

CITY OF QUESNEL 2007 ANNUAL REPORT



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MAYOR AND COUNCIL

Mayor Nate Bello

Chair: Communications Committee, City-CRD Relations Standing Committee.

Director: Cariboo Regional District Board.

Representative: The Mayor has ex-officio status on all committees.

Portfolios: Executive, Economic Development, First Nations Relations.



Councillor Peter Couldwell

Chair: Health Advisory Committee.

Representative: Audit Committee, West Fraser Timber Park Committee.

Portfolios: Transportation, Health.



Councillor Ron Craigmyle

Chair: West Quesnel Land Stability Advisory Committee, Co-Chair Quesnel Multi-Centre Task Force.

Representative: City-CRD Relations Standing Committee, NDI Regional Subcommittee.

Portfolios: Operations and Community Development.



Councillor Coralee Oakes

Chair: Environmental Advisory Committee.

Representative: Audit Committee, Communications Committee.

Portfolios: Environment, Planning and Land Use.



Councillor Ron Paul

Chair: Volunteer Citizen of the Year Committee.

Representative: Museum and Heritage Commission, North Cariboo Post-Secondary Education Council, North Cariboo Community Campus Society.

Portfolios: Education and Volunteerism.



Councillor Mary Sjostrom

Chair: Communities in Bloom, Spirit of BC Community Committee.

Representative: Communications Committee, Union of British Columbia Municipalities Director at Large.

Portfolios: Small Business and Civic Pride.



Councillor Sushil Thapar

Chair: Community Safety Committee, Quesnel Arts Advisory Committee.

Representative: City-CRD Relations Standing Committee, Quesnel Shiraoi Twinning Society, NDI Regional Subcommittee.

Portfolios: Finance Chair and Culture.



MESSAGE FROM THE MAYOR

Dear Citizens,

It gives me great pleasure to present to you the Annual Report and Financial Statements for 2007. This document provides you with a snapshot of the work completed and the progress made by the City of Quesnel in 2007. It also provides you with an overview of the City's financial situation, which is strong looking towards the future.

As Mayor and Council, we are entrusted to carry out objectives that match the wishes of you the taxpayer. We encourage you to provide your feedback regarding various City policies and initiatives, either those already in place or those we are considering. I can assure you we listen to the input we receive and consider it carefully during our annual strategic planning process and throughout the year as we make decisions and set our priorities.

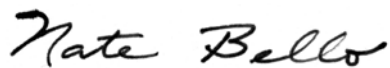
The West Quesnel Land Stability Program continues to be Council's top priority. In fact, 2007 was a great year for the program. We completed the scientific work required that allowed us to proceed with a trial dewatering program. Early results from that program indicate that dewatering is having an effect on groundwater pressures and that a full-scale dewatering method may be the appropriate route to take.

We always strive to improve the financial sustainability of the City. We have been successful in securing several large grants for major projects. We also saw the Quesnel Works: Capital Reinvestment Program start to pay dividends in 2007. Several large paving jobs were completed out of a list of projects that have been prioritized for replacement.

We made significant strides with City Hall in 2007. We reached a landmark agreement with our colleagues at the Cariboo Regional District to locate the new branch of the CRD library on the ground floor of City Hall. This will be a showcase facility that will provide the very best in library services for residents across the North Cariboo. We also leased out a large portion of the fifth floor, welcoming our local radio stations to the building as well as the Ministry of Transportation.

I thank Council, staff, our advisory committees' members and you, the residents of Quesnel, for all you do to make our community a great place in which to live, work and invest. We face challenges in the future, but by coming together and setting goals we will take significant strides towards a fruitful and prosperous future.

Sincerely,



Nate Bello
Mayor



THE CITY AT A GLANCE

Quesnel is the commercial centre of the North Cariboo and has a trading population of approximately 25,000 people within a radius of approximately 50 kilometres of the city centre. It is located in the central interior of British Columbia, Canada, at the confluence of the Quesnel and Fraser Rivers.

The Quesnel area is rich in natural resources, wonderful outdoor recreational opportunities and an abundant and skilled work force.

The city is well served by rail, road and air connections to other major centres in B.C., Alberta and beyond. Quesnel is on Highway 97, the major north-south corridor in B.C., and is 120 kilometres from Highway 16, the major east-west corridor from central B.C. to central Alberta.

What do we offer?

Low Property Taxes – Quesnel's average residential property taxes are among the lowest in British Columbia.

Affordable Housing – Our housing costs compare very favourably to those of any community in the Lower Mainland, Vancouver Island or Okanagan.

Quality of Life – No more rush hour, no long commutes to work, no line-ups! You'll have more time to enjoy the company of your family and friends.

Sunshine – We experience 2025 hours of sunshine per year on average. People are naturally happier when the sun is shining.

An Unspoiled Environment – Within an hour's drive, there are numerous lakes, streams, and trails that take most people years to fully explore.

City Splendor – Portions of the Fraser and Quesnel Rivers, Baker Creek and Dragon Lake all fall within our city boundaries. The Riverfront Trail, our expanding park system and other recreational and cultural facilities are here for you and your family to enjoy.

Wildlife – There are ample opportunities to see deer, eagles, moose, bear, foxes, ducks, loons, beavers and many other creatures in their natural habitat.

Winter – With our dry climate, our winters are enjoyable. We have some of the best snow conditions in the province for skiing and snowmobiling. Our spring, summer and fall seasons are quite pronounced and pleasant.

Community Pride – Our community believes in Quesnel, with our hundreds of societies and hobby groups, to our public and private businesses. We all share in the successes of our community.

People – People have a strong sense of community and welcome new energy and ideas. It is easy to get involved and become part of Quesnel.

*- Courtesy of the Quesnel Community and Economic Development Corporation
June 2005 Community and Economic Profile*



HIGHLIGHTS FOR 2007



Trial dewatering underway in West Quesnel

The West Quesnel Land Stability Program continued to progress in 2007, with early data from the trial dewatering program available.

Two types of dewatering methods were used, vertical wells that pump water out of the ground and horizontal drains that allow groundwater to run out of the hill. Four vertical wells and two horizontal drains are now removing groundwater from the study area and some early data shows they may be having an effect. There has been a corresponding drop in water levels and pressure that can be correlated to when the wells and drains came online.

Funding for the trial dewatering program was included in the commitment made by the provincial government in 2006 when \$1.2 million was given to the City to complete analysis of the slippage. The province has repeatedly indicated a willingness to be a partner in finding a lasting solution.

Once the trial dewatering program is complete, the City should have a good idea as to how best to proceed with a full-scale dewatering program designed to slow the rate of land movement to a manageable rate for current development levels.

The City of Quesnel has spent more than \$1.9 million on the West Quesnel Land Stability Program since 2000. There are more than 750 homes and 2,100 residents in the slippage area.

City turns on taps

The City of Quesnel turned on the water for residents of the Stenersen (DVC) water system on February 20.

This came after a lengthy process involving the City taking over a private water system after it had been abandoned by its owner and connecting it to the City's main water supply.

The project was completed well under budget, with the savings passed on to the homeowners.

City Hall development continues in 2007

The North Cariboo library has found a new home thanks to a new agreement between the City of Quesnel and the Cariboo Regional District. The Quesnel branch of the CRD's public library system will be located in the City Hall complex.

Some of the details include:

- CRD purchases a 1/5 interest in City Hall for \$1.1 million.
- City spends \$450,000 on base building upgrades to make the ground floor suitable for the library.
- CRD provides \$10,000 per year to cover building operating expenses.
- City provides 29 dedicated parking stalls, of which 20 are off-street.
- City purchases existing library site for \$122,000.

Vista Radio moves in

The City reached an agreement with Vista Radio in April, paving the way for Quesnel's local radio stations, The Wolf and The Max, to call the fifth floor of the City Hall complex home.

The agreement sees Vista Radio lease roughly 1,875 square feet on the fifth floor.

The lease is for a 10-year period.

The Ministry of Transportation currently occupies 3,220 square feet on the fifth floor.



HIGHLIGHTS FOR 2007



Quesnel a national champion

Quesnel is the national champion in the 2007 Communities in Bloom competition receiving the top mark of five blooms. The City also received special mention for its variety of outstanding floral displays.

Communities in Bloom recognized that "Quesnel has an incredible variety of high quality floral displays brightly sparkling throughout the city, including annuals, perennials, bulbs, and flowering shrubs, complemented by creative colour schemes. Quesnel's mile long ribbon of petunias warmly welcomes everyone to the city. The hanging baskets downtown and along the main gateway streets are outstanding. All floral displays, both public and private, are maintained to the highest standard, and the commercial sector, churches, and volunteers have all joined in on the exciting celebration of floral displays with breathtaking displays of their own. Quesnel is indeed a Community in Bloom!"

The City of Quesnel was competing in the 10,001 to 13,000 population category.



City Park wins award

The West Fraser Timber Park won the Parks and Open Spaces Award from the B.C. Recreation and Parks Association.



The Award is given out annually for excellence in the concept, design and development of parks and open spaces that demonstrates outstanding and/or innovative aspects which have or could have significant impact in the Recreation & Parks field. The City has contributed more than \$1.4 million and West Fraser more than \$327,000 to the Park's development since 1996. Other major contributors include the Baker Creek Enhancement Society, Quesnel Rotary Club, ball field user groups, the Lawn Bowling Society, Cariboo Regional District and Communities in Bloom.

Focus on accessibility

The City, working in partnership with the Child Development Centre and the Quesnel Accessibility Committee, was awarded a \$20,000 grant that will help the community develop a strategic plan designed to improve accessibility and inclusion for people living with a disability in the Quesnel area.

The funding comes from the 2010 Legacies Now Measuring Up and Inclusion Fund, and will help fund a local coordinator as well as small capital projects identified by the Quesnel Accessibility Committee.



2008 COUNCIL STRATEGIC PLAN

QUESNEL CITY COUNCIL – 2008 PRIORITIES

1. WEST QUESNEL LAND STABILITY

Objective

To finalize the investigative phase of the work plan and to secure funding from the provincial government to fund a comprehensive remediation plan. The ultimate goal is to reduce land movement to a manageable level and then relax or remove the building restrictions that are currently in place.

Actions

- Complete trial de-watering program and analyze results (May 2008).
- Continue efforts to obtain funding support for remediation (provincial and federal grants) and research approaches taken by other communities.

2. FINANCIAL SUSTAINABILITY OF THE CORPORATION

Objective

Develop financial plans and strategies to address current and future infrastructure needs.

Actions

- Finance Director to evaluate debt servicing capacity in relation to taxes.
- Council to review Fee for Service discussion paper prepared by Finance Director and develop a policy regarding same.
- Review business licences.
- Examine new revenue opportunities (e.g. land development).
- Council to review tax shifting options as part of the budget process and in light of new provincial requirements.

3. ECONOMIC DEVELOPMENT AND DIVERSIFICATION

Objective

To facilitate the growth and diversification of the Quesnel economy, with the aim of maximizing employment opportunities, tax base, and quality of life.

Actions

- Council to re-examine the current economic development model and to assess its ongoing relevance.
- Continue to examine issues related to building a new multi-purpose complex in Quesnel, including cost, affordability, financing, location, and operations/ownership.
- Examine feasibility of building a new culture, heritage, and visitor centre in Quesnel, including cost, affordability, financing, location, and operations/ownership.
- Preparing community to retain prosperity.
- Improve relations between QCEDC Board and Council (Board and Council to meet without staff, holding of annual general meeting, follow-up on action plan).



2008 COUNCIL STRATEGIC PLAN

QUESNEL CITY COUNCIL – 2008 PRIORITIES (Cont.)

4. COMMUNITY SAFETY

Objective

To address crime-related issues and education, towards the goal of reducing crime and enhancing community safety and well-being.

Actions

- Examine the scope of the Community Policing Program.
- Identify way to become more cost effective in carrying out police work.
- Reduce drug trafficking.
- Seek changes to crime reporting methodology.
- Obtain information on municipal court from the Ministry of Solicitor General.

5. ENVIRONMENTAL POLICY

Objective

The City of Quesnel's goal is to become a leader in municipal environmental management.

Action

- Develop an environmental policy statement that encompasses the broad range of environmental initiatives being undertaken by the City (energy conservation, composting, bioenergy, etc.)

6. SUCCESSION PLANNING

Objective

Develop a program to develop, recruit, and retain staff to meet the long-term technical, administrative, and management needs of the City.

Actions

- Hold a succession planning workshop to discuss short and long term strategies and programs to improve manager and staff retention.
- Develop a succession planning policy statement for approval by Council.
- Examine ways to grow managers internally from within exempt and bargaining unit staff.
- Explore opportunities to invest in staff by funding and creating development and growth opportunities.

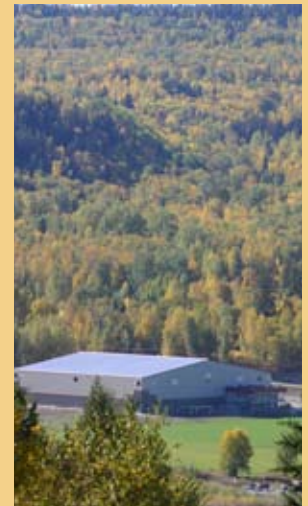
7. CITY EXPANSION AND GOVERNANCE

Objective

To consider expanding City boundaries based on the desire of residents and property owners to join the City and the resources available to address the issues on an expansion area.

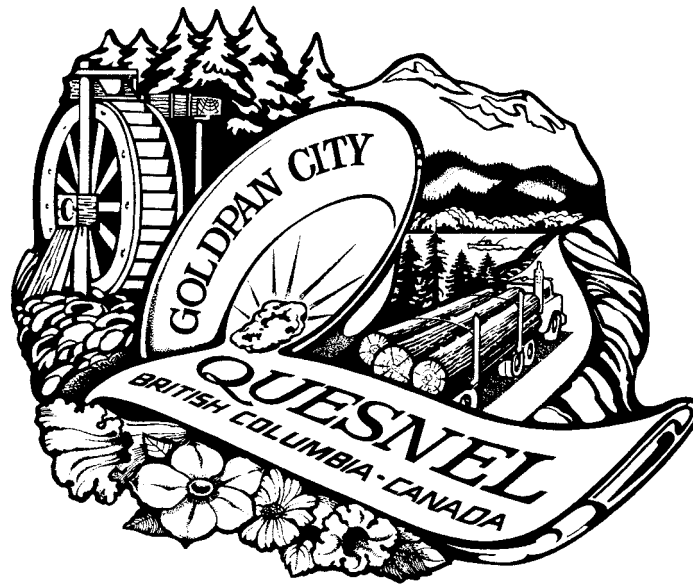
Action

- Review the paper prepared by the CRD entitled Grow, Strong Sustainable Communities and develop recommendations on areas for improved governance and representation.



CITY OF QUESNEL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007



2007 CITY OF QUESNEL FINANCIAL STATEMENTS

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2007 CITY OF QUESNEL FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The information in this Financial Report is the responsibility of management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted for British Columbia local governments as outlined under "Significant Accounting Policies" on page 14. These statements include some amounts based on management's best estimates and careful judgment.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded, and reported properly. Management also administers a program of proper business compliance.

R. E. Rasmussen, CA, the City's independent auditor, has audited the accompanying financial statements. The auditor's report is included as part of these statements.

Council carries out its responsibility for the consolidated financial statements principally through its Audit Committee. The Committee meets annually with management and the City auditor, R. E. Rasmussen, CA to review their activities and to discuss auditing, internal control, and financial reporting matters. R. E. Rasmussen, CA has unrestricted access to the City, the Audit Committee and Council. The Audit Committee reviews the consolidated financial statements with management prior to submission to Council for approval. It also reviews the recommendations of the independent auditor for improvements to controls as well as the actions of management to implement such recommendations.

Byron Johnson, CGA
Director of Finance & Administration

Charles Hamilton, BA, MPA
City Manager

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

AUDITOR'S REPORT

R.E. RASMUSSEN
CHARTERED ACCOUNTANT
(incorporated professional)

AUDITOR'S REPORT

To the Mayor and Council,
City of Quesnel,

I have audited the Consolidated Statement of Financial Position of the **City of Quesnel** as at December 31, 2007 and the Consolidated Statements of Financial Activities and Changes in Financial Position for the year then ended. These financial statements are the responsibility of the **City of Quesnel's** management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the **City of Quesnel** as at December 31, 2007, and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed on page 2 of the financial statements. As required by the *Community Charter*, I report that in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

R. E. Rasmussen

Quesnel, B.C.
February 25, 2008

Chartered Accountant

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES AS AT DECEMBER 31, 2007

Basis of Presentation

It is the policy of the City of Quesnel to follow accounting principles generally accepted for British Columbia local governments and to apply such principles consistently. These consolidated financial statements include the operations of the General, Water, Sewer, Transit, Airport, Capital and Reserve Funds. They have been prepared using guidelines issued by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. The financial resources and operations of the City have been consolidated for financial statement purposes and include the accounts of all of the funds of the City of Quesnel.

Accrual Accounting

The accrual method for reporting revenues and expenditures has been used.

Inventories

Inventories are valued at cost on a moving average basis.

Capital Assets

Capital assets purchased or constructed and work in progress are reported as capital expenditures and are classified according to their functional use. Capital assets donated are reported at fair market value at the time of the donation. Accumulated capital expenditures are reported at historical costs on the Schedule of Consolidated Capital Assets - page 18. Amounts reported do not reflect replacement values. Amortization is not recorded.

Restricted and Deferred Revenues

Receipts which are restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When related expenditures are incurred they are brought into revenue at amounts equal to the expenditures.

Revenues received in advance of expenditures which will be incurred in a later period are deferred until matched with those expenditures.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determination of collectability of accounts receivable and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2007

Financial Assets	2007	2006
Cash and investments	10,849,108	9,077,323
Taxes and accounts receivable - note 3	4,696,006	3,799,096
Prepaid expenses	52,161	96,960
Investment in subsidiary - note 4	23,887	4,118
MFA debt reserve	972,358	970,904
	16,593,520	13,948,401
Financial Liabilities		
Accounts payable and accrued liabilities - note 5	3,104,623	2,897,143
Deferred revenue	25,229	27,207
MFA debt reserve	972,358	970,904
Municipal debt - note 6	12,569,070	13,406,183
	16,671,280	17,301,437
Net Financial Liabilities	(77,760)	(3,353,036)
Physical Assets		
Inventory of supplies	282,403	243,923
Property acquired for taxes	6,929	8,185
Capital assets - page 18	90,286,476	87,280,612
	90,575,808	87,532,720
Net Position	90,498,048	84,179,684
Municipal Position		
Equity in Operating Funds	4,588,270	3,513,804
Equity in Reserve Funds	8,185,688	6,784,767
Fund Balances - page 16	12,773,958	10,298,571
Equity in Capital Assets - note 9	77,724,090	73,881,113
	90,498,048	84,179,684

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2007	2006
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Revenues			
Taxation	13,508,840	13,572,099	12,943,515
Sale of services	1,043,986	1,172,108	1,065,080
Other revenue from own sources	1,057,895	4,207,841	1,423,082
Government grants	1,041,842	1,629,992	3,090,827
Services provided to other governments	534,972	562,831	588,397
Interest	-	357,178	299,827
Utility user fees	1,211,000	1,267,978	1,335,506
Contribution from Quesnel Youth Soccer	-	10,000	375,549
Proceeds on long term debt	-	1,978	1,978
Net results of subsidiary	-	19,769	-
	18,398,535	22,801,774	21,123,761
Expenditures			
General government services	2,194,658	2,092,092	2,604,693
Protective services	5,427,237	5,360,343	4,993,935
Transportation services	2,430,027	2,505,015	2,570,842
Environmental and health services	1,323,610	1,366,665	1,316,192
Development services and planning	609,846	539,703	601,461
Recreation and cultural services	1,070,422	1,069,940	1,063,770
Water utility operations	1,044,143	765,126	745,858
Sewer utility operations	689,021	489,427	517,608
Airport operations	613,697	630,234	599,159
Transit operations	301,154	285,831	287,121
Short term interest	-	371,424	473,545
Net results of subsidiary	-	-	16,879
Debt services	1,109,724	2,029,605	2,186,017
Capital expenditures	407,000	2,820,982	1,399,959
	17,220,539	20,326,387	19,377,039
Change in Fund Balances	1,177,996	2,475,387	1,746,722
Opening Balance	10,298,571	10,298,571	8,551,849
Closing Balance - to page 15	11,476,567	12,773,958	10,298,571

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2007

Cash Provided By (Used In)	2007	2006
Operating Activities		
Change in fund balances	2,475,387	1,746,722
Change in equity in capital assets	3,842,977	4,075,143
Changes in non-cash balances		
Increase in receivables	(896,910)	(1,300,381)
Decrease in prepaids	44,799	58,977
Increase in payables and accruals	207,480	1,099,356
Increase in deferred revenue	(1,978)	(472,053)
Decrease in inventories	(38,480)	(65,488)
Decrease in property acquired for taxes	1,256	5,644
	5,634,531	5,147,920
Financing Activities		
Proceeds from municipal debt	-	1,888,788
Repayment of municipal debt	(654,075)	(899,941)
Actuarial adjustment	(183,038)	(231,222)
	(837,113)	757,625
Investing Activities		
(Increase) decrease in investment in subsidiary	(19,769)	16,879
Net increase in capital assets	(3,005,864)	(4,832,768)
	(3,025,633)	(4,815,889)
Net Change in Cash	1,771,785	1,089,656
Cash, Beginning of Year	9,077,323	7,987,667
Cash, End of Year	10,849,108	9,077,323

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

CONSOLIDATED CAPITAL ASSETS AS AT DECEMBER 31, 2007

	LAND	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	2007 TOTAL	2006 TOTAL
General Government						
John Ernst Building	742,700	8,433,098		444,103	9,619,901	9,018,524
Land held for development	505,087	76,013			583,983	581,100
Protective Services						
Fire department	145,995	1,195,613	10,311	2,905,014	4,256,933	4,159,445
Street and traffic lights				326,912	326,912	326,912
Policing		2,946,473		185,272	3,131,745	3,093,823
Transportation Services						
Workshops and yard	197,114	377,313	200,270	5,614,761	6,389,458	6,305,591
Drains, ditches and dykes	56,737		2,137,326	5,774	2,199,837	2,154,645
Sidewalks			2,635,492		2,635,492	2,604,460
Streets, roads and lanes	687,784		10,293,798		10,981,582	10,445,678
Bridges			2,285,321		2,285,321	2,285,321
Downtown revitalization			439,081		439,081	439,081
Bus shelters			64,140		64,140	64,140
Environmental Health						
Garbage and waste collection	308,576		145,914	947,434	1,401,924	959,282
Recycling		112,982		76,038	189,020	189,020
West Quesnel geotechnical survey			165,386		165,386	165,386
Recreation Services						
Parks and playgrounds	116,174	24,777	7,176,450	295,092	7,612,493	7,144,672
Skating rink and arena	30	761,891	13,697	152,779	928,397	928,397
Indoor soccer facility	172,286	3,897,828	9,241		4,079,355	4,010,532
West Quesnel Recreation Centre		38,046			38,046	38,046
Historic equipment park			38,147		38,147	38,147
Community Services						
Museum and tourist bureau		743,627	24,288	46,840	814,755	774,457
Cemetery	10,025	11,977	234,636	36,935	293,573	293,573
Hudson Bay building		117,361			117,361	117,361
Gold pan			22,490		22,490	22,490
Forestry interpretation centre			90,864		90,864	90,864
Shiraoi House		652,978			652,978	652,978
Off street parking	866,291				866,291	859,001
Water Services						
Water	498,987		16,652,301	450,044	17,601,332	17,242,336
Sewer Services						
Sewer	22,037	3,961	4,644,453	655,851	5,326,302	5,156,785
Airport Services						
Airport facilities	170,906	4,035,987	1,828,612	1,097,872	7,133,377	7,118,565
Total - to page 15	4,503,612	23,429,925	49,112,218	13,240,721	90,286,476	87,280,612

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

1. CASH AND INVESTMENTS

Included in cash and investments are restricted amounts that can be expended only in accordance with the terms of the reserve funds.

The City holds trust funds under British Columbia law for the purposes of maintaining a public cemetery. This fund is included in the consolidated statement of financial activities and is comprised of the following (page 16):

	2006 Balance	Interest	Receipts	Transfer to General Operating Fund	2007 Balance
Cemetery care fund	180,243	7,889	3,925	(7,889)	184,168

2. ACCOUNTING AND POLICY DEVELOPMENTS

Commencing with the City's 2009 fiscal year, the amended recommendations of the public Sector Accounting Handbook for recording and reporting Tangible Capital Assets will apply to the City.

The amended recommendations, as set out in Section PS 3150 of the Handbook, establish standards on how to account for and report tangible capital assets in the City's financial statements. The standards provide guidance on the measurement and amortization of tangible capital assets.

The City has implemented procedures to enable it to comply with the provisions of the amended recommendations. To date, the City has developed the inventory of City owned lands and buildings. The City is currently working with its Engineers to finalize the inventory of water, sewer and roadway assets. The City is on schedule to meet the requirements of PS 3150 by the required date.

3. TAXES AND ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
Property taxes	930,503	610,499
Federal government	53,576	121,102
Provincial government	682,569	1,174,327
Regional government	1,037,767	660,127
General	1,973,361	1,213,739
Debt recoverable	18,230	19,302
	4,696,006	3,799,096

4. INVESTMENT IN SUBSIDIARY

The City holds all of the issued shares of its subsidiary, Quesnel Community and Economic Development (2002) Corporation. The purpose of the subsidiary is to sustain an organization that is responsible for all aspects of community economic development, which pursues development that reflects the goals and values of the residents of Quesnel and District and which acts in accordance with the policy and planning directives given by the City of Quesnel.

The investment in subsidiary is recorded using the Modified Equity basis of accounting, as prescribed by the Public Sector Accounting and Auditing Board.

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2007</u>	<u>2006</u>
Federal government	363,076	582,407
Provincial government	589,577	45,126
Regional government	39,788	50,218
General	1,902,352	1,907,215
Accrued interest	137,723	167,455
Deposits	72,107	144,722
	3,104,623	2,897,143

6. MUNICIPAL DEBT

Debenture debt		
General capital fund	9,307,039	9,815,685
Water capital fund	2,739,813	2,898,272
Sewer capital fund	522,218	612,226
	12,569,070	13,326,183

Mortgage - Lawlor Developments Ltd.

Well #9 property repayable over three years plus interest

at 5 % per annum. - 80,000

	12,569,070	13,406,183
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Principal repayments required on committed debt in each of the next five years are approximately:

2008	574,074
2009	574,074
2010	574,074
2011	574,074
2012	574,074

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007 (CONT)

7. COMMITMENTS AND CONTINGENCIES

a. The City is jointly and severally liable under the provisions of Sections 835 and 836 of the Local Government Act for any default on monies borrowed by the Cariboo Regional District.

b. Revitalization Tax Exemption Program:

The City is committed under Bylaw 1593, cited as City of Quesnel Revitalization Tax Exemption Program Bylaw and adopted under the provisions of Section 226 of the Community Charter, to provide municipal tax relief to West Fraser Mills Ltd. The Bylaw provides that the City may designate an area as a revitalization area and establish a tax revitalization program for that area.

The Bylaw provides tax relief for a period of 5 years, with a renewal period of a further 5 years. The City has agreed to give tax relief to a maximum of \$6,000,000, divided in equal amounts of \$600,000 over the 10-year term. The first fiscal year impacted by the tax relief program is 2007.

c. Community Works Fund:

The City is a participant under the Community Works Fund that provides for the City receiving Federal gas taxes transferred under the New Deal for Cities and Communities signed by the Union of BC Municipalities, the Province of BC, and the Government of Canada.

Although the City has some latitude in determining which projects to pursue, the agreement provides that projects should address the reduction of greenhouse gas emissions, cleaner air, and cleaner water.

The City will receive the following benefits:

2008	\$ 192,126
2009	\$ 239,771
2010	\$ 469,128

Continuity of Reserve	2007	2006
Balance - Beginning of year	238,671	144,696
Received during the year	192,006	144,602
Interest	10,334	5,701
Expended on eligible projects	(48,657)	(56,328)
Balance - End of year	392,354	238,671

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007 (CONT)

d. Municipal Pension Plan:

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 144,000 active members and approximately 51,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available later in 2010. Each employer expenses contributions to the plan in the year in which payments are made.

e. Co-ownership Agreement for the Quesnel Library:

The City and the Cariboo Regional District have committed to complete a co-ownership agreement for the Quesnel Library, which will be housed in the John Ernst Building.

Under the agreement, the District will purchase a 1/5 undivided fee simple interest in the building which will enable the occupation by the District of the first floor for use as a regional library. The price for this 1/5 interest has been set at \$1,100,000. The City is committed to expend an estimated \$450,000 on prescribed base building upgrades. The District shall be responsible for the first \$2,200,000 of costs incurred to develop the library facility.

The City will participate to the extent of 50% of any cost overruns, in excess of \$2,200,000 to a maximum of \$2,600,000, incurred by the District in constructing the library facility.

The City will purchase the existing library site from the District for \$122,000.

If the City opts out of the library function within 10 years, it will repurchase the District's interest for \$1,100,000, together with tenant improvements incurred by the District. If the City opts out of the library function after 10 years, the repurchase price will be determined by an independent appraiser but will not exceed the original purchase price of \$1,100,000.

If the District opts to leave within 10 years, the City will repurchase the District's interest for \$1,100,000. If the District opts to leave after 10 years, the City will repurchase the interest for a price to be determined by an independent appraiser, but not in excess of \$1,100,000.

f. The City is involved in various litigation, regulatory and environmental matters in the ordinary course of business. In management's opinion, an adverse resolution of these matters would not have a material impact on financial position or financial activities.

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007 (CONT)

8. COMPARITIVE STATISTICS

EXPENDITURE BY FUNCTION	2007	2006
General government services	2,463,516	3,078,238
Protective services	5,360,343	4,993,935
Transportation services	2,505,015	2,570,842
Environmental and health services	1,366,665	1,316,192
Development services and planning	539,703	601,461
Recreation and cultural services	1,069,940	1,063,770
Water and sewer operations	1,254,553	1,263,466
Airport operations	630,234	599,159
Transit	285,831	287,121
Net results of subsidiary	-	16,879
Capital expenditures	2,820,982	1,399,959
Debt services	2,029,605	2,186,017
	20,326,387	19,377,039

EXPENDITURE BY OBJECT

Salaries, wages and benefits	6,561,894	5,699,039
Service and supplies	13,764,493	13,678,000
	20,326,387	19,377,039

9. EQUITY IN CAPITAL ASSETS

Balance, beginning of year	73,881,113	69,805,970
Transfer from operating funds	663,850	584,813
transfer from reserves	1,494,924	1,157,334
Donations and contributions from others	737,733	408,459
Government grants	107,380	480,400
Debt financing	1,978	1,978
Insurance proceeds	-	310,995
Repayment of debt	654,074	538,172
Actuarial adjustment	183,038	231,222
Retirement of debenture	-	361,770
	77,724,090	73,881,113

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007 (CONT)

10. FINANCIAL INSTRUMENTS

The City of Quesnel's financial instruments recognized in the consolidated financial statements consist of cash and investments, taxes and accounts receivable, accounts payable and accrued liabilities and municipal debt. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity or current market rate associated with these instruments.

11. SANITARY LANDFILL

The City of Quesnel currently operates a sanitary landfill site at Carson Pit road. The operation of this site is governed by the BC Ministry of Environment, Lands and Parks (MoELP) - Operational Certificate No. MR3132. The future closure and post-closure care of the site are also under the direction of the MoELP.

The current landfill site has an estimated remaining capacity of 814,400 m³ which is expected to be sufficient for 16 years.

The costs associated with the landfill closure and post-closure care are outlined in the Sanitary Landfill Operations Plan Update prepared by UMA Engineering Ltd in November 2000. These costs are estimated as follows:

Cost of final cover \$2,200,000 to \$3,850,000 expended over a 23 year period. Assuming a median cost of \$3,000,000 and an interest rate of 5% over the 23 year period, a sinking fund with an annual contribution of \$72,000 will generate the funds necessary for final cover.

Post-closure work of \$20,000 annually in current year dollars will be required. Assuming that this expenditure will be required for 25 years and an interest rate of 5%, the City would require a lump sum of \$270,000 to be available in 2023, the expected date of closure. An annual contribution of \$7,000 would be required to have the funds available by that time.

Post-closure care of the landfill is expected to go on for 25 years. No buildings can be constructed on this site before that time without special investigations and MoELP approval.

Effective in the 2000 fiscal year, the City commenced allocating funds to meet future obligations for final cover and post-closure care at the landfill site.

The landfill closure reserve has a balance of \$968,567 at December 31, 2007 (\$852,647 - 2006).

2007 CITY OF QUESNEL FINANCIAL STATEMENTS

PERMISSIVE TAX EXEMPTIONS GRANTED BY COUNCIL FOR 2007

Roll #	Organization	Assessed Value	Class 1 12.7028 4.7671	Class 6 27.5796 12.1130	Class 8 18.8732 11.9078
87.000	Quesnel Masonic Temple Society	\$129,500			\$116,700
206.000	Salvation Army Governing Council	\$296,400			\$72,400
220.000	Synod of Diocese of Cariboo	\$270,800			\$197,700
247.000	Quesnel Womens Resource Centre	\$98,200	\$98,200		
248.000	Quesnel Womens Resource Centre	\$37,900	\$37,900		
267.000	Amata Transition House Society	\$132,000	\$132,000		
314.000	Fraser Village Homes Society	\$2,197,000	\$588,000		
328.000	St Andrews United Church	\$175,100			\$98,000
329.000	St Andrews United Church	\$88,400		\$88,400	
332.000	Royal Canadian Legion Branch 94	\$1,064,000		\$416,000	
418.010	Quesnel & District Seniors Society	\$1,142,000		\$1,122,000	
419.000	Quesnel Curling Club	\$813,000		\$813,000	
900.000	Quesnel & District Daycare	\$109,600	\$54,800		
961.000	Roman Catholic Bishop of Kamloops	\$1,992,800			\$96,300
1200.890	Northstar Fellowship Baptist Church	\$1,277,500			\$82,500
1550.080	Quesnel & District SPCA	\$136,200		\$136,200	
2025.000	Trinity Lutheran Church	\$370,100			\$26,100
2135.000	Quesnel & District Child Dev Centre	\$26,700		\$26,700	
2137.000	Quesnel & District Child Dev Centre	\$286,900		\$286,900	
2189.000	Quesnel Tillicum Society	\$510,100	\$510,100		
2193.000	Quesnel Tillicum Society	\$15,900		\$15,900	
2602.000	Cariboo Gur Sikh Temple Society	\$575,500			\$36,400
2703.000	Guru Darbar Society Inc	\$138,300			\$31,100
3600.000	Congregation of Jehovahs Witnesses	\$574,100			\$59,500
4013.083	Royal Canadian Legion Branch 94	\$259,500	\$233,900		
4208.000	Quesnel Elks Club	\$78,300			\$70,500
4210.000	Quesnel Elks Club	\$142,900			\$128,700
4211.000	Victory Way Baptist Church	\$88,600			\$54,700
4659.000	Lighthouse Pentecostal Church	\$275,300			\$23,300
5045.954	Cariboo Vasa Lodge	\$77,300			\$69,700
5047.309	Bethel Pentecostal Tabernacle	\$815,200			\$65,100
5862.500	Quesnel Auto Racing Association	\$440,000			\$440,000
		\$14,635,100	\$1,654,900	\$2,905,100	\$1,668,700
Total Taxes Per Class		\$132,637	\$21,022	\$80,121	\$31,494
Municipal Portion of Taxes		\$62,949	\$7,889	\$35,190	\$19,871

2007 STATUS UPDATE

1. WEST QUESNEL LAND STABILITY

2007-08 Objective

To finalize the investigative phase of the work plan and to secure funding from the provincial government to fund a comprehensive remediation plan. The ultimate goal is to reduce land movement to a manageable level and then relax or remove the building restrictions that are currently in place.

Actions

- Continue due diligence to mitigate land slippage in order to minimize the impact on residents and property in the impacted area and to keep residents informed of progress that is being made.
- Allow the West Quesnel Land Stability Advisory Committee to continue and fulfill their Terms of Reference.
- Continue efforts to obtain funding support for remediation.
- Identify and implement ongoing capital improvement works.

Action Summary:

- On May 4, 2007, staff met with Nick Polysou, AMEC Earth & Environmental to review their most recent geotechnical findings. The report contains a summary of the landslide investigations since 2000, the results of enhanced geotechnical and hydro-geotechnical field investigations carried out in 2005-06, and an evaluation of future mitigation strategies.
- On May 29, 2007, briefings for the media, City Council and members of the West Quesnel Land Stability Task Force were held at City Hall to explain the findings contained in AMEC's most recent report and to discuss next steps. Later that evening, a public information meeting was held at Voyageur School. A Special Edition of Q-City News on the status of the West Quesnel Land Stability Program was distributed to all city households during the week of May 23, 2007.
- The report recommends that a trial de-watering program is needed in order to design a large-scale dewatering solution. The program will target various soil types and use different methods to evaluate the effectiveness of each (i.e., vertical wells vs. horizontal drains). The purpose is to determine: (1) the rate of change in groundwater pressure; (2) how large an area is affected by de-watering efforts; and (3) which method is most effective.
- A detailed work plan for the trial dewatering program was provided that includes technical details, schedules, and cost estimates. Funding for the trial de-watering was included in the \$1.2 million provided by the provincial government in March 2006.
- The trial period began in the fall of 2007 and will last for six to eight months in order to secure reliable test results. Additional work that will be done in conjunction with the trial program includes:
 - Continued monitoring of GPS hubs, piezometers and inclinometers.
 - An ongoing leak detection program of the City's water system and continued tracking of infrastructure damage.
 - Completion of the water balance model (how much water is the result of groundwater and how much from precipitation and other surface entry).
 - Installation of a storm drainage lift station at Uplands Park.
 - Storm drainage upgrades at the bottom of Lewis Drive Hill.



2007 STATUS UPDATE

- After the trial de-watering program and the other ongoing investigative work is completed, the City will be in a better situation to determine whether it should proceed with a full scale de-watering program.
- The West Quesnel Land Stability website is constantly updated with the most recent information received from our engineering consultants.

City Manager's Comment

Good progress was made in 2007. The trial de-watering program is a critical stage of the project. Once the trial de-watering program is completed and the results analyzed, the City will be in a position to go back to the provincial government to discuss a long term remediation strategy and funding support.

2. RELATIONSHIP WITH CARIBOO REGIONAL DISTRICT

2007-08 Objective

To strengthen the City's relationship with the Cariboo Regional District, while ensuring that our various shared service arrangements are fair and equitable to both City and rural taxpayers

Actions

- Meet with the municipalities of 100 Mile House, Williams Lake, and Wells to have meaningful discussion and dialogue as to how relationships with the CRD could be improved based on commonalities and differences that each municipality may have with the CRD.
- Meet with the entire CRD Board with the intent to identify issues and to work towards resolving issues and irritants that exist between the two organizations.
- Council to develop a unified position and take concrete action in an effort to resolve issues and irritants with the CRD. The City/CRD Relations Standing Committee will help provide leadership and timelines for Council to address this complex and multi-faceted issue.

Action Summary:

- On March 12, 2007 an invitation was extended to the Mayors of the District of 100 Mile House, Wells and the City of Williams Lake to attend an inter-municipal meeting in Quesnel on a Saturday during the month of April. Unfortunately, Mayor Barnett was unavailable to meet during the month of April.
- The CRD tentatively scheduled a strategic planning session on May 12, 2007 to which all municipal councils were invited. The City of Quesnel suggested May 2, 2007 as an alternate date as this would have tied in with the NCMA Convention in Williams Lake. Mayor Barnett and Mayor Vermette were both unavailable on this date. In the end, the CRD elected to postpone the strategic planning session on May 12, 2007 to allow for additional pre-planning.
- Meetings were tentatively scheduled with the Mayors and Administrators from 100 Mile and Williams Lake for May 18, but these meetings were subsequently cancelled.
- An intermunicipal/regional district meeting was held on Monday, June 18, 2007 in Williams Lake. The meeting included the Mayors and Administrators from the four municipalities, along with the Chair, Vice-Chair, Hospital Chair, the CRD Administrator, and the facilitator, George Paul. The purpose of the meeting was to discuss strategic planning agenda items for the CRD strategic planning session that was postponed from May 12th and rescheduled for June 21st. Mayor Bello attended the workshop as the City's CRD representative.

Our Mission

The City of Quesnel will provide its residents with an outstanding quality of life in a vibrant, prosperous, diversified community, achieved through a process of public consultation and trust.



2007 STATUS UPDATE

- The Memorandum of Understanding between the City and the CRD expired on December 31, 2006. At the regular meeting on January 8, 2007, Council approved a six-month roll-over of the following sub-agreements: Planning Services, Landfill and Recycling Services, Cemetery Services, Red Bluff Sewer, Red Bluff Fire Protection, and Library Support. The CRD terminated the Building Inspection and Office Services when they elected to deliver their own building inspection services and when they opened up their own North Cariboo office. The weed control agreement was not renewed either, and the City's ongoing participation in the expanded program is a matter of ongoing dispute between the parties.
- On January 29, 2007, the City/CRD Relations Standing Committee met to discuss library negotiations, committee membership, and an overall strategy towards improved relations.

City Manager's Comments

A considerable amount of time and effort was spent trying to schedule an inter-municipal meeting to discuss improving relations with the CRD. While Council may see some value in meeting with the other municipal councils within the CRD, it is not clear that the other municipalities feel the same way. The relationships that the CRD has with its member municipalities are not uniform, and, therefore, the suggestion of holding an inter-municipal meeting as a means to improve relations is not seen as being a productive exercise.

Much progress was made in 2007 regarding the relationship between the City of Quesnel and the CRD. An agreement was reached regarding the library function, as the new branch will be located on the ground floor of the City Hall complex in the fall of 2008. As a result, the City withdrew its service review of the CRD's library function.

As for the North Cariboo Recreation and Parks function the issues of cost allocation and scope of service, to some degree, have been settled by the two parties. A Recreation Commission is seen as the next step towards establishing a better form of governance for the function, with talks well underway regarding this idea.

3. FINANCIAL SUSTAINABILITY OF THE CORPORATION

2007-08 Objective

Develop financial plans and strategies to address current and future infrastructure needs.

Actions

- Support the Capital Reinvestment Program initiated in 2005. Council to finalize and implement a policy governing this reinvestment program as part of the City's 2007 budget deliberations.
- Council to review options with the potential that the current taxation policy may be revised. Council will consider if a further taxation shift should be implemented that will decrease the burden from industry to be added on to residential.
- Council through staff shall seek out new revenue opportunities through such means as grant opportunities.
- The City Manager will report back to Council on options relating to frontage taxation.
- Council during their budget deliberations will strive to replenish the City's reserve account.

Action Summary

Capital Reinvestment Program Funding

- A general levy was instituted in 2007 which raised \$495,000, shown as a separate line



2007 STATUS UPDATE

item on tax notices.

- The expanded Small Community Protection Grant was allocated to the CRP.
- “Quesnel Works” branding and logo formulated for CRP promotional purposes.

Tax Policy Issues with regards to Tax Shifting

- 2007 is the first year the 226 exemption to West Fraser was granted.
- Council and Staff met with the Industrial Ratepayer Association three times in 2007 to exchange information and viewpoints.
- Council was presented with three tax shifting options and chose to maintain the status quo. The status quo will result in tax shifting away from Major Industry starting next year with the closure of the old West Fraser sawmill.

Staff to seek out new grant opportunities

- Staff has applied for MRIF grants pertaining to water expansion and a major sewer project. The sewer project grant was successful.
- Two grant applications were also submitted under the Gas Tax Agreement funding programs.
- Grant approved to MRIF green funds to complete an energy retrofit at the Quesnel and District Arts & Recreation Centre.
- All necessary grant funding was secured to complete the Museum Feasibility Study.
- A variety of heritage grants have been applied for and received in support of the C.S. Wing project and First Nations project.
- Grant approved to complete a walking and cycling trail guide.

Frontage Taxation options

- With the assistance of Urban Systems, the frontage taxes for water and sewer are being reviewed to include the CRP costs associated with those services.
- A parcel tax to cover the residential roadway structures portion of the CRP is also being formulated with Urban Systems.
- The goal is to have new frontage taxes and a new parcel tax in place for 2008.

Replenishment of Reserve Accounts

- As part of the budget process the following reserve accounts were created/replenished:
 - CRP reserve - \$655,000
 - Tax Stabilization reserve - \$100,000
 - City Buildings reserve - \$200,000
 - Other reserve transfers - \$163,500 (eg. landfill, Public Works relocation, etc)

City Manager's Comments

Considerable progress was achieved in 2007. The CRP was introduced, with further work being carried out with respect to water and sewer charges. The matter of tax shifting remains a contentious issue and will require further consideration by Council. Finally, on April 16, 2007 Council adopted Quesnel Water Frontage Tax Bylaw No. 1628 of 2007. The purpose of the new bylaw is to apply water frontage tax charges to approximately 40 parcels that were not subject to either the previous frontage tax bylaw or subject to the payment of a specified area charge.



2007 STATUS UPDATE

4. ECONOMIC DEVELOPMENT AND DIVERSIFICATION

Objective

To facilitate the growth and diversification of the Quesnel economy, with the aim of maximizing employment opportunities, tax base and quality of life.

Actions

- Gibraltar Recruitment Program. Send a letter to the Quesnel Community and Economic Development Corporation endorsing their “Live in Quesnel” initiative.
- IPP. Monitor progress of City Manager’s task force on renewable energy with the Manager to report back to Council on progress.
- The Quesnel Community and Economic Development Corporation is to meet with Council to discuss the proposed Hotel Tax. In conjunction with their presentation they are to be requested to provide evidence of industry support for this initiative.
- The Quesnel Community and Economic Development Corporation is to address Council regarding the Greening Plan with particular attention to be directed to avoiding duplication of services that are already being undertaken by the City in some form or order.

Action Summary

QCEDC matters:

- A letter, dated March 2, 2007, was sent to the QCEDC, along with a Summary of City Council’s 2007 Strategic Priorities. Specifically, the following action items were confirmed:
 - Gibraltar Employee Recruitment Program – the letter confirmed Council’s endorsement of the QCEDC’s “Live in Quesnel” recruitment program for Gibraltar Mine employees and a status report on this initiative was requested from the QCEDC.
 - Proposed Hotel Tax – City Council requested a meeting with the QCEDC Board before March 31, 2007 to discuss a proposed hotel tax. Of particular interest to Council is the level of industry support for a hotel tax and how the funds raised by the levy will be spent.
 - Quesnel Greening Plan – it was noted that City Council has still not endorsed the proposed Greening Plan. In this regard, Council would like the QCEDC to meet with Council to discuss the plan. While Council asked that this be done before the end of February, this did not happen so it was suggested that a meeting be set for the near future to discuss this item and other ongoing issues.
- On March 12, 2007 representatives from QCEDC attended the Budget Committee meeting to discuss the Quesnel Community Marketing Program. The program budget is \$109,000, of which \$25,000 per year over two years was requested from the City. Council approved \$25,000 towards the program from the current year Council contingency account.
- On April 30, 2007, a joint meeting of QCEDC Board and City Council was held. The agenda included the following discussion items: (1) Progress on the 2007 QCEDC Workplan, (2) Progress on the Prosperity & Sustainability Plan; and (3) QCEDC office relocation.
- On May 7, 2007 representatives from the QCEDC made a presentation to Council on an expanded Section 226 program and a proposed hotel tax. On May 29, 2007, the QCEDC’s held their Annual General Meeting and Board meeting. At the Board meeting, there was considerable discussion about the lack of support from the accommodation sector regarding a hotel tax. The Board subsequently passed a resolution to take no further action on this initiative for the foreseeable future.



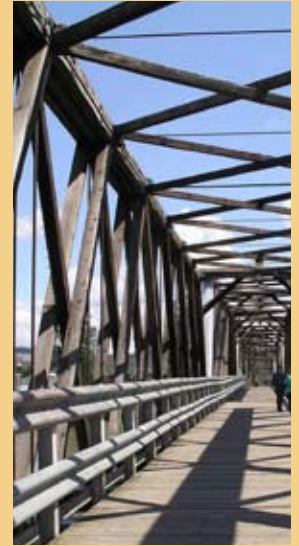
2007 STATUS UPDATE

Independent Power Production initiative

- In November 2006, Council authorized the establishment of a City Manager's Task Force on Renewable Energy that will be comprised of key industry representatives, as well as members from the Quesnel and Community Economic Development Corporation (QCEDC). The mandate of the Task Force is as follows:
 - Investigate and identify forest biomass supply issues in the North Cariboo to support power generation;
 - Review and clarify access/tenure issues relative to biomass resources;
 - Review and monitor developments relative to BC Hydro and the provincial government's policy regarding IPP agreements in general and, in particular, a special beetle kill proposal call;
 - Identify, through a call for expressions of interest from established IPP's, potential partners; and
 - Report to Council within six (6) months on progress to date.
- The inaugural meeting of the City Manager's Task Force was held on January 10, 2007. The overall objective of the task force is to determine whether a business case can be made to pursue a power purchase agreement with BC Hydro, utilizing beetle kill wood. Task Force participants at the first meeting included representatives from QCEDC, Ministry of Forests, Nazko Band Council, and the City of Quesnel. Several action items were identified including: addressing policy issues regarding access to fibre, meeting with Cariboo Pulp regarding their bioenergy project, embarking on discussions with major licensees, identifying IPPs that may be interested in bioenergy opportunities in the Quesnel area.
- In February, meetings were held with Cariboo Pulp and with the Nazko Band Council.
- On April 3, 2007 Mayor Bello, the QCEDC Executive Director, and the City Manager attended the BC Hydro IPP Session in Prince George. The purpose of the meeting was to discuss BC Hydro's Request for Expressions of Interest (RFEI) for bioenergy, which the City responded to on April 17, 2007.
- On May 3, 2007 the second meeting of the Task Force was held. At this meeting, representatives of the major licensees (i.e., West Fraser and Canfor) also attended. At that meeting it was agreed that the mandate of the Task Force should be broadened to encompass not only bioenergy opportunities but bioproducts generally. It was also agreed that the QCEDC would assume responsibility for the activities of the Task Force from the City Manager.
- The Nazko Band is very interested in investigating the feasibility of establishing a bioenergy facility in the Quesnel area. During the various meetings that we have had with the Nazko Band over the past few months, it was suggested that it would be more productive if the City and Band were to work together on this initiative rather than independently. On May 11, 2007, a draft Memorandum of Understanding and Cooperation was forwarded to the Band Manager for review.
- On May 14, 2007, the City Manager met with BC Hydro officials in response to our submission under the RFEI. BC Hydro is well aware of the problems associated with accessing fibre, and they intimated that the Ministry of Forests would likely be making a policy announcement on residual wood waste some time in June.
- The Mayor, City Manager, and QCEDC Executive Director met on June 11, 2007 with representative from Compliance Energy. The purpose of the meeting was to discuss bioenergy opportunities generally and to identify potential sites for a power production facility.

City Manager's Comments

The relationship between City Council and the QCEDC Board is strengthening, and the new Board seems to recognize the need to ensure that its overall economic development objectives are properly aligned with Council's priorities. This is not to say that there is broad support for all QCEDC initiatives. A case in point is the QCEDC's position paper on an expanded Section 226 program.



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In the absence of any empirical evidence supporting the efficacy of this type of tax exemption scheme, City staff has reservations about whether the program will achieve any results above and beyond what would occur without the provision of any tax incentives. Additionally, we are concerned about any reduction to revenue or potential revenue growth unless it is accompanied by a commitment on the part of Council to lower service expectations or to reduce costs in other areas of our operation.

5. MULTI-CENTRE PLANNING

Objective

To examine various issues related to building a new multi-purpose complex in Quesnel, including cost, affordability, financing, location, operations, and ownership.

Actions

- In partnership with the Cariboo Regional District and through the North Cariboo Joint Planning Committee, the Quesnel Multi-Centre Task Force is mandated to determine costs, search out funding opportunities and calculate tax threshold for the proposed Multi-Centre. This is to be with the understanding that it is Council's intent to develop a program that will be successful when a referendum is held.
- Determine the components that should be included in the Multi-Centre. Is it just an arena or will there be other components such as a performing arts centre? This is to be completed in conjunction with the Cariboo Regional District's support and with ample public input into the decision-making process.

Action Summary

- The proposed vision for the multi-centre project was formulated. It included an arena and a theatre to be built in the vicinity of the existing Twin Arenas. The vision also included meeting and events space to accommodate the two facilities and other community functions.
- Cannon Design was retained to develop concept plans for the proposed Multi-Centre.
- Concept plans presented to Joint Planning Committee
- Stakeholder meetings held with various organizations including arena user groups, business associations, seniors, the Museum Commission, the Chamber of Commerce and industry. Survey results from those meetings identified a high level of support for the project.
- Public input process developed and carried out. Input process included survey questionnaire and extensive advertising campaign with support literature. Report on the survey results presented to JPC in July.
- Business Plan completed and presented to JPC in July.
- Funding requests initiated to seek funding from various sources such as NDI.
- Analysis of business plan and public input survey is completed.



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6. AIRPORT PLANNING

Objective

To ensure the long term viability of the Quesnel airport, recognizing the importance of the airport to the local economy and surrounding area.

Actions

- Pursue a GPS proposal for the airport intended to provide a more functional airport to the public and that will help make the airport financially more sustainable.
- Develop and present Council with a marketing plan for consideration for adoption.
- Campbell Crescent – Phase II. Continue to explore funding sources to help defray infrastructure costs associated with the development of these light industrial lands. Enlist the assistance of QCEDC in identifying funding opportunities. Completion date is indeterminate. Progress will be reported at the mid-year strategic planning session.

Action Summary

GPS

- HART Aviation completed an Air Access and IFR Approach Feasibility Study for the City in February in which it was recommended to design a GPS approach for Runway 13, review the current GPS approach on Runway 31 and make improvements if possible and design GPS departures for both runways. Total cost is approximately \$53,000.
- NAV Canada has indicated to the City that they would design approaches for the last few years. In response to the HART study, the Airport Manager contacted NAV Canada to determine the status of our GPS approaches. She was advised that Quesnel is slated for publication of a new approach on Runway 13 by July 2007. We were subsequently advised by NAV Canada that the approach will not be published until end of August. NAV Canada's progress is being monitored.

Marketing Plan

- The Land Use Plan has been completed and was approved by Council. The Airport Manager subsequently prepared a Land Leasing Policy for airport lands, and Council approved the new policy on June 18, 2007.
- An updated Quesnel Regional Airport brochure and implementation of a comprehensive marketing plan was undertaken.
- Completion of the Phase II of the Campbell Crescent light industrial development was identified as a potential economic development/diversification project during recent discussions with MP Dick Harris. This discussion took place within the context of how the federal government plans on allocating the \$1 billion of economic adjustment funding that it has announced relative to the Mountain Pine Beetle infestation. At this time, it is unclear as to the status of this request or what the eligibility criteria will be in order to access pine beetle adjustment funding.



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7. ARTS, HERITAGE, AND CULTURE

Objective

To help strengthen the health of arts, culture and heritage organizations in the community.

Actions

- Council, through staff is to actively pursue funding opportunities / sources to advance the arts, culture & heritage in the community. Good progress to date has been made with the development of a Heritage Strategic Plan, the Heritage Register and with obtaining funding to undertake a feasibility study for possible museum expansion. Task is on-going dependant on grants that become available and projects that Council may wish to support.

Action Summary

- The Heritage Register has been completed and all grant funding to assist with the completion of the project has been received.
- Funding of \$4,000 was secured from the Rotary Club towards the cost of the C.S. Wing Video History project. Also through the Friends of the Museum, \$2,000 was received from Integrus Credit Union, and another \$10,000 through Arts Now for the C.S. Wing photo display project.
- A grant of \$7,500 was received through the Friends of the Museum from the Leon and Koerner Foundation to assist in the completion of the C.S.Wing exhibit.
- The Delkhe First Nations Heritage Project was completed with funding through the Museum Assistance Program approved in 2006 of \$40,000. A well attended celebration of approximately 200 people at the CNC/UNBC campus was held on March 31, 2007 to showcase the work that came out of it.
- The C.D. Hoy exhibit loan was completed with Barkerville. The display is completed and a very successful opening reception was held on June 21st, with approximately 200 people attending.
- The Museum has continued to work with the First Nations on other projects such as the Quesnel Community Pow Wow.
- The Museum Chinese sub-committee is working with the Chinese community to profile the contribution of their culture to the Quesnel and district area.
- A Museum Multi-Culture sub-committee was established and is working to recognize the contributions of the Indo-Canadian community.
- A grant of \$1,000 was received through the Friends of the Museum from the Hudson Bay Company to develop a Pioneer Cemetery walking tour program.
- Much of the attention to the Arts has been focused on the proposed theatre as part of the Multi-Centre project.



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8. COMMUNITY SAFETY

Objective

To address crime related issues and education, towards the goal of reducing crime and enhancing community safety and well-being.

Actions

- Staff with the support of the Community Safety Committee will investigate and encourage the province to establish a detoxification / shelter facility in Quesnel.
- Through direct communications with Council and staff, ensure that the RCMP priorities are aligned with Council priorities. First such meeting was held in December 2006 with Council and the RCMP. Follow-up meeting with Council and the RCMP to be scheduled for review and update on these priorities.

Action Summary

- Councillors Thapar and Craigmyle each played roles on the establishment of a detox/shelter facility.
- At the Delegation on April 2, 2007, S/Sgt. Hildebrand and several members from the local detachment made a presentation on Community Policing activities. The presentation encompassed the following areas: (1) Citizens on Patrol, (2) Block Watch, (3) Community Policing Access Centre (CPAC), (4) School Liaison Officer, and (5) First Nations Policing.

City Manager's Comment

There is an open and constructive working relationship between the Detachment Commander and City Council, although some concerns have been raised as to the alignment of policing priorities. Ongoing discussions should continue to take place to ensure that policing priorities are properly aligned with the community's priorities.

9. LIBRARY

Objective

To provide City and area residents with a modern, state of the art library facility in the downtown core.

Action Summary:

- On March 8, the City invited the entire CRD Board to Quesnel to view the proposed new library facility on the first floor of the New City Hall complex. After touring the facility, the CRD Board authorized their Administrator at their next meeting to negotiate a mutually satisfactory arrangement with the City.
- Over the next month, several proposals were exchanged, culminating in a framework agreement that was signed off by the two Administrators. The proposed agreement was presented jointly to the CRD Board and Quesnel City Council at a meeting held on April 26 in Williams Lake. Both parties approved the MOU that same evening and staff was instructed to finalize the formal agreements for ratification on or before May 25, 2007.
- On May 24, a public information meeting was held at the Quesnel Legion to review the proposed library agreement between the City and CRD. The following day, on May 25, both City Council and the CRD Board approved the agreement and related documentation.



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- On June 4, 2007 a letter was sent to the Hon. Ida Chong, Minister of Community Services, notifying the Minister of the City decision to terminate the statutory service review of the library in accordance with section 813.11(a) of the Local Government Act.
- Construction is well underway, with completion of the new facility slated for the fall of 2008.

10. PHASE II OF THE NORTH CARIBOO COMMUNITY CAMPUS

Objective

To support, advocate, and lobby for the development of Phase II of the CNC Quesnel Campus.

Actions

- Council to lobby provincial and federal governments to proceed with the phase II planning and development for the College of New Caledonia. Time line for such action and approaches to be coordinated with the College based on the most appropriate times to lobby on their behalf.
- Council will play a supporting role to the College.
- Council will assist to increase the public profile of this project. This will be done without financial commitment to do so.

Action Summary

- Councillor Craigmyle has been representing the City on the Post Secondary Education Council, which has been meeting periodically over the past several months. The purpose of the Council is, amongst other things, to promote the development of Phase II of the campus.
- At last year's UBCM Convention, Councillor Craigmyle and other members of Council met with the following officials to discuss Phase II of the North Cariboo Community Campus: Hon. Shirley Bond, Minister of Education, Hon. Murray Coell, Minister of Advanced Education, Hon. Pat Bell, Minister of Agriculture & Lands, and Mr. Geoff Plant, Special Advisor to Campus 2020.

City Manager's Comment

Several suggestions have been made that if and when Phase II of the campus proceeds that it will expand into the area in and around Alex Fraser Park. While this may very well be the logical location for Phase II, Council has never addressed this issue from a land use point of view nor have they determined whether this would be the highest and best use of these lands.

11. CITY GROWTH AND EXPANSION

Objective

To review the advantages and disadvantages of expanding the City's boundaries, including the cost and benefits to City and rural taxpayers.

Actions

- Council, through staff, will investigate opportunities for the growth and expansion of the City to expand beyond the existing boundaries. This process will include a cost / benefit analysis. Council will have identified true costs for the City to provide services to any proposed expanded areas.



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Action Summary

- A considerable amount of study was carried out several years ago on boundary expansion options, but no further investigative work has been done since Council identified this item as a strategic priority.

City Manager's Comment

Given the amount of time that has been devoted to the various subsidiary issues that exist between the City and CRD, no attempt has been made to address in a comprehensive way the whole question of restructuring.

12. COMMUNICATIONS

Objective

To provide outstanding communication services to the residents of Quesnel.

Action items

- Council will report out on UBCM and NCMA conferences and initiatives to the public.
- The Communications Plan shall be updated and implemented.
- Increase feedback to Council from staff.
- Branding of Quesnel (increased promotion).
- Search for grant opportunities.
- Develop a communications brief on Council meeting highlights. Communications Committee to meet quarterly at a minimum.

Action Summary

UBCM/NCMA reporting

- The Communications Supervisor travelled to the NCMA conference - May 2 to 5. While at the conference, the Supervisor prepared two news releases highlighting: (1) Council's first day at the event, including its meeting with the Northern Caucus; and (2) the passing of all five of Council's resolutions to NCMA. The releases were immediately posted to the City's website. The Supervisor also completed a one-page summary of the event to accompany individual Councillors' reports on their attendance.
- The Supervisor travelled to the UBCM conference in September, where similar initiatives were undertaken. He also provided support at the various Ministerial meetings.

Communications Plan updates and implementation

- The Communications Supervisor initiated a three-year plan to upgrade the City's Communications program in August 2005. Each year, steady progress has been made in various sections of that overall plan. This year, the Supervisor met with Council in February to propose a set of communications goals and objectives to be met by the end of the year. A number of initiatives from that meeting have already been met, including:
 - Extensive communications work regarding West Quesnel Land Stability, including two special edition mailouts and one public meeting - Ongoing.
 - Extensive budget process communications, including updates after each meeting and a web page devoted to the budget process - completed in May.
 - Extensive Multi-Centre communications work, including devising the public input process and developing, writing and designing the region-wide mailout - Ongoing.



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Increase feedback to Council from staff

- This item has yet to be investigated fully, although the implementation of the Management Matters newsletter in conjunction with the City Manager has provided a good start.

Branding of Quesnel

- Development of the Quesnel Works slogan and logo for ongoing usage in relation to the Capital Reinvestment Program.
- The City continues to encourage “good news” stories about its programs, priorities and initiatives in the local media.
- The City continues to ensure its logo is used properly and only when authorized - ongoing.

Search for grant opportunities

- Given the large volume of work in the communications department, there has been little work done on this front, although the department has assisted with other applications (special awards or recognition) when asked.

Develop Council highlights

- Council Clippings was initiated in December 2006. To date, it is posted on the City website under a newly created Council News page and is distributed broadly, including to the local media. Anecdotal responses from media indicate the Clippings are helpful.

Communications Committee to meet quarterly at a minimum

- Given the heavy schedule of Council and staff, this objective has proven difficult to meet. The committee met twice in 2007.

13. BUDGET PROCESS/TAXES

Objective

To support a budget development process that is financially sound and transparent.

Actions

- Council will increase public knowledge on taxation and needs (communications on-going, colour charts, etc.). In order for ratepayers to understand Council actions and decisions regarding budget initiatives, there is a need for clear, regular communications outlining rationale for decisions made by Council to the public.
- Discussion on how to address prior years' surpluses. Council to determine by February 28, 2007.
- Establish earlier timeline for budget meetings and establish a calendar of meeting dates at the outset.
- Council / staff need to make budget meetings a priority (over other engagements).
- Utilization of electronic calendar – input information one month in advance. Process is on-going.



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Action Summary

Increase Public Knowledge of Taxation

- Budget reports were prepared for each budget meeting in simple language explaining the impact on the taxpayers, with a summary of previous decisions included on the reports.
- Unfettered access for the media to staff throughout the budget process.
- A mail-out was included with the tax notices explaining the budget process, the tax bill, and the new CRP reserve in simple language.
- The meeting schedule was well advertised to allow the public full access to the process.
- During the budget process three meetings were held with the Industrial Ratepayer Group.

Discussion on how to address the Prior Year's Surplus

- This was done as an integral part of the budget process with staff reporting on and Council voting on the complete disposition of the amount to various reserves and other initiatives.

Budget meetings

- The budget meeting dates and timelines were set by the Finance chair and staff prior to the first budget meeting.
- Council / staff needed to make budget meetings a high priority
- The appropriate staff person attended every budget meeting that was held.
- Council attendance was also excellent throughout the process

Utilization of electronic calendar

- This was not used for budget meetings, although the meeting schedule was published in advance.

