

Revelstoke's Financial Performance Report 2015

May 2015



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Introduction

This report refers to financial data for the 2013 calendar year which are the latest available to date¹.

The charts in this report dealing with financial analysis (Charts 1 - 18) contain consolidated data. In other words, the financial results across all functions of the organization, including utilities and investments in subsidiary operations². They compare data between Revelstoke and other members of the comparison group³ as well as the average of all municipalities (excluding Vancouver)⁴, referred to simply as "Average". A further statistic shows the average of all municipalities having a population between 5,000 and 10,000 so Revelstoke's performance can be measured directly with its peer group⁵. This statistic is referred to as "Ave 5-10k". Where per capita information is shown the census results for 2011⁶ have been used.

Consolidation is not relevant to the charts that refer to specific cost centres (Charts 20 – 30).

The figures used in this report are derived from the provincial database that is updated annually from information collected from each municipality. Due to data collection and reporting anomalies by the province the figures shown in the following report may not be exactly as shown in the City's financial statements. Where errors in the provincial numbers have been identified they have been corrected. Each year a handful of small communities fail to file data. It is not believed that this lack of data has any significant impact on the overall results.

This report has been prepared using a comparison group consisting of Smithers, Castlegar, Terrace, Golden, Fernie and Summerland in accordance with previous direction from the Finance Committee.

¹ The province takes many months to compile the data from all the municipalities in BC. The numbers for each year are therefore not available until at least a year or more following the year end.

² Revelstoke Community Forest Corporation (RCFC), Revelstoke Community Energy Corporation (RCEC) and Revelstoke Community Housing Society (RCHS).

³ The comparison group consists of Smithers, Castlegar, Terrace, Golden, Fernie and Summerland.

⁴ Vancouver is excluded throughout this report because the numbers for this municipality would skew the results of the average.

⁵ There are 19 municipalities in this group including Revelstoke.

⁶ These are the latest numbers used by the province.

Financial Assets

Financial assets are those that are immediately available to meet the City's liabilities. Such assets consist of cash and investments, accounts receivable and other liquid assets. They do not include physical assets even though they may have a cash value.

Revelstoke's financial assets are shown in the following chart compared with the other members of the comparison group as well as the average of all other municipalities in British Columbia (exc. Vancouver) ["Average"] and the average of municipalities with a population of between 5,000 and 10,000 ["Ave 5-10k"].

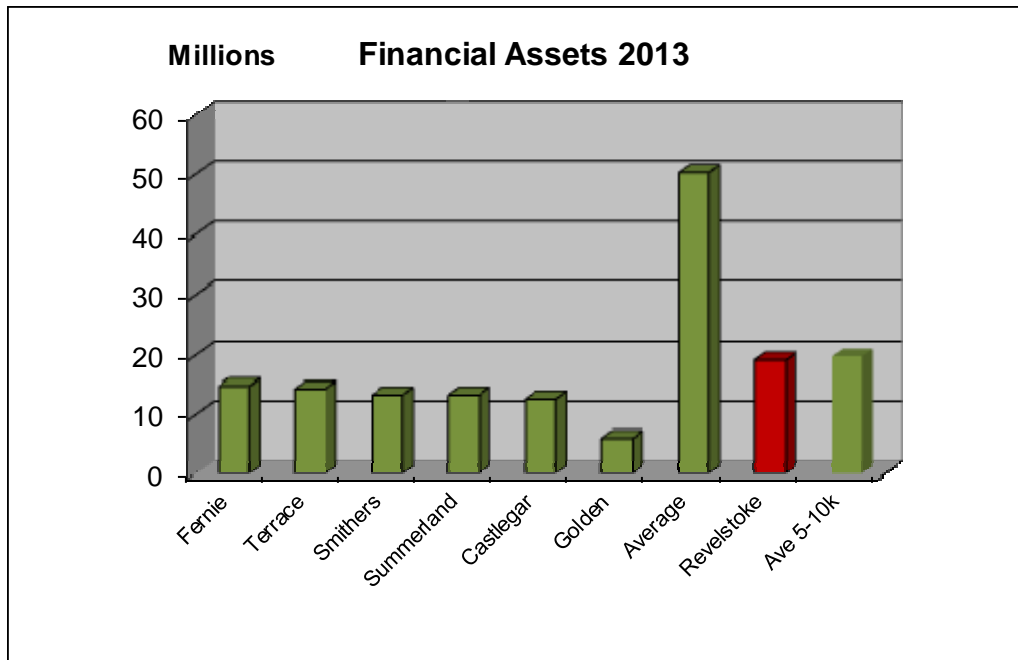


Chart 1

At the end of 2013 Revelstoke's financial assets amounted to \$19,182,803 compared with \$18,168,580 in 2012. The investment in subsidiary operations (RCFC and RCEC) increased by \$103,181 in the year. Excluding RCFC and RCEC the city's financial assets increased from \$14,319,730 in 2012 to \$15,230,773 in 2013.

Financial Liabilities

Financial liabilities are essentially anything that the City owes, from accounts payable to leasing liabilities to long term debt, and includes development cost charges (DCC's).

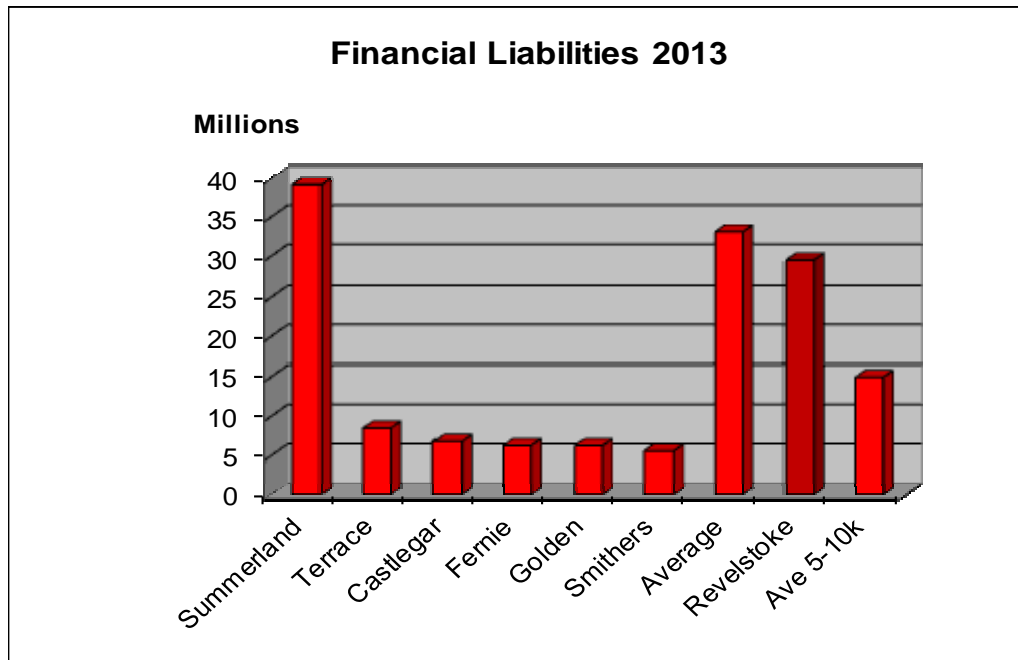


Chart 2

DCC's are treated as a liability because they represent funds received from third parties in advance. These advanced funds have to be spent on work specifically related to the DCC bylaw under which they are collected and are in no way discretionary.

Revelstoke's financial liabilities amounted to \$29,481,436 at the end of 2013 compared to \$28,631,079 at the end of 2012.

The following chart shows the same data expressed in terms of total liabilities per capita:

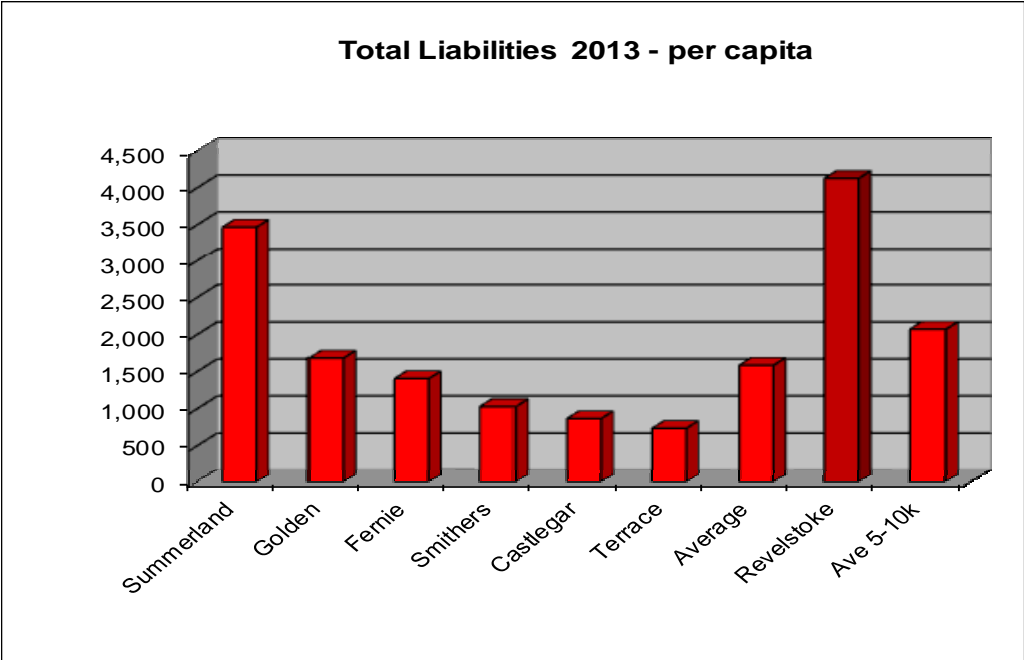


Chart 3

In 2012, Revelstoke's total liabilities per capita were a about \$3,960. Chart 3 above shows that this number has risen in 2013 to \$4,130.

Net Financial Assets

The difference between Charts 1 and 2 results in Net Financial Assets which can be summarized in the following chart:

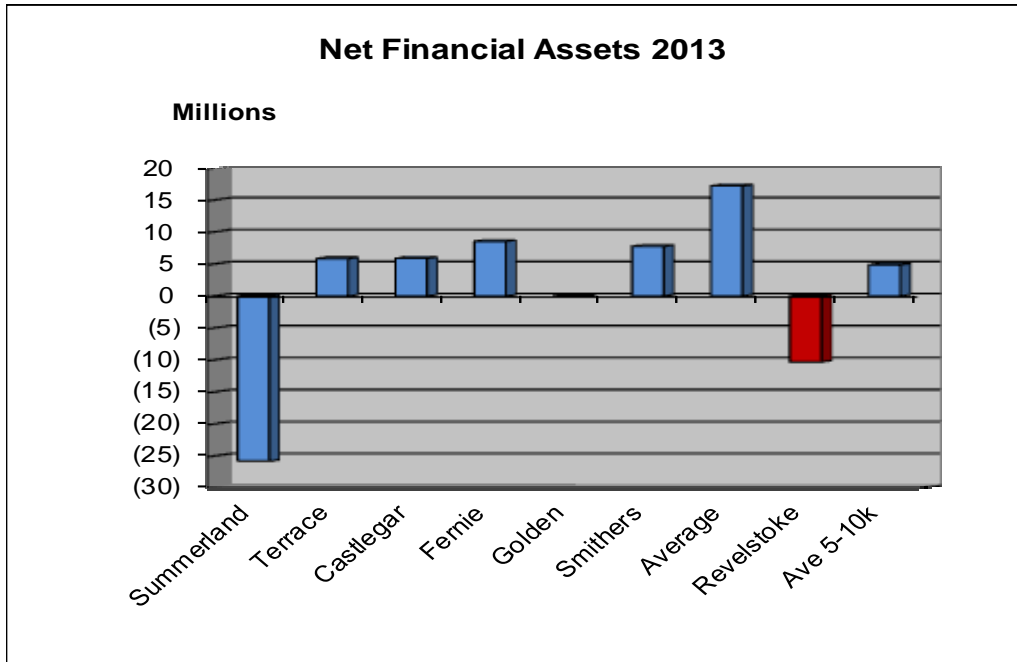


Chart 4

At the end of 2013 Revelstoke's net financial assets were \$(10,298,633) representing an excess of financial liabilities over financial assets. At December 31, 2012 the City's Net Financial Assets position was \$(10,462,499). Deferred revenue (funds received in advance of the year or project to which the funds related) decreased by about \$300,000 while accounts payable increased by nearly \$800,000. Cash and investments increased by about \$1 million.

The significance of the foregoing chart is that it enables the reader to determine the ability of a municipality to meet its financial obligations as they fall due. It also indicates the extent to which the municipality's future revenue stream is mortgaged or encumbered. This is a calculation regularly used in commerce to determine the financial health of a business but its application to local government is somewhat spurious since a municipality's future income is, for the most part, certain and therefore relies on this to provide the necessary funding to meet its obligations. Furthermore, the foregoing chart fails to reflect the infrastructure deficit that is likely building in other communities with positive financial positions. Simply put, municipalities without net financial liabilities nevertheless may have significant infrastructure deficits.

If the investments in RCFC/RCEC are excluded the City's net financial assets become \$(14,449,348) at the end of 2012 - \$(14,708,774) at the end of 2012.

Non-financial Assets

Non-financial assets are all those that are not financial assets. Essentially, these are capital assets (machinery and equipment, buildings and infrastructure including equipment under capital lease), prepaid expenses and inventory. The following chart summarizes the value of Revelstoke's and the comparison group's non-financial assets as well as the average of all municipalities in British Columbia and the average of municipalities with a population of between 5,000 and 10,000:

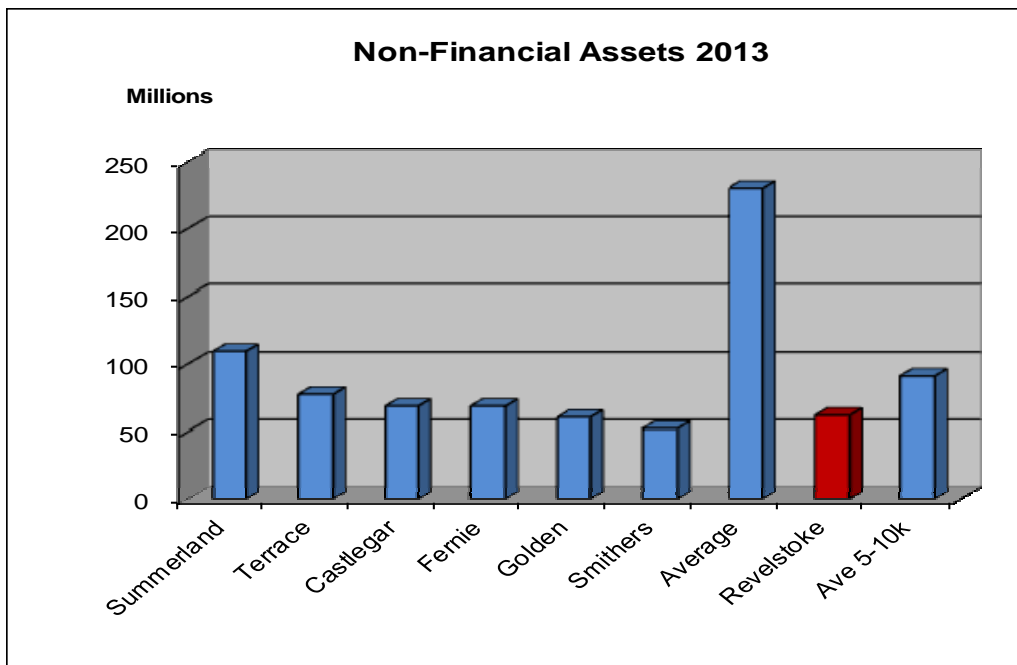


Chart 5

Revelstoke's total non-financial assets at the end of 2013 amounted to \$62,483,692 (\$61,154,237 - 2012).

Equity in Tangible Capital Assets

Equity in tangible capital assets is essentially the cost of physical assets less the amount of debt outstanding which was used to acquire those assets.

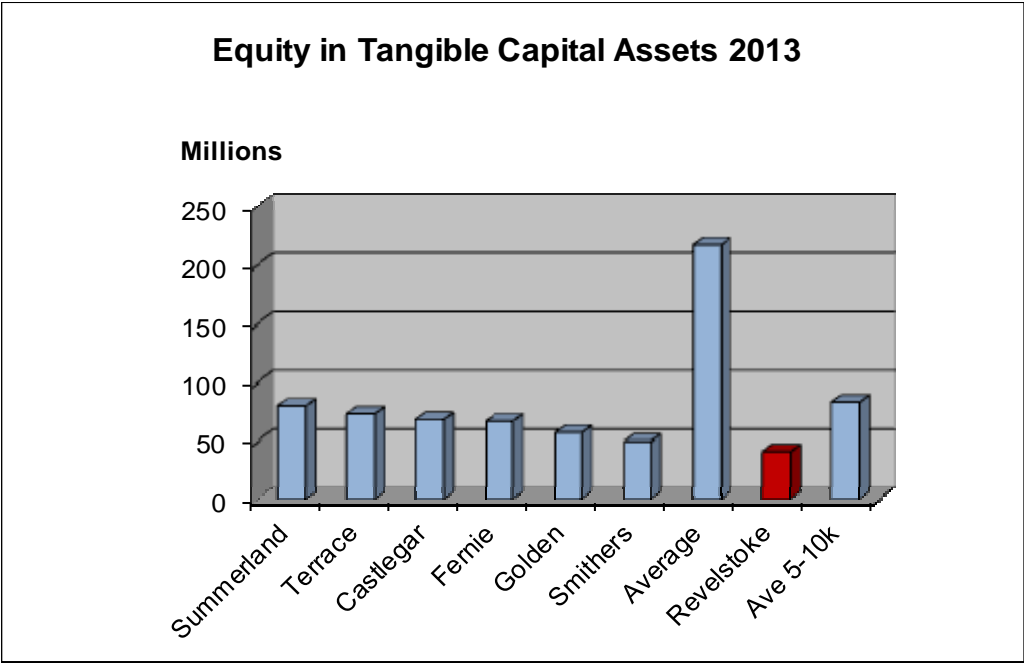


Chart 6

At the end of 2013 Revelstoke's equity in tangible capital assets was \$41,784,723 compared to \$40,513,448 at the end of 2012.

Debt

The following chart shows the total amount of long term debt⁷ and obligations under capital lease⁸ owed by Revelstoke at the end of 2013 compared to other communities in the comparison group:

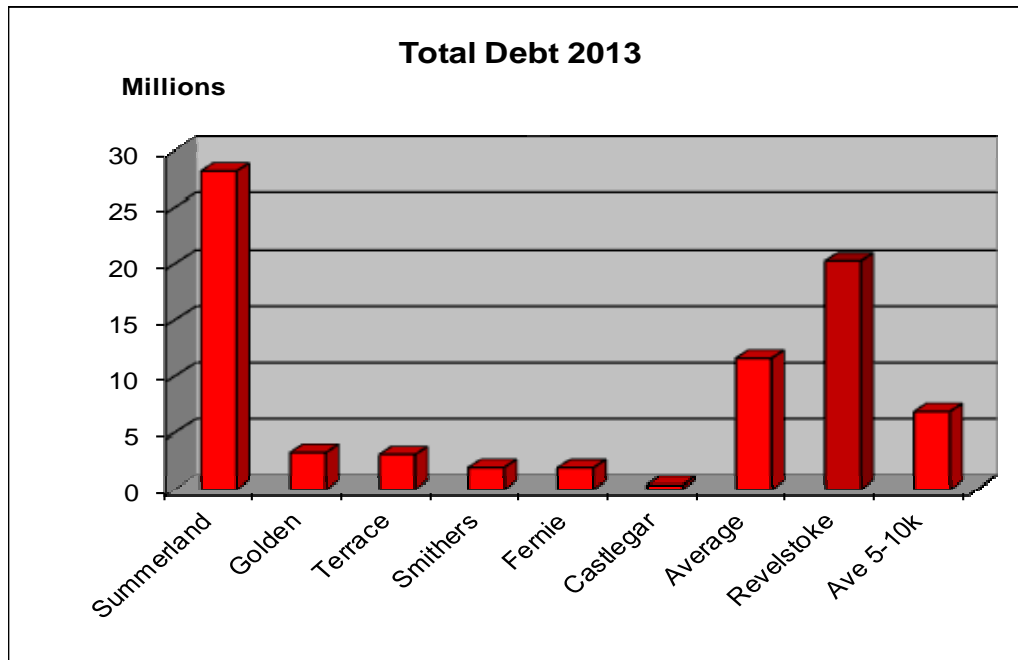


Chart 7

The total amount of debt outstanding at the end of 2013 for Revelstoke was \$20,267,220⁹ (\$20,129,067 – 2012). This is almost double the average of all municipalities in BC as well as being more than double that of municipalities with populations of between 5,000 and 10,000. It is significantly more than all other members of the comparison group except Summerland. It is indicative of Revelstoke's continuing reliance on borrowing as a method of funding its capital expenditure programme, in the absence of sufficient reserve funds or DCC's. It is also indicative of the city's commitment to investing in its infrastructure.

On a per capital basis, the following table provides the rankings of the comparison group:

⁷ Debt that is repayable over a period that exceeds 5 years. Revelstoke's long term debt typically is repayable over 20 to 25 years.

⁸ Leases are for 5 years.

⁹ This includes the Revelstoke Community Housing Society mortgage with the Revelstoke Credit Union of \$129,949 (2012 - \$133,349).

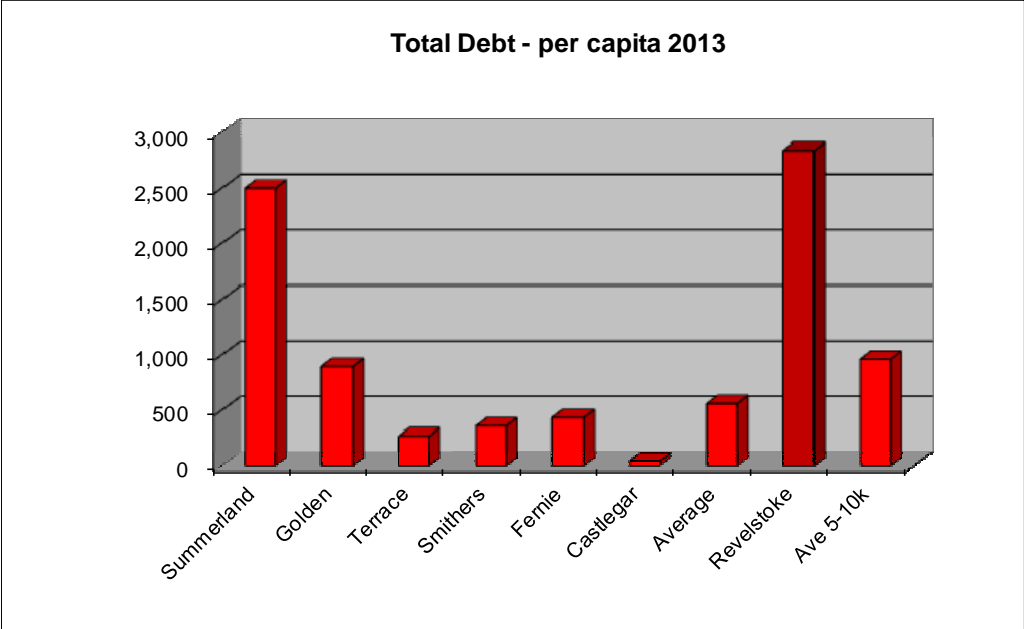


Chart 8

The following chart shows the ratio of long term debt to total revenue. In 2013 Revelstoke's ratio was 1.02 (2012 – 1.04).

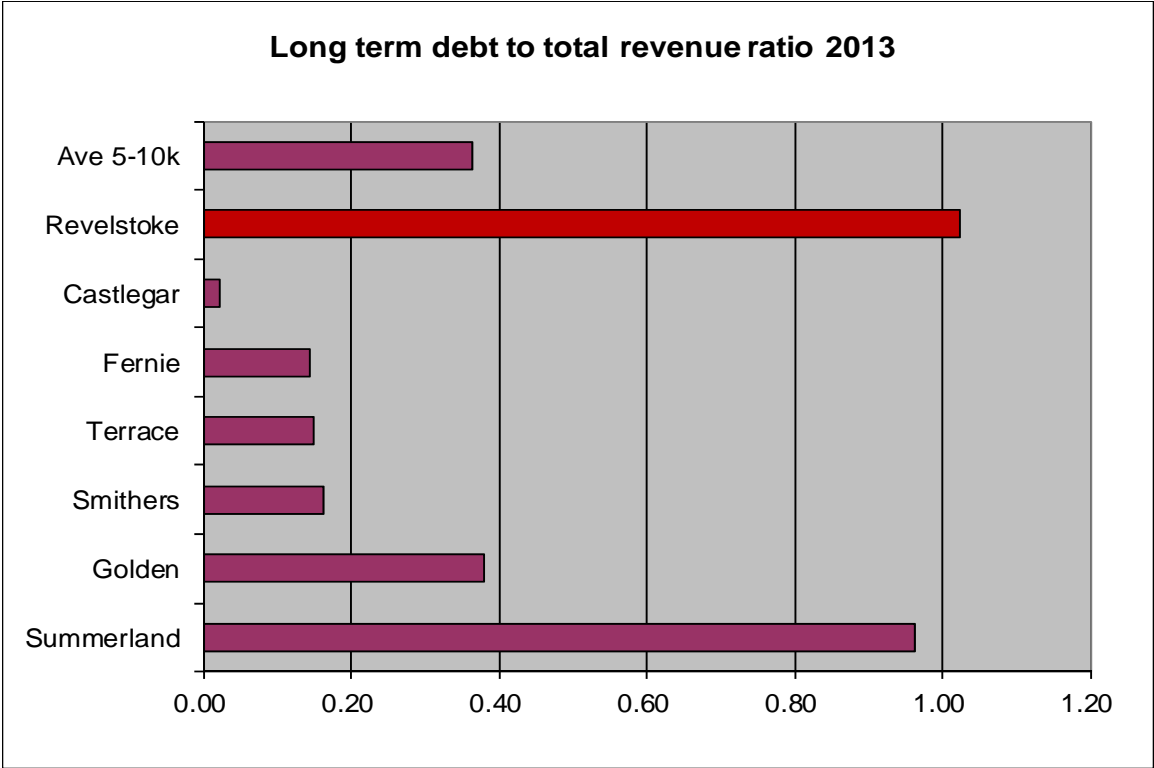


Chart 9

Development Cost Charges

Development cost charges are funds collected by municipalities from land developers to pay for the infrastructure required to service such land. The following chart shows that Revelstoke's available funds are considerably lower than the averages. However, they are higher than all members of the comparison group except Summerland. Revelstoke's DCC funds at the end of 2013 amounted to \$1,329,345 (\$1,314,723 - 2012)¹⁰.

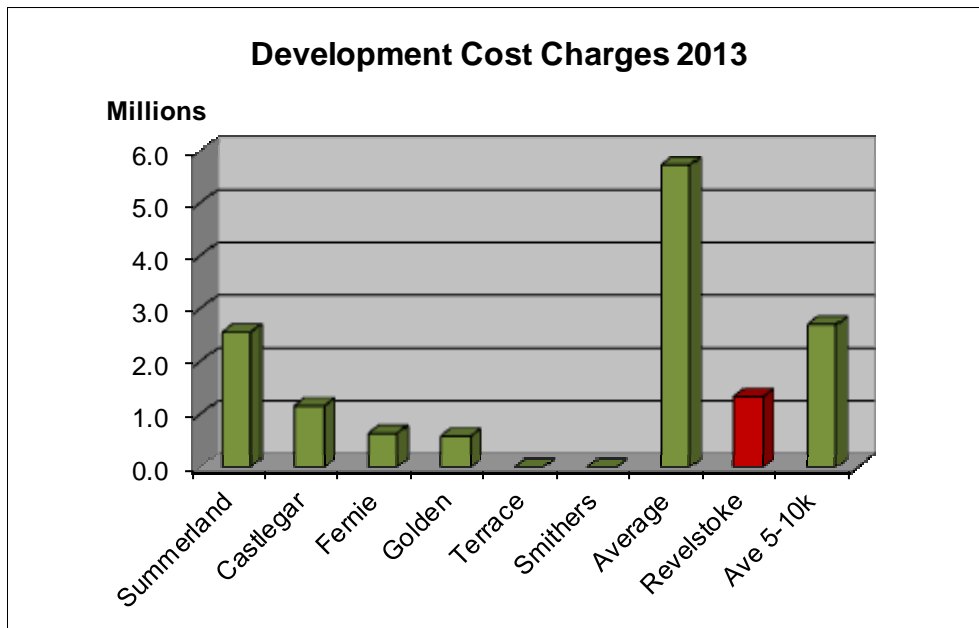


Chart 10

¹⁰ Revelstoke's DCC projects amount to more than \$57 million.

Accumulated Surplus

The accumulated surplus includes the equity in tangible capital assets (Chart 6, page 8), operating, capital and reserve funds. The following chart shows the total surplus for each community in the comparison group as well as the two averages. It can be seen that Revelstoke was substantially less than the average of all municipalities and about half the average of municipalities with populations between 5,000 and 10,000.

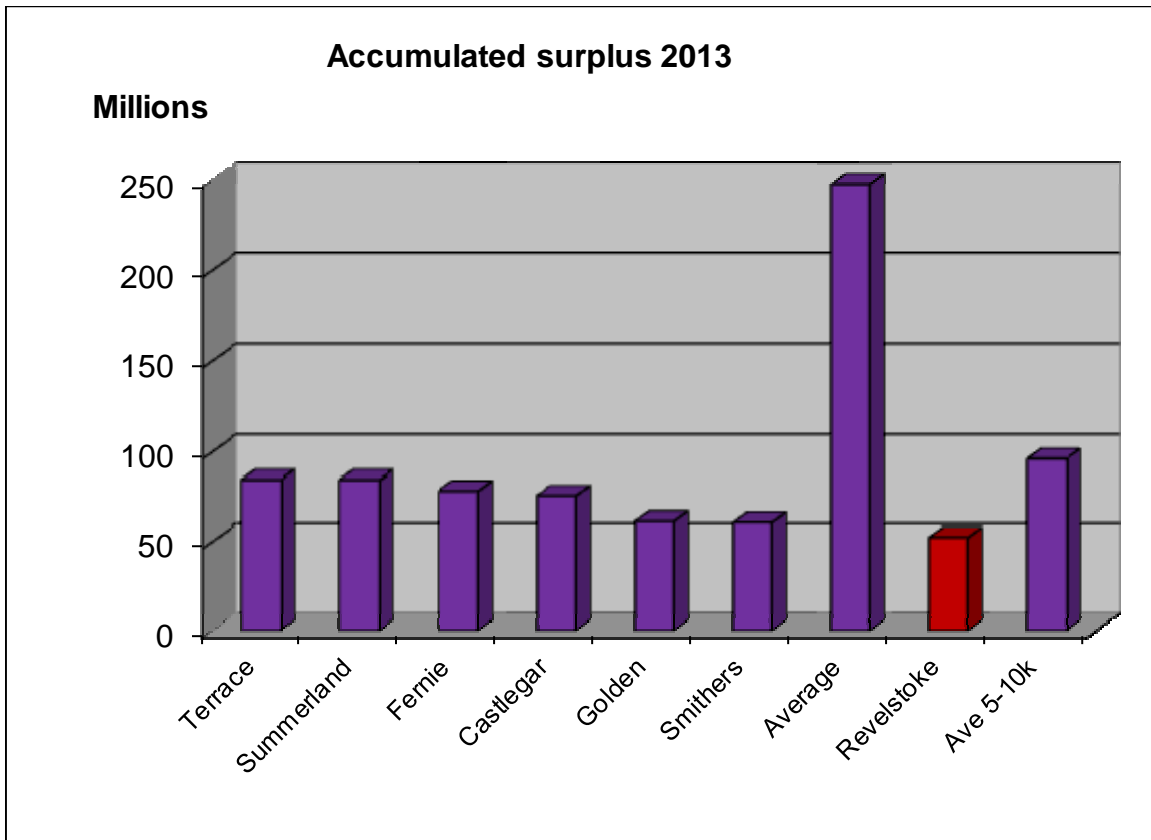


Chart 11

Accumulated surplus represents the resources available to the city to provide future infrastructure and services.

Consolidated Revenues

Consolidated revenues include those from general operations, as well as water and sewer utility functions. The sources of Revelstoke's total consolidated revenues for 2013 can be seen from the following chart:

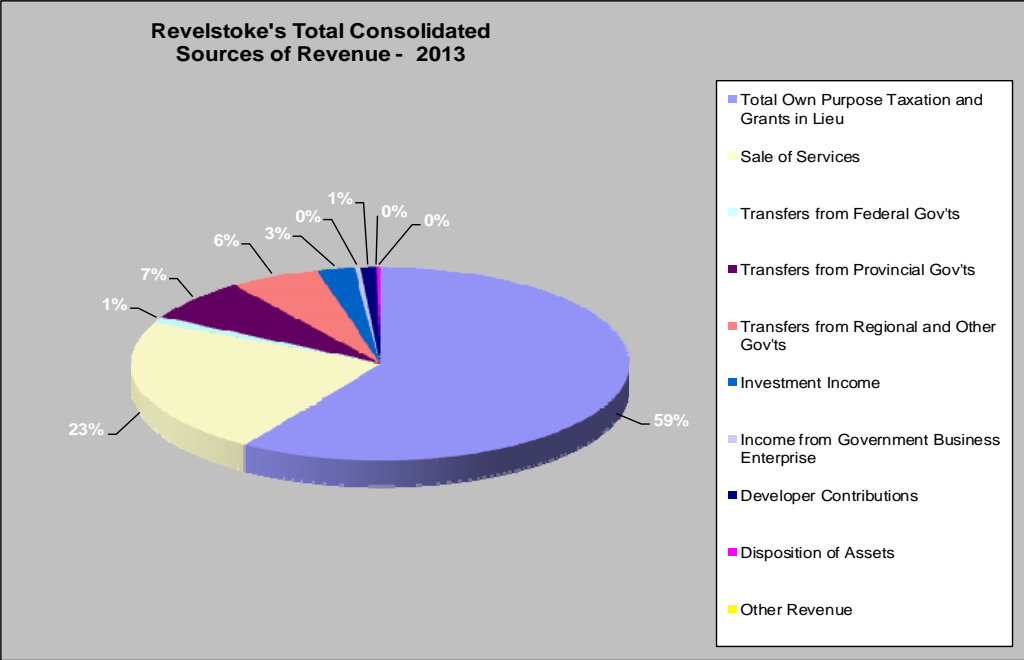


Chart 12

Revelstoke's total consolidated revenues for 2013 amounted to \$19,780,285 (\$19,291,843 – 2012). Chart 13 below shows Revelstoke's position in terms of total consolidated revenues for 2013. Total consolidated revenues incorporate all sources of city revenue including transfers from other governments, water and sewer rates and disposition of assets. They do not include debt proceeds and transfers from reserves. In 2013 Revelstoke's total consolidated revenues per capita amounted to \$2,771 (\$2,668 - 2012) while the average of all municipalities amounted to \$2,095 (\$2,152 - 2012). However, the average for communities within the 5,000 to 10,000 population group amounted to \$2,632 (\$2,727 - 2012).

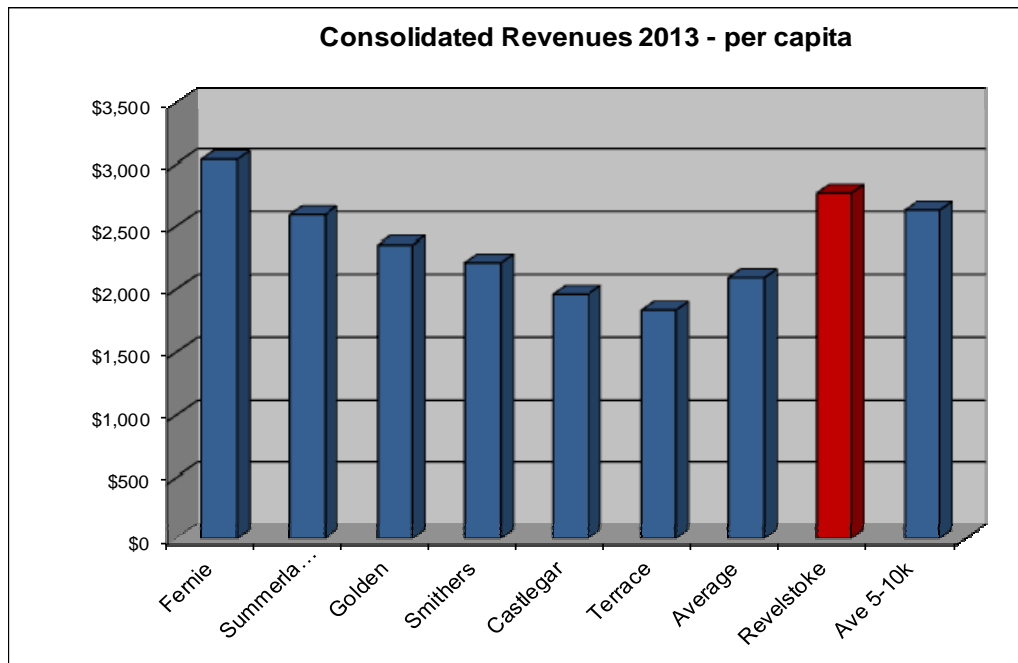


Chart 13

The next chart, Chart 14, shows Revelstoke's position in terms of property taxation and grants-in-lieu in 2013 including the grant-in-lieu from the BC hydro dam which amounted to \$2,385,255 (\$2,265,783 – 2012). It can be seen that Revelstoke is higher than the average of all municipalities and all members of the comparison group and higher than both averages.

Total taxation and grants-in-lieu for 2013 amounted to \$1,647 per capita (2012 - \$1,592) compared to \$1,533 (2012 - \$1,541) for the Ave. 5,000 to 10,000 population group and \$1,019 (2012 - \$1,057) per capita for the average of all municipalities. If the dam grant-in-lieu is excluded, Revelstoke's per capita numbers become \$1,313 for 2013 (2012 - \$1,279).

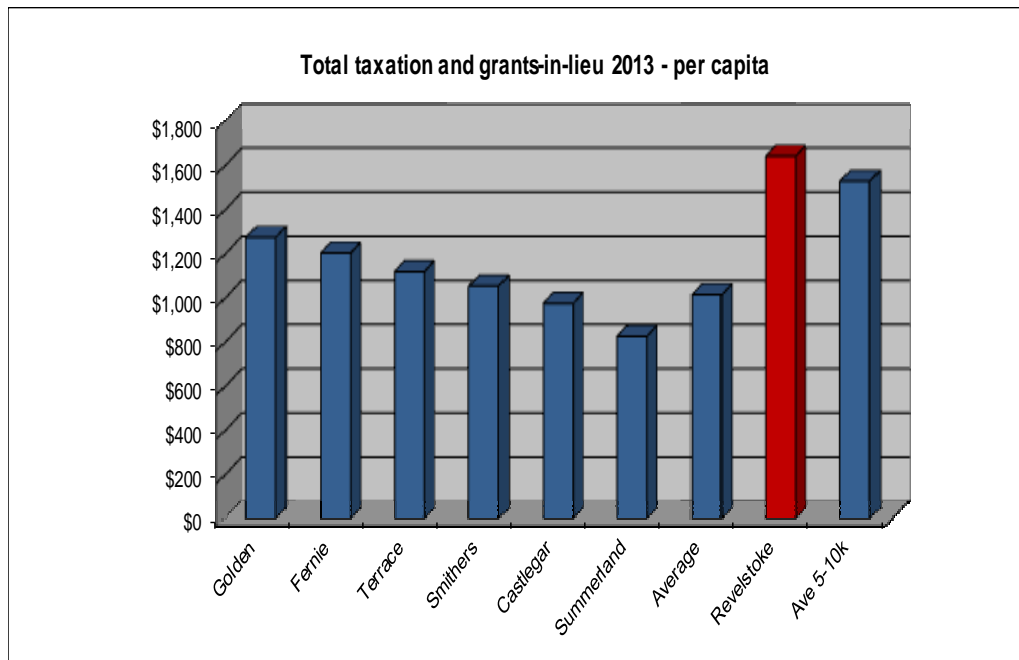


Chart 14

Transfers from Provincial and Other Governments incorporate a number of different funding sources from senior government bodies (excluding federal).

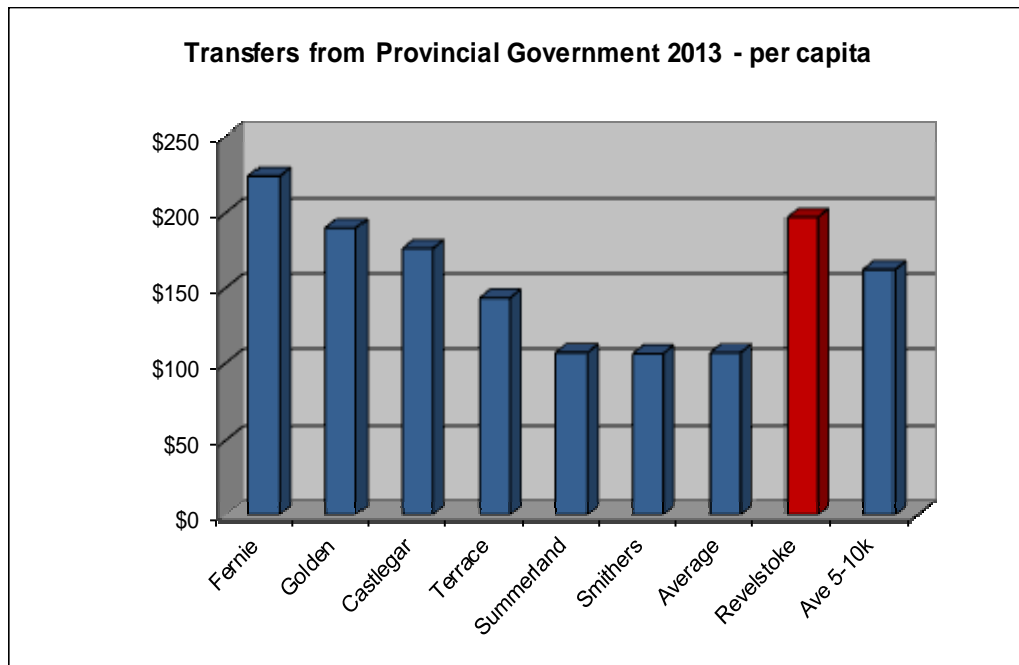


Chart 15

It can be seen that Revelstoke received more than double the average of all municipalities and more than the average of municipalities between 5,000 and 10,000 population. The results for each municipality can fluctuate significantly on an annual basis depending upon the projects in each community and the funding received relating thereto.

Sales of services

The following chart indicates the value of sales of services per capita. This category includes sources of revenue from the city's various facilities such as the aquatic centre and the arena as well as revenue from utilities. Revelstoke's results are about the same as both averages and most of the comparison group, except Summerland..

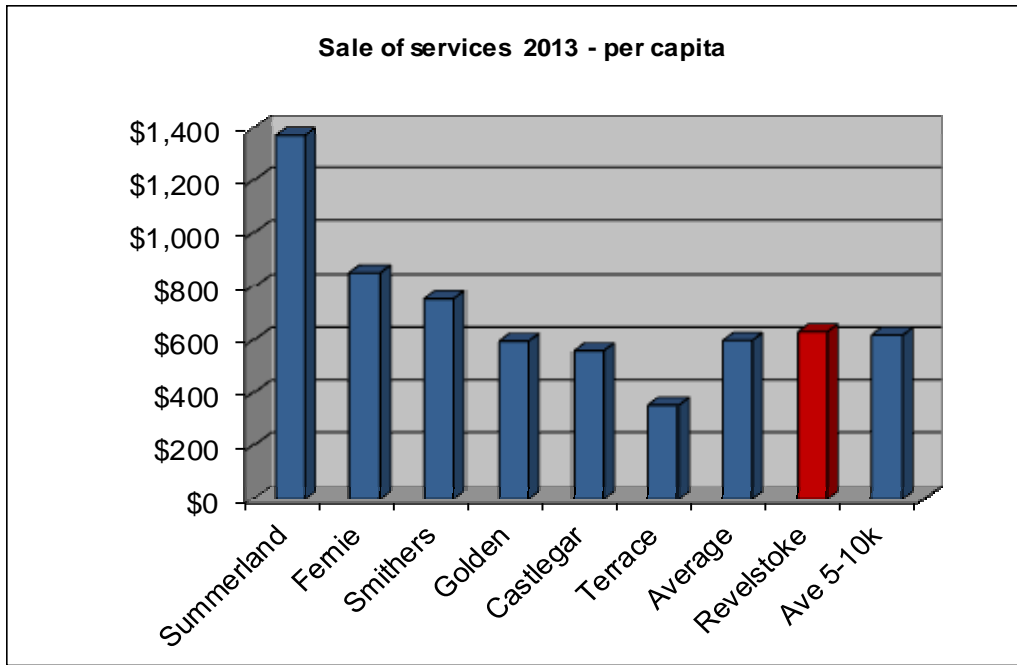


Chart 16

Summerland's sale of services includes revenue from its electrical generation plant.

Consolidated Expenditures

In 2013 Revelstoke's total consolidated expenditures amounted to \$18,286,962 (\$18,395,326 – 2012) and the percentage allocation amongst the various departmental functions can be seen from the following chart:

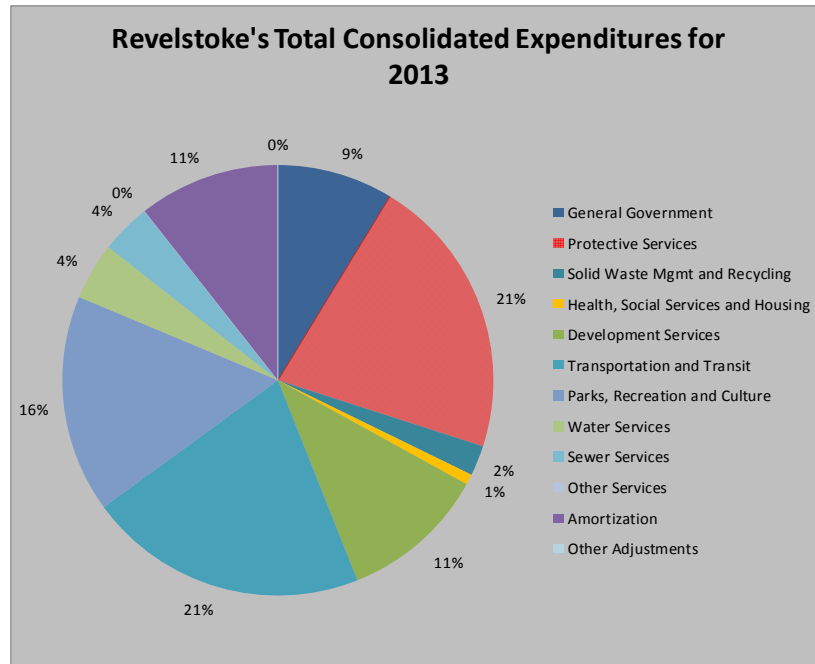


Chart 17

Revelstoke's consolidated expenditures for 2013 amounted to about \$2,562 per capita (\$2,544 - 2012) compared to an average of about \$1,713 (\$1,811 - 2012) for all municipalities and \$2,346 (\$2,400 - 2012) for communities in the 5,000 to 10,000 population group. The highest was Fernie at \$2,641 per capita. Consolidated expenditures include all expenditures for all functions of a municipality, excluding capital expenditures.

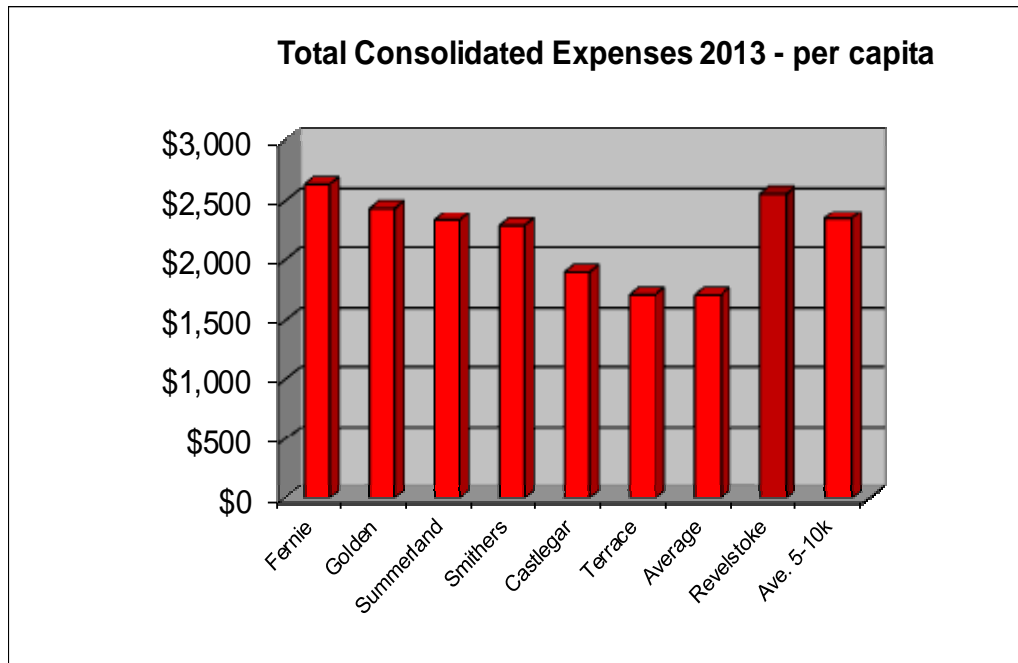


Chart 18

Expenditure on tangible capital assets per capita can be seen from the following chart and these are in addition to the total consolidated expenses above.

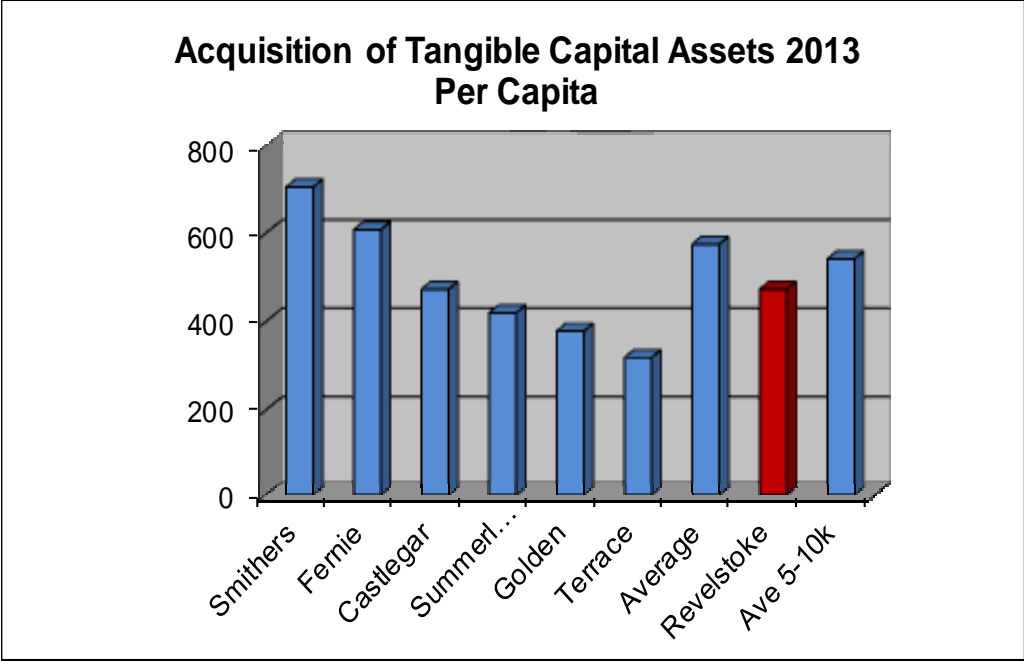


Chart 19

Consolidated capital expenditures include such expenditures for all aspects of the city's functions, including utilities. Revelstoke's consolidated capital expenditures for 2013 amounted to \$475 per capita (\$402 – 2012). This was less than both averages and about the median for the comparison group.

Specific Cost Centres

General government expenditures include all those relating to the administration of City Hall – Mayor and Council, Administration, Finance and Information Technology.

Revelstoke's General Government expenditures in 2013 were less than the average of municipalities between 5,000 and 10,000 population and most members of the comparison group at \$223 per capita (\$241 - 2012).

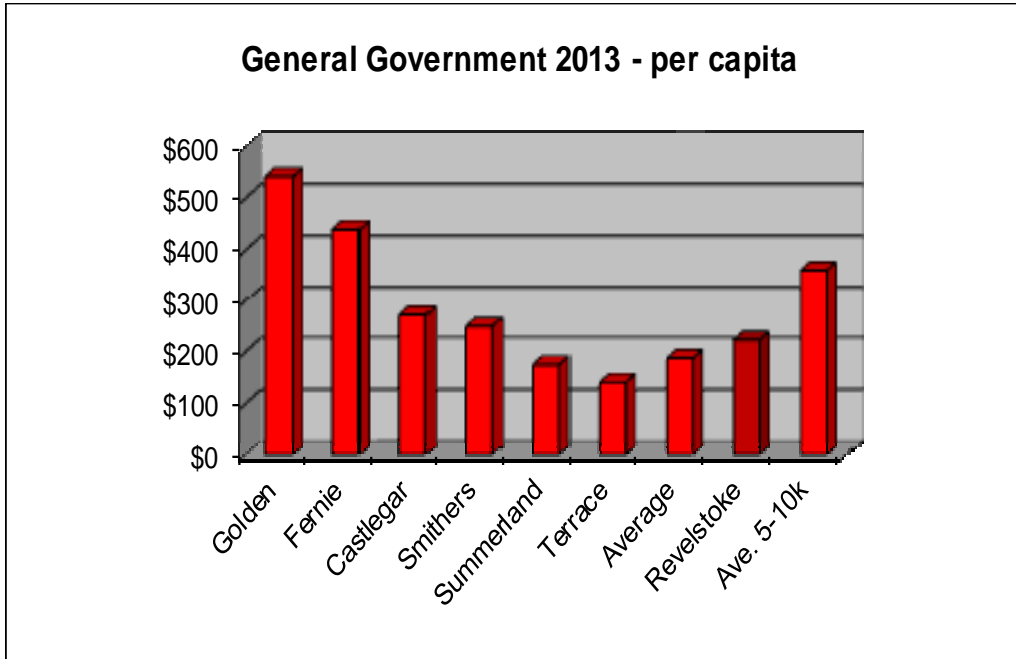


Chart 20

Protective services include police operations, fire/rescue services and bylaw enforcement. In Revelstoke, bylaw enforcement was managed by the Planning Department¹¹ so that this cost centre includes the expenditures for the whole department.

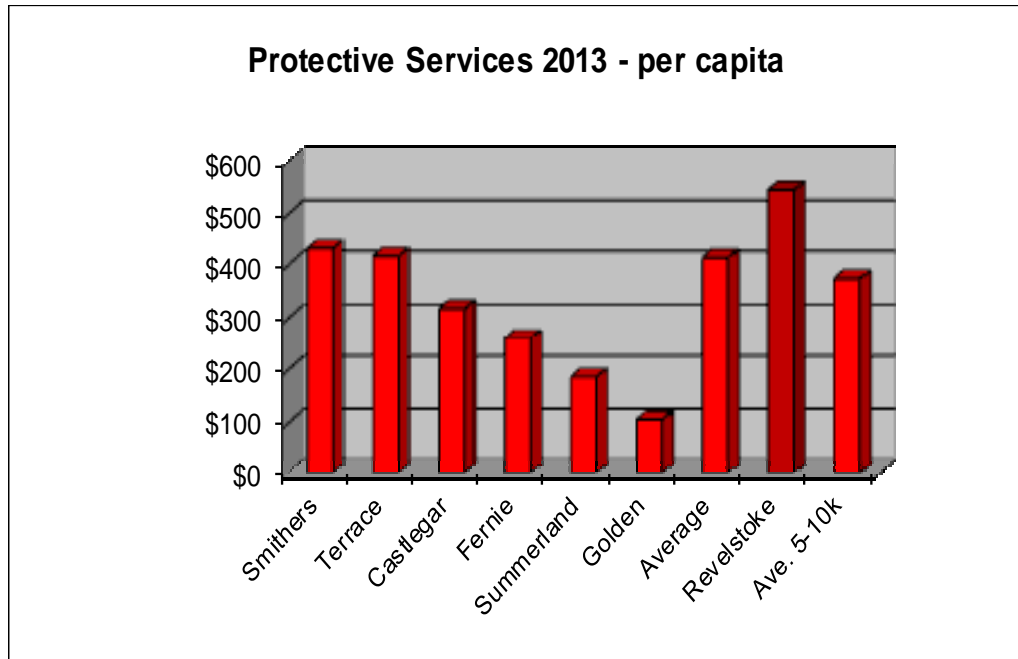


Chart 21

The foregoing chart indicates that Revelstoke spends more per capita in this area than any other member of the comparison group. It should be noted that Golden's population is less than 5,000 and so does not meet the threshold at which it becomes responsible for paying policing costs. The above chart includes the costs of the Planning Department beyond those applicable to Bylaw Enforcement. Some communities have Bylaw Enforcement Departments that are separate or affiliated with different departments, and Planning Department costs are likely to be included with Development Services instead (see Chart 24, page 26). Revelstoke spent \$545 per capita in 2013 (\$533 -2012).

¹¹ In 2013 Bylaw Enforcement became the responsibility of the Administration Department.

Solid Waste Management and Recycling includes those expenditures relating to garbage collection and disposal as well as recycling facilities and land fill operations. Clearly, these costs will vary considerably from community to community depending upon individual involvement in the operations as opposed to Regional District or contracting out.

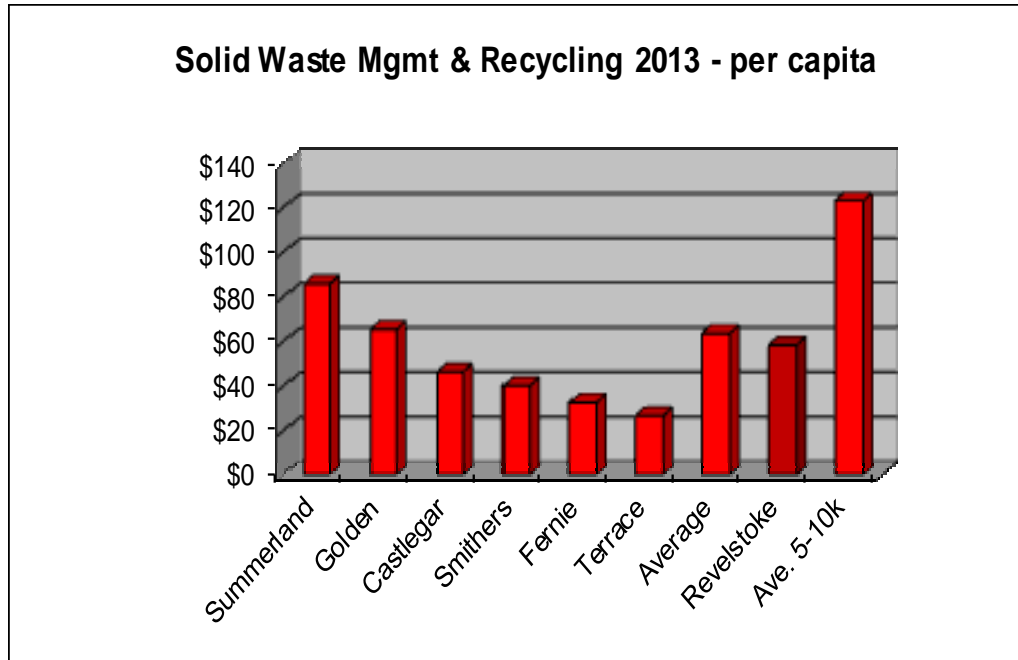


Chart 22

In Revelstoke this cost centre relates to the garbage collection and disposal operation¹² and it can be seen from the above chart that the per capita costs in 2013 were less than the average across the province and also less than the average when compared with communities with populations of between 5,000 and 10,000. Revelstoke spent \$58 per capita in 2013 (\$54 – 2012).

¹² The landfill operation is managed by the Columbia Shuswap Regional District and the cost of the operation is funded through the annual requisition from property taxpayers. Also, the city withdrew from garbage collection and disposal by bin on January 1, 2005. This mostly affects commercial customers although some commercial customers continue to use the tag-a-bag system.

Health, Social Services and Housing incorporates a number of different costs and in Revelstoke relates to the operation of the cemetery.

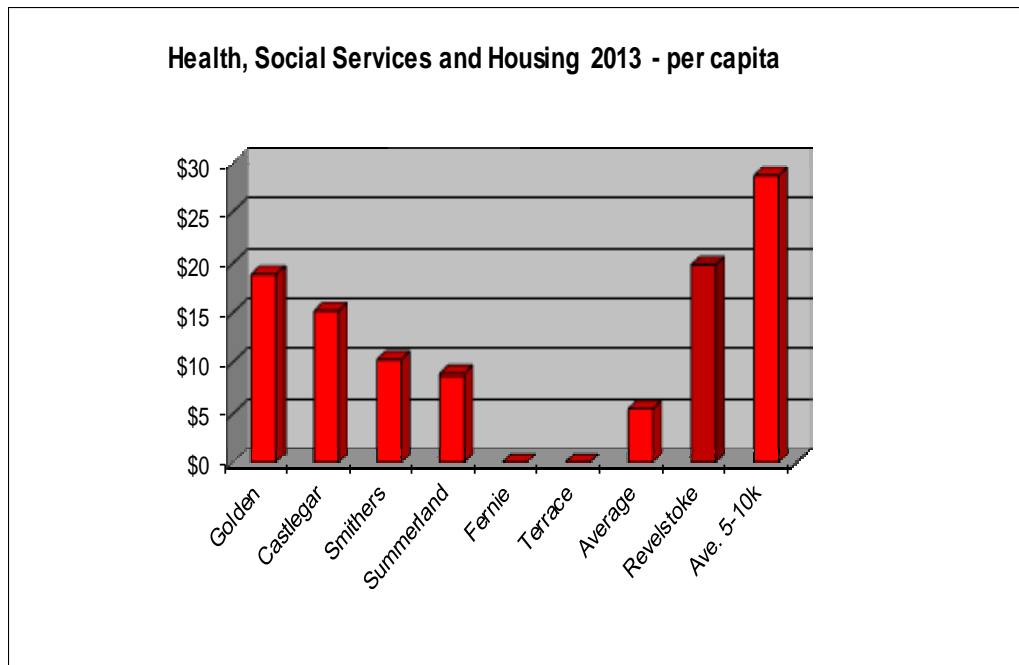


Chart 23

Since the costs for Revelstoke relate to the cemetery operations, which are funded through the regional district requisition, it is not clear what real value can be gained from attempting to interpret the foregoing chart, especially as it can involve a variety of different services depending upon the municipality.

Development Services can, again, incorporate a variety of different cost functions and in Revelstoke these relate to Community Economic Development, including tourism and ski hill development expenditures¹³.

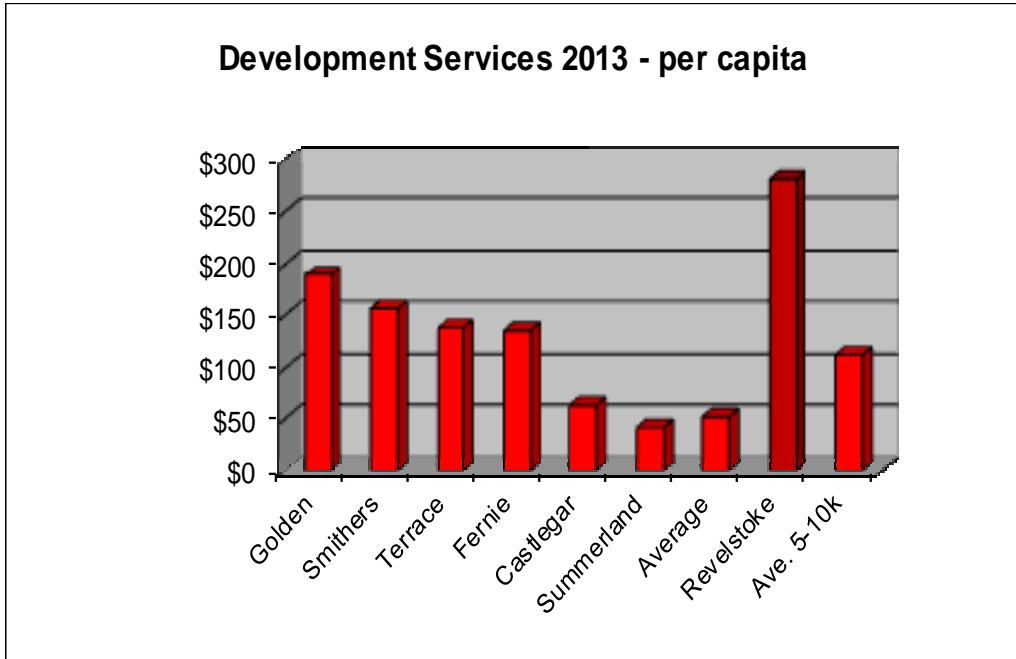


Chart 24

It should be noted that, although Revelstoke's costs appear high, very often this function will include special projects that receive grant funding that is included in consolidated revenues and thus offsets the costs of this function. For example, in 2013 over \$1 million related to Hotel Tax funds. The level of expenditure however is indicative of the importance placed upon this function by the City. Revelstoke spent \$281 per capita in 2013 (\$221 – 2012).

¹³ Ski hill development expenditures simply relate to a budget of \$30,000 that remains available to defray the cost of any professional assistance that is required related to ski hill development.

Transportation and Transit costs relate to all those expenditures by Public Works (excluding parks and utilities) and include transit.

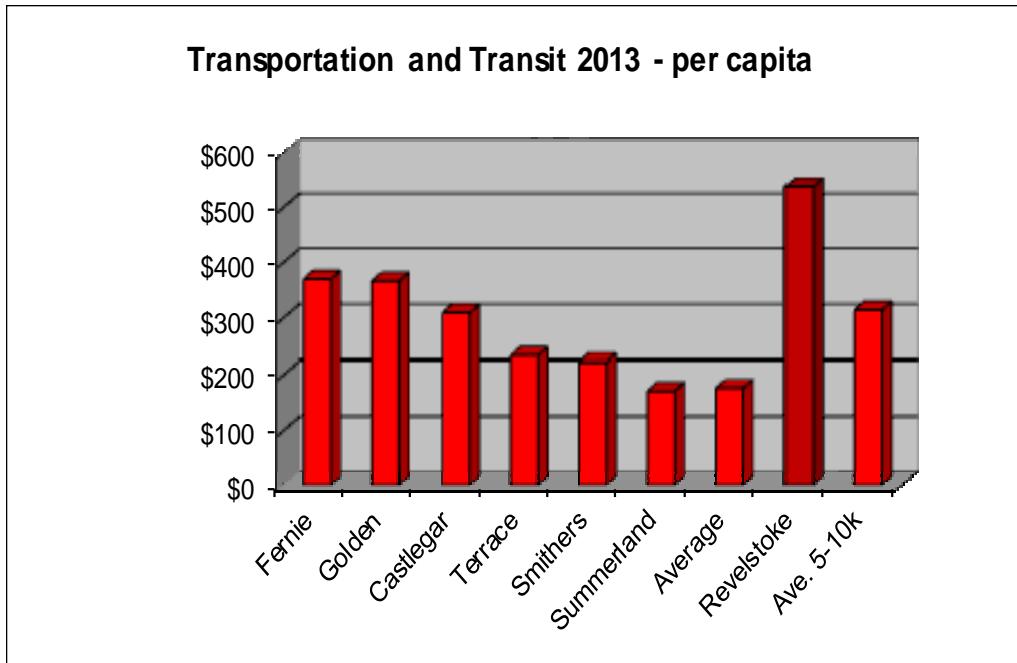


Chart 25

The foregoing chart shows that Revelstoke's expenditures per capita are higher than all the members of the comparison group and significantly higher than both averages. This is indicative of the substantial funding directed towards snow removal. Revelstoke spent \$538 per capita in 2013 (\$533 - 2012).

When the same data is shown on a per kilometre¹⁴ basis Revelstoke's position remains higher again than both averages and all other members of the comparison group. Revelstoke spent about \$35,210 per kilometer in 2013 (\$35,358 – 2012).

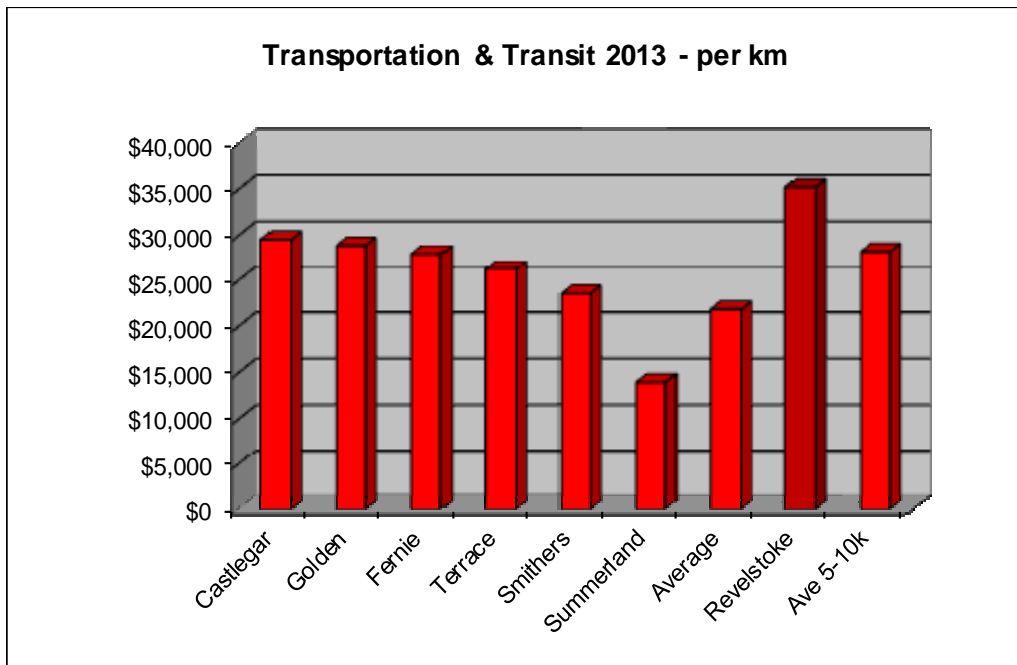


Chart 26

¹⁴ Revelstoke has about 97 kilometres of paved road as per our GIS system. The provincial statistics report 109. The per kilometre numbers are based on the provincial statistics.

Parks, Recreation and Culture can include a variety of different cost functions and in Revelstoke includes the museum operations and boulevard and “revit” maintenance.

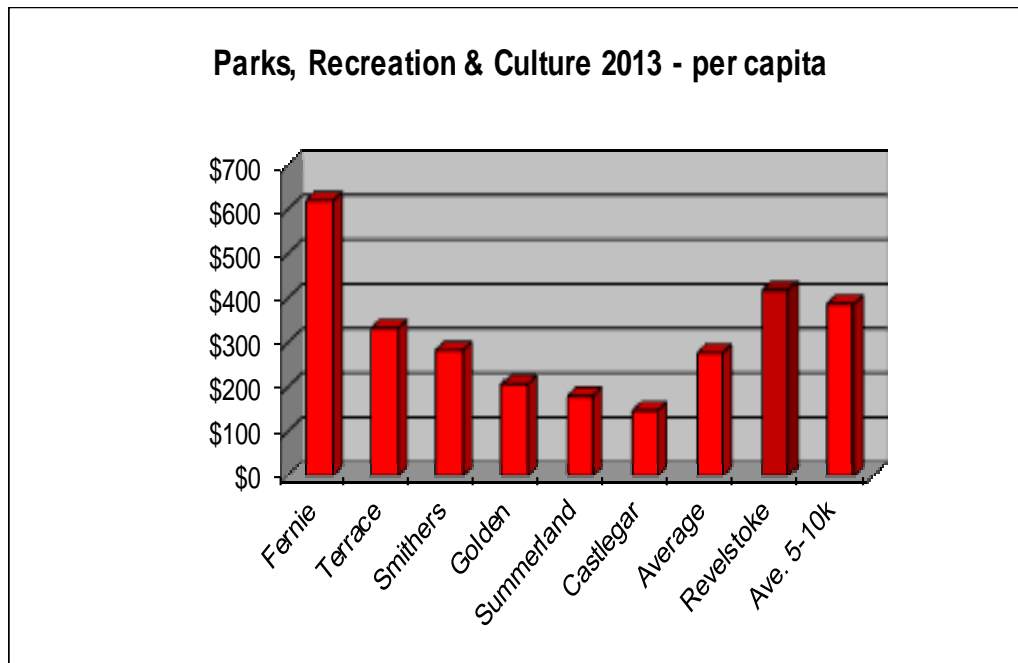


Chart 27

It can be seen from the foregoing chart that Revelstoke spent more per capita in 2013 than both the average of all municipalities in BC and the average of communities with populations between 5,000 and 10,000, as well as all other members of the comparison group except Fernie. In 2013 Revelstoke's per capita cost was \$419 while in 2012 it was \$450.

It should be remembered, of course, that some municipalities have recreational facilities provided for them by regional districts while others, such as Revelstoke, are fully self-reliant, having a small regional area and no opportunity to cost share with neighbouring communities¹⁵.

¹⁵ Revelstoke does cost share with the CSRD for the provision of recreational facilities to Area 'B' residents. In 2013 the city received \$102,788 from the regional district towards the cost of recreation operations including interest on the aquatic centre loan. These funds are included in consolidated revenues.

Water Services relate to operating expenses only and exclude capital and debt financing.

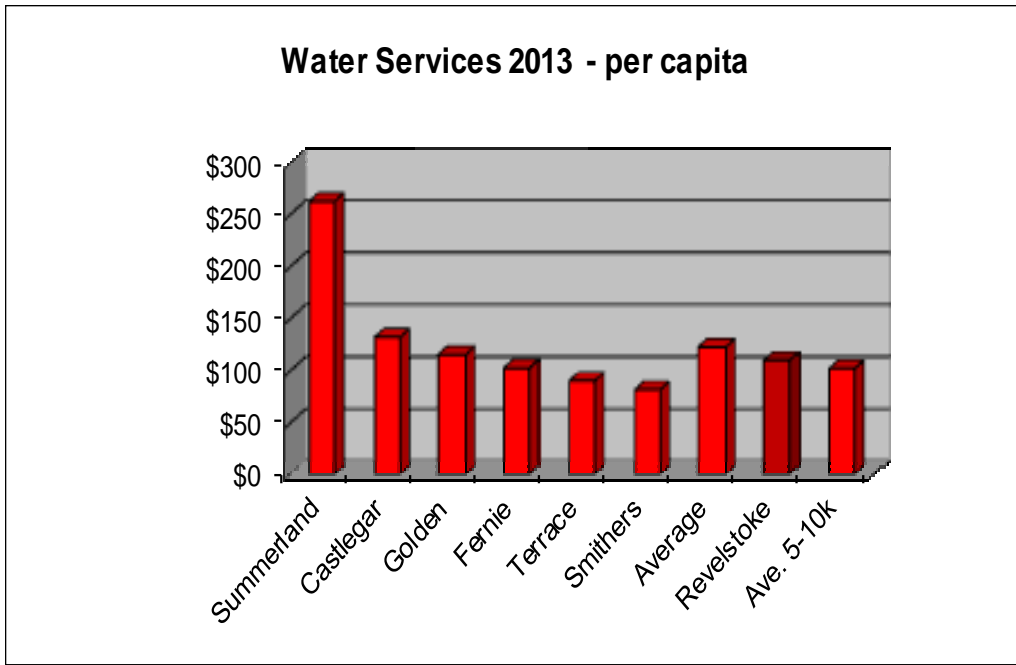


Chart 28

Revelstoke's costs per capita for this utility are similar to both averages although more than most members of the comparison group except Summerland.¹⁶ Revelstoke spent \$110 per capita in 2013 and \$131 per capita in 2012.

¹⁶ It should be noted that, under PSAB regulations, all inter-fund transactions are cancelled. Therefore, the general operating charge of \$111,500 a year to the water utility for administration no longer appears as a cost to this utility nor as a revenue in general operating.

It should be noted also that while per capita costs are calculated on the total population not all households receive water service. Therefore, the following chart provides the same information but this time expressed per kilometer¹⁷ of water line:

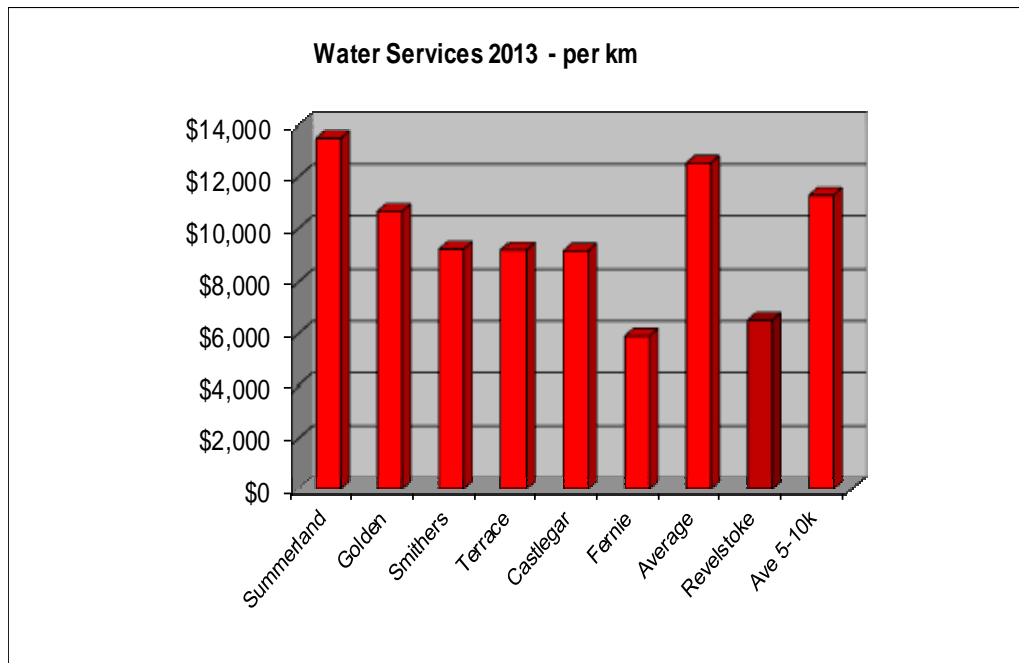


Chart 29

It can be seen that Revelstoke's costs per kilometre are lower than both averages and most of the comparison group except Fernie, indicating the operation of an efficient service. Revelstoke's cost per kilometre in 2013 were \$6,538 compared to \$7,920 in 2012.

¹⁷ Revelstoke reported 120 kilometres of water pipe to the province for the 2013 statistics. However, it should be noted that in the 2011 Annual Water Report a number of 98 kms is used.

Sewer Services relates to all those costs associated with the operations of the sewer system.

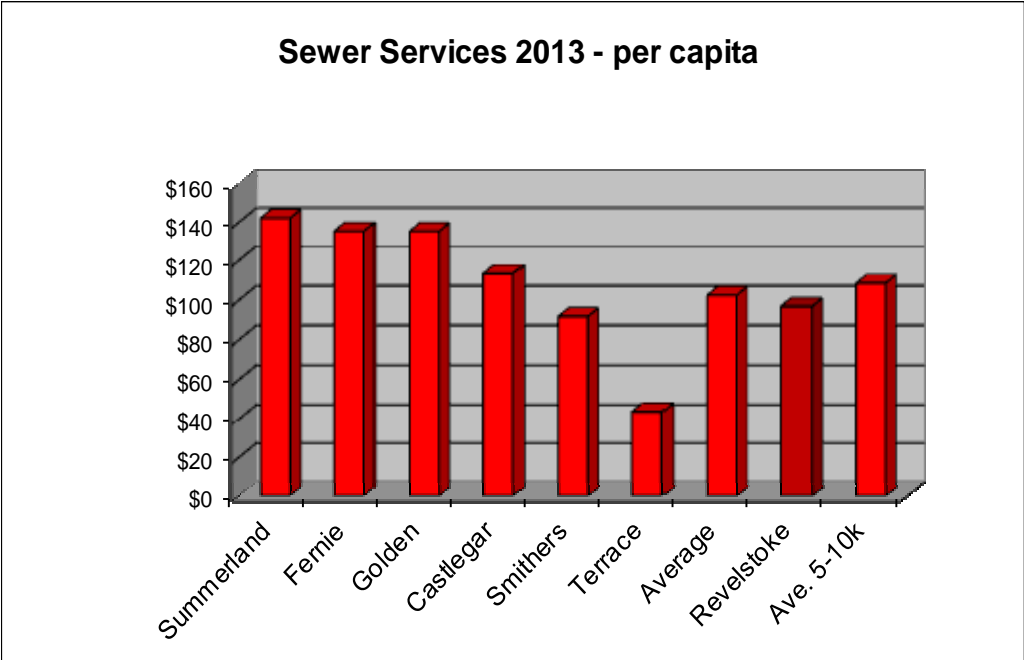


Chart 30

In 2013, Revelstoke was lower than both averages and most members of the comparison group, except Smithers and Terrace. Revelstoke spent \$97 per capita in 2013 and \$106 in 2012.

It should be noted also that while per capita costs are calculated on the total population not all households receive sewer service. Therefore, the following chart provides the same information but this time expressed per kilometre¹⁸ of sewer line:

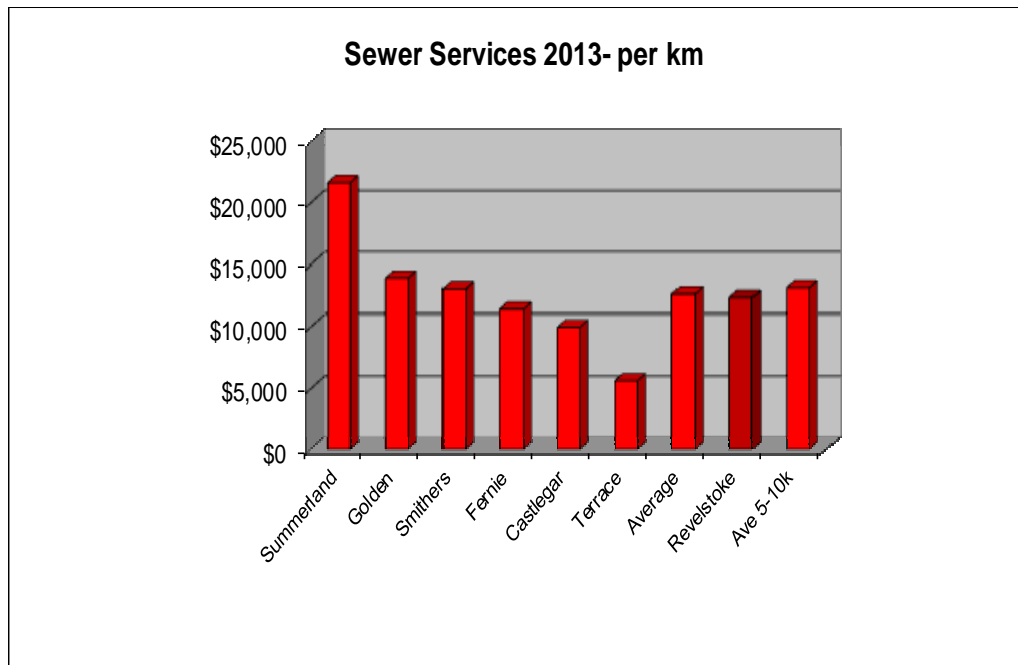


Chart 31

It can be seen that Revelstoke's costs are similar to both averages as well as being in the median range of the other communities, indicating the delivery of a cost effective service. In 2013, Revelstoke spent \$12,336 compared to \$13,666 in 2012.

¹⁸ Revelstoke has 56 kilometres of sanitary sewer pipe.

Property Taxes

A comparison may be made between the total residential property taxation and charges paid by an average single family dwelling residential assessment in each of the municipalities in the comparison group. Total charges include municipal and school taxes, hospital, regional district, BCAA¹⁹ and MFA²⁰ requisitions and utility rates as well as parcel taxes. The following chart provides data on how Revelstoke ranked compared with other members of the comparison group.



Chart 32

¹⁹ British Columbia Assessment Authority.

²⁰ Municipal Finance Authority.

Chart 33 shows the ranking in terms of general municipal taxation only including parcel taxes and user fees:

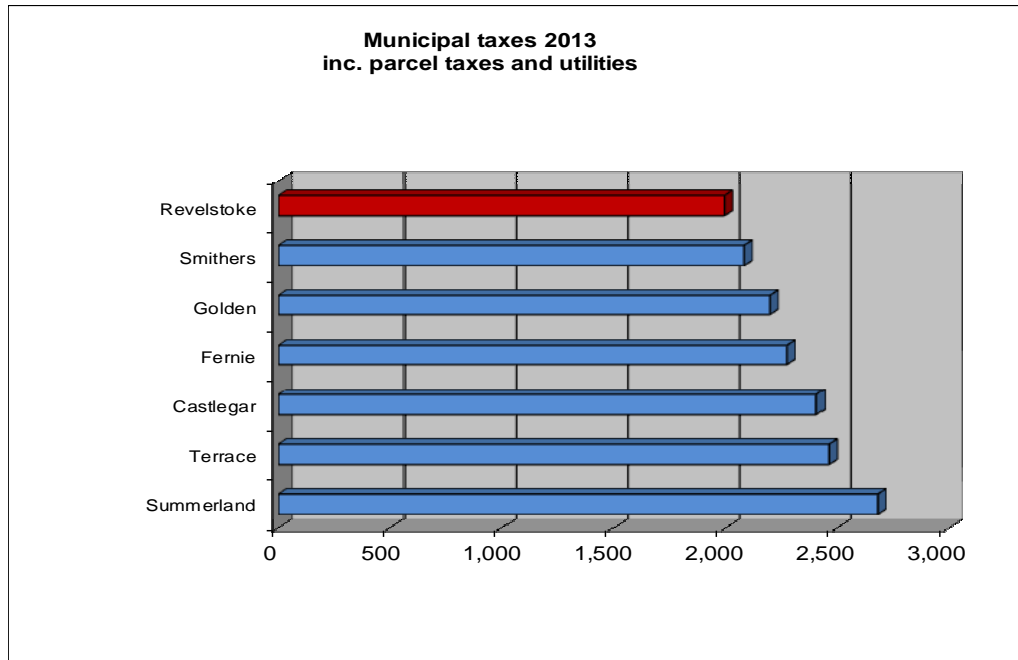


Chart 33

Revelstoke ranks lowest in terms of municipal taxes only.

Conclusion

The city's overall indebtedness continues to be substantially higher than most members of the comparison group and both averages. Council continues to take steps through the financial planning process to reduce debt and to increase reserves. Over time, these initiatives should reflect in a reduction in Revelstoke's overall debt position and an improvement in its net financial assets

Our operating expenses are generally within normal ranges but, where they do show higher than other members of the comparison group (e.g. transportation) there is an understandable rationale why this is so. Residential property taxes continue to show on the low side, at least in relation to the comparison group, based on an average single family dwelling.