



Finance Committee

Anderson Room, City Hall
6911 No. 3 Road

Monday, May 4, 2020

Immediately following the General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-4
FIN-5A

Motion to adopt the minutes of the meetings of the Finance Committee held on April 6, 2020 and April 20, 2020.



DELEGATIONS

1. C.J. James, Engagement Partner, KPMG LLP, and Aanu Adeleye, Senior Manager, KPMG LLP, to present the 2019 Audit findings on the City's financial statements.

FINANCE AND CORPORATE SERVICES DIVISION

2. **2019 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**

(File Ref. No. 03-0905-01/2020) (REDMS No. 6448396; 6448404)

FIN-6

See Page **FIN-6** for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2019 Richmond Public Library audited financial statements for the year ended December 31, 2019, as presented in the attached report from the Chief Librarian, be received for information.



3. **2019 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**

(File Ref. No. 10-0060-20/2020) (REDMS No. 6441023)

FIN-28

See Page FIN-28 for full report

Designated Speaker: Jerry Chong

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled “2019 Financial Statements for the Lulu Island Energy Company” dated April 1, 2020 from the Chief Executive Officer and Chief Financial Officer, be received for information.



4. **RICHMOND OLYMPIC OVAL – 2019 AUDITED FINANCIAL STATEMENTS**

(File Ref. No.) (REDMS No. 6450716)

FIN-65

See Page FIN-65 for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the report on 2019 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.



Finance Committee Agenda – Monday, May 4, 2020

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ITEM

5. **2019 CONSOLIDATED FINANCIAL STATEMENTS**

(File Ref. No. 03-0905-01/2020) (REDMS No. 6448921 v. 2; 6448931; 6422057)

FIN-88

[See Page FIN-88 for full report](#)

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

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

☐

6. **REVENUE ANTICIPATION BORROWING (2020) BYLAW NO. 10153**

(File Ref. No. 03-0900-01/2020) (REDMS No. 6404314 v. 2)

FIN-156

[See Page FIN-156 for full report](#)

Designated Speaker: Venus Ngan

STAFF RECOMMENDATION

1. *That Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be introduced and given first, second and third readings.*
2. *That Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be adopted.*

☐

ADJOURNMENT

☐



Finance Committee

Date: Monday, April 6, 2020

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair (attending via teleconference)
Councillor Chak Au
Councillor Carol Day
Councillor Kelly Greene (attending via teleconference)
Councillor Alexa Loo (attending via teleconference)
Councillor Bill McNulty
Councillor Linda McPhail (attending via teleconference)
Councillor Harold Steves (attending via teleconference)
Councillor Michael Wolfe (attending via teleconference)

Call to Order: The Chair called the meeting to order at 4:50 p.m.

Mayor Brodie advised that Item No. 3 – 2019 Investment Report was removed from the agenda.

MINUTES

It was moved and seconded

That the minutes of the meeting of the Finance Committee held on January 7, 2020, be adopted as circulated.

CARRIED

Finance Committee
Monday, April 6, 2020

FINANCE AND CORPORATE SERVICES DIVISION

1. 2019 ANNUAL DEVELOPMENT COST CHARGES REPORT

(File Ref. No. 03-1070-04-01/2020) (REDMS No. 6423932 v. 2)

It was moved and seconded

That the staff report titled, "2019 Annual Development Cost Charges Report," dated March 6, 2020 from the Director, Finance be received for information.

CARRIED

2. 2019 ANNUAL PROCUREMENT REPORT

(File Ref. No. 02-0745-01) (REDMS No. 6402948 v. 5)

It was moved and seconded

That the staff report titled "2019 Annual Procurement Report", dated March 6, 2020 from the Director of Finance, be received for information.

CARRIED

3. 2019 INVESTMENT REPORT

(File Ref. No. 03-0900-01) (REDMS No. 6392117 v. 5)

Please see Page 1 for action on this item.

4. COVID-19 FINANCIAL INFORMATION UPDATE

(File Ref. No.) (REDMS No. 6441214)

It was moved and seconded

That the report titled "COVID-19 Financial Information Update" dated March 31, 2020 from the Director of Finance be received for information.

CARRIED

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (4:51 p.m.).

CARRIED

Finance Committee
Monday, April 6, 2020

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, April 6, 2020.

Mayor Malcolm D. Brodie
Chair

Evangel Biason
Legislative Services Coordinator



Special Finance Committee

Date: Monday, April 20, 2020

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
Councillor Carol Day (attending via teleconference)
Councillor Kelly Greene (attending via teleconference)
Councillor Alexa Loo (attending via teleconference)
Councillor Bill McNulty (attending via teleconference)
Councillor Linda McPhail (attending via teleconference)
Councillor Harold Steves (attending via teleconference)
Councillor Michael Wolfe (attending via teleconference)

Call to Order: The Chair called the meeting to order at 5:11 p.m.

FINANCE AND CORPORATE SERVICES DIVISION

1. **REVISED CONSOLIDATED 5 YEAR FINANCIAL PLAN (2020-2024)**
BYLAW NO. 10183

(File Ref. No. 03-0985-01) (REDMS No. 6449954)

Staff reviewed the proposed revised Consolidated 5 Year Financial Plan, noting the following revisions:

- the cancellation of the additional 1% transfer to reserves;
- the deferral of the 12 additional RCMP officers and 5 additional municipal employee RCMP detachment support staff;
- the deferral of the City Centre Community Centre North OBI Phase-in; and
- the deferral of the Operating Budget Impact (2020 Capital).

Finance Committee
Monday, April 20, 2020

It was moved and seconded

- (1) *That the Revised Consolidated 5 Year Financial Plan (2020-2024) Bylaw No. 10183 be introduced and given first, second, and third readings; and*
- (2) *That staff undertake a process of public consultation as required in Section 166 of the Community Charter.*

The question on the motion was not called as discussion ensued with regard to (i) managing potential revenue shortfalls during the COVID-19 pandemic, (ii) reviewing the proposed tax increase and options to reduce City expenses, (iii) exploring options to utilize the City's reserves, (iii) examining tax payment options for residents, and (iv) exploring future capital projects and other options to lift the City's economy.

In accordance with Section 100 of the *Community Charter*, Cllr. Au declared to be in a conflict of interest as his son is a firefighter in the City, and Cllr. Au left the meeting – 5:24 p.m.

In reply to queries from Committee regarding Richmond Fire-Rescue firefighter recruitment, staff noted that the proposed revised budget includes the 12 firefighters recruited this year and that the proposed additional 12 firefighters will be subject to the 2021 budget process.

The question on the motion was then called and it was **CARRIED** with Cllr. Greene opposed.

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (5:25 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, April 20, 2020.

Mayor Malcolm D. Brodie
Chair

Evangel Biason
Legislative Services Coordinator



City of Richmond

Report to Committee

To: Finance Committee

Date: April 15, 2020

From: Andrew Nazareth
General Manager, Finance and Corporate
Services

File: 03-0905-01/2020-Vol
01

Re: 2019 Financial Statements for the Richmond Public Library

Staff Recommendation

That the 2019 Richmond Public Library audited financial statements for the year ended December 31, 2019, as presented in the attached report from the Chief Librarian, be received for information.

Andrew Nazareth
General Manager, Finance and Corporate Services
(604-276-4095)

REPORT CONCURRENCE	
SENIOR STAFF REPORT REVIEW	INITIALS:
APPROVED BY CAO 	

To: Finance Committee

From: Susan Walters, Chief Librarian

Re: 2019 Financial Statements of the Richmond Public Library Board

Recommendation

That the 2019 Financial Statements of the Richmond Public Library Board be received for information.



Susan Walters
Chief Librarian & Secretary to the Board
Richmond Public Library

Attachment:
Financial Statements of Richmond Public Library Board Year Ended December 31, 2019

Origin

The Library Act, Part 2, Section 11(2) states: "The library board must provide to the municipality annual financial statements that have been audited in the same manner and at the same time as the financial statements of the municipality."

This report deals with the 2019 financial statements of the Richmond Public Library Board.

Analysis

Please see the attached Draft Financial Statements of the Richmond Public Library Board for the year ended December 31, 2019. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

KPMG did not identify any control deficiencies that they consider to be significant deficiencies in internal control for financial reporting.

The Library's Finance and Audit committee reviewed the statements on March 6, 2020 and the Library Board approved them at their regular meeting on Wednesday, March 25, 2020.

Statement of Financial PositionFinancial Assets

The amount due from the City of Richmond (\$2,078,846) increased by \$3,361 and accounts receivable decreased to (\$20,485) in the normal course of business.

Liabilities

Accounts payable and accrued liabilities as of December 31, 2019 were \$1,187,264 and primarily included accrued payroll liabilities and post-employment benefits. Deferred revenue of \$62,234 is the amount of restricted donations received. Donation revenue is recognized in the year in which the related expenses are incurred.

Non-Financial Assets

As of December 31, 2019 the library had \$3,176,057 in tangible capital assets, which includes the library's collections, computer hardware and software, equipment and furniture. Note 6 in the financial statements contains a breakdown of cost, accumulated depreciation and net book value.

The 2019 net book value of tangible capital assets declined by \$59,348 due to a decline in the collection's net book value as a result of amortization exceeding additions as more resources were allocated to digital books and multimedia.

Prepaid expense of \$491,632 consists of e-book subscriptions with durations longer than one year.

Accumulated Surplus

The accumulated surplus at December 31, 2019 was \$4,517,522 and consists of tangible capital assets of \$3,176,057, appropriated surplus of \$390,120 and surplus of \$954,944. Appropriated surplus included \$142,676 approved for capital expenditures and \$33,401 for library operations.

Statement of OperationsRevenue

The library received \$9,710,500 in contributions from the City, \$376,528 from grants, \$287,339 from fines and miscellaneous charges and \$20,532 from investment income. Book fine revenue decreased from year to year but was higher than budget. Online services increased and other libraries improved their

collections, causing InterLINK revenues to fall slightly by \$2,138. Miscellaneous income was slightly higher than 2018 by \$5,345 due to higher WorkSafe recovery and change in accounting practice for donated materials. Donation revenue matches the donations expenses incurred during 2019. The 2019 figure of \$66,063 was an increase of \$18,539 over the previous year.

Expenses

Salaries and benefits had a budget unfavourable variance of \$96,274 due to vacation and sick coverage and were \$594,155 higher than 2018 mainly due to 2% collective agreement increase and number of vacant positions in 2018.

Amortization of tangible capital assets is on a straight-line basis with library collections over 4 to 20 years, furniture and fixtures over 10 to 20 years and equipment over 5 to 10 years. In 2019 this amounted to \$1,127,629.

Library collections and databases include "eBooks", multimedia, databases, newspapers and magazines. There is a year over year decrease of \$27,336 due to the savings from library databases.

Supplies and equipment services expense is a consolidation of various items including cataloguing, supplies, printing, training and equipment purchases and maintenance. The cost was \$63,535 higher than 2018 mainly due to special collection assessment in late 2019 and additional resources allocated for staff training such as a customer service workshop. The actual cost was lower than budget mainly due to savings from supplies and lower expenditures in marketing and postage.

Building, leases and maintenance expenses were \$1,488 higher than budget and \$11,637 higher than 2018 due to moderate increases from the leases and cleaning contract.

General and administration expenses were \$36,124 higher than last year but \$26,090 lower than budget. There was a favourable budget variance due to lower IT equipment failure rate.

Overall, 2019 expenses were \$522,189 higher than 2018 due to contractual increases such as collective agreement, training, leases and other service agreements .

Library Board Approval

The Library Board reviewed the statements and approved them at their regular meeting on Wednesday, March 25, 2020.

Susan Walters



Chief Librarian & Secretary to the Board
Richmond Public Library

Financial Statements of

**RICHMOND PUBLIC
LIBRARY BOARD**

And Independent Auditor's Report thereon

Year ended December 31, 2019



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Canada
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Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Richmond Public Library Board

Opinion

We have audited the financial statements of Richmond Public Library Board (the "Library"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the 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 financial position of the Library as at December 31, 2019, and its results of operations, its changes in net financial assets and its 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 Library 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 Library'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 Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 Library'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 Library'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 Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 25, 2020

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Due from City of Richmond (note 3)	\$ 2,078,846	\$ 2,075,485
Accounts receivable	20,485	63,918
	<u>2,099,331</u>	<u>2,139,403</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,187,264	1,175,615
Deferred revenue (note 5)	62,234	110,865
	<u>1,249,498</u>	<u>1,286,480</u>
Net financial assets	849,833	852,923
Non-Financial Assets		
Tangible capital assets (note 6)	3,176,057	3,235,405
Prepaid expenses	491,632	569,795
	<u>3,667,689</u>	<u>3,805,200</u>
Accumulated surplus (note 8)	\$ 4,517,522	\$ 4,658,123

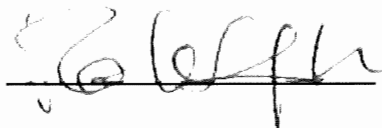
Commitments (note 15)


Economic dependence (note 18)

Subsequent event (note 19)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

 Trustee

 Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2019 with comparative information for 2018

	Budget 2019 (notes 2(a) and 17)	2019	2018
Revenue:			
Municipal contribution	\$ 9,752,000	\$ 9,710,500	\$ 9,422,954
Grants (note 9)	390,000	376,528	380,074
Fines and miscellaneous (note 10)	281,000	287,339	280,118
Donations (note 11)	-	66,063	47,524
Investment income (note 12)	18,400	20,532	19,087
Gain on sale of tangible capital assets	-	36,711	35,803
	10,441,400	10,497,673	10,185,560
Expenses:			
Salaries and employee benefits	7,658,500	7,754,774	7,160,619
Amortization	1,538,700	1,127,629	1,189,876
Library subscriptions and databases (note 13)	562,200	563,014	590,350
Supplies and equipment services	404,200	302,923	239,388
General and administration	382,200	356,111	319,986
Building, leases and maintenance	394,900	396,388	384,750
Utilities	137,900	137,435	131,717
Contribution for capital improvements	-	-	99,399
	11,078,600	10,638,274	10,116,085
Annual surplus (deficit)	(637,200)	(140,601)	69,475
Accumulated surplus, beginning of year	4,658,123	4,658,123	4,588,648
Accumulated surplus, end of year	\$ 4,020,923	\$ 4,517,522	\$ 4,658,123

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

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

	Budget 2019 (notes 2(a) and 17)	2019	2018
Annual surplus (deficit)	\$ (637,200)	\$ (140,601)	\$ 69,475
Acquisition of tangible capital assets	(892,400)	(1,068,303)	(1,066,941)
Amortization of tangible capital assets	1,538,700	1,127,629	1,189,876
Gain on sale of tangible capital assets	-	(36,711)	(35,803)
Proceeds on sale of tangible capital assets	-	36,733	39,616
Decrease (increase) in prepaid expenses	-	78,163	(122,406)
Change in net financial assets	9,100	(3,090)	73,817
Net financial assets, beginning of year	852,923	852,923	779,106
Net financial assets, end of year	\$ 862,023	\$ 849,833	\$ 852,923

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

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

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (140,601)	\$ 69,475
Items not involving cash:		
Amortization	1,127,629	1,189,876
Gain on sale of tangible capital assets	(36,711)	(35,803)
Changes in non-cash operating working capital:		
Due from City of Richmond	(3,361)	(153,496)
Accounts receivable	43,433	41,321
Prepaid expenses	78,163	(122,406)
Accounts payable and accrued liabilities	11,649	(5,696)
Deferred revenue	(48,631)	44,054
Net change in cash from operating activities	1,031,570	1,027,325
Capital activities:		
Proceeds on sale of tangible capital assets	36,733	39,616
Acquisition of tangible capital assets	(1,068,303)	(1,066,941)
Net change in cash from capital activities	(1,031,570)	(1,027,325)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2019

1. Operations:

The Richmond Public Library Board (the "Library") is responsible for the administration of public libraries in the City of Richmond (the "City"). Funding for the provisions of these services is primarily through an annual contribution from the City. In addition, revenue is received from provincial government grants, library fees, donations and other miscellaneous sources. The Library is a registered charity under provisions of the Income Tax Act (Canada) and is not a taxable entity. The Library receives accounting services from, and operates primarily in facilities provided free of charge by, the City.

2. Significant accounting policies:

The accounting policies of the Library conform to Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada and include the following specific policies:

(a) Budget data:

The budget data presented in these financial statements is based on the 2019 budget approved by the Board of Trustees on September 26, 2018. Note 17 reconciles the approved budget to the budget figures reported in these financial statements.

(b) Use of estimates:

The preparation of the 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits and useful lives of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(c) Deferred revenue:

The Library records the receipt of restricted donations as deferred revenue and recognizes the revenue in the year in which related expenses are incurred.

(d) 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.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(e) 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 asset. The cost, less residual value, of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Library collections	4 - 20 years
Furniture and fixtures	10 - 20 years
Equipment	5 - 10 years

Amortization is charged over the asset's useful life commencing when the asset is available for use.

(f) Donations of tangible capital assets:

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

(g) Functional and object reporting:

The operations of the Library are comprised of a single function, Library operations. As a result, the expenses of the Library are presented by object in the statement of operations.

(h) Employee future benefits:

The Library and its employees make contributions to the Municipal Pension Plan (the "Plan"). These contributions are expensed as incurred.

Sick leave and post-employment benefits are available to the Library's employees. The costs of 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 as the employees render services necessary to earn the future benefits (note 7).

(i) Government transfers:

Restricted transfers from government are deferred and are recognized as revenue in the year in which 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 assured.

(j) Library subscriptions and databases:

Library subscriptions and databases not owned by the Library or that have useful lives that are less than one operating cycle are recorded as an expense when incurred.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Due from City of Richmond:

Due from City of Richmond is comprised of funds held by the City on behalf of the Library. This balance is non-interest bearing and is due on demand.

4. Accounts payable and accrued liabilities:

	2019	2018
Accounts payable	\$ 160,039	\$ 252,035
Accrued liabilities	48,657	10,223
Accrued payroll liabilities	393,968	371,657
Post-employment benefits (note 7)	584,600	541,700
	\$ 1,187,264	\$ 1,175,615

5. Deferred revenue:

	2019	2018
Balance, beginning of year	\$ 110,865	\$ 66,811
Contributions	17,009	91,578
Revenue recognized	(65,640)	(47,524)
Balance, end of year	\$ 62,234	\$ 110,865

6. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Library collections	\$ 6,420,114	\$ 800,411	\$ (567,943)	\$ 6,652,582
Furniture and fixtures	1,313,308	30,959	(3,874)	1,340,393
Equipment	1,712,028	236,933	(3,124)	1,945,837
	\$ 9,445,450	\$ 1,068,303	\$ (574,941)	\$ 9,938,812

Accumulated amortization	Balance at December 31, 2018	Amortization	Disposals	Balance at December 31, 2019
Library collections	\$ 3,855,855	\$ 992,984	\$ (567,921)	\$ 4,280,918
Furniture and fixtures	834,094	22,156	(3,874)	852,376
Equipment	1,520,096	112,489	(3,124)	1,629,461
	\$ 6,210,045	\$ 1,127,629	\$ (574,919)	\$ 6,762,755

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Tangible capital assets (continued):

Net book value	Balance at December 31, 2019	Balance at December 31, 2018
Library collections	\$ 2,371,664	\$ 2,564,259
Furniture and fixtures	488,017	479,214
Equipment	316,376	191,932
	\$ 3,176,057	\$ 3,235,405

7. Post-employment benefits:

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

Details of the accrued employee future benefit liability are as follows:

	2019	2018
Balance, beginning of year	\$ 452,000	\$ 480,200
Current service cost	32,900	33,200
Interest cost	15,100	13,900
Past service cost	24,200	-
Benefits paid	(15,900)	(23,900)
Actuarial (gain)/loss	129,700	(51,400)
Balance, end of year	\$ 638,000	\$ 452,000

An actuarial valuation for these benefits was performed to determine the Library'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.

	2019	2018
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 638,000	\$ 452,000
Unamortized net actuarial gain/(loss)	(53,400)	89,700
Balance, end of year	\$ 584,600	\$ 541,700

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Post-employment benefits (continued):

Actuarial assumptions used to determine the Library'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 increases	2.50% to 3.00%	2.50% to 3.00%

8. Accumulated surplus:

	2019	2018
Operating:		
Appropriated surplus	\$ 390,120	\$ 230,313
Surplus	951,345	1,192,405
Invested in tangible capital assets	3,176,057	3,235,405
	\$ 4,517,522	\$ 4,658,123

Appropriated surplus is comprised of \$142,676 (2018 - \$64,879) approved for capital expenditures, \$131,040 (2018 - \$49,030) for future capital acquisitions, \$33,401 (2018 - \$33,401) for library operations, and \$83,003 (2018 - \$83,003) for future salary and benefit obligations.

9. Grants:

	2019	2018
Provincial Revenue Sharing Grant (a)	\$ 352,990	\$ 352,990
One Card Grant (b)	16,664	20,593
British Columbia Equity Grant (c)	4,500	4,500
Resource Sharing Grants (d)	2,374	1,991
	\$ 376,528	\$ 380,074

(a) Provincial Revenue Sharing Grant is funded by the Libraries Branch of the Ministry of Education of the Province of British Columbia.

(b) The One Card Grant is provided by the Libraries Branch of the Ministry of Education of the Province of British Columbia to ensure that every British Columbian with a valid library card has complete access to all public libraries within the province, and that every school-age child in Richmond is given their own library card so that they may take full advantage of the library's resources.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Grants (continued):

- (c) British Columbia Equity Grant is awarded by the Libraries Branch of the Ministry of Education of the Province of British Columbia to support the Library in its role in fostering literacy and life-long learning in our community through the purchase of additional library materials in the area of literacy and English as a Second Language.
- (d) Resource Sharing Grants are annual grants are provided to BC public libraries to encourage their participation in the province-wide inter library loan system.

10. Fines and miscellaneous:

	2019	2018
Book fines	\$ 154,650	\$ 160,382
InterLINK revenue	27,930	30,068
Photocopy and printer revenue	60,326	50,580
Miscellaneous	44,433	39,088
	\$ 287,339	\$ 280,118

11. Donations:

Donations revenue is a combination of unrestricted donations received in the year and the recognition of restricted donations relating to expenses incurred in the year.

	2019	2018
Friends of the Library	\$ 31,402	\$ 35,847
Other	34,661	11,677
	\$ 66,063	\$ 47,524

12. Investment income:

The Library has endowment funds administered by the Vancouver Foundation and Richmond Community Foundation. Under the terms of the related agreements, the Vancouver Foundation and Richmond Community Foundation will retain, invest, and disburse income on the endowment funds. The Library receives the net income generated from each fund after deduction of administrative costs. The endowment funds are not reflected in these financial statements.

- (a) Richmond Public Library Endowment Fund administered by Vancouver Foundation:

The fund was established in 1994 and the contributed capital in the fund amounts to \$282,900 at December 31, 2019 (2018 - \$282,900). The balance is comprised of donations from Friends of the Library (\$156,000), Vancouver Foundation's matching program (\$75,000), and other donors (\$51,900).

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Investment income (continued):

- (a) Richmond Public Library Endowment Fund administered by Vancouver Foundation (continued):

As at December 31, 2019, the fair value of the capital in the fund amounted to \$379,349 (2018 - \$353,839).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income for the year ended December 31, 2019 was \$14,398 (2018 - \$13,872) and is presented as investment income on the statement of operations.

- (b) Richmond Public Library Permanent Agency Endowment Fund administered by the Richmond Community Foundation:

The fund was established in 2010 and the contributed capital in the fund amounts to \$140,518 at December 31, 2019 (2018 - \$135,518). The balance is comprised of donations from Friends of the Library (\$49,000) and other donors (\$91,518).

As at December 31, 2019, the fair value of the capital in the fund amounted to \$168,388 (2018 - \$145,376).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income for the year ended December 31, 2019 was \$6,134 (2018 - \$5,215) and is presented as investment income on the statement of operations.

13. Library subscriptions and databases:

	2019	2018
Digital books and multimedia	\$ 395,137	\$ 404,472
Databases, newspapers and magazines	167,877	185,878
	\$ 563,014	\$ 590,350

14. Pension plan:

The Library 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.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

14. Pension plan (continued):

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.

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 Library paid \$560,054 (2018 - \$560,852) for employer contributions while employees contributed \$497,289 (2018 - \$485,427) 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.

15. Commitments:

The Library has committed to operating lease payments for the Ironwood and Cambie Branch premises, with minimum annual lease payments as follows:

2020	\$ 288,532
2021	282,652
2022	285,200
2023	271,452
2024	98,688

16. Contractual rights:

The Library has a longstanding agreement with InterLINK, entitling them to compensation subject to net circulation services to non-residents. The compensation varies from year to year.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

17. Budget data:

The budget data presented in these financial statements is based on the 2019 budget approved by the Board of Trustees on September 26, 2018. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Board Approved Budget	Financial Statement Budget
Revenue:		
Operating budget	\$ 10,441,400	\$ 10,441,400
Expenses:		
Operating budget	(9,539,900)	(9,539,900)
Less: Transfer to surplus	(9,100)	-
Less: Acquisition of tangible capital assets	(892,400)	-
Less: Amortization of tangible capital assets	-	(1,538,700)
Annual deficit	\$ -	\$ (637,200)

18. Economic dependence:

The Library is economically dependent on receiving funding from the City.

19. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At this time, this situation presents uncertainty over the Library's future cash flows, and may have a significant impact on the Library's future operations. Potential impacts on the Library's business could include future decreases in revenue. 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 Library is not practicable at this time.

RICHMOND PUBLIC LIBRARY BOARD

Unaudited Statement of Operations by Fund

Year ended December 31, 2019

	2019			2018		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 8,818,100	\$ 892,400	\$ 9,710,500	\$ 8,453,604	\$ 969,350	\$ 9,422,954
Grants	376,528	-	376,528	380,074	-	380,074
Fines and miscellaneous	277,313	10,026	287,339	280,118	-	280,118
Donations	66,063	-	66,063	47,524	-	47,524
Investment income	20,532	-	20,532	19,087	-	19,087
Gain on sale of tangible capital assets	-	36,711	36,711	-	35,803	35,803
	9,558,536	939,137	10,497,673	9,180,407	1,005,153	10,185,560
Expenses:						
Salaries and employee benefits	7,754,774	-	7,754,774	7,160,619	-	7,160,619
Amortization	-	1,127,629	1,127,629	-	1,189,876	1,189,876
Library subscriptions and databases	563,014	-	563,014	590,350	-	590,350
Supplies and equipment services	302,923	-	302,923	239,388	-	239,388
General and administration	356,111	-	356,111	319,986	-	319,986
Building, leases and maintenance	396,388	-	396,388	384,750	-	384,750
Utilities	137,435	-	137,435	131,717	-	131,717
Contribution for capital improvements	-	-	-	99,399	-	99,399
	9,510,645	1,127,629	10,638,274	8,926,209	1,189,876	10,116,085
Annual surplus (deficit)	47,891	(188,492)	(140,601)	254,198	(184,723)	69,475
Accumulated surplus, beginning of year	689,638	3,968,485	4,658,123	435,440	4,153,208	4,588,648
Accumulated surplus, end of year	\$ 737,529	\$ 3,779,993	\$ 4,517,522	\$ 689,638	\$ 3,968,485	\$ 4,658,123

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City of Richmond

Report to Committee

To: Finance Committee
From: John Irving, P.Eng., MPA
General Manager, Engineering & Public Works
and Chief Executive Officer, Lulu Island Energy
Company

Date: April 1, 2020
File: 10-0060-20/2020-Vol 01

Jerry Chong, CPA, CA
Director, Finance and Chief Financial Officer,
Lulu Island Energy Company

Re: 2019 Financial Statements for the Lulu Island Energy Company

Staff Recommendation

That the Lulu Island Energy Company report titled "2019 Financial Statements for the Lulu Island Energy Company" dated April 1, 2020 from the Chief Executive Officer and Chief Financial Officer, be received for information.

John Irving, P.Eng., MPA
General Manager, Engineering and Public Works
Chief Executive Officer,
Lulu Island Energy Company
(604-276-4140)

Jerry Chong, CPA, CA
Director, Finance and
Chief Financial Officer,
Lulu Island Energy Company
(604-276-4064)

Att. 1

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY SMT	INITIALS:
APPROVED BY CAO 	

March 2, 2020

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6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

DATE: March 2, 2020

TO: Board of Directors

FROM: Jerry Chong, CPA, CA, Chief Financial Officer

Re: 2019 Financial Statements for the Lulu Island Energy Company

Staff Recommendation

That the audited financial statements of the Lulu Island Energy Company (LIEC) for the year ending December 31, 2019, be approved, and that any two LIEC directors be authorized to sign the financial statements to confirm that approval.

Origin

Section 11.3 of the LIEC Articles requires that an auditor be appointed and that audited financial statements be prepared at the end of each fiscal year. It also requires that the audited financial statements are presented annually at an open City of Richmond Council meeting within 150 days of LIEC's fiscal year end. This report presents the 2019 audited financial statements for the LIEC Board's approval.

Background

LIEC, a corporation wholly-owned by the City of Richmond, was established to provide district energy services for the City to reduce community GHGs in Richmond. Under direction from Council, and following receipt of the necessary approval from the Inspector of Municipalities, the incorporation of LIEC was completed in August 2013.

In June 2014, the City and LIEC executed a District Energy Utilities Agreement assigning LIEC the function of establishing and operating district energy systems as well as providing thermal energy services on behalf of the City.

LIEC currently owns and operates the Alexandra District Energy Utilities (ADEU), Oval Village District Energy Utilities (OVDEU), and continues to advance new district energy opportunities. Both the Alexandra and the Oval Village neighbourhoods are experiencing rapid redevelopment

March 2, 2020

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and LIEC has been growing to meet this increased energy demand, while maintaining exceptional reliability and quality of service.

ADEU provides heating and cooling services to residential and commercial buildings in the ADEU service area, comprising over 1,735 residential units and over 1.9 million square feet of serviced floor area. While some electricity is consumed for pumping and equipment operations, nearly 100% of this energy is renewable. This energy is produced locally from geo-exchange fields in the greenway corridor and West Cambie Park, as well as highly efficient air-source heat pumps.

The OVDEU system is managed through a 30-year concession agreement where Corix Utilities Inc. (Corix) designs, constructs, finances, and maintains infrastructure with LIEC maintaining the ownership of the utility. There are nine residential buildings connected to the OVDEU system with over 1,990 residential units and 2.2 million square feet of floor area receiving energy from the utility. Energy is currently supplied from the two interim energy centres with natural gas boilers which combined provide 11 MW of heating capacity. When enough buildings are connected to the system (est. 2025), a permanent energy centre will be built which will harness low carbon energy from the Gilbert Trunk sanitary force main sewer.

The ADEU and OVDEU service areas' operations, assets and liabilities are administered by LIEC. All capital and operating costs are recovered through revenue from meter billings, ensuring that the business is financially self-sustaining.

The purpose of this report is to present the 2019 Financial Statements to the Board for approval. If approved by the Board, staff will present LIEC's 2019 Financial Statements to Council for information purposes, in conjunction with the City's reporting process.

Analysis

The preparation of financial statements is the responsibility of management. As a Government Business Enterprise (GBE), LIEC's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

LIEC's audited financial statements consist of:

- Statement of Financial Position – summary of assets, liabilities and shareholder's equity;
- Statement of Comprehensive Income – summary of revenues, expenses, other activities and net income for the year;
- Statement of Changes in Equity – summary of changes in share capital, contributed surplus and accumulated surplus for the year;
- Statement of Cash Flows – summary of the sources and uses of cash in the year; and
- Notes to the financial statements – summary of additional information pertaining to operations and financial position.

The financial statements have been audited by the independent firm KPMG LLP. Their report precedes the financial statements in Attachment 2.

March 2, 2020

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Financial Position

Table 1: Summary of assets, liabilities and shareholder's equity

	2019	2018	\$ Changes	% Change
Current Assets	\$ 13,128,722	\$ 10,838,195	\$ 2,290,527	21%
Non-current Assets	33,412,384	32,360,749	1,051,635	3%
Total Assets	\$ 46,541,106	\$ 43,198,944	\$ 3,342,162	8%
Current Liabilities	\$ 3,421,581	\$ 1,922,526	\$ 1,499,055	78%
Non-current Liabilities	11,705,361	11,496,652	208,709	2%
Shareholder's Equity	31,414,163	29,779,765	1,634,398	5%
Total Liabilities and Shareholder's Equity	\$ 46,541,106	\$ 43,198,944	\$ 3,342,162	8%

The statement of financial position distinguishes current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered within 12 months; non-current assets and liabilities are those where the recovery is expected to occur more than 12 months from the reporting date. LIEC's overall financial position improved by \$3,342,162 in 2019 with total assets of \$46,541,106 (2018 - \$43,198,944).

Total assets are comprised of current assets (cash, investments, and receivables) totaling \$13,128,722 (2018 – \$10,838,195) and non-current assets (plant and equipment) of \$33,412,384 (2018 - \$32,360,749). The current assets increased by \$2,290,527 mainly due to advanced payments received from developers for future building connections and net cash flows generated from operations. The interest rate on cash balance is higher than term deposit rate; therefore, capital is kept as cash rather than invested. Non-current assets increased by \$1,051,635, bringing the total to \$33,412,384. The increase is the net result of capital additions in the year offset by amortization expense.

LIEC's current liabilities of \$3,421,581 (2018 -\$1,992,526) consist of outstanding invoices and payables due within 12 months. The increase of \$1,499,055 is mainly due to timing of capital projects cash disbursement schedules. LIEC's non-current liabilities consist of deferred contributions and concession liabilities. The non-current liabilities increased by \$208,709 to \$11,705,361 (2018 - \$11,496,652), mainly due to developer contributions for capital projects. The deferred developers' contributions are recovering the cost of the service connection, including installation of the energy transfer station infrastructure over time. In accordance with IFRS, the contributions are recognized over the useful life of equipment at 25 years from the available to use date. Therefore, unrecognized contributions are deferred and recognized as non-current liabilities of the company. The concession liabilities are linked to the 30 year concession agreement between LIEC and Corix, where Corix designs, constructs, finances, and maintains the OVDEU's infrastructure. The concession liabilities are the anticipated cash outflow for future obligations under the agreement for the capital and operating costs of the assets.

The shareholder's equity represents the net worth of the company. It is equal to the total assets minus the total liabilities and measures the company's financial health. In 2019, LIEC's shareholder equity was \$31,414,163 (2018 - \$29,779,765), which indicates that the company's value has increased by \$1,634,198, showing good financial health of the company.

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Income Statement

	2019	2018	\$ Changes	% Change
Revenues				
Metered Billings	\$ 3,808,872	\$ 3,419,028	\$389,844	11%
Service fee	962,241	934,215	28,026	3%
	4,771,113	4,353,243	417,870	10%
Cost of Sales				
Contracts	515,606	501,682	13,924	3%
Utilities	702,670	627,270	75,400	12%
Amortization	1,076,097	1,045,228	30,869	3%
	2,294,373	2,174,180	120,193	6%
Gross Margin	2,476,740	2,179,063	297,677	14%
General and Administration Expenses				
Salaries and benefits	745,215	615,338	129,877	21%
Administration expenses	94,248	90,676	3,572	4%
Insurance	70,639	65,761	4,878	7%
Professional fees	20,587	31,346	(10,759)	(34%)
	930,689	803,121	127,568	14%
Net Income Before Other Items	1,546,051	1,375,942	170,109	12%
Contributions and Financing Expense				
Developer contributions	119,764	106,761	13,003	12%
Energy modeling review fee	156,740	151,083	5,657	4%
Net finance cost	(188,157)	(143,154)	(45,003)	31%
	88,347	114,690	(26,343)	(23%)
Net Income	\$ 1,634,398	\$ 1,490,632	\$143,766	10%
Earnings before interest, taxes and amortization (EBITA)				
Net income per above	1,634,398	1,490,632	143,766	10%
Net finance cost	188,157	143,154	45,003	31%
Amortization expense	1,076,097	1,045,288	30,869	3%
EBITA	2,898,652	2,679,014	219,638	8%

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The income statement provides a summary of the company's revenues, expenses and profits over the fiscal year of 2019. It reports the financial performance of the company.

Table 2: Percentage of revenue

	December 31, 2019	December 31, 2018
Percentage of Revenue		
Gross margin percentage	52%	50%
General and administration percentage	20%	19%
Net income percentage	34%	34%
EBITA percentage	61%	61%

Year-over-Year Change

The metered billings reflect the full year energy sales based on the actual customers' energy usage and consumption. Overall, the metered billings increased by \$389,844 to \$3,808,872 (2018 – 3,805,116) mainly due to:

- An increase of \$236,038 in ADEU metered billings due to an annual utility rate increase and additional energy use as a result of a new building connection (Trafalgar); and
- An increase of \$153,806 in OVDEU metered billings due to an annual utility rate increase and additional energy use as a result of a new building connection (River Park Place 2).

The service fee of \$962,241 (2018 - \$934,215) is for LIEC services of advancing district energy opportunities in the City, which results in numerous benefits to the City and Richmond community. Staff and specialty consultants working on low carbon district energy initiatives are covered by the service fee. With or without LIEC, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges. The City identified district energy utilities (DEUs) as a leading strategy to achieve the City's GHG reduction goals. To date, it is estimated that LIEC District Energy system has resulted in a reduction of over 5,000 tonnes of GHG emissions.

The cost of sales is the accumulated total of expenses attributable to the metered billing revenue, which includes contract services, utilities (electricity and natural gas), and amortization expenses. The total contract expense increased by \$13,924 to \$515,606 (2018 - \$501,682). The addition of two new building connections resulted in a cost increase as associated operational and maintenance activities were needed to service the new connections.

Utility expenses increased by \$75,400 to \$702,670 (2018 - \$627,270). This increase is due to utility rate increases and increased energy sales to customers. Additional energy demand and higher occupancy levels resulted in an increased use of electricity and natural gas to run distribution pumps, geo-field pumps, auxiliary equipment, cooling towers and boilers which are used to deliver energy to the customers' buildings.

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The amortization expense increased due to capital asset additions. Overall, the total cost of sales increased by \$120,193 to \$2,294,373 (2018 - \$2,174,180).

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and includes salaries and benefits, administration expenses, insurance and professional fees. The administration expense includes a fee of \$61,417 (2018 - \$59,758), paid by LIEC to the City of Richmond for the support provided by the City. The general and administration expenses increased by \$127,568 to \$930,689 (2018 - \$803,121) over 2018, mainly due to:

- Salaries and benefits – The increase of salaries and benefits is due to the accrual of post-employment obligations, fringe benefits as a result of the new Employer Health Tax, and the addition of a new employee. The post-employment obligation expense is new for this year. Every three years a comprehensive evaluation of post-employment obligation is performed by a third party; the last evaluation was performed in 2016. The increase amount of post-employment obligation for 2019 is \$89,985, which is mainly due to the growth of the company and additional employees since 2016. The Employer Health Tax of \$14,665 is also a new cost for this fiscal year.
- Insurance – The premium is higher due to a general insurance rate increase and the additional capital assets being insured; and

Overall, general and administration expenses as a percentage of revenues are in line at 20% for 2019 compared to 19% for 2018.

The contributions and financing expense section represents other sources of revenue and the financing expense for the business. The current energy modeling review fees collected are higher than 2018 due to more buildings applying for permits and therefore paying more fees. The net finance cost is the result of year-to-date finance costs on concession liabilities offset by interest income. The additional capital expenditure for OVDEU infrastructure has resulted in a higher balance of concession liability than the prior year. Overall, the net finance cost is higher than 2018 mainly due to a one-time credit received in 2018 as a result of successful negotiation with OVDEU concessionaire.

LIEC's EBITA (earnings before interest, tax, and amortization), used as a proxy to measure LIEC's financial performance, increased by 8% compared to 2018. EBITA as a percentage of revenue is 61% for both 2019 and 2018.

Overall, LIEC's revenues exceeded expenses resulting in a net income of \$1,634,398 (2018 - \$1,490,632). The net income as a percentage of revenue is 34% for both years. Compared to 2018, the net income has increased by \$143,766 showing positive financial results of operations.

LIEC's financial sustainability and future growth must be taken into consideration when reviewing its EBITA and net income. LIEC's success is dependent upon developing in-house expertise and securing funds for future capital replacements as existing infrastructure components reach their end of life. Other important factors include the planning of future projects, which consists of research and development, and exploratory reviews of future

March 2, 2020

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technology and opportunities. The net income will be set aside in LIEC's equity to build a reserve fund for future capital replacement, and to ensure long term rate stability for rate payers.

Budget Variance

(See Attachment 1 for 2019 budget to actual comparison)

Revenues

The metered billings are the total energy sales of both ADEU and OVDEU service areas. The metered billings revenue is \$2,057,019 from the ADEU and \$1,751,853 from the OVDEU. Overall, 2019 actual revenues of \$3,808,872 are in line with the projected revenues.

Cost of Sales

The cost of sales includes contract services, utilities (electricity and natural gas) and amortization expenses. The contract expense is below budget by 31% mainly due to less unscheduled repairs and maintenance. In 2019 corrective maintenance expenses were kept at a minimum and service calls were significantly reduced from the previous year.

The utility expenses are based on actual customers' energy usage and consumption of electricity and natural gas. Overall, the utility expenses are below the budget by 22% mainly due to:

- Electricity used to provide peak cooling demand, run distribution and geo-exchange pumps at ADEU was lower than expected due to late connections of new buildings and moderate weather conditions. Similarly, air-source heat pumps at Smart Centres did not have to operate at maximum heating and cooling capacity throughout the year, resulting in lower than expected electricity use.
- Late connections of new buildings and moderate weather conditions also resulted in lower use of natural gas which is used to provide peak heating capacity at ADEU. ADEU was able to meet practically all heating demand using renewable sources, resulting in lower than expected natural gas consumption. Similarly, Smart Centres' air-source heat pumps were able to meet most heating demand without the use of natural gas as outdoor air temperatures rarely went below freezing.
- Electricity used to run distribution pumps and auxiliary equipment at each of the OVDEU interim energy centres was lower than expected due to the late connection of a new building, moderate weather conditions and operational improvements to major equipment items.
- Natural gas used to provide heating capacity at the OVDEU was in line with the budget. Overall moderate weather conditions were offset by several high peak winter demand periods.

The amortization expense is lower than budgeted mainly due to the timing of new capital asset additions. Overall, the cost of sales of \$2,294,373 is below the budget by 18%.

General and Administration Expenses

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and include salaries and benefits, administration expense, professional

March 2, 2020

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fees, insurance expense, etc. The increase of salaries and benefits is due to the accrual of post-employment obligations, which is new for this year. Every three years a comprehensive evaluation of post-employment obligation is performed by a third party; the last evaluation was performed in 2016. The budget was based on prior year results and the actual for post-employment obligations are higher than budgeted balance due to the growth of the company. Overall, there is a favourable variance with respect to expenses. The total general and administration expense of \$930,689 is below the budget by 1%.

Contributions and Financing Expense

The contributions and financing expense section represents other sources of income and costs:

- Developers' contributions – this revenue refers to all the distribution piping, energy transfer stations and construction costs inside the property line of connected developments. These costs are paid by developers. LIEC owns these capital assets, and recognizes contributions over the useful life of the equipment.
- Energy modeling review fee – the amount of the review fee is to cover district energy review costs and is based on the overall construction value of the project;
- Net finance cost – the net result of the finance cost on concession liabilities in the year offset by interest income. The finance cost on concession liabilities is in line with the budget. The interest income is greater than the budget due to higher interest earned on cash received from developers for future connections. The net finance cost is offset by the interest income.

LIEC's overall financial performance exceeded the budget. Although LIEC is still in start-up phase, the financial statements show that LIEC's financial position is very good.

Financial Impact

None.

Conclusion

The Auditor's Report states that these financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as of December 31, 2019, and its financial performance, and its cash flows for the year ended in accordance with International Financial Reporting standards.



Helen Zhao, CPA, CA
Controller
Lulu Island Energy Company
(604-276-4053)

Attachment 1: 2019 Budget and Actual Comparison
Attachment 2: 2019 Audited Financial Statements

Attachment 1: 2019 Budget and Actual Comparison

	Budget	Actual	\$ Changes	% Change
Revenues				
Metered Billings	\$ 3,805,115	\$3,808,872	\$ 3,757	0%
Service fee	962,241	962,241	-	0%
	4,767,356	4,771,113	3,757	0%
Cost of Sales				
Contracts	751,809	515,606	(236,203)	(31%)
Utilities	896,938	702,670	(194,268)	(22%)
Amortization	1,163,066	1,076,097	(86,156)	(7%)
	2,811,813	2,294,373	(517,440)	(18%)
Gross margin	1,955,543	2,476,740	521,197	27%
General and Administration Expenses				
Salaries and benefits	669,053	745,215	76,162	11%
Administration expenses	136,121	94,248	(41,873)	(31%)
Insurance	70,000	70,639	639	1%
Professional Fees	65,000	20,587	(44,413)	(68%)
	940,174	930,689	(9,485)	(1%)
Net income before other items	1,015,369	1,546,051	530,682	52%
Contributions and Financing expense				
Developer contributions	106,761	119,764	13,003	12%
Energy modeling review fee	16,000	156,740	140,740	880%
Net finance cost	(429,339)	(188,157)	241,182	(56%)
	(306,578)	88,347	394,925	(129%)
Net Income	\$ 708,791	\$ 1,634,398	\$ 925,607	49%
Earnings before interest, taxes and amortization (EBITA)				
Net income per above	708,791	1,634,398	925,607	131%
Net Financing cost	429,339	188,157	(241,182)	(56%)
Amortization expense	1,163,066	1,076,097	(86,969)	(7%)
EBITA	2,301,196	2,898,652	597,456	26%

Attachment 2 – 2019 Audited Financial Statements

Financial Statements
(Expressed in Canadian dollars)

**LULU ISLAND ENERGY
COMPANY LTD.**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2401
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the City of Richmond

Opinion

We have audited the financial statements of Lulu Island Energy Company Ltd. (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of net income and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 International Financial Reporting Standards (IFRS), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity's internal control.



Lulu Island Energy Company Ltd.
Page 3

- 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 Entity'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 Entity 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.

KPMG LLP

Chartered Professional Accountants

Burnaby, Canada
April 1, 2020

LULU ISLAND ENERGY COMPANY LTD.


Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,233,102	\$ 1,640,019
Accounts receivable (note 6)	1,302,697	2,242,644
Investments (note 7)	5,592,923	6,955,532
	13,128,722	10,838,195
Non-current assets:		
Plant and equipment (note 8)	33,412,384	32,360,749
	\$ 46,541,106	\$ 43,198,944
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 777,492	\$ 414,437
Current portion of deferred developer contributions (note 9)	322,307	106,761
Current portion of concession liability (note 10)	2,321,782	1,401,328
	3,421,581	1,922,526
Non-current liabilities:		
Deferred developer contributions (note 9)	5,860,917	5,267,876
Concession liability (note 10)	5,844,444	6,228,776
	11,705,361	11,496,652
Shareholder's equity:		
Share capital and contributed surplus (note 13)	27,397,115	27,397,115
Retained earnings	4,017,049	2,382,651
	31,414,164	29,779,766
	\$ 46,541,106	\$ 43,198,944

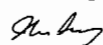
See accompanying notes to financial statements.

Approved on behalf of the Board:



Director

DocuSigned by:



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Director

LULU ISLAND ENERGY COMPANY LTD.

Statement of Net Income and Other Comprehensive Income

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

	2019	2018
Revenue (note 13)	\$ 4,771,113	\$ 4,353,243
Cost of sales:		
Operating expenses	1,218,276	1,128,952
Depreciation	1,076,097	1,045,228
	2,294,373	2,174,180
Gross profit	2,476,740	2,179,063
General and administrative expenses	930,689	803,121
Net income before undernoted items	1,546,051	1,375,942
Developer contributions, other income and net finance cost:		
Developer contributions (note 9)	119,764	106,761
Other income (note 13)	156,740	151,083
Net finance cost (note 5)	(188,157)	(143,154)
	88,347	114,690
Net income and comprehensive income	\$ 1,634,398	\$ 1,490,632

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Changes in Equity

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

	Share capital	Contributed surplus	Retained earnings	Shareholder's equity
Balance, January 1, 2018	\$ 5	\$ 27,397,110	\$ 892,019	\$ 28,289,134
Net income and comprehensive income	-	-	1,490,632	1,490,632
Balance, December 31, 2018	5	27,397,110	2,382,651	29,779,766
Net income and comprehensive income	-	-	1,634,398	1,634,398
Balance, December 31, 2019	\$ 5	\$ 27,397,110	\$ 4,017,049	\$ 31,414,164

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

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

	2019	2018
Cash provided by (used in):		
Operations:		
Net income	\$ 1,634,398	\$ 1,490,632
Adjustments for:		
Depreciation	1,076,097	1,045,228
Recognition of deferred contributions	(119,764)	(106,761)
Finance expense on concession liability	435,608	420,009
Changes in non-cash working capital:		
Accounts receivable	939,947	(754,727)
Accounts payable and accrued liabilities	363,055	157,855
Deferred developer contributions	928,351	1,852,960
Net change in cash from operating activities	5,257,692	4,105,196
Investments:		
Additions to plant and equipment	(1,429,609)	(1,065,437)
Change in investments	1,362,609	(1,438,794)
Net change in cash from investing activities	(67,000)	(2,504,231)
Financing:		
Concession liability (note 10)	(597,609)	(671,721)
Net change in cash from financing activities	(597,609)	(671,721)
Net change in cash	4,593,083	929,244
Cash and cash equivalents, beginning of year	1,640,019	710,775
Cash and cash equivalents, end of year	\$ 6,233,102	\$ 1,640,019

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements

Year ended December 31, 2019

1. Incorporation and nature of business:

The Lulu Island Energy Company Ltd. (the "Company") was incorporated on August 19, 2013 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). The address of the Company's registered office is 6911 No. 3 Road, Richmond, British Columbia, V6Y 2C1.

The business of the Company is to develop, manage and operate district energy utilities in the City, including, but not limited to, energy production, generation or exchange, transmission, distribution, maintenance, marketing and sale to customers, customer service, profit generation and financial management. The Company also provides advisory services for energy and infrastructure.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved and authorized for issue by the Board of Directors April 1, 2020.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis and on a going concern basis.

(c) Presentation of financial statements:

The Company uses a classified statement of financial position. The statement of financial position distinguishes between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered within twelve months from the reporting date and non-current assets and liabilities are those where the recovery is expected to occur more than twelve months from the reporting date. The Company classifies the statement of comprehensive income using the function of expense method, which classifies expenses according to their functions, such as cost of sales and general and administrative expenses.

(d) Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Basis of presentation (continued):

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 9 - recognition of deferred developer contributions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 8 - useful lives of plant and equipment

Note 12 - determination of the future minimum obligations and commitments for the concession liability.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

(a) Plant and equipment:

(i) Recognition and measurement:

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The cost of self-constructed assets include the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(a) Plant and equipment (continued):

(i) Recognition and measurement (continued):

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognized net within other income in profit and loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation of plant and equipment commences when the asset is deemed available for use and is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment as follows:

Asset	Useful life - years
Energy plant center	75
Distribution piping	50
General equipment	25

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(b) Revenue recognition:

The Company recognizes revenue for the provision of energy and supply of other services. Revenue for the provision of energy is based on meter readings and is billed on a cyclical basis. Revenue is accrued for energy delivered but not yet billed. Revenue for other services is recognized upon completion of service. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable.

(c) Public-private partnership project:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction are recorded at cost, based on construction progress billings and also includes other costs, if any, incurred directly by the Company.

When deemed available for use, the project assets are amortized over their estimated useful lives. An obligation for the cost of capital and financing received to date, net of repayments, is recorded under concession liabilities (note 10).

(d) Income taxes:

Under Section 149(1) (d) of the Income Tax Act, the Company is exempt from income and capital taxes by virtue of the fact that it is a wholly owned subsidiary of the City. Accordingly, no provision for such taxes has been made in financial statements.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. At December 31, 2019 and 2018, all cash and cash equivalents related to cash balances.

(f) Finance income and finance cost:

Finance income comprises interest on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(g) Financial instruments:

(i) Classification and measurement of financial assets and financial liabilities:

Under IFRS 9, *Financial Instruments* (IFRS 9), on initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") - debt instrument, FVOCI - equity instrument, or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(i) Classification and measurement of financial assets and financial liabilities (continued):

The following accounting policies apply to subsequent measurement of financial assets:

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost: these assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses (see note 3(h)(i)). Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- Equity investments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities are recognized at amortized cost. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the measurement categories for each class of the Company's financial assets and financial liabilities:

Financial assets

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Investments	Amortized cost

Financial liabilities

Accounts payable and accrued liabilities	Amortized cost
Concession liability	Amortized cost

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(ii) Measurement categories:

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2019, and 2018. Unless otherwise noted, the fair values on the instruments approximate their carrying amount due to their short-term nature and / or due to application of market rates of interest.

	2019	2018
Financial Assets:		
Financial assets at amortized cost:		
Cash and cash equivalents	\$ 6,233,102	\$ 1,640,019
Accounts receivable	1,302,697	2,242,644
Investments	5,592,923	6,955,532
	\$ 13,128,722	\$ 10,838,195
Financial Liabilities:		
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	\$ 777,492	\$ 414,437
Concession liability	8,166,226	7,630,104
	\$ 8,943,718	\$ 8,044,541

(h) Impairment:

(i) Financial assets:

The 'expected credit loss' ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of cash and cash equivalents, accounts receivable and investments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime EFLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(h) Impairment (continued):

(i) Financial assets (continued):

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables and due from the City at an amount equal to lifetime ECLs.

Measurement of ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Pension benefits:

The Company and its employees participate in the Municipal Pension Plan, a multi-employer defined benefit plan. Defined contribution plan accounting is applied to this plan because separate information for the Company is unable to be provided to apply defined benefit accounting. The expenses associated with this plan are equal to the actual contributions required by the Company during the reporting period.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(j) Standards issued and effective:

IFRS 16 Leases:

The Company adopted IFRS 16 Leases on January 1, 2019, replacing IAS 17 Leases. The adoption of IFRS 16 Leases had no impact on the financial statements.

(k) Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the financial statements;

- Amendments to references to conceptual framework in IFRS standards
- Definition of a business (Amendments to IFRS 3)
- Definition of material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance contracts

4. Personnel expenses:

	2019	2018
Wages and salaries	\$ 655,230	\$ 611,625
Other payroll expenses	89,985	3,713
	<u>\$ 745,215</u>	<u>\$ 615,338</u>

5. Net finance cost:

	2019	2018
Finance income:		
Investment interest	\$ 171,801	\$ 149,435
Bank interest	74,663	29,520
Other	987	97,900
	<u>247,451</u>	<u>276,855</u>
Finance cost:		
Finance expense on concession liability (note 10)	(435,608)	(420,009)
Net finance cost	<u>\$ (188,157)</u>	<u>\$ (143,154)</u>

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Accounts receivable:

	2019	2018
Trade receivables	\$ 244,706	\$ 1,375,799
Unbilled trade receivables	1,057,991	852,840
Sales tax receivable	-	14,005
	\$ 1,302,697	\$ 2,242,644

7. Investments:

Investments represent cash term deposits as follows:

Purchase date	Maturity date (interest rate)	2019
Feb 26, 2019	Feb 25, 2020 (3.15%)	\$ 311,594
May 13, 2019	May 12, 2020 (2.75%)	2,129,752
Aug 23, 2019	Aug 22, 2020 (2.60%)	1,557,036
Nov 28, 2019	Nov 28, 2020 (2.60%)	1,594,541
		\$ 5,592,923

8. Plant and equipment:

	Energy plant center	General equipment	Distribution piping	Total
<i>Cost:</i>				
Balance as at January 1, 2018	\$ 5,031,915	\$ 20,746,550	\$ 7,559,784	\$ 33,338,249
Additions	-	764,247	608,942	1,373,189
Balance as at December 31, 2018	5,031,915	21,510,797	8,168,726	34,711,438
Additions	-	908,487	1,219,245	2,127,732
Balance as at December 31, 2019	\$ 5,031,915	\$ 22,419,284	\$ 9,387,971	\$ 36,839,170
<i>Accumulated depreciation:</i>				
Balance as at January 1, 2018	\$ 67,092	\$ 1,050,139	\$ 188,230	\$ 1,305,461
Depreciation	67,092	828,882	149,254	1,045,228
Balance as at December 31, 2018	134,184	1,879,021	337,484	2,350,689
Depreciation	67,092	843,352	165,653	1,076,097
Balance as at December 31, 2019	\$ 201,276	\$ 2,722,373	\$ 503,137	\$ 3,426,786
<i>Net book value:</i>				
At January 1, 2018	\$ 4,964,823	\$ 19,696,411	\$ 7,371,554	\$ 32,032,788
At December 31, 2018	4,897,731	19,631,776	7,831,242	32,360,749
At December 31, 2019	4,830,639	19,696,911	8,884,834	33,412,384

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Plant and equipment (continued):

Included in plant and equipment is \$1,818,895 (2018 - \$1,494,780) of assets under construction being \$1,264,862 (2018 - \$788,741) general equipment and \$554,033 (2018 - \$706,039) distribution piping. For the year ended December 31, 2019, capitalized borrowing costs related to the construction of the distribution system amounted to nil (2018 - nil).

9. Deferred developer contributions:

The Company defers contribution amounts received from developers related to the cost of initial connection, including installation of the energy transfer station. The developer contributions are recognized over the useful life of the associated general equipment from the date the respective building is deemed available to use.

The following table summarizes the amounts recognized as at year end:

	2019	2018
Deferred developer contributions, beginning of year	\$ 5,374,637	\$ 3,628,438
Developer contributions received	928,351	1,852,960
Recognized revenue from developer contributions	(119,764)	(106,761)
	6,183,224	5,374,637
Less: current portion of deferred developer contributions	322,307	106,761
Non-current deferred developer contributions	\$ 5,860,917	\$ 5,267,876

10. Oval Village District Energy Utility ("OVDEU") Concession Agreement:

On October 30, 2014, the Corporation and the OVDEU 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. The total estimated concession liability to finance the construction of the OVDEU at full build out is \$38,686,000 (2018 - \$38,344,000) and will be accrued over time as the services are rendered.

The Concession Agreement is payable monthly in accordance with the Concession Agreement terms. Required concession liability payment obligations are disclosed in note 12.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Oval Village District Energy Utility ("OVDEU") Concession Agreement (continued):

OVDEU Concession Agreement liability:

	2019	2018
Concession Agreement liability - capital	\$ 7,049,839	\$ 6,605,178
Concession Agreement liability - non-capital	1,116,387	1,024,926
	8,166,226	7,630,104
Less: current capital portion of concession liability	1,265,563	609,742
Less: current non-capital portion of concession liability	1,056,219	791,586
	2,321,782	1,401,328
Non-current portion of concession liability	\$ 5,844,444	\$ 6,228,776

The average finance cost on the concession liability is 5.08% for the year ended December 31, 2019 (2018 - 5.08%).

The concession liability is repayable as follows:

2020	\$ 2,321,782
2021	1,422,112
2022	1,984,998
2023	2,064,398
2024 and thereafter	372,936
Total	\$ 8,166,226

The following tables summarizes the changes in the concession liability due to financing cash flows and liability related charges:

Balance January 1, 2019	\$ 7,630,104
Additions	698,123
Finance expense (note 5)	435,608
Net repayment	(597,609)
Balance December 31, 2019	\$ 8,166,226

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

11. Limited Guarantee Agreement:

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 the Company's obligations under the Concession Agreement to a maximum of \$18.2 million (2018 - \$18.2 million).

12. Commitments and contingencies:

Public-private partnership commitments:

Payments to the Concessionaire under the Concession Agreement are based on the Concessionaire's Annual Revenue Requirement, which is based on the utility cost of service rate-setting principles in British Columbia utilizing forward test years. The Annual Revenue Requirement is a combination of Capital and Operating charges. The Capital charge is comprised of capital expenditures and depreciation, and Operating charge is comprised of services costs, financing costs, income and other taxes and return on equity.

The information presented below shows the expected committed cash outflow for the next year under the Concession Agreement for the capital and operating costs of the assets. As construction progresses the asset values are recorded as plant and equipment and the corresponding liabilities are recorded as concession agreement liabilities as disclosed in note 10.

	Capital commitment	Operating commitment	Total commitment
2019	\$ 1,265,563	\$ 1,056,219	\$ 2,321,782

13. Related party transactions:

Included in these financial statements are transactions with various Crown corporations, ministries, agencies, boards and commissions related to the Company by virtue of common control by the City, the Province of British Columbia or the Government of Canada. The Company has applied the modified disclosure requirements under IAS 24, *Related Party Disclosures*, which is only applicable for government-related entities.

(a) Due from City of Richmond:

During 2019, the Company received and recognized in revenues \$962,241 (2018 - \$934,215) for its services of advancing district energy opportunities in the City. Staff and advanced design activities on low carbon district energy initiatives are covered by this fee. With or without the Company, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges our world faces.

In addition, included in revenue for 2019 is \$35,185 (2018 - \$33,482) for district energy utility services rendered by the Company to the City.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

13. Related party transactions (continued):

(a) Due from City of Richmond (continued):

During 2019, the Company received and recognized energy model review fees into other income of \$156,740 (2018 - \$151,083) relating to district energy permit fees collected by the City for in-building district energy related equipment reviews performed by the Company.

During 2019, \$158,761 (2018 - \$157,085) of salary and benefit expenses were charged to the City for the costs incurred due to Company staff being assigned to perform project management duties for the City projects. These costs have been charged to the City on a cost recovery basis and are included as a reduction to general and administrative expenses.

The total amount due from the City as a result of the above transactions as at December 31, 2019 is \$136,168 (2018 - \$1,375,799) and is included within accounts receivable.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amount is non-interest bearing and repayable on demand.

(b) Key management personnel

The Company did not enter into any transactions with key management personnel in the year ended December 31, 2019 (2018 - none).

No key management personnel are remunerated by the Company. A fee of \$61,417 (2018 - \$59,758), included in general and administration expenses, was paid to the City for the day-to-day support that the Company received from the City staff over the year. These costs have been charged to the Company on a cost recovery basis and include an element of re-charge for City key management personnel.

14. Share capital:

At December 31, 2019, the authorized share capital comprised 10,000 (2018 - 10,000) common shares without par value.

As at December 31, 2019, the Company has issued 450 common shares (2018 - 450) at \$0.01 per share totaling \$4.50 (2018 - \$4.50) and contributed surplus of \$27,397,110 (2018 - \$27,397,110).

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

15. Fair values:

The Company uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 - inputs other than quoted prices that are observable for asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) Financial assets and liabilities not measured at fair value:

The carrying amounts for cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

(b) Non-current financial liabilities:

Subsequent to initial recognition the concession liability is accounted for at amortized cost using the effective interest method. The carrying amount of the concession liability approximates its fair value due to the nature of liabilities accrued and benchmark market rate of interest rate applied (level 3 inputs).

16. Financial risk management and financial instruments:

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (interest rate risk).

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The management reports regularly to the Board of Directors on its activities.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

16. Financial risk management and financial instruments (continued):

(b) Risk management framework (continued):

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Company consisting of its cash and cash equivalents, trade accounts receivables and other investments. The Company assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable. It is management's opinion that the Company is not exposed to significant credit risk from its financial instruments.

(i) Trade and unbilled trade receivables:

The Company trades mainly with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

At December 31, 2019 and 2018 all trade and other receivables were neither past due (current) nor impaired and related to end-user customers in the City's geographic region.

(ii) Investments:

Credit risk arising from other financial assets of the Company comprises cash and cash equivalents and investments. The Company's exposure to credit risk arises from default of the counterparties. The Company manages credit risk through investing only in cash term deposits with established financial institutions which are considered to be low risk.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

16. Financial risk management and financial instruments (continued):

(d) Liquidity risk (continued):

The Company's terms of business require amounts to be paid from customers within 30-days of the date of invoice. The accounts payable and accrued liabilities and due from the City are in the normal course of operations and paid within the following fiscal year. The commitments under the concession liability are disclosed in note 12.

The information presented below shows the undiscounted contractual maturities of the concession liability, including estimated interest payments.

	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years
December 31, 2019	\$ 8,166,226	\$ 9,163,315	\$ 2,385,002	\$ 1,541,473	\$ 5,236,840
December 31, 2018	7,630,104	8,793,982	1,439,485	1,579,702	5,774,795

(e) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and other rate risks, will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in the market interest rate.

It is management's opinion that the Company is not exposed to significant market (interest rate) risk from its financial instruments.

17. Capital management:

The Company's objective when managing capital is to maintain a strong capital base to sustain future development of the business, so that it can provide return for the shareholder and benefits for other stakeholders.

The Company considers the items included in shareholder's equity and the concession liability as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may request additional investment from its shareholder. The Company is not required to meet any debt covenants. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year (2018 - no changes).

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2019

18. Pension plan:

The Company 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.

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

The Company paid \$76,337 (2018 - \$63,598) for employer contributions to the Plan in 2019.

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.

19. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The services that the company provides has been classified as essential services in British Columbia during COVID-19 pandemic. The pandemic presents uncertainty over the Company's future cash flows and may have an impact on the Company's future operations. Potential impacts on the Company's business could include stagnation and collection of revenue, decrease in profitability 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 Company is not practicable at this time.



City of Richmond

Report to Committee

To: Finance Committee

Date: April 17, 2020

From: George Duncan
Chief Administrative Officer
& President and CEO
Richmond Olympic Oval

File:

Andrew Nazareth
General Manager, Finance and Corporate Services
& Chief Financial Officer, Richmond Olympic Oval

Re: Richmond Olympic Oval – 2019 Audited Financial Statements

Staff Recommendation

That the report on 2019 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.

George Duncan
Chief Administrative Officer
& President and CEO
Richmond Olympic Oval

Andrew Nazareth
General Manager, Finance and Corporate Services
& Chief Financial Officer,
Richmond Olympic Oval

DATE: April 17, 2020

TO: George Duncan
Chief Executive Officer, Richmond Olympic Oval Corporation

Andrew Nazareth
Chief Financial Officer, Richmond Olympic Oval Corporation

FROM: Rick Dusanj, CPA, CA
Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation 2019 audited financial statements**

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2019 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 16, 2020, as well as an update on the 4th quarter ('Q4').

Q4 Highlights

The following are some of the highlights of the activities undertaken by the Corporation during Q4.

Community Use

The Oval's sport and fitness programming continues to receive strong registration numbers from the community. Learn to Skate programs saw the highest fall registration on record in Q4, with a 34% increase in registrations over 2018. Q4 also presented the highest quarterly group fitness visitation to date with a 27% increase in visitations compared to Q4 2018.

Some of the community groups from Richmond, or groups with strong Richmond based participation, include, but are not limited to: Richmond Minor Hockey, Richmond Rockets Speed Skating Club, Richmond Ravens, Richmond Ringette, Connaught Figure Skating, Brazilian Soccer School, Volleyball BC, DRIVE Basketball, Metro Basketball League, Greater Vancouver Canadians, Vancouver Ki Society, Shoseikan Karate, the John MS Lecky Boathouse, Urban Rec, Aura Rhythmic Gymnastics, and the Non-Contact Hockey League.

In accordance with the Richmond Oval Agreement between the City of Richmond ("City") and the Corporation, the funding that is received from the City on an annual basis is required for the Corporation to fulfill the operating objectives which include the Corporation providing facilities, programs and services for

quality sport, fitness, recreational uses and wellness services for the Richmond community, neighbouring communities and the general public. Without the Oval and the annual contribution from the City, these facilities, programs and services would have to be provided elsewhere. As in previous quarters, community group use continued to constitute the majority of Oval usage in Q4. All prime-time space (ice, court & track zones) at the Oval is fully allocated. In Q4, Richmond-based organizations or programs/organizations with significant Richmond representation used 95% of prime-time space. At the end of Q4, 77% of Oval members were Richmond residents. The remaining 23% is a key indicator that the Oval has regional appeal, and while satisfying community demand, it can also attract a client base outside of Richmond that positively contributes to the Oval's brand awareness and financial performance.

Sport Development and Events

Some of the highlights from Sport Hosting and Events held at the Oval during Q4 included the Volleyball Canada Women's Red and Black match, PGA of BC trade show, Western Marine trade show, Prosperous Badminton tournament, Coaching Association of Canada sport leadership sportif conference – welcome reception, Handball BC Cup, BC Indigenous Provincial Basketball selection camp, City Shred (fitness challenge), Paratough, Karate BC provincials, Speed Skating BC Cup Short Track #2, and the Pinnacle Cheer – PINK championships. Some of the future events secured in Q4 included: the 2020 Wheelchair Rugby Paralympic qualification tournament, 2020 Wheelchair Rugby Canada Cup, and Wheelchair Rugby national team training camps.

Events and training camps that occurred during Q4 for High Performance included: Karate BC training camp, BC Wheelchair Sport Association clinic, BC Speed Skating officials clinic, Softball Canada Women's national team testing, Canada National Sports Exchange Association table tennis tournament, Air Attack Volleyball tryouts, Richmond Rockets Speed Skating tryouts, and the BC Short Track Speed Skating competition.

Notable Oval athlete successes during Q4 include:

- AAA Girls Volleyball Provincials - Elysse Barfoot, Elizabeth Lee and Lucy Borowski won gold
- AA Girls Volleyball Provincials - Emily Tsiandoulas, Maddie Yee, Sophie Fernback won gold under Oval Coach Kelvin Ma
- Field Hockey Canada Men's National team won Olympic qualifier in Vancouver, BC and in doing so qualified for the Tokyo Olympic Games.

Governance

Meetings of the Corporation's Audit & Finance Committee, Business Planning Committee and the Board of Directors took place during Q4.

2019 Audited Financial Statements

Please see attachment #1 for the audited financial statements of the Corporation for the year ended December 31, 2019. The comments below refer to figures included in the audited financial statements.

Independent Auditors Report

The Corporation received an unqualified audit opinion, which means that the auditor has concluded that the financial statements are presented fairly in accordance with Canadian public sector accounting standards.

Statement of Financial Position

The total financial assets of the Corporation were \$15.5M, with liabilities of \$7.5M, and non-financial assets of \$11.4M as of December 31, 2019. The total financial assets of \$15.5M primarily included investments of \$13.4M which represents the Corporation's investments placed through the City, an accounts receivable balance of \$0.6M and a cash balance of \$1.3M. The total liabilities of \$7.5M primarily included accounts payable and accrued liabilities of \$1.7M and deferred revenue of \$5.8M. The non-financial assets of the Corporation of \$11.4M primarily included \$10.9M of tangible capital assets and \$0.4M of prepaid expenses.

Statement of Operations

The 2019 audited financial statements have a net income before transfers to reserves of \$2.0M, which represents a favorable variance of \$1.4M when compared to budget and an increase of \$0.5M compared to the prior year. Total revenues for 2019 were \$17.9M, which represents a favorable variance of \$0.8M compared to budget and a \$1.1M increase compared to the prior year. Total expenses in 2019 were \$16.0M, which represents a favorable variance of \$0.6M compared to budget and a \$0.6M increase relative to the prior year which is offset by a larger increase in revenues.



Rick Dusanj, CPA, CA

Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation

Financial Statements of

**RICHMOND OLYMPIC OVAL
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

Opinion

We have audited the financial statements of the Richmond Olympic Oval Corporation (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- and notes to the 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 financial position of the Corporation as at December 31, 2019, and its results of operations, its changes in net financial assets and its 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 Corporation 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

April 16, 2020

RICHMOND OLYMPIC OVAL CORPORATION

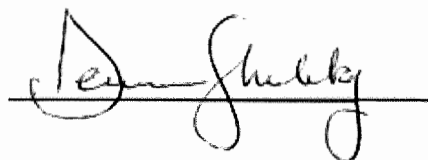
Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 1,278,412	\$ 854,440
Investments (note 3)	13,369,630	11,809,612
Accounts receivable	605,890	569,423
Due from City of Richmond (note 4)	153,851	85,995
Inventories held for resale	131,125	136,355
	15,538,908	13,455,825
Liabilities		
Accounts payable and accrued liabilities	1,667,493	1,708,638
Deferred revenue (note 6)	5,827,008	6,318,796
Rental deposits	7,373	9,263
	7,501,874	8,036,697
Net financial assets	8,037,034	5,419,128
Non-Financial Assets		
Tangible capital assets (note 7)	10,984,873	11,618,088
Deferred lease costs (note 8)	14,346	50,762
Prepaid expenses and other deposits	447,805	440,792
	11,447,024	12,109,642
Economic dependence (note 13)		
Subsequent event (note 18)		
Accumulated surplus (note 9)	\$ 19,484,058	\$ 17,528,770

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

December 31, 2019, with comparative information for 2018

	2019 Budget (note 2(h))	2019	2018
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,900,000	\$ 2,882,719	\$ 2,899,454
Contribution from City of Richmond (note 11(a))	3,527,378	3,527,378	3,451,446
Memberships, admissions and programs	8,730,197	9,228,392	8,345,640
Other (note 15)	1,976,845	2,288,803	2,154,598
	17,134,420	17,927,292	16,851,138
Expenses:			
Salaries and benefits	9,433,997	9,298,161	8,918,535
Utilities	1,052,316	1,054,469	1,055,289
Amortization	1,900,000	1,628,450	1,706,527
Supplies and equipment	971,379	1,004,154	959,879
Insurance	338,486	344,052	320,079
General and administration	925,558	772,990	778,661
Marketing	430,223	376,601	249,210
Program services	1,387,062	1,401,645	1,341,239
Professional fees	156,090	91,482	94,103
	16,595,111	15,972,004	15,423,522
Annual surplus	539,309	1,955,288	1,427,616
Accumulated surplus, beginning of year	17,528,770	17,528,770	16,101,154
Accumulated surplus, end of year	\$ 18,068,079	\$ 19,484,058	\$ 17,528,770

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

December 31, 2019, with comparative information for 2018

	2019 Budget (note 2(h))	2019	2018
Annual surplus for the year	\$ 539,309	\$ 1,955,288	\$ 1,427,616
Acquisition of tangible capital assets	(2,566,721)	(1,001,564)	(1,682,646)
Loss (gain) on sale of tangible capital assets	-	4,429	(3,704)
Proceeds on sale of tangible capital assets	-	1,900	10,637
Amortization of tangible capital assets	1,900,000	1,628,450	1,706,527
	(666,721)	633,215	30,814
Amortization of deferred lease costs	-	36,416	25,650
Acquisition of prepaid expenses and other deposits	-	(591,072)	(654,008)
Use of prepaid expenses and other deposits	-	584,059	567,928
Change in net financial assets	(127,412)	2,617,906	1,398,000
Net financial assets, beginning of year	5,419,128	5,419,128	4,021,128
Net financial assets, end of year	\$ 5,291,716	\$ 8,037,034	\$ 5,419,128

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,955,288	\$ 1,427,616
Items not involving cash:		
Amortization of tangible capital assets	1,628,450	1,706,527
Loss (gain) on sale of tangible capital assets	4,429	(3,704)
Amortization of deferred lease costs	36,416	25,650
Changes in non-cash operating working capital:		
Accounts receivable	(36,467)	337,717
Due from City of Richmond	(67,856)	164,742
Inventories held for resale	5,230	67,427
Prepaid expenses and other deposits	(7,013)	(86,080)
Accounts payable and accrued liabilities	(41,145)	5,783
Deferred revenue	(491,788)	(195,805)
Rental deposits	(1,890)	-
	2,983,654	3,449,873
Capital activities:		
Acquisition of tangible capital assets	(1,001,564)	(1,682,646)
Proceeds on sale of tangible capital assets	1,900	10,637
	(999,664)	(1,672,009)
Investing activities:		
Net purchase of investments	(1,560,018)	(1,233,270)
Increase in cash	423,972	544,594
Cash, beginning of year	854,440	309,846
Cash, end of year	\$ 1,278,412	\$ 854,440

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

1. Incorporation and nature of business:

The Richmond Olympic Oval Corporation (the "Corporation") was incorporated on June 16, 2008 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). The business of the Corporation is to use the Richmond Olympic Oval facility (the "Oval") to provide a venue for a wide range of sports, business and community activities, including, but not limited to, being the long-track speed skating venue for the 2010 Olympic and Paralympic Winter Games (the "Games").

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") of the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

(b) Revenue recognition:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by the 2010 Games Operating Trust (note 5) and when the related operating expenses and capital maintenance costs of the Oval are incurred. Any amounts received but not yet spent are recognized as deferred revenue.

Sponsorship revenues are deferred and amortized to revenue over the term of sponsorship agreements.

Restricted contributions are deferred and recognized as revenue when the resources are used for the purposes specified by the related agreement.

(c) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or amortized cost instrument. The Corporation holds financial instruments consisting of accounts receivables, due from City of Richmond, and term deposits that mature within one year. Due to the short-term nature of these assets, their fair values approximate book value.

The Corporation does not have any financial instruments required or elected to be subsequently recorded at fair value. As there are no financial instruments carried at fair value, the statement of remeasurement gains and losses has not been prepared.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies (continued):

(d) 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. Amortization is provided on a straight-line basis at rates that reflect estimates of the economic lives of the assets over the following periods:

Assets	Rate
Athletic equipment	5 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Infrastructure	40 years
Signage	3 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years

Work-in-progress ("WIP") assets are not amortized until the asset is available for use.

(ii) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation'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 statement of operations.

(iii) Deferred lease costs:

The initial direct costs incurred in connection with leases of rental properties in the Oval are deferred and amortized over the initial term of the leases. Such costs include agent commissions, legal fees, and costs of negotiating the leases.

(e) Pension plan:

The Corporation and its employees make contributions to the Municipal Pension Plan (the "Plan"). As the Plan is a multi-employer contributory defined benefit pension plan, these contributions are expensed as incurred.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies (continued):

(f) Income taxes:

The Corporation is not subject to income taxes as it is a municipal corporation wholly-owned by the City.

(g) Functional and object reporting:

The operations of the Corporation are comprised of a single function, which includes sports, fitness, and recreation. As a result, the expenses of the Corporation are presented by object in the statement of operations.

(h) Budget data:

The budget data presented in these financial statements is based upon the 2019 budget approved by the Board of Directors on January 17, 2019.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of valuation of accounts receivable, useful lives of tangible capital assets for amortization, and deferred lease costs. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in surplus in the year in which they become known.

(j) 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

3. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2019	2018
January 14, 2019	January 14, 2020	\$ 1,533,961	\$ -
February 19, 2019	February 18, 2020	889,373	-
April 1, 2019	March 31, 2020	2,500,000	-
April 1, 2019	March 31, 2020	3,218,792	-
June 18, 2019	June 17, 2020	1,000,000	-
July 11, 2019	July 10, 2020	1,000,000	-
October 1, 2019	March 30, 2020	500,000	-
November 5, 2019	November 4, 2020	2,727,504	-
July 17, 2018	January 14, 2019	-	2,899,454
August 20, 2018	February 18, 2019	-	878,855
October 2, 2018	April 1, 2019	-	3,179,844
October 31, 2018	October 31, 2019	-	1,721,445
November 5, 2018	November 5, 2019	-	2,480,014
December 20, 2018	June 18, 2019	-	650,000
		\$ 13,369,630	\$ 11,809,612

The interest rate of the term deposits ranges from 2.37% to 3.15% (2018 - 2.40% to 3.00%).

4. Due from City of Richmond:

The amounts due from City of Richmond arise in the normal course of business and are non-interest bearing with no stated repayment terms.

5. 2010 Games Operating Trust Fund:

On November 14, 2002, under the terms of the Multiparty Agreement for the Games, the Government of Canada and the Province of British Columbia agreed to establish the Legacy Endowment Fund (the "Fund") and to each contribute \$55 million. On March 31, 2004, under the terms of the 2010 Games Operating Trust Agreement, an irrevocable trust was created known as GOT and the 2010 Games Operating Trust Society (the "Society") became the trustee of the Fund. The purpose of the Fund is to fund operating expenses and capital maintenance costs of certain facilities created for the Games, specifically the Oval and the Whistler Sliding Centre and Nordic Centre, and to assist with the continued development of amateur sport in Canada. Subsequent to the formation of the GOT, the City, as owner of the Oval, became a beneficiary of the GOT and became responsible for complying with obligations set by the Society and GOT in order to receive funding.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

5. 2010 Games Operating Trust Fund (continued):

Effective December 31, 2007:

- (a) the Society Board divided the Fund into three funds: the Speed Skating Oval Fund; the Whistler Sliding Centre and Nordic Centre Fund, and the Contingency Fund; and
- (b) the Society Board divided the capital and any accumulated but undistributed income of the Fund as follows: Speed Skating Oval Fund (40%), Whistler Sliding Centre and Nordic Centre Fund (40%), and the Contingency Fund (20%).

Effective April 21, 2009, the City entered into an agreement with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("VANOC"). The agreement details the terms and conditions to which the City is required to adhere in order to receive funding from GOT. Effective September 1, 2011 VANOC assigned the agreement to the Society.

Funds from GOT are paid to the City first and the City distributes the funds to the Corporation. Revenue from GOT is comprised of:

	2019	2018
2018 annual distributable amount approved and received in 2019	\$ 2,882,719	\$ -
2017 annual distributable amount approved and received in 2018	-	2,899,454
	\$ 2,882,719	\$ 2,899,454

6. Deferred revenue:

	2019	2018
Balance, beginning of year	\$ 6,318,796	\$ 6,514,601
Add: amounts received	11,025,407	10,304,433
Less: revenue recognized	(11,517,195)	(10,500,238)
Balance, end of year	\$ 5,827,008	\$ 6,318,796

Deferred revenue comprises of:

	2019	2018
Memberships and programs	\$ 941,088	\$ 1,040,617
Sponsorship fees	343,833	614,666
Sport Hosting funding (note 11(b))	473,878	430,407
Richmond Olympic Experience (note 11(b))	4,068,209	4,233,106
	\$ 5,827,008	\$ 6,318,796

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

7. Tangible capital assets:

	Balance December 31, 2018	Additions and transfers	Disposals	Balance December 31, 2019
Athletic Equipment	\$ 2,913,470	\$ 385,886	\$ (32,752)	\$ 3,266,604
Building Improvements	1,974,170	136,559	-	2,110,729
Computer Software and Equipment	2,561,070	316,176	-	2,877,246
Facility Equipment	1,130,854	29,928	-	1,160,782
Infrastructure	5,880,940	-	-	5,880,940
Signage	132,107	1,254	-	133,361
Simulators & Exhibit Fabrication	3,830,705	19,400	-	3,850,105
Tenant Improvements	65,729	-	-	65,729
Uniforms, Ice Skates & Helmets	309,789	38,460	-	348,249
WIP Projects	439,668	73,901	-	513,569
	\$ 19,238,502	\$ 1,001,564	\$ (32,752)	\$ 20,207,314

	Balance December 31, 2018	Amortization expense	Disposals	Balance December 31, 2019
Athletic Equipment	\$ 1,706,919	\$ 304,939	\$ (26,423)	\$ 1,985,435
Building Improvements	677,885	360,901	-	1,038,786
Computer Software and Equipment	2,317,493	208,540	-	2,526,033
Facility Equipment	920,520	133,678	-	1,054,198
Infrastructure	462,976	147,024	-	610,000
Signage	109,571	15,777	-	125,348
Simulators & Exhibit Fabrication	1,130,198	409,609	-	1,539,807
Tenant Improvements	62,573	3,156	-	65,729
Uniforms, Ice Skates & Helmets	232,279	44,826	-	277,105
	\$ 7,620,414	\$ 1,628,450	\$ (26,423)	\$ 9,222,441

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

7. Tangible capital assets (continued):

	2019	2018
	Net book value	Net book value
Athletic Equipment	\$ 1,281,169	\$ 1,206,551
Building Improvements	1,071,943	1,296,285
Computer Software and Equipment	351,213	243,577
Facility Equipment	106,584	210,334
Infrastructure	5,270,940	5,417,964
Signage	8,013	22,536
Simulators & Exhibit Fabrication	2,310,298	2,700,507
Tenant Improvements	-	3,156
Uniforms, Ice Skates & Helmets	71,144	77,510
WIP Projects	513,569	439,668
	\$ 10,984,873	\$ 11,618,088

The Oval land and building complex and its major equipment components are the property of the City and are not recorded in these financial statements.

There was no write-down of tangible capital assets during the year (2018 - nil).

8. Deferred lease costs:

	2019	2018
Balance, beginning of year	\$ 50,762	\$ 76,412
Less amortization	(36,416)	(25,650)
Balance, end of year	\$ 14,346	\$ 50,762

9. Accumulated surplus:

	2019	2018
Accumulated surplus is comprised of:		
Share capital	\$ 1	\$ 1
Capital reserve	8,856,084	6,323,413
Other reserves/provisions	1,470,615	1,357,010
Operating surplus	604,039	592,476
Invested in tangible capital assets	8,553,319	9,255,870
	\$ 19,484,058	\$ 17,528,770

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

10. Financial risk management:

The Corporation has exposure to the following risks from the use of financial instruments: credit risk, market risk, and liquidity risk. The Board of Directors ensures that the Corporation has identified its major risks and ensures that the management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of account receivables and investments. The Corporation assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

It is management's opinion that the Corporation is not exposed to significant credit risk from its financial instruments.

(b) Market and interest rate risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return of risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rate.

It is management's opinion that the Corporation is not exposed to significant market or interest rate risk from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risks by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

It is management's opinion that the Corporation is not exposed to significant liquidity risk.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

11. Related party transactions:

(a) City of Richmond:

The Corporation leases the Oval from the City for \$1 annually.

In 2019, \$248,408 (2018 - \$191,690) of general and administration and salaries and benefits expenses were charged to the Corporation for the provision of City staff time.

In 2019, \$100,000 (2018 - \$57,581) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

The Corporation is party to the Richmond Oval Agreement (the "Agreement") with the City, which had an effective date of July 1, 2008. The Agreement established the terms and conditions of the relationship between the City and the Corporation. In accordance with the Agreement, the City will provide, for the first 15-years of the term, financial support as agreed between the City and the Corporation from time to time; for the years 2010, 2011 and 2012 the annual financial support shall not be less than \$1,500,000 per year indexed at the City of Vancouver's Consumer Price Index. After 15-years, any financial assistance from the City will be determined by the City in its sole discretion.

During 2019, the Corporation received a contribution from the City of \$3,527,378 (2018 - \$3,451,446) (note 16).

(b) Sport Hosting Function:

Effective July 1, 2011, the Sport Hosting function of the City was transferred to the Corporation. This function is fully funded by the hotel tax. In 2019, \$400,000 (2018 - \$433,333) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2019, \$473,878 (2018 - \$430,407) has been included in deferred revenue (note 6) and during 2019, \$356,529 (2018 - \$385,117) was recognized in memberships, admissions, and programs on the statement of operations relating to Sport Hosting.

The Corporation did not receive any hotel tax funding in 2019 (2018 - \$452,816) restricted for the purpose of purchasing tangible capital assets related to the Richmond Olympic Experience project. In order to retain the funding received in prior years, the Corporation must maintain and operate the tangible capital assets purchased with these funds over the life of the tangible capital assets. On an annual basis, the Corporation must provide a report to the City as to the use of the funds and the maintenance and operation of these tangible capital assets. As at year-end, \$4,068,209 (2018 - \$4,233,106) of the funds restricted for the purchase of tangible capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

12. Pension plan:

The Corporation 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as of December 31, 2018, indicated a \$2,866,000,000 funding surplus for basic pension benefits on a going concern basis. 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.

The Corporation paid \$543,071 (2018 - \$470,176) for employer contributions to the Plan in fiscal 2019.

13. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT (note 5) and the City (note 11).

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

14. Contractual rights:

Contractual rights are right to economic resources arising from contracts or agreements that will result in revenues and assets in the future and are not yet recorded in the financial statements. The Corporation has contractual rights to receive sponsorship revenue and lease revenue over the next five years in the following total amounts:

2020	\$ 451,092
2021	181,350
2022	26,494
2023	27,016
2024	29,857

In addition, the Corporation receives funding from the City (note 11(a)) and from the GOT (note 5).

15. Other revenue:

Other revenues consists primarily of sponsorship revenue, leasing revenue, parking fees, and interest income.

16. Government transfers:

Government transfers are received for operating and capital activities. During 2019, the Corporation received an operating transfer of \$3,527,378 (2018 - \$3,451,446) (note 11) from the City of Richmond. The Corporation received no capital transfer from the City of Richmond during the year (2018 - \$452,816). Capital transfers consists of hotel tax funding.

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

18. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At this time this situation presents uncertainty over the Corporation's future cash flows, and may have a significant impact on the Corporation's future operations. In response to the outbreak, the Corporation has temporarily closed its facilities. Potential impacts on the Corporation's business could include potential future decreases in revenue. 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 Corporation is not practicable at this time.



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:

- 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.
- Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water and sewer networks and sanitation and recycling.
- 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.

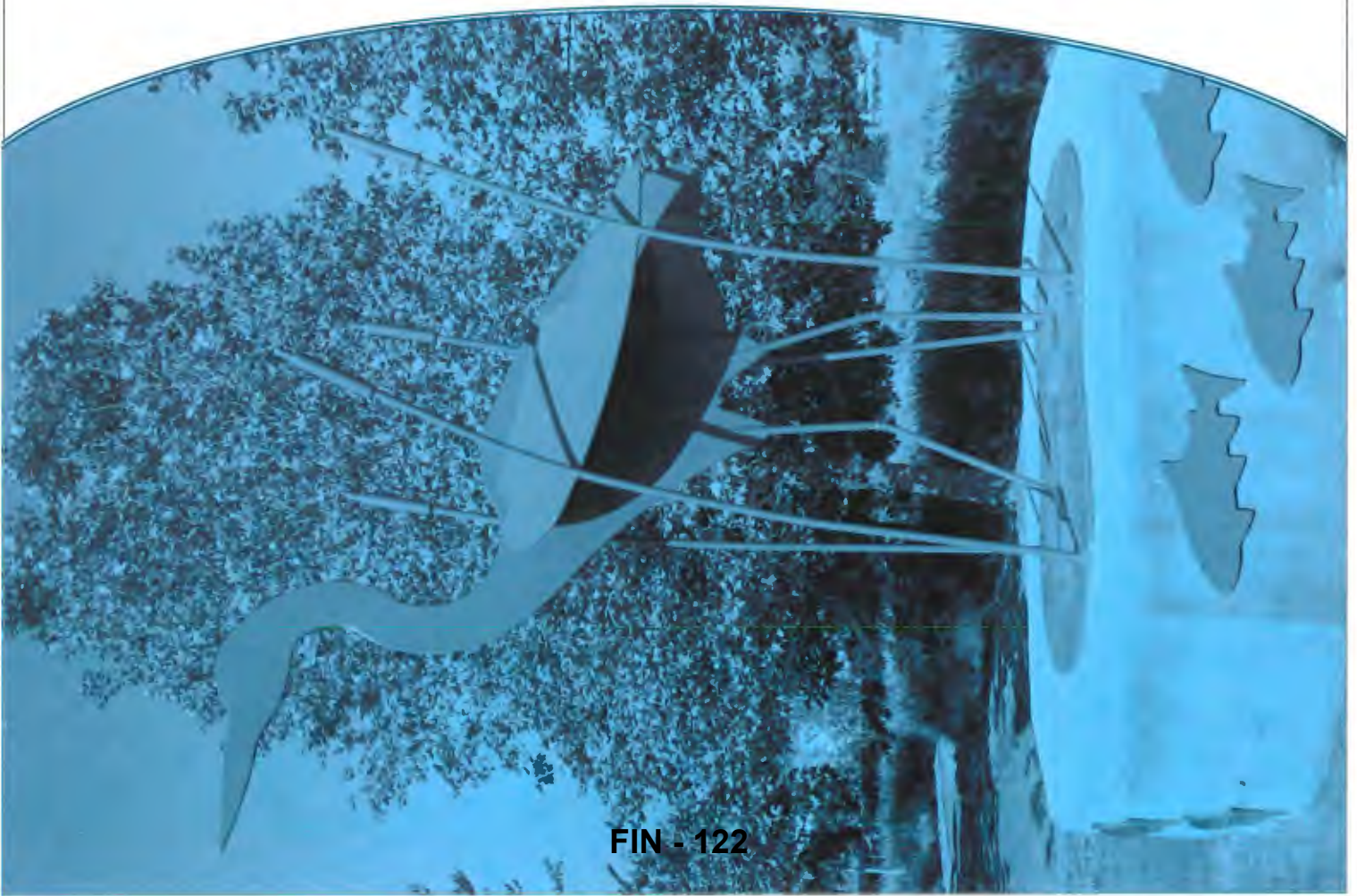
2019 | City of Richmond

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

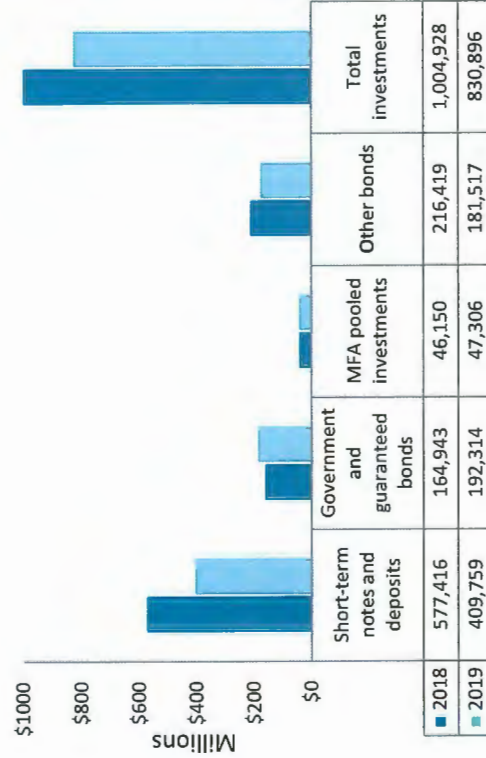
Cash

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.



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

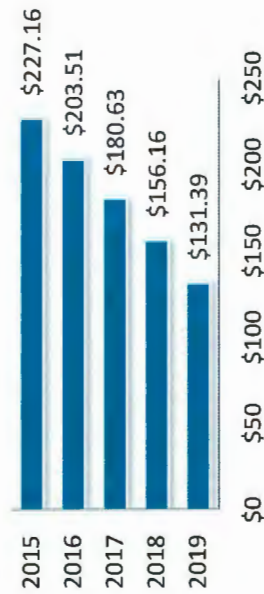
Deferred revenues decreased due to capital grants, Oval's deferred revenue and other revenues. The decreases were offset by increases in taxes and utilities and building permits/developments, resulting in an overall \$3.0M decrease compared to 2018.

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.

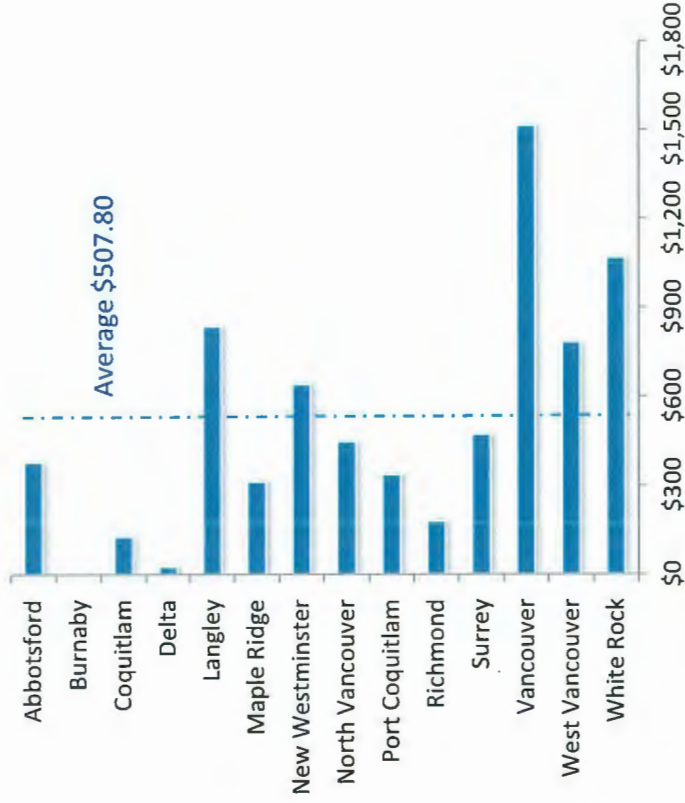
City of Richmond Debt Per Capita 2015-2019



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).

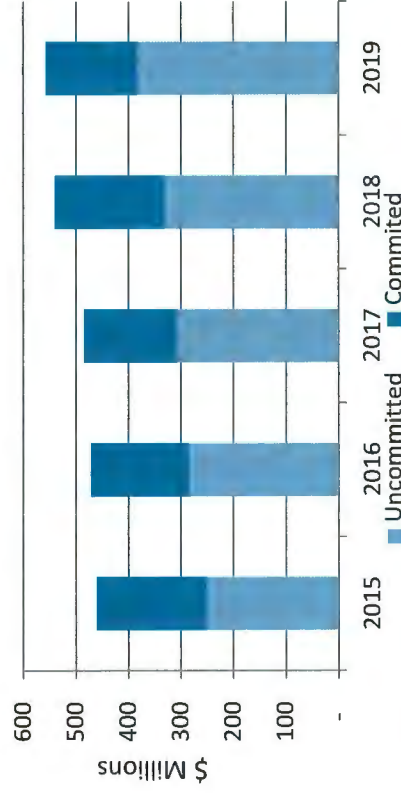
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

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.

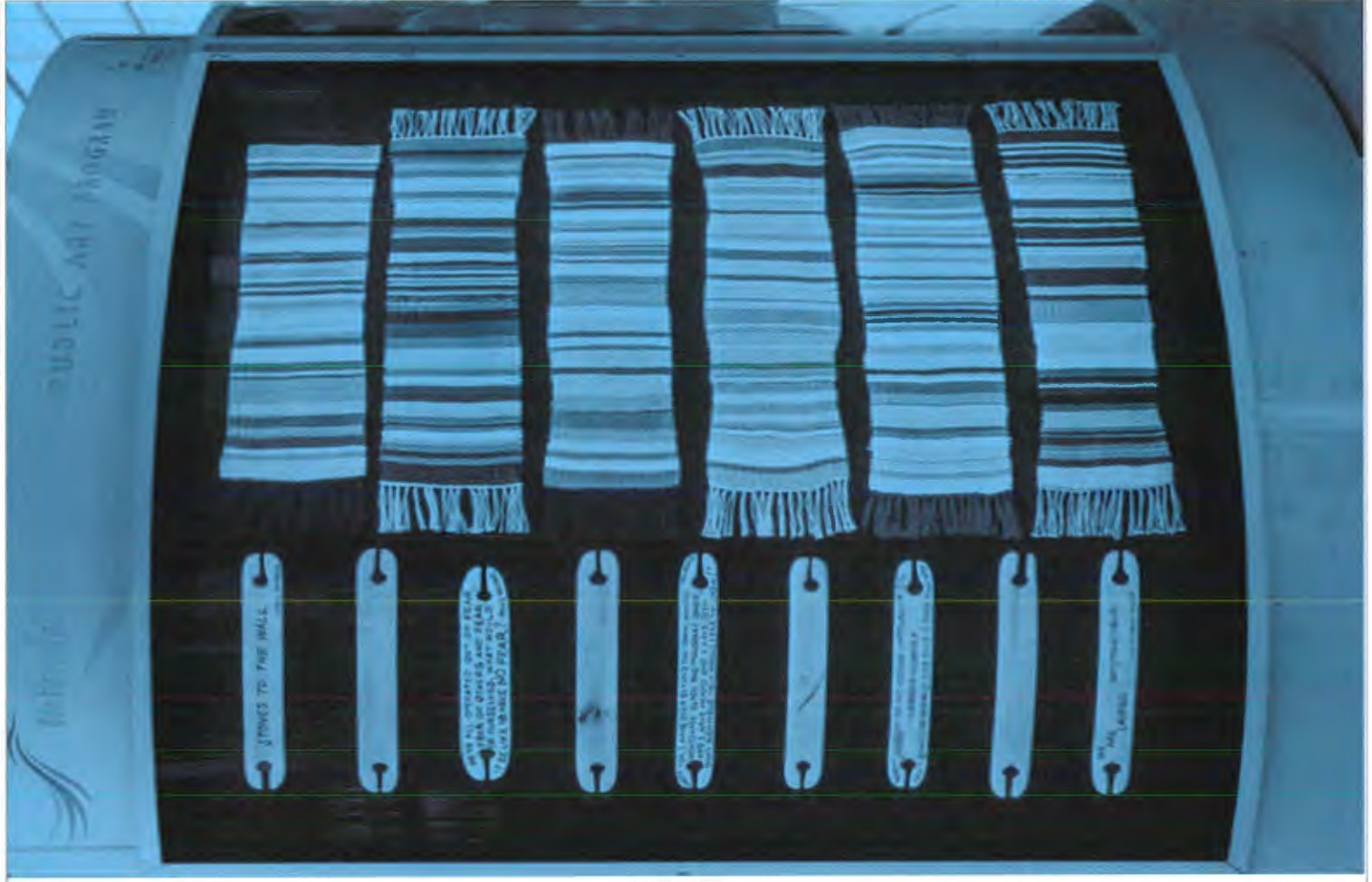
Surplus

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 (GVSD).

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.

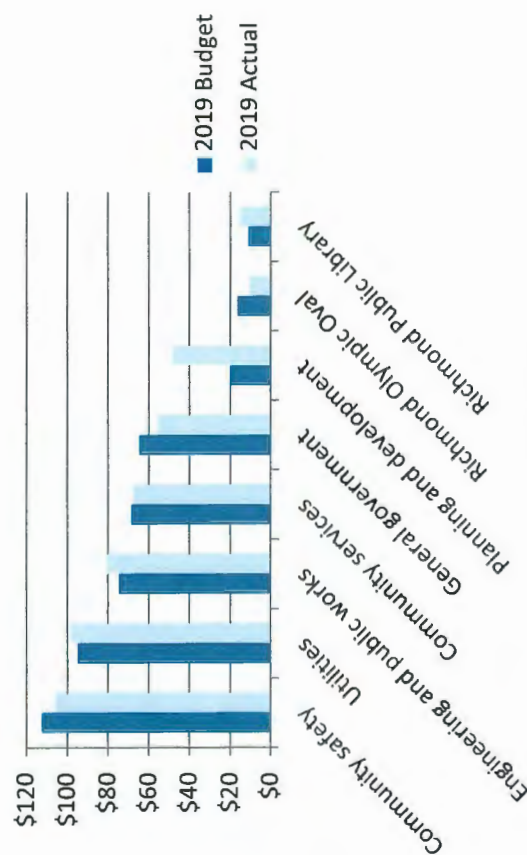


Expenses

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 expenses 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.

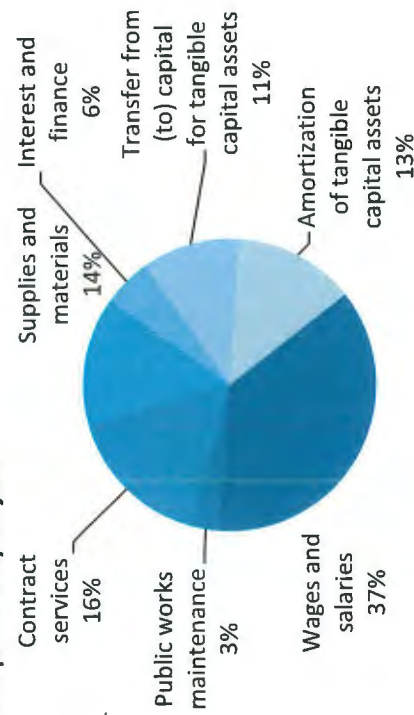
Interest and finance increased by \$2.9M due to increased debt payment to Greater Vancouver Sewerage & Drainage District.

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.

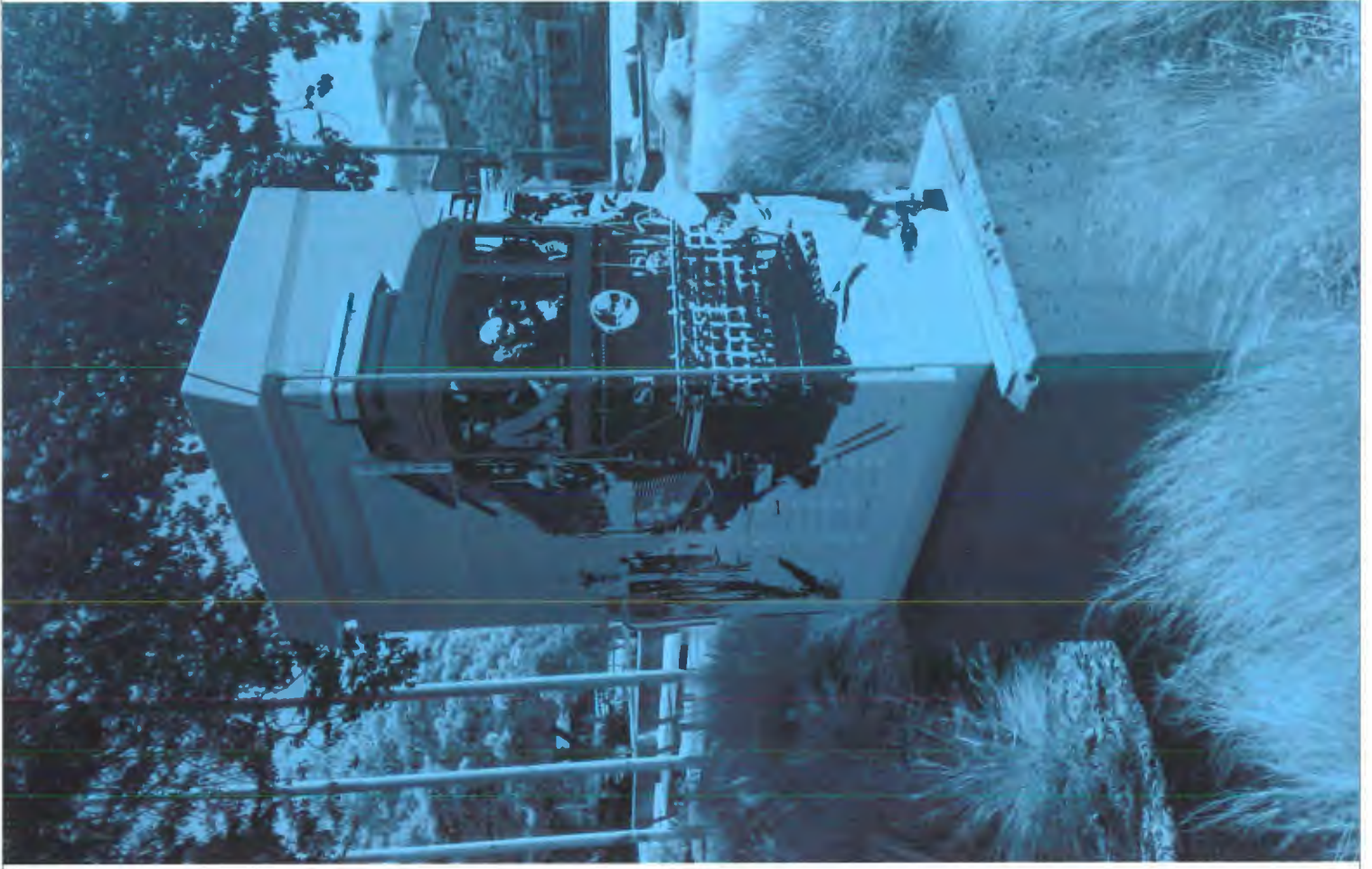
Investment in LIEC increased by \$1.6M.

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.

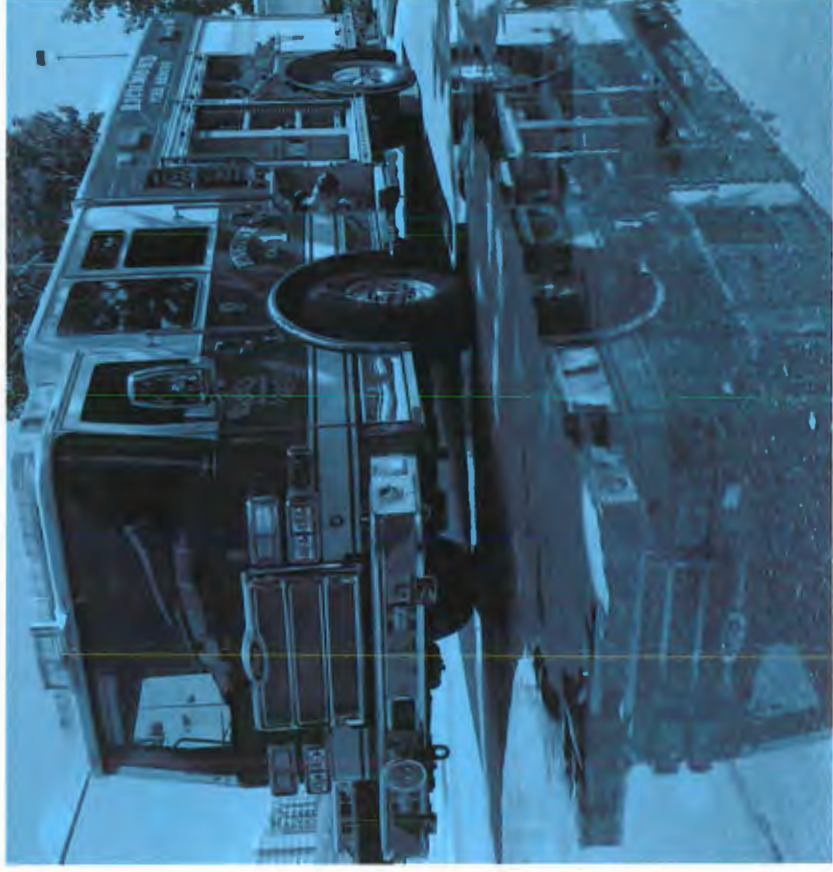
Assessment of flexibility

- 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

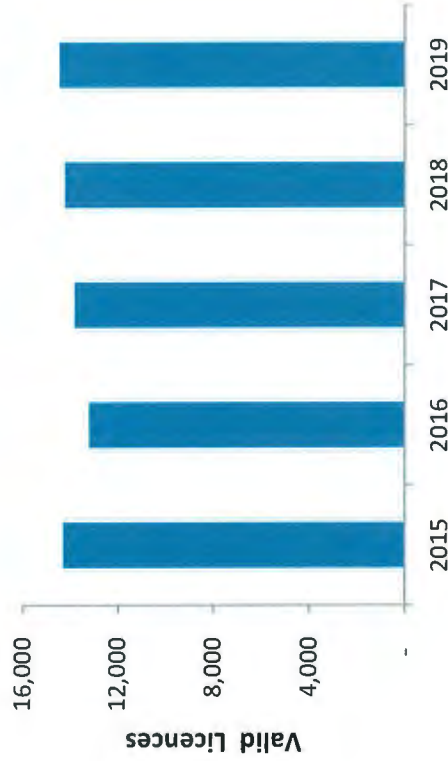
Continue leadership in effective and sustainable growth that supports the City's physical and social needs.



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



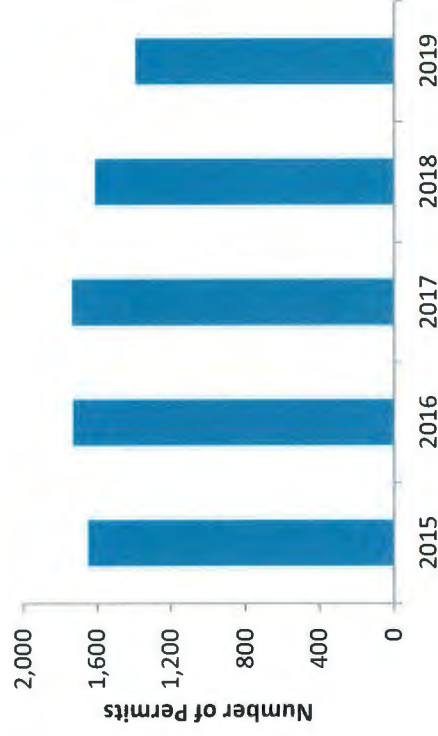
Housing Activity

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.

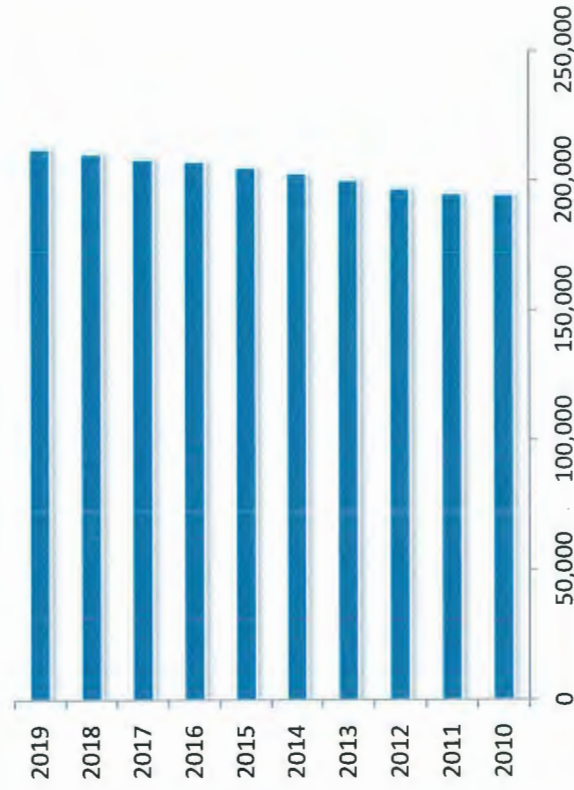
The number of development applications received in 2019 decreased by 22.4% to 159 applications from 205 applications in 2018. Total fees collected in 2019 decreased by 27.4%.



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>





City of Richmond

Report to Committee

To: Finance Committee

Date: April 15, 2020

From: Jerry Chong
Director, Finance

File: 03-0900-01/2020-Vol
01

Re: Revenue Anticipation Borrowing (2020) Bylaw No. 10153

Staff Recommendation

1. That Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be introduced and given first, second and third readings.
2. That Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be adopted.

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

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Law	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

The current COVID-19 pandemic has raised concerns for many local governments over cash flow impact as a result of the significant decline in sales of services, possible delay and/or delinquency in property tax collection, along with the possibility that we may have to front-end tax remittances to other taxing agencies.

The City of Richmond (the City) continues to maintain a sound financial position with access to cash and liquid investments to meet its financial obligations. However, with the uncertainties regarding the duration of the pandemic measures, it is prudent to have a contingency plan in place for the possibility that some borrowing may be required to maintain liquidity through the pandemic crisis.

The purpose of this report is to seek Council's approval for Revenue Anticipation Borrowing (2020) Bylaw No. 10153.

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

Accountable, transparent, and responsible financial management that supports the needs of the community into the future.

5.1 Maintain a strong and robust financial position.

Analysis

Section 177 of the Community Charter

Pursuant to Section 177 of the *Community Charter*:

- Council may, by bylaw, provide the authority to borrow money that may be necessary to meet current lawful expenditures or to pay amounts required to meet the City's taxing obligations in relation to other local governments or public bodies.
- The maximum amount of borrowing allowed for revenue anticipation borrowing is the sum of the unpaid taxes for the current year and the money remaining due from other governments (e.g. payment in lieu of taxes and grants).
- Before the adoption of the annual property tax bylaw in any year, the taxes in that year are deemed to be 75% of all property taxes imposed for all purposes in the preceding year.
- If money is borrowed pursuant to a revenue anticipation borrowing bylaw, any money to be collected from property taxes must be used to repay the money borrowed.

Staff propose that Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be authorized to allow the City to have the ability to temporarily borrow up to \$36,500,000 in the event that the City requires bridge funding to meet current lawful expenditures or to pay amounts required to meet the City's taxing obligations in relation to other local governments or public bodies.

City's Credit Facility Agreement and Proposed Amendment

The City currently has an existing \$9,500,000 credit facility agreement with its bank, which is comprised of:

- (i) \$3,000,000 in standby letters of credit, demand promissory notes or bank overdraft;
- (ii) \$4,500,000 in leasing lines of credit; and
- (iii) \$2,000,000 in commercial card credit facility.

Standby Letters of Credits/Demand Promissory Notes/Bank Overdraft

The purpose of the \$3,000,000 operating line of credit is to ensure that the City has a secondary source of credit in place to protect its bank accounts from the unlikely event of going into an overdraft position. Staff regularly monitor the City's cash flow position to prevent the possibility of having to draw down on the credit facility.

The credit facility has never been utilized by the City. If the operating line of credit remains unused, it will be free of charge for the City to maintain.

Under the current COVID-19 situation, staff recommend that the limit for this credit facility under the City's Revenue Anticipation Borrowing Bylaw be increased from the existing level of \$3,000,000 to \$30,000,000 in the event the City has to undertake temporary borrowing to meet corporate cash flow requirements if the collection of property taxes falls short from budget or gets delayed due to the pandemic.

Leasing Lines of Credit

The purpose of the \$4,500,000 leasing lines of credit is to ensure that a leasing facility is available in the event it is required. If the leasing line of credit remains unused, it will be free of charge for the City to maintain.

This leasing line of credit is unused. Staff recommend no change to this credit facility.

Commercial Credit Card Facility

The purpose of the \$2,000,000 limit in commercial credit card facility is to provide a convenient and cost-effective method of procuring and paying for low value goods and services. The commercial credit card facility is free of charge if payment is received within three days after the statement date.

The current spending of the City's commercial credit card program is well under the \$2,000,000 credit limit. Staff recommend no change to this credit facility.

Costs of the City's Credit Facilities

The credit facilities are offered to the City by Scotiabank at no charge unless they are being drawn upon. The following table summarizes the interest rates under the City's existing credit facility agreement:

	Operating Lines of Credit	Leasing Lines of Credit	Commercial Credit Card
Interest Rate	Bank's prime lending rate minus 0.50%	Bank's prime lending rate or leasing base rate plus 0.60%	Bank's prime lending rate plus 1.00%
Grace Period	None	None	3 days after statement date

The current bank's prime lending rate at the time of this report is 2.45%.

Proposed Revenue Anticipation Borrowing (2020) Bylaw No. 10153

Staff propose that Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be authorized to allow the City to have the ability to temporarily borrow up to \$36,500,000 in the event that the City requires bridge funding to meet current lawful expenditures or to pay amounts required to meet the City's taxing obligations in relation to other local governments or public bodies.

The proposed Revenue Anticipation Borrowing (2020) Bylaw No. 10153 does not automatically result in any borrowing upon adoption. The adoption of the Bylaw will enable the establishment of available credit facilities in the event that bridge financing is required.

With the City's solid financial position, the City has never activated any credit facilities in the past. The purpose of maintaining these credit facilities is to ensure that they will be available in the event that funds are required to meet short-term operational cash flow needs. Should any of these credit facilities be utilized resulting in the City incurring interest charges for a consecutive period of more than two weeks, staff will prepare a memo to inform Council of such financial activity.

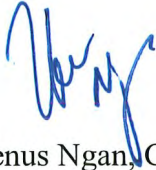
The Revenue Anticipation Borrowing Bylaw is required to be adopted annually by Council. Credit facility arrangements are reviewed with the bank at least once a year (more frequently in 2020 due to the rapidly changing operating environment) to evaluate the City's credit needs in determining the optimal level of credit facility balances to maintain.

Financial Impact

None.

Conclusion

Staff recommend that the Revenue Anticipation Borrowing (2020) Bylaw No. 10153 be approved for adoption in order for the credit facilities to be available to the City in the event that the City has to temporarily borrow to meet current lawful expenditures or to pay amounts required to meet the City's taxing obligations in relation to other local governments or public bodies.



Venus Ngan, CPA, CA
Manager, Treasury and Financial Services
(604-276-4217)



REVENUE ANTICIPATION BORROWING (2020) BYLAW NO. 10153

The Council of the City of Richmond enacts as follows:

1. Council shall be and is hereby empowered and authorized to borrow upon the credit of the City, from a financial institution, a sum not exceeding \$36,500,000 at such times as may be required.
2. The form of obligation to be given as acknowledgement of the liability shall be \$30,000,000 in the form of standby letters of credit, demand promissory notes or bank overdraft, \$4,500,000 in the form of leasing lines of credit, and \$2,000,000 in the form of commercial credit card facility.
3. All unpaid taxes and the taxes of the current year (2020) when levied or so much thereof as may be necessary shall, when collected, be used to repay the money so borrowed.
4. Revenue Anticipation Borrowing (2019) Bylaw No. 9997 is hereby repealed.
5. This Bylaw is cited as **“Revenue Anticipation Borrowing (2020) Bylaw No. 10153”**.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

MAYOR

CORPORATE OFFICER

CITY OF RICHMOND
APPROVED for content by originating dept. 
APPROVED for legality by Solicitor 