



City of Richmond

Report to Committee

To: Finance Committee
From: Jerry Chong
Director, Finance, CPA, CA

Date: April 15, 2020
File: 03-0905-01/2020-Vol
01

Re: 2019 Consolidated Financial Statements

Staff Recommendation

That the City of Richmond's audited consolidated financial statements for the year ended December 31, 2019 be accepted.

Jerry Chong
Director, Finance, CPA, CA
(604-276-4064)

Att. 2

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
SENIOR STAFF REPORT REVIEW	INITIALS:
APPROVED BY CAO 	

Staff Report

Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements. The City's audited consolidated financial statements for 2019 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

This report supports Council's Strategic Plan 2018-2022 Strategy #8 An Engaged and Informed Community:

Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.

8.2 Ensure citizens are well-informed with timely, accurate and easily accessible communication using a variety of methods and tools.

Analysis

KPMG LLP (KPMG) has been appointed by City Council to independently audit the City's consolidated financial statements. They have expressed an opinion, that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The annual financial statements and the auditor's report for the year ended December 31, 2019 are attached as Appendix 1.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval and Richmond Public Library. The City's investment in Lulu Island Energy Company (LIEC), a wholly owned government business enterprise (GBE), is accounted for using the modified equity method. Further information about the basis of consolidation is listed in Note 2 to the consolidated financial statements.

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 2. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2019 audited consolidated financial statements.

Financial Impact

None.

Conclusion

The City's audited consolidated financial statements for 2019 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Cindy Gilfillan
Manager, Financial Reporting, CPA, CMA
(604-276-4077)

CG:cg

Att. 1: 2019 City of Richmond Consolidated Financial Statements
2: 2019 Financial Statement Discussion and Analysis

Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditors' Report thereon

Year ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Richmond

Opinion

We have audited the consolidated financial statements of the City of Richmond (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Vancouver, Canada
April __, 2020

CITY OF RICHMOND

Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 389,564	\$ 121,861
Investments (note 3)	830,896	1,004,928
Investment in Lulu Island Energy Company ("LIEC") (note 4)	31,414	29,780
Accrued interest receivable	7,781	7,443
Accounts receivable (note 5)	28,407	29,151
Taxes receivable	11,033	11,844
Development fees receivable	21,144	25,545
Debt reserve fund - deposits (note 6)	508	508
	1,320,747	1,231,060
Liabilities		
Accounts payable and accrued liabilities (note 7)	107,590	95,231
Development cost charges (note 8)	197,671	158,882
Deposits and holdbacks (note 9)	117,364	113,620
Deferred revenue (note 10)	64,362	67,364
Debt, net of MFA sinking fund deposits (note 11)	27,891	32,842
	514,878	467,939
Net financial assets	805,869	763,121
Non-Financial Assets		
Tangible capital assets (note 12)	2,427,798	2,371,694
Inventory of materials and supplies	2,961	3,602
Prepaid expenses	2,714	2,673
	2,433,473	2,377,969
Accumulated surplus (note 13)	\$ 3,239,342	\$ 3,141,090

Contingent demand notes (note 6)
Commitments and contingencies (note 18)
Subsequent event (note 26)

See accompanying notes to consolidated financial statements.

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (notes 2(p) and 24)	2019	2018
Revenue:			
Taxation and levies (note 20)	\$ 229,903	\$ 230,198	\$ 216,908
Utility fees	105,805	111,472	102,915
Sales of services	41,977	42,747	39,111
Payments-in-lieu of taxes	14,200	16,277	15,489
Provincial and federal grants	8,362	10,687	10,355
Development cost charges (note 8)	22,764	13,802	17,432
Other capital funding sources	63,197	39,028	95,859
Other revenue:			
Investment income	16,062	25,142	20,705
Gaming revenue	16,500	15,140	16,837
Licenses and permits	11,107	13,030	13,637
Other (note 21)	11,244	62,785	48,678
Equity income in government business enterprise ("GBE") (note 4)	-	1,634	1,491
	541,121	581,942	599,417
Expenses:			
Community safety	112,526	106,209	98,500
Utilities: water, sewer and sanitation	95,067	98,653	89,959
Engineering, public works and project development	74,568	80,940	68,793
Community services	68,627	67,522	61,174
General government	64,603	55,689	52,549
Planning and development	20,273	48,104	18,076
Richmond Olympic Oval	16,595	15,972	15,424
Richmond Public Library	11,079	10,601	9,981
	463,338	483,690	414,456
Annual surplus	77,783	98,252	184,961
Accumulated surplus, beginning of year	3,141,090	3,141,090	2,956,129
Accumulated surplus, end of year	\$ 3,218,873	\$ 3,239,342	\$ 3,141,090

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

Consolidated Statement of Changes in Net Financial Assets (Expressed in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (notes 2(p) and 24)	2019	2018
Annual surplus for the year	\$ 77,783	\$ 98,252	\$ 184,961
Acquisition of tangible capital assets	(118,551)	(93,154)	(92,851)
Contributed tangible capital assets	(50,350)	(28,867)	(88,021)
Amortization of tangible capital assets	61,513	64,228	60,542
Net loss (gain) on disposal of tangible capital assets	-	(17,637)	324
Proceeds on sale of tangible capital assets	-	19,326	213
	(29,605)	42,148	65,168
Acquisition of inventory of materials and supplies	-	(2,961)	(3,602)
Acquisition of prepaid expenses	-	(2,714)	(2,673)
Consumption of inventory of materials and supplies	-	3,602	3,762
Use of prepaid expenses	-	2,673	2,376
Change in net financial assets	(29,605)	42,748	65,031
Net financial assets, beginning of year	763,121	763,121	698,090
Net financial assets, end of year	\$ 733,516	\$ 805,869	\$ 763,121

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

Consolidated Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 98,252	\$ 184,961
Items not involving cash:		
Amortization	64,228	60,542
Loss (gain) on disposal of tangible capital assets	(17,637)	324
Contributions of tangible capital assets	(28,867)	(88,021)
Equity income in GBE	(1,634)	(1,491)
Change in non-cash operating working capital:		
Accrued interest receivable	(338)	(792)
Accounts receivable	744	(2,115)
Taxes receivable	811	(2,868)
Development fees receivable	4,401	(3,169)
Inventory of materials and supplies	641	160
Prepaid expenses	(41)	(297)
Accounts payable and accrued liabilities	12,359	(3,805)
Development cost charges	38,789	28,198
Deposits and holdbacks	3,744	30,834
Deferred revenue	(3,002)	1,077
Net change in cash from operating activities	172,450	203,538
Capital activities:		
Cash used to acquire tangible capital assets	(93,154)	(92,851)
Proceeds on disposal of tangible capital assets	19,326	213
Net change in cash from capital activities	(73,828)	(92,638)
Financing activities:		
Repayments of debt	(4,951)	(4,761)
Investing activities:		
Net sale (purchase) of investments	174,032	(32,145)
Net change in cash	267,703	73,994
Cash, beginning of year	121,861	47,867
Cash, end of year	\$ 389,564	\$ 121,861

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

1. Operations:

The City of Richmond (the "City") is incorporated under the Local Government Act of British Columbia. The City's principal activities include the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, infrastructure, environmental, recreational, water, sewer, and drainage.

2. Significant accounting policies:

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

(a) Basis of consolidation:

The consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Waterworks and Sewerworks, and Reserve Funds consolidated with the Richmond Public Library (the "Library") and the Richmond Olympic Oval (the "Oval"). The Library is consolidated as the Library Board is appointed by the City. The Oval is consolidated as they are a wholly owned municipal corporation of the City. Interfund transactions, fund balances and activities have been eliminated on consolidation. The City's investment in Lulu Island Energy Company ("LIEC"), a wholly owned government business enterprise ("GBE"), is accounted for using the modified equity method.

(i) General Revenue Fund:

This fund is used to account for the current operations of the City as provided for in the Annual Budget, including collection of taxes, administering operations, policing, and servicing general debt.

(ii) General Capital and Loan Fund:

This fund is used to record the City's tangible capital assets and work-in-progress, including engineering structures such as roads and bridges, and the related debt.

(iii) Waterworks and Sewerworks Funds:

These funds have been established to cover the costs of operating these utilities, with related capital and loan funds to record the related tangible capital assets and debt.

(iv) Reserve Funds:

Certain funds are established by bylaws for specific purposes. They are funded primarily by budgeted contributions from the General Revenue Fund and developer contributions plus interest earned on fund balances.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(b) Basis of accounting:

The City follows the accrual method of accounting for revenue and expenses. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash, highly liquid money market investments and short-term investments with maturities of less than 90 days from date of acquisition.

(e) Investments:

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary.

(f) Investment in government business enterprises:

Government business enterprises are recorded using the modified equity method of accounting. The City's investment in the GBE is recorded as the value of the GBE's shareholder's equity. The investment's income or loss is recognized by the City when it is earned by the GBE. Inter-organizational transactions and balances are not eliminated, except for any gains or losses on assets remaining within the City.

(g) Accounts receivable:

Accounts receivable are net of an allowance for doubtful accounts and therefore represent amounts expected to be collected.

(h) Development cost charges:

Development cost charges are restricted by legislation to expenditures on capital infrastructure. These amounts are deferred upon receipt and recognized as revenue when the expenditures are incurred in accordance with the restrictions.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(i) Post-employment benefits:

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employee plan, contributions are expensed as incurred.

Post-employment benefits also accrue to the City's employees. The liabilities related to these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits prorated as employees render services necessary to earn the future benefits.

(j) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the assets. The cost, less the residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Buildings and building improvements	10 - 75
Infrastructure	5 - 100
Vehicles, machinery and equipment	3 - 40
Library's collections, furniture and equipment	4 - 20

Amortization is charged over the asset's useful life commencing when the asset is acquired. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural resources, works of art, and cultural and historic assets:

Natural resources, works of art, and cultural and historic assets are not recorded as assets in the consolidated financial statements.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(iv) Interest capitalization:

The City does not capitalize interest costs associated with the construction of a tangible capital asset.

(v) Labour capitalization:

Internal labour directly attributable to the construction, development or implementation of a tangible capital asset is capitalized.

(vi) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vii) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

(viii) Inventory of materials and supplies:

Inventory is recorded at cost, net of an allowance for obsolete stock. Cost is determined on a weighted average basis.

(k) Revenue recognition:

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

The City is required to act as the agent for the collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the City's taxation revenue.

(l) Property taxes:

The City establishes property tax rates based on assessed market values provided by the British Columbia Assessment Authority (BCA). Market values are determined as of July 1st of each year. The City records taxation revenue at the time the property tax bills are issued. The City is entitled to collect interest and penalties on overdue taxes.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(m) Deferred revenue:

The City defers a portion of the revenue collected from permits, licenses and other fees and recognizes this revenue in the year in which related inspections are performed, other related expenses are incurred or services are provided.

Deferred revenue also represents funds received from external parties for specified purposes. This revenue is recognized in the period in which the related expenses are incurred.

(n) Deposits:

Receipts restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as deposits and are refundable under certain circumstances. When qualifying expenses are incurred, deposits are recognized as revenue at amounts equal to the qualifying expenses.

(o) Debt:

Debt is recorded net of related sinking fund balances.

(p) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's Consolidated 5 Year Financial Plan (2019-2023) ("Consolidated Financial Plan") and was adopted through Bylaw No. 9979 on March 11, 2019.

(q) Contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic or radioactive material of live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The City is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(r) Use of accounting estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the value of contributed tangible capital assets, value of developer contributions, useful lives for amortization, determination of provisions for accrued liabilities, performing actuarial valuation of employee future benefits, allowance for doubtful accounts, and provision for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in the consolidated financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

(s) Segment disclosures:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City has provided definitions of segments as well as presented financial information in segment format.

3. Investments:

	2019		2018	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 409,759	\$ 409,874	\$ 577,416	\$ 577,060
Government and government guaranteed bonds	192,314	194,229	164,943	165,401
Municipal Finance Authority pooled investment fund	47,306	46,123	46,150	44,716
Other bonds	181,517	18,039	216,419	213,577
	\$ 830,896	\$ 832,265	\$ 1,004,928	\$ 1,000,754

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

4. Investment in Lulu Island Energy Company Ltd:

The City owns 100% of the issued and outstanding shares of LIEC, which was incorporated under the British Columbia Business Corporations Act on August 19, 2013. LIEC develops, manages and operates district energy utilities in the City of Richmond, on the City's behalf, including but not limited to energy production, generation or exchange, transmission, distribution, maintenance, marketing and sales to customers, customer service, profit generation, financial management and advisory services for energy and infrastructure.

Summarized financial information relating to LIEC is as follows:

	2019	2018
Cash, cash equivalents, and investments	\$ 11,826	\$ 8,596
Accounts receivable	1,303	2,242
Tangible capital assets	33,412	32,361
Total assets	46,541	43,199
Accounts payable and accrued liabilities	778	414
Deferred contributions	6,183	5,375
Concession liability	8,166	7,630
Total liabilities	15,127	13,419
Shareholder's equity	\$ 31,414	\$ 29,780
Total revenue	\$ 5,295	\$ 4,888
Total expenses	3,661	3,397
Net income	\$ 1,634	\$ 1,491

Included in accounts payable and accrued liabilities in the City's consolidated statement of financial position are payables to LIEC in the amount of \$136,168 (2018 - \$1,375,799).

On October 30, 2014, LIEC and the Oval Village district energy utility developer ("the Concessionaire") entered into a 30-year Concession Agreement, which is a public-private partnership project ("P3"), where the Concessionaire will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the Oval Village community. As part of the Agreement, the infrastructure will be owned by LIEC.

On October 30, 2014, the Concessionaire and the City entered into a Limited Guarantee Agreement. The City is the Guarantor and guarantees the performance of some of LIEC's obligations under the Concession Agreement to a maximum of \$18.2 million (2018 - \$18.2 million).

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

5. Accounts receivable:

	2019	2018
Water and sewer utilities	\$ 13,671	\$ 11,999
Casino revenue	3,903	4,010
Capital grants	1,291	5,003
Other trade receivables	9,542	8,139
	\$ 28,407	\$ 29,151

6. Debt reserve fund deposits and contingent dem and notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2018 and 2019 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 508	\$ 2,447

7. Accounts payable and accrued liabilities:

	2019	2018
Trade and other liabilities	\$ 73,403	\$ 64,917
Post-employment benefits (note 15)	34,187	30,314
	\$ 107,590	\$ 95,231

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

8. Development cost charges:

	2019	2018
Balance, beginning of year	\$ 158,882	\$ 130,684
Contributions	48,740	42,792
Interest	3,851	2,838
Revenue recognized	(13,802)	(17,432)
Balance, end of year	\$ 197,671	\$ 158,882

9. Deposits and holdbacks:

	Balance December 31, 2018	Deposit contributions/ interest earned	Refund/ expenditures	Balance December 31, 2019
Security deposits	\$ 89,557	\$ 25,949	\$ (21,342)	\$ 94,164
Developer contributions	7,313	222	-	7,535
Contract holdbacks	6,650	2,658	(3,891)	5,417
Other	10,100	6,184	(6,036)	10,248
	\$ 113,620	\$ 35,013	\$ (31,269)	\$ 117,364

10. Deferred revenue:

	Balance December 31, 2018	Externally restricted inflows	Revenue earned	Balance December 31, 2019
Taxes and utilities	\$ 20,450	\$ 22,836	\$ (20,450)	\$ 22,836
Building permits/development	15,598	9,454	(5,207)	19,845
Oval	1,876	10,625	(11,067)	1,434
Capital grants	19,558	2,728	(11,434)	10,852
Business licenses	2,523	2,251	(2,123)	2,651
Parking easement/leased land	2,430	58	(47)	2,441
Other	4,929	5,920	(6,546)	4,303
	\$ 67,364	\$ 53,872	\$ (56,874)	\$ 64,362

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

11. Debt, net of MFA sinking fund deposits:

The interest rate for the year ended December 31, 2019 on the principal amount of the MFA debenture was 3.30% (2018 - 3.30%) per annum. Interest expense incurred for the year on the long-term debt was \$1,676,895 (2018 - \$1,676,895). The maturity date of the MFA debt is April 7, 2024.

The City obtains debt instruments through the MFA pursuant to security issuing bylaws under authority of the Community Charter to finance certain capital expenditures.

Gross amount for the debt less principal payments and actuarial adjustments to date are as follows:

	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2019	Net debt 2018
General Fund	\$ 50,815	\$ 22,924	\$ 27,891	\$ 32,842

Repayments on net outstanding debt over the next five years are as follows:

2020	\$ 5,149
2021	5,355
2022	5,570
2023	5,792
2024	6,025
	\$ 27,891

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

12. Tangible capital assets:

Cost	Balance December 31, 2018	Additions and transfers	Disposals	Balance December 31, 2019
Land	\$ 984,001	\$ 34,517	\$ (955)	\$ 1,017,563
Building and building improvements	442,181	45,398	(338)	487,241
Infrastructure	1,741,680	66,647	(7,436)	1,800,891
Vehicles, machinery and equipment	142,793	10,255	(3,163)	149,885
Library's collections, furniture and equipment	9,445	1,068	(575)	9,938
Assets under construction	151,296	(35,864)	-	115,432
	\$ 3,471,396	\$ 122,021	\$ (12,467)	\$ 3,580,950

Accumulated amortization	Balance December 31, 2018	Disposals	Amortization expense	Balance December 31, 2019
Building and building improvements	\$ 186,279	\$ (302)	\$ 16,332	\$ 202,309
Infrastructure	820,387	(6,919)	36,524	849,992
Vehicles, machinery and equipment	86,826	(2,982)	10,244	94,088
Library's collections, furniture and equipment	6,210	(575)	1,128	6,763
	\$ 1,099,702	\$ (10,778)	\$ 64,228	\$ 1,153,152

Net book value	December 31, 2019	December 31, 2018
Land	\$ 1,017,563	\$ 984,001
Buildings and building improvements	284,932	255,902
Infrastructure	950,899	921,293
Vehicles, machinery and equipment	55,797	55,967
Library's collection, furniture and equipment	3,175	3,235
Assets under construction	115,432	151,296
Balance, end of year	\$ 2,427,798	\$ 2,371,694

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

12. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$115,432,086 (2018 - \$151,295,702) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$28,866,769 (2018 - \$88,020,879) comprised of land in the amount of \$14,665,393 (2018 - \$69,654,386), infrastructure in the amount of \$14,191,349 (2018 - \$13,666,004), buildings had no contributed tangible capital assets in 2019 (2018 - \$4,700,489), and library collections in the amount of \$10,027 (2018 - nil).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

(d) Works of art and historical treasures:

The City manages and controls various works of art and non-operational historical cultural assets including building, artifacts, paintings, and sculptures located at City sites and public display areas. The assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

Tangible capital assets were written down by \$1,754,513 (2018 - nil) related to estimated repair costs associated with one of the lap pools at the Minoru Center for Active Living. The costs to repair the deficiencies will be recovered through insurance.

13. Accumulated surplus:

	General and Reserve Funds	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2019 Total	2018 Total
Investment in tangible capital assets	\$ 2,385,747	\$ -	\$ -	\$ 8,553	\$ 3,176	\$ 2,397,476	\$ 2,336,489
Reserves (note 14)	548,720	-	-	8,856	-	557,576	540,153
Appropriated surplus	193,455	18,316	10,420	1,471	390	224,052	207,173
Investment in LIEC	31,414	-	-	-	-	31,414	29,780
Surplus	17,717	446	6,276	604	951	25,994	24,029
Other equity	2,830	-	-	-	-	2,830	3,466
Balance, end of year	\$ 3,179,883	\$ 18,762	\$ 16,696	\$ 19,484	\$4,517	\$ 3,239,342	\$ 3,141,090

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

14. Reserves:

	Balance, December 31, 2018	Change during year	Balance, December 31, 2019
Affordable housing	\$ 10,836	\$ 869	\$ 11,705
Arts, culture and heritage	4,003	(277)	3,726
Capital building and infrastructure	81,763	18,923	100,686
Capital reserve	176,142	(4,166)	171,976
Capstan station	32,332	(14)	32,318
Child care development	6,806	2,116	8,922
Community legacy and land replacement	8,852	(7,542)	1,310
Drainage improvement	56,132	(487)	55,645
Equipment replacement	19,600	603	20,203
Hamilton area plan community amenity	752	968	1,720
Leisure facilities	18,765	(1,089)	17,676
Local improvements	7,155	172	7,327
Neighborhood improvement	7,520	340	7,860
Oval	6,324	2,532	8,856
Public art program	4,860	(2)	4,858
Sanitary sewer	44,107	3,624	47,731
Steveston off-street parking	317	8	325
Steveston road ends	155	(5)	150
Waterfront improvement	317	(115)	202
Watermain replacement	53,415	965	54,380
	\$ 540,153	\$ 17,423	\$ 557,576

15. Post-employment benefits:

The City provides certain post-employment benefits, non-vested sick leave, compensated absences, and termination benefits to its employees.

	2019	2018
Accrued benefit obligation, beginning of year	\$ 28,423	\$ 29,892
Current service cost	1,881	1,947
Interest cost	954	879
Past service cost (credit)	3,155	(397)
Benefits paid	(1,953)	(2,508)
Actuarial loss (gain)	2,724	(1,390)
Accrued benefit obligation, end of year	\$ 35,184	\$ 28,423

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

15. Post-employment benefits (continued):

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2019. This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 10 years (2018 - 10 years).

	2019	2018
Post-employment benefit liability:		
Post-employment benefit liability, end of year	\$ 35,184	\$ 28,423
Unamortized net actuarial (loss) gain	(997)	1,891
Balance, end of year	\$ 34,187	\$ 30,314

Actuarial assumptions used to determine the City's accrued benefit obligation are as follows:

	2019	2018
Discount rate	2.40%	3.30%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

16. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

16. Pension plan (continued):

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$13,251,994 (2018 - \$12,759,865) for employer contributions while employees contributed \$11,120,458 (2018 - \$10,615,884) to the plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

17. Contingent assets and contractual rights:

(a) Contingent assets:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the City's control occurs or fails to occur.

The City has legal claims, service agreements, and land dedications that may qualify as contingent assets. Amounts cannot be estimated as of December 31, 2019. Contingent assets are not recorded in the consolidated financial statements.

In 2019, the City had requested payment from the Office of the Minister of Public Services and Procurement Canada, for outstanding payments-in-lieu of taxes in the amount of \$11,139,593. As of December 31, 2019, collectability of the requested amount is not determinable and has not been accrued for in the City's consolidated financial statements.

(b) Contractual rights:

The City has entered into contracts or agreements in the normal course of operations that it expects will result in revenue and assets in future fiscal years. The City's contractual rights are comprised of leases, licenses, grants and various other agreements, including the provision of police services with the Vancouver Airport Authority. The following table summarizes the expected revenue from the City's contractual rights:

2020	\$ 15,157
2021	11,574
2022	4,887
2023	3,437
2024	2,011
Thereafter	9,768

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

17. Contingent assets and contractual rights (continued):

(b) Contractual rights (continued):

The City is entitled to receive revenue from certain other agreements. The revenue from these agreements cannot be quantified and has not been included in the amounts noted above.

18. Commitments and contingencies:

(a) Joint and several liabilities:

The City has a contingent liability with respect to debentures of the Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District and Greater Vancouver Regional District, to the extent provided for in their respective Enabling Acts, Acts of Incorporation and Amending Acts. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

(b) Lease payments:

The City is committed to operating lease payments for premises and equipment in the following approximate amounts:

2020	\$ 3,368
2021	3,311
2022	2,583
2023	2,569
2024	2,369
Thereafter	7,748

(c) Litigation:

As at December 31, 2019, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

(d) Municipal Insurance Association of British Columbia ("Association"):

The City is a participant in the Association. Should the Association pay out claims in excess of premiums received, it is possible that the City, along with other participants, would be required to contribute towards the deficit. Management does not consider external payment under this contingency to be likely and therefore, no amounts have been accrued.

(e) Contractual obligation:

The City has entered into various contracts for services and construction with periods ranging beyond one year. These commitments are in accordance with budgets passed by Council.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

18. Commitments and contingencies (continued):

- (f) E-Comm Emergency Communications for Southwest British Columbia Incorporated ("E-Comm"):

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 34 Class A and 20 Class B shares issued and outstanding as at December 31, 2019). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

- (g) Community associations:

The City has agreements with the various community associations which operate the community centers throughout the City. The City generally provides the buildings and grounds, pays the operating costs of the facilities, and provides certain staff and other services such as information technology. Typically the community associations are responsible for providing programming and services to the community. The community associations retain all revenue which they receive.

19. Trust funds:

Certain assets have been conveyed or assigned to the City to be administered as directed by agreement or statute. The City holds the assets for the benefit of and stands in fiduciary relationship to the beneficiary. The following trust fund is excluded from the City's consolidated financial statements.

	2019	2018
Richmond Community Associations	\$ 1,877	\$ 1,837

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

20. Taxation and levies:

	2019	2018
Taxes collected:		
Property taxes	\$ 463,679	\$ 433,319
Payment-in-lieu of taxes and grants	27,597	26,369
Local improvement levies	88	265
	491,364	459,953
Less transfers to other authorities:		
Province of British Columbia – School taxes	(190,650)	(177,521)
TransLink	(40,800)	(37,813)
Metro Vancouver	(7,224)	(6,178)
BC Assessment Authority	(6,185)	(6,016)
Other	(30)	(28)
	(244,889)	(227,556)
Less payment-in-lieu of taxes retained by the City	(16,277)	(15,489)
	\$ 230,198	\$ 216,908

21. Other revenue:

	2019	2018
Developer contributions	\$ 27,394	\$ 33,672
Tangible capital assets gain on sale of land	18,205	-
Penalties and fines	4,303	3,784
Parking program	2,091	2,054
Other	10,792	9,168
	\$ 62,785	\$ 48,678

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

22. Government transfers:

Government transfers are received for operating and capital activities. The operating transfers consist of gaming revenue and provincial and federal grants. Capital transfers are included in other capital funding sources revenue. The source of the government transfers are as follows:

	2019	2018
Operating		
Province of British Columbia	\$ 20,602	\$ 21,899
TransLink	3,666	3,593
Government of Canada	1,560	1,700
Capital		
Province of British Columbia	3,968	5,685
TransLink	1,010	1,666
Government of Canada	4,056	50
	\$ 34,862	\$ 34,593

23. Segmented reporting:

The City provides a wide variety of services to its residents. For segment disclosure, these services are grouped and reported under service areas/departments that are responsible for providing such services. They are as follows:

- (a) **Community Safety** brings together the City's public safety providers such as Police (RCMP), Fire-Rescue, Emergency Programs, and Community Bylaws. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, and protection of life and properties.
- (b) **Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water and sewer networks and sanitation and recycling.
- (c) **Engineering, Public Works and Project Development** comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering, Project Development, and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of the City's road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

23. Segmented reporting (continued):

- (d) **Community Services** comprises of Parks, Recreation, Arts, and Culture and Heritage Services. These departments ensure recreation opportunities in Richmond by maintaining a variety of facilities such as arenas, community centres, pools, etc. It designs, constructs and maintains parks and sports fields to ensure there is adequate open green space and sports fields available for Richmond residents. It also addresses the economic, arts, culture, and community issues that the City encounters.
- (e) **General Government** comprises of Mayor and Council, Corporate Administration, and Finance and Corporate Services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, legal services, providing sound management of human resources, information technology, City finance, and ensuring high quality services to Richmond residents.
- (f) **Planning and Development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City including the City's transportation systems, and community social development.
- (g) **Richmond Olympic Oval Corporation** is formed as a wholly owned subsidiary of the City. The City uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities.
- (h) **Richmond Public Library** provides public access to information by maintaining 5 branches throughout the City.

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

23. Segmented reporting (continued):

	Community safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Total City subtotal
Revenue:							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 230,198	\$ -	\$230 ,198
User fees	-	99,426	12,046	-	-	-	111,472
Sales of services	6,732	4,235	2,476	9,917	7,786	2,284	33,430
Payments-in-lieu of taxes	-	-	-	-	16,277	-	16,277
Provincial and federal grants	99	-	3,707	37	3,545	40	7,428
Development cost charges	-	668	2,412	2,988	2,203	5,531	13,802
Other capital funding sources	-	3,432	11,448	3,783	14,666	5,689	39,018
Other revenue:							
Investment income	-	542	-	-	24,580	-	25,122
Gaming revenue	706	-	-	-	14,434	-	15,140
Licenses and permits	4,588	42	1,009	-	15	7,376	13,030
Other	2,652	3,608	1,202	1,173	51,453	153	60,241
Equity income	-	-	-	-	1,634	-	1,634
	14,777	111,953	34,300	17,898	366,791	21,073	566,792
Expenses:							
Wages and salaries	45,582	13,962	25,595	33,372	29,366	12,425	160,302
Public works maintenance	22	7,465	7,060	1,894	(1,481)	337	15,297
Contract services	55,027	8,944	4,978	4,446	3,673	1,585	78,653
Supplies and materials	2,719	33,219	1,397	13,056	10,748	1,035	62,174
Interest and finance	78	22,918	-	72	3,017	-	26,085
Transfer from (to) capital for tangible capital assets	(27)	3,140	12,829	5,695	275	30,621	52,533
Amortization of tangible capital assets	2,765	8,778	28,888	8,930	10,088	2,023	61,472
Loss (gain) on disposal of tangible capital assets	43	227	193	57	3	78	601
	106,209	98,653	80,940	67,522	55,689	48,104	457,117
Annual surplus (deficit)	\$ (91,432)	\$13 ,300	\$ (46,640)	\$ (49,624)	\$ 311,102	\$ (27,031)	\$109 ,675

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

23. Segmented reporting (continued):

	Total City subtotal	Richmond Olympic Oval	Richmond Public Library	2019 Consolidated	2018 Consolidated
Revenue:					
Taxation and levies	\$ 230,198	\$ -	\$ -	\$ 230,198	\$ 216,908
User fees	111,472	-	-	111,472	102,915
Sales of services	33,430	9,228	89	42,747	39,111
Payments-in-lieu of taxes	16,277	-	-	16,277	15,489
Provincial and federal grants	7,428	2,883	376	10,687	10,355
Development cost charges	13,802	-	-	13,802	17,432
Other capital funding sources	39,018	-	10	39,028	95,859
Other revenue:					
Investment income	25,122	-	20	25,142	20,705
Gaming revenue	15,140	-	-	15,140	16,837
Licenses and permits	13,030	-	-	13,030	13,637
Other	60,241	2,289	255	62,785	48,678
Equity income	1,634	-	-	1,634	1,491
	566,792	14,400	750	581,942	599,417
Expenses:					
Wages and salaries	160,302	9,298	7,763	177,363	162,331
Public works maintenance	15,297	-	2	15,299	13,405
Contract services	78,653	-	445	79,098	73,479
Supplies and materials	62,174	5,042	1,585	68,801	67,919
Interest and finance	26,085	-	4	26,089	23,149
Transfer from (to) capital for tangible capital assets	52,533	-	(289)	52,244	13,307
Amortization of tangible capital assets	61,472	1,628	1,128	64,228	60,542
Loss (gain) on disposal of tangible capital assets	601	4	(37)	568	324
	457,117	15,972	10,601	483,690	414,456
Annual surplus (deficit)	\$ 109,675	\$ (1,572)	\$(9 ,851)	\$ 98,252	\$ 184,961

CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2019

24. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated Financial Plan adopted by Council on March 11, 2019. The table below reconciles the adopted Consolidated Financial Plan to the budget amounts reported in these consolidated financial statements.

	Financial plan Bylaw No. 9979	Financial statement budget
Consolidated financial plan:		
Revenue	\$ 541,121	\$ 541,121
Expenses	463,338	463,338
Annual surplus	77,783	77,783
Less:		
Acquisition of tangible capital assets	(399,171)	-
Contributed tangible capital assets	(50,350)	-
Transfer to reserves	(69,403)	-
Debt principal	(4,951)	-
Add:		
Capital funding	417,161	-
Transfer from surplus	28,931	-
Annual surplus	\$ -	\$ 77,783

25. Comparative information:

Certain comparative information has been reclassified to conform to the consolidated financial statement presentation adopted for the current year.

26. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the City's future cash flows, and may have a significant impact on the City's future operations. In response to the outbreak, the City has temporarily closed some of its facilities. Potential impacts on the City's business could include future decreases in revenue and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the City is not practicable at this time.

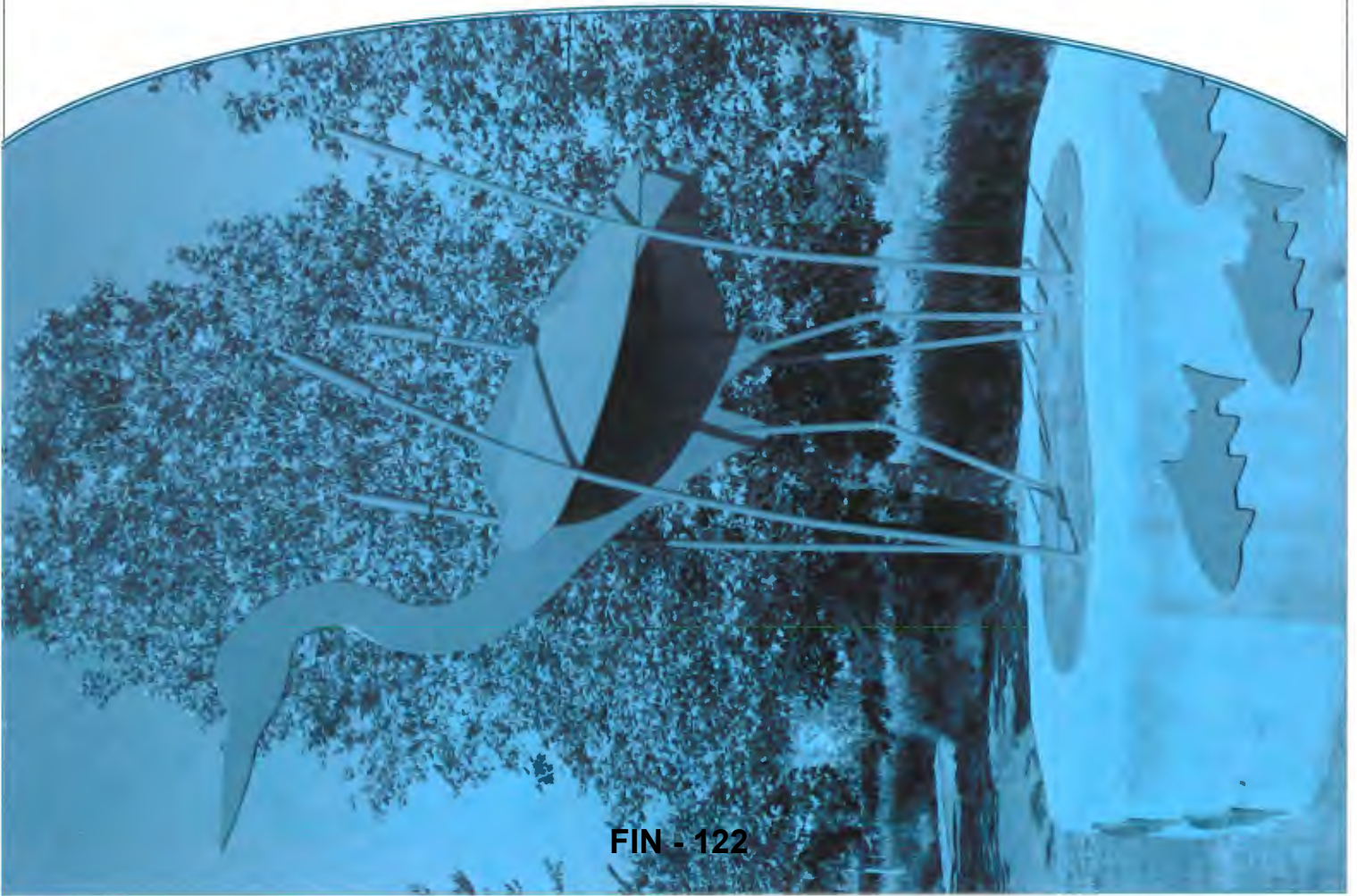
2019 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2019
Financial Statements

Attachment 2





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Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for the year ended December 31st, 2019 have been prepared in accordance with Canadian public sector accounting standards.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis has been prepared by management and is intended to be read in conjunction with the 2019 audited consolidated financial statements.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval (Oval), and Richmond Public Library (Library). All future references to the "City" reflect the financial results for all entities.

Lulu Island Energy Company (LIEC) is classified as a government business entity (GBE). The City's investment in LIEC as a GBE is accounted for using the modified equity method.

Further information about the basis of consolidation is listed in Note 2 to the Consolidated Financial Statements.

The consolidated financial statements include the following statements:

- **Consolidated Statement of Financial Position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st, 2019 and 2018.
- **Consolidated Statement of Operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the general, utility, capital, and reserve funds for the City and its consolidated entities.
- **Consolidated Statement of Changes in Net Financial Assets** outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated Statement of Cash Flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Consolidated Statement of Financial Position

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The Consolidated Statement of Financial Position shows the City's assets (financial and non-financial), liabilities and accumulated surplus. The difference between the financial assets and liabilities is the City's net financial assets, which represents the amount available for a later date.

The City maintained its strong financial position in 2019 allowing for flexibility and financial sustainability into the future.

- Financial Assets increased by \$89.7M to \$1.3B
- Liabilities increased by \$46.9M to \$514.9M
- Net financial assets increased by \$42.7M to \$805.9M
- Non-financial assets increased by \$55.5M to \$2.4B
- Accumulated surplus increased by \$98.3M to \$3.2B

The accumulated surplus includes investment in tangible capital assets, reserves, appropriated surplus, surplus, investment in LIEC and other equity. The change in accumulated surplus is referred to as annual surplus and is included on the Consolidated Statement of Operations.

Financial Assets

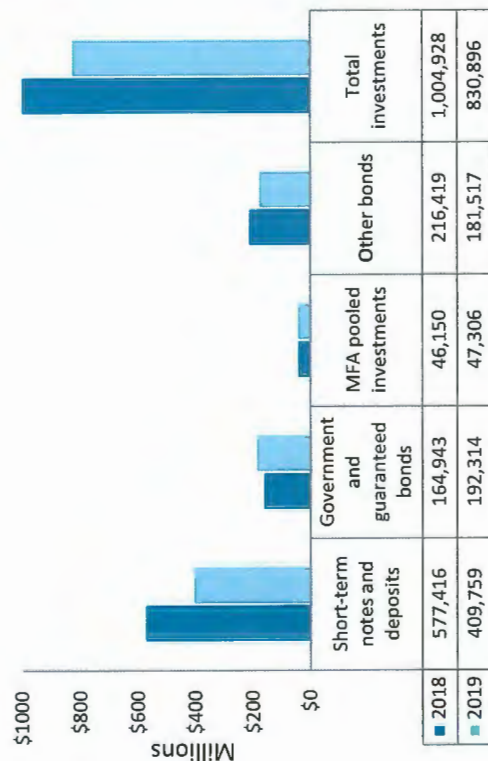
Cash

Cash increased by \$267.7M to \$389.6M to optimize overall interest yields due to the inversion of the yield curve which results in higher yields over the short term.

Investments

Investments decreased by \$174.0M to \$830.9M primarily due to the City's yield enhancement strategy by repositioning investment balances to cash.

Investment Portfolio by Type (\$000's)



Investment in LIEC

Effective January 1, 2017, LIEC was classified as a GBE. The City uses the modified equity method to account for this investment of \$31.4M (2018 – \$29.8M).

Accrued interest receivable

Accrued interest receivable increased by \$0.3M to \$7.8M due to the increase in the City's cash and investment balances.

Accounts receivable

Accounts receivable decreased by \$0.7M to \$28.4M primarily due to collections of capital grants receivables and casino revenues. The decrease was partially offset by increases in water and sewer utilities receivable and trade receivables.

Accounts Receivable (\$000's)	2019	2018	Change
Water and sewer utilities	\$ 13,671	\$ 11,999	\$ 1,672
Casino revenues	3,903	4,010	(107)
Capital grants	1,291	5,003	(3,712)
Other trade receivables	9,542	8,139	1,403
Total	\$ 28,407	\$ 29,151	\$ (744)

Taxes receivable

Taxes receivable decreased by \$0.8M to \$11.0M due to the timing of collections.

Financial Assets

Development fees receivable

Development fees receivable decreased by \$4.4M to \$21.1M due to timing of collection during the year.

Developers have the option to pay DCCs upfront, or in installments over a 2 year period. When paying in installments, 1/3 of the total DCC is paid upfront, the next 1/3 installment is paid one year after the originating date, and the final 1/3 installment is paid at the 2 year anniversary date. The second and third payment amounts are secured by a letter of credit.

The net DCC contributions received by the City in 2019 was \$5.9M more than 2018 at \$48.7M. The increase was a result of large multi-family developments.

Debt reserve fund - deposits

The debt reserve fund balance of \$0.5M did not change from 2018 as the City did not receive payments from the Municipal Finance Authority (MFA) during 2019.



Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$12.4M to \$107.6M. The increase is mainly attributable to the timing of the payment for the RCMP contract and accrual for post-employment benefits.

Development cost charges

The DCC balance of \$197.7M (2018 - \$158.9M) is restricted by Section 559 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of \$48.7M and interest earned of \$3.9M were received in 2019. The balance was offset by \$13.8M for capital project expenses funded by DCC during the year.

Development Cost Charges (\$000's)	2019	2018	Change
Balance, beginning of year	\$ 158,882	\$ 130,684	\$ 28,198
Contributions	48,740	42,792	5,948
Interest	3,851	2,838	1,013
Revenue recognized	(13,802)	(17,432)	3,630
Balance, end of year	\$ 197,671	\$ 158,882	\$ 38,789

The \$197.7M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, 2019 there is \$55.4M (2018 - \$48.9M) committed to active capital projects. Additional DCC funding of \$29.1M was approved as part of the 2020 Capital Budget included in the Consolidated 5 Year Financial Plan (2020-2024) Bylaw No. 10119.

Deposits and holdbacks

Deposits and holdbacks increased by \$3.7M to \$117.4M mainly due to an increase in security deposits for development related servicing agreements of \$4.6M, offset by a decrease in contract holdbacks of \$1.2M.

Deposits and Holdbacks (\$000's)	2019	2018	Change
Security deposits	\$ 94,164	\$ 89,557	\$ 4,607
Developer contribution	7,535	7,313	222
Contract holdbacks	5,417	6,650	(1,233)
Other	10,248	10,100	148
Total deposits and holdbacks	\$ 117,364	\$ 113,620	\$ 3,744

Deferred revenue

Deferred revenues are funds that are set aside for specific purposes by legislation, regulation or agreement, and may only be used for the specified work. These amounts are recognized as liabilities in the year the funds are deposited and recognized into revenue in the year the related expenditures are incurred.

Deferred Revenue (\$000's)	2019	2018	Change
Taxes and utilities	\$ 22,836	\$ 20,450	\$ 2,386
Building permits / development	19,845	15,598	4,247
Oval	1,434	1,876	(442)
Capital grants	10,852	19,558	(8,706)
Other	9,395	9,882	(487)
Total deferred revenue	\$ 64,362	\$ 67,364	\$ (3,002)

Liabilities

Deferred revenues decreased due to capital grants, Oval's deferred revenue and other revenues. The decreases were offset by increases in taxes and utilities and building permits/developments, resulting in an overall \$3.0M decrease compared to 2018.

Debt, net of MFA sinking fund deposits

Debt decreased by \$5.0M to \$27.9M as a result of the annual repayment made in 2019 towards the borrowing for the construction of the Minoru Center for Active Living facility. The debt has a 10 year term and was obtained in 2014 at a rate of 3.30% for the duration of the term.

The debt per capita decreased to \$131.39 per person in 2019 from \$156.16 as of December 31, 2018. The decrease in debt per capita is the combined result of principal payments reducing the outstanding balance along with an increase in population.

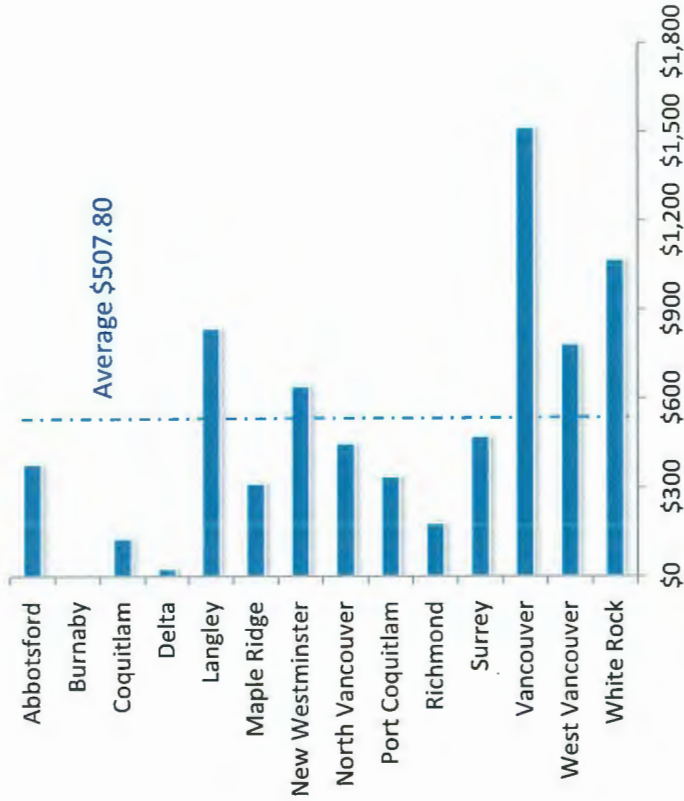
City of Richmond Debt Per Capita 2015-2019



Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, Jan 2020.

The 2018 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2018 debt per capita of \$156.16 is included below and is well below the 2018 regional average of \$507.80.

Debt Per Capita by City (2018)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2018 Local Government Statistics. Population estimates for 2018 obtained from BC Stats, Demographic Section, Jan 2020.

Non-Financial Assets

Tangible Capital Assets

Tangible capital assets (TCA) are recorded at original cost and are amortized over their useful life. The net book value (original cost less accumulated amortization) is presented below. Additional information can be obtained in Note 12 of the consolidated financial statements.

TCA increased by \$56.1M to \$2.4B. The change is a result of \$122.0M of asset additions, less net disposal of \$1.7M, and current year amortization expense of \$64.2M.

Tangible Capital Assets (\$000's)	2019	2018	Change
Land	\$1,017,563	\$ 984,001	\$ 33,562
Buildings and building improvements	284,932	255,902	29,030
Infrastructure	950,899	921,293	29,606
Vehicles, machinery and equipment	55,797	55,967	(170)
Library's collections, furniture and equipment	3,175	3,235	(60)
Assets under construction	115,432	151,296	(35,864)
Total	\$2,427,798	\$2,371,694	\$ 56,104

Land increased by \$33.6M mainly due to \$34.5M of additions including \$16.8M from the acquisition of Richmond Ice Center and \$14.7M of contributed land assets received through development.

Buildings increased by \$29.0M mainly due to a \$45.4M increase in additions offset by \$16.3M of amortization expense. The additions in 2019 included \$27.2M for Minoru Centre for Active Living and \$15.3 for the Richmond Ice Center.

Infrastructure increased by \$29.6M mainly due to \$66.6M increase in additions offset by \$36.5M of amortization expense. The additions in 2019 included \$14.2M of contributed assets received through development, \$7.0M of watermain replacements and \$3.8M of road widening at No. 2 Road between Steveston and Dyke Road.

Vehicles, machinery and equipment decreased by \$0.2M mainly due to \$10.3M increase in additions including \$3.4M of traffic signals offset by \$10.2M of amortization expense.

Library's collections, furniture and equipment decreased by \$60K mainly due to \$1.1M additions offset by \$1.1M of amortization expense.

Assets under construction decreased by \$35.9M mainly due to partial opening of Minoru Centre for Active Living in 2019.

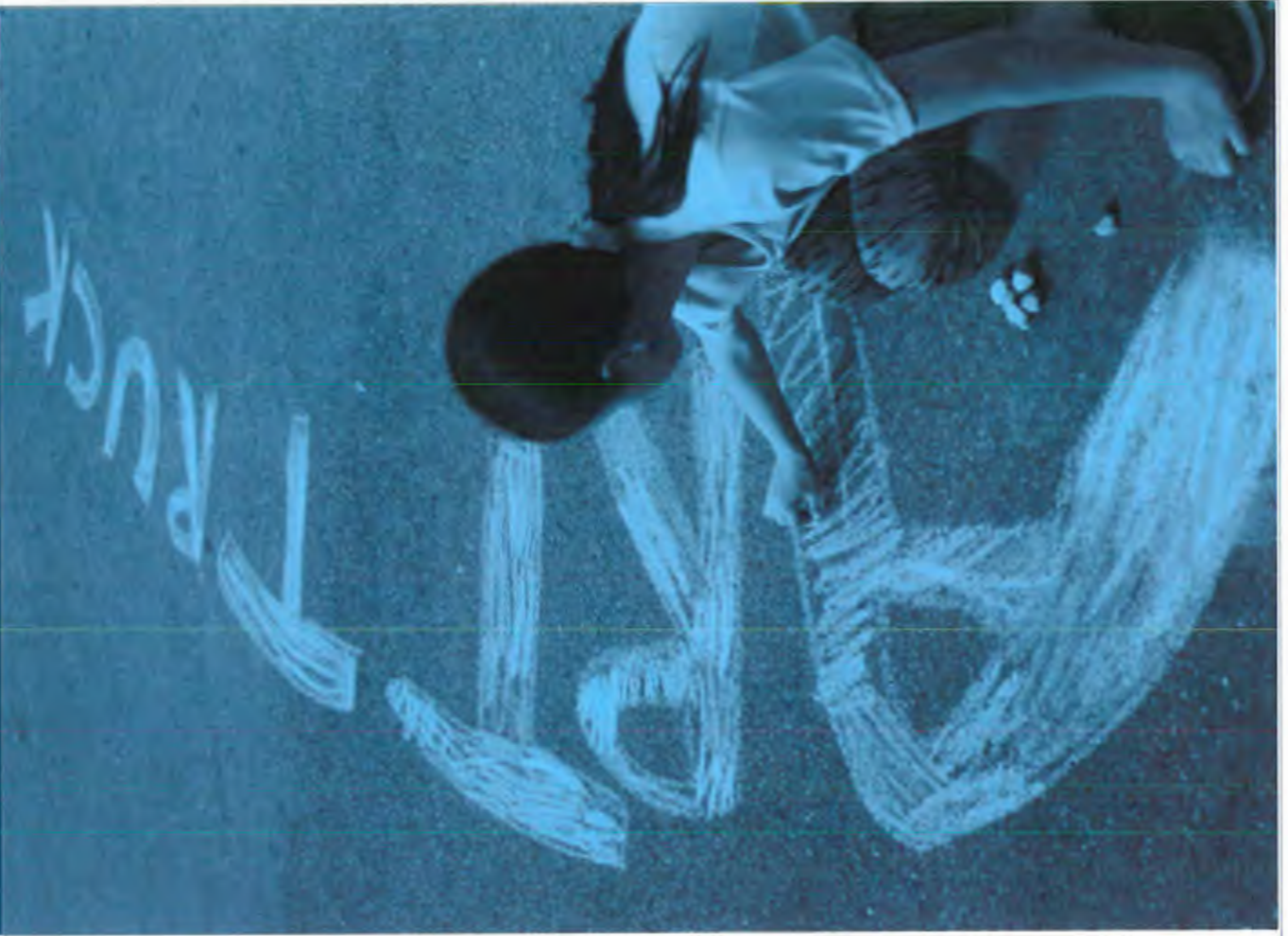
Non-Financial Assets

Inventory of materials and supplies

Inventory decreased by \$0.6M to \$3.0M based on timing of materials issued.

Prepaid expenses

Prepaid expenses increased by \$41K to \$2.7M due to timing of expense utilization and increases to insurance premium costs.



Accumulated Surplus

The accumulated surplus increased by \$98.3M to \$3.2B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$000's)	2019	2018	Change
Investment in TCA	\$ 2,397,476	\$ 2,336,489	\$ 60,987
Reserves	557,576	540,153	17,423
Appropriated surplus	224,052	207,173	16,879
Investment in LIEC	31,414	29,780	1,634
Surplus	25,994	24,029	1,965
Other equity	2,830	3,466	(636)
Total	\$ 3,239,342	\$ 3,141,090	\$ 98,252

Investment in TCA

Investment in TCA represents the equity held in assets. This balance is equal to the net book value of tangible capital assets less any outstanding debt relating to capital and restricted capital deferred revenue (for Oval).

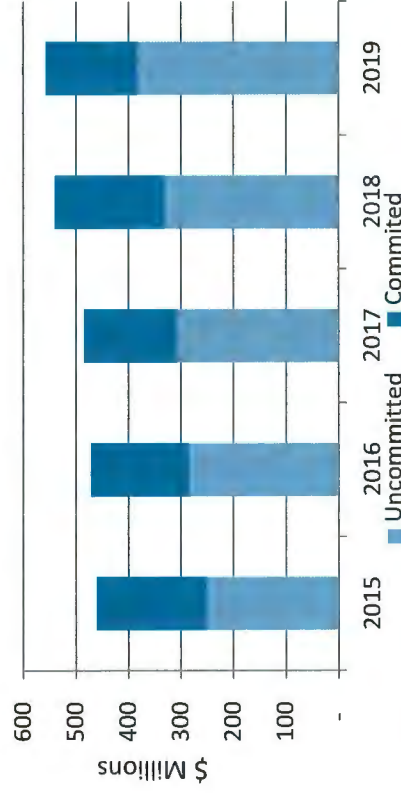
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$61.0M. This is the net activity of asset additions, amortization, disposals and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$557.6M includes amounts that have been approved for expenditure but remain unspent as at December 31st. The uncommitted reserve balance is \$382.9M (2018 - \$331.5M).

Reserve Balance 2015-2019



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including the Animal Shelter and the Phoenix Net Loft that have reserve funds allocated towards the project but have not been spent as of the reporting date December 31st, 2019.

From the available \$382.9M at December 31st, 2019, \$100.7M has been approved for the City's 2020 Capital Budget included in the Consolidated 5 Year Financial Plan (2020-2024) Bylaw

Accumulated Surplus

No. 10119. An additional \$381.7M is estimated for the remaining 4 years (2021-2024) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$16.9M to \$224.1M mainly as a result of \$9.8M for the Emergency Response Fuel Facility and the \$5.5M contribution for the Steveston Community Amenity.

Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31st, 2019 at \$31.4M, an increase of \$1.6M from the 2018 balance of \$29.8M.

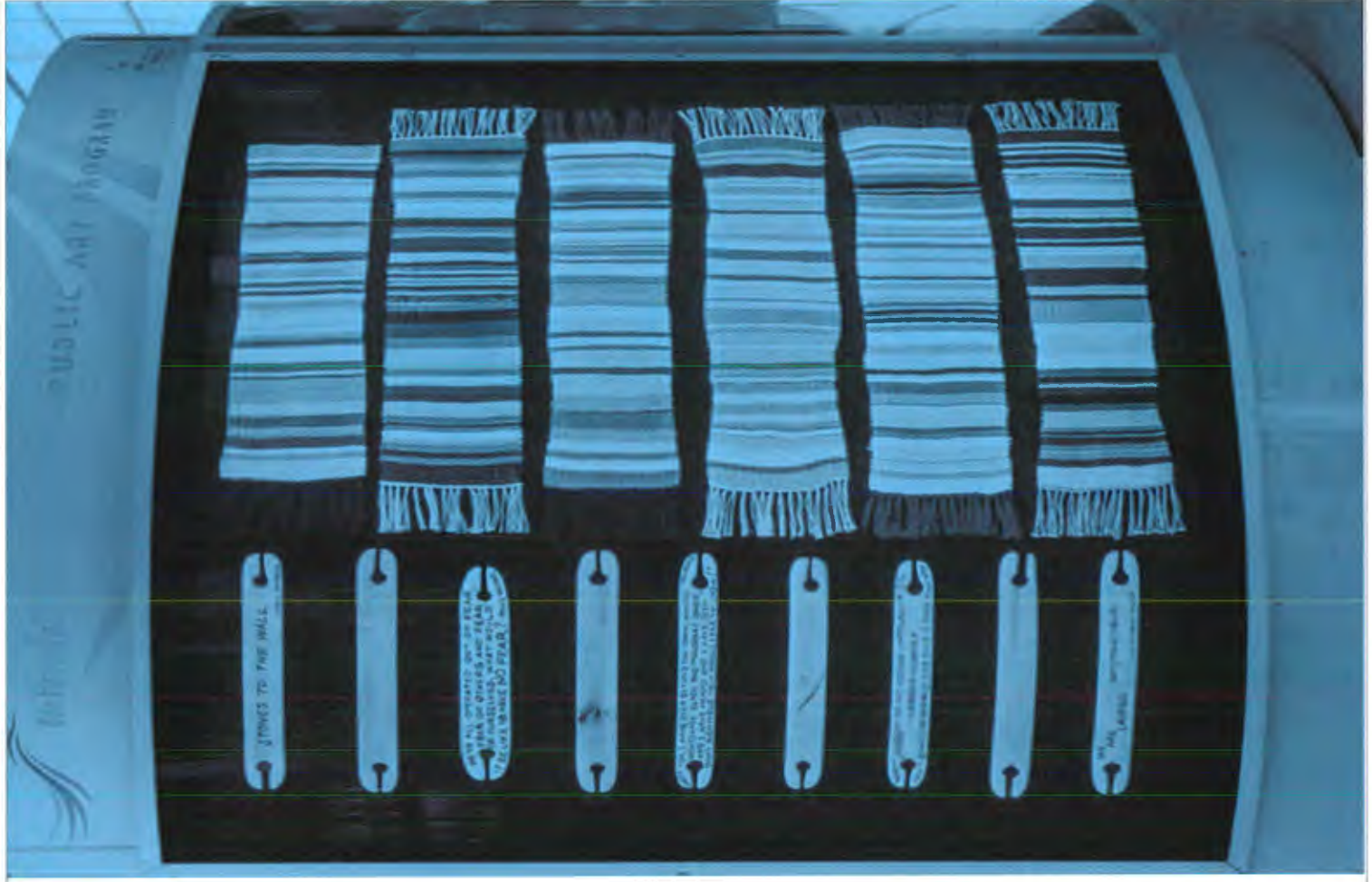
Surplus

The consolidated surplus increased by \$2.0M to \$26.0M in 2019. The increase is mainly attributed to:

- (\$6.7M) transfer of the City's 2018 operating surplus to the Rate Stabilization Account
- \$6.9M City's 2019 operating surplus
- \$2.1M internal repayments

Other Equity

Other equity relates to the City's inventory. The balance decreased by \$0.6M to \$2.8M in 2019.



Consolidated Statement of Operations

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The Consolidated Statement of Operations provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2019 budget amounts presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified 'cash requirement' basis and amounts recorded in these financial statements on a 'full accrual' basis.

Note 24 outlines the adjustments to the approved budget, particularly the exclusion of transfers to reserves and other funds, and tangible capital asset acquisitions. These adjustments to budgeted values are required to provide comparative budget values based on the full accrual basis of accounting. As the accrual based budget does not include transfers to reserves, investment in assets and other items, the budget presented on the financial statements can show a surplus or deficit while the budget as approved by Council is a balanced budget.

Revenues

2019 Budget to Actual Comparison

Total consolidated revenues are \$581.9M compared to the budgeted revenues of \$541.1M. Certain revenues will always be difficult to accurately budget due to the unpredictability of the source, development timing and use of funds for capital. Budget to actual variance explanations are below.

Revenues (\$000's)	2019 Budget	2019 Actual	Variance
Taxation and levies	\$ 229,903	\$ 230,198	\$ 295
Utility fees	105,805	111,472	5,667
Sales of services	41,977	42,747	770
Payments-in-lieu of taxes	14,200	16,277	2,077
Provincial and federal grants	8,362	10,687	2,325
Development cost charges	22,764	13,802	(8,962)
Other capital funding sources	63,197	39,028	(24,169)
Investment income	16,062	25,142	9,080
Gaming revenue	16,500	15,140	(1,360)
Licences and permits	11,107	13,030	1,923
Other	11,244	62,785	51,541
Equity income	-	1,634	1,634
Total	\$ 541,121	\$ 581,942	\$ 40,821

Taxation and levies had a favourable variance of \$0.3M due to higher than expected new growth offset by supplemental adjustments.

Utility fees had a favourable variance of \$5.7M mainly due to construction flat rate utility prepayments which were not budgeted for, increase in meter accounts and debt levy for Greater Vancouver Sewerage & Drainage District (GVSDDD).

Sales of services includes a favourable variance of \$0.8M due to increased lease revenue and filming revenue, offset by Minor Centre for Active Living revenues which were not realized due to the partial opening in 2019.

Payments-in-lieu of taxes had a favourable variance of \$2.1M mainly due to higher than expected payments from various other authorities.

Provincial and federal grants were favourable by \$2.3M mainly due to increased grants received for the Major Road Network and one-time unbudgeted Community Works Fund payment from the Union of BC Municipalities.

Development cost charges (DCC) had an unfavourable variance of \$9.0M due to the timing of capital expenditures. DCC revenue is recognized when the amounts are spent, while the budget represents the 2019 allocation of DCC's towards capital projects generally spent over multiple years.

The other capital funding unfavourable variance of \$24.2M is mainly due to lower than budgeted amounts related to contributed assets received through development of \$21.5M. The revenue recognition relating to these contributed assets is

Revenues

based on the timing of the development and when the ownership of assets are transferred to the City.

Investment income had a favourable variance of \$9.1M due to higher returns on cash and investments which corresponds to increases in the interest rate as prescribed by the Bank of Canada throughout the year. The timing of capital expenditures also resulted in a higher than expected investment balance throughout the year.

Gaming revenue had an unfavourable variance of \$1.4M due to decreased revenue at the River Rock Casino.

Licences and permits had a favourable variance of \$1.9M mainly due to building permits, underpinning fees, and business licences.

Other revenue had a favourable variance of \$51.5M mainly due to unbudgeted external developer cash contributions of \$27.4M, Emergency Response Fuel Facility contribution of \$9.8M and gain on land disposal of \$18.2M.

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income for 2019 is \$1.6M (2018 – \$1.5M).



Revenues

2019 to 2018 Actual Comparison

Total 2019 consolidated revenues were \$581.9M compared to \$599.4M in 2018.

Revenues (\$000's)	2019 Actual	2018 Actual	Change
Taxation and levies	\$230,198	\$216,908	\$ 13,290
Utility fees	111,472	102,915	8,557
Sales of services	42,747	39,111	3,636
Payments-in-lieu of taxes	16,277	15,489	788
Provincial and federal grants	10,687	10,355	332
Development cost charges	13,802	17,432	(3,630)
Other capital funding sources	39,028	95,859	(56,831)
Investment income	25,142	20,705	4,437
Gaming revenue	15,140	16,837	(1,697)
Licences and permits	13,030	13,637	(607)
Other	62,785	48,678	14,107
Equity income	1,634	1,491	143
Total	\$581,942	\$599,417	\$(17,475)

Taxation and levies increased by \$13.3M due to the 4.82% tax rate increase for 2019 and new growth.

Utility fees increased by \$8.6M due to Council approved rate increases, increase in meter accounts, and increased debt levy from the GVSDD.

Sales of services increased by \$3.6M due to higher volume of receivable projects in 2019, increase in Oval revenue, tree compensation revenue and lease revenue.

Payments-in-lieu of taxes increased by \$0.8M mainly due to increases in assessment value for BC Hydro and Port Metro Vancouver properties, which resulted in additional \$0.6M and \$0.2M, respectively.

Provincial and federal grants increased by \$0.3M due to additional Community Works Fund grant received from the UBCM.

Development cost charges decreased by \$3.6M mainly due to the timing of capital expenditures as DCC revenue is recognized when the amounts are spent.

Other capital funding sources decreased by \$56.8M due to the timing of developer contributed assets, which includes a \$55.0M decrease in donated assets by developers related to land relative to 2018.

Investment income increased by \$4.4M due to increases in interest rates and higher average investment balance throughout the year.

Revenues

Gaming revenue decreased by \$1.7M mainly due to drop in table revenues as a result of stricter source of income declaration requirements enacted by the British Columbia Lottery Corporation.

Licences and permits decreased by \$0.6M mainly due to decrease in building permit revenue, offset by increase in underpinning revenue.

Other revenue increased by \$14.1M mainly due to \$18.2M gain on sale of land, \$9.8M contribution related to Emergency Response Fuel Facility and \$5.5M for Steveston Community Amenity, offset by \$11.6M less in developer amenity contribution for Capstan Station and no contribution for City Center facilities (\$11.4M was received in 2018).

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income increased by \$0.1M due to additional energy sales as a result of two new building connections.

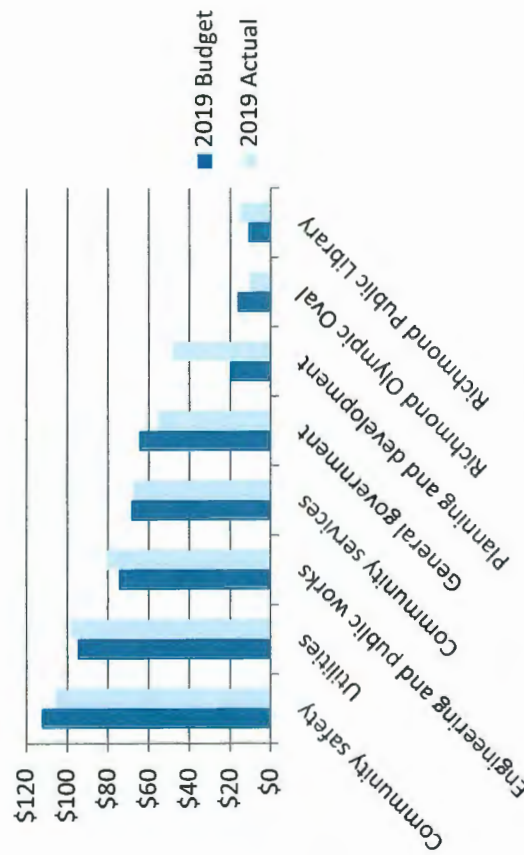


Expenses

2019 Budget to Actual Comparison

Total consolidated expenses are \$483.7M compared to the budget of \$463.3M.

2019 Expenses by Function



The following comparisons are before transfers to provisions and/or reserves:

Community safety had a favourable variance of \$6.3M mainly due to RCMP contract savings from lower than budgeted complement, salary savings due to municipal employee vacancies and time required to fill new positions approved in 2019.

Utilities had an unfavourable variance of \$3.6M mainly due to transfers from capital relating to feasibility studies and investigations, timing of expenditures and increased debt levy from the GVSDD.

Engineering and public works had an unfavourable variance of \$6.4M mainly due to \$3.1M in box culverts repair for the Major Road Network and \$1.8M in pool damage in the Minoru Centre for Active Living.

Community services had a favourable variance of \$1.1M mainly due to the delay of the Minoru Centre for Active Living pool and fitness center opening, timing of one-time expenditures and reduced lease expense for Richmond Ice Center acquired in 2019.

General government had a favourable variance of \$8.9M mainly due to timing of one-time expenditures and contract expenses.

Planning and development had an unfavourable variance of \$27.8M mainly due to payment to Translink for the construction of the Canada Line Capstan Station of \$28.1M.

Richmond Olympic Oval had a favourable variance of \$0.6M due to lower than budgeted general and administration and amortization costs.

Richmond Public Library had a favourable variance of \$0.5M due to less than budgeted amortization expense.

Expenses

2019 to 2018 Actual Comparison

Total 2019 consolidated expenses were \$483.7M compared to \$414.5M in 2018.

Expenses (\$000's)	2019		2018		Change
	Actual		Actual		
Community safety	\$ 106,209		\$ 98,500		\$ 7,709
Utilities: water, sewer and sanitation	98,653		89,959		8,694
Engineering, public works and project development	80,940		68,793		12,147
Community services	67,522		61,174		6,348
General government	55,689		52,549		3,140
Planning and development	48,104		18,076		30,028
Richmond Olympic Oval	15,972		15,424		548
Richmond Public Library	10,601		9,981		620
Total	\$ 483,690		\$ 414,456		\$ 69,234

Community safety expenses increased by \$7.7M mainly due to a \$4.2M increase in the RCMP contract expense as a result of additional officers and collective agreement salary increases.

Utilities expenses increased by \$8.7M mainly due to increased costs for receivable projects, increased debt levy from the Greater Vancouver Sewerage & Drainage District and greater water consumption relative to 2018, as well as water and sewer rate increases from Metro Vancouver.

Engineering, public works and project development expenses increased by \$12.1M mainly due to Major Road Network's box culverts repairs and pool restoration at the Minoru Centre for Active Living.

Community services increased by \$6.3M due to partial opening of the Minoru Centre for Active Living and advanced design expenditures related to Parks, offset by a decrease in lease expense for the Richmond Ice Center which was acquired in 2019.

General government expenses increased by \$3.1M mainly due to higher salary and benefits including the new employer health tax.

Planning and development costs increased by \$30.0M due to the \$28.1M payment to Translink for the construction of the Canada Line Capstan Station.

Richmond Olympic Oval costs increased by \$0.5M mainly due to increase in salary and benefits, offset by corresponding increase in program revenue.

Richmond Public Library services increased by \$0.6M mainly due to salary increases and vacant positions being filled.

Expenses

Expenses by Object

Expenses (\$'000's)	2019 Actual	2018 Actual	Change
Wages and salaries	\$ 177,363	\$ 162,331	\$ 15,032
Public works maintenance	15,299	13,405	1,894
Contract services	79,098	73,479	5,619
Supplies and materials	68,801	67,919	882
Interest and finance	26,089	23,149	2,940
Transfer from (to) capital for tangible capital assets	52,244	13,307	38,937
Amortization of tangible capital assets	64,228	60,542	3,686
Loss on disposal of tangible capital assets	568	324	244
Total	\$ 483,690	\$ 414,456	\$ 69,234

Wages and salaries increased by \$15.0M mainly due to collective agreement salary increases, timing of vacancies being filled and increased benefits including the new employer health tax.

Public works maintenance increased by \$1.9M mainly due to increased general and receivable public work activities including water and sanitary sewer utilities.

Contract services increased by \$5.6M mainly due to increased policing costs and building maintenance.

Supplies and materials increased by \$0.9M mainly due to

increase in Metro Vancouver water rates, offset by a decrease in water consumption and organic waste processing costs.

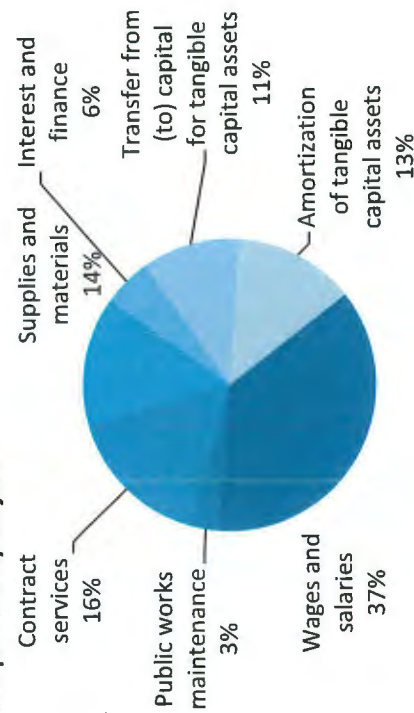
Interest and finance increased by \$2.9M due to increased debt payment to Greater Vancouver Sewerage & Drainage District.

Transfer from (to) capital for tangible capital assets increased by \$38.9M mainly due to the \$28.1M payment to Translink for the construction of the Canada Line Capstan Station, pool restoration of the Minoru Centre for Active Living and Major Road Network repairs.

Amortization of tangible capital assets increased by \$3.7M due to new asset additions.

Loss on the disposal of tangible capital assets increased by \$0.2M due to more infrastructure disposals in 2019.

2019 Expenses by Object



Annual Surplus

The 2019 consolidated annual surplus of \$98.3M is calculated as the difference between revenues and expenses and is reflected in the change in the accumulated surplus.

The City's 2019 operating surplus of \$6.9M is one component of the 2019 annual surplus of \$98.3M.

Annual Surplus Distribution

The largest driver of the \$98.3M annual surplus is the change in investment in capital assets of \$61.0M. This is the net activity of asset additions \$122.0M offset by amortization expense of \$64.2M, disposals and debt reduction.

Investment in LIEC increased by \$1.6M.

Appropriated surplus increased by \$16.9M relating to future commitments and potential liabilities.

Reserves increased by \$17.4M due to the timing of capital expenditures. Included in the total reserve balance is \$174.7M committed towards active capital projects.

Surplus increased by \$2.0M due to the net impact of operating surplus transactions and repayments for internal borrowing.

Other surplus decreased by \$0.6M.



Consolidated Statement of Changes in Net Financial Assets

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The Consolidated Statement of Changes in Net Financial Assets focuses on the net assets of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

An important measure of any government's financial condition is its net financial assets: calculated as financial assets (e.g. cash, receivables, and investments) less liabilities (e.g. trade and employment payables, deposits and debt).

The City's net financial assets as at December 31st, 2019 increased by \$42.7M to \$805.9M (2018 - \$763.1M).

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is a summary of how the City's cash position changed during the year, highlighting sources and uses of cash, including the use of cash to acquire capital assets.

The City's cash increased by \$267.7M to \$389.6M and investments decreased by \$174.0M to \$830.9M.

In 2019, cash provided by operating activities was \$172.5M, compared to \$203.5M in 2018.

Cash used in capital activities was \$73.8M, compared to \$92.6M in 2018.

Cash used in financing activities was \$5.0M compared to \$4.8M in 2018, and was used to pay down MFA debentures.

Cash provided from investing activities was \$174.0M, compared to \$32.1M of cash spent on investing activities in 2018.

The Public Sector Accounting Board (PSAB) encourages the Government sector to conduct ratio analysis as per the Statement of Recommended Practice (SORP) 4: Indicators of Financial Condition. The analysis enables the readers of financial reports to use the indicators to assess the City's ability to respond to changes in the economic climate. It also allows readers to interpret the financial reports and assess the quality of financial management.

The analysis addresses the following three key areas:

- **Assessment of sustainability** measures and demonstrates the ability of a government entity to carry out its service commitments, settles financial commitments to creditors, employees and others without increasing the debt or tax burden in the economy that it operates.
- **Assessment of flexibility** measures and demonstrates the degree to which a government entity can change the level of debt and tax burden in order to meet its service commitments or settle financial commitments.
- **Assessment of vulnerability** measures and demonstrates the degree by which a government entity is dependent on sources of funding outside its control or influence or is exposed to risk that could impair its ability to meet its service and financial commitments.

The following table presents the ratio analysis for the three-year period 2017-2019:

Assessment of sustainability

Sustainability ratios:	2019	2018	2017
Assets to liabilities (times)	7.3	7.7	8.1
Financial assets to liabilities (times)	2.6	2.6	2.7
Net debt to total revenues	4.8%	5.5%	7.2%
Net debt to the total assessment	0.03%	0.03%	0.04%
Expenses to the total assessment	0.5%	0.4%	0.5%
Flexibility ratios:	2019	2018	2017
Debt charges to revenues	0.3%	0.3%	0.3%
Net book value of capital assets to cost	67.8%	68.3%	68.3%
Net book value of capital assets (excluding land) to cost	55.0%	55.8%	56.3%
Own source revenue to the assessment	0.5%	0.5%	0.5%
Vulnerability ratios:	2019	2018	2017
Government transfers to total revenues	4.4%	4.5%	5.0%
Government transfers (excluding gaming revenue) to total revenues	1.8%	1.7%	1.8%

An explanation of each of the ratios is provided below.

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A ratio higher than one indicates that a government has accumulated surplus and has assets greater than liabilities. Included in the City's liabilities are DCCs and deferred revenue which represent an obligation to perform future works.
- Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.
- Net debt to total revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
- Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.

- Expenses to total assessment, indicates the trend of the government spending in connection to the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing expenses.

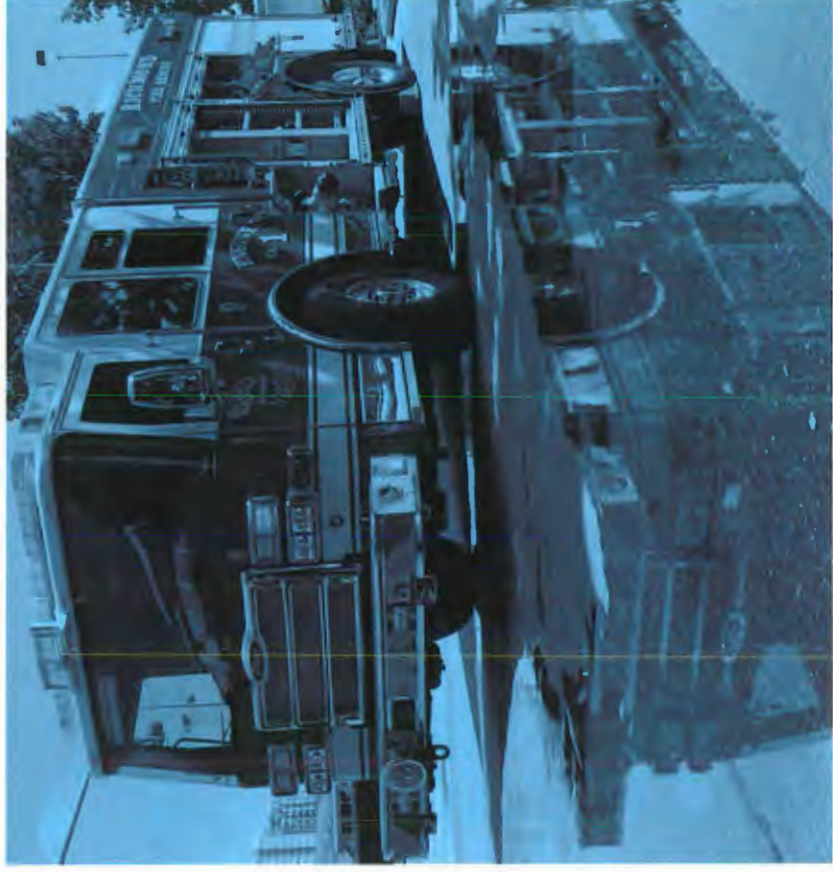
Assessment of flexibility

- Debt charges to revenues, indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.
- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- Net book value of capital assets (excluding land) to cost, indicates the estimated useful life remaining of depreciable capital assets. Land is not a depreciable asset and its inclusion can distort the net book value to cost ratio. A higher ratio indicates a newer asset inventory.
- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a

lesser proportion of existing revenues from own sources on the current assessment base.

Assessment of vulnerability

- Government transfers to total revenue, indicates the degree to which the local government is dependent on provincial or federal grants. A higher ratio indicates a higher proportion of grants.



The City provides a wide array of services to residents, businesses and visitors. The Council Strategic Plan help guide the development and implementation of the City's work programs and operations.

The following section highlights:

- Council Strategic Plan 2018-2022
- Environment
 - Business Licences
 - Housing Activity
 - Population
- City Services

Strategic Focus

Council decisions guide and influence the City's social and physical development, the quality of life and lifestyle choices available to residents, the relative safety and protection of residents and businesses, and the role the City plays within the region. To help Council manage this important agenda, the "Council Strategic Plan" process is undertaken at the start of each new term of office to determine Council's desired focus and priorities in order to ensure City work programs are appropriately aligned. This process forms an integral part of City operations, and helps to ensure a focused and productive workforce that makes the most effective use of public resources. In alphabetical order, the eight strategic focus areas for the Council Strategic Plan 2018-2022 include:

- 1. A Safe and Resilient City**
Continue enhancing and protecting the safety and well-being of Richmond.
- 2. A Supported Economic Sector**
Continue facilitation of diversified economic growth through innovative and sustainable policies, practices, and partnership.
- 3. A Sustainable and Environmentally Conscious City**
Adapt environmentally conscious decision-making that demonstrates leadership in implementing innovative, sustainable practices and supports the City's unique biodiversity and island ecology.
- 4. An Active and Thriving Richmond**
Support an active and thriving community characterized by diverse social and wellness programs, services and spaces that foster health and well-being for all.
- 5. An Engaged and Informed Community**
Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.



Strategic Focus

6. One Community Together

Continue support on vibrant and diverse arts and cultural activities and opportunities for community engagement and connection.

7. Sound Financial Management

Maintain the City's strong financial position with clear accountability through transparent budgeting practices and effective public communication that supports the needs of the community into the future.

8. Strategic and Well-Planned Growth

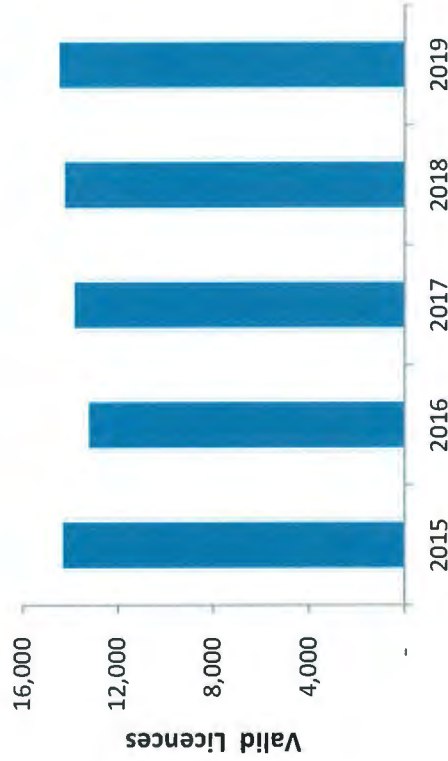
Continue leadership in effective and sustainable growth that supports the City's physical and social needs.



Business Licences

The total number of business licences issued increased to 14,487 in 2019 compared to 14,267 licences issued in 2018.

Business Licences 2015-2019



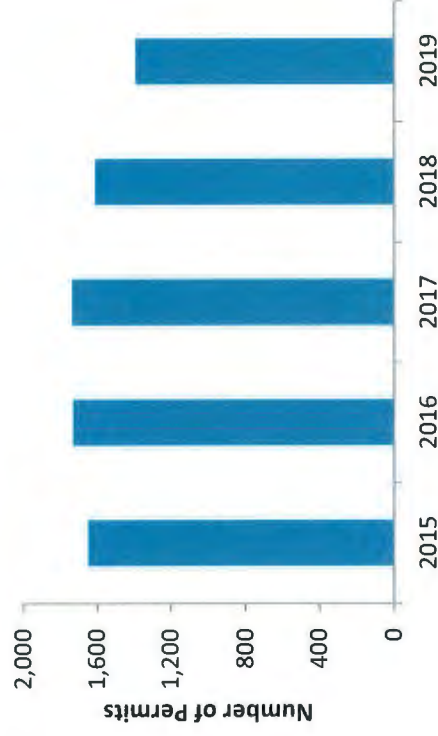
Housing Activity

Richmond house prices decreased by 0.1%, with a 2019 detached median house price of \$1,690,000. The total number of sales decreased year-over-year by 6.1% to 2,893.

In 2019, the total number of building permits issued was 1,400 which was a 13.5% decrease from 2018. The year over year decline is a result of decrease in permits issued for single

family dwellings, offset by increase in multi-family developments. Although the number of building permits has decreased, the total area permitted for new construction has increased due to multi-family developments. The actual permit fees collected for 2019 was \$11.6M.

Building Permits 2015-2019



The construction value of building permits issued in 2019 was \$981.1M, which increased by approximately 11.6% from 2018 of \$879.3M.

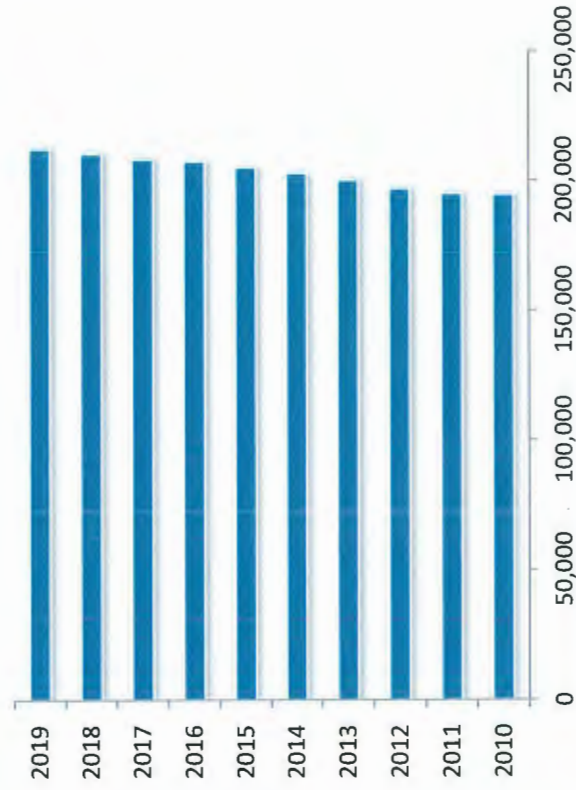
The number of development applications received in 2019 decreased by 22.4% to 159 applications from 205 applications in 2018. Total fees collected in 2019 decreased by 27.4%.



Population

Richmond's current population is estimated at 212,276 which is a 0.93% increase from 2018. According to the 2016 Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2010-2019



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated Jan 2020.

Services

- The City of Richmond provides a wide array of services to residents, businesses and visitors. The City is responsible for delivering the following services in Richmond:
- Performing land use and transportation planning, building approvals, property use and zoning.
 - Providing and maintaining roads, dikes, water and sewerage systems, drainage and irrigation systems.
 - Providing sanitation and recycling services.
 - Providing for the safety and protection of citizens by maintaining policing, fire-rescue services, bylaw enforcement, emergency and environmental programs.
 - Providing for the recreational and cultural needs of citizens by: funding library services; building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, theatre and numerous heritage sites.
 - Designing, constructing, and maintaining a recreational trail system and a system of parks with playing fields, playgrounds, and various amenities including tennis courts and basketball courts.
 - Developing a sustainable community through: affordable housing, child care programs, wellness and outreach programs, tree protection, pesticide use restrictions, waste reduction programs, pollution prevention, district energy utility, energy management programs, purchasing policies and high performance building programs.

- Providing business licences and economic development initiatives.
- Administering property taxes and utility bills.
- Working to safeguard the financial well-being of the City through the provision of effective and reliable financial services and information to Council, staff and the public.
- Working to safeguard and enhance the livability and social, financial, and environmental sustainability of our community and surrounding environment.
- Representing the interests of our citizens on various regional bodies responsible for providing services such as transit, drinking water, waste disposal, and air quality monitoring and reporting.

These services are provided through the use of funds as approved by Council in the 2019 operating, capital and utility budgets.

	2017	2018	2019
Population growth (per annum) ¹	2.12%	1.02%	0.93%
Capital construction costs (\$mil) ²	\$94.7	\$156.6	\$97.59
City Grants Program (\$mil)	\$0.80	\$0.82	\$0.84
Other grants (\$mil) ³	\$1.94	\$1.65	\$1.64
Registration in recreation programs	146,428	145,841	145,435
RCMP calls for services	66,866	69,312	75,573
Fire Rescue responses	11,216	9,805	9,491

¹ Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, Jan 2020.

² This is the amended capital budget excluding internal transfers, debt repayment and contributions.

³ Other grants include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society, various youth grants and Provision Transfer.

Conclusion

The City's financial management has positioned Richmond well to continue to carry out and meet Council's Strategic Plan and service commitments to provide a safe and desirable community to live, work and play in, while providing value for taxpayers.

The FSD&A provides a detailed analysis of the Consolidated Financial Statements and explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results.

The Consolidated Financial Statements and FSD&A provide details about past activity and the balances at December 31st of the fiscal year. This information, in conjunction with planning documents, provides a comprehensive depiction of the future financial viability of the City.

In 2003, Council adopted the Long Term Financial Management Strategy (LTFMS) to ensure prudent fiscal practices while maintaining the City's high service standards and balancing current and long term financial needs. The effects of this policy can be seen in the current financial health of the organization.

The LTFMS policy forms the foundation for the City's financial planning, including the preparation of the Five Year Financial Plan Bylaws.

The 2020 – 2024 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

Additional information about the current financial plan can be found at:

<http://www.richmond.ca/cityhall/finance/reporting/fiveyear.htm>

