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**Ministry of Finance
BRIEFING DOCUMENT**

| | | | |
|------------------------------|---|------------------------|--|
| To: | Lori Wanamaker Deputy Minister of Finance | Date Requested: | August 1, 2017 |
| | | Date Required: | August 4, 2017 |
| | | Date Prepared: | August 3, 2017 |
| | | Date Amended: | August 4, 2017 |
| Initiated by: | Diane Lianga, Acting Executive Director, Financial Reporting and Advisory Services | Phone: | 250-387-9242 |
| | | Email: | Diane.Lianga@gov.bc.ca |
| Ministry Contact: | Raj Sihota, Manager, Natural Resources Sector | Phone: | 250-387-9212 |
| | | Email: | Raj.Sihota@gov.bc.ca |
| | | CLIFF: | 359631 |

TITLE: Public notification of changes in the government reporting entity during 2016/17

PURPOSE: The *Budget Transparency and Accountability Act* (BTAA) requires public notification for changes in the government reporting entity that were not included in the Budget for the year when the impact is \$25 million or more.

DECISION REQUIRED Yes

COMMENTS:

- The Budget for each fiscal year is based on the entities that are included in the government reporting entity (GRE) known at the time.
 - Section 11 of the BTAA requires special disclosure for any changes in the GRE or changes in accounting policy that were not included in the Budget.
 - The disclosure consists of impacts on revenue, expenses and accumulated equity for the current year.
-

DATE PREPARED: August 2, 2017

TITLE: Public notification of changes in the government reporting entity during 2016/17

ISSUE:

- Special notification is required for the change in the composition of the GRE per Section 11(1) of the *Budget Transparency and Accountability Act*.

BACKGROUND:

- The Budget for each fiscal year is based on the entities that are known to be included in the GRE at the time the Budget was prepared.
- New entities may need to be included in the GRE as a result of subsequent changes in legislation or compliance with generally accepted accounting principles.
- The financial statement results may not be comparable to the Budget as result of these changes to the GRE.
- Section 11(1) of the BTAA requires the minister to make public a report of the impact when:
 - (a) there is a change in the composition of the government reporting entity, and
 - (b) the estimated impact of the change on the forecast deficit or surplus for the fiscal year in which the change first applies, or for any of the following 3 fiscal years, is greater than \$25 million.

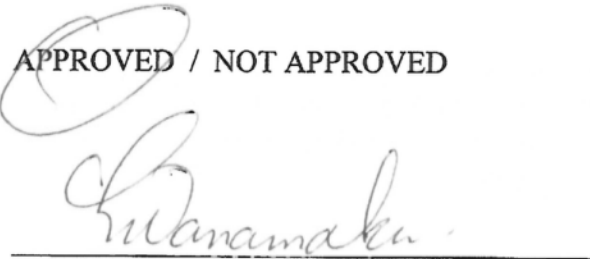
DISCUSSION:

- In accordance with generally accepted accounting principles (GAAP), organizations that are controlled by the government should be included in the government reporting entity. Control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities.
- During fiscal year 2016/17, legislative amendments were made to the *Real Estate Services Act* and the *Real Estate Services Regulation*. These amendments resulted in the Real Estate Council of British Columbia (plus its subsidiary the Real Estate Errors and Omissions Insurance Corporation) and the Real Estate Foundation of British Columbia becoming part of the government reporting entity.
- Also during fiscal year 2016/17, it was determined, in consultation with the Office of the Auditor General, the Forest Enhancement Society of BC should be included in the GRE to be in compliance with GAAP.

RECOMMENDATION:

- Approve notification as outlined in Appendix A and obtain signature on notification statement.

APPROVED / NOT APPROVED

A handwritten signature in cursive script, appearing to read "Lori Wanamaker", written over a horizontal line.

Lori Wanamaker
Deputy Minister, Finance

Aug 15/17

Date

Appendix A

Ministry of Finance

Notification of the impact of a change in the composition of the government reporting entity pursuant to the *Budget Transparency and Accountability Act*, Section 11(1)

Change in the composition of the government reporting entity with the addition of the Real Estate Council of British Columbia, the Real Estate Foundation of British Columbia and the Forest Enhancement Society of BC.

On September 30, 2016, legislative amendments were made to the *Real Estate Services Act* and the *Real Estate Services Regulation*. These amendments resulted in the Real Estate Council of British Columbia (plus its subsidiary the Real Estate Errors and Omissions Insurance Corporation) and the Real Estate Foundation of British Columbia becoming part of the government reporting entity.

Also, in fiscal year 2016/17, it was determined the Forest Enhancement Society of BC should be included in the government reporting entity.

This change has been made in accordance with generally accepted accounting principles (GAAP), which requires organizations that are controlled by the government be included in the government reporting entity. Control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. This change has the following effect on the province's summary financial statements in the Public Accounts for the 2016/17 fiscal year:

| \$ Thousands | | | |
|--|----------------|----------------|----------------|
| | Revenue | Expenses | Net impact |
| Real Estate Council of British Columbia | 7,149 | (806) | 6,343 |
| Real Estate Foundation of British Columbia | 15,326 | (2,174) | 13,152 |
| Forest Enhancement Society of BC | 151,000 | | 151,000 |
| Real Estate Errors and Omissions Insurance Corporation | 25,505 | (4,939) | 20,566 |
| Total | 198,980 | (7,919) | 191,061 |

This change in the government reporting entity does not affect the results reported under the *Balanced Budget and Ministerial Accountability Act* (BBMAA) for fiscal 2016/17. The BBMAA requires that ministerial accountability be based on the government reporting entity used in the Estimates of the same year.

Respectfully submitted,

Honourable Carole James
Chair, Treasury Board

Ministry of Finance
Notification of the impact of a change in the composition of the government reporting entity pursuant to the *Budget Transparency and Accountability Act*, Section 11(1)

Change in the composition of the government reporting entity with the addition of the Real Estate Council of British Columbia, the Real Estate Foundation of British Columbia and the Forest Enhancement Society of BC.

On September 30, 2016, legislative amendments were made to the *Real Estate Services Act* and the *Real Estate Services Regulation*. These amendments resulted in the Real Estate Council of British Columbia (plus its subsidiary the Real Estate Errors and Omissions Insurance Corporation) and the Real Estate Foundation of British Columbia becoming part of the government reporting entity.

Also, in fiscal year 2016/17, it was determined the Forest Enhancement Society of BC should be included in the government reporting entity.

This change has been made in accordance with generally accepted accounting principles (GAAP), which requires organizations that are controlled by the government be included in the government reporting entity. Control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. This change has the following effect on the province's summary financial statements in the Public Accounts for the 2016/17 fiscal year:

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|--|----------------|----------------|----------------|
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| Total | 198,980 | (7,919) | 191,061 |

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Honourable Carole James
Chair, Treasury Board

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Initiated by: Paul Flanagan
Executive Director
Tax Policy Branch

Date Prepared: August 3, 2017

Ministry Contact: Paul Flanagan
Executive Director
Tax Policy Branch

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Strategic Advisor
Tax Policy Branch

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CLIFF#: 359860

TITLE: Amendments to the Designated Accommodation Area Tax Regulation under the *Provincial Sales Tax Act* (Municipal and Regional District Tax Program)

PURPOSE:

(X) DECISION REQUIRED

COMMENTS: This Order in Council reflects renewals for four designated recipients: the City of Langley, the Township of Langley, the Town of Osoyoos and the City of Vernon. The tax rate for the City of Vernon is also increased to three per cent from two per cent.

The Cranbrook & Region Tourism Society is added as a new designated recipient at a rate of three per cent.

DATE PREPARED: August 3, 2017

TITLE: Amendments to the Designated Accommodation Area Tax Regulation under the *Provincial Sales Tax Act* (Municipal and Regional District Tax Program).

ISSUE: Amendments to the Designated Accommodation Area Tax Regulation are required to:

- Implement renewals for four designated recipients under the Municipal and Regional District Tax Program: the City of Langley, the Township of Langley, the Town of Osoyoos and the City of Vernon. Also, to increase the tax rate for the City of Vernon to three per cent from two per cent.
- Add the Cranbrook & Region Tourism Society as a new designated recipient at a rate of three per cent.

BACKGROUND:

The Municipal and Regional District Tax (MRDT) is imposed on the purchase price of accommodation at the request of a municipality, regional district or eligible entity to raise revenues, primarily for local tourism marketing, programs and projects. The MRDT has a maximum rate of three per cent. Revenues are paid to the municipality, regional district or eligible entity that requested the tax as the designated recipient for their designated accommodation area.

Since 1999, communities (except for a few “grandparented” communities, including: Vancouver, Whistler, Victoria and Smithers) must submit a renewal application every five years, which includes proof of support for the tax by the majority of the accommodation providers in the community with a majority of the rooms. Each community is on a different renewal schedule.

Applications to renew, impose, or change the rate of the MRDT in a designated accommodation area are reviewed under a set of comprehensive guidelines by the Ministry of Finance and Destination British Columbia. These guidelines were updated in September 2015 to strengthen application and reporting requirements, and enhance the accountability of designated recipients to government.

Destination British Columbia reviews and approves the business plan submitted with the application. After Destination British Columbia has approved the business plan, the application is forwarded to the Ministry of Finance, where it is reviewed to ensure that all other application requirements have been met.

DISCUSSION:

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REGULATORY CRITERIA EXEMPTION:

The OIC has no impact on regulatory requirements.

OPTIONS:

Option 1. s.12

Option 2.

RECOMMENDATION:

Option 1. s.12

APPROVED / NOT APPROVED

Honourable Carole James
Minister

Date

**PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
BRIEFING NOTE – FOR INFORMATION**

PREPARED FOR: Honourable Carole James, Minister of Finance and Minister responsible for the *Public Sector Employers Act*

ISSUE: Response to Judicial Compensation Commission – Related Compensation Cost Implications

BACKGROUND:

Judicial compensation is established by the Legislature in response to the triennial report of the Judicial Compensation Commission.

Currently, there are two reports requiring response by the Legislature:

- The report of the 2013 Judicial Compensation Commission, which has been the subject of litigation at the BC Court of Appeal and has been sent back to the Legislature by the Court for reconsideration.
- The report of the 2016 Judicial Compensation Commission, which has yet to be responded to by the Legislature.

Clear timelines exist in the *Judicial Compensation Act* for the tabling and response to Judicial Compensation Commission reports:

- The report must be tabled within seven sitting days after the Attorney General receives the report,
- The Legislature may reject or amend the recommendations of the Commission by passing a resolution within 16 sitting days of tabling the report.

If the Legislature does not pass a resolution within sixteen sitting days either amending or rejecting the Commission's recommendations, the Commission's recommendations are considered to have been adopted. This timeline is re-set if the Legislative Assembly is prorogued or dissolved before the timelines expire.

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|--------------|---|--------------|---|
| Prepared by: | | Approved by: | |
| | Chris Rathbone A/Assistant Deputy Minister PSEC Secretariat | | Christina Zacharuk President and CEO PSEC Secretariat |
| Phone #: | s.17 | | |

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PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT DECISION NOTE

PREPARED FOR: Honourable Carole James, Minister responsible for
the *Public Sector Employers Act*

ISSUE: Consultations on potential improvements to employer associations'
governance.

BACKGROUND:

The constitution and bylaws of the British Columbia Public School Employers' Association (BCPSEA) provides for elected school trustees to serve on the Association's governing board of directors. On July 31, 2013, pursuant to Section 9.1 of the *Public Sector Employers Act* (the *Act*), the Lieutenant Governor in Council (LGIC) issued an Order-in-Council (OIC) to dismiss the board of directors and appoint a public administrator to assume the duties and responsibilities of the board. s.13

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Since the appointment of the public administrator, school trustees have regularly passed motions at the BCPSEA annual general meetings (AGM) calling on the Minister to reinstate trustee directors to the BCPSEA board. To ensure board of education trustees continued to have voice into BCPSEA's operations and mandate, the public administrator established the BCPSEA School District and Government Advisory Committee, comprised of board of education trustees and representatives from PSEC, the Ministry of Education, the BC School Superintendents' Association (BCSSA), and the BC Association of School Business Officials (BCASBO).

Addressing BCPSEA's situation presents an opportunity to explore and implement best practices and governance modernization in a consistent manner across the four major employer associations (BCPSEA, Health Employers Association of BC, Community Social Services Employers' Association, Post-Secondary Employers' Association). This opportunity coincides with the fact that some employer associations are currently in the process of modernizing their constitution and bylaws to take advantage of the enhanced flexibility provided under the new *BC Societies Act*.

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DISCUSSION:

In general, the business conducted by the employer associations' board of directors where it is most important to maintain strong alignment with government includes:

- the selection and termination of the associations' CEOs (including changes to employment contracts);
- the establishment of bargaining committees, the appointment of chief negotiators, and the delegation of bargaining to employers or sub-groups of employers;
- the approval of bargaining objectives prior to negotiations and approval of tentative agreements prior to employer ratification;
- approval of the associations' annual budgets;
- setting member fees and assessments; and,
- director codes of conduct and conflict of interest policies.

With up to 16 directors, BCPSEA had the largest board among the four major employer associations: up to 9 voting directors comprised of school trustees, up to 4 voting directors appointed by government, and three non-voting directors representing the past-chair, superintendents (BCSSA), and secretary-treasurers (BCASBO). s.13

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There have been no significant changes to employer associations' governance structures since the *Act* was introduced in 1993. Across all sectors, experience with the PSEC model over the past 23 years has improved the alignment between public sector employers and government bargaining mandates and policy priorities as intended by the *Act*. s.13

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The need to resolve BCPSEA's governance presents an opportunity to consult with the board chairs, board directors, and relevant stakeholder groups for the four major employers' associations on possible governance structure modernization. At the conclusion of the consultations, options would be presented to the Minister for consideration.

The targeted consultations would seek out advice and perspectives on potential changes to ensure:

- board size and composition reflects current governance best practices;
 - explore moving to smaller boards that meets quarterly;
 - greater consistency in succession planning, length of director terms, and director qualifications;
- boards have strong lines of sight to the 'shop floor' and the technical labour relations and compensation issues faced by their member employers;
 - consistent approaches and oversight of advisory structures, including technical advisory bodies;
 - explore formalizing the School District and Government Advisory Committee in the BCPSEA bylaws;
- the directors and member employers are focused on achieving their association's statutory purpose;
 - explore alternative safeguards to dismissing the board/appointing a public administrator in the event members employers (or their representatives on the board) are not pursuing or acting to frustrate the association's mandate;
 - updating the associations' constitutional purposes to highlight their services as extensions of the technical expertise and business that occurs at the staff level across the member employers;
 - clarify the roles/responsibilities of the board versus the members employers and membership votes with respect to:
 - budget approval,
 - conduct and delegation of bargaining, and
 - business conducted at AGMs, and
- the bylaws are modernized to take advantage of the additional flexibility offered through the new BC Societies Act.

| | |
|----------------------|---|
| By August 28 | MCJ letter to PSEC; PSEC CEO follows with similar letter to employer associations' board chairs and CEOs |
| September 13 | PSEA Board Meeting and AGM |
| September 19 | Employer Associations-PSEC CEOs meeting |
| September 25 | CSSEA Board Meeting and AGM |
| September 29 | HEABC Board Meeting |
| By September 29 | Consultations substantively complete. |
| By October 6 | Consultation results and options presented to Minister. |
| By October 20 | Proposed bylaw changes drafted. |
| By November 1 | MCJ letter requesting changes sent to employer associations (ideally, Cabinet notionally approves direction prior the Minister sending letter); membership has 60 days to adopt. |
| By December 31 | Membership of employer associations adopt the proposed changes through special resolution (requires boards to organize a general meeting). |
| Post January 1, 2018 | OIC deposited to wind down BCPSEA Public Administrator and, if required, implement any bylaw changes not approved by employer associations' members (bylaws take effect 30 days after OIC published). |
| January 26 | BCPSEA AGM |

Prepared by: Robert Pauliszyn, MPA
Executive Director, PSEC Secretariat
Tel: 250 356-0606

Approved by: Christina Zacharuk
President & CEO
Mobile 604 839-5699

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5

Appendix A – Consultation Themes

Overarching Goal: consistent, collaborative governance structures and approaches across employer associations, in support of B.C.'s statutory framework for coordinating public sector employers, while maintaining the flexibility necessary to accommodate each sector's unique factors and context.

Currently, most corporate boards (publicly traded companies) number between 9 and 12 directors¹. In general, there is an argument that smaller boards (5 to 7 directors) are more nimble and effective, but this is balanced against the benefits of board diversity, the number of board committees and overall time commitment expected (i.e., easier to spread the committee work if there are more directors). Virtually all public companies rely on audit, compensation, and nominating/governance committees of the board, and the Canadian average is 4 board committees. Great boards strive to: create a climate of trust, candor and open dissent (no subject as undiscussable), use a fluid portfolio of roles, ensure individual accountability, and evaluate board and director performance.

Does the board have the right mix of individuals/skills/experience? Is the director nomination/selection process bringing forward the best possible candidates? What skillsets/experience would benefit your board the most?

Does your board evaluate board and director performance? Is there a succession plan to ensure board composition is a mix of experienced and new/developing directors?

Currently, boards are structured in a manner that attempts to capture the views of different employer sub-groups across the sector. Is this approach working, is the board an adequate reflection of employer diversity?

Does the board have strong line-of-sight into the technical and operational challenges faced by their members? Does association have strong links to technical staff in their member organizations? Does the board currently use formal advisory bodies to inform their decision-making? Is there strong board-led coordination of these bodies?

Could a smaller board (5 to 7) directors work for your sector? If you moved to a smaller board, would the time commitment for the remaining directors materially change? Could the governance workload be better shared/lightened through board committees or board advisory bodies?

Currently, if government faces a situation that the member employers -- or their representatives on the board -- are not acting in line with the association's statutory purpose, the legislation allows government to dismiss the board and appoint a public administrator.

Is there a better middle ground? Are there better safeguards that can be built into the constitution and bylaws short of dismissing the board?

¹ Corporate Governance Handbook: Legal Standards and Board Practices, Third Edition; The Conference Board, 2008.

For example, what if the Minister responsible was able to appoint a majority of the board? Or what if the bylaws provided the Minister with the flexibility to appoint as many additional directors felt necessary to realign the association to its statutory mandate? What if it were up to the member employers to nominate a list of individuals, from which the Minister appoints to the board?

What if, as a precursor to the above, the bylaws were amended to allow the Minister to appoint a special advisor to the board? The role of the advisor would be to work with the board to ensure it is meeting its statutory mandate. If, after some point of time, the special advisor believes that their efforts are not working, then they would recommend the minister use the (amended) bylaws to appoint additional directors (or some other such response).

Are there changes to the constitution and bylaws that would help keep the membership focused on the association's technical and statutory purpose?

Could the associations' constitutional purposes be strengthened to highlight their function and service as an extension of the employers' technical expertise and labour relations functions? Does the association's constitution adequately reflect the scope of service delivery to members? Do the bylaws adequately capture the obligations of members to the association?

What formal governance role should we expect the member employers to play (i.e. what are the special and ordinary resolutions they should vote on)? Should it be broader or narrower? What safeguards could be created if the membership is intent on frustrating the association's pursuit of its statutory mandate? What if the Minister responsible had the flexibility to assign weighted voting to government/ministry members of the association?

It has been over 23 years since the associations were established. With the transition to the new BC Societies Act, there is an opportunity to take a look at modernizing the logistics or administrative aspects of the governance structures.

Does the board meet quarterly, does it need to meet more/less frequently? Does the board take advantage of teleconference/electronic meetings? Are there changes to processes or roles/responsibilities that would streamline board meetings?

How frequently does the association bring together or call a meeting of the membership? Does the membership need to come together more/less frequently? Do the bylaws provide for electronic general meetings and voting?

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7

Appendix B – Stakeholder List and Sequencing

| | |
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| By August 28 | MCJ letter to PSEC; PSEC CEO follows with similar letter to employer association board chairs and CEOs |
| September 13 | PSEA Board Meeting and AGM |
| September 19 | Employer Associations-PSEC CEOs meeting |
| September 25 | CSSEA Board Meeting and AGM |
| September 29 | HEABC Board Meeting |
| By September 29 | Consultations substantively complete. |
| By October 6 | Consultation results and options presented to Minister. |
| By October 20 | Proposed bylaw changes drafted. |
| By November 1 | MCJ letter requesting changes sent to employer associations (ideally, Cabinet notionally approves direction prior the Minister sending letter); membership has 60 days to adopt. |
| By December 31 | Membership of employer associations adopt the proposed changes through special resolution (requires boards to organize a general meeting). |
| Post January 1, 2018 | OIC deposited to wind down BCPSEA Public Administrator and, if required, implement any bylaw changes not approved by employer associations' members (bylaws take effect 30 days after OIC published). |
| January 26 | BCPSEA AGM |
| K-12 Sector | |
| Ministry of Education DM | Week of Aug. 21 |
| Minister of Education | Week of Aug. 28 |
| BCPSEA CEO | Week of Aug. 28 |
| BCPSEA Public Administrator | Week of Aug. 28 |
| BCSTA Chair and Executive Director | Before Sept. 1 |
| BCPSEA CEO and Public Administrator | By Oct 20. Review draft bylaw changes prior to Minister formally conveying the requested changes. |
| Community Social Service Sector | |
| Ministry of Social Development DM and Ministry of Children and Family Development DM | Week of Aug. 28 |
| CSSEA CEO | Week of Sept 5 |
| CSSEA Board Chair | Week of Sept 5 |
| CSSEA Board | Sept 25 Board Meeting (through standing "government update") |
| CSSEA CEO and Board Chair | By Oct 20. Review draft bylaw changes prior to Minister formally conveying the requested changes. |

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| Post-Secondary Sector | |
| Ministry of Advanced Education and Skills Training DM | Week of Aug. 28 |
| PSEA Interim CEO | Week of Aug. 28 |
| PSEA Board Chair | Week of Sept 5 |
| PSEA Board | Sept 13 Board Meeting (through standing "government update") |
| PSEA CEO and Board Chair | By Oct 20. Review draft bylaw changes prior to Minister formally conveying the requested changes. |
| | |
| | |
| Health Sector | |
| | |
| Ministry of Health Associate DM | Week of Aug. 28 |
| HEABC CEO | Week of Aug. 28 |
| HEABC Board Chair | Week of Aug. 28 |
| HEABC Board | Sept 29 Board Meeting (through standing "government update") |
| HEABC CEO and Board Chair | By Oct 20. Review draft bylaw changes prior to Minister formally conveying the requested changes. |
| | |
| | |

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Appendix C – Draft Minister’s Letter to PSEC CEO

Dear Ms. Zacharuk:

As you are aware, pursuant to s. 9.1 of the *Public Sector Employers Act*, a Public Administrator has been fulfilling the function of the British Columbia Public School Employers’ Association’s (BCPSEA) Board of Directors since July 2013. Over this period, the BCPSEA membership – the Province’s 60 public boards of education – have brought forward and passed several resolutions calling on the Minister of Finance to release the Association from the direction of the Public Administrator and reinstate trustee directors to the BCPSEA Board of Directors.

The advent of a new government presents an opportunity to wind down the Public Administrator and transition to a structure that continues to deliver good governance consistent with BCPSEA’s statutory mandate while restoring a more direct role for elected school trustees. More broadly, this also presents government with an opportunity to examine other potential enhancements to the governance structure for BCPSEA as well for the other major public sector employer associations: the Community Social Services Employers’ Association (CSSEA), the Post-Secondary Employers’ Association, and the Health Employers’ Association of BC (HEABC). This exploration is particularly timely given the individual associations are each in the midst of considering, as part the transition to the new *BC Societies Act*, various updates to their respective constitutions and bylaws.

I want to ensure government is prepared to deliver a coordinated and informed response to these related matters. As such, I ask that the Public Sector Employers’ Council Secretariat engage in targeted consultations with the employer associations’ board chairs, CEOs, and relevant stakeholder groups about potential governance structure changes intended to ensure:

- board size and composition reflects current governance best practices;
- boards have strong lines of sight, through advisory structures and subject matter experts, to current operational realities and the technical labour relations and compensation issues faced by their member employers;
- clear roles and focus among the member employers to achieve their association’s statutory mandate;
- bylaws are modernized to take advantage of the additional flexibility offered through the new *BC Societies Act*; and
- consistent, collaborative approaches across employer associations, in line with B.C.’s statutory framework for coordinating public sector employers, while maintaining the flexibility necessary to accommodate each sector’s unique factors and context.

I trust these consultations will be invaluable to Government in assessing the best course of action for all employer associations as we move to restore a more direct role for school trustees in BCPSEA governance in advance of the next BCPSEA Annual General Meeting in January 2018.

Best regards,

Hon. Carole James, Minister of Finance

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10

Appendix D – Communications Plan

Strategic Approach: Focus is proactive, internal business level communications with key stakeholders, particularly in the K-12 sector. No public announcement but ready to respond to media questions/social media if required.

Products:

Minister's Letter

PSEC Letter to Board Chairs and CEOs

Key Messages

Q&A

Key Messages:

In 1993, the government created employers' associations to coordinate collective bargaining and compensation across the broader B.C. public sector. The four biggest organizations cover the health, social services, post-secondary, and K-12 sectors.

These employer associations do a lot more than just implement the Province's bargaining mandate. These organizations, and the boards that oversee them, really serve as an extension of their members' human resource offices. By working together, the employers benefit from specialized services, expertise, and strategic coordination of the very technical, on-the-ground labour relations and employment issues that they face on a daily basis.

B.C.'s approach and the employer associations have served the Province well. That does not mean things have stood still over the past 23 years.

Best practices in board governance have evolved. There is a new *B.C. Societies Act* to modernize governance approaches and standards, and added flexibility to use electronic voting and virtual board and membership meetings.

We also have a situation where the role of the BC Public School Employers' Association's board of directors is currently filled by an appointed public administrator. The members of the Association – the Province's 60 public boards of education – want to see school trustees reinstated to the BCPSEA board.

I think it is important to transition to a structure where elected school trustees can play a more direct role in BCPSEA governance. This is also an opportunity to consider other potential enhancements to the governance structures for the other major public sector employer associations.

That's why I've tasked the Public Sector Employers' Council Secretariat to engage in targeted consultations with the four major employer associations' boards, senior executives, and key stakeholders.

The consultations will explore whether board size and composition reflects current governance best practices and whether the bylaws can be modernized to take advantage of the flexibility offered through the new B.C. Societies Act.

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11

We want to make sure boards have strong lines of sight, through advisory structures and subject matter experts, to the operational realities and the technical issues faced by their members. We also want to make sure the associations' members and directors are clearly focussed on achieving their statutory purpose.

The overall goal is to ensure consistent best practices, high quality technical advice and services, and strategic coordination while accommodating each sector's unique needs and dynamics.

I expect the consultations will move very quickly. If we are to wind down the public administrator in time for the next BCPSEA AGM, I will need to advise my cabinet colleagues on the proposed course of action within the next couple of months.

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12

Appendix E – Board Size, Composition and Term

| BCPSEA | PSEA | CSSEA | HEABC |
|---|---|--|--|
| Board Size & Composition | | | |
| <p>16 directors (up to)</p> <p><u>13 voting:</u></p> <ul style="list-style-type: none"> • 4 appointed by government (up to) • 9 school trustees elected by members, of which: <ul style="list-style-type: none"> - 1 elected as chair - 1 elected as vice-chair <p><u>3 non-voting (up to):</u></p> <ul style="list-style-type: none"> • 1 immediate past-chair • 1 rep from BC School Superintendents' Association • 1 rep from BC Association of School Business Officials | <p>10 directors</p> <p><u>8 voting:</u></p> <ul style="list-style-type: none"> • 2 appointed by government • 6 chosen by members: <ul style="list-style-type: none"> - 1 elected from colleges - 1 elected from teaching universities - 1 elected from institutes - 3 elected by all members <p><u>2 non-voting:</u></p> <ul style="list-style-type: none"> • chair and vice chair of Standing Committee on HR (selected by members of a committee comprised of senior HR and LR practitioners from each employer) | <p>11 directors (up to)</p> <p><u>11 voting:</u></p> <ul style="list-style-type: none"> • 3 appointed by government (up to) • 8 chosen by members (up to): <ul style="list-style-type: none"> - 3 elected from community living panel - 2 elected from aboriginal members panel - 2 elected from general members panel - 1 may be designated by Community Living BC | <p>12 directors (up to)</p> <p><u>12 voting (min. 3):</u></p> <ul style="list-style-type: none"> • 2 appointed by government (up to) • 10 may be chosen by members (up to): <ul style="list-style-type: none"> - 6 appointed by each health authority - 1 elected by proprietary care providers - 1 elected by affiliated care providers - 1 elected by denominational care providers - 1 board chair nominated and elected by the board directors |
| Term Length | | | |
| <p>Term for non-voting and elected directors expire at next AGM.</p> <p>Except for immediate past-chair position, all incumbents may stand for re-election or re-appointment.</p> | <p>Term for elected directors expire at next AGM. Non-voting directors selected annually.</p> <p>Incumbents may stand for re-election.</p> | <p>2-year term for elected directors</p> <p>Incumbents may stand for re-election.</p> | <p>3-year term for elected directors</p> <p>Incumbents may stand for re-election.</p> |

CONFIDENTIAL

This briefing document contains confidential information pertaining to labour relations and other matters.

13

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Date Requested: August 8, 2017
Date Required:

Initiated by: Jim Hopkins
Assistant Deputy Minister

Date Prepared: August 8, 2017

Ministry Contact: Sam Myers
Executive Director
Debt Management Branch

Phone Number: 250-387-8815
Email: Sam.Myers@gov.bc.ca

Cliff #: 359755

TITLE: 2017 North American Investor Tour – route options

PURPOSE:
(X) DECISION REQUIRED

ISSUE:

Further to the Minister's decision to lead a North American investor tour during the week of October 9 (see Briefing Note from July 18 in Appendix A), a decision is required on the Minister's preferred itinerary. This will assist with planning and making final meeting arrangements.

Executive Director approval: 

ADM approval: 

DM approval: _____

DATE PREPARED: August 8, 2017

TITLE: 2017 North American Investor Tour – route options

BACKGROUND:

The Minister's participation in the North American investor tour would initiate introductions of the Minister to the financial community and provide an opportunity for the Minister to promote and market BC as a good place to invest. Refreshing BC's credit story with investors ensures they understand the difference between the Province and other competing issuers which helps attract the lowest cost of funds when the Province issues bonds in the capital markets.

The North American investor tour will review the Province's economic and fiscal situation with senior members of the province's domestic and international syndicates and institutional investors, who currently hold, or are considering buying, Province of BC securities. The post-election budget tour has typically included Vancouver, Toronto, Montreal, New York, and sometimes Boston and/or Chicago. Provincial Treasury will assemble a slide deck for the various meetings that will take place on the investor tour.

DISCUSSION:

There are two possible routes proposed for the investor tour with each option starting on October 9th in New York (see below).

Each itinerary includes a luncheon address to the Canadian Association of New York (CANY) to which past BC Ministers of Finance have presented, going back to the mid-1990's, as well as other federal and provincial ministers and Canadian business leaders. It is an excellent venue for showcasing the new government's fiscal and economic story. You will deliver a speech for this luncheon and we will coordinate with your office to supply a draft. We are inquiring of Canada's Consulate General in New York as to whether Consul General Phylliss Yaffe will be available to introduce you at the event; we will know soon upon return of their key staff from vacation.

The itineraries differ with Option #2 including Washington, DC on October 13th to meet with large Supra Sovereign Agencies (e.g. World Bank, International Financial Corporation, Inter America Development Bank) who have been investors in BC offshore bonds and who are also interesting to meet as issuers in emerging markets and the Green Bond sector. Further, the International Monetary Fund is coincidentally opening their annual meeting that day in Washington and it would be an opportunity for you to meet with world leaders in the financial community at a reception and dinner, hosted by the Royal Bank at the Canadian Ambassador's residence.

High level preliminary itineraries for the October 2017 investor tour and speaking engagements are presented below:

Option #1

| Option #1 | | | | | |
|---------------------------------|---|------------------------------------|---|------------------------------|-----------------------------|
| MONDAY October 9 | TUESDAY October 10 | WEDNESDAY October 11 | THURSDAY October 12 | FRIDAY October 13 | SATURDAY October 14 |
| | New York | Montreal | Toronto | | Vancouver |
| Dinner Meeting with Host Dealer | AM - International Syndicate Breakfast | AM - Breakfast Meeting with Dealer | AM - Domestic Syndicate Breakfast Meeting | AM - Travel back to Victoria | |
| | AM- One-on-ones | AM- One-on-ones | AM- One-on-ones | | |
| | Luncheon Speech to Cdn Association of New York (CANY) | Investor Luncheon | Investor Lunch Meeting | | Vancouver Investor Luncheon |
| | Media | Fly to Toronto | PM- One-on-ones / Media | | |
| | Fly to Montreal | | | | |
| | Dinner Meeting with Host Dealer | Dinner Meeting with Host Dealer | Street Reception / Presentation | | |

Option #2

| MONDAY October 9 | TUESDAY October 10 | WEDNESDAY October 11 | THURSDAY October 12 | FRIDAY October 13 | SATURDAY October 14 | SUNDAY October 15 |
|---------------------------------------|---|----------------------------------|---|---|------------------------------|-----------------------------|
| | New York | Montreal / Toronto | Toronto | Washington | | Vancouver |
| Early Dinner Meeting with Host Dealer | AM - International Syndicate Breakfast | AM - Breakfast Meeting with Host | AM - Domestic Syndicate Breakfast Meeting | AM - One-on-ones | AM - Travel back to Victoria | |
| | AM- One-on-ones | AM- One on ones | AM- One-on-ones | | | |
| | Luncheon Speech to Cdn Association of New York (CANY) | Investor Luncheon | Investor Lunch Meeting | Investor Lunch Meeting | | Vancouver Investor Luncheon |
| | Media | Fly to Toronto | PM- One-on-ones | PM-Media / One on Ones | | |
| | Fly to Montreal | | Fly to Washington | IMF Reception @ Canadian Ambassador's Residence | | |
| | Dinner Meeting with Host Dealer | Street Reception / Presentation | Dinner Meeting with Host Dealer | | | |

While participating in the above meetings, the Minister would be supported by the Ministerial Assistant, Deputy Minister and/or Secretary to Treasury Board, and Assistant Deputy Minister, Provincial Treasury and Capital Markets staff member.

The above preliminary itineraries also include a Vancouver investor luncheon in a local hotel on October 20th. With your approval of this venue, we will organize a host dealer and supply a meeting note at a later date.

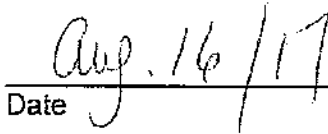
RECOMMENDATION:

We recommend Option #2 for the Minister.

APPROVED / NOT APPROVED



Carole James
Minister of Finance



Date

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Date Requested: August 1, 2017

Initiated by: Jim Hopkins
Assistant Deputy Minister

Date Prepared: August 10, 2017

Ministry Contact: Sam Myers
Executive Director
Debt Management Branch

Phone Number: 250 387-8815
Email: Sam.Myers@gov.bc.ca

Cliff #: 359842

TITLE: Debt Management Related Budget Activities

PURPOSE:

(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: August 10, 2017

TITLE: Debt Management Related Budget Activities

BACKGROUND:

Just prior to and after the release of the September 2017 Budget, there will be several activities with the financial community which require your participation. The purpose of this note is to highlight these activities which will be booked with your office once the Budget Day is known.

DISCUSSION:

Summary of Activities:

Rating Agency Briefing Calls

On the day of release of the September 2017 Budget, the Deputy Minister of Finance along with ministry staff will provide a high level briefing to the three major credit rating agencies - Standard and Poor's (S&P), Dominion Bond Rating Service (DBRS), and Moody's on the key points that will be delivered by you in the Budget. These calls do not require your participation.

Post Budget Teleconference Call

Two days after the Budget release, a senior member of the province's Canadian debt syndicate will host a 30 minute teleconference call for you to review the September 2017 Budget with firms in the province's domestic and international underwriting syndicates, as well as interested institutional investors. You will be asked to open the call with a 10-15 minute Budget discussion. There will be an opportunity to field questions from the participants. Time will be booked in your schedule on the morning of the call from 7:30 am to 9:00 am; staff will provide a pre-call briefing. A more detailed briefing note will be provided closer to the date scheduled for this teleconference call.

Budget Dinner

Two days following Budget Day, the Minister of Finance and senior Ministry staff have traditionally participated in a dinner, which is hosted by the province's domestic and international syndicate managers. The dinner provides an opportunity for you to ensure the key Budget messages are appreciated by those who will be assisting the province with its financing program and representing the province to investors. For the September 2017 Budget Dinner, we will aim to book the Library Room at The Fairmont Empress Hotel (reception at 6:00 pm for 6:30 pm dinner). The host for the dinner this year will be Bank of Montreal. A more detailed note on the dinner meeting will be provided closer to the time.

Post Budget Rating Agency Updates

Three credit rating agencies (Moody's, S&P and DBRS) will travel to Victoria and participate in the technical briefings with staff on the September 2017 Budget. The meetings have been tentatively booked for October 2 (S&P), October 4 (DBRS) and October 5 (Moody's). Fitch will participate in the technical briefing with staff via conference call on October 3.

Your participation in these technical briefings will consist of hosting separate luncheons with DBRS and Moody's in the Legislature along with one or two of your Cabinet colleagues. A coffee meeting may also be booked with S&P. These meetings provide an opportunity for you to convey key Budget themes and strategies, and allow the agencies to put questions on policy which staff are not as well positioned to address.

Closer to the time of these technical briefings and after the rating agencies have had an opportunity to review the Budget and indicate policy areas of interest, we will supply you with briefing material. Your advice will be sought respecting Cabinet colleagues who you wish to join you.

For reference, topics which we expect to discuss during the technical briefings will include:

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2017 North American Investor Relations Tour

Further to your decision to lead a North American investor tour during the week of October 9 (see Briefing Notes from August 8 and July 18), we will prepare briefing materials, a power point deck for investors and a speech for your address to the Canadian Association of New York. We will request a pre-tour planning meeting closer to departure. Meantime, we will liaise with your staff on travel plans.

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Date Requested:
Date Required:

Initiated by: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury

Date Prepared: July 18, 2017

Ministry Contact: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury

Phone Number: 250 387-9295
Email: Jim.Hopkins@gov.bc.ca

Cliff #: 359389

TITLE: 2017 Investor Relations

PURPOSE:

(X) DECISION REQUIRED for Minister to lead a North American investor tour following tabling the Budget

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: July 18, 2017

TITLE: 2017 Investor Relations

BACKGROUND:

The province relies on investor relations to promote and market its credit story to fixed income investors in Canada and abroad. As a matter of course, investors seek periodic and timely updates from issuers to assist them with decisions to buy new issues in the primary market, and whether to hold, sell or buy more of an issuer's bonds in the secondary market. Investor demand for an issuer's bonds, in either the primary or secondary markets, supports lower cost of borrowing for that issuer relative to peers, and it also supplies the issuer with access to liquidity to finance its borrowing requirements and deliver its programs. Investor relations for an issuer, such as the province, is basically a ticket of admission to the capital markets, along with the credit rating. It is also used by the government to build trade and investment relationships, and strengthen existing relationships.

About 80 percent of the province's outstanding debt has been sourced from the domestic capital market; the balance is sourced from offshore capital markets, including USD, EURO, Swiss Franc, Australian dollar, Renminbi and Rupee. As a result, a typical year includes a Ministerial-lead tour to the major financial centers in North America following the annual Budget (Toronto, Montreal, Vancouver, New York, and usually Boston or Chicago). The Minister and /or staff will lead tours into other capital markets of importance to the province, including Europe (London, the Continent) and Asia (Tokyo, Seoul, China, Hong Kong, Singapore); this investor base follows the province's credit story and can help the province borrow at material savings to its Canadian dollar cost of borrowing. Further, ministers and staff have each lead tours into emerging capital markets, including China for Renminbi borrowing (Panda Bond), and India for Rupee-denominated borrowing.

As is typical, during the weeks leading up to the election, the province blacked itself out from issuance in the capital markets in deference to the fact that it was waiting for the new government to table its Budget and provide critical information on which investors could base their investment decisions. The delays in swearing in the government designate, which followed Election Day, has extended the black-out period until after tabling the upcoming Budget. Following the Budget, investors will be very interested to hear the new government's credit story. Provincial Treasury recommends that the Minister or Deputy Minister (mindful of House duties) lead a North American investor tour as soon as practicable after the Budget, and it need not wait until after meeting with the credit rating agencies who will visit a few weeks after tabling the Budget (see briefing note on Early Engagement with Credit Rating Agencies).

DISCUSSION:

The typical investor relations (IR) slide deck for investors reviews the province's economic and fiscal conditions and outlook, capital spending, debt affordability, pension fund management, debt management and borrowing program, credit ratings, and topical issues, e.g. soft wood lumber agreement, NAFTA, Green Bonds.

A North American IR tour could be anchored by the 5th annual Bloomberg Conference on Canada's Fixed Income Market in New York on September 26, 2017. This conference is well attended by investors and gets good coverage through the Bloomberg media outlet. It is a one-day event with a reception the evening before at the Canadian Consul General Phyllis Yaffe's residence, and a dinner with the central bank community on the evening of the event. The conference also offers opportunities for one-on-one investor meetings during the conference or on site with investors. This year, finance ministers from the federal government, Ontario, Quebec, and Manitoba will be doing on-stage one-on-one interviews with a Bloomberg reporter, and, if the Minister wanted to attend, we can organize it provided we know by the end of July 2017.

If the Minister/Deputy Minister prefer to pass on Bloomberg or it does not fit schedules, we can propose an alternate itinerary for North America that could be anchored by a speaking engagement with the Canadian Association of New York (CANY) on October 5 or 12, 2017. CANY is a speakers' association for New York's financial community with interests in Canada -; and past BC ministers of finance have addressed the association on a number of occasions dating back to the late 1990's. Attached are alternate itineraries for a week-long North American IR tour.

We recommend an IR tour this year into Europe in Fall largely because ^{s.17}

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and because marketing in Europe supports effective diversification of the province's trade and investment relationships. This investor base is fine with meeting staff or the Minister; we would recommend a staff tour in October/November, led by the Deputy Minister, or including the Chief Economist along with a Debt Management staff member. The province last did a European IR tour in 2015 and is due to pay a visit to an active investor base who will want to learn about BC's new government.

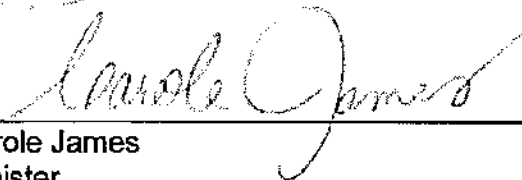
Provincial Treasury is investigating a return to the China Inter-bank Bond Market (onshore Renminbi or Panda Bond) and, subject to favourable economics, may recommend an investor tour with Mainland China investors in advance of a Panda Bond issue in mid or late October (see BN regarding Issuance of Second Renminbi Bond). Minister's leadership in dealing with the Chinese government and financial community/media during the October tour (recommended for 2 or 3 days), or at the time of issuance of the Panda Bond in November, would be welcome but not imperative. The investor meetings in October for a Panda Bond would be largely one-on-one meetings and not optimally suited to the Minister.

Provincial Treasury also recommends an IR tour for the Minister through Tokyo, Seoul, and Beijing/Shanghai next fiscal year; investors in these cities have been more active buyers of Canadian provinces of late in CAD and USDs, and again, will want to know more about the new government in British Columbia. The last such tours were convened in 2012 and 2013, one led by the Minister and the other by the ADM of Provincial Treasury.

RECOMMENDATION:**Mindful of Minister's House duties we recommend:**

- Minister and/or Deputy Minister lead a North American investor tour in late September or early-mid October (after tabling Budget). Canadian and US capital markets are the mainstay for the province and would have highest priority for Minister's attention, time permitting. The tour would have to be timed so as not to conflict with the rating agency visits to Victoria which would follow tabling the Budget by about 2 or 3 weeks.
- In late October/early November, senior staff tour Beijing and Shanghai to meet investors, government and the financial community in connection with the province's potential return to the Panda Bond market.
- Staff lead an investor tour through Europe in late Fall October/November.

APPROVED / NOT APPROVED


Carole James
Minister


Date

Appendix A

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Date Requested:
Date Required:

Initiated by: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury

Date Prepared: July 18, 2017

Ministry Contact: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury

Phone Number: 250 387-9295
Email: Jim.Hopkins@gov.bc.ca

Cliff #: 359389

TITLE: 2017 Investor Relations

PURPOSE:

(X) DECISION REQUIRED for Minister to lead a North American investor tour following tabling the Budget

Executive Director approval: _____

ADM approval: JH.

DM approval: SW.

DATE PREPARED: July 18, 2017

TITLE: 2017 Investor Relations

BACKGROUND:

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^{s.17} and because marketing in Europe supports effective diversification of the province's trade and investment relationships. This investor base is fine with meeting staff or the Minister; we would recommend a staff tour in October/November, led by the Deputy Minister, or including the Chief Economist along with a Debt Management staff member. The province last did a European IR tour in 2015 and is due to pay a visit to an active investor base who will want to learn about BC's new government.

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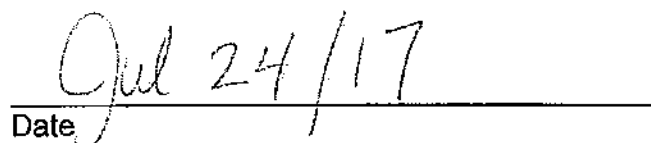
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RECOMMENDATION:**Mindful of Minister's House duties we recommend:**

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- Staff lead an investor tour through Europe in late Fall October/November.

APPROVED / NOT APPROVED


Carole James
Minister


Date

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Initiated by: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury

Date Prepared: July 13, 2017

Ministry Contact: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury

Phone Number: 250 387-9295
Email: Jim.Hopkins@gov.bc.ca

Cliff #: 359388

TITLE: Suggested Strategy for Early Engagement with Credit Rating Agencies

PURPOSE:
(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: July 13, 2017

TITLE: Suggested Strategy for Early Engagement with Credit Rating Agencies

BACKGROUND:

British Columbia is currently the only province which is rated triple-A by each of the international agencies, including Standard and Poor's (S and P), as well as Moody's and Fitch. Dominion Bond Rating Service (DBRS) is a domestic agency who rates the province as AA (High). The province pays S and P, and Moody's for their services because ratings from these agencies are a requirement among domestic and international investors, and is therefore needed for the province to access the capital markets. Fitch and DBRS provide the province with an unsolicited rating at no cost.

The province's strong and stable ratings reflect on a number of key factors including: a diverse and mature economy with diverse trading relationships, and stable economic performance; competitive taxes; sustained surpluses and relatively affordable debt (i.e. measured by taxpayer supported debt to GDP, taxpayer supported debt to revenue, and debt service cost to revenue); financial management that meets or exceeds targets and incorporates flexibility to deal with unexpected events, (e.g. forecast allowance, contingencies, budgets built on below-consensus economic forecasts, and strong credit metrics to permit the issuer to manage through an economic downturn and retain its credit rating); transparency and reliability of financial disclosure and forecasts; and liquidity.

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The agencies' rating reports are followed closely by domestic and international investors, banks, and the media. The rating is a third party assessment of the province and is a form of report card. Investors generally use the rating to determine the interest rate they are prepared to pay for an issuer's fixed income securities with higher ratings attracting the lower cost of borrowing relative to lower-rated issuers. A strong rating also broadens the international investor base, which can buy an issuer's securities, thereby supplementing liquidity. It also reflects well on a jurisdiction which may be considered for direct investment.

In a typical year, rating agencies publish their rating report on the province once following the February Budget; in Spring 2017 the agencies affirmed the province's rating. This year each agency will review the upcoming Budget and, following past practice, we expect they will come to Victoria for day-long briefing sessions with staff, including a luncheon meeting (or facsimile) with the Minister and his/her colleagues (e.g. Minister of Health). These sessions would likely be arranged 2 or 3 weeks after the Budget is tabled; Moody's has already indicated preference for an early-October meeting assuming a mid-September Budget. Each agency is expected to publish an updated credit report on the province and usually does so after their visit with staff but they always reserve the discretion to publish immediately following tabling of the Budget.

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DISCUSSION:

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RECOMMENDATION:

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Page 59 to/à Page 64

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Page 65

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