

Attachment 1

CFO/Director of Finance Report

REPORT FROM THE CFO/DIRECTOR OF FINANCE

Mayor Johnstone and Members of Council:

I am pleased to present to you the financial statements for the City of New Westminster for the fiscal year ended December 31, 2023 to meet the requirements of Section 167 of the Community Charter (Charter).

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and meet the requirements of the Ministry of Municipal Affairs and Housing.

The City maintains a system of internal controls for the purpose of financial statement reliability and protection of city assets. The system includes budget preparation and expending funds in accordance with the Council approved budget, appropriate receipt of monies paid to the municipality, investing in authorized investments, safekeeping of city funds, and ensuring accurate and full accounting of all financial transactions. A review of these internal controls is currently undertaken by the City's external auditor and management will receive a report on the findings later.

KPMG, the City's auditor, is finalizing the audit of the financial statements. The audit will be completed and an audit opinion of the 2023 financial statements will be provided to the City prior to May 15th, 2023. City staff are expecting a clean audit opinion for fiscal 2023. Staff from KPMG will be in attendance to answer any questions council members might have.

FINANCIAL OVERVIEW

In 2023, the City adopted a new accounting standard PS 3280 – Asset Retirement Obligations. The standard required reporting of legal obligations associated with retirement of some tangible capital assets fall under this standard. Upon initial recognition, the City identified \$12.4M worth of obligations. These obligations were added to the carrying value of the City's assets and a corresponding amount was recorded as accrued liabilities. Settlement of these liabilities are estimated to range between 2024 and 2095. The standard was adopted retrospectively. As a result, some 2022 figures in this report have been restated to reflect this change.

Below is a summary analysis of the City's financial position and operating results. A detailed analysis is presented in Attachment 3 – Supplemental Analysis.

2023 Financial Position

The Statement of Financial Position provides a snapshot of the City's financial assets, liabilities, non-financial assets and accumulated surplus at the end of 2023. Information for 2022 is provided for comparison purposes. The following is an abbreviated version of the Statement of Financial Position contained in the City's 2023 Financial Statements (Attachment 2).

SUMMARY STATEMENT OF FINANCIAL POSITION
As at December 31, 2023
(thousands \$000)

	2023	Restated 2022
FINANCIAL ASSETS		
Cash and Investments	\$ 391,288	\$ 352,923
Accounts Receivable	35,863	22,455
Due from Other Governments	1,288	1,540
	428,439	376,918
LIABILITIES		
Accounts Payable, Accrued Liabilities & Deferred Revenue	126,660	120,068
Deferred Development Cost Charges	21,456	21,406
Long-Term Debt	166,860	175,240
	314,976	316,714
NET FINANCIAL ASSETS	113,463	60,204
NON-FINANCIAL ASSETS		
Tangible Capital Assets	881,725	830,839
Inventory of Supplies	3,968	2,907
Prepaid Expenses	3,749	3,185
NON-FINANCIAL ASSETS	889,442	836,931
	\$ 1,002,905	\$ 897,135
ACCUMULATED SURPLUS		
Financial Equity	254,612	173,138
Investment in Non-Financial Equity	748,293	723,997
	\$ 1,002,905	\$ 897,135

As at December 31, 2023, the financial assets of the City totaled \$428.4 million (M), an increase of approximately \$51.5M from the prior year. The overall increase primarily relates to the increase in cash and investments. The \$38.3M increase in cash and investments is due to \$119.0M cash generated from Operating activities and \$3.2M from DCC receipts and interest; offset by \$76.4M capital expenditures and \$7.5M debt interest payments. Details of cash flow changes can be found in the Statement of Cash Flows of the financial statements.

Accounts Receivable increased by \$13.4M largely due to \$5.5M interest receivable from investments, \$2.6M from DCC receivable and the remaining from property taxes receivable of \$2.0M and \$3.3M in other receivables.

Total liabilities decreased by \$1.7M to \$314.9M. Accounts payable and accrued liabilities increased by \$13.7M; offset by \$7.0M reduction in deferred revenue. Long-term debt decreased by \$8.4M to \$166.8M. No new long-term debt was issued during the year.

Overall, we saw a year over year improvement on the City's financial position as the City's net financial assets has increased by \$53.2M to \$113.4M at the end of 2023.

Non-financial assets, primarily tangible capital assets, totaled \$881.7M in 2023, a net increase of approximately \$50.9M compared to 2022. The City invested approximately \$77.6M to replace and maintain existing transportation and utility infrastructure, buildings, systems and equipment, as well as, investing in new major capital projects. Major projects spend in 2023 includes:

- t̄m̄əsew̄tx^w Aquatic & Community Centre (\$32.9M)
- Sewer Separation Program (\$5.0M)
- Pavement management Program (\$4.6M)
- Queensborough Substation (\$3.8M)
- Watermain Replacement Program (\$3.0M)

In addition, the City received \$0.7M contributed tangible capital assets.

Offsetting the 2023 capital additions was approximately \$27.5M representing the annual amortization of existing tangible capital assets and the net amount written off on disposal of tangible capital assets taken out of service.

The City's accumulated surplus increased from \$897.1M to \$1,002.9M. The \$105.7M increase in accumulated surplus includes \$8.2M prior year adjustment due to adoption of public sector accounting standard PS 3280 Asset Retirement Obligations. The financial equity includes statutory and non-statutory reserve funds of \$254.6M and investment in tangible capital assets, inventory of supplies and pre-paid expenses of \$748.3M in total.

2023 Operations

The Statement of Operations provides an overview of the City's annual revenues, expenses and surplus resulting from operations throughout 2023. The 2023 budget and 2022 figures are provided for comparison purposes. The following is an abbreviated version of the Statement of Operations contained in the City's 2023 Financial Statements (Attachment 2).

SUMMARY STATEMENT OF OPERATIONS
For the Year Ended December 31, 2023
(thousands \$000)

	2023 Budget	2023	Restated 2022
REVENUE			
Municipal Taxation and Other Levies	\$ 105,142	\$ 104,954	\$ 98,173
Utility Fees and Charges	110,553	108,853	103,836
Sale of Services	14,800	19,179	16,617
Grants and Contributions	47,566	42,706	24,674
Other Revenue	23,443	74,626	53,191
	<u>301,504</u>	<u>350,318</u>	<u>296,491</u>
EXPENSES			
Protective Services	56,062	57,093	52,583
Parks and Recreation	25,018	29,640	26,558
Engineering and Climate Action, Planning and Development	39,945	42,351	39,865
General Government	37,968	39,615	32,460
Utility Operations	76,390	75,849	72,056
	<u>235,383</u>	<u>244,548</u>	<u>223,522</u>
ANNUAL SURPLUS	66,121	105,770	72,969
Accumulated Surplus, beginning of year	897,136	897,135	824,167
ACCUMULATED SURPLUS, end of year	<u>\$ 963,257</u>	<u>\$ 1,002,905</u>	<u>\$ 897,136</u>

For 2023, operating revenues totaled approximately \$350.3M; \$53.8M more than the previous year as a result of the sale of BC Low Carbon Fuels credits, proceeds received for the Westminster Pier Park fire insurance claim, Council approved increases in property tax and utility rates, as well as increases in interest and investment income and sale of services such as building permits and parking revenue.

Operating expenses totaled approximately \$244.5M; \$21.0M more than the previous year. The year over year increase is primarily due to \$11.3M increase in salaries and benefits; \$3.9M increase in interest and bank charges; \$2.0M increase in contracted services, supplies and materials and grants; \$1.3M increase in utility levies; and \$2.5M increase in non-cash expenses including amortization and loss on disposal of tangible capital assets.

The net annual surplus of \$105.7M represents an increase in financial equity (reserves) and additional investment in non-financial assets (primarily tangible capital assets).

2023 Net Financial Assets

The Statement of Change in Net Financial Assets presents the financial resources, clear of financial liabilities including debt, that are available for future investment.

SUMMARY STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2023
(thousands \$000)

	2023 Budget	2023	Restated 2022
ANNUAL SURPLUS	\$ 66,121	\$ 105,770	\$ 72,969
Exclude non-cash items:			
Amortization of tangible capital assets	27,730	26,085	24,679
Other (net gain on disposals & contributed TCA)	-	(513)	(7,925)
Include cash items:			
Capital expenses	(173,237)	(77,622)	(94,806)
Proceeds from disposal of assets	-	1,164	1,203
Other	-	(1,625)	(198)
CHANGE IN NET FINANCIAL ASSETS	(79,386)	53,259	(4,078)
Net Financial Assets, beginning of year	60,204	60,204	64,282
NET FINANCIAL ASSETS, end of year	\$ (19,182)	\$ 113,463	\$ 60,204

The 2023 Statement of Change in Net Financial Assets reports an increase in net financial assets of \$53.2M, largely due to spend timing of significant capital works over multiple years of delivery. The 2023 Multi-Year Capital Budget was planned at \$173.2M and \$77.6M was spent in 2023 with the balance carrying over into 2024 leaving a stronger net financial position in the City's reserves at the end of the year.

FUTURE OUTLOOK

The City of New Westminster is committed to providing the high level of civic services that are expected by our citizens and businesses. Maintaining high service levels, while facing the challenges of a growing community, requires planning and a commitment to financially sustainable practices. Future planning is informed by the City's Climate Action Seven Bold Steps, Council's Strategic Priorities and the ongoing infrastructure replacement/growth needs. The Financial Sustainability Principles that guide the organization through the uncertain time ahead are:

- Sustainable - Maintain assets in a state of good repair through reasonable tax/rate increases, and without disruptions to services; living within our means;
- Adaptable - The ability to change debt levels or leverage reserves; ability to ramp up or down on spending;
- Stable - Predictability of City's Sustainable Revenue Sources, & less reliance on external funding or 3rd party funding; and
- Accountable - Fiscally prudent & responsible; the ability to ensure that the City's financial decisions are in the best interest of all.

Respectfully submitted

Shehzad Somji
CFO/Director of Finance