Ministry of Finance

Estimates Issue Notes
April 2024

BRITISH COLUMBIA | Ministry of Finance

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2023/24 VS 2024/25 BUDGETS BY SUB-VOTE
($ MILLIONS)

($ millions)	2023/24 Restated	2024/25	Increase/ (Decrease) $	Increase/ (Decrease) %
Ministry Operations				
Treasury Board Staff	9.563	9.910	0.347	3.6%
Office of the Comptroller General	22.901	23.722	0.821	3.6%
Treasury	0.001	0.001	0.000	0.0%
Revenue Division	222.337	284.501	62.164	28.0%
Policy and Legislation	8.689	8.998	0.309	3.6%
Assessment Services	0.001	0.001	0.000	0.0%
Public Sector Employers' Council Secretariat	23.769	31.257	7.488	31.5%
Crown Agencies Secretariat	7.513	8.243	0.730	9.7%
Minister's Office	0.951	0.980	0.029	3.0%
Corporate Services	44.132	45.494	1.362	3.1%
Subtotal Ministry Operations	**339.857**	**413.107**	**73.250**	**21.6%**
Statutory Appropriations and Special Accounts				
Housing Priority Initiatives Special Account	1,042.010	1,038.949	-3.061	-0.3%
Insurance and Risk Management Account	5.858	6.218	0.360	6.1%
Provincial Home Acquisition Wind Up Special Account	0.010	0.010	0.000	0.0%
Land Tax Deferment Act	70.000	81.000	11.000	15.7%
Subtotal Statutory Appropriations and Special Accounts	**1,117.878**	**1,126.177**	**8.299**	**0.7%**
Government Communications and Public Engagement				
Government Communications	29.921	31.660	1.739	5.8%
Subtotal Government Communications and Public Engagement	**29.921**	**31.660**	**1.739**	**5.8%**
Public Service Agency				
Public Service Agency	63.385	69.815	6.430	10.1%
Benefits	0.001	0.001	0.000	0.0%
Long Term Disability Fund Special Account	28.737	29.470	0.733	2.6%
Subtotal Public Service Agency	**92.123**	**99.286**	**7.163**	**7.8%**
Total Ministry of Finance	**1,579.779**	**1,670.230**	**90.451**	**5.7%**

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MINISTRY OF FINANCE – TREASURY BOARD STAFF

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $9.563 M, the core business net budget increased by $0.347 M to $9.910 M.

Treasury Board Staff ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$9.563	$9.563
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		0.010
Increases/ (Decreases):		
Shared Recovery Mandate		0.337
Budget 2024/25	**$9.563**	**$9.910**
Changes from prior year plan increase/(decrease):		$0.347
Percentage changes from prior year plan:		3.6%

Treasury Board Staff current year changes include:

- An increase of $0.337 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

Treasury Board Staff prior year changes include:

- An increase of $0.010 M to reflect prior year divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

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MINISTRY OF FINANCE – OFFICE OF THE COMPTROLLER GENERAL

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $22.901 M, the core business net budget increased by $0.821 M to $23.722 M.

Office of the Comptroller General ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$22.901	$22.901
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		0.191
Increases/ (Decreases):		
Shared Recovery Mandate		0.630
Budget 2024/25	**$22.901**	**$23.722**
Changes from prior year plan increase/(decrease):		$0.821
Percentage changes from prior year plan:		3.6%

Office of the Comptroller General current year changes include:

- An increase of $0.630 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

Office of the Comptroller General prior year changes include:

- An increase of $0.191 M to reflect prior year divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

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MINISTRY OF FINANCE – PROVINCIAL TREASURY

2023/24 VS 2024/25 BUDGETS

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

Provincial Treasury ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$0.001	$0.001
Prior Service Plan Changes		
n/a		0.000
Increases/ (Decreases):		
n/a		0.000
Budget 2024/25	**$0.001**	**$0.001**
Changes from prior year plan increase/(decrease):		$0.000
Percentage changes from prior year plan:		0.0%

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MINISTRY OF FINANCE – REVENUE DIVISION

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $222.337 M, the core business net budget increased by $62.164 M to $284.501 M.

Revenue Division ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$222.337	$222.337
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		2.127
Increases/ (Decreases):		
Shared Recovery Mandate		3.532
BCSL Future Ready Plan		56.505
Budget 2024/25	**$222.337**	**$284.501**
Changes from prior year plan increase/(decrease):		$62.164
Percentage changes from prior year plan:		28.0%

Revenue Division current year changes include:

- An increase of $3.532 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.
- An increase of $56.505 M to support new policy related to the weekly funding limits for future loans and providing financial support for the administration of student loans.

Revenue Division prior year changes include:

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- An increase of $2.127 M to reflect prior year divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

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MINISTRY OF FINANCE – POLICY AND LEGISLATION

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $8.689 M, the core business net budget increased by $0.309 M to $8.998 M.

Policy and Legislation ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$8.689	$8.689
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		0.014
Increases/ (Decreases):		
Shared Recovery Mandate		0.295
Budget 2024/25	**$8.689**	**$8.998**
Changes from prior year plan increase/(decrease):		$0.309
Percentage changes from prior year plan:		3.6%

Policy and Legislation Division current year changes include:

- An increase of $0.295 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

Policy and Legislation Division prior year changes include:

- An increase of $0.014 M to reflect prior year divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

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MINISTRY OF FINANCE – ASSESSMENT SERVICES

2023/24 VS 2024/25 BUDGETS

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

Assessment Services ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$0.001	$0.001
Prior Service Plan Changes		
n/a		0.000
Increases/ (Decreases):		
n/a		0.000
Budget 2024/25	**$0.001**	**$0.001**
Changes from prior year plan increase/(decrease):		$0.000
Percentage changes from prior year plan:		0.0%

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MINISTRY OF FINANCE – PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $23.769 M, the core business net budget increased by $7.488 M to $31.257 M.

Public Sector Employers' Council Secretariat ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$23.769	$23.769
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		(0.698)
Increases/ (Decreases):		
Shared Recovery Mandate		6.472
PSEC Resourcing		1.714
Budget 2024/25	**$23.769**	**$31.257**
Changes from prior year plan increase/(decrease):		$7.488
Percentage changes from prior year plan:		31.5%

Public Sector Employers' Council Secretariat (PSEC) current year changes include:

- An increase of $6.472 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.
- An increase of $1.714 M to fund PSEC's resourcing requirements to support structural deficits within the Post-Secondary Employers' Association and Community Social Services Employers' Association.

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Public Sector Employers' Council Secretariat prior year changes include:

- A decrease of ($0.698 M) is due to decrease in funding payments for compensation costs in negotiated initiatives/ programs managed through the Health Employers Association of BC.

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MINISTRY OF FINANCE – CROWN AGENCIES SECRETARIAT

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $7.513 M, the core business net budget increased by $0.730 M to $8.243 M.

Crown Agencies Secretariat ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$7.513	$7.513
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		0.087
CAS Resourcing		(0.091)
Increases/ (Decreases):		
Shared Recovery Mandate		0.187
CAS Resourcing		0.547
Budget 2024/25	**$7.513**	**$8.243**
Changes from prior year plan increase/(decrease):		$0.730
Percentage changes from prior year plan:		9.7%

Crown Agencies Secretariat (CAS) current year changes include:

- An increase of $0.187 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.
- An increase of $0.547 M to fund CAS's existing staffing and operations, and the organization's increased scope of work.

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Crown Agencies Secretariat prior year changes include:

- An increase of $0.087 M to reflect prior year divisional allocations for ratified collective agreements under the Shared Recovery Mandate.
- A decrease of ($0.091 M) due to reduction in building occupancy charges in CAS's budget plan.

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MINISTRY OF FINANCE – MINISTER’S OFFICE

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $0.951 M, the core business net budget increased by $0.029 M to $0.980 M.

Minister's Office ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$0.951	$0.951
Prior Service Plan Changes		
n/a		0.000
Increases/ (Decreases):		
Shared Recovery Mandate		0.029
Budget 2024/25	**$0.951**	**$0.980**
Changes from prior year plan increase/(decrease):		$0.029
Percentage changes from prior year plan:		3.0%

Minister’s Office current year changes include:

- An increase of $0.029 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

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MINISTRY OF FINANCE – CORPORATE SERVICES DIVISION

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $44.132 M, the core business net budget increased by $1.362 M to $45.494 M.

Corporate Services Division ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$44.132	$44.132
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		0.394
Increases/ (Decreases):		
Shared Recovery Mandate		0.968
Budget 2024/25	**$44.132**	**$45.494**
Changes from prior year plan increase/(decrease):		$1.362
Percentage changes from prior year plan:		3.1%

Corporate Services Division current year changes include:

- An increase of $0.968 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

Corporate Services Division prior year changes include:

- An increase of $0.394 M to reflect prior year divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

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HOUSING PRIORITY INITIATIVES SPECIAL ACCOUNT

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $1,042.01 M, the Housing Priority Initiatives (HPI) account net budget decreased by ($3.061 M) to $1,038.949 M.

Housing Priority Initiatives ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$1,042.010	$1,042.010
Budget 2024/25	**$1,042.010**	**$1,038.949**
Changes from prior year plan increase/(decrease):		**(3.061)**
Percentage changes from prior year plan:		-0.3%

HPI Special Account current year changes include:

- Compared to its restated 2023/24 budget of $1,042.01 M, the Housing Priority Initiatives (HPI) account net budget decreased by ($3.061 M) to $1,038.949 M.
  - This reflects uncertainty about the pace and timing of housing projects. Similar to the capital plan, there has been significant growth in investments, and any project delays will shift costs to future years. It is therefore prudent to pace future growth in the plan until spending needs are more certain.

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- Programs that are partially funded through HPI include Community Housing Fund, Indigenous Housing Fund, and Metro Vancouver Housing Corporation.

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INSURANCE AND RISK MANAGEMENT SPECIAL ACCOUNT

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $5.858 M, the Insurance and Risk Management (IRMA) account net budget increased by $0.360 M to $6.218 M.

IRMA ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$5.858	$5.858
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation		0.114
Increases/ (Decreases):		
Shared Recovery Mandate		0.246
Budget 2024/25	**$5.858**	**$6.218**
Changes from prior year plan increase/(decrease):		$0.360
Percentage changes from prior year plan:		6.1%

IRMA Special Account current year changes include:

- An increase of $0.246 M to reflect divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

IRMA Special Account prior year changes include:

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- An increase of $0.114 M to reflect prior year divisional allocations for ratified collective agreements under the Shared Recovery Mandate.

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PROVINCIAL HOME ACQUISITION WIND UP SPECIAL ACCOUNT

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $0.010 M, the Provincial Home Acquisition Wind Up special account budget has remained the same for 2024/25.

Provincial Home Acquisition ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$0.010	$0.010
Prior Service Plan Changes		
n/a		0.000
Increases/ (Decreases):		
n/a		0.000
Budget 2024/25	**$0.010**	**$0.010**
Changes from prior year plan increase/(decrease):		$0.000
Percentage changes from prior year plan:		0.0%

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LAND TAX DEFERMENT ACT

2023/24 VS 2024/25 BUDGETS

Compared to its restated 2023/24 budget of $70 M, the *Land Tax Deferment Act* (LTDA) statutory appropriation net budget increased by $11 M to $81 M.

Land Tax Deferment Act ($ millions)	**2023/24 Restated**	**2024/25**
2023/24 Budget (Restated)	$70.000	$70.000
Prior Service Plan Changes		
Land Tax Deferment Act		11.000
Increases/ (Decreases):		
n/a		0.000
Budget 2024/25	**$70.000**	**$81.000**
Changes from prior year plan increase/(decrease):		$11.000
Percentage changes from prior year plan:		15.7%

LTDA statutory appropriation current year changes include:

- An increase of $11 M to reflect expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

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2023/24 VS 2024/25 BUDGETS BY ISSUE

($ millions)	Note	Budget Change
Ministry Operations		
***Budget 2024* Changes**		
Shared Recovery Mandate	1	12.450
Future Ready Plan	2	56.505
PSEC Resourcing	3	1.714
CAS Resourcing	4	0.547
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation	5	2.125
CAS Resourcing	6	-0.091
Subtotal Ministry Operations		**73.250**
Statutory Appropriations and Special Accounts		
***Budget 2024* Changes**		
Shared Recovery Mandate	1	0.246
Community Housing Fund	7	69.830
Indigenous Housing Fund	8	17.101
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation	5	0.114
Land Tax Deferment Act	9	11.000
Housing Supply Shortage	10	7.304
Community Housing Fund	10	-159.115
Indigenous Housing Fund	10	136.058
Improve Aging Rental Stock	10	-0.759
Affordable Rental Acquisition Program	10	1.000
Deepening Affordability	10	-30.250
Homelessness Reduction - Modular Housing	10	-44.230
Subtotal Statutory Appropriations and Special Accounts		**8.299**
Government Communications and Public Engagement		
***Budget 2024* Changes**		
Shared Recovery Mandate	1	1.592
WLRS FTE hired by GCPE	11	0.125
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation	5	0.022
Subtotal Government Communications and Public Engagement		**1.739**
Public Service Agency		
***Budget 2024* Changes**		
Shared Recovery Mandate	1	2.392
LTD Spending Plan	12	0.733
CPI Growth Fees on Payroll Contract	13	3.743
Prior Service Plan Changes		
Prior Shared Recovery Mandate Allocation	5	0.295
Subtotal Public Service Agency		**7.163**
Total Ministry of Finance		**90.451**

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Notes:

1. Funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
2. Funding provided to support new policy related to the weekly funding limits for future loans and providing financial support for the administration of student loans.
3. Increase to PSEC for resourcing requirements.
4. Funding provided to support existing staffing and operations, and the organization's increased scope of work in Crown Agencies Secretariat (CAS).
5. Funding provided to reflect prior year ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
6. Decrease in funding is due to a reduction in building occupancy charges from budget adjustments in the prior year within CAS.
7. Funding to provide additional affordable housing for a mix of low- and moderate-income households.
8. Funding to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
9. Funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.
10. Funding for Housing Priority Initiatives Special Account has been reduced by ($89.992 M) on aggregate due to project construction delays and reprofiled to future years.

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11. Funding transferred from Ministry of Water, Land and Resource Stewardship for FTE hired by GCPE on their behalf.
12. Funding for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.
13. Funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.

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2023/24 VS 2024/25 BUDGETS BY ADJUSTMENT

	2023/24 Restated Budget	Prior Year Budget Changes	*Budget 2024* Changes ($ millions)						2024/25 Budget	Variance
			Shared Recovery Mandate	Future Ready Plan	PSEC Resourcing	CAS Resourcing	HPI Community Housing Fund	HPI Indigenous Housing Fund		
TBS	9.563	0.010	0.337						**9.910**	0.347
OCG	22.901	0.191	0.630						**23.722**	0.821
PT	0.001	-	-						**0.001**	-
REV	222.337	2.127	3.532	56.505					**284.501**	62.164
PLD	8.689	0.014	0.295						**8.998**	0.309
AS	0.001	-	-						**0.001**	-
PSEC	23.769	(0.698)	6.472		1.714				**31.257**	7.488
CAS	7.513	(0.004)	0.187			0.547			**8.243**	0.730
MO	0.951	-	0.029						**0.980**	0.029
CSD	44.132	0.394	0.968						**45.494**	1.362
Min Ops	**339.857**	**2.034**	**12.450**	**56.505**	**1.714**	**0.547**	**-**	**-**	**413.107**	**73.250**
HPI	1,042.010	(89.992)	-				69.830	17.101	**1,038.949**	(3.061)
IRMA	5.858	0.114	0.246						**6.218**	0.360
PHA	0.010	-	-						**0.010**	-
LTDA	70.000	11.000	-						**81.000**	11.000
FIN Total	**1,457.735**	**(76.844)**	**12.696**	**56.505**	**1.714**	**0.547**	**69.830**	**17.101**	**1,539.284**	**81.549**

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ISSUE NOTE

ISSUE: CHANGES TO SERVICE PLAN FROM *BUDGET 2023*

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry of Finance 2024/25 budget had an overall net increase of $168.5M compared to the 2024/25 budget in the 2023/24 Service Plan. (See Table 1. CHANGES TO THE 2024/25 BUDGET FROM THE 2023/24 SERVICE PLAN)
- The Ministry Operations Vote increased by $72.2M for ratified collective agreements under the Shared Recovery Mandate and Minister's Office resourcing requirements.
    - $1.7M increase to support PSEC's resourcing requirements.
    - $0.9M increase for transfer of funding from Ministry of Post-Secondary Education and Future Skills to support Post-Secondary Employers' Association.
    - $56.5M funding to reflect impacts of the increase to British Columbia Student Loan (BCSL) weekly maximums and enhancements to the BC Repayment Assistance Plan (BC RAP) under BCSL portfolio.

- $12.5M increase to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- $0.5M increase to support existing staffing and operations, and the organization's increased scope of work in Crown Agencies Secretariat.
- $0.09M for transfer of funding from Ministry of Public Safety and Solicitor General for transition of functions under Gaming Policy and Enforcement.

- Increases to the Ministry of Finance's Housing Priority Initiatives (HPI) special account slow over the fiscal plan period; HPI increases by $86.931M in 2024/25, $52.296M in 2025/26, and $1.532M in 2026/27.
- The Insurance and Risk Management Account Special Account increased by $0.25M due to ratified collective agreements under the Shared Recovery Mandate
- The Government Communications and Public Engagement (GCPE) Vote increased by $2.3M due to:
  - $0.7M increased funding transferred from Ministry of Water, Land and Resource Stewardship for FTE hired by GCPE on their behalf.

- $1.6M increase for ratified collective agreements under the Shared Recovery Mandate.
- The BC Public Service Agency Vote increased by $6.1M as a result of the following:
    - $2.4M increase for ratified collective agreements under the Shared Recovery Mandate.
    - $3.7M increase for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- The Long-Term Disability Fund Special Account increased by $0.7M for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.

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BACKGROUND:

TABLE 1. CHANGES TO THE 2024/25 BUDGET FROM THE 2023/24 SERVICE PLAN

($ millions)	2024/25 in 2023/24 Service Plan	2024/25 in 2024/25 Service Plan	Changes to 2024/25
Ministry Operations Budget 2023	**340.903**	**340.903**	**0.000**
Transfer of PSEA funding from PSFS to FIN		0.900	0.900
Transfer of GPEB to FIN - CAS		0.088	0.088
Min Ops Budget 2023 with 2023/24 Restated	**340.903**	**341.891**	**0.988**
Future Ready Plan		56.505	56.505
Shared Recovery Mandate		12.450	12.450
CAS Resourcing		0.547	0.547
PSEC Resourcing		1.714	1.714
Budget 2024 Ministry Operations	**340.903**	**413.107**	**72.204**
Housing Priority Initiatives (HPI) Special Account Budget 2023	**952.018**	**952.018**	**0.000**
Community Housing Fund		69.830	69.830
Indigenous Housing Fund		17.101	17.101
Budget 2024 HPI	**952.018**	**1038.949**	**86.931**
Insurance and Risk Management Account (IRMA) Budget 2023	**5.972**	**5.972**	**0.000**
Shared Recovery Mandate		0.246	0.246
Budget 2024 IRMA	**5.972**	**6.218**	**0.246**
Provincial Home Acquisition Wind Up (PHA) Budget 2023	**0.010**	**0.010**	**0.000**
No changes		0.000	0.000
Budget 2024 PHA	**0.010**	**0.010**	**0.000**
Land Tax Deferment Act Budget 2023	**81.000**	**81.000**	**0.000**
No changes		0.000	0.000
Budget 2024 Land Tax Deferment Act	**81.000**	**81.000**	**0.000**
Subtotal Ministry of Finance Core 2024/25 Budget	**1379.903**	**1539.284**	**159.381**
Government Communications and Public Engagement (GCPE) Budget 2023	**29.363**	**29.363**	**0.000**
WLRS FTE hired by GCPE		0.705	0.705
GCPE Budget 2023 with 2023/24 Restated	**29.363**	**30.068**	**0.705**
Shared Recovery Mandate		1.592	1.592
Budget 2024 GCPE	**29.363**	**31.660**	**2.297**
BC Public Service Agency (PSA) and Benefits Budget 2023	**63.681**	**63.681**	**0.000**
Shared Recovery Mandate		2.392	2.392
CPI Growth Fees on Payroll Contract		3.743	3.743
Budget 2024 PSA and Benefits	**63.681**	**69.816**	**6.135**
Long Term Disability (LTD) Fund Special Account Budget 2023	**28.737**	**28.737**	**0.000**
LTD Spending Plan		0.733	0.733
Budget 2024 LTD Fund Special Account	**28.737**	**29.470**	**0.733**
Total Budget 2024	**1501.684**	**1670.230**	**168.546**

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ISSUE: CHANGES TO *BUDGET 2024* FROM *BUDGET 2023*

ADVICE AND RECOMMENDED RESPONSE:

- The Ministry of Finance 2024/25 budget had an overall net increase of $90.451 M compared to the restated 2023/24 budget.

  (See Background-Table 1. Restated 2023/24 to 2024/25 Budget Changes pg.5)

- The Ministry Operations Vote increased by $73.25 M as a result of the following:
  - $56.505 M funding to reflect increases in the Future Ready Plan under British Columbia Student Loans portfolio.
  - $12.45 M increase to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
  - $0.547 M increase to support existing staffing and operations, and the organization's increased scope of work in Crown Agencies Secretariat.
  - $1.714 M increase to support PSEC employer association resourcing requirements.
  - $2.034 M increase in previous service plan including:
    - $2.125 M increase to reflect prior year ministry allocations for ratified collective agreements.

        - ($0.091 M) decrease in funding reflects prior year reduction in building occupancy charges in Crown Agencies Secretariat.

- The Government Communications and Public Engagement (GCPE) Vote increased by $1.739 M as a result of the following:
    - $1.592 M increase in funding to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate
    - $0.125 M increase in funding transferred from Ministry of Water, Land and Resource Stewardship for FTE hired by GCPE on their behalf.
    - $0.022 M increase in funding provided to reflect prior year ministry allocations for ratified collective agreements.
- The BC Public Service Agency Vote increased by $6.43 M due to the following reasons:
    - $2.392 M increase in funding to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate
    - $3.743 M increase in funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.

- $0.295 M increase in funding provided to reflect prior year ministry allocations for ratified collective agreements.

- Compared to its restated 2023/24 budget of $1,042.01 M, the Housing Priority Initiatives (HPI) account net budget decreased by ($3.061 M) to $1,038.949 M.
    - This reflects uncertainty about the pace and timing of housing projects. Similar to the capital plan, there has been significant growth in investments, and any project delays will shift costs to future years. It is therefore prudent to pace future growth in the plan until spending needs are more certain.
    - Programs that are partially funded through HPI include Community Housing Fund, Indigenous Housing Fund, and Metro Vancouver Housing Corporation.

- The Insurance and Risk Management Account Special Account saw an increase of $0.246 M due to ratified collective agreements under the Shared Recovery Mandate, along with an additional $0.114 M increase in funding to account for prior year ministry allocations associated with ratified collective agreements.
- The Long-Term Disability Fund Special Account saw an increase of $0.733 M for increased benefits costs due to negotiated wage

increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.

- $11 M increase in funding for expenses arising from the concessionary terms of agreements under the *Land Tax Deferment Act.*

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Table 1. Restated 2023/24 to 2024/25 Budget changes

($ millions)	2023/24	2023/24 *(Restated)*	2024/25	Changes 2023/24 to 2024/25
Ministry Operations Budget 2023	**338.869**	**338.869**	**340.903**	**2.034**
Transfer of PSEA funding from PSFS to FIN		0.900	0.900	0.000
Transfer of GPEB to FIN - CAS		0.088	0.088	0.000
Min Ops Budget 2023 with 2023/24 Restated	**338.869**	**339.857**	**341.891**	**2.034**
BCSL Future Ready Plan			56.505	56.505
Shared Recovery Mandate			12.450	12.450
CAS Resourcing			0.547	0.547
PSEC Resourcing			1.714	1.714
Budget 2024 Ministry Operations	**338.869**	**339.857**	**413.107**	**73.250**
GCPE Budget 2023 with 2023/24 Restated	**29.341**	**29.341**	**29.363**	**0.022**
WLRS FTE hired by GCPE		0.580	0.705	0.125
GCPE Budget 2023 with 2023/24 Restated	**29.341**	**29.921**	**30.068**	**0.147**
Shared Recovery Mandate			1.592	1.592
Budget 2024 GCPE	**29.341**	**29.921**	**31.660**	**1.739**
Statutory Appropriations and Special Accounts Budget 2023	**1146.615**	**1146.615**	**1067.737**	**(78.878)**
Housing Priority Initiatives (HPI) Budget 2023	**1042.010**	**1042.010**	**952.018**	**(89.992)**
Community Housing Fund			69.830	69.830
Indigenous Housing Fund			17.101	17.101
Budget 2024 HPI	**1042.010**	**1042.010**	**1038.949**	**(3.061)**
Insurance and Risk Management (IRMA) Budget 2023	**5.858**	**5.858**	**5.972**	**0.114**
Shared Recovery Mandate			0.246	0.246
Budget 2024 IRMA	**5.858**	**5.858**	**6.218**	**0.360**
Long Term Disability Fund (LTD) Budget 2023	**28.737**	**28.737**	**28.737**	**0.000**
LTD Spending Plan			0.733	0.733
Budget 2024 LTD	**28.737**	**28.737**	**29.470**	**0.733**
Provincial Home Acquisition Wind Up (no changes)	**0.010**	**0.010**	**0.010**	**0.000**
Land Tax Deferment Act (no changes)	**70.000**	**70.000**	**81.000**	**11.000**
Budget 2024 Special Accounts	**1146.615**	**1146.615**	**1155.647**	**9.032**
PSA and Benefits Budget 2023	**63.386**	**63.386**	**63.681**	**0.295**
Shared Recovery Mandate			2.392	2.392
CPI Growth Fees on Payroll Contract			3.743	3.743
Budget 2024 PSA and Benefits	**63.386**	**63.386**	**69.816**	**6.430**
Total Budget 2024	**1578.211**	**1579.779**	**1670.230**	**90.451**

Contact: Kyle Johnson **Phone:** Government
Division: Corporate Services Division
File Name: Changes to *Budget 2024* from *Budget 2023*MO_CSD_03_Changes to Budget 2024 from Budget 2023_Updated.docx

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ISSUE: 3 YEAR CHANGES TO BUDGET FROM *BUDGET 2023*

ADVICE AND RECOMMENDED RESPONSE:

In *Budget 2024*, the following adjustments to the Ministry of Finance three-year budget resulted in an overall net increase of $389.9 M from *Budget 2023* (restated 2023/24). *(See Background-Table 1Budget 2024 Summary of Changes, pg.4).*

- The Ministry Operations Vote increased by $221.0 M over the three-year budget plan due to:
  - Increase of $2.7M for transfer of funding from Ministry of Post-Secondary Education and Future Skills to support Post-Secondary Employers' Association.
  - Increase of $0.3M for transfer of funding from Ministry of Public Safety and Solicitor General for transition of functions under Gaming Policy and Enforcement.
  - Increase of $173.9M for the BC Student Loans Future Ready Plan.
  - Increase of $37.4M for ratified collective agreements under the Shared Recovery Mandate.
  - Increase of $1.6M for Crown Agencies Secretariat (CAS) resourcing requirements.

  - Increase of $5.1M for Public Sector Employers' Council Secretariat (PSEC) resourcing requirements.
- The Government Communications and Public Engagement (GCPE) Vote increased by $6.9M over the three-year budget plan due to:
  - Increase of $4.8M for ratified collective agreements under the Shared Recovery Mandate.
  - Increase of $2.1M for transfer of salaries funding from Ministry of Water, Land and Resource Stewardship.
- The BC Public Service Agency Vote increased by $18.4M over the three-year budget plan due to:
  - Increase of $7.2M for ratified collective agreements under the Shared Recovery Mandate.
  - Increase of $11.2M 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 $140.8M over the three-year budget plan due to:

  - $93.2M increase to provide additional affordable housing for a mix of low- and moderate-income households.
  - $47.5M increase to provide additional social housing for low-income Indigenous families and seniors, both on- and off-reserve.
- The Insurance and Risk Management Special Account increased by $0.7M over the three-year budget plan for ratified collective agreements under the Shared Recovery Mandate.
- The Long-Term Disability Fund Special Account increased by $2.2M over the three-year budget plan for increased benefits costs due to negotiated wage increases, a decrease in entities' contribution rates, and increases in administration and extended health costs.

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TABLE 1. BUDGET 2024 SUMMARY OF CHANGES

($ millions)	2023/24	2023/24 *(Restated)*	2024/25	2025/26	2026/27	Changes 2024/25 to 2026/27
Ministry Operations Budget 2023	**338.869**	**338.869**	**340.903**	**340.903**	**340.903**	
Transfer of PSEA funding from PSFS to FIN		0.900	0.900	0.900	0.900	2.700
Transfer of GPEB to FIN - CAS		0.088	0.088	0.088	0.088	0.264
Min Ops Budget 2023 with 2023/24 Restated	**338.869**	**339.857**	**341.891**	**341.891**	**341.891**	
BCSL Future Ready Plan			56.505	58.674	58.674	173.853
Shared Recovery Mandate			12.450	12.450	12.450	37.350
CAS Resourcing			0.547	0.547	0.547	1.641
PSEC Resourcing			1.714	1.714	1.714	5.142
Budget 2024 Ministry Operations	**338.869**	**339.857**	**413.107**	**415.276**	**415.276**	**220.950**
GCPE Budget 2023 with 2023/24 Restated	**29.341**	**29.341**	**29.363**	**29.363**	**29.363**	
Transfer of FTE from WLRS		0.580	0.705	0.705	0.705	2.115
GCPE Budget 2023 with 2023/24 Restated	**29.341**	**29.921**	**30.068**	**30.068**	**30.068**	
Shared Recovery Mandate			1.592	1.592	1.592	4.776
Budget 2024 GCPE	**29.341**	**29.921**	**31.660**	**31.660**	**31.660**	**6.891**
Statutory Appropriations and Special Accounts Budget 2023	**1146.615**	**1146.615**	**1067.737**	**952.577**	**952.577**	
Housing Priority Initiatives Special Account Budget 2023	**1042.010**	**1042.010**	**952.018**	**825.858**	**825.858**	
Community Housing Fund			69.830	34.006	-10.600	93.236
Indigenous Housing Fund			17.101	18.290	12.132	47.523
Budget 2024 HPI Special Account	**1042.010**	**1042.010**	**1038.949**	**878.154**	**827.390**	**140.759**
Insurance and Risk Management Special Account Budget 2023	**5.858**	**5.858**	**5.972**	**5.972**	**5.972**	
Shared Recovery Mandate			0.246	0.246	0.246	0.738
Budget 2024 IRMA Special Account	**5.858**	**5.858**	**6.218**	**6.218**	**6.218**	**0.738**
Long Term Disability Fund Special Account Budget 2023	**28.737**	**28.737**	**28.737**	**28.737**	**28.737**	
LTD Spending Plan			0.733	0.733	0.733	2.199
Budget 2024 LTD Fund Special Account	**28.737**	**28.737**	**29.470**	**29.470**	**29.470**	**2.199**
Provincial Home Acquisition Wind Up (no changes)	**0.010**	**0.010**	**0.010**	**0.010**	**0.010**	
Land Tax Deferment Act (no changes)	**70.000**	**70.000**	**81.000**	**92.000**	**92.000**	
Budget 2024 Special Accounts	**1146.615**	**1146.615**	**1155.647**	**1005.852**	**955.088**	**143.696**
PSA and Benefits Budget 2023	**63.386**	**63.386**	**63.681**	**63.681**	**63.681**	
Shared Recovery Mandate			2.392	2.392	2.392	7.176
CPI Growth Fees on Payroll Contract			3.743	3.743	3.743	11.229
Budget 2024 PSA and Benefits	**63.386**	**63.386**	**69.816**	**69.816**	**69.816**	**18.405**
Total Budget 2024	**1578.211**	**1579.779**	**1670.230**	**1522.604**	**1471.840**	**389.942**

NOTE: Individual items may not add to the total budget due to rounding.

Contact: Kyle Johnson **Phone:** Government Financial Information
Division: Corporate Services Division

File Name: 3 Year Budget Changes to Budget from *Budget 2023*

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NAME: ESTIMATES SUMMARY 2024/25 BY VOTE

Vote 26 Ministry Operations ($ millions)**:**

		2024/25 Budget
2023/24 Budget from *Budget 2023*		$338.869
Transfer of PSEA from PSFS		$0.900
Transfer of GPEB to FIN - CAS		0.088
2023/24 Budget from *Budget 2023* Restated		**339.857**
Previous Service Plan Budget Changes		
Prior Shared Recovery Mandate Allocation	$2.125	
CAS Resourcing	(0.091)	2.034
New Changes:		
Shared Recovery Mandate	12.450	
Crown Agencies Secretariat Resourcing	0.547	
Public Sector Employers' Council Resourcing	1.714	
BCSL Future Ready Plan	56.505	**71.216**
2024/25 Budget		**$413.107**
Total Changes from 2023/24 Restated to 2024/25:		**$73.250**

Current service plan changes include:

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

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- Crown Agencies Secretariat Resourcing – to support rigorous, public interest oversight for Crowns and other public agencies that deliver services on behalf of government.
- Public Sector Employers' Council Resourcing – to support the increased mandate of the Public Sector Employers' Council.
- BCSL Future Ready Plan - funding to support new policy related to the weekly funding limits for future loans and providing financial support for the administration of student loans.

Vote 27 Government Communications and Public Engagement
($ millions)**:**

		2024/25 Budget
2023/24 Budget from *Budget 2023*		$29.341
WLRS FTE hired by GCPE	$0.580	
2023/24 Budget from *Budget 2023* Restated		**$29.921**
Previous Service Plan Budget Changes		
Prior Shared Recovery Mandate Allocation	0.022	0.022
New Changes:		
WLRS FTE hired by GCPE	0.125	
Shared Recovery Mandate	1.592	**1.717**
2024/25 Budget		**$31.660**
Total Changes from 2023/24 Restated to 2024/25:		**$1.739**

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Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- WLRS FTE hired by GCPE – the budget transfer between WLRS and FIN-GCPE for employees that GCPE has hired on WLRS's behalf effective April 1, 2024.

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

		2024/25 Budget
2023/24 Budget from *Budget 2023*		$63.386
2023/24 Budget from *Budget 2023* Restated		**63.386**
Previous Service Plan Budget Changes		
Prior Shared Recovery Mandate Allocation	$0.295	0.295
New Changes:		
Shared Recovery Mandate	2.392	
CPI Growth Fees on Payroll Contract	3.743	**6.135**
2024/25 Budget		**$69.816**
Total Changes from 2023/24 Restated to 2024/25:		**$6.430**

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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.

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

		2024/25 Budget
2023/24 Budget from *Budget 2023*		$1,042.010
Previous Service Plan Budget Changes		(89.992)
New Changes:		
Community Housing Fund	69.830	
Indigenous Housing Fund	17.101	**86.931**
2024/25 Budget		**$1,038.949**
Total Changes from 2023/24 Restated to 2024/25:		**($3.061)**

- Compared to its restated 2023/24 budget of $1,042.01 M, the Housing Priority Initiatives (HPI) account net budget decreased by ($3.061 M) to $1,038.949 M.
    - This reflects uncertainty about the pace and timing of housing projects. Similar to the capital plan, there has been significant growth in investments, and any project delays will shift costs to future years. It is therefore prudent to pace future growth in the plan until spending needs are more certain.
    - Programs that are partially funded through HPI include Community Housing Fund, Indigenous Housing Fund, and Metro Vancouver Housing Corporation.

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

		2024/25 Budget
2023/24 Budget from *Budget 2023*		$5.858
Previous Service Plan Budget Changes		
Prior Shared Recovery Mandate Allocation	$0.114	0.114
New Changes:		
Shared Recovery Mandate	0.246	**0.246**
2024/25 Budget		**$6.218**
Total Changes from 2023/24 Restated to 2024/25:		**$0.360**

Current service plan changes include:

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

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

	2024/25 Budget
2023/24 Budget from *Budget 2023*	$28.737
Previous Service Plan Budget Changes	-
New Changes:	
Long Term Disability Fund Spending Plan	**0.733**
2024/25 Budget	**$29.470**
Total Changes from 2023/24 Restated to 2024/25:	**$0.733**

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.

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

	2024/25 Budget
2023/24 Budget from *Budget 2023*	$70.000
Previous Service Plan Budget Changes	
Land Tax Deferment Act	11.000
New Changes:	
n/a	-
2024/25 Budget	**$81.000**
Total Changes from 2023/24 Restated to 2024/25:	**$11.000**

No current service plan budget changes

Previous service plan budget changes include an $11.0 M rise in funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

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

		2024/25 Budget
2023/24 Budget from *Budget 2023*		**$1,578.211**
Transfer of PSEA from PSFS		0.900
Transfer of GPEB to FIN - CAS		0.088
WLRS FTE hired by GCPE		0.580
2023/24 Budget from *Budget 2023* Restated		**1,579.779**
Previous Service Plan Budget Changes		
Prior Shared Recovery Mandate Allocation	$2.556	
CAS Resourcing	(0.091)	
Land Tax Deferment Act	11.000	13.465
New Changes:		
Shared Recovery Mandate	16.680	
Crown Agencies Secretariat Resourcing	0.547	
Public Sector Employers' Council Resourcing	1.714	
BCSL Future Ready Plan	56.505	
WLRS FTE hired by GCPE	0.125	
HPI Changes	(3.061)	
CPI Growth Fees on Payroll Contract	3.743	
Long Term Disability Fund Spending Plan	0.733	76.986
2024/25 Budget		**$1,670.230**
Total Changes from 2023/24 Restated to 2024/25:		**$90.451**

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Current service plan changes include:

- Shared Recovery Mandate – funding provided to reflect ministry allocations for ratified collective agreements under the Shared Recovery Mandate.
- Crown Agencies Secretariat Resourcing – to support rigorous, public interest oversight for Crowns and other public agencies that deliver services on behalf of government.
- Public Sector Employers' Council Resourcing – to support the increased mandate of the Public Sector Employers' Council.
- BCSL Future Ready Plan - funding aimed to support new policy of raising the weekly limits for future loans and providing financial support for the administration of student loans.
- WLRS FTE hired by GCPE – the budget transfer between WLRS and FIN-GCPE for employees that GCPE has hired on WLRS's behalf effective April 1, 2024.
- Housing Priority Initiatives (HPI) - compared to its restated 2023/24 budget of $1,042.01 M, HPI account net budget decreased by ($3.061 M) to $1,038.949 M.
    - This reflects uncertainty about the pace and timing of housing projects. Similar to the capital plan, there has been significant growth in investments, and any project delays will shift costs to future years. It is therefore prudent to pace future growth in the plan until spending needs are more certain.

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- Programs that are partially funded through HPI include Community Housing Fund, Indigenous Housing Fund, and Metro Vancouver Housing Corporation.

- CPI Growth Fees on Payroll Contract – funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- 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.

Previous service plan budget changes include:

- $2.556 M increase in funding for the Shared Recovery Mandate.
- ($0.091 M) decrease due to a reduction in building occupancy charges from budget adjustments in the prior year within CAS.
- $11.0 M increase in funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

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

		2025/26 Budget
2024/25 Budget from *Budget 2023*		**$1,501.684**
Transfer of PSEA from PSFS		0.900
Transfer of GPEB to FIN - CAS		0.088
WLRS FTE hired by GCPE		0.705
2024/25 Budget from *Budget 2023* Restated		**1,503.377**
Previous Service Plan Budget Changes		
Land Tax Deferment Act	11.000	11.000
New Changes:		
Shared Recovery Mandate	16.680	
Crown Agencies Secretariat Resourcing	0.547	
Public Sector Employers' Council Resourcing	1.714	
BCSL Future Ready Plan	58.674	
HPI Changes	(73.864)	
CPI Growth Fees on Payroll Contract	3.743	
Long Term Disability Fund Spending Plan	0.733	8.227
2025/26 Budget		**$1,522.604**
	Total Changes from 2024/25 Restated to 2025/26:	**$19.227**

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.
- Crown Agencies Secretariat Resourcing – to support rigorous, public interest oversight for Crowns and other public agencies that deliver services on behalf of government.
- Public Sector Employers' Council Resourcing – to support the increased mandate of the Public Sector Employers' Council.
- BCSL Future Ready Plan - funding aimed to support new policy of raising the weekly limits for future loans and providing financial support for the administration of student loans.
- Housing Priority Initiatives (HPI) - this change reflects uncertainty about the pace and timing of housing projects. Similar to the capital plan, there has been significant growth in investments, and any project delays will shift costs to future years. It is therefore prudent to pace future growth in the plan until spending needs are more certain.
- CPI Growth Fees on Payroll Contract – funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- 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.

Previous service plan budget changes include:

- $11.0 M increase in funding for expenses recognized as a result of the concessionary terms of agreements under the *Land Tax Deferment Act*.

MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

2025/26 to 2026/27 Budget Changes - All Votes ($ millions):

		2026/27 Budget
2025/26 Budget from *Budget 2023*		**$1,386.524**
Transfer of PSEA from PSFS		0.900
Transfer of GPEB to FIN - CAS		0.088
WLRS FTE hired by GCPE		0.705
2025/26 Budget from *Budget 2022* Restated		**1,388.217**
Previous Service Plan Budget Changes		
n/a		
New Changes:		
Shared Recovery Mandate	$16.680	
Crown Agencies Secretariat Resourcing	0.547	
Public Sector Employers' Council Resourcing	1.714	
BCSL Future Ready Plan	58.674	
HPI Changes	1.532	
CPI Growth Fees on Payroll Contract	3.743	
Long Term Disability Fund Spending Plan	0.733	83.623
2026/27 Budget		**$1,471.840**
Total Changes from 2024/25 Restated to 2025/26:		**$83.623**

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.
- Crown Agencies Secretariat Resourcing – to support rigorous, public interest oversight for Crowns and other public agencies that deliver services on behalf of government.
- Public Sector Employers' Council Resourcing – to support the increased mandate of the Public Sector Employers' Council.
- BCSL Future Ready Plan - funding aimed to support new policy of raising the weekly limits for future loans and providing financial support for the administration of student loans.
- Housing Priority Initiatives (HPI) - programs that are partially funded through HPI include Community Housing Fund, Indigenous Housing Fund, and Metro Vancouver Housing Corporation.
- CPI Growth Fees on Payroll Contract – funding for contractual Consumer Price Index (CPI) and growth fees on the Telus payroll contract.
- 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.

MINISTRY OF FINANCE
BUDGET DAY INFORMATION NOTE

ISSUE: FIN - SHARED RECOVERY MANDATE SUMMARY

ADVICE AND RECOMMENDED RESPONSE:

- In *Budget 2024*, the Ministry of Finance was provided $50.04M over the 3-year service plan to support cost increases resulting from the newly ratified collective agreements under the Shared Recovery Mandate.
    - The three-year allocation includes $19.071 M for Employer Associations.

($ millions)	2024/25	2025/26	2026/27	Total
Core Business				
Ministry Operations - Ministry Costs	$6.093	$6.093	$6.093	**$18.279**
Ministry Operations - Employer Associations	6.357	6.357	6.357	**19.071**
Government Communications and Public Engagement	1.592	1.592	1.592	**4.776**
BC Public Service Agency	2.392	2.392	2.392	**7.176**
Statutory Appropriations (Special Accounts):	0.246	0.246	0.246	**0.738**
Total	**$16.680**	**$16.680**	**$16.680**	**$50.040**

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

MINISTRY OF FINANCE
BUDGET DAY INFORMATION NOTE

($ millions)	2024/25	2025/26	2026/27	Total
Core Business				
Treasury Board Staff	$0.337	$0.337	$0.337	$1.011
Office of the Comptroller General	0.630	0.630	0.630	1.890
Provincial Treasury	-	-	-	-
Revenue Division	3.532	3.532	3.532	10.596
Policy and Legislation	0.295	0.295	0.295	0.885
Public Sector Employers' Council Secretariat	0.115	0.115	0.115	0.345
Crown Agencies Secretariat	0.187	0.187	0.187	0.561
Executive and Support Services	0.997	0.997	0.997	2.991
Total	**$6.093**	**$6.093**	**$6.093**	**$18.279**

- The Shared Recovery Mandate applies to all public sector employers with unionized employees whose collective agreements expired on or after December 31, 2021.
- 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: Kyle Johnson **Phone:** Government

Division: Corporate Services Division

File Name: FIN-Shared Recovery Mandate SummaryMO_CSD_06_FIN-Shared Recovery Mandate Summary.docx

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BRITISH COLUMBIA

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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- **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.

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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.

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- 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

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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,

David Eby, KC
Premier

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BRITISH COLUMBIA

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 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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- **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.

- Support the Minister for Post-Secondary Education and Future Skills, and work with post-secondary education institutions, student leadership, and Indigenous partners across B.C., to develop and deliver on an action plan related to preventing and responding to sexualized violence at post-secondary institutions.

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- 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

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MINISTRY OF FINANCE
CORPORATE SERVICES DIVISION
FACT SHEET

NAME: WORKFORCE – HEADCOUNT AND FTE INFORMATION

DESCRIPTION:

- On April 1, 2024, the ministry had 1612 employees, 1559 regular employees and 53 auxiliary employees.
- This represents an average FTE burn of 1491 FTE's for fiscal year 2023/24. In addition, there was an average of 14 FTE's of overtime.[1]

Division	April 1, 2024	Avg FTE 2023/24
Corporate Services Division	184	169
Crown Agencies Secretariat	44	41
Deputy Minister's Office	12	14
Gender Equity	12	10
Government House	21	18
Minister's Office	7	7
Office of the Comptroller General	132	114
Policy & Legislation Division	68	65
Provincial Treasury (including IRMA)	118	115
Public Sector Employers Council	21	20
Revenue Division	928	853
Treasury Board Staff	65	66
Total	**1612**	**1491**

[1] Headcount and FTE data is collected from HR Analytics/Strategic HR. Headcount data effective April 1, 2024 and FTE data fiscal 2023-24. With the exclusion of decimal places, the FTE numbers as presented total 1492 but true average is 1491. Headcount data includes active employees and employees currently on leave. FTE numbers are for HR reporting only and not to be compared with or used for budget purposes.

Contact:	Amy McAleese, A/ADM & EFO	**Phone:**	Government
Division:	Corporate Services Division	**Page:**	1 of 1
File Name:	09_MO_CSD_WORKFORCE-HEADCOUNT, FTE INFORMATION		

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

ISSUE: BC Hydro/EMLI – Electricity Affordability Credits

ADVICE AND RECOMMENDED RESPONSE:

- We recognize that rising costs affect everyone and the need for electricity is a key part of everyday living for households and businesses.
- The Electricity Affordability Credit will reduce electricity costs for British Columbians in 2024/25. In total, it is estimated to save electricity ratepayers about $370 million over the next year.
  - The credit is available to all residential, commercial and industrial electricity ratepayers regardless of income levels and business size, and to customers of BC Hydro and non-BC Hydro electricity utilities.
- The Electricity Affordability Credit will more than offset the anticipated impacts of BC Hydro's 2.3% general rate increase approved by the BC Utilities Commission on February 20, 2024, which is equal to about half the credit.
- The Electricity Affordability Credit will be based on electricity consumption in 2023/24 and on average,

residential households should see savings of about $100 over 12 months starting in April 2024.

- On average, commercial businesses and industrial customers will see savings of 4.6 per cent based on their consumption in the previous year, to help reduce rising operating costs.

KEY FACTS/BACKGROUND:

- An average BC Hydro residential customer will see $100 in bill credits in 2024/25, while commercial/industrial customers will see a 4.6% credit (see below).

BC Hydro	# of customers	Average Annual Bill Credit ($)	Cost to BC Hydro ($M)
Residential	Advice/Recommendations; Government Financial Information	100	Advice/Recommendations; Government Financial Information
Commercial/Small Industry		Advice/Recommendations; Government Financial Information	
Large Industrial			
Total Cost to BC Hydro			340

- The credit is calculated based on customer electricity consumption prior to March 31, 2024, and the credit will be applied to BC Hydro customer bills over the April 2024 to March 2025 billing period.
- Customers do not have to apply to BC Hydro to receive the Electricity Affordability Credit. The credits will be calculated

automatically and applied to bills in 2024/25 for customers of BC Hydro as of March 31, 2024.

- Advice/Recommentations
- Actual credits for each ratepayer will vary, and they are dependant on electricity usage prior to March 31, 2024.
- Advice/Recommentations

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

- BC Hydro will recognize the costs of providing Electricity Affordability Credits for its customers by reducing its planned net income in 2023/24 (Fiscal 2024) by $340 million.
  - o Section 35 of the Hydro and Power Authority Act enables government directives for BC Hydro to pay BC Hydro customers a specified amount.
  - The costs to BC Hydro will remain manageable and BC Hydro expects to remain within its 80:20 debt-equity target in 2023/24 and 2024/25.

QUESTIONS AND ANSWERS

ISSUE: BC Hydro/EMLI – Electricity Affordability Credits

Advice/Recommentations

- In late 2022/23, the Province provided a $100 one-time flat bill credit to residential customers and credits to commercial ratepayers, but did not include industrial customers.
- Advice/Recommentations

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

Advice/Recommentations

-

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Advice/Recommentations

- In implementing the Electricity Affordability Credit for BC Hydro customers, the government intends to issue a directive to BC Hydro under authority of section 35 of the *Hydro Power and Authority Act*, and not through a direction to the BCUC.

- Section 35 enables government directives for BC Hydro to pay BC Hydro customers a specified amount from its net income.

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 84 per cent complete and remains on track to have first power by December 2024, with all six generating units in-service by late 2025.
- BC Hydro continues to work with the Project Assurance Board, Peter Milburn, Ernst & Young and the Technical Advisory Board to actively manage risks.
- Additionally, regular updates are made to the provincial Treasury Board.
- 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.

KEY FACTS:

Overview and Progress to December 31, 2023
(consistent with BC Hydro's 2022 Annual Report to the BCUC)

- In December 2017, Government decided to continue with the construction of Site C.
- In February 2021, the government re-confirmed its commitment and 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.
  - 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.

Table 1

Project Budget by Key Work Area ($ million)

Description	Project Budget	Actuals, Life-to-Date (as of December 31, 2023)	Remaining Budget (as of December 31, 2023)
Dam, Power Facilities and Associated Structures and Transmission	8,258	7,522	736
Off Dam Site Works, Direct Construction Supervision and Site Services	2,895	2,330	565
Total Direct Construction Cost	**11,153**	**9,852**	**1,301**
Indirect Costs	2,082	1,512	570
Total Construction and Indirect Costs	**13,235**	**11,364**	**1,871**
Interest During Construction and Contingency	2,765	1,529	1,236
Total	**16,000**	**12,893**	**3,107**

- Table 1 shows that as of December 31, 2023, the life-to-date actual costs are $12.9B, which results in a remaining budget of $3.1B.
- 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 2023, as there are still many risks to be managed over the remainder of the construction and commissioning period.

BC Hydro's Third Quarterly Site C Progress Report to December 31, 2022, filed with the BC Utilities Commission, provides further details on the dashboard and a summary of Project risks.

- As an independent Project Advisor to government, Mr. Peter Milburn continues to be involved in the Project to assess progress and ensure his Review Report 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 2023, the Project was over 84% complete and BC Hydro continues to actively manage cost and schedule risks. Ongoing challenges in 2023 included:
    - Contractor labour attraction and retention.
    - Inflation (e.g., interest rates, supply chain disruptions).
    - Penstock flexible couplers installation and testing.
    - Management of contractor claims.
    - Impact of working during fire season.
- With the completion of tunnel conversion in September 2023, there was a possibility that reservoir filling could start in late fall 2023, one year earlier than the approved schedule.
- However, as of early November 2023, there continued to be some critical work areas that still needed to be completed before reservoir filling could safely begin, including the approach channel, spillway gates and powerhouse intake gates. With winter weather

and colder conditions setting in, the window to safely begin reservoir filling was coming to a close.

- In mid-November 2023, BC Hydro made the decision to stay on track with the approved Project schedule. Work on the Project continues to advance on schedule with reservoir filling planned in fall 2024. As a result of the advancement of construction work through 2023, reservoir filling may be initiated in late-August 2024, depending on weather, environmental and system conditions.
- As of December 2023,
  - The earthfill dam and access roads were completed.
  - Concrete placements for the generating station and spillways were essentially completed.
  - Filling of the tailrace area with water downstream of the powerhouse and spillways, as well as removal of the right bank cofferdam, was completed.
  - The approach channel is substantially complete.
  - The right bank foundation enhancement was completed.
  - The tunnel conversion was completed.
  - The penstock flexible couplings (penstock sections that allow the penstocks to 23 expand and contract) were redesigned to fully meet BC Hydro's specifications.
  - Two 500 kilovolt, 75-kilometre transmission lines, along with new substation are complete and energized.

- Work on the Hudson's Hope shoreline protection berm was completed in 2022.
- The Highway 29 Realignment was completed In July 2023.

- The Technical Advisory Board and independent dam experts have confirmed Project design continues to meet highest safety standards and international best practices.

Project Schedule

- Table 2 shows the status of key Project milestones in relation to the approved schedule.

Table 2

Description	In-Service Dates based on Approved Budget and Schedule (June 2021)[10]	Status
5L5 500 kV Transmission Line	October 2020	Complete
Site C Substation	October 2020	Complete
5L6 500 kV Transmission Line	July 2023	Complete
Unit 1 (first power)	December 2024	On Track
Unit 2	February 2025	On Track
Unit 3	May 2025	On Track
Unit 4	July 2025	On Track
Unit 5	September 2025	On Track
Unit 6	November 2025	On Track

Site C Workforce

- Total employment on Site C reached a peak of 6,069 workers in June 2023.

  - As major milestones are completed, BC Hydro expects total employment will continue to trend downward through 2024 and until the project is completed in 2025.
- As of December 2023, there were 3,153 total workers on the Project. Residents of B.C. made up 75% of the workforce (2,373), while 27% of the 8 workforce (638 workers) lived in the Peace River Regional District.
  - The onsite contractor workforce also includes 14% women (342 workers) 10 and 8% Indigenous (197 workers).
  - There were 162 apprentices working on the Project, which is 18% of the apprenticeable trades within the construction and non-construction workforce.

Site Work Accommodation Camp

- BC Hydro continues to explore options to decommission the worker accommodation camp facilities once they are no longer required for the Project.
- In fall 2023, BC Hydro engaged a third party to conduct a market sounding regarding the ATCO camp assets to ensure interested parties were aware of the potential opportunity to acquire some, or all of the camp assets.
- Additionally, the Project contacted provincial government ministries and Crown agencies regarding the opportunity to acquire the camp assets, including the Ministry of Health, the Health Authorities, the First Nations Health Authority, and the Ministry of Post Secondary Education and Future Skills.

  - The First Nations Health Authority was the only organization that subsequently expressed interest in potentially acquiring any portion of the camp assets (the health clinic).
- BC Hydro is following up with the First Nations Health Authority with regards to their potential interest in the health clinic portion of the camp assets. For the remainder of the camp, the Project is in discussions with potential buyers to align with work completions.

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. The following chart shows a snapshot of BC Hydro's finances and debt: equity ratios. The forecasts for F2024 (2023/24) and F2025 (2024/25) also incorporate the effects of the recently announced Electricity Affordability Credit in *Budget 2024*.

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

2024/25 – 2026/27 Service Plan

Our Service Plan aligns with our Five-Year Strategy to deliver on our vision of a cleaner, more sustainable future for all British Columbians

Five strategic goals for the Service Plan:

1. Safely Continue to Deliver Reliable, Affordable, and Clean Power
2. Energize our Province with Clean Electricity to Support Achieving BC's Climate Action Targets
3. Control our Costs
4. Strengthen our Resilience and Agility
5. Advance Meaningful Reconciliation with Indigenous Peoples

CONSOLIDATED STATEMENT OF NET INCOME ($ millions)	ACTUAL	Forecast			
	F2023	F2024	F2025	F2026	F2027
Revenues					
Domestic	5,304	5,559	6,205	6,547	6,667
Trade	2,723	418	1,007	1,526	1,624
Total Revenues	**8,027**	**5,978**	**7,212**	**8,073**	**8,291**
Net Income	**360**	**314**	**712**	**712**	**712**
Net Debt	**26,630**	**29,219**	**31,894**	**33,512**	**35,900**
Equity	**7,356**	**7,669**	**8,381**	**9,093**	**9,805**
Government Financial Information					
Capital Expenditures (incl. Site C and net of CIA)	**3,664**	**4,218**	**4,106**	**3,310**	**4,029**

Contact:	Doug Foster	**Phone:**	250 387-9022
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QUESTIONS AND ANSWERS

ISSUE: Site C Update

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

- Site C is over 84 % complete as of December 2023. 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 incudes a $737M contingency allocation.
- BC Hydro is carefully watching the labour supply in light of competing demands across BC, Canada and North America, as well as inflation, interest rates, construction claims, weather 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.

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

Did the decision to fill the reservoir in 2024 instead of 2023 impact the overall budget?

- This decision did not cause material impacts to the overall Project budget and was the right thing to do to ensure safety and reliability of the Project.
- Filling the reservoir in 2024 falls within the approved project schedule.
- BC Hydro remains on-track to have all six generating units in-service in 2025 and continues to manage the Project within the approved budget.

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

- 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 two years.
- There has also been a 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 $737M contingency allocation.

- Site C debt is managed within BC Hydro's broader borrowing program. While interest rates increased significantly over the past 2 years, impacts have been lessened by BC Hydro's borrowing and hedging strategy. On December 31, 2023:
  - All of BC Hydro's long-term debt outstanding was fixed rate debt. Variable rate debt as a % of net debt was 16%.
  - BC Hydro had $2.9B of interest rate hedges in place to mitigate interest rate risk on a portion of BC Hydro's borrowing requirements out to fiscal 2026/27.

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 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.

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

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 over 84% and key and most critical pieces are now substantially complete.
- BC Hydro is moving into its final stages of the Project and its critical workforce requirements are 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?

- As of December 2023, there were 3,153 total workers on the Project. Residents of B.C. made up 75% of the workforce (2,373), while 27% of the 8 workforce (638 workers) lived in the Peace River Regional District.
- The onsite contractor workforce also includes 14% women (342 workers) 10 and 8% Indigenous (197 workers).

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

Attachment 1 Dashboard (from BC Hydro's December 2023 BCUC filing)

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

● On Target ● Moderate Issues ● At Risk

Status as of:		December 31, 2023
Overall Project Health	●	The overall Project health remains "amber." The Project is approximately 84% 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	●	Safety status remains "amber." During the reporting period, the Project saw a decrease in workforce numbers as work fronts were completed. The majority of the remaining work continues to take place in and around the powerhouse. Compared to the same period in 2022, the Project safety performance metrics for lost time injury frequency and all injury frequency remained consistent. There was a slight improvement in the safety metric for serious incident frequency.
Scope	●	Scope status remains "amber." 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.
Schedule	●	Schedule status remains "amber." The Project is currently on schedule to achieve the approved 2025 final unit in-service date and is approximately 84% complete. With the completion of tunnel conversion in September 2023, there was a possibility that reservoir filling could start in late fall 2023, one year earlier than the approved schedule. However, as of early November 2023, there continued to be some critical work areas that still needed to be completed before reservoir filling could begin, including the approach channel, spillway gates and powerhouse intake gates. With winter weather and colder conditions setting in, the window to safely begin reservoir filling was coming to close. On November 14, 2023, BC Hydro made the decision to stay on track with the approved Project schedule. Work on the Site C Project continues to advance on schedule with reservoir filling planned in fall 2024. As a result of the advancement of construction work through 2023, reservoir filling may be initiated in late-August 2024, depending on weather, environmental and system conditions. There continues to be uncertainty related to achieving the contractual schedules, and there are potential risks that could adversely affect these schedules. The time available to complete the remaining scopes of work is expected to be sufficient for the Project to meet the approved schedule.
Cost	●	Cost status remains "amber." Potential cost risks remain, as detailed in this report. As of December 31, 2023, the life-to-date actual costs are $12.9 billion, which results in an estimated $3.1 billion of remaining costs based on the forecast of $16 billion.

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

Status as of:		December 31, 2023
Quality	●	The quality status for the Project remains "green," 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. 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.
Regulatory, Permits and Tenures	●	The regulatory, permits and tenures status remains "green." Overall, BC Hydro continued to be issued permits and authorizations in accordance with construction timelines. As of December 31, 2023, 633 of the estimated 671 provincial and federal permits and authorizations required for the Project have been received and are actively being managed. This includes all required regulatory approvals to commence reservoir filling.
Environment	●	The Project environment status changed to "green" from "amber" in the previous reporting period. During this quarter, as a follow up to the April 2022 potentially acid-generating rock Environmental Assessment Office order and subsequent warning letter received in September 2022, the Environmental Assessment Office determined that the revised Site C Construction Environmental Management Plan was acceptable. BC Hydro issued the Plan as final and posted it to the Project website on October 24, 2023. BC Hydro will continue to work with the Environmental Assessment Office on how to interpret the revised Plan and the order, and the order's status. The Environmental Assessment office has confirmed that enforcement against the order will not occur. BC Hydro continues to develop final treatment plans for potentially acid-generating sites that will not be addressed through dam construction or the creation of the reservoir.
Procurement	●	The procurement status remains "amber" due to a number of remaining procurements that still need to be negotiated. The majority of the Project's commercial agreements to deliver the right bank foundation enhancements are in place, with a few remaining commercial agreements for smaller scopes of work expected to be awarded by the spring 2024.
Indigenous Relations	●	The Indigenous Relations status remains "amber." BC Hydro has a mandate from the Government of British Columbia to reach Project or impact benefit 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 consultations and engagement.

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

Status as of:		December 31, 2023
Stakeholder Engagement	●	The stakeholder engagement status remains "green." BC Hydro continues to work with the communities, regional district and stakeholder groups on the implementation of various community agreements.

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION PROVINCIAL TREASURY)
ISSUE NOTE (updated April 11, 2024)

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.
- With the Ministry of Finance, BCI continues to focus on ways to continue the evolution of its annual Three-Year Business Plan and other corporate reports.
- BCI is expected to publish its Fiscal 2023/24 Corporate Annual Report, including its audited financial statements, at the end of June 2024. This will also include BCI's ESG report.

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION PROVINCIAL TREASURY)
ISSUE NOTE (updated April 11, 2024)

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 is not part of the government reporting entity (GRE) however the government is an investment client and BCI's sole shareholder is the Minister of Finance. In addition to the major provincial public sector pension plans, BCI also invests on behalf of key public sector entities such as ICBC, WorkSafe, and TransLink.
- Under section 20(s) of the PSPPA, BCI is required to provide the Minister of Finance with an annual business plan and an annual report on the investment management corporation, including the audited financial statements.

BCI Overview

- BCI currently manages more than $233.0 billion (B) of gross assets under management (AUM).
- 32 clients, which include pension funds, insurance funds and special purpose funds; pension and insurance funds account for 97.8% of assets managed.
- 770 permanent BCI employees located in Victoria, Vancouver, New York, and London, U.K. as of March 31, 2024.
- BCI's New York City office serves as a base for 31 private equity and private credit employees.

- BCI's first office outside of North America opened in London, U.K. in mid-2023 for its infrastructure and renewable resources team and demonstrates the evolution of BCI's global investment strategy.
  - The London presence provides a foundation to continue sourcing deals for new capital investment, asset management, and developing new partnerships in the U.K. 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 costs are below the peer median, while it has delivered of the highest value add over the past five years. 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 in 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%.
- The funding ratios for BCI's insurance clients range from 134% to 146%.

Client Satisfaction

- BCI conducted its biennial client satisfaction survey in the fall of 2023 and earned an overall satisfaction rating of 92% (highly satisfied) from its clients, an increase of 6% from the 2022 survey in which overall satisfaction was rated 86% by client respondents.

Investment Returns

- Returns for BCI's total fund and private market investments (over 40% of BCI's assets) are finalized each July. Final returns take time due to the valuation process for private markets.
- Early preliminary returns for the combined pension plans for the year ended March 31, 2024, are shown in sections that follow. Note that these figures are subject to verification and audit and will be finalized in July 2024.
    - The five-year annualized return is expected to be near benchmark.
    - The one-year annual return is expected to be below benchmark.

Market Overview and BCI's Response

- Compared to 2022, 2023 was marked by more volatility in markets, from geopolitical uncertainty to higher-for-longer interest rates.

- The BCI public markets portfolio continues to demonstrate resilience as a result of selective investments and diverse offerings, which is evident with an annualized five-year return of 10.8% for public equities and 1.2% for fixed income.
- The rapid and significant increase in rates will continue to be felt in markets and the economy, creating dislocations. BCI intends to stay agile and nimble while navigating this tougher cycle in the market.
- While private market returns for 2023 are not yet available, BCI is seeing a re-adjustment of return expectations and slow deployment for private markets.
- As of March 31, 2024, 82% of BCI 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. BCI's transition to in-house management is now essentially complete, and BCI doesn't anticipate a substantial change to this percentage moving forward.

Investment Highlights

- In **fixed income & foreign exchange**, BCI issued its inaugural bond, which strengthens and diversifies funding sources. BCI received top credit ratings from DBRS Morningstar (AAA), S&P (AAA), and Moodys (Aaa). The first issuance of $1.25B was oversubscribed, with participation from more than 50 public and private asset managers. An additional $1B was therefore added.

- In **public equities**, the BCI Global Partnership Fund (GPF) continues to demonstrate strong performance. Since its inception in 2019, it has beaten its target by 3.4% on an annualized basis. Advice/Recommentations; Government Financial Information Advice/Recommentations; Government Financial Information comes from an investment methodology Advice/Recommentations; Government Financial Advice/Recommentations; Government Financial Information Simply put, this approach does Advice/Recommentations; Government Financial Information Advice/Recommentations; Government Financial Information

  Advice/Recommentations; Government Financial Information By doing this, BCI can carefully control risk exposures and aim for better results, no matter the market environment. The Advice/Recommentations; Government Financial Information Advice/Recommentations; Government Financial Information

- In **private equity** BCI has significantly expanded its private equity program over the past eight years to achieve clients' policy target allocations and successfully drive higher returns. BCI built its deal-making capabilities from the ground up and established partnerships around the world, all the while increasing its in-house expertise. These efforts have returned over $29B to BCI's clients, returning most of the capital invested, along with $19B of additional gains.

- In **infrastructure and renewable resources,** BCI committed Government Financial Information in 2023, Government Financial Information its target, and bringing clients closer to their target investment and rate of return (I&RR) allocation. Looking ahead to 2024, the program is expecting to invest in opportunities that arise from changes in global energy systems, digital infrastructure and decarbonization.

- In **real estate,** real estate equity markets are feeling the impact of higher interest rates. However, BCI has limited its exposure to the worst-hit sectors. It is important to note that recent lower returns in this space are driven by market appraisals, and not realised losses. Real estate debt on the other hand has performed strongly through 2023 and has provide diversification to the returns of the overall real estate portfolio.

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 Company 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 combined company will have more than 1,300 employees across 20 U.S. states and two Canadian provinces (British Columbia and Alberta).
    - The transaction is expected to close by the first half of 2024, 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.

Photonic Inc. (Photonic)

- Photonic is a quantum computing company that is building a scalable, fault-tolerant, unified quantum computing and networking platform. The company's next-generation quantum technologies are uniquely based on proven spin qubits in silicon with a native telecom networking interface and the manufacturability of silicon.
- Fault-tolerant quantum computing aims to solve complex problems more efficiently than classical computing.
- Photonic, an investment for BCI since 2021, is headquartered in Vancouver, B.C. and has offices in the U.S. and U.K. The company employs over 120 people spanning all locations.

Global Container Terminals (GCT)

- GCT, an investment held by BCI since 2018, is a leading global container operator headquartered in Vancouver that offers the infrastructure to import/export goods via two state-of-the-art West Coast terminals.
    - GCT operates two Green Marine certified gateway terminals in Canada: GCT Vanterm in Vancouver and GCT Deltaport in Delta.

- On August 31, 2023, GCT completed the sale of its two U.S. based terminal assets to CMA CGM Group.
- In May 2023, the Vancouver Fraser Port Authority's proposed three-berth greenfield container terminal (RBT2) to be built next to GCT's Deltaport terminal at Roberts Bank received federal environmental approval. The approval is subject to 370 conditions. GCT continues to assess the impact of the decision.
- In November 2023, GCT announced formalizing their emissions reduction efforts by signing onto the federal government's Net Zero Challenge. The challenge sets companies on a committed path to transition their facilities and operations to net-zero emissions by 2050.

InTransit BC

- InTransit BC (held by BCI since 2005) designed, built, partially financed, operates, and maintains the Canada Line Sky Train in 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 employs more than 200 people directly and has an additional 2,000 people in their contractor workforce.
- Mosaic is committed to recognizing and respecting the rights of Indigenous Peoples and has an Indigenous Relations Policy.
- Mosaic's BigCoast Forest Climate Initiative, announced in March 2022, involves deferring the harvesting 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.

QuadReal's Notable Investments in British Columbia

- Oakridge Park
  - A 28-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.

  - Parkbridge employs over 1,100 people.
  - 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.
  - In 2023, Parkbridge was integrated into QuadReal; however, the Parkbridge branding will continue to be used in the marketplace. The objective of the integration is to better support the performance and growth of Parkbridge.
- The Post, downtown Vancouver
  - Historical landmark that was previously the regional facility for Canada Post, and currently being transformed into a mixed-use 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. Tenants have started to occupy. Loblaws and Starbucks are fully operational and open to the public.

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 is guided by ESG Governance Policy, investment beliefs, and ESG principles, and sets a framework for BCI's ESG-related initiatives.
- BCI's corporate ESG influence priorities are: climate change; water management; data security and privacy; human capital management; and diversity and inclusion.
- BCI was a founding signatory of the Principles for Responsible Investment (PRI) in 2006 and participates in its annual assessment to benchmark and strengthen their practices.

- In the 2023 PRI assessment results, released in early 2024 and reflecting 2022 data, BCI outperformed relative to median scores for most of PRI's 16 modules. Notably, BCI significantly outperformed on Policy, Governance & Strategy, which captures its overall approach to responsible investment. Full reports and results can be found at: bci.ca/pri.

- BCI's fiscal 2023/24 ESG reporting will be released in its corporate annual report expected to be released at the end of June.

- Recent highlights include:
  - Participating in six collaborative engagement initiatives targeting 3,464 publicly traded companies on climate change, gender diversity, and Asian corporate governance.
  - Investing in 21 sustainable bond issuances valued at over $1.03B, increasing their total historical participation to $5.23B, overachieving their $5B estimated cumulative participation in sustainable bonds ahead of their 2025 expectation.
  - Investing in climate-related opportunities, including BCI's recent direct investment in utility-scale battery storage projects through Eku Energy.
  - Contributing to 29 policy consultations, roundtables, and joint statements supporting market or regulatory ESG

improvement, including the SEC's and Environment and Climate Change Canada's (ECCC's) consultations on methane regulations.

- Advocating for, and supporting changes that make, ESG principles part of regulatory frameworks, ultimately improving the investment environment for BCI's clients, including supporting the development and adoption of the new IFRS Sustainability Disclosure Standards which were released in June 2023.
- 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 in calendar year 2023.
- Using proxy voting to drive ESG performance by voting for 62% of social proposals and supporting 57% of all environmental-related proposals during the 2023 proxy voting season.
- Jennifer Coulson, BCI's global head of ESG, recently joined the British Columbia ESG Advisory Council. This diverse group of public, private, and Indigenous sector experts will lend their insights to a newly established ESG Centre of Excellence within the Government of British Columbia Ministry of Jobs, Economic Development, and Innovation, which was created to facilitate ESG-aligned trade, investment, and economic development in the province.

BCI and Climate Action

- BCI has had integrated climate-related considerations in its investment processes since the early 2000s, partnering with portfolio companies and collaborating 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 has set a specific engagement goal to ensure that, by 2030, at least 80 per cent of its most carbon-intensive investments have set mature net-zero aligned commitments or are being engaged by BCI.
- 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.
- BCI's portfolio carbon footprint decreased by 34 per cent between 2020 and 2022, demonstrating that the actions BCI is taking to implement its Climate Action Plan are achieving the expected decrease of our portfolio carbon footprint.

QuadReal Property Group (QuadReal)

Structure

- QuadReal manages $44.0 Billion of BCI's real estate equity and real estate debt programs Government Financial Information BCI's clients receive investment returns on the real estate and real estate debt through investment in BCI's pools.
- 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.

BC Economic Impact Analysis 2023-2026 (as provided by QuadReal)

- 17 projects
- $8.6B investment
- 60,690 jobs
- $70.8M per annum in estimated property tax
- $1.4B in tax revenue
- $4.1B in labour income
- $7.4B gross domestic product

Residential Focus

- QuadReal has established managers and developers of residential communities in Canada. QuadReal's BCI residential portfolio as of Q3 2023 included:
  - Residential Units
    - Total global multi-family rental: 47,486 units
    - B.C. total: 6,110 units
  - Student Housing Beds
    - 22,859 beds (located outside Canada primarily in U.S.)
  - Parkbridge Units
    - Total: 26,928 units
    - B.C. total: 1,964 units

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%.
- QuadReal has set a net-zero target and publicly discloses its strategic pathway to reduce its greenhouse gas emissions, including a commitment to achieve a 50 per cent carbon reduction goal across its Canadian operations by 2030, and net zero globally 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 3rd place in the Americas and 6th globally in 2023, complementing QuadReal's top GRESB rankings from the previous four years.
- QuadReal has issued three green bonds totaling nearly $1.2B since establishing its Green Bond Framework in 2020. Net proceeds are allocated to green projects in support of innovative solutions that reduce energy consumption, carbon emissions, pollution and waste.

BCI's Corporate Publications

- BCI will submit the fiscal 2025-2027 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 in spring/early summer 2024.
- BCI will publicly release its:
  - F2023/24 Corporate Annual Report, including annual ESG reporting, in late June 2024.
  - New Active Ownership Report, highlighting progress in engagement, proxy voting, and policy advocacy related to ESG matters, in October 2024.
  - Investment Inventory in October 2024.
- Additional public materials to be released in 2024 are:
  - BCI's Employee Code of Ethics & Professional Conduct is reviewed and, if required, updated at least triennially. BCI's Board of Directors must approve all amendments.
  - Pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, BCI will issue a Forced Labour Report at the end of May 2024, in accordance with legislated requirements.

Business Plan F2025-2027

- Nearly three years ago, BCI completed its transformation into an active, in-house manager — a transformation that began when Gordon J. Fyfe, CEO/CIO joined BCI in 2014. Since then, BCI set out to optimize its competitive edge with its F2022-2024 Business Plan. Its four strategic ambitions centered around: clients; returns; technology; and talent.

- BCI ended the final year of this three-year plan. Highlights from the past year include:
  - Clients: Supporting its clients with ESG leadership and insights; refining governance and investment policies to ensure they remain meaningful for clients going forward.
  - Returns: The managing director and head of London Office started in June 2023, marking the first day of BCI’s fourth global office being “open for business”. BCI’s London and New York offices provide the investment teams with closer access to deal flows and the assets within those geographies. BCI also began a medium-term debt program and received the highest possible long-term credit ratings from global credit rating agencies. Its first issuance of $1.25B senior unsecured notes was oversubscribed with over $1.9B in orders from over 50 global investors.
  - Technology: BCI continues to leverage digital technology, in particular AI, to improve operational efficiency and analytical capabilities.
  - Talent: Developed a formal employee value proposition that supports BCI’s brand and reputation in the global markets; rolled out "conscious inclusion" training to promote an inclusive workplace.

- The advantages BCI has gained since becoming an active, in-house asset manager position will help it to meet the challenges ahead and continue to adapt to a fast-changing world. Guided by a long-term vision, BCI's executive management team identified three new ambitions that will position BCI to navigate the challenges and opportunities of the years ahead.
- These ambitions reflect the reality of a new backdrop – low beta expectations, increasing geopolitical uncertainty, the global energy transition, fierce competition among asset managers, and exponential technology changes. At the same time, pension clients will require greater cashflows as they mature, and BCI's clients are nearing their private market targets. This means BCI will need to think outside the box to maintain the advantages it built since the start of its transformation and secure new investments for its clients.
- For simplicity, BCI will maintain the F2025-F2027 Business Plan for three years, indicating year 1, year 2, and year 3 as it releases the updated plan each year. In other words, it will not roll into a Fiscal 2026-2028 Business Plan next year, as it would have done previously. This approach acknowledges that BCI's strategic direction will be consistent for the coming three years.
- BCI's global investment strategy maximizes its ability to generate returns for our clients, which in turn flow into our economy at home in British Columbia. For every $10 of public sector pension paid to a retired member, $15.77 of economic activity is generated in B.C. It is

estimated that BCI's activities contribute $11.1B to the provincial GDP and $1.2B to provincial taxes.[1]

Corporate Annual Report F2024

- The report 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 BCI's prudent liquidity management, effective asset allocation and opportunistic capital deployment in markets distressed by rising inflation and interest rates as well as geopolitical risk convergence. BCI's investment and risk management frameworks, allowed it to stay the course on behalf of its clients, responding with agility and avoiding the need to 'hit the pause' during the volatile markets to assess how cash flows, valuations, and asset allocation ranges have been impacted by market movements.
- In line with global best practices and emerging standards, BCI's annual ESG reporting will be integrated into the Corporate Annual Report, and it is taking steps towards alignment with the IFRS Sustainability Disclosure Standards under the International Sustainability Standards Board (ISSB). There will be no standalone ESG Annual Report produced in 2024.

[1] CPPLC Economic benefits of Canadian Public sector pension plans; November 2021; Page 9 and 28

- The Corporate Annual Report will continue to include BCI's Annual Climate Disclosures, formerly known as the Task Force on Climate Related Financial Disclosures (TCFD).

Active Ownership Report (New)

- To complement BCI's annual ESG reporting in the Corporate Annual Report, BCI is establishing a new public report focused on its approach to active ownership and advancing its ESG ambitions through direct and collaborative engagement, proxy voting, and policy advocacy.
- This report is anticipated to be released in October 2024.

BCI and Issues Management

Oakridge Park Construction Accident

- On February 21, 2024, an accident involving the unexpected release of a construction crane's load resulted in the death of site worker Yuridia Flores, a 41-year-old mother of two.
- QuadReal, Westbank, and EllisDon are actively cooperating with authorities, including WorkSafeBC, to investigate the cause of the accident.
- EllisDon has ensured that the more than 1,500 onsite workers have access to appropriate support services following the tragic accident.

- Occupational health and safety are of paramount importance to BCI and QuadReal and stringent compliance with safety standards and a robust safety record are key criteria in the selection and oversight of all asset managers and development partners.
- In March 2023, EllisDon was named to the Canadian Occupational Safety's (COS) 2023 5-Star Safety Culture list for its strong and vigilant commitment to safety.
- The Oakridge Park re-development project is a 28-acre highly sustainable, mixed-use, transit-oriented cultural hub that is expected to open in 2025. In addition to 3,000 homes for nearly 6,000 residents, the development will include cultural and nature-focused amenities, a 9-acre park, Vancouver's second-largest library, and a 100,000 square foot civic center.

Thames Water (Thames)

- BCI invested in Thames in 2006, the U.K.'s largest provider of essential water and wastewater services. Alongside other global investors, BCI currently holds an 8.7% equity stake in the company.

Government Financial Information

- Thames Water has received significant media attention over the past year as they seek to improve performance and outcomes for customers, reduce leakage, improve river health, and accelerate delivery of Thames' turnaround plan. Thames is also seeking additional equity financing.

- As the largest provider of essential water and wastewater services in the UK, Thames serves more than 15 million (M) customers in and around London.
- BCI, alongside other shareholders, is continuing to work constructively with Thames, who are in direct contact with its relevant stakeholders including the water regulator, the environment agency, and the UK government.
- The purpose of these discussions is to agree on a clear framework that would allow Thames to improve performance in a sustainable manner. As of March 28, 2024, there has not been an agreement on an investable framework with shareholders, however, discussions continue.

Shift Action for Pension Wealth and Health Continuing Calls for Climate Action

- Shift Action for Pension Wealth and Planet Health (Shift) continues to advocate about the financial risks that climate change poses to pension investments to BCI and other Canadian pension plans.
- On February 27, 2024, Shift released its second Canadian Pension Climate Report Card that evaluated the climate policies of 11 Canadian and three international funds.

- BCI scored in the mid-range of the Canadian funds and improved slightly to a C- from a D+.
- The report notes BCI's strengthened proxy voting guidelines and being the first large Canadian public sector pension investment manager to file a climate-related shareholder proposal with Imperial Oil.
- BCI has affirmed its support for the global goal of net-zero GHG emissions by 2050 and is committed to using its influence to drive actions aligned with this goal.
- BCI understands that there will be continued calls to divest from fossil fuels and will engage and respond as appropriate.

BC Teachers' Federation AGM

- A resolution supported by 63% of the votes at the BC Teachers' Federation (BCTF) AGM on March 21, 2023, called for "the Federation [to] develop a plan for full divestment from fossil fuel companies in the BC Teachers Pension Plan by 2028, consistent with the fiduciary obligation of the Board."
- This was the second year that a resolution related to fossil fuel divestment was passed at the AGM.
- BCI supported the Teachers' Pension Board of Trustees in assisting the BCTF in their response, and answered questions related to fossil fuel investments.
- In addition, BCI is collaborating with its large pension plans to deliver a multi-plan partner climate education session in April where

plan partners will have an opportunity to learn more about BCI's Climate Action Plan and ask questions.

Mosaic - Harvesting at Mount Washington

- Over the past year BCI has received letters from the public expressing concerns about Mosaic's harvesting activities at Mount Washington.
- As BCI is not involved in the day-to-day operations of the company, we engaged with Mosaic and redirected the query to Mosaic to directly engage with the citizens.
- Additionally in February 2024 Soft-CV (Save our Forests Team – Comox Valley) staged a peaceful rally at BCI's Victoria office. The rally involved approximately 20 protesters and did not receive media attention.

Canadian Pension Plans Investing in Canada

- In the 2023 Fall Economic Statement (FES), the Canadian federal government announced a desire to work collaboratively with Canadian pension funds on possible ways to create an environment that encourages and identifies more opportunities for investments in Canada.
- There has also been recent media coverage critical of Canadian pension plans not making sufficient investments in Canada.
- BCI does not agree that regulatory action is the best approach, as it would result in material costs to millions of Canadians that rely on

Canadian pension plans and would be unlikely to provide positive benefits to issuers.

- Forcing greater domestic investment by Canadian pension plans could result in reciprocal regulation by other countries and negatively affect Canada's reputation as a leader in modern pension management.
- Nearly 30 per cent of BCI's gross assets under management are invested in Canada, a far greater portion than Canada's weight in global capital markets.

- BCI has a fiduciary and statutory obligation to invest pension plan assets under management in the best financial interests of our clients, having regard to the investment objectives, risk tolerances, and liabilities of such clients.
- BCI is a global investor seeking diversified portfolios that meet the returns requirements and risk tolerance of our clients.
    - Investment opportunities of the size and scale necessary to meet our risk-adjusted return profile are scarce in Canada.
- Over the last several decades, Canadian pension plans have increased their exposure to non-Canadian public equities as part of a broader effort to diversify portfolios, improve returns, and mitigate risk by increasing exposures to global markets, Canadian fixed income, and alternative investments.

  - If BCI was to revert to a more traditional investment model dominated by domestic investment, returns would suffer by up to ~$5B annually and would endure greater volatility.
  - Increased exposure to Canadian public equities would result in reduced diversification and greater risk due to the heavy concentration in banks, energy, and materials in the Canadian market.
- Foreign investment by Canadian pension plans is offset by foreign investment in Canadian investees. Additional investment in Canadian equities by Canadian pension plans would not necessarily result in any additional funds in the hands of Canadian issuers.
- Even if increased exposure to Canadian public equities did not crowd out other investment, there is no evidence that additional investment would result in greater re-investment into businesses of Canadian issuers.
- BCI believes that a more principled approach should involve policies that encourage both domestic and foreign investors to hold more Canadian public equities and reward public equity issuers for making the types of investments desired, such as investments in workers, R&D, and infrastructure.

Gaza's Humanitarian Crisis and BCI Defence-Related Investments

- BCI continues to closely monitor the geopolitical and economic impact arising from the Israel-Hamas war. BCI's thoughts are with those in the region and around the world who are deeply affected by the ongoing conflict. At present, BCU does do not anticipate any material impact on its investment portfolio, and its exposure to the region is minimal.

- As a global asset manager with investments around the world, BCI adheres to applicable legislation and/or international treaties that sanction select companies, including the Anti-Personnel Mine Ban Convention and the Convention on Cluster Munitions. As of March 31, 2024, BCI does not hold any securities of companies named by these Conventions in its active or passive portfolios.
- At a sector level, BCI's investment portfolio has limited exposure to defence companies, mostly through index funds where BCI replicates indices that hold such companies. Many of these companies are conglomerates running multiple business lines, with defence being one of them.
- BCI also has a well-defined ESG Strategy that takes into account the environmental, social, and governance practices of companies as part of its investment decision-making. BCI aims to invest in companies with robust ESG characteristics that will deliver strong, sustainable returns for clients.

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 & global head, private equity, has interviewed with multiple premier public equity publications including Buyouts Insider and Private Equity International as part of a proactive effort to build the profile of BCI's private equity program (ongoing).
  - BCI's senior managing director and global head, ESG was interviewed for an article by top1000 funds focused on how BCI integrates ESG into the investment processes (June 2023).
  - BCI's chief executive officer and chief investment officer was interviewed by Global Sovereign Wealth Fund for an article highlighting BCI as one of the most active Canadian funds in 2023 (September 2023).
  - BCI's senior managing director, partnership portfolio, conducted proactive media interviews with Institutional Investor and Private Debt Investor to discuss our anchor investment in Overland Advisors, a private credit partnership with Wells Fargo (September 2023).

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 balance was $591.2 million as of March 31, 2024. This will be confirmed when we issue our 2023/24 audited *Public Accounts* later this summer.
- Overall investment returns for the BC Prosperity Fund were fairly strong in 2023/24 – compared to prior years – due to higher interest rates.
- 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 **Phone:** 250 387-9022
Division: Deputy Minister's Office

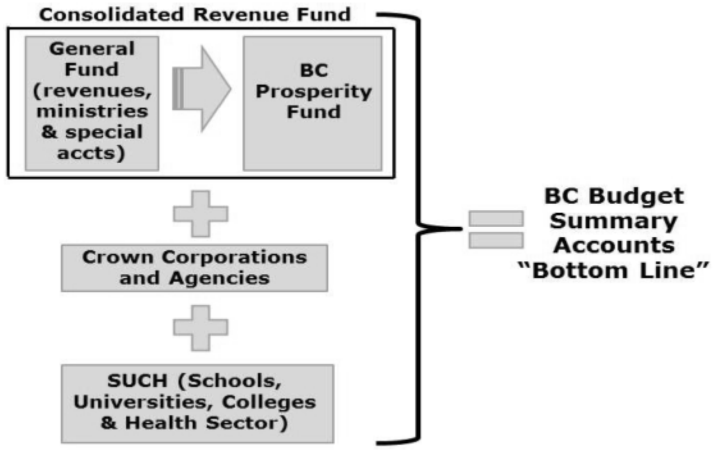
MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (PREPARED IN COOPERATION WITH PROVINCIAL TREASURY)
ISSUE NOTE

KEY FACTS:

- The BC Prosperity Fund (Fund) balance was $559.5 million (M) as of March 31, 2024. This will be confirmed when we issue our 2023/24 audited *Public Accounts* later this summer. The balance consists of:
  - An inaugural payment of $100M to establish the Fund in Budget 2016;
  - $400M transferred in September 2016, based on the 2015/16 final audited surplus; and
  - Accumulated external investment earnings of $91.2M. Earnings were particularly strong in 2023/24 (compared to past years) due to the effect of higher interest rates.
- The Fund's balance as of December 31, 2023, was $582.7M.
- 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.

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. As of March 31, 2024, funds are held in accounts at one chartered Canadian bank. On June 23, 2022,

assets were moved from RBC and HSBC to a newly established account at Scotiabank to take advantage of higher interest rates.

- 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.
    - Since 2016/17, Treasury Board has not elected to make further additions to, or withdrawals from the Fund, instead opting that all surplus General Fund cash balances on March 31 be used to help reduce government's direct operating borrowing requirements and debt.
- As per *Budget 2024*, the government does not expect budgetary surpluses to be a source of potential transfers to the Fund for fiscal years 2024/25 – 2026/27. This reflects government's near–term priorities of healthcare, housing and other essential service areas.

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 Advice/Recommentations; Govern of the fund to be invested in short term fixed income deposits and

permits a maximum of Advice/Recomment... 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.
- The benchmark yield for the Fund is to meet or exceed the yield generated by the cash management working capital pool. Actual results for the 12 months ending March 31, 2024, were a Advice/Recommentations; Government Financial yield for the Working Capital Pool and Advice/Recommentations; for Fund.
- From April 1, 2023 to March 31, 2024, the Fund's yield Advice/Recommentations; Government Financial Information

  Advice/Recommentations; Government Financial Information
- Due to the uncertainty about the long-term future of the Fund, Banking and Cash Management is prudently managing the fund with maximum liquidity, which impacts the yield. Longer term investments in the Fund would have resulted in a higher yield.
- During the pandemic, the Province maintained the Fund's liquidity as a potential backstop to provincial liquidity requirements during this period of economic uncertainty. That backstop authority remains in place today due to capital markets uncertainty, in part due to global conflicts centering in eastern Europe.
- Over the last year, banks continued with higher interest rates in response to the Bank of Canada's efforts to deal with near term inflation. Higher interest rates assist with increasing Fund investment returns. 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 (near-medium term, lower interest rates are anticipated).

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)
ISSUE NOTE (UPDATED APRIL 29, 2024)

ISSUE: FIFA World Cup 2026

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.
- With seven matches in Vancouver, this will be a significant boost to B.C.'s tourism and accommodation sector, as well as the Province's economy overall.
- The initial contribution announced by the federal government is a great start toward core costs for hosting seven matches.
- We expect that the Government of Canada remains committed to supporting the Canadian host cities, Toronto and Vancouver, in the safe and successful delivery of the FIFA World Cup 26™ matches.
- There are still many unknowns that can affect total FIFA World Cup 26™ costs in British Columbia, including how much revenue that can be generated.
- The Province and its partners are providing a public update on FIFA costs and I can assure you it will not cost anywhere

near the $3 billion the Province has set aside for contingencies.

- We are watching this area closely and will provide updates on the estimated costs, revenues, risks and benefits associated with hosting as we get closer to the event.
- The City of Vancouver is the first to use a new Major Events MRDT and this tool which will help communities cover the costs of hosting major internationally recognized tourism events.

KEY FACTS/BACKGROUND:

- In June 2022, Vancouver was selected as a Host City for FIFA World Cup 2026 (FIFA World Cup 26™) 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.
- Work has been ongoing to further clarify and assess obligations to FIFA, update revenue and cost estimates, identify risks and develop a multi-party agreement with the federal government to receive federal funding contributions. The Province and its partners are working to provide an immediate public update on FIFA World Cup 26™ planning, economic impacts, costs, revenues and risks (expected April 30, 2024).

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)
ISSUE NOTE (UPDATED APRIL 29, 2024)

- *Budget 2024* does not show a specific allocation for provincial FIFA World Cup 26™ costs. Planning is still in preliminary stages and there remain many uncertainties. Provincial funding requirements for planning, staging and hosting FIFA World Cup 26™ matches will be provided through the Contingencies vote as required, as detailed plans are developed and reviewed by Treasury Board.
- Contingencies vote funding is mainly being set aside for things like caseload pressures for social services and health care, as well as towards future wage mandates or other government priority initiatives where costs are not yet certain. This includes priority initiatives such as the Province's commitment to FIFA World Cup 26™ matches.

Economic Benefit Estimates – FIFA World Cup 26™ Matches

- In March 2024, the Province, BC Stats and Destination BC completed an interim update to reflect the potential economic impact benefits of hosting seven FWC 2026 matches in Vancouver.
- Estimated economic impact benefits include and expected 350,000 event visitors to BC Place during the tournament. During the tournament and the five years following (2026-31), the modelling shows:
  - $1 billion added to provincial GDP
  - Over one million additional out-of-province Advice/Recommendations; Government Financial Information visitors
  - Over $1 billion in additional visitor spending
  - $224 million in potential direct, indirect, and other related (induced) provincial tax revenues

MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH TACS)
ISSUE NOTE (UPDATED APRIL 29, 2024)

The Ministry of Tourism, Arts, Sport and Culture (TACS) will be publicly releasing the interim updated report once it is finalized.

Costs and Revenue Estimates of FIFA World Cup 26™ Matches:

- In 2022, government estimated the total costs of hosting FIFA World Cup 26™ matches at $240 – $260 million (M). This included 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 on its costs, which showed the City's estimated net costs at $230 M for planning, staging and hosting FIFA World Cup 26™ matches. The estimate reflected significantly higher-than expected inflation and more detailed planning, including FIFA site visits, public safety and security and other hosting assessments.

NOTE: Confirm public release for the following April 30th, else not public)

- The Province, the City of Vancouver, and BC Pavilion Corporation (PavCo) have updated consolidated core cost and revenue estimates for planning, staging and hosting seven FIFA World Cup 26™ matches in Vancouver, two more than originally planned. These estimates are subject to change as planning continues.
- The gross core cost of planning, staging, and hosting seven FIFA World Cup 26™ matches in Vancouver is estimated to be between $483 M and $581 M.

- Core costs exclude investments not specially required under FIFA agreements (e.g., tourism marketing, legacy investments, etc.).
- These gross costs are expected to be offset by up to $383 to $436 M in estimated revenues, recoveries and the federal government's latest expected contribution to core activities.
- After offsetting revenues recoveries and the federal contribution, the Province estimates the net cost of planning, staging and hosting seven FIFA World Cup 26™ matches at $100 M – $145 M. This does not take into account potential additional provincial tax revenues as identified in the Province's updated estimates of economic impact benefits.

Table 1 - Summary of Core Cost and Revenue Estimates, All Parties

	Range ($ millions)	
	Low	**High**
Estimated gross core hosting costs	483	581
Estimated revenues, recoveries and contributions	(383)	(436)
Estimated net core hosting costs	100	145

- Gross core cost estimates are presented as ranges to reflect several uncertainties. Additional FIFA site visits, new or updated hosting requirements received from FIFA and further detailed planning in areas such as public safety and security will help to further refine cost estimates.
- Gross core cost estimates have assumed a general inflation rate of 4% per year for operating costs and 6% per year for capital costs. In

addition, the total estimate includes contingency allocations of 20% for operating costs and 35% for capital costs to account for normal risks associated with hosting an event of this size and scale.

Core Cost Estimates

Table 2 – Gross Core Hosting Cost Estimates, By Party

Party	**Gross Cost Estimate Range ($ millions)**		**Included**
	Low	**High**	
City of Vancouver	246	246 + 30 in pressures*	Integrated public safety and security within hosting area, team training sites, FIFA Fan Festival™, decoration and brand protection, traffic and stadium zone management, and other required municipal services.
PavCo (BC Place Vancouver)	149	196	Capital costs for stadium improvements and operational costs during the tournament
Province and other public sector entities	88	109	Other core hosting costs including essential services required to support the City. These include provincial safety and security, transportation, emergency management, and health services.
Total Gross Core Hosting Cost Estimate	**483**	**581**	

*City cost pressures are expected to be offset by potential additional commercial program revenues or cost savings.

- In addition to core hosting activities and costs, a provincial priority includes maximizing social and economic benefits. The Province is currently developing plans to help ensure the benefits of hosting FIFA World Cup 26™ matches are experienced throughout B.C. and expects that the federal government and private sector will also be partners.

Revenue, Recoveries and Contribution Estimates

Table 3 – Gross Revenue, Recoveries and Contributions Estimates, by Source

*Revenues will be used to offset City hosting costs.

Gross Revenue Source	Revenue Estimate Range ($ millions)		Included
	Low	High	
Federal contribution	116	116	Canada's initial contribution to support core hosting capital and operating costs. Additional federal contributions to support legacy and reconciliation initiatives are expected.
Additional Major Events Municipal and Regional District Tax (MRDT) *	230	230	Additional 2.5% tax applied to traveller overnight accommodation in City of Vancouver effective Feb. 1, 2023, for an estimated term of seven years.
City of Vancouver/ Parks Board *	16	46	Includes venue rental fees, Host City Commercial program revenue opportunities, City of Vancouver's expected $5M contribution and other revenues.
Other Revenues	21	44	Includes other assumed revenues such as transportation and stadium rental fees and recoveries.
Total Revenue, Recoveries and Contribution Estimate	**383**	**436**	

- Items in Table 3 above are anticipated to help offset estimated gross core costs of planning, staging and hosting FIFA World Cup

26™ matches. This is the first time FIFA has offered a commercial program with revenue opportunities to hosting jurisdictions.

- The updated gross core hosting cost and revenue estimates are subject to change as planning and new information becomes available.

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 FIFA World Cup 26™ matches, 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 World Cup 26™ matches.
- 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 World Cup 26™ matches. 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.

- The Ministry of Finance 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.

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.

Advice/Recommentations; Government Financial Information; Intergovernmental Communications

- It is estimated that the temporary tax could generate about $230 M in revenue over the term.
- Accommodation taxes and fees today in the City compare favourably to a number of other North American cities on a comparable basis. Advice/Recommentations; Intergovernmental Communications

Advice/Recommentations; Intergovernmental Communications

Risks and Uncertainties

- The gross cost hosting cost estimates include contingency provisions totalling approximately $148 M, to account for normal risks and uncertainties for events of this scope and scale. Examples of normal risks and uncertainties include changes to hosting

requirements, which teams play in Vancouver, and inflation, labour and supply line risks. The Province and its partners anticipate that the federal government will be a full partner in managing and funding risks of the FIFA World Cup 26™ event, Advice/Recommentations
Advice/Recommentations

- The Province and its partners remain committed to providing public updates as the FIFA World Cup 26™ matches move closer.
- Previous cost estimates on the FIFA World Cup 26™ matches have included:
  - In March 2022, prior to the confirmation of the City of Vancouver as a Host City, the Province, City of Vancouver and PavCo made a very preliminary estimate of the combined costs for the City and the Stadium to be $240 M to $260 M.
  - In January 2023, with the introduction of an additional Major Events MRDT in the City of Vancouver, the City of Vancouver updated its cost estimates to $230 M (net) / $245 M (gross) for the City of Vancouver's costs only.

QUESTIONS/ANSWERS/KEY TOPICS:

Economy

1. What will FIFA World Cup 26™ matches do for BC's economy?

- In March 2024, the Province, BC Stats and Destination BC completed an interim update to the previous economic impact benefits assessment, to reflect the potential economic benefits of hosting seven FIFA World Cup 26™ matches in Vancouver.

- Estimated economic benefits include an expected 350,000 event visitors to BC Place during the tournament. During the tournament and the five years following (2026-31), the modelling shows:
  - $1 billion added to provincial GDP
  - Over one million additional out-of-province visitors
  - Over $1 billion in additional visitor spending in B.C economy
  - $224 million in potential direct, indirect, and other related (induced) provincial tax revenues

  The Ministry of Tourism, Arts, Sport and Culture (TACS) will be publicly releasing the interim updated report once it is finalized.

Funding

2. What is included in the $3 billion Priority Initiatives and Caseload Pressure contingencies in the BC budget? Is this all for FIFA?

- Setting aside contingencies funding as part of 'Priority Initiatives and Caseload Pressures' for future years is a financial management practice used since Budget 2018 to plan for future spending needs.
- Funding will be allocated as part of future budget decisions.

- This funding is mainly being set aside for things like caseload pressures for social services and health care, as well as towards future wage mandates or other government priority initiatives where costs are not yet certain.
- Priority initiatives also include the Province's commitment to planning, staging and hosting FIFA World Cup 2026 matches and is just one example of how funds for priority initiative may be used.
- The Province and its partners are working to provide a public update on FIFA costs and I can assure you it will not cost anywhere near the $3 billion the Province has set aside for overall contingencies.
- It is important to plan ahead and have tools that help offset impacts of future spending decisions and other uncertainties as part of prudent financial management.

3. Are you satisfied with the federal government's contribution – is it enough?

- The initial contribution announced by the federal government is a great start toward core costs for hosting seven matches.
- We are continuing to work in partnership with the federal government over the coming months on maximizing social and economic benefits of the FIFA World Cup 26™ matches in Canada and on shared investments that will leave lasting legacies for British Columbians.

- We are establishing a working group with the federal government at the senior official level which will identify priority legacy and impact initiatives and then opportunities for shared investment.
- Along with our partners, including the City of Toronto, we will also be working with the federal government on ways to address and fund risks associated with hosting the FIFA World Cup 26™ matches.
- We expect that the Government of Canada remains committed to supporting the Canadian host cities, Toronto and Vancouver, in the safe and successful delivery of the FIFA World Cup 26™ matches.

Costs

4. What is the total cost of hosting FIFA World Cup 26™ matches to BC taxpayers?

- The gross core cost for planning, staging and hosting the FIFA World Cup 26™ in Vancouver is estimated to be between $483 million and $581 million.
- We have updated our estimates to reflect the increased number of matches Vancouver will host, further planning and other updated information.
- These gross core costs are expected to be offset by $383 million – $436 million in estimated revenues and recoveries, including:
    - $116 million in a direct financial contribution towards core costs from the federal government.

  - $230 million in estimated revenue from the additional Major Events Municipal and Regional District Tax introduced in the City of Vancouver in February 2023.
  - $37 million – $90 million in anticipated revenue from other sources, such as facility rental fees and the FIFA commercial revenue program which includes revenue opportunities at the FIFA Fan FestivalTM and opportunities for host city supporters and donors, and other provincial revenue.
- After taking assumed offsetting revenues and recoveries into account, the net core hosting cost is projected to be between $100 million - $145 million.
- The Province and the City are committed to being as transparent as possible about the estimated costs and benefits of hosting FIFA World Cup 26™ matches in BC.

5. Why is this so much higher than your original estimate?

- Initial estimates were made in March 2022, well before Vancouver was selected as a host city.
- These were based on a preliminary assessment of FIFA's hosting requirements for the City of Vancouver and BC Place only.
- Since then, we have learned a lot more about FIFA's requirements.
- This was also at a time well before the significant inflation we saw later in 2022 and lasting well into 2023.
- In spring 2023, the City of Vancouver updated its own estimate of net costs to $230 million.

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- The 2024 estimates presented today reflect increases in core hosting obligation costs due to:
  - Two additional matches
  - Higher rates of inflation since 2022
  - Integrated safety and security planning
  - Increased costs for stadium capital upgrades
  - More information about FIFA hosting requirements
- The 2024 estimates have been updated to include other required essential service costs to support visitors and people living in Vancouver, such as broader safety and security, emergency response and access to medical facilities.
- Together with our hosting partners, we have made great progress in planning for this incredible event.
- We have had several site visits from FIFA and we have learned more about hosting requirements, costs and offsetting revenue opportunities, including:
  - improving accessibility
  - supporting areas around the stadium
  - match day operations
  - training and team base camp sites
  - FanFest and Fan Zones
  - transportation and mobility planning
  - signage
  - informing detailed operational plans at YVR
  - spectator services
  - venues such as media and accreditation centres

  - commercial supporter, donor and other revenue opportunities

6. **This is almost a $100 million range. Why can't you be more specific?**
   - With two years to go, there are still many unknowns, including the federal government's contribution and how much revenue that can be generated.
   - We expect further FIFA site visits, which will help to clarify hosting requirements. There is also potential for additional hosting requirements.
   - All of this will inform our planning and cost estimates as we get closer to 2026.
   - The forecast range reflects some of those uncertainties, such as additional hosting requirements, higher inflation, labour and supply chain issues.
   - We have a positive working relationship with FIFA, and they are aware of our need to contain costs.
   - As our planning advances, we will have greater certainty and our costs, risks and revenue opportunity estimates will be further refined.

   If pressed:
   - It is important to note there are also risks that could increase cost estimates, which would not be covered by contingencies built into our estimates, these include civil unrest, or a weather emergency. We are working with the federal government on how to address risks of hosting FIFA World Cup 26™ matches.

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7. **Why did releasing your updated cost estimates take this long?**
   - Planning, staging and hosting FIFA World Cup 26™ matches is complex and involves a variety of hosting partners, as well as FIFA and the federal government.
   - We have just confirmed the federal government's initial contribution to core hosting costs and are working through key decision making.
   - The Province and the City of Vancouver are committed to being transparent about the costs of planning, staging, and hosting FIFA World Cup 26™ matches.
   - I look forward to providing further updates.

8. **Are you handing FIFA a blank cheque?**
   - No. There is no blank cheque for hosting FIFA World Cup 26™ matches.
   - The Province and its partners will make responsible decisions about planning, staging, and hosting of FIFA World Cup 26™ matches.
   - The total core hosting cost estimates presented today do not represent an approved budget. Provincial funding will be confirmed as detailed plans are developed and reviewed by Treasury Board.

9. **Why isn't there a specific budget or cap for FIFA World Cup 26™ in the provincial budget?**
   - Hosting the World Cup is a once-in-a-generation opportunity that will have enormous social and economic benefits.

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- We are expecting 350,000 soccer fans to support the City of Vancouver and the province by staying in our hotels and supporting our small businesses.
- People who visit B.C. come back five times and we expect between 2026 and 2031 more than one million additional visitors will spend more than $1 billion in additional visitor spending for B.C.'s economy.
- British Columbians have concerns about the cost of living and the costs of this event and we are taking those concerns seriously.
- Taxpayers expect us to keep costs low and want us to maximize the benefits and that's what we're going to do.
- We have a positive working relationship with FIFA, and they are aware of our commitment to contain costs.
- Because of uncertainties around the timing and provincial funding required for planning, staging, and hosting FIFA World Cup 26™ matches, funding is being provided from the Province's contingencies vote within Budget 2024 and the three-year fiscal plan, which is overseen by the provincial Treasury Board.
- Most of the Province's contingency vote funding will also be used to address other uncertainties such as provincial caseload pressures, CleanBC initiatives, emergency response to floods and fires, emerging clean energy proposals and other unforeseen events.
- We are still more than two years away from the event, and there are many unknowns, including the federal funding contribution which we hope to hear about very soon.

- The total cost estimates presented today do not represent an approved budget. Provincial funding will be confirmed as detailed plans are developed and reviewed by Treasury Board.

10. Will you continue to provide regular updates on any changes to FIFA World Cup 26™ plans, costs, revenues and risks?

- With our partners, we intend to provide more information as planning advances.

11. When will you have final cost estimates?

- Final costs won't be known until after the FIFA World Cup 26™ is over, but cost and revenue estimates will continue to be revised as planning advances.
- With our partners, we intend to provide more information as planning advances.

12. Where exactly is all this money going? (full cost breakdown, security, transit, marketing, etc.)

- Costs are spread across multiple event partners, each of which has different roles and responsibilities in the delivery of FIFA World Cup 26™ matches.
- Through oversight of the Province and its partners working together, each organization is responsible for managing its own cost allocations, which include operating expenses, capital investments, inflation, and contingencies for unknown or unexpected costs.
- The core hosting cost estimates assume general inflation of 4% annually and construction inflation of 6%. They also include a

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20% contingency for operating costs and 35% contingency for capital.

- In total, $148 million of our estimated core hosting costs are for contingencies allocations for the event.

13. Have you factored in inflation and unexpected cost overruns?

- Yes.
- No one could have predicted the global spike in inflation we have seen in recent years – increases that affect all of us.
- Inflation has been a key factor on why estimated costs have increased.
- That, in part, was also reflected in the City of Vancouver's cost estimates that were updated in January 2023.
- Having two additional matches brings the potential for greater economic benefits.
- The core hosting cost estimates assume general inflation of 4% annually and construction inflation of 6%. They also include a 20% contingency for operating costs and 35% contingency for capital.
- In total, $148 million of our estimated core hosting costs are for contingencies allocations for the event.
- With our partners, we will continue to responsibly manage costs as planning progresses.

14. What still needs to be determined by FIFA?

- FIFA is actively meeting with and visiting all 16 host cities.

- FIFA is also actively hiring staff to support the host cities with their respective planning.
- Some examples of requirements still being refined and shared:
  - FIFA Fan Festival Event Manual - full productions guidelines, and commercial parameters
  - Volunteer program framework
  - Airport operations plan and requirements

15. What measures are in place to ensure transparency and accountability in the spending of funds allocated for hosting FIFA World Cup 26™?

- Governance structures for matches in Vancouver have been established and include all key hosting partners, including the City of Vancouver (and Park Board), PavCo, the Airport Authority and the Province (representing its ministries and other agencies).
- The Province and City are also working closely in coordinating and overseeing activities with the federal government, who also have some key operational responsibilities in addition to providing expected funding contributions.
- Our commitment to British Columbians is that we will provide updates on economic benefits, costs, revenues and risks leading up to and after the FIFA World Cup 26™ matches have ended.
- We will also provide full economic reports and various FIFA World Cup 26™ agreements to the extent that our agreements with FIFA allow and subject to any other restrictions imposed

by a third party as well as the provincial Freedom of Information and Privacy Protection Act.

16. How much do you expect to invest in legacy projects and infrastructure and when will you announce that?

- We are currently working with our partners on our plan to create lasting legacies in communities throughout the province.
- We are also continuing to work in partnership with the federal government over the coming months on shared investments in lasting legacies for British Columbians.

17. How will this benefit people outside of Vancouver, or those who can't afford tickets to FIFA World Cup 26™?

- The FIFA World Cup 26™ matches are more than just about going to the stadium to watch matches.
- Every host city will be home to an official FIFA Fan Festival™ site, which is a perfect place to watch FIFA World Cup 26™ matches live in a World Cup atmosphere.
- The FIFA Fan Festival™ is an essential part of the World Cup experience in every Host City as it gives all types of fans – from avid to casual soccer enthusiasts; to lovers of music, food and culture – new ways to connect and engage with soccer in a festival environment.
- The awarding of an additional two matches was unexpected and represents a significant win for B.C. as it means more

opportunity for increasing international visitation and economic impact benefits that will last for years after the event is over.

- We are currently working with our partners on our plan to create lasting legacies in communities throughout the province.
- We are also continuing to work in partnership with the federal government over the coming months on shared investments that will leave lasting legacies for British Columbians.
  - British Columbians will be able to take part in FIFA Fan Festival™ to see the games and take part in activities to feel part of the action.
  - Communities throughout the province will also be setting up local fan fests so there will be many opportunities for people to participate.

MRDT and Hotels

18. How much MRDT has been collected to fund FIFA World Cup 26™ so far?

- $29.2 million of the new major events MRDT has been collected and remitted to the City of Vancouver in the first eleven months, ending in December 2023.
- The Province's support has included introduction of a Major Events MRDT applied in Vancouver and dedicated to helping the City with its costs of planning, staging and hosting FIFA World Cup 26™ matches.

- The Major Events MRDT is an additional 2.5% tax that overnight travelers pay when they stay in short-term accommodations in Vancouver.

19. Will you extend the major events MRDT to pay for FIFA World Cup 26™ should costs be more than major event MRDT revenues collected?

- To date, the City remains on track with its net cost forecast of $230 million, estimated in January 2023.
- There have been some additional pressures from adding two additional matches, along with higher costs for safety and security, however, the City has also identified some further offsetting opportunities for FIFA revenue generation.
- The City will be reviewing its forecasts again in the late fall 2024, further to additional FIFA site visits and other FIFA information that becomes available.
- At this stage, it is too soon to assess what the final picture will look like for actual costs of hosting FIFA World Cup 26™ matches as well as actual major events MRDT revenues received.

20. Some visitors won't be staying in Vancouver proper, why didn't you extend the Major Events MRDT to other municipalities?

- The additional Major Events MRDT was enacted at the request of the City of Vancouver.

- This tool was put in place to help pay for Vancouver's anticipated costs of planning, staging and hosting FIFA World Cup 26™ matches.
- However, the Major Events MRDT is 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.
- Each municipal jurisdiction would need to assess its own plans for participating in the FIFA World Cup 26™ opportunity within its own community and for making a similar request as Vancouver for provincial Major Events MRDT consideration and support.

21. Does the government think it is acceptable for hotel rooms to charge nearly 10 times more than the standard price during major events? Will government cap the costs of hotel rooms?

- This isn't the first time Vancouver has hosted major events, such as 2010 Winer Olympics and B.C. is known worldwide for its hospitality and capability to host thousands of visitors during global events.
- There is strong demand for hotel rooms in Vancouver, particularly during large events and during peak season.
- Hotel capacity is something I have been discussing with our tourism stakeholders and my federal counterpart, exploring options for how we can proactively adapt to meet the tourism challenges and opportunities of the future.

- There are 1,400 hotel rooms in the development pipeline for Vancouver which is good news for the tourism industry.
- This means there will be approximately 30,000 hotel rooms in Vancouver and area by 2026 - not including capacity in other places where visitors can stay (Squamish, Whistler, Nanaimo) when travelling into Vancouver for the day.
- We expect support from BC Ferries and Hullo to add extra sailings to accommodate marquee events, like they are doing for Taylor Swift later this year.
- The 350,000 soccer fans are expected to generate over 555,000 hotel night stays over the World Cup period – even at 1 room per visitor that's an average of around 16,000 hotel stays per night, well within our capacity.
- Short-term rentals are still allowed in B.C. and people will still be able to stay in Airbnb and VRBO rentals during the World Cup or during any other event.
- Vancouver already had a primary-residence requirement in place that has been working well and nothing will change for visitors looking for Airbnb or other short-term accommodations in that city.
- People can still rent out their homes to accommodate visitors.
- When we first announced this legislation, many in the tourism community – including the Tourism Industry Association of BC - welcomed the strong action that will lead to a healthier balance between homes for tourism workers and visitor accommodation while also allowing municipalities the flexibility to use the tools they need to manage short-term rentals.

- We'll be ensuring housing is preserved for British Columbians, including people who are an integral part of the tourism workforce, can find places to live.
- The Vancouver region also has a strong and growing network of fast, reliable transit and rapid transit systems.
  - Hotels outside of downtown Vancouver and the City of Vancouver are important to the tourism sector and good transit makes it possible for visitors to stay in other parts of the lower mainland, and even Vancouver Island, with efficient access to the whole region.

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ISSUE: First Nation Equity Financing Framework & Special Account

ADVICE AND RECOMMENDED RESPONSE:

- The provincial government is taking action to support First Nations and the B.C. business sector in developing strong economic development partnerships through the development of a provincial First Nations Equity Financing Framework.
- *Budget 2024* legislation establishes a First Nations Equity Financing special account, with a $10 million inaugural balance to help support immediate capacity needs for those First Nations actively considering equity participation in projects where there is shared interest and readiness with the Province.
- The special account allows government to provide provincial guarantees for equity loans undertaken by First Nations for the purpose of acquiring an equity interest in a particular project.
- Provincial loan guarantees can help First Nations access affordable equity loan financing from by financial institutions or other lenders.

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- Provincial loan guarantees are backed by the Province's strong credit rating which means that First Nation borrowers can secure loans at lower interest rates than available to most other borrowers.
- The special account inaugural balance is a starting point. Additional resources will be added to the account as Treasury Board determines requirements to support approved projects and financing plans developed by the Province and First Nations, in partnership with the business communities.
- Ministry of Finance will deliver the technical due diligence and administer the First Nations Equity Financing special account and the legislation also provides for provincial government costs to operationalize the account program.
- Throughout the coming months, the Province will consult and cooperate with First Nations and organizations, and engage business leaders across B.C. to help develop a First Nations Equity Financing Framework.
- The provincial government is also committed to working closely with the federal government as it advances its national Indigenous Loan Guarantee Program, as indicated in the federal budget on April 16th.

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KEY FACTS/BACKGROUND:

First Nations Equity Financing Framework and Special Account Overview

- An amendment to the *Special Accounts Appropriation and Control Act* establishes the First Nations Equity Financing special account under responsibility of the Minister of Finance and under oversight of Treasury Board.
- The account's primary purpose is to provide loan guarantees to First Nations seeking to secure an equity investment in a particular project within their territory. The First Nations equity loan would be provided by a financial institution of their choice, with the provincial guarantee acting as a loan 'backstop' to provide security to lenders.
  - The account will have a global cap on cumulative loan guarantee authorizations of $1 billion over the first five years, which is intended to be set by regulation.
  - The account will also provide capacity funding (i.e. grants/contributions) to support eligible First Nations in decision making and due diligence regarding a specific project proposal.
  - Ministry of Finance will deliver the technical due diligence and administer the First Nations Equity Financing special account program. The account provides for costs of building expert internal capacity, as well as managing a process of due diligence associated with each project and request for a

provincial loan guarantee. This also, includes longer-term monitoring of projects, guarantees and underlying loans.
    - The special account and accumulated guarantees limit will be reviewed annually by Treasury Board.
- As loan guarantees may not always be the appropriate financing tool, the Ministry of Finance is working closely with key partner ministries (e.g. JEDI, FOR, MIRR, AGRI) to ensure existing economic development programs for First Nations are utilized where appropriate.
- The provincial government is also working closely with federal counterparts to seek ways to align and coordinate our approaches to support First Nations equity financing, towards harmonization where possible over the longer term.

Advice/Recommendations; Government Financial Information; Intergovernmental Communications

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  - Administration of the special account and its program.
- The legislation requires that prior Treasury Board approval will be obtained before any guarantee of a First Nation equity loan is given by the Minister of Finance through the special account legislation.
  - The legislation provides for a cumulative limit set by regulation on the amount of outstanding First Nation equity loan principle that will be permitted to be guaranteed by the Province.

Advice/Recommentations; Cabinet Confidences

  - Provincial government guarantees are reported annually and transparently, including through a schedule to the annual Public Accounts and general reporting on guarantees given.

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ISSUE: First Nations Inclusion in Major Capital Projects

ADVICE AND RECOMMENDED RESPONSE:

- The Province is advancing meaningful reconciliation with Indigenous communities across B.C.
- This includes the economic dimension of reconciliation, where we are committed to supporting First Nations inclusion and benefit in economic development opportunities within and across their territories.
- These opportunities may range from natural resource projects such energy and electrification projects to public infrastructure projects, such as schools and hospitals.
- As relationships between First Nations, industry, labour and the Province evolves, we recognize provincial policy on these major capital projects also needs to evolve in order to better support First Nations meaningful participation and benefit.
- The Ministry of Financing is undertaking work to clarify and strengthen our approach to First Nations inclusion in major capital projects through development of a policy framework.
- The framework will include policies and guidance for project owners, First Nations businesses, and other suppliers who are seeking to work together on a major capital project.
- These policies and guidance will support project partnerships with First Nations to be developed from the beginning of a project to the end, and enable greater consistency across key provincial ministries

and agencies who are involved in a particular capital project.

- The Framework will be collaboratively developed with First Nations across the province to ensure the right services and supports are in place for First Nations seeking to participate in major capital projects.
- In the months the come, the Ministry of Finance will be working with First Nations communities, organizations, and thought leaders to develop the policy Framework and implementation approach.
- Industry and labour will also be engaged to ensure best practices, perspective and ideas are thoughtfully considered.
- This enabling framework will support First Nations, industry and labour in building strong, productive business relationships.

KEY FACTS/BACKGROUND:

- The Ministry of Finance is leading the development of a major capital projects policy framework that will ensure First Nations are meaningfully included in major public infrastructure projects within their territories.
- The Framework will provide guidance and clarity as to how project owners, industry and labour organizations can support and strengthen First Nations benefit and capacity building in public infrastructure projects.
- Depending on the interests and priorities of participating First Nations, policy tools in the Framework may include community

capacity development, employment, training, contract procurement, and other partnership arrangements.

- Currently there are range of approaches being taken to First Nations participation in major projects across key ministries and agencies.
- For example, MOTI negotiates economic opportunities with Indigenous groups as a central accommodation component of infrastructure projects in First Nations territories.
- These agreements, including procurement commitments, training, and capacity development opportunities respond to MOTI's Section 35 legal obligations.

Advice/Recommendations; Intergovernmental Communications

- The ministries of Citizens Service (CITZ) and Indigenous Relations and Reconciliation (MIRR) are co-leading an 'Indigenous Procurement Initiative' (IPI), supporting Indigenous participation in the Provincial Government's procurement of goods and services.
- While aligned in reconciliation commitments, the Indigenous Procurement Initiative is separate and distinct from the Ministry of Finance's framework development.
- The Ministry of Finance is working closely with BC Infrastructure Benefits (BCIB) to engage First Nations in the design and delivery of

the Framework, as BCIB has operational capacity and relationship-building expertise that will be critical to the success of work.

- BCIB continues to achieve and surpass First Nations employment, training and capacity building targets in major capital projects through a progressive approach to reconciliation and partnership development.
- Development of this inclusion framework is leading edge across Canada, and will serve as a strong expression of the Province's commitment UNDRIP, particularly supporting First Nations self-determining participation and benefit in economic opportunities in their territories.

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ISSUE NOTE

ISSUE: ICBC

ADVICE AND RECOMMENDED RESPONSE:

- In *Budget 2024*, ICBC showed a revised net income forecast of $140M in 2023/24. This compares to planned net income of $0 – or breakeven for the year – in *Budget 2023*, and a net loss of $197 in 2022/23.
- The forecast improvement reflects:
  - Significantly higher-than-planned investment earnings due to global market volatility, 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 the benefits of lower current year Enhanced Care claims.
- Going forward, ICBC expects to break even in 2024/25, followed by forecast surpluses of $400 million in each of 2025/26 and 2026/27. This reflects:
  - A weakened outlook for investment earnings in 2024/25, followed by only a modest recovery in the next year.

  - No 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.
- ICBC's investment earnings have become a particular source of volatility, and we are continuing to keep a close eye on this area.
- 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 Forecast – 2023/24

- Table 4.7 in *Budget 2024* (Third Quarterly Report – Q3 below) shows that ICBC has forecast net income of $140 million (M) in 2023/24. This compares to planned net income of $0M (breakeven) in *Budget 2023*, and a net loss of $197M in 2022/23.

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Table 4.7 2023/24 Revenue by Source

	Year-to-Date to December 31				Full Year			
	2023/24			Actual	2023/24			Actual
($ millions)	Budget	Actual	Variance	2022/23 [1]	Budget	Forecast	Variance	2022/23
ICBC [9]	69	617	548	(372)	-	140	140	(197)

[9] 2022/23 full year actual does not include non-controlling interest and will be restated in future quarterly reports to reflect the adoption of IFRS 9 and IFRS 17.

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- ICBC's originally-planned net income of $0M (breakeven) in 2023/24 Advice/Recommentations; Government Financial Information The Q3 forecast in *Budget 2024* Advice/Recommentations; Government Financial Information Advice/Recommendations; Government Financial Information Advice/Recommendations; Government Financial Information

- The Q3 forecast was $140M better than originally planned and reflected:
    - Investment income: up $417M. Realized investment gains were Advice/Recommentations; Government Financial Information lower-than-expected, however, this was offset by an unforeseen Advice/Recommentati increase in unrealized investment gains.
        - Recently, ICBC has been required to adopt new IFRS accounting rules. These require the corporation to recognize all unrealized gains/losses at year end. Previously, ICBC did not recognized such changes, and these were held below ICBC's bottom line. The latest investment accounting change consequently has introduced significant volatility in ICBC's year-end results.
        - ICBC (based on BCIMC advice) has continued to anticipate a significant market downturn. However, the negative impact is now forecast to shift to later in 2023/24 and into 2024/25 as high inflation and interest rates have lingered longer than previously expected. Although year-to-date investment income is significantly better-than-expected as the assumed forecasted market downturn has shifted out, ICBC anticipates investment income to come down by year end

and continue into FY 2024/25. As such, this improved the 2023/24 investment income outlook but reduced the 2024/25 forecast compared to *Budget 2023*.

- Claims costs: up $324M reflecting higher costs for current and prior year claims. 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. Easing interest rates also led to higher estimates of discounted claims.
- Combined, operating costs, premium and other revenue sources were about $50M 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 – 2024/25 – 2026/27

- ICBC expects to break even in 2024/25 (down $450M compared to the *Budget 2023* forecast), followed by forecast surpluses of $400M in each of 2025/26 and 2026/27 (each down $50M compared to the *Budget 2023* forecasts). This reflects:
  - An assumed weakened outlook for investment earnings continuing into 2024/25, followed by only a modest recovery in in 2025/26 and further weakening in 2026/27, based on BC Investment Management Inc. advice. Investment earnings will remain volatile, especially under new rules that require recognition of unrealized ("paper") gains/losses at year end.

- Out-year forecasts reflect higher costs for vehicle repair and the effects of lower assumed interest rates are expected to increase the value of discounted claims costs.
- ICBC's forecasts assume no overall change to Basic insurance rates for the next two years.
- 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.
- ICBC's overall bottom-line forecasts assume Advice/Recommentations; Government Financial Information
  Advice/Recommentations; Government Financial Information

Table 1.4 Revenue by Source

($ millions)	Updated Forecast 2023/24	Budget Estimate 2024/25	Plan 2025/26	Plan 2026/27
ICBC	140	-	400	400

- 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.

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UPDATE – Preliminary Forth Quarter Results – 2023/24 (Not Public Information at the time of this Issue Note)

- Based on *preliminary unaudited results* for 2023/24, ICBC is projecting net income for 2023/24 at Advice/Re comment , significantly higher than the $140 M net income forecast included in *Budget 2024*.
- Key changes from the Q3 forecast:
  - Advice/Recommentations; Government Financial Information
  - Significantly stronger-than-expected investment returns, mainly from unrealized ("paper") investment gains – the significant assumed weakening of markets in the last quarter did not materialize, however, ICBC still expects this to occur in 2024/25; and
  - Lower-than-expected claims cost estimates at year-end.
- With government's approval, ICBC intends to implement customer rebates for a portion of the unexpected year-end forecast of higher investment earnings.
  - ICBC proposes to issue a fixed rebate of $110/customer policy, which translates into a total cost (revenue reduction) of $400M in 2023/24 (excluding Advice/Re commenta in implementation costs).
  - After the proposed rebate, ICBC's unaudited net income is estimated at approximately Advice/R ecommen in 2023/24, all of which will flow into ICBC's capital reserve thus helping with financial sustainability in the near to longer-term.

KEY QUESTION/TOPIC AREAS:

Outlook Risks

- ICBC continues to monitor the following forecast risks:
    - Investment markets can be volatile in response to developments domestically and internationally. Results for the last five years have seen large swings in ICBC's investment income over the year and at year-end.
    - ICBC is required to follow International Financial Reporting Standards (IFRS). Beginning in 2023/24, IFRS changed its standards and this impacts ICBC's reported investment earnings. 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 "paper" 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).
   - BC's Enhanced Care is still 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 sustainability.
- The corporation is also building its capital reserves that will help sustain ICBC's finances into the future.

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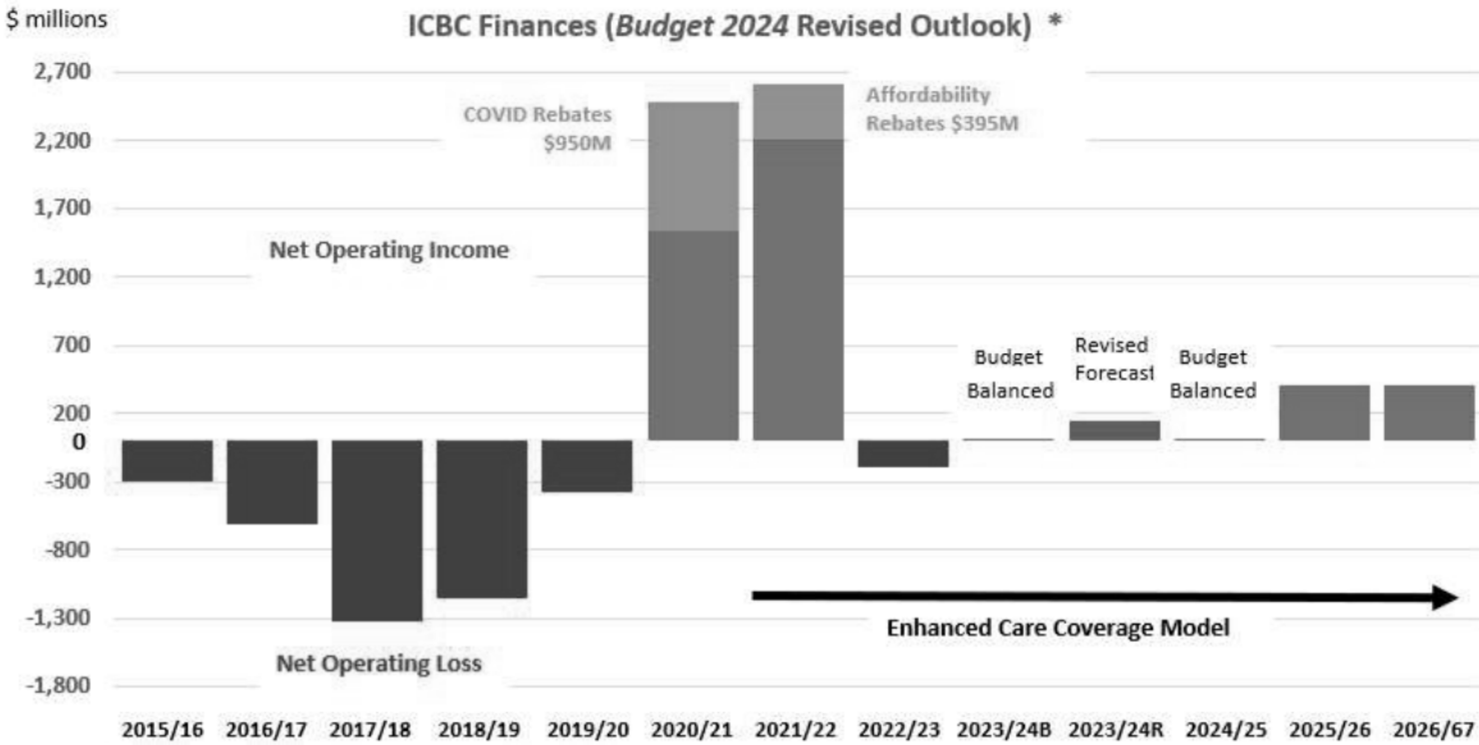

* Excludes preliminary unaudited results for 2023/24.

- 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, 2021, 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.

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ISSUE NOTE

ISSUE: LNG Canada Phase 1 and Coastal Gaslink Projects 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 5th year of construction, LNG Canada is about 90% complete 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.

- To date, the project has awarded over $4.7 billion in contracts to businesses in B.C. and Canada, including over $2.8 billion to Indigenous-owned businesses.
- LNG Canada has also spent over $5 million to date on workforce development, in addition to social investments.
- Data highlights that LNG Canada's peak construction workforce in Kitimat was over 9,000 earlier this year.
- 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):

- CGL completed construction last November 2023. The pipeline is now mechanically complete.
- The workforce numbers are now reduced as work focus on demobilization and clean up.
- As of June 2023, over $1.8 billion has been awarded to local B.C. businesses to date, including over $2.5 billion to Indigenous businesses [1]
- CGL is supported by Indigenous communities along the entire pipeline route, including the majority of

[1] SEEMP #10: The Socio-economic Effects Management Plan (SEEMP) describes the plan for implementing mitigation to reduce potential adverse socio-economic effects during the Project's construction from the period of June to November 2023

Wet'suwet'en elected councils.

- 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.
- LNG Canada is a joint venture of Shell Canada (40%), PETRONAS (25%), PetroChina (15%), Mitsubishi Corporation (15%) and KOGAS (5%).
- LNG Canada 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.
- LNG Canada Phase 1 includes the construction of two liquefaction trains that will produce 14 million tonnes per annum (MTPA). A Phase 2 expansion would include two more trains at the Kitimat site and increase the total production capacity to 28 MTPA.

Construction Update:

- The plant is in its 5th year of construction and LNG Canada and its primary contractor, JGC Fluor BC LNG JV (JFJV), continue to hit

milestones to keep the project on track to export LNG around the middle of 2025.
- The plant site is about 90% complete with the construction reaching a peak with over 9,000 total workforce in 2023/24.

Benefits:

- Jobs and training: LNGC has prioritized local hiring first, followed by workers from within B.C. and Canada, and has spent over $5 million (M) to date on workforce development.
- Economic: Together with construction/operations jobs, LNG Canada could generate up to $23 billion (B) in government revenue over 40 years.
- First Nations: LNG Canada has entered into agreements with all affected First Nations. To date, over $2.8 Billion has been awarded in contracts and procurement for Haisla and other First Nations.
- Environment/climate: LNG Canada 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 operations' emissions that exceed those limits.

- Rather than requiring emitters to pay the carbon tax up front and receiving industrial incentive payments under the CleanBC Program for Industry at the end of each year, the OBPS will exempt them from the carbon tax and instead evaluate emissions performance based on required reporting at the end of each year and price their emissions under the OPBS accordingly.
- Further policy development and engagement to finalize B.C.'s OBPS is ongoing by the Ministries of Environment and Climate Change Strategy and Finance.
- To facilitate LNG Canada's FID in 2018, the Province entered into an Operating and Performance Payments Agreement (OPPA) with LNG Canada. The OPPA provided for implementation of several provincial measures intended to address competitiveness of LNG Canada's project, including access to the CleanBC Program for Industry Incentives (CIIP) provided that LNGC met those standards.
- LNG Canada, the Province and the federal government are further assessing potential impacts of the BC OBPS and federal requirements on LNGC's Phase 1 and proposed Phase 2 projects.

<u>Coastal GasLink (CGL) Background/Update:</u>

- 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 (up to 17 of 20) First Nations (see First Nations).
- CGL is a 670-kilometre pipeline that will deliver natural gas from

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 B cubic feet per day (bcf/d), including up to six compressor stations. This will depend on LNG Canada's Phase 2 FID, already covered by its EAC.
- In addition to construction jobs, CGL expects to create up to 35 permanent jobs during operations starting 2023 onwards. If LNG Canada Phase 2 proceeds, more permanent jobs will be created.

Construction Update:

- CGL completed construction last November 2023. The pipeline is now mechanically complete.
- According to Coastal GasLink, more than 25,700 full time-equivalent jobs were created in B.C. because of the pipeline.

First Nations:

- To date, over $1.8 B has been awarded to local B.C. businesses by CGL. Including over $1.4 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.

- In March 2022, 16 of 20 First Nations communities signed option agreements to purchase an equity stake in the Coastal GasLink Pipeline Limited Partnership. Up to 17 are currently signed.

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[2]. The BCER has conducted over 500 inspections of CGL to date; the EAO has conducted 95 inspections 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 issued several warnings and orders since construction started, predominantly related to sediment and erosion control, as well as fines.
- 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.

[2] Other agencies include the Ministry of Forest, Federal Department of Fisheries and Oceans, and Environment and Climate Change Canada.

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QUESTION/TOPICAL AREAS:

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

- Based on joint modelling by the Province and LNG Canada, the entire project could generate up to $23 B in potential government revenues over the expected 40-year project life.
- The project is expected to come into service around the middle of 2025 and the Province has already benefited from additional tax revenues created through the significant construction jobs on both the LNG Canada and CGL site.
- And in the upstream, natural gas development and production has already increased significantly in anticipation of LNG Canada'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.

- The Province has been engaging with First Nations, industry, labour, environmental organizations, local governments and other stakeholders on the final design of the regulatory cap on oil and gas sector emissions. This work is still underway.
- As part of those consultations, however, specific application on LNG Canada's Phase 1 and Phase 2, like other projects, will be considered on a case-by-case basis.
- The Province will be further engaging with LNG Canada and CGL in order to find alignment with the new energy action framework.

Overruns on LNGC/CGL projects

- The 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.

Workforce and diversity

- Based on January 2024 data, LNG Canada had 9,148 workers located at the Kitimat plant site. There were 895 workers on the CGL project. Combined, the projects had a workforce exceeding 9,000 at the end of 2023/start of 2024.

- LNG Canada's current on-site workforce is comprised of about 12% women and 5% of individuals self-identify as Indigenous.
- Analysis shows that representation of women workers on both projects often exceeds female representation in B.C.'s construction labour force and the percentage of Indigenous workers on both projects is strong (average construction labour force province-wide is 6% Indigenous).

- The following table provides a breakdown of labour data:

Company	Indigenous *	Local *	Women *	Overall BC *	Total Workforce
Coastal GasLink (December 2023)	55	127	258	235	**895**
LNG Canada (January 2024)	475	730	1,079	3,199	**9,148 (8,915 Canadian)**

* Values are not cumulative. Individuals may qualify under multiple categories.

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 option 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.
  - The Province is supportive of TCE's equity offer to First

Nations and the long-term economic opportunities it provides. However, the Province has not yet been specifically asked to play a financing role in this offer.

- There are currently 17 of the 20 First Nations who have signed option agreements.

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ISSUE: LNG Canada Phase 2 Update

ADVICE AND RECOMMENDED RESPONSE:

- LNG Canada's proposed Phase 2 expansion is permitted under the project's Environmental Assessment Certificate that was approved as part of Phase 1.
- Phase 2 would double the export capacity of Phase 1.
- Advancement of Phase 2 is expected to result in significantly more jobs and economic benefits to B.C.
- LNG Canada has made it clear its joint venture partners are interested in aligning with B.C.'s New Energy Action Framework and it is interested in finding a pathway to electrifying the expansion, if practical and affordable.
- Commercially confidential discussions are underway, directly with LNG Canada to identify possible solutions for future electrification. Cost implications of future carbon policies and a mutual commitment to meet B.C.'s climate targets are also being discussed.
- LNG Canada's joint venture partners continue to evaluate Phase 2 and no investment decision has been made. There are many commercial considerations LNG Canada is assessing, including global market conditions.

KEY FACTS/BACKGROUND:

- LNG Canada and its joint venture partners (JVPs) continue to explore and assess opportunities for Phase 2 – a Phase 1 expansion that would see two more trains at the Kitimat site and increase the total production capacity to 28 million tonnes per annum[1].
- On January 16, 2023, Reuters released an exclusive with LNG Canada's Chief Executive Officer (CEO), Jason Klein. In the article, Klein indicated LNG Canada's plans to build Phase 2 with natural gas-powered turbines and switch to electricity when infrastructure is available. He also revealed discussions are happening with provincial/federal governments, as well as BC Hydro, to determine when the electrical infrastructure might be in place.
- Any final investment decision (FID) by LNG Canada for Phase 2 requires that Coastal GasLink add six compressor stations along its existing pipeline route. The expansion is already approved under CGL's Environmental Assessment Certificate (EAC), although it would require additional permits from the BC Energy Regulator.
    - Note: any positive FID for Cedar LNG will also require CGL to take measures to build the Cedar Link Connector, a 0.4-kilometre lateral pipeline from within the LNG Canada site for connection and delivery to Cedar LNG. This will also require the addition of one compressor station (Mt. Bracey) within Treaty 8 territory, near the community of McLeod Lake. This compressor station is also approved as part of CGL's original EAC.

[1] Phase 1 is under construction and will be 14 million tonnes per annum.

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- Discussions between the provincial government and LNG Canada are underway to consider Phase 2 in relation to B.C.'s New Energy Framework, climate commitments, economic opportunities, and benefits for First Nations and local communities.

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ISSUE NOTE

ISSUE: Other LNG Projects Update

ADVICE AND RECOMMENDED RESPONSE:

- The Province values the energy industry and supports those who are partnering with First Nations and respecting our Province's environmental commitments.
- LNG Canada Phase 1 is now around 90 per cent complete and the Province and LNG Canada are exploring Phase 2.
- Woodfibre LNG construction is underway and Cedar LNG, the largest First Nations majority-owned infrastructure project in Canada, continues to show progress and a final investment decision is pending.
- Ksi Lisims, a partnership with the Nisga'a Nation, is also working through regulatory processes and Tilbury LNG is well advanced and awaiting federal approval of its jetty.
- Government is taking steps to ensure LNG projects align with B.C.'s five conditions for LNG development and the New Energy Action Framework.
- B.C. is pursuing energy opportunities that make sense for our future. That means all proposed LNG facilities in or entering the environmental assessment process must pass an emissions test with a credible 2030 net zero plan.

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KEY FACTS/BACKGROUND:

- This section includes summaries of the following projects:
  - Woodfibre LNG;
  - Cedar LNG;
  - Ksi Lisims LNG and Prince Rupert Gas Transmission Pipeline; and
  - Tilbury LNG.
- Further summary details are shown in the Appendix.

Woodfibre LNG (WLNG)

- In November 2023, WLNG began construction on an LNG facility that utilizes electricity to manufacture LNG and is located on privately-owned land near Squamish, B.C.
  - WLNG is a 2.1- million tonnes/annum export facility with 250,000 cubic metres of floating storage capacity.
  - WLNG announced an approved pre-construction budget of $600M and construction on both the facility and pipeline began in Q3, 2023.
  - The WLNG facility and pipelines capital investment is estimated at $5.1 billion (B), and the project remains on track for its targeted in-service date in 2027.
  - WFNG has estimated up to 650 construction jobs and 100 jobs during operations.

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Advice/Recommentations; Cabinet Confidences; Government Financial Information

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- 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 November 2022, Enbridge purchased a 30% ownership stake in the WLNG project.
- WLNG has had some delays since it started its development process around 2014/15. In 2020, WLNG received an extension to its Environmental Assessment Certificate for 5 additional years.
- With respect to Indigenous relations:
    - WLNG, FortisBC and the Province have concluded impact benefit agreements with Squamish and Tsleil-Waututh Nation First Nation.
    - FortisBC has also executed benefit agreements with Musqueam Indian Band (MIB) and Kwikwetlem First Nation (KFN), with the Province being in late-stage negotiations with MIB and is planning to address KFN's interests at a broader reconciliation table.
- District of Squamish (DOS) has flagged concerns about impacts of out-of-town workers on local services, community safety, and the residential rental market.
    - WLNG's proposed 'floatel' workforce accommodation is a central mitigation measure to the DoS concerns.

- The floatel occupancy requires DoS council approval of a temporary use permit (TUP), which is still pending.
- DoS has advised WLNG that no decision will be made until April 23, 2024. However, WLNG has identified to DoS that if a floatel occupancy of date April 1st 2024 isn't realized, they will start incurring significant costs.

Cedar LNG

- Cedar LNG is a partnership between Haisla Nation and Pembina Pipeline Corporation.
- The project is a proposed floating LNG facility in Kitimat, B.C., within the traditional territory of the Haisla Nation, with a total production capacity of 3 million tonnes per year (MTPA).
- Cedar LNG will be powered by renewable electricity. It's expected to be one of the lowest carbon intensity LNG facilities in the world.
- Cedar LNG is expected to have a workforce of up to 500 full-time equivalent workers (FTEs) during peak construction; 100 FTEs over the 40-year operations life; and up to 150 workers during decommissioning.
- In March 2023, Cedar LNG received an Environmental Assessment Certificate (EAC) from the BC Environmental Assessment Office (EAO).
    - The BC EAO also carried out a federal impact assessment under a substitution agreement, with approval granted shortly after

the Province's EAC. Federal export approval was obtained from the National Energy Board in November 2015. All major permits are in place from the BC Energy Regulator (BCER).

- In March 2023, Cedar LNG entered into a memorandum of understanding for a 20-year liquefaction services agreement with ARC Resources. The parties are working towards finalizing a definitive agreement for 1.5 MTPA of LNG.
- In January 2024, Cedar LNG awarded its contract for engineering, procurement and construction for the design, fabrication and delivery of the facility to Samsung Heavy Industries and Black & Veatch. This followed an earlier agreement between the two companies announced in November 2023, where Cedar LNG secured shipyard capacity required to meet its target commercial operations date.
- Cedar LNG expects to receive its natural gas feedstock from the Coastal Gaslink project – the same pipeline that is providing feedstock to LNG Canada. A proposed Cedar Link connector would be an approximately 0.4-kilometre lateral pipeline that starts inside the LNG Canada site, to facilitate delivery to the Cedar LNG site.
- A final investment decision (FID) is expected in 2024. Subject to a positive FID, onshore construction could begin as early as the second quarter of 2024, with substantial completion by 2028.
- Cedar LNG's project spending is estimated to contribute $107 million in direct Gross Domestic Product (GDP) over the four-year

construction phase and $24 million annually to GDP over the 40-year operations phase.

- Advice/Recommendations; Cabinet Confidences; Government Financial Information; Intergovernmental Communications

Ksi Lisims LNG and Prince Rupert Gas Transmission Pipeline

- Ksi Lisims is a partnership among the Nisga'a Nation, Western LNG and Rockies LNG. The Ksi Lisims LNG project is a proposed net-zero 2030 floating LNG facility in Wil Milit, B.C., on treaty land owned fee simple by the Nisga'a Nation, northeast of Prince Rupert with a total production capacity of 12 million tonnes per year (MTPA).
- In March 2023, Ksi Lisims LNG received a 40-year export license from the Canadian Energy Regulator (CER) and in October 2023, Ksi Lisims LNG submitted an application for an Environmental Assessment Certificate (EAC) from the BC Environmental Assessment Office (EAO). The BC EAO carried out a public comment period which concluded on November 29, 2023, and Ksi Lisims is revising its application to the EAO for review.
- Ksi Lisims LNG is subject to the 2030 net zero requirements and is currently building the credible plan needed to support acquiring an

environmental assessment certificate. A significant new electrical transmission infrastructure will be required to meet these targets.

- In January 2024, Ksi Lisims LNG entered into a shared purchase agreement whereby Shell has committed to buying 2 million tonnes of LNG annually on a free-on-board basis.
- Ksi Lisims LNG has identified the Prince Rupert Gas Transmission (PRGT) line as the preferred supply line. The PRGT pipeline owner, TC Energy, holds an EA certificate (EAC) and associated pipeline permits set to expire in November 2024. PRGT is working with relevant agencies regarding the EAC and permits and ongoing engagement with Indigenous groups.
- Advice/Recommendations; Government Financial Information

Tilbury LNG

- The Tilbury LNG facility is owned and operated by FortisBC. The facility has been in operation since 1971 and supports energy needs in the Lower Mainland, including during high winter demand. The facility provides resiliency for the energy system and energy security in the lower mainland.
- The facility produces LNG for transportation, including BC Ferries and Seaspan Ferries. FortisBC is also working with the Vancouver Fraser Port Authority to develop the first ship-to-ship LNG marine refueling service on the west coast of North America.

- The facility is the first in Canada to produce LNG for export to China and more recently Japan. In 2018, FortisBC commissioned Phase 1A of an expansion that included:
  - a 46,000 cubic meter storage tank (enough to keep a community of 19,000 warm for 45 very cold days).
  - liquefaction capacity of 0.25 million tons of LNG per year.
- FortisBC is continuing to expand the facility (Phase 1B) which includes:
  - up to 0.65 million tons of incremental liquefaction capacity to meet rising demand for LNG as a marine fuel.
  - a one-to-three-kilometer gas line upgrade from the facility to the Tilbury gate station on River Road in Delta.
- The planned Tilbury Phase 2 LNG Expansion project will improve the resiliency of the gas system. It will also advance LNG as a marine fuel or meet demand from overseas customers. The project will include construction of:
  - a new storage tank that can hold up to 142,400 cubic meters of LNG, which would increase Tilbury's current storage capacity approximately 2.5 times.
  - a new liquefaction unit with capacity of up to 2.5 million tons per year to produce LNG for marine fueling or overseas export.

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- Phase 2 LNG Expansion Project has submitted its detailed project design and is drafting and submitting its application for an Environmental Assessment Certificate.
- The Tilbury Jetty Limited Partnership has received an environmental assessment certificate (EAC) from the BC Environmental Assessment Office (EAO) for a marine jetty next to FortisBC's Tilbury LNG storage facility. This project is expected to support Phase 1B (for marine bunkering) and Phase 2 (further expansion of marine bunkering or exports). The jetty will allow the supply of LNG to vessels for ship-to-ship LNG bunkering and for bulk delivery to overseas markets. The jetty still requires a separate decision by the federal government (Impact Assessment Agency of Canada).

DMO 09.3 – Other LNG Projects Update - Appendix: Current LNG Export Projects

Project	Location	Volume (MTPA)	Estimated Emissions (MT) & Intensity (CO2e/tonne)	Regulatory Approvals				Estimated Capital Expenditures (Cdn, Billions)	Estimated Jobs
				CER Export License	Environmental Assessment		LNG Facility Permit		
					Provincial	Federal			
Under Construction (Only LNG Canada Modeled into CleanBC)									
LNG Canada Phase 1 (Shell, PETRONAS, PetroChina, Mitsubishi, KOGAS)	Kitimat	14	2.1 (0.15)	✓	✓	✓	✓	$20	Construction: Peak 8,000+ fall 2023 Operations: 350-550
Woodfibre LNG (Pacific Energy, Enbridge)	Squamish	2.1	0.04 (0.02)	✓	✓	✓	✓	~$5	Construction: 650 Operations: 100+
Major Regulatory Approvals Issued (Not Modeled into CleanBC)									
Cedar LNG (Haisla First Nation, Pembina Pipeline)	Kitimat	3	0.24[1] (0.08)	✓	✓	✓	✓	~$3	Construction: 500 Operations: 100+
LNG Canada Phase 2 (Shell, PETRONAS, PetroChina, Mitsubishi, KOGAS)	Kitimat	14	2.1 (0.15)	✓	✓	✓	✓	tbc	Construction: 3,300 Operations: +200-300
Obtaining Regulatory Approvals (Not Modeled into CleanBC)									
Tilbury Marine Jetty (FortisBC, Seaspan, Musqueam IB)	Delta	N/A	0.006	N/A	Application Referred Oct 2022		N/A	$0.15	Construction: tbd Operations: tbd
Tilbury LNG Phase 1B (FortisBC, Musqueam IB)	Delta	0.65	0.05 (0.076)	✓	N/A – Sub EA		Not Submitted	$1.1	Construction: 250 Operations: 30
Tilbury LNG Phase 2 (FortisBC, Musqueam IB)	Delta	2.5	0.19 (0.076)	✓	Application pending		Not Submitted	$3 - $3.5	Construction: 1,100 Operations: 110
Ksi Lisims LNG (Nisga'a Nation, Western LNG, Rockies LNG)	Wil Milit (Nisga'a Territory)	12	0.2 – 1.87[2] (0.02-0.16)	✓	EA in progress		Not Submitted	$10	Construction: 600 Operations: 150 - 200
Summit Lake PG LNG (JX LNG Canada)	Prince George	2.7	0.1 (0.037)	Not Submitted	Initial Project Description Submitted		Not Submitted	tbc	tbc

[1] Net annual emissions during operations.
[2] Depending on power source (gas drive vs. electrified)

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DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MOTI)
ISSUE NOTE

ISSUE: TransLink Support

ADVICE AND RECOMMENDED RESPONSE:

- The Province has committed over $2.4 billion to TransLink's 2022-2025 Investment Plan, which includes covering the delivery of the entire Surrey Langley Skytrain project. The next Investment Plan is required to be established in 2025.
- In 2020 - 2022, over $850 million in federal/provincial pandemic relief operating funding was given to TransLink.
- Additionally, in 2022 the Province provided TransLink with a $2 billion upfront payment to settle its obligation for removing tolls on the Golden Ears Bridge.
- In 2023, the Province provided TransLink a further $479 million in relief funding to help keep TransLink finances stable through 2025 and to continue supporting the Free Transit for Children 12 and Under program.
- The Province is working with TransLink on opportunities to increase services to meet rising demand, such as early bus purchases. To address TransLink's identified $600 million/ year structural deficit and support service expansion, our

government is committed to working with TransLink on long-term and sustainable regional revenue sources.

Capital Funding and Regional Tools

- Since 2016/17, the Province has provided approximately $5.96 billion (B) in capital funding to TransLink, including:
  - $246 million (M) for Phase 1 of TransLink's 10-Year Vision (2016/17 to 2019/20);

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  - $1.4B for the Pattullo Bridge (2018/19 to 2023/24);
  - $2.416B for TransLink's 2022 Investment Plan; and

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- The Province has also enabled multiple regional funding tools for TransLink to use to help generate its own operating revenue:
  - Spring 2018 legislation to enable Development Cost Charges;
  - Fall 2018 legislation to enable TransLink to increase its parking rights tax from 21% to 24% of private parking fees; and
  - Spring 2019 legislation to enable up to a 1.5 cent per litre increase in regional fuel tax (for total of 18.5 cent per litre).
- In addition to the $2.4B capital contribution to TransLink's 2022 Investment Plan, in 2022 the Province provided TransLink with a $2 billion upfront payment to settle its obligation for removing tolls on the Golden Ears Bridge (GEB).

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DEPUTY MINISTER'S OFFICE (IN COOPERATION WITH MOTI)
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Relief Funding

- In total, TransLink has received $851.8M in federal/provincial relief funding (50/50 cost share) and $479M in additional provincial relief funding, for an overall total of $1.33B in relief operating funding since 2020. This includes:
  - September 18, 2020 – $675.8M:
    - $600M for TransLink's 2020 and 2021 calendar year operating budgets (ridership declines and COVID expenses);
    - $44M for fare affordability (no fare increases in 2020 and average annual increases capped at 2.3% through 2024);
    - $16.9M to help offset greater than expected motor fuel tax revenue losses for 2020 and 2021; and
    - $14.9M to offset costs of Free Transit for Youth 12 & Under Program aimed at helping ridership recovery under B.C.'s Restart Plan.
  - April 4, 2021 – $176M to help manage continuing impacts of the pandemic including ridership recovery.

- March 15, 2023 – $478.9M keep TransLink finances stable through 2025; and
- $10.8 M to continue to support Free Transit for Children 12 and Under.

TransLink's 2024 Business Plan

- According to TransLink's 2024 Operating and Capital Business Plan, total consolidated revenues for 2024 are budgeted to be $2.4B. This is $230.3M higher than the 2023 budget with a $50.5M surplus, due to an increase in senior government capital funding, higher transit fare, taxation and Development Cost Charge revenues, partially offset by higher operating expenditures.
- TransLink estimated a cumulative structural funding gap of $4.7B from 2023-2033 and that the agency would require on average $600M per year in additional revenue from 2026 until 2033 to fund TransLink's structural deficit.
- To begin to deal with TransLink's forecasted structural deficit, and to meet changing population and transit demand patterns, TransLink and the Mayors' Council have proceeded with an <u>interim</u> 2024 Investment Plan, one year earlier than the mandated 2025 Investment Plan.
- The Province is partnering with TransLink to address 2024 service expansion opportunities as well as potential new regional long-term funding tools to be included in the 2025 Investment Plan to help fund future transit expansion.

- TransLink's Transport 2050: 10-Year Priorities (Access for Everyone Plan [AEP]), approved in June 2022, requires $21B+ in new capital and $1.2B in additional operating funding. AEP priorities will be advanced for funding decisions and implementation as part of future Investment Plans.

UPDATE (Only Partially Public)

- The 2024 Investment Plan is proposed to be funded as follows:
  - One-time increase to base property tax revenues by $80M in 2024, returning to 2022 Investment Plan assumptions in 2025.
  - Increase fare revenues with the following annual increases to raise a total of Advice/Recommentations; in new revenue over ten years:
    - 4% in July 2025 (up from 2% approved in the 2022 Investment Plan);
    - 3% in July 2026 (up from 2% approved in 2022 Investment Plan); and
    - 2% in July 2027 and beyond (as approved in 2022 Investment Plan).
- Advice/Recommentations; Government Financial Information
  Advice/Recommentations; Government Financial Information $478.9M in provincial relief funding provided to TransLink in March 2023.

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- $300M in an early provincial capital contribution commitment (in advance of the TransLink 2025 Investment Plan) Advice/Recommentations
Advice/Recommentations

  Advice/Recommentations It is intended that this would create capital room necessary for TransLink to advance early bus procurements to support service expansion.

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Division: Deputy Minister's Office

File Name: DMO 11 – Translink Support
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MINISTRY OF FINANCE
GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: *Pay Transparency Act*

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 *Pay Transparency Act* is shining a light on pay discrimination in the workplace and creating awareness of pay inequality.
- And it's complimenting additional provincial initiatives to narrow the pay gap such as our historic investments in childcare, training and education and our increases to the minimum wage.
- The Act addresses 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 Act sets out new obligations for employers aimed at reducing B.C.'s gender pay gap which was 17% in 2023.

- The Ministry's Gender Equity Office has established a Pay Transparency Unit to support employers in meeting their requirements and track and monitor compliance.

KEY FACTS:

- B.C. has one of the highest gender pay gaps in Canada. According to Statistics Canada, in 2023 women in B.C. earned 17 percent less than men. For Indigenous people, racialized people and newcomer women, the gap was even higher. The gap also impacts women with disabilities and non-binary people.
- The Act places four key requirements on employers:
    - **Pay History**: Effective May 11, 2023, employers in B.C. cannot ask job applicants what previous employers have paid them.
    - **Employer Reprisal**: Effective May 11, 2023, employers cannot punish employees who reveal their pay to other employees or job applicants.
    - **Pay Secrecy**: As of November 1, 2023, employers must include the expected pay or pay range in public job postings.
    - **Pay Transparency Reports**: Employers above certain sizes must post pay transparency reports by November 1 each year.
- The B.C. Public Service Agency (PSA) and B.C.'s six largest Crown corporations (BC Hydro, BC Housing, BC Lottery Corporation, BC Transit, ICBC and WorkSafeBC) all with over 1,000 employees, met

the requirement to post pay transparency reports on their websites by November 1, 2023.

- Summary findings for 2022/2023 included:
  - Five of seven employers paid men up to 20% more per hour than they paid women.
  - Two of seven employers paid women up to 8% more per hour than they paid men.
  - The percentage of employees receiving overtime pay was greater for men (34-68%) than for women (23-46%), even in organizations that paid women more than men.
  - All seven employers took different approaches to collecting gender information in accordance with B.C.'s new Gender and Sex Data Standard, resulting in some reports being more fulsome than others on the pay gap between men, women and non-binary employees. All expect their gender data collection methods will improve over time.
    - In the BC PSA's report, the gender of more than 50% of employees in the lowest pay quartile was unknown.
    - The PSA used gender information from the 2022 Work Environment Survey to prepare its 2023 report, and there were some data gaps, such as a lack of data for employees in short-term temporary appointments.
    - PSA is taking steps to ensure gender information is more comprehensive in its future reports.

    - In the BC Lottery Corporation and ICBC reports, between 48% and 64% of employees' genders were unknown, in contrast to the reports from BC Transit, BC Housing, BC Hydro and WorkSafe where gender information was more complete.
    - Some of the Crowns have been routinely collecting gender information on employees, while others haven't, which contributed to the difference.
- In November 2024, employers with more than 1,000 employees are required to report. The same requirement will extend to those with 300+ employees in 2025, and to those with 50+ employees in 2026.
- The Ministry is currently developing a simple online reporting tool for employers to use to produce their pay transparency reports. User testing of the new tool began in February and the ministry has received positive feedback on it from employers. The final tool is expected to launch soon.
- The Ministry has received significant public interest in the job postings requirement, mainly by employees who support the requirement and are notifying the Ministry of non-compliant employers.
- The Ministry has sent letters to more than 40 non-compliant employers to ensure they are aware of the requirements, in keeping with the positive enforcement and educational approach it committed to take with employers in the Act's first years.

- The Act has positioned B.C. as a provincial leader in pay transparency across Canada. Shortly after the legislation was introduced, Ontario announced its plan to introduce similar job posting requirements.

BACKGROUND:

- BC tabled the Pay Transparency Act on March 8, 2023, the Act received Royal Assent on May 11, 2023, and all key provisions of the Act were effective as of November 1, 2023.
- In February 2024, the federal Department of Employment and Social Development Canada launched Equi'Vision, an online database that allows the public to view representation rates and pay gaps at federally regulated employers, including more than 60 in B.C. With this launch, Canada has become the first country in the world to make this level of information publicly available.
- Next steps for the Ministry's Pay Transparency Unit include:
  - Increasing employer outreach and education to raise awareness of pay gaps and the requirements of the Act.
  - Reviewing the feasibility of adding further identity characteristics to employer pay gap reports (e.g. race or ethnicity, persons with disabilities or newcomer status).

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  - Exploring opportunities to partner with the federal government on their recently released, publicly searchable pay gap database for federally regulated employers.
  - Reviewing the effectiveness of the Act as required within its first five years.

QUESTIONS & ANSWERS

Compliance & Enforcement Measures

Question: Will any compliance or enforcement measures be added to the legislation?

Answer:

- We are still in the early days of implementing this act. We recognize that employers need time to adjust. As we committed to them, we are taking an educational approach in these first years. We are proactively reaching out to employers to promote awareness of the Act and we are finding that employers want to do the right thing.
- For example, so far the Pay Transparency Unit received more than 400 inquiries regarding the job posting requirement and has sent out more than 50 letters to

employers who were not complying with the requirement. When staff check back with these employers after letters go out, they are finding that most employers do bring their job postings into compliance.

- In addition, the Unit has received six reports from employees who have faced reprisal from their employers for disclosing their pay; with the Unit sending one letter directly to an employer at the request of the complainant to ensure awareness of the requirement. The other five employees indicated they would resolve the issue on their own.
- With the Pay Transparency Act, we are leading the way in making a significant cultural shift on how we talk about pay in this province and we are very pleased with how this conversation is going.

Question: If an employer is failing to meet its obligations under the Pay Transparency Act, who would an applicant or employee contact to make a report?

Answer:

- Reports of non-compliant employers can be directed to the Pay Transparency Unit to review. In fact, the Ministry is already receiving tips from employees about non-compliant employers and has sent follow up letters to more than 40 non-compliant employers in recent months to ensure they are aware of the requirements.
- This is in keeping with the positive enforcement and educational approach we committed to take with employers in the Act's first years. In most cases, we are finding that employers want to do the right thing and are taking steps to comply.

Pay Transparency Reporting & Tool

Question: How many and which employers are required to report this November 2024?

Answer:

- As the reporting requirement is being implemented through a phased approach, only those employers with 1,000 or more B.C. employees are required to report this year. This equates to approximately 175 employers or 33% of the workforce and includes the following sectors:

  - Health Authorities
  - Large Municipalities (i.e. Vancouver, Burnaby, Richmond, Surrey)
  - Large Universities & Colleges (i.e. UBC, SFU, UVic, BCIT)
  - Large School Districts
  - Public Service Agency, Crown Corporations and Government Agencies (i.e. BC Ferries, TransLink, ICBC, WorkSafe BC, BCLC, Liquor Distribution Branch)
  - Large Private Sector companies (i.e. Teck, Canfor, Ledcor, Jim Pattison Group)
- The reporting requirement will apply to those with 300 or more employees in 2025which represents approximately 700 employers or 46% of the workforce, and to those with 50 or more employees in 2026 which represents more than 8,500 employers or 65% of the workforce. The Ministry anticipates that over 9,000 B.C. employers will be required to report by 2026.

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Question: Does the Ministry have lists of which employers are required to report each year? How will you know if you have 100% compliance in a given year?

Answer:

- The Ministry does collect this information through employer income tax remittances, however strict privacy requirements in the Income Tax Act prevent us from sharing the names of these employers publicly or even with other teams within the Ministry of Finance.
- We are able to share the total number of employers who will be required to report each year. So, for example, we are confident that approximately 175 employers will be required to report this year and our reporting tool will track who has reported, so we'll will be able to track the percentage of employers who have met their reporting requirements against the total number.

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Question: How will employers know what gender data to include in the report?

Answer:

- The Pay Transparency Regulation prescribes what must be included in reporting. The Ministry has prepared guidance documentation on its website to support employers in completing their reports that outlines the required data categories (gender, salary, hours worked, bonus pay, overtime pay, overtime hours worked).
- To simplify the process for employers, the Ministry is developing an online reporting tool that will calculate pay gap results based on employer submitted data.
- The Ministry began user testing of the tool in February and has received positive feedback from employers. The final tool will launch very soon.

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Question: Recognizing that some individuals may be reluctant to share their personal gender information with their employer or the government, how will gender information be collected from employees?

Answer:

- Employers must make reasonable efforts to collect gender information from employees and must do so in accordance with privacy laws. This should include a notice to employees that the collection of gender information is for the purposes of preparing a pay transparency report. Gender information used in this analysis must be voluntarily provided. If an employee chooses not to provide their gender information, only their pay information will be used, and their gender will be marked unknown.
- No personal or identifiable information will be shared by employers with the government. And to preserve privacy, data is suppressed if there are less than 10 individuals in a gender category.
- Employers are encouraged to use B.C.'s Gender and Sex Data Standard when collecting employee gender information. Employers should also allow employees to

voluntarily update their information annually. When people can self-identify their gender, employers can engage with them in an inclusive, safe and respectful way.

Question: With employers expected to report this November, when will the reporting tool be ready?

Answer:

- The Ministry is committed to ensuring the online reporting tool is available to employers well ahead of the November reporting requirement. The tool will be simple to use and help employers produce their pay transparency reports quickly and efficiently.
- Tool development is well underway with the Information Management Branch, and user testing began in February. The Ministry has received very positive feedback from employers who have piloted the tool already. Any employer wishing to preview the tool before it is officially launched can arrange to do this by emailing the Pay Transparency Unit at paytransparency@gov.bc.ca.

Advice/Recommentations

Question:

Answer:

- Advice/Recommendations; Government Financial Information

Question: Will the reporting tool establish a central database to support public research into pay gaps?

Answer:

- No, we are not creating a publicly searchable database at this time, given the significant anticipated cost and length of time it takes to build these kinds of public databases.
- That said, the Ministry is actively speaking to the federal government about the potential to partner on their new EquiVision pay transparency data base in the future. The federal government just launched their database in February of this year and has indicated a willingness to collaborate with provinces and territories on future

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versions, though needed to get theirs right for federally regulated employers first.

- I want to assure employers and employees that the reporting tool we are developing will not store personal employee information. The tool will only store finalized employer pay transparency reports to enable the Ministry to track which employers have reported. No raw data or user information that is uploaded by employers to develop their reports is saved by the tool.
- The tool will enable employers to easily comply with the legislation and produce a user-friendly pay transparency report to publish on their website.

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Question: What kind of assistance can employers expect to receive in completing pay transparency reports?

Answer:

- The Ministry is developing a simple, user-friendly, online reporting tool to assist employers in producing pay transparency reports based on the employer's pay and gender data. Guidance is already in place to help employers meet reporting their obligations, and the tool will be an additional aid.
- In the coming years, as the reporting requirements apply to more and more employers, the Ministry will develop further education and training initiatives to support employer compliance and awareness of the Act. This will include more online and print resources, updated website content, webinars, and presentations.
- The Pay Transparency Unit has receiving positive feedback from employers that have reached out to us so far. We are committed to working closely with employers to build the best pay transparency reporting system.

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Budget

Question: What is the budget for the Pay Transparency Unit? Why is this not detailed in the Blue Book?

Answer:

- Existing Ministry of Finance funding has been allocated to support FTE and operational requirements of the Unit.
- To date, three FTEs have joined the Unit including a director of operations, intake staff and program analyst. We expect two additional FTEs will join the Unit this year: a project manager and a client engagement coordinator.
- Staff receive and respond to enquiries by employers and employees, monitor and track non-compliance, develop public education tools and resources, produce annual reports, and review the effectiveness of the Act.
- Advice/Recommendations; Government Financial Information
-

Contact: Asha Bhat
Phone: Government

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Advice/Recommendations; Government Financial Information

Pay Transparency

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 is another critical tool we can use to shine a light on the gap and decrease it.

Question: Doesn't pay transparency simply put the responsibility on employees to advocate for change? Why aren't employers required to explain pay gaps and how they will be closed?

Answer:

- The Act is empowering employees to call out those employers who have more work to do. Job seekers now have information on the salary ranges for a position to help them negotiate fair compensation. Pay transparency recognizes B.C. employers who have worked hard to ensure they have fair and equitable pay practices. Requiring employers to publicly disclose average pay for men, women and non-binary employees is an important first step in reducing the persistent gender pay gap in our society.

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Pay Equity

Question: B.C.'s Human Rights Commissioner was critical of the pay transparency legislation, citing a need for pay equity legislation instead. When will complimentary pay equity legislation be introduced in B.C.?

Answer:

- People deserve equal pay for work of equal value and pay transparency is an important step to hold employers accountable. The Pay Transparency Act has put discussions on the gender pay gap in B.C. in the spotlight and other provinces, like Ontario, are following our lead and introducing similar measures.
- As B.C. employers continue to recover from the pandemic and global economic challenges, pay transparency is an effective and manageable way we are working with employers to highlight their gaps and get them to take steps to address them.
- The legislation is empowering employees to gather and share pay information at their workplace, and to negotiate their salary on a more equitable playing field.

Contact: Asha Bhat
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Division: Gender Equity Office

File Name: 01_MO_GEO_Pay Transparency Act

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- We are confident that the Pay Transparency Act will be impactful in reducing the gender pay gap in B.C. and the Act will undergo a review of its effectiveness by 2028. We remain committed to moving B.C. further along the pathway to pay equity.

Question: B.C. remains one of the few provinces in Canada without pay equity legislation, which jurisdictions in Canada have implemented pay equity legislation?

Answer:

- The following provinces have had pay equity legislation in place: Manitoba (1986), Ontario (1987), P.E.I. (1988), New Brunswick (1989), Nova Scotia (1989), Quebec (1996) and Newfoundland (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 only.
- 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.

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- 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.

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GENDER EQUITY OFFICE
ISSUE NOTE

ISSUE: Gender-Based Violence Action Plan

ADVICE AND RECOMMENDED RESPONSE:

- All British Columbians deserve to live free of violence and abuse.
- All too often gender-based violence impacts women, girls, and gender-diverse people, with devastating and long-lasting effects.
- It disproportionately impacts Indigenous and other racialized women and girls, 2SLGBTQIA+ 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 launched *Safe and Supported: BC's Gender-Based Violence Action Plan* on December 10, 2023.
- *Safe and Supported* builds on a foundation of transformational investments to support survivors and break the cycle of violence, including $1.2 billion over 10 years to create safe spaces and housing for women and children leaving violence; $90M to expand cell service to

make travel safer; and annual investments of $60M for victim services, violence against women, and sexual assault, and sexual abuse programs.

- *Safe and Supported* reports on vital work underway across government and guides new actions over the course of the 3-year plan.
- New actions include boosting programming and supports for survivors, strengthening government's response to the crisis of missing and murdered Indigenous women and girls, and ramping up prevention and awareness campaigns.
- Last year we negotiated an historic federal funding agreement worth $61.9M over four years to expand our efforts to eliminate gender-based violence.
- Since the launch of *Safe and Supported* in December 2023, we've already provided $7.8M to community and Indigenous partners. And we are providing a further $18M by the end of the year to continue building on our progress.
- All initiatives were developed in close consultation and cooperation with Indigenous partners, and with advice

from community service providers, advocates, survivors, and their families.

KEY FACTS:

- Gender-based violence is violence committed against someone based on their gender, gender identity, gender expression or perceived gender. It can be physical, sexual, emotional, psychological, financial and includes violence committed by a spouse or intimate partner, family members, acquaintances, or strangers. It 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.[1]
- Indigenous and other racialized women, transgender women, women who are disabled, and people with intersecting marginalized identities face a disproportionately higher risk of sexual assault.[2]

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1 Statistics Canada, Survey of Safety in Public and Private Spaces, 2018.
2 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

- Indigenous women in Canada experience higher rates of domestic violence compared to non-Indigenous women and disproportionate rates of domestic homicide. Domestic homicide rates among Indigenous people were twice the rate among non-Indigenous population.[3]
- 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.[4]

CURRENT STATUS:

- *Safe and Supported* was launched on December 10th, 2023.
- *Safe and Supported* was developed in close partnership with the Ministry of Public Safety and Solicitor General, the provincial leads for the Missing and Murdered Indigenous Women and Girls response and was a commitment under the Declaration Act Action Plan (Action 3.8) and a mandate commitment.
- The Ministry of Finance leads the coordination of the *Safe and Supported,* and facilitates collaboration across government and with

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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*.

[3] Jeffrey, N., Johnson, A., Richardson, C., Dawson, M., Campbell, M., Bader, D., Fairbairn, J., Straatman, A.L., Poon, J., Jaffe, P. (2019). Domestic Violence and Homicide in Rural, Remote, and Northern Communities: Understanding Risk and Keeping Women Safe. Domestic Homicide (7).

[4] Burczycka, M. (2018): Family Violence in Canada – A Statistical Profile 2017. "Section 2: Police-reported intimate partner violence in Canada, 2017".

each ministry that has responsibility for implementing individual actions and initiatives included in *Safe and Supported*.

- *Safe and Supported* was informed by engagements with service providers, advocates, and Indigenous partners in Spring 2022, and focused engagements with Indigenous leaders and community in Spring 2023.
- Implementation of the *Safe and Supported* will occur over three years and is responsive to the wealth of research, recommendations, and partner feedback to date on gender-based violence prevention, interventions, and response.
  - Based on emerging needs and opportunities for further action, future priorities and decisions on funding will be determined in consultation and cooperation with Indigenous partners, and with advice from community service providers and advocates.
- *Safe and Supported* aligns with Women and Gender Equality Canada's (WAGE) implementation of a 10-year National Action Plan to End Gender-Based Violence, endorsed by Province and Territories on November 9, 2022.
- WAGE committed $61.9M for British Columbia over four years to enable key actions in *Safe and Supported* under a new Canada-British Columbia bilateral agreement to end gender-based violence announced December 8, 2023.

- This includes $7.8M in 2023/2024, and $18M per year in 2024/2025, 2025/2026, and 2026/2027.
- This funding will help reduce critical wait lists, build capacity for community-based services, and address gaps for underserved communities. More than half of this new funding will be invested in Indigenous-led initiatives to be announced in the coming months.

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ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Gender-Based Violence Action Plan

Question: What new action is included in the Gender-Based Violence Action Plan?

Answer:

- *Safe and Supported* takes an all-of-government approach to preventing and addressing gender-based violence.
- The Ministry of Finance leads the coordination of the action plan across government and with each ministry that are implementing individual actions and initiatives included in *Safe and Supported* in collaboration with Indigenous and community partners.
- Through *Safe and Supported* the Province will continue to invest more than $60M each year in stable funding to strengthen and expand services and programs that address violence against women, sexual assault, and sexual abuse.

- This includes over $54M annually in stable funding for services and programs to support victims of crime, including more than 475 victim-service, violence-against-women programs and sexual assault programs operating in communities throughout BC.
    - Please direct further questions on funding for victim-service, violence against women, and sexual assault programs to the Minister of Public Safety and Solicitor General.
- Many new actions under *Safe and Supported* were launched in 2023, including:
    - New provincial policing standards to ensure survivors are better supported during sexual assault investigations.
        - Please refer questions to the Minister of Public Safety and Solicitor General.
    - Two new 24/7 gender-based violence crisis lines operated by Salal Sexual Violence Support Centre and the Indian Residential School Survivors Society.
        - Please refer questions to the Minister of Public Safety and Solicitor General.

- Introduction of the *Intimate Images Protection Act* and new services to address the non-consensual disclosure of intimate images. This includes the new Intimate Images Protection Service and a new process through the Civil Resolution Tribunal to help people who have had their intimate images shared without their consent to quickly access self-help tools to diagnose their legal issues, get information about their rights and connect to supports.
    - Please direct further questions on the Intimate Images Protection Act and Civil Resolution Tribunal process to the Attorney General.
    - Please direct further questions on the Intimates Images Protection Service to the Minister of Public Safety and Solicitor General.
- Amendments to the Crime Victim Assistance Program to expand eligibility criteria and increase benefits rates for victims of crime.
    - Please refer questions to the Minister of Public Safety and Solicitor General.

- Relaunch of “Let’s Talk About Touching,” an inclusive child sexual abuse prevention program developed entirely in B.C. for children aged 3 to 8 years old.
  - Please refer questions to the Minister of Education and Child Care.
- Work with ICBC to keep the location of survivors and shelters confidential.
  - Please refer questions to the Minister of Public Safety and Solicitor General.
- Five new Indigenous Justice Centres now operating in Vancouver, Victoria, Nanaimo, Surrey, and Kelowna.
  - Please refer questions to the Attorney General.
- Boosting funding to specialized community teams that support survivors of domestic violence, sexual exploitation, and human trafficking.
  - Please refer questions to the Minister of Public Safety and Solicitor General.
- New investments in the Path Forward Community Fund for Indigenous-led safety planning and capacity building.

        - Please refer questions to the Minister of Public Safety and Solicitor General.
    - New funding for the Sexual Abuse Intervention Program to support children and youth who have experienced abuse.
        - Please refer questions to the Minister of Children and Family Development.
    - $1.4M in new funding for the Prevention, Education, Advocacy, Counselling and Empowerment (PEACE) program and the Violence is Preventable Program for K-12 students.
        - Please refer questions to the Minister of Public Safety and Solicitor General.
    - New funding for the Caring Dads Program, a community-based program to help men who have been abusive to their partners develop healthy relationship and parenting skills.
        - Please refer questions to the Minister of Children and Family Development.
- Many new actions under *Safe and Supported* will be rolled out over the coming year, including:

- New investments to reduce waitlists and boost resources for existing victim services and violence against women programs;
- New virtual counselling for underserved communities;
- New gender-based violence training and protocols for staff at shelters and transition housing;
- New investments in the Path Forward Community Fund;
- New investments in the Indigenous-led Giving Voice Grant Program;
- New supports for the First Nations Justice Council to support culturally responsive training;
- New investments in First Nations-led cultural practices and coming of age ceremonies;
- New gender-based violence supports for Métis people through a partnership with Métis Nation BC;
- A new initiative to prevent and address sexualized violence at post-secondary institutions;
- New online resources for youth transitioning out of government care;

- New gender and cultural safety conditions for work camps with the Environmental Assessment Office;
- New civilian oversight for gender-based violence and harassment in policing; and,
- New initiatives to make B.C. safer and more inclusive for transgender and gender diverse people.

- More information on these new actions will be announced over the coming year. Future funding decisions throughout the 3-year term of the *Safe and Supported* will be informed by consultation and cooperation with Indigenous partners, and with advice from community service providers and advocates.
- *Budget 2024* invests in keeping people safe and communities strong by providing $29.1M in new funding over the next three years for legal aid services to help establish a new family law clinic dedicated to clients experiencing family violence and expand access to legal aid services to help more individuals and families build safer lives.
    - Please direct further questions on legal aid services to the Attorney General.

- *Budget 2024* also supports safer communities by enacting transformative action through the *Intimate Images Protection Act*. This includes the new Intimate Images Protection Service and a new process through the Civil Resolution Tribunal to help people who have had their intimate images shared without their consent quickly access self-help tools to diagnose their legal issues, get information about their rights and connect to supports.
    - Please direct further questions on the *Intimate Images Protection Act* and Civil Resolution Tribunal process to the Attorney General.
    - Please direct further questions on the Intimates Images Protection Service to the Minister of Public Safety and Solicitor General.

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 to End Gender-Based Violence 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.
- As part of the National Gender-Based Violence Action Plan, Canada and British Columbia signed a bilateral funding agreement that was announced December 8, 2023. Through this agreement, Women and Gender Equality Canada has committed $61.9M over four years for British Columbia to invest in initiatives that prevent and respond to gender-based violence. This funding will help reduce critical wait lists, build capacity for community-based services, and address gaps for underserved communities and populations at-risk of experiencing gender-based violence.
- In recognition of the disproportionate impact of gender-based violence on Indigenous women, girls and 2SLGBTQIA+ people, the ongoing crisis of those who are missing and murdered, and B.C.'s commitments and obligations under the *Declaration on the Rights of Indigenous*

Peoples Act, more than half of the new funding will be invested in Indigenous-led initiatives that will be announced in the coming months.

- This funding will build on the Province's existing investments of more than $60M annually in stable funding for provincial services and programs that address gender-based violence, sexual assault, and sexual abuse. This is in addition to $1.2 billion over 10 years to build and operate 3,000 new transition housing, second-stage housing, and long-term housing spaces for women and children leaving violence.

Question: How is the new funding through the National Gender-Based Violence Action Plan bilateral agreement being allocated?

Answer:

- Through the National Gender-Based Violence Action Plan bilateral agreement, Women and Gender Equality Canada has committed $61.9M over four years for British Columbia to invest in initiatives that prevent and respond to gender-based violence.

- Since launching *Safe and Supported* on December 10, 2023, the Province has allocated $7.8M of this federal funding for new actions, including:
    - Boosting funding to specialized community teams that support survivors of domestic violence, sexual exploitation, and human trafficking.
        - Please refer questions to the Minister of Public Safety and Solicitor General.
    - New investments in the Path Forward Community Fund for Indigenous-led safety planning and capacity building.
        - Please refer questions to the Minister of Public Safety and Solicitor General.
    - New funding for the Sexual Abuse Intervention Program to support children and youth who have experienced abuse.
        - Please refer questions to the Minister of Children and Family Development.

    - $1.4M for the Prevention, Education, Advocacy, Counselling and Empowerment (PEACE) program and the Violence is Preventable Program for K-12 students.
        - Please refer questions to the Minister of Public Safety and Solicitor General.
    - New funding for the Caring Dads Program, a community-based program to help men who have been abusive to their partners develop healthy relationship and parenting skills.
        - Please refer questions to the Minister of Children and Family Development.
- A further $18M will be made available by the end of the 2024/25 fiscal year to support additional new actions under *Safe and Supported*. This includes:
    - New investments to reduce waitlists and boost resources for existing victim services and violence against women programs;
    - New virtual counselling for underserved communities;
    - New gender-based violence training and protocols for staff at shelters and transition housing;

- New investments in the Path Forward Community Fund;
- New investments in the Indigenous-led Giving Voice Grant Program;
- New supports for the First Nations Justice Council to support culturally responsive training;
- New investments in First Nations-led cultural practices and coming of age ceremonies;
- New gender-based violence supports for Métis people through a partnership with Métis Nation BC;
- A new initiative to prevent and address sexualized violence at post-secondary institutions;
- New online resources for youth transitioning out of government care;
- New gender and cultural safety conditions for work camps with the Environmental Assessment Office;
- New civilian oversight for gender-based violence and harassment in policing; and,
- New initiatives to make B.C. safer and more inclusive for transgender and gender diverse people.

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- The timing of announcements for these initiatives are being planned in collaboration with the federal government and funding recipients. More details about the funded activities and allocations will be announced in the coming months.

Question: Will this federal funding replace provincial funding in preventing and address gender-based violence?

Answer:

- No. One of the key requirements of the National Gender-Based Violence Action Plan bilateral funding agreement is that federal investments are matched by provincial investments through an overall, 50-50 cost share. B.C.'s annual investments in gender-based violence programs far exceed the four-year $62M commitment from the federal government.
- Funding through the bilateral agreement will augment B.C.'s existing investment of more than $60M annually in stable funding for provincial services and programs that address gender-based violence, sexual assault, and sexual abuse.

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Question: What is the timeline for implementation of the Gender-Based Violence Action Plan?

Answer:

- *Safe and Supported* is a living document that will guide and coordinate new action across government year by year, over the next three years, in a way that prioritizes continuous learning and close monitoring to make sure that survivors feel safe and are getting the support they need.
- Future actions will continue to be informed through consultation and cooperation with Indigenous partners, and with advice from community service providers and advocates.

Question: Who was engaged in the development of the Gender-Based Violence Action Plan?

Answer:

- *Safe and Supported* was informed by targeted engagements in Spring 2022 with Indigenous and community partners, service providers and advocates, and further shaped through focused engagement in 2023 with Indigenous leadership and communities.
- Building from the Spring 2022 engagements and based on advice from Indigenous partners to conduct more comprehensive with Indigenous Peoples, the Province contracted an Indigenous-led consultancy to conduct targeted engagement with First Nations, Inuit, urban and rural on-and-off-reserve Indigenous people in Spring 2023. The Province also provided funding to Métis Nation B.C. to lead its own engagements with Métis women and girls in May 2023.

Question: How does the Gender-Based Violence Action Plan respond to Missing and Murdered Indigenous Women?

Answer:

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- *Safe and Supported* is aligned with and builds on the ongoing work to address Missing and Murdered Indigenous Women and Girls.
- “Lifting Up Indigenous-led Approaches,” a key priority under the Plan, includes actions that respond directly to advice and recommendations from Indigenous partners and community.
- Through this priority, the Province firmly commits to supporting Indigenous self-determination by placing resources in the hands of First Nations, Métis, Inuit and urban and rural or remote Indigenous communities to determine how best to move forward on preventing and addressing gender-based violence in their communities and in ways that build on Indigenous strength.
- Provincial leads on the response to the Missing and Murdered Indigenous Women and Girls crisis, including those who report on progress related to *A Path Forward: Priorities and Early Strategies for B.C.*, were key partners in the development of the *Safe and Supported*. Please direct further questions on *Path Forward* to the Minister of Public Safety and Solicitor General.

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Appendix A: National GBV Action Plan Funded Actions

Federal GBV Funding Agreement Year 1 Actions (2023/2024) - $7.8M	
Priority 1 - Increasing safety and support for survivors	
Boost funding to specialized community teams that support survivors of domestic violence, sexual exploitation and human trafficking.	PSSG
Priority 2 - Lifting up Indigenous-led responses	
New investments in the Path Forward Community Fund for Indigenous-led safety planning and capacity building.	PSSG
Priority 3 - Breaking cycles of violence through prevention, healing and accountability	
New funding for the Sexual Abuse Intervention Program to support children and youth who have experienced abuse.	MCFD
New funding for the Caring Dads Program, a community-based program to help men who have been abusive to their partners develop healthy relationship and parenting skills.	MCFD
New funding for the Prevention, Education, Advocacy, Counselling and Empowerment (PEACE) program and the Violence is Preventable Program for K-12 students.	PSSG
Priority 4 – Learning from and monitoring our progress	
New gender and cultural safety conditions for work camps with the Environmental Assessment Office.	ENV
A new initiative to prevent and address sexualized violence at post-secondary institutions.	PSFS

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Federal GBV Funding Agreement Year 2 Actions (2024/2025) - $18M	
Priority 1 - Increasing safety and support for survivors	
New investments to reduce waitlists and boost resources for existing victim services and violence against women programs.	PSSG
New virtual counselling for underserved communities.	PSSG
Boosting funding to specialized community teams that support survivors of domestic violence, sexual exploitation and human trafficking.	PSSG
New gender-based violence training and protocols for staff at shelters and transition housing.	HOUS
Priority 2 - Lifting up Indigenous-led responses	
New investments in the Path Forward Community Fund.	PSSG
New investments in the Indigenous-led Giving Voice Grant Program.	MIRR
New supports for the First Nations Justice Council to support culturally responsive training.	AG
New investments in First Nations-led cultural practices and coming of age ceremonies.	MIRR
New gender-based violence supports for Métis people through a partnership with Métis Nation BC.	MIRR
Priority 3 - Breaking cycles of violence through prevention, healing and accountability	
New funding for the Sexual Abuse Intervention Program to support children and youth who have experienced abuse.	MCFD
New funding for the Caring Dads Program, a community-based program to help men who have been abusive to their partners develop healthy relationship and parenting skills.	MCFD
New online resources for youth transitioning out of government care	MCFD

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Priority 4 – Learning from and monitoring our progress	
Evaluate the links between gender-based violence, crime data and misogynist and anti-2SLGBTQIA+ violence	PSSG
Enhance GBV data collection systems.	PSSG
New gender and cultural safety conditions for work camps with the Environmental Assessment Office.	ENV

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ISSUE: SUMMARY AUDIT PLAN – IAAS 2023/2024

ADVICE AND RECOMMENDED RESPONSE:

- Internal Audit & Advisory Services 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.

    - 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 Minister's Audit Committee for their consideration and approval. The Audit Plan for Fiscal Year 2023/24 was reviewed and approved by the committee in April 2023. This is the most recent plan approved by the Committee.

- IAAS is currently finalizing its Audit Plan for Fiscal Year 2024/25 and will present it to the Deputy Minister's Audit Committee for approval in April 2024.

- 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.

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- The Audit Plan for Fiscal Year 2023/24 has a renewed focus on financial management and a continued emphasis in Information 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 three key audit areas are noted below.

Financial Management Audits	
Function/Definition	• Audits that help improve efficiency and ensure management and control systems are operating effectively.
Description	• Budget development and management • Asset management • Revenue and expense monitoring and management • Procurement processes and practices • Program cost-effectiveness
Audit Plan 2023.24	• Provincial tax programs • Time, leave and payroll management • Financial risk and control reviews
Information Management/Technology Audits	
Function/Definition	• Audits that address business, privacy, and security risks; strengthen government IM processes.

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Description	• Project, change and incident management • Service delivery • Software development • IM/IT governance • Portfolio and risk management • Information security and privacy
Audit Plan 2023.24	• IM/IT cyber-security patch management • IM/IT audit tool integration
Program Audits	
Function/Definition	• Audits that evaluate whether programs or functions are working as intended to achieve stated goals.
Description	• Emergency management governance • Government-wide organizational issues and programs • Program, project, and contract management • Human resource practices
Audit Plan 2023.24	• Energy rebate and incentives programs • Education sector capital programs • Financial risk assessment (FRA)

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ISSUE: 2023/24 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 11: Transportation was approved by Treasury Board to implement changes to the Executive car lease rates.
- Core Policy and Procedures Manual Operational Instruments (Standards, Procedures, Guidelines and Tools) to support Policy are approved by the Comptroller General. Updates include:
    - Procedures – Payment Processing (Procedure D) changes were made to align with Transportation policy changes.
    - Tools – Procurement forms changes were made to clarify processes and to improve accessibility for users.

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KEY FACTS:

- Amendment to Core Policy and Procedures Manual Transportation Policy replaces the executive lease vehicle requirements to an updated Terms and Conditions of Employment – Schedule 6, which changes the maximum monthly vehicle lease rate from $625 to $1,200.
- To align with the Transportation policy update, amendment to Core Policy and Procedures Manual Payment Processing procedure replaces the car allowance amount to an updated Terms and Conditions of Employment – Schedule 6, which changes the monthly vehicle allowance from $580 to $1,000.
- Form updates include:
  - Vendor Complaint Review Process Form – quoted CPPM Policy to clarify scope of the process for vendors.
  - Post Contract Evaluation Form – formatting for accessibility and consistency.
  - Internal Vendor Reference Check Vendor Disqualification Review Form – formatting for accessibility

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.
- 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.

QUESTIONS AND ANSWERS

ISSUE: 2023/24 CORE POLICY & PROCEDURES MANUAL AMENDMENTS

Question: Why did the rates for Executive vehicle leases and allowances increase?

Answer: The previous Executive vehicle lease and allowance rates did not reflect current market costs. The vehicle lease rate was last increased in 2007 and the allowance has not increased since 1990. The new rates are equivalent to the rates previously approved for MLAs providing consistency for government executive.

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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.
- 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
    - building capacity through a fraud awareness campaign to inform government decision makers and employees of their roles and responsibilities in

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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.
- The Office of the Comptroller General continues to enhance government's financial and fraud risk management capacity by designing and implementing a cross government internal control framework. This will further support a robust internal control and anti fraud environment within government.

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Auditor General Reports on Government Fraud Risk Management

- 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 also released a series of survey-based reports on Fraud Risk and Financial Statements: B.C. Public Sector. Part 1(Nov 2021) focused on Crown Corporations and Part 2 (May 2023) focused on Ministries.
    - 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 draw incorrect conclusions or assurances from the report. A government response to this report was not requested and government was not involved in the survey or the report.

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ISSUE: PUBLIC ACCOUNTS AUDIT QUALIFICATIONS

ADVICE AND RECOMMENDED RESPONSE:

- The 2022/23 Public Accounts were released on August 30, 2023, and included the Auditor General's opinion on the summary financial statements, beginning on page 35.
- 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 2023/24 financial audit.
- The First Nations Gaming Revenue Sharing arrangement was the subject of two 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.

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- The 2023/24 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 2022/23 with three points of reservation.
- The Office of the Comptroller General finds the position of the Auditor General represents a very different view of B.C.'s long-standing accounting policies and 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.

Reservation: Deferral of Revenues

- The Auditor General recommended recognizing revenue for restricted grants in the year the funds are received.

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- 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 2022/23 was to increase revenue, and surplus by $6,970 million, decrease liabilities by $6,970 million and increase accumulated surplus by $6,970 million.

Reservation: First Nations Gaming Revenue Sharing Arrangement

- The Auditor General recommended recognizing First Nation's share of gaming revenues as government's gaming revenue and a government transfer to First Nations.
- 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 2022/23 was to increase revenue and expense by $114 million, with no impact to surplus or accumulated surplus.

Reservation: Contractual Obligations Disclosure

- The Auditor General recommended including an estimate of future First Nations Gaming revenue as a contractual obligation.

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- 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 and revised reporting model that confirms our recognition for deferral of restricted contributions is aligned with the accounting standards. Implementation of the new standards will occur on or before April 1, 2026.
- Engagement with the Office of the Auditor General will include enhancing their understanding of the province's relationship with First Nations and the application of GAAP, Generally Accepted Accounting Principles, to this dedicated revenue.

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ISSUE: Cannabis Taxation and Revenue Sharing

ADVICE AND RECOMMENDED RESPONSE:

- Cannabis legalization continues to play a valuable role in ensuring a safe supply for consumers, helping to keep cannabis out of the hands of kids, and reducing profits for organized crime.
- Government cannabis revenue remains modest, and that, combined with low retail prices, is helping the legal industry capture a greater market share from organized crime.
- Low prices are impacting legal cannabis producers, and we and the federal government are monitoring challenges faced by industry and are listening to the concerns being raised by the stakeholders. We are reviewing how such concerns could be addressed, including a recent House of Commons Standing Committee on Finance recommendation. That recommendation was to move the excise tax from being based on volume to one based on value.

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Advice/Recommendations; Government Financial Information; Intergovernmental Communications

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KEY FACTS:

Cannabis Revenues

- BC receives cannabis-related revenues through four main sources:
  - Its 75% share of the federal excise duty under the Coordinated Cannabis Taxation Agreement;
  - The 7% provincial sales tax (PST) on cannabis retail sales and the 20% PST on vapour products;
  - The 15% Liquor Distribution Branch wholesale markup on cannabis products; and
  - Product sales at government-operated BC Cannabis Stores.
- Cannabis excise taxes vary somewhat by province. In BC, the cannabis excise tax is based on the greater of volume-based taxes or ad valorem taxes, and with low cannabis prices, it is the volume-based taxes that apply. Excise tax rates in BC are as follows:

  - Dried/fresh cannabis – flowering material: $0.25 per gram of flowering material or 2.5% of the dutiable amount for the cannabis product;
  - Dried/fresh cannabis – non-flowering material: $0.075 per gram of non-flowering material or 2.5% of the dutiable amount for the cannabis product;
  - Cannabis plant seed: $0.25 per viable seed or 2.5% of the dutiable amount for the cannabis product;
  - Cannabis plants: $0.25 per vegetative cannabis plant or 2.5% of the dutiable amount for the cannabis product;
  - Cannabis extracts (including cannabis oil): $0.0025 per milligram of total THC;
  - Edible cannabis: $0.0025 per milligram of total THC; and
  - Cannabis topicals: $0.0025 per milligram of total THC.
- *Budget 2024* projects federal cannabis excise tax revenues of $110M in each year of the fiscal plan.
  - Monthly federal excise tax payments increased from a monthly average of approximately $5.9M in 2022 to an average of about $8.0M in 2023.
- On February 26, 2024, the House of Commons Standing Committee on Finance released a report with recommendations based on pre-budget consultations, including two relating to cannabis:

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- **156. Provide investments for First Nations engagement in the *Cannabis Act* review** (note: this aligns with an Assembly of First Nations proposal)
- **329. Make adjustment to the excise duty formula for cannabis so that it is limited to a 10% ad valorem rate, and to the operation of the duty, including the requirement to apply an excise stamp on cannabis products** (note: this appears to be in reaction to proposals made by the Cannabis Council of Canada).

Advice/Recommendations; Government Financial Information; Intergovernmental Communications

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Advice/Recommentations

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Revenue Sharing

- Consistent with its treatment of tobacco and alcohol-related revenues, BC currently does not share its cannabis-related revenues with local governments or First Nations.
- Under Section 119 of the *Cannabis Control and Licencing Act*, the Province may enter into agreements with First Nations on the cultivation and sale of cannabis (but not revenue-sharing).

CURRENT STATUS:

- As of 2022/23, the province has begun to see positive net revenues from cannabis, however future growth projections have slowed, and the cannabis production sector continues to experience unexpected challenges, largely due to the low cannabis prices.
- Future financial returns will be contingent on maintaining and furthering progress in transitioning illicit cannabis activity to a mature legal market, which remains substantial.
    - In October 2023, Statistics Canada published an article titled, “Insights to Research: Cannabis in Canada”; that article included an estimate that, nationally, the legal market accounted for more than 70% of cannabis sales in the first half of 2023, up from 22% in the fourth quarter of 2018, when legalization had just begun.

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QUESTIONS AND ANSWERS

ISSUE: Cannabis Taxation and Revenue Sharing

Question: What is BC's current revenue from Cannabis and status of the industry? Is it possible to provide a breakdown by PST, excise tax, licensing, etc.?

Answer:

- Federal excise tax is remitted to the federal government by licensed cannabis producers, and 75% of those remittances are distributed back to provinces by the federal government.
- From the time cannabis was legalized in 2018 until the end of the 2022/23 fiscal year, the province had received a cumulative total of:
  - $177.2M in federal excise duty payments relating to cannabis; and.
  - Advice/Recommentations; Government Financial Information
- Advice/Recommentations

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- For more specific comments on the state of the cannabis industry and licensing issues, I defer to the Minister of Public Safety and Solicitor General (PSSG).

Question: Where, and how, is the revenue from cannabis taxation being spent?

Answer:

- Along with revenue from other sources, the revenue BC receives from cannabis sales, PST, licensing, and excise tax is directed into the Province's Consolidated Revenue Fund (CRF).
  - The CRF supports vital public services that people rely on, like health care, education, and childcare.
  - Advice/Recommentations

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Question: Does the province plan to share revenue with local governments and First Nations?

Answer:

- While the Province does not explicitly share its cannabis revenue with local governments, Advice/Recommendations; Government Financial Information; Intergovernmental Communications
Advice/Recommendations; Government Financial Information; Intergovernmental Communications

- Through a variety of programs, the province will be providing local governments approximately $2.7B in funding from the Consolidated Revenue Fund in 2023.
    - The funding in 2023 alone is $1.6B more than the province provided to local governments in 2018, the year in which cannabis was first legalized.
- In 2023, the Growing Communities Fund distributed $1B to all local governments to help with the costs of upgrading, adding capacity, and extending infrastructure and amenities to support additional housing supply. The province is providing $250M over five years to support the 21 local governments that make up the Northwest BC Resource Benefits Alliance to support planning and

construction of municipal infrastructure, such as roads, water, sewer, and other community facilities.

- The Province continues to work with First Nations in developing a new fiscal relationship and has also provided a number of supports for First Nations including:
  - $200M in 2022/23 in capacity funding for all 204 First Nations to support *Declaration Act* engagement;
  - $140M for New Relationship Trust to support building clean energy capacity and other community supports; and
  - An estimated $3B in long-term funding (including an estimated $110M in 2023/24) through the Long-Term BC First Nations Gaming Revenue Sharing and Financial Agreement. Beginning in 2022, 7% of the net annual income of British Columbia Lottery Corporation will be paid to the BC First Nations Gaming Revenue Sharing Limited Partnership.
- Advice/Recommentations the province received less than $100Min cannabis excise tax revenue in 2023 and has received less than $275M since the tax was first imposed more than five years ago.

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  - Low cannabis prices have reduced potential government revenue, while the costs of establishing and maintaining the provincial regulatory framework remain. This has resulted in only modest net cannabis revenue for the Province.

- We are currently working with the Union of BC Municipalities (UBCM) on a review of local government finance systems in BC. In 2022, we signed a Memorandum of Understanding (MOU) with UBCM laying out what we will work together over the next few years. The mutually-agreed-upon focus for the near term is on issues such as housing and homelessness, emergency management, transit, and community safety; currently, the possibility of cannabis revenue sharing is not one of the focal points.
  - It should be noted as well that local governments have the option to directly generate their own cannabis revenue through licensing and other fees to recoup their administrative costs.

- While the Province has not been exploring the potential for cannabis revenue sharing with First Nations, the government signed a $3B agreement on gaming revenue sharing in 2020 and continues to work with First Nations in developing a new fiscal relationship.

ISSUE: Cannabis Excise Tax

Question: Is the province in favour of changing or reducing the cannabis excise tax?

Answer:

- The province 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 BC roads safe, and support economic development.
- The country has a vested interest in the well-being of the legal cannabis industry, which has been very successful in increasing its market share and thus reducing profits for organized crime. The cannabis market is maturing and is still volatile. Cannabis prices have dropped but have been stabilizing. Low prices have helped legal cannabis capture a

larger market share from illicit cannabis, but low prices have also created challenges for cannabis producers. One of those challenges is that the volume-based excise tax rates did not change when prices dropped.

- The excise tax is subject to a revenue-sharing agreement between provinces and territories. Advice/Recommendations; Intergovernmental Communications
  Advice/Recommendations; Intergovernmental Communications

Advice/Recommendations; Intergovernmental Advice/Recommendations; Government Financial Information; Intergovernmental Communications

Advice/Recommendations; Government Financial Information; Intergovernmental Communications

- The February 2024 Report of the House of Commons Standing Committee on Finance recommended moving to an ad valorem excise tax.
- Advice/Recommendations; Government Financial Information; Intergovernmental Communications

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ISSUE: Federal Health Care Funding

ADVICE AND RECOMMENDED RESPONSE:

- No issue is more important to Canadians than quality, accessible health services for themselves and their loved ones.
- BC is increasing investment in health care to almost $36B in 2024/25.
    - On a year-over-year basis, that represents an increase of about $4.5B or 14.2%.
    - By comparison, the increase in BC's share of the Canada Health Transfer in 2024/25 is estimated at just $354M, and that number shrinks to $40M after accounting for a $41M prior year adjustment and a one-time, $273M top-up received in 2023/24.
- *Budget 2024* will provide an additional $6B over the fiscal plan to strengthen health care by expanding home and community care services, new or upgraded long-term care homes, and a more connected system of mental health and addictions care.

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KEY FACTS:

General Facts

- The Canada Health Transfer (CHT) increased from $7.113B in 2023/24 to $7.153B in 2024/25 – an increase of just $40M or 0.6 %.
    - The CHT amount for 2023/24 would be $6.799B if not for two adjustments:
        - A $273M, one-time top-up in 2023/24 (BC's per capita share of a $2B national amount); and
        - A $41M prior year adjustment, largely reflecting the impact of the 2021 Census on 2022/23 CHT estimates.
    - Ignoring those two adjustments, BC's share of CHT funding increased by $354M in 2024/25, or 5.2 %.
- Provincial spending on healthcare in 2024/25 is budgeted to increase from $31.466B in 2023/24 to $35.944B – an increase of $4.478B (14.2 %).
    - This increase is far in excess of the year-over-year increase in federal health transfers.
- Because of BC's strong investment, CHT funding will decline from 22.6 % of BC healthcare spending in 2023/24 (including the top-up and prior year adjustment) to 19.9 % in 2024/25.
- $6.0B in new health care commitments include:
    - $5,100 million for health services including post-pandemic measures;

- $68M for in-vitro fertilization;
- $270M for cancer care;
- $354M for home and community care services for seniors; and
- $215M for mental health, addictions, and treatment services.

Funding Linked to 2023 First Ministers Meeting

- The most recent First Ministers Meeting on health care funding was held on February 7, 2023, just 11 days before last year's provincial budget. At that meeting, the Prime Minister proposed new federal health care funding – a proposal not immediately accepted by Premiers.
- Due to uncertainty at the time the provincial budget was tabled (February 18, 2023), details of the federal health care funding announcement were not reflected in BC's Budget 2023.
- The proposed federal health care funding was confirmed in the 2023 federal budget, tabled on March 28, 2023, but much of the incremental funding was dependent on securing bilateral agreements. The federal government estimated at that time that the funding proposal was worth $196B over 10 years; however, only $46B of that was, in fact, new funding:

  $46 Billion in New Funding to Provinces and Territories (PTs):

  - One-Time CHT Top-Up: $2B in 2023/24 **(BC share: $273 million)**;

- Temporary 5% floor for CHT Growth: while the 5% floor is expected to impact entitlements by only $1 - 2 billion in 2025/26, 2026/27, and 2027/28, the cumulative impacts are expected to reach $17 billion by 2032/33 **(federal estimate of BC.s cumulative impact: about $2.4 billion)**;
- Tailored bilateral agreements: $25 billion, or $2.5 billion per year **(BC share: $3.3 billion, or about $330 million per year)**; and
- Personal support workers: $1.7 billion over five years, for which the allocation over years and across PTs has not been clarified **(BC share: not yet determined)**.

$152.5B in Other Funds Claimed in $196B Announcement:

- Pre-existing CHT growth mechanism: $142B
- Pre-existing bilateral agreements: $8B
- Funding for Indigenous health: $2B
- Funding for national agencies: $500M

CURRENT STATUS:

- The new federal funding was first (and partially) reflected in BC's First Quarterly Report for 2023/24, which incorporated BC's per capita share of the $2B top-up ($273.238M). The Report also reflected the temporary 5.0 % floor for CHT growth, although that change was not explicitly referenced in the Report.

- BC signed two health care funding agreements in 2023/24:
    - As announced on October 10, 2023, BC was the first to sign a Tailored Bilateral health care funding agreement, which will provide $1.2Bin targeted funding over three years (the first three years of a 10-year commitment). This includes:
        - $325M per year from 2023/24 to 2025/26 for health workforce and backlogs and for modernizing health systems, as committed in February 2023; and
        - An existing commitment of $82M per year for mental health and substance, further to a 10-year bilateral agreement signed in 2017.
    - As announced on February 12, 2024, BC was the first to sign a bilateral agreement for federal funding to support Aging with Dignity, supporting home and community services, palliative and end of life care, and long-term care services. The $733M over five years does not represent a new federal funding commitment but an agreement on how previously committed funding will be spent in BC. It includes BC's share of:
        - $2.4B over four years to improve access to home and community care, representing the final portion of funding committed in 10-year bilateral agreements signed in 2017; and

    - $3.0B over five years to apply standards of care in long-term care facilities and help support long term care workforce stability, further to a commitment in the 2021 federal budget (these funds have not yet been booked).

- Because of the lack of information on how the $1.7B in federal funding for Personal Support Workers will be allocated or will flow over the next five years, *Budget 2024* does not reflect this funding.

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CHT AND HEALTH SPENDING:

	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
BC Healthcare Spending[1]	**31,466**	**35,944**	**36,880**	**37,453**
CHT - National[2]	49,421	52,081	54,685	57,419
CHT – BC Share	**6,799**	**7,153**	**7,479**	**7,843**
% of Health Spending	*21.6%*	*19.9%*	*20.3%*	*20.9%*
Prior Year Adjust.	41			
CHT top-up	273			
Net CHT Funding[3]	**7,113**	**7,153**	**7,479**	**7,843**
% of Health Spending	*22.6%*	*19.9%*	*20.3%*	*20.9%*
Home Care	82	82	82	82
Mental Health	82	82	82	82
Additional Health Funding	326	326	326	0
Total Fed. Funding	**7,603**	**7,643**	**7,969**	**8,007**

1. From Table A11, Expense by Function (page 150).
2. Except as per Note 3, CHT data is from Table A5, Material Assumptions – Revenue (page 141).
3. Aligns with Table A9, Revenue by Source (page 149).

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File Name: MO_PLD_02_Federal Health Care Funding-v2

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QUESTIONS AND ANSWERS

ISSUE: Federal Health Care Funding

Question: How much new federal healthcare funding has BC received as a result of last year's First Ministers' Meeting?

Answer:

- In February 2023, the Prime Minister proposed incremental federal funding for health care, some of which would flow through the Canada Health Transfer (CHT) and some of which would flow through bilateral agreements.
- Because of uncertainty at the time, the new funding was not reflected in BC's 2023 budget.
- Changes to the CHT were reflected in the First Quarterly Report, but *Budget 2024* was the first time the new targeted funding had been reflected in BC's fiscal plan.
    - In October 2023, BC was the first province to sign a tailored bilateral agreement, providing $1.2B over three years.

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- In February 2024, BC was also the first province to sign a bilateral agreement under the Aging with Dignity program. The funding for the $733M agreement is not the result of the 2023 announcement but reflects prior federal commitments.
- BC has not received clarity regarding the personal support workers program, and as such, those funds are still not reflected in the Province's fiscal plan.

- In total, the various pots of new funding are expected to provide BC with about $6B in incremental funding over a 10-year period. This includes the one-time, $273M top-up in 2023/24 and the Additional Health Funding, both of which can be found on page 141 of the budget.
- While the new funding is not insignificant, it should be pointed out that the Province intends to spend $35.9B on healthcare this year alone.
- The Province continues to strongly invest in health care, well beyond any additional funding provided by the federal government.

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Question: How has the federal health care funding been implemented in BC? How is BC spending the federal funding received so far?

Answer:

- BC is an active partner with the federal government and was the first to sign bilateral agreements this past year:
    - A tailored bilateral agreement in October 2023, and
    - An Aging with Dignity agreement signed in February 2024.
- Those agreements set out the Province's plans for investing federal funding.
- The Budget is investing an additional $6B in health care spending over the fiscal plan, which is far more than the province will be receiving in new federal funding. As noted in the Budget (pages 11-13), this includes a number of initiatives relating to health capacity, post-pandemic measures, in-vitro fertilization, cancer care, home and community care services for seniors, and mental health, addictions and treatment services.

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- If you would like specific examples of how federal funding is being used, I would defer to my colleagues responsible for Health and Mental Health.

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ISSUE: Homebuyer Protection Period Implementation

ADVICE AND RECOMMENDED RESPONSE:

- We want to ensure homebuyers are protected as they make one of the biggest financial decisions of their lives.
- The Homebuyer Protection Period was brought into force on January 3, 2023, creating a right of rescission for homebuyers in BC.
- It provides a three-day period after an offer has been accepted where 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 measure is the first of its kind in Canada and was established to enhance consumer protection in real estate. 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 staff continue to monitor the BC real estate

market, including monitoring and evaluating the use and implications of the Homebuyer Protection Period.

KEY FACTS:

- Established under the *Property Law Act* (PLA), the Homebuyer Protection Period (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 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% 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 (e.g., securing financing or conducting

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home inspections) at times when such conditions are not in place in the contract of purchase and sale.

- To support the implementation of the HPP, the British Columbia Financial Services Authority (BCFSA) created new disclosure requirements for real estate licensees (i.e., realtors) under the Real Estate Services Rules ("Rules"), requiring them to provide key information about the HPP and the right of rescission to clients before providing trading services.
- BCFSA undertook a real estate brokerage data call in 2023, which included a targeted snapshot of HPP utilization data for the February 19 to March 18, 2023, period. With a response rate of approximately 62%, the results for this short period of time showed that buyers exercised their right of rescission in approximately 1.0-1.5% of reported transactions.
- The average rescission fee paid to sellers by buyers during the referenced period above was $2,648. Rescissions were most common in transactions involving detached houses.
- BCFSA has new Rules that strengthen and clarify BCFSA's authorities in relation to mandatory data reporting. These came into force on February 1, 2024.
- BCFSA is currently collecting mandatory reports (including HPP data) for the 2023 calendar year Advice/Recommentations

Advice/Recommentations

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- Enhanced data, including HPP data, will contribute to the BCFSA's and Ministry's evidence-informed policy development and decision making.
- Specifically, this will help the BCFSA and Ministry better assess market practices, compare trends in market conditions over time, and evaluate policy and/or regulatory approaches in relation to the real estate segment of the overall financial sector.
- In late February 2024, the Ministry received an embargoed copy of a British Columbia Real Estate Association (BCREA) note intended for publication in March 2024, where the BCREA renews calls made in a February 2022 'white paper' for Government to mandate a pre-offer period as opposed to a cooling off period/HPP.

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 a reasonable amount of 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.
- In February 2022, the BCREA released a policy white paper—*A Better Way Home: Strengthening Consumer Protection in BC Real Estate*—making 34 recommendations for the Government and BCFSA's consideration, including, recommending that Government not mandate a "cooling off" period (HPP), but instead mandate a minimum time on market/ "pre-offer" period of five days.
- The PLA includes regulation-making authorities allowing the government to establish:
    - the length of the rescission period;
    - 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.

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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:

- We only have preliminary data on homebuyer utilization of the HPP. Based on a brokerage survey for the February 19 to March 18, 2023, period (with a response rate of about 62%), the HPP was used 45 times in reported transactions. Put another way, during that 1-month snapshot, buyers exercised their right of rescission roughly 1.0-1.5% of the time.
- BCFSA now has enhanced powers to require mandatory reporting and is currently collecting mandatory reports (including HPP data) for the 2023 calendar year

Advice/Recommentations

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Question: Are consumer protection measures, such as the HPP, still needed now that BC's real estate market has cooled?

Answer:

- The HPP was created to provide homebuyers with time to take important steps, such as securing financing or arranging 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: BC Real Estate Association has advocated for replacing the existing HPP with a 5-day pre-offer period (minimum time on market) that would commence on the date of the listing, arguing that the HPP is being utilized as a 'loophole' to allow unscrupulous purchasers to tie up

multiple properties. Why hasn't Government acted on that advice?

Answer:

- The limited empirical data to date has shown only very moderate use of the HPP and has provided no indication the HPP is being misused or abused as a 'loophole.' Moreover, Government has not been receiving complaints by sellers, prospective buyers, or individual real estate professionals—or other anecdotal information—that suggests the HPP is being abused as a loophole.
- To date it appears buyers are exercising their right of rescission sparingly and judiciously (i.e., in just over 1% of reported transactions), which is not surprising given the average rescission fee incurred of $2,648 for the 1-month data snapshot for February 19 to March 18, 2023.
- While BCFSA's 2022 report, *Enhancing Consumer Protection in BC's Real Estate Market*, advised Government to implement a five-business-day pre-offer period, BCFSA's advice was to implement a pre-offer period in combination with a cooling-off period/right of rescission, not instead of a cooling-off period.

- We intend to take an evidence-based approach regarding potential alternative or additional consumer protection measures for real estate consumers. We will be carefully reviewing the data on HPP use for calendar year 2023 that is being mandatorily reported to the BCFSA, the regulator of real estate licensees.

Question: Does the Government intend to implement additional consumer protection measures for real estate consumers?

Answer:

- The BCFSA's consultation report, released May 2022, highlighted a suite of potential consumer protection measures that could be implemented in BC to enhance consumer protection in the real estate market.
- Advice/Recommentations we intend to take an evidence-based approach with respect to the development and implementation of additional consumer protection measures and Ministry and BCFSA staff continue to monitor the BC real estate market to keep pace with trends, issues, and developments.

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- If we contemplate the development and implementation of additional consumer protection measures, consultation with industry and affected stakeholders will take place.

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ISSUE: Housing Affordability

ADVICE AND RECOMMENDED RESPONSE:

Advice/Recommentations

- The Ministry of Finance continues to contribute to government's effort in providing lasting solutions to the housing crisis:
    - Expanding the speculation and vacancy tax to more communities to deliver more homes for people;
    - Introducing the BC home flipping tax to disincentivize short-term speculation in housing that drives up home prices, and using the revenue to fund housing initiatives;

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- Encouraging more rental construction by giving property transfer tax exemptions on transactions of new purpose-built rental buildings;
- Making the first time home buyers' program work for more people by increasing the threshold from $500,000 to $835,000, with the first $500,000 completely exempt from property transfer tax;
- Increasing the threshold of the newly built home exemption to $1.1 million to incentivize the building of more homes; and
- Providing a renter's tax credit of up to $400 for renting individuals with income up to $60,000 and a partial credit for individuals with income up to $80,000.

KEY FACTS:

- The *Homes for B.C.* 30-point plan, introduced in 2018, sets a goal of delivering 114,000 affordable homes within 10 years. It also includes steps to make homes more affordable for British Columbians and to crack down on tax evasion, money laundering, and speculation.
- Introduced in 2023 as an update to the 30-point housing plan, *Homes for People* is focused on four priorities – unlocking more

homes faster; delivering better, more affordable homes; helping those with the greatest housing need; and creating a housing market for people, not speculators.

- The Ministry of Finance has addressed the key deliverables in the updated housing plan that it is responsible for, including introduction of a renter's tax credit in *Budget 2023*, and in *Budget 2024* introduction of a home flipping tax, expansion of the speculation and vacancy tax and incentivizing construction of new rental buildings. The following items were accomplished in *Budget 2024*:

  Creating a housing market for people, not speculators

  - Expanding the speculation and vacancy tax to six new communities, starting in 2023, and another 13 communities, starting in 2024, to turn more empty units into homes for people. *(See Estimates note PLD-15 on this topic which includes Qs and As.)*
  - Introducing a BC home flipping tax to help slow down increased home prices and prevent speculation. *(See Estimates note PLD-13 on this topic which includes Qs and As.)*

Delivering better, more affordable homes

  - Providing property transfer tax exemptions to encourage the construction of new purpose-built rentals. *(See Estimates note PLD-14 on this topic which includes Qs and As.)*

  - Increasing the threshold of the Newly Built Home exemption to $1.1 million to incentivize the building of more homes. *(See Estimates note PLD-14 on this topic which includes Qs and As.)*

Helping those with the greatest housing need

  - Increasing the threshold of the First Time Home Buyers' program from $500,000 to $835,000, with the first $500,000 completely exempt from property transfer tax. *(See Estimates note PLD-14 on this topic which includes Qs and As.)*

- The Ministry of Finance has also completed all but one of its actions from the original 30 point housing plan.
- The Province has completed 19 of the plan's 30 initiatives.
- 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%.
  - 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 and introducing a renters' tax credit to provide fairness for renters.
- Moving to stop tax evasion in pre-sale condo reassignments.
- Taking action to end hidden ownership, including a new beneficial ownership registry.
- Strengthening provincial auditing and enforcement powers.
- Expanding information collection and information sharing with the federal government to prevent tax evasion.
- Seeking permanent provincial/federal action to combat money laundering, tax evasion and avoidance.
- Expanding use of municipal and regional district tax revenues for affordable housing.
- Encouraging more rentals via property tax exemptions.

- The only Ministry of Finance-led item that has not been completed is point 11: Moving to close property tax loopholes on the Agricultural Land Reserve.
- Advice/Recommendations; Cabinet Confidences

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APPENDIX

30-POINT PLAN MINISTRY OF FINANCE PROGRESS SUMMARY TABLE

30-POINT PLAN ACTION	MINISTRY	SUMMARY	STATUS
STABILIZING THE MARKET			
1. Taxing speculators who are driving up housing costs	FIN	Speculation and Vacancy Tax Act passed November 2018. Effective: January 2019 for 2018 and future tax years. Six new municipalities subject to speculation and vacancy tax for 2023 and 13 new municipalities added for 2024. Legislation to implement a BC home flipping tax tabled on April 3, 2024. Tax will come into effect January 1, 2025.	Complete
2. Increasing foreign buyers' tax rate to 20%	FIN	Completed in Budget 2018. Effective Feb 21, 2018.	Complete
3. Expanding the foreign buyers' 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 district tax on short-term rentals	FIN	Completed. Effective October 1, 2018.	Complete
7. Reviewing the home owner grant to provide fairness for renters	FIN	Complete. The administrative process was amended to reduce the burden on local governments.	Complete
CRACKING DOWN ON TAX FRAUD AND CLOSING LOOPHOLES			
8. Moving to stop tax evasion in pre-sale condo reassignments	FIN	Regulations introduced November 2018. Effective January 1, 2019. Online registry launched February 2019.	Complete
9. Taking action to end hidden ownership,	FIN	Legislation passed in Spring 2019; beneficial owner	Complete

including a new beneficial ownership registry		registry launched March 2019.	
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
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 home owner grant application process for rural home owner grants and speculation and vacancy tax. Advice/Recommentations Advice/Recommentations	Complete

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		Advice/Recomme The program was fully implemented as of 2021.	
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
BUILDING PARTNERSHIPS FOR AFFORDABILITY			
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. We also introduced an exemption from the further 2% property transfer tax for new, qualifying purpose-built rentals (effective January 1, 2024) and an exemption from the general property transfer tax for these buildings (effective	Complete

		between January 1, 2025, and December 31, 2030).	

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ISSUE: 2024 Federal Budget: Impact on BC's Fiscal Plan

ADVICE AND RECOMMENDED RESPONSE:

- The federal government's actions that bring them to the table on housing are welcome but overdue.
- Our communities are growing faster than ever, driven by migration to BC. There's an urgent need for the federal government to do more to support the infrastructure people rely on.
- While we welcome investments such as the Canada Housing Infrastructure Fund, there's an overdue need for a national strategic infrastructure fund. We're disappointed that urgent infrastructure needs are not supported.
- The federal budget included a number of revenue measures, the most significant of these being the change to Capital Gains Inclusion Rate, which will increase BC's income tax revenues Advice/Recommentations; Intergovernmental Communications

Advice/Recommentations; Intergovernmental Communications

- We will continue to advocate for the federal government to match our actions, so that people in British Columbia can build good lives now and for the long term.

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KEY FACTS:

- The federal budget was tabled on April 16, 2024. The budget was titled "Fairness for Every Generation."
- Many of the most significant budget measures were included as pre-budget announcements.
- New spending has been offset with revenue generating measures (including $21.9 billion in revenues over five years through new tax measures targeting the wealthiest Canadians).
- Advice/Recommendations; Intergovernmental Communications

Key BC Announcements

The following budget announcements relate to BC asks:

- The new Canada Infrastructure Housing Fund: Budget 2024 proposes $6 billion over 10 years for the construction and upgrading of housing-enabling water, wastewater, stormwater, and solid waste infrastructure that will directly enable new housing supply and help improve densification, including:
    - $1 billion directly to municipalities to support urgent infrastructure needs that will directly enable housing supply.

  - $5 billion for agreements with provinces and territories to support long-term priorities. PTs must commit to key actions that increase housing supply and must sign an agreement by January 1, 2025.
- Launching the Indigenous Loans Guarantee: Parameters for the loan guarantee were provided in Budget 2024 and will include:
  - Up to $5 billion in loan guarantees to unlock access to capital for Indigenous communities
  - The program will be sector-agnostic for natural resource and energy projects, support projects across the country, and a range of project types.
- Indigenous Rights-Related Agreements: $31 million over 5 years in funding for implementation of Section 35 rights-related agreements with First Nations in BC (funding will go to federal departments).

Federal-Provincial Transfers/Collaboration

- Budget 2024 makes no changes to major fiscal arrangements – the Canada Health Transfer, Canada Social Transfer, Equalization, or Fiscal Stabilization.
- Budget 2024 describes at a high level its plan to work with provinces and territories to provide universal, single-payer coverage for contraception and diabetes medications, including a commitment to provide $1.5 billion over five years, starting in 2024/25, to Health Canada to support the launch of the National

Pharmacare Plan. It is not clear how much of this will flow to provinces and territories.

- Budget 2024 announces the creation of a National School Food Program, which will provide $1.0 billion over five years to Employment and Social Development Canada, Crown-Indigenous Relations and Northern Affairs Canada, and Indigenous Services Canada to work with provinces, territories, and Indigenous partners to expand access to school food programs as early as the 2024/25 school year. It has not yet been determined how much of this funding will flow to provinces and territories.
- Aside from specific funding measures, Budget 2024 calls for provincial-territorial collaboration on many issues, such as addressing internal trade barriers, reducing barriers for internationally-educated and certified professional and tradespeople, improving labour mobility, and developing and implementing a new Canadian Renters' Bill of Rights.

Key Revenue Measures

- Key federal measures impacting BC revenues include:

BC Impact 2024/25	Announcement

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Advice/Recommendations; Government Financial Information

Increase to **Capital Gain Inclusion Rate** (Includes Personal and Corporate) - Currently, one half of a capital gain is included in calculating a taxpayer's income. This is referred to as the capital gains inclusion rate. The current one-half inclusion rate also applies to capital losses. Budget 2024 proposes to increase the inclusion rate on capital gains from 50 percent to 66.7 percent (two thirds) for capital gains above $250,000 for individuals and on all capital, gains realized by corporations and trusts, effective June 25, 2024.
Increase to **Lifetime Capital Gains Exemption** - Capital gains are the profit made when an asset, such as stock, is sold. Currently, tax is generally paid on 50 percent of any capital gains, with a lifetime capital gains exemption of $1,016,836. Budget 2024 proposes to increase the lifetime capital gains exemption to $1.25 million, effective June 25, 2024. Indexation to inflation would resume in 2026
Budget 2024 proposes to introduce the new **Canadian Entrepreneurs Incentive (CEI)** . This incentive provides a 50% reduction to the inclusion rate for capital gains. The CEI is applied to dispositions of qualifying shares by individuals, reducing the inclusion rate to one-third from two-thirds, and qualifying dispositions, reducing a 50% inclusion rate to 25%. The CEI is limited to $2 million of capital gains realized by an individual over their lifetime. The lifetime limit will be phased in by increments of $200,000 per year, beginning January 1, 2025.
Measures to Accelerate Capital Cost Allowance for Productivity Enhancing Equipment and Purpose Built Housing

QUESTIONS AND ANSWERS

ISSUE: 2024 Federal Budget: Impact on BC's Fiscal Plan

Question: Where is funding for FIFA and what is status of those discussions?

Answer:

- We continue to work with the federal government on its contribution to FIFA World Cup 26™ and hope to hear more on its commitment soon.
- Minister Popham continues to engage with her federal counterpart.
- For our part, we will be releasing cost estimates soon, accounting for the impact of inflation on costs and include a healthy contingency to address remaining unknowns.
- We are planning to share the updated cost estimates and economic benefits soon.

Question: Will the new $5B Indigenous Loan Guarantee Program benefit BC?

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Answer:

- We are eager to dive into the details as we know the program will work in tandem with the provincial First Nations Equity Financing Program we unveiled in our budget in February.
- We are establishing a $10 million inaugural account to start a new loan guarantee program Advice/Recommentations
Advice/Recommentations
- There is a lot of interest and opportunity for First Nations in BC.

Question: How will the federal budget measures affect BC's infrastructure needs?

Answer:

- Our communities are growing faster than ever, driven by migration to BC.
- There's an urgent need for the federal government to support the infrastructure people rely on.

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- While we welcome investments like the Canada Housing Infrastructure Fund, there's an overdue need for a national infrastructure fund.
- Advice/Recommentations
- We will keep advocating for the federal government to match our actions, so that people in British Columbia can build good lives now and for the long term.

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ISSUE: Inflation and Affordability

- Since late-2021 BC inflation has been above recent historical averages – peaking at 8.1% (year-over-year) in May 2022. Inflation has slowed since then and was 2.7% in March 2024.
- While price pressures in BC moderated among a broad number of goods and services in 2023, inflation remains elevated, particularly for shelter and food.
- The Bank of Canada expects Canadian inflation to remain close to 3% in the first half of 2024 and then gradually ease toward the 2% near the end of 2025.

ADVICE AND RECOMMENDED RESPONSE:

- BC's inflation rate averaged 3.9% in 2023, following the fastest annual growth rate in four decades of 6.9% in 2022.
- Inflation in BC has eased to 2.7% in March 2024, but some components remain elevated.
- High inflation has led to a sharp increase in interest rates by central banks. High interest rates are expected to continue to weigh on the economy this year.

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- I know some people are feeling vulnerable right now about day-to-day expenses that have gone up with inflation.
- That is why the *Budget 2024* fiscal plan provides new, targeted supports for people hardest hit by increased costs.
- Through the implementation of the BC Family Benefit Bonus, families with children will get more help with costs. The government will be temporarily increasing the BC Family Benefit payment amounts and income thresholds starting in July 2024. This will cost $248 million spread over the 2024/25 and 2025/26 fiscal periods.
    - A family of four would receive up to $2,850 per year and with the bonus will now receive as much as $3,563.
    - A single parent with one child would receive up to $2,250 and will now receive as much as $2,688 per year.
    - The average payment amount for the BC Family Benefit will be $445 more as a result of this Bonus.
    - More families will benefit. Approximately 66,000 more families or 25% more, will receive the Benefit and the

Bonus this year. A total of 340,000 families will benefit during the 12-month period.

- People in British Columbia will get a break on their electricity bill, thanks to a one-time, year-long BC Electricity Affordability Credit.
  - Households will save an average of $100 on their bills over the course of the year, depending on their power usage.
  - Commercial and industrial customers will also receive savings up to 4.6% of their electricity consumption. The average small business will save $400 over the course of the year.
  - People and businesses will see the credit on each monthly bill starting in April 2024.
- Individuals and families will also see an increase to their quarterly Climate Action Tax Credit payments this year.
  - 100% of revenue from the carbon tax increase will be directed to the Climate Action Tax Credit.
  - If a family of four received $890 last year, they will receive $1,005, and an individual that received $447 last year will receive $504 starting in July 2024.

   - The number of people receiving the credit increases annually, with a goal to reach 80% of households in BC by 2030.
- Budget 2024 answers calls from growing businesses by doubling the exemption threshold of the Employer Health Tax, from $500,000 to $1 million. With this change, 90% of businesses will be exempt from the tax, estimated to save them more than $100 million a year.
- Starting in 2024, as people file their 2023 income taxes, renters will also begin see up to $400 come back to them through the BC renter's tax credit.

KEY FACTS:

Inflation (data as of April 16, 2024)

- The BC Consumer Price Index (CPI) rose by 2.7% on a year-over-year basis in March 2024, led by shelter (+6.8%) and food (+3.6%).
- Inflation in BC remains elevated but has eased since peaking at 8.1% May 2022, partly due to lower gasoline prices.
- Price pressures, particularly for shelter, are expected to persist in the near-term. Consumer price inflation in B.C. is forecast to be 2.7% in 2024 before easing to 2.2% in 2025, and then 2% annually over the 2026 to 2028 period.

- 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% in March 2022 to 5% in July 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 and subdued retail sales. High interest rates are expected to weigh on BC's economy in the near-term. Looking further ahead, economic growth in the province is expected to strengthen in 2025, supported by steady employment and wage growth, gains in consumer spending, solid investment activity, and higher exports.

Budget 2024 Measures

- Introducing the BC Family Benefit Bonus:
  - Effective July 1, 2024, the BC Family Benefit Bonus will be implemented for the 2024/25 benefit year resulting in a 25% increase to both the payment amounts and income thresholds used to determine eligibility for the BC Family Benefit ($248 million in fiscal years 2024/25 and 2025/26).
    - A family of four would receive up to $2,850 per year and with the bonus will now receive as much as $3,563.
    - A single parent with one child would receive up to $2,250 and will now receive as much as $2,688 per year.
    - On average, families will receive $445 more.

        - Approximately 66,000 more families or 25% more, will receive the benefit and the bonus this year. A total of 340,000 families will benefit during the 12-month period.
- Increasing the Climate Action Tax Credit to help offset the effects of carbon taxes paid by low- to moderate-income individuals and families.
    - Forecast of $687 million in enhancements based on increases from $50/tonne with $138 million in additional spending this year and $184 million next year to account for increases from $65/tonne on April 1, 2024.
    - Over 2 million households will receive the credit, while approximately 1.2 million households will receive the full amount.
- People in British Columbia will get a break on their electricity bill, thanks to a one-time, year-long BC Electricity Affordability Credit.
    - Households will save an average of $100 on their bills over the course of the year, depending on their power usage.
    - Commercial and industrial customers will also receive savings up to 4.6% of their electricity consumption. The average small business will save $400 over the course of the year.
    - People and businesses will see the credit on each monthly bill starting in April 2024.

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Table 1: Budget 2024 Measures to Reduce Costs

	2023/24 Estimate	2024/25 Forecast	2025/26 Plan
BC Family Benefit Bonus	-	186	62
BC Electricity Affordability Benefit	-	370	-
Climate Action Tax Credit Increases	-	138	184
Employer Health Tax Threshold Increase	-	108	109
Renters Tax Credit	267	279	281
Totals	**267**	**1,081**	**636**

Affordability Measures Previously Implemented:

- Budget 2023 also previously provided multiple supports to help reduce the burden of rising costs of living on families and individuals. Measures included:
    - Expansion of K-12 school food programs ($214 million over three years).
    - Delivering free prescription contraception's for all BC residents ($119 million over three years).
    - 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 is 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 BC 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).
- Starting in 2022, three BC Affordability Credits in October, January, and April ($1.5 billion).

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- Starting in 2022, Higher BC Family Benefit amounts for January, February, and March ($100 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%.

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QUESTIONS AND ANSWERS

ISSUE: Inflation and Affordability

Advice/Recommentations

Question:

Answer:

- Persistent inflation is being driven by factors such as rising mortgage costs and rent, extreme weather events, and global supply chain distributions, which the provincial government has limited ability to influence.
- As part of Budget 2024, the government announced $940 million in new spending measures to assist the costs of inflation including:
    - a temporary enhancement to the BC Family Benefit through a Bonus,
    - a further permanent increase to the Climate Act Tax Credit, and
    - a one-time annual reduction on people's power bills of $100.

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- The government has also committed $217 million to helping small businesses by raising the thresholds for the Employer Health Tax.
- In 2023, our government supported British Columbians by providing over $1.3 billion in new spending measures to support reduced costs for people and 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.
- 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.

Question: How is government addressing affordability issues?

Answer:

- As global inflation and higher prices stretch people's budgets, Budget 2024 helps reduce people's costs and offers extra support to those who need it most.

- The government announced $940 million in new affordability measures including a temporary enhancement to the BC Family Benefit (the BC Family Benefit Bonus), a permanent increase to the Climate Act Tax Credit, and a one-time annual reduction on people's power bills of $100. The government has also committed $217 million to helping small businesses by raising the thresholds for the Employer Health Tax.
- In 2023 the province invested another $4.5 billion in 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% for 2023.

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ISSUE: Insurance Related Issues

ADVICE AND RECOMMENDED RESPONSE:

- BC has taken a number of steps to help ensure that insurance remains available and affordable to British Columbians, including:
  - eliminating "best terms pricing" in the property and casualty insurance market, including for strata properties;
  - requiring insurance brokers to disclose the commission they receive on strata property insurance; and
  - helping to address climate change, which is a factor that contributes to insurance costs.
- The cost of insurance in Canada and globally has been rising in recent years. This is driven by increasingly catastrophic weather due to climate change, high inflation and interest rates.
- Catastrophic insurance, specifically for flood and earthquake, is becoming less available and more expensive in BC. The federal government committed in the 2023

Federal Budget to create a low-cost, national flood insurance program, and to engage provinces, territories, and industry on solutions to earthquake insurance.

- Industry data and anecdotal evidence suggest price increases in other lines of insurance, particularly strata and commercial, have moderated. However, precise industry-wide data is not available, and the collection and analysis of such data is a significant undertaking.
- Direct government intervention of the cost and coverage of insurance can lead to insurers leaving the BC market, which will further exacerbate the lack of capacity and affordability.
- Ministry of Finance staff will continue to work with the BC Financial Services Authority (BCFSA), other Canadian insurance regulators and industry to monitor the insurance market and determine options for improving the availability and accuracy of insurance data.
- Ministry of Finance staff will also engage with the federal government, in collaboration with the Ministry of Emergency Management and Climate Readiness, on the proposed national flood insurance program and solutions for earthquake insurance.

KEY FACTS:

- Insurance coverage and pricing is a business decision of insurers based on the careful analysis of risks, market conditions and regulatory requirements.
- All authorized insurers in Canada are required under federal and provincial regulations to have sufficient capital, reserves, reinsurance, and access to funding to pay out insurance claims.
- There are number of factors that are contributing to rising insurance prices in Canada and across the world, including:
    - **Climate change**: In recent years, insurers have experienced significant underwriting losses due to severe weather events (i.e., flooding and wildfire). For instance, the Okanagan and Shuswap wildfires in 2023 caused total insured losses of approximately $720M, which is the largest insured loss in BC's history. Severe weather events are likely to increase as climate change intensifies, which will result in further costs for insurers.
    - **High inflation and supply chain issues**: The rising cost of labour and materials leads to higher insurance claim payouts and operating costs. While inflationary pressures have subsided, future inflation remains uncertain.
    - **High interest rates**: As central banks including the Bank of Canada raise interest rates to control inflation, insurers are

seeing declines in their investment incomes. Increased interest rates also reduce the value of bond portfolios where insurers hold most of their capital.

- **“Hard” markets**: The insurance market is cyclical, fluctuating between “hard” and “soft” markets. Hard markets are characterized by a high demand for insurance and reduced supply whereas soft markets are the inverse. Industry experts have noted that the insurance market is emerging from an unusually long “soft” market, which had kept the price of insurance artificially low. The current hard market began in 2019, and most industry experts have opined that it will persist in 2024.
- **Rising cost of reinsurance**: Insurers also purchase insurance to insulate themselves from the risk of major claims events. This is known as reinsurance. The cost of reinsurance is also rising due to similar factors (e.g. climate change), causing insurers to pass on costs to consumers in the form of higher premiums.

- Advice/Recommentations

- The Lower Mainland and Vancouver Island have a significant earthquake exposure. A large earthquake in those areas will have insured losses that far exceeds any past natural catastrophe in Canadian history. Some insurers are taking

actions to manage their exposure to earthquake risk by reducing the number of earthquake endorsements in areas with the highest earthquake risks, increasing premiums, and increasing deductibles.
    - The atmospheric river event and resulting floods in 2021 revealed that flood insurance in BC is generally only available in areas with a low risk of flooding.

BACKGROUND:

- Concerns around affordability and availability have been particularly acute for strata property insurance. In 2020, government directed BCFSA to conduct an in-depth investigation into the causes of the rise in strata insurance prices. Government also responded with legislative changes that:
    - Eliminated the practice of “best terms pricing” in the strata insurance market. Best terms pricing is the practice of basing insurance premiums on the highest bid of multiple insurers that are providing insurance coverage, regardless of the risk allocation;
    - Require insurers and insurance brokers to provide advance notification to strata corporations if they anticipate a change to or non-renewal of a policy; and

    - Require insurance brokers to disclose the commission they receive on strata property contracts of insurance.
- A follow-up study of the strata insurance market was conducted by BCFSA in 2022. BCFSA concluded that there was a slight downward directional trend in the average rates insurers are charging per dollar of coverage. However, many of the structural factors driving up insurance costs (e.g. earthquake exposure, climate change, etc.) will continue to put pressure on premiums.
- Advice/Recommentations
- Government and BCFSA took further steps to improve the affordability of insurance in 2023 with the elimination of Best Terms Pricing for all property and casualty insurance in BC.
- 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.
- In the 2023 federal budget, the Federal Government committed to establishing a low-cost flood insurance program, which may include offering reinsurance through a federal Crown corporation and a separate insurance subsidy program.

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- The federal government is also engaging provinces, territories and industry on solutions to earthquake insurance. Advice/Recommentations

Advice/Recommentations

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QUESTIONS AND ANSWERS

ISSUE: Insurance Related Issues

Question: What is the government and regulator doing to alleviate the rising cost of insurance?

Answer: Government and BCFSA has eliminated the practice of best terms pricing for all property and casualty insurance, which came into effect on January 1, 2023. This helped affordability by eliminating an industry practice in some insurance products, especially commercial and strata property, of basing the final insurance premium on the highest bid from multiple insurers who take on a portion of the risk. In addition, while climate change has contributed to higher insurance premiums, the government is making investments to address climate change. For example, government's Climate Preparedness and Adaptation Strategy strengthens the Province's capacity to anticipate, reduce and manage climate risks, which ultimately makes individuals better able to withstand the impacts of climate change and less likely to make insurance claims.

Advice/Recommentations

Question:

Advice/Recommentations

Answer: The insurance market is complex, and government needs to be careful to avoid distortions in the marketplace that may cause long-term, unintended consequences. Capping premiums may cause insurers to exit the BC market, which leads to less coverage and higher insurance premiums. This is already happening in several US jurisdictions, most notably California and Florida.

Question: Is government considering a public strata insurance option?

Answer: BCFSA's 2022 study found that premiums for strata property insurance were slightly decreasing. However, structural challenges, including earthquake risks, climate change and high inflation, continue to put upward pressures on insurance premiums. A public insurer would be exposed to the same structural challenges. Government will continue to work with BCFSA to explore all options to address insurance affordability.

Question: Is insurance still widely available in BC?

Answer: Insurance continues to be generally available throughout the province, although new earthquake and flood insurance policies may not be available in the highest risk areas.

Question: Are other jurisdictions also being impacted by the rising unaffordability of insurance premiums?

Answer: Yes, other provinces and US states are experiencing similar challenges with affordability. This is being driven by national and international factors, including climate change, high inflation and interest rates, and supply chain issues due to geopolitical events. However, some risks that are driving insurance premium increases are unique to BC relative to other Canadian provinces, such as earthquake risks.

Question: Will reducing the rate of Insurance Premium Tax (IPT) help with affordability?

Answer: The tax was not identified in BCFSA's study as a cause for the rise of insurance premiums. Note that the IPT for most insurance is paid by the insurer, not the individual customer. Reducing the IPT would reduce the total tax owing by an insurance company. It does not mean that those tax savings will be passed on to individual customers.

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ISSUE: Land Owner Transparency Registry Update

ADVICE AND RECOMMENDED RESPONSE:

- Ending hidden ownership in the province is something our government has taken seriously.
- The Land Owner Transparency Registry ("Registry") requires the disclosure of interest holders and beneficial owners for all land types in 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.

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- As of February 29, 2024, the Registry has received 573,106 transparency declarations and 140,071 transparency reports.
- The Province and the Land Title and Survey Authority (LTSA) of British Columbia are collaborating to improve transparency by allowing search of Registry records at no cost as of April 1, 2024. The current search fee is $5.25 per record.
- This change makes it easier for law enforcement agencies, journalists, researchers, and the public to search Registry records, making it easier to understand land ownership and to expose money laundering and hidden ownership in BC.
- This reduces barriers for people to support our efforts to detect, deter, and respond to tax evasion, money laundering, and other criminal activity in BC.

KEY FACTS:

- The *Land Owner Transparency Act* (“Act”) establishes a publicly accessible registry of beneficial ownership of land in the province.

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- On November 30, 2020, the bulk of the Act was brought into force and 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.
- 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.
- In spring 2023, the Ministry introduced amendments to the Act to address several technical issues to improve the clarity of the Act and 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. Until April 1, 2024, there is a cost of $5.25 per search; as of April 1, there will be no charge for any Registry searches.
- 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.

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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.
- 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.
- Advice/Recommentations; Security Concern
- 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.
- In 2023, the LTSA raised filing fees for transparency declarations from $7.50 to $7.88. Transparency record filing fees increased from $50.00 to $52.50.

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- The Registry was created by the LTSA on a cost recovery model and the LTSA board ("Board") reviews the need for fee increases annually. In the Registry's first year of operation, 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, resulting in the 2022 increases. Inflation and operational cost increases over the past year resulted in the LTSA increasing fees again in 2023. The Board approves all fee increases.
- Since the Act has come into force, various technical issues were identified by government staff, the LTSA, and legal professionals regarding filing requirements and legislative interpretative issues.
- Amendments to the Act made in spring 2023 address these issues, while the policy intent of the Act remains unchanged.
- In 2022, the Cullen Commission recommended allowing Registry searches at no cost for law enforcement and regulators. Some Canadian think tanks, such as the C.D. Howe Institute, have also argued that Registry search fees are antithetical to the policy intent of the Registry and Act.
- Advice/Recommentations

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Advice/Recommentations

- , in December 2023 the Board approved amendment of LTSA bylaws to eliminate Registry search fees for all users, effective April 1, 2024.

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QUESTIONS AND ANSWERS

ISSUE: Land Owner Transparency Registry Update

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.”

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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,

Advice/Recommentations

- Advice/Recommentations

- This will serve as a deterrent to money laundering and assist with detection and response to money laundering.

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Question: 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 573,106 transparency declarations and 140,071 transparency reports, as of February 29, 2024.

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 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.).

- We cannot easily identify the relevant trusts or relevant partnerships because they are not required to be incorporated to function as a legal business and are not registered in a registry similar to the corporate registry.
- Furthermore, this number may capture the same reporting body multiple times (as some reporting bodies own multiple properties).

Advice/Recommentations

Question:

Advice/Recommentations

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.
- Because of this, the LTSA raised filing fees in 2022. The LTSA moderately raised fees again in 2023 due to rising operating costs and inflationary pressure. 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. LTSA may increase its service fees annually by the adjusted Consumer Price Index (CPI) amount. LTSA reviews the need for a CPI increase annually, yet the process may not always result in a fee change.

Questions: What will be the impact of eliminating Registry search fees?

Answer:

- Registry fees of $5.25 per individual search query came into force on April 30, 2021, and will now be removed for all users effective April 1, 2024.
- This reduces barriers for people to support our efforts to detect, deter and respond to tax evasion, money laundering and criminal activity in BC.
- We're making it easier for law enforcement agencies, researchers, journalists, and citizens to understand land ownership more fully in BC and to expose money laundering and other criminal activity in BC.

- There is also a significant opportunity for law enforcement, tax authorities and regulatory bodies to arrange to acquire bulk data from the registry. Data analytics could be used to spot trends in tax fraud and tax evasion or identify individuals and corporations trying to avoid tax.

Question: Will the Registry be able to continue without the income from search fees?
Answer:

- Removing search fees won't have any impact on the capabilities of the registry or of the Land Title and Survey Authority, which manages the self-funded database.
- LTSA intends to off-set any revenue loss through a small increase to Registry filing fees.

Question: How much will Registry filing fees increase by?
Answer:

- The Registry is relatively new and the LTSA continues to assess the adequacy of fees collected to support the ongoing administration of the Registry on a cost-recovery basis.

- Fees are reviewed annually and increased as required and permitted under the operating agreement with the Province.
- Due to the relative newness of the Registry, there is flexibility to adjust fees as needed during the first few years and after that fee increases are limited to inflation.
- Advice/Recommendations; Government Financial Information

Question: Previous technical amendments to the Act were made during spring/summer 2020. Advice/Recommentations

Advice/Recommentations

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.
- 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.

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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.
- For reporting bodies that haven't filed, the Enforcement Officer may undertake activities to identify relevant corporations, trustees of relevant trusts, and relevant partnerships that have not filed.
- Reporting bodies that are non-compliant could be subject to an administrative penalty of up to $25,000 for an individual, $50,000 for a corporation, or 5% of the assessed value of the property, whichever is greater.
- Compliance and enforcement staff continue to work on education and communications initiatives to ensure the public is aware of the reporting requirements under the Act.

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Advice/Recommentations

Question:

Advice/Recommentations

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.

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- Since required filings began on November 20, 2022, the Registry has received a total of 573,106 transparency declarations and 140,071 transparency reports, as of February 29, 2024. These numbers indicate reporting bodies are taking filing requirements seriously.

- We also receive a significant number of inquiries seeking to confirm filing requirements, which again indicates (potential) 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 is 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/Recommentations
  Advice/Recommentations Law enforcement has the power to use the information in the registry to support criminal investigations, and we are confident that, when applicable, this information may help lead to charges.

Question: Has the Ministry of Finance levied any administrative penalties?

Answer:

As Registry is relatively new, the Enforcement Officer continues to review Registry fillings to determine compliance with the Act and identify pre-existing reporting bodies that may be required to file. Reporting bodies can avoid penalties when they work in good faith to meet the requirements of the Act. If actions are determined to be purposefully negligent or reporting bodies fail to take action to correct information, then they could face significant penalties.

Question: How will you continue to stop people from making false declarations to the Registry?

Answer:

- The enforcement officer has broad investigative and enforcement powers, including the ability to impose penalties, to ensure that 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.
- 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 corporations, trustees of relevant 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.

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.
- 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.

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.
- *Budget 2024* includes investments and tax measures to address the three major cost drivers for local governments identified by UBCM (attainable housing, community safety, and facing the impacts of climate change).

KEY FACTS:

- Investments in *Budget 2024* include $2.4 billion in capital spending over three years for a mix of shelter space, supportive housing, affordable housing, and market rental housing.

- A flipping tax has been introduced with *Budget 2024* to address speculative housing transactions that drive up the price of housing. This tax measure closely aligns with a 2018 UBCM resolution.
- Community Safety: *Budget 2024* invests $398 million over three years to support various justice and public safety programs. This includes funding to support negotiated wage mandate increases for Royal Canadian Mounted Police civilian staff.
- Responding to Climate Emergencies: Government is investing $234 million of new funding over two years for priority infrastructure projects and programming to decrease flood risks in the Lower Mainland and improve the Province's ability to manage water resources.
    - This includes $50 million in 2024/25 for the purchase and installation of water metering in select communities.
- *Budget 2024* includes a commitment of $250 million over five years to support the 21 local governments that make up the Northwest BC Resource Benefits Alliance. Funding will be used to support planning and construction of municipal infrastructure.

CURRENT STATUS:

- In 2023, the working group developed a shared problem statement and considered potential approaches to addressing the problem including Intergovernmental Communications

Intergovernmental Communications

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Intergovernmental Communications

- Advice/Recommentations

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ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Local Government Fiscal Framework - UBCM

Question: What are the challenges with the local government finance system?

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 Memorandum of Understanding (MOU) signed with UBCM in 2022 acknowledges the complexity and diversity of topics affecting both provincial and local governments.

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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 suggestions 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 is important to work with the same data and have the same understanding of the issues.
- In the first year, the working group focused efforts on understanding each of the UBCM report's 20 recommendations and connecting those to work already being done by the Province and partners.
- In 2023, the working group developed a shared problem statement and considered potential approaches to addressing the problem including consideration of ways to improve the borrowing requirements for local governments, plan and finance major infrastructure work,

and respond to shifting priorities for local government budgets.

- In 2024, the working group is collaborating on developing some potential responses to the challenges facing local governments and is planning to report on these to the Ministers and UBCM Presidents Committee in late June.

Question: There are 20 recommendations in the UBCM Report. Are all of the recommendations being looked at?

Answer:

- The working group is focusing their collaboration on areas of mutual benefit. Every recommendation has been discussed to develop a shared understanding of the issues at hand.
- 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 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 Interim Report of the working group can be found online at www.ubcm.ca, in the Policy: Finance section.
- 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.

UBCM 2021 Recommendations - As of March 2024

UBCM Recommendation	March 2024 Updates - Provincial Actions
1 – UBCM and the Prov work together to review the LG property tax system and the impacts of the 'New Economy' in order to: develop a fairer, more responsive property tax; monitor impacts of the New Economy on taxation; and identify emerging sources of taxation/revenues that may result from the New Economy.	Through the Working Group, the Province is actively involved in developing a shared understanding of the recommendation, including the concerns about the property tax system and impacts of the New Economy. The New Economy Metrics Dashboard has been published in 2023; an update for 2024 is awaiting new data sets.
2 - The Prov to commit to meaningful engagement through a working partnership with UBCM in order to meet the respective mandates of strengthening the local government finance system.	The Province committed to a Memorandum of Understanding with UBCM for a three-year working relationship (2022-2025) to review local government financial resiliency and analyze the recommendations in the Report.
3 – The Prov continue to advocate with the fed gov in the continuation of the fed/prov infrastructure cost-share arrangements a the current or greater level and ensure: the renewal of the gas tax agreement with the fed gov in 2024; and by working with the fed gov, and input from TransLink and BC Transit communities, a fed/prov agreement in the fed Permanent Transit fund is implemented for BC by 2026 as confirmed in the 2021 fed budget.	The Province is partnering with UBCM to advance mutual goals and objectives in a joint negotiating approach with the Government of Canada for the renewal of the Canada Community Building Fund. UBCM and the Province were both involved in consultation on the Permanent Transit Fund with the federal government.
4 – BC local governments, with the support of the Prov and UBCM, continue to develop and implement asset management best practices in order to deliver services, and manage infrastructure, in a sustainable, cost-effective way.	The Province has committed to a three-year partnership agreement with Asset Management BC. Asset management planning requirements are in place in some provincial grant programs. The Province provides funding for the Asset Management Planning Grant Program, administered by UBCM. Matching grants of up to $25,000 are available under the Asset Management Planning program to support activities that advance a local government's asset management planning, practices, or training, and that facilitate better integration of asset management planning with long term financial planning.
5 – The Prov commit to working with UBCM on a comprehensive review of funding mechanisms for financing growth-related infrastructure services including Development Cost Charges and Amenity Agreements to: better capture growth related capital costs that are increasingly strained as a result of pressure for local governments to incentivize attainable housing; provide local governments with flexibility to better reflect community circumstances and community objectives; and create a consistent approach to land value capture and amenity charges that reduces the uncertainty associated with negotiated agreements.	The Housing Statutes (Development Financing) Amendment Act (November 2023) provides high-growth communities with a development-finance tool called an amenity cost charge, which replaces the community amenity contribution, and will give a more transparent initial understanding of housing project costs. The legislation also makes changes to the development cost charge (DCC) mechanism to allow funds from homebuilders to support additional services and infrastructure. Budget 2023: - Growing Communities Fund: $1 billion distributed to all local governments to help with the costs of upgrading, adding capacity, and extending infrastructure and amenities to support additional housing supply. - Critical Community Infrastructure: $450 million to support selected local government projects 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. - $100 million for the Watershed Security Fund, which will ensure communities have good quality water.
6 – The Prov commit to work with UBCM to identify appropriate revenue source(s) that may increase funding available for attainable housing and incentivize the use of residential property for housing. Potential sources include, but are not limited to: new taxation powers, such as vacancy taxation, to be granted to local governments for use at their discretion; returning funds from existing revenue sources such as the speculation tax, to the jurisdiction in which they are collected, for provision of attainable housing; modifications to the property transfer tax to make it more progressive and/or disincentivize rapid resale ('flipping'); and short-term rental taxation.	Budget 2024 introduces a flipping tax on the proceeds of sales that happen within two years after purchase. The Province has expanded the Speculation and Vacancy Tax (SVT) to six new municipalities: North Cowichan, Duncan, Ladysmith, Lake Cowichan, Lions Bay and Squamish, effective January 2023. Funds from this tax will be used to support affordable housing in these areas. Budget 2024 raises the threshold for first-time homebuyers' Property Transfer Tax exemption to $835,000 in home value. Eligible purpose-built rental buildings of four or more units will also receive a property transfer tax exemption until 2030.

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7 – The Prov, in partnership with UBCM and other stakeholders, commit to improving the effectiveness and efficiency of the development approval process for which each stakeholder, including the development industry and the Prov, is responsible.	Housing Statutes (Development Financing) Amendment Act requires local governments to shift to up-front planning processes, pre-zone land for housing, and reduce current rezoning processes. Housing Statutes (Transit-Oriented Areas) Amendment Act introduces a municipal designation of Transit Oriented Development (TOD) Areas. Provincial standards for height, density, parking, and development approaches will be forthcoming to provide efficient and consistent standards across municipalities' TOD Areas. The Province is working with partners to design and implement a digital building permit tool. Once completed, this will make it faster and simpler for builders and developers to digitally submit building permit applications for new housing, and for local governments to receive and process applications. The Ministry of Housing is also working with the National Research Council of Canada to make construction codes machine-readable, which will allow for more automated and faster permit reviews in the future.
8 – The Prov commit to partner with UBCM and LGs, recognizing and reversing the historic downloading of jurisdictional responsibility on housing, in the development and implementation of a province-wide homelessness strategy.	Belonging in B.C. is the Province's collaborative plan to prevent and reduce homelessness. The plan includes immediate actions backed by $633 million in Budget 2022 (over three years) and $1.5 billion in Budget 2023 to help thousands of people maintain and access housing and supports. - $35 million over 3 years to respond to the risk of homelessness faced by former youth in care. - $164 million over 3 years to create at least 20 more Complex Care housing models. This will support up to 500 people with severe mental health, substance-use issues, or traumatic and acquired brain injuries who are currently homeless or unstably housed. - $264 million over 3 years to ensure housing support continues for the up to 3,000 people who needed temporary housing during the COVID-19 pandemic. - (Affordable housing) Additional $166 million through to 2024/25 to non-profit housing providers to accelerate the construction and mixed-income housing through the Community Housing Fund.
9 - Work with the Prov on the development of a local gov funding and support framework to address new and ongoing emergency management costs.	In Budget 2023, the Province established the Ministry of Emergency Management and Climate Readiness (EMCR), and committed $85 million over three years to increase emergency management capacity in the province and provide for new investments in disaster risk assessment, preparedness, and mitigation. This funding supports enhanced cross-ministry coordination, including working collaboratively with local governments and First Nations to make communities more resilient to climate and disaster risks. To support implementation of the new Emergency and Disaster Management Act, the Province announced in December 2023 an investment of $18 million for communities to consult and collaborate in advance of emergency events. Following the Atmospheric River Event from November 14 to December 2, 2021, government made significant regulation changes for Disaster Financial Assistance to better support communities recovering from disasters. As a result, Emergency Management BC modified its cost-sharing formula, so provincial contributions increase as the cost of the project goes up. The local authority will pay a minimum of 5 per cent to a maximum of 10 per cent on a per-capita cost-share model. Previously, local authorities were expected to fund 20 per cent of eligible projects. The second change was to support communities in rebuilding critical infrastructure faster, by providing a portion of a project's estimated costs up-front instead of having communities complete projects before submitting to the Province for reimbursement. This change was intended to support necessary cash flow and help to accelerate local recovery planning.
10 - Work with Prov and with other key stakeholders, recognizing and reversing the historic downloading of jurisdictional responsibility for mental health and addiction services on local governments and locally-funded police, to develop a comprehensive strategy to address mental health and addictions patients.	Budget 2022 - Continuing to support actions of the Pathway to Hope plan to expand mental health and addictions care, supported with significant Budget 2021 investments that bring increased annual expenditures since 2017 to over $375 million annually. Budget 2023 - $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. Budget 2024 - $398 million over three years to support new justice and public safety programs. - More funding for the Police Services Branch, including funding to support negotiated wage mandate increases for RCMP civilian staff and to fund dispatch services provided by E-Comm to provincial policing jurisdictions on South Vancouver Island.

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11 - Seek a new protocol with the Prov, recognizing each level of gov's jurisdictional responsibility, in order to govern the provision of first responder services and address inefficiencies related to prov emergency health services and the current response model.	Emergency Management BC is engaged in a review of governance and funding for road rescue services in B.C., incorporating best practices and learnings from other jurisdictions, while considering factors unique to our province. A cross-jurisdictional scan of road rescue services was completed in November 2022, building upon an earlier review completed on behalf of the Fire Chiefs' Association of BC and Office of the Fire Commissioner in April 2021. Budget 2022 - Reducing emergency call wait and response times by adding more paramedics and dispatchers, with $148 million through to 2024/25 for the BC Emergency Health Services Action Plan. Supplementary Estimates 2022/2023 - $150 million to help local, remote, and Indigenous communities with planning, preparation, and implementation of technology for the transition to Next Gen 911. Budget 2023 - Automated External Defibrillators (AEDs) are exempt from provincial sales tax, offering a cost savings for local government fire and recreation facilities. Budget 2024 - Ongoing funding to support rural and remote access to emergency care through ground and air ambulances. In November 2023, the Province added 271 new full time paramedic positions and 55.2 FTE community paramedics dedicated to providing community-based care and community outreach.
12 - Seek a targeted consumption tax that provides local governments a share of provincial cannabis taxation revenue.	Cannabis prices appear to be declining while the legal market continues to mature, and it is difficult to make long-term revenue predictions in this period of transition. As the cannabis market matures, the Province will continue to work collaboratively with UBCM through the MOU process to promote local governments' financial resiliency.
13 - Seek the establishment of a provincial program that provides LGs with expertise (e.g., systems and programs) and shared skills to protect and respond to cyber threats.	In January 2023, the OCIO Information Security Branch initiated the Cyber BC pilot project to strengthen the cybersecurity ecosystem in the public sector. The purpose of Cyber BC is to improve the security posture of broader public sector (BPS) entities in developing a pilot program and beginning incremental implementation of cybersecurity programming and services. Through Cyber BC the province facilitates engagement with our interested parties and partners to better understand B.C.'s cybersecurity landscape, and explore interest in collaborating on opportunities to: - Raise the collective bar for cybersecurity in the face of increased threats - Address the cybersecurity talent gap & create rewarding jobs for cybersecurity workers - Develop, deliver, and test the value of expanded services and supports
14 - UBCM request the Prov to direct a percentage of the Carbon Tax, on an annual basis, to LGs, to support mitigation and adaptation actions.	In 2018, the Province introduced CleanBC - a pathway to a more prosperous, balanced and sustainable future. The CleanBC Roadmap to 2030 (the Roadmap), released in 2021, builds on this plan and charts a path for B.C. to achieve its 2030 greenhouse gas (GHG) emissions reduction targets, while laying the groundwork for achieving net zero emissions by 2050. The B.C. Community Climate Funding Guide (www.communityclimatefunding.gov.bc.ca) is an all-in-one guide of funding opportunities for climate action projects in communities. Budget 2024 contains $318 million over three years to continue CleanBC grant and rebate programs, and continues directing revenue from carbon tax increases to relief for British Columbians through enhancements to the climate action tax credit.
15 - Consistent with the UBCM Climate Action Committee recommendations on Buildings, call for new provincial building retrofit incentive programs.	CleanBC has an extensive portfolio of incentive programs to support retrofits in the residential and commercial sectors and is working to continuously improve and expand its coverage. As an example, B.C. launched the Income Qualified Program, which rather than lending money to individuals that may have difficulty with repayment, offers subsidies of up to 95% of the project costs for energy upgrades. CleanBC offers are also stackable with federal offers, including the Canada Greener Homes Loan of up to $40,000 per household, interest-free, which was introduced in June 2022.
16 - Consistent with Climate Action Committee recommendations on Transportation, call for new provincial funding for active transportation infrastructure - which supports the implementation of community active transportation plans, active transportation corridors, and end of trip active transportation facilities at transfer points.	Budget 2022 - Funding for a new Clean Transportation Action Plan, which includes $30 million in grant funding over 2022/23-2024/25 to support local governments to improve active transportation infrastructure (such as bike lanes and multi-use pathways). Budget 2024 - $50 million in Active Transportation infrastructure

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17 - Consistent with the UBCM Climate Action Committee recommendations on Transportation, call for investments in green fleet conversions for local government and community fleets.	BC Transit's Low Carbon Fleet Strategy was introduced in the 2021/22 Service Plan and included the procurement of the first 10 battery-electric buses and 20 new CNG buses in 2021/22. On July 27, 2023, BC Transit announced the delivery of 115 new electric buses through the Low Carbon Fleet Strategy. The Government of British Columbia is contributing $158,669,826 to these electric bus purchases. The Government of Canada has contributed $169,879,964 through the Zero Emission Transit Fund and the Public Transit Infrastructure Stream of the Investing in Canada Infrastructure Program. The recipient communities are contributing $67,355,727. Budget 2023 - $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.
18 - Consistent with the UBCM Climate Action Committee recommendations on Transportation, create new revenue tools for LGs to strengthen the transit funding model and reduce reliance on transit fares.	Staff from Ministry of Transportation and Infrastructure and Ministry of Finance are engaged in discussions with TransLink staff regarding the 2025-2035 Investment Plan. The Working Group receives periodic updates on these discussions. The Province provided $479 million to TransLink in March 2023 to address TransLink's urgent financial needs to protect transit service levels and investment plans. The contribution will help stabilize the transportation authority's finances and allow the authority to continue to advance capital projects in its 2022 investment plan, including TransLink's battery-electric bus fleet expansion to 155 buses by 2025. Budget 2024 provides capital funding to continue and complete transit projects in the Metro Vancouver region, and $248 million of capital along with $26 million in operating funds over 3 years to BC Transit.
19 - Consistent with the UBCM Climate Action Committee recommendations on Solid Waste Management, call for new new investments in solid waste management initiatives - including organics diversion, extended producer responsibility programs, and deriving energy from waste products.	The Province has proposed a new regulation that will reduce single-use plastic waste with a consistent provincial approach. Ministry of Environment and Climate Change Strategy (ECCS) staff are currently reviewing comments on the proposed regulation, including feedback from local governments. Through our collaborative work with the Canadian Council of Ministers of Environment, a new guide was published looking at policies for managing CRD waste. Some actions being taken in B.C., such as gypsum and wood waste disposal bans and demolition bylaws, are highlighted as leading actions. The Extended Producer Responsibility (EPR) Five-Year Action Plan identifies the materials that the Ministry considers the highest priority for bringing into B.C.'s EPR system. The Ministry conducted consultation with a broad range of key partners, and all interested parties about regulating more products for recycling. The feedback informed the priority products categories identified in the Action Plan. Budget 2022 - $13 million to advance a circular economy, including a new Circular Economy Strategy to advance B.C.'s Plastics Action Plan.
20 - Consistent with the UBCM Climate Action Committee recommendations on Resiliency, call for a provincial funding stream dedicated to supporting the development and implementation of local adaptation plans.	Budget 2022 - $83 million to implement a new Climate Preparedness and Adaptation Strategy (includes working with local and indigenous governments to lead climate resilience initiatives, developing an extreme heat response framework, building data collection to mitigate climate risks, $30 million in grants to help safeguard B.C.'s watersheds. Budget 2023 - $8.7 million invested in flood-hazard mapping in 70 communities throughout the province. The mapping will support communities in establishing "appropriate" zoning and flood construction levels. - The Province established the Ministry of Emergency Management and Climate Readiness (EMCR), and committed $85 million over three years to increase emergency management capacity in the province and provide for new investments in disaster risk assessment, preparedness, and mitigation. This funding supports enhanced cross-ministry coordination, including working collaboratively with local governments and First Nations to make communities more resilient to climate and disaster risks. To support implementation of the new Emergency and Disaster Management Act, the Province announced in December 2023 an investment of $18 million for communities to consult and collaborate in advance of emergency events.

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MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Carbon Pricing

ADVICE AND RECOMMENDED RESPONSE:

- As announced in *Budget 2023,* carbon tax rates are increasing to $80 per tonne of CO2 equivalent emissions effective April 1, 2024.
- The carbon tax will continue to increase by $15 per tonne annually until rates reach $170 per tonne on April 1, 2030.
- With these increases, British Columbia will be aligned with federal carbon pricing requirements.
- To protect affordability, revenues generated by the new carbon tax increase will be allocated to 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 establishes industry-specific performance standards and price operations' emissions that exceed those standards.

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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 2023-2030 benchmark period.
- *Budget 2024* forecasts carbon tax revenue of $2.565 billion in 2024/25, $3.028 billion in 2025/26, and $3.503 billion in 2026/27.
- 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 through the CleanBC Program for Industry, although this will instead be funded by a portion of OBPS revenues beginning April 1, 2024; and
    - New green initiatives.
- *Budget 2023* committed that revenues from the new $15 per tonne carbon tax rate increases will be directed to enhancements to the climate action tax credit – a refundable tax credit that is intended to help offset the cost of the carbon tax for low-to-moderate income individuals and families. For 2024/25:

- The maximum amount for adults increases from $447 to $504;
- The maximum amount for a spouse or common-law partner increases from $223.50 to $252;
- The maximum amount for children increases from $111.50 to $126;
- Single-parent families will continue to receive the spouse or common-law partner amount for the first child in the family; and
- Income thresholds, at which point the credit begins to be phased out, will also be increased.

- Increases to the maximum payment amounts, as well as the income thresholds, will mean more British Columbians will be eligible for full or partial payments.
- Advice/Recommendations
- 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, establishes industry-specific performance standards and price operations' emissions that exceed those standards.
    - A portion of revenues paid by industry regulated by the OBPS will be directed to continuing the CleanBC Industry Fund

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BACKGROUND:

- In December 2020, the federal government announced that all provinces and territories must have a carbon price that increases by $15 per tonne annually starting in 2023, until it reaches $170 per tonne in 2030.
- *Budget 2023* implemented annual increases to B.C.'s carbon price to align with the federal requirements.
- *Budget 2023* also announced that B.C. will transition from a carbon tax to an output-based pricing system for large industrial emitters. The Ministry of Finance worked with the Ministry of Environment and Climate Change Strategy to develop the details of the OBPS, which will be implemented on April 1, 2024.

CURRENT STATUS:

- The OBPS and corresponding carbon tax exemption for large industrial operations will take effect April 1, 2024.
- 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.

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QUESTIONS AND ANSWERS

ISSUE: Carbon Pricing

Question: Why is the carbon tax increasing this year?

Answer:

- On April 1, 2024, the carbon tax will increase from $65 per tonne of CO2 equivalent emissions to $80 per tonne. With these increases, which were announced in *Budget 2023*, B.C. will continue to 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.

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Question: Is industry exempt from 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, 2024. However, they will not be exempt from paying for their emissions.
- Industry will be subject to sector-specific performance standards under a new made-in-B.C. output-based pricing system, or OBPS. They will need to pay for any excess emissions above their stated performance standard using a combination of offset units, earned credits, and a compliance charge at the carbon tax rate (e.g., $170 per tonne in 2030).
- Performance standards under the OBPS will be based on the average intensity for each respective industrial sector. Standards will tighten over time as B.C. transitions toward a cleaner economy and maintains compliance with federal requirements.

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Question: Emissions have generally remained flat since the carbon tax was introduced. Advice/Recommentations

Advice/Recommentations

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.
- 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, B.C. 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.

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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 to deliver services like childcare and affordable housing that British Columbians need.
- That is why we introduced the employer health tax, which is similar to payroll taxes in other provinces.
- B.C.'s employer health tax rate is the lowest among provinces with a payroll tax.

Province	**B.C.**	**MB**	**ON**	**QC**	**NFLD**
Rate	1.95%	2%	1.95%	4.26%	2%

- *Budget 2024* proposes doubling the exemption threshold from $500,000 to $1 million, providing full or partial relief for businesses with payroll up to $1.5 million.
- The employer health tax is forecast to bring in $2.77 billion in revenue in 2023/24 and $2.8 billion in 2024/25. This is

comparable to the $2.7 billion that would have been collected under MSP if that program had continued.

- With the increased exemption threshold, an estimated 90% of businesses are exempt from the employer health tax and every business with payroll between $500,000 and $1.5 million will be paying less than before; businesses with payroll above $1.5 million will be paying the same.
- This means that an additional 9,000 businesses are now going to be exempt from the employer health tax and over 4,000 businesses will be partially exempt.

KEY FACTS:

- The employer health tax took effect for the 2019 calendar year.
- Businesses with payroll below $500,000 were exempt from taxation between 2019 and 2023. *Budget 2024* increases this exemption amount to $1 million for the 2024 calendar year and subsequent years.
- Business with payroll between the exemption amount and $1.5 million have the tax gradually phased in.
- Businesses with payroll over $1.5 million pay the full rate of tax and are unable to claim the exemption amount.

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- An estimated 90% of the approximately 210,000 businesses in British Columbia with an employee do not pay the employer health tax.
- The phase in of the tax for employers with payroll between the exemption amount and $1.5 million is achieved by giving these employers a deduction of the exemption amount but subjecting them to a higher "notch" rate of tax. This gradually increases the effective rate of taxation as follows:

Annual B.C. payroll	Tax payable pre-2024	Effective tax rate pre-2024	Tax payable from 2024	Effective tax rate from 2024	Tax savings from 2024
$500,000 or less	$0	0%	$0	0%	$0
$600,000	$2,925	0.49%	$0	0%	$2,925
700,000	$5,850	0.84%	$0	0%	$5,850
$800,000	$8,775	1.10%	$0	0%	$8,775
$900,000	$11,700	1.30%	$0	0%	$11,700
$1,000,000	$14,625	1.46%	$0	0%	$14,625
$1,100,000	$17,550	1.60%	$5,850	0.53%	$11,700
$1,200,000	$20,475	1.71%	$11,700	0.98%	$8,775
$1,300,000	$23,400	1.80%	$17,550	1.35%	$5,850
$1,400,000	$26,325	1.88%	$23,400	1.67%	$2,925

$1,500,000	$29,250	1.95%	$29,250	1.95%	$0

- Advice/Recommentations

Advice/Recommentations 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.

Notes to Minister:

- Other than Quebec, each province with a payroll tax also provides for an amount of payroll exempt from taxation.
- Ontario's exemption amount is indexed to inflation on a five-year cycle but is not scheduled to change now until 2029 as a result of changes introduced in response to COVID.
- The other provinces' exemption amounts are as follows:
  - Manitoba: $2 million effective January 2024. Previously, $1.75 million for 2022 and 2023.
  - Ontario: $1 million effective January 2020. Previous exemption amount was $490,000, which was increased due to COVID.
  - Quebec: No exemption amount.
  - Newfoundland & Labrador: $2 million.
- Manitoba recently dropped its payroll tax rate from 2.15% to 2%.

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CURRENT STATUS:

- March 31, 2024 – deadline to file return and balance due for 2023. This will be the final return deadline for the old exemption amount of $500,000.
- June 15, 2024 – first instalment for 2024 employer health tax liability is due.

BUDGET:

Budget ($000)	2022/23 Actuals	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
Revenues	$2,720	$2,773	$2,803	$2,946	$3,068

- Revenue Division administers the EHT and incurs the corresponding costs. The Income Taxation Branch operations team of nine FTEs provides critical support for EHT administration, such as registration and processing of returns, while a dedicated EHT audit team of eight FTEs provides compliance activities and taxpayer support.

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QUESTIONS AND ANSWERS

ISSUE: Employer Health Tax and Elimination of Medical Services Plan

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- The government has doubled the exemption amount as part of *Budget 2024*.
- This means that 90% of businesses with an employee do not pay the employer health tax. This ratio is even higher when looking at all businesses.
- B.C.'s exemption amount is now matched with Ontario's at $1 million.
- B.C. also has the lowest full tax rate when comparing with other provinces with a payroll tax at 1.95%.
- B.C. continues to have a strong, competitive economy with some of the lowest income taxes in the country.
- This includes an expanded access to the small business rate for corporate income taxes. This expanded access means

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more businesses will be able to grow their businesses while taking advantage of this reduced rate.

Advice/Recommentations

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ISSUE: Film Tax Credits

ADVICE AND RECOMMENDED RESPONSE:

- *Budget 2024* has introduced changes to the eligibility for the regional and distant location tax credits. Advice/Recommentations

Advice/Recommentations

- The purpose of these tax credits is to bring production spending to different areas of the province by helping to offset additional costs under union contracts (such as travel costs and higher wages) for productions taking place outside of the Vancouver area.
  - Brick and mortar animation companies do not face these increased costs.
- Advice/Recommentations
- Since 2020, production companies looking to claim the production services tax credit have been required to provide Creative BC with a "precertification" notice.

Contact:	Renée Mounteney	**Phone:**	778 974-5354
Division:	Policy and Legislation Division	**Page:**	1 of 7
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- This new application requirement was introduced at the request of the film industry and is intended to help forecast the cost of the program.
- 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.
- *Budget 2022* extended the deadline for precertification from 60 days to 120 days after a production first incurs accredited B.C. labour expenditures. The 60 day deadline applied for productions starting work in B.C. from June 30, 2020 to February 21, 2022. The 120 day deadline applied from February 22, 2022.
- *Budget 2023* included further changes to the production services tax credit rules to allow production companies to claim certain expenditures up to 120 days prior to precertification even if they missed the filing deadline. These changes affected companies that first incurred accredited B.C. labour expenditures between June 30, 2020, and February 21, 2022.

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KEY FACTS:

- The regional and distant location tax credits are worth on average 1.5% of claims by animation companies.
  - Advice/Recommentations
- The regional and distant location tax credits were also amended in *Budget 2016* to change the rules for animation companies claiming these credits.
- The film and television industry shut down due to strike action in 2023 for writers and actors. However, production companies have 18 months from the end of a tax year to file a tax credit claim, which means the impact of strike action on government expenditures on the program are not immediately affected.
- Precertification was introduced as part of *Budget 2020* and impacted productions that started work in B.C. after June 30, 2020.
- Precertification is a requirement for production companies that are intending to claim the production services tax credit.
- Precertification is not intended to reduce the cost of the film tax credits, but instead to improve forecasting.

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*.
- There was a drop in film tax credit expenditure in 2021/22 as a result of COVID-19. There has been a drop in forecasts as a result of the 2023 strike action for actors and writers. The cost of the program remains high (over $900M in 2023/24, 2024/25, and 2025/26) and is expected to exceed $1B in 2026/27.
- The cost effect of the 2023 strike action will play out over the coming fiscal periods due to the time lag of work being carried out and the deadline for making a claim, which could be more than two years after a production wraps.
- To better assess the growth in the film tax credits, the following table is based on Public Accounts and *Budget 2024* forecasted tax credit costs.

	2022/23 (Actual)	**2023/24 (Forecast)**	**2024/25 (Estimate)**	**2025/26 (Planned)**	**2026/27 (Planned)**
	($ millions)				

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Film Incentive BC (Canadian content requirement)	166	176.7	162.5	172.5	182.5
Production services tax credit (No Canadian content requirement)	775	732.1	746.8	818.3	893.8
Total	941	908.8	909.3	990.8	1076.3
Year on year growth	44%	-3%	nil	9%	9%

BUDGET:

Budget ($millions)	**2022/23 (Actual)**	**2023/24 (Forecast)**	**2024/25 (Estimate)**	**2025/26 (Planned)**	**2026/27 (Planned)**
Expenses	941	908.8	909.3	990.8	1076.3

1. The above table shows the combined total between the Film Incentive BC tax credit and the production services tax credit.

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QUESTIONS AND ANSWERS

ISSUE: Film tax credits

Question: Why have animation companies been excluded from the regional and distant location tax credits?

Answer:

- The changes to the regional and distant location tax credits were made to re-align the use of the credit with it's original policy intent.
- The purpose of the credit is to help offset additional labour costs under union contracts and to incentivise physical film production outside of the Vancouver area. It was meant to spread this production spending throughout the province by offsetting the additional costs faced by production companies when filming outside Vancouver. Advice/Recommentations

Advice/Recommentations

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ISSUE NOTE

Advice/Recommentations

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- Animation companies will continue to be able to benefit from the basic tax credits for Film Incentive BC and the production services tax credits, and the digital animation, visual effects, and post-production (DAVE) tax credits. Together with available federal film credits, these can provide between **53 and 58%** of eligible labour costs.
- This means government can be paying more than half the labour costs of a production.

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ISSUE: Flipping Tax

ADVICE AND RECOMMENDED RESPONSE:

- The tax is being introduced as part of the Homes for People plan to address housing in BC. The tax will come into effect on January 1, 2025, and apply to properties sold after that date which were purchased within two years of the sale.
- Taxing the profits of short-term housing speculators will disincentivize the short-term speculation of housing.
- By limiting the benefits of investors speculating on the housing market through short term property flipping, the market incentives will align better with the goal of making housing more affordable for families.
- The tax will make it less profitable to speculate on residential housing, which should result in fewer people speculating on residential housing. Discouraging these purchasers from entering BC's housing market will reduce demand and preserve residential properties for British Columbians seeking a home to live in. Combined with the supply side measures introduced by government, the flipping tax will help housing affordability in BC.

- The purpose of the tax is to support housing supply, not impede it. Exemptions will be provided for those who add to the housing supply or engage in construction and real estate development.

KEY FACTS:

- Approximately 7% of residential properties sold each year were bought within the last two years.
- The tax will apply to income from the sale of property that was held for less than two years.
- The tax rate will be 20% for properties sold within 365 days of purchase and will decline to zero between days 366 and 730.
    - The 20% tax rate is set to disincentivize flipping behaviour and speculation while taking into consideration other taxes a person may be subject to including income taxes, property taxes and property transfer tax.
    - The tax rate is designed to decline over the second year to ensure tax fairness between any two consecutive days.
- The tax will apply to income from the sale of properties with a housing unit and properties zoned for residential use. The tax will also apply to income from the assignment of contracts to purchase these properties.

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- Exemptions will be available for certain life circumstances that might require the sale of a property within two years, such as separation or divorce, death, disability or illness, relocation for work, involuntary job loss, change in household membership, personal safety, or insolvency.
- In addition, individuals selling their **primary residence** within two years of purchase can exclude a maximum of $20,000 when calculating their taxable income. The exemption is only available to people who own the property for at least a year, and who use the property as their primary residence over that time.
- Exemptions will be provided for those who add to the housing supply or engage in construction and real estate development.
- The tax will primarily be administered by the Ministry's Income Taxation Branch (ITB) with as-needed support from the Tax Appeals and Litigation Branch and the Receivables Management Office. Incremental costs to administer the tax will include resources to undertake education, processing of returns, compliance activities, debt collection, work related to appeals and systems support.
- Advice/Recommentations; Government Financial Information

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ISSUE NOTE

QUESTIONS AND ANSWERS

Question: How many properties and what kinds of properties do you expect to be flipped each year?

Answer:

- Between 2020-2022, flipping transactions made up around 7% of residential real estate transactions. This is approximately 10,000 properties per year flipped for a profit.
- When the tax comes into effect, given changes in market conditions and the availability of exemptions, we expect between 3,000-4,000 properties to be subject to the tax.

Question: What were the profits from residential property flipping and what is the expected tax flippers will pay?

Answer:

- We estimate revenue will be approximately $43 million a year that will go back into building housing. Based on our estimates, we expect that the average tax paid is $12,000 per flipped property.

Question: What types of exemptions will be available for this tax?

Answer:

- We understand there are many reasons why someone may need to sell a property within two years. For this reason, exemptions will be available for life circumstances, including changes in their household, death, and moving for work.
- In addition, to encourage housing construction, builders who expand housing will also be exempt from tax.

Question: Why does the tax consider a two-year holding period? Why not 1 or 3?

Answer:

- A one-year period is too short a time to capture all flipping behaviour. The two-year period also allows for a phase out period for the tax; this facilitates a fairer tax without creating a large difference in tax rates between any two consecutive days.

- We understand that the longer the tax applies, the more likely it is that an individual or family may have life events influence why they are selling the property. This is why the tax includes a number of exemptions for life events, a primary residence deduction, and why it the tax rate phases out over two years.

Question: What are the gender impacts of this legislation?

Answer:

- There is little evidence to suggest that flipping or flipping tax will disproportionately effect women more than men.
- The average age of flippers, 48, is the same for both men and women. Additionally, 51% of flippers were male and 49% were female. Those who sell residential property within two years of purchase are more likely to be middle-aged and higher income.

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Question: How will this tax change the cost of housing in BC?

Answer:

- The government expects the tax will reduce the number of residential properties that are bought and sold quickly for speculative purposes because the activity will be less profitable. Reduced speculation allows for more families to purchase homes.
- Taxing the profits of short-term housing speculators will disincentivize the short-term speculation of housing. With lower profits due to the tax fewer individuals will speculate on existing housing. Investors could instead use those funds to expand the housing stock which will be more profitable relative to housing speculation than before the tax.
- With more families living in homes, and fewer speculators, this should increase housing affordability.

Question: Will this tax affect the ability of developers to sell enough pre-sale contracts in condos to be able to get housing built?

Answer:

- Housing should be used as homes for people. This includes entering into a pre-sale contract to buy a condo.
- Pre-sale contracts have in the past been a source of speculation, freezing out future homeowners and driving up house prices.
- To ensure pre-sale contracts and new house purchases are treated fairly under the tax, the two-year holding period for a built property will take into account the period a person held a pre-sale contract to buy the property.

Question: What information will be used to administer the act?

Answer:

- The ministry has existing information sharing agreements with its partners, such as the Canada Revenue Agency and the Land Titles Survey Authority. The ministry will update those information sharing agreements to use information received from those partners to administer the flipping tax.

- Additionally, information collected under other provincial taxing statutes will be used to identify non-compliance with the flipping tax.
- Updates to the Privacy Impact Assessments will be conducted to ensure information is properly collected and used under these agreements.

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ISSUE NOTE

ISSUE: Property Transfer Tax (PTT)

ADVICE AND RECOMMENDED RESPONSE:

- Our government is determined to make sure everyone in BC has access to an affordable place to live.
- We are making changes to the property transfer tax to increase exemption thresholds under the first-time home buyers and newly built homes program and to enhance exemptions for new qualifying purpose-built rental buildings.
- These changes ensure people have the support they need to buy their first home and encourage the new supply of rental and moderately priced housing.
- We're tackling the housing crisis on both fronts: fighting speculation and building record numbers of homes – including accelerating housing construction even further.

KEY FACTS:

- 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% of the fair market value up to and including $200,000.
  - 2% of the fair market value greater than $200,000 and up to and including $2,000,000.
  - 3% of the fair market value greater than $2,000,000.
- A further 2% PTT is applied to the residential portion of the property value that exceeds $3 million.
- Foreign nationals, foreign corporations and taxable trustees also pay the additional PTT of 20% on their share of a residential property within specified areas of BC.
- As announced in *Budget 2024*, the PTT revenue is forecast to be $1.95 billion for fiscal year 2023/24, $2.055 billion for 2024/25 and $2.264 billion for 2025/26.

First Time Home Buyers' Exemption

- The first-time home buyers' exemption reduces or eliminates the amount of PTT payable on the purchase of a principal residence for qualifying buyers.
- Effective April 1, 2024, the first-time home buyers' exemption threshold will increase from a fair market value of $500,000 to $835,000, with the first $500,000 exempt from PTT. A partial exemption is also available to properties with fair market values between $835,000-$860,000.

- This means that eligible first-time home buyers can save up to $8,000 in PTT on a purchase of a principal residence.
- The program threshold has not been raised since 2017 and the proposed increase will better align the exemption threshold to the average home sale price in British Columbia.

Advice/Recommentations

-
- An estimated 14,500 first time home buyers will receive the exemption in 2024 – 7,500 more than last year.
- The increased threshold will cost government approximately an additional $62 million per year.

Newly Built Home Exemption

- The newly built home exemption reduces or eliminates the PTT on qualifying purchases of a newly built principal residence.
- Effective April 1, 2024, the exemption threshold for newly built homes will increase from a fair market value of $750,000 to $1,100,000. A partial exemption is also available to properties with fair market values between $1,100,000-$1,150,000.
- Increasing the newly built homes threshold responds to increasing housing prices and will incentivize an increase in supply of new and much needed moderately priced housing stock. Since the newly built homes exemption was introduced in 2016, the threshold has

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ISSUE NOTE

Advice/Recommentations
not increased
Advice/Recommentations

- The increased threshold will cost government approximately an additional $40 million per year.

New Purpose-Built Rental Buildings Exemption

- Effective for transactions that occur between January 1, 2025, and December 31, 2030, purchases of new qualifying purpose-built rental buildings will be exempt from the general PTT.
- Purpose-built rental buildings are those that are non-stratified and held as rentals, on a monthly basis or longer, for at least 10 years. The residential portion of the building must be entirely used for rental purposes and have at least four apartments.
- This exemption builds on the further 2% PTT exemption for new purpose-built rentals announced in *Budget 2023* and the rental housing revitalization tax exemption provided in *Budget 2018*. It further encourages the construction of new purpose-built rental buildings to address housing affordability.
- Fiscal impacts are difficult to predict and would be dependent on market conditions and housing plan measures. Based on the average PTT revenue for new apartment buildings for 2018-2022, the estimated cost of this measure is approximately $4 million per year ($1 million for the 2024/2025 fiscal year).

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ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Property Transfer Tax

Question: What are the changes to the property transfer tax rates this year?

Answer:

- There are no changes to the property transfer tax rates this year.

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- The exemptions are geared towards British Columbians who are entering the market in lower-cost homes, so tying it to home prices makes the most sense, especially in communities with high real estate prices.
- Despite rising home prices across the province, exemption claims have remained relatively unchanged in recent years.

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File Name: MO_PLD_14_Property Transfer Tax

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Question:
Advice/Recommentations

Advice/Recommentations

Answer:

- We carefully consider market forces when setting the thresholds. People are facing high prices, inflation, and affordability challenges and fewer of them were buying their first homes.
- We recognized that to continue to provide the support intended, the program thresholds needed to better align with property prices across British Columbia.

Advice/Recommentations

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Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- We are also working hard to reduce costs for renters. We're putting up to $400 a year back in people's pockets with a new Renter's Tax Credit.
- We expect 80% of renting households to get the benefit in 2024.
- We cut 2% from the maximum annual rent increases allowed in BC – and last year we capped rent increases below inflation, recognizing the additional challenges renters are facing with global inflation.
- British Columbia is the first province in Canada with a province-wide Rent Bank providing interest-free loans to help renters in crisis maintain their housing.
- We're going to continue to provide this property transfer tax relief to first time buyers, as we also support renters and provide broader cost of living relief to those who need it most.

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Question: How does a property qualify for the new purpose-built rental exemption from the general property transfer tax?

Answer:

- To qualify, the purpose-built rental building must have at least four separate apartments at the time the property is registered at the Land Title Office, and must be:
    - Purchased between January 1, 2025, and December 31, 2030.
    - Newly built as a rental building.
    - Entirely used for rental purposes in the residential (Class 1) portion of the building.
    - Not a resale.
    - Not previously occupied as a residence.
    - Non-stratified.
- The building must be held as a rental for 10 years to qualify for the full exemption, with each of the four or more units being rented or held for rent on a monthly basis or longer.

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MINISTRY OF FINANCE
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Question: What is the difference between this new purpose-built rental exemption and the one announced in *Budget 2023*?

Answer:

- There are a few types of property transfer taxes. The general property transfer tax applies to all purchases or gains in interest in property that are registered at the Land Title Office. The general property transfer tax rates are:
    - 1% of the fair market value up to and including $200,000.
    - 2% of the fair market value greater than $200,000 and up to and including $2,000,000.
    - 3% of the fair market value greater than $2,000,000.
- A further 2% property transfer tax is applied to the residential portion of the property value that exceeds $3 million.
- *Budget 2023* introduced an exemption from the further 2% property transfer tax for new qualifying purpose-built rental buildings. This partial exemption took effect on January 1, 2024.

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- The measure announced in *Budget 2024* exempts the new qualifying purpose-built rental properties from the general property transfer tax for transactions that occur between January 1, 2025, and December 31, 2030.

Question: How much will this new purpose-built rental exemption save purchasers acquiring these buildings from developers?

Answer:

- It will depend on the value of the property being transferred. To illustrate, a building purchased for a fair market value of $2 million would be subject to $38,000 in general property transfer tax. A larger residential building valued at $50 million would incur both the general and further 2% property transfer tax, for a total of $2,418,000, which can have a significant impact on unit costs.

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ISSUE NOTE

Question: What is the purpose of the new purpose-built rental exemption?

Answer:

- This exemption builds on the further 2% property transfer tax exemption announced in Budget 2023 and provides an exemption from the general property transfer tax on purchases of new qualifying purpose-built rental buildings that take place between January 1, 2025, and December 31, 2030.
- These measures are intended to encourage the construction of new purpose-built rental buildings to improve housing affordability.
- Combined with the enhanced goods and services tax rebate recently announced by the federal government, this could provide a substantial incentive to BC developers/builders.

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Question: Why is there a time limit on the new purpose-built rental exemption announced in Budget 2024?

Answer:

- The time limit is to incentivize immediate construction and completion of purpose-built rental buildings, and control future costs.
- It also aligns with the September 2023 federal government announcement to increase the goods and services tax (GST) rebate for new purpose-built rental housing to 100%.
- The enhanced GST rebate applies to projects that begin construction on or after September 14, 2023, and on or before December 31, 2030, and complete construction by December 31, 2035.

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File Name: MO_PLD_14_Property Transfer Tax

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ISSUE NOTE

Question: Can a foreign buyers or corporations get the new purpose-built rental exemption?

Answer:

- Yes. No one is excluded from this exemption as we want to incentivize the construction of purpose-built rental buildings and a significant number of these buildings are purchased by corporations.
- There are eligibility requirements related to the property, as well as stringent reporting and notification obligations for building owners to ensure these buildings are used for long-term rentals.

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ISSUE NOTE

ISSUE: Speculation and Vacancy Tax – General

ADVICE AND RECOMMENDED RESPONSE:

- The Speculation and Vacancy Tax was introduced in 2018 as part of the *Homes for B.C.* 30-point plan for housing affordability.
- The Speculation and Vacancy Tax helps turn empty properties into homes for people, discourages real estate speculation and ensures homeowners who report most of their income outside of Canada pay their fair share of taxes.
- The Speculation and Vacancy Tax is intended to increase available housing supply in designated taxable areas where demand pressures have had a substantial impact on housing affordability.
- The Speculation and Vacancy Tax was expanded to six additional communities for the 2023 tax year and to another 13 communities for the 2024 tax year.
- I am committed to exploring additional ways to fight speculation and deliver more homes, including further 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% 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.
- Advice/Recommentations

KEY FACTS:

- The deadline to file a declaration for the 2023 tax year is March 31, 2024, and the tax is due July 2, 2024.
- In 2022 – the fifth year of the tax – the revenue was approximately $82 million. Approximately 83% of revenue came from foreign owners, untaxed worldwide earners, Canadians living outside of BC

and other non-BC resident owners. More than 99% of BC residents were exempt from the tax.

- *Budget 2024* forecasts revenue of $90M per year in fiscal years 2023/24 and 2024/25, and $94M in 2025/2026.
- 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.

BACKGROUND:

- On October 16, 2018, the BC 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.
- The first five years of data show that more than 99% of all British Columbians are exempt from the Speculation and Vacancy Tax.
- The Speculation and Vacancy Tax rates are:
    - 2% for foreign owners and untaxed worldwide earners.
    - 0.5% for Canadian citizens or permanent residents of Canada who are not untaxed worldwide earners.
- The tax rate for foreign owners and untaxed worldwide earners was increased from 0.5% in 2018 to 2% in 2019.
- 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 tax became effective in these new areas beginning in 2023. Residential property owners in these communities are required to declare for the first time in January 2024.

- Starting in 2024, the Speculation and Vacancy Tax has been further expanded to include thirteen new municipalities: Vernon, Coldstream, Summerland, Lake Country, Peachland, Penticton, Courtenay, Comox, Cumberland, Parksville, Qualicum Beach, Salmon Arm, and Kamloops. Residential property owners in these communities will be required to complete their first annual Speculation and Vacancy Tax declaration in 2025.

Reporting Requirements

- *The Speculation and Vacancy Tax Act* requires two public reports:
    - An annual report: a report following the annual mayors' consultation.
    - 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 five years thereafter. It must consider the effectiveness of the legislation regarding 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 in June 2022.

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ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Speculation and Vacancy Tax - General

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- Advice/Recommentations

- Data from the Speculation and Vacancy Tax has shown that the tax, together with other housing measures, 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 sell.

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- Since the introduction of the Speculation and Vacancy Tax, more than 20,000 condos have been added to the long-term rental market in the Metro 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.
- We have also introduced our *Homes for People* Housing Plan, an update to our original 30-point housing plan, which focuses on four main objectives: Unlocking more homes faster; delivering better, more affordable homes; helping those with the greatest housing need; and creating a housing market for people, not speculators. *Homes for People* includes a mandate to expand the Speculation and Vacancy Tax to additional areas.

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ISSUE NOTE

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- It is not an either-or proposition. There are multiple factors impacting the market and the problem calls for multiple measures. We are making the largest investment in housing supply in BC's history – $19 billion – and working with partners to deliver thousands of affordable homes.
- Through our *Homes for People* action plan, we're taking strong action to tackle housing challenges, and deliver more homes for people.
- Since 2017, nearly 78,000 homes have been delivered or are underway in over 100 communities through provincial funding and housing measures. Thousands of empty homes have returned to the rental market, thanks in part to the Speculation and Vacancy Tax.
- Advice/Recommentations

Advice/Recommentations

We continue to

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monitor home sales and housing prices to see how the market responds to our housing actions.

Question: Why did you expand the tax to additional areas in BC?

Answer:

- There is a housing crisis across the country and it's creating economic challenges, including people feeling pushed out of their communities and labour shortages.
- With so many people struggling to find secure housing, we must keep taking action and turn more empty units into homes for people. That's why we expanded the Speculation and Vacancy Tax to six additional communities starting in 2023 and to 13 more communities starting in 2024, where people are struggling to find homes they can afford to rent or buy.
- The new Speculation and Vacancy Tax-designated areas were chosen based on an evaluation of several factors, including residential assessed value increases, vacancy rates, population, requests for inclusion, potential for

regional drift (speculation being driven to communities near designated areas) and whether the community is primarily a vacation area.

- The independent five-year Speculation and Vacancy Tax review report and recent data show 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.

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- There is a housing crisis across the country, and it is creating economic challenges, including people feeling pushed out of their communities and labour shortages.

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- Our *Homes for People* plan includes actions to fight speculation, increase the middle-income housing supply and speed up delivery of new homes in communities throughout British Columbia.
- Expanding the speculation tax is part of that plan. The independent five-year Speculation and Vacancy Tax review report recommends taking a phased and measured approach to expansion that considers the unique housing challenges of every community.
- The new Speculation and Vacancy Tax-designated areas were chosen based on an evaluation of several factors, including residential assessed value increases, vacancy rates, population, requests for inclusion, potential for regional drift (speculation being driven to communities near designated areas) and whether the community is primarily a vacation area.

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 $1,325 less in personal income taxes in B.C. compared to Alberta.
- B.C. also offers a number of generous personal income tax credits.
- The BC Family Benefit provides a tax-free monthly payment to families with children under the age of 18. *Budget 2023* permanently increased the maximum annual benefit BC families can receive. The maximum annual amounts are:
  - $1,750 for their first child,
  - $1,100 for the second child, and
  - $900 for each child thereafter.
- Single parent families are also eligible for an annual supplement of up to $500.

- *Budget 2024* introduced the BC Family Benefit Bonus, a one year top up to the BC Family Benefit. The BC Family Benefit Bonus will provide up to an additional $438 for a recipient's first child, $275 for their second child, and $225 for each additional child, starting July 2024.
- The government has also continued to increase the maximum climate action tax credit for individuals and families in response to carbon tax rate increases.
    - For the 2024/25 benefit year, the adult amount has been increased from $447 to $504, the spouse or common-law partner amount (or amount for the first child in single parent families) has been increased from $223.50 to $252, while the child amount has been increased from $111.50 to $126 per child. These amounts help offset the cost of the carbon tax for low- to moderate-income families.

KEY FACTS:

- The government has increased taxes for high-income individuals:

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ISSUE NOTE

- In *Budget 2020*, a new tax bracket of 20.5% was introduced for individuals earning more than $220,000 starting in the 2020 taxation year. This is now $252,752 through indexation.
- In *Budget 2017 Update*, a new tax bracket of 16.8% was introduced for individuals earning more than $150,000 starting in the 2018 taxation year. This is now $181,232 through indexation.
- Advice/Recommentations
- The 20.5% bracket puts B.C.'s top marginal tax bracket in line with other provinces like Ontario and Quebec.

- To support the transition to a low-carbon economy and align with federal carbon pricing, the carbon tax will be increased by $15 per tonne on an annual basis until 2030. Despite these increases, B.C. has generally maintained competitive personal income taxes.
  - Individuals earning $24,800 or less don't pay any personal income taxes in B.C.
  - Individuals earning $30,000 to $40,000 pay the second lowest amount of personal income taxes in Canada, 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 Canada compared to any other province.
- Appendix A provides an interprovincial comparison of personal income taxes, which is included in *Budget 2024*.

- 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.
    - *Budget 2023* permanently increased the maximum benefit amounts and introduced a single parent supplement of up to $500.
    - The government also provided temporary increases in January, February and March 2023, totalling a maximum of up to $175 per child.
    - *Budget 2024* introduced the BC Family Benefit Bonus, a one year top up to the BC Family Benefit.
  - 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.

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The government has announced plans to increase both the payment amounts and the income thresholds for the upcoming 24/25 benefit year. This is in response to the scheduled carbon tax rate increase on April 1, 2024.

- *Budget 2023* introduced an annual income-tested tax credit of up to $400 per year for renters, starting with the 2023 calendar year.

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POLICY AND LEGISLATION DIVISION
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Tax Competitiveness for Individuals

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- The BC Family Benefit Bonus is a new temporary, targeted measure to help families with cost-of-living pressures.
- Starting in July 2024, families currently receiving the BC Family Benefit will get a bonus on their regular monthly payments with the child amounts being increased by 25% each.
- The Bonus will be in place until June 2025. This is on top of other measures the government provides to families through the tax system, such as the climate action tax credit and the BC renter's tax credit.
- The government will continue to monitor the impacts of cost-of-living pressures for British Columbians.

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APPENDIX A: *BUDGET 2024* – TABLE A4

Table A4 Interprovincial Comparisons of Provincial Personal Income Taxes Payable [1] – 2024
(Rates known as of February 1, 2024)

Taxable income	British Columbia	Alberta	Saskat-chewan	Manitoba	Ontario	Quebec [2]	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland and Labrador
	Annual provincial taxes payable [3] ($)									
$10,000	0	0	0	0	0	0	0	0	0	0
$20,000	0	0	0	0	0	0	0	575	150	0
$30,000	421	604	760	874	300	885	869	1,479	1,392	1,488
$40,000	1,241	1,527	1,833	1,871	1,182	2,042	2,035	2,953	2,561	2,292
$50,000	1,753	2,451	2,930	2,919	2,293	3,389	3,135	4,427	3,846	3,463
$60,000	2,482	3,375	4,048	4,110	3,111	4,928	4,440	5,905	5,132	4,841
$70,000	3,217	4,313	5,230	5,315	3,989	6,479	5,775	7,559	6,580	6,229
$80,000	3,977	5,301	6,464	6,574	5,042	8,020	7,157	9,234	8,224	7,660
$100,000	5,609	7,301	8,964	9,124	6,986	11,144	9,957	12,619	11,554	10,726
$125,000	8,486	9,801	12,089	13,435	10,866	15,897	13,942	16,994	15,975	14,676
$150,000	11,932	12,318	15,276	17,785	15,219	21,206	17,942	21,369	20,543	18,626
	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	0.0	0.0	0.0	0.0	0.0	2.9	0.8	0.0
$30,000	1.4	2.0	2.5	2.9	1.0	3.0	2.9	4.9	4.6	5.0
$40,000	3.1	3.8	4.6	4.7	3.0	5.1	5.1	7.4	6.4	5.7
$50,000	3.5	4.9	5.9	5.8	4.6	6.8	6.3	8.9	7.7	6.9
$60,000	4.1	5.6	6.7	6.9	5.2	8.2	7.4	9.8	8.6	8.1
$70,000	4.6	6.2	7.5	7.6	5.7	9.3	8.3	10.8	9.4	8.9
$80,000	5.0	6.6	8.1	8.2	6.3	10.0	8.9	11.5	10.3	9.6
$100,000	5.6	7.3	9.0	9.1	7.0	11.1	10.0	12.6	11.6	10.7
$125,000	6.8	7.8	9.7	10.7	8.7	12.7	11.2	13.6	12.8	11.7
$150,000	8.0	8.2	10.2	11.9	10.1	14.1	12.0	14.2	13.7	12.4

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.
- 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.
  - Budget 2024 extends two of these credits, the training tax credit and the shipbuilding and ship repair industry tax credit.
  - Budget 2024 also reinstates the policy intent of the regional and distant location tax credits. The policy intent for these credits is to help offset additional labour costs under union contracts for productions outside of Vancouver (e.g., travel, higher wages).
- Budget 2024 also reduces businesses' Employer Health Tax obligations by increasing the exemption threshold

to $1 million from $500,000. Roughly 90% of businesses will be exempt from the tax.

  - As an outcome of the Property Assessment Strategic Review, introducing legislation that enables municipalities to apply a reduced tax rate to all, or a portion of, the land value of eligible commercial and light industrial properties with development potential where businesses are paying disproportionately 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 2%, B.C. is tied with Alberta for the third 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.

  - At 12%, B.C. is tied with Saskatchewan and Manitoba for the fourth lowest general corporate income tax rate.
- Starting April 1, 2024, large industry will transition to a made-in-B.C. output-based pricing system, which will encourage reduced emissions while allowing for multiple compliance options, including compliance charges, credit-trading, and offsets.
- Industrial operations will continue to have access to the CleanBC Industry Fund, which supports their transition to clean energy solutions. Since 2019, the fund has invested in $215 million back into industry and has reduced nearly nine million tonnes of carbon emissions.

KEY FACTS:

- Advice/Recommentations
-

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

Advice/Recommentations

-

- Businesses consider many factors, including taxation, when determining where to invest. Non-tax factors, such as proximity to markets, access to skilled labour, and infrastructure also play a significant role in influencing decisions and B.C. can leverage its strengths in these areas.
- The following table summarizes the various provincial taxes corporations face across Canada:

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

Table A2 Interprovincial Comparisons of Tax Rates – 2024
(Rates known and in effect as of February 1, 2024)

Tax	British Columbia	Alberta	Saskat-chewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfound-land and Labrador
Corporate income tax (per cent of taxable income)										
General rate	12	8	12	12	11.5	11.5	14	14	16	15
Manufacturing rate [1]	12	8	10	12	10	11.5	14	14	16	15
Small business rate [2]	2	2	1	0	3.2	3.2	2.5	2.5	1	3
Small business threshold ($000s)	500	500	600	500	500	500	500	500	500	500
Corporation capital tax (per cent)										
Financial [3]	*Nil*	*Nil*	0.7/4	6	*1.25*	1.25	4/5	4	5	6
Payroll tax (per cent) [4]	1.95	*Nil*	*Nil*	2.15	1.95	4.26	*Nil*	*Nil*	*Nil*	2
Insurance premium tax (per cent) [5]	2/7	3/4	3/4	2/4	2/3.5	3.3	2/3	3/4	3.75/4	5
Fuel tax (cents per litre) [6]										
Gasoline	28.81	23.31	29.31	14.31	38.88	32.93	44.19	49.00	42.29	41.79
Diesel	31.85	26.38	32.38	17.38	43.96	36.42	56.92	56.31	55.88	51.40
Sales tax (per cent) [7]										
General rate	7	*Nil*	6	7	8	9.975	10	10	10	10
Tobacco tax ($ per carton of 200 cigarettes) [8]	76.62	55.00	67.54	71.27	47.99	37.80	66.25	75.05	75.05	81.60

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POLICY AND LEGISLATION DIVISION
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Tax Competitiveness for Businesses

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- The changes to the regional and distant location tax credits for animation productions has been made to re-instate the original policy intent of these tax credits.
- Advice/Recommentations
-

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

ISSUE: New Approach to Property Taxation on Nisga'a Lands and Treaty Lands

ADVICE AND RECOMMENDED RESPONSE:

- Effective as of the 2025 taxation year, the Province will fully withdraw from property taxation on Nisga'a Lands and Modern Treaty Nations' Treaty Lands and will no longer impose a requirement for property taxation to apply.
- The new legislative framework, which was co-developed with Modern Treaty Nations, will enable Modern Treaty Nations to determine if, or when it is appropriate for property tax to apply on Nisga'a Lands or Treaty Lands as the case may be.
- Modern Treaty Nations will be able to determine when and how to exercise their own assessment and property taxation laws and policies.

KEY FACTS:

- Budget 2024 introduces amendments to the *Treaty First Nation Taxation Act* (which will be renamed the *Treaty First Nation Property Taxation Enabling Act*), the *Nisga'a Final Agreement Act*, and makes consequential amendments to various statutes to enable the new approach to treaty property taxation for the 2025 taxation year.

- The amendments were developed collaboratively with the Modern Treaty Nations, and First Nations who are advanced in the BC treaty negotiations process.
- The new approach to treaty property taxation has negligible, if any, net new cost implications given that the Province already vacates its property tax room on Nisga'a Lands and Treaty Lands (school and rural area tax room).
- Modern Treaty Nations will continue to pay requisitions from applicable provincial service providers (e.g., regional hospital districts, provincial policing). These requisition amounts will continue to be calculated on the same basis as they are now.

CURRENT STATUS:

- The new legislative framework for treaty property taxation for 2025 and beyond will be established if and when the *Budget Measures Implementation Act, 2024* (Bill 3) receives Royal Assent.
- Advice/Recommentations; Intergovernmental Communications

MINISTRY OF FINANCE
POLICY AND LEGISLATION DIVISION
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: New Approach to Property Taxation on Nisga'a Lands and Treaty Lands

Question: Why is the Province making this change?

Answer:

- This change is responsive to First Nations' concerns about the previous approach to property taxation on Treaty Lands, including that it was overly prescriptive, inflexible and did not adequately recognize unique aspects of Modern Treaty Nations' lands and governance.
- Provincial interests have also evolved over time through practical experience in supporting treaty property taxation.
- Given that property taxation can be viewed as operating in the context of a unique attachment to the land, and that it establishes a direct relationship between revenues and local services, the Province's role with respect to property taxation on Treaty Lands can be significantly limited.

- Enabling Modern Treaty Nations to self-determine property taxation on their Treaty Lands is a meaningful demonstration of the Province's commitment to supporting self-determination and treaty self-governance.

Question: What are the impacts of the amendments on the Province's finances?

Answer:

- The proposed amendments to establish the new approach to treaty property taxation has negligible, if any, net new cost implications given that the Province already vacates its property tax room on Nisga'a Lands and Treaty Lands (school and rural area tax room).
- Property tax revenues raised by Treaty First Nations and the Nisga'a Nation on their respective Treaty Lands and Nisga'a Lands have always been Modern Treaty Nation revenues, not provincial revenues.

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POLICY AND LEGISLATION DIVISION
ISSUE NOTE

Question: What changes can non-members living on Treaty Lands or Nisga'a Lands expect?

Answer:

- Experience recognizes that a Modern Treaty Nation property tax system is between the Modern Treaty Nation and their taxpayers.
- Modern Treaty Nations will continue to have the same treaty obligations to consult with non-members on decisions that directly and significantly affect them.
- It is anticipated that Modern Treaty Nations will continue to consider the interests of their non-member taxpayers in any taxation decisions that impact them.
- Under the new approach, non-members, like all other taxpayers, will continue to have access to court oversight and the general protections of administrative fairness, the Charter of Rights and Freedoms. They will also have the protections of a Modern Treaty Nations's treaty obligations to non-members on Treaty Lands.

MINISTRY OF FINANCE
PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT
ISSUE NOTE

ISSUE: Social Services Sector Key Initiatives

ADVICE AND RECOMMENDED RESPONSE:

- There are currently two key initiatives taking place in the Social Services Sector (SSS). These include Temporary Market Adjustments (TMAs) for the Supportive Housing subsector, and establishing a compensation standard for non-union employees, managers, and executives across both unionized and non-union agencies.
  - Community Social Services Employers' Association (CSSEA) is currently negotiating with the British Columbia General Employees' Union (BCGEU) on potential TMAs in the Supportive Housing subsector to address identified pay inequities between Community Health and Community Social Services.
  - The Social Services Sector Compensation Standard (SSSCS) Project aims to develop clear, consistent, and appropriate compensation standards for non-union employees, managers, and executives across both unionized and non-union agencies in the sector. Unlike other sectors, the social services sector does not

currently have an established management/excluded compensation plan.

KEY FACTS:

- Supportive Housing Temporary Market Adjustments (TMAs):
  - Following certification of Atira Women's Resource Society (Atira) on May 29, 2023, the BCGEU lobbied to have Atira designated as a member of the Health Employers Association of British Columbian (HEABC) as the overall compensation rates are typically higher in the health sector.
  - Because most of its funding comes from BC Housing, Government placed Atira in the social services sector as a member of the CSSEA.
  - To address some of the concerns with wage comparability between the social services sector and health sector, Government agreed to negotiate Temporary Market Adjustments (TMAs) to address identified pay inequities.
  - These TMAs will apply to the entire CSSEA supportive housing sub-sector, not just Atira. Going forward, Government expressed its commitment to reduce pay inequities, which can't be addressed entirely by the TMAs.
- The Social Services Sector Compensation Standard (SSSCS):
  - Key deliverables for this project include development of a management job evaluation plan and salary band hierarchy,

as well as a Non-Union Job Evaluation Plan report with estimated costs for narrowing the wage and benefit gap between non-union positions and their union equivalent positions.
  - The intent is to assist provincial funders in assessing appropriate funding for staffing to deliver contracted services; not to impose structure on social services agencies. .
  - Community Social Services Employers' Association (CSSEA) is completing the detailed phases of this work, including research, analysis, and sectoral engagement.
  - An Advisory Group including leaders from diverse social service agencies has been providing industry-perspective feedback and input throughout this process. This group has met 12 times since May 2022.

BACKGROUND:

- As of 2023, the community social services sector employs over 53,000 people across the province – with women representing more than 75% of this workforce.
- The sector is comprised of over 200 unionized agencies and approximately 700 non-union agencies supported by up to 21 different provincial funders. Major funders include Community Living BC (CLBC), Ministry of Children and Family Development

(MCFD), BC Housing, Ministry of Social Development and Poverty Reduction (SDPR), and Public Safety and Solicitor General (PSSG).

- B.C.'s social services sector agencies received $4.05 billion in funding in 2023, of which approximately 70% is provincially funded and 30% is not provincially funded.

QUESTIONS AND ANSWERS

ISSUE: Social Services Sector Key Initiatives

Question: What is a temporary market adjustment?

Answer:

- Temporary market adjustments (TMAs) are a form of add-to-pay to an employee's base salary. TMAs are temporary in nature and designed to attract or retain employees in occupations with skill shortages or to address labour market pressures. TMAs can be found in other public sector collective agreements such as the BCGEU Main Agreement.

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Question: What services are considered part of the Supportive Housing subsector?

Answer:

- Supportive housing is defined as subsidized housing with on-site supports (shelters and housing programs). Supportive housing is distinct from programs such as assisted living, community living, or child and youth residences.

Question: Why is development of a compensation standard necessary for the Social Services Sector?

Answer:

- To make sure that all the different funders provide the right amount of funding for management and excluded compensation, both the agencies and the funders need to be working with the same underlying compensation information. It simply comes down to trying to answer the question "what's appropriate pay for managers in the social service sector?"

- Unlike other sectors, the social services sector does not currently have established compensation guidelines for management or non-union staff. The intent of the SSSCS is to assist provincial funders in assessing appropriate funding for staffing to deliver contracted services rather than impose a compensation structure on agencies.

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ISSUE: 2022/23 Executive Compensation Disclosure

ADVICE AND RECOMMENDED RESPONSE:

- Last August marked the 16th 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 2022/23.
- 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,

pensions, benefits, merit-based pay or holdbacks, and an explanation of the compensation paid.

KEY FACTS:

- On August 30, 2023, as per the requirement under the *Public Sector Employers Act* (*the Act*), government disclosed the 2022/23 executive compensation for 63 of the provincial public sector's 123 employers, including the Public Service, Crown corporations, post-secondary institutions, research universities, and health authorities. The 60 K-12 school districts disclosed in December 2023 in keeping with that sector's June 30 fiscal year end in that sector.
- 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 the same was extended to other public sector employers. For those employers who decided to eliminate their executive holdbacks – where this made sense for the organization – the average of what was paid as the holdback to each executive was folded into base salary.
- Of the 63 employers disclosing executive compensation this year that formerly had holdback structures, the two that have opted to retain them as merit-based incentive pay are BC Hydro (Powerex/Powertech) and Royal Roads University.

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BACKGROUND:

- The Province continues to make 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.
- B.C. is a national leader in annual reporting of total compensation for executives.
- The disclosure includes base pay, details about pension contributions, benefits, vacation payouts and any holdbacks or bonuses, any and all allowances, and – importantly – it also includes an explanation of the compensation paid to executives so the average person can understand what these employees are paid.
- The disclosure is designed to provide accessible, understandable information to British Columbians on compensation paid by public sector employers.
- 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 for the Public Sector Employers Act.
- The PSEC Secretariat analyzes the data and coordinates the broad disclosure each year. Disclosure is timed to coincide with the release of Public Accounts.

- Executive compensation disclosure under the *Public Sector Employers Act* and the *Financial Information Act* each call for different information, which is summarized below:

Financial Information Act

- All employees, not just executives, earning more than $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.
- Total compensation - benefits, perquisites, allowances, pension, severances, salary continuance and any other payments, including the very few employers that still have holdback or incentive pay.

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QUESTIONS AND ANSWERS

ISSUE: 2022/23 Executive Compensation Disclosure

Question: Which employer was number one in the top 10 for 2022/23, 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 for an employee in the B.C. public sector.
- In 2022/23, Powerex president and CEO Thomas Bechard earned total compensation of $1.30 million. His base salary was $387,504. He received a bonus of $561,599 and 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 Head Trader. Normally, these would be two separate executive roles within Powerex.
- There is ongoing risk of Mr. Bechard being hired away by another employer due to his unique skillset.

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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 for 2022/23?

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.
- For those employers who decided to eliminate their executive holdbacks, the average of what was paid as the holdback to each executive was folded into their base salary.
- Of the 63 employers disclosed this past August, only two organizations retain a holdback structure and incentive pay: BC Hydro (Powerex/Powertech) and Royal Roads University, respectively.

Question: Were there any other notable changes in this disclosure?

Answer:

- The total amount of compensation earned by all executives increased by 9.4% compared to the previous year.
- For the top 10 executives disclosed, this fiscal year shows a 2.6% decrease in total base salary paid, but there was also a 16.2% increase in total compensation compared to last year's top 10.
- The overall 16.2% increase in total compensation is largely attributable to the category of "other" compensation, which includes one-time severance payments and a sizeable vacation payout for one retiring executive.

Question: How can you justify such high executive salaries when so many people are struggling with affordability and the cost of living in this province?

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 ensure our services are sustainable, and are fair and reasonable recognizing that retaining and

recruiting employees at the executive level is currently challenging across the province and Canada generally.
- 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 to minimize competition and pay disparities.
- Annual executive compensation disclosure has been around for 16 years and is the most transparent and comprehensive executive compensation disclosure of any jurisdiction in Canada, and possibly North America.

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.

Question: Do you anticipate increasing compensation for executives?

Answer:

- For 2024/25, public sector executives may receive performance-based increase within approved ranges in accordance with Government's excluded and executive compensation policies.
- These policies permit public sector management and most Vice President positions to receive a performance-based increase of up to 10% in a calendar year.
- For CEOs and Vice Presidents of health authorities, research universities, and large self-funded Crowns (including BC Hydro, ICBC, BC Lottery Corporation and WorkSafeBC), performance-based increases of up to 3% are permitted for 2024/25.
- Increases beyond this amount require approval from the Minister responsible for the *Public Sector Employers Act.*

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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 with the need to allocate resources in the most efficient and effective way – subject to Government's policies.
- As the Minister responsible, I approve those arrangements under the provisions of the *Public Sector Employers Act*.

Question: Can you comment further on Lori Wanamaker receiving over $1 million in severance and other payouts?

Answer:

- Severances in the public sector are determined by the Employment Termination Standards Regulation which sets 18 months as the maximum severance in lieu of notice for excluded employees.
- Ms. Wanamaker worked for more than 30 years in the BC Public Service and received the maximum 18 months which calculated out to $591K. She also received payouts for 95 unused vacation days, including 40 days for 2023 vacation,

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14 days for 2022 vacation and 41 days of prior vacation banks that precede Bill 66.

Question: Why is Geoff Meggs compensation so high in this fiscal year of the disclosure?

Answer:

- Former Chief of Staff, Geoffrey Meggs has seemingly higher total compensation due to a termination effective November 20, 2022 during the transition of the Premier's Office.
- As a result of the termination, a lump sum severance payment equal to 18 months salary ($399,784) was paid out in addition to a total of 31 days of banked vacation time ($26,083).

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ISSUE: Provincial Labour Relations & 2022 Shared Recovery Mandate

ADVICE AND RECOMMENDED RESPONSE:

- More than 400,000 people in B.C. are covered by tentative and ratified agreements settled under the Shared Recovery Mandate – which is about 99% of unionized employees in the provincial public sector.
- There are still a few 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.
- The 2024/25 fiscal year is the last of a three-year mandate that has given the Province's unionized public sector workers an average 13.75% raise through wages and cost-of-living increases.
- Negotiations under the Shared Recovery Mandate support government's key priorities to improve the health-care system and protect public services, while supporting the Province's continued economic recovery.

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KEY FACTS:

- The negotiations under the 2022 Shared Recovery Mandate have been underway at several tables since February 2022.
- There are more than 520,000 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 404,000 are unionized employees paid under collective agreements or professionals paid through negotiated compensation agreements.
- The government and provincial public sector employers spend about $43.8 billion annually on compensation or equivalent to roughly half of the Province's budget.
- An increase of 1% in total compensation for all B.C. public sector employees is estimated to cost $438 million – and for unions and other negotiated agreements, a 1% increase would cost $351 million.
- The next wage mandate is set to begin in 2025 for all public sector employers with unionized employees whose collective agreements expire on or after December 31, 2024.

*These data are as of April 2023.

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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 about 99% of the people who work in heath 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.
- As of March 13th, 2024, there are 7 tables still outstanding under the Shared Recovery Mandate.
- Outstanding agreements include:
    1. BC Housing & BCGEU-Administrative/Clerical Division (623 headcount)

2. BC Housing & BCGEU-Maintenance/Service Division (141 headcount)
3. BC Transit & CUPE Local 4500 (23 headcount)
4. BC Pavilion Corporation & BCGEU (449 headcount)
5. BC Public Service Agency & BC Nurses' Union (104 headcount)
6. Public Service & BC Crown Counsel Association (551 headcount)
7. Ministry of Health & Osteopathy BC (5 headcount)

Question: Has there been any change to the headcount and compensation base data since 2023?

Answer:

- The PSEC Secretariat works with employers to update the compensation base on an annual basis. That work for the 2024 forecast is underway and will likely conclude in the coming months.

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Question: In all likelihood, the public sector is probably getting larger – how can this be sustainable for the province's fiscal plan?

Answer:

- We have a growing province. 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 2024, 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 also take care of the workers by increasing capacity to manage workload – and that means hiring more people.
- We're adding more than $2 billion through Budget 2024 to support people's access to the full range of health services, including primary and acute care, long-term care, assisted living, home care, and mental-health and substance-use care, and recruitment and retention of health-care professionals.

- The simple answer is we that can't afford not to increase the public sector and we consider the costs of that investment to be sustainable through the continued prudent management of our fiscal plan.

Question: What is the scope of the B.C. public sector?

Answer:

- There are more than 520,000 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 404,000 are unionized employees paid under collective agreements or professionals paid through negotiated compensation agreements.

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Question: How many agreements under the 2022 Shared Recovery Mandate have been settled?

Answer:

- There are 183 collective agreements that mostly expired on March 31, 2022 and some in the K-12 sector on June 30, 2022. Of the 183 agreements, all in K-12 public education and community social services, as well as most in Post-Secondary Institutions, the Public Service, and the health sector have been ratified. The outstanding tables are mainly at the Crown corporations and a few Public Service agreements.

Question: What have the key priorities for this round been?

Answer:

- Protecting the services people depend on. Improving health care and preparing for future challenges. Supporting a strong economic recovery that includes everyone.

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Question: What are the wage costs of the Shared Recovery Mandate in Budget 2024?

Answer:

- The 2022 Shared Recovery Mandate is estimated to cost $10.8 billion over the mandate term (2022/23 – 2024/25) with annual ongoing cost of $5.4 billion.
- Budget 2024 provides $7.4 billion in base budget funding to support ratified agreements under the wage mandate. This funding was previously budgeted for in contingencies. There is additional contingencies funding for pending agreements and potential cost of living adjustments for the 2024/25 year.

Question: Advice/Recommentations

Advice/Recommentations

Answer:

- Advice/Recommentations

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Question: Has government started planning the 2025 Mandate?

Answer:

- The next bargaining mandate has not yet been determined. The PSEC Secretariat is engaged in the preliminary planning stages for the 2025 Bargaining Mandate. Most collective agreements will expire on March 31, 2025 while the K-12 sector will have agreements expire on June 30, 2025.

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- Advice/Recommentations

Contact:	Robert Pauliszyn / ADM	**Phone:**	Government
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ISSUE: 2023 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 provincial public sector since payrolls and personnel numbers change every day – the one currently in use is the forecast for fiscal 2023/24 as of April 2023.
- The 2023 Forecast sets the point-in-time details such as bargaining unit headcount, full-time equivalents, and related compensation data.
- The forecast incorporates the effects of wage increases that negotiated under the 2022 Shared Recovery Mandate (SRM) for Year 1 and most organization's Year 2 increases with the exception of agreements in K-12, as well as at a number of

research universities and at several post-secondary institutions which don't receive increases until July 1, 2024.

- A 2024 forecast will be finalized in the coming months and this will include all known compensation increases as a result of bargaining.
- As of the April 2023 forecast, there were just over 520,000 people working throughout the provincial public sector – approximately 404,000 (78%) are unionized employees paid under collective agreements or professionals paid through negotiated compensation agreements.
- Total compensation in B.C.'s public sector was forecast at $43.8 billion as of April 2023 which is equivalent to roughly half of the Province's annual budget.
- A 1% increase in total compensation for all B.C. public sector employees is estimated to cost approximately $438 million.
- For unionized employees and others with negotiated agreements, a 1% increase would cost approximately $351 million.

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KEY FACTS:

- The compensation base forecast is an annual assessment of the size, composition and total compensation provided to major employee groups.
- The PSEC Secretariat's compensation base survey is sent to major public sector employers to collect information regarding employee compensation. Based on the data received in the fall of 2022, the Secretariat then forecasts the size of the upcoming 2023/24 compensation base.
- The forecast assesses the compensation base for the full fiscal year (e.g. 2023/24) based on known increases and growth assumptions at the start (April 1) of that fiscal year.
- This data has been used to inform the 2024 Budget.

Report Highlights on Compensation from 2022 to 2023:

Total compensation across all sectors increased by approximately $1.6 billion compared to the April 2022 Annual Forecast – a 4.5% increase. 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 planned hiring for government initiatives and repatriation of facilities employees, which resulted in an additional $548 million (+2.9%) in compensation costs.

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- **K-12 Public Education:** the sector increased by more than $510 million (+8.7%) 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 $149 million (+8.7%) 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 more than $155 million (+5.7%) since the 2022 forecast, largely due to new and continuing construction project across the province (BCIB & TIC), as well as BC Housing's supportive housing projects.

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 2023 fiscal year, in addition to a further 1,500 employees added due to the Health Careers Access Program (HCAP).
- **K-12 Public Education**: There was an increase of about 1,600 teachers from approximately 48,800 to 50,420 since the previous period, while support staff also increased by roughly 1,600 from approximately 40,000 to 41,649 as schools continue to require

additional staff to adhere with enhanced cleaning requirements in response to the pandemic.

- **Public Service**: The public service headcount increased by approximately 1,200 – or from a total of 39,500 to 40,700. 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 improve services for British Columbians, for instance in Community Social Services (+3,000), at research universities (+1,700) and in the Crown Corporations sectors (+450).

QUESTIONS AND ANSWERS

ISSUE: 2023 B.C. Public Sector Compensation Data Forecast – with headcount details

Question: In all likelihood, the public sector is probably getting larger – how can this be sustainable for the province's fiscal plan?

Answer:

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- We have a growing province. 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.
- As we outlined in Budget 2024, 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 also take care of the workers by increasing capacity to manage workload – and that means hiring more people.
- We're adding more than $2 billion through Budget 2024 to support people's access to the full range of health services, including primary and acute care, long-term care, assisted living, home care, and mental-health and substance-use care, and recruitment and retention of health-care professionals.
- The simple answer is we that can't afford not to increase the public sector and we consider the costs of that investment to be sustainable through the continued prudent management of our fiscal plan.

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ISSUE: Provincial Public Sector Excluded 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 to people in B.C.
- Overall, excluded management salaries have increased consistent with the general wage increases negotiated under the Province's Shared Recovery Mandate.
- As a general approach, government's direction aims to avoid creating salary compression or inversion between management and unionized workers in the provincial public sector.
- For unionized workers, the base wage rates and increment steps are adjusted to reflect the negotiated increases consistent with the mandate. These workers get increment step increases based on time spent in their positions.

- The approach to management increases is different. Managers are typically paid within approved salary ranges with minimum and maximum boundaries.
- Generally, those salary ranges are adjusted or "aged" to reflect the general wage increases negotiated under the Province's bargaining mandate for unionized employees.
- Movement within ranges is based on performance rather than pre-defined steps or time spent in a position.
- 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), current policy direction permits performance-based, in-range increases where:

  - Any increase of 5%-10% must be reported to the PSEC Secretariat annually
  - Any increase in excess of 10% needs approval from the PSEC Secretariat
- CEOs and Vice Presidents of health authorities, research universities, and large self-funded Crowns (BC Hydro, ICBC, BC Lottery Corporation and WorkSafeBC) are more restricted. These executive positions are limited to the same increase as the general wage increase for unionized employees.
- CEOs and restricted VPs are limited to up to 6.75% in 2023/24 and up to 3% in 2024/25.
- Increases beyond this amount require approval from the Minister responsible for the *Public Sector Employers Act.*

BACKGROUND:

- From 2016 to September 2018, employers in the broader provincial public sector were limited to increases of up to 2% 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% increase until 2019.
- Effective September 1, 2018, public sector employers were given additional flexibility to implement salary increases within the bounds of their approved compensation plans.

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QUESTIONS AND ANSWERS

ISSUE: Public Sector Excluded Compensation

Question: Do excluded management automatically get the same increases that unionized employees got 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 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.
- As the Shared Recovery Mandate provided average general wage increases for unionized staff of approximately 4% in fiscal 2022/23 and 6.75% in 2023/24, public sector employers were permitted to 'age' salary ranges by 4% in 2022 and 6.75% in 2023, including executive level salary ranges.

- Effective April 1, 2024, public sector employers are permitted to 'age' salary ranges by up to 3%. This reflects the Shared Recovery Mandate's third year, where all rates of pay increased by a 3% GWI.
- These management increases help to prevent compression and inversion with unionized staff while also recognizing performance as a vital contribution to service delivery.

Question: Do executives also get the same increases as the unionized workers?

Answer:
- In alignment with the performance reviews, public sector Boards were permitted to provide performance-based increases of up to 4% in 2022/23 and up to 6.75% in 2023/24 for Presidents and CEOs.
- In 2024/25, Boards will be permitted to provide performance-based increases of up to 3%.
- Presidents and CEOs were previously limited to in-range, performance-based increases of up to 2% after being subject to a salary freeze from 2012 to 2016, with some CEO salaries remaining frozen until 2019.

- Vice Presidents of health authorities, research universities and large self-funded Crowns will be eligible for performance-based increases of 3% in 2024/25.

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 provincial public sector employers, including government-funded Crown corporations, we can confirm that funding was provided to support average management increases of 4% in 2022/23 and 6.75% in 2023/24, and similar funding will be provided for 3% increases in 2024/25.

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Question: Will excluded management employees automatically get the next unionized increase of up to 3% now that the Year 3 COLA has been confirmed?

Answer:

- While government has approved the 'aging' of salary ranges up to 3% in 2024 for excluded employees to avoid compression and inversion between excluded management and unionized staff, this does not mean all excluded employees will automatically receive an increase of 3%
- Any salary increases provided to excluded employees will continue to be based on performance.

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ISSUE: Public Sector Pension Plans

ADVICE AND RECOMMENDED RESPONSE:

- British Columbia's four jointly trusteed public sector pension plans (College, Teachers, Municipal, and the Public Service) represent more than 700,000 members and invest approximately $157 billion in assets on behalf of their beneficiaries.
- Based on the requirements of Joint Trust Agreements between pension plan partners, each plan is managed by a Boards of Trustees that ensures obligations and benefits are shared between plan members and employers.
- These plans continue to be financially secure, with funded ratios ranging between 103% (College) and 113% (Public Service).
- Lifetime pension benefits are pre-funded through regular member and employer contributions and investment returns on pooled assets, ensuring inter-generational equity. This model means that these plans are not a drain on taxpayers.

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- These plans are not 'gold-plated' — the average pension in 2022 was between \$21K/year (for members of the Public Service Pension Plan) to \$33K/year (for members of the Teachers' Pension Plan).
- Pension fund investments are managed by British Columbia Investment Management Corporation (BCI).
- As reported in the most recent annual reports published by each plan, in 2022 the 1-year, 5-year and 10-year annualized investment returns continued to exceed performance benchmarks.
- In addition, the long-term investment returns continue to be above the return objectives for each plan.

	College (as at Aug 31, 2022)	Teachers' (as at Dec 31, 2022)	Municipal (as at Dec 31, 2022)	Public Service (as at March 31, 2023)
10 Yr annualized Returns	**8.7%**	**8.6%**	**8.5%**	**8.9%**
10 Yr benchmark	7.3%	7.3%	7.1%	7.1%
5 Yr annualized Returns	**7.6%**	**6.7%**	**6.7%**	**7.5%**
5 Yr benchmark	5.9%	5.2%	5.2%	6.2%
5 Yr Return Objective	6.0%	5.75%	6.25%	6.0%
1 Yr Return	**(-2.0%)**	**(-3.4%)**	**(-3.5%)**	**3.8%**
1 Yr benchmark	(-7.3%)	(-5.9%)	(-5.9%)	2.8%

- Strong, long-term 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 equitable to all members, 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

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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 plans across Canada are making fall in line with how B.C. already manages its public sector pensions.

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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 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. The plans' investment manager, BCI, manages risk effectively to mitigate losses when market downturns occur.

- Investment-related decisions are made by each plan board and their agent, BCI, independent 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 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 2022, the one, five and 10-year annualized investment returns exceeded performance benchmarks.
- In addition, the long-term investment returns continue to be above the return objectives for each plan.

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	College (as at Aug 31, 2022)	Teachers' (as at Dec 31, 2022)	Municipal (as at Dec 31, 2022)	Public Service (as at March 31, 2023)
10 Yr annualized Returns	**8.7%**	**8.6%**	**8.5%**	**8.9%**
10 Yr benchmark	7.3%	7.3%	7.1%	7.1%
5 Yr annualized Returns	**7.6%**	**6.7%**	**6.7%**	**7.5%**
5 Yr benchmark	5.9%	5.2%	5.2%	6.2%
Long-term Return Objectives	6.0%	5.75%	6.25%	6.0%
1 Yr Return	**(-2.0%)**	**(-3.4%)**	**(-3.5%)**	**3.8%**
1 Yr benchmark	(-7.3%)	(-5.9%)	(-5.9%)	2.8%

- 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.

Question: 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

each plan's inflation adjustment account and changes to the Consumer Price Index.

- Effective January 1, 2024, each of the four public sector pension plans granted a cost-of-living adjustment, or COLA, to pensions in pay equal that matched inflation.
    - For the Municipal Pension Plan and Teachers' Pension Plan, which calculates the COLA increase based on the difference between the CPI in September 2022 and September 2023, the increase was 3.8%.
    - For the Public Service and College Pension Plans, which calculates COLA based on the percentage change in the 12-month CPI average, this increase was 4.4%.
- The pension boards of trustees continue to monitor the ongoing sustainability of inflation protection into the future.

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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 past decade, the plan 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. These plan design changes were developed to address imbalances 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.
    - 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.

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Question: The climate crisis is worsening and despite this B.C.'s public pension plans continue to invest in carbon-intensive industries, putting plan investments and the future of our planet at risk. How is this justified?

Answer:

- 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 decisions that are in the best financial interest of all their members.

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ISSUE: 2024/2025 Borrowing Plan

ADVICE AND RECOMMENDED RESPONSE:

- The forecasted gross borrowing requirement for the Province is estimated to be $24 billion for fiscal year 2024/2025 and larger than last year's requirement of about $20 billion.
- The Province will largely rely on the domestic public market for its debt requirements during 2024/2025. International markets will be closely monitored for opportunities to diversify borrowing sources and realize debt service cost savings for taxpayers. US and European borrowing opportunities will be monitored, as well as smaller regional markets.
- The Province will 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 government and its Crown agencies. The strategy, once reviewed by the Province's Risk Committee, is approved by the Deputy Minister of Finance and monitored quarterly by the Risk Committee. (The Risk Committee is comprised of external members with strong financial market expertise and they advise the Province on risk policy and management).

BACKGROUND:

- The forecast borrowing requirement in 2024/2025 of $24B is above last year's Budget requirement of $ 20B, largely due to increases in the operating deficit and capital spending needs.
- Challenging market conditions continue for current and upcoming fiscal years as markets face inflation, interest rate volatility, 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.

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- 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 in response to investor demand and/or if the interest rate environment remains higher for longer. These opportunities will likely arise most readily in the international markets.
- Based on the Budget estimate, the Province is forecast to borrow ~$24B. The core requirements identified for fixed-rate long term bonds is about $18B based on information as of March 2024 using a 75%/25% split between long-term and short-term financing.
- For reference, Appendix A provides interest rate assumptions used in Budget 2024.
- International markets offer effective diversification of the Province's borrowing sources and a competitive alternative to the domestic market; the Province only borrows in foreign currencies if it can hedge the financing at a competitive cost to its domestic alternative.
- The US dollar global and Euro markets present opportunities to also borrow in far greater amounts (upwards of C$ 2B equivalent or more at a time versus a typical $500M domestic bond) .

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Appendix A - Preliminary Interest Rate Assumptions

Interest and Exchange Rate Forecasts - January 05, 2024						
Confidential						
Fiscal Year Ending March 31		F 2023/24	F 2024/25	F 2025/26	F 2026/27	F 2027/28
Short-term Interest Rates						
Canada	3 month T-Bill (1)	4.93%	4.02%	2.85%	2.75%	2.75%
	Credit Spread (2)	0.04%	0.04%	0.04%	0.04%	0.04%
	All-in Rates	**4.97%**	**4.06%**	**2.89%**	**2.79%**	**2.79%**
US	3 month T-Bill (1)	5.42%	4.60%	3.28%	2.81%	2.75%
	Credit Spread (2)	0.20%	0.20%	0.20%	0.20%	0.20%
	All-in Rates	**5.62%**	**4.80%**	**3.48%**	**3.01%**	**2.95%**
Long-term Interest Rates						
Canada	Gov't Treasury Bond (10yr) (1)	3.41%	3.20%	3.08%	3.10%	3.10%
	Credit Spread (2)	0.75%	0.75%	0.75%	0.75%	0.75%
	Issuance Costs and Fiscal Fees (2)	0.07%	0.07%	0.07%	0.07%	0.07%
	All-in Rates	**4.23%**	**4.02%**	**3.90%**	**3.92%**	**3.92%**
	Gov't 30 year Bond (1)	3.29%	3.23%	3.19%	3.21%	3.21%
	Credit Spread (2)	1.00%	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	**4.33%**	**4.27%**	**4.23%**	**4.25%**	**4.25%**
US	Long Term Bond (10yr) (1)	4.06%	3.91%	3.63%	3.50%	3.50%
	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	**4.68%**	**4.53%**	**4.25%**	**4.12%**	**4.12%**
US$ Exchange Rates						
CAD/USD (1)		1.3492	1.3514	1.2886	1.2712	1.2675
USD/CAD (1)		0.7412	0.7400	0.7760	0.7867	0.7889
Notes:						
(1) FX Rate, 3 month T-Bill and Long Term Bond as per BC Treasury Board Staff January 05, 2024 assumptions.						
(2) Credit spreads, issuance costs and fiscal fees confirmed by Provincial Treasury on December 07, 2023.						

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File Name: 01_MO_PT_2023-24 Borrowing Plan

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ISSUE: *BUDGET 2024* PROVINCIAL DEBT QUESTIONS AND ANSWERS

- *Budget 2024* forecasts total provincial debt to grow by $61.2 billion over the three-year fiscal plan period.
- This growth in debt is required to fund operating deficits and capital investments over the plan period.
- Advice/Recommendations; Government Financial Information

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Division:	Provincial Treasury	**Page:**	1 of 12
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QUESTIONS AND ANSWERS

ISSUE: *BUDGET 2024* PROVINCIAL DEBT QUESTIONS AND ANSWERS

Question: Budget 2024 forecasts total provincial debt to grow by $61.2 billion over the fiscal plan period. What is driving this increase in total provincial debt?

Answer:

- Government requires increased borrowing to finance the operating and capital investment needs of the province.
- The taxpayer-supported debt is forecast at $126.5 billion by 2026/27, an increase of $54.6 billion from 2023/24.
- Self-supported debt is forecast at $38.5 billion over the same period, an increase of $6.6 billion from 2023/24.
- *Budget 2024* removes the forecast allowance for all years in the fiscal plan period.
- Government's operating debt will grow to $21.9 billion by the end of 2026/27. This debt is needed to finance the

deficits resulting from important spending programs offered in support of British Columbians.

- A significant majority (72 per cent) of the debt growth over the fiscal plan period is in relation to government's capital investments, with $37.3 billion forecast to fund taxpayer-supported infrastructure (much of this in the transportation sector), and $6.6 billion for self-supported investments, mainly in relation to improving and expanding BC Hydro's power generation assets.

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Question: How does Budget 2024'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 (TS) debt-to-revenue grows from 95.1% forecast for 2023/24 to 151.2% by end of the fiscal plan period. This metric shows that the province's debt burden rises during the plan period.
- The forecast is an improvement from 2022/23 to 2024/25 fiscal years compared to *Budget 2023* due to the lower forecast debt balance forecast in 2023/24 as well as an improved revenue forecast.
- However, debt to revenue exceeds the *Budget 2023* by the end of the fiscal plan period due to the growth in debt balances:

T-S DEBT AS A PERCENT OF T-S REVENUE					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Budget 2024	74.3	95.1	111.8	136.2	151.2
Budget 2023	78.7	100.1	114.8	124.9	n/a
(Improvement) / detriment	(4.4)	(5.0)	(3.0)	11.3	

Taxpayer-supported Debt to GDP

- Taxpayer-supported debt to GDP ratio follows a similar trend, showing the debt burden rising during the plan: the ratio is forecast marginally lower than *Budget 2023* track from 2022/23 to 2024/25 due to lower debt levels in early years and improved growth in GDP, but then is higher by the plan period's end:

T-S DEBT AS A PERCENT OF GDP					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Budget 2024	15.5	17.6	21.0	24.8	27.5
Budget 2023	16.4	18.9	21.3	23.0	n/a
(Improvement) / detriment	(0.9)	(1.3)	(0.3)	1.8	-

- We are waiting for the other provinces to release their budgets. We expect BC's debt burden to be among the three lowest provinces.

Taxpayer-supported interest bite

- Taxpayer-supported interest bite increases over the *Budget 2024* fiscal plan period, and is marginally higher than the *Budget 2023* forecast due to increased interest rates. The ratio shows that debt is expected to be less affordable over the fiscal plan period:

T-S Interest bite – debt service cost per dollar of revenue					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Budget 2024	2.5	3.2	3.8	4.6	5.4
Budget 2023	2.4	2.9	3.5	3.9	n/a
(Improvement) / detriment	0.1	0.3	0.3	0.7	

- We still expect the province's debt to be one of the most affordable among provinces (e.g., about half that of Ontario).

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Question: What does Budget 2024's higher debt forecast mean for government's debt service costs compared to Budget 2023?

Answer:

- *Budget 2024* debt servicing costs are growing over the fiscal plan period because of growing debt levels:

Debt Servicing Costs (net of sinking fund recoveries)
($ millions)

	Budget 2023 2023/24	**Updated Forecast** 2023/24	**Budget Estimate** 2024/25	**Plan** 2025/26	**Plan** 2026/27
Management of Public Funds & Debt	1,309	1,586	1,976	2,470	3,021

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Division: Provincial Treasury
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- The costs of borrowing for the Province have grown from *Budget 2023*:

Change in Debt Servicing Costs from *Budget 2023*
($ millions)

	2023/24	**2024/25**	**2025/26**
Budget 2023	1,309	1,593	1,865
Budget 2024	1,586	1,976	2,470
Change	**277**	**383**	**605**

- Increased borrowing costs over the fiscal plan period are driven by three main factors compared to *Budget 2023*:

    1. Higher interest rates for both long term and short term debt,
    2. Higher borrowing requirements in relation to program and capital spending, and
    3. Adjustment to capture carry foward impacts of debt financing 2022/23 year-end Supplementary Estimates spending.

- A more detailed breakdown is provided next:

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Detailed changes in Debt Servicing Costs from *Budget 2023*
($ millions)

	2023/24	**2024/25**	**2025/26**
Budget 2024 Borrowing Requirements		102	321
Interest Rate Change	23	66	93
Higher Borrowing In-Year	115	32	52
Impact of Statutory Spending in FY23	62	123	123
Changes in Short-Term Borrowing	71	44	7
Central Deposit Program	6	12	12
Swap, Amortizations, & Transaction Costs	0	4	-3
Total changes	**277**	**383**	**605**

- Short-term rates are currently more costly than long-term rates. Government's borrowing strategy will continue to use short-term debt to meet funding requirements, while strategically managing refinancing risk. Short-term debt provides us with an opportunity to lock in longer-term debt in the future as rates are expected to fall.

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Question: How sensitive are debt servicing costs to changes in interest rates?

Answer:

- A one per cent change in interest rates would have an estimated full year impact on taxpayer-supported debt interest costs of $174 million.
- This increase consists of $89 million pertaining to debt held directly by the province, and $85 million pertaining to debt held by taxpayer-supported crowns and agencies.

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Question: How sensitive are debt affordability metrics to various factors?

Answer:

- The debt affordability metrics can be highly sensitive to changes in debt, revenue, and GDP.
- An increase of $100 million to taxpayer-supported debt would result in:
    - + 0.13 increase to T-S Debt-to-Revenue ratio, and
    - + 0.02 to T-S Debt-to-GDP ratio
- Additional amount of debt required to change the ratios by 0.1%:
    - $76 million for T-S Debt-to-Revenue, and
    - $400 million for T-S Debt-to-GDP

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Question: Does the province have any unhedged foreign exchange exposure? How will an increase in the Canadian dollar affect this exposure?

Answer:

- As at December 31, 2023, the Province held the CAD equivalent of $26 billion in foreign denominated debt, primarily in US dollars and Euros. Total debt outstanding was CAD $99 billion.
- Virtually all of the foreign denominated debt is hedged through derivatives contracts which have converted the foreign liabilities into Canadian dollar obligations.
- The remaining unhedged US dollar debt of $227 million (CAD $307 million equivalent) is held by BC Hydro, which is hedged naturally by Hydro's US dollar electricity export sales.

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ISSUE NOTE (UPDATED APRIL 29)

ISSUE: Credit Rating Status and Debt Servicing Cost Impact

ADVICE AND RECOMMENDED RESPONSE:

- The province has attained the highest credit rating assigned by Moody's (Aaa), and the second highest rating assigned by Morningstar DBRS (DBRS) and Fitch. Among the provinces, BC is the only one with a Aaa rating from Moody's.
- The current strong credit ratings translate into lower debt service costs which enable the province to invest 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 negative outlook – April 2024
  - Fitch: AA+ with a stable outlook – March 2024
  - DBRS: AA (high) with a stable outlook – April 2024
  - S&P: AA- with a negative outlook – April 2024
- 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, BC is the only province rated Aaa with Moody's. Maintaining disciplined fiscal management, and relatively low debt burden as measured by debt-to-GDP and debt-to-revenue, and affordable debt as measured by the interest bite ratio are key to BC's strong credit rating; interest bite ratio refers to taxpayer-supported debt service costs as a percentage of taxpayer-supported revenue.

Moody's:

- On April 9, 2024, Moody's published a press release in which they changed the Province of BC outlook to negative (from stable) while affirming its Aaa credit rating. The negative outlook "reflects risk to the province's ability to slow a significant projected increase in debt amid rising spending commitments and its lack of commitment to return to fiscal balance within a specified time period."
- On February 23, 2024, Moody's published an Issuer Comment on Budget 2024. They stated, "The budget projects significant deficits over the next three years averaging 8.8% of revenue", and acknowledge the increase in capital spending, resulting in their projections "…that debt will rise significantly to approach 150% of revenue by 2026-27 to fund both operating and capital needs. These developments are credit negative because they lead to an erosion in

the province's fiscal strengths and debt affordability, although the province continues to budget using significant contingencies to the projections, which provide a level of shock-absorption capacity."

Fitch:

- In follow-up to their March 15, 2024 rating action commentary, on March 29, 2024, Fitch published a full rating report on the Province of British Columbia.
- On March 15, 2024, Fitch published a rating action commentary on the Province, in which they affirmed the Province's AA+ rating and stable outlook. Fitch commented "The affirmation under [their] International Local and Regional Governments Rating Criteria reflects our expectation that, following near-term economic weakness, economic and revenue performance will strengthen over the medium-term, with fiscal performance modestly exceeding projections assumed in Budget 2024 despite notable erosion of debt metrics from fiscal 2023 actual levels. British Columbia remains solidly positioned for long-term growth despite challenges from service demands, infrastructure needs and the housing market reset."

DBRS:

- On April 30, 2024, DBRS published a press release on the Province in which they confirmed the Province's AA (high) credit rating and Stable outlook. DBRS states, "The rating confirmations reflect the underlying strength and diversity of the Province's economy and its disciplined management practices and a strong balance sheet." And, "A negative rating action could result from a sustained deterioration in operating results and material increase in the debt-to-GDP ratio beyond current expectations."

- On February 23, 2024, DBRS published a budget commentary on Budget 2024. Part of its opinion stated, "The budget plans for substantial increases in spending on priority areas, higher deficits, and a larger borrowing program. We expect this to result in reduced flexibility over the years to come. However, the Province's historically prudent fiscal approach, consistent track record of outperformance, and strong balance sheet continue to lend stability to its credit profile". Further, "Contrary to prior expectations at the time of our last review in May 2023, British Columbia's debt outlook has deteriorated. The debt burden is expected to rise substantially as spending ramps up for budget-related investments."

S&P:

- On April 8, 2024, S&P published a report in which they downgraded the Province of BC to AA- (from AA), and retained the negative outlook. "With the continued impact of macroeconomic headwinds on the cost of living, BC has maintained focus on taxpayer affordability. At the same time, with robust population growth, the province is investing in infrastructure at unprecedented levels. While other provinces are contending with similar issues in their recent budget announcements, the size and persistence of material after-capital deficits differentiate BC from its peers."

- On December 5, 2023, following the release of the Public Accounts and subsequent First Quarterly Report, S&P published a research report on the Province. The downside scenario, S&P stated, "…could lower the ratings in the next two years if BC sustains after-capital deficits greater than 10% of total revenues, reflecting its limited use of fiscal flexibility." The upside scenario, "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 us to revise our outlook to stable."

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.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE (UPDATED APRIL 29)

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 costs:

- BCs strong credit rating saves the province from paying higher annual debt service costs. Higher credit ratings are considered to represent a lower risk of default which results in BC being able to borrow at lower interest costs compared to other provinces.
- After the April 8, 2024 ratings downgrade from S&P, BC indicative domestic borrowing costs have increased roughly 3 bps relative to the Province of Ontario. Based on the province's 2024/25 borrowing requirement of $24 billion, the extra interest would be about $7.2 million per year or $72 million over the 10-year average term of the province's borrowing.

QUESTIONS AND ANSWERS

ISSUE: Credit Rating Status and Debt Servicing Cost Impact

Question: You refer to the province's "taxpayer-supported debt" being among the lowest in the country. How do you define "taxpayer-supported" debt and what is the significance of this measure of debt versus total debt? Do the credit rating agencies view debt in the same way?

Answer: Credit rating agencies and other analysts of government finances make a distinction between debt that is taxpayer-supported and debt that is incurred by provincial Crown corporations and agencies that are self-supporting. Taxpayer-supported debt includes direct debt incurred for government operations and capital financing purposes, and debt of government agencies that require an operating or debt service subsidy from the provincial government. In contrast, self-supporting Crown corporations and agencies such as BC Hydro generate sufficient revenues to at least cover operating costs and repay principal. They may also pay dividends to the provincial government. As the term implies, taxpayer-supported debt is a direct burden on taxpayers.

Each credit rating agency has a slightly different definition of taxpayer-supported debt. Some agencies include debt of municipalities (neither Moody's Investors Service nor the province do so).

Question: How does the province's rating rank among the other provinces?

Answer: British Columbia has attained the highest credit rating among the provinces assigned by Moody's, and is currently the only Province rated triple-A by Moody's, reflecting its strong balance sheet and the depth and diversity of its economy. The province is rated Aaa (with a negative outlook) with Moody's, AA+ (with a stable outlook) with Fitch, AA (high) (with a stable outlook) with Morningstar DBRS, and AA- (with a negative outlook) with Standard & Poor's. Among the provinces, Moody's calculates the province's taxpayer-supported debt per capita and the taxpayer-supported debt to GDP ratio as one of the lowest in the country.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: Environmental, Social, Governance (ESG) Profile and ESG Reports

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, FIN staff produced the B.C. ESG Summary Report in August 2022. This was the government's inaugural report on ESG work across government for our audience of British Columbians and financial market stakeholders.
- In response to stakeholder feedback, FIN staff created the B.C. ESG Summary: Supplemental Data Report in December 2023. This Report provides more granular performance data and information on activities.
- We appreciate that 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 BC Report.
- We understand that our stakeholders appreciate the importance which the government accords to ESG values and how we embed this into our programs and policies.

- 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.
- 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 Reports:** 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. This ESG work is not specific to any single ministry; government's ESG work spans across ministries and Crown agencies, and includes ESG reports from BC Hydro and BC Lottery Corporation. This initiative recognizes that stakeholders from the capital markets and public policy place high and progressively higher value on the ESG credentials of jurisdictions and prospective counterparties.
- **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 Reports are an inventory of the myriad of important elements that comprise government's ESG profile.

Advice/Recommentations

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- **Benefit to B.C.:** ESG Reports 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. 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 B.C. ESG Reports.
- **ESG Criteria:** 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. For the purposes of the B.C. government's B.C. ESG Reports, these three categories refer to:
    - **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.

- **Social:** how government supports people and culture in B.C., like inclusivity, gender and diversity, community relationships, human rights, and labour standards.
- **Governance:** how government's internal practices, systems and procedures affect leadership, data protection, privacy and transparency.

- Advice/Recommentations

Stakeholders include capital market investors, investors who may want to invest in the province's economy, companies who may want to partner with the province on economic and social development, and sector-specific stakeholders. It is clear that society values ESG, and British Columbians make up part of our audience.

CURRENT STATUS:

- The feedback on the Reports has been positive and encouraging. There is interest in future ESG reporting and FIN staff will soon recommend timing for release of the next ESG update.
- There is no standard way of reporting ESG metrics. However, work is being done to create a Canadian standard for the private sector including companies which fit under Canadian security regulations. For example, the Canadian Sustainability Standards Board (CSSB) works with the International Sustainability Standards Board (ISSB) to

support the uptake of ISSB standards in Canada, highlight key issues for the Canadian context, and facilitate interoperability between ISSB standards and any forthcoming CSSB standards. CSSB expects to publish its consultation on climate-related disclosure standards in 2024. To date much of this work focusses on climate disclosure standards.

- The B.C. government is monitoring the ISSB standards carefully as they will pave the way for ESG work in Canada. In addition, the International Public Sector Accounting Standards Board (IPSASB) is working on guidance for provincial governments on sustainability reporting. The role of IPSASB is to develop accounting standards and guidance for use by public sector entities. It is expected that IPSASB will release some preliminary guidance in spring 2024.
- The establishment of the ESG Centre of Excellence in February 2024 is a commitment under the StrongerBC Economic Plan to facilitate ESG investments in BC, attract socially and environmentally conscious investors and diversify markets for BC's goods and services under a respected and trustworthy BC ESG brand.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

ISSUE: HSBC CANADA DIVESTITURE

ADVICE AND RECOMMENDED RESPONSE:

- We have been following Royal Bank of Canada's (RBC) proposed purchase of HSBC Bank Canada (HSBC) with interest since HSBC Holdings plc.'s decision in 2022 to exit from the Canadian market and especially given HSBC's significant work force in BC.
- The terms which form part of the federal Finance Minister's (Minister) approval of the purchase are broadly beneficial to British Columbians and likely offer better outcomes than we may have expected from another purchaser.
- Along with favourable assurances for net new jobs in BC over the next 5 years and establishment of a new international banking hub in Vancouver, among others, we are pleased to understand that the Competition Bureau has determined that the proposed acquisition would not result in a substantial lessening or prevention of competition in the Canadian financial sector.

MINISTRY OF FINANCE
PROVINCIAL TREASURY
ISSUE NOTE

Advice/Recommendations

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KEY FACTS:

- In November 2022, HSBC Holdings plc. accepted an offer from RBC to purchase HSBC for about $13.5 billion.
- Any change in bank ownership in Canada requires approval of the federal Minister. The Minister approved the purchase with terms on December 21, 2023, following the Competitions Bureau's public report to the Minister which concluded that the purchase did not pose any substantial concerns for lessening of fair competition in Canada's financial service industry.
- The Province has followed this purchase with interest to ensure fair treatment of the approximately 2300 HSBC employees in BC and as smooth a transition in banking services for existing HSBC and RBC customers as possible.
- The purchase will be effective March 2,2024

BACKGROUND:

- HSBC Holdings plc. is the 8th largest bank in the world by market capitalization as of February 15, 2024 (with US$ 148 billion)

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PROVINCIAL TREASURY
ISSUE NOTE

- HSBC is headquartered in Vancouver and employs more than 5500 people Canada-wide. RBC has 172 branches in 73 communities across BC and employs 7000, 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 was put up for sale as part of this broad restructuring strategy which we understand identified the Canadian subsidiary as not aligned with effectively growing HSBC Holdings' Asia business.
- With the urging of the Premier, the federal Minister secured significant commitments from RBC. Some of these will protect consumers and workers, notably including:
    - establish a new Global Banking Hub in Vancouver over the next 5 years, supporting more than 1000 jobs, and creating about 400 net-new jobs in British Columbia and growing BC's financial sector.
    - restrict termination of employment of HSBC employees; and
    - prohibit offshoring of client-facing, advice center or retail back office positions performed by HSBC employees in Canada.
- The Premier was also successful in realizing Minister support for RBC to provide $7 billion in financing for affordable housing

construction across Canada, as well as retail lending for redeveloping single-family homes into multi-family homes.

QUESTIONS AND ANSWERS

ISSUE: HSBC CANADA DIVESTITURE

Question: HSBC's corporate headquarters is in Vancouver. Are you concerned that with the HSBC purchase, the province is losing a large headquarter office?

Answer:

- Advice/Recommendations

Advice/Recommendations I am, however, pleased to know that we have secured commitments from RBC to protect consumers and workers, as well as grow the financial service industry in the Province.

- More specifically, RBC will:
    - establish a new Global Banking Hub in Vancouver over the next 5 years, supporting more than 1000 jobs, and creating

about 400 net new jobs in British Columbia and growing BC's financial sector.

  - restrict termination of employment of HSBC employees; and prohibit offshoring of client-facing, advice center or retail back-office positions performed by HSBC employees in Canada.

- The Premier was also successful in realizing Minister support for RBC to provide $7 billion in financing for affordable housing construction across Canada, as well as retail lending for redeveloping single-family homes into multi-family homes.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

ISSUE: Illicit 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

- 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

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

- Enforcement action consists of:
  - working with partners including CRA, Canada Border Services Agency, RCMP, municipal police forces, 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.

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.

- 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)
- Since 2022, 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. There were additional communications by these stakeholders with the Premier's Office in late 2023 and early 2024. The Ministry has programs in place to address the issue of illegal tobacco, as stated above, and has shared these efforts with the stakeholders.
- Since May 2023 to early March 2024, the Investigations Unit has assisted the RCMP's Combined Forces Special Enforcement Unit BC and Federal Serious and Organized Crime unit to seize approximately 38.1 million cigarettes off the streets of British Columbia. It is noted these seizures are recorded by the RCMP, not the Investigations Unit.

MINISTRY OF FINANCE
REVENUE DIVISION
ISSUE NOTE

OPERATIONS:

	2019/20 Actuals	2020/21 Actuals	2021/22 Actuals	2022/23 Actuals	2023/24 (to Dec31) Actuals
Investigations Unit (cigarettes seized)	5.2 million	0.6 million	3.6 million	3.1 million	9.7 million
Regulatory Inspections conducted	450	117	453	225	244
Regulatory Audits undertaken	Business Information				
Regulatory Audits (recovery $)	Business Information		$24,720,990	Business Information	$39,811,170

- 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.

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 collected $531 million in the 2022/23 year in tobacco tax revenues, but it is estimated that several million 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

- 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?

MINISTRY OF FINANCE
REVENUE DIVISION
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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.

MINISTRY OF FINANCE
REVENUE DIVISON
ISSUE NOTE

ISSUE: EBW Audits

ADVICE AND RECOMMENDED RESPONSE:

- The BC Emergency Benefit for Workers (EBW) was a program launched to help people at the beginning of the COVID-19 pandemic.
- We worked swiftly to respond to people's needs – getting $1,000 in emergency support to 640,000 people impacted by reduced hours and job loss.
- Through regular checks and balances, we determined that some people who were ineligible received the benefit.
- I understand this is hard for people who did not take steps to ensure they met the eligibility requirements.
- We understand this is challenging for some people. We encourage people to immediately contact 1 844 248-6638 if they need to set up a repayment plan.

KEY FACTS:

Incorrect Redeterminations

- About 3,800 people were incorrectly denied the benefit because of incomplete federal data, or because they lost their income during the two-week pre-CERB period from March 1-14, 2020, when EBW eligibility did not require CERB or EI-ERB eligibility.

- A legislative amendment was introduced as part of Budget 2024. It extends the Dec 2, 2023, deadline for redetermining eligibility indefinitely for people who were issued notices of redetermination between Oct 23, 2023 and Dec 2, 2023, meaning that people who were incorrectly denied won't be disadvantaged.
- We are working to resolve these incorrect denials as quickly as possible.

The Ombudsperson's November 2023 Report

- I appreciate the ombudsperson's work and thank him for this report.
- The ombudsperson recognized that the province developed and delivered a much-needed benefit at a time of great uncertainty, faster than it would under normal conditions.
- He also said it's apparent the ministry takes seriously its responsibility for the good stewardship of public funds.
- We disagree, however, with the ombudsperson's findings – the benefit was fairly administered. We regularly communicated that, to be eligible, people had to agree to file their 2019 income taxes and be eligible and approved for the federal Canada Emergency Response Benefit (CERB) or the Employment Insurance Emergency Response Benefit (EI-ERB).

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REVENUE DIVISON
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- The benefit program was subject to the same checks and balances to ensure fairness to all British Columbians.
- The province is continuously working to improve its communication processes, including its subscription service which provides subscribers with notifications of updates and alerts.

BACKGROUND:

Intergovernmental Communications; Security Concern

, the ministry has determined 35,020 people (5.5% of total recipients) did not meet CERB eligibility criteria and must pay back the EBW payment they received.

Intergovernmental Communications; Security Concern

  - This includes an estimated 8,000 people who did not apply for the benefit, but may be the victim of identity theft, based on previous incidents of benefit fraud.

- This does not include 25,317 additional people whose eligibility has been redetermined because they did not file their 2019 income taxes. These people had already received notices of redetermination.

Redetermination letters went out starting in October 2023. Interest up to that point was waived but began to accrue on outstanding balances after 30 days.

Incorrect Denials of Benefits

Of the 35,020 people who received redetermination letters, more than 31,600 have either not contested their ineligibility or have confirmed with staff that they were ineligible. However, about 3,800 were incorrectly denied the benefit Intergovernmental Communications; Security Concern

Intergovernmental Communications; Security Concern

Intergovernmental Communications; Security Concern The Ministry is actively working together with these applicants to resolve their situations as quickly as possible.

A legislative amendment was introduced as part of Budget 2024. It extends the Dec 2, 2023 deadline for redetermining eligibility indefinitely for people who were issued notices of redetermination between Oct 23, 2023 and Dec 2, 2023, meaning that people who

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were incorrectly denied won't be disadvantaged.

Debt Collection

The debt collection cycle generally spans multiple years. However, the Province expects significant recoveries of the CERB-ineligible payments within the first 18 months.

To be eligible for the benefit, the main criteria was that people needed to:

- have been a resident of British Columbia on March 15, 2020;
- meet the eligibility requirements for the CERB or EI-ERB;
- have been approved for the CERB or EI-ERB, even if they have not received a benefit yet;
- be at least 15 years old on the date of application;
- have filed a 2019 B.C. income tax return before Jan. 1, 2021; and
- not be receiving provincial income assistance or disability assistance.

or,

- have lost employment or self-employment income for at least 14 consecutive days that began between March 1, 2020 and March 14, 2020, and
- during those 14 consecutive days, did not earn:

    - more than $1,000 in combined employment or self-employment income
    - allowances, money or other benefits under a provincial plan because of pregnancy or for the care of your new-born or newly adopted child, and
  - have earned employment or self-employment income of at least $5,000 in 2019 or in the 12 months prior to March 15, 2020.

Ombudsperson's Report

The BC Ombudsperson released a report in November 2023, that called the Province's administration of the EBW unfair, after receiving complaints from two recipients.

2019 filing deadline:

The ombudsperson says because no deadline was initially provided for filing 2019 income taxes, applicants could assume they could file them at any time.

  - Ministry response: In a letter of response, the ministry's deputy minister has said its process was fair because applicants agreed to file a 2019 tax return, which has a set deadline established by the federal Income Tax Act. The ministry must follow the Act and other legislation, including the Economic Stabilization Act, as they are written. With the summer 2020 passing of Bill 18 – Economic Stabilization (COVID-19 Act) – the Province extended the deadline for 2019 income tax filing to Jan. 1, 2021 to be eligible for the benefit. This was an additional extension to the federal government's extension of the normal 2019 income tax filing date from April 30, 2020, to June 1, 2020.

- The requirement to file 2019 taxes meant the Province could provide the benefit as an overpayment of 2019 income tax, providing more money to people because they wouldn't be taxed on what they received. It also provided a higher likelihood that the applicant was a resident of B.C. on March 15, 2020.

Communication:

While it updated its website with the new deadline, the ombudsperson says the Ministry did not adequately communicate the requirement.

- Ministry response: The ministry was clear that a 2019 tax return and CERB/EI-ERB eligibility and approval were requirements, issuing news releases and updating its website. The changes to the legislation extended the timeline to file a 2019 tax return for all applicants. Changes to legislation often impact the responsibilities of taxpayers – it's not within the scope of the ministry to communicate individually with them.

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The ministry is however working to modernize and promote its web subscription service to alerts, which will provide people with an additional source of communication.

Audit and recovery:

The report also found the ministry's auditing process unfair, because it considered 2019 taxes filed if they were assessed after the filing deadline but before the audit began.

- Ministry response: As the ministry does not have access to data indicating when an income tax return was filed, the ministry verified whether a tax return had been assessed before the audit was initiated. It is not uncommon in administering programs under tax statutes to focus enforcement efforts where there is an indication of non-compliance, and not allocating resources to auditing cases where voluntary compliance has occurred.

2021 Auditor General's report:

On Oct. 26, 2021, the Office of the Auditor General of B.C. released its report on the audit of government's 2020/21 summary financial statements (Public Accounts) which included a review of three Covid-19 programs including the EBW.

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While the auditor general found no concerns with controls over transactions or payment processes, his report pointed to a heightened risk of fraud within the worker benefit program because to get payments out quickly government accepted people's claim of eligibility (eligibility was connected to the CERB or EI-ERB).

Media attention:

- Global News, Nov. 21, 2023: BC 'clawed back' COVID-19 benefit from thousands, report finds
- Wolf Depner, Black Press, Nov. 21, 2023: Thousands unfairly stripped of COVID-19 emergency benefit: BC Ombudsperson
- Dirk Meissner, CP, CBC, Nov. 21, 2023: B.C. unfairly clawed back COVID-19 benefit from thousands, ombudsperson says
- Bob Mackin, Times Colonist, Nov. 22, 2022: B.C. government chasing $10.5M in COVID overpayments.

MINISTRY OF FINANCE
ANTI-MONEY LAUNDERING SECRETARIAT
ISSUE NOTE

ISSUE: Anti-Money Laundering Activities

- We are working hard to address money laundering and corruption by strengthening how we detect, deter, and disrupt illicit activity.
- We are implementing 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 taken action by:
    - In 2022, introducing a new Mortgage Services Act, to provide a much stronger regulatory system for B.C.'s mortgage brokers and mortgage lenders.
    - Introducing the authority for issuing unexplained wealth orders (UWOs), an investigative tool that requires individuals to explain the sources of their wealth, in March 2023. This includes the filing of three UWOs since their introduction.
    - In May 2023, bringing transparency to beneficial ownership in B.C.-owned corporations by passing legislation to create the Registrar's Transparency Register. The Register will be operational in 2025.

- Passing the Money Services Business Act in May 2023 to regulate Money Services Businesses. The Act will require businesses to register with the BC Financial Services Authority as the provincial regulator.
- Cracking down on suspicious activity in casinos, including:
  - Introducing source of funds declaration requirements and procedures through the new Gaming Control Act in 2022; and
  - Developing the Gaming Integrity Group (GIG) for improved information sharing between police, the regulator, and the BC Lottery Corporation to assist with regulatory and police investigations, augmenting reporting to FINTRAC, patron bans and sourced cash conditions.

MINISTRY OF FINANCE
ANTI-MONEY LAUNDERING SECRETARIAT
ISSUE NOTE

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.
    - Work on the regulations is currently underway.
- **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 2023.
    - Since March 2023, three unexplained wealth orders have been filed.

MINISTRY OF FINANCE
ANTI-MONEY LAUNDERING SECRETARIAT
ISSUE NOTE

- **Corporate Beneficial Ownership (Registrar's Transparency Registry):**
  - Legislation passed in May 2023, to create the Registrar's Transparency Register. The register will be operational by 2025 and will bring transparency to beneficial ownership in B.C.-owned corporations.
- **Money Services Business Act:**
  - Legislation was passed in May 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.
  - Work on the regulations is currently underway.
- **Gaming Control Act (2022):**
  - The Gaming Control Act received royal assent in November 2022 and is anticipated to be brought into force by regulation in 2024. The new Act will require a source of funds declaration on any buy-in above the amount set by the general manager through regulation.
  - Advice/Recommentations

MINISTRY OF FINANCE
ANTI-MONEY LAUNDERING SECRETARIAT
ISSUE NOTE

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.
- Effective March 2024, the Secretariat has 4.3 FTEs.
- Ministries which have Cullen Commission recommendations within their purview are responsible for financial implications.

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 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.

Mortgage Services Act:

- A new Mortgage Service Act was introduced in 2022 which provides a much more robust regulatory system for BC's mortgage brokers and mortgage lenders.

Unexplained Wealth Orders:

- Government announced the introduction of Unexplained Wealth Orders last spring with changes to the Civil Forfeiture Act.
- An unexplained wealth order is not an order for forfeiture of property, but rather an investigative tool that requires individuals to explain the sources of their wealth.
- 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.

MINISTRY OF FINANCE
ANTI-MONEY LAUNDERING SECRETARIAT
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- All levels of B.C.'s courts, as well as courts in other provinces, and the Supreme Court of Canada, have upheld forfeiture legislation as a valid means to address the forfeiture of proceeds and tools of unlawful activity.
- With three filed since their introduction in March 2023, 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 (Registrar's Transparency Register):

- The Registrar's Transparency Register is established under the recently amended Bill 20, *Business Corporations Amendment Act, 2023*, which received Royal Assent on May 11, 2023. The registry will hold information on the beneficial owners of BC companies.
- BC Registries is already at work on the development of this register, and it will be ready in 2025.

MINISTRY OF FINANCE
ANTI-MONEY LAUNDERING SECRETARIAT
ISSUE NOTE

Money Services Businesses Act:

- We passed legislation in May 2023 to regulate Money Services Businesses (MSBs). MSBs will be required to register, undergo background checks, and comply with reporting requirements. This will enable government to monitor the local industry and keep bad actors out.
- These collective changes will help address money laundering by closing loopholes and cracking down on those misusing financial systems.

Gaming Control Act (2022):

- A new Gaming Control Act was introduced in 2022 and is anticipated to be brought into force by regulation in 2024.
- The new Act establishes a statutory duty for service providers and the BC Lottery Corporation to refuse a buy-in that is over an amount prescribed by the general manager without a source of funds declaration and proof of identification.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

ISSUE: 2023/24 Third Quarter Report and Spending Changes

ADVICE AND RECOMMENDED RESPONSE:

- The *Third Quarter Report* forecasts a deficit of $5.9B, an increase of $357M since the *Second Quarterly Report*.
- The higher deficit is mainly due to lower natural resource revenues, lower commercial crown corporations' net income, and higher wildfire costs offset by the release of the forecast allowance.
- Decreased revenues of $343M, comprised of:
  - Lower corporate income tax revenue reflecting weaker preliminary corporate income tax assessments resulting in lower instalments and lower prior year settlement payments ($531M),
  - Lower natural resource revenue mainly due to natural gas prices and lower forest Crown harvest volumes ($288M),
  - Lower commercial Crown corporation net income mainly due to the BC Electricity Affordability Credit

provided by BC Hydro, partly offset by higher net income in ICBC ($282M)
    - These reductions are partially offset by higher personal income tax revenue from the prior year adjustment for updated 2022 household income information ($460M), and
    - A $298M increase in other revenues mainly from other source revenues and federal transfers.
- Increased expenses of $714M result from:
    - Higher fire management costs and prior year wildfire and flooding event costs ($503M),
    - Higher spending mainly in health care and mental health care funded by the federal government ($332 million)
    - Other statutory spending ($96 million),
    - Other expenses, mainly interest costs ($73 million),
    - Offset partly by lower expected refundable tax credit claims ($93 million), and.
    - Lower net spending from various service delivery agencies ($197 million).

MINISTRY OF FINANCE
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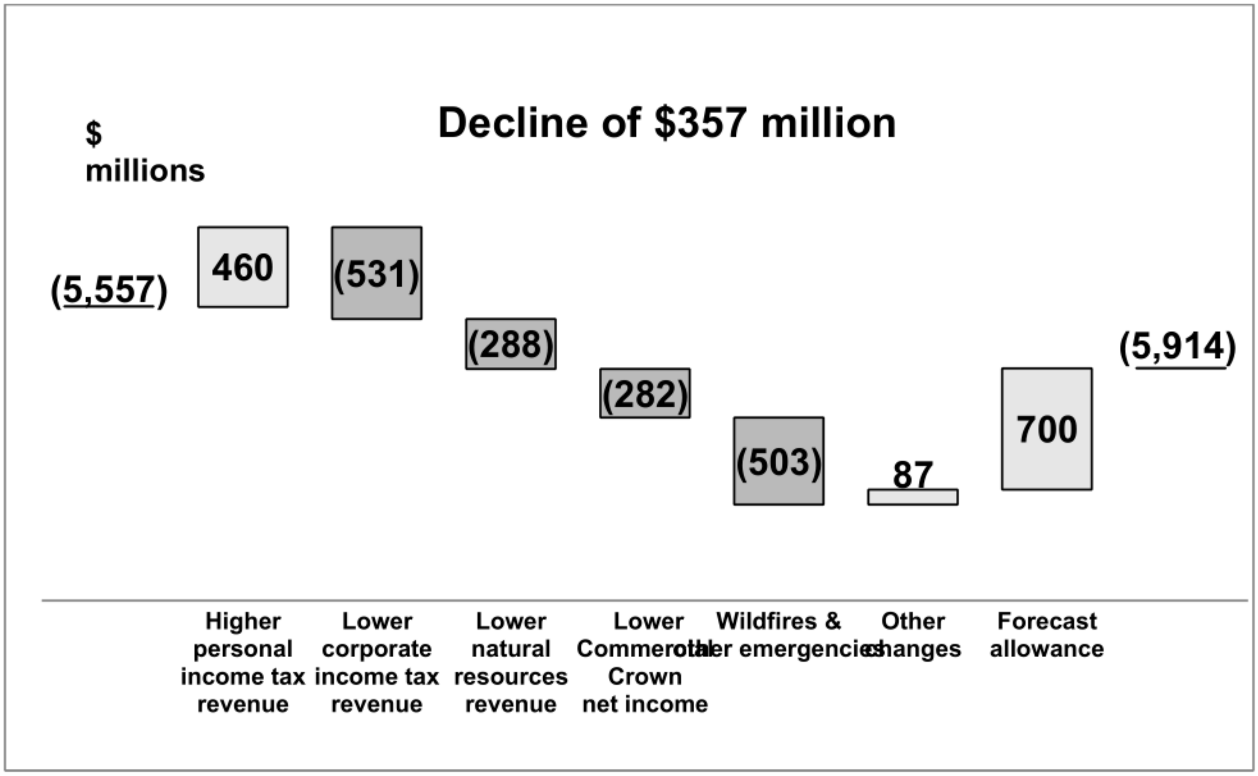
KEY FACTS:

- High-level changes are shown in Chart 4.1 below from page 107 of the Budget and Fiscal Plan.



BACKGROUND:

- Tables 4.2 on page 108 of the Budget and Fiscal Plan lists the changes in revenue and expense for the 2023/24 fiscal year since Budget 2023.
- Budget 2023 originally forecasted a deficit of $4.2 billion and is now increased to $5.9 billion, mainly due to lower natural resource

revenues and higher spending for climate emergencies partially offset by increased taxation revenues.

- The major changes in revenue for the year includes:
    - $1.7 billion in lower natural resource revenues mainly due to lower natural gas prices and volumes,
    - $900 million in higher taxation revenues mainly from personal income tax, corporate income tax, provincial sales tax and property transfer tax, and
    - $435 million in higher transfers from the federal government.
- The major changes in expense for the year includes:
    - $1.3 billion in higher spending for fire management costs and other statutory spending related to prior year wildfires and flooding events,
    - $389 million in higher spending mainly recovered from the federal government for health care initiatives, and
    - $277 million in other costs mainly due to higher interest costs.
- Additionally, the $700 million forecast allowance has been removed.

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ISSUE: Community Benefits Agreement

ADVICE AND RECOMMENDED RESPONSE:

- Government is using a variety of models including the Community Benefits Agreement (CBA), project labour agreements, and procurement and contract terms to deliver community benefits.
- These models all offer opportunities to equity-seeking groups and help train the skilled workforce needed to meet the infrastructure demands of today and in the future.
- The CBA model has been successful in building important infrastructure and creating opportunities for First Nations, women and other underrepresented groups in the trades to gain skills and experience that can open doors to life-long careers.
- Projects delivered under the CBA prioritize the hiring of Indigenous peoples and groups under-represented in the construction sector; foster respectful, more inclusive workplaces; and have twice as many women and triple the number of Indigenous workers than the provincial average.

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KEY FACTS:

- BC Infrastructure Benefits (BCIB) is the employer of the CBA workforce and a skilled trades supplier to projects.
- The CBA helps grow and diversify B.C.'s construction workforce. As of December 31, 2023, CBA employees represent the following:
  - 15% of BCIB's tradespeople have been Indigenous, triple the BC construction industry average,
  - 9% of tradespeople have been women, almost double to the industry average of 5.0%,
  - 15% of BCIB hours worked were by workers from other priority groups such as 2SLGBTQ+, people of colour, and people with disabilities,
  - 73% of BCIB workforce are locals and 90% are British Columbians,
  - 90% of BCIB workers are BC residents,
  - 15% of BCIB tradespeople have been apprentices or trainees,
    - 2% have been trainees,
    - 13% have been apprentices.

BACKGROUND:

- The CBA was introduced in 2018 as a master collective agreement between a project contractor, the Province and the Allied Infrastructure and Related Construction Council (AIRCC) unions.

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- Companies don't need to be unionized to bid or work on CBA projects. More than 60% of the contractors on CBA projects are not affiliated with the BC Building Trades unions.
- BCIB workers must join the affiliated union of the AIRCC while they work on the project.
- 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.
- Indigenous peoples and members of groups under-represented in the construction industry benefit through the CBA through: Priority Hiring and the Respectful Onsite Initiative.

Priority Hiring

- The CBA requires Priority Hiring to provide career opportunities, apprenticeships, and trainee positions on a priority basis to Indigenous peoples, women, locals, and others traditionally underrepresented in construction.
- BCIB recruits qualified candidates online and through proactive outreach and partnerships with BC Centre for Women in the Trades, WorkBC, SkillPlan, SkilledTradesBC, Indigenous Skills & Employment Training Societies (ISETS), Indigenous communities, urban Indigenous networks, and other organizations.

- Applicants register with BCIB's workforce database. When opportunities arise on a project, BCIB works with the union to hire the worker to the project.
- The hiring process balances the need to bring qualified underrepresented workers onto job sites with a contractors' ability to bring core members of their current crews with them onto projects.
- The contractor has the ability to name hire a certain number of workers, including the foreperson and supervisor. Remaining requests are filled through Priority Hiring.
- This system encourages contractors to get to know priority workers, such as women, so they can request them by name.
- The recruitment process is continuous through the construction schedule and across all trades on a project, helping qualified workers in these groups get hired first.
- Priority Hiring is working – resulting in twice as many women and triple the number of Indigenous workers on CBA job sites than the provincial average.

Respectful Onsite Initiative

- All workers on CBA projects receive Respectful Onsite Initiative (ROI) training to foster jobsites that are inclusive, respect cultural differences, and support retention of underrepresented workers who often leave the construction industry because of worksite culture.

- ROI training includes:
  - Indigenous Cultural Competency Training (*History Matters*), which educates participants about the history of the Indian Act and its impact on Indigenous peoples. Local First Nations' Knowledge Sharers help ground the training in the territories where projects are being built and crews are working.
  - Introducing Indigenous ways of knowing and being into jobsites, such as the Coast Salish spike on the Cowichan District Hospital Replacement Project and BCIB's reconciling bias option for discipline issues.
  - Justice, Equity, Diversity and Inclusion (JEDI) training which facilitates open discussions about racism, differences, and bias.
- ROI training provides participants with knowledge and tools to work as part of a team to create welcoming and respectful jobsites.

Partnerships with Khowutzun Development Corporation

- BCIB has partnered with Khowutzun Development Corporation (KDC), contractors and unions to deliver a pre-apprenticeship carpentry training program for Quw'utsun Tribes members.

- Companies that are part of KDC have also accepted contracts on the project and the alliance building the hospital will continue to work with local contractors on any potential work opportunities.

Other First Nations Considerations

- BCIB engages with local First Nations (currently 37 Nations) and First Nation government organizations and Indigenous Skills & Employment Training Societies (ISETS) to explain Priority Hiring and how their members can benefit from career and apprenticeship opportunities on CBA projects.
- BCIB engages with urban Indigenous networks (like ACCESS and ISETS) to promote career opportunities to Indigenous tradespeople who live away from home.
- BCIB engages with First Nations and Indigenous organizations to create or connect applicants to training opportunities such as the BladeRunners program which supports youth into construction jobs.
- BCIB does not discuss or negotiate Impact Benefits Agreements or Project Agreements with Nations.

CBA Projects

- Seven CBA projects are in construction:
  - The Broadway Subway Project

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- The Cowichan District Hospital Replacement Project
- The Pattullo Bridge Replacement Project
- Trans-Canada Highway 1 Four-Laning Program
  - Chase West to Chase Creek Bridge (Chase East)
  - Ford Road to Tappen Valley Road
  - Kicking Horse Canyon Phase 4
  - Quartz Creek Bridge

- Three CBA projects have been completed:
  - Trans-Canada Highway 1 Four-Laning Program
    - Chase Creek Road to Chase West (Chase West)
    - Illecillewaet Brake Check Project
    - Salmon Arm - 1st Avenue SW to 10th Avenue SW (Phase One)
- Four CBA projects are approved and are in procurement:
  - BC Institute of Technology (BCIT) Trades & Technology Complex
  - Vancouver Community College (VCC) Centre for Clean Energy and Automotive Innovation
  - Trans-Canada Highway 1 Four-Laning Program
    - Jumping Creek to MacDonald Snowshed
    - RW Bruhn Bridge

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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 close to the actual results; however, when there are significant economic shocks (positive or negative), the forecast is subject to high variances.
- 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 the budget targets and maintain a strong fiscal position.

MINISTRY OF FINANCE
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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 years following the onset of the pandemic.
- The improved results for 2021/22 and 2022/23 fiscal years was largely due to better-than-expected personal and corporate income tax results and the economic recovery from the pandemic was much better than expected.
- Government has also provided significant funding to support people and businesses at the outset of the pandemic as well as fund affordability initiatives to address cost of living concerns for British Columbians.

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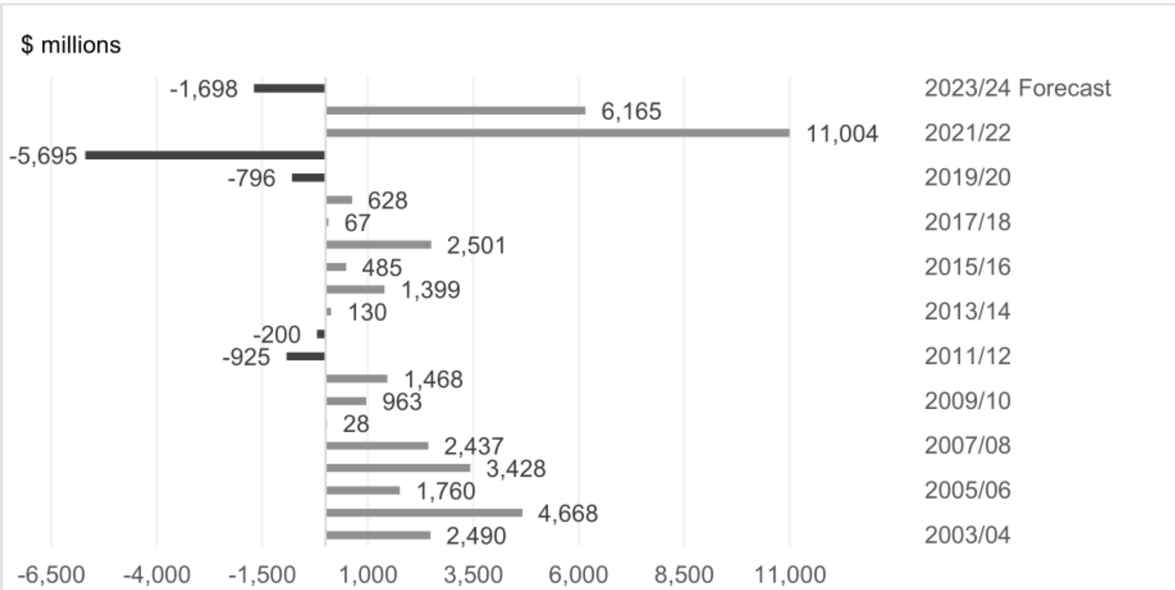
ISSUE NOTE

Chart 1: Budget to Actual Variance over the Last 20 Years



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.

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- The Minister of Finance also meets with the Economic Forecast Council which provides policy advice and private sector economic forecasts prior to budget.
- Overall, the Ministry's forecast for B.C. real GDP growth is within the range of the outlook provided by the Economic Forecast Council.
- The Ministry of Finance is monitoring the economic situation and will provide an updated economic forecast in the *First Quarterly Report.*

Revenue forecasting

- Revenue forecasting is dependent on a number of external data sources including information from the federal government, Canada Revenue Agency, crown agencies, the SUCH sector and ministries, which are all consolidated by TBS.
- For each of its government's main revenue streams, the sources of forecasting are as follows:
    - **Taxation:** based tax-assessment information (which is lagged by more than one year) and 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

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- **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.

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QUESTIONS AND ANSWERS

ISSUE: Economic and Fiscal Forecast

Question: Advice/Recommentations

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.

MINISTRY OF FINANCE
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ISSUE NOTE

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- Forecasts are based on the best evidence, information and data we have at the time. The economic forecast is within the range of the private sector outlook. 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 in 2022/23 was largely due to better-than-expected personal and corporate income tax results in 2021 and 2022 that were expected to be one-time in nature. On the other hand, in 2023/24 we're seeing a significant reduction in natural gas revenue, which is expected to be down by $1.3 billion from budget. 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.

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MINISTRY OF FINANCE
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ISSUE NOTE

Advice/Recommentations

Question:

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, the climate and emergency response, and future unknown and emerging priorities and pressures.

MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Fiscal Management and Prudence

ADVICE AND RECOMMENDED RESPONSE:

- B.C.'s economy is resilient, but we are facing big, global challenges – inflation, a slower economy, geopolitical events – and our population is aging and growing.
- If there's anything the last few years have taught us, it's that our province is stronger when we support people and work together.
- By supporting people through tough times and investing in the services and infrastructure we need, we build a stronger B.C.
- We provided the highest level of support during the pandemic, and our economy bounced back among the strongest.
- Our debt-to-GDP remains low compared to other large provinces, and our debt remains affordable.
- And we continue to build prudence into our fiscal plan, including large amounts of contingencies, to manage unknown or emergent costs.

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- We can continue to support people now, with a longer-term goal of returning to balance when the time is right.

KEY FACTS:

- *Budget 2024* includes operating deficit of $7.9 billion in 2024/25, $7.8 billion in 2025/26, and $6.3 billion in 2026/27
- The Province practices prudent financial management to increase the likelihood of government meeting or exceeding fiscal target, which helps B.C. maintain financial management credibility, a strong fiscal position, and high credit ratings.
- *Budget 2024* continues to use prudent budgeting with high contingencies, natural gas royalty forecast prudence, and building in prudence for economic growth assumptions for the Province's major trading partners compared to private sector forecasts to reflect external risks.
- For *Budget 2024*, government chose not to include forecast allowance, and instead focus on contingencies.
- The *Budget 2024* projections for British Columbia real GDP are within the range of the outlook provided by the Economic Forecast Council.

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B2024 Contingencies (as per page 61 of the Budget and Fiscal Plan)

($ millions)	2024/25	2025/26	2026/27
General Contingencies	3,500	1,700	1,600
CleanBC	385	320	130
Priority spending initiatives and caseload pressures	-	1,000	2,000
Total	**3,885**	**3,020**	**3,730**

BUDGET:

Table 1: Key Fiscal Metrics

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Budget 2021						
Projected Surplus/ (Deficit)	($9.7 B)	($5.5 B)	($4.3 B)			
Projected Debt-to-GDP Ratio[1]	22.8%	25.0%	26.9%			
Budget 2022						
Projected Surplus/ (Deficit)	($0.5 B)	($5.5 B)	($4.2 B)	($3.2 B)		
Projected Debt-to-GDP Ratio[1]	17.8%	20.0%	21.8%	22.8%		
Budget 2023						

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	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Projected Surplus/ (Deficit)	$1.3 B (Actual)	$3.6 B	($4.2 B)	($3.8 B)	($3.1 B)	
Projected Debt-to-GDP Ratio[1]	17.8% (Actual)	16.4%	18.9%	21.3%	23.0%	
Budget 2024						
Projected Surplus/ (Deficit)	$1.3 B (Actual)	$0.7 B (Actual)	($5.9 B)	($7.9 B)	($7.8 B)	($6.3 B)
Projected Debt-to-GDP Ratio[1]	17.5% (Actual)	15.2% (Actual)	17.6%	21.0%	24.8%	27.5%

[1] Taxpayer-supported debt-to-GDP

Table 2: Historical Prudence Over the Last 10 Years (as presented at budget for the first year of the plan)

Budget Year	Forecast Allowance	Contingencies[2]	Economic Prudence[3]
Budget 2014	$200 M	$300 M	-0.3 pp
Budget 2015	$250 M	$350 M	-0.3 pp
Budget 2016	$350 M	$450 M	-0.3 pp
Budget 2017	$300 M	$600 M	-0.2 pp
Budget 2018	$350 M	$550 M	-0.2 pp
Budget 2019	$500 M	$1.303 B	-0.1 pp

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Budget 2020	$300 M	$1.066 B	-0.4 pp
Budget 2021	$1.0 B	$4.25 B	-0.5 pp
Budget 2022	$1.0 B	$4.848 B	-0.2 pp
Budget 2023	$700 M	$5.50 B	-0.1 pp
Budget 2024	-	$3.885 B	+0.3 pp

[2] Total contingencies including those related to pandemic, wage mandate, climate emergencies, general programs, and CleanBC.

[3] Measured by how different the Ministry forecast for BC real GDP growth is from the average forecast of the members of the Economic Forecast Council (EFC) in percentage points (pp).

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Fiscal Management and Prudence

Question: When will the Province return to balance?

Answer:

- That's what we're working towards over time.
- We are facing big, global challenges – inflation, slower global economy, geopolitical events.

Advice/Recommentations

-
-

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File Name: MO_TBS_04_Fiscal_Management_and_Prudence.docx_and_Prudence

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MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

Advice/Recommentations

Question:
Advice/Recommentations

Answer:

Advice/Recommentations
-

- Since 2017 we've focused on people's priorities while being an economic leader and strong fiscal manager – that's not changing.
- We've asked people at the top and those who take unfair advantage to pay more. We've invested in working and middle-class people.
- We've going to use our strength to look after you - the people who build our province.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

Question: Why did government remove the Forecast Allowance?

Answer:

- We have focused on strong contingencies this year to manage unknown or emergent costs, including fires and other emergencies.
- With current global uncertainty and climate change arriving faster than predicted, the benefit of contingencies is they can be used to support people.
- By removing the forecast allowance in Budget 2024, we are also presenting an even clearer picture of government's expectation for the fiscal plan.

MINISTRY OF FINANCE
TREASURY BOARD STAFF
ISSUE NOTE

Advice/Recommentations

Question:

How much is already allocated?

Answer:

- Contingencies is part of government's regular financial prudence measures that 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.
- Funding also supports government services, the *Shared Recovery Mandate*, and other new initiatives where costs may vary based on demand for services and implementation timelines.
- It is important for government to plan ahead to address these priorities. As we are just beginning the year, we anticipate notional allocations and forecasts to change throughout the year.
- Contingencies spending will be disclosed as part of the regular Public Accounts financial reporting process.

MINISTRY OF FINANCE
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ISSUE NOTE

Question: What is included in the $3 billion Priority Initiatives and Caseload Pressure contingencies? Is this all for FIFA?

Answer:

- Setting aside contingencies funding as part of 'Priority Initiatives and Caseload Pressures' for future years is a financial management practice used since Budget 2018 to plan for future spending needs.
- Funding will be allocated as part of future budget decisions.
- This funding is mainly being set aside for things like caseload pressures for social services and health care, as well as towards future wage mandates or other government priority initiatives where costs are not yet certain.
- It is important to plan ahead and to offset future spending decisions as part of prudent financial management.
- FIFA is just one example of how funds may be used – I can assure you it will not cost the Province $3 billion.
- Priority initiatives also include the Province's commitment to planning, staging and hosting FIFA World Cup 2026

matches and is just one example of how funds for priority initiatives may be used.

- The Province and its partners are working to provide a public update on FIFA costs and I can assure you it will not cost anywhere near the $3 billion the Province has set aside for contingencies.
- It is important to plan ahead and have tools that help offset impacts of future spending decisions as part of prudent financial management.

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ISSUE NOTE

Background

Table 3: Previous Years where Priority Initiative and Caseload Pressures have been Set Aside for Future Budgets

Fiscal Plan ($M)	Year 1	Year 2	Year 3
Budget 2018	-	1,366	1,252
Budget 2020	-	-	600
Budget 2021	-	1,500	2,000
Budget 2023	-	-	800
Budget 2024	-	1,000	2,000

MINISTRY OF FINANCE
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ISSUE NOTE

Question: Why is government's economic forecast above the average of the Economic Forecast Council?

Answer:

- The Ministry of Finance's forecast for B.C. real GDP growth is within the range of the Economic Forecast Council (EFC) over the forecast horizon.
- EFC members have a range of views on the economic outlook, with a wider range from 2025 onwards.
- The Ministry is maintaining a generally prudent economic forecast (for example, in some external assumptions), but allowing for flexibility in the economic forecast for B.C. real GDP such that it may or may not be prudent compared to the average of the EFC.
- This allows for more flexibility in the Ministry's development of the economic forecast to better reflect economic conditions and professional judgement.

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ISSUE NOTE

Question: Why did government choose to remove economic prudence now?

Answer:

- This is not the first time the Ministry of Finance's forecast has been above the average of the private sector forecasters.
- This occurred in the First and Second Quarterly reports last year.
- And has also occurred in some previous budgets. For example, in some years of the projection horizon in Budget 2022 and Budget 2023, the Ministry's real GDP forecasts were slightly above the private sector.

MINISTRY OF FINANCE
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ISSUE NOTE

Advice/Recommentations

Question:

Advice/Recommentations

Answer:

- The Ministry of Finance continues to adopt prudent economic growth assumptions for the Province's major trading partners compared to private sector forecasts to reflect external risks.
- The Ministry remains committed to credible and responsible economic forecasting practices.
- Since the pandemic we have seen that forecasts can be very volatile. And one of the lessons learned is considering our approach to benchmarking our forecast.
- Because of the wide range of EFC forecasts, it can affect the average in ways that may be counter to the Ministry's professional judgement.
- Staff analysis suggests that B.C.'s economy will be slightly higher than the average outlook of the EFC.
- Different forecasters have differing views on how the economy will respond to the changing interest rate environment, commodity prices, government policies and

LNG production. And this can result in a wide range of forecasts.

- B.C.'s economy has shown resiliency, and staff believe the economic slowdown won't be as severe as some EFC members are projecting.

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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 2026/27. This change aligns the legislation with the *Budget 2024* fiscal plan projection of deficits in the three years of the plan to 2026/27.
- The second change creates a new section in the *Special Accounts Appropriations and Control Act* to establish the First Nations Equity Financing special account. This will help support immediate capacity needs for those First Nations actively considering equity participation in projects where there is shared interest and readiness with the Province.

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ISSUE NOTE

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).
- 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; in *Budget 2023* the suspension was extended by one year to 2025/26; and an extension has now been made for *Budget 2024*.

Establishing the First Nations Equity Financing special account

- The new special account provides for provincial government costs to operationalize the First Nations Equity Financing program.
- The account is established with a $10 million inaugural balance. Treasury Board may direct government revenues into the account, which then can be spent to support capacity needs for First Nations to participate in the equity loan guarantee program.
- The new special account legislation allows the government to guarantee loans to assist First Nations in acquiring equity interests in businesses involved in projects in British Columbia

MINISTRY OF FINANCE
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ISSUE NOTE

BACKGROUND: Content of the bill for Special Account

2 The Special Accounts Appropriation and Control Act, R.S.B.C. 1996, c. 436, is amended by adding the following section:

First Nations Equity Financing special account

9.8 (1) A special account, to be known as the First Nations Equity Financing special account, is established.

(2) The special account consists of the following:

(a) an initial balance of $10 million;

(b) amounts transferred to the special account under subsection (3);

(c) amounts transferred from a vote, as defined in the Financial Administration Act;

(d) amounts recovered by the government in relation to amounts paid under subsection (5) (a), (b) or (c);

(e) amounts received by the government from the government of Canada for any of the purposes described in subsection (5) (a) to (c);

(f) any other amounts received by the government for payment into the special account.

(3) Treasury Board may direct that an amount in respect of amounts received by the government and paid into the consolidated revenue fund be transferred to the special account.

(4) Treasury Board may direct that the balance of the special account be reduced by an amount equal to any part of the balance that Treasury Board considers is not required for the purposes of the special account.

MINISTRY OF FINANCE
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ISSUE NOTE

(5) Despite section 21 (3) of the *Financial Administration Act* but subject to the prior approval of Treasury Board, the Minister of Finance may pay money out of the special account for the following purposes:

(a) providing grants to assist first nations in participating in processes intended for the acquisition of equity interests in business organizations involved in projects in British Columbia;

(b) providing grants to reduce the amounts provided under the loans that are the subject of guarantees given under subsection (6);

(c) paying amounts required to be paid by the government in relation to guarantees given under subsection (6);

(d) exercising the government's rights under a guarantee given under subsection (6);

(e) paying the expenses of administering the special account or any other expenses related to administering other activities undertaken under this subsection.

(6) Despite section 72 (3) of the *Financial Administration Act*, the Minister of Finance may, on behalf of the government, guarantee the repayment of all or part of a loan by a person if the loan is to assist first nations in acquiring equity interests in business organizations involved in projects in British Columbia.

(7) A guarantee may only be given under subsection (6) if prior approval of Treasury Board has been obtained.

(8) The total outstanding principal amount of loans guaranteed under subsection (6) must not exceed the amount prescribed under subsection (9).

(9) The Lieutenant Governor in Council may make regulations prescribing an amount for the purpose of subsection (8).

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ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Changing *Balanced Budget and Ministerial Accountability Act* to include 2026/27

Question: Can you explain the rationale for needing to make this amendment?

Answer:

- Currently, the *Balanced Budget and Ministerial Accountability Act* prohibits deficits being reported in the Budget and Fiscal Plan except for fiscal years 2021/22 to 2025/26.
- The *Budget 2024* three-year fiscal plan, 2024/25 to 2026/27 includes decreasing deficits for the fiscal plan period.
- Although the deficit prohibition only applies to the next fiscal year in the Estimates (i.e., 2024/25), the amendment provides clarity that the deficit prohibition exemption will apply to all three years of the fiscal plan which ends in 2026/27.
- The amendment is consistent with government's commitment to annually review the balanced-budget legislation and make amendments if and when required.

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Division:	Treasury Board Staff	**Page:**	5 of 5
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ISSUE NOTE

ISSUE: Housing Starts and Housing Legislation

ADVICE AND RECOMMENDED RESPONSE:

- The Budget 2024 forecast calls for more housing starts, reflecting government's investments and policy changes, high levels of immigration, and resilient demand.
- Housing starts reached a record high in 2023 of around 50,500 units. The Ministry of Finance (FIN) is projecting that housing starts will decline by 8.7 per cent to 46,100 units in 2024. However, 46,100 units is well above the 10-year average of 39,100 units.
- Private sector economists, like the Economic Forecast Council (EFC) also expect housing starts to ease in 2024.
- The expected moderation is due to high interest rates, elevated construction costs, a shortage of workers, as well as the broader economic slowdown weighing on the level of home building.
- Our government is investing in home construction and making policy changes, like enabling density around transit hubs, to support home building, which will offset some of the expected slowdown in private sector activity.

- The Ministry has not specifically included the impact of BC Builds into the housing starts forecast.
  - This is because spending decisions were not finalized until after the economic forecast was completed.
  - Housing units associated with projects that fall under BC Builds 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 16, 2024)

- Despite tighter financing conditions, skilled-labour shortages and rising construction costs, housing starts reached a record high increasing 8.1 per cent to 50,490 units in 2023.
- Housing starts are expected to total approximately 46,100 units in 2024, 47,300 units in 2025 and gradually increase over the forecast horizon to reach 51,400 units in 2028.
- Housing starts can be volatile. In past housing market downturns (during the 1980's, the turn of the 21st 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. So far year-to-date to March, BC housing starts are tracking close to the Ministry's forecast of around 46,100 units.
- As shown in Table 1, the Economic Forecast Council (EFC) is also forecasting a decline in housing starts in 2024, before increasing gradually over the fiscal plan. The Ministry's outlook for housing starts is within the range of the EFC forecasters over the forecast horizon.
- The Budget 2024 forecast calls for many more housing starts in every year than the Budget 2023 forecast, reflecting government investments and zoning changes, high levels of immigration, and resilient demand. (see Table 2).

Table 1: Ministry of Finance Housing Starts Forecast Compared to EFC

			2023^{e}	2024	2025	2026	2027	2028
Housing Starts (units)	**Finance**	**Budget 2024**	**50,490**	**46,107**	**47,331**	**49,565**	**50,552**	**51,406**
	EFC Jan 2024	Low	44,600	36,500	39,400	41,500	40,000	38,300
		Average	**48,754**	**44,646**	**45,779**	**46,358**	**46,006**	**45,303**
		High	52,000	49,300	54,500	58,000	58,000	58,000

2023^{e}: estimate at the time of EFC forecasts (actual for Budget 2024)

		2023^{e}	2024	2025	2026	2027	2028
(units)	First Quarterly 2023	46,727	42,140	40,024	40,044	40,063	na
	Second Quarterly 2023	47,362	42,942	na	na	na	na
	Budget 2024	**50,490**	**46,107**	**47,331**	**49,565**	**50,552**	**51,406**
		2023^{e}	**2024**	**2025**	**2026**	**2027**	**2028**
Housing Starts (% change)	Budget 2023	-16.5	-5.1	2.7	0.0	0.0	na
	First Quarterly 2023	0.0	-9.8	-5.0	0.0	0.0	na
	Second Quarterly 2023	1.4	-9.3	na	na	na	na
	Budget 2024	**8.1**	**-8.7**	**2.7**	**4.7**	**2.0**	**1.7**

2023^{e}: estimate (actual for Budget 2024)

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ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Housing Starts and Housing Legislation

Question: Advice/Recommentations

Advice/Recommentations

Answer:

- The anticipated decline in housing starts is not because of government policy, but because of expected market conditions.
- Economic growth has slowed and we expect modest economic growth this year as well.
- 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)

- Despite this expected downturn, the Budget 2024 forecast calls for more housing starts in every year, reflecting higher levels of immigration, resilient demand and government supports and zoning changes.
- We are investing in many other important forms of housing that are not considered ‘Housing Starts’. These include student housing, purchase and refurbishment of existing buildings, and operating expenditures to improve affordability.
- Government is committed to improving housing affordability and delivering more homes for people faster with $19 billion committed since 2018.
- This includes $7 billion over 10 years through the 2018 Homes for BC plan, which introduced tools to tackle speculation, increase the rental supply and improve housing affordability.
- And a further $12 billion over 10 years committed as part of the 2023 Homes for People action plan and the Belonging in B.C. homelessness plan, which aim to deliver more homes for people, faster.

- Budget 2024 supports housing investments by providing an additional $314 million over three years to support BC Builds and ongoing housing priorities.

Question: Does the housing starts forecast include BC Builds?

Answer:

- BC Builds is not incorporated into the Budget 2024 housing forecast because details of the program were not finalized in time for the economic forecast.
- 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. Full budget policy measures will be incorporated in the First Quarterly Report, as is standard practice.

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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 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.

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ISSUE NOTE

ISSUE: Housing Priority Initiatives Special Account

ADVICE AND RECOMMENDED RESPONSE:

- *Budget 2024* continues investments to support affordable and attainable homes across the full spectrum of housing needs, consistent with our government's commitments in the *Homes for People* plan.

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.

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 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 2024* Summary for the Housing Priority Initiatives Special Account:**

Fiscal Year ($M)	2023/24 Restated	2024/25 Estimates	2025/26 Plan	2026/27 Plan
Budget 2023	1,042.010	952.018	825.858	825.858
New in Budget 2024	-	*86.931*	*52.296*	*1.532*
Budget 2024	**-**	**1,038.949**	**878.154**	**827.390**

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 2024 provided $140.759 million over the fiscal plan through the Housing Priority Initiatives Special Account for housing programs including several BC Housing programs:

- Programs that are partially funded through HPI include Community Housing Fund, Indigenous Housing Fund, and Metro Vancouver Housing Corporation.

Question: Why does the Housing Priority Initiatives Special Account decline across the fiscal plan?

- This reflects current cashflow assumptions on the pace and timing of housing projects. Similar to the capital plan, there has been significant growth in investments, and any project delays will shift costs to future years. It is therefore prudent to pace future growth in the plan until spending needs are more certain.

MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Provincial Debt & Debt Affordability

ADVICE AND RECOMMENDED RESPONSE:

- B.C.'s debt continues to remain affordable. In 2023/24, the "interest bite" is projected at 3.2 – this means that 3.2 cents per dollar of taxpayer-supported revenue will go towards paying interest.
- We are investing to help people today and to build the services and the infrastructure that is needed now for a growing province.
- Taxpayer-supported debt is forecast at $88.6 billion in 2024/25 and $126.5 billion at the end of the three-year fiscal plan period in 2026/27.
- Although the debt-to-GDP ratio is forecast to increase over the fiscal plan from 21.0 per cent in 2024/25 to 27.5 per cent by 2026/27, it remains relatively low compared to other jurisdictions.
- We are closely monitoring our debt and debt-affordability metrics to ensure long-term sustainability.

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MINISTRY OF FINANCE
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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 $61.2 billion over the fiscal plan period to reach $165.0 billion by 2026/27, comprising of:
    - $126.5 billion for taxpayer-supported operating and capital investments, and
    - $38.5 billion for self-supported capital investments.
- Taxpayer-supported debt is projected to increase by $54.6 billion over this period.
    - $17.3 billion for operating costs (financing deficits),
    - $19.1 billion for capital investments funded by ministries, and
    - $18.2 billion increase in debt held by taxpayer-supported entities, mainly the BC Transportation Financing Authority.
- Self-supported debt is projected to increase by $6.6 billion, mainly for capital investments related to improving and expanding BC's hydroelectric generation and distribution assets.

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ISSUE NOTE

BACKGROUND:

Provincial Debt

Table 1.9 Provincial Debt Summary[1]

($ millions unless otherwise indicated)	Updated Forecast 2023/24	Budget Estimate 2024/25	Plan 2025/26	Plan 2026/27
Taxpayer-supported debt				
Provincial government				
Operating	4,571	10,275	16,685	21,905
Capital [2]	40,678	46,439	53,356	59,826
Total provincial government	45,249	56,714	70,041	81,731
Taxpayer-supported entities				
BC Transportation Financing Authority	21,856	26,066	31,420	37,187
Health Authorities and Hospital Societies	2,380	2,332	2,281	2,226
Post Secondary institutions	895	981	969	978
Social Housing	1,126	1,872	3,368	2,896
Other [3]	357	674	1,103	1,481
Total taxpayer-supported entities	26,614	31,925	39,141	44,768
Total taxpayer-supported debt	**71,863**	**88,639**	**109,182**	**126,499**
Self-supported debt	**31,920**	**34,628**	**36,078**	**38,474**
Total provincial debt	**103,783**	**123,267**	**145,260**	**164,973**
Taxpayer-supported debt to GDP ratio	**17.6%**	**21.0%**	**24.8%**	**27.5%**
Total provincial debt to GDP ratio	**25.4%**	**29.2%**	**33.0%**	**35.8%**
Taxpayer-supported debt per capita ($)	**13,021**	**15,622**	**18,893**	**21,542**
Taxpayer-supported interest bite (cents per dollar of revenue)	**3.2**	**3.8**	**4.6**	**5.4**

- *Budget 2024* forecast for debt servicing costs shows an increase over the fiscal plan period to $5.7 billion by 2026/27.
- And the interest costs over the three-year period are higher than the *Budget 2023* projections by a total of $3.5 billion:

($ millions)	**2023/24**	**2024/25**	**2025/26**	**2026/27**	
Budget 2023	2,859	3,235	3,714	4,149	*
Budget 2024	3,300	4,105	4,815	5,676	
Increase	**441**	**870**	**1,101**	**1,527**	

** Budget 2023 amount for 2026/27 has not been made public.*

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- Despite this projected growth, government's borrowing costs remain affordable and are at historically low levels, with taxpayer-supported interest bite in cents per dollar of revenue forecast at 3.2 for fiscal 2023/24.

($ millions)	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Budget 2023	*2.9*	*3.5*	*3.9*	
Budget 2024	*3.2*	*3.8*	*4.6*	*5.4*
Change	***0.3***	***0.3***	***0.7***	

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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:
    - $10.2 billion for education projects,
    - $13.0 billion for health facilities,
    - $15.5 billion for transportation sector projects,
    - $2.4 billion for social housing, and
    - $2.2 billion for other service delivery agencies and general government.

(Note: the amounts above reflect a breakdown by sector; this presentation does not separate government-held debt from service agency debt.)

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ISSUE NOTE

Question: What is government's projected total interest expense over the fiscal plan period?

Answer:

- Government's total debt servicing costs are expected to grow by $2.4 billion over the fiscal plan period from $3.3 billion in 2023/24 to $5.7 billion in 2026/27.
- The total expense over the three-year fiscal plan period is projected to be $14.6 billion.

($ millions)	**2023/24 *Budget 2023***	**2023/24 Forecast update**	**2024/25**	**2025/26**	**2026/27**
Total debt servicing costs	2,859	3,300	4,105	4,815	5,676

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Question: How has total debt servicing costs changed from *Budget 2023*?

Answer:

- Total debt servicing costs are $3.5 billion higher in total over the three-year fiscal plan period.

($ millions)	2023/24	2024/25	2025/26	2026/27	
Budget 2023	2,859	3,235	3,714	4,149	*
Budget 2024	3,300	4,105	4,815	5,676	
Increase	**441**	**870**	**1,101**	**1,527**	

** Budget 2023 amount for 2026/27 has not been made public.*

These higher costs are primarily due to:
- Increasing borrowing requirements to fund deficits;
- An increase to government's capital plan investments; and
- Higher interest rates compared to *Budget 2023* assumptions.

Despite this increase, debt servicing costs remain at near historically low levels.

Government continues to benefit from favourable credit ratings and the associated low cost of borrowing.

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Question: What is the impact of higher servicing costs on Taxpayer-supported interest bite (a key debt affordability metric)?

Answer:

- Government's cost of borrowing remains affordable and at near historically low levels.

  Interest bite (cents of interest costs relative to taxpayer-supported revenue) remains low in fiscal 2023/24 at 3.2 cents per dollar of revenue.

  The table outlines the interest bite's growth from 3.2 in 2023/24 to 5.4 in 2026/27.

  This track is higher than *Budget 2023*, as shown in the following table:

($ millions)	2023/24	2024/25	2025/26	2026/27
Budget 2023 ……...	*2.9*	*3.5*	*3.9*	
Budget 2024 ……...	*3.2*	*3.8*	*4.6*	*5.4*
Change	***0.3***	***0.3***	***0.7***	

  The province's interest bite is expected be among the lowest three provinces in Canada (e.g. about half of Ontario).

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MINISTRY OF FINANCE
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ISSUE NOTE

ISSUE: Recent Economic Activity in B.C.

- Data as of April 19, 2024

ADVICE AND RECOMMENDED RESPONSE:

- B.C.'s economy grew by an estimated 1.0 per cent in 2023, following 3.8 per cent growth in 2022. Budget 2024 forecasts economic growth to slow to 0.8 per cent in 2024 before rising to 2.3 per cent in 2025, and then average between 2.3 per cent and 2.4 per cent annually from 2026 to 2028.
- In 2023, economic activity in B.C. was mixed, with strength observed in some sectors while others saw declines.
- B.C.'s labour market experienced moderate gains in 2023 and into 2024, supported by high immigration.
- Meanwhile, lower prices for key B.C. commodities and weaker global demand led to a decline in merchandise exports.
- New home construction remained strong while high interest rates led to declines in home sales and home prices, as well as subdued retail sales in 2023 and into 2024.

- The pace of inflation in B.C. gradually eased among a range of goods and services in 2023 and into 2024. However, inflation remains elevated, particularly for mortgage costs and rent.

Private Sector Forecast Updates

- Since the timing of the economic forecast for Budget 2024, private sector forecasts for B.C. real GDP growth are higher for 2024 at 0.8 per cent (up from 0.5 per cent) and lower for 2025 at 1.7 per cent (from 2.1 per cent). This is according to an average of six private sector forecasters (a subset of the Economic Forecast Council) as of April 19.
    - For 2024, the private sector forecasts range from 0.3 per cent to 1.6 per cent.
    - For 2025, the private sector forecasts range from 1.1 per cent to 2.2 per cent.
    - The Budget 2024 forecast for B.C. real GDP is still within the range of the most recent private sector forecasts for 2024 and slightly above the range in 2025.

  - A somewhat lower, private sector average for 2025 since Budget 2024 partly reflects expectations that high interest rates will further dampen domestic and global demand for longer, as well as a smaller sample size compared to the 13-member Economic Forecast Council.
  - Ranked among provinces, the private sector average forecast for B.C. real GDP growth in 2024 is tied for 8th (with Ontario). In 2025, BC ranks 6th, with economic growth forecast to be in line with the national average.
- 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 1.6 per cent in 2023 (or 43,900 net new jobs), with around 49,500 new full-time jobs offsetting a decline of 5,600 part-time jobs.
  - Job creation was balanced between the public sector (+26,100 jobs) and self-employment (+24,000 jobs), while private sector employment decreased (-6,300 jobs).

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    - Job gains were led by educational services (+16,600 jobs) and finance, insurance, real estate, rental, and leasing services (+11,600 jobs). The largest annual declines occurred in manufacturing (-12,300 jobs) and information, culture, and recreation services (-8,400 jobs).
    - Year-to-date to March 2024, employment rose by 2.6 per cent compared to the same period of 2023.
- B.C.'s **unemployment rate** averaged 5.2 per cent in 2023, up 0.6 percentage points from the low level seen in 2022, as labour force growth (+2.2 per cent) outpaced job gains (+1.6 per cent). As of March 2024, B.C.'s unemployment rate was 5.5 per cent.
- **Consumer price inflation** in B.C. averaged 3.9 per cent in 2023, down from 6.9 per cent in 2022, as price pressures moderated across a broad range of goods and services.
    - In March 2024, B.C. headline inflation was 2.7 per cent. However, inflation remains elevated for some key components including mortgage costs (+7.2 per cent), rent (+7.9 per cent), and food (+3.6 per cent).
- **Retail sales** were muted in 2023, up 0.9 per cent compared to 2022. Annual growth was led by sales at clothing and accessories retailers (+11.9 per cent), while the largest decline in sales was reported by sporting goods and miscellaneous retailers (-11.9 per cent). Modest

total nominal retail sales growth amid elevated inflation suggests that sales volumes weakened as high interest rates slowed demand.

  - In January 2024, B.C. retail sales were 1.6 per cent lower than the same period of 2023.

- **Consumer spending on services** continued to improve in 2023, based on limited available data. Sales at B.C. food services and drinking places (a component of the service sector) rose by 10.9 per cent in 2023 compared to 2022, partly due to higher prices. Further, the number of international tourists entering B.C. rose by 50.4 per cent in 2023 compared to 2022 and has nearly returned to pre-pandemic levels.
- **Confidence** among B.C. consumers has been tempered by high interest rates, elevated inflation and slowing economic conditions. B.C. consumer confidence was higher in the first three months of 2024 compared to the same period last year. However, confidence continues to fluctuate below pre-pandemic levels amid high interest rates and elevated living costs. Meanwhile, small business confidence has also improved somewhat compared to the first three months of 2023 but remains fragile as businesses face weakening demand and tighter financial conditions.
- **Home sales** fell by 9.2 per cent in 2023 as markets across B.C. adjusted to higher lending rates. However, B.C. home sales have

picked up somewhat in recent months and increased by 11.1 per cent year-to-date to March 2024.

- The MLS average **home sale price** decreased by 2.6 per cent in 2023 reflecting a combination of muted demand, a compositional shift in sales, and more balanced market conditions. Home prices have started to edge up in recent months. Year-to-date to March, the average home sale price was 7.1 per cent higher than the same period last year.
- **Housing starts** have remained strong despite high interest rates. In 2023, the annual pace of homebuilding activity was the fastest on record, up 8.1 per cent from 2022. Year-to-date to March, housing starts were 2.4 per cent lower than the same period of 2023, reflecting slower construction earlier this year.
- **Goods exports** fell by 13.5 per cent in 2023 reflecting weaker global demand and lower prices for key B.C. commodities. Annual declines were broad-based, led by lower exports of energy products (-18.9 per cent) and wood products (-31.1 per cent).
    - Year-to-date to February, B.C. goods exports declined by 3.7 per cent compared to the same period of 2023.

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ISSUE: CAPITAL PLAN

ADVICE AND RECOMMENDED RESPONSE:

- *Budget 2024* capital spending is expected to total $56.5 billion over the three-year fiscal plan.
- This includes historical investments of $43.3 billion in taxpayer-supported capital to complete projects and new investments to expand and sustain provincial infrastructure.
- This is $5.7 billion higher than *Budget 2023* as more major projects are advanced through procurement and construction.
- 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.

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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 2024/25	Plan 2025/26	Plan 2026/27	Totals
K-12 Schools	1,183	1,494	1,481	**4,158**
Post-Secondary Institutions	2,200	1,933	1,899	**6,032**
Health	4,397	4,560	4,051	**13,008**
BC Transportation Financing Authority	4,060	5,100	4,946	**14,106**
BC Transit	516	574	288	**1,378**
Government Ministries	707	519	575	**1,801**
Housing[1]	811	780	766	**2,357**
Other[2]	230	122	77	**429**
Total Capital Spending:	**14,104**	**15,082**	**14,083**	**43,269**

1. Includes BC Housing Management Commission and Provincial Rental Housing Corporation.
2. Includes BC Pavilion Corporation, Royal BC Museum and other service delivery agencies.

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Division: Treasury Board Staff

File Name: MO_TBS_10_Capital Plan

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- Taxpayer-supported capital investments will directly and indirectly create approximately 185,000 jobs over three years.
- A discussion of capital investments can be found on page 44 of the Budget and Fiscal Plan. These include:
    - $4.2 billion in K-12 capital investments to seismically upgrade or replace schools, as well as develop new school space to accommodate increasing enrollment.
    - $6.0 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.
    - $13.0 billion in health capital investments to support new major construction projects and upgrading of health facilities, additional long-term care beds and investments to improve access to primary care.
    - Through the BC Transportation Financing Authority and BC Transit, $15.5 billion in capital investments to create and maintain a safe, reliable, and equitable transportation network, and support an inclusive and sustainable economy.
    - $2.4 billion in social housing capital investments to provide a mix of shelter space, supportive housing, affordable housing, and market rental housing.
    - $1.8 billion in capital spending by government ministries. This includes investments in maintaining, upgrading and

expanding infrastructure, such as provincial park amenities, wildfire facilities and equipment, courthouses, correctional centres, office buildings and information systems.

BACKGROUND:

- Taxpayer-supported capital spending is financed through a combination of sources, which includes:
    - $20.3 billion over three years in Capital Funding grants (Vote 49) to government organizations including health authorities, school districts, post-secondary institutions, and housing.
    - $12.4[1] billion over three years in direct borrowing by the BC Transportation Financing Authority.
    - $1.8 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.
    - $2.4 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

[1] This amount does not include $782 million in grants provided to BC Transit and TransLink.

private sector (public-private-partnerships), and cash balances within organizations.

- The primary drivers for the $5.7 billion increase are as follows:
  - For the **K-12 sector**, a **$767M increase** in the fiscal plan includes:
    - Increased spending for upgrades, renovations, and maintenance to existing assets
    - New funding for Electric Bus Program; and
    - Progression of projects through various stages of development
  - For the **post-secondary sector**, a **$490 million** increase in the fiscal plan includes:
    - Increased spending for upgrades, renovations, and maintenance to existing assets
    - Progression of student housing and other major projects through various stages of development
  - For the **Health sector**, a **$1.8 billion** increase in the fiscal plan includes:
    - Increased spending for upgrades, renovations, and maintenance to existing assets; and
    - Progression of major projects through various stages of development
  - For the **Transportation sector**, a **$2.2 billion** increase in the fiscal plan includes:

    - Increased spending for upgrades and maintenance to existing assets
    - New funding for BC Transit Service Expansion; and
    - Progression of major projects through various stages of development
  - For the **Housing sector**, a **$198M** increase in the fiscal plan includes:
    - Increased spending for upgrades and maintenance to existing assets
    - New funding for BC Builds; and
    - Progression of housing projects through various stages of development

QUESTIONS AND ANSWERS

ISSUE: *Budget 2024* – Capital Plan

Question: What changed from *Budget 2023*?

Answer:

- Taxpayer-supported capital spending in Budget 2024 is expected to total $43.3 billion over the fiscal plan period $5.7 billion higher than the Budget 2023 fiscal plan period.

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- The increase reflects the fact that more of our projects are in procurement and construction.
- The budget continues to fund the critical infrastructure needed to address enrolment growth, meet service demands in our healthcare facilities, and provide the transportation networks needed for British Columbians to move throughout the province. We are also making sure that we are upgrading and maintaining our existing assets.
- We will continue to disclose new projects to the Projects Over $50 Million Table when Treasury Board has approved the business cases.

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ISSUE: Projects in Planning

ADVICE AND RECOMMENDED RESPONSE:

- Details on specific projects should be addressed to the responsible minister.
- It takes a significant time to plan, design, consult on, and ultimately construct a major capital project.
- It has been a long-standing government policy that projects are not reported in the budget or quarterly reporting until Treasury Board has approved a business case.
- We have many projects that are in the planning phase and where business cases are under way. Treasury Board continues to review business cases when they are ready. I look forward to our government announcing these projects in the coming weeks and months.
- Sometimes business cases are delivered and reviewed by Treasury Board on a timeline that does not align with the publication dates.
- The public expects a proper due diligence process to ensure the projects we support have good value and represent our highest priorities. Rushing the planning and due diligence processes for the purpose of meeting budget

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publication timelines is not a prudent way to manage the capital plan.

KEY PROJECTS IN PLANNING AT TIME OF BUDGET:

Kamloops Cancer Centre

- Specific questions regarding this project should be directed to the Minister of Health.
- The project has a budget of $359 million.
- The project will be reported on the Projects over $50 Million Table as part of the next quarterly report.

Advice/Recommentations; Cabinet Confidences

  - The ministry made an announcement on this project on February 8, 2024.
  - The Budget Transparency and Accountability Act provides an exemption for the disclosure of major capital projects approved by Treasury Board within 30 days of the presentation of the Estimates. This cut-off allows sufficient time to prepare and finalize budget materials.

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Nanaimo Cancer Centre

- Specific questions regarding this project should be directed to the Minister of Health.
- The project has a budget of $289 million.
- The project will be reported on the Projects over $50 Million Table as part of the next quarterly report.

Advice/Recommentations; Cabinet Confidences

Vernon Psychiatric Unit

- Specific questions regarding this project should be directed to the Minister of Health.
- This project is in business case development.

Advice/Recommentations; Cabinet Confidences

  - The Premier made an announcement on this project on February 2, 2024.

Advice/Recommentations; Cabinet Confidences

New Acute Care Tower at Surrey Memorial Hospital

- Specific questions regarding this project should be directed to the Minister of Health.

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- This project remains in planning and will be reported in the Projects Over $50 Million Table when Treasury Board has approved the business case.

Advice/Recommentations; Cabinet Confidences

  - The Ministry of Health announced that the project was approved for planning on March 11, 2024.

Advice/Recommentations; Cabinet Confidences

Red Fish Healing Centre

- Specific questions regarding this project should be directed to the Minister of Mental Health and Addictions.
- As stated in our budget document, we continue to work to expand on the Red Fish healing model.

Advice/Recommentations; Cabinet Confidences

Highway 1 through the Fraser Valley – Phase 3B (Mount Lehman Road to Highway 11)

- Specific questions regarding this project should be directed to the Minister of Transportation and Infrastructure.

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- We continue to plan for this project and I am happy that advanced works to clear the site are taking place.

Advice/Recommentations; Cabinet Confidences

Funding for 2024 TransLink Investment Plan

- Specific questions regarding this project should be directed to the Minister of Transportation and Infrastructure.
- As stated in the budget document, we remain committed to working with partners – including TransLink – on how to provide the transit infrastructure that British Columbians need.

Advice/Recommendations; Cabinet Confidences; Government Financial Information; Intergovernmental Communications

UBCx – Extension of Millennium Line to UBC

- Specific questions regarding this project should be directed to the Ministry of Transportation and Infrastructure.

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Advice/Recommendations; Cabinet Confidences

New Medical School at Simon Fraser University

- Specific questions regarding this project should be directed to the Minister of Post-Secondary Education and Future Skills.

Advice/Recommentations; Cabinet Confidences

New Student Housing Projects

- Specific questions regarding new student housing projects should be directed to the Minister of Post-Secondary Education and Future Skills.

Advice/Recommentations; Cabinet Confidences

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Advice/Recommentations; Cabinet Confidences

Olympic Village Elementary

- Specific questions regarding this project should be directed to the Minister of Education and Child Care.
- The project will be reported on the Projects over $50 Million Table as part of the next quarterly report.

Advice/Recommendations; Cabinet Confidences; Government Financial Information

Other Schools in Surrey

- Specific questions regarding these projects should be directed to the Minister of Education and Child Care.
- Our budget provides $4.2 billion – the most ever – over the course of the next three years to address the challenges of increasing enrolment.
- We continue to work with the school district to plan and deliver more schools in the school district.

Advice/Recommentations; Cabinet Confidences

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- The new Darts Hill Elementary School and an addition at Grandview Heights Secondary School were supported to begin planning through *Budget 2024*.

Advice/Recommentations; Cabinet Confidences

Mission Secondary School

- Specific questions regarding this project should be directed to the Minister of Education and Child Care.
- The project will be reported on the Projects over $50 Million Table as part of the next quarterly report.

Advice/Recommendations; Cabinet Confidences; Government Financial Information

Plant and Animal Health Centre

- Specific questions regarding this project should be directed to the Minister of Agriculture Food and Fisheries.

Advice/Recommentations; Cabinet Confidences

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- The ministry announced that this project was in planning on January 26, 2023.

Advice/Recommentations; Cabinet Confidences

Royal BC Museum

- Specific questions regarding this project should be directed to the Minister Tourism Arts Culture and Sport.
- Consultation and engagement on the future of the museum remain ongoing.

BACKGROUND:

- Government implements a capital planning process that ensures delivery of capital needs in a manner that considers the highest priorities/areas of need, assesses value and different strategies to achieve intended outcomes, and identifies/mitigates risk.

Broader Capital Planning

- Treasury Board only typically considers new projects as part of the capital planning process, which starts with the ministry's budget submission.

Advice/Recommentations; Cabinet Confidences

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Advice/Recommentations; Cabinet Confidences

- These decisions consider market trends and constraints (including labour availability and procurement trends), recent ability to deliver projects on time and on schedule, and other factors that may impact the ability for government to deliver on its capital plan. Treasury Board is also made aware of the preliminary projections on how these approvals impact debt and debt servicing obligations.

Project Specific Planning

Advice/Recommentations; Cabinet Confidences

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Advice/Recommentations; Cabinet Confidences

- Following approval of a concept plan, ministries develop a business case. The business case reflects updated planning to provide Treasury Board a final review of the project scope, timelines, funding sources, and budget. A business case approval is government's formal commitment to the project, which allows the ministry to proceed to final design, procurement and construction. It also requires the reporting of a major project in financial reporting through the Projects Over $50M Table.

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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 and throughout North America.
- These cost increases are primarily due to challenges in the labour market as well as supply chain delays for various building materials and equipment.
- Higher interest rates have also impacted project budgets that carry interest costs.
- Once project budgets are approved by Treasury Board, the budget is 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.

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File Name: 13_MO_TBS_Cost Escalation on Capital Projects

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Advice/Recommentations

- We will continue to monitor the costs of projects to ensure we balance the province's infrastructure needs with sustainable financial management.

Advice/Recommendations; Cabinet Confidences; Government Financial Information

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QUESTIONS AND ANSWERS

ISSUE: Cost Escalation on Capital Projects

Question: How much of the $43.3 billion in taxpayer-supported capital spending pertains to cost escalation on capital projects?

Answer:

- We remain committed to delivering the infrastructure that British Columbians rely upon – and that also includes funding to address the impacts of labour and supply shortages in the construction sector.
- We will continue to be transparent and report any budget increases for major projects as they are approved and as part of our quarterly reporting process.

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ISSUE: Environmental, Social & Governance Framework for Capital

ADVICE AND RECOMMENDED RESPONSE:

- The Environmental, Social and Governance 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 to achieve other policy objectives while building the infrastructure we need.
- Through the Framework we are adding child care spaces, promoting mass timber construction, supporting CleanBC goals, and creating opportunities for underrepresented groups and apprentices to gain experience on public projects.

KEY FACTS:

Child care

- Since 2018, the Province has funded over 34,000 new licensed child care spaces across BC.

- The Environmental, Social and Governance Framework is supporting this with the creation of 3,278 new spaces through the Province's capital plan.

Mass Timber

- 55 buildings using mass timber elements are moving ahead (20 in planning, 22 under construction, and 13 complete—these include hybrid projects with mass timber and other construction components).

CleanBC

- 122 projects are being built to a standard that reduces greenhouse gas emissions and increases climate resiliency.

Labour Objectives

- Labour objectives are collected for all projects delivered under the Community Benefits Agreement and for projects delivered Project Labour Agreements. For these projects for which data is available:
    - Women work 9.5 percent of labour hours, compared to the provincial industry average of 6 percent.
    - Indigenous people work 14% of labour hours, compared to the Canadian industry average of 5 per cent.
    - BC residents work 89 percent of labour hours.

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BACKGROUND:

- The potential to include **child care** and **mass timber** on provincial buildings is assessed based on each project's characteristics.
- To meet **CleanBC** goals, new buildings are to achieve a minimum 50 percent reduction of greenhouse gas emissions compared to a LEED Gold building using natural gas. Buildings must also include climate resilience measures in project designs.
- **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, locals, and traditionally underrepresented groups in construction, providing fair wages, and creating harassment-free and inclusive work sites.

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QUESTIONS AND ANSWERS

ISSUE: Environmental, Social and Governance Framework for Capital

Question: What is the incremental cost to capital projects to implement this framework?

Answer:

The framework supports investments that deliver valuable benefits to British Columbians beyond just the construction of infrastructure. The cost of these investments varies from project to project, depending on the project size and which policy priorities are pursued. The 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 elements in specific projects, I would direct the member to the minister responsible for that project.

Examples:

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- 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.
- 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 CleanBC goals.

Question: How does government determine which priorities are included in a project?

Answer: The 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.

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ISSUE: Carbon Tax Revenue

ADVICE AND RECOMMENDED RESPONSE:

- Carbon tax revenue is forecast to decrease by 3.2 per cent in 2024/25, mainly reflecting loss of revenue from regulated industrial operations (now exempted from paying carbon tax under the *Carbon Tax Act*) and transition to B.C's Output-Based Pricing System (OBPS), effective April 1, 2024.
- The large industrial operations will instead pay for emissions that exceed performance-based emissions limits.
- The forecast is expected to rise an average of 16.9 per cent annually over the following two years of the fiscal plan mainly reflecting carbon tax rate increases and purchased volumes assumptions for the major fuel types.
- Starting on April 1, 2023, British Columbia aligns with the federal carbon pricing requirements of $170 per tonne by 2030, with annual increases of $15 per tonne of CO^2 equivalent emissions. The carbon tax rate increases from $80 per tonne in 2024/25 to $110 per tonne of CO^2 equivalent emissions in 2026/27.

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Budget 2024 - Carbon tax revenue ($M)

	2023/24	2024/25	2025/26	2026/27	2-year avg annual growth
Base revenue (tax rates to $50/tonne) :	2,120	2,336	2,379	2,383	1.0%
Volumes decline due to tax rate increases*	(74)	(166)	(211)	(253)	
Updated base revenue at $50/tonne	2,046	2,170	2,168	2,130	-0.9%
Tax rate increases and transition to OBPS*	604	395	860	1,373	86.4%
Carbon tax revenue	**2,650**	**2,565**	**3,028**	**3,503**	16.9%
Total carbon tax revenue - growth	22.6%	-3.2%	18.1%	15.7%	
Total Federal Carbon Pricing impacts*	**530**	**229**	**649**	**1,120**	
Climate Action Tax Credit (for information)	412	687	876	942	

**Carbon pricing impacts combines two effects: (1) volumes decline due to rate increases, and (2) overall revenue increases from the higher tax rates, partly offset by the OBPS transition for regulated industrial operations.*

BACKGROUND:

- Pricing carbon is a policy tool to help address the effects of climate change. Effective April 1, 2018, carbon tax rates increased by $5 per tonne of carbon dioxide equivalent emissions annually (with exception of the delay in 2020) until 2022 when the rate reached $50 per tonne.
- Revenues generated from the rising carbon tax in B.C. are used to:
  - provide carbon tax relief and protect affordability;
  - help maintain industry competitiveness; and
  - encourage new green initiatives through technological improvements or behavioural change.
- To improve affordability, government has increased the climate action tax credit, targeted to low to middle income individuals and families since 2018.

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- The revenue generated from the tax rate increases under the Federal carbon pricing (annual tax rate increase of $15/tonne effective Apr 1, 2023) will be returned to individuals through the enhancement of the Climate Action Tax Credit. In 2024/25 the Federal carbon pricing revenue cumulative impacts are $229M and Climate Action Tax Credit enhancement is estimated at $687M.
- Effective April 1, 2023, carbon tax rates will increase by $15 per tonne of carbon dioxide equivalent emissions annually until 2030 when the rate reaches $170 per tonne.

Carbon tax rates ($ per tonne of Carbon emissions)

Rate	Effective date	Rate	Effective date
$35	April 1, 2018	$95	April 1, 2025
$40	April 1, 2019	$110	April 1, 2026
$40	April 1, 2020	$125	April 1, 2027
$45	April 1, 2021	$140	April 1, 2028
$50	April 1, 2022	$155	April 1, 2029
$65	April 1, 2023	$170	April 1, 2030
$80	April 1, 2024		

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ISSUE: Corporate Income Tax Revenue

ADVICE AND RECOMMENDED RESPONSE:

- Corporate income tax revenue is forecast to increase from $6.1B to $8.2B in 2024/25, which is 35.3 per cent, mainly reflecting higher national corporate tax base, B.C. payment share, and settlement payments for prior years.
- In 2025/26 there is a decline of 27.3 per cent due to annual decrease in British Columbia's payment share of the national tax base, and a significant settlement payment relating to prior years.
- 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 because any swings (up or down) are recognized late with an increased catching-up effect.
- Table 1.5.2 of the Budget 2024 document provides details of the CIT revenue forecast.

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Division:	Treasury Board Staff	**Page:**	1 of 4
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Table 1.5.2 Corporate Income Tax Revenue

($ millions)	2023/24	2024/25	2025/26	2026/27
Advance installments:				
– Payment share	13.74%	15.03%	13.51%	13.15%
– Installments	5,860	7,888	7,011	7,287
Prior-years' settlement payment	225	348	(1,025)	(349)
Corporate income tax revenue	**6,085**	**8,236**	**5,986**	**6,938**
Annual per cent growth	-33.5%	35.3%	-27.3%	15.9%

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.
- 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 $225M settlement payment (2023/24) represents the difference between instalments paid by federal government (and adjusted at 2022/23 Public Accounts using preliminary 2022 tax assessment information) and actual entitlement (based on the final 2022 tax year assessment CRA data). The prior-year settlement payment reflects stronger assessments of the 2022 corporate income tax

results, compared to what was recorded for CIT revenue in the 2022/23 Public Accounts.

- Similar to PIT revenue, CRA administers B.C.'s corporate income taxes and actual assessment results are over a year lagged – for example, the actual results for the 2022 tax year were finalized in

Advice/Recommendations

Advice/Recommendations Advice/Recommendations; Government Financial Information

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Advice/Recommendations; Government Financial Information

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ISSUE: Forest Revenue

ADVICE AND RECOMMENDED RESPONSE:

- Forest revenues are projected to increase over the three-year fiscal plan from $691M in 2023/24 to $789M in 2026/27, an annual average increase of 4.5 percent
- This is mainly due to higher overall stumpage rates reflecting an improved outlook for lumber prices. Details of the price and volume assumptions can be found in Table A5, page 140 of the Budget 2024 document.
- Average annual lumber prices (spruce-pine-fir 2X4) are projected to increase from $398 ($US per thousand board feet) in 2023 to $450 in 2026. Lumber prices are an important factor in determining stumpage rates (that is, government revenue).
- Overall harvest volumes are projected to be 32 million cubic meters over the four years to 2026/27 compared to 47 million cubic meters recorded in 2020/21. Harvest volumes have declined significantly over the past few years due to declines in annual allowable cut associated with pest

epidemics, wildfires, species at risk protection and old growth deferrals.

- Over the four years to 2026/27, the forecast assumes that the Ministry of Indigenous Relations and Reconciliation will recover $549M of stumpage revenue in support of funding the Forest Consultation and Revenue Sharing Agreements with First Nations ($395M over the next three years).

BACKGROUND:

- Timber tenures stumpage rate calculations, set by the regular market pricing system updates, incorporate 17 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 $59.92 per cubic metre in 2022/23. In 2024/25, the BCTS stumpage rate is forecast to fall to $52.00 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 pest epidemics, wildfires, habitat protection, and the implementation of the old growth deferral strategy.
- Lumber prices reached historical highs during 2021. Prices remained elevated and volatile through May 2022. The January 2024

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price of $445 ($US per thousand board feet) is slightly higher than pre-pandemic prices.

Budget 2024 **- Forest revenue ($M) and assumptions**

	2023/24	2024/25	2025/26	2026/27	3-year avg annual growth
Forest revenue ($M)	**691**	**689**	**740**	**789**	4.5%
Total stumpage rates[1]	18.70	18.06	19.70	21.16	4.2%
SPF 2X4 lumber price (calendar year)[2]	398	425	450	450	4.2%
Crown harvest volumes[3]	32.0	32.0	32.0	32.0	0.0%
Exchange Rate (US¢/C$)[4]	74.1	73.6	76.8	78.6	2.0%
Recoveries relating to revenue sharing payments to First Nations	154	177	124	94	-15.2%

1 $Cdn per cubic metre
2 Spruce-Pine-Fir - $US per thousand board feet
3 Millions of cubic metres
4 Calendar year

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Division: Treasury Board Staff

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ISSUE: Natural Gas Royalties Revenue

- Natural gas royalties are expected to increase over the three-year fiscal plan from $684M in 2023/24 to $1,428M in 2026/27, an annual average increase of 27.8 per cent, mainly due to higher natural gas liquids royalties, natural gas prices and production volumes, and decreased utilization of royalty programs, particularly the deep well royalty program, which is expected to decline from $219M in 2023/24 to $46M in 2026/27.
- In the last two years of the fiscal plan, liquified natural gas requirements account for approximately 26 percent of natural gas production volumes.
- 2024/25 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. This is an explicit measure of forecasting prudence in response to price volatility.

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BACKGROUND:

- Natural gas royalties are expected to increase 10.2 per cent in 2024/25 reflecting higher natural gas liquids royalties, natural gas prices and production volumes, and decreased utilization of royalty programs.
- Major factors influencing natural gas prices and market include: the pace of economic growth, weather-related volatility, changes in natural gas production and storage levels in North America, policies that influence fuel choices, technical advancement including environmental concerns affecting the pace of shale gas development and the further development of international export markets for liquified natural gas.
- Gross royalties from natural gas liquids (NGL) account for between 53 and 66 per cent of total gross natural gas royalties over the three-year fiscal plan.
- A new royalty framework, based on a revenue-minus-cost royalty system with price-sensitive royalty rates, was announced to take effect September 1, 2024.
- As part of the new royalty framework, the unit of measure will change from ($Cdn/gigajoule, plant inlet) to ($Cdn/gigajoule, plant outlet).
- Effective September 1, 2022, new wells have not been eligible to qualify for the Deep Well Royalty Program, Marginal Well, Ultra-marginal Well, Low Productivity Well Rate Reduction programs and

the Clean Growth Infrastructure Royalty programs. Existing credits will expire unless transferred to an environmentally focused land healings and emissions reductions pool.

- Infrastructure royalty programs include road, pipeline, Clean Growth Infrastructure Royalty Programs and the Clean Infrastructure Royalty Credit Programs.

***Budget 2024* - Natural gas royalties ($M) and assumptions**

Natural gas royalties ($M)	2023/24	2024/25	2025/26	2026/27	3-year avg annual growth
Gross natural gas royalties	418	392	720	921	30.1%
Gross natural gas liquids royalties	679	771	937	1,053	15.7%
Deep well credits	(219)	(131)	(118)	(46)	-40.6%
Road and pipeline infrastructure programs/credits	(93)	(100)	(156)	(120)	
Other deductions - mainly gathering and processing allowance	(101)	(178)	(312)	(380)	
Total natural gas royalties	**684**	**754**	**1,071**	**1,428**	27.8%
Natural gas prices[1]	1.03	1.26	1.75	1.96	23.9%
Natural gas volumes[2]	2,931	3,024	3,171	3,262	3.6%

[1] $/gigajoule, plant inlet
[2] petajoules

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ISSUE: Personal Income Tax Revenue

ADVICE AND RECOMMENDED RESPONSE:

- Personal income tax is expected to increase by 1.2 per cent in 2024/25. This reflects a $583M prior-year adjustment recorded in 2023/24 that does not carry forward. Excluding the prior-year adjustment, PIT revenue growth forecast in 2024/25 is 4.9 per cent, in line with projected increases in wages and salaries, household income, investment income, and financial market indictors.
- This is expected to continue over the following two years with an average of 5.0 per cent growth.

Personal Income Tax Revenue

($ millions)	2023/24	2024/25	2025/26	2026/27	2-year avg annual growth
Base personal income tax revenue	**15,859**	**16,638**	**17,484**	**18,328**	
Prior-Year adjustment	583	-	-	-	
Budget 2024 revenue	**16,442**	**16,638**	**17,484**	**18,328**	**5.0%**
Annual growth	-4.8%	1.2%	5.1%	4.8%	
Household income growth (calendar year)	6.9%	4.4%	4.3%	4.1%	
Employee compensation income growth (calendar year)	6.7%	5.5%	4.9%	4.2%	

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BACKGROUND:

- There is a 4.8 per cent decline in PIT revenue in 2023/24 due to unusual large prior-year adjustment of $2.5 billion included in 2022/23 revenue; excluding the adjustment the base revenue growth in 2023/24 is 7.5 per cent, higher than the household income growth.
- There is no practical way to eliminate the prior-year adjustments. 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 2022 tax year were finalized in Advice/Recommendations
- This timing lag results in "prior-year adjustments" as the tax assessment information is not available when the *Public Accounts* are closed for the preceding year.
- Final tax assessment results for the 2022 tax year indicate that 2022/23 PIT revenue was understated by $583M in the 2022/23 *Public Accounts*, mainly reflecting strong growth in employment income and the number of tax-filers.
- Advice/Recommendations

Advice/Recommendations

Advice/Recommendations; Government Financial Information

Advice/Recommendations; Government Financial

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Advice/Recommendations; Government Financial Information

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Division: Treasury Board Staff

File Name: MO_TBS_18_Revenue Personal Income Tax

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ISSUE: Property Transfer Tax Revenue

ADVICE AND RECOMMENDED RESPONSE:

- Property transfer tax (PTT) revenue is projected to grow 5.4 per cent in 2024/25 to $2.1 billion (B) compared to a forecast of $1.95B in 2023/24 (reflecting year-to-date activity). For context, this is lower than historical highs of $3.3B in 2021/22 and $2.3B in 2022/23.
- The PTT forecast includes tax measures relating to increasing exemption threshold for first-time home buyers and newly built homes, as well as an enhanced exemption of new purpose-built rental buildings.
- Over the last two-years of the fiscal plan PTT revenue is expected to increase at an average of 8.6 per cent annually, consistent with the expected annual changes in residential sales values and response to expected lower mortgage rates.

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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 100 of Budget 2024 document. (see table below)

Budget 2024 **- Property Transfer Tax Revenue ($M)**

	2023/24	2024/25	2025/26	2026/27	2-year avg annual growth
Property transfer tax revenue	**1,950**	**2,055**	**2,264**	**2,424**	8.6%
Annual growth	-15.0%	5.4%	10.2%	7.1%	
Calendar year	**2023**	**2024**	**2025**	**2026**	
Residential total sales value - levels	70,963	80,006	88,204	95,008	9.0%
Residential total sales value - growth	-11.6%	12.7%	10.2%	7.7%	

- 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.
- In recent years the Province has implemented the following tax measures (Budget 2018, 2023 & 2024) in an 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;

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- 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
- expansion of speculation and vacancy tax to additional communities in the province.

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ISSUE: Personal Tax Transfers Expenses (Refundable Tax Credits)

ADVICE AND RECOMMENDED RESPONSE:

- 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 renters tax credit. The climate action tax credit increase is aligned to carbon tax rate increase. The revenue generated from the Carbon Tax rate increases will be returned to individuals through the enhancement of the Climate Action Tax Credit.

- The forecast also includes a one-time BC family benefit bonus affordability measure totalling $248M over the plan.

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BACKGROUND:

Budget 2024

Personal tax transfers ($M)	2023/24	2024/25	2025/26	2026/27
Climate Action				
Climate Action - On going	335	335	335	335
Climate Action - Carbon Federal pricing	412	687	876	942
BC Family Benefit	470	479	490	490
One time affordability measure - BC Family Benefit		186	62	
Renters	267	279	281	284
Capital gains refunds	67	150	150	150
Other personal tax transfers	84	107	107	107
Total Personal tax transfers	**1,635**	**2,223**	**2,301**	**2,308**
Personal tax transfers annual growth	-38.2%	36.0%	3.5%	0.3%

- Tax transfer expenses are refundable tax credits under the Income Tax Act.
- The budget for these expenses is provided in Vote 52 – Tax Transfers. Spending above the voted appropriation (if needed) is authorized under the *Income Tax Act*.
- Actual results for these expenses are not known until all the tax returns are filed and assessed by the Canada Revenue Agency for a tax year. For example, the 2022 tax year will be finalized in late February 2024 – similar to the personal and corporate income taxes.
- TBS updates the forecast each quarter based on the most recent information.

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ISSUE NOTE

ISSUE: Corporate Tax Transfer Expenses (Refundable Tax Credits)

ADVICE AND RECOMMENDED RESPONSE:

- Corporate tax transfers declines 2.8 per cent in 2024/25 mainly reflecting lower expected utilization of mining exploration, interactive digital media, and film and TV production tax credits.
- The forecast increases from $1,269M in 2024/25 to $1,445M in 2026/27, mainly reflecting higher take up of film and TV production (both domestic & foreign), and Scientific Research and Experimental Development tax credits.
- The film tax credits in the 2024 tax year are expected to be lower due to the impacts of the strike in the industry during 2023. The foreign film tax credit is the most volatile of the tax transfers, posing potential upside or downside risks to the plan.
- The 2023/24 forecast also incorporates adjustments relating to prior years, mainly reflecting final 2022 tax results.

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BACKGROUND:

Budget 2024

Corporate tax transfers ($M)	2023/24	2024/25	2025/26	2026/27
Film and TV Production - domestic	177	163	173	183
Production services - foreign	732	747	818	894
Interactive digital media	163	140	140	140
Scientific Research and Experimental Development (SRED)	130	116	121	126
Mining Exploration	98	60	60	60
Other corporate tax transfers	6	43	43	42
Total Corporate tax transfers	**1,306**	**1,269**	**1,355**	**1,445**
Corporate tax transfers annual growth	2.6%	-2.8%	6.8%	6.6%

- Tax transfer expenses are refundable tax credits under the Income Tax Act.
- The budget for these expenses is provided in Vote 52 – Tax Transfers. Spending above the voted appropriation (if needed) is authorized under the *Income Tax Act*.
- Actual results for these expenses are not known until all the tax returns are filed and assessed by the Canada Revenue Agency for a tax year. For example, the 2022 tax year will be finalized in late February 2024 – similar to the personal and corporate income taxes.
- TBS updates the forecast each quarter based on the most recent information.

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

MINISTRY OF FINANCE
BRITISH COLUMBIA ASSESSMENT AUTHORITY
ORGANIZATION OVERVIEW

- **Website:** www.bcassessment.ca

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 $2.79 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 BC.
- Local and provincial taxing authorities.
- The general public; and,
- Indigenous Nations clients (100 jurisdictions) – both under contract and other Indigenous Nations (treaty, Nisga'a Nation, Sechelt Indian Government District).

MINISTRY OF FINANCE
BRITISH COLUMBIA ASSESSMENT AUTHORITY
ORGANIZATION OVERVIEW

Funding Source: Levy Tax

- BC Assessment's primary source of funding is an independent, province-wide tax levy, representing approximately 95% 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.
- Budget 2024 announced that, effective June 1, 2024, the authority to approve BC Assessment's budget and levy request will be transferred from the Lieutenant Governor in Council to Treasury Board.
- For fiscal year 2023/24, a levy increase of $5.6 million has been approved by Treasury Board and approved by Cabinet. The main cost driver for the levy increase is the cumulative wage increases resulting from the settlement of BC Assessment's three-year collective agreement with CUPE on October 21, 2022, and other operating pressures.

Advice/Recommendations; Cabinet Confidences; Government Financial Information

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- For fiscal year 2024/25, BC Assessment has received preliminary approval for a $3.9 million tax levy revenue increase. Advice/Recommendations; Cabinet Confidences; Government Financial

Advice/Recommendations; Cabinet Confidences; Government Financial Information

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ORGANIZATION OVERVIEW

2022/23 – 2023/24 Highlights/Key Initiatives:

- Supported the Property Assessment Strategic Review led by the Ministry of Finance. The review identified a long-term property tax mitigation strategy to support small businesses and non-profits under triple-net leases in properties with development potential.
- Worked with the Ministry of Finance on the change of Property Assessment Appeal Board fees, which was approved though an OIC process and implemented in February 2023.
- Continued to work with Ministry of Finance and Ministry of Forests to address stakeholder concerns on private managed forest land.
- Worked with the Ministry of Finance to identify an alternative BC Assessment budget and levy approval process – legislative amendment being implemented as part of *Budget Measures Implementation Act, 2024.*
- Working with the Ministry of Finance to enhance assessment data to support new property tax initiatives, assess performance of existing programs and auditing functions.

2024/25 – 2026/27 Service Plan:

- BC Assessment's 2024/25 – 2026/27 Service Plan aligns with government's key priorities and foundational principles.
- BC Assessment remains focused on delivering its assessment mandate while maintaining valued relationships and providing

reliable service delivery to the province, local governments, Indigenous communities, and property owner customer groups.

- The next three years will see continued support for provincial government priorities and policy development by BC Assessment's expertise, data, and property information.
- The 2024/25 – 2026/27 BC Assessment Service Plan contains three primary goals:
    1. Produce high quality and accurate assessments.
        - Produce accurate and uniform assessments; and
        - Deliver reliable and accepted assessment rolls.
    2. Trusted and valued by customers and partners:
        - Ensure positive customer and partner interactions; and,
        - Improve access to assessment information with enhanced digital capabilities.
    3. Meaningful Partnerships and Reconciliation with Indigenous Nations:
        - Supporting Treaty First Nations,' the Nisga'a Nation and Sechelt Indian Self Government District property taxation.
        - Supporting Indigenous Nations' ability to establish and sustain self-taxation on reserve lands.
- The 2024/25 – 2026/27 BC Assessment Service Plan is prepared under the Board of Director's direction in accordance with the *Budget Transparency and Accountability Act*. It is consistent with government's strategic priorities and fiscal plan.

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 OIC, 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 2025.

Name	Position	Date of Appointment	Term Expiry
Kathleen (Ruth) Wittenberg	Chair	09-Dec-19	26-Sep-26
Richard Rainey	Director	01-Dec-17	15-Feb-25
Gina Pala	Director	8-Dec-23	15-Feb-26
Susan Gimse	Director	01-Dec-17	15-Feb-25
Nicole Halbauer	Director	21-Feb-18	15-Feb-25
Emily Lewis	Director	15-Feb-24	15-Feb-26
Karen Hoffmann	Director	09-Dec-19	15-Feb-26
Adam Whitcombe	Director	15-Feb-24	15-Feb-26
Jeremy Trigg	Director	15-Feb-24	15-Feb-26
Victoria Chan	Director	15-Feb-23	15-Feb-27
John D. Crawford	Director	15-Feb-23	15-Feb-27
Robert K. Lapham	Director	15-Feb-23	15-Feb-27

MINISTRY OF FINANCE
BRITISH COLUMBIA ASSESSMENT AUTHORITY
ORGANIZATION OVERVIEW

BUDGET:

($000)[1]	2023/24 Forecast	2024/25 Budget[2]	2025/26 Plan[2]	2026/27 Plan[2]
Total Revenue				
Tax Levies	114,206	115,806	117,506	119,206
Other Revenue	7,465	6,438	6,258	6,178
Total Revenue	**121,671**	**122,244**	**123,764**	**125,384**
Total Expenses				
Employee Expenses	78,951	77,655	76,267	76,343
Other Operating Expenses	35,099	36,940	38,748	39,082
Amortization	7,621	7,649	8,749	9,959
Total Expenses	**121,671**	**122,244**	**123,764**	**125,384**
Annual Surplus (Deficit)	**0**	**0**	**0**	**0**
Total Debt	**0**	**0**	**0**	**0**
Total Liabilities[3]	**23,425**	**24,367**	**24,303**	**24,646**
Accumulated Surplus[3]	**59,210**	**60,354**	**60,354**	**60,354**
Capital Expenditures	**7,089**	**8,657**	**8,442**	**7,772**

Notes:
1. Financial information for all years was prepared based on Public Sector Accounting Standards (PSAS).
2. Estimates for tax levy rate increases have not been included in the 2024/25 – 2026/27 figures.
3. Figures are based on the 2024/25 – 2026/27 budget and financial plan.

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BRITISH COLUMBIA ASSESSMENT AUTHORITY
FACT SHEET

ISSUE: 2024 Assessment Roll Highlights and Complaint Statistics

2024 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 $9.9 billion in property taxes for schools and important local services.
- The 2024 assessment roll represents over 2.18 million properties (1% increase from 2023) with a total real estate value of $2.79 trillion (3% increase from 2023).
- In 2023, the real estate market, across the province overall, saw stabilization in values. This was reflected on the 2024 assessment notices issued by BC Assessment.
- Single family residential and condominium properties typically saw an increase of -5 to +5% in their assessed values for the 2024 tax year, compared to 2023.
- Commercial and industrial properties are generally increasing in value at a higher rate than residential, however there may be some variation regionally.

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RELATIONSHIP OF 2024 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 influences the market and assessed values.
- Property owners received their 2024 assessments notices in early January; however, the assessed value is based on the market value as of July 1, 2023.

RELATIONSHIP OF ASSESSMENT TO PROPERTY TAXES:

- We understand that some property owners may be concerned that increased assessments for 2024 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.

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- 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.
- 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 2024, 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 2024 announced that this rate-setting policy will continue in 2024.

2024 INQUIRY AND COMPLAINT:

- BC Assessment distributed Property Assessment Notices to property owners in early January 2024.
- For the 2024 Assessment Roll, 98% 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.
- If, after the inquiry, issues are not resolved, property owners have the option of filing an assessment complaint with the assessor by January 31, 2024, to the Property Assessment Review Panel (PARP). Hearings begin in early February and all hearings and decisions must be completed by March 15 of each year.

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- Property assessment complaints (appeals) in 2024 are approximately 19% lower than the 5-year average between 2019 and 2023 and 24.5% lower than the number of complaints in 2023.
- In 2024, the number of assessment complaints totaled 22,798, down from 30,237 complaints in 2023. Property assessment complaints for 2024 represented approximately 1.05% of the total number of properties in BC.
- Residential (Class 1) properties have the highest volume of complaints for 2024, in any single property class, representing over 9,828 complaints. This is down from the 5-year average of 15,817. Non-residential properties, such as Business and other (Class 6) and Farm (Class 9), altogether represented almost 12,970 property assessment complaints in 2024.
- 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).

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BRITISH COLUMBIA ASSESSMENT AUTHORITY
FACT SHEET

QUESTIONS AND ANSWERS

Question: Although 2024 residential assessments are overall stable, they do vary between communities (e.g. typical between -5 to +5%) due to specific local market conditions and dynamics. How will this impact property taxes?

Answer:

- 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. If the assessment on a property increased at a rate higher than the average for the community, property taxes are likely to be higher than average.
- 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.

- Annual increases in tax rates are often due to increased costs of services, administration, infrastructure replacement and contingencies.

Question: Some municipalities have announced that property taxes will be increasing by close to or over 10%. Residents are concerned that this level of increase is not affordable. What is the province going to do about these increases?

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.

- 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 2024 announced that this rate-setting policy will continue in 2024.

Question: How will the new "upzoning" housing legislation affect assessments and property taxes?

Answer:

- Tax increases to a property only occur when the assessed value of a property rises relative to other properties, so if all property values go up, taxes may remain the same. Upzoning is applying across entire municipalities, which will likely temper relative changes between individual properties.

- Provincial assessment is based on market value, which incorporates both sales of comparable properties in the area, and unique characteristics of a property. Upzoning will only result in changes to assessments where market activity indicates the fair market value has changed.
- In almost all cases market value of a property already reflects its highest and best use and the current use is considered to be its highest and best use.
- Broad changes to assessed values do not result in increased taxes – taxes are set to meet budgetary needs and do not rise simply because assessments change.
- Municipalities have existing tools to deal with assessment increases on existing properties on a targeted basis through assessment averaging.
- 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. If the assessment on a property

increased at a rate higher than the average for the community, property taxes are likely to be higher than average.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY
ORGANIZATION OVERVIEW

NAME: BC Financial Services Authority Overview

BACKGROUND:

- BC Financial Services Authority ("BCFSA") is a provincial financial services sector regulator focused on helping to protect British Columbians during some of the most important financial decisions of their lives.
- As a Crown agency of the Government of British Columbia, BCFSA oversees credit unions, trust companies, insurance companies, pension plans, mortgage services, real estate services, and real estate development marketing. BCFSA also administers the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC").
- BCFSA's mandate is to instill confidence in the financial services sector by focusing on the safety and soundness of regulated entities and consumer protection.
- On November 1, 2019, the Financial Institutions Commission transitioned to become a Crown agency and was renamed the BC Financial Services Authority ("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.
- BCFSA is headquartered in Vancouver and currently has over 380 positions.[1]

[1] As of January 2, 2024, BCFSA had 386 positions, including vacancies and team members on leave.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY
ORGANIZATION OVERVIEW

CROWN OVERVIEW:

- BCFSA currently has responsibility under 10 provincial statutes and regulates the following areas:
  - Credit unions;
  - Insurance companies;
  - Trust companies;
  - Pension plans;
  - Mortgage services;
  - Real estate services; and
  - Real estate development marketing.
- On implementation of the *Money Services Businesses Act*, BCFSA will also be responsible for regulating money services businesses in BC
- Through modern, effective, and efficient oversight, enforcement, and guidance, BCFSA works to make BC a place where people can have confidence in the financial services they receive.
- Highlights from FY2023/24 include:
  - Formalized BCFSA's Stakeholder Engagement Strategy;
  - Established an Insurer Code of Market Conduct for BC;
  - Released a discussion paper on Natural Catastrophe and Climate Risk for public consultation;
  - Continued engagement and consultation on Credit Union Capital Modernization;
  - Implemented an updated differential premium system for the province's deposit insurance regime;

  - Released best practices guidance for Multi-Employer Pension Plans;
  - Worked with the provincial government on implementation of the *Mortgage Services Act*; and
  - Amended Real Estate Services Rules to clarify BCFSA's data collection authorities and enhance the administrative penalty framework.
- BCFSA is industry-funded.

Provincially Regulated Financial Services at a Glance (as of December 31, 2023):

Type	# of Regulated/Registered Entities/Activities
Credit Unions[1]	32
Insurance Companies[2]	8 BC incorporated 195 Extra-provincial
Trust Companies	8 BC incorporated 46 Extra-provincial
Pension Plans	620
Mortgage Brokers	5,765 individuals
Real Estate Professionals	29,414 individuals

1. Credit Union figures are as of January 1, 2024, and include two central credit unions (Central 1 and Stabilization Central).
2. Excludes captives and reciprocals.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY
ORGANIZATION OVERVIEW

BUDGET:

($000)	2022/23 Actuals	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
			Total Revenue		
Fees, Licenses, & Recoveries	65,997	67,905	70,851	70,958	71,289
Total Revenue	**65,997**	**67,905**	**70,851**	**70,958**	**71,289**
			Total Expenses		
Salary and Benefits	41,005	47,945	49,788	49,792	51,286
Other	21,316	21,819	27,049	21,166	20,003
Total Expenses	**62,321**	**69,764**	**76,837**	**70,958**	**71,289**
Annual Surplus (Deficit)	**3,676**	**(1,859)**	**(5,986)**	**-**	**-**
Total Debt	**7,739**	**7,739**	**7,739**	**7,739**	**7,739**
Accumulated Surplus (Deficit)	**58,766**	**56,907**	**50,921**	**50,921**	**50,921**
Capital Expenditures	**5,947**	**2,300**	**5,100**	**2,800**	**1,000**

QUESTIONS AND ANSWERS

ISSUE: Safety and soundness of the credit union industry

Question: Is the Minister confident in existing industry safeguards to ensure that a credit union does not experience a similar collapse to those experienced by several international banks in the past couple of years?

Answer:

- BCFSA focuses on the stability of credit unions in BC and works closely with them to ensure adequate measures are in place to protect their members.
- The situation with several U.S. and international banks is not similar to BC credit unions. Their business models, capitalization, and risk exposures were materially different than BC credit unions, which are focused on servicing individual depositors through residential mortgages or loans to small businesses with physical collateral.
- BCFSA continually monitors BC credit unions to ensure sector safety and soundness. BCFSA regulates with both a prudential and market conduct focus to ensure BC credit unions are resilient, agile, and prepared to meet shifting risk drivers. Ongoing monitoring of liquidity and capital 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 BC 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 rare event of a credit union failure, all eligible BC credit union deposits are covered by the CUDIC 100 per cent deposit insurance guarantee, which is backed by the CUDIC fund.

ISSUE: Anti-money laundering (AML)

Question: The Cullen Commission made a number of recommendations targeting Crown Agencies including BCFSA. What measures is BCFSA taking to address AML?

Answer:

- BCFSA has broad responsibility for ensuring its regulated entities comply with regulatory requirements, including anti-money laundering obligations.
- The provincial government is committed to working with BCFSA to implement Cullen Commission recommendations

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*. This requires credit unions, trust companies, life insurance companies, real estate licensees, and real estate developers to establish robust AML compliance programs and report suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"), the federal AML regulator.
- In October 2024, FINTRAC will require the mortgage broker industry to establish robust AML compliance programs and report suspicious transactions.
- BCFSA has established an internal Anti-Financial Crimes Working Group to coordinate work in response to the Cullen commission recommendations. BCFSA's public 2024/25 Regulatory Roadmap details BCFSA's work in this area.

ISSUE: Housing Affordability and Supply

Question: As the regulator responsible for real estate in the province, what steps is BCFSA taking to address housing affordability and supply?

Answer:

- BCFSA's regulatory mandate is to protect real estate consumers when buying, selling, or leasing real estate. BCFSA does not have a direct mandate to address issues of housing affordability or supply.
- BCFSA helps to protect 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.
- BCFSA has 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 9 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 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 BC's financial services sector.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY
ORGANIZATION OVERVIEW

- The rationale for integrating the three regulatory bodies was to create a modern, effective, and efficient regulator that helps protect consumers during some of their most important financial decisions.
- As an integrated regulator, BCFSA has an important line of sight across the 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, BC's credit union 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 recognized as one of BC's Top Employers and has been Certified as a Great Place to Work.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY (BCFSA)
ISSUE NOTE

ISSUE: BC Credit Union Industry Trends and Oversight

ADVICE AND RECOMMENDED RESPONSE:

- BC authorized credit unions play a key role in the provision of financial services across the province, particularly in rural outlying communities where the credit union may be the only financial service provider with a physical presence (branch).
- BCFSA is a provincial regulator for a significant part of the provincial financial services sector and oversees credit unions operating in the province.
- 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.
- In addition to overseeing credit unions, BCFSA is responsible for administering the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC").
- CUDIC guarantees the eligible deposits of credit union members and provides financial assistance to distressed credit unions.

- 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 a historical prolonged period of low interest rates followed more recently by a sudden rise in rates that have caused deposits to reprice faster than loans;
    - Strong competition in retail lending markets from commercial banks and non-banks (e.g., mortgage brokers); and
    - The need to make significant investments in the digitalization of financial services.
- To address these changes, many credit unions have sought 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, a trend that will likely continue.
- 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.

- BCFSA reviews and, where appropriate, 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 continues to monitor the current economic environment on credit union portfolios and actively assesses underwriting standards for new mortgage originations.

KEY FACTS:

- Since 1992, the number of BC authorized credit unions has decreased from 107 to 30 as of January 1, 2024. During that time, total system assets increased from $12.7B to $80.6B and total membership increased from 1.14 million to 1.50 million. These figures do not include the two Central Credit Unions: Stabilization Central and Central 1.
- Over the past two years, there have been several amalgamations and asset transfers:
    - 2024 – Coastal Community and BlueShore (pending approvals)
    - 2024 – Gulf and Fraser & Interior Savings
    - 2022 – Gulf and Fraser & Grand Forks
    - 2022 – East Kootenay Community & Heritage
    - 2022 – Community Savings & CCEC Credit Union

- Additional amalgamations or asset transfer agreements are expected in fiscal 2024/25.
- 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.

Table 1: Summary of Industry Results as of December 31, 2023

	Industry	Min	Median	Max
Members (Y/Y % Change)	1.3%	(4.6%)	0.5%	10.2%
Loans (Y/Y % Change)	3.4%	(6.2%)	3.8%	8.8%
Deposits (Y/Y % Change)	3.0%	(8.1%)	1.8%	14.6%
Retained Earnings (Y/Y % Change)	4.0%	(11.5%)	4.1%	46.0%
Return on Assets (%)	0.10%	(0.65%)	0.32%	2.24%

Source: Credit Union Regulatory Filings

BACKGROUND:

- BCFSA is a provincial regulator for a significant part of the province's financial services sector and oversees credit unions operating in the province.
- BCFSA focuses on the stability of credit unions in BC and works closely with them to ensure adequate measures are in place to protect their members.
- BCFSA continually monitors BC credit unions to ensure sector safety and soundness. BCFSA regulates with both a prudential and market

conduct focus to ensure BC credit unions are resilient, agile, and prepared to meet shifting risk drivers. Ongoing monitoring of liquidity and capital 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 BC credit unions.

Industry Consolidation

- 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.
- By increasing the concentration of assets and deposits in the industry, consolidation increases the risk posed to the industry in a stress event. On the other hand, consolidation 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 pursued federal continuance. Coast Capital Savings became a federally regulated credit union in 2018. First West Credit Union obtained a favorable member vote in November 2021 to apply to BCFSA, CUDIC, and the federal Office of

the Superintendent of Financial Institutions to become a federally regulated credit union. This application is underway.

Overview of CUDIC and the CUDIC Fund

- The CUDIC Deposit Insurance Fund ("Fund") acts as a safeguard in the unlikely event of a credit union failure.
- CUDIC guarantees the eligible deposits of credit union members and provides financial assistance to distressed credit unions. BCFSA collects premiums from credit unions for insurance of their members' deposits. These premiums maintain and grow the CUDIC Fund.
- In 2023, BCFSA implemented the Differential Premium System ("DPS") as part of its annual CUDIC Fund premium assessment program. DPS is the new risk-based methodology that differentiates premiums paid by credit unions taking on more risk.
- 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.
- Advice/Recommentations
- The Provincial Government established unlimited deposit insurance protection for eligible deposits in BC credit unions in 2008.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY (BCFSA)
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Credit union industry trends

Question: Is the Minister concerned about the future viability of BC's credit union industry?

Answer:

- The trend toward consolidation is occurring across the country in response to economic, social, and technological changes in the financial services industry.
- The steps that credit unions are taking in response to increase their competitiveness are business decisions that credit unions are making to ensure their viability and meet the needs of their members.
- Credit union membership in BC is not decreasing. Overall, the credit union industry is viable but evolving.
- Credit unions offer important financial services across the province, and BCFSA maintains effective oversight of them and reviews and approves amalgamations to ensure they do not result in harm to members or the industry.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY (BCFSA)
ISSUE NOTE

Question: Is the Minister confident in existing industry safeguards to pay out depositors in the event of a credit union failure?

Answer:

- 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.
- The CUDIC Fund acts as a safeguard in the unlikely event of a credit union failure through a potential deposit payout.
- 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.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY (BCFSA)
ISSUE NOTE

ISSUE: Interior Lumbermen's Pension Plan

ADVICE AND RECOMMENDED RESPONSE:

- This is a multi-employer plan that is administered by a board of trustees.
- The Trustees of the Plan are taking steps to improve the Plan's solvency position, including working with employers who have ended their participation in the Plan but are still obligated to contribute to the Plan.
- BCFSA is responsible for administering and enforcing the *Pension Benefits Standards Act* ("PBSA"). BCFSA's regulatory objective is to ensure that B.C. pension plans comply with the PBSA and meet the minimum standards to protect the interests of plan members.
- BCFSA's steps have contributed to a meaningful and steady improvement in the Plan's solvency funded position to 75 per cent at the end of 2022, an increase from 63 per cent in 2019. The legislated requirement is 85 per cent.
- The Trustees have a duty to administer the plan in the best interests of its members, including holding each employer responsible for meeting their funding requirements under the PBSA.

- Employers who participate in defined benefit plans are required to fund the benefits promised to their employees unless the employer is insolvent.
- When an employer decides to terminate participation in the Plan, the Trustees are responsible for taking the necessary action to collect any payments owed to the Plan, including litigation. Without a successful outcome to these activities, the benefits promised to these employees may be significantly reduced.
- Pensions are not guaranteed by the PBSA or by BCFSA. BCFSA is committed to supporting pension plans in the province that may have funding challenges with a focus on their long-term sustainability.

MINISTRY OF FINANCE
BC FINANCIAL SERVICES AUTHORITY (BCFSA)
ISSUE NOTE

KEY FACTS:

- The Plan was established in 1978 to provide pension benefits to non-union forestry sector employees in the Southern Interior.
- The Plan has a defined benefit component for benefits earned before 2017 and a target benefit component for benefits earned after 2016.
- The Act requires an employer that terminates participation in the Plan to fund any deficit related to the pre-2017 defined benefits earned by its employees. Each former employer has five years after the employer's termination to make the top-up payments.
- Some of the employers that have stopped participating in the Plan are logging contractors represented by the Interior Logging Association ("Association").
- The Association has reached out to the Ministry of Forests, Ministry of Finance, and some MLAs with concerns about the ongoing responsibility of those contractors to make the required payments. The Association has been seeking legislative relief.
- The Association is not a party to the Plan.

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 has terminated participation in the Plan and is no longer contributing (“Terminated 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.
- BCFSA has 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.
- In February 2021, BCFSA determined that continued funding relief would not address the Plan’s long-term funding issues and asked the Trustees to develop a strategy to address the issues.
- To achieve long-term sustainability of the Plan, the Trustees decided to start the legislative wind-up process needed to settle all Orphan Members’ defined benefit entitlements. The first step was to formally issue demands for Terminated Employers to fund the

deficits attributable to their former employees' benefits, over the five-year period permitted by the Act.

- The Association has raised concerns that forcing the Terminated Employers to pay the legislatively required funding could force many into financial ruin, as some ceased operations years ago.

Role of the Trustees

- The Trustees of the Plan are its legal administrator and have a fiduciary duty to administer the Plan in the best interests of Plan members, in accordance with the PBSA.
- The Trustees are responsible for
  - ensuring that the Plan is meeting its funding requirements,
  - making decisions regarding formal employer terminations from the Plan, and
  - monitoring and holding each employer accountable for paying any funding owed to the Plan.

Role of BCFSA

- BCFSA is responsible for administering and enforcing the *Pension Benefits Standards Act* ("PBSA").
- Pensions are not guaranteed by the pension legislation nor by BCFSA. BCFSA works with pension plans to address funding challenges, with a focus on their long-term sustainability.
- BCFSA does not have responsibility or oversight over individual employers joining or leaving a multi-employer pension plan, and

therefore does not receive reporting on the activities of participating employers.

CURRENT STATUS:

- The Trustees are in the process of demanding and collecting payments from the Terminated Employers, including through litigation.
- BCFSA sees these actions as consistent with the intent of the Act, which is to protect members’ benefits.
- While there will unfortunately be a financial impact on certain Terminated Employers, affected members are at risk of having their benefits reduced if the Trustees do not demand and receive payment from the Terminated Employers.
- The one exception is Terminated Employer insolvency, in which case the recovery of the deficit payments is unlikely. BCFSA encourages Terminated Employers to work with the Trustees to help them make that determination.

QUESTIONS AND ANSWERS

ISSUE: Interior Lumbermen’s Pension Plan

Question: Why didn’t the Ministry of Finance or the Superintendent terminate the Orphan Employers and collect the top-up payments from them?

Answer:

- The Trustees have the fiduciary duty to administer the Plan in the best interests of Plan members, including responsibility 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 litigation, 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 pursue payment from former

employers that were no longer participating in the Plan since they were no longer making contributions to fund the Plan.
- It is not the role of the Ministry of Finance or BCFSA to terminate the Orphan Employers and collect top-up payments from them.

Question: Why can't the Ministry of Finance use the "legislative relief" requested by the Association to fix the problem, by changing the former employees' benefits from defined benefit to target benefit so that employers are not responsible for topping up any deficit?

Answer:

- In late 2022, the Association asked the Ministry of Finance for "legislative relief" that would eliminate the Terminated Employers' financial liability to the Plan by allowing the Plan to be registered as a target benefit plan retroactive to 1978, when the Plan was established.
- The Association's request 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 Terminated Employers do not make the required contributions to fund their former employees' benefits, those benefits may be significantly reduced.

Question: How can a pension plan be allowed to go after someone for money because they used to participate as a sponsoring employer in the plan?

Answer:

- The fact that an employer has stopped actively participating in a pension plan does not absolve the employer from their legal funding obligations to the plan.
- The actions of the Trustees in demanding that the Terminated Employers make the required contributions to fund the deficit is consistent with the requirements of the Act.
- 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 litigation, to collect payments from employers to make their employees whole.
- The one exception is Terminated Employer insolvency, in which case the recovery of the deficit payments is unlikely. BCFSA encourages the Terminated Employers to work with the Trustees to help them make that determination.

Question: Why are former participating employers still responsible for a pension plan's "losses"?

Answer:

- This Plan's funding challenges are due to the Terminated Employer issue, the recent low interest rate environment, and the general decline in the forestry sector - not investment losses.

- The lower the interest rates, the higher the deficit that employers may be required to fund in defined benefit plans.
- The fact that an employer has stopped participating in a defined benefit plan does not absolve the employer of its legislated funding obligations to the plan to fund benefits promised to former employees. The one exception to that liability is Terminated Employer insolvency, in which case the recovery of the deficit payments is unlikely.

Question: What is BCFSA's role in overseeing pension plans?

Answer:

- BCFSA's role is to administer and enforce the *Pension Benefits Standards Act* ("PBSA"). The PBSA applies to individuals employed in B.C., apart from those in federally regulated industries who are covered under federal pension legislation. B.C. residents who participate in pension plans registered in other provinces are also protected under the PBSA.

- The PBSA is designed to protect the interests of B.C. pension plan members by setting minimum standards for B.C. pension plans. It is also designed to protect the financial health of pension plans by establishing rules for governance, funding, and investment.
- BCFSA's regulatory objective is to ensure that B.C. pension plans comply with the PBSA and meet the minimum standards to protect the interests of plan members.
- Pensions are not guaranteed by the PBSA or by BCFSA. All pension plans have an administrator who has the duty to administer the plan in the best interests of its members, including holding each employer responsible for meeting their funding requirements under the PBSA.
- BCFSA is committed to supporting pension plans in the province that may have funding challenges with a focus on their long-term sustainability, but it is the administrator's responsibility to manage the plan in the best interests of its members.
- Where BCFSA identifies challenges with a pension plan, BCFSA proactively works with the plan's administrator to address these challenges.

MINISTRY OF FINANCE
BC INFRASTRUCTURE BENEFITS INC.
ORGANIZATION OVERVIEW

NAME: BC Infrastructure Benefits Inc.

BACKGROUND:

- BC Infrastructure Benefits Inc. (BCIB) is a Crown corporation and is the employer of skilled tradespeople on select infrastructure projects under the Community Benefits Agreement (CBA).
- BCIB is party to the CBA along with the Allied Infrastructure and Related Construction Council (AIRCC).
- The CBA includes specific and shared objectives between the employer and the Affiliated Unions of the AIRCC to help build and diversify a skilled workforce for BC:
    - Any contractor can work on CBA projects;
    - Local communities benefit from the projects being built in their communities;
    - No strikes / no lockouts;
    - Training is offered to foster safe and respectful worksites; and
    - Increased opportunities for trainees and apprentices.
- The CBA includes Priority Hiring for qualified Indigenous workers, women, and locals on projects.
    - Priority Hiring (Article 9 of the CBA) means qualified underrepresented workers and locals are hired first.
- To date, 14 projects have been approved under the CBA.
- The timing for hiring skilled tradespeople is dependent on projects' construction schedules and scope.

- Through the life of all projects, BCIB has employed more than 3,500 skilled tradespeople. They worked more than 4.6 million hours.
  - *Stats through the life of the projects to the end of Q3, FY24*
- BCIB filled more than 4,700 positions (including rehires).
  - *Stats through the life of the projects to the end of Q3, FY24*
- This fiscal year, BCIB has employed over 2,000 skilled tradespeople (including rehires).
  - *Stats Q1-Q3, FY24, inclusive.*

CROWN OVERVIEW:

BCIB has three priorities for the 2024/2025 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 employs twice the provincial average of tradeswomen.
  - The BC average for women on the tools has fallen to just 4.5%.
  - BCIB's rate for women on the tools is 9%, and they've worked 10% of the hours.
- BCIB employs local workers.
  - 73% of BCIB workers have been local hires (living within 100km of the jobsite).

  - 90% have been British Columbians.
- BCIB employs Indigenous workers.
  - 15% of BCIB workers are Indigenous; triple the industry average
- BCIB's work contributes to reconciliation by:
  - Respectful Onsite Initiative Training - to improve onsite culture.
  - Priority Hiring for First Nations or Indigenous tradespeople.
- BCIB has an overall target of 10% for total project hours worked for trainees and apprentice opportunities (as of end of December, 2023).
  - 9% of project hours have been worked by trainees and apprentices.
  - 15% of the workforce have been trainees or apprentices.
    - 2% have been trainees.
    - 13% have been apprentices.
- BCIB is a recognized employer:
  - BC's Top Employers
  - Canada's Top Diversity Employers
  - WorkBC Centre Diversity Award for Leadership in Inclusion
  - Options Community Services Outstanding Employer Award

Workforce Stats:

- Stats are through the life of projects to the end of FY24, Q3 (end of Dec, 2023).

Priority Hires	% of employees		% of craft hours	
	Projects start to end of Q3	Fiscal Year to end of Q3	Projects start to end of Q3	Fiscal Year to end of Q3
Local	73%	76%	74%	78%
Indigenous	15%	15%	14%	13%
Women	9%	9%	10%	7%
Youth	11%	11%	9%	10%
Other*	15%	16%	14%	16%

**Other includes non-Indigenous racialized and 2SLGBTQ+ workers.*

Operations and Outreach

- BCIB mobilizes and grows a skilled, diverse, local workforce.
- 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.

- Both BCIB and the Affiliated Unions review applicants' skills to determine whether they are job ready.
- If an applicant is not job-ready, BCIB can refer them to organizations providing upskilling supports, training and education, including BC Centre for Women in the Trades, Indigenous Skills and Employment Training programs (ISETs), WorkBC, SkillPlan, SkilledTradesBC, and the BC Building Trades training programs.

Accountability and Reporting

- BCIB has developed a service plan for 2024/2025 which is publicly available at www.bcib.ca.
- BCIB is accountable for tracking and publicly reporting on how it is implementing the objectives of the CBA.
- BCIB is accountable for reporting on key performance metrics associated with:
  - Performance as the employer for the workforce on select infrastructure projects.
  - Application of Priority Hiring, and apprenticeship and trainee opportunities across its projects.
  - Delivery of BCIB's Respectful Onsite Initiative training program.
  - Engagement with stakeholders regarding familiarization with and application of the CBA.

- BCIB will report on all its deliverables and priorities for fiscal 2024/25 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 recruits 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.
  - Building It Green – a program developed with the Canadian Building Trades Unions to educate construction workers on the role they can play to address climate change.
  - Naloxone training – To help combat the toxic drug crisis, BCIB offers Naloxone training to all its skilled trades workforce.

- BCIB policies addressing bullying and harassment.

BCIB Network of Projects

- BCIB supplies the skilled workforce to the following seven projects in construction:
  - The Broadway Subway Project
  - The Cowichan District Hospital Replacement Project
  - The Pattullo Bridge Replacement Project
  - Trans-Canada Highway 1 Four-Laning Program
    - Chase West to Chase Creek Bridge (Chase East)
    - Ford Road to Tappen Valley Road
    - Kicking Horse Canyon Phase 4
    - Quartz Creek Bridge
- The following three CBA projects have been completed:
  - Trans-Canada Highway 1 Four-Laning Program
    - Chase Creek Road to Chase West (Chase West)
    - Illecillewaet Brake Check Project
    - Salmon Arm - 1st Avenue SW to 10th Avenue SW (Phase One)
- The following four CBA projects are approved and are in procurement:
  - BC Institute of Technology (BCIT) Trades & Technology Complex

- Vancouver Community College (VCC) Centre for Clean Energy and Automotive Innovation
- Trans-Canada Highway 1 Four-Laning Program
    - Jumping Creek to MacDonald Snowshed
    - RW Bruhn Bridge

BUDGET:

$m	2022/23 Actuals	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
Wages & Benefits*	137.9	225.6	266.8	234.0	113.9
Administration, IT & Other	2.1	3.6	3.9	3.6	1.9
Professional Services	1.0	1.1	1.2	1.2	0.7
Contractors	1.4	1.9	2.2	1.8	0.6
Facilities	0.8	1.0	1.0	1.1	1.1
Total Expenses	**143.2**	**233.2**	**275.1**	**241.7**	**118.2**

* A majority of the Wages and Benefits represents those employees that perform construction work on major infrastructure projects and BCIB recovers payroll construction costs from contractors.

Why is there a drop in operating funding for BCIB?

- Government uses a variety of labour models across the Capital Plan to deliver important objectives to ensure our projects are achieving benefits for the communities they are being built in. The CBA is one of these models.
- The operating forecast reflects the workforce needs based on the timing of activity for projects delivered under the CBA.
- Government determines which public infrastructure projects will be delivered through the CBA and this is confirmed as part of the business case approval for that project.
- When a CBA designated project receives business case approval, BCIB updates its revenue and expense forecasts to reflect the inclusion of that project.

MINISTRY OF FINANCE
BC 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 continued to exercise regulatory authority over major aspects of the crypto market.
- Much of that effort has been aimed at crypto trading platforms (commonly referred to as cryptocurrency exchanges), requiring them to apply for registration or recognition, as applicable, or face enforcement action.
- The BCSC and other Canadian securities regulators are of the view that some widely-traded crypto assets (stablecoins) whose values are pegged to some other non-crypto asset (i.e., a fiat currency) are either securities or derivatives, and thus subject to the regulatory authority of securities regulators.
- The BCSC has also taken enforcement actions against non-compliant crypto trading platforms and is taking disruptive action against fraudulent schemes that are using crypto to lure victims.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

KEY FACTS:

- The BCSC and the Canadian Securities Administrators (CSA) have been actively working together to identify and mitigate the risks to investors who are buying and selling the rights to crypto assets through crypto trading platforms. The BCSC is regulating platforms under the *Securities Act* and taking enforcement action against non-compliant platforms.
- The BCSC's analysis of stablecoins has revealed that these assets pose certain risks to investors. The BCSC and other Canadian regulators have imposed terms and conditions on crypto trading platforms with regard to their trading of stablecoins that are designed to track the value of a single fiat currency (most commonly, the U.S. dollar).
- In addition to taking enforcement action against non-compliant platforms, the BCSC is working to disrupt fraudulent online investment schemes – often based in other countries – that use references to crypto to entice their victims. Some of these purport to be crypto trading platforms, and victims think the money will be used to buy crypto assets; other schemes involve purported companies with some kind of crypto aspect.
- The BCSC is educating and cautioning investors about the high-risk nature of crypto transactions (owing to the price volatility of crypto assets), the relatively short track record of companies providing crypto trading services (compared with traditional investment firms), and the fact that many crypto trading platforms operate

outside the bounds of the law and beyond the reach of Canadian authorities.

BACKGROUND:

Crypto-Assets

- The term “crypto-assets” can be used to refer to digital tokens that can have a wide variety of functions, such as being:
    - 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 after 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 trading platform (FTX). Its price has since rebounded, and as of February 2, 2024, one bitcoin was worth about CAD$58,000, up $20,000 from a year before – 13 times higher than it was worth five years before, but still well short of its all-time high of just over $80,000.

- Depending on its characteristics, a crypto-asset could be a security or derivative (over which the BCSC has jurisdiction), 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 crypto trading platform can transact a crypto-asset in a way that creates a derivative, with the crypto-asset serving as its underlying interest. If a platform allows customers to speculate on crypto-assets without gaining actual possession or control of the crypto-asset, it would be transacting a derivative. Such a transaction would thus be subject to BCSC regulatory authority.
- The CSA asserts that another widely-traded type of crypto-asset – fiat-backed stablecoins – are a security or derivative, and thus subject to its regulatory authority.

Crypto Trading Platforms

- Several crypto trading platforms have failed, and as a result, customers of those platforms have 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.
- Most crypto trading platforms transact crypto-assets in a way that creates a security or derivative, because the customers have only a contractual right to the crypto-asset.
- On that basis, the CSA has required that crypto trading platforms operating in such a manner apply for registration as dealers.

Registrants must abide by rules aimed at minimizing risk to investors, especially investor losses resulting from a platform's insolvency. As of February 2, 2024, 13 crypto trading platforms have been registered in Canada.

- Several crypto trading platforms that were operating and in discussions with Canadian securities regulators with regard to registration were required to sign a pre-registration undertaking to continue operations while their applications are reviewed. Through these undertakings, they agreed to comply with terms and conditions that address investor protection concerns and are consistent with requirements currently applicable to registered platforms. Currently, 10 platforms have signed pre-registration undertakings. The CSA expects that all or most of them will complete the registration process in FY2024-25.
- In reaction to the requirements imposed by Canadian securities regulators, some crypto trading platforms – including Binance, which is the world's largest platform in terms of daily trading volume – have exited the Canadian market.
- The BCSC and other Canadian regulators have taken enforcement action against crypto trading platforms that are not actively working toward registration. Three offshore platforms have been banned in most Canadian provinces and territories, including BC, as a result of orders imposed against them by the Ontario Securities Commission; a similar action taken by the BCSC against another offshore trading platform is pending.

- The BCSC also has taken enforcement action against crypto trading platforms for allegedly engaging in fraud by lying to their customers and diverting their assets to other purposes, or by allegedly making misrepresentations and illegally distributing securities. Those cases are awaiting hearings by a BCSC panel.

Stablecoin

- Stablecoins, which the CSA calls “value-referenced crypto assets,” are crypto assets that attempt to maintain a consistent value, typically because they are backed by reserve assets (such as U.S. dollars) to minimize price volatility.
- In light of the CSA’s assertion that fiat-backed stablecoins are securities or derivatives and thus subject to its regulatory authority, the CSA issued guidance to crypto trading platforms in October 2023. The guidance included terms and conditions to address investor protection concerns and included the following provisions:
    - The issuer of the value-referenced crypto asset must maintain an appropriate reserve of assets with a qualified custodian, held for the benefit of the crypto asset holder.
    - The issuer of the stablecoin and the crypto asset trading platforms that offer them must make certain information related to governance, operations and reserve of assets publicly available.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

Enforcement actions involving crypto

- The BCSC and other securities regulators have noticed a proliferation of websites and social media posts that lure people, including BC residents, into sending money or crypto assets in the belief that they will be leveraged by professional traders or proprietary trading programs to generate high rates of return in trading crypto assets.
- These websites and social posts likely originate outside Canada; their actual location is usually not disclosed. Some of these websites include the logos of non-existent regulatory agencies to create a veneer of legitimacy. Some of them use artificial intelligence to create fake testimonials by public figures (including celebrities, politicians and Canadian news broadcasters).
- The schemes often start with friendly direct overtures to an unwitting victim through social media, and after many online exchanges, lead to discussions of investment opportunities – initially involving smaller sums but gradually increasing in size. This pattern earned the moniker "pig butchering" because it is akin to "fattening up a pig."
- Such schemes now account for most of the complaints made to securities regulators and the Canadian Anti-Fraud Centre (CFAC). The BCSC is looking into more than 160 complaints recently referred from the CFAC, most of which fit this pattern.
- The BCSC's ability to stop such schemes is limited, in part because the perpetrator's location is hidden and most likely in another

country, and the perpetrator is operating far outside any regulatory regime. The BCSC employs various methods of disrupting such schemes, including:
  - Asking internet service providers to remove such websites;
  - Placing such entities and websites on the BCSC's Investment Caution List;
  - Tracing the path of assets on the blockchain in an attempt to identify the origins of these websites; and
  - Identifying facilitators – crypto asset exchanges, payment providers and money service businesses – and taking appropriate actions.
- Recognizing that addressing the problem further will require the collaboration of multiple agencies and companies in many jurisdictions, the BCSC convened a meeting on February 29 at the BCSC's office that included the BC Civil Forfeiture Office, the BC Financial Services Agency, the Royal Canadian Mounted Police.
- (RCMP), municipal police departments, and the U.S. Secret Service to discuss possible strategies.
- In an effort to detect recurring patterns that can be used to develop a more robust enforcement response aimed at disrupting and prosecuting this type of misconduct, the BCSC also commissioned research by an RCMP data analyst to review evidence gathered through recent investigations.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

Other issues in crypto

- **Non-fungible tokens (NFTs)**: 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 BC-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 evaluating the circumstances in which NFTs may be subject to securities laws.
- **Tokenization**: Market participants are increasingly using digital tokens as a means of representing partial ownership in an asset, in a process called "tokenization." The assets being tokenized include real-world objects such as real estate and financial instruments such as equity ownership in a company. In many instances, these tokens are securities or derivatives, and existing securities legislation applies to transactions in them. The BCSC is monitoring these developments.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Crypto-Assets and Crypto 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 trading platforms (also known as cryptocurrency exchanges) to apply for registration or recognition, as applicable, or face enforcement action. Several trading platforms have been registered or exempted from recognition by Canadian securities regulators, and more than a dozen 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 a platform's insolvency.

- 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.
- The BCSC is also taking enforcement action against non-compliant or fraudulent platforms.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

ISSUE: BCSC Enforcement Effectiveness and Use of New 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 is 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 has launched new enforcement programs aimed at strengthening investor protection.

KEY FACTS:

- In 2023/24, the BCSC:
    - took 349 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 11 administrative enforcement actions;
    - concluded five administrative actions;
    - entered into 18 settlement agreements;
    - issued one preservation order;
    - referred seven cases to Crown Counsel for prosecution; and
    - had two cases in which criminal charges were laid.
- Amendments to the *Securities Act* and other laws, which took effect in March 2020 and July 2023, have given the BCSC the strongest collections powers in the country. The BCSC is using these 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 is being met with multiple legal challenges in the courts.

BACKGROUND:

Enforcement

- The 2020 amendments to the *Securities Act* were broad in scope, aimed at strengthening enforcement against 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 launched a new enforcement program in FY 2023-24 that utilizes these new powers to support its existing enforcement efforts.
    - Creating anti-reprisal protections for whistleblowers. The BCSC launched a whistleblower program in FY 2023-24 which will pay people who provide helpful information about investment fraud and other serious types of market misconduct.
- One of the February 2023 *Securities Act* amendments 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. Previously, the Commission's only recourse to such non-compliance was applying to the Supreme Court for a contempt order – a lengthy procedure that consumes significant BCSC resources.
- The BCSC and other Canadian securities regulators have increased their focus on disruptive action against securities misconduct in recent years, particularly because of the significant rise in misconduct related to crypto assets promoted through social media, and the significant challenges in investigating and prosecuting this type of misconduct. In the fiscal year ending June 30, 2023, members of the Canadian Securities Administrators issued 758 investor alerts, cautions and warnings, which was a 221% increase from the year before and a 377% increase from two years prior. Disruptive actions include:
    - Issuing a Temporary, Halt or Cease Trade Order;

    - Posting the name of an entity on the Investment Caution List;
    - Issuing an investor alert;
    - Conducting in-person visits by enforcement staff;
    - Sending a warning letter; and
    - Taking steps to have a party enter into an undertaking, offer rescission, stop a distribution, issue a clarifying news release, or withdraw, remove, or block offensive material.
- 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.

Enforcement Examples

- A BCSC panel ordered $1.1 million in financial sanctions and issued market bans in connection to a hops farm that committed fraud and illegal distribution of securities.
- A BCSC panel found that a woman from BC committed fraud, obstructed justice and illegally sold shares of her purported real estate company.
- A former Richmond resident was given a suspended sentence with probation after pleading guilty to fraud over $5,000, following an investigation by the BCSC's Criminal Investigations Branch.
- The BCSC obtained final outcomes (either panel decisions or settlements) with 24 respondents who participated in a capital-

raising scheme that was abusive to the investment market. The respondents who settled have paid more than $1.5 million to the BCSC, and a panel imposed a $40,000 penalty on another respondent. Panel decisions are pending for six other respondents and a hearing is scheduled for three others.

- A BCSC panel ordered $600,000 in financial sanctions against a Sooke man who defrauded an investor by lying about the ownership of the Sooke Harbour House hotel.
- The BCSC imposed a temporary order on a self-described investment firm and three people connected to it after finding evidence they may be violating prospectus and registration requirements of the Securities Act.
- A BCSC panel extended a temporary order against three BC residents and several related overseas companies to stop the promotion of an investment product while the Commission investigates.

Collections

- The BCSC is using or preparing to use 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 the previous 15-year limitation period);
  - 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.
- One of the 2023 legislative enhancements was amendments to the *Pension Benefits Standards Act* and the *Pooled Registered Pension Plans Act* to make clear that certain pension-derived funds are not exempt from enforcement processes arising from orders made under the *Securities Act*. These amendments broadened 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

  - Participating in respondents' bankruptcy proceedings 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.
- Of the $429.1 million in outstanding sanctions, the BCSC is reasonably certain it will be unlikely to collect about 30% because:
  - The respondent has no assets;
  - The respondent is in jail; or
  - The respondent declared bankruptcy.
- While the BCSC continues to monitor the files in which funds are unlikely to be recovered, it has prioritized its collection efforts on the remaining approximately $300 million. The BCSC is persistently pursuing these cases.

Collections Examples

- The BCSC asked ICBC to not issue or to not renew the driver's licence, vehicle licences, and vehicle plates of seven individuals who have not fully paid a BCSC financial penalty or entered into a payment plan. The previous year, it took the same action with ten other individuals. This has resulted in two respondents paying their sanction in full, and one respondent entering into a payment plan.
- The BCSC has been pursuing litigation with Thalbinder and Shailu Poonian, who owe the BCSC approximately $19 million. The litigation involves their attempt to exit from bankruptcy and have their debt to the BCSC extinguished:
  - 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 were granted leave to appeal to the Supreme Court of Canada, which heard arguments in December. A decision, which could have implications for securities regulators throughout Canada, is pending.
- The BCSC returned $69,888 to nine investors who were defrauded by an individual and three companies that misappropriated their funds and used them for their own purposes.

- The BCSC returned more than $930,000 to an investor who lost money as a result of an illegal distribution of securities. The funds came from the individual who admitted to the misconduct in a settlement agreement.
- The BCSC caused the return of approximately $2 million to investors in a fraudulent real estate scheme. During its investigation, the BCSC issued a freeze order on the assets of the respondents and their associated companies. After a BCSC panel found the respondents had committed misconduct and imposed sanctions, the BCSC registered charges against the respondents' various BC properties and asked the BC Supreme Court to appoint a receiver to "efficiently recover assets for the benefit of legitimate investors".
- Following years of litigation in U.S. courts with an individual who fraudulently raised millions of dollars from BC investors, the individual paid US$350,000 to the BCSC as partial payment for millions of dollars in financial sanctions imposed on him in 2014. The respondent also agreed to various other conditions, including ongoing disclosure of his finances, giving the BCSC a secured interest in any other tangible personal property he owns or obtains in the future, and an obligation to pay the BCSC a portion of his income under certain circumstances. The BCSC's legal efforts in the U.S. led to a hearing before the Nevada Supreme Court, which affirmed that a portion of the BCSC's sanctions are enforceable in Nevada.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

- The BCSC relied on new powers under the *Securities Act* to seek joint and several liability and forfeiture orders. The BCSC filed a petition in Court against a third-party recipient who had received money from a company that illegally distributed securities and was subject to a BCSC order. The recipient initially contested the petition but eventually settled and paid $179,000. The BCSC will run a claims process to return this money to investors.
- The BCSC has relied on the amendments to the *Pension Benefits Standards Act* to seek a court order directing payments from a life income fund to the BCSC, for payment of a sanction.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: BCSC Enforcement Effectiveness and Use of New 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* and other laws that were brought into force in 2020 and 2023.
- 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 in the Courts, which the BCSC is currently pursuing with specialized external legal counsel.
- 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 one individual can be found to have breached the Act multiple times. As a result, some sanctions are far higher than the amounts ever obtained by the respondent through their misconduct. In several cases in which the respondent owes $35 million or more, it is unlikely the BCSC will ever collect the full amount owed.

MINISTRY OF FINANCE
BC 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 amendments to the *Securities Act*, which enhanced its powers to investigate misconduct and to collect on penalties imposed through the enforcement process.
- The BCSC launched enforcement programs in 2023/24 that were enabled by the amendments, aimed at enhancing investor protection. These include:
  - A paid whistleblower program aimed at incentivizing people to report suspected misconduct; and
  - A streamlined enforcement process by which monetary sanctions can be imposed on market participants, with written notice and without a hearing, for contraventions of securities law requirements.
- Enforcement staff are vigorously pursuing debtors for unpaid penalties using the tools in the amendments, including:

- The BCSC relied on new powers under the *Securities Act* to seek joint and several liability and forfeiture orders. The BCSC filed a petition in Court against a third-party recipient who had received money from a company that illegally distributed securities and was subject to a BCSC order. The recipient initially contested the petition but eventually settled and paid $179,000. The BCSC will run a claims process to return this money to investors; and
- Directing 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 17 times so far. This has resulted in two respondents paying their sanction in full, and one respondent entering into a payment plan.

MINISTRY OF FINANCE
BC SECURITIES COMMISSION
ISSUE NOTE

ISSUE: Environmental/Social/Governance Disclosure

ADVICE AND RECOMMENDED RESPONSE:

- The British Columbia Securities Commission (BCSC) is working with other Canadian securities regulators to enhance the disclosure of climate-related risks and board and executive diversity in order to provide investors with the information they need to make good investment decisions.
- Institutional investors, including major pension plan investment managers, such as the British Columbia Investment Management Corporation (BCI), 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.
- Other advocates are calling on the BCSC to directly address climate risks and promote diversity issues, which goes beyond the BCSC's mandate.

KEY FACTS:

- The Canadian Securities Administrators (CSA), including the BCSC, plan to propose harmonized disclosure requirements for public companies regarding climate-related risks and opportunities, and board and executive officer diversity, to better inform investors' investment and voting decisions.

- The CSA is monitoring international and domestic developments regarding ESG disclosure standards and is pursuing a climate-first approach. It anticipates proposing climate-related disclosure requirements – including those relating to governance, strategy, risk management, metrics, and targets – that are tailored for Canadian investment markets and congruent with global and domestic sustainability disclosure standards. The CSA is completing its review of comments received in response to its publication proposing rules for Board and Executive Officer diversity disclosure.

BACKGROUND:

Climate Risk

- Institutional investors, which invest primarily in *non-venture* companies, have become increasingly interested in standardized climate-related disclosures. Reporting issuers must disclose material climate-related risks now. However, issuers that are making these disclosures typically report such risks using a range of voluntary frameworks, and often post these disclosures on their websites instead of including them in securities filings.
- In 2021, the International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB). The ISSB's purpose is to develop standards that result

in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.

- The ISSB issued its first voluntary IFRS Sustainability Disclosure Standards, IFRS S1 and IFRS S2, in June 2023:
  - S1 requires disclosures concerning the governance, strategy, risk management, metrics and targets about general sustainability-related risks and opportunities; it also includes foundational concepts such as materiality and fair presentation.
  - S2 requires disclosures about climate-related risks, both physical risks (driven by events or longer-term shifts in climatic patterns) and risks that arise from transitioning to a lower-carbon economy, which can include policy, legal, technological, market and reputational risks). S2 also requires disclosure of climate-related opportunities that could impact a company's prospects. Disclosures include the company's greenhouse gas emissions, including emissions resulting from the company's sourcing, production and distribution processes, and emissions from the end-use of the company's products (also known as "Scope 3" greenhouse gas emissions).
- In June 2023, the Canadian Sustainability Standards Board (CSSB) was established under the auspices of Financial Reporting and Assurance Standards Canada. The CSSB's mandate is to develop domestic sustainability standards that align with – and support the adoption of – ISSB standards in Canada.

- The CSSB will consult in March 2024 on issuing Canadian Sustainability Disclosure Standards that substantially mirror S1 and S2. The BCSC anticipates that the CSSB will issue final Canadian Sustainability Disclosure Standards effective (on a voluntary basis) January 1, 2025.
- After the CSSB issues final Canadian Sustainability Disclosure Standards, the CSA will consider whether – and over what timeframe – those standards should be made mandatory, and for which issuers. Until those CSA decisions are made, compliance with any ISSB and CSSB standards will remain voluntary.
- The U.S. Securities and Exchange Commission has not yet published its final climate-related disclosure rule, and when it is published, there is a high likelihood of legal challenges. Given the ease of capital flows and interconnectivity between Canadian and U.S. capital markets, a significant difference in climate disclosure frameworks between Canada and the U.S. could be a competitive concern.
- Accordingly, the CSA will analyze the draft CSSB standards with a view to determining whether and how they should apply to issuers. Discussions continue about which types of issuers the standards should apply to, given the unique composition of Canada's public capital markets and the large number of venture issuers (about 2,500 small enterprises listed on the TSX Venture Exchange or the Canadian Securities Exchange, many of which are in extractive industries such as mineral exploration). The CSA will also consider the appropriate transition periods for specific requirements that

may be more onerous and costly for issuers to comply with, such as Scope 3 greenhouse gas emissions reporting.

Diversity

- The BCSC has not adopted the gender diversity governance guidelines and diversity disclosure requirements for non-venture issuers that have been adopted by other Canadian securities regulators, but BC based non-venture issuers must still comply if they are listed on the Toronto Stock exchange, Cboe Canada, or report in a jurisdiction that has adopted those requirements.
- In spring 2023, the CSA sought public comment on two alternative approaches to enhancing corporate governance disclosure rules and policy relating to the director nomination process, board renewal and diversity. The proposals are intended to:
  - Increase transparency about diversity, including diversity beyond women, on boards and in executive officer positions;
  - Provide investors with decision-useful information that enables them to better understand how diversity ties into an issuer's strategic decisions; and
  - Provide guidance to issuers on corporate governance practices related to board nominations, board renewal and diversity.
- One alternative (Form A) would require an issuer to disclose its strategy regarding diversity in respect of the board and executive officers but would not mandate disclosure of data on representation of any specific identified group, other than women. An issuer would be required to describe its chosen diversity objectives and how it

would measure progress and explain what mechanisms it has determined are appropriate for the issuer to achieve its diversity objectives.

- The other approach (Form B) contemplates mandatory reporting on the representation of five specific, historically underrepresented “designated groups” on boards and in executive officer positions: women, Indigenous peoples, racialized persons, persons with disabilities and LGBTQ2SI+ persons. All data would be reported in a standardized tabular format to promote consistency and comparability of such disclosure. This approach more closely aligns with the requirements in the *Canada Business Corporations Act*.
- The CSA received about 80 comment letters and also conducted extensive consultations with stakeholders across Canada. There were differing perspectives – generally, institutional investors and investor advocates supported the more prescriptive approach, while issuers and directors supported the more flexible approach.
- The BCSC and other Canadian securities regulators have consulted broadly on the CSA’s diversity proposal, including with Indigenous individuals and organizations representing Indigenous First Nations, major banks, consulting and legal firms, advocacy groups as well as other organizations representing other Indigenous interests. Some Indigenous organizations also sent comment letters.
- The CSA expects to recommend the adoption of a rule regarding public company diversity disclosure by the end of 2024.

MINISTRY OF FINANCE
COLUMBIA BASIN TRUST
ISSUE NOTE

ISSUE: Columbia Basin Trust Background Information

ADVICE AND RECOMMENDED RESPONSE:

- Columbia Basin Trust will continue to deliver its mandate to support the social, economic and environmental well-being of Basin residents, consistent with the newly-launched Columbia Basin Management Plan 2024-2034 (CBMP).
- The new CBMP was launched to the public in February 2024 following a comprehensive engagement process with people in the Basin.
- Over the next year, the Trust will transition to CBMP implementation planning, which is expected to include the creation of task forces, advisory committees and other forms of resident engagement.

KEY FACTS:

Columbia Basin Management Plan 2024-2034

- The new CBMP sets out the strategic direction for the Trust over the next ten years. It covers a longer term than previous CBMPs, reflecting the many areas of focus identified by residents that require a longer-term approach to achieve meaningful results.

- It includes four focus areas with goals and actions related to each. The focus areas are Organization, Relationships, Communities and Natural Environment.
- The Trust will seek further input from residents, including First Nations and Métis peoples in the Basin, on the implementation of the Plan, including through the creation of advisory committees, tasks forces and other forms of resident engagement.

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.
- Although it has been delayed, the review is now underway. It is being led by staff within the Ministry of Energy, Mines and Low Carbon Innovation.

MINISTRY OF FINANCE
COLUMBIA BASIN TRUST
ISSUE NOTE

BUDGET:

Budget ($000 000)	2022/23 Actuals	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
Expenses	29.6	31.6	34	34.2	34.7
Delivery of Benefits	61	55.9	53	61	65.5
Salaries	9.1	10	11.8	12.3	12.8
Revenues	95.7	95.9	95	104	108.6
Total Operating Expenses	90.6	87.5	87	95.2	100.2

QUESTIONS AND ANSWERS

ISSUE: Columbia Basin Trust Background Information

Question: Will the Trust be moving in a new direction as a result of the CBMP? Will some current programs be discontinued?

Answer:

- Under the *Columbia Basin Trust Act*, the Trust must manage its assets for the ongoing economic, environmental and social benefit of the Basin region. The new CBMP does not change this mandate. As the Trust moves into implementation of the new CBMP and new programs and initiatives are developed, it is possible historical areas of Trust support will change. The Trust will work with delivery partners (and others) to facilitate these transitions.

Question: The current MOU between the Province and the Trust was to be reviewed in 2019. Why has this not occurred?

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. The review is now underway and will be considering whether the commitments outlined in the MOU are still necessary, relevant and accurate. In the meantime, while the review is underway, the original MOU is still in place and Government and the Trust continue to maintain a strong and collaborative relationship.

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 the Province finalizing any agreement with the United States.

MINISTRY OF FINANCE
COLUMBIA POWER CORPORATION
ISSUE NOTE

ISSUE: Columbia Power Corp. Background Information

ADVICE AND RECOMMENDED RESPONSE:

- Columbia Power will continue to ensure the long-term profitability, reliability, safety and environmental sustainability of its jointly owned power generation and transmission assets.
- An April 2023 failure in one of the turbines at Arrow Lakes Generating Station has been repaired. The other turbine at Arrow Lakes is also being repaired to avoid a similar failure.
- The turbine repair work has impacted Columbia Power's net income forecast for 2024/2025. Once repairs are complete, Columbia Power projects net income growth from all the jointly owned assets.

KEY FACTS:

Arrow Lakes Generating Station Turbine Failure

- A significant failure occurred in the Unit 1 turbine at the Arrow Lakes Generating Station in April 2023. A focused investigation, root cause analysis and repair of the unit took ten months and was completed in February 2024. This investigation and analysis showed that the failure could not have been detected through regular maintenance programs.

- To avoid a similar failure, repairs on the Unit 2 turbine at Arrow Lakes are underway and expected to be complete in Summer 2024. Although these repairs will negatively impact Columbia Power's fiscal year 2024/2025 net income forecast, this approach is preferable to another unplanned forced outage and repair in the future.
- Once the repairs on both units are complete, Columbia Power projects net income growth from all of its jointly owned power project assets. This growth trend is expected to continue into future years.

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 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.

MINISTRY OF FINANCE
COLUMBIA POWER CORPORATION
ISSUE NOTE

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.

BUDGET:

Budget ($000 000)	2022/23 Actuals	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
Expenses	26.5	27.1	27.5	27.8	28.0
Salaries	-	-	-	-	-
Revenues	88.6	87.5	89.0	95.9	98.1

Total Operating Expenses	26.5	27.1	27.5	27.8	28.0

QUESTIONS AND ANSWERS

ISSUE: Columbia Power Corporation Background Information

Question: Could similar generating unit failures occur at other facilities? What is Columbia Power doing to avoid similar failures?

Answer:

- Root cause analysis of the unplanned outage at Arrow Lakes Generating Station conclusively determined the cause of the failure, and an independent engineering review undertaken by the Project's insurer confirmed the findings. Arrow Lakes Generating Station is a two-unit plant. It is possible the root cause identified in the first unit is shared by the second, and the joint venture partners will undertake corrective works accordingly. The generating units at the joint venture partners other three power projects are of a different configuration, technology, age, and installation date/process. There is no shared risk from the root cause identified at Arrow Lakes Generating Station.

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

MINISTRY OF FINANCE
COLUMBIA POWER CORPORATION
ISSUE NOTE

Waneta Expansion. Revenue from these assets is used to deliver on Government's overall priorities.

MINISTRY OF FINANCE
COLUMBIA POWER CORPORATION
ISSUE NOTE

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.

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.

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY (EMLI)
ISSUE NOTE

- 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 water supply, than the original Treaty focus of flood risk mitigation and power production.

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 notice has been given.
- The Province has historically received on average $140M per year from sale of CRT power delivered by the U.S. (ranging from $89M (2012/13) to $232M (2021/22)). Recent higher market prices have increased CRT revenues, which for 2022/23 were $437M, Advice/Recommentations
Advice/Recommentations
- 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 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 July 31, 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.

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY (EMLI)
ISSUE NOTE

CRT Review

- Beginning in late 2011, the Ministry of Energy, Mines and Low Carbon Innovation CRT Team led an extensive consultation and review process to evaluate future options, including continuation, amendment, or termination of the Treaty.
- On March 13, 2014, the provincial government released its decision to 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. has continued to engage 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 19 Rounds of negotiations, alternating between the two countries.

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY (EMLI)
ISSUE NOTE

- Several framework proposals for a modernized CRT have been exchanged between Canada and the U.S., which are confidential.
- The U.S. and Canada are continuing to work together to try and conclude an Agreement in 2024.

CROSS REFERENCE

- Estimates 2024 – Columbia River Treaty Negotiations
- Estimates 2024 – CRT and Colville Confederated Tribes/Sinixt

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Division: Columbia River Treaty, EURD

File Name: MO_CRT_01_Background_ADM.docx

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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) and ensure it provides benefits that are shared equitably between the 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 19 official rounds of negotiations with the United States to date as well as numerous technical and virtual intersessional meetings.

- The topics discussed during negotiations include flood risk management, hydropower coordination, ecosystems, salmon reintroduction, increased flexibility for Canadian operations, adaptive management, enhanced coordination of Libby Dam operations, and other benefits to the U.S. not considered in the current Treaty, such as navigation, recreation, irrigation, and fisheries.
- The exchange of formal proposals and discussions around the modernization of the Treaty have provided the United States and Canada with an opportunity to look beyond just power generation and flood-risk management, and equitably share in the benefits.
- The U.S. has publicly stated that they wish to reach an agreement-in-principle soon. While B.C. understands the circumstances that give the U.S. a sense of urgency, such as the Congressional approval and federal appropriation processes, and the upcoming U.S. election, B.C. will not be rushed into a Treaty that will not meet our interests.

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY BRANCH (EMLI)
ISSUE NOTE

KEY FACTS:

Negotiations:

- The previous Canadian chief negotiator for Canada, Sylvain Fabi, stepped down in August 2023 following Round 18 in Seattle. The current chief negotiator for Canada is Stephen Gluck. 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, and the Ktunaxa, Secwepemc and *Syilx* Okanagan Nations, in preparing 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 2023/24, with negotiation rounds between Canada and the U.S. occurring on average every two months.
- Canada hosted Round 17 in May 2023 in Kelowna, B.C. The United States hosted Round 18 in Seattle, WA in August 2023 and Round 19 in Portland, OR in October 2023. Virtual intersessional rounds between the countries were held in between in-person negotiation rounds.
- Due to the confidential nature of the negotiations, details of Canada's proposals and of the U.S. response cannot be made public.

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY BRANCH (EMLI)
ISSUE NOTE

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 participate in caucus meetings with Canada and B.C. during negotiation sessions and debrief with Canada and B.C. after each negotiation round.

Arrow Lakes Reservoir Levels

- Arrow Lakes Reservoir experienced below average levels in the summer and fall or 2023 due to severe drought conditions. In addition, flows out of Arrow Lakes Reservoir increased in August to meet requirements under the Columbia River Treaty.
- The Treaty requires B.C. to provide a certain volume of water to the U.S. throughout the year for flood-risk management purposes and downstream hydropower generation.
- BC Hydro entered into an agreement with the U.S. in May 2023 to keep levels higher as long as possible. The additional water held

back was required to be released in July/August to meet Treaty obligations.

- Local government, stakeholders, and residents have expressed concern about the impact of last summer and fall's very low Arrow Lakes Reservoir water levels on industry, recreation, tourism, fish populations and private property. Concerns have also been raised about Lake Roosevelt (located downstream in Washington State) and Kinbasket Reservoir (located upstream in B.C.) being kept at a higher elevations while Arrow Lakes Reservoir is drafted so low.
- The Province is aware of the Treaty's impacts on Arrow Lakes Reservoir and is committed to seeking improvements through ongoing negotiations with the U.S. to modernize the Treaty.
- A primary goal for the Canadian negotiating team is to gain additional flexibility for how B.C. operates its Treaty dams. This would allow B.C. to adjust operations to support objectives for ecosystems (including fish spawning), Indigenous cultural values and socio-economic interests, without approval from the U.S.

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 $437 million

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY BRANCH (EMLI)
ISSUE NOTE

Advice/Recommentations

(2022/23).

Advice/Recommentations

- The fluctuations in the cash value of the Entitlement are due to variations in the market 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.

CURRENT STATUS:

- The date for the next round of negotiations between Canada and the U.S. has not been finalized. However, both parties continue to engage in discussions through smaller group meetings and virtual intersessional meetings.
- 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, but this deadline was not met. Both countries continue to work towards securing an AIP. If an AIP is reached, the need to engage with Basin citizens and the public will increase significantly. B.C. has publicly committed to engaging with Basin residents to explain what an AIP includes and seek feedback.

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY BRANCH (EMLI)
ISSUE NOTE

- In a joint public statement on March 24, 2023, President Joe Biden and Prime Minister Justin Trudeau stated that the two countries would intensify their work over the coming months towards agreement. The statement did not include a timeline for conclusion of negotiations.
- 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 September 2024. The negotiating parties continue to work toward securing an AIP.

BUDGET:

Table: Approved Funding for CRT Negotiations ($ millions)

Budget ($000)	2022/23 Actuals	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
Total	4.200	8.622	5.550	2.800	0.000*

**funding for 2026/27 onwards will be requested in 2024, and be dependent on the status of negotiations, and if an agreement is reached, on implementation of a new modernized Treaty.*

CROSS REFERENCE:

ESTIMATE 2024 – COLUMBIA RIVER TREATY BACKGROUND

ESTIMATE 2024 – CRT AND COLVILLE CONFEDERATED TRIBES/SINIXT

MINISTRY OF FINANCE
COLUMBIA RIVER TREATY BRANCH (EMLI)
ISSUE NOTE

QUESTIONS AND ANSWERS

ISSUE: Columbia River Treaty Negotiations

Question: re: Arrow Lake Reservoir questions

Answer: (in narrative form so Minister can read out)

1. Why were water levels so low on Arrow Lakes Reservoir last summer and fall?

- The low levels in 2023 were due to a combination of below average snowpack during the winter of 2022/23, the early melt of the below average snow levels in May, and the following severe drought conditions in the Columbia Basin, all of which significantly reduced the amount of water flowing into Arrow Lakes Reservoir.
- This was compounded by B.C.'s obligations under the Columbia River Treaty to provide a certain volume of water to the United States throughout the year for downstream hydropower generation.
- The combination of low inflows into the reservoir and required Columbia River Treaty discharges resulted in an exceptional deeper draft (lowering) of Arrow Lakes Reservoir over the summer and fall.
- Additionally, water releases from Kinbasket Reservoir that might otherwise keep Arrow Lakes Reservoir levels higher were managed, similar to prior low inflow years, to ensure sufficient water storage for winter energy supply for the Revelstoke and Mica Generation Stations to meet domestic load.

2. What is being done to avoid these very low levels from occurring again in the future?

- While we can't control the weather or stop the drought, we are strongly advocating for improvements in the Treaty through negotiations with the U.S. to reduce the types of impacts seen on Arrow Lakes Reservoir last year.
- The Canadian negotiating team, which includes Canada, B.C. and the Ktunaxa, Secwepemc and Syilx Okanagan Nations, has been direct with the U.S. that a modernized Treaty must reduce these impacts in the future.
- The Canadian and U.S. negotiating teams are looking at different ways of managing the volume and timing of water releases to support a wide range of interests in both countries.
- One of the key goals for the Canadian negotiating team is to gain more flexibility for how B.C. operates its Treaty dams. This would allow B.C. to adjust operations to support ecosystems (including fish), Indigenous cultural values, and socio-economic interests, such as recreation and tourism, without agreement from the U.S.
- There is significant research and river management scenario modelling underway that is informing how best to use any new flexibility. Part of that research includes looking at different elevations throughout the year on Arrow Lakes Reservoir.
- Research to determine objectives for the modelling process is being led by the Ktunaxa, Secwépemc and Syilx Okanagan Nations in collaboration with federal and provincial governments, the Columbia River Treaty Local Governments Committee, and environmental non-governmental scientists and technical consultants.
- The Canadian delegation is also seeking to incorporate adaptive management into the Treaty, allowing both countries to adjust to the effects

of climate change (including droughts and floods), evolving Indigenous and scientific knowledge, and other future unknowns.

- However, until a modernized Columbia River Treaty is in place, B.C. must continue to meet its legal requirements under the current Treaty.

3. What is being done to mitigate the impacts to fisheries, boating access and exposed debris if drought conditions persist?

- This is a question for BC Hydro and, where fisheries are concerned, the Ministry of Water, Land and Resource Stewardship.

4. If a modernized Treaty is not agreed to, how will that affect Arrow Lakes Reservoir?

- If Canada and the U.S. do not reach agreement on a modernized Treaty, the Treaty will continue in its current form, unless either country issues a 10-year termination notice.
- Under the current Treaty, the Flood Risk Management provisions expire in fall of 2024 and move to “called upon” operations.
- This means the U.S. would need to draft their reservoirs deeper to manage flood risk before “calling on” B.C. for additional water storage.
- This would also create uncertainty as we cannot predict when flood risk events would occur, and when the U.S. would be eligible to call on B.C. for assistance.

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File Name: FIN Estimates 2024_CRT Negotiations

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MINISTRY OF FINANCE
COLUMBIA RIVER TREATY BRANCH (EMLI)
ISSUE NOTE

5. What is going to happen this summer?

- The entire province is again experiencing significant drought conditions in 2024.
- As of April 1st, the provincial snowpack is extremely low, averaging 63% of normal across B.C. Last year, the provincial average was 88%.
- The Upper Columbia is at 66%, West Kootenay 72%, East Kootenay 76%.
- BC Hydro will use imports as an opportunity to maintain reservoir levels while respecting Columbia River Treaty obligations and meeting domestic electricity demand.

6. Are there any plans to compensate communities and residents around Arrow Lakes Reservoir who have been impacted by these low levels?

- The low water levels in 2023 were due to severe drought conditions in the Columbia basin. It is important to recognize that the reservoirs will see operations at the upper and lower limits of the licensed operating range based on weather, inflows, and other variables.
- We aware that the drought conditions in 2023 caused significant issues for the communities around Arrow Lakes Reservoir. Unfortunately, communities across the province have also been impacted by this drought, including those that have been impacted by the related wildfires. There are no plans for compensation for the communities on Arrow Lakes Reservoir.
- It is worth noting that the Columbia Basin Trust was created in recognition of the impacts of the Columbia River Treaty to support the efforts of the people in the Canadian portion of the Columbia River Basin, the region most impacted by the Columbia River Treaty. The Trust was not set up to provide compensation to specific communities, but rather to focus on improving the social, economic and environmental well-being for present and future

generations of the region. In 2022/23, the Trust delivered a total of $82.2 million in direct benefits to the region.

MINISTRY OF FINANCE
ELECTRICITY AND UTILITY REGULATION DIVISION (EMLI)
ISSUE NOTE

ISSUE: Columbia River Treaty and the Colville Confederated Tribes/Sinixt

ADVICE AND RECOMMENDED RESPONSE:

- Our government is committed to creating and maintaining strong relationships with the Indigenous Peoples, based on respect and recognition of rights.
- In April 2021, the Supreme Court of Canada's Desautel decision recognized the Lakes Tribe of the Confederated Tribes of the Colville Reservation as a successor to the Sinixt, with Aboriginal rights in the Arrow Lakes region.
- The Province, through the Ministry of Indigenous Relations and Reconciliation, has been consulting with the Lakes Tribe and meeting with representatives on several issues as part of the Province's responsibility to implement the Supreme Court of Canada's judgment in Desautel. This work will continue.
- In 2023, Ktunaxa Nation, Secwépemc Nation and Syilx Okanagan Nation entered into Interim Revenue Sharing

Contact:	Les MacLaren, ADM, EMLI	**Phone:**	778-698-7183
Division:	Electricity and Utility Regulation Division	**Page:**	1 of 5
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Agreements with B.C. as part of a collaborative bilateral process in relation to the Columbia River Treaty.

- These three Indigenous Nations are participants as part of the Canadian negotiation team, along with the governments of Canada and B.C., seeking to negotiate a modernized CRT with the U.S.
- The Colville Confederated Tribes are expert advisors as part of the U.S. treaty negotiation team on the CRT. As such, B.C. understands their interests are represented at the negotiating table.
- Canada has the primary role in determining participation on the Canadian CRT negotiation delegation and in the implementation of the Desautel decision.
- Canada's participation and leadership in these discussions is of central importance, including the vital need for respectful engagement with First Nations in British Columbia.
- If a draft CRT agreement-in-principle is reached, the Province will engage with B.C. Columbia Basin residents and First Nations, as well as the Lakes Tribe, to explain what

is being proposed and seek feedback. CRT staff will follow MIRR's lead on how to engage fulsomely and respectfully with the CCT.

KEY FACTS:

- The Sinixt is the collective group, part of the Salish people, who primarily occupied territory in the B.C. Interior and form the Lakes Tribe in northwestern United States. After the creation of the United States-Canadian border in 1846, most of the sńʕaýckstx members settled further south along the Columbia and Kettle Rivers all the way to Kettle Falls. Many sńʕaýckstx found themselves living on the Colville Indian Reservation upon its creation in 1872.
- Sinixt considers itself a transboundary tribe with rights in both the U.S. and Canada but, until recently, didn't formally exist in Canada. The Sinixt were deemed "extinct" by the federal government in 1956.
- In April 2021, the Supreme Court of Canada's Desautel decision recognized the Lakes Tribe of the Confederated Tribes of the Colville Reservation (CCT) as a successor to the Sinixt, with Aboriginal rights in the Arrow Lakes region. The traditional territories of the CCT extend across eastern Washington and into portions of British Columbia, Oregon and Idaho.

- The CCT has formed the sn̓ʕaýckstx (Sinixt) Confederacy, formerly known as the Arrow Lakes Aboriginal Society, to represent sn̓ʕaýckstx people on both sides of the international border, regardless of tribal or band affiliation, in a manner consistent with Indigenous law and culture.
- A MIRR-led provincial negotiation team regularly meets with Lakes Tribe representatives to advance an initial consultation protocol agreement between the Province and the Lakes Tribe.

Media Interest:

- In late summer and fall 2023, EMLI and MIRR GCPE fielded a number of media requests asking for comment on Confederated Colville Tribes and the CRT / interim revenue sharing agreements. Global media ran a piece in Dec. 2023 reporting that the Colville Confederated Tribes has established an office in Nelson, B.C.

CURRENT STATUS:

- In a letter dated Jan. 30, 2024, Okanagan Nation Alliance, Shuswap Nation Council and Ktunaxa Nation Council wrote to Ministers Rankin and Conroy to request an urgent meeting to discuss their concerns around engagement of the CCT and CRT negotiations.

MINISTRY OF FINANCE
ELECTRICITY AND UTILITY REGULATION DIVISION (EMLI)
ISSUE NOTE

- While that requested meeting has not occurred, the BC and Federal Treaty teams continue to work closely with the three Nations on Treaty modernization.

MINISTRY OF FINANCE
INFRASTRUCTURE BC
ORGANIZATION OVERVIEW

NAME: Infrastructure BC Overview

BACKGROUND:

- Established in 2002, Infrastructure BC Inc. (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.
- Infrastructure BC advises public sector clients on planning, procuring, and implementing complex infrastructure projects using various procurement models.

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,
  - Government Financial Information

- Creation and standardization of the procurement process for capital projects,
- 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.

- IBC funds its own operations entirely from fees charged to public sector clients. Net income for each of the last three years has been:
  - 2020/21 $ 524k
  - 2021/22 $ 145K
  - 2022/23 $ 936K
- 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.

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:
    - 2020/21 2.6%
    - 2021/22 2.4%
    - 2022/23 1.8%
- IBC is an organization of approximately 57 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 nine-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 78 projects with a combined capital value of more than $28 billion:
    - Healthcare: 33 projects (hospitals, ambulatory care, and long-term care facilities),

- Accommodation: 23 projects (K-12 education / advanced education, corrections, law courts),
- Transportation: 17 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

- **Burnaby Hospital Phase 2 and Cancer Centre**
  - The RFQ was released on September 29, 2023.
  - The RFP was released on January 10, 2024.
  - The budget is approximately 1.7 billion.
  - The project is being delivered under an Alliance model.
  - Construction is expected to being in 2024 and finish in 2030.
- **Kamloops Cancer Centre**
  - The RFQ was released on February 15, 2024.
  - The RFP is anticipated in July 2024.
  - The budget is approximately $359 million.
  - The procurement is a Design-Build (DB) model.
  - Construction is expected to begin in 2025 and finish in 2028.

Transportation

MINISTRY OF FINANCE
INFRASTRUCTURE BC
ORGANIZATION OVERVIEW

- **Trans-Canada – R.W. Bruhn Bridge and Approaches Project**
  - The RFQ was released December 8, 2023.
  - The project cost is estimated at $224 million.
  - Construction is expected to begin in 2024, with completion anticipated for Summer 2027.
  - The procurement model is Design-Bid-Build (DBB).
- **Belleville Terminal – Phase One**
  - The RFQ was released on October 26, 2023.
  - The budget is approximately $180 million to $200 million.
  - The project is expected to be completed by the 2028 tourism season.
  - The procurement model is Design-Build (DB).
- **Fraser River Tunnel Project**
  - The RFQ was released June 14, 2023.
  - The DEWA RFP was released October 26, 2023, and closes April 4, 2024.
  - The DBA RFP is anticipated to be issued spring 2024.
  - The project budget is $4.15 billion.
  - The procurement model is Progressive Design-Build with Target Price.
- **Highway 1 – 264th Street Interchange Project**
  - The RFQ was released August 8, 2023.

- The RFP was released December 20, 2023, and closes June 18, 2024.
- The procurement model is Design-Build (DB).
- Construction completion is anticipated for 2028.

- **Jumping Creek to MacDonald Snowshed Project**
  - The RFQ was released August 2, 2023.
  - The RFP was released November 29, 2023 and closes July 2, 2024.
  - The project budget is $245 million.
  - The procurement model is Design-Build (DB).
  - Construction completion is anticipated for 2027/2028.
- **Surrey Langley Skytrain (SLS Project) <u>Guideway</u> 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 and closed on December 1, 2023.
  - Construction is anticipated to begin in 2024, with completion anticipated for 2028.
  - The Guideway Contract is a Design-Build-Finance (DBF) model.

- The publicized capital cost of Surrey Langley SkyTrain is $3.94 billion. The total publicized 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.
  - The RFP was released March 27, 2023, and closed December 1, 2023.
  - Construction is anticipated to begin in 2024, with completion anticipated for 2028.
  - The Stations Contract is a Design-Build (DB) model.
  - The publicized capital cost of Surrey Langley SkyTrain is $3.94 billion. The total publicized 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 was released April 25, 2023 and closed January 12, 2024.
- Construction is anticipated to begin in 2024, with completion anticipated for 2028.
- The Systems and Trackwork Contract is a Target Price Contract.
- The publicized capital cost of Surrey Langley SkyTrain is $3.94 billion. The total publicized project cost, including active transportation investments, is $4.01 billion.

- **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.
    - Nicomen has executed an Alliance contract with a target price of approximately $85 million.
    - Falls Creek has executed an Alliance contract with a target price of approximately $82 million.

MINISTRY OF FINANCE
INFRASTRUCTURE BC
ORGANIZATION OVERVIEW

- Tank Hill, also an Alliance, is still in the process developing a target price.

Future Major Projects with Potential IBC Involvement:

- Richmond Hospital
- Plant and Animal Health Centre
- Highway 8

BUDGET:

Budget ($000)	2022/23 Actuals	2023/24 Forecast	2024/25 Estimates	2025/26 Plan	2026/27 Plan
Salaries and Benefits	7.18	8.53	12.10	12.46	12.83
Operating Costs	1.75	1.92	2.70	2.77	2.86
Total Operating Expenses	**8.93**	**10.45**	**14.8**	**15.23**	**15.69**
Project Recoverable Expenses	2.60	1.89	3.00	3.03	3.06
Totals	**11.53**	**12.34**	**17.80**	**18.26**	**18.75**

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:

- Our government is committed to providing the schools, hospitals and transportation infrastructure that British Columbians rely upon.
- We continue to monitor the market in order to determine how to advance our projects while making sure our projects remain competitive.
- The limited number of qualified bidders is not unexpected as it is prevalent across North America. While we are experiencing challenges, British Columbians cannot wait for government to fill the infrastructure deficit left by the previous government.
- Students in portables, cancer care patients, and drivers stuck in congestion in the Fraser Valley have been waiting long enough and we are committed to delivering these projects as quickly as possible.

- Some procurements experience a limited number of bidders due to several factors:
    - There are limited contractors with the experience to successfully undertake major capital projects over $1 billion.
    - 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 has been traditionally preferred by the Province for major capital projects.
    - Pursuit costs (time and money) to participate in a public procurement process are high.
- We continue to work with partners to train, attract and retain workers to the construction sector.
- Through the Future Ready Action Plan, the Province aims to attract and provide training to current and future trades workers through initiatives such as:
    - The International Credentials Recognition Act introduced by the Ministry of Post Secondary and Future Skills to promote fair credential recognition,

monitor regulatory-authority performance, and enforce compliance with the new legislation.

- The Skilled Trades Certification and expansion to SkilledTradesBC makes training and careers in the skilled trades more accessible, encouraging more women, Indigenous Peoples, and under-represented groups to pursue a career in trades.

KEY FACTS:

- Initiatives the Province is undertaking to respond to reduced bidder interest include:
  - Implementing 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. These newer models include Progressive Design-Build, Target Price, and Alliance.
  - 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

MINISTRY OF FINANCE
INFRASTRUCTURE BC
ISSUE NOTE

    - 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 Major Infrastructure 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).
  - 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 ramp may include terminating the procurement with the option to take assignment of the design and designer.

MINISTRY OF FINANCE
LAND TITLE AND SURVEY AUTHORITY
ORGANIZATION OVERVIEW

NAME: Land Title and Survey Authority

BACKGROUND:

- The Land Title and Survey Authority of British Columbia (LTSA) is an independent publicly accountable, statutory corporation formed in 2005 with responsibility for operating the land title and survey systems of BC.
- The LTSA was created to improve integrity and trust in the real property market through the timely and efficient registry of land title interests and survey records. These services are an essential underpinning to BC's real property market and the civil justice system.
- Effective land title and survey system support BC's civic governance, taxation and Crown land management frameworks.

OVERVIEW:

- LTSA is established through the *Land Title and Survey Authority Act (LTSA Act)*. The purpose of LTSA is to:
  - Manage, operate and maintain the land title and survey systems of British Columbia;
  - Facilitate the execution of Crown grants;
  - Manage, operate and maintain a land title system for a First Nation under a *First Nation Commercial and Industrial Development Act* (Canada) agreement;

- Carry on other necessary or advisable activities related to land title or survey systems;
- Carry on necessary or advisable activities contemplated under the *Land Owner Transparency Act* related to the administration of that Act and its regulations including, without limitation, managing, operating and maintaining the Land Owner Transparency Registry; and
- Operate the Condo and Strata Assignment Integrity Registry.

Governance

- The LTSA is governed by an eleven-member Board of Directors. The Board selects its members from nominations submitted from stakeholder entities identified in the *LTSA Act*.
- The entities represented on the Board include organizations with a direct interest in land title and survey operations and include: the legal community, land surveyors, real estate professionals, registry agents, local government and taxation authorities, First Nations, and the provincial government.
- Eligibility and procedures for Board appointment, and the Board's role and compositions are all established by the *LTSA Act*.

MINISTRY OF FINANCE
LAND TITLE AND SURVEY AUTHORITY
ORGANIZATION OVERVIEW

Financial Administration

- The *LTSA Act* specifies the fiscal year, financial statements, and business plan requirements, including the appointment of an auditor.
- The Operating Agreement specifies the LTSA fee structure and changes.

Performance

- The Operating Agreement defines the performance measures. LTSA has met or exceeded all performance measures.
- In addition, from 2005 to 2023 the LTSA reinvested over $106M in capital to improve performance of the land title and survey systems. Examples include a province wide cadastral fabric (ParcelMap BC) which is used by government and industry and is available free of charge.
- The LTSA Board measures performance against key performance metrics as outlined below:

Metric	2005	Now
Application Registrations times	39 Days	3.9 Days
Electronics Filing	13% (2003)	98%
Automated examination	0%	66%

Survey Plans Submitted Electronically	0%	100%
Updates to cadastral fabric (Parcel Map BC)	0	2 days

BUDGET:

- As a statutory corporation, the LTSA is not part of the government reporting entity and the *Budget Transparency and Accountability Act, the Business Corporations Act and the Financial Administration Act* do not apply to the Authority.
- The Authority is required to submit to the Province of BC a portion of Land Title fees as set out in the *Land Title Act.* As of December 2023, total revenue submitted to the Province of BC from 2005 from the statutorily mandated Provincial portion of search and registration fees was $695.3M.