl Fischer, Comptroller General

**Phone:** 250 387-6692

**Division:** Office of the Comptroller General

**Page:** 2 of 4

**File Name:** 04\_MO\_OCG\_OAG Public Accounts Audit Opinion - Qualifications

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

**Reservation: Deferral of revenues**

- The Auditor General recommended recognizing revenue for restricted grants in the year the funds are received.
- Government recognizes grant revenue only when the restricted purpose has been met so that the obligation for service delivery is disclosed, and the actual results align with budget.
- The impact of the recommendation in 2021/22 was to increase revenue, and surplus by \$6,480 million, decrease liabilities by \$6,480 million and increase accumulated surplus by \$6,480 million.

**Reservation: First Nations Gaming Revenue Sharing Arrangement**

- The Auditor General recommended recognizing gaming revenue and a government transfer for the First Nations share of gaming revenues.
- Government is prohibited by the accounting standards to recognize revenues that are collected on behalf of another government.
- First Nations share of gaming revenue is established in the *Gaming Control Act* which conveys the right to 7% of gaming revenues to First Nations. It is not a grant issued at the discretion of government.
- The impact of the recommendation in 2021/22 was to increase revenue and expense by \$91 million, with no impact to surplus or accumulated surplus.

**Contact:** Carl Fischer, Comptroller General

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**Division:** Office of the Comptroller General

**Page:** 3 of 4

**File Name:** 04\_MO\_OCG\_OAG Public Accounts Audit Opinion - Qualifications

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

**Reservation: Contractual Obligations disclosure**

- The Auditor General recommended including an estimate of future First Nations Gaming revenue as a contractual obligation.
- The First Nations share of gaming revenue is established in the *Gaming Control Act* and conveys the right to 7% of gaming revenues to First Nations. The First Nations share of gaming revenues is not an obligation of government.
- There is no financial impact for this recommendation. It is for disclosure only.

**CURRENT STATUS:**

- The Office of the Comptroller General engages with the Office of the Auditor General over the course of the audit; however, the content of the audit opinion will not be known until the Auditor General provides their opinion at the conclusion of the audit.
- The Public Sector Accounting Board released a revised conceptual framework during the year that confirms our recognition for deferral of restricted contributions is aligned with the accounting standards.
- Engagement with the Office of the Auditor General will include enhancing their understanding of the new relationship with First Nations and the application of GAAP, Generally Accepted Accounting Principles to this dedicated revenue.

**Contact:** Carl Fischer, Comptroller General

**Phone:** 250 387-6692

**Division:** Office of the Comptroller General

**Page:** 4 of 4

**File Name:** 04\_MO\_OCG\_OAG Public Accounts Audit Opinion - Qualifications

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

## **ISSUE: 2022/23 CORE POLICY & PROCEDURES MANUAL AMENDMENTS**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Core Policy and Procedures Manual outlines the objectives, standards and directives for sound financial management and promotes consistent, prudent financial practices.
- Amendment to Core Policy and Procedures Manual Strategic Instruments (Policy) Chapter 8: ASSET MANAGEMENT was approved by Treasury Board to implement accounting standard PS 3280 Asset Retirement Obligations.
- Core Policy and Procedures Manual Operational Instruments (Standards, Procedures, Guidelines and Tools) to support Policy are approved by the Comptroller General. Updates include:
  - 2 new Practice Standards, Asset Retirement Obligation and Present Value Technique and revisions to the Procurement Practice Standard.
  - Revisions to multiple Core Policy and Procedures Manual Procedures.

**Contact:** Carl Fischer, Comptroller General  
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**File Name:** 05\_MO\_OCG\_Policy Amendments

**Phone:** 250 387-6692  
**Page:** 1 of 3

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

**KEY FACTS:**

- An Asset Retirement Obligations Practice Standard was created to support the implementation of PS 3280, effective April 1, 2022. Procedure I: Tangible Capital Assets was revised to reflect that AROs will be capitalized as part of the asset's acquisition costs.
- A Present Value Techniques Practice Standard was created and Procedure H: Financial Reporting revised to reflect the principles for the use of the present value technique and defining the discount rate when reporting accounting transactions.
- Significant Procurement Practice Standard revisions included clarifying processes to reduce risks related to non-competitive procurement activities (direct awards) and enhancing ethics by identifying additional bias considerations while working with vendors and/or contractors.

**BACKGROUND:**

- Treasury Board Directive 1/23 - Core Policy Framework and Approval Matrix for the Core Policy Procedures Manual defines authority for each policy instrument within the Core Policy and Procedures Manual framework.
- The Office of the Comptroller General is responsible for the administration and maintenance of government's • Core Policy and Procedures Manual on behalf of Treasury Board.

**Contact:** Carl Fischer, Comptroller General  
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**File Name:** 05\_MO\_OCG\_Policy Amendments

**Phone:** 250 387-6692  
**Page:** 2 of 3

**MINISTRY OF FINANCE  
OFFICE OF THE COMPTROLLER GENERAL  
ISSUE NOTE**

- Core government entities (i.e., ministries) are bound by the Core Policy and Procedures Manual while Broader Public Sector and Crown Corporations are required to follow its spirit and intent.

**Contact:** Carl Fischer, Comptroller General  
**Division:** Officer of the Comptroller General  
**File Name:** 05\_MO\_OCG\_Policy Amendments

**Phone:** 250 387-6692  
**Page:** 3 of 3

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Cannabis Taxation and Revenue-Sharing

### ADVICE AND RECOMMENDED RESPONSE:

- B.C. is working with and listening to concerns from local governments (through UBCM) and First Nations about potential cannabis revenue-sharing.
- Cannabis legalization remains an unfinished journey until the market is fully mature.
- Local governments are able to generate revenue related to cannabis directly, through licensing and other fees on cannabis retailers to recoup their administrative costs.
- Under Section 119 of B.C.'s *Cannabis Control and Licensing Act* (CCLA), the Province may enter into agreements with First Nations on the cultivation and sale of cannabis (but not revenue-sharing).

● Advice/Recommendations

Advice/Recommendations

However the cannabis production sector has begun to experience challenges such as the high rates of excise tax, which has gradually increased, as a percentage of revenue, due to decreasing prices.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 1 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- B.C. has received revenue-sharing requests from local governments and First Nations, but the cannabis market needs to fully mature, and we need to better understand the continued costs and revenues for all levels of government before we reach any decisions.
- We value our partnerships with local governments, which is why we gave local governments the opportunity to provide direct input into the establishment of potential cannabis stores in their communities.
- The Province is committed to helping First Nations to establish themselves in this emerging industry – including cannabis sales agreements that allow for community benefits without providing an outsized competitive advantage within the industry to participating Nations.

## **KEY FACTS:**

### **Cannabis Revenues**

- B.C. receives cannabis-related revenues through four main sources:
  - Its 75 per cent share of the federal excise duty under the Coordinated Cannabis Taxation Agreement;
  - The 7 per cent provincial sales tax (PST) on cannabis retail sales and the 20 per cent PST on vapour products;

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 2 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The 15 per cent Liquor Distribution Branch (LDB) wholesale markup on cannabis products; and
  - Product sales at government-operated B.C. Cannabis Stores.
- *Budget 2023* projects federal cannabis excise tax revenues of \$70 million in 2022/23, and \$70 million in 2023/24, 2024/25 and 2025/26.
  - During the 2021/22 fiscal year, monthly federal excise tax payments increased, from a monthly average of approximately \$3.9 million for the 2020/21 year, to an average of about \$5.3 million.
- The Cannabis Council of Canada has raised concerns about the level of taxation on legal cannabis, including provincial mark-ups and the federal excise tax. Due to the federal-provincial-territorial revenue sharing agreement, 75% of the impact of any reduction in the federal excise tax rate would be borne by provinces and territories.

### **Revenue Sharing**

- Consistent with its treatment of tobacco and alcohol-related revenues, B.C. currently does not share its cannabis-related revenues with local governments or First Nations.
- Under Section 119 of B.C.'s CCLA, the Province may enter into agreements with First Nations on the cultivation and sale of cannabis (but not revenue-sharing).

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 3 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**CURRENT STATUS:**

- Ministry of Public Safety and Solicitor General (PSSG) and Ministry of Finance staff are working together on policy related to Section 119 agreements with First Nations. Seven agreements have been concluded with more expected in 2023.
- As of 2021/22, the Province has begun to see positive net revenues from cannabis, however future growth projections have slowed and the cannabis production sector, in particular, has begun to experience unexpected challenges. Future financial returns will be contingent on maintaining and furthering progress in transitioning illicit cannabis activity to a mature legal market, which remains substantial, accounting for about half of cannabis sales.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 4 of 16

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Cannabis Taxation and Revenue-Sharing

**Question: The Province's online reporting and budget projections show the Province's total cannabis revenues increasing.**

Advice/Recommendations

Advice/Recommendations

#### Answer:

- Cannabis legalization remains an unfinished journey until the market is fully mature.
- Local governments are able to generate revenue related to cannabis directly, through fees on cannabis retailers, such as annual business license fees, to recoup their administrative costs. Many local governments impose multi-thousand-dollar annual fees.
- The Province has entered into a MOU with UBCM to study over a multi-year period the recommendations and issues identified in UBCM's 2021 report entitled *Ensuring Local Government Financial Resiliency – Today's Recovery and*

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 5 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

*Tomorrow's New Economy.* The report included cannabis revenue sharing among its requested fiscal tools. We are reviewing this and other proposed tools.

- Under Section 119 of B.C.'s CCLA, the Province may enter into agreements with First Nations on the cultivation and sale of cannabis (but not revenue-sharing). The section allows for community specific First Nations benefits, provided the benefits would not provide an outsized competitive advantage within the industry to participating Nations.
- Ministry staff are having active discussions with UBCM members through committee work, and First Nations through section 119 agreements and New Fiscal Framework discussions to better understand their respective concerns and fiscal challenges associated with the establishment and maintenance of a healthy cannabis market.
- PSSG has also been engaging directly with First Nations regarding cannabis jurisdiction. We will continue to work with local governments and First Nation communities, as the industry grows, the market fully matures and more legal stores open.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 6 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**If Pressed:**

Consistent with its treatment of tobacco and alcohol-related revenues, B.C. currently does not share its cannabis-related revenues with local governments or First Nations.

**ISSUE: Tax Revenue reporting**

**Question: Does BC publicly report on cannabis revenue or expenditure?**

**Answer:**

B.C. does not report publicly in a comprehensive way on its cannabis-related revenues or expenditures as the market is still in the process of maturing. The exception is federal excise tax payments, which are reported monthly online, and quarterly in B.C.'s budgets and fiscal updates.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 7 of 16

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Pandemic Impact on Cannabis Revenue

**Question: What has been the impact of the pandemic on cannabis revenue?**

**Answer:**

- The pandemic has coincided with a notable increase in provincial cannabis total revenues but the degree to which the pandemic was a factor will likely not be known until we have years of data to compare.
- It's important to remember that we are still relatively early in our legalization journey. This means that the cannabis market, including numbers of licensed producers, legal retail stores and product varieties, continues to evolve.
- Provincial cannabis total revenues saw a slow start after legalization on October 17, 2018. Fiscal years 2020/21 and 2021/22 to date have shown significant growth in revenues but are projected to grow at a slower rate in 2022/23.
- *Budget 2023* provided \$7.095 million funding for the Liquor and Cannabis Regulation Branch to support cannabis statutory/regulatory caseloads as well as client driven

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 8 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

caseloads. Cannabis operations costs are only partially offset by revenue generated through licensing fees and renewal fees.

## **ISSUE: Tax Revenue below projections**

**Question: Why are government's cannabis revenues still below previous projections?**

**Answer:**

- While cannabis revenue is growing it has fallen short of projections. The projections were initially made quite early and based on assumptions that differed from ultimate decisions made by the Province (such as the wholesale markup rate).

Intergovernmental Communications

- We have seen lower prices for cannabis, as well as slower rates of people switching to the regulated market, which has tempered government cannabis revenue growth.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 9 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Government is committed to ensuring the ongoing transition to a legalized cannabis regime that aligns with the Province's priorities to protect children and youth, promote health and safety, keep the criminal element out of cannabis, keep B.C. roads safe, and support economic development.

## **ISSUE: Provincial Cannabis-Related Revenues and Expenditures**

**Question: Including all revenue sources and categories of expenditures, how much is the Province making or losing from cannabis?**

### **Answer:**

The Liquor Distribution Branch operates government cannabis stores and is responsible for warehousing and distribution;

Intergovernmental Communications

Intergovernmental  
Communications

The reporting of separate lines of businesses is subject to assumptions regarding allocation of shared costs, which can fluctuate as the assumptions can be revised.

Intergover  
nmental

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 10 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Intergovernmental Communications

**Question: What is the government spending money on in relation to cannabis?**

**Answer:**

The Liquor Distribution Branch has costs related to the purchase, warehousing, and distribution of cannabis, as well as other costs related to the sales of cannabis in government cannabis stores. There are also programs in PSSG, Attorney General, Environment, and Agriculture, such as funding to promote, verify and enforce waste and pesticide use requirements for the cannabis industry, support experts for cannabis-related complaints before the Farm Industry Review Board and support capacity within the Plant Health Lab. The ministry expenditures on these programs were \$19.3 million in 2021/22 and are expected to be \$20.1 million in 2022/23.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 11 of 16

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## **ISSUE: Tax Revenue Losses Due to Illegal Cannabis**

**Question: How much tax revenue are you losing due to illegal marijuana sales?**

**Answer:**

Government does not have estimates of how much revenue illegal sales are generating, just as we do not have estimates of how much taxation revenue is being lost to these illegal operations.

## **ISSUE: Section 119 Agreements**

**Question: What is the status of the Province's section 119 agreement negotiations with First Nations? What are the revenue implications of making these agreements?**

**Answer:**

- As of February 2023, the Province has signed section 119 agreements with seven First Nations. More agreements may be concluded in the near term. The Ministry of Finance

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 12 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

is working with the Minister of Public Safety and Solicitor General on section 119 agreements.

- Section 119 agreements are not revenue-sharing agreements. While the precise fiscal impact of the agreements will vary depending on the terms and circumstances, the conclusion of section 119 agreements is expected to have positive fiscal implications for the Province. It allows for the opening of additional licensed cannabis stores, from which provincial fees, excise taxes, PST, and wholesale markup revenues may be collected.

## **ISSUE: Revenue sharing by other Provinces**

### **Question: Do other Provinces share cannabis revenue?**

#### **Answer:**

- Ontario allocated around 40 per cent of its projected \$100 million cannabis excise tax revenue with local governments as part of a two-year agreement. Quebec shared around \$62 million, over two years, with the municipalities.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 13 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Intergovernmental Communications

## **ISSUE: Growth in the legal cannabis market**

**Question: Are the number of cannabis stores and licensed cannabis producers expected to grow at similar rates as before? If the growth has slowed down, why is it so?**

### **Answer:**

- Growth in the number of new stores (and applications for stores) slowed in 2022, which could reflect increasing market saturation and financial pressures facing the cannabis sector. A similar slowdown in growth was observed in the number of licensed cannabis producers.
- Market pressures and high tax rates have also contributed to an increase in Federal License Holders exiting the licensed cannabis market. In total, 38 Federally Licensed

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354

**Page:** 14 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Cannabis producers in B.C. have either expired or revoked their licenses – 13 of these were in the latter half of 2022.

**ISSUE: List of programs that benefit municipalities and First Nations**

Advice/Recommendations

**Answer:**

- The Province is committed to providing financial resources to local governments and First Nations.
- Examples of provincial supports for local governments include:
  - \$1 billion in 2022/23 for the Growing Communities Fund;
  - \$450 million in 2022/23 for Critical Infrastructure Projects;
  - \$180 million in 2022/23 to UBCM towards the Community Emergency Preparedness Fund; and

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 15 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- More than \$200 million in federal-provincial programs, shared-cost arrangements, and entitlement programs.
- Examples of provincial supports for First Nations include:
  - \$200 million in 2022/23 in capacity funding for all 204 First Nations to support *Declaration Act* engagement;
  - \$140 million for New Relationship Trust to support building clean energy capacity and other community supports; and
  - Long-term funding (including an estimated \$110 million in 2023/24) through the Long-Term BC First Nations Gaming Revenue Sharing and Financial Agreement. Beginning in 2022, 7 percent of the net annual income of British Columbia Lottery Corporation will be paid to the BC First Nations Gaming Revenue Sharing Limited Partnership.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 01\_MO\_PLD\_Cannabis Taxation and Revenue Sharing

**Phone:** 778-974-5354  
**Page:** 16 of 16

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## **ISSUE: Carbon Pricing**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Carbon tax rates are increasing to \$65 per tonne of CO<sub>2</sub> equivalent emissions effective April 1, 2023.
- The carbon tax will continue to increase by \$15 per year until rates reach \$170 per tonne on April 1, 2030.
- With these increases, British Columbia will be aligned with federal carbon pricing requirements, and the federal government confirmed this in November 2022.
- To protect affordability, revenues generated by the new carbon tax increases will be directed to carbon tax relief for British Columbians through enhancements to the climate action tax credit.
- Additionally, starting April 1, 2024, large emitters, such as pulp and paper mills, oil and gas operations, and large mines, will transition to a new carbon pricing model. This new, made-in-B.C. output-based pricing system will establish performance-based emissions limits and price operations' emissions that exceed those limits.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 1 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- In the *CleanBC Roadmap to 2030*, released in October 2021, B.C. committed to meeting or exceeding the federal price for the upcoming 2023-2030 benchmark period.
- *Budget 2023* forecasts carbon tax revenue of \$2.811 billion in 2023/24, \$3,034 billion in 2024/25, and \$3.383 billion 2025/26.
- The requirement for the tax to be revenue neutral, where tax increases had to be matched by reductions elsewhere, was ended in *Budget 2017 Update*. None of the offsetting tax reductions introduced prior to ending revenue neutrality were reversed.
- Carbon tax revenue flows into general revenue. However, *Budget 2018* committed to direct the incremental revenues above \$30 per tonne to:
  - Relief for families (i.e., the climate action tax credit);
  - Support for industry, namely, the CleanBC Program for Industry, which includes:
    - The CleanBC Industrial Incentive Program, which provides incentives to large industrial operations if their emissions meet or beat world-leading emissions benchmarks; and
    - The CleanBC Industry Fund, which finances emissions reductions projects; and,
  - New green initiatives.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 2 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Incremental revenues from the new \$15 per tonne carbon tax rate increases will be directed to enhancements to the climate action tax credit. For 2023/24:
  - The maximum amount for adults increases from \$193.50 to \$447.00;
  - The maximum amount for a spouse or common-law partner increases from \$193.50 to \$223.50;
  - The maximum amount for children increases from \$56.50 to \$111.50; and,
  - Single parent families will continue to receive the adult amount for the first child in the family.
- Government will monitor revenues from the new carbon pricing framework on an annual basis and prioritize directing incremental revenues to relief for people through the climate action tax credit.
- Starting April 1, 2024, large emitters, such as pulp and paper mills, oil and gas operations, and large mines, will transition to a new carbon pricing model. This new, made-in-B.C. output-based pricing system (OBPS), will establish performance-based emissions limits and price operations' emissions that exceed those limits.
  - A portion of revenues paid by industry regulated by the OBPS will be directed to continuing the CleanBC Industry Fund.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**CURRENT STATUS:**

- The Ministry of Finance will be working with the Ministry of Environment and Climate Change Strategy to develop the details to implement B.C.'s OBPS on April 1, 2024.
- Additionally, the Ministry of Finance and the Ministry of Environment and Climate Change Strategy will review the rates under the carbon pricing framework prior to 2026 to ensure it is working to achieve provincial emissions reduction targets.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 4 of 8

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Carbon Pricing

**Question: Why is government increasing the carbon tax this year?**

**Answer:**

On April 1, 2023, the carbon tax will increase from \$50 per tonne of carbon dioxide equivalent emissions to \$65 per tonne. With these increases, British Columbia will be aligned with federal carbon pricing requirements. B.C. must maintain a carbon price that is in line with the federal price requirement—a requirement which applies to all provinces and territories. If B.C. goes below this price, then the federal government will implement its own backstop carbon levy.

**Question: Is industry now exempt from paying carbon tax? How will you ensure they reduce their emissions?**

**Answer:**

Industry will be exempt from paying fuel and combustible-based taxes imposed under the *Carbon Tax Act* starting April 1,

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 5 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

2024. However, this does not mean they are exempt from paying for their emissions.

Industry will be subject to sector-specific performance standards under a new made-in-BC output-based pricing system.

They will need to pay for any excess emissions above their stated performance standard using a combination of offset units, earned credits issued to facilities emitting under their performance standards, and a compliance charge at the carbon tax rate (e.g., \$170/tonne in 2030).

Decisions related to performance standards will be made jointly by the Ministers of Environment and Climate Change Strategy and Finance in the coming months.

*Advice/Recommendations*

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 6 of 8

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

Advice/Recommendations

**Question: Emissions have generally remained flat in B.C. since the carbon tax was introduced.**

Advice/Recommendations

Advice/Recommendations

**Answer:**

The carbon tax is an important part of our CleanBC *Roadmap*, which includes a suite of targeted actions to help address the climate crisis and create a cleaner economy.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 7 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

A range of studies have shown that B.C.'s carbon tax has reduced emissions and incentivized more environmentally friendly options in different areas. Emissions from gasoline, diesel and natural gas consumption were lower than would have otherwise occurred without the carbon price. Modelling and other research suggests that without the carbon tax, BC emissions would have been higher.

Carbon pricing is widely supported by industry, stakeholders and academics because it has been shown to work around the world.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 02\_MO\_PLD\_Carbon Pricing

**Phone:** 778 698-5824  
**Page:** 8 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## **ISSUE: Homebuyer Protection Period Implementation**

### **ADVICE AND RECOMMENDED RESPONSE:**

- We wanted to improve protection for people as they make one of the biggest financial decisions of their life.
- The Homebuyer Protection Period (HPP) was brought into force on January 3, 2023, creating a right of rescission for homebuyers in British Columbia.
- It provides a three-day period after an offer has been accepted when homebuyers can legally withdraw from the contract of purchase and sale.
- The mandatory three-day period provides homebuyers with an opportunity to take important steps, such as securing financing or arranging a home inspection.
- This is the first of its kind in Canada and was established to enhance consumer protection. This is particularly important during times when competition is high and buyers may feel pressured to make quick decisions.
- Government and British Columbia Financial Services Authority (BCFSA) staff continue to monitor the BC real estate market, including monitoring and evaluating the use and implications of the Homebuyer Protection Period.

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation

**Phone:** 778 974-5354

**Page:** 1 of 6

**File Name:** 03\_MO\_PLD\_Homebuyer Protection Period Implementation

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- Established under the *Property Law Act* (PLA), the HPP is a three-day period where a homebuyer may rescind (walk away from) an accepted offer on a property with no legal consequences. The PLA itself creates only a bare right of rescission for property buyers, while regulation sets out the HPP's parameters (e.g., length of HPP period, fee to seller, notice requirements, etc.).
- The PLA is generally under the purview of the Attorney General; however, the Minister of Finance is responsible for PLA sections relating to the right of rescission.
- The HPP applies to:
  - New residential property sales that are not subject to the *Real Estate Development Marketing Act*; and,
  - Residential resale properties.
- The HPP includes a rescission fee, payable to the seller, of 0.25 per cent of the purchase price of the property, or \$250 for every \$100,000, for those who choose to exercise the right of rescission.
- Buyers may still make offers conditional on home inspections or financing; however, the HPP provides homebuyers with the opportunity for due diligence (securing financing or conducting home inspections) at times when such conditions are not in place in the contract for purchase and sale.
- To support the implementation of the HPP, the BCFSA created new disclosure requirements for real estate licensees (realtors) under the Real Estate Services Rules, requiring them to provide key

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation

**Phone:** 778 974-5354  
**Page:** 2 of 6

**File Name:** 03\_MO\_PLD\_Homebuyer Protection Period Implementation

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

information about the HPP and the right of rescission to clients before providing trading services.

**BACKGROUND:**

- On April 25, 2022, the Government passed Bill 12, amending the PLA enabling the creation of the HPP regulation.
- On July 21, 2022, the Government created regulations defining and setting out the parameters of the HPP.
- Legislating the HPP for real estate transactions is not intended to be a housing affordability measure, but rather a consumer protection measure to ensure buyers have adequate time to consider their finances and financing options and undertake a home inspection, before finally committing to a purchase.
- The HPP's parameters were informed by a consultation managed by the BCFSa in winter/spring 2022. Consultations were conducted with over 140 industry stakeholders (e.g., real estate licensees, appraisers, academics, and industry experts), resulting in a final report to the Minister of Finance in spring 2022.
- Consultation participants included a variety of individuals and organizations from across the province to ensure that regional and otherwise diverse views were represented. Additionally, the interests of both buyers and sellers were carefully considered.
- The PLA includes regulation-making authorities allowing the government to establish:
  - the length of the rescission period;

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation

**Phone:** 778 974-5354  
**Page:** 3 of 6

**File Name:** 03\_MO\_PLD\_Homebuyer Protection Period Implementation

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- a rescission fee to be paid to the seller if an offer is rescinded;
  - a procedure for providing notice of rescission;
  - conditions in which the right of rescission may be waived; and,
  - exempt classes of property or purchasers, to which the right of rescission does not apply.
- To date, no regulations have been established related to waiving of rescission rights, meaning that the right of rescission is currently mandatory.

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation

**Phone:** 778 974-5354  
**Page:** 4 of 6

**File Name:** 03\_MO\_PLD\_Homebuyer Protection Period Implementation

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Homebuyer Protection Period Implementation

**Question: How many times has the HPP been used by homebuyers since it was brought into force?**

**Answer:**

The BCFSa has not yet collected and analyzed HPP data, including frequency of use. Therefore, we do not know if, or how many times, the HPP has been used by homebuyers since it was brought into force. However, the BCFSa intends to collect HPP records from brokerages moving forward as part of their annual reporting requirements.

Advice/Recommendations

**Answer:**

The HPP was created to provide homebuyers with time to take important steps, such as securing financing or arranging

**Contact:** Renee Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation

**Page:** 5 of 6

**File Name:** 03\_MO\_PLD\_Homebuyer Protection Period Implementation

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

a home inspection, as they prepare to make a significant financial decision. We know the market fluctuates, with hot times and cooler periods. Ultimately, the HPP is a safeguard to protect consumers when other tools (e.g., subject clauses in contracts) and options fail.

**Question: Does the Government intend to implement additional consumer protection measures, like the HPP?**

**Answer:**

Advice/Recommendations

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 03\_MO\_PLD\_Homebuyer Protection Period Implementation

**Phone:** 778 974-5354  
**Page:** 6 of 6

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**ISSUE: Dedicated Regional Fuel Taxes**

- Under the *Motor Fuel Tax Act*, B.C. authorizes dedicated regional fuel taxes in the Greater Victoria and TransLink service areas to support the local funding share for major transit systems in these areas.
- Other parts of the province – namely, Sea to Sky and Courtenay – have expressed interest in similar dedicated taxes.

**ADVICE AND RECOMMENDED RESPONSE:**

- BC's fuel tax system authorizes higher tax rates in Metro Vancouver and Greater Victoria, both of which operate large transit systems.
- There is occasionally interest in dedicated regional fuel taxes from other local areas.
- Uniformity and consistency in the tax system are valued by the citizens and businesses that pay and collect taxes.
- Dedicated regional fuel taxes need to be authorized by provincial legislation.
- If and when proposals come forward, our government will consider them while keeping in mind issues of affordability, simplicity and the sustainability of revenues.

**Contact:** Renée Mounteney  
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**File Name:** 04\_MO\_PLD\_Dedicated Regional Fuel Taxes

**Phone:** 778 974-5354  
**Page:** 1 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- Unlike taxes that raise revenue for the province, dedicated regional fuel taxes raise revenue for the regional transit systems in Metro Vancouver and the Victoria transit region.
- There are currently only two dedicated regional motor fuel taxes in B.C.: the 18.5 cent-per-litre tax for TransLink and the 5.5 cent-per-litre tax for the Victoria Regional Transit Commission. In both cases, the local governments also use other tools (e.g., property taxes) to fund their contribution to transit.
- Advice/Recommendations
  - For several years, local governments and First Nations in the Sea to Sky area have been working to establish a regional transit system and these efforts include creating a dedicated regional fuel tax to cover the entire local contributions to the system.
    - The proposed Sea to Sky system would provide intercommunity commuter service (as opposed to local, primarily intracommunity service) between Vancouver, Squamish, Whistler, and Pemberton/Mount Currie. Of note, approximately four private intercity bus operators are already operating along this corridor.
    - The local partners' position see regional transit as a provincial responsibility and their contribution (47 per cent) to a regional service should be fully funded by revenues from a new regional fuel tax. The province would contribute the remaining

**Contact:** Renée Mounteney  
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**File Name:** 04\_MO\_PLD\_Dedicated Regional Fuel Taxes

**Phone:** 778 974-5354  
**Page:** 2 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

53 per cent through an operating grant. Local governments have stated that their property tax base cannot support both local and regional transit services.

- In 2018, BC Transit estimated the total annual cost of the service at \$3.6 million. Service cost would depend on the number of routes and frequency.
- If accepted, this model would be significantly different from the one used in Victoria, where costs are divided between the province (at 31.7 per cent) and the Victoria Regional Transition Commission (at 68.3 per cent), with revenue from Victoria's regional dedicated motor fuel tax and property tax being applied to the local share.

## **CURRENT STATUS:**

Advice/Recommendations; Intergovernmental Communications

- A Sea to Sky Regional Transit Commission was established through a BC Transit Board resolution on November 1, 2018. No appointments to the Commission have been made.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 04\_MO\_PLD\_Dedicated Regional Fuel Taxes

**Phone:** 778 974-5354  
**Page:** 3 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Dedicated Regional Fuel Taxes

**Question: Will the province consider local requests for dedicated regional fuel taxes?**

**Answer:**

If proposals come forward, our government will consider them while keeping in mind issues of affordability, simplicity, sustainability of revenues, and climate goals.

**Question: When will a decision be made regarding a dedicated fuel tax for the Sea to Sky transit service?**

**Answer:**

Any proposals for a dedicated regional tax will be considered in the context of the broader provincial transportation and tax systems. The province is committed to working with stakeholders to better integrate, improve, and expand the transit network for people living in the Sea to Sky corridor.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 04\_MO\_PLD\_Dedicated Regional Fuel Taxes

**Phone:** 778 974-5354  
**Page:** 4 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

Advice/Recommendations

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 04\_MO\_PLD\_Dedicated Regional Fuel Taxes

**Phone:** 778 974-5354  
**Page:** 5 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Declaration Act Action Plan Update

### ADVICE AND RECOMMENDED RESPONSE:

- In November 2019, British Columbia unanimously passed the *Declaration on the Rights of Indigenous Peoples Act* (Declaration Act or DRIPA) in the Legislative Assembly.
- The Declaration Act requires the province to develop and implement an action plan, in consultation and cooperation with Indigenous peoples, to meet the objectives of the UN Declaration.
- The final action plan was released publicly on March 30, 2022.
- The Ministry has a lead or supporting role in five of the actions:
  - Co-develop with Indigenous Peoples a new distinctions-based fiscal relationship (Action 1.4).
  - Co-develop new policy frameworks for resource revenue-sharing (Action 1.5).
  - Review existing provincial mandates to enhance treaty and self-governing Nations' fiscal capacity to deliver services (Action 4.49).

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 1 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Recruit and retain Indigenous Peoples across the public sector (Action 3.2).
- Develop activities to end violence against Indigenous women, girls and 2SLGBTQQIA+ people (Action 3.8).
- In April 2022, the province announced a commitment to co-develop a new forestry revenue sharing model with First Nations, representing a significant step towards implementing Actions 1.4 and 1.5.
- In fall 2022, a discussion paper was sent to all First Nations setting out the province's initial thinking on co-developing a new fiscal framework. An engagement process is now underway.
- The Ministry of Indigenous Relations and Reconciliation (MIRR), in partnership with the Ministry of Finance (FIN), is compiling information gathered during the engagement phase into a 'what we heard' report to share with First Nations.
- Later this year, the ministries intend to release an options paper for Indigenous, public, and industry feedback setting out co-developed principles for a new fiscal framework and options for a new forestry revenue sharing model. The

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 2 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

options will be brought forward to Cabinet for a decision in fall 2023.

**KEY FACTS:**

- Government committed to a new fiscal relationship with Indigenous peoples through the Draft 10 Principles (Principle 8) and 2018 Concrete Actions Document (Goal 2).
- Since 2018, the province has taken increasingly progressive steps towards co-developing a new fiscal relationship.
- In 2018, the Province agreed to a series of Concrete Actions with the First Nations Leadership Council (FNLC), which included a commitment to design and implement new model(s) of fiscal relations, including a systemic fiscal mechanism that recognizes:
  - the economic component of Aboriginal title;
  - First Nations as key players and drivers in the economic landscape;
  - that all governments require multiple streams of stable revenue to support capacity and be effective in serving their citizens;
  - the shared objective of achieving and maintaining strong local, regional and provincial economies; and,
  - the shared objective of closing the socio-economic gap between Indigenous and non-Indigenous communities.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354  
**Page:** 3 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- As a first step, the province committed to, and finalized, a long-term gaming revenue sharing arrangement that, since 2019, has redistributed about \$100 million annually to First Nations in B.C.
- In fall 2022, a discussion paper was sent to all First Nations setting out the province's initial thinking on co-developing a new fiscal framework. An engagement process is now underway with First Nations to co-develop a shared set of principles and objectives ("Track 1") and a new forestry revenue sharing model to replace the Forest Consultation and Revenue Sharing Agreements program ("Track 2").
- As an interim step while this work is underway, the province increased revenue sharing rates under the existing program, which increased the amount of forestry revenue available for First Nations in 2022/23 from \$63 million to \$131 million. These enhanced rates will remain in place until a new model is implemented.

## **BACKGROUND:**

There are six action plan items that are managed solely or in-part by an area of responsibility under the Minister of Finance. Those include actions 1.4, 1.5, 4.49, 3.1, 3.2 and 3.8 (see Appendix for detailed actions).

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 4 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Action 1.4:**

Co-develop with Indigenous Peoples a new distinctions-based fiscal relationship and framework that supports the operation of Indigenous governments, whether through modern treaties, self-government agreements or advancing the right to self-government through other mechanisms. This work will include collaboration with the Government of Canada. (Ministry of Finance, Ministry of Indigenous Relations and Reconciliation)

- MIRR and Finance are the leads; work is being led by an Executive Lead, MIRR Fiscal Branch staff, and supported by an ADM Steering Committee.
- Cabinet approved a set of provincial NFR objectives and principles as well as a mandate to co-develop a new forestry revenue sharing model to replace the current Forest Consultation and Revenue Sharing Agreements (FCRSA), including an interim enhancement to the current FCRSA rates while co-development work proceeds.
- A working group has been established with the FNLC to support co-development.
- In fall 2022, a discussion paper was sent to all First Nations setting out the province's initial thinking on co-developing a new fiscal framework. An engagement process is now underway with First Nations to co-develop a shared set of principles and objectives ("Track 1") and a new forestry revenue sharing model to replace the FCRSA program ("Track 2").

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 5 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- A 'what we heard' report will be released in March 2023, followed by an Options Paper in May 2023 that will identify co-developed options for a new forestry revenue sharing model, as well as co-developed principles and objectives for the broader new fiscal framework.

**Action 1.5:**

Co-develop and implement new distinctions-based policy frameworks for resource revenue-sharing and other fiscal mechanisms with Indigenous Peoples. (Ministry of Finance, Ministry of Indigenous Relations and Reconciliation)

- MIRR identified as lead; work being advanced on forestry revenue sharing through NFR Executive Lead and team as described in Action 1.4 above.
- MIRR is partnering with the Ministry of Forests on forestry revenue sharing policy development. New approaches to revenue sharing will need to work in tandem with other fundamental changes occurring across the forestry sector (e.g., Old Growth Strategic Review, collaborative stewardship, forest landscape planning, modernized land-use planning, shared decision-making, greater access to tenure, etc.).

**Action 4.49:**

Review existing provincial mandates to enhance treaty and self-governing Nations' fiscal capacity to deliver services to their

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 6 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

citizens. (Note: while MIRR is the lead on this action, FIN is supporting given linkages to the other new fiscal framework actions.)

- The Province has entered into the Shared Priorities Framework with the Members of the Alliance of BC Modern Treaty Nations (the Alliance), which includes a commitment to establish fiscal arrangements to fulfil treaty rights and obligations.
- MIRR is collaborating with the Alliance to develop a new fiscal policy for modern treaties, with an initial focus on lands and resource management for Cabinet and Treasury Board consideration in 2023. The policy is being developed in coordination with the federal government.
- Discussions are underway with the Alliance on how to integrate the collaborative process with other new fiscal initiatives, including forestry revenue sharing, in a way that contributes to a wholistic, principles-based fiscal framework that supports the operation of modern treaty governments.

**Action 3.1:**

Develop essential training in partnership with Indigenous organizations, and deliver to the BC public service, public institutions and corporations that aim to build foundational understanding and competence about the history and rights of Indigenous peoples, treaty process, rights and title, the UN Declaration, the B.C. Declaration Act, the dynamics of proper respectful relations, Indigenous-specific

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 7 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

racism, and meaningful reconciliation. (Public Services Agency, Ministry of Finance – Crown Agencies and Board Resourcing Office.)

- Public Services Agency (PSA) has developed a strategy in corporate learning to curate pre-existing content to support employees with their ongoing development through an in-house app known as the Learning Curator.
- PSA via the House of Indigenous Learning is developing learning pathways for the Learning Curator that will ensure learners are aware of foundational government commitments; complement EDI learning opportunities with a focus on ending Indigenous-specific racism; and, feature carefully vetted content from a variety of reputable and credible sources with priority given to content created by or co-created with Indigenous peoples.
- PSA and CABRO met with Indigenous partners in February 2023 to review a proposed approach for delivering training to BCPS employees. PSA is creating a more detailed instructional design proposal for the end of March 2023.

**Action 3.2:**

Establish an operational approach to set and achieve targets for equitable recruitment and retention of Indigenous Peoples across the public sector, including at senior levels. (PSA, Public Sector Employers' Council Secretariat).

- PSA offers three programs that support recruitment and retention of Indigenous peoples:

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 8 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The Indigenous Applicant Advisory Service supports Indigenous peoples in navigating the BC Public Service hiring system and offers resume and cover letter review, job questionnaire coaching, and behavioral based-interview coaching. By default, all job postings provide information about the service.
- The Indigenous Youth Internship Program is currently in its 16th year with 26 interns who started the program in September 2022.
- The Indigenous Leadership and Mentorship Program is in its second iteration with 25 pairs of mentors and proteges from fifteen ministries. Participants are guided through three streams: New to the BC Public Service (seven pairs), Aspiring/Growing Leaders (nine pairs), and Experienced Leaders (nine pairs).
- Work on this commitment will begin in the next fiscal year.

**Action 3.8:**

Develop and implement community-driven activities to end violence against Indigenous women, girls and 2SLGBTQQIA+ people, beginning with the foundational activities in A Path Forward: Priorities and Early Strategies for B.C. and steps towards achieving the mandate commitment to develop a gender-based violence action plan. (Ministry of Public Safety and Solicitor General, Ministry of Attorney General, Ministry of Finance – Gender Equity Office)

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354

**Page:** 9 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The Ministry of Finance's Gender Equity Office is working in close partnership with Ministry of Public Safety and Solicitor General (PSSG) and ministries across government to develop B.C.'s action plan to end gender-based violence (GBV).
- A cross ministry ADM committee and staff level working group have been established to help guide the development of the GBV Action Plan.
- An external advisory committee comprised of the GBV sector, the Ministers Advisory Council on Indigenous Women, First Nations Justice Council, Métis Nation BC and BC Association for Aboriginal Friendship Centres, has also been established to advise the Parliamentary Secretary in the development of this plan.
- The Action Plan is being developed in close partnership with provincial leads for Missing and Murdered Indigenous Women and Girls response, and federal colleagues leading a National Action Plan on Gender-Based Violence which was ratified in November 2022 at an FPT meeting of Ministers.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 05\_MO\_PLD\_DRIPA

**Phone:** 778 974-5354  
**Page:** 10 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## **ISSUE: Employer health tax and elimination of the Medical Services Plan**

### **ADVICE AND RECOMMENDED RESPONSE:**

- On January 1, 2020, Medical Services Plan (MSP) premiums were fully eliminated.
- Government needed to recover a portion of this revenue to be fiscally prudent and deliver services like child care and affordable housing that British Columbians had been asking for.
- That is why we introduced an employer health tax (EHT), which is similar to other provinces.
- B.C.'s EHT rate is the lowest among provinces with a payroll tax.

<b>Province</b>	<b>B.C.</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NFLD</b>
<b>Rate</b>	1.95 per cent	2.15 per cent	1.95 per cent	4.26 per cent	2 per cent

- The EHT is forecasted to bring in \$2.675 billion in revenue in 2022/23. This compares to the \$2.7 billion that would have been collected under MSP if that program had continued.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 06\_MO\_PLD\_Employer Health Tax and Elimination of MSP

**Phone:** 778 974-5354  
**Page:** 1 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- The EHT took effect for the 2019 calendar year.
- Businesses with payroll below \$500,000 are exempt.
- Businesses with payroll between \$500,000 and \$1.5 million have the tax gradually phased in, while businesses with payroll over \$1.5 million pay the full rate (1.95 per cent).
- Therefore:
  - More than 90 per cent of the approximately 500,000 businesses in B.C. do not pay EHT.
  - Less than five per cent of businesses will pay the full EHT rate.
- The phase in of the tax for employers with payroll between \$500,000 and \$1.5 million is achieved by giving these employers a \$500,000 deduction but subjecting them to a higher "notch" rate of tax.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 06\_MO\_PLD\_Employer Health Tax and Elimination of MSP

**Phone:** 778 974-5354  
**Page:** 2 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

<b>Annual B.C. payroll</b>	<b>Tax calculation</b>	<b>Tax payable</b>	<b>Effective tax rate</b>
\$500,000 or less	No tax	\$0	0 per cent
\$750,000	2.925 per cent x (\$750,000 - \$500,000)	\$7,313	0.98 per cent
\$1,000,000	2.925 per cent x (\$1,000,000 - \$500,000)	\$14,625	1.46 per cent
\$1,250,000	2.925 per cent x (\$1,250,000 - \$500,000)	\$21,938	1.76 per cent
\$1,500,000	2.925 per cent x (\$1,500,000 - \$500,000)	\$29,250	1.95 per cent
\$1,500,100	1.95 per cent x \$1,500,100	\$29,252	1.95 per cent

- Preferential tax treatment is provided to charities and not-for-profit organizations. Charities and not-for-profits with payroll under \$1.5 million will not have to pay the tax. Those with payroll between \$1.5 million and \$4.5 million will pay reduced EHT. The full rate will only apply to those with payroll over \$4.5 million. In addition, the tax will apply per location (rather than per business), providing charities further savings.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 06\_MO\_PLD\_Employer Health Tax and Elimination of MSP

**Phone:** 778 974-5354  
**Page:** 3 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**NOTES TO MINISTER:**

- Effective for the 2020 tax year, Ontario's 2020 budget raised their EHT payroll exemption threshold from \$490,000 to \$1 million.
- Ontario's EHT payroll exemption threshold is indexed to inflation on a five-year cycle. As a result of the 2020 changes, the next scheduled indexation has been delayed until 2029.
- Effective January 2024, Manitoba's 2023 budget increased its payroll exemption threshold from \$2 million to \$1.75 million. This follows an increase in the same threshold from \$1.75 million to \$2 million under Manitoba's 2022 budget, \$1.5 million to \$1.75 million under its 2021 budget for the 2022 tax year. The threshold below which employers pay a reduced rate was also raised from \$3 million to \$3.5 million under the 2021 budget.
- Manitoba's 2023 budget also included announced a plan for a rate decrease from 2.15 per cent to 2 per cent for 2024 if its fiscal situation allows. This would be the first rate reduction in 25 years.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 06\_MO\_PLD\_Employer Health Tax and Elimination of MSP

**Phone:** 778 974-5354  
**Page:** 4 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**CURRENT STATUS:**

- March 31, 2023 – Deadline to file return and balance due for 2022.

**BUDGET:**

<b>Budget (\$000)</b>	<b>2021/22 Actuals</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Revenues (EHT)	2,443	2,675	2,731	2,874	3,000

Security Concern

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 06\_MO\_PLD\_Employer Health Tax and Elimination of MSP

**Phone:** 778 974-5354  
**Page:** 5 of 7

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Employer Health Tax and Elimination of Medical Services Plan

Advice/Recommendations

#### Answer:

- The government continues to monitor the impact of EHT on businesses.
- More than 85 per cent of businesses in B.C. do not pay EHT, while fewer than 5 per cent pay EHT at the full rate.
- For charities and non-profits, we set the payroll threshold at \$1.5 million per location. This was done to ensure the vast majority of these organizations will not pay the tax.
- B.C.'s largest employers also pay the lowest rate among provinces with a payroll tax in Canada. We are tied with Ontario on this front.
- B.C. continues to have a strong, competitive economy with some of the lowest income taxes in the country.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 06\_MO\_PLD\_Employer Health Tax and Elimination of MSP

**Phone:** 778 974-5354

**Page:** 6 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- This includes an expanded access to the small business rate for corporate income taxes. This expanded access means more businesses will be able to grow their businesses while taking advantage of this reduced rate.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 06\_MO\_PLD\_Employer Health Tax and Elimination of MSP

**Phone:** 778 974-5354  
**Page:** 7 of 7

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Film Tax Credits

### ADVICE AND RECOMMENDED RESPONSE:

- To help understand and predict costs, a new application requirement was introduced in 2020 at the request of the film industry for production services tax credit applicants. This is called "precertification".
- Precertification requires tax credit applicants to provide labour expenditure estimates to the province within a set number of days after starting work in British Columbia.
- As part of *Budget 2022*, the precertification filing deadline was extended from 60 to 120 days after incurring the first accredited B.C. labour expense. Productions starting work in B.C. on or after February 22, 2022, now have 120 days to file.
- *Budget 2023* includes further changes to the production services tax credit rules. These were announced after *Budget 2022* and are already being administered by the Canada Revenue Agency.
- The changes allow production companies to claim certain expenditures up to 120 days prior to precertification even if they missed the precertification filing deadline. This affects

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 07\_MO\_PLD\_Film Tax Credit

**Phone:** 778 974-5354  
**Page:** 1 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

production companies that first incurred accredited B.C. labour expenditures between June 30, 2020, and February 21, 2022.

**KEY FACTS:**

- Precertification was introduced as part of *Budget 2020* and impacted productions that started work in B.C. after June 30, 2020.
- To qualify for the production services tax credit, applicants planning to do qualifying motion picture work in B.C. must complete a precertification registration form for each planned production.
- The precertification program is not intended to reduce the cost of the film tax credits. Instead, it is intended to improve the forecasting of film tax credit costs.

**BACKGROUND:**

- The film tax credits are comprised of two credits:
  - Film Incentive BC tax credit, which is available to productions that meet Canadian content requirements; and
  - Production services tax credit, which is provided to other film productions (e.g., "Hollywood" productions).
- The cost of film tax credits is recorded in Vote 52 – Tax Transfers. This vote provides for payment of refundable tax credits under the *Income Tax Act*.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 07\_MO\_PLD\_Film Tax Credit

**Phone:** 778 974-5354  
**Page:** 2 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- There was a drop in film tax credit expenditure in 2021/22 as a result of COVID-19. This trend has since reversed with claims forecasted to cost over \$1 billion in 2023/24.
- To better assess the growth in the film tax credits, the following table is based on *Budget 2023* forecasted tax credit costs.

	2021/22 (Actual)	2022/23 (Forecast)	2023/24 (Estimate)	2024/25 (Planned)	2025/26 (Planned)
	(\$ millions)				
Film Incentive BC (Canadian content requirement)	73	166	153	163	170
Production services tax credit (No Canadian content requirement)	582	775	890	980	1,070
Total	655	941	1,043	1,142	1,240
Year on year growth	-25 per cent	44 per cent	11 per cent	9 per cent	9 per cent

**BUDGET:**

<b>Budget (\$000)</b>	<b>2021/22 Actuals</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Expenses <sup>1</sup>	655	941	1,043	1,142	1,240

1. The above table shows the combined total between the Film Incentive BC tax credit and the production services tax credit.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 07\_MO\_PLD\_Film Tax Credit

**Phone:** 778 974-5354  
**Page:** 3 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Film tax credits

Advice/Recommendations

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 07\_MO\_PLD\_Film Tax Credit

**Phone:** 778 974-5354  
**Page:** 4 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Advice/Recommendations

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 07\_MO\_PLD\_Film Tax Credit

**Phone:** 778 974-5354  
**Page:** 5 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Housing Affordability and Progress on the 30-point Housing Plan

### ADVICE AND RECOMMENDED RESPONSE:

- Housing affordability continues to be an issue facing all levels of government. The escalating cost of housing in our province and across the country continues to be concerning, and our government is very much focused on this challenge in 2023.
- The *Homes for BC* Plan set a goal of delivering 114,000 affordable homes over the next 10 years. It also includes steps to moderate the housing market to make homes more affordable for British Columbians and to crack down on tax evasion, money laundering, and speculation.
- The Province has completed 19 of the Plan's 30 initiatives; 14 of the completed initiatives are Ministry of Finance policies to curb speculative demand, reduce tax evasion, address tax fairness and close real estate loopholes.
- The *Homes for BC* Plan is also tackling the supply of housing. As of December 31, 2022, more than 40,000 homes are already built or underway, including:
  - 8,943 units through the new *Community Housing Fund*.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 1 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- 898 of 1,500 transition house beds, safe homes, second stage housing units and affordable homes completed or underway through the *Women's Transition Housing Fund*.
- Almost 7,766 units of new student housing are completed, under construction or in development.
- 1,516 of 1,750 total homes are completed or underway through the *Indigenous Housing Fund*.
- 3,796 *Supportive Housing Fund* units are complete or in process.
- An additional 6,566 homes are completed or underway for middle-income people through the housing hub.
- To further curb speculation, we are examining how a flipping tax could benefit people in B.C., and six additional municipalities are now subject to the Speculation and Vacancy Tax.
- Government has also introduced the renter's tax credit as part of a broad effort to make life easier for renters.
- The new homebuyer protection period is in effect to ensure people are protected when they make one of the biggest financial decisions of their lives.
- We passed legislation to help municipalities speed up their

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354

**Page:** 2 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

rezoning processes, and we are doing more work with local governments to get homes built faster.

**KEY FACTS:**

- Businesses have had difficulty finding workers and mobility is constrained partly due to housing prices and vacancy rates. The 30-point Plan is addressing these challenges.
- The Ministry of Finance has completed 14 of the 15 initiatives in the 30-Point Plan that fall under its responsibility, including:
  - Taxing speculators who are driving up housing costs.
  - Increasing foreign buyers tax rate to 20 per cent.
  - Expanding the foreign buyers' tax to areas outside Metro Vancouver.
  - Increasing the property transfer tax on value of homes over \$3 million.
  - Increasing the school tax rate on the value of homes over \$3 million.
  - Allowing online accommodation providers to apply provincial sales tax and municipal and regional district tax on short-term rentals.
  - Reviewing the homeowner grant to provide fairness for renters.
  - Moving to stop tax evasion in pre-sale condo reassignments.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354

**Page:** 3 of 15

- B.C.'s home sale prices peaked in February 2022, and have since declined. Overall, B.C.'s annual average home sale price increased by 7.5 per cent in 2022 compared to 2021. Although there was an increase in resale prices due to factors such as pent-up demand and record low active residential listings (particularly in the Fraser Valley, Chilliwack and Vancouver Island), the increase was less significant than in previous years due to interest rate hikes.

**Phone:** 778 974-5354  
**Page:** 4 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Ministry of Housing staff are tracking and monitoring the progress and outcomes of all the various measures in the Housing Plan.
- Variables being monitored include:
  - Progress of legislative amendments and new bills;
  - A detailed summary of approved housing projects (including scope, schedule, budget, etc.);
  - New partnerships created with local governments and housing providers;
  - Effect of new tax laws on tax evasion and fraud; and,
  - Rental vacancy rates, home prices, foreign ownership, and changes to the housing stock (are we building the right forms of housing?)
- Funding that is being provided out of the Housing Priority Initiatives Special Account is subject to oversight of the Minister of Finance and Treasury Board.
- Government increased the homeowner grant threshold from \$1.975 million to \$2.125 million for 2023 to ensure 92 per cent of homes are eligible for the full grant.
- Six new municipalities are now subject to the Speculation and Vacancy Tax: North Cowichan, Duncan, Ladysmith, Lake Cowichan, Lions Bay, and Squamish. The Ministry of Finance has been mandated to examine ways to further strengthen the Speculation and Vacancy Tax.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354

**Page:** 5 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Ministry of Finance staff are analyzing the potential for a flipping tax that would discourage people from buying properties to sell quickly for profit.
- *Budget 2023* introduced a renter's tax credit of up to \$400 for households earning up to \$80,000 annually, even if they are receiving other rental supports.
- Households earning up to \$60,000 may receive the full \$400 renter's tax credit. From there, households that earn up to \$80,000 will receive a gradually reduced credit.
- Over 80 per cent of renting households are expected to receive a renter's tax credit.
- BC Housing reported that 51,407 new homes were registered in B.C., including 9,037 single detached and 42,370 multi-unit homes.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 6 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**30 POINT PLAN PROGRESS SUMMARY TABLE**

<b>30 POINT PLAN ACTION</b>	<b>MINISTRY</b>	<b>SUMMARY</b>	<b>STATUS</b>
<b>STABILIZING THE MARKET</b>			
1. Taxing speculators who are driving up housing costs	FIN	Legislation passed November 2018. Effective: January 2019 for 2018 and future tax years.	Complete
2. Increasing foreign buyers tax rate to 20%	FIN	Completed in Budget 2018. Effective Feb 21, 2018.	Complete
3. Expanding the foreign buyer tax to areas outside Metro Vancouver	FIN	Completed in Budget 2018. Effective Feb 21, 2018.	Complete
4. Increasing the property transfer tax on value of homes over \$3M	FIN	Completed in Budget 2018. Effective Feb 21, 2018.	Complete
5. Increasing the school tax rate on the value of homes over \$3M	FIN	Completed in Budget 2018. Effective Feb 21, 2018, for January 2019 and future tax years.	Complete
6. Allowing online accommodation providers to apply provincial sales tax and municipal and regional	FIN	Completed. Effective October 1, 2018.	Complete

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 7 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

district tax on short-term rentals			
7. Reviewing the Homeowner Grant to provide fairness for renters	FIN	Complete. The administrative process was amended to reduce burden on local governments.	Complete
<b>CRACKING DOWN ON TAX FRAUD AND CLOSING LOOPHOLES</b>			
8. Moving to stop tax evasion in pre-sale condo reassignments	FIN	Regulations introduced November 2018. Effective January 1, 2019. Online register launched February 2019.	Complete
9. Taking action to end hidden ownership, including a new beneficial ownership registry	FIN	Legislation passed in Spring 2019; beneficial owner registry launched March 2019.	Complete
10. Strengthening provincial auditing and enforcement powers	FIN	Completed in Budget 2018. Amended HOGA, LTDA, and ITA for information sharing and amended PTTA to expand GAAR, extend the limitation period to 6 years, add administrative penalties.	Complete
11. Moving to close property tax loopholes on the Agricultural Land Reserve	FIN	Policy analysis and review of the program is continuing.	In Progress

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 8 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

12. Expanding information collection and information sharing with the federal government to prevent tax evasion	FIN	Announced in Budget 2018 and beginning in 2020, the Province is starting to collect Social Insurance Numbers as part of the Homeowner Grant application process for rural Homeowner Grants and speculation and vacancy tax. <small>Advice/Recommendations</small> <small>Advice/Recommendations</small>  <small>Advice/Recommendations</small>  The program is now fully implemented in 2021.	Complete
13. Seeking permanent provincial-federal action to combat money laundering, tax evasion, and avoidance	FIN	Completed. A federal-provincial working group has been established.	Complete
<b>BUILDING THE HOMES PEOPLE NEED</b>			
14. Making a \$6B-plus investment in affordable housing	AG/BCH	Budget 2017 Update and Budget 2018 allocated more than \$6B over 10 years toward delivering 114,000 units of affordable housing.	In Progress

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 9 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

		As of December 31, 2022, more than <b>40,000 units are complete, under construction, in development, or initiated/announced.</b>	
15. Building rental units for the missing middle – more than 14,000 units for individuals, working families, and seniors	AG/BCH	8,943 of 14,350 units are completed or in process through the new <i>Community Housing Fund</i> .	In Progress
16. Housing for women and children affected by violence	AG/BCH	898 of 1,500 units are completed or in process through the new <i>Women's Transition Housing Fund</i> .	In Progress
17. Working with universities, institutes, and colleges to build new student housing	AG/AEST	4,735 units of the 5,000-unit target funded by government debt are completed or in process. 3,031 of the 3,000-unit target funded by public post-secondary institutions are completed or in process.	In Progress
18. Fixing existing projects with an eye to ensuring affordability for British Columbians	AG/BCH	Grants have been provided to deepen affordability for 2,192 out of a target of 4900 pre-2017 legacy units.	In Progress
19. Partnering with Indigenous	AG/BCH	1,516 of 1,750 total units through the <i>Indigenous</i>	In Progress

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354

**Page:** 10 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

communities to invest \$550M over 10 years in social housing		<i>Housing Fund</i> are completed or in process.	
20. Building 2,500 new supportive homes for people struggling with homelessness	AG/BCH	3,796 Supportive Housing Fund units are complete or in process. This represents an overage of 1,296 units compared to the 2,500 target. Over-delivery is due to hotel acquisitions, responding mainly to the pandemic.	In Progress
<b>SECURITY FOR RENTERS</b>			
21. Expanding and increasing benefits to seniors living independently	AG	Expanded benefits came into effect September 1, 2018, through the Shelter Aid for Elderly Renters (SAFER) program.	Complete
22. Expanding and increasing the Rental Assistance Program to help working parents	AG	Expanded benefits came into effect September 1, 2018.	Complete
23. Strengthening protection for renters and manufactured homeowners	AG	Changes to the Residential Tenancy Act brought into effect May 17, 2018.  Since 2018, government has reduced the annual allowable rent increase to	Complete

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 11 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

		<p>the rate of inflation, which in 2022 is only 1.5 percent. During the pandemic, government implemented a freeze on rent increases and a moratorium on non-emergency evictions. Landlords are now required to apply to the Residential Tenancy Branch for pre-approval prior to 'renovicting' a tenant. Tenants also have improved access to dispute resolution processes. In cases where a landlord has evicted a tenant but has not followed through on their plan, tenants will have easier access to compensation.</p>	
24. Extending the life, quality and affordability of existing affordable housing	AG	Capital Renewal Fund was provided \$1.1B over 10 years (2018-2028).	In Progress
<b>BUILDING PARTNERSHIPS FOR AFFORDABILITY</b>			
25. HousingHub: Building Partnerships	AG	HousingHub established in 2018 as part of Building BC. Borrowing facility was	Complete

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 12 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

		increased to \$2 billion in 2021.	
26. Empowering Local Governments	MUNI	<p>Legislation in effect since 2019 that requires local governments to complete Housing Needs Reports. In 2018, Government committed \$5 million over three years to help local governments and modern Treaty Nations collect and analyze housing-related data.</p> <p>The Local Government Development Approvals Program has provided nearly \$15 million to support 43 community-led projects to build essential housing.</p> <p>In fall 2021, government introduced legislative changes to (a) revise public hearing requirements for zoning matters that are consistent with Official Community Plans and (b)</p>	In Progress

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 13 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

		give elected officials the ability to delegate decisions on minor development variances to staff.	
		Advice/Recommendations	
27. Expanding the use of MRDT Revenues for affordable housing	FIN	Completed in Budget 2018 by OIC. Effective October 1, 2018.	Complete
28. Encouraging more rentals via property tax exemptions	FIN	Completed in Budget 2018. Effective Feb 21, 2018.	Complete
29. Empowering homeowners in stratas to deal with short-term rentals	AG	As of November 30, 2018, the Province increased the permitted fine level to support strata owners seeking to limit short-term rentals in their building.	Complete
30. Expanding transit and building communities	AG	Government is currently reviewing policy recommendations put forward by the Expert Panel on Future of Housing Supply and Affordability,	In Progress

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 14 of 15

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

		<p>which includes facilitating transit-oriented development.</p> <p>Budget 2023 also approved \$394 million through MOTI to create more affordable housing near major transit corridors.</p>	
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**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 08\_MO\_PLD\_Housing Affordability

**Phone:** 778 974-5354  
**Page:** 15 of 15

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: 2023 Federal Budget: Impact on B.C.'s Fiscal Plan

### ADVICE AND RECOMMENDED RESPONSE:

- The most significant federal Budget announcement impacting provinces and territories was the health funding announcement first made at the First Ministers' Meeting on February 7.
  - Due to the uncertainty at the time, we did not include B.C.'s share of that revenue in the fiscal plan, which we estimate will be at least \$1.4 billion over the fiscal plan. A more precise estimate will be made once the allocation of funding for Personal Support Workers has been confirmed.
  - The new revenue will be incorporated into the fiscal plan once the federal government has passed enabling legislation for the funding. It is expected that this will be reflected in the (September) First Quarterly Update.
- Despite the uncertainty regarding the new federal revenue, B.C. did not wait to announce large investments in health care, including \$6.4 billion over three years in new

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 09\_MO\_PLD\_Impact of 2023 Federal Budget Measures

**Phone:** 778 974-5354  
**Page:** 1 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

investments to strengthen the public health care system – about four times the new federal funding B.C. will receive.

- There were also a number of revenue measures in the federal budget, but they are expected to have only marginal impacts on B.C.'s fiscal plan, with virtually no net impact in 2023/24.

Intergovernmental Communications

Intergovernmental Communications

- We will continue to work with the federal government to identify opportunities for federal investments to benefit British Columbians and Canada.

## **KEY FACTS:**

- The First Ministers Meeting on health care was held in Ottawa on February 7, 2023.
- B.C.'s fiscal plan was tabled on February 28, three weeks later.
- The federal budget was tabled on March 28, 2023.
- The 2023 federal budget was the first since 2019 for which a provincial and territorial Finance officials' lockup was provided.

## **BACKGROUND:**

### **Federal Healthcare Funding**

- The federal budget confirmed funding announced at the February 7, 2023, First Ministers' Meeting on healthcare. While

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 2 of 5

**File Name:** 09\_MO\_PLD\_Impact of 2023 Federal Budget Measures

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

additional funding was announced for dental care, public health, health data, the opioid crisis, a Suicide Prevention Line, encouraging doctors and nurses to work in rural and remote communities, and sexual and reproductive health, this funding is allocated to federal agencies and is not expected to result in increased funding to provinces and territories.

- For more information on the new federal healthcare funding, see Tab PLD-15, *Federal Health Care Funding (Canada Health Transfer and Other Federal Transfers for Healthcare)*.

### **Labour Market Transfer Agreement Funding**

- The federal budget announced \$625M in one-time, additional funding in 2023/24 for Labour Market Transfer Agreements (LMTAs). LMTAs provide funding for skills training and employment supports to eligible individuals.
- Employment and Social Development Canada has not yet announced how this funding will be allocated across the country. If the funding were to be allocated on a per capita basis, B.C.'s share would be about \$86 million.

### **Federal Revenue Measures**

- The federal revenue measures will increase the amount of taxable income subject to provincial income tax for both personal and corporate entities.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 09\_MO\_PLD\_Impact of 2023 Federal Budget Measures

**Phone:** 778 974-5354  
**Page:** 3 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The initial impact on the fiscal plan will be limited, as most of the measures will not begin to take effect until 2026 onwards.
  - The exceptions are the changes to the dividend deduction rules for financial institutions, and the changes to the rules for intergenerational business transfers.

Intergovernmental Communications

## **CURRENT STATUS:**

- While the federal budget was tabled on March 28, 2023, budget implementation legislation had not yet been introduced when this note was written.
- Based on past budgets, such a bill will likely be introduced near the end of April, with Royal Assent occurring in late June.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 09\_MO\_PLD\_Impact of 2023 Federal Budget Measures

**Phone:** 778 974-5354  
**Page:** 4 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

See also Tab PLD-15, *Federal Health Care Funding (Canada Health Transfer and Other Federal Transfers for Healthcare)*.

### **ISSUE: 2023 Federal Budget: Impact on B.C.'s Fiscal Plan**

**Question: Can we get data on the impact of the federal budget on B.C.'s fiscal plan?**

**Answer:**

- I will be providing updates to the fiscal plan in the First Quarterly Report, and those updates will reflect the impact of federal budget measures.
- By that time, there should be more clarity around certain federal measures, including the passage of federal budget implementation legislation that will provide greater detail regarding specific measures.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 09\_MO\_PLD\_Impact of 2023 Federal Budget Measures

**Phone:** 778 974-5354

**Page:** 5 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**ISSUE: Inflation and Affordability**

- Since late-2021 inflation rates have been above recent historical averages – most recently, B.C.'s inflation rate (year-over-year) was 4.7 per cent in March, down from 6.2 per cent in February.
- Inflation has been driven by housing costs, energy and food prices, supply disruptions and tight labour market conditions, in combination with strong global and domestic demand.
- The Bank of Canada predicts Canadian inflation to decline to around 3 per cent in the middle of 2023 and reach the 2 per cent target by the end of 2024.

**ADVICE AND RECOMMENDED RESPONSE:**

- Prices rose dramatically across all provinces in 2022, as strong demand for goods and services was met with supply-chain challenges and high global commodity prices (compounded by the war in Ukraine).
- In 2022, B.C.'s inflation rate averaged 6.9 per cent, the fastest annual rate since 1982.

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354  
**Page:** 1 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Inflation in B.C. has eased somewhat but remains elevated at 4.7 per cent in March 2023.
- High inflation has led to a sharp increase in interest rates by central banks. Higher interest rates are expected to weigh on the economy this year.
- I know some people are feeling vulnerable right now about day-to-day expenses that have gone up with inflation.
- That's why the *Budget 2023* fiscal plan provides new, targeted supports for people hardest hit by increased costs.
- This includes over \$3 billion in new tax credits and \$1.3 billion in new spending measures to help families, renters, students, foster care families and those on income and disability assistance with costs.

## **KEY FACTS:**

### **Inflation (data as of April 24, 2023)**

- The BC Consumer Price Index (CPI) rose by 4.7 per cent on a year-over-year basis in March 2023, led by shelter (+5.3 per cent) and food (+7.8 per cent).
- Inflation in B.C. remains elevated but has eased since peaking at 8.1 per cent May 2022, partly due to lower gasoline prices.

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354

**Page:** 2 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Consumer price inflation in B.C. is forecast to continue easing, with growth of 3.9 per cent in 2023, 2.5 per cent in 2024, 2.2 per cent in 2025, and then 2.0 per cent annually in 2026 and 2027.
- Many central banks have increased interest rates aggressively to tame inflation. The Bank of Canada raised the target for the overnight interest rate from 0.25 per cent in March 2022 to 4.50 per cent in January 2023. The Bank has held rates steady since then as it assesses the cumulative impacts of the rate increases.
- The impact of higher interest rates has been evident in housing markets. While B.C.'s economy is expected to slow this year in response to high interest rates, uncertainty remains over its transmission to other sectors of the economy (e.g., consumer spending, investment activity, and labour markets) in B.C. and B.C.'s trading partners.

### **Budget 2023 Measures**

- Budget 2023 provides multiple supports to help reduce the burden of rising costs of living on families and individuals. Measures include:
  - Expansion of K-12 school food programs (\$214 million over three years).
  - Delivering free prescription contraception's for all B.C. residents (\$119 million over three years).

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354  
**Page:** 3 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Further enhancing supports for income and disability assistance clients (\$558 million over three years).
- Improving access to post-secondary education by doubling student loan maximums from \$110 to \$220 per week for individuals and from \$140 to \$280 per week for students with dependents (\$151 million over three years).
- Increasing financial supports for foster and extended family caregivers and for those caring for children, youth, and adults with support needs (\$264 million over three years).
- Permanently enhancing the BC Family Benefit.
  - Effective July 1, 2023, BC Family Benefit amounts are permanently increased based on the number of children under age 18 in a family and an annual supplement of \$500 will be provided to single parent families (\$215 million over three years).
- Increasing the Climate Action Tax Credit to help offset the effects of carbon taxes paid by low- to moderate-income individuals and families (estimated at \$2.077 billion over three years).
- Introducing a new income-tested Renter's Tax Credit. Eligible households that rent and occupy living accommodation in B.C. for at least six months in a calendar year will be able to claim a maximum amount of \$400 per household (\$939 million over three years).

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354  
**Page:** 4 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Table 1: New Budget 2023 Measures to Reduce Costs**

(\$ millions)	2023/24	2024/25	2025/26	Total
<b>New Spending Measures</b>				
K-12 school food programs .....	59	78	77	214
Free prescription contraception.....	39	46	33	119
Increased supports for income and disability assistance clients.....	147	205	207	558
Student financial aid allowance increases <sup>1</sup> .....	36	57	59	151
Increased financial supports for foster families .....	88	88	88	264
<b>Sub-total</b> .....	<b>368</b>	<b>473</b>	<b>464</b>	<b>1,306</b>
<b>Tax Measures</b>				
Climate Action Tax Credit enhancements (starting July 2023) <sup>2</sup> .....	412	687	978	2,077
Renter's Tax Credit.....	307	313	319	939
BC Family Benefit enhancements.....	58	77	80	215
<b>Sub-total</b> .....	<b>777</b>	<b>1,077</b>	<b>1,377</b>	<b>3,231</b>
<b>Total</b> .....	<b>1,145</b>	<b>1,550</b>	<b>1,841</b>	<b>4,537</b>

Table may not sum due to rounding.

<sup>1</sup> Includes allocations funded from the Contingencies Vote.

<sup>2</sup> Figures include tax measures tabled with this budget (see table 2.1 in the Budget and Fiscal Plan) and assume that increased Carbon Tax revenues after 2023/24 will also be redispersed through increased Climate Action Tax Credit.

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354

**Page:** 5 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Affordability Measures Implemented in 2022/23:**

- Three BC Affordability Credits in October, January and April (\$1.5 billion)
- Higher BC Family Benefit amounts for January, February and March (\$100 million)
- A \$100 credit for people's power bills (\$320 million);
- ICBC rebates for drivers (\$396 million);
- Enhanced School Affordability Fund to help parents and kids with back-to-school costs (\$64 million);
- BC Ferries Fare Affordability (\$500 million)
- Food Security Initiatives (\$160 million)
- Public libraries (\$45 million)
- Capping the allowable rental increases below inflation in 2023 at 2%

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354  
**Page:** 6 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Inflation and Affordability

#### Question: What is government doing to limit inflation?

#### Answer:

- Global inflation is being driven by factors such as rising energy prices, supply chain distributions, and tight labour market conditions, which the provincial government has limited ability to influence.
- While the federal government and the Bank of Canada have more tools to combat inflation directly, we will continue to do what we can to help with everyday costs. Since the summer of 2022, government has been delivering temporary cost-of-living supports that include BC Affordability tax credits, enhanced BC Family Benefit payments, ICBC rebates, a one-time power rebate, support with back-to-school expenses for K-12 families and capping rent increases below inflation at 2 per cent for 2023.
- Our government is continuing to support British Columbians by providing over \$1.3 billion in new spending

**Contact:** Renee Mounteney  
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**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354

**Page:** 7 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

measures to support reduced costs for people. This includes giving free prescription contraception for B.C. residents, expanding existing K-12 school food programs, and providing more financial supports for post-secondary students, people receiving income and disability assistance, and foster families and other caregivers.

- In addition to these measures, there is an estimated \$3.2 billion for new and enhanced tax credits over the fiscal plan including increases to the Climate Action Tax Credit and BC Family Benefit, and for the new income-tested Renter's Tax Credit. Together, these measures will help to reduce costs for those most in need.

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354  
**Page:** 8 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Question: How is government addressing affordability issues?**

**Answer:**

- As global inflation and higher prices stretch people's budgets, Budget 2023 helps reduce people's costs and offers extra support to those who need it most. Following almost \$2.4 billion worth of temporary cost-of-living supports since summer 2022, the province will invest another \$4.5 billion over the next three years in new spending measures and tax credits to help people with the effects of rising costs and establish stable, sustainable support. Other supports provided by government include \$500 million to support BC Ferries Fare Affordability, \$160 million in food security initiatives and \$45 million in support for public libraries.
- Since the summer of 2022, government has been delivering temporary cost-of-living supports that include BC Affordability tax credits, enhanced BC Family Benefit payments, ICBC rebates, a one-time power rebate, support with back-to-school expenses for K-12 families and capping rent increases below inflation at 2 per cent for 2023.

**Contact:** Renee Mounteney  
**Division:** Policy and Legislation  
**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354

**Page:** 9 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Our government is continuing to support British Columbians by providing over \$1.3 billion in new spending measures to support reduced costs for people. This includes giving free prescription contraception for B.C. residents, expanding existing K-12 school food programs, and providing more financial supports for post-secondary students, people receiving income and disability assistance, and foster families and other caregivers.
- In addition to these measures, there is an estimated \$3.2 billion for new and enhanced tax credits over the fiscal plan including increases to the Climate Action Tax Credit and BC Family Benefit, and for the new income-tested Renter's Tax Credit. Together, these measures will help to reduce costs for those most in need.

**Contact:** Renee Mounteney  
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**File Name:** 10\_MO\_PLD\_Inflation-Affordability

**Phone:** 778 974-5354  
**Page:** 10 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Top Marginal Tax Rate of 20.5 per cent on Taxable Income

### ADVICE AND RECOMMENDED RESPONSE:

- Effective January 1, 2020, the top marginal personal income tax rate was increased to 20.5 per cent from 16.8 per cent on taxable income over \$220,000.
- The new rate was announced as part of *Budget 2020*.
- The top marginal tax rate income threshold for 2023 is \$240,716 after indexing to inflation.
- The new top marginal tax rate applies to approximately two per cent of individuals in B.C.
- These changes bring our tax rates in line with the largest provincial economies in Canada and ensure that lower-income individuals do not pay a disproportionately larger amount of personal income tax.
- The revenues raised are funding the government's commitments to education, healthcare, transportation, and childcare.

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 1 of 5

**File Name:** 11\_MO\_PLD\_Top Marginal Tax Rate of 20.5 Percent on Taxable Income  
Over \$220,000

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Even with this new top rate, B.C.'s tax system remains competitive. B.C. has some of the lowest personal income taxes among provinces.

### **KEY FACTS:**

- B.C.'s top marginal tax rate is comparable to Ontario's and Quebec's.

	<b>Top marginal rate</b>	<b>Income threshold (2023)</b>
<b>BC</b>	20.5 per cent	\$240,716
<b>AB</b>	15 per cent	\$341,502
<b>SK</b>	14.5 per cent	\$142,058
<b>MB</b>	17.4 per cent	\$79,625
<b>ON</b>	20.53 per cent	\$220,000
<b>QC</b>	20.31 per cent	\$119,910
<b>NB</b>	19.5 per cent	\$176,756
<b>NS</b>	21 per cent	\$150,000
<b>PEI</b>	16.7 per cent	\$63,969
<b>NL</b>	21.8 per cent	\$1,059,000

- The new top marginal tax rate generated around \$500 million in 2020 and \$700 million in 2021, net of changes to the charitable donations tax credit.

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 2 of 5

**File Name:** 11\_MO\_PLD\_Top Marginal Tax Rate of 20.5 Percent on Taxable Income Over \$220,000

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**BACKGROUND:**

- There have been several changes to the top marginal tax rate in prior years:
  - In *Budget 2020*, a new tax bracket of 20.5 per cent was introduced for individuals earning more than \$220,000.
  - In *Budget 2017 Update*, a new tax bracket of 16.8 per cent was introduced for individuals earning more than \$150,000.
    - For 2020, the 16.8 per cent tax bracket applies to taxable income between \$157,748.01 and \$220,000.
  - For 2016 and 2017, the top marginal tax rate was 14.7 per cent for individuals earning more than \$107,000.
  - In 2014 and 2015, the government at the time introduced a temporary top marginal tax rate of 16.8 per cent for individuals earning more than \$150,000.
  - Prior to 2014, the top marginal tax rate was 14.7 per cent for individuals earning more than approximately \$105,000.

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 3 of 5

**File Name:** 11\_MO\_PLD\_Top Marginal Tax Rate of 20.5 Percent on Taxable Income Over \$220,000

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Top Marginal Tax Rate of 20.5 per cent on Taxable Income

#### Question: Why did you raise taxes?

##### Answer:

- These changes bring our tax rates in line with the largest provincial economies in Canada and ensure that lower income individuals do not account for a disproportionate amount of personal income tax revenues.
- The revenues raised are funding the government's commitments to education, healthcare, transportation, and childcare.

#### Question: Who is impacted by the new rate?

##### Answer:

- The tax rate change affects approximately 2 per cent of British Columbians; that is individuals with taxable income over \$240,716 in the 2023 calendar year.

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	4 of 5
<b>File Name:</b>	11_MO_PLD_Top Marginal Tax Rate of 20.5 Percent on Taxable Income Over \$220,000		

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Question: How is the top marginal tax rate comparable with Ontario and Quebec when their rates are 13.16 per cent and 25.75 per cent respectively?**

**Answer:**

- In addition to Ontario's top marginal tax rate of 13.16 per cent, Ontario assesses a surtax of 20 per cent on tax greater than \$5,315 and an additional surtax of 36 per cent on tax greater than \$6,802. This results in an effective top marginal rate of 20.53 per cent.
- Quebec has a top marginal tax rate of 25.75 per cent; however, there is a reduction of federal tax for Quebec residents as part of Quebec's arrangement with the federal government. This results in an effective top marginal provincial tax rate of 20.31 per cent.

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 5 of 5

**File Name:** 11\_MO\_PLD\_Top Marginal Tax Rate of 20.5 Percent on Taxable Income  
Over \$220,000

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Land Owner Transparency Registry

### ADVICE AND RECOMMENDED RESPONSE:

- Ending hidden ownership in the province is something our government has taken seriously.
- The Land Owner Transparency Registry (“the Registry”) requires the disclosure of interest holders and beneficial owners for all land types in British Columbia (BC).
- Beneficial owners are individuals/natural persons who ultimately enjoy the benefits of ownership, including significant control, even if legal ownership or title resides with another person or persons.
- The Registry helps ensure that corporations, partnerships, and trusts cannot be used to hide beneficial owners’ interests in land.
- Recognized by leaders in anti-money laundering policy, including the Expert Panel on Combatting Money Laundering in BC Real Estate and Dr. Peter German, the Registry is a key measure for preventing tax evasion and combatting money laundering in the province.
- November 30, 2022 marked a major milestone for the Registry: the deadline for pre-existing owners to file

**Contact:** Renee Mounteney, ADM

**Phone:** 778 974-5354

**Division:** Policy and Legislation

**Page:** 1 of 17

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

transparency records. Reporting bodies that purchased land before the *Land Owner Transparency Act* (“the Act”) came into force were required to file by this date.

- As of February 2023, the Registry has received 436,027 transparency declarations and 241,388 transparency reports.
- The Ministry of Finance (the “Ministry”) continues to improve the administrative efficiency of the Act and introduced Bill 7, the *Land Owner Transparency Amendment Act* during the spring 2023 legislative session to address modest interpretive and technical issues with the legislation.

### **KEY FACTS:**

- The Act establishes a publicly accessible registry of beneficial ownership of land in the province.
- On November 30, 2020, the bulk of the Act was brought into force and the Land Title and Survey Authority (LTSA) began collecting transparency information as part of the land title transfer process.
- On April 30, 2021, the remainder of the Act was brought into force, enabling the Registry’s search functions.
- In spring 2023, the Ministry introduced amendments to the Act to address several technical issues to improve the clarity of the Act and

**Contact:** Renee Mounteney, ADM

**Phone:** 778 974-5354

**Division:** Policy and Legislation

**Page:** 2 of 17

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

ensure that the Registry continues to operate efficiently and capture relevant information.

- The Registry search functions allow members of the public to obtain basic information about reporting bodies, beneficial owners, and interest holders. There is a cost of \$5.00 per search.
- Certain regulators, including law enforcement and taxing authorities, have access to the full set of data in the Registry, including dates of birth and social insurance numbers.
- On November 2, 2021 government announced an extension to the filing deadline for pre-existing owners. This extension was provided to address concerns regarding the low filing rate for pre-existing owners and concerns from the legal community that they did not have the resources to support filing needs.

## **BACKGROUND:**

- Government's 30-Point Plan for Housing Affordability released as part of Budget 2018 announced that the government is "establishing a registry that will contain information about beneficial ownership of land in BC, administered by the LTSA. This information will be publicly available and will be shared with federal and provincial tax and law enforcement authorities to assist them in their investigations."
- The LTSA, as the Administrator of the Act, is responsible for the development and operation of the Registry and for public education.

**Contact:** Renee Mounteney, ADM

**Phone:** 778 974-5354

**Division:** Policy and Legislation

**Page:** 3 of 17

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The Executive Director of the Property Taxation Branch has been appointed as the Enforcement Officer under the Act and is responsible for determining compliance with the legislation.
- In 2022, the LTSA raised filing fees for transparency declarations and reports:
  - transparency declaration fees increased from \$5.00 to \$7.50.
  - transparency record fees increased from \$35.00 to \$50.00.
- The Registry was created by the LTSA on a cost recovery model. The LTSA incurred significant expenses to create the Registry and revenue in the first year of operation fell below target levels, due to a lower number of pre-existing reporting bodies filing than expected. The LTSA board approved the fee increase.
- In fall 2022, the Ministry implemented an exemption from the Act's transparency report filing requirements for members of the BC Society of Transition Houses (BCSTH). These societies are not considered reporting bodies under the Act and are not required to file a transparency report.
- Since the Act has come into force, various technical issues have been identified by government staff, the LTSA, and legal professionals regarding filing requirements and legislative interpretative issues.
- Amendments to the Act introduced address these issues. The policy intent of the Act remains unchanged.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 4 of 17

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Land Owner Transparency Registry

**Question:** What is the purpose of the *Land Owner Transparency Act*?

**Answer:**

- The *Land Owner Transparency Act* responds to the Budget 2018 commitment in the 30-Point Housing Plan to end hidden ownership of real estate.
- The legislation requires relevant corporations, trustees, and partners (reporting bodies) to provide information about the beneficial owners of real estate.
- According to the Expert Panel on Money Laundering (March 31, 2019 report), “disclosure of beneficial ownership is the single most important measure that can be taken to combat money laundering.”

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 5 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Question: How is the Registry being used to fight money laundering?**

**Answer:**

- Money laundering is inherently secretive – it's done to hide the proceeds of crime and the true nature of financial transactions and the identity of individuals who ultimately benefit.
- Because money laundering can thrive in an environment of secrecy and anonymity, we must prevent money launderers from hiding their illegal actions by:
  - closing loopholes and strengthening regulations, so that money launders can't abuse our systems; and
  - collecting and sharing relevant information and data, so that authorities better understand where, how and who is laundering money in our province.
- That's what we're using the Registry for – collecting information on beneficial landowners and shining a light on individuals with indirect interests in land.
- This will serve as a deterrent to money laundering and assist with detection and response to money laundering.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 6 of 17

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Question: Why was the filing deadline for pre-existing reporting bodies extended to November 30, 2022?**

**Answer:**

- This legislation is the first-of-its-kind in Canada. In many cases, filing a transparency report requires looking through complex, multi-layer corporate structures.
- As a new piece of legislation, reporting bodies and legal professionals have been working to understand how to interpret the legislation and correctly identify beneficial owners.
- The government is continuing to work on educating stakeholders and published interpretative guidance in 2022 to help clarify common questions and ensure that reporting bodies have the information they need.
- In addition, the LTSA requires that transparency records be filed electronically by a legal professional. We heard concerns that legal offices didn't have the resources to support the volume of filings within the original timeframe for filing.
- By extending the deadline, we allowed more time for legal professionals and reporting bodies to become

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 7 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

familiar with the legislation to ensure that the information that is filed is accurate and complete.

**Question: Now that the filing deadline for pre-existing reporting bodies has passed, how many transparency records have been received by the Land Title and Survey Authority?**

**Answer:**

Since required filings to the Registry began on November 30, 2020, the Registry has received a total of 436,027 transparency declarations and 241,388 transparency reports.

**Question: How many pre-existing owners of land were required to file a transparency report?**

**Answer:**

- Currently, there is no reliable way to estimate the number of pre-existing owners required to file a transparency report.
- Although it is possible to get an estimate of the total number of corporations that own land (approximately

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 8 of 17

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

300,000), this number captures a significant number of corporations excluded from the *Land Owner Transparency Act's* requirements (e.g., publicly traded companies, government corporations, insurance companies etc.).

- Furthermore, this number may capture the same reporting body multiple times (as some reporting bodies own multiple properties).

**Question: Why did the LTSA raise filing fees last year?**

**Answer:**

- The Registry was created by the LTSA on a cost recovery model and the LTSA incurred significant expenses to create the Registry. Revenue in the first year of operation fell below target levels, largely due to a lower number of pre-existing reporting bodies filing than expected, resulting in the LTSA Board approving a fee increase.
- A Memorandum of Understanding agreement between the LTSA and Ministry of Finance allows the LTSA to increase fees by reasonable amounts, as determined by the Board.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 9 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Advice/Recommendations

**Answer:**

- This legislation is the first of its kind in Canada. The previous technical amendments were identified before the legislation came into force as the LTSA began work to build the registry system.
- Since the legislation has come into force, additional issues have been raised by government staff, the LTSA, and legal professionals. As the legislation continues to be applied to complicated real-world scenarios, areas where the legislation could be clarified have been identified.

**Question: How does the legislation protect the privacy of individuals?**

**Answer:**

- Although the *Land Owner Transparency Act* creates a publicly accessible registry, members of the public are not able to see all information that gets reported.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 10 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Sensitive personal information, such as social insurance number and date of birth are only available to authorized entities, such as law enforcement and taxing authorities.
- In addition, vulnerable individuals, such as victims of domestic violence, may apply to have their information removed from the publicly accessible register.
- The legislation also requires that reported information be held for a minimum of 90 days before it is made accessible to the public. This ensures that vulnerable individuals have sufficient opportunity to apply to have their information omitted.

**Question: Why were society members of the BC Society of Transition Houses (BCSTH) provided with an exemption from the requirement to file a transparency report?**

**Answer:**

- The BCSTH was concerned that information contained in a transparency report could be used by a member of the public to link the name of a transition society to the confidential address of a transition house, potentially

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 11 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

enabling a member of the public to contact an individual staying at a transition house.

- The BCSTH requested an exemption from LOTA filing requirements for approximately 80 member societies.
- After careful risk analysis, consultation with BC Housing, and BCSTH leadership, we concluded that providing this exemption did not pose a significant risk with respect to land ownership transparency in the province and that the benefits to vulnerable populations outweighed any potential risks associated with the exemption.
- It is important that we protect vulnerable British Columbians and that's what this exemption does.

**Question: How will the Ministry of Finance manage compliance and enforcement going forward?**

**Answer:**

- Pre-existing reporting bodies, beneficial owners, and interest holders were required to file transparency reports disclosing interest holders by November 30, 2022.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 12 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- For reporting bodies that haven't filed, the Enforcement Officer may undertake activities to identify corporations, trusts, and partnerships that have not filed.
- Entities that are non-compliant could be subject to administrative penalties of up to the greater of \$50,000 or 5% of assessed value of land, and up to the greater of \$50,000 or 15% for offences.

Advice/Recommendations

**Answer:**

After hearing feedback from key industry stakeholders, we raised administrative penalties and offence fines to include a percentage of the property value. These have the potential to be very significant, especially when considering that the legislation also applies to commercial property. In many cases, this may result in a penalty based on a percentage of the assessed value of a multi-million-dollar property.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 13 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Advice/Recommendations

**Answer:**

- Since required filings began on November 20, 2022, the Registry has received a total of 436,027 transparency declarations and 241,388 transparency reports. These numbers indicate reporting bodies are taking filing requirements seriously.
- We feel we have the necessary enforcement measures in place to ensure that reporting bodies continue to file with the Registry. It's also an appropriate balance for what the Land Owner Transparency Registry is – a collection of information on beneficial ownership of real estate in BC.

Advice/Recommendations



Advice/Recommendations

Law

enforcement has the power to use the information in the registry to support criminal investigations, and we're confident that, when applicable, this information may help lead to charges.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 14 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Question: Has the Ministry of Finance levied any administrative penalties?**

**Answer:**

As the LOTR and regulatory regime are new, no administrative penalties have been levied to date. The Executive Director of the Property Taxation Branch has been appointed as the Enforcement Officer under the Act and is responsible for determining compliance with the legislation.

**Question: How will you continue to stop people from making false declarations to the Registry?**

**Answer:**

- We believe that most reporting bodies understand the need for the Registry and support our goal of helping eliminate money laundering and tax evasion from the housing market.
- The LTSA continues to engage in extensive stakeholder education about Registry requirements to ensure compliance from reporting bodies – that is, relevant

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 15 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

corporations, trusts or partnerships who need to file transparency reports with the Registry.

- Furthermore, the Ministry conducts education activities from time to time to ensure reporting bodies understand the reporting requirements.
- The Enforcement Officer has broad investigative and enforcement powers to ensure that the people who need to file with the Registry do so.
- Penalties for failing to comply are significant and, we believe, sufficient to achieve substantial compliance.

**Question: How do you continue to ensure that reporting bodies submit all the information required and that the information is verified?**

**Answer:**

- The LTSA continues to engage in extensive stakeholder education about Registry requirements to ensure compliance from reporting bodies – that is, relevant corporations, trusts or partnerships who need to file transparency reports with the Registry.

**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 16 of 17

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

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**Contact:** Renee Mounteney, ADM

**Division:** Policy and Legislation

**File Name:** 12\_MO\_PLD\_Land Owner Transparency Registry

**Phone:** 778 974-5354

**Page:** 17 of 17

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## **ISSUE: Federal Health Care Funding (Canada Health Transfer and Other Federal Transfers for Healthcare)**

### **ADVICE AND RECOMMENDED RESPONSE:**

- No issue is more important to Canadians than quality, accessible health services for themselves and their loved ones.
- Increased federal funding for health care through the Canada Health Transfer (CHT) has been a top priority for all provinces and territories. Pressure from Premiers, supported by their Finance and Health Ministers, led to a First Ministers Meeting in February.
- Premiers have collectively accepted the federal proposal, while also expressing disappointment with the limited nature of the new federal funding, which will not meaningfully address structural health care funding needs, nor long-term sustainability challenges.
- B.C. did not wait for federal-provincial negotiations to be completed to increase funding for health care. Budget 2023 will increase provincial spending on health care to almost \$31 billion in 2023/24. That represents a year-over-year increase of 10.6 per cent or about \$3 billion.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354  
**Page:** 1 of 9

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Budget 2023 announced \$6.4 billion over three years in new investments to strengthen the public health care system, including funding for support services, cancer care, a health workforce strategy, a refreshed primary care strategy, mental health and addictions, and measures related to COVID-19.
- Out of an abundance of caution, the Budget did not include the new federal funding announced at the First Ministers Meeting. The new revenue will be reflected in the first quarterly report, when enabling federal legislation has been passed and agreements have been reached.

**KEY FACTS:**

- The CHT increased from \$45.2 billion in 2022/23 to \$49.4 billion in 2023/24 – an increase of 9.3 per cent. Recent high inflation pushed up the CHT's annual growth rate, which is based on a three-year average of nominal GDP.
- B.C.'s CHT funding is budgeted to increase from \$6.176 billion to \$6.733 billion – an increase of \$557 million (9.0 per cent).
  - This growth rate is lower than the national growth rate due to a budget assumption that B.C.'s population share would fall from 13.66 per cent in 2022/23 to 13.62 per cent in 2023/24.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354  
**Page:** 2 of 9

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- B.C. spending on healthcare in 2023/24 is budgeted to increase from \$27.972 billion to \$30.927 billion – an increase of \$2.955 billion (10.6 per cent).
  - This increase is more than five times the increase in B.C.'s CHT funding (\$2.955 billion vs. \$557 million).
- Because of B.C.'s strong investment, core CHT funding will decline from 22.1 per cent of B.C. healthcare spending in 2022/23 to just 21.8 per cent in 2023/24.
- Budget 2023 announced \$6.4 billion over three years in new investments to strengthen the public health care system:
  - \$2.6 billion over three years to support services across the health care system, including \$270 million more for cancer care;
  - \$1 billion over three years for the new health workforce strategy that includes actions focused on retention, redesign, recruitment and training;
  - Nearly \$1.1 billion over three years for the refreshed primary care strategy that provides a new compensation model for family practitioners and incentives to attract recent graduates into family practice, and to retain those approaching retirement;
  - \$867 million for mental health, addictions and treatment services across the spectrum of services and supports for people struggling with substance use disorder; and
  - \$875 million in 2023/24 for ongoing COVID-19 health response measures.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354  
**Page:** 3 of 9

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

### First Ministers' Meeting – Funding Announcement

- On February 7, 2023, in conjunction with a First Ministers' Meeting on health care, the federal government proposed two changes to the CHT, neither of which are represented in Budget 2023 but will be reflected in the First Quarterly Report:
  1. A one time, \$2 billion top-up to the national CHT for paediatric hospitals and emergency rooms. That top-up is expected to provide a benefit of about **\$270-275 million** for B.C., amounting to less than 0.9 percent of provincial healthcare spending.
    - Note: That top-up is separate from the one time, \$2 billion top-up to the national CHT announced on March 25, 2022, to reduce or eliminate backlogs of medical and surgical procedures. That top-up is expected to provide a benefit of about \$272 million for B.C. in 2022/23 and is cited in the Material Assumptions – Revenue tables.
  2. A commitment that the CHT will grow by at least 5.0 per cent in each of the next five years, which the federal government estimates would have no impact in 2023/24 and 2024/25, with an impact of \$17.3 billion over the remaining eight years. The first impact on B.C. would be in the final year of the Province's fiscal plan; based on B.C. Budget projections, that would increase B.C.'s CHT by **\$105 million** in 2025/26 (federal estimate: \$144 million).

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354  
**Page:** 4 of 9

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Similarly, two other federal funding proposals made on February 7 are not reflected in the Budget but will be reflected in the First Quarterly Report:
  1. \$25 billion over 10 years for tailored bilateral agreements (B.C. share: about **\$330 million** per year); and
  2. \$1.7 billion over five years for personal support workers (no information was provided as to how that funding would be allocated over the five years and among provinces and territories).

**CURRENT STATUS:**

- Ministers Adrian Dix and Jennifer Whiteside wrote federal Ministers Jean-Yves Duclos (Health) and Carolyn Bennett (Mental Health and Addictions) on February 24, 2023, agreeing in principle to the new funding.
- It was announced on March 1, 2023, that an agreement in principle had been reached.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354  
**Page:** 5 of 9

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## **CHT AND HEALTH SPENDING:**

	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
CHT - National <sup>1</sup>	45,208	49,421	52,398	54,243
<b>CHT – B.C. Share</b>	<b>6,176</b>	<b>6,733</b>	<b>7,123</b>	<b>7,377</b>
Prior Year Adjustments	(10)			
CHT top-up <sup>2</sup>	272			
<b>Net CHT Funding<sup>3</sup></b>	<b>6,439</b>	<b>6,733</b>	<b>7,123</b>	<b>7,377</b>
B.C. Healthcare Spending <sup>4</sup>	27,972	30,927	32,119	32,959
Core CHT as Share of Healthcare Spending	22.1%	21.8%	22.2%	22.4%
Net CHT Share of Healthcare Spending (incl. PYAs, top-up)	23.0%	21.8%	22.2%	22.4%

1. The first four rows of the table are from Table A5, Material Assumptions – Revenue.
2. A one-time CHT top up – to reduce or eliminate back-logs of medical and surgical procedures. \$2 billion in national funding was announced on March 25, 2022. That funding is separate from the February 7, 2023, announcement of a \$2 billion top up for paediatric hospitals and emergency rooms.
3. Aligns with Table A9, Revenue by Source.
4. From Table A11, Expense by Function.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354  
**Page:** 6 of 9

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Canada Health Transfer and Other Federal Transfers for Healthcare

Advice/Recommendations

#### Answer:

- There was not enough certainty to include proposed funding in the Budget. At the time, the federal government had not yet indicated whether it was satisfied with the acceptance in principle offered by B.C. and no action plans for qualifying for the tailored bilateral funding had been approved. Details around some federal funding remained unclear, such as how funding for personal support workers would be allocated across the five years and among provinces and territories.
- The new funding was contingent on passage of federal legislation authorizing payments, and with a minority government, this was not a certainty. The new funding is

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354

**Page:** 7 of 9

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

expected to be included in the First Quarterly Report, following passage of the legislation.

**Question: How much will the new federal funding impact B.C.'s fiscal plan?**

**Answer:**

- The implications are still being assessed. We do expect between \$270 to \$275 million from the one-time CHT top-up, and over \$330 million per year from the bilateral agreements, but there is still some uncertainty, especially around the funding for personal support workers. More information will be provided in the First Quarterly Report.

Advice/Recommendations

**Answer:**

- Our Premier and all Premiers prioritize health care and were disappointed with the limited nature of the new funding. Premiers have called for further discussions on a

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354

**Page:** 8 of 9

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

variety of issues, such as addressing the adequacy of the CHT and the expiry of bilateral health funding agreements. In the meantime, considering the urgent needs in our healthcare systems, they accepted the agreement in principle so as not to deny Canadians the benefit of the new federal funding.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 13\_MO\_PLD\_Federal Health Care Funding

**Phone:** 778 974-5354  
**Page:** 9 of 9

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Northwest B.C. Resource Benefits Alliance

### ADVICE AND RECOMMENDED RESPONSE:

- The province is committed to working with the RBA to help ensure the Northwest continues to grow and prosper as economic development increases in the north.
- In 2019, RBA communities benefited from the \$100 million Northern Capital and Planning Grant (NCPG) to help address their capital infrastructure concerns.
- In 2020, RBA communities benefited from an additional \$50 million NCPG. The Northern Development Initiative Trust was also provided \$25 million for the creation of the Northern Health Communities Fund, which many RBA communities will be eligible for funding.
- RBA communities will also receive \$33 million from the recently announced \$1 billion Growing Communities Fund, which can be used to address infrastructure and amenity needs.
- At the 2022 Union of BC Municipalities Convention, the Minister of Municipal Affairs signed an MOU that outlines

**Contact:** Renée Mounteney  
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**File Name:** 14\_MO\_PLD\_Northwest BC Resource Benefits Alliance

**Phone:** 778 974-5354

**Page:** 1 of 6

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

common goals, sets out engagement principles and includes a schedule for future meetings. Work under this MOU is progressing with collaboration between the RBA communities, Ministry of Finance, and Ministry of Municipal Affairs.

Intergovernmental Communications

## **KEY FACTS:**

- The RBA consists of 21 local governments in Northwest B.C. pursuing resource-benefit and revenue-sharing discussions with the Province. The RBA first made presentations to the province in 2014.
- The Northwest B.C. Resource Benefits Alliance (RBA) is requesting a long-term funding agreement with the province, similar to existing agreements in place for the Peace River and Northern Rockies regions. It has identified \$1.3 billion in capital investments and \$113 million annually for servicing costs that could be funded through the agreement.
- The province currently supports local governments with unconditional and conditional grants for larger infrastructure projects.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 14\_MO\_PLD\_Northwest BC Resource Benefits Alliance

**Phone:** 778 974-5354

**Page:** 2 of 6

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- In 2018, the Province provided the RBA with \$300,000 to consult with stakeholders in the development of a proposal for the Province on the unique needs of the Northwest.
- Based on discussions and the review of RBA documentation, the province decided in 2019 to provide a \$100 million NCPG to the RBA local governments plus Fraser-Fort George Regional District and its participating municipalities.
- In March 2020, the RBA communities benefited from an additional \$50 million NCPG as well as an influx of \$25 million to the Northern Development Initiative Trust for the creation of the Northern Health Communities Fund, for which many RBA communities are eligible.
- The \$1.3 billion capital investment and associated projects were presented to the Province in the RBA's 2019 report *Infrastructure Needs Analysis Report For Northwest BC Local Governments*.  

Intergovernmental Communications

Intergovern  
mental
- The funds provided in the 2019 NCPG have not been spent by the RBA local governments as of January 2022.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 14\_MO\_PLD\_Northwest BC Resource Benefits Alliance

**Phone:** 778 974-5354  
**Page:** 3 of 6

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**CURRENT STATUS:**

- The province has committed to working with the RBA to come to a common understanding of the issues in the region. Work under the 2022 MOU is proceeding and will hopefully enable the parties to reach this goal.

Intergovernmental Communications

Intergovernmental Communications

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 14\_MO\_PLD\_Northwest BC Resource Benefits Alliance

**Phone:** 778 974-5354

**Page:** 4 of 6

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Northwest B.C. Resource Benefits Alliance

#### Question: How is the Province supporting Northwest B.C.?

#### Answer:

Our government has made record investments in services the North needs, such as hospital replacements, school and highway upgrades, and modular, affordable and supportive housing. Since 2018, we have invested:

- \$150 million towards infrastructure priorities through the Northern Capital and Planning Grant;
- \$25 million through the Northern Healthy Communities Fund to expand services for communities experiencing growth right now; and,
- More money for smaller and rural communities through the Safe Restart funds to make sure communities got through COVID-19.

Northwest communities will also receive funding through the recently announced \$1 billion Growing Communities Fund.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 14\_MO\_PLD\_Northwest BC Resource Benefits Alliance

**Phone:** 778 974-5354

**Page:** 5 of 6

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Question: Will the Province be entering into a funding agreement with the Resource Benefits Alliance?**

**Answer:**

Our government has committed to working with the RBA to come to a common understanding of the issues in the region. Under the current MOU, both parties are working towards that goal.

Advice/Recommendations

Advice/Recommendations

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 14\_MO\_PLD\_Northwest BC Resource Benefits Alliance

**Phone:** 778 974-5354

**Page:** 6 of 6

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## **ISSUE: Property Assessment Appeal Board Decisions and Process Time**

- **Some municipalities and the Union of BC Municipalities have expressed concerns that the delays of several years in receiving high value Property Assessment Appeal Board decisions impacts financial planning, revenue stability, and budget management.**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Ministry of Attorney General has the oversight responsibility for the Property Assessment Appeal Board.
- We want people to get their property assessment appeal decisions as quickly as possible.
- Over the years, the volatile and active real estate market has resulted in large increases in assessed values and increases in appeals.
- In this context, the Ministry of Finance is engaging with the Ministry of Attorney General to work with BC Assessment on new ways to support timely appeal decisions.

**Contact:** Renée Mounteney

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**Division:** Policy and Legislation Division

**Page:** 1 of 4

**File Name:** 15\_MO\_PLD\_Property Assessment Appeal Board Decisions and Process Time

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- Several Metro Vancouver municipalities have expressed concerns about the length of time for Property Assessment Appeal Board appeal decisions to be completed and communicated.
- In particular large complex commercial/industrial appeals can take several years to obtain a final decision.
- Taxing jurisdictions must set aside contingent reserves to cover any property tax repayments resulting from delayed decisions.
- These repayments, which may cover multiple taxation years, are problematic for taxing jurisdictions from a budgeting and financial management perspective.

Advice/Recommendations

- The volatile and active real estate market has resulted in large increases in assessed values for most properties in B.C.
- Residential property owners, concerned that increased assessments will mean higher property taxes, have been the most active in filing appeals.
- Some appeals will proceed from the Property Assessment Appeal Board process to the BC Supreme Court and stated case appeals further extend decision periods.

**Contact:** Renée Mounteney

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**Division:** Policy and Legislation Division

**Page:** 2 of 4

**File Name:** 15\_MO\_PLD\_Property Assessment Appeal Board Decisions and Process Time

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Large value commercial and industrial property assessment appeals which extend over several years may result in large adjustments to assessments and the taxing jurisdiction would have to make corresponding large property tax refunds. <sup>Advice/Recommendations</sup>

Advice/Recommendations

- Appeals based on similar or the same premise will be contingent on the stated case decision and settlement will also be delayed.

Advice/Recommendations; Intergovernmental Communications

- <sup>Advice/Recommendations; Intergovernmental Communications</sup> court decisions were also made in the last year on the appeals for the Seaspan (contamination of upland property) and Teck (pollution control equipment for Elkford Mine) cases. Resolving these cases is expected to bring certainty to similar appeals pending court decisions <sup>Advice/Recommendations</sup>

Advice/Recommendations

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	(778) 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	3 of 4
<b>File Name:</b>	15_MO_PLD_Property Assessment Appeal Board Decisions and Process Time		

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**CURRENT STATUS:**

- The Property Assessment Appeal Board has met appeal completion targets for residential properties and commercial appeals.

Advice/Recommendations

**APPENDIX**

	<b>OUTSTANDING APPEALS</b>		
	TOTAL	2022 APPEALS	PRIOR YEAR APPEALS
Appeal Management in Progress	2,715	2,313	402
Scheduled for Hearing	280	85	195
Pending Board or Court Decision	967	146	821
Decision in Progress	753	439	314
Total Outstanding Appeals	4,715	2,983	1,732

**Notes:** Prior year appeals include all outstanding appeals to the Board from the 2021 and earlier rolls.

**Contact:** Renée Mounteney

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**Division:** Policy and Legislation Division

**Page:** 4 of 4

**File Name:** 15\_MO\_PLD\_Property Assessment Appeal Board Decisions and Process Time

## **ISSUE: Property Transfer Tax – For Homes Over \$3 Million**

### **ADVICE AND RECOMMENDED RESPONSE:**

- A new tier of property transfer tax was introduced in 2018 for all transferees as one of the many measures taken as part of the 10-year housing plan to help moderate the market.
- The further two per cent property transfer tax applies to the fair market value of the Residential Class portion of a property above \$3 million.
- The tier effectively raises the tax rate from three per cent to five per cent for any fair market value of residential property above \$3 million, with certain exceptions.
- “Residential property” refers to any property classified in “Class 1, Residential” for property tax purposes, including vacant residential land, plus some farmland associated with a farm dwelling.

### **KEY FACTS:**

- The further two per cent property transfer tax became effective February 21, 2018.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 16\_MO\_PLD\_Property Transfer Tax – For Homes Over \$3 Million

**Phone:** 778 974-5354

**Page:** 1 of 3

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Over 98 per cent of residential properties in B.C. are assessed at under \$3 million.
- In fiscal year 2022/23, the total year-to-date property transfer tax revenue was \$2.1 billion, of which approximately \$109 million was generated from the further two per cent property transfer tax. As announced in Budget 2023, property transfer tax revenues' updated forecast is \$2.25 billion for fiscal year 2022/23.

**Property Transfer Tax (PTT) Revenue (\$ million) and Number of Properties by Fiscal Year**

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23 YTD</b>
Revenue from Further 2% PPT on Properties over \$3 Million (Millions \$)	94	55	82	158	109
Number of Transactions	1,529	1,255	1,840	3,492	2,497
Total PPT Revenue (Millions \$)	1,795	1,572	2,077	3,285	2,144
Total Number of Transactions	160,449	161,520	184,435	220,703	145,504

Note: Does not include changes from audits or refunds. The 2022/2023 YTD figures reflect revenue as of February 28, 2023.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 16\_MO\_PLD\_Property Transfer Tax – For Homes Over \$3 Million

**Phone:** 778 974-5354

**Page:** 2 of 3

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**PTT payable at each tax-rate step for a residential property**

<b>Property Value (\$):</b>	<b>1% rate \$1 to \$200,000</b>	<b>2% rate \$200,000 to \$2,000,000</b>	<b>3% rate \$2,000,000 and over</b>	<b>Further 2% Residential value over \$3,000,000</b>	<b>Total Tax</b>
<b>3,000,000</b>	2,000	36,000	30,000	-	68,000
<b>4,000,000</b>	2,000	36,000	60,000	20,000	118,000
<b>5,000,000</b>	2,000	36,000	90,000	40,000	168,000
<b>6,000,000</b>	2,000	36,000	120,000	60,000	218,000
<b>10,000,000</b>	2,000	36,000	240,000	140,000	418,000
<b>100,000,000</b>	2,000	36,000	2,940,000	1,940,000	4,918,000

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 16\_MO\_PLD\_Property Transfer Tax – For Homes Over \$3 Million

**Phone:** 778 974-5354

**Page:** 3 of 3

MINISTRY OF FINANCE  
POLICY & LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: PST - E-Commerce and Marketplace Facilitators

### ADVICE AND RECOMMENDED RESPONSE:

- Over the last few decades, commerce has been moving online. This has big implications for local brick-and-mortar businesses and for government revenues.
- Our government has taken steps to both level the playing field and protect revenues.
- In *Budget 2018*, we made it possible for online accommodation platforms to register as PST collectors.
- In *Budget 2019*, we allowed for voluntary arrangements that could lead to PST being collected by other online platforms.
- In *Budget 2020*, we brought in new PST registration requirements for out-of-province businesses.
- In *Budget 2022*, we introduced new PST collection and remittance obligations for marketplace facilitators and new rules on the taxation of online marketplace services.
  - Ensuring tax is collected by marketplace facilitators means that large platforms and out-of-province businesses do not have a sales tax advantage over local brick-and-mortar businesses in BC.

**Contact:** Renee Mounteney  
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**File Name:** 17\_MO\_PLD\_PST - E-commerce and Marketplace Facilitators

**Phone:** 778 974-5354  
**Page:** 1 of 7

**MINISTRY OF FINANCE  
POLICY & LEGISLATION DIVISION  
ISSUE NOTE**

- By taxing online marketplace services, we were recognizing the value-added activities offered by marketplace facilitators, which are appropriate for taxation.
- Other provinces and the federal government also impose taxes on the service component of such transactions.
- In *Budget 2023*, in response to feedback from stakeholders, we are making several changes to make the rules more clear, simple, and consistent.
  - These changes do not impose new taxes on taxable goods, software, or taxable services obtained by consumers through online platforms. The changes will affect some purchases of services by online businesses.

## **KEY FACTS:**

### **Online marketplace facilitators**

- An online marketplace facilitator is a business or organization that contracts with third parties to sell goods and services on its platform and facilitates retail sales to consumers on that platform, including collecting payments on behalf of third-party sellers.

**Contact:** Renee Mounteney

**Phone:** 778 974-5354

**Division:** Policy & Legislation Division

**Page:** 2 of 7

**File Name:** 17\_MO\_PLD\_PST - E-commerce and Marketplace Facilitators

**MINISTRY OF FINANCE  
POLICY & LEGISLATION DIVISION  
ISSUE NOTE**

- Budget 2022 announced that online marketplace facilitators would be required to collect PST on the taxable sales made through their platform, rather than leaving the collection obligation to fall on each individual third-party online marketplace seller.
- Budget 2023 makes some administrative changes with respect to the PST collection obligations of online marketplace facilitators in respect of commercial sales made on their online marketplace.

### **Online marketplace services**

- Budget 2022 also announced that online marketplace facilitators will be required to charge PST on online marketplace services they provide to sellers.
- Online marketplace services are any service provided by a marketplace facilitator to a marketplace seller to facilitate the sale or lease of certain goods or services and include the fees these marketplace facilitators charge in relation to the listing of goods and services, fulfilment of orders, storage, and customer service.
- Budget 2023 makes changes to the rules for online marketplace service. In particular:
  - Online marketplace services provided to facilitate the sale or provision of non-taxable services will be taxable (e.g., fees for listing non-taxable personal care services on an online marketplace); and

**Contact:** Renee Mounteney  
**Division:** Policy & Legislation Division  
**File Name:** 17\_MO\_PLD\_PST - E-commerce and Marketplace Facilitators

**Phone:** 778 974-5354  
**Page:** 3 of 7

**MINISTRY OF FINANCE  
POLICY & LEGISLATION DIVISION  
ISSUE NOTE**

- The rules determining where an online marketplace service is provided are amended to more closely align with the place-of-supply rules used to administer the federal GST.

**Contact:** Renee Mounteney

**Phone:** 778 974-5354

**Division:** Policy & Legislation Division

**Page:** 4 of 7

**File Name:** 17\_MO\_PLD\_PST - E-commerce and Marketplace Facilitators

MINISTRY OF FINANCE  
POLICY & LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: E-Commerce and Marketplace Facilitators

**Question: What is an online marketplace facilitator? Do these changes apply to all online platforms like Facebook Marketplace?**

**Answer:**

- An online marketplace facilitator is a platform that enables the sale of goods or services, including the collection of payment for the sale for the seller. It does not include platforms which only advertise goods or services.
- For these reasons, advertising platforms such as Facebook Marketplace would not be considered online marketplace facilitators.

**Contact:** Renee Mounteney  
**Division:** Policy & Legislation Division  
**File Name:** 17\_MO\_PLD\_PST - E-commerce and Marketplace Facilitators

**Phone:** 778 974-5354  
**Page:** 5 of 7

**MINISTRY OF FINANCE  
POLICY & LEGISLATION DIVISION  
ISSUE NOTE**

**Question: What are online marketplace services?****Answer:**

- Marketplace facilitation services are any services provided by a marketplace facilitator to a marketplace seller, to help enable the sale or lease of certain goods and services. These services include the fees they charge in relation to the listing of goods and services, fulfilment of orders, storage, and customer service.

Advice/Recommendations

**Answer:**

- These changes are intended to make the rules simpler, clearer, and more consistent for the facilitators.
- The changes address issues identified by stakeholders and will simplify compliance burden on online marketplace facilitators and make it easier for businesses to determine when tax is payable on online marketplace services.
- The proposed changes simplify the rules determining when an online marketplace service is taxable, and generally

**Contact:** Renee Mounteney  
**Division:** Policy & Legislation Division  
**File Name:** 17\_MO\_PLD\_PST - E-commerce and Marketplace Facilitators

**Phone:** 778 974-5354

**Page:** 6 of 7

**MINISTRY OF FINANCE  
POLICY & LEGISLATION DIVISION  
ISSUE NOTE**

align the rules used under the federal GST. Some stakeholders have identified issues with complying with the existing rules, as well as some potential unintended consequences.

- We are ensuring that the rules apply consistently across all online marketplaces and can adapt to the changing nature of commerce, where additional services are able to be provided online, and new services are being developed in the digital world, every day.

**Contact:** Renee Mounteney

**Phone:** 778 974-5354

**Division:** Policy & Legislation Division

**Page:** 7 of 7

**File Name:** 17\_MO\_PLD\_PST - E-commerce and Marketplace Facilitators

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**ISSUE: Property Assessment Strategic Review (Small  
Business Property Taxation and Highest and Best  
Use Valuation)**

**ADVICE AND RECOMMENDED RESPONSE:**

- The Province is committed to reducing costs for people in British Columbia.
- We know many small businesses under triple-net commercial leases are struggling with high or unexpected property tax payments.
- The Ministry of Finance recently completed the Property Assessment Strategic Review (PASR), which involved working with the Ministry of Municipal Affairs and other key stakeholders on long-term relief options for commercial tenants with triple-net leases who are paying high property taxes because of development potential.
- A key objective of the PASR was to develop new long-term legislation to replace the Interim Business Property Tax Relief legislation, which was recently repealed.
- The *Municipal Affairs Statutes (Property Taxation) Amendment Act, 2022* (Bill 28) enables municipalities to apply a reduced

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 1 of 11

**File Name:** 18\_MO\_PLD\_Property Assessment Strategic Review (Small Business Property)

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

tax rate to all or a portion of the land value for eligible commercial properties with development potential, where businesses are paying disproportionately high property taxes.

- Staff consulted extensively with municipal partners, BC Assessment, and business sector representatives to ensure their concerns were addressed in the new development potential relief legislation.
- The legislation was enabled in November 2022 so that interested municipalities can use it to help businesses starting in the 2023 tax year.
- The City of Vancouver has approved a Development Potential Relief Program pilot project for 2023.
- For eligible properties, this will result in all or a portion of the land value being taxed at a rate 50 per cent lower than the City's usual general purpose tax rate for light industry and commercial properties in Class 5 and 6.
- We continue to engage with other interested municipalities, and we are optimistic that it will be an effective tax relief tool for municipalities with businesses occupying redevelopment properties.

**Contact:** Renée Mounteney

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**Division:** Policy and Legislation Division

**Page:** 2 of 11

**File Name:** 18\_MO\_PLD\_Property Assessment Strategic Review (Small Business Property)

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- We have had a positive response overall to the legislation and have heard that it reflects feedback received during the consultation.

## **KEY FACTS:**

### **General:**

- Government has been working with stakeholders for several years to determine how to amend the current property assessment and taxation framework to align with government's commitment to support small businesses/non-profits/arts and culture organizations with triple-net leases located in development properties.

Advice/Recommendations

- Properties are classified based on current use (commercial) and valued based on the Highest and Best Use, which is often a stratified condominium high-rise. This means that many tenants are paying taxes on a value that includes future development potential (typically residential) at the much higher commercial rate.
- When the Highest and Best Use changes mid-lease due to a zoning or OCP change, tenants can be faced with sudden and significant property tax increases.

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	3 of 11
<b>File Name:</b>	18_MO_PLD_Property Assessment Strategic Review (Small Business Property)		

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Finding a balance between densification efforts and the need to develop properties and support existing small businesses is complex and multi-faceted and differs among municipalities.

Advice/Recommendations

**Bill 28 – Development potential relief legislation:**

- The new tax relief tool captured in the *Municipal Affairs Statutes (Property Taxation) Amendment Act, 2022* (Bill 28) is permissive, not statutory; municipalities and taxing Treaty First Nations can decide whether to implement the relief program.
- To be eligible for the relief, commercial properties would have to meet the following provincial eligibility criteria:

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	4 of 11
<b>File Name:</b>	18_MO_PLD_Property Assessment Strategic Review (Small Business Property)		

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Must have land and improvements in Class 5 (light industry) or 6 (business and other).
  - May not be split classified with any other property class other than Class 1 (residential).
  - May not receive any other exemption from municipal taxation (other than the Industrial and Business Property Exemption Regulation) or be subject to land assessment averaging.
  - Must be occupied/in use as of October 31 of the previous tax year.
  - Must have a Class 5/6 land value that is a minimum of 95 per cent of the total Class 5/6 assessed value.
  - Municipalities would pass a tax rate-setting bylaw to impose the relief on eligible land.
  - Municipalities would also be authorized to set their own additional criteria as well as set the reduced tax rate and the percentage of the land value to be taxed at the lower rate.
  - A property would only be eligible for the relief for a maximum of five consecutive years, with eligibility determined annually by the municipality.<sup>Advice/Recommendations</sup>
- Advice/Recommendations
- The Province has the ability to extend the five-year time limit by regulation.

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	5 of 11
<b>File Name:</b>	18_MO_PLD_Property Assessment Strategic Review (Small Business Property)		

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**BACKGROUND:**

- Prior to the enactment of Bill 28, the Province introduced the Interim Business Property Tax Relief legislation (March 2020), which allowed municipalities to exempt a portion of the assessed value of commercial properties with at least one tenant responsible for property taxes.
- The Interim Business Property Tax Relief legislation had no uptake from municipalities and was replaced by the *Municipal Affairs Statutes (Property Taxation) Amendment Act* (Bill 28) in late 2022 for potential implementation in 2023, based on municipal interest.
- This legislation was in response to stakeholder requests for a commercial sub-class.
- 54 per cent of 2020 UBCM delegates and various industry stakeholders lobbied for a sub-class that would capture the development potential value of certain commercial/industrial properties (Class 5/6). This value could be taxed at a lower rate based on the needs/priorities of the local government, and local governments could choose which properties to include.

Advice/Recommendations

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	6 of 11
<b>File Name:</b>	18_MO_PLD_Property Assessment Strategic Review (Small Business Property)		

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Government had multiple concerns with a sub-class approach and private member's bill (e.g., adding further complexity to the assessment system) and opted to proceed with the Interim Business Property Tax Relief legislation as a temporary measure while ministry staff conducted the Property Assessment Strategic Review.

### **CURRENT STATUS:**

- The *Municipal Affairs Statutes (Property Taxation) Amendment Act, 2022* (Bill 28), also referred to as development potential relief legislation, enables municipalities to levy a lower tax rate on the land value of certain commercial properties with development potential that are occupied by businesses. It was enacted November 3, 2022, and is ready for implementation in 2023 should municipalities decide to pass development potential relief bylaws.
- The City of Vancouver recently announced it will be using the tool for the 2023 taxation year.

Advice/Recommendations

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	7 of 11
<b>File Name:</b>	18_MO_PLD_Property Assessment Strategic Review (Small Business Property)		

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Property Assessment Strategic Review

#### Question: Why is development potential relief legislation (Bill 28) necessary?

#### Answer:

- Municipal and business stakeholders have been asking the Province to provide a specific property tax relief tool for businesses that occupy commercial properties with development potential and pay disproportionately high property taxes.
- Government committed to finding a long-term solution to the issue when it introduced the Interim Business Property Tax Relief legislation in 2020.
- As there were concerns with the interim legislation, staff consulted extensively with stakeholders to ensure the new development potential relief legislation meets the needs of municipalities and businesses.

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	8 of 11
<b>File Name:</b>	18_MO_PLD_Property Assessment Strategic Review (Small Business Property)		

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Question: Why was the Act implemented for 2023?**

**Answer:**

- The Interim Business Property Tax Relief legislation was set to expire in 2024. Government made a public commitment to find a long-term solution and this commitment is reiterated in the Ministry of Finance mandate letter.
- Given that there was no uptake of the interim legislation, and many businesses were struggling due to COVID-19 and increased costs, a well-timed solution was required. Municipalities indicated support for implementing the relief.

**Question: Why was the land value set at 95 per cent?**

**Answer:**

- Properties with development potential have a high land value because they often have dated or fully depreciated improvements and most of their value is in the land.
- Staff determined, upon data analysis in consultation with a core group of municipalities and BC Assessment, that a

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 9 of 11

**File Name:** 18\_MO\_PLD\_Property Assessment Strategic Review (Small Business Property)

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

ratio of “at least 95 per cent” would ensure most properties with development potential would be eligible. A municipality can also increase the threshold percentage if that would work better for limiting the number of eligible properties in their community.

**Question: Does the Province know if any municipality is going to use the development potential relief legislation for 2023?**

**Answer:**

- We are pleased to report that Vancouver City Council has just approved a pilot development potential relief program that will benefit approximately 1,360 commercial properties where businesses are paying disproportionately high property taxes for the 2023 tax year (copy of news release attached).
- The Ministry consulted extensively with the City of Vancouver and other Metro Vancouver municipalities in developing the legislation to ensure it would meet their needs.

<b>Contact:</b>	Renée Mounteney	<b>Phone:</b>	778 974-5354
<b>Division:</b>	Policy and Legislation Division	<b>Page:</b>	10 of 11
<b>File Name:</b>	18_MO_PLD_Property Assessment Strategic Review (Small Business Property)		

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Overall, this legislation has been well received and our expectation is other municipalities will use this legislation in future years.

**Contact:** Renée Mounteney

**Phone:** 778 974-5354

**Division:** Policy and Legislation Division

**Page:** 11 of 11

**File Name:** 18\_MO\_PLD\_Property Assessment Strategic Review (Small Business Property)

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Renter's Rebate

### ADVICE AND RECOMMENDED RESPONSE:

- Supporting renters has and continues to be a priority for this government.
- The renter's tax credit is one part of a broad effort to make life easier for renters. That includes building up the supply, keeping costs down, and protecting renters.

### KEY FACTS:

- During the 2017 election, the government committed to implementing a \$400 refundable renter's rebate.
- During the 2020 election campaign, the government reconfirmed its commitment to implement a renter's rebate for households earning up to \$80,000 annually.
- *Budget 2023* introduced a renter's tax credit of up to \$400 for households earning up to \$80,000 annually.
- Households earning up to \$60,000 may receive the full \$400 renter's tax credit. From there, households that earn up to \$80,000 will receive a gradually reduced credit.
- Over 80 per cent of renting households are expected to receive a renter's tax credit.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354

**Page:** 1 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**BACKGROUND:**

- The renter's tax credit is a refundable tax credit under the B.C. *Income Tax Act*.
- The credit will reduce income tax owing (if any) with the remainder being refunded to the taxpayer.
- The credit can be claimed annually, starting with the 2023 personal income tax return.
- Eligible renters can expect to see the first payment in Spring 2024.

**BUDGET:**

<b>Budget (\$ millions)</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Expenditures	\$309	\$313	\$319

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354  
**Page:** 2 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Renter's Tax Credit

Advice/Recommendations

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354  
**Page:** 3 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Advice/Recommendations

**Answer:** Government has been working hard to make life more affordable for families. The benefit of the renter's tax credit was considered along with other areas where families are receiving support, such as:

- The increase to the BC Family Benefit for three months for January through March 2023;
- A permanent increase to the BC Family Benefit amounts effective July 1, 2023, while also providing an annual supplement to single parent families;
- The recent BC Affordability Credits for January and April 2023;
- A permanent increase to the maximum annual climate action tax credit for individuals and their spouses or common-law partners and children; and,
- Significant cuts to the cost of childcare in B.C.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354  
**Page:** 4 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Advice/Recommendations

**Answer:** Both programs are valuable in providing financial support to help cover the cost of shelter for both homeowners and renters.

The homeowner grant helps reduce the cost of property taxes that people pay on their principal residence. The grant offers extra support to seniors and people with disabilities to help cover their property taxes.

The income-tested renter's tax credit is flexible and helps put money directly into the pockets of people with lower and moderate incomes. That includes people who receive income and disability assistance. Whether you rent or own your home, the support is there for the people who need it.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354  
**Page:** 5 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Question: What is meant by a “household”?**

**Answer:** A “household”, or “tax family”, relates to how people file their taxes. If you file as married or in a common-law relationship and live together at the same address, then that is your household. If you file as a single individual, then that is your household.

**Question: Is a tax credit the same as a rebate?**

**Answer:** A rebate is generally be considered a refund on an overpayment, in this case rent. The renter’s tax credit functions similarly in that it deems an overpayment of tax to have occurred if you are an eligible renter. In both circumstances, money would be owed to the renter.

Advice/Recommendations

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter’s Rebate

**Phone:** 778 974-5354  
**Page:** 6 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

Advice/Recommendations

**Question: Is this a permanent benefit or a one-time support?**

**Answer:** It is a permanent credit that people can claim annually when filing their personal income taxes.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354  
**Page:** 7 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## Scenarios for the renter's tax credit

### Answer:

Scenario 1: A person lives with their partner at the same address and pays rent.

- If a person and their partner lives at the same address, has a joint income below \$60,000, and file their taxes as married or in a common-law relationship, then either person should be able to claim the full renter's tax credit.
- If their joint income is above \$60,000 and below \$80,000, then either person would be able to claim some of the renter's tax credit.

Scenario 2: A person and their partner live at separate addresses, and both pay rent.

- If they live at separate addresses, but are continuing to live as a married couple, then only one of them can claim the renter's tax credit. For income tax purposes, they are not considered as separate households, and there would need to be a breakdown in their relationship for them to be considered as separate, regardless of whether they pay two rents.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354

**Page:** 8 of 10

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Scenario 3: A person lives on their own and pays rent.

- If a person lives on their own, pays rent, and meets the eligibility criteria for the program, then they would be able to claim the renter's tax credit.
- If that person earns more than \$60,000 and less than \$80,000, then they would still be able to claim a partial credit.

Scenario 4: A person lives in a shared apartment with other individuals who pay rent.

- If a person lives with other individuals who also pay rent, then each of them would be able to claim the renter's tax credit provided they each also meet the eligibility criteria, such as the income threshold.
- If only some of them meet the eligibility criteria, then those who do would still be able to claim the renter's tax credit even if they live with someone who is unable to do so, for example because their income is too high.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354  
**Page:** 9 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Additional scenario: What happens if a couple separates?  
What happens if they can't afford to live at separate  
places?**

**Answer:** If a couple are living at separate addresses as a result of a breakdown in their relationship, then they would both be able to claim the renter's tax credit provided they also meet the other eligibility criteria. Even if a separated couple continue to live at the same address, for example, because one of them cannot afford to move out, then both would still be able to claim the renter's tax credit provided they meet the other eligibility criteria. The federal government does apply special rules in these types of situations, including a 90-day separation requirement to be treated as separated for income tax purposes. This is the same rule for other credits and benefits.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 19\_MO\_PLD\_Renter's Rebate

**Phone:** 778 974-5354  
**Page:** 10 of 10

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## **ISSUE: School Tax Industrial Property Tax Credit Removal**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Effective for the 2023 property taxation year, the Industrial Property Tax Credit for Class 4, Major Industry, property is removed.
- The 2023 major industry school tax rate is reduced to offset the removal of the credit.
- Removing the credit simplifies the tax code and removes a minor trade nuisance.

### **BACKGROUND:**

- The industrial property tax credit was introduced for the 2009 tax year and has the same effect as simply setting a lower school tax rate for Class 4, Major Industry.
- Since implementation, the credit has reduced provincial school taxes on Class 4, Major Industry, properties by \$299 million.
- In 2022, the credit reduced provincial school taxes on Class 4, Major Industry, by \$21 million.
- The removal of the Industrial Property Tax Credit does not impact the separate provincial farmland tax credit, which provides a 50 per cent school tax reduction for Class 9, Farm, properties.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 20\_MO\_PLD\_School Tax – Industrial Property Tax Credit

**Phone:** 778 974-5354

**Page:** 1 of 3

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**CURRENT STATUS:**

- The decision to remove the credit for 2023 and beyond was announced and implemented in 2023. No legislative changes are required in 2023.
- The 2023 major industry school tax rate is reduced to offset the removal of the credit.

**QUESTIONS AND ANSWERS****ISSUE: School Tax Industrial Property Tax Credit Removal**

Advice/Recommendations

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 20\_MO\_PLD\_School Tax – Industrial Property Tax Credit

**Phone:** 778 974-5354

**Page:** 2 of 3

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Question: Why are you removing the credit?**

**Answer:**

The effect of the credit is the same as setting the school tax rate for Major Industry Class 60 per cent lower and not having a credit. Removing the credit simplifies the tax code. Tax rates for industrial properties in 2023 are lowered so removing the credit has no financial impact on these properties.

Advice/Recommendations;

Advice/Recommendations; Intergovernmental Communications

Advice/Recommendations; Intergovernmental Communications

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 20\_MO\_PLD\_School Tax – Industrial Property Tax Credit

**Phone:** 778 974-5354

**Page:** 3 of 3

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## **ISSUE: Speculation Tax – General**

### **ADVICE AND RECOMMENDED RESPONSE:**

- We introduced the Speculation and Vacancy Tax in 2018 as part of the 30-point housing plan to help make housing more affordable.
- The Speculation and Vacancy Tax is intended to optimize the use of housing supply in specific regions, also known as Speculation and Vacancy Tax - designated areas, where demand pressures have had a substantial impact on housing affordability.
- The Speculation and Vacancy Tax helps turn empty units into homes for people, discourages real estate speculation and ensures homeowners who report the majority of their income outside of Canada pay their fair share of taxes.
- Starting in 2023, six additional municipalities are subject to the Speculation and Vacancy Tax: North Cowichan, Duncan, Ladysmith, Lake Cowichan, Lions Bay and Squamish. Property owners in these communities will declare for the first time in 2024.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 21\_MO\_PLD\_Speculation Tax – General

**Phone:** 778 974-5354  
**Page:** 1 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- I am committed to exploring additional ways to fight speculation and deliver more homes, including possible strengthening of the Speculation and Vacancy Tax.
- Based on the data to date, we see the tax is working as intended. It is taxing speculators, foreign owners and people who own vacant homes, while exempting more than 99 per cent of British Columbians.
- Each year, the Ministry of Finance is required to consult with mayors from areas where the tax applies. This annual consultation is an opportunity to gather feedback on how the tax is working and help determine if any changes are necessary.
- After reviewing the data from the fourth year, and hearing from local leaders, communities and those impacted by the housing crisis, we continue to make improvements to build on the success of our first four years.
- Ministry of Finance staff also completed the first comprehensive review of the *Speculation and Vacancy Tax Act* and regulations in 2022, as required by the legislation. The review must be done every five years.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 21\_MO\_PLD\_Speculation Tax – General

**Phone:** 778 974-5354  
**Page:** 2 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- The declaration deadline for the 2022 Speculation and Vacancy Tax is March 31, 2023, and tax is due July 2, 2023. Updated revenue and data for 2022 will be available in August.
- Based on declarations from 2022, calendar year revenue in 2021 was approximately \$78 million. Close to 84 per cent of SVT revenue in 2021 came from foreign owners, satellite families, Canadians living outside of BC and other non-BC resident owners, and more than 99 per cent of BC residents were exempt from the tax.
- Budget 2023 estimates the Speculation and Vacancy Tax revenue for fiscal year 2022/23 to be \$90 million, and to remain at this level for the following two fiscal years.
- Actual annual revenue may continue to change as there is a portion of property owners who are undeclared, and owners may amend a declaration for up to three years.

**Reporting Requirements**

- *The Speculation and Vacancy Tax Act* requires two reports:
  - An annual report: a report following the annual mayors' consultation. There is no timing requirement.
  - A comprehensive review: a review of the Act and its regulations. The review is legislatively required to be initiated before December 31, 2021, and produced at least once every 5 years after. It must take into account the effectiveness of the

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 21\_MO\_PLD\_Speculation Tax – General

**Phone:** 778 974-5354  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

legislation having regard to housing affordability, including vacancy rates, sale prices of residential property, rents for residential property and other relevant factors. The most recent five-year review was initiated in May 2021 and the report was prepared on June 22, 2022. It follows the inception of the Speculation and Vacancy Tax in 2016.

- Both must be made public (laid before the Legislative Assembly).

## **BACKGROUND:**

- On October 16, 2018, government introduced the *Speculation and Vacancy Tax Act*. The legislation helps tackle speculation in BC's housing market and helps turn empty properties into homes for people.
- Over 99 per cent of all British Columbians continue to be exempt from the Speculation and Vacancy Tax. Exemptions for British Columbians include principal residence, rented properties and special circumstances, such home renovations and for significant hardship.
- In July 2022, the province announced the expansion of the Speculation and Vacancy Tax - specified areas to include North Cowichan, Duncan, Ladysmith, Lake Cowichan, Lions Bay, and Squamish. The Speculation and Vacancy Tax becomes effective in these new areas beginning in the 2023 Speculation and Vacancy Tax year. Residential property owners in these communities will be required to declare for the first time in January, 2024.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 21\_MO\_PLD\_Speculation Tax – General

**Phone:** 778 974-5354  
**Page:** 4 of 8

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Speculation and Vacancy Tax

Advice/Recommendations

#### Answer:

- We knew from the beginning that it would not be easy to address issues in our real estate market and bring affordability to British Columbians.
- That's why our housing plan includes 30 actions to help return affordability to our province, in particular for our urban areas, including making the largest investment in housing in BC's history.
- Data from the Speculation and Vacancy Tax has shown that the tax has been successful in adding units to the long-term rental market and encouraging owners who were previously keeping their homes empty to either rent or to sell.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 21\_MO\_PLD\_Speculation Tax – General

**Phone:** 778 974-5354  
**Page:** 5 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Since the introduction of the Speculation and Vacancy Tax, over 20,000 condos have been added to the long-term rental market in the Vancouver area according to the Canada Mortgage and Housing Corporation.
- We've been carefully monitoring vacancy rates, home sales and housing prices to see how the market responds to our housing actions and to develop new policies designed to encourage long-term rentals and discourage real estate speculation.

Advice/Recommendations

**Answer:**

- It is not an either-or proposition. There are multiple factors impacting the market and the problem calls for multiple measures.
- Our 10-year plan, Homes for BC, is the largest investment in housing in BC's history, and it includes 30 actions to help return affordability to our province – in particular for our

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 21\_MO\_PLD\_Speculation Tax – General

**Phone:** 778 974-5354  
**Page:** 6 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

urban areas where the housing crisis has been most keenly felt.

- Since the plan's launch, the province has funded more than 40,000 affordable new homes, and BC has seen record housing starts and thousands of empty homes returned to the rental market, thanks in part to the Speculation and Vacancy Tax.
- This is not work that the province can do on its own and the people of BC rightly expect us to work together with all levels of government on this pressing need.
- We're still working on many of these measures – we're only five years into a 10-year plan.
- We've been carefully monitoring home sales and housing prices and to see how the market responds to our housing actions.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 21\_MO\_PLD\_Speculation Tax – General

**Phone:** 778 974-5354  
**Page:** 7 of 8

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Question: Why are you expanding the applicability of the tax to additional areas in BC?**

**Answer:**

● Advice/Recommendations

The new Speculation and Vacancy Tax - designated areas were chosen based on feedback received from stakeholders and an evaluation of several factors, including residential assessment increases, vacancy rates and potential for regional drift (speculation being driven to communities near Speculation and Vacancy Tax - designated areas).

- Government recently released the five-year Speculation and Vacancy Tax review report, and it shows that housing affordability has improved more in Speculation and Vacancy Tax areas than elsewhere in BC and Canada. These findings indicate that the Speculation and Vacancy Tax can help mitigate some of the pressures on housing affordability in areas where it is applied.

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**Page:** 8 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## **ISSUE: Insurance Related Issues**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The cost of insurance is increasing across Canada and around the world. Costs are being driven up by increases in catastrophic weather, supply chain issues and inflation.
- Earthquake insurance, in particular, is becoming less available and more expensive in the province.
- Ministry of Finance staff continue to work with the BC Financial Services Authority (BCFSA) and the insurance industry to determine what options, if any, are available to mitigate the increasing costs of insurance and to ensure insurance remains available in the province.

### **KEY FACTS:**

- Concerns around insurance affordability and availability were first identified by strata owners, strata council members, and other stakeholders in Fall 2019. Strata owners were seeing increases in insurance costs of up to 300 per cent and some strata properties had difficulty obtaining insurance at all.
- The BCFSA conducted an in-depth investigation into the causes of the rise in strata insurance prices in 2020 and did a follow-up in

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**Division:** Policy and Legislation  
Division

**Page:** 1 of 8

**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

2022, to understand whether strata insurance costs were continuing to increase. BCFSa concluded that, overall, there was a slight downward directional trend in the average premium insurers charge per dollar coverage. However, many of the factors driving up insurance costs (exposure to earthquakes and other catastrophic risks, construction costs, claim costs) are continuing to put pressure on premiums.

- The wildfire and atmospheric river events in 2021 also revealed that residential property insurance is not always available or adequate for all hazards. For example, flood insurance is generally only available in areas at low risk of flooding.
- In addition to risks from flooding and fire, BC, particularly the lower mainland and Vancouver Island, has significant earthquake hazard. With estimated potential damages from a large earthquake in the range of \$75 billion to \$100 billion, a major earthquake would far exceed any past natural catastrophe in Canadian history. The scale of damage from a large earthquake in Canada could exceed the financial capacity of the insurance industry to respond.
- As a result, insurers are taking actions to manage their exposure to earthquake risk, such as reducing the number of earthquake endorsements written in areas at high risk of earthquake, increasing premiums, and increasing deductibles.

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**Division:** Policy and Legislation  
Division

**Page:** 2 of 8

**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**BACKGROUND:**

- Insurance coverage and pricing is an ongoing business decision undertaken by insurers, based on a careful analysis of risk, market conditions, and regulatory requirements. All insurers authorized to conduct business in Canada are required to ensure they have sufficient capital, reserves, reinsurance, and access to funding to withstand catastrophic events.
- The Province and BCFSa undertook significant work in 2020 and 2021 to mitigate the high cost of strata insurance. For example, BCFSa worked with insurers to eliminate the industry practice of best terms pricing in the strata insurance market which may have helped to curb rising strata insurance costs. Both the Ministry of Housing and the Ministry of Finance worked together to make legislative changes meant to help ease insurance costs and increase transparency for strata lot owners and purchasers.
- The federal government created a Task Force on Flood Insurance in 2020, with a mandate to provide risk mitigation and insurance options for flood damage in high risk areas and has engaged with the provinces and territories, including BC, through a Provincial Territorial Task Team. Currently, flood insurance availability is limited in Canada and is generally not available in the highest risk areas.

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**Division:** Policy and Legislation  
Division

**Page:** 3 of 8

**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**CURRENT STATUS:**

- Ministry of Finance staff continue to engage with the BCFSa and the insurance industry to better understand the insurance market and what options, if any, may be available to help mitigate rising insurance costs and ensure continued availability.

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**Division:** Policy and Legislation  
Division

**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

**Phone:** 778-974-5354

**Page:** 4 of 8

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Insurance Related Issues

Advice/Recommendations

**Contact:** Renée Mounteney, ADM

**Division:** Policy and Legislation  
Division

**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

**Phone:** 778-974-5354

**Page:** 5 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Ministry of Finance continues to work with the BCFSA and the insurance industry to explore all options to address rising insurance.

**Question: Is insurance still available, including earthquake insurance?**

**Answer:**

Generally insurance continues to be available throughout the province although new earthquake insurance policies may not be available in the highest risk areas.

**Question: What else is government doing to address the increase in insurance premiums?**

**Answer:**

In addition to working with the BCFSA and the insurance industry to understand options for making insurance more affordable and available, government is also making investments to address some of the causes of higher insurance premiums, such as catastrophic weather events associated with climate change. For example, government's

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**Division:** Policy and Legislation  
Division

**Page:** 6 of 8

**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Climate Preparedness and Adaptation Strategy strengthens the province's capacity to anticipate, reduce and manage climate risks, which ultimately makes individuals better able to avoid some of the risks associated with climate change and less likely to have to make insurance claims.

**Question: Why isn't government introducing a cap on insurance premiums?**

**Answer:**

The insurance market is complex, and government needs to be careful to avoid distortions in the marketplace and long-term, unintended consequences. Capping premiums would likely lead to additional insurers leaving the market, which could lead to increased costs and lower availability over the longer term.

**Question: Are other jurisdictions also being impacted by the increases in insurance premiums?**

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**Division:** Policy and Legislation  
Division

**Page:** 7 of 8

**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Answer:**

Yes, we are hearing that other provinces are experiencing the same kinds of increases. This is not a concern that is specific to BC as most of the factors driving price increases, such as the pandemic, interest rates, and the hard market, will be felt nationally and internationally. However, some risks that are driving insurance premium increases are unique to BC relative to most other provinces, such as earthquake risk.

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Division**Page:** 8 of 8**File Name:** 22\_MO\_PLD\_ Insurance Related Issues

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## **ISSUE: Tax competitiveness for individuals**

### **ADVICE AND RECOMMENDED RESPONSE:**

- British Columbians pay some of the lowest personal income taxes among provinces.
- An individual earning \$80,000 a year would pay approximately \$1,280 less in personal income taxes in B.C. compared to Alberta.
- B.C. also offers a number of generous personal income tax credits.
- Under the BC Family Benefit, previously called the BC Child Opportunity Benefit, families can receive up to \$1,750 per month for their first child, up to \$1,100 for the second child, and up to \$900 for each child thereafter. Single parent families will also be eligible for an annual supplement of up to \$500. This is in addition to the temporary enhancement to the benefit in January, February, and March 2023, which provided up to an additional \$175 per child.
- The government has also continued to increase the maximum climate action tax credit for individuals and families in response to carbon tax rate increases.

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**File Name:** 23\_MO\_PLD\_Tax Competitiveness for Individuals

**Phone:** 778 974-5354

**Page:** 1 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- For the 2023/24 benefit year, the adult amount has been increased from \$193.50 to \$447, the spouse or common-law partner amount (or amount for the first child in single parent families) has been increased from \$193.50 to \$223.50, while the child amount has been increased from \$56.50 to \$111.50 per child. These amounts help offset the cost of the carbon tax for low- to moderate-income families. This is in addition to temporary enhancements paid out in October 2022, January 2023 (as the BC Affordability credit), and April 2023.

**KEY FACTS:**

- The government has increased taxes for high-income individuals:
  - In *Budget 2020*, a new tax bracket of 20.5 per cent was introduced for individuals earning more than \$220,000 starting in the 2020 taxation year.
  - In *Budget 2017 Update*, a new tax bracket of 16.8 per cent was introduced for individuals earning more than \$150,000 starting in the 2018 taxation year.
  - These new tax brackets have helped generate additional revenues to deliver infrastructure and services while keeping B.C.'s tax system competitive.

**Contact:** Renée Mounteney  
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**File Name:** 23\_MO\_PLD\_Tax Competitiveness for Individuals

**Phone:** 778 974-5354

**Page:** 2 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The 20.5 per cent tax bracket puts B.C.'s top marginal tax bracket in line with other provinces like Ontario and Quebec.
- Carbon taxes were increased between 2018 and 2022. Starting April 1, 2023, the carbon tax will be increased by \$15 per tonne on an annual basis until 2030. Despite these changes in tax rates, B.C. has generally maintained competitive personal income taxes.
  - Individuals earning \$22,600 or less don't pay any personal income taxes in B.C., Ontario, and Newfoundland.
  - Individuals earning \$30,000 to \$40,000 pay the second lowest amount of personal income taxes in B.C., with only individuals in Ontario having a lower burden.
  - Individuals earning \$50,000 to \$150,000 pay the lowest amount of personal income taxes in B.C. compared to any other province.
  - Appendix A provides an interprovincial comparison of personal income taxes, which is included in *Budget 2023*.
- In addition to a competitive personal income tax climate, B.C. provides several other beneficial tax incentives to individuals. These incentives include:
  - The BC Family Benefit, which was previously called the BC Child Opportunity Benefit, provides a benefit of up to \$1,750 for a family's first child, up to \$1,100 for a second child, and up to \$900 for every child thereafter. The government is also introducing a single parent supplement of up to \$500.

**Contact:** Renée Mounteney  
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**File Name:** 23\_MO\_PLD\_Tax Competitiveness for Individuals

**Phone:** 778 974-5354

**Page:** 3 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The climate action tax credit provides individuals or families with a credit to help offset the impact of carbon taxes, as well as addressing affordability through temporary enhancements. The government has announced plans to increase both the payment amounts and the income thresholds beginning in the July 2023 benefit year. This is in response to the scheduled carbon tax rate increases starting April 1, 2023.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 23\_MO\_PLD\_Tax Competitiveness for Individuals

**Phone:** 778 974-5354

**Page:** 4 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## APPENDIX A: *BUDGET 2023* – TABLE A4

### Interprovincial Comparisons of Provincial Personal Income Taxes Payable<sup>1</sup> – 2023

(Rates known as of February 1, 2023)

Taxable income	British Columbia	Alberta	Saskat- chewan	Manitoba	Ontario	Quebec <sup>2</sup>	New Brunswick	Nova Scotia	Prince Edward Island	New- foundland and Labrador
	Annual provincial taxes payable <sup>3</sup> (\$)									
\$10,000.....	0	0	0	0	0	0	0	0	0	0
\$20,000.....	0	0	108	816	0	0	0	590	322	0
\$30,000.....	520	693	1,079	1,845	300	1,097	1,035	1,503	1,588	1,527
\$40,000.....	1,275	1,617	2,049	2,897	1,210	2,404	2,201	2,987	2,809	2,331
\$50,000.....	1,845	2,542	3,020	4,088	2,334	3,887	3,276	4,470	4,121	3,604
\$60,000.....	2,574	3,466	4,184	5,280	3,230	5,535	4,600	5,957	5,432	4,982
\$70,000.....	3,321	4,424	5,389	6,508	4,121	7,194	5,958	7,641	6,932	6,392
\$80,000.....	4,091	5,424	6,639	7,783	5,186	8,856	7,358	9,337	8,602	7,842
\$100,000.....	5,857	7,424	9,139	11,251	7,228	12,179	10,237	12,724	11,942	10,956
\$125,000.....	8,831	9,924	12,264	15,601	11,394	17,214	14,237	17,099	16,478	14,906
\$150,000.....	12,436	12,566	15,535	19,951	15,747	22,579	18,237	21,474	21,071	18,883
	Provincial personal income taxes as a per cent of taxable income (%)									
\$10,000.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
\$20,000.....	0.0	0.0	0.5	4.1	0.0	0.0	0.0	3.0	1.6	0.0
\$30,000.....	1.7	2.3	3.6	6.1	1.0	3.7	3.4	5.0	5.3	5.1
\$40,000.....	3.2	4.0	5.1	7.2	3.0	6.0	5.5	7.5	7.0	5.8
\$50,000.....	3.7	5.1	6.0	8.2	4.7	7.8	6.6	8.9	8.2	7.2
\$60,000.....	4.3	5.8	7.0	8.8	5.4	9.2	7.7	9.9	9.1	8.3
\$70,000.....	4.7	6.3	7.7	9.3	5.9	10.3	8.5	10.9	9.9	9.1
\$80,000.....	5.1	6.8	8.3	9.7	6.5	11.1	9.2	11.7	10.8	9.8
\$100,000.....	5.9	7.4	9.1	11.3	7.2	12.2	10.2	12.7	11.9	11.0
\$125,000.....	7.1	7.9	9.8	12.5	9.1	13.8	11.4	13.7	13.2	11.9
\$150,000.....	8.3	8.4	10.4	13.3	10.5	15.1	12.2	14.3	14.0	12.6

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**File Name:** 23\_MO\_PLD\_Tax Competitiveness for Individuals

**Phone:** 778 974-5354

**Page:** 5 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Tax Competitiveness for Businesses

### ADVICE AND RECOMMENDED RESPONSE:

- Business competitiveness is not solely dependent on taxation but rather a wide range of factors that drive economic productivity.
- For a small open economy like B.C., factors such as access to talent and capital, high quality physical and social infrastructure, strong public healthcare, and a business climate that supports innovation are key to gaining advantage in the global marketplace.
- Government recognizes the importance of listening to businesses owners and entrepreneurs to help them grow and succeed.
- This government has taken steps to support B.C. businesses through the taxation system. These supports include:
  - Expanding access to the small business corporate income tax rate so that businesses can invest and grow while still benefiting from the reduced rate.
  - Eliminating the provincial sales tax on electricity for businesses.

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**File Name:** 24\_MO\_PLD\_Tax Competitiveness for Businesses

**Phone:** 778 974-5354  
**Page:** 1 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Continuing to provide tax credits to support numerous industries, such as film, research and development, shipbuilding, book publishing, clean technology, and construction. Such tax credits have helped reduce costs to employers and allowed these businesses the opportunity to reinvest profits to hire and retain employees.
- Undertaking the Property Assessment Strategic Review to find a long-term solution that will provide relief to certain small businesses paying high property taxes.
- Expanding the hydrogen exemption for motor fuel tax, reducing input costs and benefiting businesses in the transportation sector.
- B.C. also has a low corporate income tax rate:
  - At two per cent, B.C. is tied with Alberta for the fourth lowest small business corporate income tax rate among provinces. B.C. has also expanded access to this rate so that more B.C. businesses will be able to scale up while remaining eligible for the reduced rate for longer.

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**File Name:** 24\_MO\_PLD\_Tax Competitiveness for Businesses

**Phone:** 778 974-5354  
**Page:** 2 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- At 12 per cent, B.C. is tied with Saskatchewan and Manitoba for the fourth lowest general corporate income tax rate.
- Large industrial operations can also receive incentives of their carbon tax payments above \$30 per tonne under the CleanBC Program for Industry if their emissions meet or beat world-leading emissions benchmarks.
- Additionally, in 2024, large industry will transition to a made-in-B.C. output-based pricing system, which will allow for multiple compliance options, including compliance charges, credit-trading, and offsets.

**KEY FACTS:**

- Over the past few years, B.C. has faced criticisms of tax competitiveness challenges from organizations such as the Fraser Institute or Business Council of B.C., particularly with respect to business tax competitiveness.

Advice/Recommendations

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**File Name:** 24\_MO\_PLD\_Tax Competitiveness for Businesses

**Phone:** 778 974-5354  
**Page:** 3 of 5

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

Advice/Recommendations

- The following table summarizes the various provincial taxes corporations face across Canada:

**Interprovincial Comparisons of Tax Rates – 2023  
(Rates known and in effect as of February 1, 2023)**

Tax	British Columbia	Alberta	Saskat- chewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfound- land and Labrador
<b>Corporate income tax</b>										
(per cent of taxable income)										
General rate .....	12	8	12	12	11.5	11.5	14	14	16	15
Manufacturing rate <sup>1</sup> .....	12	8	10	12	10	11.5	14	14	16	15
Small business rate .....	2	2	0	0	3.2	3.2	2.5	2.5	1	3
Small business threshold (\$000s) .....	500	500	600	500	500	500	500	500	500	500
<b>Corporation capital tax (per cent)</b>										
Financial <sup>2</sup> .....	<i>Nil</i>	<i>Nil</i>	0.7/4	6	<i>Nil</i>	1.25	4/5	4	5	6
Payroll tax (per cent) <sup>3</sup> .....	1.95	<i>Nil</i>	<i>Nil</i>	2.15	1.95	4.26	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	2
<b>Insurance premium tax</b>										
(per cent) <sup>4</sup> .....	2/7	3/4	3/4	2/4	2/3.5	3.3	2/3	3/4	3.75/4	5
<b>Fuel tax (cents per litre) <sup>5</sup></b>										
Gasoline .....	25.55	11.05	26.05	25.05	29.86	32.43	34.75	27.85	32.44	39.00
Diesel .....	28.01	13.41	28.41	27.41	37.38	40.04	50.29	34.37	48.83	50.34
<b>Sales tax (per cent) <sup>6</sup></b>										
General rate .....	7	<i>Nil</i>	6	7	8	9.975	10	10	10	10

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**File Name:** 24\_MO\_PLD\_Tax Competitiveness for Businesses

**Phone:** 778 974-5354  
**Page:** 4 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Tax Competitiveness for Businesses

Advice/Recommendations

**Contact:** Renée Mounteney  
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**File Name:** 24\_MO\_PLD\_Tax Competitiveness for Businesses

**Phone:** 778 974-5354

**Page:** 5 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Treaty Nations' Property Tax Exemptions for Members

### ADVICE AND RECOMMENDED RESPONSE:

- Amendments to the *Nisga'a Final Agreement Act* and *Treaty First Nation Taxation Act* will enable Modern Treaty Nations to self-determine property tax exemptions for their members or citizens, as the case may be.
- This will provide flexibility for Treaty Nations to broadly determine when, and if, it is appropriate for property taxation to apply to property interests of their members on their treaty lands.
- This measure is the result of collaborative engagement with the Nisga'a Nation and Treaty First Nations and aligns with government's reconciliation commitments to self-determination and the inherent right of self-government under the Declaration Act Action Plan.

### KEY FACTS:

- The amendments to the *Nisga'a Final Agreement Act* and *Treaty First Nation Taxation Act* will enable Modern Treaty Nations to establish property tax exemptions for their members or citizens for property on their treaty lands at their discretion.

**Contact:** Renée Mounteney  
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**Page:** 1 of 5

**File Name:** 25\_MO\_PLD\_Treaty Nations' Property Tax Exemptions for Members

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The proposed measure will enable Modern Treaty Nations to provide exemptions for all members or constituents (regardless of registered Indian status) for property interests anywhere on their treaty lands, not just former reserve lands.
- The province's treaty obligations to notify and consult on the proposed legislation with the Modern Treaty Nations were fully met.
- This measure was developed collaboratively and in consultation with the Modern Treaty Nations and aligns with B.C.'s reconciliation commitments to self-determination and inherent right of self-government under the Declaration Act Action Plan.
- This measure will not prevent any Modern Treaty Nation from taxing their members if it chooses to.
- The proposed measure does not create fiscal impacts for the Province. In treaty arrangements, the Province vacates its property tax room on treaty lands (school and rural/municipal tax room).
- The proposed legislation is narrowly targeted to Modern Treaty Nations and only applies to property tax on their treaty lands. This enabling measure does not have implications for non-members, who remain subject to Modern Treaty Nation property taxes on treaty lands, or other types of taxes.
- Unique to the *Treaty First Nation Taxation Act*, the proposed measure improves upon and will replace a regulation making power to establish time limited exemptions from property taxation on a taxing Treaty First Nation's treaty lands.

**Contact:** Renée Mounteney  
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**Phone:** 778 974-5354  
**Page:** 2 of 5

**File Name:** 25\_MO\_PLD\_Treaty Nations' Property Tax Exemptions for Members

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**BACKGROUND:**

- The province is reviewing the provincial approach to property taxation in modern treaty arrangements to respond to concerns by Modern Treaty Nations on what, in their view, are limited and unacceptable provincial mandates and approaches.
- Modern Treaty Nations have expressed that their inability to exempt members or constituents from property tax on their treaty lands is inconsistent with the principle of self-determination.

***Treaty First Nation Taxation Act* regulation power**

- In 2021, the *Treaty First Nation Taxation Act* was amended to establish a regulation-making power for the Lieutenant Governor in Council to provide or enable time-limited property tax exemptions for eligible treaty members for property on eligible treaty lands.
- This regulation-making power was identified as necessary by the province and Treaty First Nations as a short-term measure to support continued work on property tax systems on treaty lands.
- The Tsawwassen First Nation has an active regulation to exempt Tsawwassen Members from property taxation on Tsawwassen Lands under this power that will expire January 1, 2024.

**Contact:** Renée Mounteney  
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**Phone:** 778 974-5354  
**Page:** 3 of 5

**File Name:** 25\_MO\_PLD\_Treaty Nations' Property Tax Exemptions for Members

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Section 87 of the *Indian Act***

- Separately, but indirectly related, B.C.'s existing modern treaties were negotiated under a policy approach that phased out the section 87 tax exemption under the *Indian Act* for eligible treaty beneficiaries on the area of treaty lands that were formerly reserve lands.
  - Under this approach, the tax exemption was phased out after 8 years for transaction taxes (e.g., sales taxes) and after 12 years for all other taxes (e.g., income and property taxes).
- In summer 2022, Canada and B.C. changed their approaches to the transitional tax exemption for treaty members or citizens. The new policy allows the section 87 of the federal *Indian Act* tax exemption to continue indefinitely for federal and provincial taxes.
- The section 87 exemption applies to modern treaty beneficiaries with Indian status, on the Treaty Nation's former reserve lands.
- The proposed amendments are broader than the section 87 approach. They would apply to all members or citizens of a Modern Treaty Nation, regardless of status, and on all of their treaty lands, not just their former reserve lands.

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**File Name:** 25\_MO\_PLD\_Treaty Nations' Property Tax Exemptions for Members

**Phone:** 778 974-5354  
**Page:** 4 of 5

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWER

### **ISSUE: Treaty Nations' property tax exemptions for members**

**Question: Did Modern Treaty Nations ask for the ability to provide exemptions from property taxation? Were they consulted on this change?**

**Answer:**

Yes. Modern Treaty Nations have expressed that the inability to exempt members or citizens from property tax on their treaty lands is inconsistent with the principle of self-determination. That is why, we are making this change. We are committed to supporting work that helps improve existing treaties and supports the conclusion of new ones.

**Question: What are the potential impacts on the Province's finances, if any?**

**Answer:**

There are no fiscal impacts to the province's revenues. Property tax revenues raised by Modern Treaty Nations on treaty lands are Modern Treaty Nation revenues, not provincial revenues.

**Contact:** Renée Mounteney  
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**Phone:** 778 974-5354  
**Page:** 5 of 5

**File Name:** 25\_MO\_PLD\_Treaty Nations' Property Tax Exemptions for Members

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## ISSUE: Local Government Fiscal Framework – UBCM

### ADVICE AND RECOMMENDED RESPONSE:

- We are committed to having open, honest, and constructive conversations with local governments about their finance system, and how we can work together to better serve British Columbians.
- Provincial staff from the Ministry of Finance and Ministry of Municipal Affairs are engaged in active discussions with the Union of BC Municipalities (UBCM) through a working group focused on strengthening the local government finance system.
- These discussions support the Memorandum of Understanding signed in early 2022 in response to UBCM's report, *Ensuring Local Government Financial Resiliency*.
- The Province has announced a number of measures in Budget 2023 that address key elements of local government financial resiliency, adding to the \$1 billion *Growing Communities Fund* included in Supplemental Estimates for 2022/23.

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**Phone:** 778-974-5354  
**Page:** 1 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- UBCM's report on local government financial resiliency identified attainable housing, community safety, and climate change as three major cost drivers for local governments.
- Earlier this year, this government added a further \$180 million to the Community Emergency Preparedness Fund to support projects that help local governments and First Nations prepare communities for the risks of natural hazards and lessen the effects before disasters happen.
- Through Supplementary Estimates, this government is providing essential supports to local governments to address pressing issues:
  - \$1 billion to all local governments to help with the costs of upgrading, adding capacity, and extending infrastructure and amenities to support additional housing supply.
  - \$450 million to support certain local governments in meeting public and environmental health regulations in a time-sensitive manner: with drinking water, wastewater and solid waste systems, and reducing greenhouse gas emissions.
  - \$150 million to help local, remote, and Indigenous communities with planning, preparation, and implementation of technology for the transition to Next Gen 911.
  - \$100 million for the Watershed Security Fund, which will ensure communities have good quality water.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 26\_MO\_PLD\_Local Government Fiscal Framework – UBCM

**Phone:** 778-974-5354  
**Page:** 2 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- \$75 million more for new highway cellular coverage across the province and bring improved connectivity to more than 78 communities in the southeast region of the province.
- \$45 million for public libraries, a core community service all over the province.
- Budget 2023 includes the following measures that support local governments in addressing their major cost drivers:

**Attainable Housing**

- \$4.2 billion in operating and capital funding for a refreshed housing strategy including, \$57 million to unlock more homes through new residential zoning measures and reducing time and cost of local government approval processes.

**Community Safety**

- \$230 million for policing, including specialized, rural police services, with up to 256 new RCMP officers in B.C.
- \$87 million for Corrections and enforcement programs, including repeat violent offenders and special investigative units, easing the burdens on municipal police budgets.
- \$867 million to strengthen mental health, addictions and treatment services, including \$97 million in operating funding for complex care housing units.
- \$169 million in capital funding under the housing strategy to build more complex care housing units.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 26\_MO\_PLD\_Local Government Fiscal Framework – UBCM

**Phone:** 778-974-5354  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- Automated External Defibrillators (AEDs) are exempt from provincial sales tax, offering a cost savings for local government fire and recreation facilities.

**Climate Change**

- \$750 million in Contingencies funding for climate and emergency response to support continued recovery efforts from recent climate emergencies.
- \$567 million for climate resiliency, including funding for active transportation and emergency management programs; these include capacity-building programs for disaster risk assessment, preparedness and mitigation, and collaborative efforts to make communities more resilient.
- \$40 million for the CleanBC Go Electric Commercial Vehicle Pilots Program, which supports eligible recipients, including local governments and Indigenous governments, looking to deploy zero-emission vehicles.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 26\_MO\_PLD\_Local Government Fiscal Framework – UBCM

**Phone:** 778-974-5354  
**Page:** 4 of 8

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Local Government Fiscal Framework

Advice/Recommendations

#### Answer:

- We are at our strongest when everyone, rural and urban, shares in the benefits of a strong economy.
- UBCM's 2021 report describes challenges facing local governments, including helping British Columbians attain housing, keeping our communities safe, and facing the impacts of climate change.
- Infrastructure that was built in the last century is aging around the province, and all governments share the question of how to maintain and renew critical systems at a time when borrowing costs are on the rise.
- The MOU signed with UBCM in 2022 acknowledges the complexity and diversity of topics affecting both provincial and local governments.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 26\_MO\_PLD\_Local Government Fiscal Framework – UBCM

**Phone:** 778-974-5354

**Page:** 5 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Question: What is the Province-UBCM working group doing to address the local government finance system?**

**Answer:**

- The working group has a three-year timeline to bring forward recommendations to government.
- One of the principles in the MOU is a commitment to evidence-based decisions – meaning that to find solutions to many of the cost challenges we face, it's important to work with the same data and have the same understanding of the issues.
- Early work has focused on understanding each of the UBCM report's 20 recommendations and connecting those to work already being done by the Province and partners.
- The working group is also considering the potential impacts of emerging economic trends and environmental events on revenues and expenditures for local governments.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 26\_MO\_PLD\_Local Government Fiscal Framework – UBCM

**Phone:** 778-974-5354  
**Page:** 6 of 8

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

**Question: There are 20 recommendations in the UBCM Report. Will the Province look at all 20? Which recommendations will be considered first?**

**Answer:**

- The working group has developed work plans that focus their collaboration on areas of mutual benefit. When developing these work plans, the working group considered every recommendation.
- The establishment of the MOU and working group itself addresses the reports' Recommendation #2.
- Some of the recommendations are already being addressed through actions in progress:
  - The working group has selected a set of metrics to monitor the impacts of New Economy trends on local government finances (Recommendation #1).
  - The Province and UBCM are collaborating on negotiations with the federal government regarding federal/provincial infrastructure cost-share agreements (Recommendation #3).
  - Provincial and federal funding continue to be available to support local governments to develop and

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 26\_MO\_PLD\_Local Government Fiscal Framework – UBCM

**Phone:** 778-974-5354

**Page:** 7 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

implement asset management practices  
(Recommendation #4).

- Other recommendations are being explored by the working group through presentations and discussions with provincial and local government officials.
- The short term workplan was made public for last year's UBCM convention in September and can be found online at [www.ubcm.ca](http://www.ubcm.ca).
- In the coming year, the working group will continue to share knowledge and hold discussions about the major cost drivers and tools to strengthen local government financial resiliency.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation  
**File Name:** 26\_MO\_PLD\_Local Government Fiscal Framework – UBCM

**Phone:** 778-974-5354  
**Page:** 8 of 8

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

## **ISSUE: Purpose-built Rental Exemption from Further 2 per cent Property Transfer Tax**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Budget 2023 announced that taxable transactions of new eligible purpose-built rental properties made on or after January 1, 2024 will be exempted from the further 2 per cent property transfer tax.
- This new budget measure builds on the rental housing revitalization tax exemption provided in Budget 2018 to meet point 28 of government's 30-point housing plan (encouraging more rentals via property tax exemptions).
- The intent is to encourage the construction of purpose-built rental buildings and ensure additional transaction costs are not downloaded onto renters.

### **KEY FACTS:**

- In 2018, government introduced a new tier of property transfer tax as one of the many 10-year housing plan measures intended to help moderate the market.
- The further 2 per cent property transfer tax applies to residential property values above \$3 million.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 27\_MO\_PLD\_Purpose Built Rentals

**Phone:** 778 974-5354

**Page:** 1 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The *Budget Measures Implementation Act 2023* amends the *Property Transfer Tax Act* to provide an exemption for new purpose-built rental buildings from the further 2 per cent property transfer tax.
- The intent is to minimize tax liability for these types of transactions, so costs are not downloaded onto tenants and to encourage construction of purpose-built rental buildings, which offer more secure housing than the secondary rental market (suites, condominiums etc.).
- Compared to stratified buildings (such as condominiums) where units can be sold individually, purpose-built rental building transactions usually involve multiple units being sold together resulting in higher combined value in a single transaction.
- As such, transactions of purpose-built rental buildings are more likely to be subject to the further 2 per cent property transfer tax than individual sales of stratified units, leading to higher unit costs for purpose-built rental buildings.
- The exemption will help level the playing field between purpose-built rental buildings and stratified buildings and induce increased supply of purpose-built rental housing.
- To be eligible for this exemption, the property must be:
  - Newly built as a rental building
  - Not previously occupied as a residence
  - Have at least four separate apartments in the residential portion of the property.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 27\_MO\_PLD\_Purpose Built Rentals

**Phone:** 778 974-5354  
**Page:** 2 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- The entire residential portion of the property must be rented/offered for rent on at least a monthly basis for not less than 10 years.
- Fiscal impacts are difficult to predict and will be highly dependent on market conditions and housing plan measures. The estimated cost of this measure is approximately \$1.25 million for fiscal year 2023/24, and \$5 million for 2024/25.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 27\_MO\_PLD\_Purpose Built Rentals

**Phone:** 778 974-5354  
**Page:** 3 of 7

MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### **ISSUE: Purpose-built Rental Exemption from Further 2 per cent Property Transfer Tax**

**Question: What does the further 2 per cent PTT apply to and when was it introduced?**

**Answer:**

- The general PTT applies to all purchases or gains in interest in property that are registered at the Land Title Office. The general PTT tax rates are:
  - 1 per cent of the fair market value up to and including \$200,000
  - 2 per cent of the fair market value greater than \$200,000 and up to and including \$2,000,000
  - 3 per cent of the fair market value greater than \$2,000,000
- A further 2 per cent PTT is applied to residential property values that exceed \$3 million (for a total of 5 per cent).

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 27\_MO\_PLD\_Purpose Built Rentals

**Phone:** 778 974-5354  
**Page:** 4 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

- If the property is mixed class (such as residential and commercial), the further 2 per cent PTT only applies to the residential portion of the property that exceeds \$3 million.
- This increased tax on residential property applies to all Class 1 (residential) property, including apartment buildings.
- The further 2 per cent PTT was introduced in Budget 2018 as part of the 30-Point housing plan as a measure to tax those who have benefitted the most from the rising real estate market.

**Question: What is the intent of this exemption?**

**Answer:**

- This measure builds on the rental housing revitalization tax exemption provided in Budget 2018 to meet point 28 of Government's 30-point housing plan – encouraging more rentals via property tax exemptions.
- Unlike stratified units that can be sold individually, purpose-built rental buildings are more likely to be subject to the further 2 per cent PTT as they contain multiple units that

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 27\_MO\_PLD\_Purpose Built Rentals

**Phone:** 778 974-5354

**Page:** 5 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

transact at a higher combined value. This often results in higher unit costs for purpose-built rental buildings.

- This exemption is intended to reduce overall unit costs that could otherwise be downloaded onto tenants by eliminating the further 2 per cent PTT.
- It is also intended to help level the playing field between purpose-built rental buildings and stratified buildings and induce increased supply of purpose-built rental housing to address the critical shortage of this type of housing.

**Question: When does this exemption take effect?**

**Answer:**

- This will be effective for taxable transactions made on or after January 1, 2024.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 27\_MO\_PLD\_Purpose Built Rentals

**Phone:** 778 974-5354  
**Page:** 6 of 7

**MINISTRY OF FINANCE  
POLICY AND LEGISLATION DIVISION  
ISSUE NOTE**

**Question: How does a property qualify for this exemption?**

**Answer:**

- For a purpose-built rental property to be exempt from the further 2 per cent PTT, it must be:
  - Newly built as a rental building
  - Not previously occupied as a residence
  - Have at least four separate apartments in the residential portion of the building
  - The entire residential portion must be rented/offered for rent on at least a monthly basis for not less than 10 years.
- There are also declaration and notification requirements for the transferee (i.e., the purchaser of the qualifying purpose-built rental building). The Ministry will have an audit process in place and there are claw back and penalty provisions included in the legislation to address non-compliance.

**Contact:** Renée Mounteney  
**Division:** Policy and Legislation Division  
**File Name:** 27\_MO\_PLD\_Purpose Built Rentals

**Phone:** 778 974-5354  
**Page:** 7 of 7

## **ISSUE: Provincial Labour Relations & 2022 Shared Recovery Mandate**

### **ADVICE AND RECOMMENDED RESPONSE:**

- About 348,000 people are covered by tentative and ratified agreements settled under the Shared Recovery Mandate – which is about 89 per cent of unionized employees in the provincial public sector.
- There are still a number of tables negotiating under the Province's 2022 Shared Recovery Mandate, and it is important to respect the collective bargaining process and leave those discussions between the parties.
- Negotiations under the Shared Recovery Mandate support government's key priorities to improve public services and the health care system, while supporting the Province's continued economic recovery.
- Government is committed to building a strong, inclusive, and sustainable economy by investing in infrastructure and services that bring opportunities for all.

<b>Contact:</b>	Carmen Zabarauckas, ADM	<b>Phone:</b>	Government
<b>Division:</b>	Public Sector Employers' Council Secretariat	<b>Page:</b>	1 of 9
<b>File Name:</b>	01_PSEC_Provincial Labour Relations and 2022 Shared Recovery Mandate		

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

**KEY FACTS:**

- Negotiations under the 2022 Shared Recovery Mandate have been underway at several tables since February 2022.
- There are just over 500,000 people working across the provincial public sector, including the core Public Service, Crown corporations, health, community social services, K-12 public education, post-secondary institutions, and research universities.
- Of those people, approximately 393,000 are unionized employees paid under collective agreements or professionals paid through negotiated compensation agreements.
- The government and provincial public sector employers spend about \$38.6 billion annually on compensation or equivalent to roughly half of the Province's budget.
- An increase of 1 per cent in total compensation for all B.C. public sector employees is estimated to cost \$386 million; for unions and other negotiated agreements, a 1 per cent increase would cost nearly \$311 million.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 01\_PSEC\_Provincial Labour Relations and 2022 Shared Recovery Mandate

**Phone:** Government  
**Page:** 2 of 9

## QUESTIONS AND ANSWERS

### ISSUE: Provincial Labour Relations & 2022 Shared Recovery Mandate

**Question: What is the status of negotiations under the Shared Recovery Mandate? Which agreements are outstanding?**

**Answer:**

- There are tentative and ratified agreements in every part of the B.C. public sector covering 89 per cent of the people who work in health and community social services, in K-12 public education, the Public Service, at research universities and Crown corporations, and at colleges, institutes and teaching universities.
- There are several agreements being negotiated at Crown corporations, research universities, colleges, institutes, and teaching universities which make up the vast majority of where settlements are still outstanding.

<b>Contact:</b>	Carmen Zabarauckas, ADM	<b>Phone:</b>	Government
<b>Division:</b>	Public Sector Employers' Council Secretariat	<b>Page:</b>	3 of 9
<b>File Name:</b>	01_PSEC_Provincial Labour Relations and 2022 Shared Recovery Mandate		

**Question: Has there been any change to the headcount and compensation base data since 2022?**

**Answer:**

- With active negotiations underway across the public sector, we have not updated the compensation base.
- The new 2023 public sector compensation data forecast will be available in the coming months.

Advice/Recommendations

**Answer:**

- The pandemic experience has taught us that vital public services that people depend on must be a priority.
- Having access to vital public services means increasing the number of people who are qualified to provide them – plus public sector employers across the country are experiencing shortages in key occupations making this a very tight labour market to be hiring.
- As we outlined in Budget 2023, now is not the time to cut services, especially in health care, where we are focused on ensuring people can get the services they need while we

<b>Contact:</b>	Carmen Zabarauckas, ADM	<b>Phone:</b>	Government
<b>Division:</b>	Public Sector Employers' Council Secretariat	<b>Page:</b>	4 of 9
<b>File Name:</b>	01_PSEC_Provincial Labour Relations and 2022 Shared Recovery Mandate		

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

also take care of the workers by increasing capacity to manage workload – and that means hiring more people.

- That's why as our population increases and ages, we're adding \$2.6 billion to meet the growing demand for health services, including cancer care, and many other areas that are being expanded to help British Columbians.
- For the first time in nearly 30 years, we have a public sector bargaining mandate that is providing workers with significant inflation protection, while ensuring that government has the resources to build a stronger province for everyone.

Advice/Recommendations

**Question: What is the scope of the B.C. public sector?**

**Answer:**

- There are just over 500,000 people working across the provincial public sector, including the core Public Service, Crown corporations, health, community social services, K-

**Contact:** Carmen Zabarauckas, ADM

**Division:** Public Sector Employers' Council Secretariat

**File Name:** 01\_PSEC\_Provincial Labour Relations and 2022 Shared Recovery Mandate

**Phone:** Government

**Page:** 5 of 9

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

12 public education, postsecondary institutions, and research universities.

- Of those people, approximately 393,000 are unionized employees paid under collective agreements or professionals paid through negotiated compensation agreements.

**Question: How many agreements that expired in 2022 have been settled under the mandate?**

**Answer:**

- There are 184 collective agreements that mostly expired on March 31, 2022, and some in the K-12 sector on June 30, 2022.
- Of the 184 agreements, all of those in K-12 public education, community social services, most of the Public Service and the health sector are either tentative or already ratified.
- The outstanding tables are mainly at the Crown corporations, at post-secondary institutions and at research universities.

**Contact:** Carmen Zabarauckas, ADM

**Division:** Public Sector Employers' Council Secretariat

**File Name:** 01\_PSEC\_Provincial Labour Relations and 2022 Shared Recovery Mandate

**Phone:** Government

**Page:** 6 of 9

**Question: What are the key priorities for this round?**

**Answer:**

- Protecting the services people depend on
- Improving health care and preparing for future challenges
- Supporting a strong economic recovery that includes everyone

**Question: What are the wage costs of the Shared Recovery Mandate in Budget 2023?**

**Answer:**

- The 2022 Shared Recovery Mandate is estimated to cost \$10.8B over the three-year mandate term.
- The cost of wages will total just over \$15B for the three-year fiscal period.

Advice/Recommendations

- From the outset of this round of bargaining, we said these negotiations were aimed at supporting government's key priorities to improve public services and the health care

<b>Contact:</b>	Carmen Zabarauckas, ADM	<b>Phone:</b>	Government
<b>Division:</b>	Public Sector Employers' Council Secretariat	<b>Page:</b>	7 of 9
<b>File Name:</b>	01_PSEC_Provincial Labour Relations and 2022 Shared Recovery Mandate		

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

system, while stabilizing the Province's economic and fiscal recovery for all.

- While the bargaining mandate covers compensation for status quo service delivery, the key priorities to improve public services are also managed through ministry policies and initiatives that are developed or refined during negotiations.
- The mandate provides flexibility where we need to make changes to address new challenges like shortages and capacity, and to resolve some longstanding service delivery and operational issues while ensuring that it's sustainable now and in the future.

**Question: Have all agreements under the 2019 Sustainable Services Negotiating Mandate been completed?**

**Answer:**

- There is one outstanding agreement under the previous mandate, and it is with the Crown Counsel Association of BC.
- The agreement with Crown Counsel covers about 534 prosecutors.

**Contact:** Carmen Zabarauckas, ADM

**Division:** Public Sector Employers' Council Secretariat

**File Name:** 01\_PSEC\_Provincial Labour Relations and 2022 Shared Recovery Mandate

**Phone:** Government

**Page:** 8 of 9

MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE

**Question: Last year, the BC Crown Counsel Association took out ads claiming that the employer is seeking to eliminate a compensation linkage to judges. Will this compromise recruitment and retention of these prosecutors? What is the issue preventing the parties from reaching a settlement?**

**Answer:**

- The BC Crown Counsel Association and the BC Public Service Agency have been working to reach a new collective agreement and have been able to agree on a range of issues.
- While Crown Counsel has been working under an expired agreement for the past four years, they have received annual salary increases because they are tied to provincial court judges.
- A central issue is that Crown Counsel wants to continue linking their salaries to provincial court judges.
- We expect the parties will return to negotiations in the near future and hope they can reach a mutually satisfactory settlement so that they can begin to implement the important provisions they have already agreed to.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 01\_PSEC\_Provincial Labour Relations and 2022 Shared Recovery Mandate

**Phone:** Government  
**Page:** 9 of 9

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTION AND ANSWERS**

## **ISSUE: Provincial Public Sector Management Compensation**

### **ADVICE AND RECOMMENDED RESPONSE:**

- It is important to recognize the tremendous work of excluded management and unionized staff in delivering vital public services.
- Overall, we expect that management salaries will increase consistent with the wage increases under the Shared Recovery Mandate.
- As a general approach, we want to avoid creating salary compression or inversion between management and unionized workers in the provincial public sector.
- For included wages, the salary range and steps within the range are “aged” based on the mandate.
- Our approach to management increases is slightly different. Like included staff, the approach sets overall compensation guidelines for managers who are then paid within approved salary ranges with minimum and maximum boundaries. Generally, those salary ranges are adjusted (aged) to reflect the General Wage Increases for unionized employees.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 02\_PSEC\_Public Sector Excluded Compensation

**Phone:** Government  
**Page:** 1 of 6

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTION AND ANSWERS**

- Movement within ranges is based on performance rather than pre-defined steps. This provides employers the ability to provide increases based on an individual's performance.

**KEY FACTS:**

- Most public sector employers have formal, Minister-approved compensation plans that set out detailed salary ranges (minimums and maximums) for their management positions. Employers cannot pay more than the approved maximums without the Minister's approval.
- Within the approved salary ranges, employers can make in-range salary adjustments consistent with Minister-approved policy direction.
- For managers and many Vice Presidents (VPs), compensation policy for 2022/23 permits performance-based, in-range increases where:
  - Any increase of 5 to 10 per cent must be reported to the PSEC Secretariat annually
  - Any increase more than 10 per cent needs approval from the PSEC Secretariat
- Vice Presidents of health authorities, research universities, and large self-funded Crowns (BC Hydro, ICBC, BC Lottery Corporation and WorkSafeBC) were eligible for a salary increase of up to 4 per cent in 2022/23.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 02\_PSEC\_Public Sector Excluded Compensation

**Phone:** Government  
**Page:** 2 of 6

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTION AND ANSWERS**

- For CEOs, Boards are permitted to provide performance-based increases of up to 4 per cent in 2022/23 for all sectors, with exception of the post-secondary sector, where Presidents may receive up to 5 per cent annually until their compensation maximum is reached.
- Increases for CEOs beyond this amount require approval from the Minister responsible for the Public Sector Employers Act.
- Management and Executive Compensation was frozen between 2012 and 2016. Between 2016 and 2018, all senior executives (CEOs and VPs) were limited to in-range, performance-based increases of up to 2 per cent.

**BACKGROUND:**

- From 2016 to September 2018, employers in the broader public sector were limited to increases of up to 2 per cent for excluded management employees and executives.
  - CEOs and VPs of health authorities, research universities, and large self-funded Crowns (including BC Hydro, ICBC, BC Lottery Corporation and WorkSafeBC) were not permitted to receive a 2 per cent increase until 2018.
- Effective September 1, 2018, public sector employers were given the authority to utilize a more flexible approach to making decisions within the bounds of their approved compensation or implementation plans.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 02\_PSEC\_Public Sector Excluded Compensation

**Phone:** Government  
**Page:** 3 of 6

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTION AND ANSWERS**

- This policy that provides more flexibility remains in place today.
- On August 31, 2020, in response to the pandemic, government communicated that public sector employers could not provide compensation increases or adjustments to executive-level employees for the 2020/21 performance year.
- This policy applied to the CEOs, Vice Presidents, and equivalent senior executive roles within the organization with an annualized salary of \$125K or greater in the public service, Crown agencies, research universities, post-secondary institutions, health, and K-12 education sectors. It also applied to employers' associations.
- This policy did not impact in-range salary increases related to the 2019/20 performance year that had not yet been implemented.
- All public sector employers complied with the policy and disclosed it properly.

**ISSUE: Public Sector Excluded Compensation**

**Question: What about excluded management increases – are they getting the same increases as those settled with unionized employees under the Shared Recovery Mandate?**

**Answer:**

- Typically, the management salary bands or ranges are increased consistent with percentage general wage increases provided to unionized employees under a provincial mandate. But within those

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 02\_PSEC\_Public Sector Excluded Compensation

**Phone:** Government  
**Page:** 4 of 6

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTION AND ANSWERS**

salary ranges, the actual in-range increases for managers are based on individual performance.

- Employers have the flexibility to provide performance-based increases to management within budget and consistent with government compensation policies.
- After several major collective agreements were ratified under the Shared Recovery Mandate, which includes average general wage increases for unionized staff of approximately 4 per cent in fiscal 2022/23, public sector employers were permitted to 'age' salary ranges by 4 per cent in 2022, up to and including executive level employee ranges. Employers had the ability to implement these salary range changes retroactively to April 1, 2022.
- These management increases help to prevent compression and inversion with unionized staff while also recognizing performance and the vital contributions that ensure consistent service delivery across the public sector.

**Question: Do executives also get the same increases as the unionized workers?**

**Answer:**

- In alignment with the performance reviews of CEOs, public sector Boards were permitted to provide performance-based increases of up to 4 per cent for Presidents and CEOs. Presidents and CEOs were previously limited to in-range, performance-based increases of up to 2 per cent.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 02\_PSEC\_Public Sector Excluded Compensation

**Phone:** Government  
**Page:** 5 of 6

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTION AND ANSWERS**

**Question: Were these increases all funded?**

**Answer:**

- We recognized that there were going to be inevitable cost pressures on organizations to provide management salary increases generally consistent with the unionized general wage increases.
- For government-funded organizations, including public sector Crown corporations, we can confirm that funding to support average management increases of 4 per cent in 2022/23.

**Question: Will excluded management employees automatically get the next unionized increase of up to 6.75 per cent now that the Year 2 COLA has been confirmed?**

**Answer:**

- A decision hasn't been made for the 'aging' of salary ranges in 2023 for excluded employees, but we do have to continue to be mindful of the potential for salary compression and inversion between excluded management and unionized staff.
- Any salary increases provided to excluded employees will continue to be based on performance and in alignment with government's compensation policies.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 02\_PSEC\_Public Sector Excluded Compensation

**Phone:** Government  
**Page:** 6 of 6

## **ISSUE: B.C. Public Sector Compensation Data Forecast – with headcount details**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Public Sector Employers' Council Secretariat conducts a B.C. Public Sector Compensation Annual Forecast every year.
- The forecast is intended to forecast the size, composition and total compensation of the major employee groups in the provincial public sector.
- The forecast is a point-in-time snapshot of the public sector since payrolls and personnel numbers change every day – the one currently in use is the forecast for fiscal 2022/23 as of April 2022.
- The 2022 Forecast sets the point-in-time details that are used across the public sector bargaining tables such as bargaining unit headcount and related compensation data. The compensation data does not include the effect of wage increases that were subsequently negotiated under the Shared Recovery Mandate.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast – with headcount details

**Phone:** Government  
**Page:** 1 of 8

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

- A 2023 forecast will be finalized in the coming months, and this will include all known compensation increases as a result of bargaining.
- As of April 2022, there are just over 500,000 people working throughout the provincial public sector – approximately 393,000 (80 per cent) are unionized employees paid under collective agreements or professionals paid through negotiated compensation agreements.
- Total compensation in B.C.'s public sector is projected at \$38.6 billion as of April 2022 which is equivalent to roughly half of the Province's annual budget.
- A 1 per cent increase in total compensation for all B.C. public sector employees is estimated to cost \$386 million.
- For unionized employees and others with negotiated agreements, a 1 per cent increase would cost nearly \$311 million.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast –  
with headcount details

**Phone:** Government  
**Page:** 2 of 8

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

**KEY FACTS:**

- In April 2022, the PSEC Secretariat produced the data for the B.C. public sector based on the survey conducted in the fall of 2021. The survey is sent to major public sector employers to collect information regarding employee compensation.
- This data informed both the *2022* and the *2023 Budget* materials.
- The compensation base forecast is an annual assessment of the size, composition and total compensation provided to major employee groups to support the delivery of provincial programs and services.
- The forecast assesses the compensation base for the full fiscal year (e.g. 2022/23) based on known increases and growth assumptions at the start (April 1) of that fiscal year.

**Report Highlights on Compensation from 2021 to 2022:**

Total compensation across all sectors increased by approximately \$1.6 billion since the April 2021 Annual Forecast was published – which is a percentage growth of 4.5 per cent. This growth is the result of hiring to fulfill new government initiatives in the health sector, increased resources to deploy new business models resulting from the pandemic, as well as compensation increases through the Sustainable Services Negotiating Mandate.

- **Health:** the report highlights an increase to compensation costs due to scheduled hiring for government initiatives and repatriation

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast –  
with headcount details

**Phone:** Government  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

of facilities employees, which resulted in an additional \$548 million in compensation costs.

- **K-12 Public Education:** the sector increased by over \$510 million mainly due to additional hiring and/or overtime cost for support staff employees resulting from enhanced cleaning requirements.
- **Community Social Service:** sector growth of nearly \$150 million was largely due to the additional increases and funding provided to unionized and union equivalent employees, for recruitment and retention, with an effort to level wages closer to those of similar positions within the health sector.
- **Crown corporations:** this sector grew by over \$155 million since the 2021 forecast, largely due to new and continuing construction project across the province (BCIB & TIC), as well as BC Housing's supportive housing project

### **Report Highlights on Headcount Increases:**

- **Health:** The report highlights a 6,900 increase in headcount (from 216,000 to 222,900), which includes an additional 2,900 people working in positions previously contracted who are in the process of being repatriated within the 2022 fiscal year, in addition to a further 1,500 employees added due to the Health Care Access Program (HCAP).
- **K-12 Public Education:** There has been an increase in teachers from 48,000 to roughly 48,800 since the previous period, while support staff have increased from 38,000 to about 40,000 as schools

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast –  
 with headcount details

**Phone:** Government  
**Page:** 4 of 8

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

continue to require additional staff to adhere with enhanced cleaning requirements in response to the ongoing pandemic.

- **Public Service:** The public service headcount increased by 700 – or from a total of 38,800 to 39,500. The bulk of this increase is found in core government services.

**Colleges, Institutes and Teaching Universities:** The headcount in this sector decreased by 2,800 since the previous period. This decrease was attributable to a delayed recovery from the pandemic. As well as a data integrity issue in the previous report which overstated the headcount at Langara College.

- Other sectors also saw modest staffing growth related government's commitment to improving services for British Columbians, for instance in Community Social Services (+3,000), at research universities (+1,700) and in the Crown Corporations sectors (+450).

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast –  
with headcount details

**Phone:** Government  
**Page:** 5 of 8

## QUESTIONS AND ANSWERS

### ISSUE: 2022 B.C. Public Sector Compensation Data Forecast – with headcount details

Advice/Recommendations

#### Answer:

- The pandemic experience has taught us that vital public services that people depend on is part and parcel of our province's resilience and key to sustainable economic growth.
- We have a growing province. That means we need to continue expanding vital public services and that means having a strong workforce to deliver those services. Public sector employers across the country are contending with a very tight labour market and competition for talent.
- As we outlined in Budget 2023, now is not the time to cut services, especially in health care, where we are focused on

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast –  
with headcount details

**Phone:** Government  
**Page:** 6 of 8

**MINISTRY OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

ensuring people can get the services they need. That means hiring more people.

- That's why as our population increases and ages, we're adding \$2.6 billion over the plan to meet the growing demand for health services, including cancer care, and many other areas that are being expanded to help British Columbians.
- For the first time in nearly 30 years, we have a public sector bargaining mandate that is providing workers with significant inflation protection, while ensuring that government has the resources to continue to invest in building a stronger province for everyone.

Advice/Recommendations

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast –  
with headcount details

**Phone:** Government  
**Page:** 7 of 8

**Question: Has COVID-19 continued to have an impact on the size and compensation of the public sector?**

**Answer:**

- Like all sectors, public sector employers were affected by the pandemic.
- Some of the impacts resulted in temporary changes to staffing levels and compensation costs as adjusted or new service delivery models were deployed as part of the response.
- Staffing increases were primarily seen in health, social services and K-12 public education to support continued, safe services for British Columbians.
- Since then, most public sector employers have reverted to business as usual or have transitioned the temporary positions to improve ongoing service delivery.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 03\_PSEC\_BC Public Sector Compensation Data Forecast – with headcount details

**Phone:** Government  
**Page:** 8 of 8

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

## **ISSUE: 2021/22 Executive Compensation Disclosure**

### **ADVICE AND RECOMMENDED RESPONSE:**

- This was the fifteenth year that the Ministry of Finance disclosed the total compensation paid to senior management employees working in the province's key decision-making positions across B.C.'s public sector. The annual disclosure reflects the compensation decisions made prior to March 31 for the fiscal year of 2021/22.
- Public sector executives lead in the innovation and delivery of services that support communities in every corner of the province as they help to deliver historic investments in health, housing, child care and infrastructure.
- Total compensation paid to executives at B.C. public sector organizations reflects their responsibilities in delivering on government's commitment to improving the public services we depend on, making life more affordable and building a strong, inclusive, sustainable economy for the people of this province.
- B.C. is a national leader in its reporting standards for executive compensation, which includes base pay,

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 1 of 11

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

pensions, benefits, merit-based pay or holdbacks, and an explanation of the compensation paid.

## **KEY FACTS:**

- On August 30, 2022, as per the requirement under the *Public Sector Employers Act* (the Act), government disclosed the 2021/22 executive compensation for 65 of the provincial public sector's 125 employers, including the Public Service, Crown corporations, post-secondary institutions, research universities, and health authorities. The 60 K-12 school districts disclosed in December 2022 in keeping with that sector's June 30 fiscal year end.
- During the 2020/21 Public Accounts and in response to the pandemic, effective August 31, 2020, employers subject to the Act were directed to amend their compensation plans to indicate there would be no increases or adjustments paid to executive-level employees for that performance year.
- For the 2021/22 disclosure, to ensure clarity on the compliance with the direction that spanned over two years, depending on which year an organization implemented it, a note was required in the statement to identify if the position fell within the policy and if so, which year the performance increase was not provided for each disclosed executive.
- The policy specifically applied to the CEOs, Vice Presidents, and equivalent senior executive roles within the organization with an annualized salary of \$125K or greater (including Deputy Ministers).

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 2 of 11

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

- In response to the pandemic, in the BC Public Service, the Deputy Ministers' Council had already voluntarily declined to receive compensation adjustments for the 2019/20 year.

## **BACKGROUND:**

- The Province has continued to make significant improvements to the transparency and disclosure of financial and performance information.
- The reporting requirements are modeled on the Canadian Securities Administrators' requirements of publicly traded companies.
- In 2007/08, legislation was passed requiring the disclosure of compensation of public sector CEOs and the next four highest-ranking executives.
- B.C. is a national leader in best practices for standards of reporting that require annual public disclosures of total compensation for executives.
- The disclosure includes base pay, details about pensions and other benefits, and any holdbacks or bonuses, and – importantly – it also includes an explanation of the compensation paid to executives so the average person can understand what these employees are paid.
- Compensation focuses on performance, cost-consciousness, accountability, appropriate compensation, service, respect and integrity across public sector organizations.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 3 of 11

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

- The disclosure is designed to provide accessible, understandable information to British Columbians on compensation paid by public sector employers.
- The Act requires that the boards must disclose and attest to the accuracy of the total compensation paid to the CEO and the next four highest-ranking/paid executives earning \$125,000 or more in base salary. Government has a framework to provide parameters on CEO compensation, and all compensation plans must be approved by the Minister responsible.
- The PSEC Secretariat analyzes the data and coordinates the broad disclosure each year. Disclosure is timed to coincide with the Public Accounts, which is required under the *Financial Information Act* (the FIA). Executive compensation disclosure under the *Public Sector Employers Act* and the FIA each call for different information, which is summarized below:

***Financial Information Act***

- All employees, not just executives, earning over \$75,000 in cash compensation.
- Based on T4 slip information – no details on holdback/bonuses, vacation payouts, retirement allowances, extended benefits or pension arrangements, includes local government.

***Public Sector Employers Act***

- CEO/President and top four executives (decision-makers) earning \$125,000 or more in base salary.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 4 of 11

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

- Total compensation - benefits, perquisites, allowances, pension, severances, salary continuance and any other payments, including the very few employers that still have holdback or merit-based pay.

## **QUESTIONS AND ANSWERS**

### **ISSUE: 2021/22 Executive Compensation Disclosure**

**Question: Which employer was number one in the top 10 for 2021/22, and how much compensation was paid to that executive?**

**Answer:**

- For the past several years, Powerex — a subsidiary of BC Hydro — has had the highest total compensation in the B.C. public sector at \$935K. The base salary was unchanged from last fiscal at \$358,800.
- This compensation was paid to the president and CEO of Powerex, Thomas Bechard.
- The same as the previous fiscal, he received a bonus of \$540K as the managing director of trading (Head Trader), he has typically held the top spot in the B.C public sector.
- He remains the highest paid executive in British Columbia's public sector, as he fulfills the responsibilities of CEO and

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 5 of 11

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

Head Trader, which historically has been filled by two executives with an ongoing risk of being hired away by another employer due to his unique skillset.

**Question: Are all the public sector employers who are required to disclose executive compensation in compliance with the province's compensation policies and the guidelines?**

**Answer:**

- Yes. We received signed attestations from all board chairs verifying the accuracy of their disclosures.

**Question: Have all the holdbacks been eliminated?**

**Answer:**

- Effective October 1, 2018, the past practice of retaining a portion of an executive salary to be paid as an annual lump sum "holdback" was eliminated for BC Public Service executives, and the option to do so was extended to other public sector employers.

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

- For those employers who decided to eliminate their executive holdbacks, the average of what was paid as the holdback to each executive was added to the base salary.
- Of the 65 employers disclosed this past August, only two organizations opted to retain a holdback structure and merit-based pay: BC Hydro (Powerex/Powertech) and Royal Roads University, respectively.

**Question: Were there any other notable changes in this disclosure?**

**Answer:**

- Overall, the sum of all compensation paid for that fiscal year showed a 1.7 per cent increase in base salary and a 3.5 per cent increase in total compensation over the previous year's top 10 for all executives disclosed.
- The overall 3.5 per cent increase in total compensation was largely attributable to a significant increase in the category of "other" compensation, which included a number of one-time severance payments and a sizeable vacation payout for one retiring executive.

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 7 of 11

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

Advice/Recommendations

**Answer:**

- Managing the compensation paid in the public sector is essential to maintaining the fiscal plan.
- Our approach is to look at the big picture and make decisions that are affordable, ensure our services are sustainable, and are fair and reasonable.
- Public sector employers have a set of core principles and shared benchmarking tools to make good compensation decisions, as well as a pay philosophy that aligns the sector as a whole and doesn't create more competition because of big disparities.
- Annual executive compensation disclosure has been around for 15 years and is consistently the most transparent and comprehensive executive compensation disclosure of any jurisdiction in Canada, and possibly North America.
- This disclosure reflects the final year of an executive compensation freeze policy directed in August 2020, in which public sector employers did not provide

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 8 of 11

MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS

compensation increases to senior executive-level employees.

**Question: Are there any organizations that provide public services that are out of scope under the *Public Sector Employers Act* to disclose annually?**

**Answer:**

- Yes. Organizations that do not meet the definition of a public sector employer under the Act include: BC Investment Management Corporation (BCi), BC Pension Corporation, Translink, and the BC Ferry Corporation.
- The BC Ferry Corporation ensures that its executive remuneration is made public as required under the *Coastal Ferry Act*, and BCi includes disclosure of this compensation information as part of its Corporate Annual Report.
- BC Pension Corporation and Translink are required by the *Financial Information Act* to disclose their remuneration annually.

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

**Question: Do you anticipate increasing compensation for executives?**

**Answer:**

- The process for public sector employers to propose modest adjustments for both excluded and executive compensation was updated effective September 1, 2018.
- This direction provides for some modest, performance-based increases for executives – many of which require approval before they can be implemented.
- The policy specifically applies to the CEOs, Vice Presidents, and equivalent senior executive roles within the organization with an annualized salary of \$125K or greater.
- Excluded management increases, and the decision for what 2023 increases has not yet been made.

**Question: Does government set CEO salaries?**

**Answer:**

- No, however, it does set a maximum limit for total compensation.
- Within the framework, boards of directors negotiate compensation plans to support service delivery balanced

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 04\_PSEC\_2021-22 Executive Compensation Disclosure

**Phone:** Government |  
**Page:** 10 of 11

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
QUESTIONS AND ANSWERS**

with the need to allocate resources in the most efficient and effective way – subject to the most recent policies outlined in the Employers' Guide to Accountable Compensation.

- As the Minister responsible, I approve those arrangements under the provisions of the *Public Sector Employers Act*.

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

## **ISSUE: Public Sector Pension Plans**

### **ADVICE AND RECOMMENDED RESPONSE:**

- British Columbia's four jointly trusteesd public sector pension plans (College, Teachers, Municipal, and the Public Service) represent over 678,000 members and invest approximately \$160 billion in assets on behalf of their beneficiaries.
- The plans are managed by Boards of Trustees under Joint Trust Agreements that ensure obligations and benefits are shared equally between plan members and employers.
- The Plans are fully pre-funded which means employers and employees pay for the pension the employee will receive in retirement, ensuring inter-generational equity.
- These plans are well funded, with surpluses ranging between 103 per cent and 110 per cent at their most recent valuations.
- The strong financial position of the plans means they are not a drain on taxpayers — between 75-80 per cent of pensions are funded through investment returns, the remainder is shared between employers and employees.

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 1 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

- These plans are not 'gold-plated' — the average pension in 2021 was between \$18.4K/year (for municipal employees) to \$31.8K/year (for teachers).
- The pension fund investments are managed by British Columbia Investment Management Corporation (BCI). In 2021, both one-year and 10-year average investment returns exceeded return assumptions used for assessing the funded status of the plans.

	College	Teachers	Municipal	Public Service
2021 1 Yr Return	12.8%	11.7%	11.5%	12.3%
2021 10 Yr Avg Returns	10.0%	10.1%	10.0%	10.4%
2021 Discount rate assumption	6.25%	5.75%	6.25%	6.0%
2021 1 Yr returns over (under)	6.55%	5.95%	5.25%	6.3%

- These strong returns have been the main driver for surpluses we see today and reflects BCI's expertise and diligence over the long term.
- In recent years, all four plans have implemented plan design changes to modernize the plans to better reflect the needs of members today, make the benefits more

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 2 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

equitable to all members in the plans, and position the plans to be more sustainable over the long term.

**KEY FACTS:**

- B.C.'s public sector pension plans moved to the joint-trusteeship model in the early 2000s. This change resulted in shared responsibility for obligations and benefits between the participating employers and the unions. Boards of Trustees are appointed by partners and appointing authorities to manage the pension benefits and funds and are given authority to make decisions. At the same time, BCI and Pension Corporation were established to support the Boards.
- During the 2010's, the plans experienced some unfunded liabilities due mainly to volatility in financial markets. During this time, the Joint Trust Agreements operated as intended, with contribution rates increased for a period of time, shared by employees and employers, to address the funding shortfall. All the plans have emerged from this period with surpluses and contribution rates have been reduced from peaks in the mid 2010's to response to the improved funded positions. This experience over past twenty years has demonstrated the benefits and resiliency of the joint trust model.
- Many of the changes other jurisdictions are making fall in line with how B.C. already manages its public sector pensions.
- B.C. has also led the way in providing new options for private sector pensions, like the introduction of Pooled Registered Pension Plans

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 3 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

in 2016, and regulatory reform for pension plans to provide solvency funding relief and introduce target benefit plans.

## **QUESTIONS AND ANSWERS**

### **ISSUE: Public Sector Pension Plans**

**Question: What is the Ministry of Finance's role in managing the plans?**

**Answer:**

- As Finance Minister, I have oversight responsibility for certain board appointments. I have every confidence in the boards in place to manage the pension plans and their investments in a prudent and responsible manner.
- I also provide direction to the Public Sector Employers' Council Secretariat which represents the Minister of Finance as Government Pension Plan Partner.
- Responsibilities of the Secretariat include providing pension policy advice to both government and public sector employers and working with the other pension plan partners to ensure the plans remain sustainable, cost-effective and well-managed.
- B.C.'s public pension plans are well managed and fully funded. Our investment manager, BCI actively manages

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 4 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

risk effectively to mitigate losses when market downturns occur.

- Investment decisions are made by BCI independently from government influence. This independence allows for the longer-term strategies that provide stability to our plans.

**Question: How has the recent economic downturn affected our pensions? Are they going to be there for members when they retire?**

**Answer:**

- B.C.'s pension plans are well-funded and well managed; our investment agent, BCI, had been preparing for a downturn in the economy before the COVID-19 pandemic began.
- The economic downturn in March 2022 impacted returns for investors around the globe, including the public sector pension plans.
- Pension investments, however, are managed with a long-term time horizon; during market corrections the plans are not forced to sell assets when prices are low and are able to buy assets (at a bargain) at this time instead.
- In 2021, both one year and 10-year average investment returns have exceeded return assumptions (the "discount rate") used for assessing the funded status of the plan.

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 5 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

- Supported by the plans' diversified investment portfolios and careful asset management by BCI, I am confident that the plans will continue to pay the pensions that current and future members earn.

	College	Teachers	Municipal	Public Service
2021 1 Yr Return	12.8%	11.7%	11.5%	12.3%
2021 10 Yr Avg Returns	10.0%	10.1%	10.0%	10.4%
2021 Discount rate assumption	6.25%	5.75%	6.25%	6.0%
2021 1 Yr returns over (under)	6.55%	5.95%	5.25%	6.3%

**Q: With rising inflation, what are the public sector pension plans doing to help protect the purchasing power of retirees?**

**Answer:**

- Providing inflation protection on a sustainable basis is an important source of income security for retired pension plan members.
- Each year, the pension plans consider what inflation protection can be granted, based on available funding in

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 6 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

each plan's inflation adjustment account and changes to the consumer price index.

- Effective January 1, 2023, each of the four public sector pension plans granted a cost-of-living adjustment to pensions in pay equal to the average change in the Canadian consumer price index over a 12-month period.
- For the Municipal Pension Plan and Teachers' Pension Plan, this increase was 6.9 per cent. For the Public Service and College Pension Plans, this increase was 6.5 per cent.
- The pension Boards of Trustees will continue to monitor the ongoing sustainability of inflation protection into the future.

**Question: There have been plan design changes in the pension plans in recent years. What are these and why did this occur?**

**Answer:**

- Over the last number of years, the pensions' partners and Boards of Trustees worked to modernize the pension plans.
- With plan design changes for the Municipal Pension Plan effective January 1, 2022, all four pension plans have now completed the plan re-design process.

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 7 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

- These plan design changes were developed to address issues of inequities in benefits and contribution rates and improve the long-term sustainability of the plans.
- Features of the plan design changes are generally consistent across the plans, including:
  - Moving to flat benefit accrual and contribution rates on all future service, decoupling the structure from the Canada Pension Plan. There are no longer split contribution rates for earning under and over the Canada Pension Plan's Yearly Maximum Pensionable Earnings (YMPE).
  - Improvements to the benefit accrual rates to offset the elimination of the bridge benefit, and
  - Adjustments to early retirement subsidies.
- These plan design changes result in improved equity and sustainability over the longer term.

Advice/Recommendations

## **Answer:**

**Contact:** Adam Molineux, Executive Director  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 8 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

- Climate change poses a systemic risk to the pension plan portfolios and to the global economy.
- For this reason, BCI, as the investment agent for the public sector pension plans, integrates climate considerations into the investment decisions it makes for its clients, including for the plans.
- BCI has also confirmed its support for the global goal of achieving net zero emissions by 2050 and recently released its 2022 Climate Action Plan which outlines how it puts its support into action.
- A key component of its plan is engagement and advocacy, which the pension plans and BCI believe is a far more effective tool than divestment, as it allows BCI to exercise its rights and positively influence companies to align with net zero.
- In fact, BCI has committed to ensuring at least 80 per cent of its carbon-intensive investments have set mature net-zero aligned commitments by 2030, or are the subject of direct, collaborative climate engagement with BCI.
- The pension plans will continue to work collaboratively with BCI to understand the impact of climate change on their portfolios so they can continue to make investment

**Contact:** Adam Molineux, Executive Director  
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**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 9 of 10

MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE

decisions that are in the best financial interest of all their members.

**Contact:** Adam Molineux, Executive Director  
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**File Name:** 05\_PSEC\_Public Sector Pension Plans

**Phone:** Government  
**Page:** 10 of 10

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

## **ISSUE: DRIPPA Actions – Indigenous Representation in Provincial Public Sector and Collective Bargaining**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Negotiations under the 2022 Shared Recovery Mandate between provincial public sector employers and unions are underway with 75 per cent of unionized employees now covered by tentative or ratified agreements.
- In this round of bargaining, government has prioritized our reconciliation efforts with Indigenous communities, as well as equity, diversity and inclusion in all our operations, while striving to overcome racism and other barriers to equal participation for all Indigenous people in the B.C. public sector workforce.
- B.C.'s public sector employers and employers' associations treat government's key priorities as their own. They are seeking ways to address them in bargaining where appropriate, recognizing that often it is through human resources practices and other employer-led actions outside of bargaining that will result in the change we all wish to see.
- Collective bargaining presents the opportunity to discuss these matters and possible solutions that will lead to more

**Contact:** Carmen Zabarauckas, ADM  
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**File Name:** 06\_PSEC\_DRIPPA Actions - Provincial Public Sector

**Phone:** Government  
**Page:** 1 of 5

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

equitable Indigenous representation in the public sector, including at senior levels.

- Internal to government, the PSEC Secretariat, other central agencies, and all Ministries in the Public Service support the important work of increasing Indigenous Peoples in the public sector as led by the Ministry of Indigenous Relations and Reconciliation.

### **KEY FACTS:**

- In November 2019, British Columbia unanimously passed the *Declaration on the Rights of Indigenous Peoples Act* (Declaration Act or DRIPA) in the Legislative Assembly.
- The Declaration Act establishes the United Nations Declaration on the Rights of Indigenous People (UN Declaration) as the Province's framework for reconciliation, as called for by the Truth and Reconciliation Commission.
- The Declaration Act requires the Province to develop and implement an action plan, in consultation and cooperation with Indigenous peoples, to meet the objectives of the UN Declaration.
- A draft action plan was built outlining significant priorities and actions that the Province and First Nations, and Indigenous partners have identified together and propose to work on over the next five years.

**Contact:** Carmen Zabarauckas, ADM  
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**File Name:** 06\_PSEC\_DRIPPA Actions - Provincial Public Sector

**Phone:** Government  
**Page:** 2 of 5

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

- On June 11, 2021, the Province released a draft of the action plan for feedback and discussion to ensure the plan is developed in consultation and cooperation with Indigenous peoples. See **Appendix A** for the Declaration Act Draft Action Plan - Draft for Consultation.
- The November 2020 mandate letter for the Minister of Finance supports this action plan with the following direction: *With support from the Parliamentary Secretary for Anti-Racism, lead efforts to support increased IBPOC (Indigenous, Black and People of Colour) representation within government and set targets for IBPOC representation in the public sector.*

**Contact:** Carmen Zabarauckas, ADM  
**Division:** Public Sector Employers' Council Secretariat  
**File Name:** 06\_PSEC\_DRIPPA Actions - Provincial Public Sector

**Phone:** Government  
**Page:** 3 of 5

**MINISTER OF FINANCE  
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
ISSUE NOTE**

## **BACKGROUND:**

### **Original Action**

- #3.2 - Establish and pursue targets for Indigenous representation in the public sector, including at senior levels. (*PSA; FIN-PSEC*)

### **Summary of feedback received/rationale for revisions**

- Comments included mention of the public sector employer guide for collective bargaining in 2022, suggested performance management incentives for civil servants, and recommended that “the Province is more directive in the bargaining mandate of public sector employers to make immediate and bold strides in inclusion and reconciliation.” It was suggested that recruitment and retention strategies, including at the senior levels, would be preferable to representation targets. Concerns that representation targets could cause an unsafe work environment for Indigenous people. Another suggestion would be to address and eliminate barriers to employment in the public service that Indigenous people (including Metis) face.
- There was a request to amend Action 3.2 to expand the Utilities Commission membership to include Indigenous representation and a Chief Indigenous Internet Officer.

### **Revised action**

- Define equitable representation and pursue targets for equitable Indigenous representation in the public sectors, including at senior levels.

**Contact:** Carmen Zabarauckas, ADM  
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**File Name:** 06\_PSEC\_DRIPPA Actions - Provincial Public Sector

**Phone:** Government  
**Page:** 4 of 5

**Question: What actions have been taken to ensure better representation by Indigenous peoples in the provincial public sector?**

**Answer:**

- While provincial public sector employers are aware of the key priority of ensuring access to senior-level positions for Indigenous peoples, it is also important to understand the current representation accurately.
- Increasing access to public sector jobs requires that we work with employers and Indigenous communities to move forward on the definition of equitable representation and what measures will effectively create opportunities.
- Many public sector employers have already implemented Human Resources policies that better recognize the skills and experience of Indigenous peoples and are open to more direction that will help them increase representation in their workplaces.

**Contact:** Carmen Zabarauckas, ADM  
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**File Name:** 06\_PSEC\_DRIPPA Actions - Provincial Public Sector

**Phone:** Government  
**Page:** 5 of 5

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ORGANIZATION OVERVIEW

## **NAME: Provincial Treasury Operations**

### **BACKGROUND:**

- Provincial Treasury has a mandate to provide treasury, insurance, and risk management services to ministries, Crown corporations and public-sector agencies.

### **PROVINCIAL TREASURY OVERVIEW**

- Provincial Treasury (PT) is comprised of Provincial Treasury Operations, the Risk Management Branch and Government Security Office.
- PT Operations is a \$1K Sub vote and is comprised of Debt Management Branch, Banking and Cash Management Branch, and Corporate and Project Finance Group with recoveries received from government ministries and government corporations.
- Risk Management Branch and Government Security Office operates from the Insurance and Risk Management Special Account with a \$5.858 million Statutory Appropriation in 2023/24 and receives revenue and recoveries from program participants.

### **Banking and Cash Management Branch (BCM)**

- Manages the Province's \$160 billion-dollar-plus annual cash flow and would rank as one of the larger financial institutions in Western Canada.

**Contact:** Jim Hopkins, ADM

**Division:** Provincial Treasury

**File Name:** 01\_MO\_PT\_Provincial Treasury Operations

**Phone:** 250 387-9295

**Page:** 1 of 5

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ORGANIZATION OVERVIEW**

- Negotiates contracts for banking services with multiple financial institutions and financial service providers.
- Provides management services to support revenue collection and government payments including debt servicing and develops electronic banking and payment service solutions.
- Manages the Central Deposit Program for government bodies including the Schools, Universities, Colleges and Health (SUCH) sector entities, and Crown corporations to invest surplus cash and permit government to use the balances to reduce taxpayer supported debt (balance estimated at March 31, 2023: \$3.2 billion).
- Manages the Certificate of Approval system for the disbursement and tracking of Capital Funding transfers to the SUCH sector.
- Manages government compliance with Payment Card Industry standard (about \$3.3 billion in debit and credit card payments per annum).

**Debt Management Branch (DMB)**

- Provides a centralized debt management service to the government and its Crown corporations and agencies. Advice on portfolio management is supported by the Risk Committee which includes external experts.
- In addition to borrowing funds to meet client requirements, the branch manages all principal and interest payments and enters derivative transactions to manage interest rate and foreign exchange risks.

**Contact:** Jim Hopkins, ADM

**Division:** Provincial Treasury

**File Name:** 01\_MO\_PT\_Provincial Treasury Operations

**Phone:** 250 387-9295

**Page:** 2 of 5

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ORGANIZATION OVERVIEW**

- The branch is also the lead entity for managing the Province's relationship with the credit rating agencies and its fixed income investor relations program.
- The Province's total debt ending balance is forecasted to be \$93.489 billion in 2022/23, with \$8.885 billion in gross borrowing requirements.

### **Corporate and Project Finance Section (CPF)**

- Provides financial advisory services to ministries, and Crown and public-sector agencies to support procurement of capital assets, public-private partnerships and divestiture initiatives.
- Arranges project financing for clients which are typically limited recourse to the project or the borrowing entity.
- Leads special projects to support the Province in the capital markets. A current example is organizing release of the BC Environmental, Social and Governance Summary Report in August 2022.

### **Risk Management Branch and Government Security Office (RMB)**

- Provides a collection of risk management programs for the provincial public sector to manage the risk to which it is exposed by virtue of its policies, assets, programs and operations. These programs include serving as risk management advisor exercising the statutory authority to approve indemnities, delivery of risk financing programs and claims and litigation management.

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 3 of 5

**File Name:** 01\_MO\_PT\_Provincial Treasury Operations

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ORGANIZATION OVERVIEW**

- The position of Chief Security Officer was established in RMB in January 2011. The Officer provides overall coordination of government security policy among responsible agencies including security strategies, information sharing, security awareness, asset protection and technical assistance with investigations.

## **BUDGET: PT OPERATIONS**

<b>Budget (\$000)</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Salaries and Benefits	9,062	9,132	9,132
Operating Costs	5,538	5,538	5,538
Government Transfers	n/a	n/a	n/a
Other Expenses	46,306	46,306	46,306
Internal Recoveries	(15,838)	(15,838)	(15,838)
External Recoveries	(45,067)	(45,137)	(45,137)
<b>Total Operating Expenses</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>1</b>

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 01\_MO\_PT\_Provincial Treasury Operations

**Phone:** 250 387-9295  
**Page:** 4 of 5

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ORGANIZATION OVERVIEW**

**BUDGET: RMB**

<b>Budget (\$000)</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Salaries and Benefits	6,567	6,681	6,681
Operating Costs	7,399	7,399	7,399
Government Transfers	n/a	n/a	n/a
Other Expenses	42,379	42,379	42,379
Internal Recoveries	(48,066)	(48,066)	(48,066)
External Recoveries	(2,421)	(2,421)	(2,421)
<b>Total Operating Expenses</b>	<b>5,858</b>	<b>5,972</b>	<b>5,972</b>
<b>Totals</b>	<b>5,858</b>	<b>5,972</b>	<b>5,972</b>

**Contact:** Jim Hopkins, ADM

**Division:** Provincial Treasury

**File Name:** 01\_MO\_PT\_Provincial Treasury Operations

**Phone:** 250 387-9295

**Page:** 5 of 5

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

## ISSUE: 2023/24 Borrowing Plan

### ADVICE AND RECOMMENDED RESPONSE:

- The forecasted gross borrowing requirement for the Province is estimated to be \$19 billion for fiscal year 2023/2024.
- The Province will largely rely on the domestic public market for its debt requirements during 2023/2024. International markets will be closely monitored for opportunities to diversify borrowing sources and realize debt service cost savings for taxpayers. US and European opportunities will be monitored, as well as smaller regional markets.
- The Province is confident it will be able to readily meet its large borrowing requirement by accessing its established domestic and international investor bases.

### KEY FACTS:

- Prior to each fiscal year, the Debt Management Branch (DMB) outlines a strategy for meeting the projected financing requirements of the Province and its clients. The strategy, once recommended by the Province's Risk Committee, is approved by the Deputy Minister of Finance and monitored quarterly by the Committee. (The Risk Committee is comprised of external members

**Contact:** Jim Hopkins, ADM  
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**File Name:** 02\_MO\_PT\_2023-24 Borrowing Plan

**Phone:** 250 387-9295

**Page:** 1 of 4

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

with financial market expertise and advises the Province on risk policy and management).

**BACKGROUND:**

- The forecast borrowing requirement in 2023/24 of \$19 billion is in line with last year's Budget requirement of \$19 billion. That headline number, however, was revised lower progressively with each Quarterly update to the latest estimate of a \$9 billion requirement for Fiscal 2022/23. It is still significantly higher than the pre-COVID fiscal year requirements of \$5 billion.
- Challenging market conditions continue for current and upcoming fiscal years as markets face inflation, rising rates, geopolitical tensions and economic recovery uncertainties. Completing funding ahead of requirements is highly advisable.
- Opportunistically borrowing and hedging in advance of actual requirements can limit interest rate risk, as well as reduce the potential risk of the Province being 'shut out' of the capital markets during periods of market turbulence and from 'blackout' periods ahead of Budget and Quarterly releases, and rating agency announcements.
- With the expertise of staff, and the ongoing professional engagement that the DMB Capital Markets team has established with market participants, the Province will continue to explore all funding opportunities to secure required funding cost effectively.

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 02\_MO\_PT\_2023-24 Borrowing Plan

**Phone:** 250 387-9295  
**Page:** 2 of 4

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

- A strategic impetus will be to extend maturity of short-term money-market funding into longer term bonds to keep refinancing requirements from mounting.
- Mixing tactical issuance into non-core and shorter funding terms, particularly away from typical 10-year and 30-year maturities, may be pursued if the interest rate environment remains higher for longer. These opportunities for consideration will likely arise most readily in the international markets.
- Based on the Budget estimate, the Province is forecast to borrow ~C\$19 billion. The core requirements identified for fixed-rate long term bonds is about \$14.25 billion based on information as of March 2023 using a 75%/25% split between long-term and short-term financing.
- For reference, Appendix A provides interest rate assumptions used in Budget 2023.
- Foreign currency markets offer effective diversification of the Province's borrowing sources and a competitive alternative to the domestic market; the Province only borrows in offshore currencies if it can hedge the financing at a competitive cost to its domestic alternative.
- The US dollar global and Euro markets present opportunities to also borrow in far greater amounts (upwards of C\$ 1.5 billion or more at a time versus a typical \$500 million domestic bond) .

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 02\_MO\_PT\_2023-24 Borrowing Plan

**Phone:** 250 387-9295  
**Page:** 3 of 4

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

## Appendix A - Preliminary Interest Rate Assumptions

Interest and Exchange Rate Forecasts - preliminary as of December 19, 2022						
Confidential						
Fiscal Year Ending March 31		F 2022/23	F 2023/24	F 2024/25	F 2025/26	F 2026/27
<b>Short-term Interest Rates</b>						
<b>Canada</b>	3 month T-Bill (1)	3.18%	3.96%	2.96%	2.56%	2.50%
	Credit Spread (2)	0.07%	0.07%	0.05%	0.05%	0.05%
	All-in Rates	3.25%	4.03%	3.01%	2.61%	2.55%
<b>US</b>	3 month T-Bill (1)	3.12%	4.51%	3.30%	2.56%	2.50%
	Credit Spread (2)	0.25%	0.25%	0.25%	0.20%	0.20%
	All-in Rates	3.37%	4.76%	3.55%	2.76%	2.70%
<b>Long-term Interest Rates</b>						
<b>Canada</b>	Gov't Treasury Bond (10yr) (1)	3.00%	2.98%	2.85%	2.75%	2.75%
	Credit Spread (2)	0.90%	0.90%	0.90%	0.90%	0.90%
	Issuance Costs and Fiscal Fees (2)	0.07%	0.07%	0.07%	0.07%	0.07%
	All-in Rates	3.97%	3.95%	3.82%	3.72%	3.72%
	Gov't 30 year Bond (1)	2.97%	3.07%	3.03%	2.98%	2.98%
	Credit Spread (2)	1.05%	1.00%	1.00%	1.00%	1.00%
	Issuance Costs and Fiscal Fees (2)	0.04%	0.04%	0.04%	0.04%	0.04%
	All-in Rates	4.06%	4.11%	4.07%	4.02%	4.02%
<b>US</b>	Long Term Bond (10yr) (1)	3.37%	3.51%	3.19%	2.75%	2.75%
	Credit Spread (2)	0.60%	0.60%	0.60%	0.60%	0.60%
	Issuance Costs and Fiscal Fees (2)	0.02%	0.02%	0.02%	0.02%	0.02%
	All-in Rates	3.99%	4.13%	3.81%	3.37%	3.37%
<b>US\$ Exchange Rates</b>						
<b>CAD/USD (1)</b>		1.3246	1.3277	1.2845	1.2722	1.2711
<b>USD/CAD (1)</b>		0.7550	0.7532	0.7785	0.7860	0.7867
Notes:						
(1) FX Rate, 3 month T-Bill and Long Term Bond as per BC Treasury Board Staff December 19, 2022 preliminary assumptions.						
(2) Credit spreads, issuance costs and fiscal fees confirmed by Provincial Treasury on December 14, 2022.						

**Contact:** Jim Hopkins, ADM  
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**File Name:** 02\_MO\_PT\_2023-24 Borrowing Plan

**Phone:** 250 387-9295  
**Page:** 4 of 4

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

## ISSUE: 2023-24 PROVINCIAL DEBT QUESTIONS AND ANSWERS

- *Budget 2023* forecasts total provincial debt to grow by \$40.8 billion over the three-year fiscal plan period.
- This growth is mainly needed to fund operating deficits and capital investments over the plan period.

Advice/Recommendations

- The *Budget 2023* debt affordability metrics of taxpayer-supported debt to GDP and taxpayer-supported debt to revenue are better than those from the 2022 Budget.

**Contact:** Jim Hopkins, ADM

**Division:** Provincial Treasury

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

**Phone:** 250 387-9295

**Page:** 1 of 12

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: 2023-24 PROVINCIAL DEBT

**Question:** *Budget 2023* forecasts total provincial debt to grow by \$40.8 billion over the fiscal plan period. What are the changes in total provincial debt by category?

**Answer:**

- Government requires increased borrowing to finance the operating and capital investment needs of the province.
- The taxpayer-supported debt is forecast at \$99.4 billion by 2025/26, an increase of \$35.7 billion from 2022/23.
- Self-supported debt is forecast at \$34.4 billion over the same period, an increase of \$4.6 billion from 2022/23.
- The forecast allowance falls from \$700 million in 2023/24 to \$500 million in each of 2024/25 and 2025/26.
- Government expects to borrow a total of \$4.7 billion to finance the deficits resulting from important spending programs offered in support of British Columbians.

**Contact:** Jim Hopkins, ADM  
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**Phone:** 250 387-9295  
**Page:** 2 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

- A significant majority (88 per cent) of the debt growth is in relation to government's capital investments, with \$36.1 billion forecast to fund taxpayer-supported infrastructure (much of this in the transportation sector), and \$4.6 billion for self-supported investments, mainly in relation to improving and expanding BC Hydro's generation assets.

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury

**Phone:** 250 387-9295  
**Page:** 3 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

**Question: How does *Budget 2023's* debt forecast impact the province's key debt affordability metrics?**

**Answer:**

- Key debt affordability metrics are impacted by the higher debt forecast over the fiscal plan period.

*Taxpayer-supported Debt to Revenue*

- Taxpayer-supported debt-to-revenue grows from 78.7 per cent forecast for 2022/23 to 124.9 per cent by end of the fiscal plan period.
- Although the metric is in an upward trend, the forecast is an improvement in all fiscal years compared to *Budget 2022* due to the lower forecast debt balance forecast in 2022/23 resulting from improved operating results:

T-S DEBT AS A PERCENT OF REVENUE					
	2021/22	2022/23	2023/24	2024/25	2025/26
<b><i>Budget 2023</i></b> <b>(FY22 actuals)</b>	90.8	78.7	100.1	114.8	124.9
<b><i>Budget 2022</i></b> <b>(FY22 forecast)</b>	92.9	110.9	122.7	129.8	n/a

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 4 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

<b>Improvement / (detriment)</b>	2.1	32.2	22.6	15.0	
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- The taxpayer-supported debt to GDP ratio is forecast to increase from 16.4 per cent in 2022/23 to 23.0 per cent at March 31, 2026. The ratio is marginally lower than *Budget 2022* track in all years due to improved 2022/23 ending debt balance, as follows:

<b>T-S DEBT AS A PERCENT OF GDP</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b><i>Budget 2023</i> (FY22 actuals)</b>	17.8	16.4	18.9	21.3	23.0
<b><i>Budget 2022</i> (FY22 forecast)</b>	17.8	20.0	21.8	22.8	n/a
<b>Improvement / (detriment)</b>	-	3.6	2.9	1.5	-

- Additionally, taxpayer-supported interest bite increases over the *Budget 2023* fiscal plan period, but is still lower than *Budget 2022* notwithstanding higher expected interest rates; the significant decline in taxpayer-supported debt in 2022/23 explains the favorable variance:

**Contact:** Jim Hopkins, ADM

**Division:** Provincial Treasury

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

**Phone:** 250 387-9295

**Page:** 5 of 12

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

<b>Interest bite</b>					
<b>Taxpayer-supported (cents per dollar of revenue)</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b>Budget 2023 (FY22 actuals)</b>	2.8	2.4	2.9	3.5	3.9
<b>Budget 2022 (FY22 forecast)</b>	2.8	3.0	3.4	3.7	n/a
<b>Improvement / (detriment)</b>	-	0.6	0.5	0.2	

*Sensitivities:*

- The debt affordability metrics can be highly sensitive to changes in debt, revenue, and GDP. For example:
  - \$100 million additional debt or capital spending results in:
    - + 0.13 to T-S Debt-to-Revenue
    - + 0.02 to T-S Debt-to-GDP
  - Additional debt required to change by 0.1%:
    - \$76 million for T-S Debt-to-Revenue
    - \$400 million for T-S Debt-to-GDP

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 6 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

**Question: Budget 2023 forecasts lower taxpayer-supported debt service costs compared to *Budget 2022*. Why the decrease?**

**Answer:**

- Improved operating results in 2022/23 resulted in significantly lower debt requirements over the year.
- This lower opening debt balance for fiscal 2023/24 reduces total debt levels for government across the fiscal plan period, resulting in lower interest costs.

<b>Change in Debt Servicing Costs <i>Budget 2022</i> to <i>Budget 2023</i></b>				
<b>(\$ millions)</b>				
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<i>Budget 2022</i>	1,378	1,555	1,750	1,933
<i>Budget 2023</i>	1,268	1,309	1,593	1,865
<b>Change</b>	<b>(110)</b>	<b>(246)</b>	<b>(157)</b>	<b>(68)</b>

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 7 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

**Note to Minister – Details respecting the \$246 million decrease in debt service expenses for fiscal 2023/24 is as follows:**

- Decrease of \$408 million in interest costs due to a lower borrowing requirement in FY23 that carried over to outer fiscal years
- Decrease of \$49 million in a repricing adjustment from transferring existing debt to other entities

**Offset by:**

- Increase of \$133 million in interest costs from the Central Deposit Program
- Increase of \$54 million in short term and floating rate interest costs
- Increase of \$23 million from lower discount amortizations
- Increase of \$1 million in fiscal agency fees and bank charges due to higher bank fees

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury

**Phone:** 250 387-9295  
**Page:** 8 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

**Question: What would be the impact of a 1 per cent change in interest rates on fiscal 2023/24 taxpayer-supported debt service expense?**

**Answer:**

- Estimated full year impact on taxpayer-supported debt interest costs would be \$187 million consisting of \$62 million pertaining to debt held directly by the province, and \$125 million pertaining to debt held by taxpayer-supported crowns and agencies.

**Question: Does the province have any unhedged foreign exchange exposure? If yes, which currencies and how much? How will an increase in the Canadian dollar affect this exposure?**

**Answer:**

- The province currently has foreign currency debt primarily in US dollars and Euros. However, it only has foreign currency liability exposure in US dollars as the other foreign currency debt has been hedged to Canadian dollars.

**Contact:** Jim Hopkins, ADM

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**Division:** Provincial Treasury

**Page:** 9 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

- Total US dollar denominated debt of the government and its Crown corporations is US \$9.6 billion. Of this amount, US \$9.4 billion is hedged through US dollar sinking funds or through currency forwards and swap contracts which have converted the liabilities into Canadian dollar obligations. The remaining unhedged US dollar exposure of \$66 million (CAD \$84 million equivalent) is held by BC Hydro, which is hedged naturally by Hydro's US dollar electricity export sales.
- An increase in the Canadian dollar will reduce the cost of obtaining US dollars to meet BC Hydro's small unhedged interest payments and maturity obligations.

**Contact:** Jim Hopkins, ADM  
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**Phone:** 250 387-9295  
**Page:** 10 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

**Question: How does government expect taxpayer-supported debt-to-GDP to trend over the duration of the fiscal plan?**

**Answer:**

(\$ millions)	2021/22 <i>Actual</i>	2022/23 <i>Forecast</i>	2023/24 <i>Estimate</i>	2024/25 <i>Estimate</i>	2025/26 <i>Estimate</i>
<b>Taxpayer-supported debt</b>	\$62,341	\$63,701	\$75,617	\$88,436	\$99,395
<b>Taxpayer-supported debt-to-GDP</b>	17.8%	16.4%	18.9%	21.3%	23.0%

- Taxpayer-supported debt is forecast to increase from \$63.7 billion in 2022/23 to \$99.4 billion in 2025/26. The increase over the fiscal plan reflects the operating deficits as well as record-level capital spending.
- According to Moody's Investors Services, B.C. has one of the lowest debt-to-GDP ratios among the provinces.
- The taxpayer-supported debt-to-GDP ratio is forecast to be 16.4 per cent in 2022/23 and 23.0 per cent in 2025/26.

**Contact:** Jim Hopkins, ADM  
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**Phone:** 250 387-9295

**Page:** 11 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

**Question: What is the per capita debt in British Columbia?**

**Answer:**

<b>(\$ millions)</b>	<b>2021/22 Actuals</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
<b>Taxpayer-supported debt-per-capita</b>	\$11,983	\$11,975	\$13,878	\$15,929	\$17,600
<b>Total provincial debt-per-capita</b>	\$17,428	\$17,575	\$19,807	\$22,083	\$23,781

Taxpayer-supported debt-per-capital is forecast to be \$11.9 billion in 2022/23 and \$17.6 billion in 2025/26. Total provincial debt-per-capita is forecast to be 17.6 billion in 2022/23 and \$23.8 billion in 2025/26.

Advice/Recommendations

**Contact:** Jim Hopkins, ADM  
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**Phone:** 250 387-9295  
**Page:** 12 of 12

**File Name:** 03\_MO\_PT\_2023-24 Provincial Debt Questions and Answers

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

## ISSUE: Capital Market Performance

### ADVICE AND RECOMMENDED RESPONSE:

- Investors' confidence in the outlook for the BC economy and government's fiscal management remains resilient. BC continues to have one of the lowest costs of borrowing among provinces.

### KEY FACTS:

- BC's history of maintaining a strong credit rating supported the Province's capital market access to funding the \$9 billion forecasted borrowing requirement in 2022/23. Expertise in Debt Management Branch staff is well regarded in the markets and ensured smooth execution of funding and identification of effective cost-saving opportunities.
- The Province holds a triple-A credit rating from Moody's, double-A-plus from Fitch, and double-A-high from DBRS. S&P downgraded the Province to double-A from double-A-plus on April 18, 2023, with negative outlook.
- These are the highest credit ratings each agency gives to Canadian provinces. BC's credit ratings support engagement with investors across Canada and globally for broad and cost-effective capital market access.

**Contact:** Jim Hopkins, ADM  
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**File Name:** 04\_MO\_PT\_Capital Market Performance

**Phone:** 250 387-9295

**Page:** 1 of 3

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

**BACKGROUND:**

- Illustration of the Province's cost of funding as follows:
  - The province's current cost of funding is around 1.5 basis points ("bps," or 1/100 of a percent) more than the Province of Ontario in 10-year and 30-year domestically; that's approximately \$1.5 million for every billion dollars funded in 10-year and \$3 million for every billion dollars funded in 30-year.
  - In the US dollar market, BC currently pays 10 basis points less than Province of Ontario in comparable terms (rated A+ by S&P and AA- by DBRS, Moody's and Fitch); this illustrates international investor's greater focus on credit ratings.
  - For fiscal year 2022-23, the Province successfully issued 8 bonds in the domestic market, raising a total of \$3.8 billion in proceeds. Each of these underwritten deals received a strong reception from investors and were supported by the Province's underwriting syndicate.
  - The province also issued a EUR 100 million private placement overseas; this issue priced competitively to the domestic market with indicative savings of \$1.6 million versus implied domestic cost of funding for similar term.
- The Province manages a highly competitive Canadian dollar promissory note program and a US dollar denominated commercial paper program.

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 04\_MO\_PT\_Capital Market Performance

**Phone:** 250 387-9295  
**Page:** 2 of 3

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

- BC's funding rate is estimated to be 5 basis points lower than other major provinces. In the case of 91-day Canadian dollar promissory note issuance, BC saves an estimated \$0.5 million for every billion dollars funded over the course of one year. The \$6 billion commercial paper outstanding implies approximately \$3 million of savings comparing to other provinces.
- The Province issues in US commercial paper market only when it is cheaper than it would be in Canadian market to secure further savings.

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 04\_MO\_PT\_Capital Market Performance

**Phone:** 250 387-9295  
**Page:** 3 of 3

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

## **ISSUE: Credit Rating Status and Debt Servicing Cost Savings**

### **ADVICE AND RECOMMENDED RESPONSE:**

- British Columbia has the highest credit ratings among the provinces and is currently the only province rated Aaa by Moody's.
- Following Budget 2023, Moody's (Aaa) and DBRS Morningstar (AA high) each published a brief commentary on the budget. As expected, similar commentaries were not published from either Standard & Poor's (AA) or Fitch (AA+).
- During the week of March 13<sup>th</sup>, in-depth technical briefings between senior Finance staff, Ministry executives and senior analysts from each credit rating agency took place. On April 4, 2023, Fitch published a "Rating Action Commentary" in which they affirmed BC's "AA+ " credit rating and Stable outlook. On April 18, 2023, Standard & Poor's published a "Research Update" in which they downgraded BC to "AA" (from "AA+") and lowered its outlook to "Negative" (from "Stable"). On May 1, 2023, DBRS published a press release in which they confirmed BC's "AA (high)" credit rating and

**Contact:** Jim Hopkins, ADM

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**Division:** Provincial Treasury

**Page:** 1 of 8

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

“Stable” outlook. A report from Moody’s is expected to be published in the coming weeks.

- The strong credit ratings translate into lower debt service costs which currently enable the province to invest about \$3.25 billion more in programs and services on which British Columbians rely.

### **KEY FACTS:**

- British Columbia has a credit rating from each of the following four agencies:
  - Moody’s: Aaa with a stable outlook – Affirmed May 2022
  - Fitch: AA+ with a stable outlook – Affirmed April 2023
  - DBRS: AA (high) with a stable outlook – Affirmed May 2023
  - S&P: AA with a negative outlook – April 2023
- The province is the highest-rated province in Canada due to its strong balance sheet and the depth and diversity of its economy.
- A high credit rating enables the province to borrow in the capital markets at a lower cost when compared to similar governments with a lower credit rating. During periods of turbulence in the capital markets, investors will often seek higher rated, less risky investments (flight to quality).
- Currently, B.C. is the only province rated Aaa with Moody’s. Maintaining disciplined fiscal management, and affordable debt-to-

**Contact:** Jim Hopkins, ADM

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**Division:** Provincial Treasury

**Page:** 2 of 8

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

GDP, debt-to-revenue and interest bite ratios are key to B.C.'s strong credit rating; interest bite ratio refers to taxpayer-supported debt service costs as a percentage of taxpayer-supported revenue.

**Moody's:**

- On March 1, 2023, Moody's published an Issuer Comment on Budget 2023, stating: "While the forecast of a return to modest deficits is a credit negative, we note that the budget contains significant contingencies to the projections in excess of the annual deficits, which is in line with British Columbia's cautious fiscal management. As such, we view the budget plan as well protected against expected fiscal and economic headwinds, and more likely to be surpassed." Moody's continued to note that Budget 2023 lowered the province's debt burden: "... debt requirements are lower; our current forecast of net direct and indirect debt in 2023-24 is approximately CAD 8 billion lower (roughly 10%) than our previous forecast. The province's debt burden is therefore unlikely to reach our previous forecasts, even with the province's planned path of continued deficits."
- On May 12, 2022, Moody's published a "Credit Opinion" on the Province of British Columbia. Credit strengths included: "a resilient economy with sector diversity and important natural resources, which will support strong economic performance in 2022 and 2023. The province benefits from a high degree of fiscal flexibility including control over revenues and expenses, as well as solid liquidity balances which provide some cushion against economic and fiscal

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 3 of 8

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

pressures..." The province could see a downgrade if "...unable to meaningfully improve its fiscal trajectory over the next 18-24 months, coinciding with a deterioration in the debt burden above 130% on a sustained basis. A material weakening in the province's liquidity profile or a material weakening in BC Hydro's financial metrics could also add pressure..."

**S&P:**

- On April 18, 2023, S&P published their credit report which downgraded the Province's credit rating from AA+ to AA and also revised the outlook from 'Stable' to 'Negative'. Within the report, S&P stated, "The Province of British Columbia's (B.C.) 2023 budget outlines an extensive investment plan for operations and record levels of capital spending, which will reverse the fiscal gains made in the past two years and result in the return of operating deficits, larger after-capital deficits, and a relatively steep increase in debt through to fiscal 2026." <sup>Advice/Recommendations</sup> in S&P's opinion, "A reversal of the current fiscal trajectory as evidenced by a return to operating surpluses and modest after-capital deficits of about 5% of total revenue, a slowing growth trend in the province's tax-supported debt burden, and improving liquidity metrics of more than 40% of next 12 months' debt service in the next two years, could lead to us to revise our outlook to stable."
- On December 19, 2022, S&P published a report on the Province of British Columbia in which they stated, "We believe fiscal 2022-2023 budgetary results may be notably stronger than we expected at

**Contact:** Jim Hopkins, ADM

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**Division:** Provincial Treasury

**Page:** 4 of 8

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

budget time. Recently released second-quarter results indicate another year of strong revenue growth. After-capital deficits could improve dramatically and significantly outperform our expectations. Economic challenges are increasing, however. <sup>Advice/Recommendations</sup> S&P further stated, “We could revise the outlook to negative or lower the ratings in the next two years if a resumption of weakening economic conditions or poor fiscal policy choices result in the derailment of the province’s fiscal recovery, as reflected by the continuation of after-capital deficits greater than 10% of total revenues and steady material increases in the tax-supported debt burden.”

**Fitch:**

- On April 4, 2023, Fitch published their credit report on the Province and affirmed the AA+ credit rating with ‘stable’ outlook. They state, “The affirmation reflects Fitch’s expectation that, despite near-term macroeconomic risks, economic fiscal performance in British Columbia will remain solid over the longer term.” Further, “Despite risks, the current budget for fiscal 2024 (which began on April 1) is cushioned by conservative consumptions and sizable contingencies.”
- On April 29, 2022, Fitch issued a press release affirming BC’s AA+ rating and stable outlook. As part of its commentary, Fitch states, “The affirmation reflects Fitch’s expectation that economic and fiscal performance in British Columbia will remain solid over the near term as the recovery from the pandemic continues, narrowing projected

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 5 of 8

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

deficits and borrowing needs relative to its current projections.”

**DBRS:**

- On May 1, 2023, DBRS issued a press release in which they confirmed BC’s “AA (high)” credit rating and “Stable” trend. In their opinion, DBRS stated: “The confirmations reflect the underlying strength and diversity of the Province’s economy and its disciplined management practices and a strong balance sheet.”
- On March 2, 2023, DBRS published a commentary on Budget 2023, stating: “The budget plans for increased spending in priority areas, continued deficits, and rising debt amid a macroeconomic slowdown, resulting in reduced flexibility over the years to come. However, the Province’s prudent fiscal approach, consistent track record of outperformance, strong balance sheet, and currently low debt burden will lend stability to its credit profile.”

**BACKGROUND:**

- A credit rating is an evaluation of a borrower’s ability to pay interest and to repay principal. A credit rating affects the borrower’s debt servicing costs and the investor’s rate of return since an investor will demand a higher interest rate on a more risky, lower-rated security.
- The provincial credit rating is determined by independent credit rating agencies.

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 6 of 8

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

**Taxpayer-supported debt:**

- Taxpayer-supported debt is an indicator often used by investors and credit rating agencies when analysing a province's investment quality. The ratio of a province's taxpayer-supported debt relative to its gross domestic product highlights the ability of a province to manage its debt load. British Columbia's taxpayer-supported debt burden is one of the lowest in Canada, and this translates into a strong credit rating and lower debt service costs.

**Interest rates and debt charges:**

- Assuming the province's headline, an approximate \$19 billion requirement in 2023/24 is financed by 75 per cent fixed term bonds, and half of that in the 10-year term and half in the 30-year term, BC's funding rate advantage indicatively saves over \$39 million over the life of the financings (75 per cent of \$19 billion, or \$14.25 billion, done in bonds which are split between 10-year and 30-year at the above indicated savings, respectively implies \$17.8125 million plus \$21.375 million).

Government Financial Information

**Contact:** Jim Hopkins, ADM

**Division:** Provincial Treasury

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

**Phone:** 250 387-9295

**Page:** 7 of 8

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

Government Financial Information

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 8 of 8

**File Name:** 05\_MO\_PT\_Credit Rating Status and Debt Servicing Cost Savings

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
FACT SHEET

**NAME: Central Deposit Program**

**ADVICE AND RECOMMENDED RESPONSE:**

- Provincial Treasury's Central Deposit Program (CDP) receives deposits of excess cash from school districts, health authorities, post secondary institutions (the SUCH sector) and other government organizations, pays a competitive deposit return to these entities, and redeploys this cash to offset government cash requirements, thereby reducing debt and the related debt service costs.
- The value proposition of the program is that CDP participants are kept whole in regards to their interest earnings, the government saves on interest costs, overall government debt levels decrease, debt affordability improves and the credit rating is protected, more expenditure room can be made available to fund programs, and the taxpayer saves.

**KEY FACTS:**

- The CDP was established to address recommendations from the 2010 Office of the Auditor General of BC (OAG) report on *Management of Working Capital by Colleges and School Districts*. The

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 06\_MO\_PT\_Central Deposit Program

**Phone:** 250 387-9295  
**Page:** 1 of 3

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
FACT SHEET**

CDP remains as one of the key initiatives which address excess liquidity and idle working capital balances in the SUCH sector, as identified by the OAG in its follow-up report.

- The OAG recommended that SUCH sector entities deposit excess cash with the central government to improve investment returns and/or reduce debt that would otherwise be incurred by government borrowing for the sector's capital projects.
- The CDP has a current balance of \$3.1 billion.

**DATA TABLE: FUNDS ON DEPOSIT**

(\$)	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	February 28, 2023
School Districts	973,184,933	1,009,257,623	1,166,091,841	1,093,911,385	1,046,003,067
Health Authorities	944,886,931	761,045,519	855,644,671	953,052,986	1,389,298,638
Universities & Colleges	296,184,933	345,115,229	377,919,246	483,875,421	549,020,222
Crown Corporations	340,442,954	81,074,665	107,966,273	110,004,418	140,879,789
<b>Total Funds On Deposit</b>	<b>2,555,438,228</b>	<b>2,196,493,036</b>	<b>2,507,622,031</b>	<b>2,640,844,210</b>	<b>3,124,579,197</b>

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 06\_MO\_PT\_Central Deposit Program

**Phone:** 250 387-9295  
**Page:** 2 of 3

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
FACT SHEET**

## **BACKGROUND**

- The CDP pays a floating deposit rate of Prime minus Government Financial Information
- CDP's expense is revenue to the receiving entity and is therefore fully offset on consolidation.
- At current forecasted rates, each additional dollar deposited saves about 0.51 per cent of debt costs.
- Each dollar deposited will also lower the debt-to-GDP ratio (+/- \$400 million of debt equals about 0.1 per cent change in debt to GDP ratio).
- Cumulative debt service cost savings from the start of the program in fiscal year 2013/14 are estimated at approximately \$300.9 million.

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 06\_MO\_PT\_Central Deposit Program

**Phone:** 250 387-9295  
**Page:** 3 of 3

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

## **ISSUE: Environmental, Social, Governance (ESG) Profile and ESG Report**

### **ADVICE AND RECOMMENDED RESPONSE:**

- In order to allow for a greater understanding of how government's policies, programs and legislation fit within an ESG framework, ministry staff produced the B.C. ESG Summary Report (the Report) in August 2022.
- This was the government's inaugural report on ESG for British Columbians, Indigenous rightsholders, financial market and bond investors, and trading partners. The Report was also the first such report from a province.
- Investors want to understand the risk and rewards of investing through an ESG lens, and we are pleased to assist in this regard through the Report.
- We want our stakeholders to appreciate the importance which the government accords to ESG values and outcomes.
- ESG in British Columbia is unique to the extent it is materially informed by the relationship with Indigenous peoples about which you will see featured in the Report.

**Contact:** Jim Hopkins, ADM

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**Division:** Provincial Treasury

**Page:** 1 of 4

**File Name:** 07\_MO\_PT\_Environmental Social Governance (ESG) Profile and ESG Report

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

- ESG is a journey and, while we believe our credentials are impressive, we know there will always be room for improvement, and we gladly embrace the challenge.

## **KEY FACTS:**

- **About the B.C. ESG Report:** By the nature of the work that government has done and continues to do, it is clear that government is committed to ESG programs and priorities. Government's ESG work spans across ministries and Crown agencies. The Report recognizes that stakeholders from the capital markets and public policy place high and progressively higher value on the ESG credentials of jurisdictions.
- **Why ESG?:** ESG is an evolving response to current issues in society and capital markets. Investors are adding ESG to their investment criteria in response to social, cultural and climate change. The Report is an inventory of the myriad of important elements that comprise government's ESG profile.
- **ESG Work is ongoing:** The Report is a digest of ESG activities and records "what is" to affirm alignment with ESG values <sup>Advice/Recommendations</sup>  
Advice/Recommendations
- **Benefit to B.C.:** ESG can profile how the Province contributes to a better quality of life through climate action, better social conditions, and more transparent, inclusive and fair governance. In spite of B.C.

**Contact:** Jim Hopkins, ADM

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**Division:** Provincial Treasury

**Page:** 2 of 4

**File Name:** 07\_MO\_PT\_Environmental Social Governance (ESG) Profile and ESG Report

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

having a very strong ESG story with ESG principles embedded in the core work of ministries across government, feedback from the financial and investor community is that B.C.'s story is not well known, nor centrally organized for reference. It was this feedback, along with collaborations across ministries, that prompted the idea of creating the Report.

## **BACKGROUND:**

- **ESG Categories:** ESG credentials have become increasingly topical over the past ten years. In response to the growing market commitment to ESG, issuers are promoting their ESG credentials to address stakeholders', investors' and credit rating agencies' concerns. The ESG categories follow:
  - **Environmental:** the impacts government actions have on the environment; the contribution government makes to climate change through greenhouse gas emissions, waste management, energy efficiency and actions to decarbonize and cut emissions; as well as how government uses resources across the board, such as through land and resource management, biodiversity, air and water quality or deforestation.
  - **Social:** how government supports people and culture in B.C., like inclusivity, gender and diversity, community relationships, human rights, and labour standards.

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 3 of 4

**File Name:** 07\_MO\_PT\_Environmental Social Governance (ESG) Profile and ESG Report

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

- **Governance:** how government's internal practices, systems and procedures affect leadership, data protection, privacy and transparency.
- The feedback on the Report has been positive and encouraging. There is interest in future ESG reporting.

**Contact:** Jim Hopkins, ADM

**Phone:** 250 387-9295

**Division:** Provincial Treasury

**Page:** 4 of 4

**File Name:** 07\_MO\_PT\_Environmental Social Governance (ESG) Profile and ESG Report

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

## ISSUE: Green Bond

### ADVICE AND RECOMMENDED RESPONSE:

- A Green Bond program may be a natural extension of the province's green credentials and indeed B.C. has developed a Green Bond Program framework which has received the highest rating from an international reviewer, the Center for International Climate and Environmental Research, or CICERO.
- However, we currently have more interest in profiling the province's Environment, Social and Governance (ESG) credentials and have done so with the province's ESG Summary Report, released in August 2022. This was the first such report from a province and was applauded by the financial community for B.C.'s record and for advancing public sector disclosure and transparency.

Advice/Recommendations

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 08\_MO\_PT\_Green Bond

**Phone:** 250 387-9295  
**Page:** 1 of 3

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

**KEY FACTS:**

- Green bonds are financial debt securities from which the proceeds are used to finance projects that have environmental and climate benefits. The program requires setting up a process to report on the use of bond proceeds annually which is challenging and administratively burdensome, and is better suited to the largest issuers who have requisite supporting staff.
- Issuers are shifting to ESG mandates in today's markets. An example is the World Bank's approach to bond issuance. The World Bank self-declared as ESG compliant and all bonds it issues are therefore ESG-compliant, called "Sustainable Development Bond." The World Bank publishes an annual impact report on its ESG accomplishments.
- Some of B.C.'s peers are in the green bond market. The Province of Ontario was the first province to issue green bonds in 2014 and has issued subsequent green bonds annually to a favorable investor reception; Quebec also issued multiple green bonds.
- The Government of Canada issued its inaugural C\$5 billion 7-year green bond in March 2022.

**BACKGROUND:**

Advice/Recommendations

**Contact:** Jim Hopkins, ADM  
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**File Name:** 08\_MO\_PT\_Green Bond

**Phone:** 250 387-9295  
**Page:** 2 of 3

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

Advice/Recommendations

- The ESG approach adopted by the World Bank along with annual ESG impact reporting

Advice/Recommendations

Advice/Recommendations

**Contact:** Jim Hopkins, ADM  
**Division:** Provincial Treasury  
**File Name:** 08\_MO\_PT\_Green Bond

**Phone:** 250 387-9295  
**Page:** 3 of 3

MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE

## ISSUE: HSBC Canada Divestiture

### ADVICE AND RECOMMENDED RESPONSE:

- We are following Royal Bank of Canada (RBC)'s purchase of HSBC Bank Canada (HSBC) with interest, especially given HSBC's significant work force in BC.
- The Premier and former Minister of Finance have spoken with the CEO of RBC and have been provided with an update on the RBC purchase. Details remain limited while the purchase is under federal regulatory review.
- RBC is a significant employer in BC, and the province enjoys a good relationship with the bank that goes back decades.

Advice/Recommendations

### KEY FACTS:

- In November 2022, HSBC Holdings plc. accepted an offer from RBC to purchase HSBC for about C\$13.5 billion.
- Any change in bank ownership in Canada requires approval of the federal Minister of Finance.

**Contact:** Jim Hopkins, ADM  
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**File Name:** 09\_MO\_PT\_HSBC Canada Divestiture

**Phone:** 250 387-9295

**Page:** 1 of 2

**MINISTRY OF FINANCE  
PROVINCIAL TREASURY  
ISSUE NOTE**

- The Province will want to ensure fair treatment of the approximate 2,300 HSBC employees in British Columbia.

**BACKGROUND:**

- As of 2022, HSBC Holdings plc. is the seventh-largest bank in the world by assets (with US \$2,966 billion) and is currently ranked 7th globally by market share.
- HSBC is headquartered in Vancouver and employs more than 5,500 people Canada-wide. RBC has 172 branches in 73 communities across BC and employs 7,000, while, in contrast, HSBC has 45 branches in 21 communities in the province. RBC is Canada's largest bank and is the second largest bank located in BC.
- HSBC's parent company is in the midst of a broad restructuring which is centered around increasing its operations and market position in Asia, while cutting back on operations outside of Asia. HSBC Bank Canada was put up for sale on the back of this broad restructuring strategy which we understand identifies the Canadian subsidiary as not aligned with effectively growing HSBC Holdings' Asia business.

Intergovernmental Communications

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**File Name:** 09\_MO\_PT\_HSBC Canada Divestiture

**Phone:** 250 387-9295  
**Page:** 2 of 2

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

## **ISSUE: Emergency Benefit for Workers (EBW) and Recovery Benefit (RBP) audit work**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Auditor General's Report asked about follow-up audits for the EBW and RBP programs.
- Follow-up audits began on November 9, 2021.
- Approximately 55,000 reviews will be conducted, and 43% of the reviews are already complete. All reviews will be complete by December 2023.

### **KEY FACTS:**

- Advice/Recommendations; Security Concern
- The EBW legislation required a 2019 B.C. income tax return to be filed before January 1, 2021.
- The RBP legislation required B.C. residency on December 18, 2020. 2020 income tax filings are being used to help identify non-BC residents at the end of 2020.
- Not all records selected for audit will result in adjustments.

Advice/Recommendations; Security Concern

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**Page:** 1 of 3

**File Name:** 01\_MO\_RD\_Emergency Benefit for Workers and Recovery Benefit Audit Work

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

Advice/Recommendations;  
Security Concern

Applicants who provide satisfactory proof will not be adjusted.

- A team of 10 auditors is focussed on these reviews.
- Audits will continue until December 2023.
- The Ministry will take into consideration those recipients in vulnerable populations when undertaking audit and collection activities.

Advice/Recommendations; Security Concern

- Payment arrangements will be available for clients that are in financial hardship.
- The Receivables Management Office is coordinating the recovery of debts that have, and will, result from adjustments.
- Payment plans are available for those that need them.

## **BACKGROUND:**

- The EBW program ran from May 1, 2020 to December 2, 2020. A total of 643,813 EBW applications were approved.
- Total EBW benefits paid out amounted to \$643.4 million.

**Contact:** Jordan Goss

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**Division:** Revenue Division

**Page:** 2 of 3

**File Name:** 01\_MO\_RD\_Emergency Benefit for Workers and Recovery Benefit Audit Work

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

- The RBP program ran from December 18, 2020 to June 30, 2021. A total of 1,987,419 RBP applications were approved.
- Total RPB benefits paid out amounted to \$1.36 billion.

**Contact:** Jordan Goss

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**Division:** Revenue Division

**Page:** 3 of 3

**File Name:** 01\_MO\_RD\_Emergency Benefit for Workers and Recovery Benefit Audit Work

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

## **ISSUE: Provincial Sales Tax (PST) Rebate on Select Machinery and Equipment**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The PST Rebate on Select Machinery and Equipment (the rebate) came into effect on September 17, 2020, as part of the government's economic recovery plan, StrongerBC.
- The rebate applied to the PST paid on most purchases and leases of machinery and equipment by companies for use in producing or gaining income.
- The rebate supported companies by providing an incentive to invest in machinery and equipment to support and grow their businesses.
- This in turn supported the economy of B.C. as it recovered from the financial impacts of the COVID-19 pandemic by helping to retain and create employment opportunities in businesses across B.C.
- While a significant majority of the rebate applications have been processed, the Ministry is working hard to process the remaining applications.

**Contact:** Michelle Lee  
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**Page:** 1 of 5

**File Name:** 02\_MO\_RD - PST Rebate on Select Machinery and Equipment

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

**KEY FACTS:**

- The rebate was available to all incorporated businesses and individuals who acted as agents for corporations in purchases and leases of qualifying machinery and equipment.
- Capital cost allowance (CCA) classes established under the Federal Income Tax Regulations were used to determine which assets qualified for the rebate.
- The rebate applied to PST paid on or after September 17, 2020, but before April 1, 2022.
- There was no limit on the amount of PST that could be claimed on qualifying machinery and equipment.
- A refund under the *PST Rebate on Select Machinery and Equipment Regulation* was not provided to an applicant who was eligible for a refund under another provision of the *PST Act* or the regulations.

**CURRENT STATUS:**

- As of March 1, 2023, 13,421 rebate applications have been received for purchases and leases of eligible machinery and equipment totalling \$305,021,983.48.
- 12,039 rebate applications have been approved, and \$102,894,343.12 in rebates have been paid.
- 432 rebate applications, totalling \$36,969,904.03, were disallowed by the Ministry.

**Contact:** Michelle Lee  
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**Page:** 2 of 5

**File Name:** 02\_MO\_RD - PST Rebate on Select Machinery and Equipment

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

- 950 rebate applications remain to be processed.
- The Ministry has conducted 97 audits from April 26, 2021, to November 18, 2022. Fifty (50) of the 97 audits have resulted in a recovery, totalling \$269,115.29. Audits have been temporarily paused due to resourcing limitations and competing priorities.
- Typical processing times for an application was four to five business days. Currently, the average processing time is 87 days as the remaining requests require more complex adjudication.

## **QUESTIONS AND ANSWERS**

### **ISSUE: PST Rebate on Select Machinery and Equipment**

**Question: Why is the rebate only available to corporations?**

**Answer:** The rebate is limited to corporations to minimize the risk of fraud from rebate claims submitted for items not purchased for business use.

**Contact:** Michelle Lee  
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**Phone:** 778 698-9609  
**Page:** 3 of 5

**File Name:** 02\_MO\_RD - PST Rebate on Select Machinery and Equipment

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

**Question: How long are the processing times for rebate claims?**

**Answer:** Rebate claims are typically processed within four to five business days. More complex rebate claims may take longer to process.

**Question: Why have processing times increased (i.e., 87 days)?**

**Answer:** Most of the remaining requests require complex adjudication that result in longer processing times.

**Question: How are rebate claims submitted?**

**Answer:** Rebate claims are submitted online using the Ministry of Finance's online tax administration system referred to as eTaxBC.

**Question: Why was the eligibility period for the rebate program extended?**

**Answer:** The eligibility period for the rebate program was extended to ensure that businesses had sufficient time to

**Contact:** Michelle Lee  
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**Phone:** 778 698-9609  
**Page:** 4 of 5

**File Name:** 02\_MO\_RD - PST Rebate on Select Machinery and Equipment

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

take advantage of the PST rebate on purchases and leases of qualifying machinery and equipment.

**Question: Why was the final eligibility period extended (April 1, 2022, through September 30, 2022) to October 3, 2022?**

**Answer:** The final deadline was extended because of the National Day for Truth and Reconciliation statutory holiday on September 30, 2022.

**Question: Has the Ministry of Finance recovered funds from applicants following post-payment audits of rebate claims?**

**Answer:** The Ministry has conducted a total of 97 audits. Fifty (50) audits have resulted in recoveries, totalling \$269,115.29. Audits have been temporarily paused due to resourcing limitations and competing priorities.

**Contact:** Michelle Lee  
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**Phone:** 778 698-9609  
**Page:** 5 of 5

**File Name:** 02\_MO\_RD - PST Rebate on Select Machinery and Equipment

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

## ISSUE: Tobacco Enforcement

### ADVICE AND RECOMMENDED RESPONSE:

- Retail dealers are routinely inspected to ensure they only sell marked legal tobacco at their locations. Where necessary, audits are undertaken to ensure compliance with the legislation.
- The sale of illegal or contraband tobacco is a crime. The ministry takes enforcement actions to combat the underground economy, including contraband tobacco.
- Illegal tobacco is a problem across Canada.
- The Ministry has a number of programs supporting sale of legal tobacco and aimed at combatting illegal tobacco sales.
- Participating in activities associated with illegal or contraband tobacco:
  - Threatens tax revenue, reducing support for important government programs such as healthcare, infrastructure, and education
  - Undermines government efforts to reduce smoking rates and protect minors from the dangers of smoking

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 1 of 10

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

- Contributes to health and safety risks due to the lack of oversight of unregulated products
- Compromises public safety by providing funds used to finance organized crime and other criminal activities such as drug and gun trafficking

**KEY FACTS:**

- Contraband tobacco includes:
  - Tobacco products that are not properly stamped or marked
  - Legal tobacco products that are purchased and sold illegally.
- Illegal activities involving tobacco include:
  - Selling tobacco to persons under the age of 19
  - Selling any tobacco product without an authorized permit
  - Reselling duty-free purchased tobacco or exchange of duty-free tobacco for services
  - Selling taxable tobacco products without charging or collecting tobacco tax
  - Selling tax-exempt tobacco to customers who are not eligible
  - Possessing more than 1,000 grams (equivalent of 5 cartons) of tobacco if you are a consumer
  - Importing tobacco without paying tobacco tax
  - Selling imported tobacco declared for personal use
- Enforcement action consists of:

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 2 of 10

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

- working with partners including CRA, Canada Border Services Agency, RCMP and members of the Interprovincial and Territorial Investigations Council (federal and provincial law enforcement agencies) for information and intelligence sharing
- conducting investigations into willful non-compliance and fraud against tax revenues
- providing training and education to bylaw agencies, police units, health enforcement offices and industry stakeholders on how to prevent occurrences of contraband tobacco
- partnership with Crimestoppers, colleges/universities for advertisement posters on the effects of illegal tobacco
- a toll-free TIPS line 1-877-977-0858 or 604-660-0858 in Vancouver where callers can anonymously report the illegal sale and distribution of products
- Member's of the public can submit their tips through the online form available at:  
<https://www2.gov.bc.ca/gov/content/taxes/report-tax-tip?>
- The Investigations Unit ("IU") of the Ministry is responsible for the criminal enforcement of numerous provincial taxation statutes and regulations including the *Tobacco Tax Act* and the *Criminal Code* offences regarding the enforcement of those BC tax acts. Investigations relate to offences throughout the province of BC relating to tax evasion, and recovery of tax owed to the provincial government.

**Contact:** Jordan Goss, Assistant Deputy Minister  
**Division:** Revenue  
**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 3 of 10

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

**BACKGROUND:**

- Valid tobacco permits must be held to sell tobacco products at retail: Tobacco Retail Authorizations for those selling taxable tobacco at retail locations; or Exempt Sale Retail Dealer permits for those retail locations that are duty-free shops or located on reserve or designated lands selling exempt tobacco products to eligible persons.
- All registered dealers must purchase tobacco from registered wholesale dealers. Registered wholesalers charge the retailer a security equal to the amount of tax the end customer will pay. The wholesaler remits this security to the government. When retailers charge the customer the tax, they retain this tax as reimbursement of the security they paid to the wholesaler. If retailers purchase tobacco from a supplier who is not a registered wholesale dealer, they must report and pay the tax collected from the customer.
- Illegal tobacco are products that do not comply with the federal and provincial tobacco regulations on manufacturing, distribution, sale, taxation, packaging and stamping.
- The illegal tobacco found in BC includes tobacco brought in from other countries, both legitimately manufactured product that is brought in illegally as well as counterfeit product manufactured to appear legitimate, tobacco manufactured on First Nations Land in other provinces (primarily Ontario and Quebec) and blackstock tobacco meant for tax-exempt sales in BC to eligible First Nations purchasers.

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 4 of 10

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

- The sale of illegal tobacco in BC occurs in retail locations, on the street, online and from non-authorized locations (e.g., homes or businesses)
- During the 2022 calendar year, there have been multiple correspondence to the Minister's office, to ministry staff, the Ministry of Public Safety and Solicitor General (for enhanced law enforcement efforts) from industry stakeholders about their observations of increasing illegal tobacco in BC. These stakeholders include large tobacco companies, the Convenience Industry Council of Canada on behalf of their convenience store members, and convenience store owners. A recent public campaign has been launched by the stakeholders to indicate illegal tobacco is a growing problem in BC. The Ministry has programs in place to address the issue of illegal tobacco, as stated above, and has shared these efforts with the stakeholders.

**Contact:** Jordan Goss, Assistant Deputy Minister  
**Division:** Revenue  
**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 5 of 10

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

**OPERATIONS:**

	<b>2018/19 Actuals</b>	<b>2019/20 Actuals</b>	<b>2020/21 Actuals</b>	<b>2021/22 Actuals</b>	<b>2022/23 (to Dec31) Actuals</b>
Investigations Unit (cigarettes seized)	5.8 million	5.2 million	0.6 million	3.6 million	2.9 million
Regulatory Inspections conducted	512	450	117	453	144
Regulatory Audits undertaken	Advice/Recommendations; Business Information				
Regulatory Audits (recovery \$)					

- In FY 2020/21, due to the pandemic, the level of field work was minimal resulting in only 598,928 grams of cigarette seizures and reduced inspection and audit activity.
- The Tobacco Tax Section oversees tobacco dealer permitting to ensure all businesses selling tobacco have valid permits and administers the tax return reporting process for dealers to remit tobacco tax including ensuring dealers comply with requirements to file inventory returns and pay additional tax due to tobacco tax increases.

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 6 of 10

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Tobacco Enforcement

**Question: Which law enforcement unit / team would be responsible in investigating illegal cigarettes?**

**Answer: B.C. Ministry of Finance – Investigations Unit:**

- The Ministry of Finance Investigations Unit conducts investigations into willful non-compliance and fraud against tax violations.
  - Report tax fraud via a toll-free TIPS line 1-877-977-0858 or 604-660-0858 in Vancouver;
  - Via the online form at <https://www2.gov.bc.ca/gov/content/taxes/report-tax-tip?>

**Question: What is the size of the illegal tobacco in BC?**

**Answer:** In BC, the province collects \$565 million annually in tobacco tax revenues, but it is estimated that several million

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 7 of 10

**MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE**

dollars are lost each year due to the smuggling of illegal tobacco. When the federal and provincial governments lose revenue because of illegal tobacco, it increases the tax burden for all of us.

**Question: What is illegal tobacco?**

**Answer:** Illegal tobacco includes:

- Tobacco products that are not properly stamped or marked
- Legal tobacco products that are purchased and sold illegally.

**Question: What are considered illegal activities involving tobacco?**

**Answer:** Illegal activities include:

- Selling tobacco to persons under the age of 19
- Selling any tobacco product without an authorized permit

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 8 of 10

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

- Reselling duty-free purchased tobacco or exchange of duty-free tobacco for services
- Selling taxable tobacco products without charging or collecting tobacco tax
- Selling tax-exempt tobacco to customers who are not eligible
- Possessing more than 1,000 grams (equivalent of 5 cartons) of tobacco if you are a consumer
- Importing tobacco without paying tobacco tax
- Selling imported tobacco declared for personal use

**Question: Is a person allowed to re-sell tobacco brought into the country for personal consumption?**

**Answer:** No, as it is authorized for personal consumption only, resale is not permitted.

**Question: What is a consumer's obligation regarding tobacco and what penalties could they face if not in compliance?**

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 9 of 10

MINISTRY OF FINANCE  
REVENUE DIVISION  
ISSUE NOTE

**Answer:** Consumers are required to pay tax on tobacco purchases. Assessment for tax payable and interest can be levied for non-payment of tax. Penalties for non-compliance include forfeiture of tobacco, fines of 3 times the tax up to \$50,000 and up to 2 years imprisonment.

**Question: Who can sell duty free cigarettes?**

**Answer:** Only duty-free shops can sell duty free items to travellers who will be taking these goods out of Canada.

**Question: Can imported tobacco be sold duty free by online sellers, for instance on Craigslist?**

**Answer:** Imported tobacco can only be sold duty free by licensed duty-free shops at a physical store: they cannot be sold online. Advertisements for sales of duty-free tobacco online represent illegal activity.

**Contact:** Jordan Goss, Assistant Deputy Minister  
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**File Name:** 03\_MO\_RD\_Contraband Tobacco

**Phone:** 250 387-0665  
**Page:** 10 of 10

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: 2022/23 Third Quarter Report and Spending Changes

### ADVICE AND RECOMMENDED RESPONSE:

- The *Third Quarterly Report* forecasts a surplus of \$3.6 billion, a decrease of \$2.1 billion since the *Second Quarterly Report*.
- The lower surplus is mainly due to higher expenses by \$4.0 billion, partly offset by higher revenues of \$1.6 billion and the removal of the \$300 million forecast allowance.
- Increased revenues of \$1.6 billion, comprise of:
  - Higher personal income tax revenue reflecting higher tax assessments and improved household income (\$671 million),
  - Higher corporate income tax revenue resulting from stronger corporate earnings and higher instalment payments (\$397 million),
  - Higher provincial sales tax revenues due to higher year-to-date consumer spending (\$196 million), and
  - \$339 million net increase from various other revenue sources including increases in other tax revenues and

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**Division:** Treasury Board Staff

**Page:** 1 of 5

**File Name:** 01\_MO\_TBS\_202223 Third Quarter Report and Spending Changes

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

investment earnings, partly offset by lower natural resource revenues.

- Increased expenses result from:
  - Supplementary estimates of \$2.7 billion to fund priority initiatives such as the growing communities fund to support local governments with the costs of community infrastructure and maintaining affordability for those who rely on the coastal ferries,
  - \$500 million to support the Rental Protection Fund to preserve affordable rental units over the long-term,
  - \$500 million to fund the BC Affordability Credit for April,
  - Higher refundable tax credit claims mainly reflecting 2021 tax assessment information (\$253 million),
  - Higher net spending from various service delivery agencies (\$207 million), and
  - Increase in interest and other expenses (\$168 million).
  - These increased expenses are offset by \$300 million pertaining to labour negotiations being shifted from 2022/23 to 2023/24.

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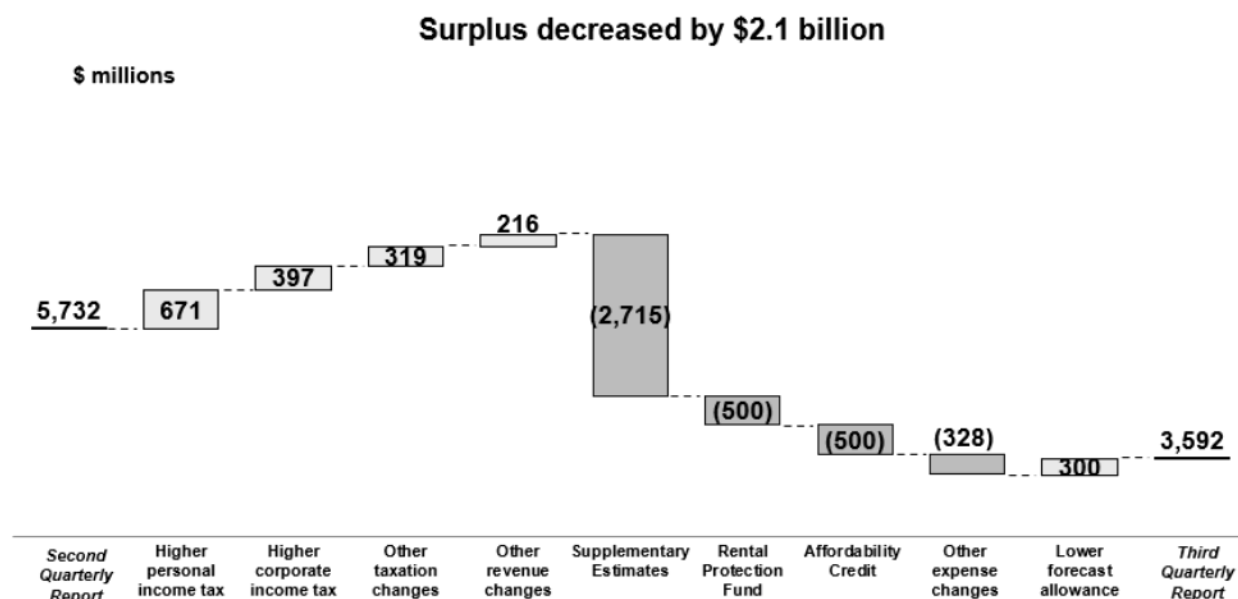
**Page:** 2 of 5

**File Name:** 01\_MO\_TBS\_202223 Third Quarter Report and Spending Changes

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## KEY FACTS:

High-level changes are shown on Chart 4.1 below, page 115 of Budget and Fiscal Plan.



- Descriptions of the initiatives funded through Supplementary Estimates is listed on page 116 of Budget and Fiscal Plan, and a high-level summary table is reproduced below.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 3 of 5

**File Name:** 01\_MO\_TBS\_202223 Third Quarter Report and Spending Changes

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**Table 4.3 - 2022/23 Supplementary Estimates**

(\$ millions)	2022/23
Growing Communities Fund .....	1,000
BC Ferries Fare Affordability .....	500
Critical Community Infrastructure.....	450
Food Security Initiatives .....	160
BC Cancer Foundation.....	150
Local Government Next Gen 911 Readiness Fund .....	150
Watershed Security Fund.....	100
Highway and Community Cellular Connectivity .....	85
Accelerating Funding for First Nations Agreements .....	75
Public Libraries .....	45
<b>Total .....</b>	<b><u>2,715</u></b>

**BACKGROUND:**

- Table 4.2 on page 114 of the Budget and Fiscal Plan lists the changes in revenue and expense for the 2022/23 fiscal year since *Budget 2022*.
- *Budget 2022* originally forecasted a deficit of \$5.5 billion and is now revised to a surplus of \$3.6 billion, mainly from significant improvements in revenue; some of which are one-time and are not expected to carry forward to future years.
- The major changes in revenue for the year includes:

**Contact:** Tiffany Ma**Phone:** 250 217-9165**Division:** Treasury Board Staff**Page:** 4 of 5**File Name:** 01\_MO\_TBS\_202223 Third Quarter Report and Spending Changes

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- \$4.9 billion in higher than expected personal income tax revenues due to higher earnings by middle- to high-income earners and improvements in household income,
- \$5.0 billion in higher corporate income tax revenue due to an improved outlook on national corporate taxable income,
- \$2.0 billion from increased revenue from forestry and royalties from natural gas and
- \$895 million in higher transfers from the federal government.
- The major changes in expense for the year includes:
  - \$2.7 billion increased spending through Supplementary Estimates,
  - \$1.6 billion in spending on affordability measures,
  - \$500 million increased funding for the Rental Protection Fund and
  - \$500 million to fund the updated cost of labour negotiations.
- Additionally, the \$1 billion forecast allowance has been removed.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 5 of 5

**File Name:** 01\_MO\_TBS\_202223 Third Quarter Report and Spending Changes

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Finance Legislation Changes (non-tax)

### ADVICE AND RECOMMENDED RESPONSE:

- The *Budget Measures Implementation Act* includes two non-tax items this year.
- First, government proposed changes to the *Balanced Budget and Ministerial Accountability Act* to allow tabling of a deficit budget in fiscal year 2025/26. This change aligns the legislation with the *Budget 2023* fiscal plan projection of deficits in the three years of the plan to 2025/26.
- The second change was to the *Members Remuneration and Pensions Act* to suspend salary increases for members of the Legislative Assembly for fiscal years 2020/21 and 2023/24. This change was to align the legislation with the decisions of the Legislative Assembly Management Committee.

### KEY FACTS:

#### Extending the suspension of deficit prohibition by one more year

- The *Balanced Budget and Ministerial Accountability Act* includes a prohibition for presenting main estimates for a fiscal year that contain a forecast of a deficit (BBMAA section 2).

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 1 of 3

**File Name:** 02\_MO\_TBS\_Finance Legislation Changes (non-tax)

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- In the summer of 2020, section 2.2 was added to suspend this prohibition for fiscal years 2021/22 to 2023/24. The change meant that *Budget 2021* could present deficits in all three years of the fiscal plan.
- In *Budget 2022* the suspension was extended by one year to 2024/25, and one more extension has now been made for *Budget 2023*.

### **Suspending MLA salary increases for 2020/21 and 2023/24**

- The salaries of the Members of the Legislative Assembly (MLAs) are adjusted annually based on the inflation of the previous year. The adjustment is mandated in the *Members' Remuneration and Pensions Act*.
- The Legislative Assembly Management Committee (LAMC) made a decision on March 31, 2020, to "... withhold the administration of the statutory increase to Members' basic compensation scheduled to come into effect on April 1, 2020, until such time that a statutory change in this regard may be brought forward for the Legislative Assembly's consideration."
- The LAMC made the same decision on December 13, 2022, with regards to the salary increases starting April 1, 2023.
- The changes to the legislation will give statutory effect to the decisions of the LAMC.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 2 of 3

**File Name:** 02\_MO\_TBS\_Finance Legislation Changes (non-tax)

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Finance Legislation Changes (non-tax)

Advice/Recommendations

#### Answer:

- The government will continue to focus on long-term fiscal sustainability, while investing in the priorities and needs of British Columbians.
- Government remains committed to making life better for people in B.C., improving the services we all rely on, and ensuring a sustainable province for future generations.
- *Budget 2023* is guided by a number of guardrails to support government's fiscal objectives, including declining deficits, debt affordability, and prudent forecasting and budgeting.
- At this time the balanced-budget legislation is amended to allow deficits until the fiscal year 2025/26. With each budget the government will evaluate the fiscal position and decide if changes are needed at that time.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 3 of 3

**File Name:** 02\_MO\_TBS\_Finance Legislation Changes (non-tax)

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

### ADVICE AND RECOMMENDED RESPONSE:

- Government is committed to balancing near-term priorities with longer-term fiscal sustainability.

Advice/Recommendations

- Contingencies support government in preparing for unknown or emergent costs.
- This includes \$5.5 billion in contingencies for 2023/24 set aside for specific purposes including:
  - \$2.2 billion to support the *Shared Recovery Mandate* for pending agreements and potential cost-of-living adjustments;
  - \$1 billion for pandemic recovery supports, such as ongoing health management strategies;
  - \$500 million for climate and emergency response;
  - \$300 million for CleanBC programs; and,

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**Division:** Treasury Board Staff

**Page:** 1 of 7

**File Name:** 03\_MO\_TBS\_ Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- \$1.5 billion for general contingencies which supports new programs and operational pressures or other emergent costs.

**KEY FACTS:**

- Contingencies are an effective financial management tool to help manage unknown costs.
- Government continues to maintain higher levels of contingencies to support the province's ongoing recovery from the pandemic and climate-related emergencies, as well as to prepare for a slowing global economy projected for 2023.
- Contingencies are set aside to help manage costs for various government priorities, including the wage mandate, the pandemic, and emergency response.
- Contingencies also support operational pressures for existing government programs as well as support new programs where the demand and costs may fluctuate based on uptake or implementation timelines.

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 2 of 7

**File Name:** 03\_MO\_TBS\_ Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**Table 1: Budget 2023 Contingencies**

(\$ millions)	2023/24	2024/25	2025/26
General Contingencies .....	1,500	1,500	1,000
Shared Recovery Mandate.....	2,200	2,600	2,700
Pandemic Recovery.....	1,000	-	-
Climate and Emergency Response .....	500	250	-
Priority initiatives and caseload pressures.....	-	-	800
CleanBC	300	450	200
<b>Total .....</b>	<b><u>5,500</u></b>	<b><u>4,800</u></b>	<b><u>4,700</u></b>

**Table 2: Pandemic Recovery Contingencies Allocations for 2023/24**

<b>Initiative</b>	<b>Notional Allocations*</b>
Health COVID-19 Management	\$875 million
Supports for Vulnerable Populations	\$20 million
Tourism Initiative Envelope	\$20 million
Unallocated: available for additional health or recovery measures	\$85 million
<b>Total</b>	<b>\$1.0 billion</b>

*\* Notional allocations are based on current forecasts, with any changes communicated in Quarterly Reports.*

**Contact:** Tiffany Ma, ADM

**Phone:** 250-217-9165

**Division:** Treasury Board Staff

**Page:** 3 of 7

**File Name:** 03\_MO\_TBS\_ Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## **BUDGET (VOTE 48)**

<b>Budget (\$000)</b>	<b>2021/22 Actuals<sup>1</sup></b>	<b>2022/23 Forecast<sup>2</sup></b>	<b>2023/24 Estimates<sup>3</sup></b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
General Programs	881	2,800	4,200	4,350	4,500
Pandemic Recovery	2,972	2,000	1,000	-	-
CleanBC	129	48	300	450	200
<b>Total Operating Expenses</b>	<b>3,982</b>	<b>4,848</b>	<b>5,500</b>	<b>4,800</b>	<b>4,700</b>

1. *Budget 2021* provided \$3.25 billion for Pandemic and Recovery, \$855 million for General Programs and \$155 million for CleanBC.
2. The 2022/23 forecast as of Q3 assumes that all Contingencies funds will be fully spent.
3. For *Budget 2023*, the General Programs line includes allocations for the Shared Recovery Mandate, climate and emergency response, general contingencies, priority initiatives and caseload pressures.

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 4 of 7

**File Name:** 03\_MO\_TBS\_ Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: 2023/24 Contingencies

Advice/Recommendations

#### Answer:

- Contingencies is part of government's regular financial prudence measures help government manage contingent events and other uncertain costs and pressures.
- Since the pandemic and recent climate related emergencies, government has added additional prudence to support recovery efforts.
- In addition, a significant part of the Contingencies is to support pending agreements and potential cost-of-living adjustments as part of the *Shared Recovery Mandate*.
- It is important for government to plan ahead to address these priorities.
- There is also General Contingencies that support caseload pressures or other new initiatives where costs may vary

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 5 of 7

**File Name:** 03\_MO\_TBS\_ Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

based on demand for services and implementation timelines.

- Contingencies spending will be disclosed as part of the regular Public Accounts financial reporting process.

**Question: How much of the Contingencies have you spent to date in 2022/23? What have you spent it on?**

**Answer:**

- As of Q3, government is forecasting to spend all its Contingencies.
- Contingencies spending will be disclosed as part of the regular Public Accounts financial reporting process which will be released this summer.

**Contact:** Tiffany Ma, ADM

**Phone:** 250-217-9165

**Division:** Treasury Board Staff

**Page:** 6 of 7

**File Name:** 03\_MO\_TBS\_ Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Advice/Recommendations

**Answer:**

- The General Programs Contingencies support caseload pressures and other new initiatives where costs may vary based on demand for services and implementation timelines.
- The Ministry of Finance works with ministries throughout the year to understand program pressures or other changes to program spending forecasts.
- As we are just beginning the year, we anticipate notional allocations and forecasts to change throughout the year.
- At this time, the Ministry anticipates fully spending its General Programs Contingencies by the end of the fiscal year – this forecast will be updated at each Quarterly Report.
- Actual contingencies spending will be disclosed as part of the regular Public Accounts financial reporting process.

**Contact:** Tiffany Ma, ADM

**Phone:** 250-217-9165

**Division:** Treasury Board Staff

**Page:** 7 of 7

**File Name:** 03\_MO\_TBS\_ Contingencies – General Programs, Pandemic Recovery, and Climate and Emergency Response

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Supplementary Estimates

### ADVICE AND RECOMMENDED RESPONSE:

- We know the 2022/23 surplus is unlikely to happen again, which is why we tabled supplementary estimates.
- Supplementary estimates are an important step to secure more spending authority from the Legislative Assembly.
- The Premier has been clear for some time that government would seek to use the 2022/23 revenue improvement to help British Columbians.

### KEY FACTS:

- Supplementary Estimates provides approval for additional spending on items that were unknown at budget time.
- If government spending is forecast to exceed that set out in the main Estimates, Supplementary Estimates are presented to the Legislative Assembly to seek additional spending authority.

**Contact:** Tiffany Ma, ADM  
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**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 1 of 8

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## BACKGROUND:

- Advice/Recommendations; Cabinet Confidences
- Supplementary Estimates <sup>Advice/Recomm</sup> was tabled in the Legislature on February 28, 2023 and received Royal Assent on March 9, 2023 to provide \$2.715 billion for initiatives as per Table 1 below.

**Table 1: 2022/23 Supplementary Estimates** <sup>Advice/Recommentat</sup>

Ministry	Amount (\$M)	Description
Ministry of Agriculture and Food	\$111	For food security initiatives to support strengthening the food supply chain across British Columbia
Ministry of Citizens' Services	\$85	For highway and community cellular connectivity to support new highway cellular coverage across the province, and to support connectivity in the southeast region of B.C.
Ministry of Health	\$150	For funding to the BC Cancer Foundation to support cancer research
Ministry of Indigenous Relations and Reconciliation	\$75	To accelerate Government funding commitments for existing agreements with First Nations to support existing reconciliation initiatives

**Contact:** Tiffany Ma, ADM  
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**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 2 of 8

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

<b>Ministry</b>	<b>Amount (\$M)</b>	<b>Description</b>
Ministry of Water, Land and Resource Stewardship	\$100	For the Watershed Security Fund to support projects that benefit a range of provincial priorities, including wild salmon health, clean drinking water, biodiversity, flood resilience, economic opportunities, and reconciliation with First Nations
Ministry of Municipal Affairs	\$1,000	For the Growing Communities Fund to support local governments with the costs of upgrading, adding capacity, and extending core infrastructure and community amenities, and support additional housing supply
Ministry of Municipal Affairs	\$450	For Critical Community Infrastructure to support targeted projects in local communities to meet public and environmental health regulations, including supplying reliable, clean drinking water, effectively managing wastewater and solid waste, and reducing greenhouse gas emissions
Ministry of Municipal Affairs	\$45	To support public libraries and service partners to address local priorities and

**Contact:** Tiffany Ma, ADM  
**Division:** Treasury Board Staff  
**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

<b>Ministry</b>	<b>Amount (\$M)</b>	<b>Description</b>
		support accessibility, inclusion and reconciliation
Ministry of Public Safety and Solicitor General	\$150	For the Local Government Next Gen 911 Readiness Fund to support local, Indigenous and remote communities with planning, preparation, and implementation of technology and infrastructure upgrades for the transition to Next Generation 911 services
Ministry of Social Development and Poverty Reduction	\$49	For food security initiatives to support British Columbians access an affordable supply of nutritious food, including direct food support to underserved people and communities through trusted community partners
Ministry of Transportation and Infrastructure	\$500	For BC Ferries Fare Affordability funding to support ferry fare affordability for coastal ferry users during the next performance term (2024 to 2028), which includes climate initiatives to meet greenhouse gas reductions by 2030
<b>Total</b>	<b>\$2,715</b>	

**Contact:** Tiffany Ma, ADM  
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**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 4 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Advice/Recommendations

- In 2020/21, government introduced three supplementary estimates totalling \$8 billion to support additional spending measures in response to the COVID-19 pandemic.
- In 2018/19, there was Supplementary Estimates tabled with *Budget 2019* for \$375.1 million.
- From 2000/01 to 2008/09, there was one or more Supplementary Estimates introduced in each fiscal year ranging from \$148 million to \$1.045 billion.

**Contact:** Tiffany Ma, ADM  
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**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 5 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: 2022/23 Supplementary Estimates

**Question: How did you decide how much to include in supplementary estimates and what items to pick?**

Advice/Recommendations  
~

Advice/Recommendations

**Answer:** The Premier has been clear for some time that government would seek to use the 2022/23 revenue improvement to help British Columbians. All Cabinet members were invited to put forward items for consideration. Items for supplementary estimates were identified, in consultation with the Premier, based on one-time funding opportunities that advance key government priorities. This includes initiatives to support health, affordability, reconciliation, climate and emergency preparedness, and infrastructure supports for communities throughout B.C.

**Contact:** Tiffany Ma, ADM  
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**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 6 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

**Question: How are you paying for the Translink Funding?**

**Answer:** The \$468 million will be funded from within existing allocations of the Pandemic and Recovery Contingencies. At the time of preparing *Budget 2023* and *Third Quarterly Report*, the Province was still negotiating with the federal government to determine if any federal support was forthcoming for Translink. While the Province is still hopeful for a federal contribution to support Translink, it was important to move forward with provincial relief funding before the end of the 2022/23 fiscal year.

**Question: When did Treasury Board approve the items for Supplementary Estimates?**

**Answer:** The Premier has been clear for some time that government would seek to use the 2022/23 revenue improvement to help British Columbians. While I won't speak to specific dates, Cabinet was engaged in December to bring forward options, with Supplementary Estimates No.1 items confirmed by Treasury Board in February.

**Contact:** Tiffany Ma, ADM  
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**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 7 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

**Question: How much in total did government spend on year-end items? What is the full list of those items?**

**Answer:** Government has spent an additional \$2.715 billion more in 2022/23 through supplementary estimates to support one-time spending priorities. A full reporting of government spending will be released with Public Accounts in the summer.

**Question: How much of the 2022/23 surplus is left?**

**Answer:** Government reporting for fourth quarter spending and revenues are currently being consolidated. A full reporting of government spending and revenues will be released with Public Accounts in the summer. This will include an update on the final surplus.

**Contact:** Tiffany Ma, ADM  
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**File Name:** 04\_MO\_TBS\_Supplementary Estimates

**Phone:** 250-217-9165  
**Page:** 8 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
REVENUE NOTE

## ISSUE: REVENUE CHANGES IN 2023/24

### ADVICE AND RECOMMENDED RESPONSE:

- In 2023/24, total revenue is projected to be \$77.7 billion.
- This is a \$5 billion decline from the revised 2022/23 forecast.
- This is mainly due to \$3.6 billion of one-time revenues included in the 2022/23 revenue update that do not carry forward, and a decline of over \$1.3 billion in natural resource revenues as commodity prices are expected to moderate.
- These reductions are partly offset by taxation revenue improvements resulting from the tax measures and the effects of economic growth in 2023; federal government contributions as entitlements for Canada Health Transfer and Canada Social Transfer rise annually as well as increased funding in support of child care and Disaster Financial Assistance Arrangements; and other taxpayer-supported sources – mainly from increased forecasts provided by service delivery agencies like post-secondary institutions.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 1 of 3

**File Name:** 05\_MO\_TBS\_Budget 2023 TBS Revenue Changes in 2023-24

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
REVENUE NOTE**

**KEY FACTS:**

- Revenue in 2022/23 is forecast to be \$82.7 billion, \$14.2 billion higher than budget.
- Improvements are due to stronger-than-expected economic growth in 2022, including higher commodity prices; higher personal and corporate income tax returns for 2021; and \$3.6 billion of one-time revenues that do not carry forward.
- One-time revenues include:
  - personal income tax revenue as stronger economic activity in 2021 resulted in higher income tax returns for the 2021 tax year;
  - property transfer tax revenue as housing market activity is expected to decline from the 2022/23 levels, reflecting the effects of higher mortgage rates; and
  - federal government transfers, including a top-up Canada Health Transfer contribution and COVID-19 relief funding.
- These one-time revenues are unusual items and do not carry forward beyond 2022/23.
- In addition, the Budget 2023 outlook assumes commodity prices such as lumber, natural gas, metallurgical coal and copper will moderate from the higher-than-expected levels observed in 2022/23, resulting in declining natural resource revenues over the three-year economic and fiscal plan.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 2 of 3

**File Name:** 05\_MO\_TBS\_Budget 2023 TBS Revenue Changes in 2023-24

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
REVENUE NOTE**

- Over the last two years of the plan, revenue is expected to average 2.9 per cent annual growth, in line with overall economic activity and Carbon tax measures.

**BACKGROUND:**

- Canada Revenue Agency administers B.C.'s personal and corporate income tax returns, so no tax return information is known when the books are closed for the year in the Public Accounts.
- The updated personal income tax revenue forecast includes one-time revenues of \$2.6 billion, resulting from higher-than-expected income tax returns for the 2021 tax year that were not available when the books were closed for the 2021/22 fiscal year; and from stronger-than-anticipated household income growth in the 2022 tax year.

**Budget 2023 - Revenue Forecast (\$Millions)**

2022/23 and 2023/24 comparison

	<b><u>2022/23</u></b>	<b><u>2023/24</u></b>	<b><u>Changes</u></b>
Taxation	50,714	45,324	(5,390)
Natural Resources	6,064	4,764	(1,300)
Other (fees & misc)	10,124	10,520	396
Federal Contributions	12,485	13,593	1,108
Commercial Crowns	<u>3,313</u>	<u>3,489</u>	<u>176</u>
Total	82,700	77,690	(5,010)

	<b><u>2022/23</u></b>	<b><u>2023/24</u></b>	<b><u>2024/25</u></b>	<b><u>2025/26</u></b>	<b>2-year avg annual growth <u>2023/24-2025/26</u></b>
Revenue	82.7	77.7	79.7	82.2	2.9%

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 3 of 3

**File Name:** 05\_MO\_TBS\_Budget 2023 TBS Revenue Changes in 2023-24

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: PERSONAL INCOME TAX REVENUE

### ADVICE AND RECOMMENDED RESPONSE:

- The \$1,759M annual decrease in PIT revenue in 2023/24 reflects:
  - base Personal Income Tax (PIT) revenue growth of \$795M (5.2%);
  - offset by a \$2,554M prior-year adjustment recorded in 2022/23 that does not carry forward.
- Personal income tax is forecast to average 4.8% growth over the next two years, in line with projected increases in wages and salaries and household income.

#### *Personal Income Tax Revenue*

(\$ millions)	2022/23	2023/24	2024/25	2025/26	2-year avg annual growth 2023/24-2025/26
<b>Base personal income tax revenue</b> .....	<b>15,158</b>	<b>15,953</b>	<b>16,705</b>	<b>17,519</b>	
Prior-year adjustment .....	2,554	-	-	-	
<b>Budget 2023 revenue</b> .....	<b>17,712</b>	<b>15,953</b>	<b>16,705</b>	<b>17,519</b>	<b>4.8%</b>
Annual growth .....	29.2%	-9.9%	4.7%	4.9%	
Base revenue annual growth .....	22.0%	5.2%	4.7%	4.9%	
Household income growth (calendar year) .....	7.1%	6.1%	4.3%	4.1%	
Employee compensation income growth (calendar year) .....	11.3%	6.3%	5.2%	4.4%	

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 06\_MO\_TBS\_Personal Income Tax Revenue

**Phone:** 250-387-6282

**Page:** 1 of 2

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## BACKGROUND:

- The Canada Revenue Agency administers B.C.'s income taxes and actual assessment results are over a year lagged (i.e., actual results for the 2021 tax year will be finalized in late February 2023).
- This timing lag results in prior-year adjustment as the tax assessment information is not available when the *Public Accounts* (PAs) are closed for the preceding year.
- Final tax assessment results for the 2021 tax year indicate that 2021/22 PIT revenue was understated by \$2,554M in the 2021/22 PAs, mainly reflecting strong growth in employment as well as other sources of incomes such as capital gains, dividends, and investment incomes in the middle to high income tax filers.
- Base PIT revenue generally rise a bit faster than household income growth, reflecting the progressivity of the tax system.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 06\_MO\_TBS\_Personal Income Tax Revenue

**Phone:** 250-387-6282

**Page:** 2 of 2

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## **ISSUE: CORPORATE INCOME TAX REVENUE**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Corporate Income Tax (CIT) revenue is recorded on a cash basis mainly comprised of instalments from the federal government and a settlement payment related to prior years; this often results in a year-over-year volatility.
- Table 1.5.2 on page 37 of the Budget 2023 document provides details of the CIT revenue forecast. It shows that CIT revenue is forecast to decline 43.5 per cent in 2023/24 mainly due to a 19.3 per cent decrease in installments reflecting lower national corporate tax base, and 162 per cent decline in settlement payment for prior years.

**Budget 2023 - Table 1.5.2 Corporate Income Tax Revenue**

(\$ millions)	2022/23	2023/24	2024/25	2025/26	2-year avg annual growth 2023/24-2025/26
Advance installments:					
– Payment share .....	13.99%	13.60%	13.04%	12.74%	
– National Corporate taxable income (Federal government forecast) annual change .....	19.73%	-11.59%	3.24%	1.21%	
– Installments .....	8,731	7,042	6,898	6,916	
Prior-years' settlement payment .....	1,788	(1,104)	(447)	(413)	
<b>Corporate income tax revenue .....</b>	<b>10,519</b>	<b>5,938</b>	<b>6,451</b>	<b>6,503</b>	<b>4.6%</b>
Annual per cent growth .....	108.2%	-43.5%	8.6%	0.8%	

- The \$4,581M annual decrease in CIT revenue in 2023/24 reflects:

**Contact:** Tiffany Ma

**Phone:** 250-387-6282

**Division:** Treasury Board Staff

**Page:** 1 of 3

**File Name:** 07\_MO\_TBS\_Corporate Income Tax Revenue

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- a decrease of \$1,689M in the advance instalments mainly reflecting lower federal government forecast of the 2023 national corporate taxable income (decline of 11.6 per cent from 2022); and a lower BC payment share.
- a \$2,892M decrease in the prior-year settlement payment (relating to overpayment by federal government for 2022 tax year, which will have to be repaid on March 31, 2024).
- Average annual growth over the next two years is forecast to be 4.6 per cent due to annual increases in installments reflecting the federal government's projection of national corporate taxable income, as well as annual changes in settlement payments relating to prior years.

**BACKGROUND:**

- The advance instalments and the prior-year settlement payment are determined under the Tax Collection Agreement.
- Instalment payments are based on B.C.'s payment share applied to the federal government's forecast of national corporate taxable income.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 07\_MO\_TBS\_Corporate Income Tax Revenue

**Phone:** 250-387-6282

**Page:** 2 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- The settlement payment settles any differences between advance instalments in the previous year and actual entitlement based on the final tax assessments by CRA.
- The \$1,788M increase in settlement payment (2022/23) represents the difference between instalments and entitlement (final tax assessment results) for the 2021 tax year. The increase in prior year settlement payment, reflects stronger assessments of the 2021 corporate income tax results of improved 2021 corporate financial performance in most sectors, particularly in the natural resource and financial sector as well as more companies taxed at the higher 12 per cent corporate general income rate.
- Similar to PIT revenue, CRA administers B.C.'s corporate income taxes and actual assessment results are over a year lagged – i.e. actual results for the 2021 tax year will be finalized in late February 2023.

**Contact:** Tiffany Ma

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**File Name:** 07\_MO\_TBS\_Corporate Income Tax Revenue

**Phone:** 250-387-6282

**Page:** 3 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## **ISSUE: PROPERTY TRANSFER TAX REVENUE**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Property transfer tax (PTT) revenue is projected to decline by 20 per cent in 2023/24 mainly due to a slower housing market, reflecting expected decline in number of home sales and the effects of higher mortgage rates. The forecast also incorporates the tax measure on partially exempt new purpose-built rental buildings.
- PTT revenue growth over the last two-years of the fiscal plan property transfer tax is expected to increase at an average of 11.9 per cent annually, consistent with the expected annual changes in residential sales values.

#### **Budget 2023 - Property Transfer Tax Revenue (\$M)**

	<b><u>2022/23</u></b>	<b><u>2023/24</u></b>	<b><u>2024/25</u></b>	<b><u>2025/26</u></b>	<b>2-year avg annual growth 2023/24-2025/26</b>
<b>Property transfer tax revenue</b>	<b>2,250</b>	<b>1,799</b>	<b>2,101</b>	<b>2,254</b>	11.9%
Annual growth	-32.4%	-20.0%	16.8%	7.3%	
<b><u>Calendar year</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>	
Residential total sales value - levels	80,631	64,702	77,968	84,378	14.2%
Residential total sales value - growth	-30.3%	-19.8%	20.5%	8.2%	

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 08\_MO\_TBS\_Property Transfer Tax Revenue

**Phone:** 250-387-6282

**Page:** 1 of 2

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**BACKGROUND:**

- PTT revenue is forecast to grow in line with the projection of growth in residential sales values, as shown in Table 3.6.2 on page 106 of Budget 2023 document.
- Annual growth rates may differ slightly as the forecast for the residential sales value is converted from a calendar-year basis to a fiscal-year basis.
- Provincial policy measures have impacted PTT revenue in the effort to stabilize the housing market. These include:
  - the increase in the additional PTT rate to 20 per cent from 15 per cent;
  - the expansion of provincial areas where the additional PTT rate is applied;
  - an additional 2 per cent tax rate applied to residential transactions whose fair market value exceeds \$3 million;
  - the increase to the school property tax on residential properties whose market value exceeds \$3 million may indirectly affect sales in the higher-priced residential market; and
  - Budget 2023 includes a measure that exempt purpose built rental buildings from the further 2 per cent property transfer tax.

**Contact:** Tiffany Ma**Division:** Treasury Board Staff**File Name:** 08\_MO\_TBS\_Property Transfer Tax Revenue**Phone:** 250-387-6282**Page:** 2 of 2

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: NATURAL GAS ROYALTIES REVENUE

### ADVICE AND RECOMMENDED RESPONSE:

- Natural gas royalties are expected to decrease 8.6 per cent in 2023/24 due to decreased royalties from natural gas liquids and lower natural gas prices, partially offset by an improved outlook for natural gas production volumes and decreased utilization of royalty programs.
- Natural gas royalties are forecast to decrease from \$2.016B in 2023/24 to \$1.518B in 2025/26 mainly due to the effects of declining natural gas prices, partially offset by increased production volumes, increased royalties from natural gas liquids and decreased utilization of royalty programs, in particular the deep-well royalty credit program.
- 2023/24 natural gas price forecasts are within the 20th percentile of the private sector forecasts (this means that at least 80 per cent of the private sector forecasters' projections are higher than our estimate for the year). Natural gas price forecasts for the remainder of the fiscal plan period are consistent with the average growth of private sector price forecasts.

**Contact:** Tiffany Ma

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**File Name:** 09\_MO\_TBS\_Natural Gas Royalties Revenue

**Phone:** 250-387-6282

**Page:** 1 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**BACKGROUND:**

- The forecast includes the effects of the transition to a new royalty system phased in over two years. The initial phase of the new system commenced September 1, 2022.
- The new royalty system will eliminate the Deep Well Royalty Program, the largest oil and gas subsidy, as well as other programs such as the Marginal Well, Ultra-marginal Well, Low Productivity Well Rate Reduction and the Clean Growth Infrastructure Royalty programs. Existing credits will expire in four years unless transferred to an environmentally focused land healings and emissions reductions pool. Deep well credits are forecast to decrease from \$1,147M in 2022/23 to \$85M in 2025/26, an average annual decrease of 58 per cent over the three years.
- The B.C. government and Blueberry River First Nations have reached a historic agreement. Recent agreements signed with Treaty 8 Nations will be assessed and incorporated in future updates.
- The pace of economic growth is the biggest factor impacting demand for natural gas. Slower than expected economic growth could place downward pressure on demand and prices. Natural gas prices are subject to weather-related volatility; extreme seasonal weather increases energy demand for winter heating or summer cooling. Other factors that may impact natural gas prices in the medium to long term include policies that influence fuel choices,

**Contact:** Tiffany Ma**Division:** Treasury Board Staff**File Name:** 09\_MO\_TBS\_Natural Gas Royalties Revenue**Phone:** 250-387-6282**Page:** 2 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

technical advancement and/or environmental concerns affecting the pace of shale gas development and the further development of opening new markets.

- Gross royalties from natural gas liquids (NGL) account for between 28 and 46 per cent of total gross natural gas and NGL royalties over the three-year fiscal plan.
- Infrastructure royalty programs include the road, pipelines, Clean Growth Infrastructure Royalty Program and the Clean Infrastructure Royalty Credit Programs.

**Budget 2023 - Natural gas royalties (\$M) and assumptions**

					2-year avg annual growth 2023/24 - 2025/26
Natural gas royalties (\$M)	2022/23	2023/24	2024/25	2025/26	2025/26
Gross natural gas royalties	2,752	1,993	1,524	1,186	-22.9%
Gross natural gas liquids royalties	1,030	783	843	1,003	13.2%
Deep well credits	(1,147)	(400)	(156)	(85)	-53.9%
Road and pipeline infrastructure programs/credits	(139)	(95)	(134)	(166)	
Other deductions - mainly producer cost of service	(290)	(265)	(429)	(420)	
<b>Total natural gas royalties</b>	<b>2,206</b>	<b>2,016</b>	<b>1,648</b>	<b>1,518</b>	-13.2%
Natural gas prices <sup>1</sup>	3.81	3.04	2.69	2.55	-8.4%
Natural gas volumes <sup>2</sup>	2,751	2,995	3,071	3,062	1.1%

<sup>1</sup> \$/gigajoule, plant inlet

<sup>2</sup> petajoules

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 09\_MO\_TBS\_Natural Gas Royalties Revenue

**Phone:** 250-387-6282

**Page:** 3 of 3

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: FOREST REVENUE

### ADVICE AND RECOMMENDED RESPONSE:

- Forest revenues are projected to decrease 54.4 per cent in 2023/24 due to the impacts of lower Crown harvest volumes as well as lower overall stumpage rates and logging tax revenue mainly reflecting an assumed decrease in lumber prices from the high levels experienced in 2022.
- Forest revenues are expected to increase from \$846M in 2023/24 to \$939M in 2025/26 – an average annual increase of 5.4 per cent (disclosed in Table A5, page 151 of the Budget 2023 document) mainly due to higher overall stumpage rates, in particular timber tenures, reflecting an improved outlook for lumber prices.
- Average annual lumber prices (spruce-pine-fir 2X4) are projected to decline from \$814 (\$US per thousand board feet) in 2022 to \$500 in 2025.
- Overall harvest volumes are projected to decrease from 39 million cubic meters in 2022/23 to 38 million cubic meters over the fiscal plan period. The reduction in harvest volume incorporates the impact of the logging deferrals in old-growth forests and reduced fibre supply.

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 10\_MO\_TBS\_Forest Revenue

**Phone:** 250-387-6282

**Page:** 1 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Over the four years to 2025/26, the forecast assumes that the Ministry of Indigenous Relations and Reconciliation will recover \$483 million of stumpage revenue in support of funding the Forest Consultation and Revenue Sharing Agreements with Indigenous peoples (\$381M over the next three years).

## **BACKGROUND:**

- Timber tenures stumpage rate calculations, set by the regular market pricing system updates, incorporate 16 years of BCTS auction bid data on timber profile and changing market conditions. BCTS stumpage rates have increased significantly from \$9.66 per cubic metre in 2009/10 to \$51.62 per cubic metre in 2021/22. In 2023/24, the BCTS stumpage rate is forecast to fall slightly to \$42.71 per cubic metre from lower bid prices.
- BC Timber Sales auction rates are expected to remain relatively stable over the three-year fiscal plan as demand will remain high due to decreases in timber supply caused by the impacts of wildfires, habitat protection, and the implementation of the old growth deferral strategy.
- Prices reached historical highs during 2021. Prices remained elevated and volatile through May 2022. The January 2023 price of \$373 \$US per thousand board feet is similar to pre-pandemic prices.

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 10\_MO\_TBS\_Forest Revenue

**Phone:** 250-387-6282  
**Page:** 2 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**Budget 2023 - Forest revenue (\$M) and assumptions**

**2-year avg  
annual growth  
2023/24 -**

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2025/26</u>
<b>Forest revenue (\$M)</b>	<b>1,855</b>	<b>846</b>	<b>830</b>	<b>939</b>	<b>5.4%</b>
Total stumpage rates <sup>1</sup>	36.20	18.07	18.96	21.82	9.9%
SPF 2X4 lumber price (calendar year) <sup>2</sup>	814	400	450	500	11.8%
Crown harvest volumes <sup>3</sup>	39.0	38.0	38.0	38.0	0.0%
Exchange Rate (US\$/C\$) <sup>4</sup>	76.8	74.7	77.4	78.6	2.6%
Recoveries relating to revenue sharing payments to First Nations	102	138	138	105	-12.8%

<sup>1</sup> \$Cdn per cubic metre

<sup>2</sup> Spruce-Pine-Fir - \$US per thousand board feet

<sup>3</sup> Millions of cubic metres

<sup>4</sup> Calendar year

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 10\_MO\_TBS\_Forest Revenue

**Phone:** 250-387-6282

**Page:** 3 of 3

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: CAPITAL PLAN

### ADVICE AND RECOMMENDED RESPONSE:

- *Budget 2023* capital spending is expected to total \$48.5 billion over the three-year fiscal plan.
- This includes historical investments of \$37.5 billion in taxpayer-supported capital for completion of previously approved projects and new investments to expand and sustain provincial infrastructure.
- This is approximately \$10.1 billion higher than *Budget 2022* mainly due to the progression of major infrastructure projects through the procurement and construction phases of development, increased housing investments, and additional funding for maintenance and upgrades of existing government assets.
- These investments will help ensure the necessary infrastructure is in place to deliver and improve services in communities throughout the province.
- Investments will also create jobs to support a sustainable, clean, secure, and fair economy.

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 1 of 8

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## KEY FACTS:

- Taxpayer-supported capital spending includes investments in public schools, post-secondary facilities, housing, health-care facilities, bridges, roads, transit, and core government assets.

## TAXPAYER-SUPPORTED CAPITAL SPENDING FORECAST

(\$ millions)	Budget Estimate 2023/24	Plan 2024/25	Plan 2025/26	Totals
K-12 Schools	1,019	1,134	1,238	<b>3,391</b>
Post-Secondary Institutions	1,716	1,921	1,905	<b>5,542</b>
Health	3,243	3,637	4,291	<b>11,171</b>
BC Transportation Financing Authority	3,947	4,160	3,977	<b>12,084</b>
BC Transit	232	485	495	<b>1,212</b>
Government Ministries	701	500	459	<b>1,660</b>
Housing <sup>1</sup>	808	665	686	<b>2,159</b>
Other <sup>2</sup>	147	132	47	<b>326</b>
<b>Total Capital Spending:</b>	<b>11,813</b>	<b>12,634</b>	<b>13,098</b>	<b>37,545</b>

1. Includes BC Housing Management Commission and Provincial Rental Housing Corporation.
  2. Includes BC Pavilion Corporation, Royal BC Museum and other service delivery agencies.
- Taxpayer-supported capital investments will directly and indirectly create approximately 125,000 jobs over three years.

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 2 of 8

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- A discussion of capital investments can be found on page 44 of the Budget and Fiscal Plan. These include:
  - \$11.2 billion in health capital investments to support new major construction projects and upgrading of health facilities, medical and diagnostic equipment, and information management/technology systems.
  - Through the BC Transportation Financing Authority and BC Transit, \$13.3 billion in transportation capital investments to create and maintain a safe, reliable, and equitable transportation network, support an inclusive and sustainable economy, and encourage mode shift to transit and active transportation to support CleanBC goals.
  - \$3.4 billion in K-12 capital investments to seismically upgrade or replace schools, as well as develop new school space to accommodate increasing enrollment.
  - \$5.5 billion in post-secondary capital investments to build capacity and help meet the province's future workforce and economic development needs in key sectors, including health, science, trades and technology.

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**BACKGROUND:**

- Taxpayer-supported capital spending is financed through a combination of sources, which includes:
  - \$13.6 billion over three years in Capital Funding grants (Vote 49) to government organizations including health authorities, school districts, post-secondary institutions, and housing.
  - \$12.1 billion over three years in direct borrowing by the BC Transportation Financing Authority.
  - \$1.7 billion over three years in capital spending by government ministries. This will support investments in maintaining, upgrading, and expanding infrastructure such as provincial park amenities, courthouses, correctional centres (i.e., Nanaimo Correctional Centre), office buildings, and information systems.
  - \$2.3 billion in anticipated Federal contributions over three years. Additional funding will be provided by other funding partners (i.e. regional hospital districts), partnerships with the private sector (public-private-partnerships), and cash balances within organizations.

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 4 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: *Budget 2023* – Capital Plan

#### Question: What changed from *Budget 2022*?

#### Answer:

- Taxpayer-supported capital spending over the fiscal plan period is expected to be approximately \$10.1 billion higher than *Budget 2022*.
- The increase in three-year capital spending in *Budget 2023* compared to *Budget 2022* is mainly due to the progression of major infrastructure projects through the procurement and construction phases of development, increased housing investments, and additional funding for maintenance and upgrades of existing government assets.
- Capital spending forecasts can also vary from previous three-year totals as a result of project scheduling changes across ministries.

#### Background:

- The primary drivers for the \$10.1 billion increase are as follows:

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 5 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

- For the **K-12 sector**, a **\$291M increase** in the fiscal plan reflects:
  - Increased spending for upgrades, renovations, and maintenance to existing assets; and
  - Progression of projects through various stages of development, including:
    - Peter Ewart Middle School
    - Eric Langton Elementary School
    - Burke Mountain Secondary School; and
    - George Pringle Elementary School
- For the **post-secondary sector**, a **\$1.3 billion** increase in the fiscal plan reflects:
  - Increased spending for upgrades, renovations, and maintenance to existing assets
  - Progression of student housing projects through various stages of development, including:
    - Douglas College
    - Vancouver Island University
    - University of the Fraser Valley; and
    - North Island College
  - Progression of other major projects through various stages of development, including:

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 6 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

- UBC School of Biomedical Engineering
- Royal Roads University West Shore Campus Expansion
- UVIC Engineering and Computer Science Building; and
- BCIT Trades and Technology Complex
- For the **Health sector**, a **\$2.6 billion** increase in the fiscal plan reflects:
  - Increased spending for upgrades, renovations, and maintenance to existing assets; and
  - Progression of major projects through various stages of development, including:
    - New Surrey Hospital and BC Cancer Centre
    - Richmond Hospital Redevelopment
    - Cowichan District Hospital Replacement
    - Dawson Creek & District Hospital Replacement
    - Western Communities Long-Term Care
    - St. Vincent's Heather Long-Term Care; and
    - New St. Paul's Hospital
- For the **Transportation sector**, a **\$5.3 billion** increase in the fiscal plan reflects:

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 7 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

- Increased spending for upgrades and maintenance to existing assets; and
- New funding for Hwy 5; Transit-Oriented Development; and Active Transportation; and
- Progression of major projects through various stages of development, including:
  - Surrey Langley SkyTrain Project
  - Fraser River Tunnel Program; and
  - Broadway Subway
- For the **Housing sector**, a **\$907M** increase in the fiscal plan reflects:
  - Increased spending for upgrades and maintenance to existing assets; and
  - New funding for ongoing capital programs including:
    - Supportive Housing
    - Complex Care Housing
    - Transition Housing
    - Homelessness Action Plan
    - Permanent Housing; and
    - Rapid Response to Homelessness

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 11\_MO\_TBS\_Capital Plan

**Phone:** 250 387-6282  
**Page:** 8 of 8

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## **ISSUE: Status of Major Capital Projects in Planning**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Our government remains committed to helping people through the construction of critical infrastructure.
- Major projects require significant planning to assess options before moving to design, procurement, and construction.
- Once planning is completed business cases are brought forward to Treasury Board for review.
- Project planning and design will have great impact on cost and this is why the project budget is not formally approved and announced until such time that Treasury Board has approved a business case.
- Projects currently in planning stages include: new Cancer Centres in Kamloops and Nanaimo, new long-term care centres, new student housing beds, more housing, highway 1 widening through the Fraser Valley, as well as school projects.

**Contact:** Tiffany Ma

**Phone:** 250 387-6282

**Division:** Treasury Board Staff

**Page:** 1 of 2

**File Name:** 12\_MO\_TBS\_Status of Major Capital Projects in Planning

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**KEY FACTS:**

- There are currently 39 major taxpayer-supported projects (i.e., projects costing over \$50 million) in construction, totalling \$15.4 billion. There are also 14 major taxpayer-supported projects in procurement, totalling \$9.2 billion.
- Other projects yet to be approved are moving through planning stages to develop concept plans, business plans, and technical consultant reports required to review and deliver complex capital projects.
- The Topic Box, *Building a Sustainable Province*, starting on page 61 of *Budget 2023* highlights certain capital projects in planning (see below) which are not yet approved but have a significant public profile and the support of the Province. These include:
  - New cancer centres in Kamloops and Nanaimo
  - Additional long term care centres throughout the province
  - Expansion of community recovery centres and treatment beds for people with severe mental illness and chronic or severe substance abuse (i.e. Red Fish Healing Centres)
  - Housing projects, including student housing projects
  - Widening of Highway 1 through the Fraser Valley
  - UBC Extension
- There are also school projects in planning, including Mission Secondary and Pitt Meadows Secondary.

**Contact:** Tiffany Ma**Phone:** 250 387-6282**Division:** Treasury Board Staff**Page:** 2 of 2**File Name:** 12\_MO\_TBS\_Status of Major Capital Projects in Planning

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Cost Escalation on Capital Projects

### ADVICE AND RECOMMENDED RESPONSE:

- We are continuing to invest in infrastructure projects to provide people with the services they rely on.
- In recent years, capital projects across all sectors have experienced cost increases, with construction costs having increased across the country.
- These cost increases are primarily due to challenges in the labour market as well as supply chain delays for various building materials and equipment.
- As part of *Budget 2023*, additional funding across the capital plan has been allocated to projects to address ongoing challenges in the construction sector, including supply chain delays and labour availability.
- Once project budgets are approved by Treasury Board, the budget is confirmed and publicly disclosed.
- Our government is committed to delivering the services that people rely on, such as improving access to health care and building more homes and schools to support growing communities.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282

**Page:** 1 of 9

- ### KEY FACTS:

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- Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

Page: 2 of 9

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## Ministry Cost Escalation Allocations:

- Health

Project	Original Cost	Cost Escalation (\$ millions)			New Cost	Approval
		22/23 – 25/26	26/27 – 31/32	Total		

Advice/Recommendations; Cabinet Confidences

Cariboo Memorial*	268	6	83	89	357	Formal
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Advice/Recommendations; Cabinet Confidences

Cowichan District***	1,003	363	80	443	1,446	Formal
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Advice/Recommendations; Cabinet Confidences

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282

**Page:** 3 of 9

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

*\*Reported as \$367 million in Budget 2023 \$50M table*

Advice/Recommendations; Cabinet Confidences

*\*\*\*Full cost increase formally approved as of Second Quarterly Report*

Advice/Recommendations; Cabinet Confidences

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282

**Page:** 4 of 9

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Advice/Recommendations; Cabinet Confidences

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282  
**Page:** 5 of 9

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Education and Child Care

		<b>Cost Escalation (\$ millions)</b>				
<b>Project</b>	<b>Original Cost</b>	<b>22/23 – 25/26</b>	<b>26/27 – 31/32</b>	<b>Total</b>	<b>New Cost</b>	<b>Approval</b>
Advice/Recommendations; Cabinet Confidences						
Cedar Hill Middle*	47	7	-	7	54	Formal
Advice/Recommendations; Cabinet Confidences						

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282

**Page:** 6 of 9

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

Advice/Recommendations; Cabinet Confidences

Pineview Valley Elementary	41	18	-	18	65	<b>Formal</b>
Victoria High**	80	17	-	17	97	<b>Formal</b>

*\*Cost increase not yet included in \$50M table*

*\*\*Reported as \$100 million in Budget 2023 \$50M table*

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282

**Page:** 7 of 9

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Post-Secondary Education and Future Skills

		<b>Cost Escalation (\$ millions)</b>				
<b>Project</b>	<b>Original Cost</b>	<b>22/23 – 25/26</b>	<b>26/27 – 31/32</b>	<b>Total</b>	<b>New Cost</b>	<b>Approval</b>
BCIT – Trades & Technology Complex	163	15	-	15	178	<b>Formal</b>
RRU - West Shore Learning Centre	98	2	-	2	100	<b>Formal</b>
UFV - Student Housing	74	1	-	1	75	<b>Formal</b>

Advice/Recommendations; Cabinet Confidences

**Contact:** Tiffany Ma  
**Division:** Treasury Board Staff  
**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282  
**Page:** 8 of 9

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Cost Escalation on Capital Projects

**Question:** How much of the \$37.5 billion in taxpayer-supported capital spending pertains to cost escalation on capital projects?

**Answer:** Included in the \$37.5 billion of taxpayer-supported capital spending across the fiscal plan is approximately funding to address cost escalation on capital projects.

Included in this amount are:

1. Formally approved cost escalation amounts for capital projects that have received business plan approval and are listed in the *Projects Greater Than \$50 Million* Table.
2. Notionally approved amounts for capital projects that are still in planning and development. These projects will be reflected in the Table upon formal approval from Treasury Board of the business plan and any cost increase. Our government will remain transparent through our quarterly reporting process.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 13\_MO\_TBS\_Cost Escalation on Capital Projects

**Phone:** 250 387-6282

**Page:** 9 of 9

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## **ISSUE: Environmental, Social and Governance Framework for Capital**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Environmental, Social and Governance (ESG) Framework for Capital provides guidance on supporting key priorities in the building of provincial capital projects.
- This allows government to harness the full potential of record capital investments while building the infrastructure we need.
- The key priorities are adding child care spaces, promoting mass timber construction, supporting CleanBC goals, and achieving workforce objectives by creating opportunities for underrepresented groups and apprentices to gain experience on public projects.

### **KEY FACTS:**

#### **Child care**

- 829 new child care spaces are being created across 17 new provincial buildings (271 spaces in planning, 262 spaces under construction, and 296 spaces completed).

**Contact:** Tiffany Ma

**Phone:** 250-387-6282

**Division:** Treasury Board Staff

**Page:** 1 of 6

**File Name:** 14\_MO\_TBS\_ Environmental, Social & Governance Framework for Capital

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## **Mass timber**

- 50 mass timber buildings are moving ahead (23 in planning, 16 under construction, and 11 complete. This includes hybrid projects with mass timber and other construction components.)

## **Labour Objectives**

- Women work 12.1% of the labour hours on the provincial projects where workforce objectives are detailed in the project delivery, more than double the provincial industry average of 6%.
- Indigenous people work 13.9% of labour hours on provincial projects where workforce objectives are detailed in the project delivery, compared to the Canadian industry average of 5 per cent.

## **CleanBC goals**

- 94 major projects are being built to CleanBC standards (38 in planning and 56 under construction, in addition to more projects smaller than \$50 million).

## **BACKGROUND:**

- The potential for incorporating child care and mass timber in new provincial buildings is assessed based on the characteristics of each project.
- Workforce objectives can be achieved using the Community Benefits Agreement, a project specific labour agreement, or procurement and contract terms. This supports employment and training opportunities for registered apprentices, traditionally

**Contact:** Tiffany Ma

**Phone:** 250-387-6282

**Division:** Treasury Board Staff

**Page:** 2 of 6

**File Name:** 14\_MO\_TBS\_ Environmental, Social & Governance Framework for Capital

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

underrepresented groups in construction, and locals, providing fair wages, establishing harassment-free and inclusive work sites.

- In support of CleanBC goals, the framework includes emissions reduction and climate resilience measures. New provincial buildings will either use electric heating, achieve the highest energy step code level, or emit 50% less than a LEED Gold building that uses natural gas. Climate risk mitigation measures are incorporated into project design.

**Contact:** Tiffany Ma

**Phone:** 250-387-6282

**Division:** Treasury Board Staff

**Page:** 3 of 6

**File Name:** 14\_MO\_TBS\_ Environmental, Social & Governance Framework for Capital

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### **ISSUE: Environmental, Social and Governance Framework for Capital**

**Question: What is the incremental cost to capital projects from the implementation of this framework?**

**Answer:** The ESG framework supports investments that deliver valuable benefits to British Columbians beyond the important infrastructure they reside in. The cost of these investments varies from project to project, depending on the project size and which policy priorities are pursued. The ESG framework for capital supports the inclusion of additional benefits where they are well suited for success. Not every policy priority is included in every project. For details on the costs of ESG elements in specific projects, I would direct the member to the minister responsible for that project.

#### **Examples:**

- Adding 50 child care spaces to an elementary school project has a higher proportional impact on the project budget than it does to a major hospital project.

**Contact:** Tiffany Ma

**Phone:** 250-387-6282

**Division:** Treasury Board Staff

**Page:** 4 of 6

**File Name:** 14\_MO\_TBS\_ Environmental, Social & Governance Framework for Capital

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

- A bridge or highway project can only pursue workforce objectives, while a building on a post secondary campus may include workforce objectives, include child care, mass timber, and achieve lower building emissions.

**Question: How does government determine which projects support which ESG priorities?**

**Answer:** The ESG framework supports the inclusion of additional benefits where they are best suited. Not every policy priority is included in every project. At the project planning stage, the framework involves assessing the inclusion of child care and mass timber based on the specific characteristics and requirements of each building. Labour models are compared to evaluate what is suitable for each project. Similarly, there are multiple pathways to meeting CleanBC standards, depending on a building's particular energy needs, seasonal climate, and other attributes.

**Contact:** Tiffany Ma

**Phone:** 250-387-6282

**Division:** Treasury Board Staff

**Page:** 5 of 6

**File Name:** 14\_MO\_TBS\_ Environmental, Social & Governance Framework for Capital

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Advice/Recommendations

**Contact:** Tiffany Ma **Phone:** 250-387-6282  
**Division:** Treasury Board Staff **Page:** 6 of 6  
**File Name:** 14\_MO\_TBS\_ Environmental, Social & Governance Framework for Capital

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: School Projects

### ADVICE AND RECOMMENDED RESPONSE:

- The Ministry of Education and Child Care (ECC) is best positioned to answer questions on their work with school districts to prioritize school projects in the capital plan.

### BACKGROUND:

- The province's capital plan includes \$3.4 billion over the next three years to build new schools to respond to growing communities, and to maintain and seismically upgrade schools throughout the province.
- The ministry balances competing priorities including seismic mitigation projects, expansion projects to address overcrowding, and to buy land for future schools.

- Advice/Recommendations; Cabinet Confidences

- 

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**Page:** 1 of 2

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Advice/Recommendations; Cabinet Confidences

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**Contact:** Tiffany Ma  
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**File Name:** 15\_MO\_TBS\_School Projects

**Phone:** 250-387-6282  
**Page:** 2 of 2

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Royal BC Museum

### ADVICE AND RECOMMENDED RESPONSE:

- The construction contract for the Royal BC Museum's Collections and Research Building was awarded in February and construction begins this year in Colwood.
- It will house the museum's archives, collections and research departments with areas for public access and digital access.
- The redevelopment of the museum's downtown location is not included in *Budget 2023* as public engagement to inform the project is underway.
- Further consultations will connect with the broadest range of British Columbians, continuing into next year, to shape the future of the museum for all British Columbians. The details of a future project and potential future costs will depend on the outcome of the public consultation.

### KEY FACTS:

#### Collections and Research Building

- *Budget 2023* reports \$21 million spent on the museum's Collections and Research Building to the third quarter of 2022/23, including the purchase of the Colwood site.

**Contact:** Tiffany Ma  
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**File Name:** 16\_MO\_TBS\_Royal BC Museum

**Phone:** 250-387-6282  
**Page:** 1 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- The *Budget 2023* appropriation for the capital expenditure of the Royal BC Museum is \$78.758 million in 2023/24 on the Collections and Research Building project.
- Royal BC Museum's three-year capital expenditure is included in the \$326 million "Other" capital expenditure category in the budget document (comprised of the museum, courts, correctional centres, and other ministry capital projects).

Advice/Recommendations; Cabinet Confidences

## **Downtown Museum Redevelopment**

Advice/Recommendations

- The Minister of Tourism, Arts, Culture and Sport is responsible for the museum's public engagement.

**Contact:** Tiffany Ma  
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**File Name:** 16\_MO\_TBS\_Royal BC Museum

**Phone:** 250-387-6282  
**Page:** 2 of 3

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Royal BC Museum

Advice/Recommendations

**Contact:** Tiffany Ma  
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**File Name:** 16\_MO\_TBS\_Royal BC Museum

**Phone:** 250-387-6282  
**Page:** 3 of 3

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## **ISSUE: Community Benefits Agreement**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Government is investing to create opportunities for people to have lifelong careers in skilled trades, long after construction of a project is complete.
- Government is diversifying B.C.'s workforce by hiring and re-hiring local and underrepresented workers, like Indigenous people and women.
- Projects delivered under the Community Benefits Agreement (CBA) foster respectful, more inclusive workplaces and have more than twice the provincial average of women and Indigenous workers on the job site.
- By hiring locally, the CBA helps boost the local economy by keeping hard-earned money in the community.

### **KEY FACTS:**

- The Crown corporation, BC Infrastructure Benefits (BCIB), operates the CBA and is the workforce employer for CBA public infrastructure projects.
- The Community Benefits Agreement include the following projects:
  - BCIT Trades and Technology Complex

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 1 of 3

**File Name:** 17\_MO\_TBS\_The Community Benefits Agreement

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- The Broadway Subway Project
- The Cowichan District Hospital Replacement Project
- The Pattullo Bridge Replacement
- Surrey Langley SkyTrain Project
- Trans-Canada Highway 1 Four-Laning Program, including:
  - RW Bruhn Bridge
  - Chase Creek Road to Chase West Government Financial Information
  - Chase West to Chase Creek Bridge
  - Ford Road to Tappen Valley Road
  - Kicking Horse Canyon Phase 4
  - Salmon Arm West – 1<sup>st</sup> Avenue SW to 10<sup>th</sup> Avenue SW
  - Salmon Arm West – 10<sup>th</sup> Avenue SW to 10 Street SW
- Projects are tracked carefully, and the cost of the CBA is currently within the 1%-4% range of the total project budget.

## **BACKGROUND:**

- Projects are assessed for CBA suitability based on timing, location, size, scope and labour needs.
- BCIB workers must join the affiliated union of the Allied Infrastructure and Related Construction Council while they work on the project.
- The CBA helps grow and diversify B.C.'s construction workforce. As of December 31, 2022, CBA employees represent the following:

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 2 of 3

**File Name:** 17\_MO\_TBS\_The Community Benefits Agreement

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- 12% of BCIB hours worked by women
- 14% of BCIB hours worked were by Indigenous workers
- 12% of BCIB hours worked were by workers from other equity seeking groups
- 71% of BCIB hours worked were by local workers
- 90% of BCIB hours worked were by B.C. residents
- 80% of BCIB hours worked were by workers from any under-represented groups
- BCIB's Respectful Onsite Initiative (ROI) teaches workers and contractors about Indigenous history in B.C. and includes courses like Be More Than a Bystander. The program supports the retention of equity-seeking workers who often leave the construction industry because of worksite culture.
- Advice/Recommendations

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 3 of 3

**File Name:** 17\_MO\_TBS\_The Community Benefits Agreement

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Cowichan District Hospital

### ADVICE AND RECOMMENDED RESPONSE:

- Questions regarding the hospital project are best answered by the Minister of Health.

### KEY FACTS:

- The main drivers of the cost increase are challenges within the construction market, which has affected capital projects across all sectors of the economy.
- The construction market has been impacted by labour shortages, material cost inflation and supply chain disruption, all of which have contributed to increased construction costs.
- Of the \$558 million cost increase, increased Community Benefits Agreement (CBA) costs are estimated to account for approximately \$6 million, less than a half percent of the total project cost. A precise figure for CBA costs will be known when important construction milestones have been reached.
- The current project cost is \$1.446 billion, compared to an estimated project cost of \$887 million when the business case was approved in April 2020.
- CBA is not a major driver of project cost and is estimated to add 1-4% to total project costs.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 18\_MO\_TBS\_Cowichan District Hospital

**Phone:** 250-387-6282

**Page:** 1 of 3

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Of the \$558 million cost increase, an estimated \$6 million is due to increased CBA costs;

Advice/Recommendations

### **Indigenous Contracting Opportunities**

- Engagement began early with Indigenous communities in the area of the new hospital, with a focus on hospital design and service delivery to ensure culturally safe care.
- Government has been discussing potential economic opportunities with the Cowichan Tribes, including opportunities on this project that are aligned with the CBA.
- In December 2022, the Khowutzun Development Corp. (KDC) halted construction with a small protest blocking access to the site. This lasted for two weeks before the Cowichan Tribes asked KDC to remove their presence while discussions on economic benefit to the first nations could continue.
- A subcontractor requested an exemption from the requirement that workers unionize to work on a CBA project.
- In February 2023, BD Hall (a subcontractor on the project) executed a contract for trucking services with KDC. The Allied Infrastructure and Related Construction Council and BC Infrastructure Benefits have agreed the work can proceed.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 18\_MO\_TBS\_Cowichan District Hospital

**Phone:** 250-387-6282

**Page:** 2 of 3

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## BACKGROUND:

### Community Benefits Agreement

- The CBA is a collectively bargained agreement between BC Infrastructure Benefits (BCIB) and the Allied Infrastructure and Related Construction Council (AIRCC), an organization comprised of 19 trades unions. Neither the Province nor BCIB can unilaterally change the CBA.
- The intent of the CBA is to diversify B.C.'s workforce by hiring and re-hiring local and underrepresented workers such as Indigenous people and women.
- The CBA is creating opportunities for Indigenous skilled workers to have a lifelong career in the skilled trades.

**Contact:** Tiffany Ma  
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**File Name:** 18\_MO\_TBS\_Cowichan District Hospital

**Phone:** 250-387-6282  
**Page:** 3 of 3

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## **ISSUE: Housing Starts Forecast and Homes for BC Plan**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Budget 2023 forecast calls for more housing starts in every year than the Budget 2022 forecast, reflecting higher levels of immigration, resilient demand and existing government support.
- However, the Ministry of Finance is prudently forecasting lower levels of housing starts over the fiscal plan compared to the record highs seen in 2021 and 2022.
- The anticipated decline reflects high interest rates, high construction costs, and home sale market conditions (i.e., the decline in sales and prices observed) weighing on private sector construction.
- Government investments in housing are expected to support home building and offset some of the expected slowdown in private sector activity.
- The Ministry has not specifically included the new housing investments announced in Budget 2023.
  - This is because spending decisions were not finalized until after the economic forecast was completed.

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 1 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Housing units associated with projects that fall under the new housing investments will be incorporated into the projections for the First Quarterly Report, as per our normal procedure.

## **KEY FACTS:**

### **Housing Starts and Outlook (data as of Apr 24, 2023)**

- B.C. housing starts totalled 46,721 units in 2022, the second-highest on record, and only 1.9 per cent lower than the record high of 47,607 units in 2021.
- Housing starts are expected to total approximately 39,000 units in 2023, 37,000 units in 2024 and average 38,000 units per year over the medium-term, in line with the 10-year historical average of 37,155 units.
- Housing starts can be volatile. In past housing market downturns (during the 1980's, the turn of the 21<sup>st</sup> century, and the Great Financial Crisis of 2008/09), B.C. housing starts have fallen below 20,000 units.
- However, the Ministry is not expecting a decline as extreme as that.
- As shown in Table 1, the Economic Forecast Council (EFC) is also forecasting a decline in housing starts in 2023, before increasing gradually over the fiscal plan. The Ministry's outlook for housing

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 2 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

starts is slightly higher than the EFC in 2023, with a small amount of prudence over the remainder of the fiscal plan.

- The Budget 2023 forecast calls for more housing starts in every year than the Budget 2022 forecast, reflecting higher levels of immigration, resilient demand, and existing government support (see Table 2).

**Table 1: Prudence in Housing Starts Forecast**

Housing Starts (units)	2022	2023	2024	2025	2026	2027	2023-2027 avg.
<b>Budget 2023</b>	46,721	39,033	37,037	38,033	38,034	38,048	38,037
<b>EFC (January 2023)</b>	44,666	37,840	38,499	40,588	41,605	41,599	40,026
<b>Prudence</b>	<b>2,055</b>	<b>1,193</b>	<b>-1,462</b>	<b>-2,555</b>	<b>-3,571</b>	<b>-3,551</b>	<b>-1,989</b>

Housing Starts (per cent change)	2022	2023	2024	2025	2026	2027	2023-2027 avg.
<b>Budget 2023</b>	-1.9	-16.5	-5.1	2.7	0.0	0.0	-3.8
<b>EFC (January 2023)</b>	-6.2	-15.3	1.7	5.4	2.5	0.0	-1.1

**Table 2: Change in Ministry of Finance Housing Starts Forecast**

Housing Starts (units)	2022 <sup>e</sup>	2023	2024	2025	2026	2027
<b>Budget 2022</b>	38,022	36,001	35,032	35,078	35,147	-
<b>First Quarterly 2022</b>	39,000	35,011	35,028	35,031	35,035	-
<b>Budget 2023</b>	<b>46,721</b>	<b>39,033</b>	<b>37,037</b>	<b>38,033</b>	<b>38,034</b>	<b>38,048</b>

Housing Starts (per cent change)	2022 <sup>e</sup>	2023	2024	2025	2026	2027
<b>Budget 2022</b>	-20.1	-5.3	-2.7	0.1	0.2	-
<b>First Quarterly 2022</b>	-18.1	-10.2	0.0	0.0	0.0	-
<b>Budget 2023</b>	<b>-1.9</b>	<b>-16.5</b>	<b>-5.1</b>	<b>2.7</b>	<b>0.0</b>	<b>0.0</b>

2022<sup>e</sup>: estimate (actual for Budget 2023)

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 3 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Housing Starts Forecast and Homes for BC Plan

Advice/Recommendations

#### Answer:

Advice/Recommendations

- The anticipated decline in housing starts reflects various factors that are expected to weigh on private sector construction, such as:
  - high interest rates
  - high construction costs
  - home sale market conditions (i.e., the decline in sales and prices observed)

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 4 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Despite this expected downturn, the Budget 2023 forecast calls for more housing starts in every year than the Budget 2022 forecast, reflecting higher levels of immigration, resilient demand and existing government support.
- We have made important progress and have laid out the biggest 3-year housing investment in B.C. history.
- Budget 2023 lays out \$4.2 billion in operating and capital funding for the next phase of our response to the housing crisis.
- As part of Budget 2023, our next steps include:
  - Building thousands of new homes (BC Housing & BC Builds).
  - Adding thousands of student housing spaces.
  - Buying land near transit developments to build homes.
  - Giving extra support to renters through the new Renter's Tax Credit.
- This is just the beginning. We've also unveiled the Homes for People plan, a refreshed housing strategy that builds on the work we have already accomplished through Homes for B.C. Some actions in the Homes for People plan include:

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 5 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

- Delivering more middle-income small-scale, multi-unit housing that people can afford, including town homes, duplexes and triplexes through zoning changes and proactive partnerships;
- Offering forgivable loans for homeowners to build and rent secondary suites to increase affordable rental supply quickly;
- Introducing a flipping tax to discourage short-term speculation;
- Streamlining and modernizing permitting to reduce costs and speed up approvals to get homes built faster; and
- Providing more homes and supports for people experiencing or at risk of homelessness.

**Question: Does the housing starts forecast include the Budget 2023 housing investments of \$4.2 billion over three years?**

**Answer:**

- The Ministry has not specifically included the new housing investments announced in Budget 2023.

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 6 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

- This is because spending decisions were not finalized until after the economic forecast was completed.
- We are transparent in our budget process and have a statement in the attestation that describes how government policy is incorporated in the economic forecast and the lags associated with that.
- Housing units associated with projects that fall under the new housing investments will be incorporated into the projections for the First Quarterly Report, as per our normal procedure.

**Question: How much of housing construction in the province is from public sector funding compared to private sector funding?**

**Answer:**

- Statistics Canada and the Canada Mortgage and Housing Corporation do not have readily available historical figures that provide the breakdown of housing construction by public and private sector.
- However, based on limited data available from BC Housing, it is estimated that between 6 per cent to 10 per cent of

**Contact:** Tiffany Ma, ADM

**Phone:** 250-217-9165

**Division:** Treasury Board Staff

**Page:** 7 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

housing construction in the province is due to public sector investment.

- It is important to note that public sector investments in housing go towards both new construction as well as renovations of existing structures.

**Contact:** Tiffany Ma, ADM

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**Division:** Treasury Board Staff

**Page:** 8 of 8

**File Name:** 19\_MO\_TBS\_Housing Starts and Homes for BC Plan

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Housing Priority Initiatives Special Account

### ADVICE AND RECOMMENDED RESPONSE:

- *Budget 2023* continues significant investments to support affordable and attainable homes across the full spectrum of housing needs, consistent with our government's commitments in Homes for B.C. and the refreshed housing plan.
- As part of *Budget 2023*, government has invested \$1.213 billion over the fiscal plan through the Housing Priority Initiatives Special Account for housing programs including several BC Housing programs.
- The changes from year to year in the Housing Priority Initiatives Special Account reflect the planned timing of housing initiatives and projects funded through the account. Funding amounts shift between years in the fiscal plan to accommodate this, but overall funding commitments remain the same.
- Additional housing investments are funded through the Ministry of Housing's operating budget and the Capital Funding Vote.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 1 of 7

**File Name:** 20\_MO\_TBS\_Housing Priority Initiatives Special Account

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**KEY FACTS:**

- The *Housing Priority Initiatives Special Account* was created to fund eligible priority housing, rental, and shelter programs, and is funded primarily through transfers of Speculation and Vacancy Tax and Property Transfer Tax revenue.
- This Special Account provides government with a strategic and flexible funding mechanism to help support housing initiatives and programs within the Fiscal Plan and in recognition of current limitations within other existing authorities (e.g., voted appropriations).
- This Special Account is under the oversight of the Minister of Finance and Treasury Board. Treasury Board must approve the amounts of Property Transfer Tax to be transferred into the Special Account, and prior Treasury Board approval is required before any payments can be made from the Special Account and before loan guarantees are provided.
- *Budget 2023* provided \$1.213 billion over the fiscal plan through the Housing Priority Initiatives Special Account for housing programs including several BC Housing programs:
  - \$538 million to the Community Housing Fund over the fiscal plan to provide additional affordable housing for a mix of low- and moderate-income households.

**Contact:** Tiffany Ma**Phone:** 250-217-9165**Division:** Treasury Board Staff**Page:** 2 of 7**File Name:** 20\_MO\_TBS\_Housing Priority Initiatives Special Account

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- \$244 million to Indigenous Housing Fund over the fiscal plan to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
- \$158 million for the Metro Vancouver Housing Corporation to build new social, affordable and supportive housing throughout the metro Vancouver region.
- Over \$44 million in 2023/24 to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.
- The HPI Special Account appears to decline over the fiscal plan due to one-time additional funding for existing programs for delivery of targets (\$30 million in 2023/24 for Deepening Affordability).

**BACKGROUND:**

- The Housing Priority Initiatives Special Account was established by legislation in July 2016 with an initial balance of \$75M. Section 9.7 of the Special Accounts Appropriation and Control Act sets out the operating rules and oversight for this Special Account.
- Inflows to the Special Account are primarily transfers of revenues collected from the Speculation and Vacancy Tax and Property Transfer Tax, but can also include the repayment of loans made through the Special Account, or sales/leases/rentals of properties

**Contact:** Tiffany Ma**Phone:** 250-217-9165**Division:** Treasury Board Staff**Page:** 3 of 7**File Name:** 20\_MO\_TBS\_Housing Priority Initiatives Special Account

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

invested in by the Special Account or other amounts received (e.g. donations).

- It is important to note that Treasury Board can authorize the transfer of any amounts received under the Property Transfer Tax Act and this is not limited to the Additional Property Transfer Tax of 20%.
- The governing legislation provides for a wide range of spending activities by BC Housing ranging from operating and grant expenditures; funding capital investments in land and housing/rental infrastructure; to funding loans and guarantees that support new or ongoing priority initiatives in respect of provincial housing and rental/shelter supply and access and support programs.
- As part of the government's Consolidated Revenue Fund, this Special Account is reported on through annual Budgets and Estimates, quarterly reports, service plans, and the annual Public Accounts as part of the Ministry of Finance.

## **BUDGET:**

### ***Budget 2023 Summary for the Housing Priority Initiatives Special Account:***

<b>Fiscal Year (\$M)</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
<b><i>Budget 2022</i></b>	785.738	530.740	538.044	538.044

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 4 of 7

**File Name:** 20\_MO\_TBS\_Housing Priority Initiatives Special Account

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

<b>New in <i>Budget 2023</i></b>	-	511.270	413.974	287.814
<b><i>Budget 2023</i></b>	-	<b>1,042.010</b>	<b>952.018</b>	<b>825.858</b>
<b><i>Year-over-Year % Change</i></b>	-	<b>96%</b>	<b>76%</b>	<b>53%</b>

## QUESTIONS AND ANSWERS

### ISSUE: Housing Priorities Initiative Special Account

**Question: What makes up the new spending in the Housing Priorities Initiative Special Account?**

**Answer:**

*Budget 2023* provided \$1.213 billion over the fiscal plan through the Housing Priority Initiatives Special Account for housing programs including several BC Housing programs:

- \$538 million to the Community Housing Fund over the fiscal plan to provide additional affordable housing for a mix of low- and moderate-income households.
- \$244 million to Indigenous Housing Fund over the fiscal plan to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 5 of 7

**File Name:** 20\_MO\_TBS\_Housing Priority Initiatives Special Account

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- \$158 million for the Metro Vancouver Housing Corporation to build new social, affordable and supportive housing throughout the metro Vancouver region.
- Over \$44 million in 2023/24 to purchase emergency housing and shelter options for decampment planning especially when planning to transition individuals to permanent housing.

**Question: Why does the Housing Priority Initiatives Special Account decline across the fiscal plan?**

- The HPI Special Account declines over the fiscal plan due to:
  - one-time or time-limited funding in 2023/24
  - Shifting existing funding for housing programs to future timelines to reflect updated spending projections
  - New Budget 2023 approvals that may provide more funding in earlier years than outer years.

Advice/Recommendations

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 6 of 7

**File Name:** 20\_MO\_TBS\_Housing Priority Initiatives Special Account

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Advice/Recommendations

**Contact:** Tiffany Ma

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**Division:** Treasury Board Staff

**Page:** 7 of 7

**File Name:** 20\_MO\_TBS\_Housing Priority Initiatives Special Account

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## **ISSUE: Provincial Debt & Debt Affordability**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Increased government borrowing is required over the fiscal plan to finance the operating and capital investment needs of the province.
- Taxpayer-supported debt is forecast at \$75.6 billion in 2023/24 and \$99.4 billion at the end of the three-year fiscal plan period in 2025/26.
- Although debt-to-GDP ratio will also increase, it is forecast to remain relatively low, compared to other jurisdictions. It remains below 25 per cent throughout the fiscal plan, reaching 23.0 percent in 2025/26.
- BC's debt metrics have improved significantly from Budget 2022 due to significantly better operating results in 2022/23.
- B.C.'s debt continues to remain affordable. In 2022/23, the "interest bite" is projected at 2.4 – this means that 2.4 cents per dollar of taxpayer-supported revenue will go towards paying interest.

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**Page:** 1 of 5

**File Name:** 21\_MO\_TBS\_Provincial Debt and Debt Affordability

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**KEY FACTS:**

- The Province's total debt is comprised of taxpayer-supported debt (core government as well as agencies such as school districts, universities, health authorities, BC Transportation Financing Authority, BC Housing) and self-supported debt, which is debt held by self-supported Crown corporations, mainly BC Hydro. Mostly, discussions on debt are focused on the "taxpayer-supported" portion.
- Total provincial debt is projected to increase by \$40.8 billion over the fiscal plan period to reach \$134.3 billion by 2025/26, comprising of:
  - \$99.4 billion for taxpayer-supported operating and capital investments, and
  - \$34.4 billion for self-supported capital investments.
- Taxpayer-supported debt is projected to increase by \$35.7 billion over this period.
  - \$4.7 billion for operating costs (financing deficits),
  - \$15.8 billion for capital investments funded by ministries, and
  - \$15.2 billion increase in debt held by taxpayer-supported entities, mainly the BC Transportation Financing Authority.
- Self-supported debt is projected to increase by \$4.6 billion, mainly for capital investments related to improving and expanding BC Hydro's generation assets.

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**Division:** Treasury Board Staff

**Page:** 2 of 5

**File Name:** 21\_MO\_TBS\_Provincial Debt and Debt Affordability

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## BACKGROUND:

**Table 1.9 Provincial Debt Summary<sup>1</sup>**

(\$ millions unless otherwise indicated)	Updated Forecast 2022/23	Budget Estimate 2023/24	Plan 2024/25	Plan 2025/26
<b>Taxpayer-supported debt</b>				
Provincial government				
Operating .....	-	2,440	4,128	4,710
Capital <sup>2</sup> .....	39,908	44,089	49,727	55,696
<b>Total provincial government</b> .....	<b>39,908</b>	<b>46,529</b>	<b>53,855</b>	<b>60,406</b>
Taxpayer-supported entities				
BC Transportation Financing Authority .....	19,505	23,171	27,764	32,305
Health Authorities and Hospital Societies .....	2,019	2,381	2,334	2,279
Post Secondary institutions .....	874	952	1,002	989
Social Housing .....	1,125	2,227	2,957	2,644
Other .....	270	357	524	772
<b>Total taxpayer-supported entities</b> .....	<b>23,793</b>	<b>29,088</b>	<b>34,581</b>	<b>38,989</b>
<b>Total taxpayer-supported debt</b> .....	<b>63,701</b>	<b>75,617</b>	<b>88,436</b>	<b>99,395</b>
<b>Self-supported debt</b> .....	<b>29,788</b>	<b>31,607</b>	<b>33,671</b>	<b>34,405</b>
<b>Total debt before forecast allowance</b> .....	<b>93,489</b>	<b>107,224</b>	<b>122,107</b>	<b>133,800</b>
<b>Forecast allowance</b> <sup>3</sup> .....	<b>-</b>	<b>700</b>	<b>500</b>	<b>500</b>
<b>Total provincial debt</b> .....	<b>93,489</b>	<b>107,924</b>	<b>122,607</b>	<b>134,300</b>

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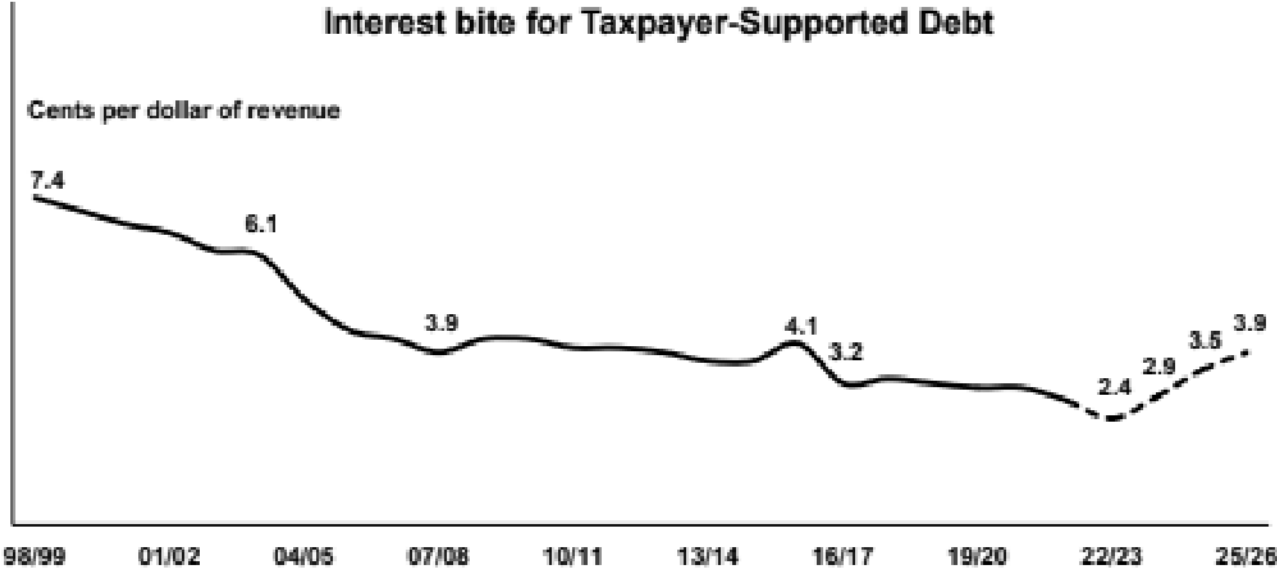
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**Page:** 3 of 5

**File Name:** 21\_MO\_TBS\_Provincial Debt and Debt Affordability

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE



- Historically the interest bite has been much higher, e.g., 7.4 in 1999.

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**Division:** Treasury Board Staff

**Page:** 4 of 5

**File Name:** 21\_MO\_TBS\_Provincial Debt and Debt Affordability

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

**Question: Why is taxpayer-supported debt increasing?  
What is the new borrowing going to fund?**

**Answer:**

- This increased borrowing will finance annual operating deficits and fund significant investments in capital infrastructure over the next three years, including:
  - \$8.9 billion for education projects,
  - \$11.2 billion for health facilities,
  - \$13.3 billion for transportation sector projects,
  - \$2.2 billion for social housing, and
  - \$2.0 billion for other capital projects.

*(Note: the amounts above reflect a breakdown by sector; this does not separate government-held debt from service agency debt.)*

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**Page:** 5 of 5

**File Name:** 21\_MO\_TBS\_Provincial Debt and Debt Affordability

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Fiscal Sustainability

### ADVICE AND RECOMMENDED RESPONSE:

- Government continues to balance the near-term priorities with longer-term fiscal sustainability.
- While there are risks of a global economic slow down, we remain committed and on track with the fiscal guardrails that have helped to guide budget decision-making since *Budget 2021*.
- This includes declining deficits, higher levels of prudence, and ensuring funding is targeted toward the most urgent needs, while keeping an eye on our debt and debt affordability.
- We have seen how this approach has worked to build a strong economic recovery in B.C.
- And we will continue tackling today's biggest challenges, while balancing responsible financial management.

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**File Name:** 22\_MO\_TBS\_Fiscal Sustainability

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**Page:** 1 of 7

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## KEY FACTS:

- Since *Budget 2021*, government implemented and continues to be guided by fiscal guardrails to support financial planning and decision-making.
- Fiscal guardrails include:
  - Year-over-year declining deficits;
  - Targeted spending criteria through prioritization;
  - Maintaining prudence levels;
  - Providing pandemic recovery contingencies;
  - Monitoring debt metrics and affordability; and,
  - Transparent and timely reporting.
- The Province monitors also monitors other key fiscal and economic indicators, such as:
  - **Economic and Business:** labour force developments, BC's economic sectors and business confidence, and tax competitiveness compared to other jurisdictions
  - **Community Recovery:** qualitative indicators such as the status of highway rebuilding projects and the state of agriculture in climate-related disaster impacted areas.
  - **Environmental, Social and Governance (ESG):** government monitors and reports on progress towards its commitments to improving environmental and social measures.

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**Phone:** 250-217-9165  
**Page:** 2 of 7

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

**BUDGET:****Key Fiscal Metrics**

	2021/22	2022/23	2023/24	2024/25	2025/26
<b><i>Budget 2021</i></b>					
Projected Surplus/ (Deficits)	(\$9.698 B)	(\$5.484 B)	(\$4.323 B)		
Projected Debt-to-GDP Ratio <sup>1</sup>	22.8%	25.0%	26.9%		
<b><i>Budget 2022</i></b>					
Projected Surplus/ (Deficits)	(\$483 M)	(\$5.461 B)	(\$4.182 B)	(\$3.181 B)	
Projected Debt-to-GDP Ratio <sup>1</sup>	17.8%	20.0%	21.8%	22.8%	
<b><i>Budget 2023</i></b>					
Projected Surplus/ (Deficits)	1,306 B (Actual)	\$3,592 B	(\$4,216 B)	(\$3,754 B)	(\$3,043 B)
Projected Debt-to-GDP Ratio <sup>1</sup>	17.9% (Actual)	16.4%	18.9%	21.3%	23.0%

<sup>1</sup> Taxpayer-supported debt-to-GDP

**Contact:** Tiffany Ma, ADM  
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**File Name:** 22\_MO\_TBS\_Fiscal Sustainability

**Phone:** 250-217-9165  
**Page:** 3 of 7

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

### **Budget Prudence Measures**

<b>(\$ millions)</b>	<b>2022/23 Forecast</b>	<b>2023/24 Budget</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
General Programs Contingencies	1,700	1,500	1,500	1,000
Shared Recovery Mandate	700	2,200	2,600	2,700
Pandemic Recovery Contingencies	2,000	1,000	-	-
Climate and Emergency Response	400	500	250	-
CleanBC	48	300	450	200
Priority initiatives and caseload pressures	-	-	-	800
Forecast Allowance	1,000	700	500	500
Real GDP Growth Compared to EFC (percentage points, pp)	-0.2pp	-0.1pp	-0.1pp	+0.1pp

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**File Name:** 22\_MO\_TBS\_Fiscal Sustainability

**Phone:** 250-217-9165  
**Page:** 4 of 7

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Fiscal Sustainability

#### Question: When will the Province return to balance?

#### Answer:

- As presented in *Budget 2023*, the fiscal plan shows declining deficits over the three-year track as government maintains funding for important programs and services.
- While we are forecasting an economic slowdown this year, we help mitigate this by building prudence in the budget forecasts which typically allows government to produce better than expected results.
- Government will continue to balance near-term priorities with longer-term fiscal sustainability with revised forecasts each budget cycle.

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**Phone:** 250-217-9165  
**Page:** 5 of 7

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Advice/Recommendations

**Answer:**

- The Province's debt has increased over time and a significant jump in 2020/21 at the height of the Covid pandemic impacted the economy and government revenues at the same time as there was significant need for support to British Columbians.
- The level of taxpayer supported debt this year is about 55% higher than in 2016/17, while the total provincial debt is just over 40% higher than in 2016/17.
- But looking at the debt in simple nominal dollar terms is not the best way to understand the sustainability because as the province grows, it can afford to take on more debt. In fact, it must take on more debt to finance growing infrastructure.
- That is why we use debt-affordability metrics, which provide a better picture, a more apples-to-apples comparison of our province with other jurisdictions, as well as a better sense of how things have changed over time.

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**Phone:** 250-217-9165  
**Page:** 6 of 7

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- B.C.'s taxpayer-supported debt-to-GDP at 16.4 percent this year is affordable. This level of debt burden is less than half of what Ontario and Quebec have carried in recent years.
- Going forward our debt levels, as well as the debt-affordability metrics, are forecast to rise further. But Budget 2023 is presented at a time of an economic slowdown, and the government has chosen to support people and to fund the priorities of the province.

Advice/Recommendations

(\$ millions)	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22	Updated Forecast 2022/23	Budget Estimate 2023/24	Plan 2024/25	Plan 2025/26
<b>Total taxpayer-supported debt</b>	<b>41,499</b>	<b>43,607</b>	<b>42,681</b>	<b>46,229</b>	<b>59,750</b>	<b>62,341</b>	<b>63,701</b>	<b>75,617</b>	<b>88,436</b>	<b>99,395</b>
<i>growth since 2016/17</i>							54%	82%	113%	140%
<b>Total self-supported debt .....</b>	<b>24,338</b>	<b>21,312</b>	<b>23,281</b>	<b>25,932</b>	<b>27,350</b>	<b>28,325</b>	<b>29,788</b>	<b>31,607</b>	<b>33,671</b>	<b>34,405</b>
<i>growth since 2016/17</i>							22%	30%	38%	41%
<b>Forecast allowance .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>500</b>	<b>500</b>
<b>Total provincial debt .....</b>	<b>65,837</b>	<b>64,919</b>	<b>65,962</b>	<b>72,161</b>	<b>87,100</b>	<b>90,666</b>	<b>93,489</b>	<b>107,924</b>	<b>122,607</b>	<b>134,300</b>
<i>growth since 2016/17</i>							42%	64%	86%	104%

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**File Name:** 22\_MO\_TBS\_Fiscal Sustainability

**Phone:** 250-217-9165

**Page:** 7 of 7

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

**ISSUE: Recent Economic Activity in B.C.**

***(data as of April 24, 2023)***

**ADVICE AND RECOMMENDED RESPONSE:**

- B.C.'s economy grew by an estimated 2.8 per cent in 2022, following 6.1 per cent growth in 2021. Budget 2023 forecasts economic growth will slow to 0.4 per cent in 2023 before rising to 1.5 per cent in 2024, and then average 2.3 per cent annually from 2025 to 2027.
- B.C.'s economic performance has been mixed at the end of 2022 and into 2023.
- Higher interest rates brought about a sharp decline in home sales and prices.
- In the second half 2022, falling commodity prices led to a reversal of earlier gains in goods exports and contributed to a modest slowdown in inflation. The pace of inflation has continued to slow into 2023.
- Retail sales also slowed in 2022 and into 2023 after strong growth in 2021.
- Meanwhile, employment has been strong and home construction remains at high levels.

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**File Name:** 23\_MO\_TBS\_Recent Economic Activity in BC

**Phone:** 250 387-6282

**Page:** 1 of 6

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

- Since the timing of the economic forecast for Budget 2023, private sector forecasts for B.C. real GDP growth have come down to 0.4 per cent (from 0.5 per cent) for 2023 and to 0.9 per cent (from 1.6 per cent) for 2024. This is according to an average of six private sector forecasters (a subset of the Economic Forecast Council) as of April 21.
  - Background note: Among provinces, B.C. now ranks 10<sup>th</sup> in real GDP growth for 2023 and tied for 6<sup>th</sup> in 2024.
- Reduced private sector forecasts since Budget 2023 partially reflect expectations of a slowdown occurring later in 2023 and moving into next year, and risks around recent stress in the global banking sector.
- The Ministry of Finance is monitoring the economic situation and will provide an updated economic forecast in the *First Quarterly Report*.

## KEY FACTS:

- **Employment** grew by 3.2 per cent in 2022 (or 84,000 net new jobs), with around 96,600 new full-time jobs offsetting a decline of 12,500 part-time jobs.

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**File Name:** 23\_MO\_TBS\_Recent Economic Activity in BC

**Phone:** 250 387-6282

**Page:** 2 of 6

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Job creation in 2022 was mostly in the private sector (+58,600 jobs) with gains also in the public sector (+22,200 jobs) and in self-employment (+3,200 jobs).
- Job gains were led by wholesale and retail trade (+32,200 jobs); information, culture, and recreation (+17,600 jobs); and health care and social assistance (+17,200 jobs). The largest annual declines occurred in business, building and other support services (-9,300 jobs), other services (-7,500 jobs), and finance, insurance, real estate, rental and leasing (-7,000 jobs).
- Year-to-date to March 2023, employment was up 1.7 per cent compared to the same period of 2022.
- B.C.'s **unemployment rate** fell by 2.0 percentage points on average in 2022 to reach 4.6 per cent amid tight labour market conditions and labour shortages in some sectors. As of March 2023, B.C.'s unemployment rate was 4.5 per cent.
- **Consumer price inflation** in B.C. averaged 6.9 per cent in 2022, the fastest annual rate since 1982. Inflation has eased somewhat since peaking at 8.1 per cent May 2022, partly due to lower gasoline prices, but it remains elevated.
  - The B.C. Consumer Price Index (CPI) rose by 4.7 per cent on a year-over-year basis in March 2023, led by shelter (+5.3 per cent) and food (+7.8 per cent).
- **Retail sales** were relatively flat in 2022, up only 3.1 per cent compared to 2021. Annual growth was strongest at gasoline stations (+22.1 per cent) and weakest at motor vehicle and parts

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**File Name:** 23\_MO\_TBS\_Recent Economic Activity in BC

**Phone:** 250 387-6282

**Page:** 3 of 6

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

dealers (-4.9 per cent). Modest total nominal retail sales growth amid strong inflation pointed to weaker sales volumes as higher interest rates slowed demand.

- Year-to-date to February 2023, B.C. retail sales were 1.4 per cent higher than the same period last year.
- **Consumer spending on services** continued to improve in 2022, based on the limited available data for B.C. Sales at food services and drinking places (a component of the service sector) rose 23.2 per cent in 2022 compared to 2021 to reach an all-time high, partly due to higher prices. Meanwhile, the number of international tourists entering B.C. increased five-fold in 2022, but remained 11.9 per cent below pre-pandemic levels as of February 2023.
- **Goods exports** rose 20.4 per cent in 2022, despite a 4.8 per cent decline in exports to China (B.C.'s second largest trading partner). Total gains were broad-based and led by energy exports. B.C.'s export performance generally followed commodity prices through the year, with strength in the first half of 2022 followed by a sharp decline thereafter.
  - Year-to-date to February, B.C. goods exports are down 1.4 per cent compared to the same period last year.
- **Service exports** have continued to recover from a large decline in 2020, according to limited data available from B.C. tourism and national exports. National data shows that Canadian exports of services surpassed pre-pandemic levels in December 2021.

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**File Name:** 23\_MO\_TBS\_Recent Economic Activity in BC

**Phone:** 250 387-6282

**Page:** 4 of 6

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- **Housing starts** have remained strong so far despite higher interest rates. The annual pace of homebuilding activity was the second-highest on record in 2022, down 1.9 per cent from the record high in 2021.
  - Year-to-date to March 2023, B.C. housing starts increased by 32.5 per cent, with notable gains in Vancouver (+62.9 per cent), Victoria (+30.8 per cent), and Kelowna (+200.0 per cent) compared to the same period of 2022.
- **Home sales** fell by 35.2 per cent in 2022 as markets adjusted to a steep increase in lending rates. Year-to-date to March 2023, MLS home sales in B.C. were 45.6 per cent lower than the same period last year, however sales have started to increase slightly in the past two months.
- The MLS average **home sale price** trended downward through most of 2022 due to muted demand amid higher mortgage rates, a compositional shift in sales, and more balanced market conditions. Reflecting the high levels earlier in the year, the average home sale price increased 7.4 per cent in 2022. Year-to-date to March 2023, the average home sale price was \$895,211, down 14.6 per cent from the same period last year. Prices have also started to increase slightly over the past two months.
- **Confidence** among consumers and small businesses has fallen substantially since mid- to late-2021, with some signs of recovery in recent months. Year-to-date to April 2023, B.C. consumer confidence was down 42.3 points compared to the same period last

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**File Name:** 23\_MO\_TBS\_Recent Economic Activity in BC

**Phone:** 250 387-6282

**Page:** 5 of 6

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

year. Year-to-date to March 2023, small business confidence was down 10.1 points.

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**File Name:** 23\_MO\_TBS\_Recent Economic Activity in BC

**Phone:** 250 387-6282  
**Page:** 6 of 6

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
REVENUE NOTE

## **ISSUE: PERSONAL TAX TRANSFER EXPENSES (REFUNDABLE TAX CREDITS)**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Total personal tax transfer expenses rise over the plan period mainly due to increases in the enhancement of the climate action tax credit, BC family benefit and the introduction of the renter's tax credit. The climate action tax credit increase is aligned to carbon tax rate increase. A large portion of the revenue generated from the tax rate increases will be returned to individuals through the enhancement of the Climate Action Tax Credit.
- 2022/23 expenses include the impacts of higher 2021 tax assessment results, captured in \$84.8M prior-year adjustment amount and one time affordability payments relating to climate action and BC family benefit tax credits.

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**File Name:** 24\_MO\_TBS\_Tax Transfers

**Phone:** 250-387-6282  
**Page:** 1 of 4

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
REVENUE NOTE**

## BACKGROUND:

### *Budget 2023 - Personal Tax Transfers*

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2-year avg annual growth 2023/24-2025/26</u>
Personal tax transfers (\$M)					
Climate Action					
Climate Action - On going	340	345	345	345	
Climate Action - Carbon Federal pricing		412	687	978	54.1%
One time affordability measure - Climate Action	1,500				
BC Family Benefit	405	463	482	485	2.3%
One time affordability measure - BC Family Benefit	100				
Renters	77	309	313	319	1.6%
Capital gains refunds	282	180	180	180	
Other personal tax transfers	89	106	106	106	
<b>Total Personal tax transfers</b>	<b><u>2,793</u></b>	<b><u>1,815</u></b>	<b><u>2,113</u></b>	<b><u>2,413</u></b>	15.3%
Annual growth		-35.0%	16.4%	14.2%	

- Tax transfer expenses are refundable tax credits under the *Income Tax Act*.
- The Tax Transfer Vote is included under Vote 52, Other Appropriations of the Estimates. Any expenses above the voted appropriation are statutory under the Income Tax Act.
- Since the Canada Revenue Agency administers B.C.'s income taxes, actual results for the 2021 tax year will be finalized in late February 2023 – similar to the personal and corporate income taxes.

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**File Name:** 24\_MO\_TBS\_Tax Transfers

**Phone:** 250-387-6282  
**Page:** 2 of 4

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
REVENUE NOTE

## **ISSUE: CORPORATE TAX TRANSFER EXPENSES (REFUNDABLE TAX CREDITS)**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The \$71M annual increase in corporate income tax transfers in 2023/24 mainly reflects higher expected utilization of production services, and scientific research and experimental development (SRED) tax credits. The 2022/23 forecast also incorporates negative \$52M adjustments relating to prior years, mainly reflecting final 2021 tax results.
- The forecast increases from \$1,344M in 2023/24 to \$1,551M in 2025/26, mainly reflecting higher than expected take up of film and TV production tax credit (both domestic & foreign), and SRED tax credits.
- The film tax credits forecast includes preliminary 2022 tax assessment information as at December 31, 2022 and stronger year to date Creative BC data on certification that will result in higher utilization of the credits in 2022 to 2024 tax years. Forecast also assumes that the annual expenses for foreign film tax credits grow in line with the ministry's

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**File Name:** 24\_MO\_TBS\_Tax Transfers

**Phone:** 250-387-6282  
**Page:** 3 of 4

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
REVENUE NOTE**

forecast of wages and salaries growth plus an additional 5 per cent to reflect increased activity.

- The foreign film tax credit is the most volatile of the tax transfers, posing potential upside or downside risks to the plan.

## BACKGROUND:

### *Budget 2023 - Corporate Tax Transfers*

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	2-year avg annual growth <u>2023/24-2025/26</u>
Corporate tax transfers (\$M)					
Film and TV Production - domestic	166	153	163	170	5.6%
Production services - foreign	775	890	980	1,070	9.6%
Interactive digital media	136	110	110	110	
Scientific Research and Experimental Development (SRED)	84	96	101	106	5.1%
Mining Exploration	35	30	30	30	
Other corporate tax transfers	77	65	65	65	
<b>Total Corporate tax transfers</b>	<b><u>1,273</u></b>	<b><u>1,344</u></b>	<b><u>1,448</u></b>	<b><u>1,551</u></b>	7.4%

- The Tax Transfer Vote is included under Vote 52, Other Appropriations of the Estimates. Any expenses above the voted appropriation are statutory under the *Income Tax Act*.
- Since the Canada Revenue Agency administers B.C.'s income taxes, actual results for the 2021 tax year will be finalized in late February 2023 – similar to the personal and corporate income taxes.

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**File Name:** 24\_MO\_TBS\_Tax Transfers

**Phone:** 250-387-6282  
**Page:** 4 of 4

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## **ISSUE: BCIB and Community Benefits Agreement**

### **ADVICE AND RECOMMENDED RESPONSE:**

- BC Infrastructure Benefits (BCIB) is a provider of skilled trades workforce. Like many government organizations, BCIB has a collective agreement.
- The Community Benefits Agreement (CBA) is a commitment by the Province and 19 Affiliated Unions to grow and diversify BC's skilled construction trades and change the culture to attract and retain underrepresented workers.
- BCIB uses Priority Hiring—CBA Article 9.1—so Indigenous skilled workers, women, locals and underrepresented workers are hired first.
  - BCIB employs twice the provincial average of tradeswomen on the tools – across projects, 10% of BCIB workers have been women while the BC average has fallen to 4.5%.
  - BCIB employs about three times more Indigenous workers than the provincial industry average –15% of BCIB workers have been Indigenous, while the provincial average is below 5%.

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**Phone:** 236-788-2089  
**Page:** 1 of 5

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- 79% of BCIB positions have been filled by a priority candidate, including apprentices, women, Indigenous and racialized workers, and others.
- 91% of BCIB skilled trades jobs have gone to British Columbians.
- Across all CBA projects, BCIB has filled close to 3000 contractor requests for skilled workers and currently employs about 1000 skilled workers (as of February 2023.)
- BCIB works closely with communities to attract and hire locals, Indigenous workers, and women.
- Applying this collective agreement costs between 1% - 4% of a project's total budget. This is based on actual data from projects.
- Companies don't need to be unionized to bid or work on CBA projects. In fact, more than 60% of the contractors on CBA projects are NOT affiliated with the BC Building Trades unions.
- Companies working on CBA projects are protected from unwanted union certification attempts while on the project and in the future. Article 5 in the CBA prevents union raids, so CBA projects are open to any contractor in the industry.
- Contracts are awarded by the Prime Contractor.
- Under the CBA, BCIB is the employer of the workforce and a skilled trades supplier to projects. BCIB uses Priority Hiring so Indigenous

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**Division:** BC Infrastructure Benefits Inc.  
**File Name:** 25\_MO\_TBS - BCIB and CBA key messages

**Phone:** 236-788-2089  
**Page:** 2 of 5

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

skilled workers, women, locals and underrepresented workers are hired first on a CBA project.

- Across all CBA projects, BCIB has filled close to 3000 contractor requests for skilled workers and currently employs about 1000 skilled workers (as of February 2023.)
- BCIB works closely with communities to attract and hire locals, Indigenous workers, and women.
- BCIB workers join their Affiliated Union within 30 days, so they can benefit from the collective agreement, receive equal pay for equal work and get pensions, extended health care, mental health and addictions supports and more.
- There are specific instances in which a contractor can apply for a permit to hire workers directly outside of the CBA. These workers do not become BCIB employees. These permitting provisions can be found in Article 8 of the CBA.
- The Affiliated Unions approve permits for work that is short term, temporary, requires specialized trades or is of an emergency nature.

## **BACKGROUND:**

- In Fiscal 2021/22, BCIB employed double the provincial average for both Indigenous workers and women. 71% of workers were local hires (living within 100km of the jobsite) and 91% were BC residents.

**Contact:** Suzannah Kelly

**Phone:** 236-788-2089

**Division:** BC Infrastructure Benefits Inc.

**Page:** 3 of 5

**File Name:** 25\_MO\_TBS - BCIB and CBA key messages

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- Through the life of all projects, to the end of Q3 in FY 2022/2023, BCIB has filled 2,464 positions (including rehires).
- During FY 2022/23, up to the end of Q3, BCIB employed almost 1,800 (1,749) skilled tradespeople (including rehires). They worked more than a total of 1,300,000 hours (1,318,774).
- There are 13 approved CBA projects under construction or in development:
  - BC Institute of Technology Trades & Technology Complex
  - The Broadway Subway Project
  - The Cowichan District Hospital Replacement Project
  - The Pattullo Bridge Replacement
  - Surrey Langley SkyTrain Project
  - Trans-Canada Highway 1 Four-Laning Program
    - Chase Creek Road to Chase West Government Financial Information  
Government Financial Information
    - Chase West to Chase Creek Bridge (Chase East)
    - Ford Road to Tappen Valley Road
    - Kicking Horse Canyon Phase 4
    - Salmon Arm West – 1st Avenue SW to 10th Avenue SW Government Financial Information  
Government Financial Information
    - Salmon Arm West – 10th Avenue SW to 10th Street SW
    - Quartz Creek Bridge
    - RW Bruhn Bridge and Approaches

**Contact:** Suzannah Kelly  
**Division:** BC Infrastructure Benefits Inc.  
**File Name:** 25\_MO\_TBS - BCIB and CBA key messages

**Phone:** 236-788-2089  
**Page:** 4 of 5

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- One CBA project has been completed:
  - Illecillewaet Brake Check
- The timing for hiring skilled tradespeople is dependent on projects' construction schedules and scope.
- Questions on the delivery of any specific projects should be directed to the ministry responsible for those projects.

### **CBA INVESTMENT COSTS:**

- We now know the CBA costs between 1% - 4% of a project's total budget. This is based on actual results on completed CBA projects.
- This CBA investment provides for BCIB's operating budget, which is funded through a service fee for project owners. BCIB costs are not passed on to contractors, and BCIB's payroll invoices are a straight pass through with no mark up. BCIB's operational costs provide for:
  - Recruiting local and underrepresented workers.
  - Working with partners to connect applicants to training and upskilling so they become the future skilled workforce for this province.
  - BCIB representatives to support employees on the jobsite.
  - The delivery of BCIB's Respectful Onsite Initiative (ROI) to help improve onsite culture.
  - HR services, support, payroll, and performance management for CBA workers.

**Contact:** Suzannah Kelly  
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**File Name:** 25\_MO\_TBS - BCIB and CBA key messages

**Phone:** 236-788-2089  
**Page:** 5 of 5

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## ISSUE: Economic and Fiscal Forecast

### ADVICE AND RECOMMENDED RESPONSE:

- The Ministry of Finance uses robust forecasting models and methodologies to prepare the budget based on the best evidence, information, and data available at the time.
- The Ministry has mature forecasting practices that are tested and based on the expertise and judgement of professional staff.
- In relatively stable economic times, forecasting results are closer to the actual results; however, when there are significant economic shocks (positive or negative), the forecast is subject to higher variance.
- We saw this variability over the last few years due to the pandemic, similar to other jurisdictions in Canada and around the world.
- Government continues to use responsible budgeting with a reasonable amount of prudence, which helps the Province to achieve or exceed its budget targets and maintain a strong fiscal position.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 26\_MO\_TBS\_Economic and Fiscal Forecast

**Phone:** 250-387-6282

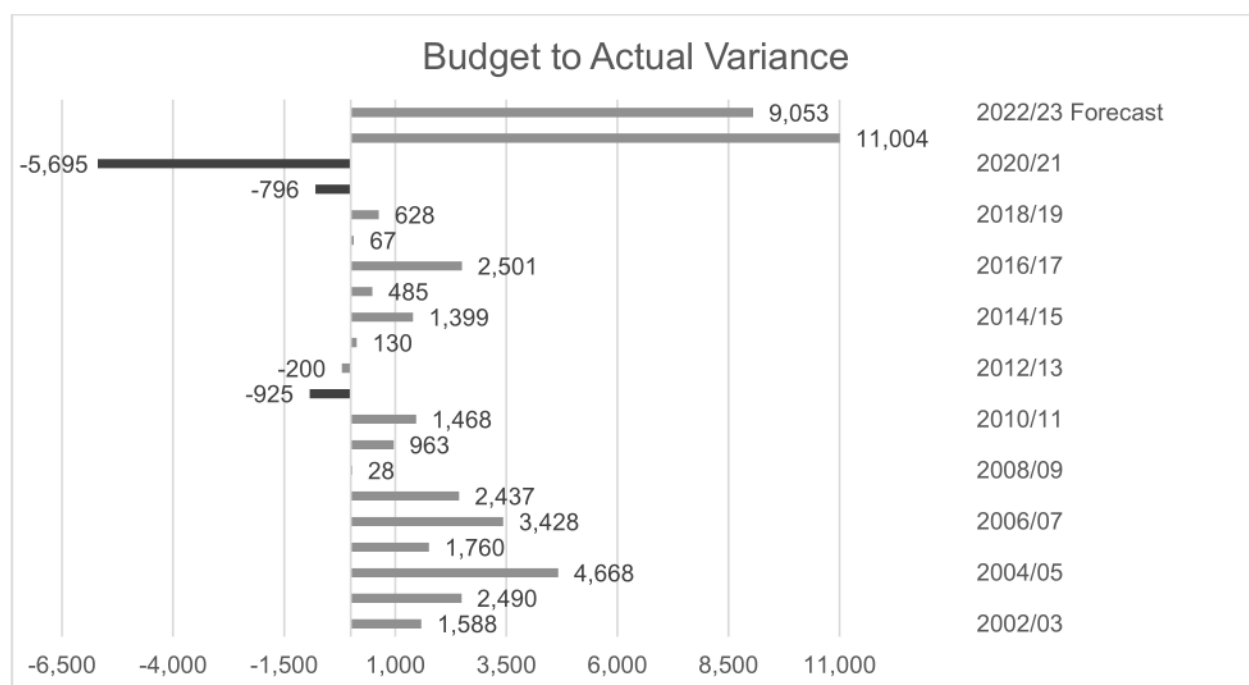
**Page:** 1 of 6

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## KEY FACTS:

- Over the past 20 years, the variance between the Ministry's economic and fiscal forecast as presented each budget compared to actual results has been the most significant in the last three year due to the pandemic.
- The 2020/21 year required significant new government spending to support people and businesses at the outset of the pandemic.
- The improved fiscal results for 2021/22 and latest forecast for 2022/23 is largely due to better-than-expected 2021 personal and corporate income tax results that were not known until July of 2022.

**Chart 1: Budget to Actual Variance over the Last 20 Years**



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**File Name:** 26\_MO\_TBS\_Economic and Fiscal Forecast

**Phone:** 250-387-6282

**Page:** 2 of 6

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

## **BACKGROUND:**

### **Economic forecasting**

- The Ministry of Finance has a team of economists that apply their expertise and judgment in managing the Ministry's internal macroeconomic model.
- The macroeconomic model is used to forecast economic growth and performance five years into the future based on:
  - Past and current performance of the BC economy
  - External factors such as foreign economic growth (where prudence is explicitly incorporated), interest rates, exchange rates, commodity prices and migration
- The Minister of Finance also meets with the Economic Forecast Council which provides policy advice and private sector economic forecasts prior to budget.
- The Ministry of Finance real GDP forecast is in line with the average private sector forecasts, with a small amount of prudence in the near-term.

### **Revenue forecasting**

- Revenue forecasting is dependent on a number of external data sources including new information from the federal government, crown agencies, the SUCH sector and ministries, which are all consolidated by TBS.

**Contact:** Tiffany Ma

**Division:** Treasury Board Staff

**File Name:** 26\_MO\_TBS\_Economic and Fiscal Forecast

**Phone:** 250-387-6282

**Page:** 3 of 6

**MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE**

- for each of its government's main revenue streams, including:
  - **Taxation:** based on components of the economic forecast model including nominal GDP growth, wages and salaries, corporate profits, consumer spending and housing sales
  - **Natural resources:** based on private sector and natural resource ministry forecasts for commodity prices and volumes, such as natural gas, lumber and minerals
  - **Federal contributions:** based on Canada Health Transfer and Canada Social Transfer formulae, Disaster Financial Assistance Agreement, and other agreements (e.g. child care)
  - **Commercial Crown corporations:** provided by the corporations on a quarterly basis, as approved by their Board of Directors
  - **Other revenue components:** includes SUCH sector, ministry and taxpayer-supported crown forecasts

**Contact:** Tiffany Ma

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**File Name:** 26\_MO\_TBS\_Economic and Fiscal Forecast

**Phone:** 250-387-6282

**Page:** 4 of 6

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Economic and Fiscal Forecast

Advice/Recommendations

**Answer:** Government budgets and forecasts are based on available evidence, information and data at the time. These are regularly updated and reflected in quarterly reports as new information becomes available. When there are significant economic shocks – such as the onset of the pandemic and related economic recovery – there is more variability in the forecast. This was not unique to B.C. – most jurisdictions across Canada and around the world experienced similar challenges in their budget forecasts. Private sector forecasters also faced similar challenges in developing their economic projections.

Advice/Recommendations

**Answer:** Forecasts are based on the best evidence, information and data we have at the time. The economic forecast is comparable to the private sector outlook.

**Contact:** Tiffany Ma

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**File Name:** 26\_MO\_TBS\_Economic and Fiscal Forecast

**Phone:** 250-387-6282

**Page:** 5 of 6

MINISTRY OF FINANCE  
TREASURY BOARD STAFF  
ISSUE NOTE

Government continues to use responsible and prudent budgeting – a long-standing practice for the past few decades – which helps the Province to achieve or exceed its budget targets and maintain a strong fiscal position. The significant revenue improvements that we saw last year was largely due to better-than-expected personal and corporate income tax results in 2021 that is expected to be one-time in nature. While Budget 2023 projects a deficit for this year, we will continue to update our forecast based on the most up-to-date information which will be shared during the usual quarterly reporting process.

Advice/Recommendations

**Answer:** Contingencies is one of the tools that help us manage risks to the budget. Amid global challenges, and with an economic slowdown forecast, we need to continue to be thoughtful about these risks and potential spending needs to support British Columbians. The majority of Contingencies has been set aside to support specific programs, including Pandemic Recovery; the wage mandate; and the climate and emergency response.

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**File Name:** 26\_MO\_TBS\_Economic and Fiscal Forecast

**Phone:** 250-387-6282  
**Page:** 6 of 6

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
ORGANIZATION OVERVIEW**

## **NAME: British Columbia Assessment Authority**

### **BACKGROUND:**

- The BC Assessment Authority is a service delivery Crown corporation responsible for establishing and maintaining uniform real property assessments throughout British Columbia in accordance with the *Assessment Act*.
- **Statutory Authority:** *Assessment Authority Act*  
The *Assessment Authority Act* establishes BC Assessment as an independent body, independent of property taxation or provincial and municipal political influence. In addition, this Act sets out the corporation's mandate to establish and maintain assessments that are uniform in the whole of the province in accordance with the *Assessment Act*. The Act also establishes the powers and duties of the Board of Directors, and the corporation's financing.
- **Governing Legislation:** *Assessment Act*  
The *Assessment Act* establishes a uniform, stable and equitable annual assessment roll as the primary requirement and product deliverable of the corporation, as well as the valuation and classification rules used to establish it. All properties must be assessed in accordance with the rules and regulations set out under this Act. This Act also allows for the establishment of the property assessment appeal process.
- **Appointment Process:** Order in Council
- **Website:** [www.bcassessment.ca](http://www.bcassessment.ca)

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**File Name:** 01\_BCA\_Overview of BC Assessment Authority

**Phone:** 778 974-5354  
**Page:** 1 of 6

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
ORGANIZATION OVERVIEW**

**CROWN OVERVIEW:**

- BC Assessment determines the correct classification, actual value and tax exemption status of over 2 million properties across the province, with a total value of more than \$2.5 trillion.
- BC Assessment provides local and provincial taxing authorities with an assessment roll, which lists all properties, names of the owners and the taxable values of the land, as well as any improvements.
- BC Assessment sends an annual assessment notice to each person named in the assessment roll. Notices are distributed December 31 of each year, and most assessments reflect market value estimated as of July 1 of the previous year.

**Client Profile:**

- Residential and non-residential property owners in B.C.;
- Local and provincial taxing authorities;
- The general public; and,
- Indigenous Nations clients (103 jurisdictions) – both under contract and other Indigenous Nations (taxing treaty, Nisga’a Nation, Sechelt Indian Government District).

**Funding Source: Levy Tax**

- BC Assessment’s primary source of funding is an independent, province-wide tax levy, representing approximately 94 per cent of the corporation’s funding.
- Each year, the Lieutenant Governor in Council must approve the levy bylaw before final adoption by BC Assessment’s Board of Directors.

**Contact:** Renée Mounteney

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**Division:** Policy and Legislation Division

**Page:** 2 of 6

**File Name:** 01\_BCA\_Overview of BC Assessment Authority

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
ORGANIZATION OVERVIEW**

- For 2021, BC Assessment received no levy increase and maintained the average 2021 tax levy on existing taxpayers at levels equivalent to 2020. This provided relief to property owners who faced significant challenges because of the pandemic. The decision also supports the government's foundational principle to put people first.
- BC Assessment changed to a fiscal year reporting period and the budget for January 1, 2021 to March 31, 2022 reflected the 15 month period.
- For fiscal year 2022/23 the levy was increased \$3 million to account for anticipated wage increases and systems costs.
- BC Assessment has been approved by Treasury Board to report a deficit of \$1 million in fiscal 2022/23, which will be funded through BC Assessment's accumulated surplus.
- For fiscal year 2023/24, a levy increase of \$5.6 million has been approved

Advice/Recommendations; Cabinet Confidences

Advice/Recommendations; Cabinet Confidences

### **2021/22 – 2022/23 Highlights/Key Initiatives:**

- Implemented a new operational data management system, the Computer Assisted Mass Appraisal system. The new system provides enhanced data analysis and application tools and expanded capacity to produce the annual assessment roll and custom reports. It was fully operational for the production of the 2023 assessment roll.

**Contact:** Renée Mounteney

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**Division:** Policy and Legislation Division

**Page:** 3 of 6

**File Name:** 01\_BCA\_Overview of BC Assessment Authority

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
ORGANIZATION OVERVIEW**

Advice/Recommendations

- Worked with the Ministry of Finance on the change of Property Assessment Appeal Board fees. The proposed Property Assessment Appeal Board fee change was approved through an Order in Council process and implemented in February 2023. BC Assessment is statutorily required to fund the appeal process. The increased appeal fees will result in reduced costs for BC Assessment.
- Supported provincial government priorities and policy development, e.g., Property Assessment Strategic Review led by the Ministry of Finance. The Property Assessment Strategic Review, in consultation with municipalities and stakeholders, identified a long-term property tax mitigation strategy that would support small businesses and non-profits under triple-net leases in properties with development potential. This strategy replaced the Interim Business Property Tax Relief legislation.
- Continued to work with the Ministries of Attorney General and Finance and the Property Assessment Appeal Board to identify joint actions to address appeal backlogs.

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**File Name:** 01\_BCA\_Overview of BC Assessment Authority

**Phone:** 778 974-5354  
**Page:** 4 of 6

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
ORGANIZATION OVERVIEW**

### Board Appointees:

- Under the *Assessment Authority Act*, the Board is comprised of up to 12 directors appointed by the Lieutenant Governor in Council via an Order in Council, one of whom is appointed Chair of the Board.
- There are currently no vacancies on the Board. The next appointments set to expire will be in February 2024.

Name	Position	Date of Appointment	Term Expiry
Kathleen (Ruth) Wittenberg	Chair	09-Dec-19	26-Sep-25
Richard Rainey	Vice Chair	01-Dec-17	15-Feb-24
Jill Davidson	Director	12-Jul-18	15-Feb-24
Susan Gimse	Director	01-Dec-17	15-Feb-24
Nicole Halbauer	Director	21-Feb-18	15-Feb-24
David Highfield	Director	21-Feb-18	15-Feb-24
Karen Hoffmann	Director	09-Dec-19	15-Feb-24
Amarjeet S. Rattan	Director	11-Dec-18	15-Feb-25
Kevin Stewart	Director	31-Jul-18	15-Feb-25
Victoria Chan	Director	15-Feb-23	15-Feb-24
John D. Crawford	Director	15-Feb-23	15-Feb-24
Robert K. Lapham	Director	15-Feb-23	15-Feb-24

**Contact:** Renée Mounteney  
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**Phone:** 778 974-5354

**Page:** 5 of 6

**File Name:** 01\_BCA\_Overview of BC Assessment Authority

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
ORGANIZATION OVERVIEW**

**BUDGET:**

<b>(\$000)</b>	<b>2022/23 Forecast</b>	<b>2023/24 Budget</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
<b>Total Revenue</b>				
Tax Levies	106,291	107,991	109,691	111,391
Other Revenue	8,592	6,802	6,802	6,802
<b>Total Revenue</b>	<b>114,883</b>	<b>114,793</b>	<b>116,493</b>	<b>118,193</b>
<b>Total Expenses</b>				
Employee Expenses	74,979	71,677	72,568	72,991
Other Operating Expenses	33,175	34,795	35,358	36,055
Amortization	6,729	8,321	8,567	9,147
<b>Total Expenses</b>	<b>114,883</b>	<b>114,793</b>	<b>116,493</b>	<b>118,193</b>
<b>Annual Surplus (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>27,425</b>	<b>25,852</b>	<b>26,255</b>	<b>26,802</b>
<b>Accumulated Surplus</b>	<b>63,346</b>	<b>63,346</b>	<b>63,346</b>	<b>63,346</b>
<b>Capital Expenditures</b>	<b>7,288</b>	<b>8,321</b>	<b>6,967</b>	<b>6,592</b>

**Notes:**

Financial information for all years was prepared based on Public Sector Accounting Standards (PSAS).

Estimates for tax levy increases have not been included in the 2023/24 – 2025/26 figures, pending Ministry of Finance and provincial cabinet approval. Accordingly, BCA has adjusted the expenses for these years to show a balanced budget, following Treasury Board's direction.

**Contact:** Renée Mounteney  
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**Phone:** 778 974-5354

**Page:** 6 of 6

**File Name:** 01\_BCA\_Overview of BC Assessment Authority

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

## **ISSUE: 2022 Assessment Roll Highlights and Complaint Statistics**

### **2022-23 ASSESSMENT ROLL HIGHLIGHTS:**

- The purpose of the assessment roll is to provide a stable base for local governments and taxing authorities in British Columbia to equitably distribute over \$8 billion in property taxes for schools and important local services.
- The 2023 assessment roll represents over 2.16 million properties (1 per cent increase from 2022) with a total real estate value of \$2.72 trillion (12 per cent increase from 2022).
- In 2022, the real estate market, across the province, continued the recent trend of increased property values. The strong upward market movement, especially in the first half of 2022, is reflected on the 2023 assessments issued by BC Assessment.
- Single family residential properties typically saw an increase of 5 to 15 per cent in their assessed values for the 2023 tax year, compared to 2022, while condominium values on average went up 10 to 20 per cent.

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354

**Page:** 1 of 9

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

- Similarly, assessed values for commercial and industrial properties rose 5 to 20 per cent in the 2023 assessment.

**RELATIONSHIP OF 2023 ASSESSMENTS TO MARKET VALUE:**

- The *Assessment Act* requires BC Assessment to produce annual property assessments at market value, which is widely considered to be the fairest system and base for distributing the property tax burden.
- The market value is determined from actual sales of comparable properties in the localized real estate market.
- The number of properties listed for sale, buyer demand, and the condition of the properties have the greatest influence on sales and therefore the market and assessed values.
- In the second half of 2022 (early July), the market started declining due to increasing interest rates and other economic factors. Both the sales volume and selling prices started to decline in many areas.
- Property owners received their 2023 assessment notices in early January; however, the assessed value is based on the market value as of July 1, 2022.

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354

**Page:** 2 of 9

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

- As the multiple listing service average price has declined by 9 per cent between July 2022 and January 2023, the 2023 assessments for most residential properties were higher than the current market values.

**RELATIONSHIP OF ASSESSMENT TO PROPERTY TAXES:**

- We understand that some property owners are concerned that their increased assessments for 2023, with values higher than current market values, could result in property tax increases.
- It is important to note that an increase in one's property assessment does not necessarily result in a corresponding increase in property taxes.
- The assessed values are used as the base to share the property tax burden among all properties in a taxing authority, not to decide the total amount of tax to be collected.
- Property tax rates are set by taxing authorities, such as municipalities, based on budgeted funding requirements for the provision of services.

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354

**Page:** 3 of 9

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

- As overall total assessments increase, most taxing authorities will adjust tax rates down to ensure target revenues are met and windfall revenues are avoided.
- Several municipalities have announced property tax rate increases for 2023, some over 10 per cent due to increased costs of services, administration, infrastructure replacement and contingencies.
- In rural areas, where the province is the tax collector, the provincial government, in recent years, has set the rural general tax rate for residential class properties. This is done so that the tax paid on the average home increases only by the rate of inflation as measured by the consumer price index, even though average property assessed values may increase more than inflation.
- Taxes on an individual property will change more or less than the rate of inflation, depending on how the value of that property changed in comparison to other properties. Budget 2023 announced that this rate-setting policy will continue in 2023.

### **2023 INQUIRY AND COMPLAINT:**

- BC Assessment distributed Property Assessment Notices to property owners in early January 2023.

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354

**Page:** 4 of 9

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

- For the 2023 assessment roll, 98 per cent of the assessments were accepted without filing an appeal.
- Any person who is not satisfied with the assessment of a property is encouraged to make an inquiry with BC Assessment. Many inquiries are resolved through discussions with BC Assessment staff. Not all inquiries result in formal complaints (appeals).
- If, after the inquiry, issues are not resolved, one can file a property assessment complaint with the assessor by January 31, 2023,
- Complaints will be heard by a Property Assessment Review Panel.
- Property Assessment Review Panels begin to conduct hearings in early February. All hearings and decisions must be completed by March 15 of each year.
- All Property Assessment Review Panel hearings are conducted by conference call and use the Property Assessment Review Panel Online Evidence Submission System to upload supporting information from both property owners and BC Assessment.
- Assessment inquiries in 2023 were 3.6 per cent lower than in 2022:

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354

**Page:** 5 of 9

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

- BC Assessment addressed 38,743 property assessment inquiries between January 3, 2023, and February 6, 2023, of which 26,621 were conducted by telephone and 6,310 were by email.
- Property assessment complaints in 2023 are 11 per cent higher than the 5-year average between 2018 and 2022 and 1 per cent lower than the number of complaints in 2022. In 2023, the number of public property assessment complaints totaled 30,268, compared to 30,571 complaints in 2022. Property assessment complaints for 2023 represented just over 1.4 per cent of the total number of properties in BC.
- Residential properties have the highest volume of complaints for 2023 representing approximately 18,000 complaints compared to the 5-year average of 16,800. Non-residential properties represented about 12,500 property assessment complaints in 2023.
- Note that appeals/complaints fluctuate annually and are usually dependent on market conditions (e.g., an active or volatile market usually results in more inquiries/complaints).

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354  
**Page:** 6 of 9

MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET

## QUESTIONS AND ANSWERS

**Question: Assessments for 2023 are higher than the current market value of many residences in the province. How will this impact property taxes?**

**Answer:**

- Assessments for 2023 are based on the market value as of July 1, 2022, and physical condition as of October 31, and may be higher than current market values resulting from the declining market in the second half of 2022.
- The assessed values are used as the base to share the property tax burden among all properties in a taxing authority, not to decide the total amount of tax to be collected. Therefore, an increase in one's property assessment does not necessarily result in an increase in property taxes.
- Property tax rates are set by taxing authorities based on budgeted funding requirements for the provision of services.
- As overall total assessments increase, most taxing authorities will adjust tax rates to ensure target revenues are met and windfall revenues are avoided.

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354

**Page:** 7 of 9

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

- Annual increases in tax rates are often due to increased costs of services, administration, infrastructure replacement and contingencies.

Advice/Recommendations

**Answer:**

- The province is aware of the property tax rate increases being suggested by many municipalities.
- Under the Community Charter, municipalities have the sole authority to set property tax rates independently of the provincial government.
- Annual increases in tax rates are often due to increased municipal costs of services, administration, infrastructure replacement and contingencies.
- Property owners are encouraged to contact their local governments to express any concerns regarding proposed tax rates.

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354

**Page:** 8 of 9

**MINISTRY OF FINANCE  
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
FACT SHEET**

- The province sets tax rates in rural areas. Government, in recent years, has set the rural general tax rate for residential class properties so that the tax paid on the average home increases only by the rate of inflation as measured by the consumer price index. This is done even though average property assessed values may increase more than inflation.
- Taxes on an individual property will change more or less than the rate of inflation, depending on how the value of that property changed in comparison to other properties. Budget 2023 announced that this rate-setting policy will continue in 2023.

**Contact:** Renée Mounteney  
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**File Name:** 02\_BCA\_2022 Assessment Roll Highlights and Complaint Statistics

**Phone:** 778 974-5354  
**Page:** 9 of 9

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

## **NAME: BC Financial Services Authority (BCFSA) Overview**

### **BACKGROUND:**

- On November 1, 2019, the Financial Institutions Commission ("FICOM") transitioned to become a Crown agency and was renamed the BC Financial Services Authority ("BCFSA"). FICOM's responsibility for the regulation of mortgage brokers, private pension plans and financial institutions as well as the administration of the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC") was assumed by BCFSA.
- On August 1, 2021, staff and operations from the Real Estate Council of BC and the Office of the Superintendent of Real Estate were integrated into BCFSA, with the BCFSA Board of Directors having oversight accountabilities over the integrated Crown agency.
- This integration simplifies and enhances regulation of the BC financial services sector, which will, in turn, boost consumer confidence and create opportunities to streamline investigations and enforcement.
- BCFSA is headquartered in Vancouver and currently has 382 positions.<sup>1</sup>

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<sup>1</sup> Includes contract term employees, employees on leave and vacancies as of January 31, 2023.

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services  
Authority

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government of British Columbia

**Page:** 1 of 12

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

## **CROWN OVERVIEW**

- BCFSA has responsibility for 10 provincial statutes and regulates the following areas:
  - Credit Unions
  - Insurance Companies
  - Trust Companies
  - Pension Plans
  - Mortgage Brokers
  - Real Estate Services
  - Real Estate Development Marketing
- Through oversight, enforcement, and guidance, BCFSA works to make B.C. a place where people have confidence in the financial services they receive.
- Highlights from FY2022/23 include:
  - Launching a multi-year consultation process to develop a Capital Modernization Framework for B.C. credit unions.
  - Completing the CUDIC Target Fund Size Review.
  - Conducting a consultation on the proposed Insurer Code of Market Conduct.
  - Publishing disclosure requirements for pensions plans.

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services  
Authority

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government 

**Page:** 2 of 12

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

- Delivering a report on the government's decision to implement a cooling-off period for buyers of residential real estate, *Enhancing Consumer Protection in B.C.'s Real Estate Market*, to the Government of British Columbia.
- Amending Real Estate Services Rules to strengthen the regulatory requirements for real estate teams.
- Supporting the provincial government in the development of the new *Mortgage Services Act*, the first major update to the regulatory framework for mortgage brokers in 50 years.
- BCFSA is primarily industry-funded, having received government grants in 2020/21 and 2021/22 to support its transition to a Crown agency and implementation of an Integrated Regulatory Information System (IRIS).

**Provincially Regulated Financial Services at a Glance (as of December 31, 2022):**

<b>Type</b>	<b># of Regulated/Registered Entities/Activities</b>
Credit Unions	34
Insurance Companies <sup>1</sup>	8 B.C. incorporated 196 Extra-provincial
Trust Companies	9 B.C. incorporated 46 Extra-provincial

**Contact:** Blair Morrison, CEO

**Phone:** Government of British Columbia

**Division:** BC Financial Services Authority

**Page:** 3 of 12

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

Pension Plans	633
Mortgage Brokers	5,817 individuals
Real Estate Professionals	29,075 individuals
Real Estate Development Filings <sup>2</sup>	1,307

1. Excludes captives and reciprocals

2. Includes REDMA (*Real Estate Development and Marketing Act*) and SPA (*Strata Property Act*) filings including amended filings from April 1, 2022 to December 31, 2022; BCFSA does not licence developers

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services  
 Authority  
**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government

**Page:** 4 of 12

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

**BUDGET:**

(\$000)	2022/23 Forecast	2023/24 Budget	2024/25 Plan	2025/26 Plan
<b>Total Revenue</b>				
Fees Licenses & Recoveries	65,076	64,045	66,191	67,323
<b>Total Revenue</b>	<b>65,076</b>	<b>64,045</b>	<b>66,191</b>	<b>67,323</b>
<b>Total Expenses</b>				
Salary and Benefits	41,327	42,666	44,721	45,846
Other	23,568	21,379	21,470	21,477
<b>Total Expenses</b>	<b>64,895</b>	<b>64,045</b>	<b>66,191</b>	<b>67,323</b>
<b>Annual Surplus (Deficit)</b>	<b>181</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Debt</b>	<b>8,914</b>	<b>8,914</b>	<b>8,914</b>	<b>8,914</b>
<b>Accumulated Surplus (Deficit)</b>	<b>55,271</b>	<b>55,271</b>	<b>55,271</b>	<b>55,271</b>
<b>Capital Expenditures</b>	<b>7,039</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>

**Contact:** Blair Morrison, CEO**Division:** BC Financial Services  
Authority**File Name:** 01\_MO\_BCFSA\_BCFSA Overview**Phone:** Government**Page:** 5 of 12

MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW

## QUESTIONS AND ANSWERS

### ISSUE: Safety and Soundness of the Credit Union Industry

Advice/Recommendations

#### Answer:

- Yes, I am confident.
- BCFSA regulates BC Credit Unions. It focuses on the safety and soundness of credit unions in British Columbia and works closely with them to ensure adequate measures are in place to protect their members.
- The situation with several U.S. banks is not similar to B.C. credit unions. Their business models, capitalization, and risk exposures are materially different than B.C. credit unions, which are focused on servicing individual depositors through residential mortgages or loans to small businesses with physical assets.

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services  
Authority

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government [604-255-3800](tel:604-255-3800)

**Page:** 6 of 12

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

- BCFSA performs continuous monitoring over B.C. credit unions to ensure sector safety and soundness. We regulate with both a prudential and market conduct focus to ensure B.C. credit unions are resilient, agile, and prepared to meet shifting risk drivers. Ongoing monitoring of liquidity and capital support factors is completed as part of this process.
- BCFSA considers the unique operations and risk profile of each credit union as well as the credit union's internal assessment when determining an adequate level of capital to maintain the safety and soundness of B.C.-authorized credit unions.
- The last credit union failure that included a deposit payout was Legion Credit Union in 1988/89. There have been no deposit payouts since then.
- In the very unlikely event of a failure, all BCFSA-authorized credit union deposits in B.C. are covered by the Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) 100 per cent deposit insurance guarantee, which is backed by the CUDIC fund.

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services  
Authority

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government

**Page:** 7 of 12

MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW

## ISSUE: Anti-Money Laundering (AML)

Advice/Recommendations

### Answer:

- BCFSA has broad responsibility for safety and soundness and market conduct and compliance of its regulated entities and works closely with public safety partners, including FINTRAC and law enforcement agencies, where suspected money laundering is identified.
- The provincial government is committed to working with BCFSA to implement the Cullen Commission recommendations where appropriate and strengthen the response to money laundering in the province.
- Many of BCFSA's regulated entities are subject to the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) including credit unions, trust companies, life insurance companies, real estate licensees, and real estate developers. This requires them to establish

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services  
Authority

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government

**Page:** 8 of 12

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

robust AML compliance programs and report suspicious transactions to FINTRAC.

## **ISSUE: Housing Affordability and Supply**

**Question: As the regulator responsible for real estate in the province, what steps is BCFSA taking to addressing housing affordability and supply?**

**Answer:**

- BCFSA's regulatory mandate is to protect real estate consumers, including British Columbians buying, selling, or leasing real estate. BCFSA does not have a direct mandate to address issues of housing affordability or supply.
- BCFSA protects consumers by regulating real estate professionals – including real estate agents, rental property managers and strata managers – and by ensuring real estate developers provide adequate disclosures and safeguards to consumers purchasing real estate development units, including ensuring any deposits are held in trust.

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services  
Authority

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government of British Columbia

**Page:** 9 of 12

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

- BCFSA has recently taken steps to ensure greater flexibility for developers to market development properties while ensuring consumers continue to have robust protections:
  - Extending the early marketing period for developers from nine months to 12 months; and,
  - Allowing early marketing to begin sooner, where the relevant local government authority has given at least third reading of a bylaw to zone or rezone the development property to a zoning that permits the developer's proposed form of development.

**ISSUE: BCFSA's Transition to a Crown Agency and amalgamation with real estate regulators**

**Question: Can the Minister provide any information on how BCFSA's transition to a Crown Agency and amalgamation with the real estate regulators has gone?**

**Answer:**

- BCFSA became a Crown Agency in 2019 and then more than doubled in size through the integration of the province's two previous real estate regulators, the Office of

**Contact:** Blair Morrison, CEO

**Phone:** Government of British Columbia

**Division:** BC Financial Services Authority

**Page:** 10 of 12

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

the Superintendent of Real Estate, and the Real Estate Council of BC, in August 2021.

- BCFSA has made progress during that time to become a strong, integrated regulator of B.C.'s financial services sector.
- The rationale for integrating the three regulatory bodies was to create a modern, effective, and efficient regulator. The intent is to protect all aspects of significant investments made by the public from deposits to pensions, trust, to securing a mortgage through a mortgage broker or credit union in supporting the purchase of real estate.
- As an integrated regulator, BCFSA has a single line of sight across the entire financial services sector. Further, cross synergies are built between BCFSA's functions, including prudential supervision, market conduct, policy, stakeholder engagement and education to ensure more fulsome protection of the public and businesses which will drive consumer confidence.
- BCFSA has become a trusted source of market intelligence to government, delivering important reports on the state of the insurance market, the soundness of BC's credit union

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services  
Authority

**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government

**Page:** 11 of 12

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ORGANIZATION OVERVIEW**

system and ways to enhance real estate consumer protections.

- BCFSA will lead the implementation of robust new regulatory frameworks for mortgage services and money services businesses.
- BCFSA is now recognized as one of BC's Top Employers and is a Certified Great Place to Work.

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services  
Authority  
**File Name:** 01\_MO\_BCFSA\_BCFSA Overview

**Phone:** Government

**Page:** 12 of 12

MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE

## ISSUE: BC Credit Union Industry Trends – Consolidation

### ADVICE AND RECOMMENDED RESPONSE:

- Over the past decade, economic, social and technological conditions have created opportunities and challenges for BC authorized credit unions. These conditions include:
  - Margin compression due to prolonged low interest rates;
  - Competition in retail lending markets; and
  - Digitalization of financial services.
- To address these changes, many credit unions seek to achieve scale to reduce operating costs in the most efficient and effective manner while remaining competitive. The result has, in part, been a consolidation in the credit union industry.
- Credit union amalgamations and asset transfers seen to date have largely been positive for the communities and members affected, offering a depth of services and scale of operations to support the needs of members and communities.
- BC authorized credit unions continue to play a key role in the provision of financial services across the province,

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government  
**Page:** 1 of 8

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

particularly in rural outlying communities where the credit union may be the only financial service provider with a physical presence (that is, a branch).

- BCFSA reviews and, where authorized, provides consent to credit union amalgamations or asset transfers. The financial viability and impact on members and communities are considered in the context of BCFSA's mandate to ensure the safety and soundness of the industry.
- BCFSA uses a risk-based supervisory framework to identify imprudent or unsafe business practices at credit unions and intervenes on a timely basis, as required.
- BCFSA actively assesses underwriting standards for new mortgage originations. Work is underway to evaluate the impact of a rise in interest rates to residential mortgages in credit union's portfolios.

## **KEY FACTS:**

- Since 1992, the number of BC authorized credit unions has decreased from 107 to 34 (not including the central credit unions, Central 1 Credit Union and Stabilization Central) as of December 31, 2022. During that time, total system assets increased from \$12.7 billion to \$77.6 billion and total membership increased

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government  
**Page:** 2 of 8

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

from 1.14 million to 1.48 million. These figures do not include the Central Credit Unions.

- Over the past decade, there have been a number of amalgamations and asset transfers:
  - 2022 – Gulf and Fraser & Grand Forks
  - 2022 – East Kootenay Community & Heritage
  - 2022 – Community Savings & CCEC (under review by BCFSA)
  - 2021 – Gulf and Fraser & Vancouver Police
  - 2021 – Gulf and Fraser & Mt Lehman
  - 2021 – Interior Savings & Spruce
  - 2021 – Gulf and Fraser & Aldergrove
  - 2021 – Union Bay & First Credit Union
  - 2019 – Prospera & Westminster Savings
  - 2014 – First West & Island Savings
  - 2013 – First West & Enderby
  - 2012 – Cumberland & First Credit Union
  - 2010 – Envision & Valley First
- A total of three credit union amalgamations have been completed since June 2022. Additional amalgamations or asset transfers are expected in fiscal 2023/24.
- Overall, the credit union industry in BC is growing in terms of value of deposits and members; however, this growth is not shared among all credit unions as seen in Table 1 below.

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

**Table 1: Summary of Industry Results as of December 31, 2022**

	Industry	Min	Median	Max
<b>Members (Y/Y % Change)</b>	0.6%	(8.4%)	0.5%	26.6%
<b>Loans (Y/Y % Change)</b>	6.8%	(10.9%)	6.9%	26.9%
<b>Deposits (Y/Y % Change)</b>	4.1%	(10.7%)	1.1%	14.6%
<b>Retained Earnings (Y/Y % Change)</b>	7.7%	(7.2%)	6.3%	59.1%
<b>Return on Assets (%)</b>	0.47%	0.18%	0.49%	1.66%

Source: Credit Union Regulatory Filings

## BACKGROUND:

- Consolidation (credit union amalgamation and asset transfer) is occurring in the credit union industry, both in BC and across other Canadian provinces, due to economic, social and technological drivers, and has been accelerated in part due to the COVID-19 pandemic.
- By increasing the concentration of assets and deposits in the industry, amalgamation increases the risk posed to the industry in a stress event. On the other hand, amalgamation synergies support broader operational resilience which may lead to enhanced relevance for members and the development of sustainable business models for the industry.
- As a response to the overall context driving consolidation, two larger BC credit unions have instead pursued federal continuance.

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government  
**Page:** 4 of 8

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

Coast Capital Savings became a federally regulated credit union in 2018. First West Credit Union (“FWCU”) obtained a favorable member vote in November 2021 for permission to apply to BCFSA, the Credit Union Deposit Insurance Corporation of British Columbia (“CUDIC”) and the federal Office of the Superintendent of Financial Institutions (“OSFI”) to become a federally regulated credit union.

- FWCU received consent on its federal continuance from BCFSA and CUDIC in fiscal 2022/23 and expects to receive approval from the federal Minister of Finance in the second or third quarter of fiscal 2023/24.
- Should FWCU obtain federal approval, it intends to exit the BCFSA-authorized credit union industry by late 2023.

**Credit Union Deposit Insurance Corporation of British Columbia (CUDIC)**

- The Credit Union Deposit Insurance Corporation of British Columbia (“CUDIC”) Deposit Insurance Fund (“Fund”) acts as a safeguard in the unlikely event of a credit union failure.
- CUDIC guarantees the deposits of credit union members and provides financial assistance to distressed credit union(s). BCFSA collects premiums from credit unions for insurance of their members’ deposits. These premiums maintain and grow the CUDIC Fund.

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government  
**Page:** 5 of 8

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

- CUDIC regularly conducts a comprehensive fund size review to ensure the fund size is appropriate given the value of insured deposits, industry composition and risks.
- In the context of industry consolidation, a higher concentration of assets and deposits among fewer credit unions places additional pressure on CUDIC's ability to provide a prompt payout of deposits under an unlimited deposit insurance scheme.
- The Provincial Government set the guarantee to an unlimited amount in 2008.

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government  
**Page:** 6 of 8

MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Credit Union Industry Trends

Advice/Recommendations

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government

**Page:** 7 of 8

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

Advice/Recommendations

- CUDIC regularly conducts a comprehensive fund size review to ensure the fund size is appropriate given the value of insured deposits, industry composition and risks.
- I am confident that CUDIC is taking the right steps to be in the best position to pay out depositors in the event of a credit union failure.

**Contact:** Blair Morrison, CEO  
**Division:** BC Financial Services Authority  
**File Name:** 02\_MO\_BCFSA\_Credit Union Sector Trends

**Phone:** Government  
**Page:** 8 of 8

MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE

## ISSUE: Pension Funding Responsibilities of Interior Logging Association Members

### ADVICE AND RECOMMENDED RESPONSE:

- The *Pension Benefit Standards Act* protects the interests of members of BC-registered pension plans.
- Employers who participate in defined benefit plans are required to fund the benefits promised to their employees unless the employer is insolvent.
- The Interior Logging Association is requesting a “legislated remedy” for certain or all of its members, as former employers in a defined benefit plan, to eliminate their liability, to top up the unfunded portion of their former employees’ benefits.
- Without the top-up, these former employees would receive only about <sup>Advice/Recommendation</sup> of their benefits.
- The Trustees, who administer the Plan, are obligated to take the necessary actions to collect the required contributions from employers.

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 1 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

- Staff of the Superintendent of Pensions continue to work with the Trustees to ensure benefits are protected to the extent required by the Act.

## **KEY FACTS:**

- The Interior Logging Association (the Association) represents logging contractors in the southern interior of BC. Some contractors formerly participated, as employers, in the Interior Lumbermen's Pension Plan (Plan). The Association is not a party to the Plan.
- The Plan was established in 1978 to provide pension benefits to non-union employees of members of the Interior Forest Labour Relations Association (a different employer association).
- The Plan is a non-collectively bargained pension plan with a defined benefit component for benefits earned before 2017 and a target benefit component for benefits earned after 2016.
- The Plan is funded by contributions from employers at a pre-determined rate for each hour worked by their employees.
- The Act requires an employer that stops participating in the Plan to fund the pre-2017 benefits earned by its employees. Each former employer must fund any deficit related to its former employees' benefits within five years of the employer's termination.
- The Association has reached out to the Ministry of Forests, Ministry of Finance, and some MLAs with concerns about the ongoing

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 2 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

responsibility of its members to fund the Plan's deficit relating to their former employees. The Association has been seeking government support for relief.

## **BACKGROUND:**

- The defined benefit component of the Plan has faced funding challenges for many years.
- The funding challenges are caused in part by what is described as the "Orphan Member" issue. An Orphan Member is an inactive member who is still entitled to benefits under the Plan, but whose former employer is no longer contributing ("Orphan Employer").
- The Trustees have reported that employers actively participating in the Plan face economic and industry pressures and cannot afford the significant increases to their contribution rates that would be needed to fund the deficit relating to the Orphan Members.
- The Trustees have the fiduciary duty to administer the Plan in the best interests of members, in a manner that complies with the Act. In doing so, the Trustees must sometimes make tough decisions to balance the Plan's challenges with its long-term sustainability.
- The Superintendent of Pensions and staff at the BC Financial Services Authority have been working with the Plan for many years to address its funding challenges. Since 2016, several requests by the Trustees for funding relief within the constraints of the Act have been granted.

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 3 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

- In February 2021, the Superintendent's staff determined that continued funding relief would not address the Plan's long-term funding issues. The Superintendent asked the Trustees to develop a strategy to address the issues.
- To achieve long-term sustainability of the Plan, the Trustees decided to formally terminate the Orphan Employers from the Plan and to issue demands for them to fund the deficits attributable to their former employees over the five-year period permitted by the Act.
- As a result, the Terminated Orphan Employers must start making payments of their respective portions of the Plan's deficit.
- The Association indicates that forcing the Terminated Orphan Employers to pay the legislatively required funding could force many into financial ruin, as some have been retired from the logging industry for years.
- However, without this funding, their former employees would receive only about <sup>Advice/</sup><sub>Recom</sub> of their benefits.

## **CURRENT STATUS:**

- The Trustees are in the process of demanding and collecting payments from the Terminated Orphan employers.
- BCFSA sees these actions as consistent with the intent of the Act, which is to protect pension plan members' benefits.
- While there will unfortunately be a financial impact on certain logging industry employers, if the Trustees do not demand and

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 4 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

receive payment from the Terminated Orphan Employers, then it is estimated that over <sup>Advice</sup><sub>Reco</sub> members may be at risk of having their benefits reduced.

- The one exception to the obligations of the Terminated Orphan Employer is if the Terminated Orphan Employer is insolvent. BCFSA encourages the Terminated Orphan Employers to work with the Trustees to help them make that determination.
- Staff of the Superintendent are continuing to work with the Trustees to ensure that members' rights are protected the best they can be in this situation.

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 5 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Pension Funding Responsibilities of Interior Logging Association Members

Advice/Recommendations

#### Answer:

- The Trustees have the fiduciary duty to administer the Plan in the best interests of Plan members. Therefore, they are responsible for decisions regarding employer terminations and holding each employer accountable for paying the money it owes into the Plan.
- The Plan text and trust agreement authorize the Trustees to take the necessary steps, including court action, to collect required payments from employers to make their employees whole. The one exception is when an employer is insolvent.
- To improve the long-term sustainability of the Plan, the Trustees decided to formally terminate and pursue the

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services Authority

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

**Phone:** Government |

**Page:** 6 of 10

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

Orphan Employers, since they no longer had any employees actively participating in the Plan and were no longer making contributions to fund the Plan.

Advice/Recommendations

**Answer:**

- In late 2022, the Association approached the Ministry of Finance to ask for “legislative relief” that would eliminate the Terminated Orphan Employers’ financial liability to the Plan.
- The Association’s request to allow the Plan to be registered as a target benefit plan on a retroactive basis would contravene the Act’s prohibition against reducing defined benefits that have already been earned through employment. It would also breach the terms of the Plan, including its trust agreement.
- If the required contributions to fund the deficit are not made, the members benefits will be reduced.

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 7 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE

**Question: How can a pension plan be allowed to go after retirees for money because they own a company that used to participate in the plan?**

**Answer:**

- The fact that an employer has stopped actively participating in a pension plan (or that the company's owners have retired) does not absolve the employer's company of their legal funding obligations to the plan.
- The Trustees have the fiduciary duty to administer the Plan in the best interests of Plan members. Therefore, they are responsible for decisions regarding employer terminations and holding each employer accountable for paying the money it owes into the Plan.
- The Plan text and trust agreement authorize the Trustees to take the necessary steps, including court action, to collect required payments from employers to make their employees whole.
- The one exception to employer liability is insolvency. BCFSA encourages the Terminated Orphan Employers to work with the Trustees to help them make that determination.
- The actions of the Trustees in demanding that the Terminated Orphan Employers make the required

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 8 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

contributions to fund the deficit is consistent with the requirements of the Act.

**Question: Why are former participating employers still responsible for a pension plan's "losses"?**

**Answer:**

- Under the Act, employers that participate in a defined benefit plan that is not collectively bargained are legally responsible for any funding deficit with respect to their current or former employees' benefits, regardless of the reason for the deficit.
- Obligations under the Act for funding the plan for the employers are continuing.
- The fact that a corporate employer has stopped participating in a defined benefit plan, or the company's owners have retired, does not absolve the company of its funding obligations to the plan.
- The lower the interest rates, the higher the liability deficits that employers may be required to fund in defined benefit plans.

**Contact:** Blair Morrison, CEO

**Division:** BC Financial Services Authority

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

**Phone:** Government |

**Page:** 9 of 10

**MINISTRY OF FINANCE  
BC FINANCIAL SERVICES AUTHORITY (BCFSA)  
ISSUE NOTE**

- This Plan's funding challenges are due to the Terminated Orphan Employer issue, the recent low interest rate environment, and its unique design - not investment losses.

**Contact:** Blair Morrison, CEO

**Phone:** Government |

**Division:** BC Financial Services Authority

**Page:** 10 of 10

**File Name:** 03\_MO\_BCFSA- Pension Funding Responsibilities of ILA Members

MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE

## ISSUE: BCIB Organization Overview

### ADVICE AND RECOMMENDED RESPONSE:

- BC Infrastructure Benefits Inc. (BCIB) is a Crown corporation and the progressive employer of the skilled trades workforce on Community Benefits Agreement (CBA) projects.
- The Community Benefits Agreement is a collective agreement that pays fair, transparent, family-supporting wages and benefits based on equal pay for equal work.
- BCIB's mandate is to help grow the skilled trades workforce and support contractors in making jobsites more diverse and respectful, so more people feel welcome and choose to build their careers in construction.
- BCIB is working to diversify the skilled trades workforce by presenting career opportunities to underrepresented workers, locals, and apprentices on select public sector infrastructure projects.
- BCIB works toward true and meaningful reconciliation by providing Indigenous cultural competency training to all workers to promote culture change on the jobsite and

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**Division:** BC Infrastructure Benefits Inc.

**File Name:** 01\_MO\_BCIB Organization Overview

**Phone:** 236-788-2089

**Page:** 1 of 8

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

foster safe working environments, which is key to retaining workers.

- BCIB's workforce planning tools help identify labour supply pressure points, inform recruitment efforts and connect job candidates with upskilling opportunities.
- In Fiscal 2021/22, BCIB employed double the provincial average for both Indigenous workers and women. 71% of workers were local hires (living within 100km of the jobsite) and 91% were BC residents.

## **BACKGROUND:**

- BCIB is party to the Community Benefits Agreement (CBA) along with the Allied Infrastructure and Related Construction Council (AIRCC).
- The CBA has unique social objectives to grow and diversify the skilled trades workforce and create a safe and respectful construction industry culture.
- The CBA includes Priority Hiring for qualified Indigenous workers, women, and locals on projects. Underrepresented workers are hired first and can become the next generation of skilled trades workers.
- There are 13 approved CBA projects under construction or in development:
  - BC Institute of Technology Trades & Technology Complex
  - The Broadway Subway Project

**Contact:** Suzannah Kelly

**Division:** BC Infrastructure Benefits Inc.

**File Name:** 01\_MO\_BCIB Organization Overview

**Phone:** 236-788-2089

**Page:** 2 of 8

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

- The Cowichan District Hospital Replacement Project
- The Pattullo Bridge Replacement
- Surrey Langley SkyTrain Project
- Trans-Canada Highway 1 Four-Laning Program
  - Chase Creek Road to Chase West Government Financial Information
  - Chase West to Chase Creek Bridge (Chase East)
  - Ford Road to Tappen Valley Road
  - Kicking Horse Canyon Phase 4
  - Salmon Arm West – 1st Avenue SW to 10th Avenue SW Government Financial Information
  - Salmon Arm West – 10th Avenue SW to 10th Street SW
  - Quartz Creek Bridge
  - RW Bruhn Bridge and Approaches
- One CBA project has been completed:
  - Illecillewaet Brake Check
- The timing for hiring skilled tradespeople is dependent on projects' construction schedules and scope.
- Through the life of all projects, to the end of Q3 in FY 2022/2023, BCIB has employed 2,464 skilled tradespeople (including rehires).

**Contact:** Suzannah Kelly  
**Division:** BC Infrastructure Benefits Inc.  
**File Name:** 01\_MO\_BCIB Organization Overview

**Phone:** 236-788-2089  
**Page:** 3 of 8

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

- During FY 2022/23, up to the end of Q3, BCIB employed 1,045 skilled tradespeople (including rehires). They worked more than a total of 1,300,000 hours (1,318,774).

### **WORKFORCE STATS:**

Priority Hires	% of employees		% of craft hours	
	Project start to end of Q3	Fiscal Year to end of Q3	Project start to end of Q3	Fiscal Year to end of Q3
Local	69%	69%	71%	73%
Indigenous	15%	15%	14%	14%
Women	10%	7%	12%	10%
Youth	8%	9%	8%	7%
Other	13%	15%	11%	13%

### **MANDATE AND GOVERNMENT OBJECTIVES:**

BCIB helps government deliver on following objectives:

- Building a strong, secure and sustainable economy by growing and diversifying the future skilled trades workforce through career opportunities for locals, apprentices and trainees.
- Creating good, family-supporting jobs with competitive wages and union benefits.

**Contact:** Suzannah Kelly

**Division:** BC Infrastructure Benefits Inc.

**File Name:** 01\_MO\_BCIB Organization Overview

**Phone:** 236-788-2089

**Page:** 4 of 8

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

- Contributing to equity and antiracism by providing employment opportunities to racialized and marginalized people historically underrepresented on public infrastructure projects.
- Contributing to putting people first by hiring local and underrepresented groups on CBA projects
- Contributing to lasting and meaningful reconciliation by delivering BCIB's Respectful Onsite Initiative (ROI) training onsite and by enabling economic opportunities for Indigenous skilled workers.

### **CROWN OVERVIEW:**

- BCIB has three priorities for the 2023/2024 Fiscal Year:
  1. Mobilize and grow a safe, diverse, skilled workforce that represents the communities where CBA projects are built.
  2. Successfully administer and implement the Community Benefits Agreement on public infrastructure projects.
  3. Optimize business processes to deliver on CBA objectives.
- BCIB's work contributes to reconciliation by:
  - helping provide well-paying careers with benefits for Indigenous tradespeople; and,
  - positively impacting onsite culture through its Respectful Onsite Initiative, which includes History Matters, an Indigenous Cultural Competency program.

### **Operations and Outreach**

- BCIB mobilizes and grows a skilled, diverse, local workforce.

**Contact:** Suzannah Kelly

**Phone:** 236-788-2089

**Division:** BC Infrastructure Benefits Inc.

**Page:** 5 of 8

**File Name:** 01\_MO\_BCIB Organization Overview

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

- BCIB has site representatives on each CBA job site to support the workforce and the contractors in implementing the CBA.
- BCIB works with communities, municipalities, industry stakeholders, local Equity Groups, and employment services to recruit and offer career opportunities on CBA projects.
- BCIB's partners, the Affiliated Unions, review applicants' skills to determine whether applicants are job ready. If an applicant requires upskilling, BCIB refers them to organizations providing upskilling supports, training, and education, including BC Centre for Women in the Trades, WorkBC, SkillPlan, and SkilledTradesBC.

### **Accountability and Reporting**

- BCIB has developed a service plan for 2023/2024 which is publicly available at [www.bcib.ca](http://www.bcib.ca).
- BCIB is accountable for tracking and publicly reporting on how it is implementing the CBA on identified public infrastructure projects.
- BCIB is accountable for reporting on key performance metrics associated with:
  - Performance as the employer for the workforce on CBA projects.
  - Application of Priority Hiring, and apprenticeship and trainee opportunities across all projects.
  - Delivery of BCIB's Respectful Onsite Initiative (ROI) training program.
  - Engagement with stakeholders regarding familiarization with and application of the CBA.

**Contact:** Suzannah Kelly

**Phone:** 236-788-2089

**Division:** BC Infrastructure Benefits Inc.

**Page:** 6 of 8

**File Name:** 01\_MO\_BCIB Organization Overview

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

- BCIB will report on all its deliverables and priorities for fiscal 2022/23 in the Annual Service Plan Report and communicate this publicly on its website.

**Growing and diversifying the skilled trades workforce**

- BCIB works with Indigenous communities, municipalities, and underrepresented groups and informs them of career opportunities and recruit for CBA projects.
- BCIB has a Respectful Onsite Initiative program to positively impact culture on the worksite and improve employee retention.
- BCIB's Respectful Onsite Initiative currently includes:
  - History Matters, BCIB's Indigenous Cultural Competency Training program
    - History Matters is led by multi-cultural facilitators who are joined by local Indigenous knowledge keepers.
  - Justice, Equity, Diversity, and Inclusion (JEDI) training focuses on ending discriminatory, gender-based behaviour on worksites by providing a deeper understanding of biases and tactical tools for the construction workplace.
  - BCIB policies addressing bullying and harassment.

**Contact:** Suzannah Kelly  
**Division:** BC Infrastructure Benefits Inc.  
**File Name:** 01\_MO\_BCIB Organization Overview

**Phone:** 236-788-2089  
**Page:** 7 of 8

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

## **OPERATIONS:**

<b>\$m</b>	<b>2022/23 Forecast</b>	<b>2023/24 Budget</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
<b>Revenue</b>				
Contracted Services <sup>1</sup>	159.2	246.4	270.2	256.7
Service Fee	15.0	19.9	20.5	19.7
<b>Total Revenue</b>	<b>174.2</b>	<b>266.3</b>	<b>290.7</b>	<b>276.4</b>
<b>Expenses</b>				
Project Skilled Workforce	159.2	246.4	270.2	256.7
People Services	2.7	4.4	4.5	4.2
Operations	3.1	4.4	4.5	4.3
Finance & Corporate Services	9.2	11.1	11.5	11.2
<b>Total Expenses</b>	<b>174.2</b>	<b>266.3</b>	<b>290.7</b>	<b>276.4</b>
<b>Annual Surplus (Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Debt</b>	<b>13.0</b>	<b>10.0</b>	<b>8.0</b>	<b>8.0</b>
<b>Accumulated Surplus (Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Capital Expenditures</b>	<b>1.0</b>	<b>1.0</b>	<b>0.6</b>	<b>0.5</b>

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<sup>1</sup> Project payroll costs are fully recovered from contractors and subcontractors. As such, BCIB's Contracted Services and Project Skilled Workforce line items are generally the same.

**Contact:** Suzannah Kelly

**Phone:** 236-788-2089

**Division:** BC Infrastructure Benefits Inc.

**Page:** 8 of 8

**File Name:** 01\_MO\_BCIB Organization Overview

MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE

**ISSUE:** Advice/Recommendations

**ADVICE AND RECOMMENDED RESPONSE:**

Advice/Recommendations

- CBA Article 9.205 requires “sustainable, comprehensive Indigenous cultural competency training to all persons working on the project.” This training is delivered to all workers and is called the Respectful Onsite Initiative.
- The Respectful Onsite Initiative includes History Matters (Indigenous Cultural Competency Training) and Justice, Equity, Diversity and Inclusion (JEDI) training to improve job site culture, safety, respect and retention.
- The training incorporates learnings and teachings from local Indigenous Knowledge Sharers. Real-life stories and experiences

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**File Name:** 02\_MO\_BCIB\_Reconciliation and CBA

**Phone:** 236 788-2089  
**Page:** 1 of 3

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

help ground the training in the territories where projects are being built and where crews are working.

- It's working. We're hearing from Indigenous workers that the training is changing minds and improving workplace culture. The conversations can be uncomfortable, but they are important. They are reconciliation in action.
- Priority Hiring on CBA projects means qualified Indigenous workers, women and locals get hired first. This helps ensure Indigenous workers have access to well-paying careers throughout the life of a project.
- Employees under the collective agreement get family-supporting jobs that include pensions, benefits and re-hire opportunities on other projects. This is a form of economic reconciliation.
- Across CBA projects, 15% of BCIB's workforce has been Indigenous. That's more than double the industry average of 6%.

## **BACKGROUND:**

- BCIB works closely with communities to attract and hire locals, Indigenous workers and women.
- BCIB has employed 368 Indigenous skilled trades workers since the start of work on projects; or,
  - 15% of the CBA workforce,

**Contact:** Suzannah Kelly  
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**File Name:** 02\_MO\_BCIB\_Reconciliation and CBA

**Phone:** 236 788-2089  
**Page:** 2 of 3

**MINISTRY OF FINANCE  
BC INFRASTRUCTURE BENEFITS INC.  
ISSUE NOTE**

- 14% of the craft hours.
- BCIB works with local First Nations (currently 57 Nations) and urban ISETS organizations (Indigenous Skills & Employment Training Societies) to explain Priority Hiring and how their members can benefit from career and apprenticeship opportunities on CBA projects.
- BCIB employs Knowledge Sharers from the local communities who help provide education of local history, customs, and cultural protocols of the Indigenous people during the Respectful Onsite Initiative training. This helps create a safe and respectful worksite for all workers, which improves Employee retention. This training is required by the collective agreement, Article 9.205.
  - BCIB's Respectful Onsite Initiative is a suite of training programs to advance Reconciliation, positively impact worksite culture and improve employee retention. BCIB's Respectful Onsite Initiative includes History Matters Indigenous Cultural Competency Training and Justice, Equity, Diversity, and Inclusion (JEDI) training.
- BCIB does not award contracts to companies on CBA projects. Contracts are awarded by the Prime Contractor and its subcontractors to companies they choose to work with. BCIB provides the skilled trades workforce and helps improve the culture on the jobsite.

**Contact:** Suzannah Kelly  
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**File Name:** 02\_MO\_BCIB\_Reconciliation and CBA

**Phone:** 236 788-2089  
**Page:** 3 of 3

MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE

## ISSUE: Crypto-Assets and Crypto-Asset Trading Platforms

### ADVICE AND RECOMMENDED RESPONSE:

- The British Columbia Securities Commission (BCSC), together with other Canadian securities regulators, has directed crypto-asset trading platforms (also commonly referred to as cryptocurrency exchanges) to apply for registration or face enforcement action.
- Several trading platforms have been registered by Canadian securities regulators, and dozens of others are in various stages of becoming compliant with securities legislation.

### KEY FACTS:

- Some crypto-asset trading platforms are subject to securities laws, depending on the assets being traded, or the way they conduct transactions with customers.
- The BCSC and the Canadian Securities Administrators (CSA) have been actively working together to identify and mitigate the risks to investors interested in trading crypto assets through these platforms.

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**Division:** British Columbia Securities  
Commission

**Page:** 1 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- Together they are registering platforms under the *Securities Act* and at the same time, educating and cautioning investors about the high-risk nature of these transactions.
- These platforms must submit applications for registration and/or recognition under the *Act* (depending whether they acting as a dealer or marketplace) and agree to undertake measures aimed at reducing risk to investors. In some cases platforms have been granted tailored exemptions from certain requirements. These applications often involve business models that raise novel and complex issues that involve lengthy review.
- In addition, the BCSC through its investor education website, InvestRight.org, has a webpage (<https://www.investright.org/crypto-scams/>) with information about the risks of investing in crypto-assets. That information has been promoted to the public through various channels, including social media. The BCSC also ran an advertising campaign from February through April 2023 that highlighted the risks of crypto fraud and educated British Columbians about crypto fraud warning signs.

## **BACKGROUND:**

### **Crypto-Assets and Crypto-Asset Trading Platforms**

- The term “crypto-assets” can be used to refer to digital tokens that can have a wide variety of functions, such as:

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**Division:** British Columbia Securities  
Commission

**Page:** 2 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- a medium of exchange or a store of value (also generally called “cryptocurrencies”);
  - a key providing some utility, service or product to the purchaser (such as a non-fungible token or NFT); or,
  - an asset with qualities similar to those of traditional securities, such as an equity or debt interest, or a derivative such as a forward or option.
- Bitcoin and ether are the most widely known and widely traded crypto-assets. Bitcoin, after surging in value since October 2020, fell sharply along with many other crypto-assets since November 2021, as a result of the failures of a widely-traded crypto-asset (Luna), a crypto hedge fund (Three Arrows Capital) and a major crypto-asset trading platform (FTX). As of February 27, 2023, one bitcoin was worth CAD\$31,719, down from \$47,498 a year before, but still significantly higher than it was worth five years before (\$14,728).
  - Depending on its characteristics, a crypto-asset could be a security or derivative (over which the BCSC has jurisdiction), or a commodity or currency (over which the BCSC does not have jurisdiction). Bitcoin and ether are considered to be commodities by most securities regulators, both in Canada and globally.
  - However, a platform can transact a crypto-asset in a way that creates a derivative that has the crypto-asset as its underlying interest. For example, a platform that allows persons to speculate

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**Division:** British Columbia Securities  
Commission

**Page:** 3 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

on crypto-assets without gaining actual possession or control of the crypto-asset would be transacting a derivative.

- Several crypto-asset trading platforms have failed, and as a result, customers of those platforms have often lost all or most of the assets that they were storing on the platform, or that they believed to have been stored on the platform.
- The 2019 collapse of QuadrigaCX, the most high-profile Canadian platform to fail, caused losses for 76,000 investors of at least \$169 million. Approximately 40 per cent of these investors were Ontarians, and 19 per cent (about 15,000 people) were British Columbians. The Ontario Securities Commission concluded that QuadrigaCX's failure resulted from a fraud committed by its owner and founder, who in effect operated a Ponzi scheme.
- Two crypto-asset trading platforms in B.C. have failed over the past four years, also causing losses for customers. The BCSC is conducting investigations of both platforms and the individuals who controlled those platforms.
- Value-referenced crypto assets (VRCAs), commonly referred to as "stablecoins," are crypto assets that attempt to maintain a consistent price because they are typically backed by reserve assets (such as Canadian dollars) to minimize price volatility.
- The BCSC, in conjunction with the CSA, is working to evaluate the appropriate application of securities legislation to various types of VRCAs. The BCSC, in conjunction with the CSA, is also working with

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**Division:** British Columbia Securities  
Commission

**Page:** 4 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

other Canadian agencies such as Finance Canada, the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada to evaluate whether there are regulatory gaps in the Canadian treatment of VRCAs, and the respective roles of securities and prudential regulators in respect of VRCAs.

- Non-fungible tokens (NFTs) are typically “keys” that provide ownership of a unique digital asset, such as a work of art or collectible. The BCSC examined an early version of an NFT product, called “CryptoKitties,” created in 2017 by a B.C.-based company and did not consider it to be a security. Since that time, the range and variety of NFT business models has evolved. In 2021 and part of 2022, use of NFTs in the entertainment industry generated substantial revenue. Currently the BCSC is monitoring NFT transactions to evaluate the circumstances in which NFTs may be subject to securities laws.

### **Regulation of Crypto-Asset Trading Platforms**

- Since 2018, the BCSC has conducted substantial research to better understand and to monitor the operations of crypto-asset trading platforms in British Columbia. This research has included targeted surveys of, and meetings with, platform operators in British Columbia. The BCSC reviews crypto-assets and transactions involving crypto-assets on a case-by-case basis to determine if the asset is a security or derivative.

**Contact:** Peter Brady, Executive  
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**Division:** British Columbia Securities  
Commission

**Page:** 5 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- In 2020, the CSA published a staff notice stating that securities legislation may apply to platforms that facilitate the buying and selling of crypto assets that are commodities, because the user's contractual right to the crypto-asset may itself constitute a derivative, a security or both.
- In 2021, the CSA and the Investment Industry Regulatory Organization of Canada published a joint staff notice that outlined the securities law requirements that apply to crypto-asset trading platforms and how those requirements may be tailored by regulators for each platform's business model.
- Later in 2021, the CSA published a staff notice that provided guidance on situations in which the use of advertising, marketing and social media by crypto-asset trading platforms could breach securities legislation.
- The BCSC and other securities regulators in Canada have worked with platforms to obtain regulatory authorizations to conduct operations. To become authorized, platforms agree to implement and maintain measures designed to minimize customer losses resulting from a platform's insolvency.
- Working with securities regulators in other Canadian jurisdictions we have identified more than 50 businesses, including businesses located outside of Canada, that operate or intend to operate crypto-asset trading platforms in Canada, including approximately eight to ten businesses located in B.C.

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**Division:** British Columbia Securities  
Commission

**Page:** 6 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- The BCSC has been reviewing whether those businesses are subject to the B.C. *Securities Act* and, together with the CSA are taking steps to ensure that platforms comply with securities legislation, as applicable. To date, the BCSC has registered 10 crypto-asset trading platforms to operate in British Columbia, of which one is based in British Columbia.
- In August 2022, the CSA announced that it expects unregistered platforms to provide a pre-registration undertaking (PRU) to continue operations while their application is reviewed. Through these undertakings, crypto-asset trading platforms agree to comply with terms and conditions that address investor protection concerns and are consistent with requirements currently applicable to registered platforms.
- In December 2022, in the wake of the failure of – and U.S. enforcement action against – FTX, a major offshore trading platform, and in response to concerns about the impact of unregulated platforms on Canadian customers, the CSA announced it would be enhancing the terms and conditions of the PRUs aimed at managing contagion and mitigating key risks to customers and set a deadline by which platforms must provide PRUs to securities regulators.
- On February 22, 2023, the CSA announced that unregistered platforms operating in Canada would have 30 days to provide an executed PRU. The PRUs include, among other things, enhanced

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**Division:** British Columbia Securities  
Commission

**Page:** 7 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

expectations regarding the custody and segregation of crypto assets held on behalf of Canadian clients and a prohibition on offering credit or other forms of leverage to Canadian clients. The PRUs also prohibit platforms from permitting clients to purchase or deposit value-referenced crypto assets (i.e., “stablecoins”) and tokens that have been issued or minted by the platform (proprietary tokens) without the prior written consent of the CSA.

- The BCSC’s Enforcement Division continues to take disruptive action regarding fraudulent offshore platforms and to consider enforcement action against legitimate platforms that are not actively working toward registration. In November 2022, the BCSC’s Executive Director issued a Notice of Hearing alleging that a company incorporated in the Cayman Islands, as the operator of a crypto-asset trading platform, was facilitating derivatives transactions without being registered and was operating as an exchange in B.C. without being recognized by the Commission. The hearing to decide liability is scheduled for November 2023.
- Two offshore platforms have been banned in B.C. and most other Canadian provinces and territories as a result of orders imposed against them by the Ontario Securities Commission.

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**Division:** British Columbia Securities  
Commission

**Page:** 8 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Crypto-Assets and Crypto-Asset Trading Platforms

**Question: What is the BCSC doing to protect the public as crypto assets become an increasingly mainstream part of the investment market?**

**Answer:**

The BCSC, together with other Canadian securities regulators, has directed crypto-asset trading platforms (also known as cryptocurrency exchanges) to apply for registration or face enforcement action. Several trading platforms have been registered by Canadian securities regulators and dozens of others are in various stages of becoming compliant with securities legislation. The BCSC is encouraging people who want to buy or sell crypto-assets to use registered platforms because such platforms have agreed to implement measures designed to minimize customer losses in the event of platform insolvency.

**Contact:** Peter Brady, Executive  
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**Division:** British Columbia Securities  
Commission

**Page:** 9 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

The BCSC's investor education website, InvestRight.org, contains information about the risks of investing in crypto-assets. The BCSC also recently ran an advertising campaign highlighting the risks and warning signs of crypto fraud.

**Contact:** Peter Brady, Executive  
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**Division:** British Columbia Securities  
Commission

**Page:** 10 of 10

**File Name:** 01\_MO\_BCSC\_Crypto-Assets and Crypto-Asset Trading Platforms

MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE

## ISSUE: BCSC Enforcement Effectiveness and Use of Securities Amendment Act Powers

### ADVICE AND RECOMMENDED RESPONSE:

- The British Columbia Securities Commission (BCSC) commits in its annual Service Plan to act decisively against misconduct through early disruption and timely enforcement.
- The BCSC has begun exercising new powers under the amended *Securities Act*, which have enhanced its ability to investigate misconduct and pursue debtors for unpaid penalties imposed by the Commission through the enforcement process.
- The BCSC is preparing to launch several new compliance and enforcement programs aimed at strengthening investor protection.
- Government introduced amendments to the *Securities Act* and other laws in February 2023 which have now passed third reading and that will, when they come into force, further strengthen the BCSC's ability to conduct

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**Division:** British Columbia Securities  
Commission

**Page:** 1 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

investigations of misconduct and its ability to pursue debtors for unpaid penalties.

**KEY FACTS:**

- In 2022/23, the BCSC:
  - took more than 230 early disruption actions, including posting investor cautions, issuing warning letters, having websites with suspicious investment offerings taken down, and issuing preservation orders and cease trade orders;
  - commenced eight administrative enforcement actions;
  - concluded three administrative actions;
  - entered into 12 settlement agreements;
  - referred two cases to Crown Counsel for prosecution; and
  - had two cases in which criminal charges were laid.
- Amendments to the *Securities Act*, which took effect in March 2020, have given the BCSC the strongest collections powers in the country. The BCSC has begun using those enhanced powers to make the collection of unpaid penalties more robust and visible, thereby creating a more powerful deterrent to future misconduct.
- The BCSC's use of these collections powers are being met with multiple legal challenges in the courts.

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Commission

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**Phone:** 604-899-6570

**Page:** 2 of 13

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

**BACKGROUND:****Enforcement**

- The March 2020 amendments to the *Securities Act* were broad in scope, aimed at strengthening enforcement of investment misconduct, including:
  - Enabling the BCSC to take action against those who help a person commit misconduct.
  - Enabling the BCSC to impose, by a written notice, monetary penalties on market participants for contraventions of securities law requirements. The BCSC expects to implement a new enforcement program in FY 2023-24 that will utilize these new powers to support its existing enforcement efforts.
  - Creating anti-reprisal protections for whistleblowers. The BCSC plans to launch a whistleblower program in FY 2023-24 under which it will receive and assess information from the public about misconduct.
  - The BCSC has also proposed new rules that will provide greater transparency to the public about promotional activity and potential conflicts of interest respecting that activity. The rules would also capture a broader scope of activities promoted through social media (such as Twitter, Reddit, Facebook, or Instagram).

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**Division:** British Columbia Securities  
Commission

**Page:** 3 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- One of the February 2023 *Securities Act* amendments that government introduced into the Legislature will enable the Commission to use its administrative processes to impose consequences – market restrictions and monetary penalties – for failure to comply with a demand to provide evidence. Currently, the Commission’s only recourse in response to such non-compliance is applying to the Supreme Court for a contempt order – a lengthy procedure that consumes significant BCSC resources.
- To support BCSC’s enforcement efforts, BCSC has also invested significant resources in investor education to help British Columbians recognize the warning signs of investment fraud, reject fraudulent investment scams, and report such activity to the BCSC.

## **Collections**

- The BCSC is using the new powers under the *Securities Act* to pursue debtors for unpaid penalties, including:
  - preserving assets or having the court forfeit property transferred to family members and third parties below market value;
  - seizing funds from registered accounts;
  - collecting financial sanctions that will no longer expire (compared to previous 15-year limitation period);

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**Division:** British Columbia Securities  
Commission

**Page:** 4 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- requesting the Insurance Corporation of British Columbia (ICBC) to refuse to issue or renew a driver's licence or vehicle licence until sanctions are paid; and,
  - ensuring BCSC sanctions have greater priority over claims of most other creditors.
- In February 2023, amendments to the *Pension Benefits Standards Act* and the *Pooled Registered Pension Plans Act* were introduced into the legislature to make clear that certain pension-derived funds are not exempt from enforcement processes arising from orders made under the *Securities Act*. When they come into force, these amendments will broaden the range of assets that the BCSC can obtain from individuals who have been ordered to pay financial sanctions.
  - The BCSC identifies assets during investigations and preserves assets whenever possible. It also takes a strategic approach to collecting its financial penalties. It files its financial penalty orders in the BC Supreme Court, which allows the BCSC to use various collections tools beyond those in the *Securities Act*, including:
    - Registering against property interests;
    - Conducting examinations in aid to identify assets and sources of income;
    - Garnishing personal bank accounts and receivables,
    - Seizing personal property; and,

**Contact:** Peter Brady, Executive  
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**Phone:** 604-899-6570

**Division:** British Columbia Securities  
Commission

**Page:** 5 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- Participating in respondent bankruptcy or having receivers appointed.
- Significant BCSC resources are being used to pursue debtors for unpaid penalties and respond to associated legal challenges.
- The BCSC has three staff dedicated exclusively to collections, supported by BCSC enforcement staff during investigations and internal counsel who assist with collections matters.
- The BCSC also retains specialized external legal counsel to assist with its collections efforts.
- However, the biggest challenge the BCSC faces is that debtors usually have few or no assets. For this reason, the BCSC expects that even if it dedicates more resources to collections, it will not result in a significant increase in the amounts collected.
- The BCSC has collected approximately 7.2 per cent of the amounts sanctioned since its incorporation on April 1, 1995. Of the \$554 million in outstanding sanctions, the BCSC expects it will not be able to collect about 55 per cent because the debtor is deceased, bankrupt, in jail, subject to court-ordered restitution or the limitation period for collecting has expired. Excluding that debt, which is either legally or practically uncollectable, the BCSC is working to collect about \$252 million that is owed to the BCSC where there is some prospect of collecting. The BCSC is persistently pursuing these cases.

**Contact:** Peter Brady, Executive  
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**Phone:** 604-899-6570

**Division:** British Columbia Securities  
Commission

**Page:** 6 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

## **Examples**

- Examples in 2022/23 of the BCSC's efforts to protect investors through enforcement actions:
  - A BCSC panel found that three B.C. residents participated in an elaborate U.S.-based fraud that promised investors large returns on gold mining operations in Africa and Brazil that didn't exist. 137 B.C. residents or people connected to the province lost a total of \$1.5 million.
  - A BCSC panel found that a Sooke man defrauded an investor of \$1 million by lying about the ownership of the Sooke Harbour House hotel.
  - A BCSC panel found that a B.C. marketing company and its CEO repeatedly failed to adequately disclose that it distributed paid promotional material on behalf of five issuers. The panel also found that one of those issuers didn't ensure that the promotional material clearly and conspicuously disclosed that it was issued on its behalf.
  - A B.C. company and its director jointly paid \$200,000 in a settlement with the BCSC for engaging in insider trading.
  - The BCSC formally reprimanded the Bank of Montreal after it admitted in a settlement agreement that it inadequately supervised an employee who facilitated the illegitimate transfer of securities. The employee, at the request of directors of several venture companies, guaranteed signatures

**Contact:** Peter Brady, Executive  
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**Phone:** 604-899-6570

**Division:** British Columbia Securities  
Commission

**Page:** 7 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- on approximately 100 security transfer forms for shares of those companies.
- The BCSC permanently banned West Vancouver lawyer Frederick Langford Sharp from B.C.'s investment market, following a U.S. judgment against him for fraud and market manipulation. Sharp, along with several others, was named by the U.S. Securities and Exchange Commission (SEC) as a defendant in a 2021 civil complaint in U.S. federal court, and in May 2022, the court entered a final judgment against him. He is also facing related criminal charges in U.S. federal court. The BCSC panel imposed the order under its authority to reciprocate orders by other securities regulators, self-regulatory organizations, exchanges or courts, either in Canada or abroad.
  - BCSC-imposed sanctions on a former CEO – a \$150,000 penalty and a lifetime ban on market participation – were upheld by the B.C. Court of Appeal. The sanctions followed a BCSC finding that the CEO and his company made repeated false or misleading statements in public filings about certain Chilean mining claims. The court found that the BCSC panel provided a fair hearing and made no error when it imposed the sanctions.
  - A BCSC panel ordered three B.C. residents to pay a total of more than \$1.5 million for defrauding two investors in a

**Contact:** Peter Brady, Executive  
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**Division:** British Columbia Securities  
Commission

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**Phone:** 604-899-6570

**Page:** 8 of 13

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

battery manufacturing scheme and using over half of that investment on personal expenses.

- Examples in 2022/23 of the BCSC's efforts to collect financial sanctions it has imposed:
  - The BCSC asked ICBC ten times to block the issuance or renewal of the driver's licence, vehicle licences and vehicle plates of anyone who has not fully paid a BCSC financial penalty.
  - The BCSC is in ongoing litigation with Thalbinder and Shailu Poonian over their attempts to exit from bankruptcy and have their debt to the BCSC extinguished. They owe the BCSC approximately \$19 million. In the Supreme Court of British Columbia and the Court of Appeal, the BCSC successfully opposed the Poonians' application to be discharged from bankruptcy. The BCSC also successfully applied to the Supreme Court of British Columbia for an order that the Poonians' debt to the BCSC would survive bankruptcy (regardless of whether they are discharged or not). The Poonians appealed that decision to the Court of Appeal, which upheld the result from the lower court. The Poonians have sought leave to appeal to the Supreme Court of Canada.

**Contact:** Peter Brady, Executive Director

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**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**Phone:** 604-899-6570

**Page:** 9 of 13

MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: BCSC Enforcement Effectiveness and Use of Amendment Act Powers

**Question: Has the BCSC made any progress in improving its collection rate?**

**Answer:**

- The BCSC now has the strongest collections tools in the country thanks to amendments to the *Securities Act* that were brought into force in 2020.
- The BCSC's enforcement staff has been vigorously pursuing debtors for unpaid penalties using the tools provided in the amendments.
- These efforts are being met with multiple legal challenges to the Courts, which the BCSC is currently pursuing with specialized external legal counsel.

**Contact:** Peter Brady, Executive  
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**Division:** British Columbia Securities  
Commission

**Page:** 10 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE

- The BCSC is vigilant about collecting sanctions and the amounts outstanding, and for every unpaid penalty, they have taken some action.
- Collecting sanctions is a slow and often contested legal process, and even when rulings and orders are in the BCSC's favour, respondents do not always heed them.
- The biggest challenge the BCSC faces is that debtors usually have few or no assets. For this reason, the BCSC expects that even if it dedicates more resources to collections, it will not result in a significant increase in the amounts collected.
- It's important to note that BCSC panels have the ability to impose penalties of \$1 million per contravention of the *Securities Act*, and fraudsters may breach the Act multiple times. That has led to some very large sanctions in a few cases. It does not mean the fraudster stole that much money, including at the height of their fraud.

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Commission

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**Phone:** 604-899-6570

**Page:** 11 of 13

MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE

**Question: How many of the new powers has the BCSC actually used? Have they made a difference?**

**Answer:**

- The BCSC continues to operationalize the new powers it obtained through the 2020 amendments to the *Securities Act*, which have enhanced its powers to investigate misconduct and to collect on penalties imposed through the enforcement process.
- Enforcement staff are vigorously pursuing debtors for unpaid penalties using the tools in the amendments.
- The BCSC is also gearing up to launch several new compliance and enforcement programs enabled by the amendments, aimed at enhancing investor protection. This includes the development of a whistleblower program and the implementation of a new power to impose, by written notice, monetary penalties on market participants for contraventions of securities law requirements. The BCSC expects to launch both programs in the 2023/24 fiscal year.

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**Division:** British Columbia Securities  
Commission

**Page:** 12 of 13

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- The BCSC has used its new power to pursue assets that are transferred below-value to a family member or third party. The BCSC is pursuing money transferred by Renee Michelle Penko, who owes \$220,000 in penalties and interest for her role in an \$11.7 million Ponzi scheme, to her husband.
- The BCSC has also exercised its new power to ask ICBC to block the issuance or renewal of a driver's licence and vehicle licences and vehicle plates to anyone who has not paid a significant financial penalty. It has done this 10 times so far.

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Commission

**File Name:** 02\_MO\_BCSC\_BCSC Enforcement

**Phone:** 604-899-6570

**Page:** 13 of 13

MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE

## **ISSUE: Environmental/Social/Governance Disclosure and Guidelines**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Institutional investors, including major pension plan investment managers, such as the British Columbia Investment Management Corporation, have publicly called for more consistent and complete disclosure of “environmental/social/governance” (ESG) information to strengthen investment decision-making and better manage ESG risk exposure in their portfolios.
- The British Columbia Securities Commission (BCSC) is working with other Canadian securities regulators to enhance disclosure requirements in the areas of board diversity and climate risk.

### **BACKGROUND:**

- The BCSC, together with the Canadian Securities Administrators (CSA), is considering proposing disclosure requirements regarding climate-related risks, and amending current disclosure requirements regarding board diversity for publicly traded companies, to inform investors’ investment and voting decisions.

**Contact:** Peter Brady, Executive Director

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**Division:** British Columbia Securities Commission

**Page:** 1 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- Respecting climate disclosure, the BCSC and CSA are monitoring international and domestic developments regarding climate-related disclosure standards. The BCSC anticipates developing climate-related disclosure rules for issuers based on international standards.
- The BCSC together with CSA are also considering disclosure rules to enhance corporate governance practices, including in the areas of board diversity and board renewal.

## **KEY FACTS:**

### **Diversity**

- Currently, most non-venture issuers in Canada are subject to disclosure requirements about the representation and consideration of women on boards and in executive officer positions (Disclosure Requirements).
- The Disclosure Requirements follow a “comply or explain” model, requiring non-venture issuers to provide annual disclosure about:
  - director term limits, or an explanation for the absence of such limits;
  - policies about the representation of women on the board;
  - the board or nominating committee’s consideration of the representation of women in the director identification and selection process;

**Contact:** Peter Brady, Executive Director

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**Division:** British Columbia Securities Commission

**Page:** 2 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- the issuer's consideration of the representation of women in executive officer positions when making executive officer appointments;
- whether or not an issuer has adopted targets for the representation of women on the board and in executive officer positions; and
- the number of women on the board and in executive officer positions.
- The Disclosure Requirements were unilaterally developed in 2013 by the Ontario Securities Commission (OSC) at the direction of their government. Most other jurisdictions (together, Participating Jurisdictions) adopted the Disclosure Requirements concurrently with the OSC in 2014 or at a later date.
- The BCSC did not adopt the Disclosure Requirements in 2014 because:
  - It was unclear whether the Disclosure Requirements fell within the BCSC's mandate.
  - The BCSC questioned whether the Disclosure Requirements should be broadened to include other types of diversity beyond gender.
  - The BCSC was reluctant to impose Ontario-designed requirements on B.C. issuers without first doing its own research and local consultations.

**Contact:** Peter Brady, Executive Director

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**Division:** British Columbia Securities Commission

**Page:** 3 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

- Although the BCSC did not adopt the Disclosure Requirements, in practice they apply to all B.C. non-venture issuers (about 200) listed on the Toronto Stock Exchange and the NEO Exchange, or that report in a Participating Jurisdiction. As a result, there are relatively few (less than 100) non-venture B.C. issuers that are not already subject to the Disclosure Requirements.
- In 2018, the CSA (including the BCSC) conducted a review of the effectiveness of the Disclosure Requirements to evaluate whether changes or further regulatory actions were warranted. The BCSC also consulted with local market participants in February and March 2018. Most commenters supported the BCSC adopting the Disclosure Requirements.
- Market participants such as institutional investors and proxy advisors are now focusing more on diversity and ESG matters generally, and many issuers have responded voluntarily by promoting greater diversity within their organizations.
- The *Canada Business Corporations Act* (CBCA) substantially incorporated the Disclosure Requirements in 2020, and required CBCA companies (about 550, or about 15 per cent of listed venture and non-venture issuers) to report on other “designated groups” – Indigenous peoples, persons with disabilities and visible minorities.
- In light of the increasing attention being given to diversity in all segments of society, including businesses, the BCSC and CSA consulted a wide range of stakeholders on evolving investor

**Contact:** Peter Brady, Executive Director

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**Division:** British Columbia Securities Commission

**Page:** 4 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

disclosure needs and changes in corporate governance practices in 2021.

- Stakeholders, in particular institutional investors, supported expanding the Disclosure Requirements beyond women to include other diverse groups. Sophisticated investors told the BCSC and other CSA members that expanded Disclosure Requirements would inform their investment and voting decisions.
- However, there is no universal agreement on the framework for disclosure or the guidelines that securities regulators should implement. Some consultees are concerned that smaller venture issuers would have challenges complying even with a “comply or explain” disclosure model because of their size, stage of growth or available resources.

### **Climate Risk**

- Institutional investor interest in climate risks has grown rapidly in recent years and there have been a number of international and national climate-related initiatives and developments.
- Issuers and market participants currently report climate-related risks using a range of voluntary frameworks. The leading framework is based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (an international body that monitors and makes recommendations about the global financial system). The TCFD developed climate-related disclosure recommendations in four key

**Contact:** Peter Brady, Executive Director

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**Division:** British Columbia Securities Commission

**Page:** 5 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

areas: governance, strategy, risk management, and metrics and targets.

- Although there has been international convergence around the TCFD framework, the proliferation of reporting frameworks and inconsistent disclosure practices among issuers has resulted in information that is not standardized and comparable to help investors understand how issuers consider and assess climate-related risks and opportunities.
- In late 2021, the International Financial Reporting Standards (IFRS) Foundation announced the establishment of the International Sustainability Standards Board (ISSB). Its purpose is to develop standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets. The goal of these standards is to eventually enable climate-related disclosure to be subject to assurance, similar to audit requirements for financial disclosure.
- The ISSB has established one of its offices in Montreal, which was backed by a broad array of private and public institutions and organizations, including the Government of Canada.
- The ISSB immediately started developing climate-related disclosure standards based on the structure of the TCFD framework. In March 2022, the ISSB published the Exposure Drafts of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-Related Disclosures* (collectively, the

**Contact:** Peter Brady, Executive Director

**Phone:** 605-899-6570

**Division:** British Columbia Securities Commission

**Page:** 6 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

ISSB standards) for comment. Commenters from around the world, including Canada, were generally supportive of the ISSB's proposal.

- Over the course of the second half of 2022 until early 2023, the ISSB redeliberated certain more complex and sensitive areas that had garnered significant commentary, such as disclosure of greenhouse gas emissions data and scalability and proportionality of its proposals. On February 17, 2023, the ISSB announced that it expected to issue a global baseline standard by summer 2023 so that it is effective for use by issuers on or after January 1, 2024.
- Other significant developments on climate-related disclosure requirements internationally include:
  - In March 2022, the U.S. Securities and Exchange Commission (SEC) proposed rule changes that would require registrants to include climate-related disclosures in their registration statements and periodic reports. The SEC is expected to propose final rules for climate-related disclosures in spring 2023, though these are expected to be litigated extensively. Many large Canadian issuers are also subject to SEC regulation.
  - The United Kingdom and the European Union have enacted rules for climate-related disclosure that are generally aligned with the TCFD recommendations. The new rules in the European Union go further than a financial materiality lens so that issuers must disclose both how sustainability matters

**Contact:** Peter Brady, Executive Director

**Phone:** 605-899-6570

**Division:** British Columbia Securities Commission

**Page:** 7 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

affect their own performance and position and how they themselves impact the environment and society.

- Significant developments on climate-related disclosure requirements and recommendations in Canada include:
  - In August 2019, the CSA published guidance to assist issuers in considering the disclosure they provide about climate-related risks and opportunities.
  - In October 2021, the CSA published for comment proposed mandatory climate-related disclosure requirements based on the TCFD framework, with some significant modifications. In light of the significant developments since its publication, the CSA has not proceeded with implementing this rule as proposed.
  - In January 2022, the CSA also issued guidance to investment fund managers aimed at addressing “greenwashing” – a practice in which a fund’s disclosure or marketing misleads investors about the ESG-related aspects of a fund. This practice can cause investors to invest in funds that do not meet their objectives or needs, cause investor confusion and negatively impact investor confidence in ESG investing.
  - The federal government initiated the Sustainable Finance Action Council (SFAC) in 2021, which aims to make recommendations on attracting and scaling sustainable finance in Canada to support the achievement of the federal

**Contact:** Peter Brady, Executive Director

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**Division:** British Columbia Securities Commission

**Page:** 8 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

government's net-zero commitments, including enhancing climate risk related disclosure. Provincial securities regulators, including the BCSC, observe and advise SFAC.

- In June 2022, the Accounting Standards Oversight Council and Auditing and Assurance Standards Oversight Council mutually approved the formation of the Canadian Sustainability Standards Board (CSSB). The CSSB's mandate is to develop and support the adoption of international sustainability standards in Canada.
- The CSSB is expected to be in place in April 2023 in time for the final issuance of the ISSB proposed standards. The CSSB will determine its process for endorsing the ISSB standards as fit for purpose in Canada, but it is expected to act swiftly. The CSSB works closely with the ISSB as a member of its advisory forum.
- The ISSB standards would require issuers to provide expansive quantitative and qualitative disclosure regarding their exposure to climate-related risks, such as disclosure of greenhouse gas emissions and the requirement for issuers to provide climate scenario analysis. The cost of setting up systems to support these disclosures is high.
- The CSA is analyzing the ISSB standards with a view to determining whether and how they should apply to issuers. Discussions continue about which types of issuers the ISSB standards (or the Canadian

**Contact:** Peter Brady, Executive Director

**Phone:** 605-899-6570

**Division:** British Columbia Securities Commission

**Page:** 9 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

**MINISTRY OF FINANCE  
BRITISH COLUMBIA SECURITIES COMMISSION  
ISSUE NOTE**

equivalent standards endorsed by the CSSB) should apply to, what if any CSA carveouts from the standards would be appropriate, and the appropriate transition periods.

- Based on market feedback and consultations, the CSA recognizes a resource and readiness gap between the largest, most sophisticated issuers (many of which already provide the disclosures contemplated by the ISSB standards) and smaller issuers, particularly venture issuers. Questions also remain about the cost-benefit of requiring climate risk disclosure by venture issuers and smaller non-venture issuers. Stratifying or phasing adoption of the ISSB standards may potentially balance the urgency around addressing transparency of climate-related risks for investors with the readiness of issuers, many of which will need time to design the systems and gather the data necessary to provide any required disclosure.
- The ISSB, under its broader sustainability mandate, intends to publish a Request for Information in the first half of 2023 to gather views on its strategic direction and future sustainability topics that could be added to the ISSB's work plan. Examples of possible future topics include biodiversity, human capital (including diversity, equity and inclusion) and human rights (including labour rights and communities' rights in the value chain). The CSA will monitor the ISSB's development of plans for future sustainability standards.

**Contact:** Peter Brady, Executive Director

**Phone:** 605-899-6570

**Division:** British Columbia Securities Commission

**Page:** 10 of 10

**File Name:** 03\_MO\_BCSC\_ESG Policy-Making (including Board Diversity & Climate Disclosures)

MINISTRY OF FINANCE  
COLUMBIA BASIN TRUST  
ISSUE NOTE

## **ISSUE: Columbia Basin Trust Background Information**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Trust will continue to deliver its mandate to support the social, economic and environmental well-being of Basin residents, consistent with the Columbia Basin Management Plan (CBMP) Strategic Priorities for 2020-2023.
- In 2023/24, the Trust will engage with people in the Basin on the renewal of the CBMP. The Trust will host 23 community conversations, 3 large symposia events, 10+ online forums and more with residents from April to June 2023, with a new plan expected in 2024, setting the Trust's focus for the next several years.

### **KEY FACTS:**

#### **MOU between Columbia Basin Trust and the Province**

- The unique relationship between the Province and the Trust, and the Trust's dual accountability to the Province and the residents of the Basin, is set out in a 2016 Memorandum of Understanding (MOU).
- The MOU includes a provision indicating that it will be reviewed every three years but a review has not been completed to date.

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**Division:** Columbia Basin Trust

**Page:** 1 of 5

**File Name:** 01\_MO\_CBT – Columbia Basin Trust Background Information

**MINISTRY OF FINANCE  
COLUMBIA BASIN TRUST  
ISSUE NOTE**

- The Trust is working with the Ministry of Energy, Mines and Low Carbon Innovation to update and renew the MOU.

**Columbia Basin Management Plan (CBMP) Strategic Priorities:**

- In September 2020, the Trust Board approved the current CBMP which extends until the end of calendar 2023 and includes six Strategic Priorities (Community Wellbeing, Ecosystem Enhancement, High-Speed Connectivity, Housing, Local Food Production and Access, and Support for Business Renewal) and two Integrated Priorities (Climate Resilience and Working with Indigenous Peoples).
- Resident engagement for a renewed CBMP was delayed due to COVID-19 and is starting in April 2023. This engagement will include in-person events in 23 Basin communities, 3 symposia, as well as virtual opportunities for input.
- Some highlights of the Trust's activities include (over the last 5 ½ years):
  - 1,079 new affordable housing units created, with a further 1,149 enhanced and made more energy efficient.
  - Expanded high-speed fibre optic network to 1,185 km, improving broadband access to 18,400 rural households.
  - 136 wildfire risk management and public education programs creating 972 jobs and treating 4,524 ha of land.
  - 1,274 new child care spaces created; 2,536 existing spaces improved; 210 training opportunities supported for Early Childhood Educators.

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**Division:** Columbia Basin Trust

**Page:** 2 of 5

**File Name:** 01\_MO\_CBT – Columbia Basin Trust Background Information

**MINISTRY OF FINANCE  
COLUMBIA BASIN TRUST  
ISSUE NOTE**

- 81 new electric vehicle charging stations commissioned.
- \$70.3 million in new business loans and real estate investments.
- 332 Indigenous community led projects; 30 projects in partnership with Metis communities.
- 309 recreation projects supported, 725 km of trails developed, enhanced or maintained helping to create 60,715 employment hours.

**BUDGET:**

<b>Budget (\$000)</b>	<b>2021/22 Actuals</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Expenses	90,630	83,608	87,568	88,859	92,332
Salaries	8,864	9,381	10,745	11,175	11,622
Revenues	96,067	93,173	94,752	96,365	99,877
<b>Total Operating Expenses</b>	<b>90,630</b>	<b>83,608</b>	<b>87,568</b>	<b>88,859</b>	<b>92,332</b>

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**Division:** Columbia Basin Trust

**Page:** 3 of 5

**File Name:** 01\_MO\_CBT – Columbia Basin Trust Background Information

MINISTRY OF FINANCE  
COLUMBIA BASIN TRUST  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### ISSUE: Columbia Basin Trust Background Information

**Question: The current MOU between the Province and the Trust was to be renewed in 2019.** Advice/Recommendations

Advice/Recommendations

**Answer:**

When the MOU was signed in 2016, a commitment was made between the parties to review the document every three years to ensure it continues to meet both parties' objectives. A review did not occur in 2019 - and was further postponed as both Government and the Trust worked to address the ongoing impacts of the COVID-19 pandemic over the past several years. However, the original MOU is still in place and Government and the Trust continue to maintain a strong and collaborative relationship. Conversations have started between the Trust and Government on what a review might entail, and I expect that the objectives and timeline for a review will become clearer in the months ahead.

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**Division:** Columbia Basin Trust

**Page:** 4 of 5

**File Name:** 01\_MO\_CBT - Columbia Basin Trust Background Information

MINISTRY OF FINANCE  
COLUMBIA BASIN TRUST  
ISSUE NOTE

**Question: Will there be any financial impacts to the Trust as a consequence of a renewed Columbia River Treaty?**

**Answer:**

Neither the Trust nor Columbia Power Corporation have a role in the Columbia River Treaty (CRT) negotiation; however, I understand that both organizations maintain an open dialogue with the CRT negotiating team. When/if we reach the stage where specific details of a modernized CRT are understood, the Trust and Columbia Power would have an opportunity to review those details and provide feedback as to the impacts (positive or negative) prior to finalizing any agreement with the United States.

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**Page:** 5 of 5

**File Name:** 01\_MO\_CBT – Columbia Basin Trust Background Information

**MINISTRY OF FINANCE  
COLUMBIA POWER CORPORATION  
ISSUE NOTE**

## **ISSUE: Columbia Power Corporation Background Information**

### **ADVICE AND RECOMMENDED RESPONSE:**

- Columbia Power Corporation will continue to ensure the long-term profitability, reliability, safety and environmental sustainability of its jointly owned power generation and transmission assets.
- Although certain planned operating maintenance and capital programs were delayed as a result of the COVID-19 pandemic, it has not had any negative long-term impacts to operations or equipment reliability.
- The current power project ownership and governance structure between Columbia Power Corporation and Columbia Basin Trust has created a solid foundation for long term performance.

### **KEY FACTS:**

#### **Operations and Maintenance Outsourcing Review**

- Columbia Power completed a value-for-money assessment of the primary operations and maintenance contractor for the power assets (FortisBC) to ensure Columbia Power and the Columbia Basin

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**Division:** Columbia Power Corporation

**Page:** 1 of 5

**File Name:** 01\_MO\_CPC – Columbia Power Corporation Background Information

**MINISTRY OF FINANCE  
COLUMBIA POWER CORPORATION  
ISSUE NOTE**

Trust continue to receive the required level of performance at a commercially reasonable cost.

- Based on the review, there are various responsibilities currently contracted to FortisBC that will transition to in-house management. This will result in both financial and risk benefits to the owners.

### **Brilliant Power Purchase Agreement**

- The 60-year power sales agreement with FortisBC at the Brilliant Dam and Generating Station contains a market reset clause at the conclusion of the first 30 years (2026).
- The price received for power is anticipated to increase as a result of this clause, and dialogue with FortisBC on interpretation and application of the agreement is ongoing.

### **Brilliant Expansion Generating Station**

- Power from Brilliant Expansion is currently sold under three separate agreements with terms coming to an end between 2027 and 2029.
- Columbia Power is undertaking an assessment of sales opportunities to ensure Columbia Power and the Columbia Basin Trust receive appropriate value for the power in the future.

**Contact:** Johnny Strilaeff, CEO

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**Division:** Columbia Power Corporation

**Page:** 2 of 5

**File Name:** 01\_MO\_CPC – Columbia Power Corporation Background Information

**MINISTRY OF FINANCE  
COLUMBIA POWER CORPORATION  
ISSUE NOTE**

**BUDGET:**

<b>Budget (\$000)</b>	<b>2021/22 Actuals</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Expenses	24,689	24,237	23,954	24,126	24,452
Salaries	4,043	4,171	4,712	4,815	4,881
Revenues	82,553	83,911	86,455	88,432	91,408
<b>Total Operating Expenses</b>	<b>24,689</b>	<b>24,237</b>	<b>23,954</b>	<b>24,126</b>	<b>24,452</b>

**Contact:** Johnny Strilaeff, CEO**Phone:** 250-304-1632**Division:** Columbia Power Corporation**Page:** 3 of 5**File Name:** 01\_MO\_CPC – Columbia Power Corporation Background Information

MINISTRY OF FINANCE  
COLUMBIA POWER CORPORATION  
ISSUE NOTE

## QUESTIONS AND ANSWERS

### **ISSUE: Columbia Power Corporation Background Information**

**Question: Will there be any changes to the governance structure of Columbia Power?**

**Answer:**

Columbia Power is currently governed by a four-member Board, appointed by the Province. The Province isn't considering any changes to the governance structure of Columbia Power at this time.

**Question: Is Government considering a potential sale of any portion of the power projects currently owned by Columbia Power and Columbia Basin Trust?**

**Answer:**

The Province has no plans to sell any portion of Columbia Power or Columbia Basin Trust's ownership in Arrow Lakes Generating Station, Brilliant Dam, Brilliant Expansion, or

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**Division:** Columbia Power Corporation

**Page:** 4 of 5

**File Name:** 01\_MO\_CPC – Columbia Power Corporation Background Information

**MINISTRY OF FINANCE  
COLUMBIA POWER CORPORATION  
ISSUE NOTE**

Waneta Expansion. Revenue from these assets is used to deliver on Government's overall priorities.

**Question: Will Columbia Power have a role in new power project development in the future?**

**Answer:**

Currently, Columbia Power's mandate from the Province is to ensure the long-term reliability and profitability of its power generation and transmission assets in the Basin. It has no mandate to develop new generating assets at this time.

**Contact:** Johnny Strilaeff, CEO

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**Division:** Columbia Power Corporation

**Page:** 5 of 5

**File Name:** 01\_MO\_CPC – Columbia Power Corporation Background Information

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE**

## **ISSUE: Columbia River Treaty Background**

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Columbia River Treaty (CRT) is a trans-boundary water management agreement between the United States (U.S.) and Canada that was signed in 1961 and ratified in 1964.
- In 1963, Canada delegated most of the CRT rights and obligations to B.C.
- A provincial review to determine whether the CRT should be continued, amended or terminated was launched in 2011.
- A Provincial decision to continue the Treaty and seek improvements within its existing framework was released on March 13, 2014.
- The decision includes 14 principles to guide discussions with Canada and the U.S. on the future of the CRT.
- The decision and guiding principles were based on extensive Indigenous Nation, local government and public consultation processes, and more than two years of hydrologic, social, economic, and legal studies.
- The CRT continues to benefit both Canada and the U.S., but the benefits to the U.S. are significantly undervalued and extend across a much broader range of interests, such as fisheries, navigation, recreation, irrigation and

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**Division:** Columbia River Treaty, EAED

**Page:** 1 of 5

**File Name:** 01\_MO\_CRT – Columbia River Treaty Background

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE**

water supply, than the original Treaty focus of flood risk mitigation and power production.

## **KEY FACTS:**

### Background:

- One of the key principles of the CRT is to create and equitably share benefits resulting from trans-boundary coordination of the Columbia River.
- Although the CRT has no specified end date, either Canada or the U.S. can unilaterally terminate most of the agreement's provisions after 2024, with at least 10 years notice. No such notice has been given.
- The Province has received on average \$140 million per year from the U.S. over the past 10 years through the CRT Canadian Entitlement, ranging from \$89 million (2012/13) to \$232 million (2021/22). Revenues for 2022/23 to 2024/25 are forecast to be in excess of \$450M per year.
- Although international treaties are within the jurisdiction of the executive branch of the federal government, the Canada-BC Agreement (1963) transferred most CRT rights and obligations to the Province, and also requires the agreement of the Province before any action by Canada to amend or terminate the Treaty.
- The CRT's primary purposes are to provide flood risk mitigation in Canada and the U.S., and increase the power generating

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**Division:** Columbia River Treaty, EAED

**Page:** 2 of 5

**File Name:** 01\_MO\_CRT – Columbia River Treaty Background

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE**

potential of the Columbia River by capturing spring run-off and releasing water at other times of the year when it is more valuable and beneficial.

- Under the CRT, Canada agreed to build 15.5 million acre-feet of storage by constructing three dams: Duncan; Arrow (Hugh Keenleyside); and Mica.
- The CRT also gave the U.S. the option, which it exercised, to construct a dam near Libby, Montana, that floods the Kootenay River valley 68 km back into Canada almost as far as Cranbrook (Koocanusa Reservoir).
- Assured flood control provisions expire in 2024 and change to a more ad hoc “called upon” version of flood control.
- In Canada, BC Hydro is the designated Entity responsible for implementing the CRT. The Province is designated as Entity for the purposes of disposing of the Canadian Entitlement. In the U.S., Bonneville Power Administration and the U.S. Army Corps of Engineers are jointly the U.S. Entity responsible for the CRT.

**CRT Review:**

- Beginning in late 2011, the Ministry of Energy, Mines and Low Carbon Innovation (EMLI) CRT Team led an extensive consultation and review process to evaluate future options, including continuation, amendment or termination of the Treaty.

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**Division:** Columbia River Treaty, EAED

**Page:** 3 of 5

**File Name:** 01\_MO\_CRT – Columbia River Treaty Background

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE**

- On March 13, 2014, the provincial government released its decision continue the CRT and seek improvements within its existing framework. The decision had, and continues to have, bipartisan support.

*Indigenous Nation Engagement:*

- The Ktunaxa, Secwepemc, and Syilx Okanagan Nations assert rights and title in the Columbia Basin.

*Local Basin Engagement:*

- B.C. continues its engagement with Basin residents, local governments and stakeholder groups to confirm their interests regarding the future of the CRT.

*CRT Negotiations*

- Formal negotiations between Canada and the U.S. began in May 2018.
- To date, there have been 16 Rounds of negotiations, alternating between the two countries.
- Several framework proposals for a modernized CRT have been exchanges between Canada and the U.S., which are confidential.
- The U.S. wishes to conclude an Agreement in Principle by summer 2023. Canada will endeavor to make progress towards an agreement but is not bound by U.S. timelines.

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**Division:** Columbia River Treaty, EAED

**Page:** 4 of 5

**File Name:** 01\_MO\_CRT – Columbia River Treaty Background

MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE

CROSS REFERENCE: ESTIMATE 2023 – COLUMBIA RIVER TREATY NEGOTIATIONS

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**Division:** Columbia River Treaty, EAED

**Page:** 5 of 5

**File Name:** 01\_MO\_CRT – Columbia River Treaty Background

MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY BRANCH (EMLI)  
ISSUE NOTE

## ISSUE: Columbia River Treaty Negotiations

### ADVICE AND RECOMMENDED RESPONSE:

- British Columbia (B.C.) and Canada are committed to working with the United States (U.S.) to modernize the Columbia River Treaty (CRT) to ensure it provides benefits that are shared equitably between our two countries.
- Global Affairs Canada has stated that while Canada is the signatory for the CRT, B.C. is the lead in implementing the Treaty and has a major role in negotiations.
- As part of the Canadian negotiating delegation, B.C. works closely with Canada and Ktunaxa, Secwepemc and Syilx Okanagan Indigenous Nations during the negotiation process to ensure B.C.'s interests are represented and benefits to British Columbians are maintained or enhanced.
- The Negotiation Framework Agreement signed by the five governments is consistent with the *Declaration of the Rights of Indigenous Peoples Act*.
- Negotiations on Treaty modernization began in May 2018. There have been 16 rounds of negotiations to date.

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**Division:** Columbia River Treaty Branch, EMLI

**Page:** 1 of 7

**File Name:** 02\_MO\_CRT – Columbia River Treaty Negotiations

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY BRANCH (EMLI)  
ISSUE NOTE**

- The topics discussed during negotiations include flood risk management, hydropower coordination, ecosystems, salmon reintroduction, adaptive management, and Libby Dam operations.
- Through the exchange of formal proposals, current discussions around the modernization of the Treaty give the United States and Canada a once-in-a-generation chance to look beyond just power generation and flood-risk management, and equitably share in the benefits.
- There has been significant progress over the past year, and although there is no deadline for negotiations, I can assure you that the Canadian delegation is committed to working towards an agreement in a timely manner.

**KEY FACTS:****Negotiations:**

- Canada appointed Sylvain Fabi, currently Consul General in Denver (United States), Global Affairs Canada, as its chief negotiator. Jill Smail was appointed as Lead Negotiator in August 2017 by the U.S. State Department.
- The B.C. CRT Team works closely and collaboratively with federal departments, primarily Global Affairs Canada, in preparing

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**Division:** Columbia River Treaty Branch, EMLI

**Page:** 2 of 7

**File Name:** 02\_MO\_CRT – Columbia River Treaty Negotiations

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY BRANCH (EMLI)  
ISSUE NOTE**

negotiating scenarios, positions and proposals for CRT modernization. Fisheries and Oceans Canada and Environment and Climate Change Canada also support the negotiating team.

- Negotiation activity increased in 2022/23, with negotiation rounds between Canada and the U.S. occurring on average every two months.
- Canada hosted Round 15 in Vancouver, B.C. in January 2023. Round 16 was held March 2023 in Washington, DC.
- Due to the confidential nature of the negotiations, details of Canada's proposal and of the U.S. framework cannot be made public.

**Indigenous Nations:**

- B.C. and Canada are committed to seeking Indigenous Nations' free, prior and informed consent on the outcome of the modernized Treaty negotiations, consistent with the respective governments' adoption of the United Nations Declaration on the Rights of Indigenous Peoples.
- Since early 2018, representatives of the Ktunaxa, Secwepemc and Syilx Okanagan Nations have worked closely with the governments of Canada and B.C. to develop and refine negotiating positions and strategies.
- As observers, Indigenous Nations are present at all negotiating meetings, make presentations on behalf of Canada, fully

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**Division:** Columbia River Treaty Branch, EMLI

**Page:** 3 of 7

**File Name:** 02\_MO\_CRT – Columbia River Treaty Negotiations

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY BRANCH (EMLI)  
ISSUE NOTE**

participate in caucus meetings with Canada and B.C. during negotiation sessions and debrief with Canada and B.C. after each negotiation round.

**Financial Information:**

- In 2019, the Treasury Board approved that as of 2020/21, negotiating and ancillary costs be recovered from the CRT revenues (Canadian Entitlement/CE) that the Province receives.
- The Province has received on average \$140 million per year from the U.S. over the past 10 years through the CRT Canadian Entitlement, ranging from \$89 million (2012/13) to \$232 million (2021/22). Revenues for 2022/23 to 2024/25 are forecast to be in excess of \$450M per year.
- The fluctuations in the cash value of the Entitlement are due to variations in the market and the price of power. Factors such as high flow years, or unusually hot or cold weather can create variations in the actual revenues from selling the power B.C. receives.
- As per a MOU between the two ministries, the Ministry of Energy, Mines and Low Carbon Innovation (EMLI) is responsible for staff and expenditure authority associated with CRT negotiations and related legal, technical, and consultation work.

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**Division:** Columbia River Treaty Branch, EMLI

**Page:** 4 of 7

**File Name:** 02\_MO\_CRT – Columbia River Treaty Negotiations

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY BRANCH (EMLI)  
ISSUE NOTE**

**CURRENT STATUS:**

- The next round of negotiations between Canada and the U.S. will be hosted by Canada in mid-May.
- The U.S. State Department publicly stated in January 2023 their hope that an agreement-in-principle (AIP) can be reached by summer of 2023. If an AIP is reached, the need to engage with Basin citizens and the public will increase significantly.
- There is no definite timeline/deadline for the current negotiations to be completed; however, the current Assured Annual Flood Control provisions of the CRT are currently set to expire in 2024.

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**Division:** Columbia River Treaty Branch, EMLI

**Page:** 5 of 7

**File Name:** 02\_MO\_CRT – Columbia River Treaty Negotiations

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY BRANCH (EMLI)  
ISSUE NOTE**

**BUDGET:**

Table: Approved\* and Requested Funding for CRT Negotiations (\$ millions)

<b>Budget (\$000)</b>	<b>2021/22 Actuals</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Total	3.949	4.296	8.622	5.550	2.800

\* 2020/21 funding approved as a recovery from CRT revenues going forward.

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**Division:** Columbia River Treaty Branch, EMLI

**Page:** 6 of 7

**File Name:** 02\_MO\_CRT – Columbia River Treaty Negotiations

MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY BRANCH (EMLI)  
ISSUE NOTE

CROSS REFERENCE: ESTIMATE 2023 – COLUMBIA RIVER TREATY BACKGROUND

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**Division:** Columbia River Treaty Branch, EMLI

**Page:** 7 of 7

**File Name:** 02\_MO\_CRT – Columbia River Treaty Negotiations

MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE

## ISSUE: Columbia River Treaty Interim Revenue Sharing Agreements

### ADVICE AND RECOMMENDED RESPONSE:

- Canada and the Province, working closely with Ktunaxa, Secwepemc, and Syilx Okanagan Nations, are participating in Canada-United States modernization negotiations for the Columbia River Treaty.
- We are advancing reconciliation with the Indigenous Nations by seeking their free, prior, and informed consent on a modernized Columbia River Treaty, and by developing agreements to address the current and ongoing impacts on their Aboriginal rights and title.
- That is why we have co-developed interim revenue sharing agreements on the revenue from the Canadian Entitlement – B.C.'s share of the increased power generation potential at U.S. dams downstream on the Columbia River.
- The Ktunaxa, Secwepemc, and Syilx Okanagan Nations – on behalf of 21 constituent First Nations – will each

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**File Name:** 03\_MO\_CRT – Interim Revenue Sharing Agreement

**Phone:** Government  
778-974-2072

**Page:** 1 of 4

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE**

receive a percentage of the Canadian Entitlement revenue for each year of the four year agreements.

- The interim agreements also commit to explore long-term broader benefit-sharing opportunities that would be consistent with the Province's New Fiscal Framework, which is currently in development.

***If asked about percentage***

- Each Indigenous Nation will receive 5 per cent of the Canadian Entitlement during the term of the agreements.

**BACKGROUND**

- The Ktunaxa, Secwepemc, and Syilx Okanagan Nations affirm rights and title in the Columbia Basin and assert they are impacted by CRT facilities and operations (e.g., hydroelectric dams, reservoirs, transmission lines on the Columbia River).
- The Canadian Entitlement is 50 per cent of the increased power generation potential at U.S. dams downstream on the Columbia River, which is marketed by Powerex (a B.C. Hydro subsidiary) on behalf of the Province.

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**Division:** Columbia River Treaty, EAED

**Page:** 2 of 4

**File Name:** 03\_MO\_CRT – Interim Revenue Sharing Agreement

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE**

- The Province has received on average \$140 million per year from the U.S. over the past 10 years through the CRT Canadian Entitlement, ranging from \$89 million (2012/13) to \$232 million (2021/22). Revenues for 2022/23 to 2024/25 are forecast to be higher than average as a result of increased demand for electricity across the continent.
- Discussions between the Province, Indigenous Nations and Canada on the CRT are guided by a Negotiations Framework Agreement concluded in 2019 which contemplates separate bilateral agreements, including to address past and ongoing impacts. BC and the Indigenous Nations have had exploratory discussions since 2019 on benefits sharing as a model for addressing ongoing impacts.
- IRR and FIN received Cabinet and Treasury Board approvals to negotiate an interim revenue sharing agreement on the Canadian Entitlement with the Indigenous Nations in fall 2022.
- In February 2023, the Ministries and Indigenous Nations completed negotiations of an interim revenue sharing agreement. These agreements have been signed bilaterally between the Province and each Indigenous Nation prior to March 31, 2023.
- Sharing the Canadian Entitlement on an interim basis with the Indigenous Nations will support a path to free, prior, and informed consent to a modernized CRT, and to develop future

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**Division:** Columbia River Treaty, EAED

**Page:** 3 of 4

**File Name:** 03\_MO\_CRT – Interim Revenue Sharing Agreement

**MINISTRY OF FINANCE  
COLUMBIA RIVER TREATY (EMLI)  
ISSUE NOTE**

agreements related to the CRT for past and ongoing impacts whether collectively with Canada or through separate bilateral processes or agreements.

- An interim approach to revenue sharing on Canadian Entitlement revenue provides space for negotiations on a longer-term benefits-sharing arrangement with the Indigenous Nations, similar to the approach taken on forestry revenue sharing where the Province announced an interim enhancement to the Forestry Consultation and Revenue Sharing Agreement program while a new forestry revenue-sharing model is co-developed.

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**File Name:** 03\_MO\_CRT – Interim Revenue Sharing Agreement

**Phone:** Government  
778-974-2072  
**Page:** 4 of 4

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

## **NAME: Infrastructure BC Overview**

### **BACKGROUND:**

- Established in 2002, Infrastructure BC (IBC) is incorporated under the British Columbia Business Corporations Act. IBC is owned by the province and governed by a Board of Directors reporting to its sole shareholder, the Minister of Finance.
- IBC provides strategic advice to the province and supports public sector clients by working with project owners to plan, procure and deliver complex public infrastructure projects.

### **CROWN OVERVIEW**

- IBC's services to project owners include:
  - Project planning,
  - Concept plan and business plan development,
  - Procurement advice and management,
  - Design and construction oversight,
  - Contract administration, and
  - Project communications support.
- IBC's services to the province include:
  - Policy and advisory work relating to capital projects and the Capital Asset Management Framework,
  - Creation and standardization of the procurement process for capital projects,

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**Division:** Infrastructure BC

**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government  
250 413-7585

**Page:** 1 of 8

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

- Executive support for the development and implementation of the capital plan through various committees,
- Assistance with the development and implementation of government policy objectives (e.g., Environmental, Social and Governance Framework for Capital),
- Governance for major capital projects through participation on project boards,
- Interface between government and construction market and adaptation to changing market conditions (e.g., alliance model and progressive design build), and
- Biannual brochure to promote projects that are \$50 million or more in the planning and procurement stages.
- Between 2002 and 2009, the province partially funded IBC operations through annual operating grants. Since 2010, IBC has funded its own operations entirely from fees charged to public sector clients. Net income for each of the last three years has been:
  - 2019/20           \$ 584k
  - 2020/21           \$ 524k
  - 2021/22           \$ 145K
- IBC works primarily with ministries and agencies of the province, but has worked for other Canadian jurisdictions including the Government of Canada, the governments of Saskatchewan, Newfoundland and Labrador, Nunavut, the Yukon, and municipal governments in B.C.

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**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government  
250 413-7585

**Page:** 2 of 8

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

- The percentage of revenues earned from sources outside the Province's Government Reporting Entity for the last three fiscal years are:
  - 2019/20                7.0%
  - 2020/21                2.6%
  - 2021/22                2.4%
- IBC is an organization of approximately 40 people, with offices in Victoria and Vancouver. IBC staff are engineers and individuals with professional accounting and financial qualifications with extensive expertise and experience in planning, procuring, financing, and managing capital projects.
- IBC's President and CEO is Mark Liedemann (December 2018); Dana Hayden (2014 appointment) is Chair of its seven-member Board.

### **Overview of Projects**

- In all contract models used by IBC, the public sector owns the infrastructure and maintains full oversight of the project. IBC recommends the best procurement model for each project based on a qualitative and quantitative procurement options analysis.
- To date, IBC has participated in 74 projects with a combined capital value of more than \$25 billion:
  - Healthcare: 30 projects (hospitals, ambulatory care, and long-term care facilities),
  - Accommodation: 23 projects (K-12 education / advanced education, corrections, law courts),

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**Division:** Infrastructure BC

**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government ...  
250 413-7585

**Page:** 3 of 8

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

- Transportation: 16 projects (roads, bridges, and transit systems), and
- Energy and Utilities: 5 projects (water treatment facilities, hydroelectric generating station, biofuels processing and smart meters).

## **Current Status of Projects in Procurement led by IBC:**

### **Healthcare**

- **New Surrey Hospital and Cancer Centre**
  - The RFQ was released on November 24, 2021.
  - The RFP was released June 30, 2022.
  - The budget construction cost is approximately \$1 billion.
- **Dawson Creek and District Hospital**
  - RFP#1 was released on March 16, 2021.
  - RFP#2 was released on January 18, 2023.
  - The budget is \$377 million (Progressive Design-Build).

### **Accommodation**

- **Royal BC Museum Collections and Research Building**
  - The RFP was released on March 16, 2021.
  - A Preferred Proponent was announced February 17, 2023.
  - Construction is expected to begin in 2023 and finish in 2024.
  - The budget is \$270 million (Design-Build).

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**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government  
250 413-7585

**Page:** 4 of 8

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

- **George Pringle Secondary School**

- The RFQ was released on January 19, 2023.
- The RFP is expected to be released April 2023.
- Construction is expected to begin in 2024. The school is expected to be available for Students September 1, 2027.

### **Transportation**

- **Surrey Langley Skytrain (SLS Project) Guideway Contract**

**\*Note The SLS Project consists of the following separately procured and staggered contracts: Guideway, Stations, Systems & Trackwork**

- The RFQ was released August 2, 2022.
- The RFP was released January 3, 2023.
- Construction is anticipated to begin in 2024, with completion anticipated for 2028.
- The Guideway Contract is a Design-Build-Finance (DBF) model.
- The capital cost of Surrey Langley SkyTrain is \$3.94 billion. The total project cost, including active transportation investments, is \$4.01 billion.

- **Surrey Langley Skytrain (SLS Project) Stations Contract**

**\*Note The SLS Project consists of the following separately procured and staggered contracts: Guideway, Stations, Systems & Trackwork**

- The RFQ was released October 3, 2022.

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**Division:** Infrastructure BC

**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government  
250 413-7585

**Page:** 5 of 8

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

- The RFP release is anticipated for Spring 2023.
- Construction is anticipated to begin in 2024, with completion anticipated for 2028.
- The Stations Contract is a Design-Build (DB) model.
- The capital cost of Surrey Langley SkyTrain is \$3.94 billion. The total project cost, including active transportation investments, is \$4.01 billion.
- **Surrey Langley Skytrain (SLS Project) Systems & Trackwork Contract**
  - \*Note The SLS Project consists of the following separately procured and staggered contracts: Guideway, Stations, Systems & Trackwork**
  - The RFQ was released November 14, 2022.
  - The RFP released is anticipated for Fall 2023.
  - Construction is anticipated to begin in 2024, with completion anticipated for 2028.
  - The Systems and Trackwork Contract is a Target Price Contract.
  - The capital cost of Surrey Langley SkyTrain is \$3.94 billion. The total project cost, including active transportation investments, is \$4.01 billion.

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**Division:** Infrastructure BC

**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government  
250 413-7585

**Page:** 6 of 8

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

- **BC Highway Reinstatement Program**

- The RFQs were released on November 26, 2021.
- Two RFQs were issued, one to identify Engineering and Design Firms and separate one for Construction Firms to be qualified and become Candidates for future highway reinstatement projects.
- The RFP for Highway 5 project was issued March 21, 2022.
- A collaborative construction contract was signed on January 1, 2023, for a value of \$247,377,314.
- The RFP for Highway 1 project was issued June 3, 2022. There are three separate projects, all of which are currently in a development phase. No contract for construction has been executed.
- The budget cost is yet to be determined.

**Future Major Projects with Potential IBC Involvement:**

- Fraser River Crossing
- Richmond Hospital

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**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government  
250 413-7585

**Page:** 7 of 8

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ORGANIZATION OVERVIEW**

**BUDGET:**

<b>Budget (\$000)</b>	<b>2021/22 Actuals</b>	<b>2022/23 Forecast</b>	<b>2023/24 Estimates</b>	<b>2024/25 Plan</b>	<b>2025/26 Plan</b>
Salaries and Benefits	6.45	7.26	8.53	8.79	9.05
Operating Costs	1.60	1.80	1.92	1.92	1.97
<b>Total Operating Expenses</b>	<b>8.05</b>	<b>9.06</b>	<b>10.45</b>	<b>10.71</b>	<b>11.02</b>
Project Recoverable Expenses	2.08	1.98	1.89	1.91	1.93
<b>Totals</b>	<b>10.13</b>	<b>11.04</b>	<b>12.34</b>	<b>12.62</b>	<b>12.95</b>

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**Division:** Infrastructure BC

**File Name:** 01\_MO\_IBC Organizational Overview

**Phone:** Government  
250 413-7585

**Page:** 8 of 8

MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ISSUE NOTE

## **ISSUE: Market Bidding Activity**

- Some procurements for major Provincial capital projects have experienced a limited number of qualified bidders.

## **ADVICE AND RECOMMENDED RESPONSE:**

- The limited number of qualified bidders is not unexpected. This is due to several factors:
  - There are limited contractors with the experience to successfully undertake major capital projects.
  - There are many projects in the public and private sectors with attractive risk profiles and margins.
  - Some contractors have withdrawn from the fixed price / fixed schedule market that is preferred by the Province for major capital projects.
  - Pursuit costs (time and money) to participate in a public procurement process are high.
- The limited number of qualified bidders is not attributable to the Community Benefit Agreement.
  - In fact, some of the major capital projects with the Community Benefit Agreement have had more bidder interest than those without.

**Contact:** Mark Liedemann  
**Division:** Infrastructure BC  
**File Name:** 02\_MO\_IBC\_Market Bidding Activity

**Phone:** Government  
**Page:** 1 of 3

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ISSUE NOTE**

**KEY FACTS:**

- Initiatives the Province is undertaking to respond to reduced bidder interest include:
- Examining a broad spectrum of delivery models for each project with the objective of balancing risk, cost certainty, schedule certainty, quality, market interest and the need to deliver essential infrastructure to citizens of B.C.
- Reducing RFP submission requirements to reduce bidder's pursuit costs. Examples include:
  - Removing computer generated 3D fly-through of buildings,
  - Reducing number of renderings, and
  - Allowing multipurpose drawings rather than requiring separate drawings for every submission requirement.
- Increasing the partial compensation the Province pays to unsuccessful bidders to mitigate pursuit costs.
- Improving communication with contractors to ensure they are aware of upcoming projects by continuing to publish the BC Infrastructure Major Projects Brochure twice a year.
- Altering risk profile to share risks that were traditionally fully transferred to the private sector (e.g., utility risk, some types of permitting risk).
- Examining a broad spectrum of delivery models, including Progressive Design-Build, Target Price and Alliance, for each project

**Contact:** Mark Liedemann

**Division:** Infrastructure BC

**File Name:** 02\_MO\_IBC\_Market Bidding Activity

**Phone:** Government

**Page:** 2 of 3

**MINISTRY OF FINANCE  
INFRASTRUCTURE BC  
ISSUE NOTE**

with the objective of balancing risk, cost certainty, schedule certainty, quality, and market interest.

- Allowing bidders to propose the construction schedule they can achieve instead of dictating the construction schedule they must achieve.
- The Province will continue to ensure it is getting good value for taxpayers if there is only one bidder submitting pricing by:
  - Structuring a process between the contractor and owner with off ramps for the owner at set intervals.
  - Prior to the Province accepting any price, it will independently verify the value of the price through its cost consultant.
- Off ramps include:
  - Replacing the contractor, and
  - Changing the delivery model to Design-Bid-Build or Construction Management.

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**File Name:** 02\_MO\_IBC\_Market Bidding Activity

**Phone:** Government  
**Page:** 3 of 3