

# 2020 Statement of Financial Information

March 30, 2021



1. Introduction
  - SOFI overview
  - Consolidated entity
  - Financial Statement vs Budget View
  
2. Operating Budget Results
  - Operating Budget Results
  - COVID Impact
  
3. Consolidated Financial Statement Highlights
  - Consolidated Annual Surplus
  - Accumulated Surplus & Reserves

## Statement of Financial Information (SOFI)

- Prepared in accordance with Financial Information Act (FIA)
- Recommendation:
  - Council approve the 2020 SOFI for filing
  - Council receive for information of 2020 audited financial statements
  - Council receive for consideration remuneration and expenses of Council members

## SOFI contains

- Audited Annual Financial Report & Independent Auditors' Report
- Schedule of general debt
- Remuneration and expenses (Council, Boards, EE >\$75K)
- Supplier payments (over \$25K)
- Grant payments

- Financial Statements prepared in accordance with PSAB standards
  - Different compared to operating & capital budget view
- Financial Statements prepared on a consolidated basis includes:

## 5 City funds:

- Revenue fund
- Capital fund
- Property endowment fund
- Sinking fund
- Capital financing fund

## 8 Controlled entities:

- P.N.E.
- Easypark
- Vancouver Public Housing Corp (VPHC)
- Vancouver Economic Commission (VEC)
- Vancouver Affordable Housing Agency (VAHA)
- 3 inactive entities

# Operating Budget vs Consolidated Financial Statements

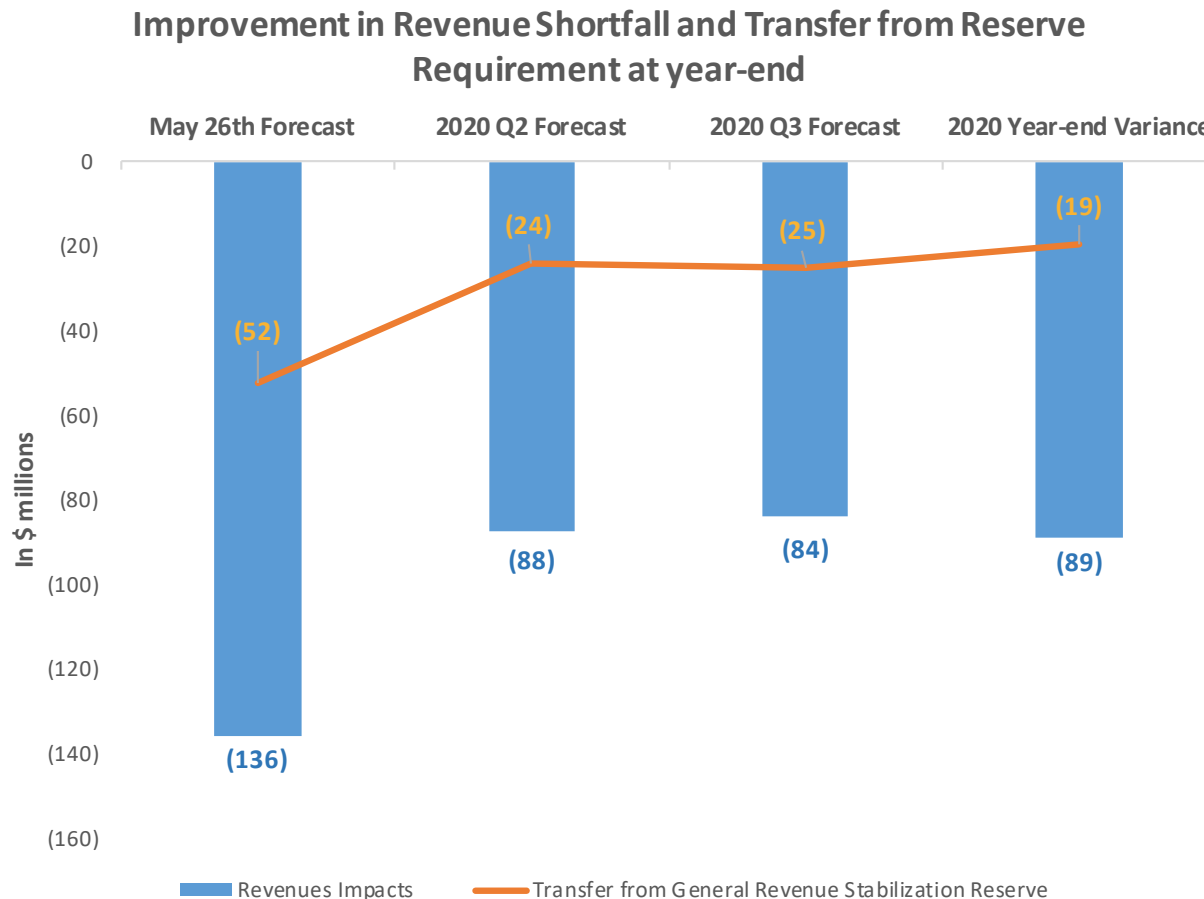


	Annual Operating Budget	Consolidated Financial Statements
Accordance	Vancouver Charter → <b>balanced</b> budget	Public Sector Accounting Standards (GAAP) → budgeted annual surplus
Scope	Revenue Fund only - property taxes, fees, parking  ➤ CoV day-to-day operations (Police, Fire, Library, Community Centers, etc)	5 Funds & 8 Controlled Entities  ➤ CoV day-to-day operations ➤ Revenue to be used for future expenses (EHT & development contributions) → restricted through reserves ➤ New capital assets added → results in 'surplus'

# 2020 Operating Budget Year-end Results

- By law (the Vancouver Charter), the **Operating budget** must be balanced. The operating budget covers day to day operations such as police, fire and rescue, library, community programs and general government.
- The 2020 operating budget ended the year **balanced** after transfers to reserves
- Revenue losses of \$89M were less than originally estimated. Mitigation actions were taken to reduce costs and draw on the revenue stabilization reserve to balance in 2020. Otherwise the City would need to significantly increase future taxes and fees to balance the budget.

# 2020 Operating Budget Financial Highlights



- Revenue shortfall was forecasted at \$136M in Q1 after the first wave started
- Phased re-opening happened in Q2 improving the revenue from Parking and Program fees and bringing down the forecast to \$88M in Q2 and \$84M in Q3
- Second wave started in Q3 with restrictions extension and revenues declining slightly to \$89M by year-end
- Reduced transfer from General Revenue Stabilization Reserve:
  - \$19 million transferred at year-end compared to \$52 million forecasted in May
  - Provincial funding received \$16.4M, fully transferred to Revenue Stabilization Reserve
  - EMBC funding and other external recoveries received, to offset COVID-related expenses



# COVID-Related Expenses

EOC COVID  
Costs \$16M

EOC costs include additional cleaning for facilities, closing city services, supporting SROs, DTES sanitation program, community outreach, EOC operations etc.

*Reimbursements*  
*\$6.8M*

Reimbursements have been received from federal and provincial governments for DTES sanitation program, isolation centres, non market housing SROs and private SROs, Oppenhiemer decampment, EOC operations etc.

Net COVID Costs  
\$9.2M

*Net costs to be absorbed by the city* include critical supplies procured as well as incremental cleaning at city facilities, PPE, queue initiatives, support for remote work arrangement for essential services and labour hours

Additional  
COVID Impact

In some areas, higher cost per service impacted productivity and backlogs

Additional service demands in areas including overdose response, homelessness, washrooms and street cleanliness

- Reduced transfer from General Stabilization Reserve:
  - \$19.5M transferred at year-end compared to \$52M forecasted in May
  - Provincial funding received \$16.4M- fully transferred to General Stabilization
- General Stabilization Reserve balance forecasted to be 1.8% of annual non-utility revenue by end of 2021 after commitments
- Draw on reserves in 2020 at \$19.5M less than original forecast BUT anticipate \$57M from reserve in 2021 and risks that revenue may not fully return to pre-COVID levels in 2022
- Expected 2021 reserve level after commitments is well below target 8-16%:
  - Using reserves to balance the budget not sustainable beyond 2021
  - Need to replenish reserves after revenues return

# 2020 Consolidated Financial Statements

<b>Consolidated Revenues</b> <b>\$1.8 B</b>	<b>Consolidated Annual Surplus</b> <b>\$0.2B</b>
	<b>Consolidated Expenses</b> <b>\$1.6 B</b> Does not include: -capital expenditures -debt reserve contributions

## Consolidated Annual Surplus

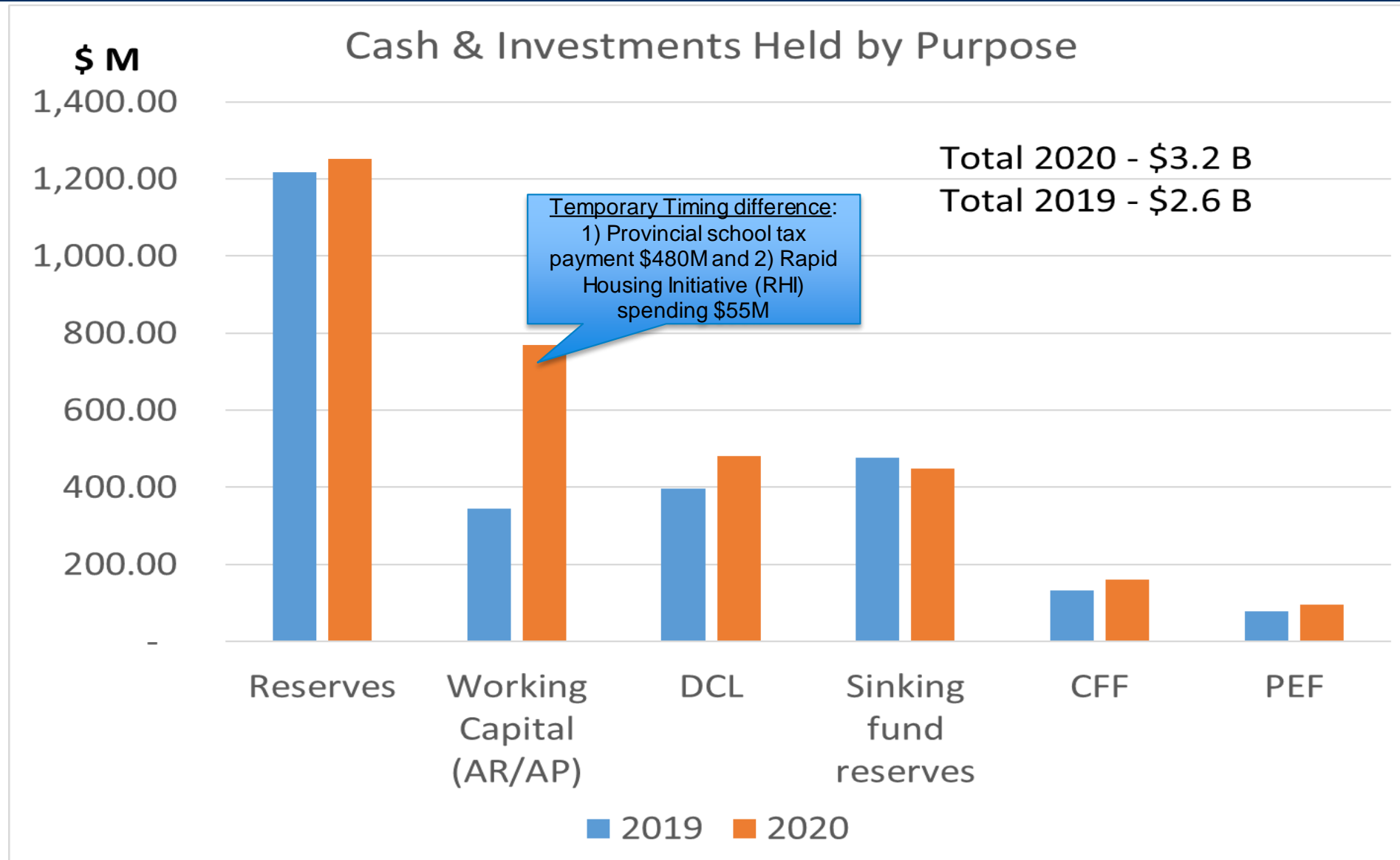
### Required for:

- Capital assets-infrastructure, buildings, equip
- Debt repayment
- Capital asset reserves
- Risk related reserves

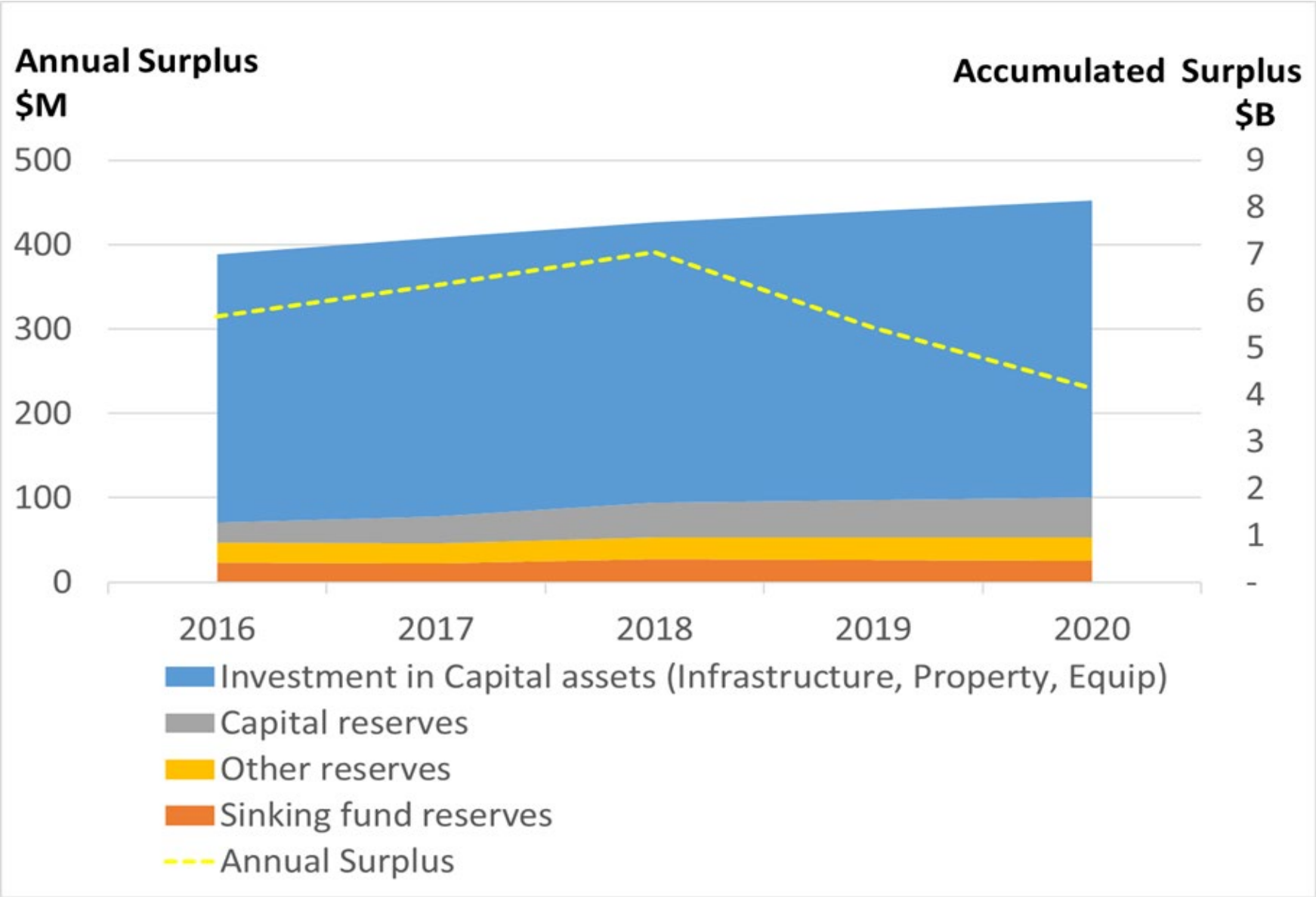
### Not to be used for:

- Day-to-day operating expenses

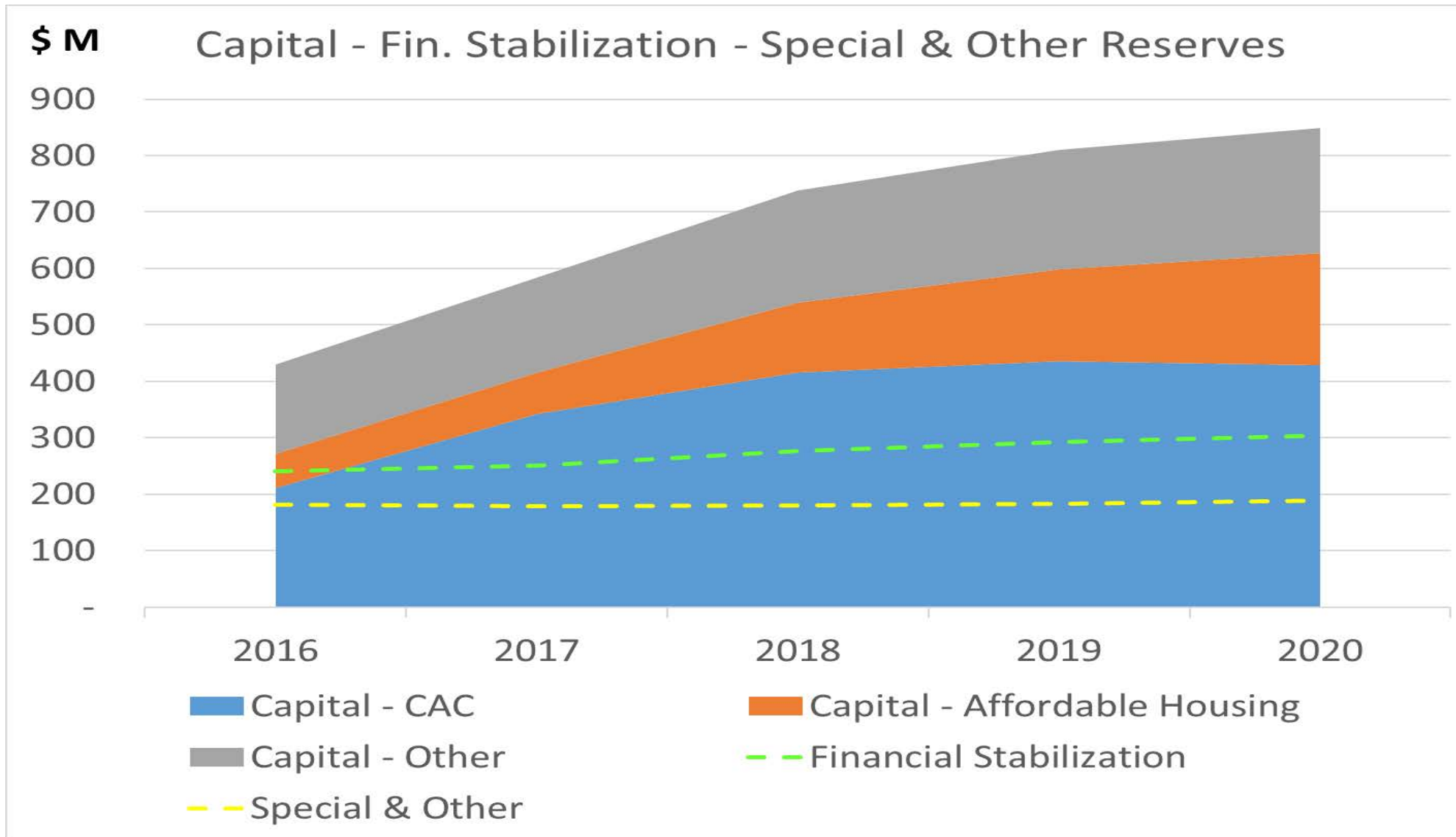
# Cash & Investments



# Consolidated Annual Surplus & Accumulated Surplus



# Capital & Other (Non-Sinking Fund) Reserves

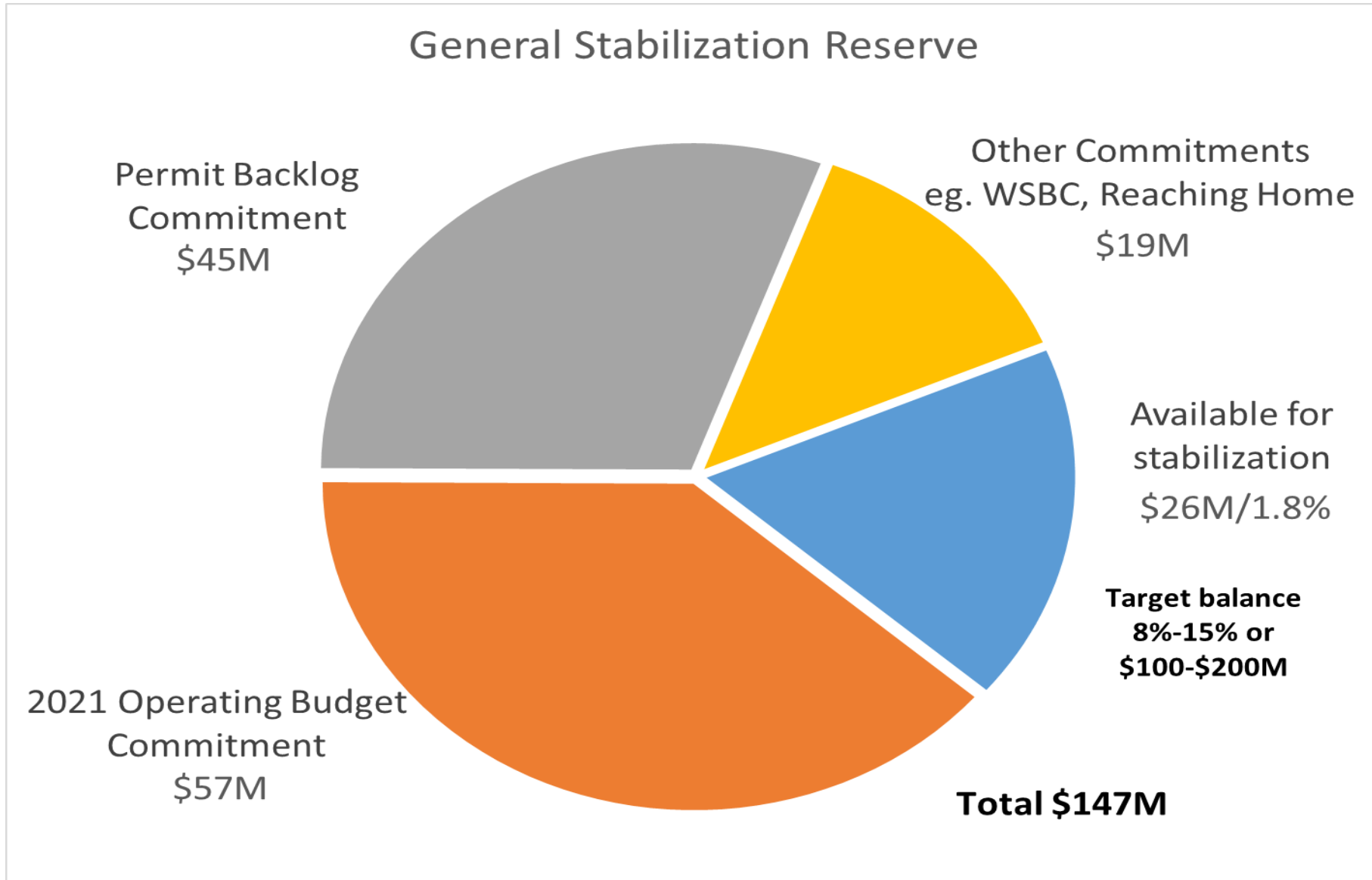


Total reserves balance (excluding sinking fund) \$1.3B

- All have specific purposes

Majority of the reserves are held for future capital investments

# General Stabilization Reserve





# Summary of 2020 Financial Statements

## ➤ **Cash and Debt**

- ❖ High Cash balance due to **timing of payments & investments** (School tax payment to Province & RHI)
- ❖ Net Debt balance **stable**, maintained high credit ratings to enable **cost-effective borrowing** for capital investments

## ➤ **Balance sheet (accumulated surplus) remains stable and consistent with prior years**

- ❖ Continued investments in infrastructure assets (eg: roads, bridge improvements) to build **resilient** City

## ➤ **Surplus on the consolidated financial statements is not same as an operating budget surplus**

- ❖ Annual surplus on consolidated FS is from new funds received related to **future expenditures** (eg: EHT, developer contributions)
- ❖ Mainly comprised of assets investments (eg: infrastructure) made in-year
- ❖ Restricted for day-to-day operating expenses

## ➤ **Operating budget continues to be challenged by pandemic**

- ❖ Revenue relative to expense continues to leave a **funding gap** – to be funded by stabilization reserve in 2021
- ❖ Premature relaxation of fiscal prudence may result in **substantial future tax and fee increases**

**End of Presentation**