



ADMINISTRATIVE REPORT

Report Date: April 8, 2009
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Meeting Date: April 23, 2009

TO: Standing Committee on City Services and Budgets
FROM: Director of Finance
SUBJECT: 2008 City of Vancouver Annual Financial Report

RECOMMENDATION

THAT Council receive for information the City of Vancouver Financial Statements for the year ended December 31, 2008.

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 2008 Financial Statements are presented to Council for information in order to fulfil the legislative requirements of the Vancouver Charter.

DISCUSSION

2008 Financial Highlights

1. Net assets increased by \$2 billion (18%) to approximately \$13 billion.
 - Cash and Temporary Investments totalled \$645 million, a decrease of \$233 million mainly due to a high level of capital expenditures and financing of the Southeast False Creek Olympic Village project.
 - Capital Assets increased by \$2.2 billion (20%) to \$13 billion. An increase in the assessment value of land accounted for \$1.9 billion or 86% of the change bringing

- the total value of the City's land holdings to \$10.3 billion. The balance of the increase was due to capital expenditures on infrastructure and facilities.
- Taxes Receivable remained stable at \$24 million. As a percentage of total taxes levied, collections continued to be strong at 98.7%. The Tax Instalment Payment Program (TIPP) continues to be a convenient and attractive option for taxpayers to prepay their taxes and taxpayers receive 1.55% interest on their prepayments. The number of TIPP accounts has reached over 9,750 by the end of the year.
2. Through tight fiscal management, the Revenue Fund had an excess of revenues over expenditures of \$6.6 million.
 3. Total debt outstanding at year end was \$558 million. Of this amount, \$72 million is held internally as investments by the Sinking Fund and \$484 million is held externally.
 4. Reserves set aside for specific purposes increased \$24 million from \$400 million to almost \$424 million. Major changes included:
 - Work stoppage savings of \$11.8 million was transferred from Future Revenue Budgets Reserve to reduce 2008 property taxes as directed by Council.
 - \$9 million was drawn from the Olympic Legacy Facilities Reserve for the development of Olympic facilities, specifically the Killarney and Trout Lake skating rinks and the Hillcrest Curling complex.
 - The balance of the Olympic Village Trust reserve of \$14 million was used to fund the construction of the Athletes' Village
 - The Olympic Legacy Reserve increased \$2 million to a balance of \$11 million to fund events and program before and after the 2010 Olympics.
 - The Southeast False Creek Construction Reserve of \$25 million was established to provide for contingent costs for the completion of the Olympic Village.
 - \$6.1 million was transferred into the Future Debt Repayment Reserve.
 - \$1.6 million net income from sanitation utility operations was added to the Solid Waste Capital reserve.
 - \$2.7 million net income from the utilities was added to the Water and Sewer Utility Rate Stabilization reserves.
 5. Capital Fund expenditures totalled \$279 million. Major expenditures included \$120 million spent on streets, water and sewer infrastructure, \$13 million on vehicle and equipment purchases and \$70 million on parks and community centres (including Emery Barnes Park, Stanley Park restoration, Percy Norman Aquatic Centre, Hillcrest Curling, Killarney and Trout Lake rinks). Other significant projects include #1 Kingsway, Canada Line 2nd Avenue station, Queen Elizabeth Theatre upgrades and the redevelopment of Mountain View Cemetery.
 6. The liability for landfill closure and post-closure costs increased from \$40 million to \$56 million mainly due to increased costs for a geomembrane cover for the landfill. 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 53% remaining capacity at end of 2008). Funding for closure costs will be provided from the Solid Waste Capital Reserve which at year end had a balance of \$74 million.

7. The Property Endowment Fund (PEF) balanced decreased by \$72 million to a negative fund balance of \$99 million at year end. This is largely due to capital expenditures of \$104 million and included \$86 million for the redevelopment of South East False Creek (SEFC), \$11 million for properties for non-market housing, and \$5 million was spent on the construction of market rental housing at #1 Kingsway. At year end the total assets of the PEF was valued at \$3.6 billion.
8. At yearend, the City had advanced \$78 million to finance the construction of the Olympic Athlete's Village in SEFC. Subsequent to yearend, additional advances have been made bringing the total advances to the developer, Millennium Southeast False Creek Properties Ltd. (Millennium) to approximately \$170 million. This is in addition to the outstanding purchase price of the land (\$200 million less a deposit of \$29 million) and \$319 million construction loan which the City took over from the previous lender, Fortress Credit Corp. Millennium's total obligation to the City at March 31, 2009 is approximately \$660 million. The City is in process of arranging external financing to fund the costs of the project.

Accounting and Reporting Changes

The City's 2008 Financial Statements includes a new segment disclosure schedule showing revenues and expenses by function.

In 2009, the City will be adopting the Public Sector Accounting Board (PSAB) standard for Tangible Capital Assets which will 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 standard will result in significant changes in financial statement presentation. Staff are in the process of implementing an Infrastructure Management System which will assist City departments with inventorying and valuing public works, facilities and parks assets. Information from this system along with other existing asset systems will be utilized to ensure that the City will be in compliance with this standard for the 2009 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 2008 Annual Financial Report. The financial statements contained in the 2008 Annual Financial Report include its Boards and owned/controlled entities and have been audited by the City's External Auditor, KPMG LLP. The Annual Financial Report has been distributed under separate cover and a copy is also on file in the City Clerk's Office.

CONCLUSION

The 2008 Annual Financial Report is presented to Council for information as required by the Vancouver Charter.

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