

# 2018 CRD Statement of Financial Information

Presentation to Capital Regional District Finance Committee

Wednesday, May 1, 2019

# 2018 Executive Summary



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 2018, the Capital Regional District continued focus on supporting Regional Priorities identified in the Corporate and Strategic Plan



## Investments made for the Future

Capital investment was 6.0x the rate of depreciation



## Managing the Cost of Debt

10% of total revenue was spent on long-term debt payments

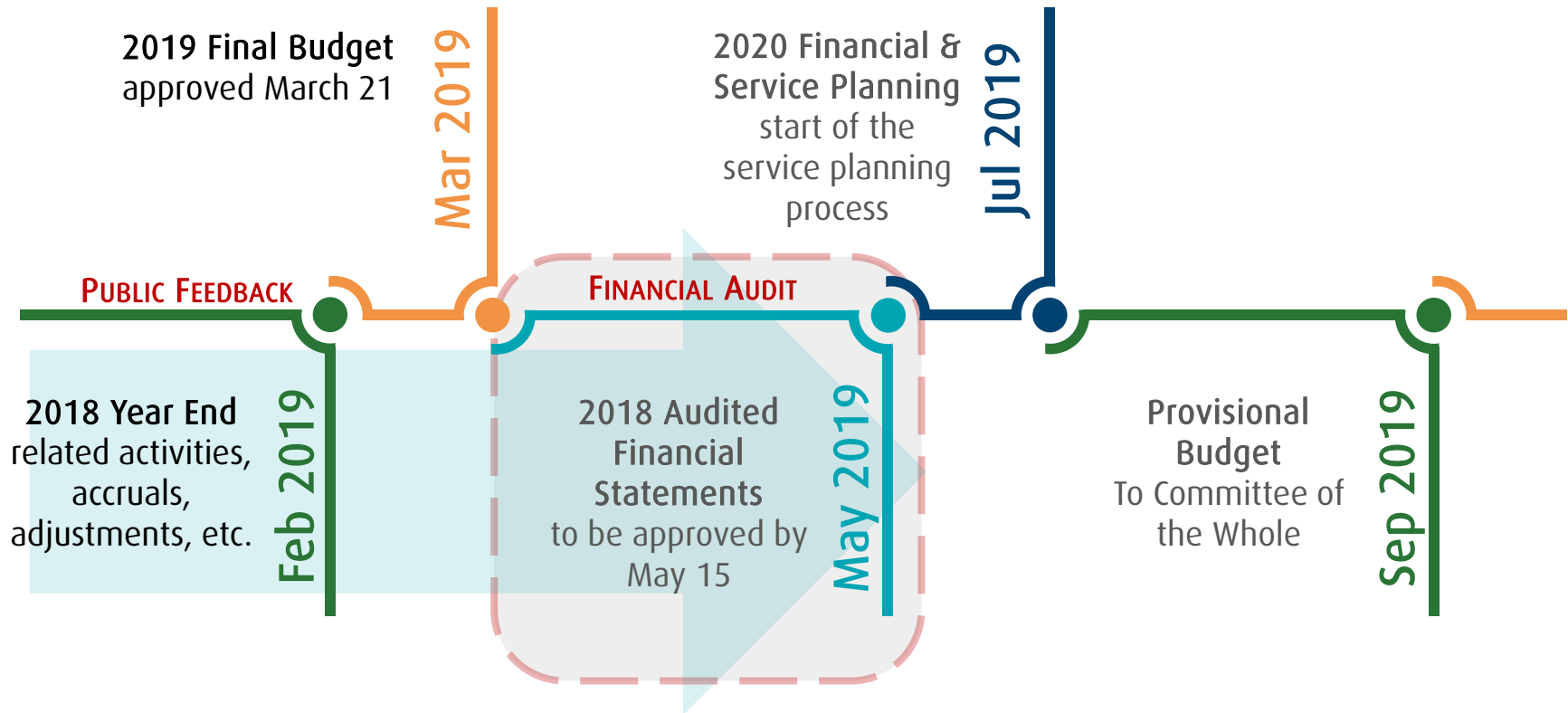


## Diversifying Revenue Streams

Almost  $\frac{1}{2}$  of revenue came from sale of services while less than  $\frac{1}{4}$  from requisition

# Financial Cycle Timeline

CRD



## 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

# What are the financial statements?



## 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.

# How do the statements relate?

## Statement of Financial Position

2016

2015

### 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

2016

2015

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

2016

2015

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

2016

2015

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

2016

2015

Accumulated Remeasurement Opening

X

X

Net Remeasurement Gains (Losses)

X

X

Accumulated Remeasurement Close

X

X

# 1. Statement of Financial Position

## Summary of Consolidated Statement December 31, 2018 with comparative information for 2017 (\$M)

	2018	2017	B/(W) \$	B/(W) %
Financial Assets	436	403	33	8%
Financial Liabilities	(508)	(448)	(60)	-13%
<b>Net Debt</b>	<b>(72)</b>	<b>(45)</b>	<b>(27)</b>	<b>-60%</b>
Non-Financial Assets	1,248	1,092	156	14%
<b>Accumulated Surplus</b>	<b>\$1,176</b>	<b>\$1,047</b>	<b>\$129</b>	<b>12%</b>

### Change in Financial Assets

- Due to an increase in cash (+33M) from grant revenue due to CAWTP.

### Change in Financial Liabilities

- Primarily due to an increase in accounts payable related to CAWTP (+28M) and long-term debt (+28M)

### Change in Financial Liabilities

- Due primarily to an increase in assets under construction for the CAWTP.

## 2. Statement of Operations

### Summary of Consolidated Statement December 31, 2018 with comparative information for 2017 (\$M)

	2018	2017	B/(W) \$	B/(W) %
Revenue	294	233	61	26%
Expenses	(165)	(163)	(2)	-1%
<b>Annual Surplus</b>	<b>129</b>	<b>70</b>	<b>59</b>	<b>84%</b>
Accumulated Surplus Beginning of Year	1,048	978	70	7%
<b>Accumulated Surplus End of Year</b>	<b>\$1,177</b>	<b>\$1,048</b>	<b>\$129</b>	<b>12%</b>

#### Change in Revenue

- Driven primarily through grants from the federal government related to CAWTP (+50M), sale of water services (+4M) from a warmer and drier summer, and developer contributions in JDF Water Distribution (+2M).

#### 2018 Annual Surplus

- Financial statements are prepared in accordance with Public Sector Accounting Board (PSAB) standards
- Operating Surplus +1.4M, and +127.6M increase in capital and reserve equity

### 3. Statement of Net Debt

#### Summary of Consolidated Statement December 31, 2018 with comparative information for 2017 (\$M)

	2018	2017	B/(W) \$	B/(W) %
Annual Surplus	129	70	59	84%
Acquisition of Tangible Capital Assets	(180)	(126)	(54)	-43%
Amortization of Tangible Capital Assets	31	31	0	0%
Accrued Liabilities and Other	(7)	16	(23)	-144%
<b>Change in Net Debt</b>	<b>(27)</b>	<b>(9)</b>	<b>(18)</b>	<b>200%</b>
Net Debt Beginning of Year	(45)	(36)	(9)	-25%
<b>Net Debt End of Year</b>	<b>(\$72)</b>	<b>(\$45)</b>	<b>\$(27)</b>	<b>60%</b>

#### Change in 2018 Net Debt

- Primarily due to an increase in acquired tangible capital assets (-180M)
- Offset by the annual surplus (+129M) and amortization (+31M)



# 4 & 5. Remeasurement & Cash Flow

## Remeasurement of Gains & Losses (\$M)

	2018	2017	B/(W) \$	B/(W) %
Accumulated remeasurement gains and losses, beginning of year	(1.3)	(0.4)	(0.9)	225%
Unrealized gain (loss) on investment	(0.4)	(0.9)	0.5	(56)%
Accumulated remeasurement gains and losses, end of year	(1.7)	(\$1.3)	(0.4)	31%

- Change in MFA investment reporting.
- PS3450 Financial Instruments, investments carried at fair value, results in remeasurement loss in 2018.
- Remeasurement loss is unrealized unless market conditions are similar at time of investment maturity.

## Statement of Cash Flow (\$M)

	2018
Operating Activities	180
Capital Activities	(180)
Investing Activities	(6)
Financing Activities	44
Net Cash and Cash Equivalents	38
Cash and Equivalents Beginning of Year	32
Cash and Equivalents End of Year	\$70

- Positive cash flow from operating activities means that core operations is generating enough cash to buy new assets and to cover future loan payments.
- The increase in cash from annual surplus of \$129.4M which contributed to a \$180.4M change in cash from operating activities, combined with inflow from financing activities of \$43.6M, total \$224M
- \$224M was invested into capital \$(180.3)M, into investments \$(6)M and increase in cash at year end \$(38)M

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, as a result comparison to 2017 is not necessary – however this is available in the financial statements in appendix 1.

## Additional Statements & Schedules (Appendix 1)

- Schedule of Remuneration & Expenses: Employees
- Schedule of Remuneration & Expenses: Directors
- Severance Agreements
- Schedule of Payments for Goods & Services
- Schedule of Guarantee & Indemnity Agreements

## Unaudited Financial Statements (Appendix 2)

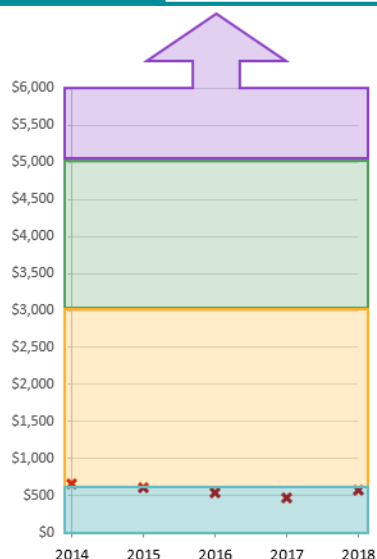
- Consolidated Debt Charges
- Summary of Long-Term Debt
- Long-Term Debt General, Water and Sewer Funds
- Supplementary Statements – General, Water and Sewer Funds

# Financial Metrics and Benchmarking

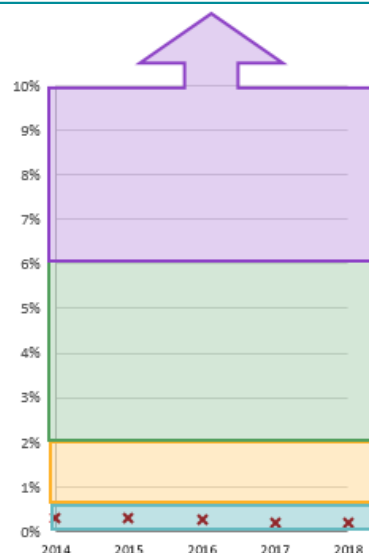
CRD



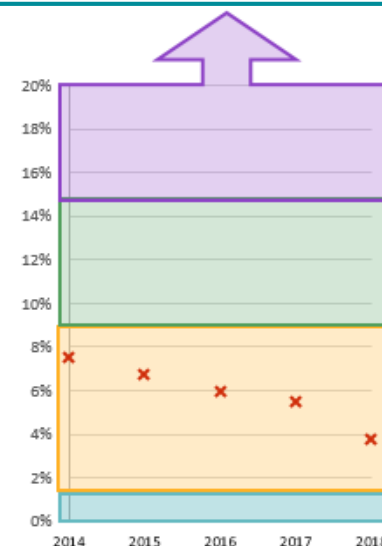
DBRS is the largest rating agency in Canada and fourth largest in the world. Using the rating methodology for municipal government, CRD results are shown below.



net tax-supported debt per capita



net tax-supported debt as % of assessment



interest costs as a percentage of revenue

**AAA**

The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.

**AA**

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.

**A**

The capacity for the payment of financial obligations is substantial. May be vulnerable to future events, but considered manageable.

**BBB**

Adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

# Additional Financial Analysis

CRD



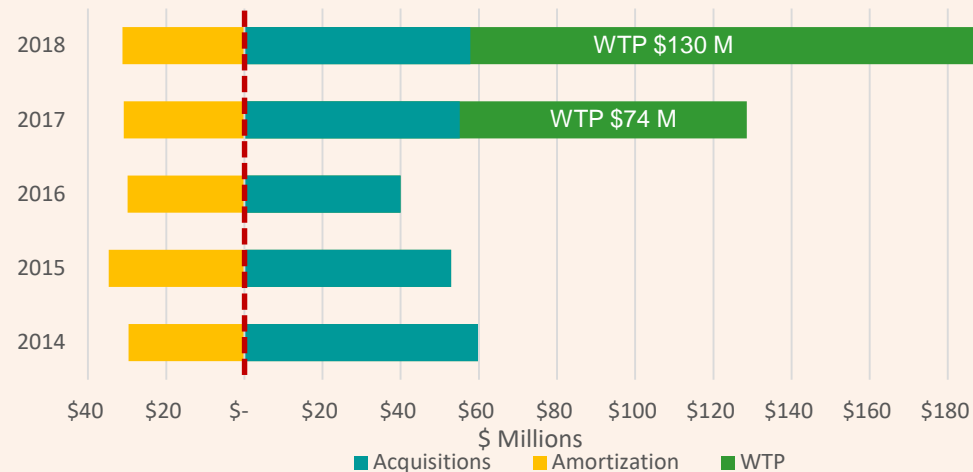
## Investments made for the Future

2018 capital investment  
was 6.0x the rate of  
depreciation

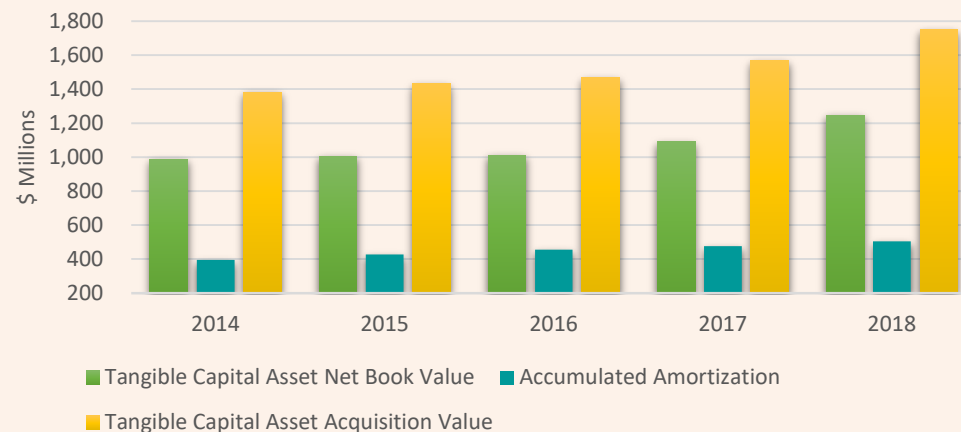
2018 net book value of  
tangible capital assets is  
\$1.25 billion

The 2019-2023 5 year  
financial plan includes TCA  
reaching \$2 billion

### Capital Investment vs. Amortization



### Tangible Capital Asset





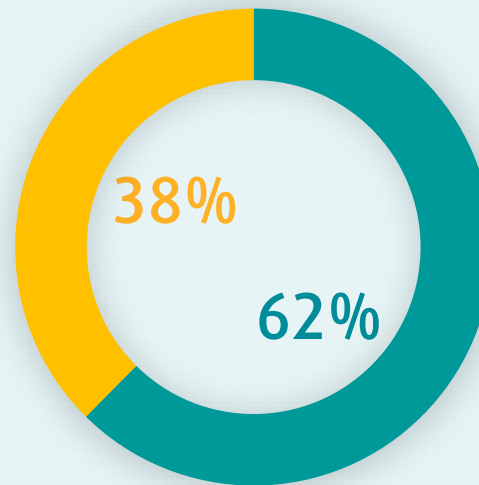
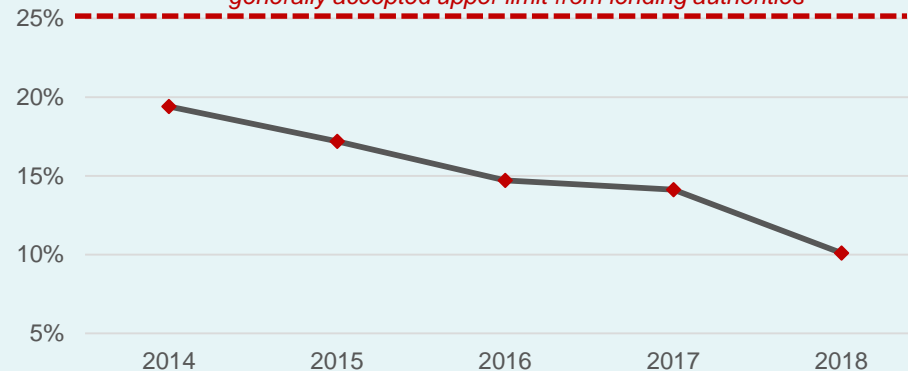
## Managing the Cost of Debt

10% of total revenue was spent on long-term debt payments

In 2018, CRD debt on average has matured to where principal payments are 62% of debt servicing costs, while interest payments are 38%

## Debt Service Costs to Total Revenue

*generally accepted upper limit from lending authorities*



## Debt Servicing Costs

Principal Portion of Payment  
Interest Portion of Payment

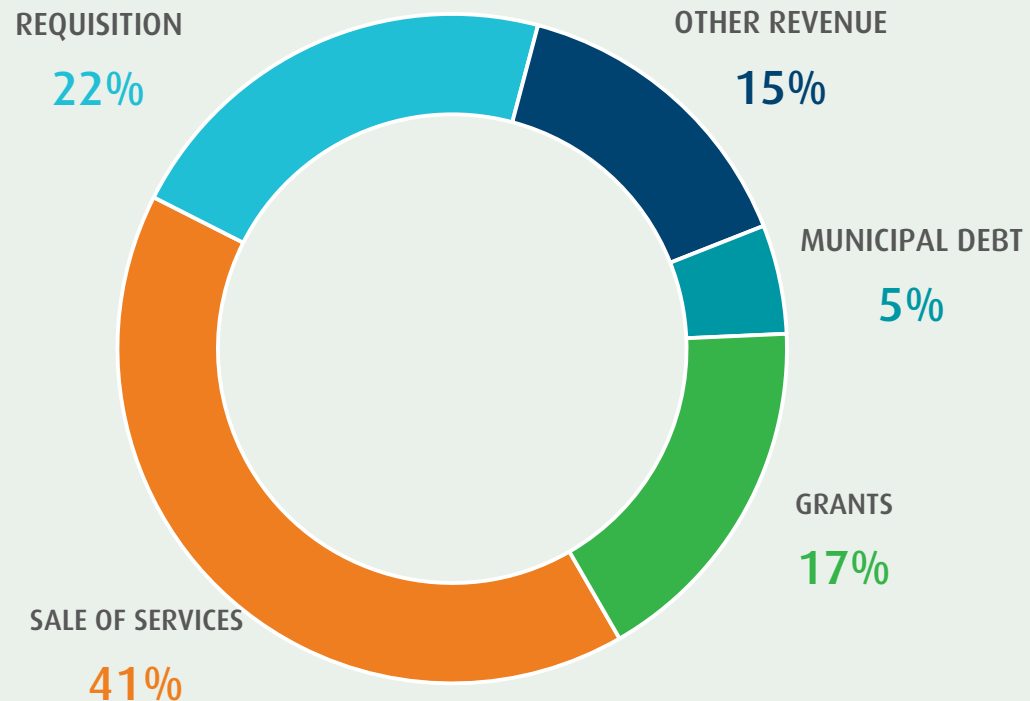
# Additional Financial Analysis



## Diversifying Revenue Streams

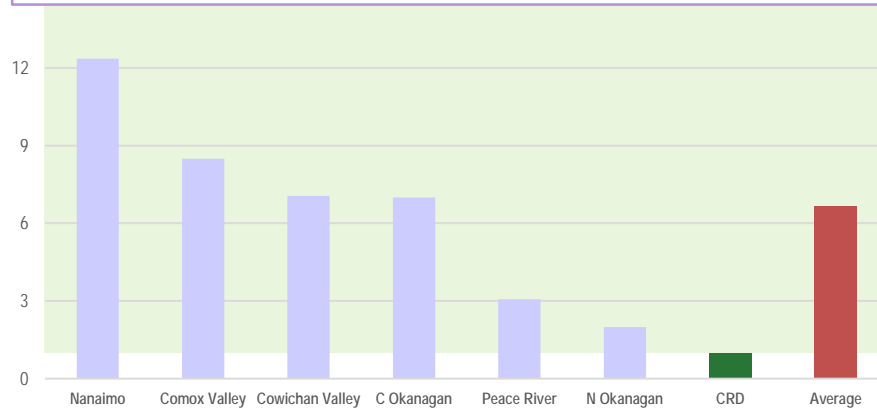
Almost ½ of revenue came from sale of services while just over ¼ from requisition

Sale of Services	120.0
Requisitions	63.7
Municipal Debt	15.5
Grants	51.1
Other Revenue	43.8
Total	\$294.1M

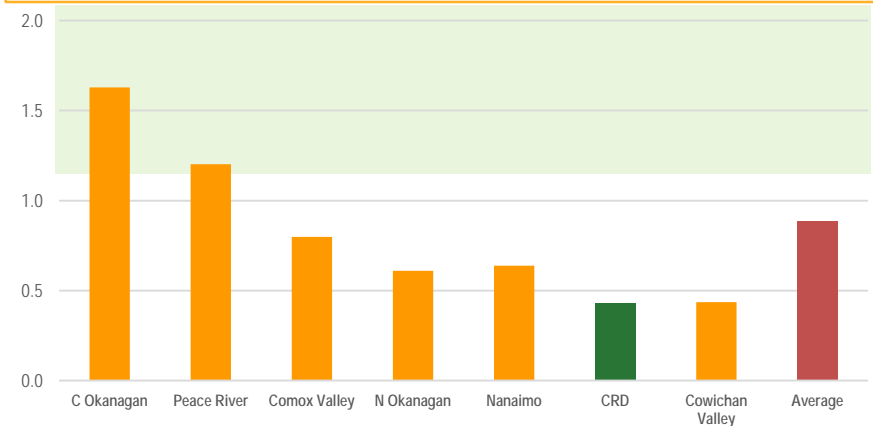


# Additional Financial Analysis

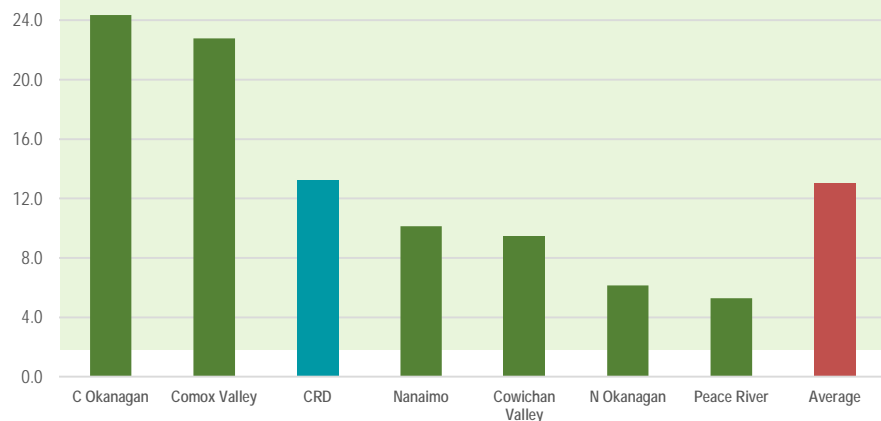
**Current Ratio:** Measure of short-term liquidity or the ability to pay immediate financial obligations (greater than 1 is ideal)



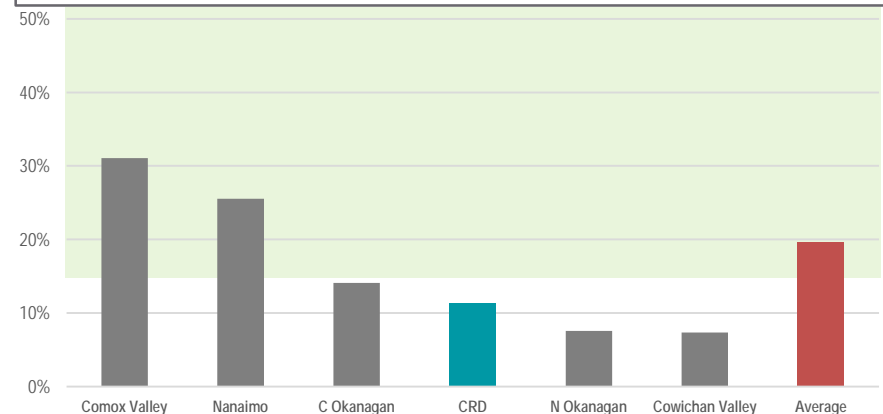
**Debt-to-Equity Ratio:** Measure of financial leverage, or using debt to increase value (essential public service utilities average 1.2)



**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 2018 Audited Financial Statement, Source for Rest: Local Government Statistics 2017, by Ministry of Municipal Affairs and Housing, [http://www.cscd.gov.bc.ca/lgd/infra/statistics\\_index.htm](http://www.cscd.gov.bc.ca/lgd/infra/statistics_index.htm), April 2019  
 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, qathet.  
 Excluded from comparison due to data integrity from ministry database; Fraser Valley