

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, 2024.

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 undertaken by the City's external auditor and management receives a report on the findings.

KPMG, the City's auditor, has completed the audit of the financial statements, with the exception of certain remaining procedures as outlined in the Audit Findings Report. A draft audit opinion of the 2024 financial statements has been provided to the City. Staff from KPMG will be in attendance to answer any questions council members might have.

ADOPTION OF NEW ACCOUNTING STANDARD

In 2024, the City adopted a new accounting standard, PS 3400 Revenue, which establishes a standard on how to account for and report revenue. The standard makes a distinction between exchange and non-exchange transactions. Revenue arising from exchange transactions is recognized when the related performance obligations, which must be performed to a specific payor, are satisfied. When more than one performance obligation is identified, only the portion of the transaction price allocated to the performance obligation that has been satisfied is recognized. Revenue from non-exchange transactions where there is no performance obligations present, recognition of revenue occurs when there is authority to record the revenue and an event has happened that gives the City the right to the revenue.

The City adopted PS 3400 on a prospective basis. As a result of the adoption, approximately \$2.1 million of building and plumbing permit fees collected in 2024 were recorded as deferred revenue. Recognition of this revenue is subject to timing of when the associated performance obligations are fulfilled.

In 2024, the City also adopted new accounting standard PS 3160 Public Private Partnerships and new accounting guideline PSG-8 Purchased Intangibles, on a prospective basis. Adoption of this standard and guideline had no impact to the financial statements as the City currently does not have any public private partnership projects nor does the City have any transactions that meet the criteria to be recognized as a purchased intangible.

FINANCIAL OVERVIEW

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

2024 Financial Position

The Statement of Financial Position provides a snapshot of the City's financial assets, liabilities, non-financial assets and accumulated surplus as at December 31, 2024. Information for 2023 is provided for comparison purposes. The following is an abbreviated version of the Statement of Financial Position contained in the City's 2024 Financial Statements (Attachment 2).

SUMMARY STATEMENT OF FINANCIAL POSITION
As at December 31, 2024
(thousands \$000)

	2024	2023
FINANCIAL ASSETS		
Cash and Investments	\$ 414,320	\$ 391,288
Accounts Receivable	40,561	35,863
Due from Other Governments	2,277	1,288
	457,158	428,439
LIABILITIES		
Accounts Payable, Accrued Liabilities & Deferred Revenue	132,122	126,660
Deferred Development Cost Charges	26,226	21,456
Debt	158,212	166,860
	316,560	314,976
NET FINANCIAL ASSETS	140,598	113,463
NON-FINANCIAL ASSETS		
Tangible Capital Assets	903,100	881,725
Inventory of Supplies	4,318	3,968
Prepaid Expenses	4,859	3,749
NON-FINANCIAL ASSETS	912,277	889,442
	\$ 1,052,875	\$ 1,002,905
ACCUMULATED SURPLUS		
Financial Equity	280,968	254,720
Investment in Non-Financial Equity	771,907	748,185
	\$ 1,052,875	\$ 1,002,905

As at December 31, 2024, the financial assets of the City totaled \$457.2 million (M), an increase of approximately \$28.7M from the prior year. This growth is primarily driven by a \$23.0M increase in cash and investments due to \$74.8M cash generated from Operating activities and \$6.3M Development Cost Charges (DCC) contributions and interest, offset by \$50.6M used in capital acquisitions and \$7.5M in debt repayments. Further details on cash flow changes can be found in the Statement of Cash Flows in the consolidated financial statements.

Accounts Receivable increased by \$4.7M, largely due to a \$4.6M increase in DCC receivable, \$1.3M in current and arrears Taxes receivable, and a \$1.3M increase in Utility accounts receivables resulting from billing delays due to Canada Post strike. These increases were partially offset by a \$0.6M reduction in Tax Sale Receivable and a \$1.9M decrease in Other Receivables, mainly from the receipt of grant contributions and billable police services.

Total liabilities increased by \$1.6M to \$316.5M. This is largely due to the deferral of \$10.8M in third party contributions to a City's project and \$2.1M deferral of building and plumbing permit fees due to adoption of new accounting standard; offset by \$7.5M of reduction in Holdbacks, Accounts Payable and Accrued Liabilities. No new long-term debt was issued during the year.

Overall the City's financial position improved as net financial assets increased \$27.1M to \$140.6M at the end of 2024.

Non-financial assets, primarily tangible capital assets, totaled \$903.1M in 2024, a net increase of approximately \$21.4M compared to 2023. The City invested approximately \$51.1M to replace and maintain existing transportation, parks and utility infrastructure, buildings and recreational facilities, systems and equipment. New major capital projects spending in 2024 included:

- təməsewtx^w Aquatic & Community Centre \$10.2M
- West-End Sewer Separation \$6.1M
- Advanced Metering Infrastructure \$5.8M
- Pavement Management \$2.9M
- West-End Watermains Replacement \$2.5M
- Royal Substation Improvements \$2.4M
- Massey Theatre Renovation \$2.2M

The City also received \$1.9M contributed tangible capital assets.

Offsetting the 2024 capital additions was approximately \$31.5M 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 \$1,002.9M to \$1,052.9M. The financial equity includes statutory and non-statutory reserve funds of \$281.0M and investment in tangible capital assets, inventory of supplies and pre-paid expenses of \$771.9M in total.

2024 Operations

The Statement of Operations provides an overview of the City's annual revenues, expenses and surplus resulting from operations throughout 2024. The 2024 budget and 2023 figures are provided for comparison purposes. The following is an abbreviated version of the Statement of Operations contained in the City's 2024 Financial Statements (Attachment 2).

SUMMARY STATEMENT OF OPERATIONS
For the Year Ended December 31, 2024
(thousands \$000)

	2024 Budget	2024	2023
REVENUE			
Municipal Taxation and Other Levies	\$ 114,238	\$ 114,279	\$ 104,954
Utility Fees and Charges	115,580	117,130	108,853
Sale of Services	19,148	21,277	19,178
Grants and Contributions	31,598	28,253	42,706
Other Revenue	30,166	38,914	74,626
	<u>310,730</u>	<u>319,853</u>	<u>350,317</u>
EXPENSES			
Protective Services	61,058	60,367	57,093
Parks and Recreation	29,238	31,284	24,898
Engineering and Planning and Development	51,020	45,339	42,351
Community, Library and Corporate Services	47,375	48,566	44,357
Utility Operations	84,099	84,326	75,849
	<u>272,790</u>	<u>269,882</u>	<u>244,548</u>
ANNUAL SURPLUS	37,940	49,971	105,769
Accumulated Surplus, beginning of year		1,002,904	897,135
ACCUMULATED SURPLUS, end of year		<u>\$ 1,052,875</u>	<u>\$ 1,002,904</u>

For 2024, operating revenues totaled approximately \$319.9M, a decrease of \$30.5M compared to the previous year. This decline is primarily due to one-time proceeds (\$24.9M) from the Westminster Pier Park fire insurance claim received last year, deferral of BC Low Carbon Fuels credit sales, as well as some delays of capital grants and contributions. However, these declines were offset by Council-approved increases in property tax (\$9.3M) and utility rates (\$8.3M) revenue, along with higher interest and investment income and increased sales of services.

Operating expenses totaled approximately \$269.9M; \$25.3M more than the previous year. The year over year increase is primarily due to \$10.8M increase in salaries and benefits; \$5.1M increase in contracted services, supplies and materials and grants; \$4.6M increase in utility purchases and levies; \$4.0M increase in non-cash expenses including amortization and loss on disposal of tangible capital assets; and \$0.7M increase in insurance cost.

The net annual surplus of \$50.0M represents an increase in financial equity (reserves) and additional investment in non-financial assets (primarily tangible capital assets).

2024 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, 2024
(thousands \$000)

	2024 Budget	2024	2023
ANNUAL SURPLUS	\$ 37,940	\$ 49,971	\$ 105,769
Exclude non-cash items:			
Amortization of tangible capital assets	30,571	31,052	26,085
Contributed and loss on disposal of tangible capital assets	-	(1,794)	(513)
Carbon credits unrealized gains	-		
Include cash items:			
Acquisition of tangible capital assets	(140,727)	(51,085)	(77,622)
Proceeds from disposal of assets	-	452	1,164
Acquisition of inventory of supplies and prepaid expenses	-	(1,460)	(1,625)
INCREASE IN NET FINANCIAL ASSETS		27,136	53,258
Net Financial Assets, beginning of year		113,462	60,204
NET FINANCIAL ASSETS, end of year		\$ 140,598	\$ 113,462

The 2024 Statement of Change in Net Financial Assets reports an increase in net financial assets of \$27.1M, which is made up of \$49.9M annual surplus plus \$31.1M non-cash amortization expense, offset by \$53.9M reduction of financial assets largely related to acquisition of tangible capital assets.

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 the 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, CPA, CGA
CFO/Director of Finance and Information Technology