



# The Corporation of the District of Central Saanich

## REGULAR COUNCIL REPORT

For the Regular Council meeting on Monday, May 13, 2024

Re: **2023 Audited Financial Statements**

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### **RECOMMENDATION(S):**

*That the 2023 Audited Financial Statements be accepted.*

### **BACKGROUND:**

Section 167 of the Community Charter requires that each year municipal financial statements be prepared by the Financial Officer and presented to Council for acceptance. The District is required to prepare financial statements in accordance with generally accepted accounting standards as prescribed by the Public Sector Accounting Board. The attached financial statements have been certified by the Financial Officer and audited by the Districts auditors KPMG.

This report provides an overview of the financial statements in addition to the auditor's findings and presentation.

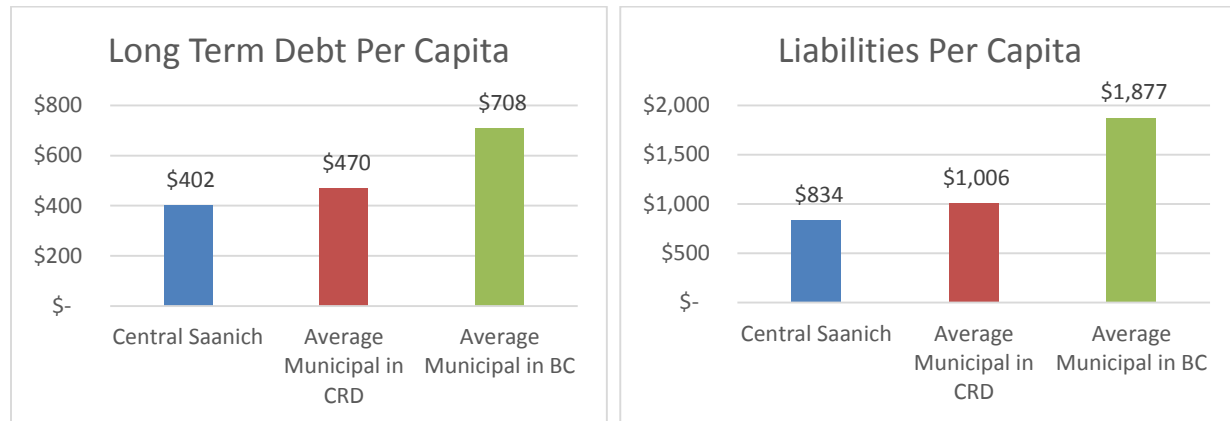
### **DISCUSSION:**

#### **Financial Position (page 4 of Financial Statements):**

The District's overall financial position improved by \$12.6 million (M) in 2023 (\$132.5M to \$145.1M). This is an increase in net financial assets (financial assets minus financial liabilities) of \$9.9M (\$41.1 to \$51M) and an increase of \$2.7M (\$91.4M to \$94.1M) in non-financial assets such as tangible capital assets, inventory and prepaid expenses.

Financial Assets of the District increased \$11.3M in 2023 due to receiving \$5.5M from the Provincial Growing Communities Fund grant, continued favourable returns in investment interest revenue, increases in building and development permit revenues, capital spending being less than budgeted, and surpluses realized in 2023.

Liabilities and debt are important factors in municipal financial health. Central Saanich has a reasonable level of liabilities and debt on a per capita basis in comparison regionally and across the province.



(2022 LGD Statistics)

#### Statement of Operations (page 5 of Financial Statements):

The Districts operations for the year resulted in a surplus of \$12.6M. This is a combination of higher revenues as stated, asset contributions from development \$488,000, and operating surpluses as a result of staff vacancies and a conservative approach to operating expenses. Operating results for the year are also reported in the attached Appendix A with comments, in budget presentation format.

Water and Sewer operating had higher surpluses due to water consumption higher than forecasted and investment interest revenue.

#### Reserves:

Reserves have increased by \$11.1 in 2023 (\$41.2M to \$52.3M). As stated, the \$5.5M from the Provincial Growing Communities Fund grant was set up as a new reserve. Additional non-budgeted transfers to reserves have been made based on 2023 surplus, 2024 strategic projects budget, and the reserve funds policy and balances. Additional transfers are as follows,

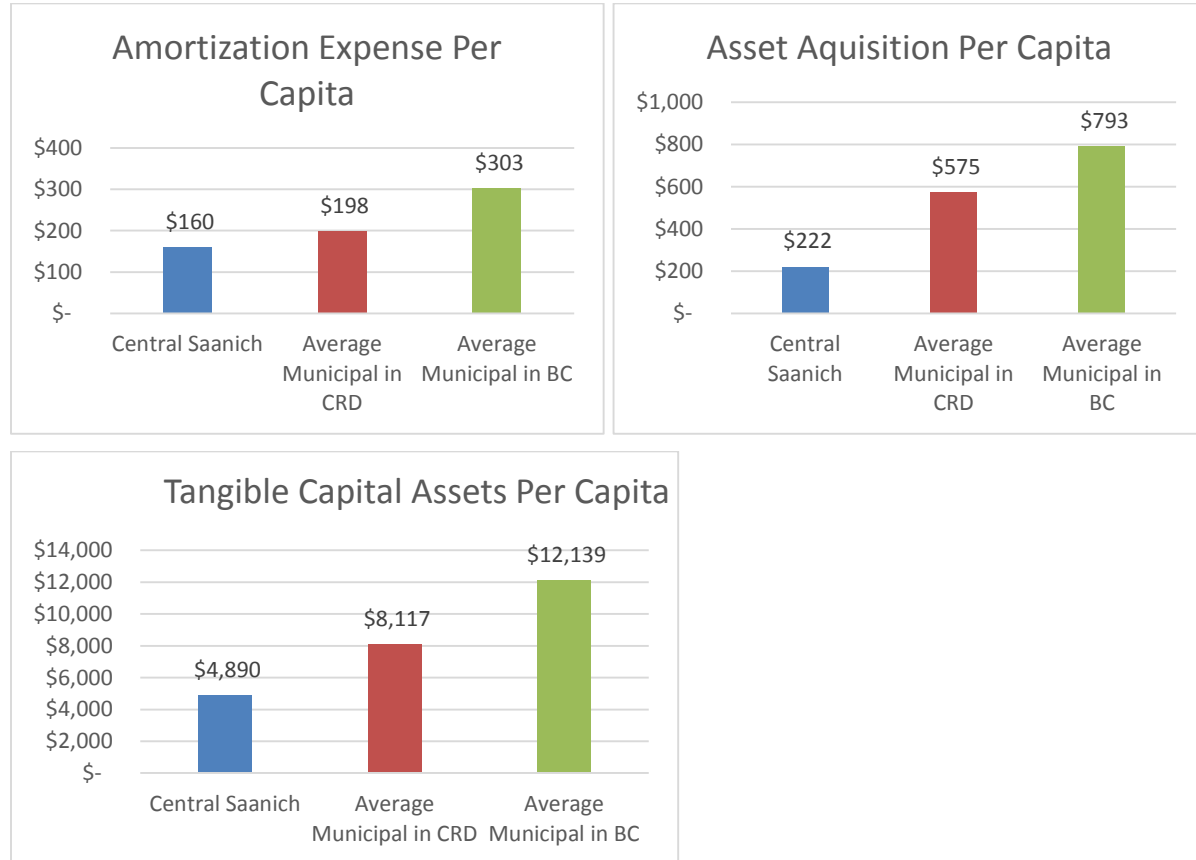
Financial Stabilization Reserve	300,000
General Capital Reserve	300,000
Fire Vehicle & Equipment Replacement Reserve	500,000
Reserve for Future Expenditures – 2024 Strategic Projects	1,000,000
Total	<u>\$ 2,100,000</u>

Note 9 of the financial statements (page 22) details reserve holdings at December 31, 2023.

Total surplus and reserves of \$145.1M are modest for a municipality of our scope and are generally in accordance with the Districts Reserves policy.

**Tangible Capital Assets (municipal infrastructure):**

Measures of asset sustainability include annual acquisition spending relative to the asset base, amortization, new infrastructure required, and long term asset replacement plans.



Amortization expense is consistent with the Capital Region average and below the provincial average. Per Capita asset acquisition for the District is \$222, while the municipal average in the CRD is \$575 and Provincial average of \$793. Our replacement and acquisition spending is below both the CRD and Provincial averages. The District will need to increase annual capital spending and replacement of infrastructure in accordance with the Districts Long Term Financial Plan in order to reach resilient replacement levels. The District is not keeping pace with assets wearing out at the present rate of annual replacement. This concern is being addressed in the 2024 Five Year Capital Plan.

The District's capital program budget has increased from \$6.1M in 2021 to \$10.2M in 2022 and now \$11.8M in 2023. However, there was less capital spending than planned of \$4.2M and was offset by reduced use of reserves. The reduced spending was mainly attributed to the following:

- The Brentwood Pump Station project was delayed due to environmental issues and additional geotechnical assessments. Sewer main work commenced in early 2024. Budget \$3.75M .
- Watermain Replacement budget was not fully utilized. The District spent \$1.4M against the 2023 budget totaling \$2.5M.
- Storm Drains and Water & Sewer contingency budgets were not utilized (Budget \$600,000).
- Multiple vehicles and equipment deliveries were delayed due to supply chain issues and are anticipated to be delivered in 2024. There was \$300,000 spent against the 2023 vehicle capital budgets totaling \$1.7M.

Although capital spending was less than planned, numerous projects were successfully completed in 2023:

- Annual road reconstruction (\$820,000)
- 2 Ford Lightning EV trucks and 1 Ford Transit EV Van (delivered)
- Centennial Park Backstop Replacement
- Fire SCBA equipment (\$370,000)
- Tomlinson water main replacement (\$1.3M)

The District also received \$488,000 of developer donated assets in 2023 including roads \$285,000, drains \$178,000, water \$8,000, and sewer \$17,000.

#### **CONCLUSION:**

Central Saanich continued to improve its financial strength in 2023, increasing levels of reserves and managing overall revenues and expenses within the 2023 financial plan budget. Continued financial discipline to move forward on the path outlined in the District's Long Term Financial Strategies and Resilient Asset Management Plan, and achieving annual replacement spending targets, will be critical success factors in the District's infrastructure long-term financial health.

Report written by:	Fernando Pimentel, Manager of Finance
Respectfully submitted by:	Fernando Pimentel, Manager of Finance
Concurrence by:	Troy Ziegler, Director of Financial Services
Concurrence by:	Emilie Gorman, Director of Corporate Services/ Acting Chief Administrative Officer

#### **ATTACHMENTS:**

Appendix A: Consolidated 2023 Budget Summary

Appendix B: 2023 Audited Financial Statements