



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

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TO: Standing Committee on City Services and Budgets

FROM: General Manager of Corporate Services/Director of Finance

SUBJECT: City of Vancouver 2005 Annual Financial Report

RECOMMENDATION

THAT Council receive for information the City of Vancouver Financial Statements for the year ended December 31, 2005.

COUNCIL POLICY

The Director of Finance is required under Section 211 of the Vancouver Charter to advise Council on the financial position of the City. Section 231 requires the City's external auditors to report on the financial statements to Council by April 30 of the following year.

PURPOSE

The 2005 Financial Statements are presented to Council for information and to fulfil the legislative requirements of the Vancouver Charter.

DISCUSSION

I. 2005 Financial Highlights

The City of Vancouver continued to maintain a strong financial position in 2005.

1. Total assets have increased by \$1.1 billion to \$9.1 billion.
 - Cash and Temporary Investments totalled \$790.5 million, an increase of \$168.0 million mainly due to the issuance of a \$120 million serial debenture and increase in reserves. The cash is restricted and is set aside for the repayment of sinking fund debentures, reserves for specific purposes and to finance capital projects approved in the Capital Plans.
 - Capital assets increased by \$906.4 million (12%) to \$8.2 billion. An increase in the assessment value of land accounted for \$770 million or 85% of the change bringing the total value of the City's land holdings to \$5.9 billion (or 73% of total Capital Assets). The balance of the increase was a net of capital expenditures, disposals and depreciation.
 - Net Taxes Receivable dropped from \$19.9 million to \$12.2 million due to continued improvement in tax collections. The Tax Instalment Payment Program (TIPP) continues to be a convenient and attractive option for taxpayers to prepay their taxes and receive 1.25% interest on their prepayments. The number of TIPP accounts have reached over 8,000 by the end of the year.
2. Through tight fiscal control, the City ended the year with an operating surplus of \$1.2 million.
3. Capital Fund expenditures totalled \$156 million. Major expenditures included \$98 million spent on streets, water and sewer infrastructure, \$19 million on vehicle and equipment purchases and \$22 million on parks and community centres.
4. The City issued an \$120 million serial debenture to finance the capital expenditure program. The financing cost of 3.95% was the lowest financing rate for the City in over 20 years.

Total debt outstanding at year end was \$645 million, of which \$79 million is held internally as investments by the Sinking Fund. The remaining \$566 million debt was sold in the financial market.

5. Reserves set aside for specific purposes increased \$51 million to \$295 million. Major increases included contribution of \$28.5 million from the Olympic Village Trust, \$7 million in contributions to affordable housing reserves, \$3 million of Sewer and Water utility surpluses into utility rate stabilization reserves and \$4.5 million in Future Revenue Fund Budgets for future payroll obligations and future debt charges.

6. The liability for landfill closure and post-closure costs increased from \$19.5 million to \$22 million. The City is required to recognize a liability for the closure and post-closure of the landfill which is expected to reach capacity in 2042. The liability is based on utilization of total capacity which is 33 million tonnes (there is 57.5% remaining capacity at end of 2005).
 - The increase of \$2.5 million in the liability for 2005 was attributed to 2 factors: \$0.5 million for current year utilization (525,000 tonnes) and \$2.0 million due to a reduction in the discount rate from 5% to 4.35%.
 - Engineering is currently reviewing the technology used to cover the remaining cells and the closure costs and liability will likely increase in future years.
 - Funding for closure costs will be provided from the Solid Waste Capital Reserve which at year end had a balance of \$62.6 million.
7. The Property Endowment Fund dropped by \$53.3 million to \$35.5 million at year end. This is largely due to capital expenditures of \$61.5 million and included \$24.1 million for the acquisition of the building leased to VANOC, \$19 million for properties for non-market housing and \$9.6 million for additional sites for strategic purposes. Development expenditures included \$8.7 million for Southeast False Creek, #1 Kingsway and Granville Hotel.
8. The Sinking Fund (SF) provides for the repayment of the City's sinking fund debentures based on instalments raised as part of the Operating Budget and interest earned on the investments held in the SF. Historically the SF surplus is transferred to the Operating Budget in the following year. In 2004 and 2005, due to lower interest rates, a transfer from the Operating Budget was required to cover the shortfall (\$0.9 million in 2005 and \$0.4 million in 2004).

II. Future Accounting and Reporting Changes

Capital Asset Accounting - New standards

The Public Sector Accounting Board (PSAB) has developed new accounting standards for reporting of capital assets by local government. In March 2006, an Exposure Draft was issued recommending implementation of standards by 2009. New standards require reporting of capital assets at amortized historical cost which is a major departure from the City's current accounting policy.

The City currently values land at BC assessment values as a proxy to market value. Application of the new standard will result in a reduction in the value of capital assets reported on the City's financial statements. Staff will be assessing the impact of this change on the way the City's financial position will be presented on the financial statements.

A more detailed analysis of the financial position and financial activities of the City are provided in the "Report of the Director of Finance" in the 2005 Annual Financial Report. The Annual Financial Report has been distributed under separate cover and a copy is also on file in the City Clerk's Office.

The financial statements contained in the 2005 Annual Financial Report include its Boards and owned/controlled entities and have been audited by the City's External Auditor, KPMG LLP.

CONCLUSION

The 2005 Annual Financial Report (limited distribution, on file) is presented to Council for information as required by the Vancouver Charter.

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