

AUDIT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: 2017 ANNUAL MUNICIPAL REPORT

RECOMMENDATION:

1. **THAT** Council receive the City of Burnaby 2017 Annual Municipal Report and audited Consolidated Financial Statements for the year ended 2017 December 31.

REPORT

The Audit Committee, at its meeting held on 2018 April 11, received and adopted the *attached* 2017 Annual Municipal Report which includes the audited Consolidated Financial Statements (*provided under separate cover*).

Respectfully submitted,

Councillor D. Johnston
Chair

Councillor C. Jordan
Vice Chair

Copied to:	City Manager Director Corporate Services Director Finance Director Engineering Director Parks, Rec. & Cult. Services Director Planning and Building Director Public Safety & Com. Services Chief Librarian Chief Information Officer Fire Chief OIC, RCMP
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Meeting 2018 April 11

COMMITTEE REPORT

TO: CHAIR AND MEMBERS
AUDIT COMMITTEE

DATE: 2018 April 05

FROM: DIRECTOR FINANCE

FILE: 7620-20

SUBJECT: 2017 ANNUAL MUNICIPAL REPORT

PURPOSE: To present the 2017 Annual Municipal Report which includes the audited Consolidated Financial Statements.

RECOMMENDATION:

- 1. THAT** the Audit Committee recommend Council receive the City of Burnaby 2017 Annual Municipal Report and audited Consolidated Financial Statements for the year ended December 31.

REPORT

The purpose of the City of Burnaby's 2017 Annual Municipal Report is to present to readers the financial results for the City for the year ended 2017 December 31. This report includes the City's audited Consolidated Financial Statements that reflect the accounts of all funds of the City on a consolidated basis. The report emphasizes the City's ability to meet its current commitments and finance its future liabilities.

The City's financial position continued to be very strong throughout 2017 with an increase in annual surplus of \$257.4 million (2016 – \$188.3 million), bringing the Accumulated Surplus to \$4.0 billion (2016 – \$3.8 billion).

Annual Surplus

The consolidated actual annual surplus of \$257.4 million exceeded the annual budget surplus of \$117.3 million, which generates a \$140.1 million favourable variance. The favourable variance is made up of a net operating surplus of \$8.9 million (\$1.8 million in Utilities and \$7.1 million in General Operations) across all City programs and the remaining variance of \$131.2 million is mainly due an increase in reserve funds and reserves for Community Benefit Bonus revenues, Contributed Asset revenues and Grants & Private Contribution revenues which are difficult to estimate due to the timing of development approval processes.

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From: Director Finance

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Operating Surplus

The majority of the operating surplus of \$8.9 million relates to the following major drivers:

- \$9.7 million in revenue which is primarily attributable to higher than anticipated building permit, utility, food services and engineering fee revenues;
- \$5.8 million savings due to a write-off of depreciation expense;
- \$5.3 million in compensation savings realized across all service programs as a result of staff vacancies and the challenges associated with replacing an aging workforce;
- \$3.5 million savings in RCMP contract;
- (\$0.4) million in the general program and administrative activities such as higher than expected property tax assessment appeals and legal claims;
- (\$2.5) million in snow removal expenses due to excessive snowfall early in the year, and
- (\$12.5) million in transfers to reserves.

Reserve Funds & Reserves

The majority of the reserve funds and reserves budget variance relates to strong residential and mixed use development, which results in favourable variances in the following revenue sources:

- \$95.8 million in Community Benefit Bonus Contributions;
- \$15.5 million in Grants & Private Contributions;
- \$8.8 million in Contributed Assets;
- \$7.1 million in Sale of Land & Other Assets, and
- \$4.0 million in Investment Income.

Accumulated Surplus

The increase in Accumulated Surplus of \$257.4 million is a reflection of the City's strong financial position and long term financial sustainability developed through Council's continued support of prudent financial practices. The following contributed to the change in Accumulated Surplus for 2017:

- \$137.0 million capital contributions received by the City from Community Benefit Bonus Program including interest earnings on the fund;
- \$60.8 million increase in capital tangible assets and land held for resale;
- \$26.6 million increase in the utility reserves for maintenance and capital replacement of water and sewer infrastructure;
- \$21.0 million increase in capital reserves from interest income, land sales, development cost charges and general revenue contributions for replacement;
- \$7.3 million increase in gaming reserves for capital projects that improve the environment and support public safety, arts and culture, and

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- \$4.7 million increase in general revenue funds from prior year surplus, stabilization and designated funds used to fund one-time operating expenditures to reduce the impact on property taxes.

Capital reserves provide funding for City capital projects without incurring debt in the external markets. Capital funds are used to renew and replace City assets, for capital investments in new capital infrastructure and to provide special amenities from the City’s Community Benefit Funds to meet the needs of our growing City.

RECOMMENDATION

It is recommended that Council receive the City of Burnaby 2017 Annual Municipal Report and audited Consolidated Financial Statements for the year ended 2017 December 31.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:RG /ml

Attachment: 2017 Annual Municipal Report

Copied to: City Manager