



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: April 11, 2007  
Author: Esther Lee  
Phone No.: 604.873.7080  
RTS No.: 06645  
VanRIMS No.: 05-1000-22  
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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 2006 Financial Report

#### RECOMMENDATION

THAT Council receive for information the City of Vancouver Financial Statements for the year ended December 31, 2006.

#### 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 2006 Financial Statements are presented to Council for information in order to fulfil the legislative requirements of the Vancouver Charter.

## DISCUSSION

### 2006 Financial Highlights

The City of Vancouver continued to maintain a strong financial position in 2006.

1. Total assets have increased by \$841 million to approximately \$10 billion.
  - Cash and Temporary Investments totalled \$702 million, a decrease of \$89 million mainly due to the repayment of \$100 million sinking fund debenture due in 2006.
  - Capital Assets made up 91% of Total Assets. Capital Assets increased by \$916 million (11%) to \$9 billion. An increase in the assessment value of land accounted for \$761.4 million or 83% of the change bringing the total value of the City's land holdings to \$6.7 billion (or 74% of total Capital Assets). The balance of the increase was a net of capital expenditures, disposals and depreciation.
  - Taxes Receivable increased slightly by \$0.9 million to \$22 million. However, as a percentage of total taxes levied, collections continued to improve over 2005 (98.61% vs. 98.45%). The Tax Instalment Payment Program (TIPP) continues to be a convenient and attractive option for taxpayers to prepay their taxes and taxpayers receive 1.75% interest on their prepayments. The number of TIPP accounts has reached over 8,600 by the end of the year.
2. Through tight fiscal management, the Revenue Fund had an excess of revenues over expenditures of \$1.8 million.
3. \$100 million sinking fund debenture matured during the year bringing total debt outstanding down to \$506 million. Of this amount, \$77 million is held internally as investments by the Sinking Fund and \$429 million is held externally.
4. Reserves set aside for specific purposes increased \$44 million from \$295 million to \$339 million. Major increases included:
  - Community Amenity contributions of \$13 million
  - \$13.5 million transfer to Future Revenue Fund Budgets reserve for future payroll obligations of \$4.3 million, potential tax appeals of \$4.7 million and EComm equipment replacement of \$2.8 million
  - \$5 million was received from the Province for the planning and development of a Cultural Precinct
  - \$5.1 million net income from sanitation utility operations was added to the Solid Waste Capital reserve.
5. Capital Fund expenditures totalled \$169 million. Major expenditures included \$81 million spent on streets, water and sewer infrastructure, \$12 million on vehicle and equipment purchases and \$24 million on parks and community centres (including Sunset Community Centre and Vancouver Aquarium Discovery Centre). Other significant projects include #1 Kingsway, Canada Line 2<sup>nd</sup> Avenue station, Queen Elizabeth Theatre upgrades and the commencement of the redevelopment of Mountain View Cemetery.

6. The liability for landfill closure and post-closure costs increased from \$22 million to \$25 million. The City is required to recognize a liability for the closure and post-closure of the landfill which is expected to reach capacity by 2042. The liability is based on utilization of total capacity which is 33 million tonnes (there is 55.8% remaining capacity at end of 2006). Funding for closure costs will be provided from the Solid Waste Capital Reserve which at year end had a balance of \$67 million.
7. The Property Endowment Fund dropped by \$44 million to a negative fund balance of \$8.9 million at year end. This is largely due to capital expenditures of \$60 million and included \$29 million for the redevelopment of South East False Creek, \$4 million for properties for non-market housing, \$19 million for parkades (Chinatown - \$11 million, Yaletown - \$4 million, and Gastown - \$4 million). Another \$5 million was spent on the construction of market rental housing at #1 Kingsway.

### Future Accounting and Reporting Changes

The Public Sector Accounting Board (PSAB) has developed new standards which will have an impact on the City's financial statements in the upcoming 2 years. They include:

1. Accounting and reporting of capital assets: These PSAB recommendations were approved in June 2006 for implementation in 2009 and require the following:
  - Land to be reported at historical cost (instead of the City's current practice of using BC Assessment values)
  - Depreciable capital assets to be reported at amortized historical cost
  - Depreciation of capital assets to be reported on the statement of operations.

The new standards will result in significant changes in financial statement presentation.

Staff have taken steps to adopt these recommendations including the implementation of a Infrastructure Management System in 2007 which will assist City departments with inventorying and valuing public works, facilities and parks assets. Information from this project along with other existing asset systems will be taken by staff to determine the revised asset values that will be reflected on the City's financial statements.

Commencing with 2007 financial statements, the City is required to disclose information on the progress in implementing the accounting and reporting standards for tangible capital assets.

2. Segment Disclosures: This new financial reporting standard will require reporting of revenues and expenses by segment or function and will be in effect for 2008.

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 2006 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 2006 Annual Financial Report include its Boards and owned/controlled entities and have been audited by the City's External Auditor, KPMG LLP.

## CONCLUSION

The 2006 Annual Financial Report is presented to Council for information as required by the Vancouver Charter.

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