



Capital Regional District 2020 Statement of Financial Information

Presentation to Finance Committee

Wednesday May 5, 2020

1. Financial Reporting Timeline
2. What are the Financial Statements
3. How do the Statements Relate
4. Highlights from Statements
5. Additional Information
6. Financial Metrics and Indicators



In 2020, the CRD continued supporting Regional Priorities identified in the Corporate and Strategic Plan through extraordinary economic conditions, a challenging labour market, and unprecedented growth in asset utilization



Investments made for the Future

capital investment was 7.9x depreciation while 8% of revenue was committed to debt repayments



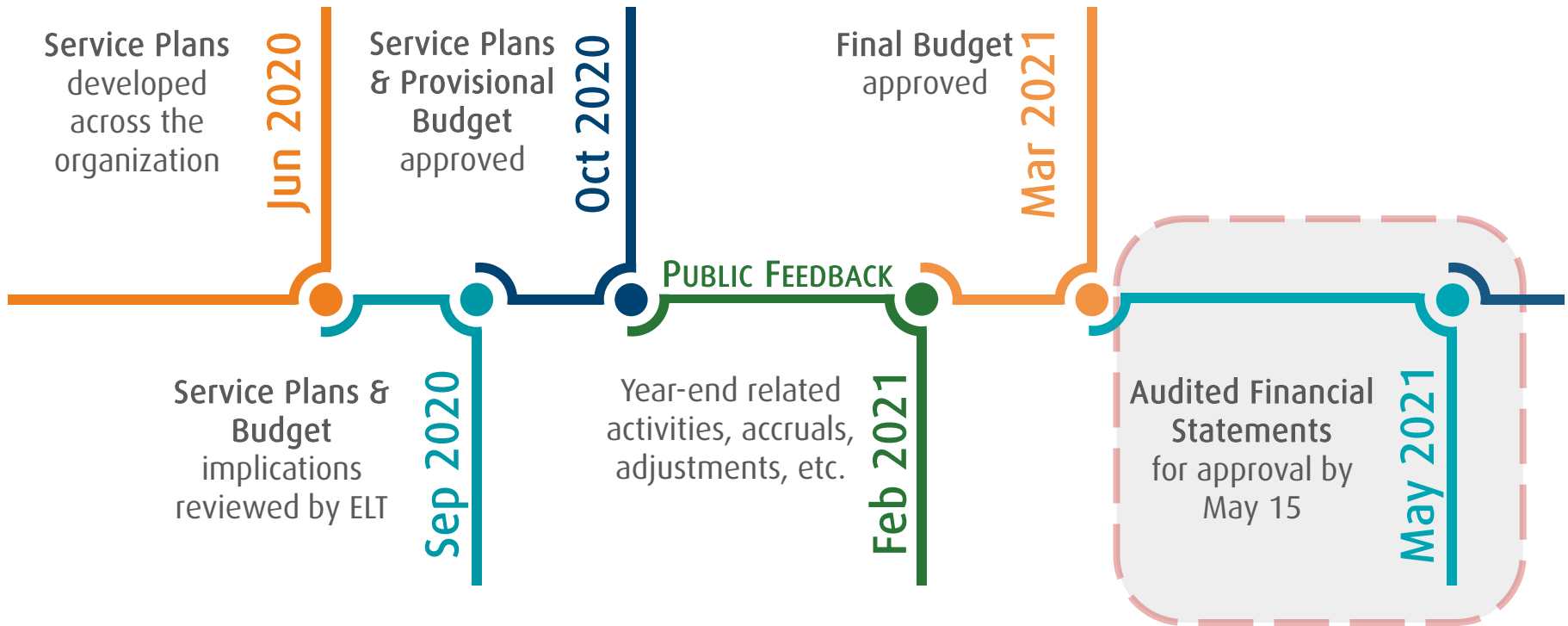
Managing the Cost of Debt

7.6% of total revenue was committed to long-term debt repayment



Diversifying Revenue Streams

39% of total revenue came from government grants while 29% came from sale of services



CRD Audited Financial Statements

- Legislation requires statements be approved and submitted to the Ministry of Municipal Affairs and Housing by May 15
- Financial Statements are prepared on an accrual basis (as required by PSAB)
- Consolidated statements include all CRD services and CRHC



Financial Position

The overarching statement that summarizes CRD's financial position at a point in time.

Changes in the financial position are summarized in the following four statements.



Operations

Explains the change in the overall financial position during the accounting period except those reported in the Statement of Remeasurement Gains and Losses.



Change in Net Debt

Reconciles the change in net debt for the current and prior year.

Net debt is a financial performance measure unique to public sector financial reporting.



Remeasurement Gains and Losses

Explains the change in the overall financial position due to remeasurements related to unrealized gains and losses on specific financial assets and liabilities recorded at fair value.



Cash Flows

Explains the change in cash and cash equivalents from the prior year and provides information about the ability to generate cash to meet cash requirements.

Statement of Financial Position	2020	2019
Financial Assets		
Cash & Cash Equivalents	XXX	XXX
Other Assets	XXX	XXX
	XXX	XXX
Financial Liabilities		
Accounts Payable	XXX	XXX
Other Liabilities	XXX	XXX
	XXX	XXX
Net Financial Assets (Debt)	XXX	XXX
Non-Financial Assets		
Tangible Capital Assets	XXX	XXX
Other Non-Financial Assets	XXX	XXX
	XXX	XXX
Accumulated Surplus is comprised of;		
Accumulated Operating Surplus	XXX	XXX
Accumulated Remeasurement Gains/Losses	XXX	XXX

Explaining Changes in Financial Position

Statement of Cash Flow	2020	2019
Operating Transactions	X	X
Capital Transactions	X	X
Investing Transactions	X	X
Financing Transactions	X	X
	X	X
Cash & Equivalents at Beginning of Year	X	X
Cash & Equivalents at End of Year	X	X

Statement of Net Debt	2020	2019
Annual Surplus	X	X
Acquisition of Tangible Capital Assets	X	X
	X	X
Net Debt at Beginning of Year	X	X
Net Debt at End of Year	X	X

Statement of Operations	2020	2019
Revenue	X	X
Expenses	X	X
	X	X
Accumulated Surplus Beginning of Year	X	X
Accumulated Surplus End of Year	X	X

Statement of Remeasurement Gains	2020	2019
Accumulated Remeasurement Opening	X	X
Net Remeasurement Gains (Losses)	X	X
	X	X
Accumulated Remeasurement Close	X	X



Summary of Consolidated Statement December 31, 2020 with comparative information for 2019 (\$M)

	2020	2019	B/(W) \$	B/(W) %
Financial Assets	549	487	61	13%
Financial Liabilities	(629)	(588)	(41)	7%
Net Debt	(80)	(100)	20	20%
Non-Financial Assets	1,763	1,531	232	15%
Accumulated Surplus	\$1,683	\$1,431	\$252	18%

Change in Financial Assets

- Increase in cash, cash equivalents and investments +64M, receivables +12M due CAWTP grants offset by a decrease in land held for sale (8M)

Change in Financial Liabilities

- Increase in debt +19M due to CRHC housing acquisitions for RHFP
- Increase in accounts payable +6M due to CAWTP expenses
- Increase in deferred revenue +17M related to federal grants for RHFP

Change in Non-Financial Assets

- Due to increase in tangible capital assets +230M driven by additions to engineering structures +106M, buildings +80M and work in progress +42M



2. Statement of Operations

Summary of Consolidated Statement December 31, 2020 with comparative information for 2019 (\$M)

	2020	2019	B/(W) \$	B/(W) %
Revenue	433	431	2	0%
Expenses	(183)	(177)	(6)	3%
Annual Surplus	250	254	(4)	(2)%
Accumulated Surplus Beginning of Year	1,432	1,178	254	22%
Accumulated Surplus End of Year	\$1,682	\$1,432	\$250	17%

Change in Revenue

- Increase in developer contributions +2.4M, rental income +1.3M, and sale of services +1.2M, offset by a decrease in government grants (3M)

Change in Accumulated Surplus

- Operating Surplus +62M, and +188M increase in capital and reserve equity

Summary of Consolidated Statement December 31, 2020 with comparative information for 2019 (\$M)

	2020	2019	B/(W) \$	B/(W) %
Annual Surplus	250	254	(4)	(2)%
Acquisition of Tangible Capital Assets	(260)	(313)	53	(17)%
Contributed tangible capital assets	(8)	(3)	(5)	137%
Amortization of Tangible Capital Assets	34	32	2	7%
Accrued Liabilities and Other	(4)	(2)	(2)	111%
Change in Net Debt	19	(29)	61	167%
Net Debt Beginning of Year	(100)	(72)	(28)	40%
Net Debt End of Year	\$(68)	\$(100)	\$(32)	32%

Change in Net Debt

- Primarily due to an increase in acquired tangible capital assets (260M)
- Offset by the annual surplus +250M and amortization +34M

Remeasurement of Gains & Losses (\$M)

	2020	2019	B/(W) \$	B/(W) %
Accumulated remeasurement gains and losses, beginning of year	(0.9)	(1.7)	(0.8)	(48)%
Unrealized gain (loss) on foreign exchange	0.01	0.02	(0.01)	(35)%
Unrealized gain (loss) on investment	1.5	0.1	1.4	1142%
Portfolio investments reclassified to the statement of operations	-	0.7	(0.7)	(100)%
Accumulated remeasurement gains and losses, end of year	0.6	(0.9)	1.5	(166)%

▪ PS3450 Financial Instruments, investments carried at fair value, results in remeasurement gain in 2020

Statement of Cash Flow (\$M)

	2020
Operating Activities	281
Capital Activities	(249)
Investing Activities	(70)
Financing Activities	30
Net Cash and Cash Equivalents	(8)
Cash and Equivalents Beginning of Year	184
Cash and Equivalents End of Year	\$177

- Positive cash flow from operating activities means that core operations is generating enough cash to buy new assets and to cover future loan obligations
- The cash is generated from annual surplus of +\$250M which contributed to a +\$281M change in cash from operating activities, combined with inflow from financing activities of +\$30M, totaling +\$312M
- \$319M was invested into capital (\$249M), and investments (\$70M) resulting in decrease in cash at year end of (\$8M)

The Consolidated Statement of Cash Flow inherently explains the change in cash from the end of the prior year to the end of the current year, additional information is available in the financial statements (Appendix A).



Additional Statements & Schedules (Appendix A)

- Schedule of Remuneration & Expenses: Employees
- Schedule of Remuneration & Expenses: Directors
- Severance Agreements (none in 2020)
- Schedule of Payments for Goods & Services
- Schedule of Guarantee & Indemnity Agreements

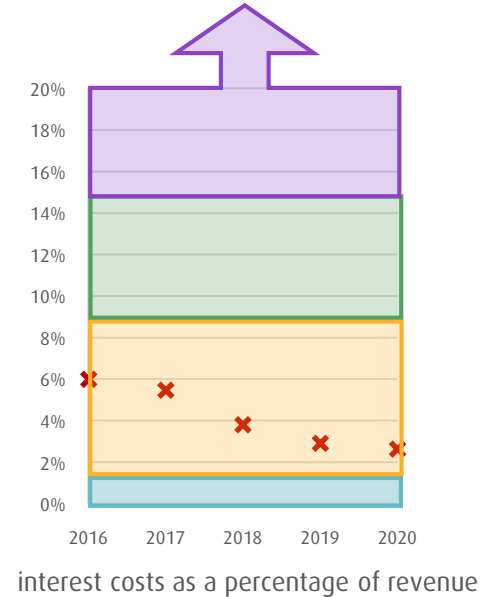
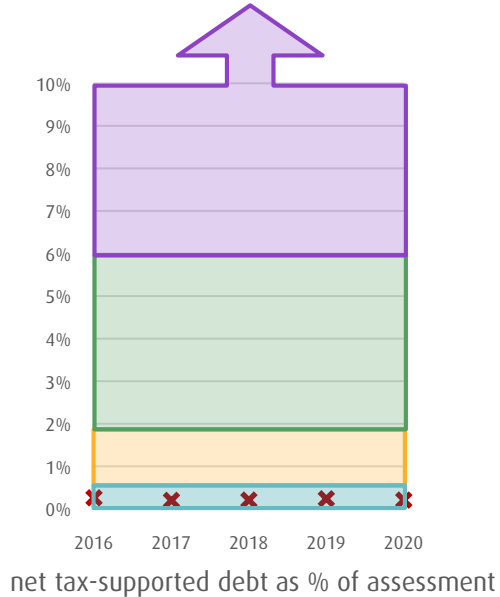
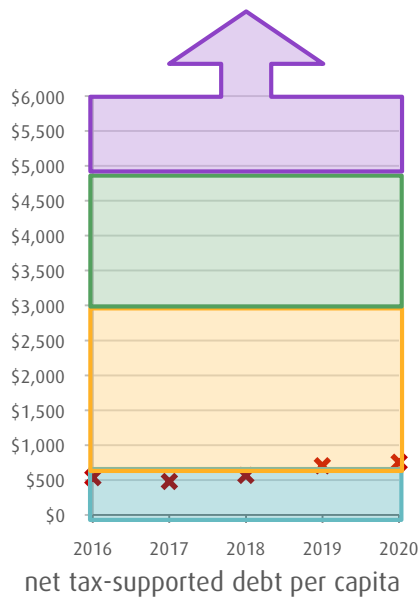
Unaudited Financial Statements (Appendix B)

- Consolidated Debt Charges
- Summary of Long-Term Debt
- Long-Term Debt General, Water and Sewer Funds
- Supplementary Statements – General, Water and Sewer Funds





DBRS is the largest rating agency in Canada and fourth largest in the world. Using the rating methodology for municipal government, CRD results are shown below.



AAA	AA	A	BBB
The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.	The capacity for the payment of financial obligations is considered high. Differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events.	The capacity for the payment of financial obligations is substantial. May be vulnerable to future events, but considered manageable.	Adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

Rating Canadian Municipal Governments: Canadian Municipal Government Financial Risk Metrics, by DBRS (Dominion Bond Rating Service) [360939.pdf \(dbrsmorningstar.com\)](#), May 2020



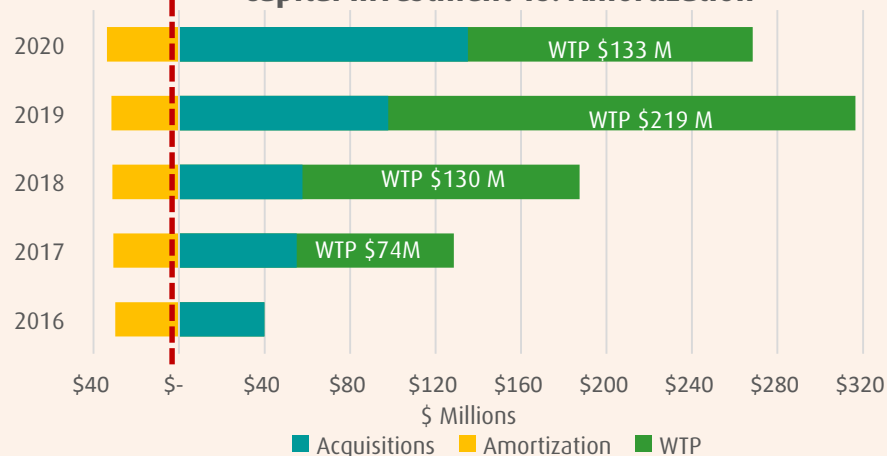
Investments made for the Future

2020 capital investment was 7.9x the rate of depreciation

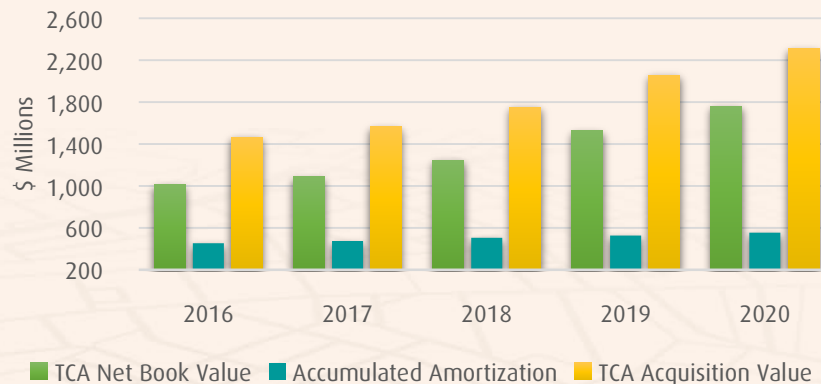
2020 net book value of tangible capital assets is \$1.8 billion

The 2021-2025 5 year financial plan includes TCA additions of \$0.8 billion

Capital Investment vs. Amortization



Tangible Capital Asset





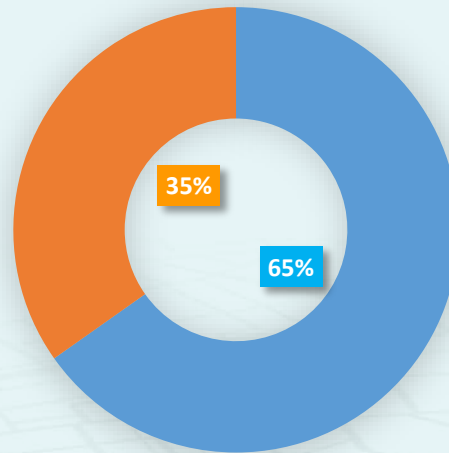
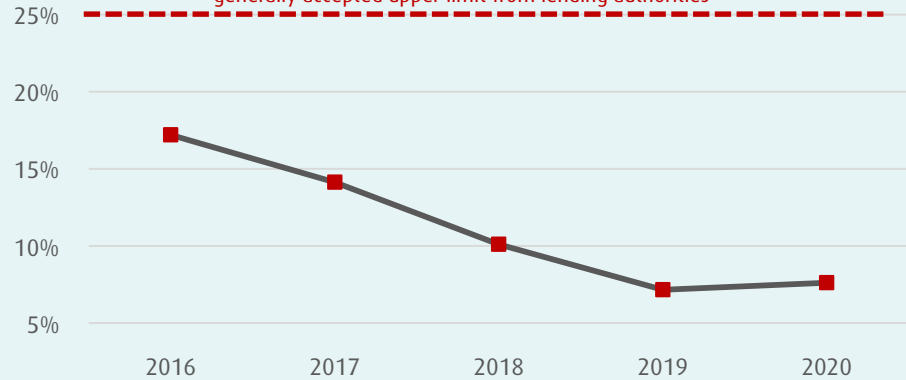
Managing the Cost of Debt

7.6% of total revenue was spent on long-term debt payments

In 2020, CRD debt on average has matured to where principal payments are 65% of debt servicing costs, while interest payments are 35%

Debt Service Costs to Total Revenue

generally accepted upper limit from lending authorities



Debt Servicing Costs

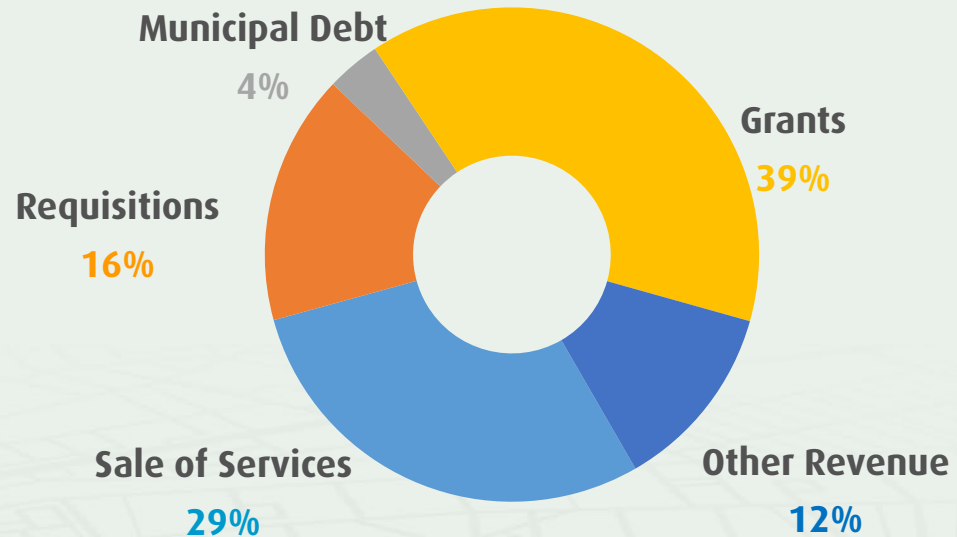
Principal Portion of Payment
Interest Portion of Payment



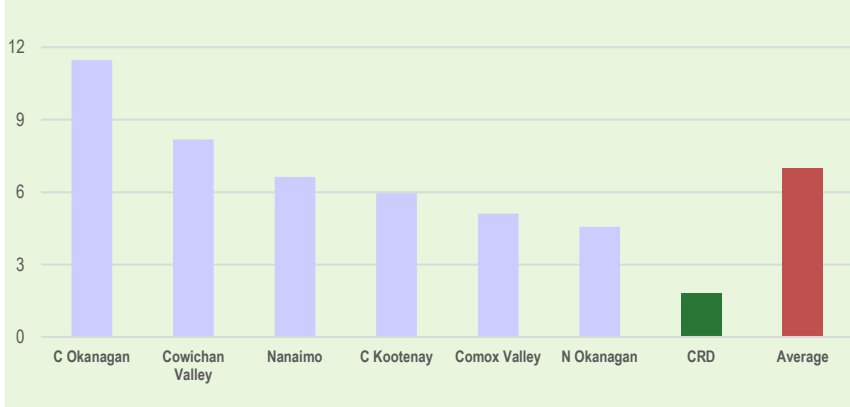
Diversifying Revenue Streams

Almost $\frac{1}{2}$ of revenue came from government grants while almost $\frac{1}{3}$ came from sale of services.

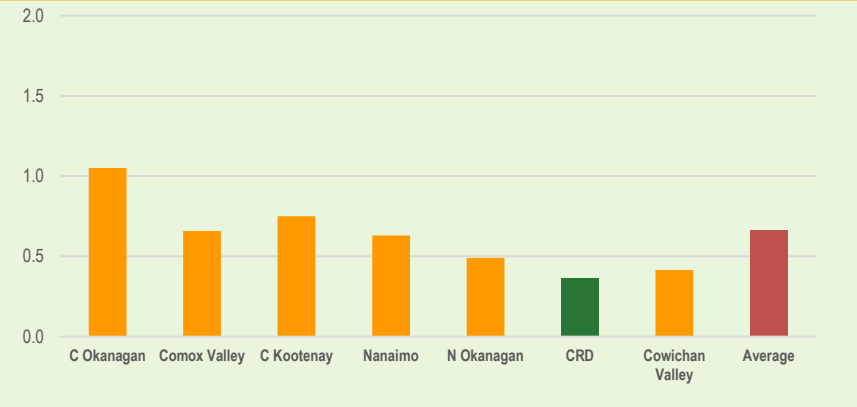
Sale of Services	126.0
Requisitions	71.0
Municipal Debt	15.3
Grants	167.6
Other Revenue	53.4
Total	\$433.2M



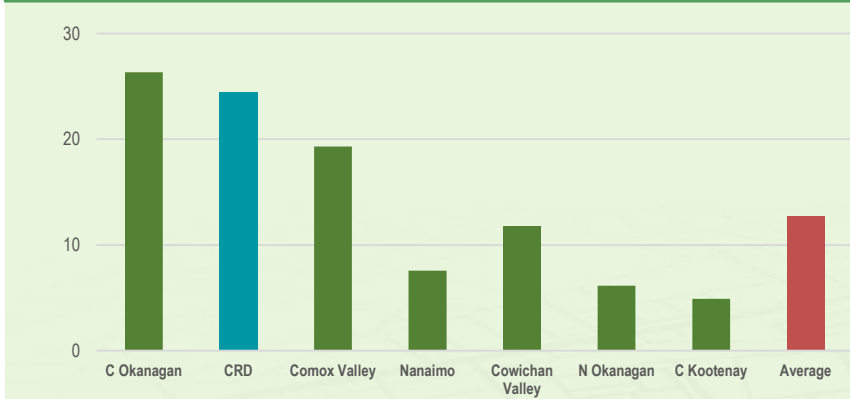
Quick Ratio: Measure of short-term liquidity or the ability to pay immediate financial obligations (greater than 1 is ideal)



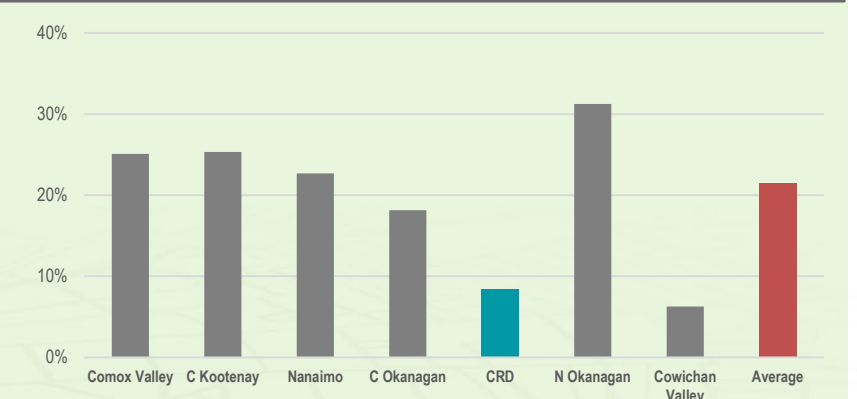
Debt-to-Equity Ratio: Measure of financial leverage, or using debt to increase value (essential public service utilities average 1.2)



Interest Coverage Ratio: Measures how easily a company can pay interest on outstanding debt (greater than 2 is ideal)



Capital Reserve Health: Measure of ability to finance long-term investment projects, also acts as buffer during financial hardship



CRD from 2020 Audited Financial Statement, Source for Rest: Local Government Statistics 2019, by Ministry of Municipal Affairs and Housing, <https://www2.gov.bc.ca/gov/content/governments/local-governments/facts-framework/statistics/regional-district-general-financial-statistics>, May 2021. Excluded from comparison due to size of region (less than \$10M or greater than \$300M in costs); Central Coast, Metro Vancouver, Mount Waddington, North Coast, Peace River.

