

Revelstoke's Financial Performance Report 2013

April 2013



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Introduction

This report refers to financial data for the 2011 calendar year which are the latest available to date¹.

The charts in this report dealing with financial analysis (Charts 1 - 19) 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 2006 have been used.

Consolidation is not relevant to the charts that refer to specific cost centres (Charts 20 – 29).

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.

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 Castlegar, Nelson, Golden, Kimberley, Merritt, Quesnel and Salmon Arm. This was the comparison group chosen by the Strategic Financial Management Plan Citizens Advisory Committee in 1998 which developed the 10 Year Capital Plan 1999-2008.

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.

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"].

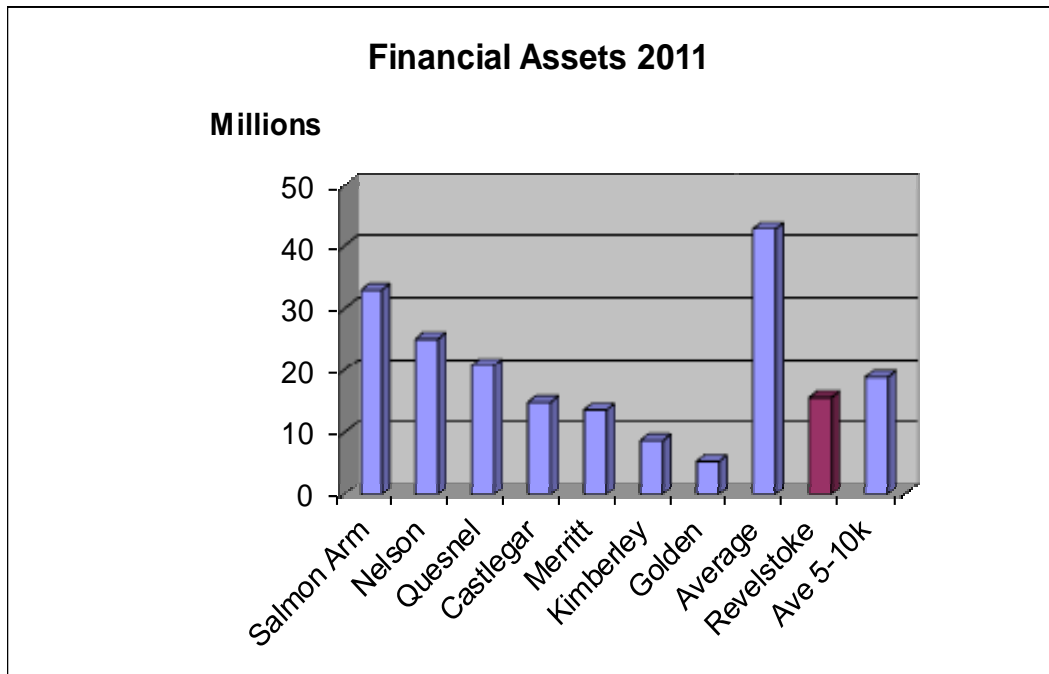


Chart 1

At the end of 2011 Revelstoke's financial assets amounted to \$15,513,358 compared with \$15,793,727 in 2010. The investment in subsidiary operations (RCFC and RCEC) decreased by a further \$177,886 in the year. Excluding RCFC and RCEC the city's financial assets decreased from \$11,781,452 in 2010 to \$11,678,970 in 2011.

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).

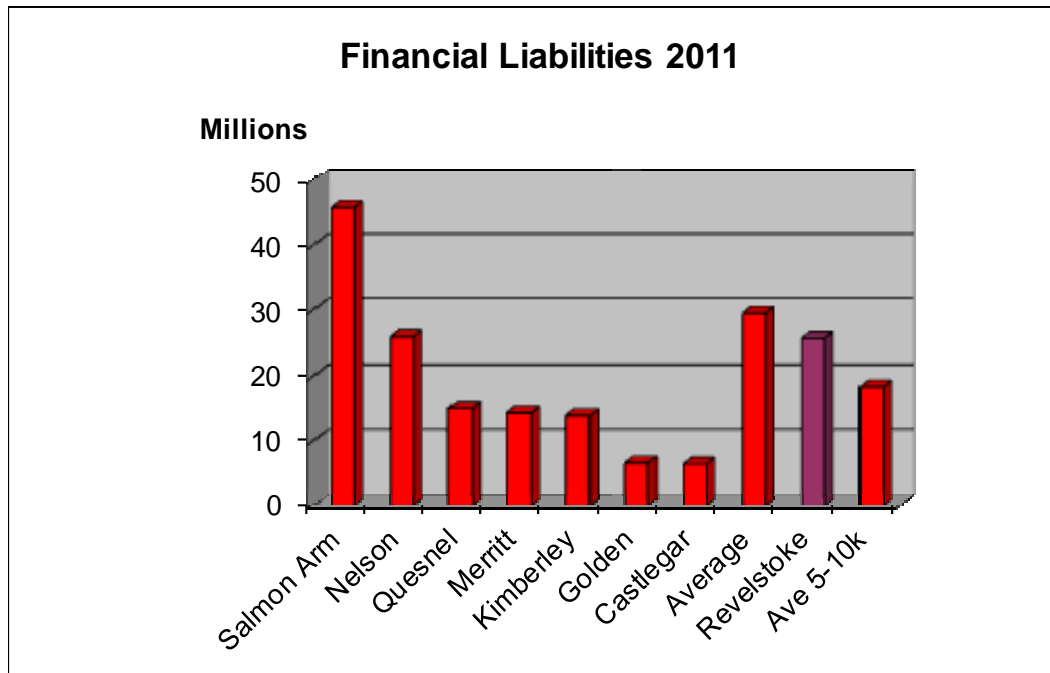


Chart 2

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 \$25,701,535 at the end of 2011 compared to \$24,319,890 at the end of 2010.

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

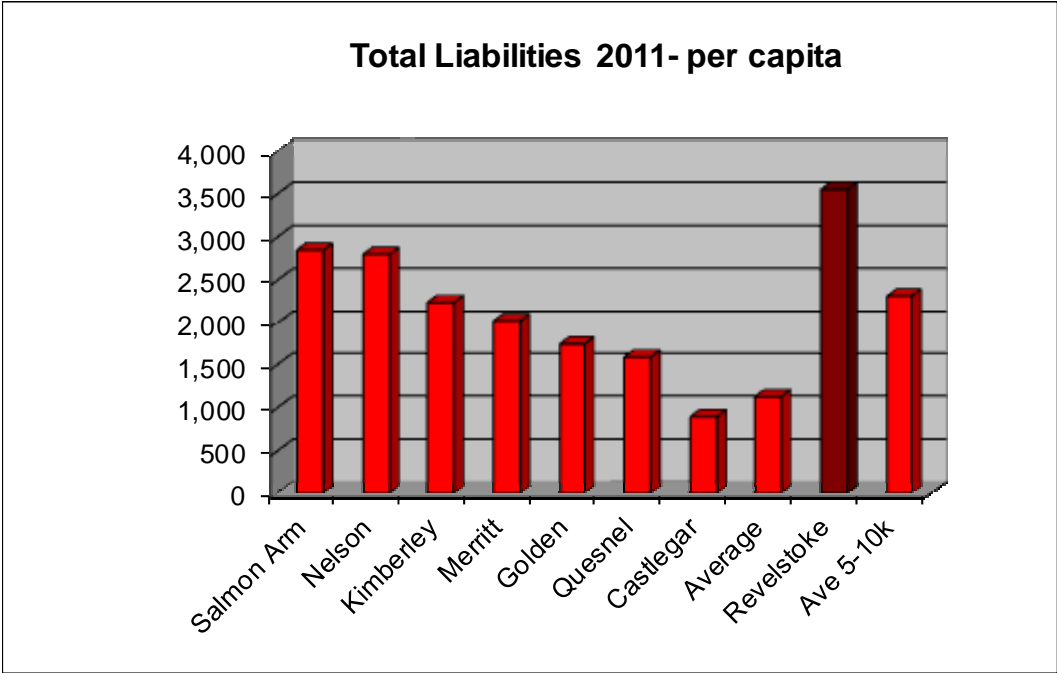


Chart 3

In 2010, Revelstoke's total liabilities per capita were a little under \$3,500. Chart 3 above shows that this number has risen slightly.

Net Financial Assets

The difference between the foregoing two charts results in Net Financial Assets which can be summarized in the following chart:

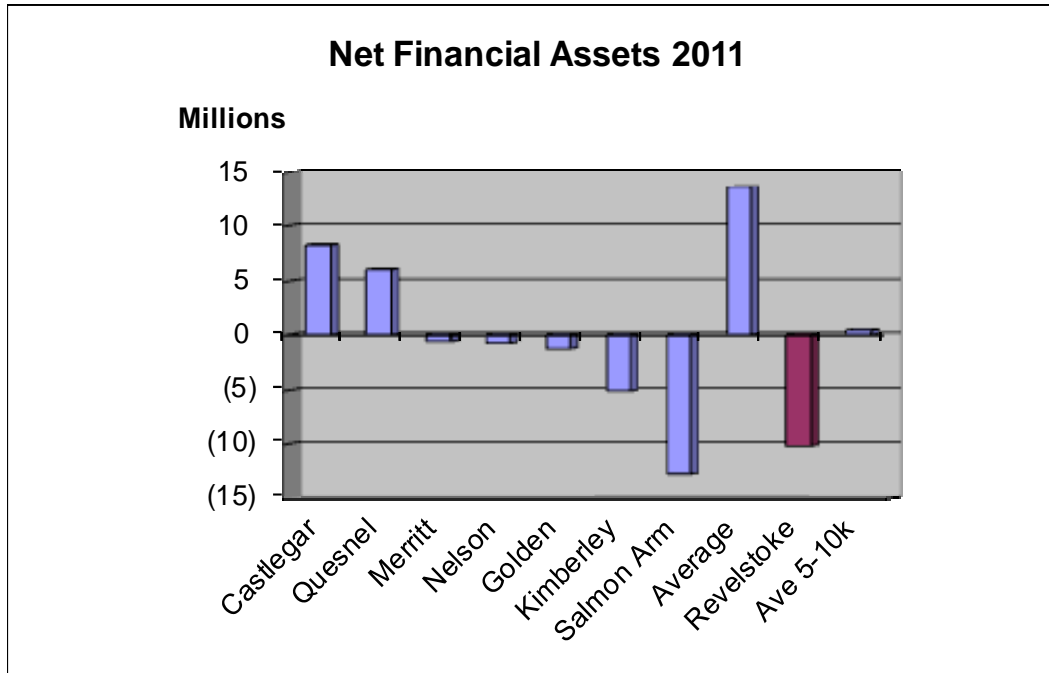


Chart 4

At the end of 2011 Revelstoke's net financial assets were \$(10,188,177) representing an excess of financial liabilities over financial assets. At December 31, 2010 the City's Net Financial Assets position was \$(8,526,163). Deferred revenue (funds received in advance of the year or project to which the funds related) increased by about \$600,000 while leasing obligations increased by about \$400,000, and long term debt increased by about \$1 million – the same as in 2010.

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. Indeed, it can be seen that most of the municipalities in the comparison group have a negative net financial asset position. However, it should also be noted that the average data point shows a positive result, while the "Ave 5-10k" is barely positive. The result for the "Ave 5-10k" group was

barely negative in 2010 so that the position for this group has improved slightly over the year.

If the investments in RCFC/RCEC are excluded the City's net financial assets become \$(14,224,195) at the end of 2011 - \$(12,538,437) at the end of 2010.

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:

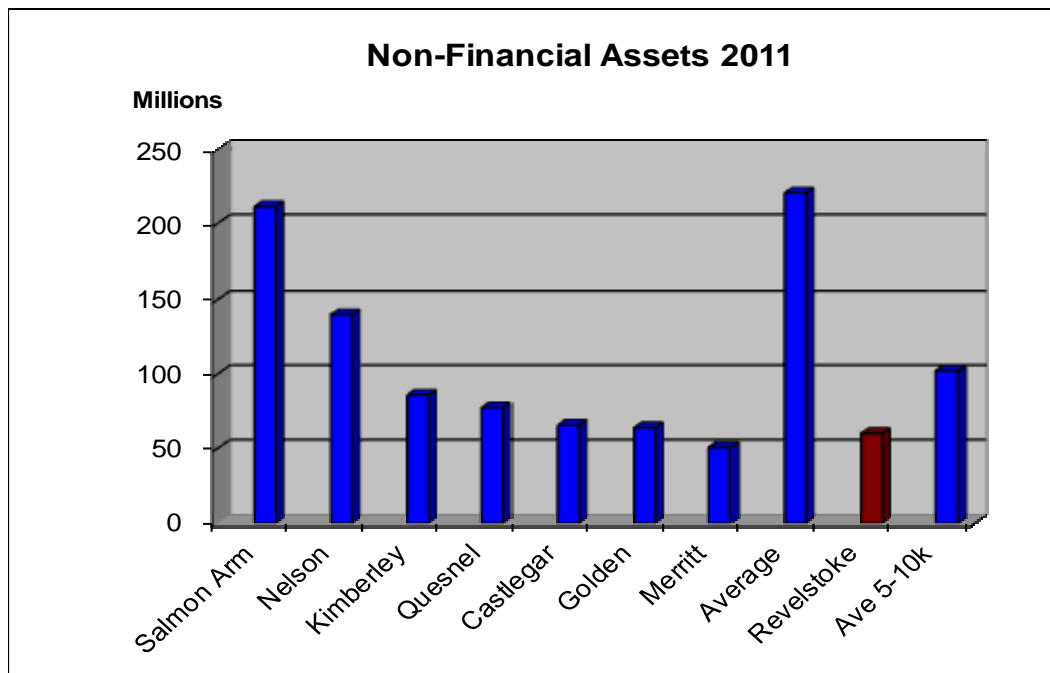


Chart 5

Revelstoke's total non-financial assets at the end of 2011 amounted to \$60,185,033 (\$57,451,951 - 2010). The rankings in the above chart are the same as 2010.

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.

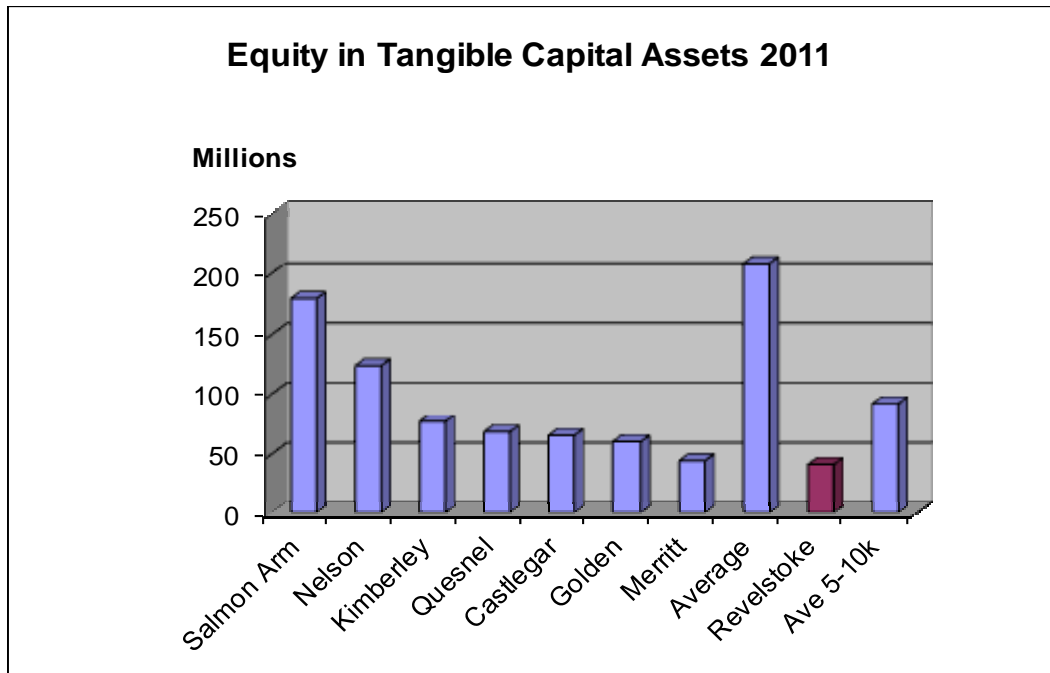


Chart 6

At the end of 2011 Revelstoke's equity in tangible capital assets was \$41,391,622 Compared to \$40,005,660 at the end of 2010. This is lowest of the comparison group including both averages and this ranking remains unchanged from 2010.

Debt

The following chart shows the total amount of long term debt⁶ and obligations under capital lease⁷ owed by Revelstoke at the end of 2011 compared to other communities in the comparison group:

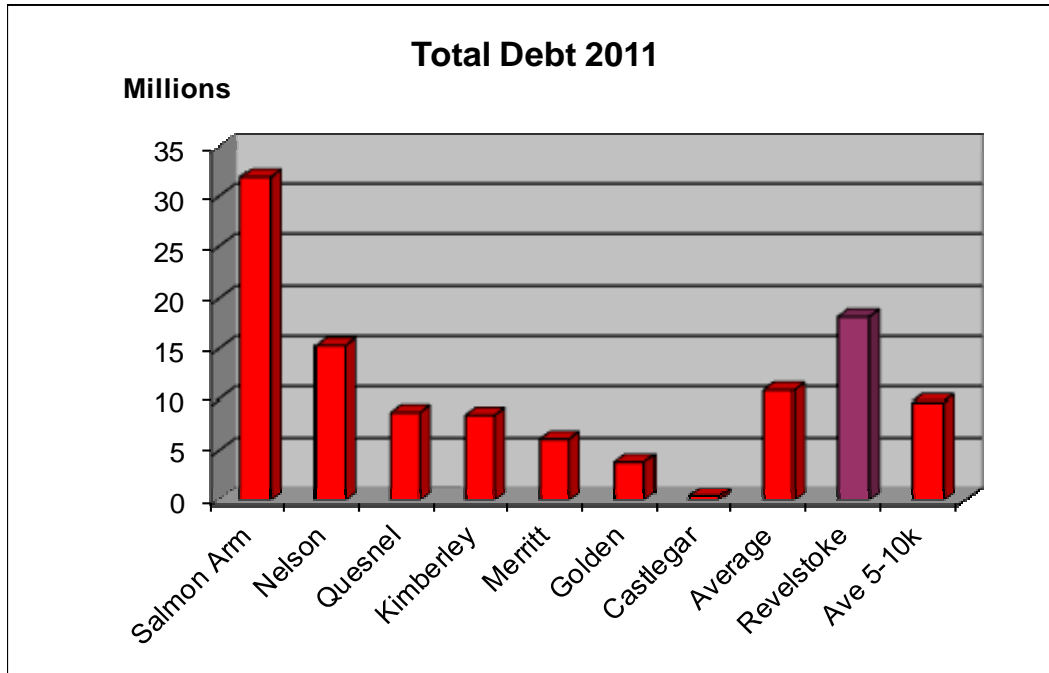


Chart 7

The total amount of debt outstanding at the end of 2011 for Revelstoke was \$18,228,846 (\$16,650,055 – 2010). This is almost double the average of all municipalities in BC as well as municipalities with populations of between 5,000 and 10,000. It is significantly less than Salmon Arm's only and more than any of the other municipalities in the group. 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.

⁶ Debt that is repayable over a period that exceeds 5 years. Revelstoke's long term debt typically is repayable over 20 to 25 years.

⁷ Leases are for 5 years.

The following chart shows the ratio of long term debt to total revenue. In 2011 Revelstoke's ratio was 0.93 (2010 – 0.89) and was second only to Salmon Arm in the comparison group.

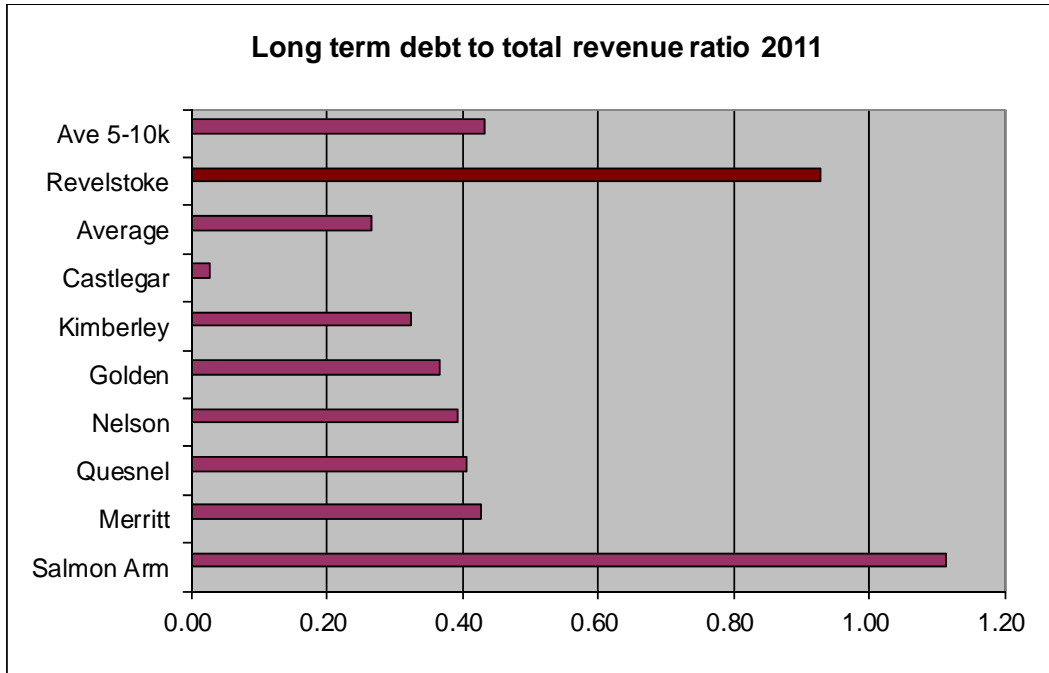


Chart 8

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 other municipalities, although not as low as Kimberley, Nelson, Golden and Quesnel. Revelstoke's DCC funds at the end of 2011 amounted to \$1,129,884 (\$925,381 - 2010)⁸. However, the average of all municipalities between 5,000 and 10,000 in population shows an average of \$2,396,313 (\$2,272,243 - 2010) while the average of all municipalities in BC is \$5,061,843 (\$4,948,309 - 2010).

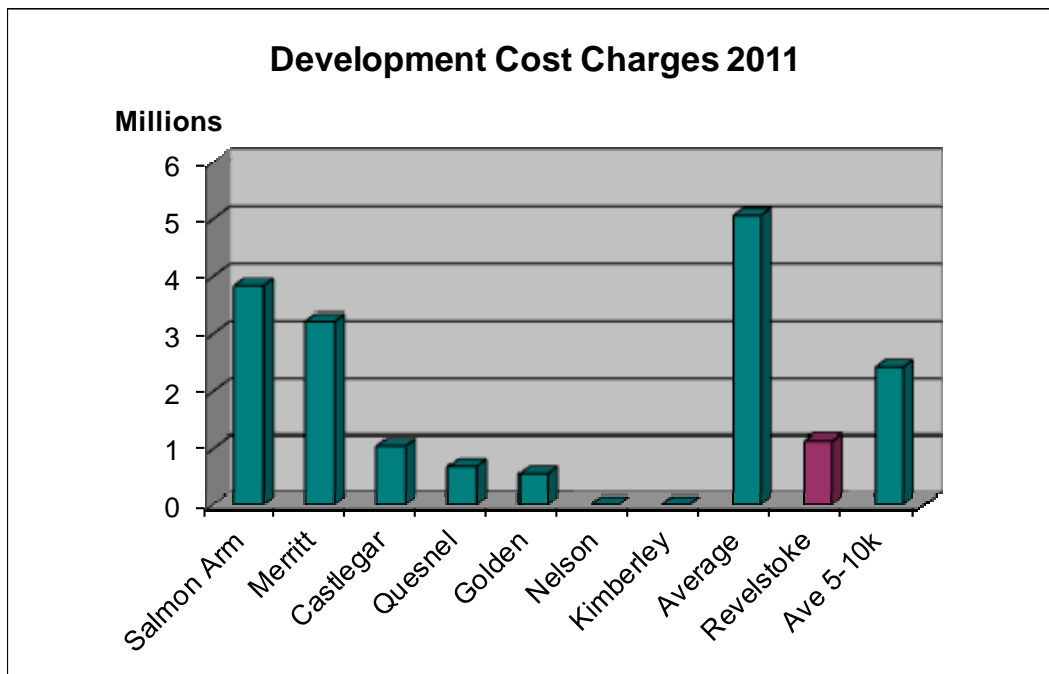


Chart 9

⁸ Revelstoke's DCC projects amount to more than \$50 million.

Accumulated Surplus

The accumulated surplus includes the equity in physical 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. The ranking in the following chart is the same as 2010.

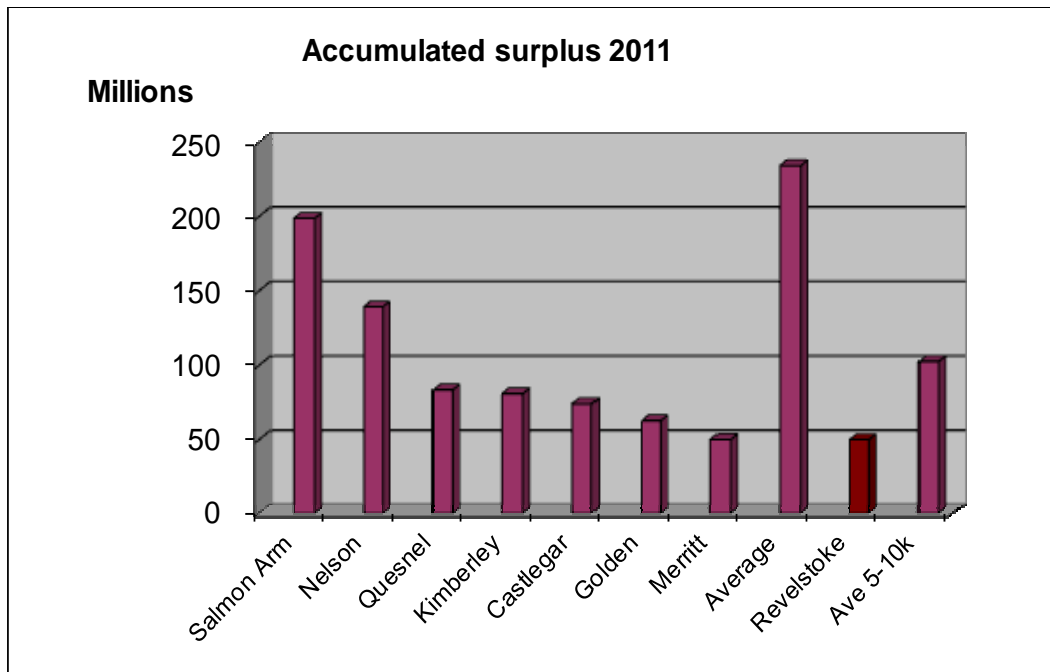
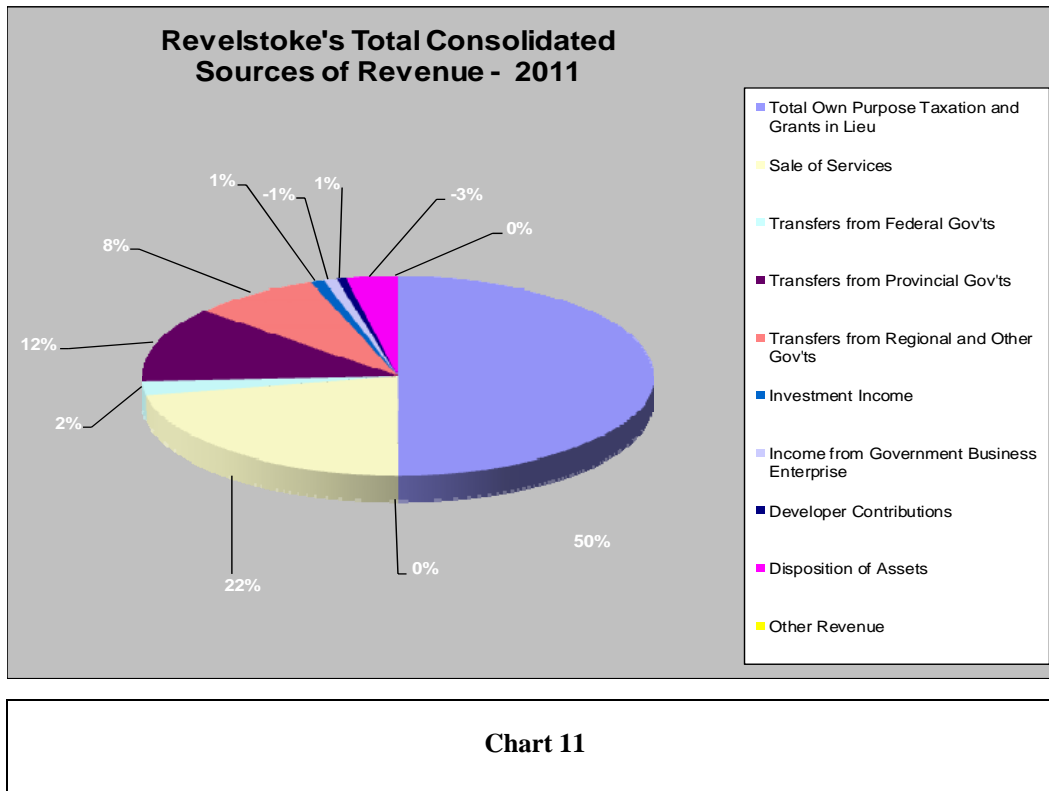


Chart 10

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 2011 can be seen from the following chart:



Revelstoke's total consolidated revenues for 2011 amounted to \$19,644,201 (\$19,326,352 – 2010). Chart 12 on the following page shows Revelstoke's position in terms of total consolidated revenues for 2011. 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 2011 Revelstoke's total consolidated revenues per capita amounted to \$2,717 (\$2,673 - 2010) while the average of all municipalities amounted to \$2,117 (\$2,109 - 2010). However, the average for communities within the 5,000 to 10,000 population group amounted to \$2,861 (\$2,789 - 2010).

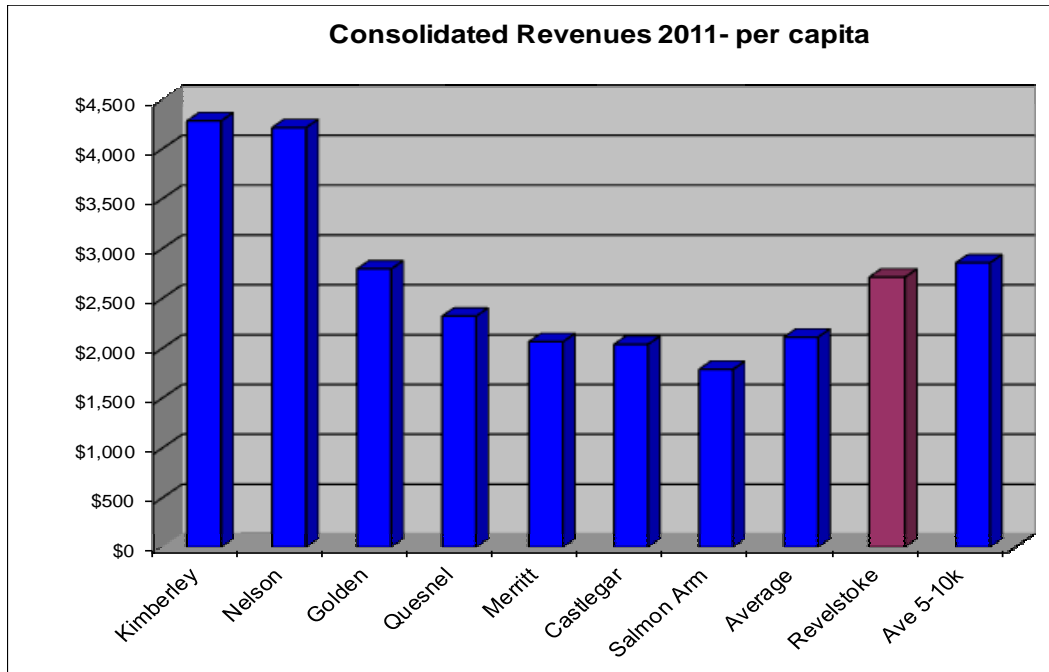


Chart 12

The next chart shows Revelstoke's position in terms of property taxation and grants-in-lieu in 2011 including the grant-in-lieu from the BC hydro dam which amounted to \$2,175,395 (\$1,742,463 – 2010). It can be seen that Revelstoke is higher than any other municipality in the group and lower only than the average of communities within the 5,000 to 10,000 population group. In 2010, Revelstoke was lower than Quesnel and the average of communities within the 5,000 to 10,000 population group.

In 2011, BC hydro began paying an increased grant-in-lieu as a result of Turbine 5. Total taxation and grants-in-lieu for 2011 amounted to \$1,476 per capita (2010 - \$1,372) compared to \$1497 (2010 - \$1,400) for the Ave. 5,000 to 10,000 population group and \$1,018 (2010 - \$980) per capital for the average of all municipalities. If the dam grant-in-lieu is excluded, Revelstoke's per capita numbers become \$1,196 (2010 - \$1,131).

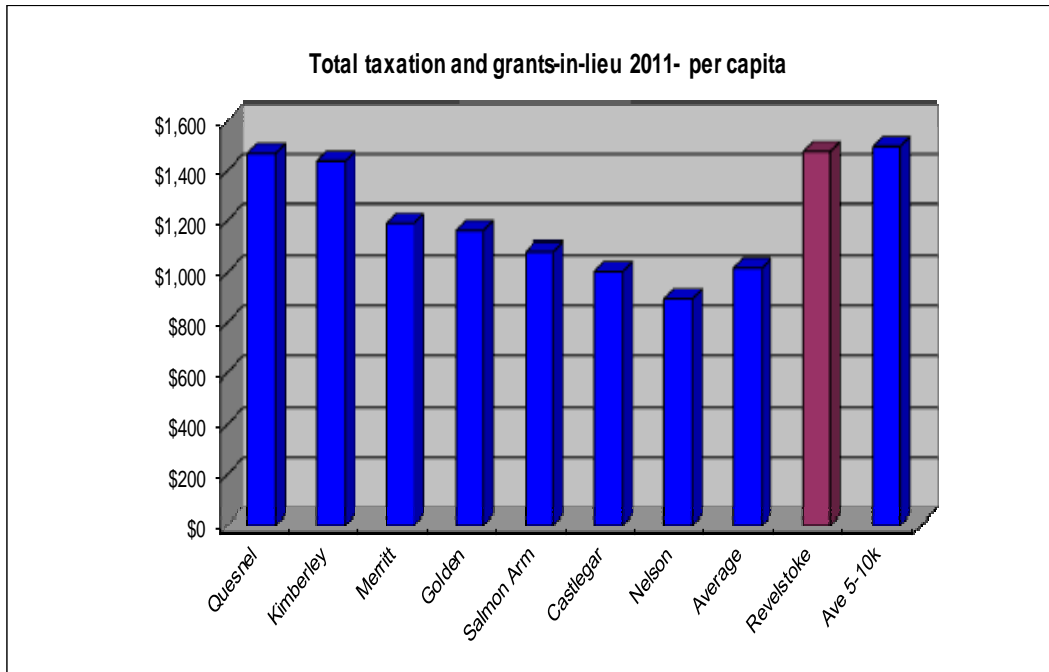


Chart 13

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

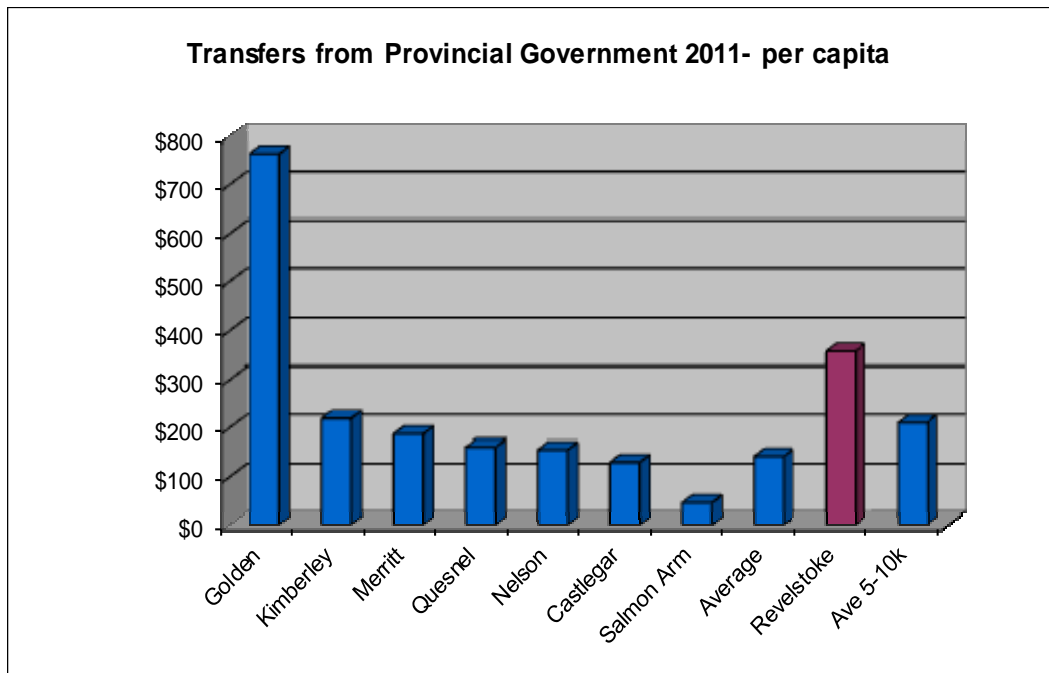


Chart 14

It can be seen that Revelstoke received more than double the average of all municipalities and almost double the average of municipalities between 5,000 and 10,000 population. The results for each municipality can fluctuate significantly each year 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.

Nelson's result is substantially higher than the comparison group and both averages because it includes revenue from its electric utility.

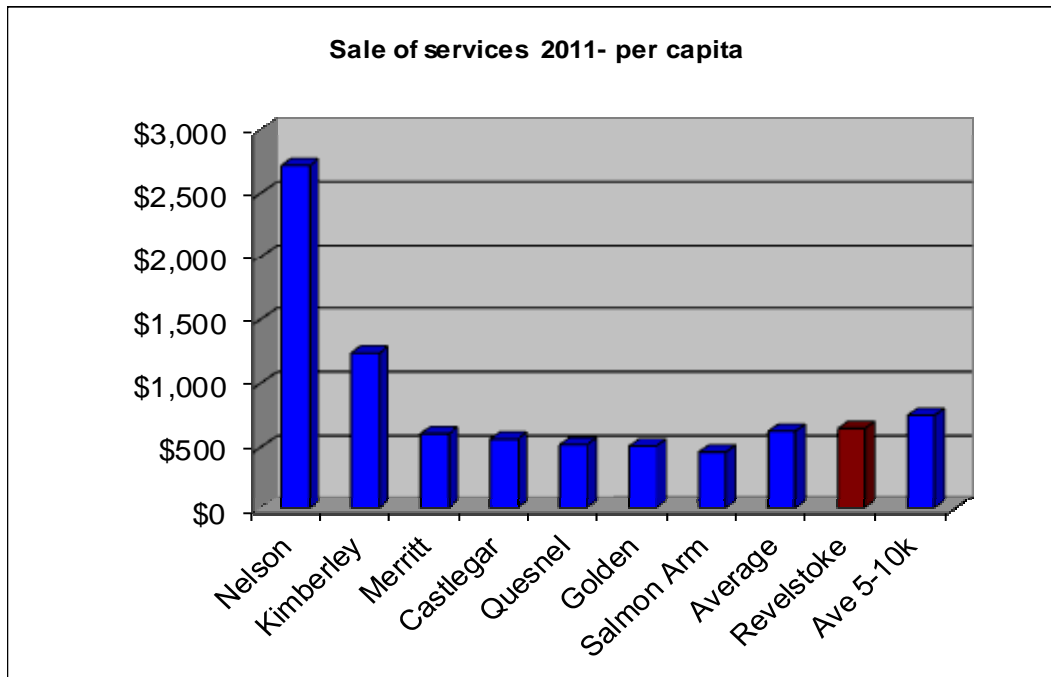


Chart 15

Revelstoke's results for 2011 are similar to those for 2010.

Consolidated Expenditures

In 2011 Revelstoke's total consolidated expenditures amounted to \$18,573,133 (\$16,386,646 – 2010) and the percentage allocation amongst the various departmental functions can be seen from the following chart:

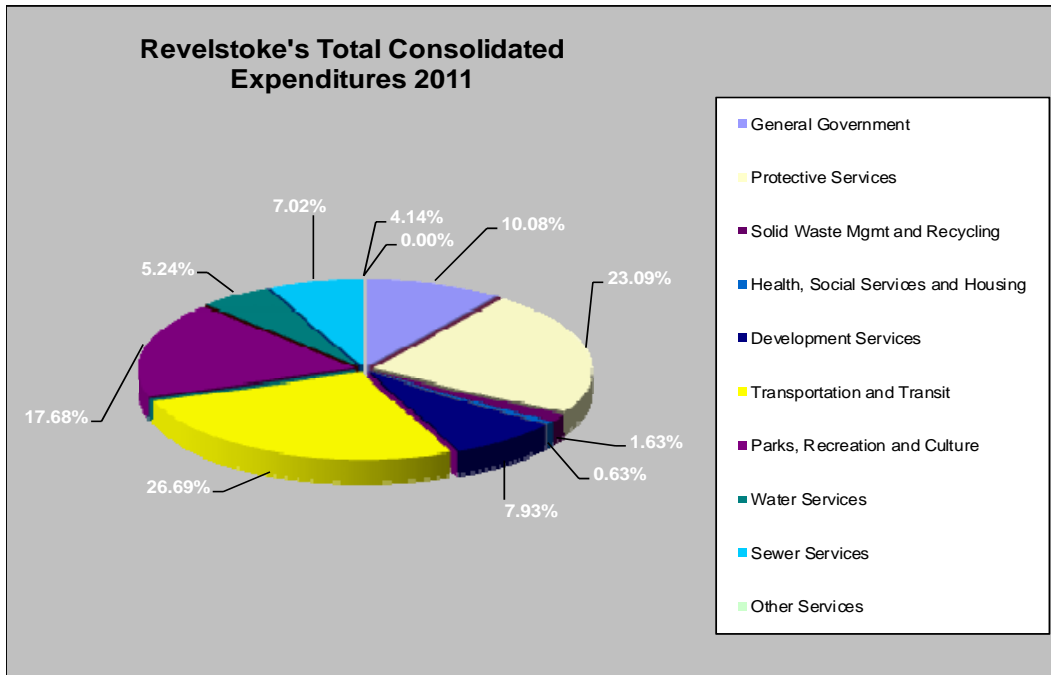


Chart 16

Revelstoke's consolidated expenditures for 2011 amounted to about \$2,569 per capita (\$2,266 - 2010) compared to an average of about \$1,751 (\$1,683 - 2010) for all municipalities and \$2,337 (\$2,341 - 2010) for communities in the 5,000 to 10,000 population group. The highest was Nelson at \$3,616 per capita (\$3,368 - 2010). Consolidated expenditures include all expenditures for all functions of a municipality, excluding capital expenditures.

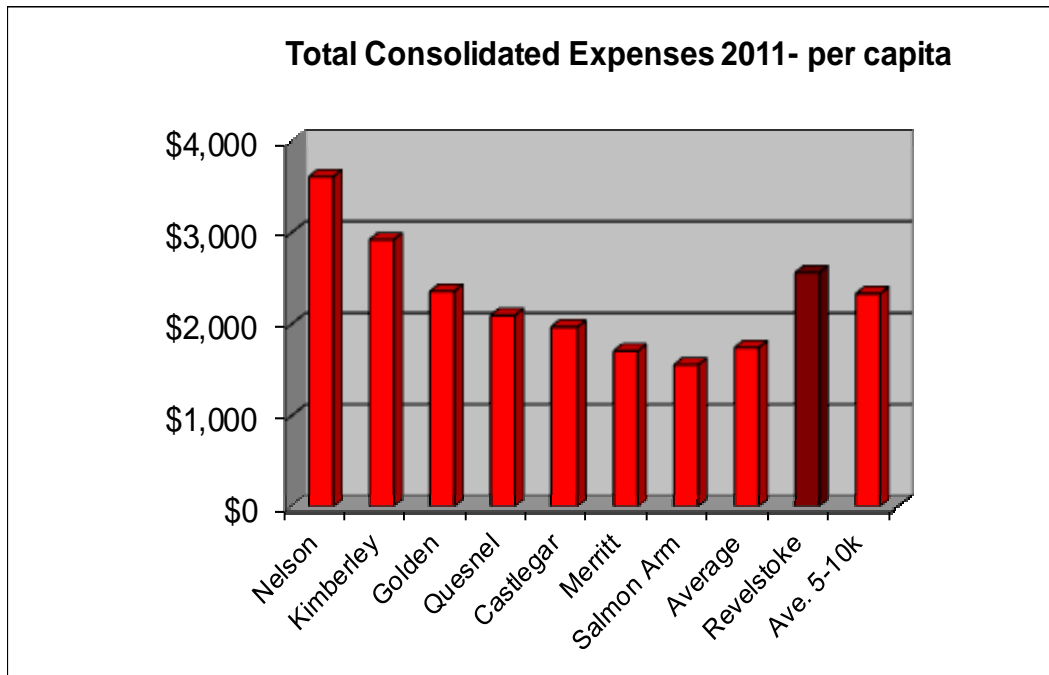


Chart 17

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.

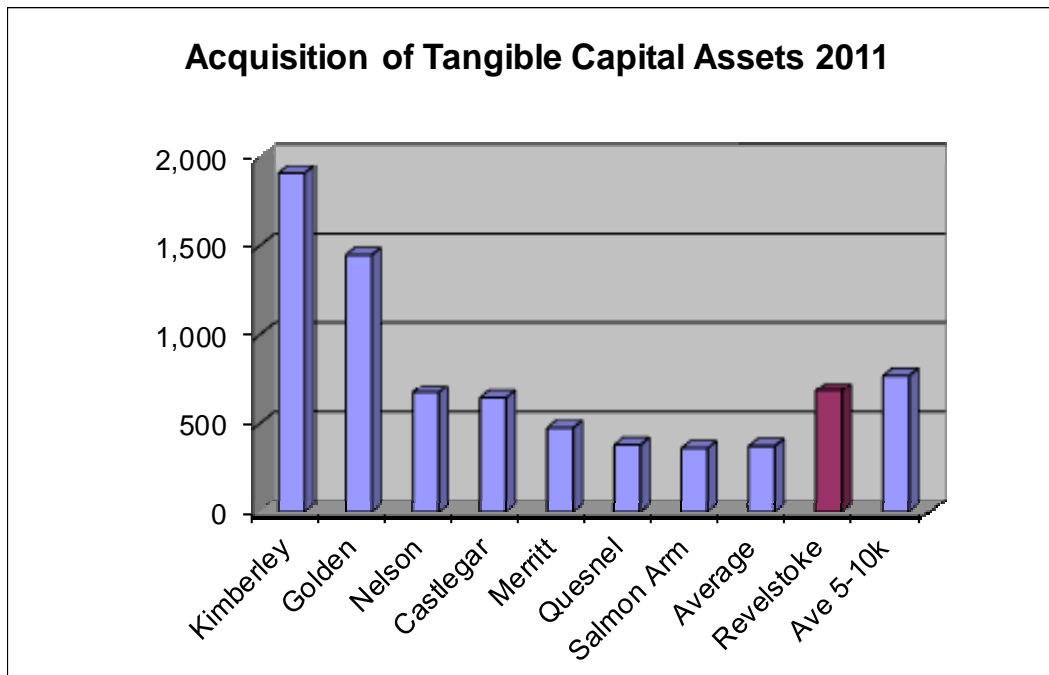


Chart 18

Consolidated capital expenditures include such expenditures for all aspects of the city's functions, including utilities. Revelstoke's consolidated capital expenditures for 2011 amounted to \$687 per capita (\$828 – 2010). This was more than the average of all municipalities but less than the average of municipalities within the 5,000 to 10,000 population group – a similar result to 2010.

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 2011 were a little more than the average of all municipalities at \$234 per capita (\$212 - 2010). They were about two thirds of the average of all municipalities with a population of between 5,000 and 10,000

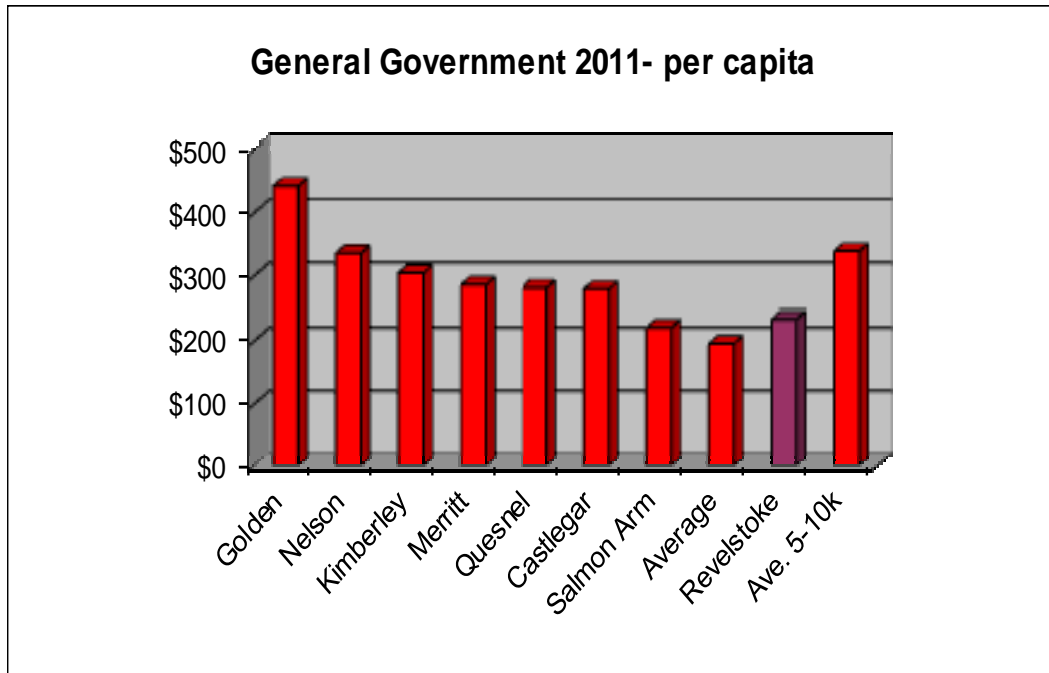


Chart 19

and less than all other members of the comparison group except Salmon Arm.

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

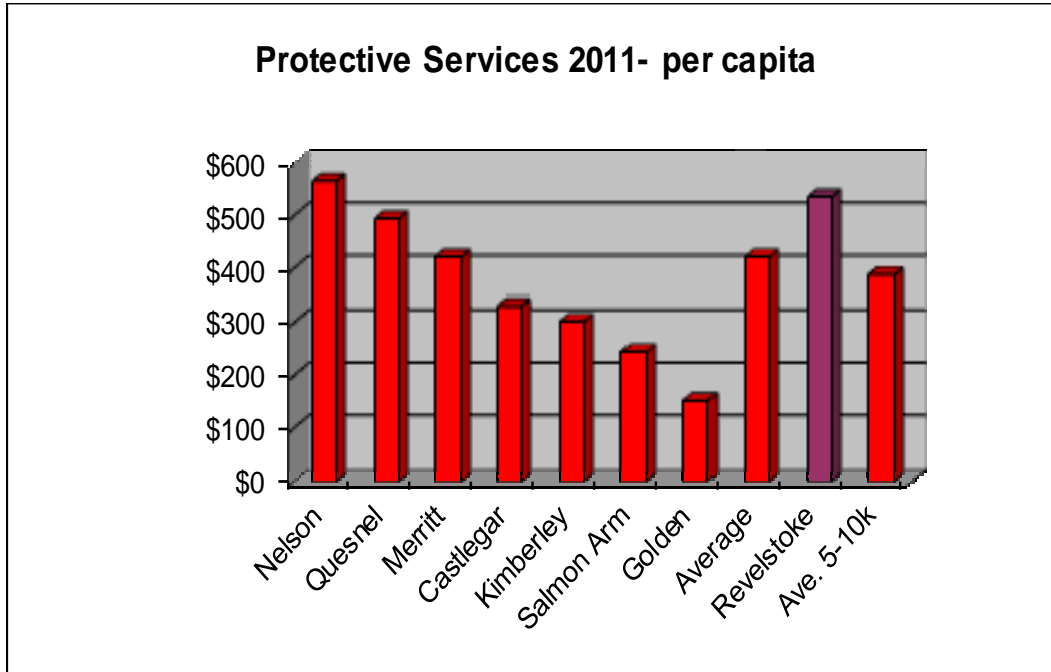


Chart 20

The foregoing chart indicates that Revelstoke spends more per capita in this area than any other member of the comparison group except Nelson. It also spends more than the average of all of the municipalities in BC and more than the average of the communities having a population between 5,000 and 10,000. 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 24). Revelstoke spent \$535 per capita in 2011 (\$541 -2010).

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 commercial involvement.

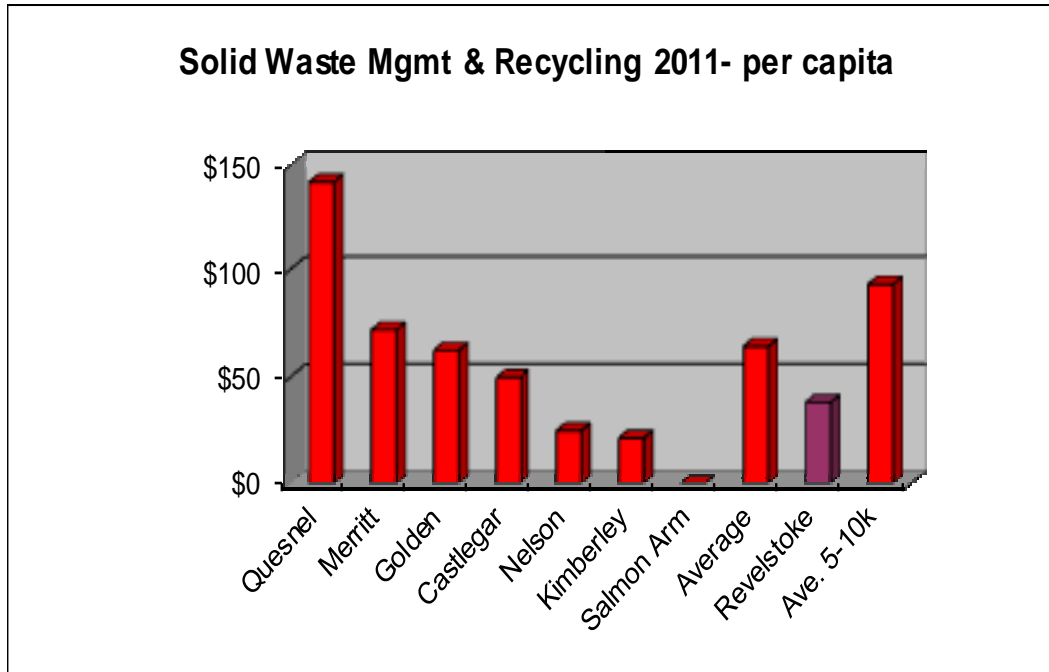


Chart 21

In Revelstoke this cost centre relates to the garbage collection and disposal operation⁹ and it can be seen from the above chart that the per capita costs in 2011 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 \$38 per capita in 2011 (\$44 – 2010).

⁹ 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.

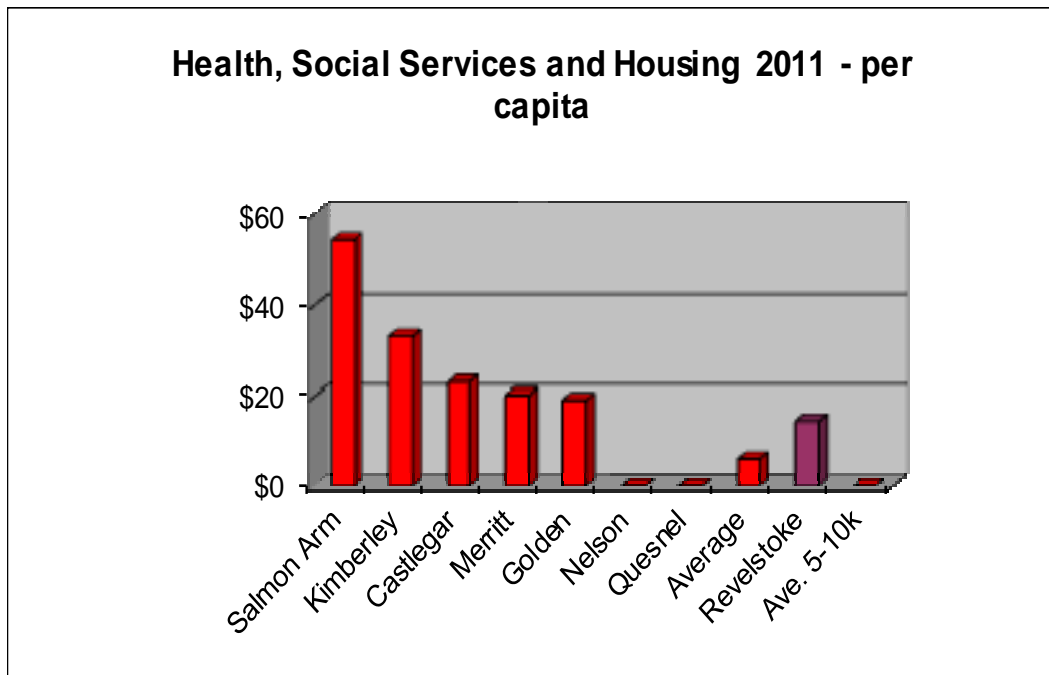


Chart 22

Since most of 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 expenditures¹⁰.

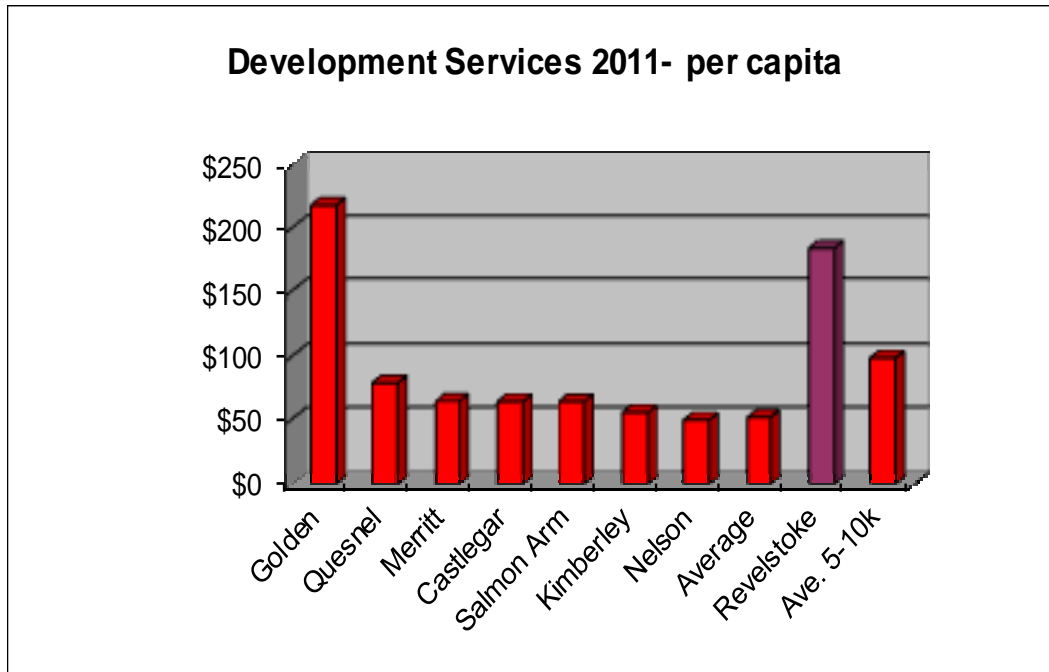


Chart 23

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 2011 approximately \$750,000 related to Hotel Tax funds. The level of expenditure however is indicative of the importance placed upon this function by the City. Revelstoke spent \$184 per capita in 2011 (\$210 – 2010).

¹⁰ 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.

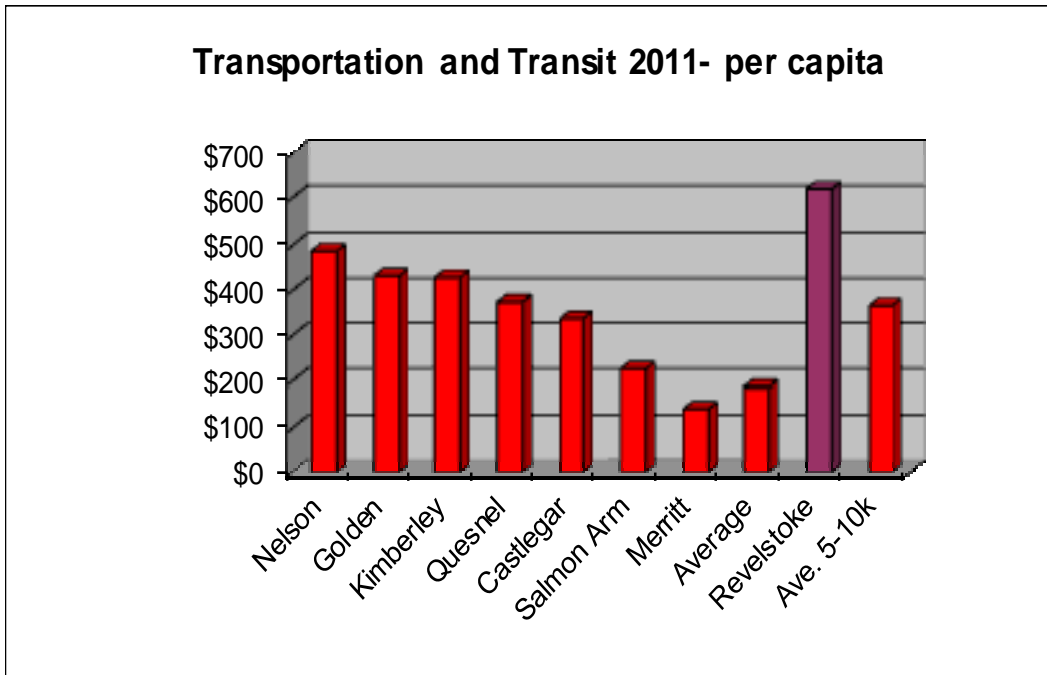


Chart 24

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 \$619 per capita in 2011 (\$437 - 2010). The main reasons for the significant increase per capita are snow removal costs (\$491,500 more in 2011) and non-TCA expenditures (\$394,000 more in 2011).

When the same data is shown on a per kilometre¹¹ basis Revelstoke's position remains higher than both averages, but less than Nelson. Revelstoke spent about \$46,111 per kilometer in 2011 (\$32,557 – 2010).

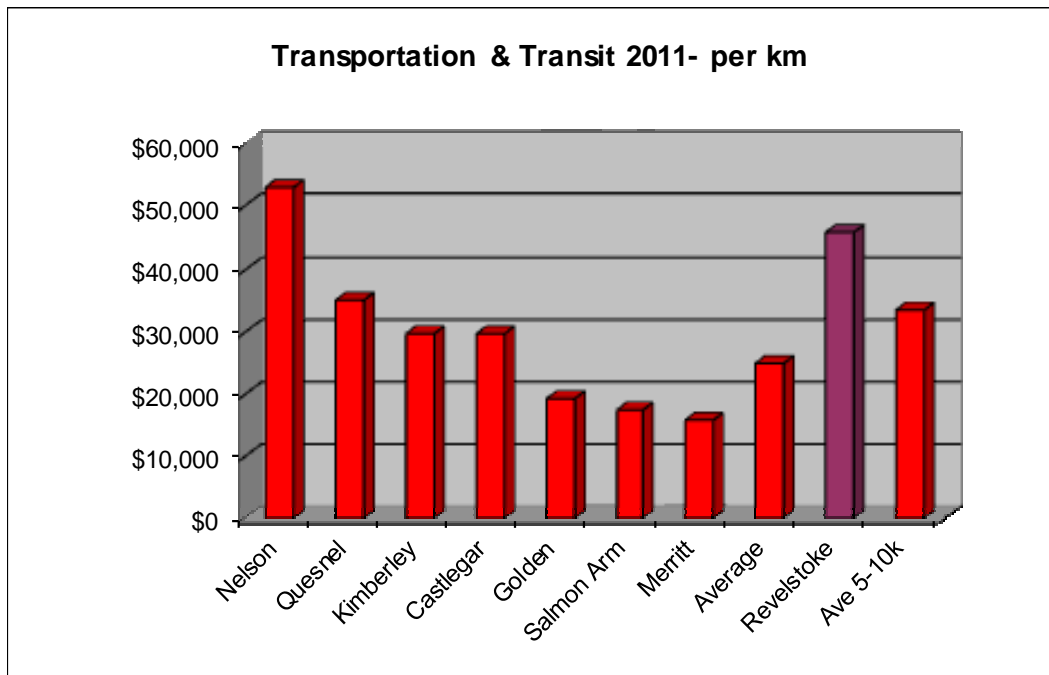


Chart 25

¹¹ Revelstoke has about 97 kilometres of paved road as per our GIS system.

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

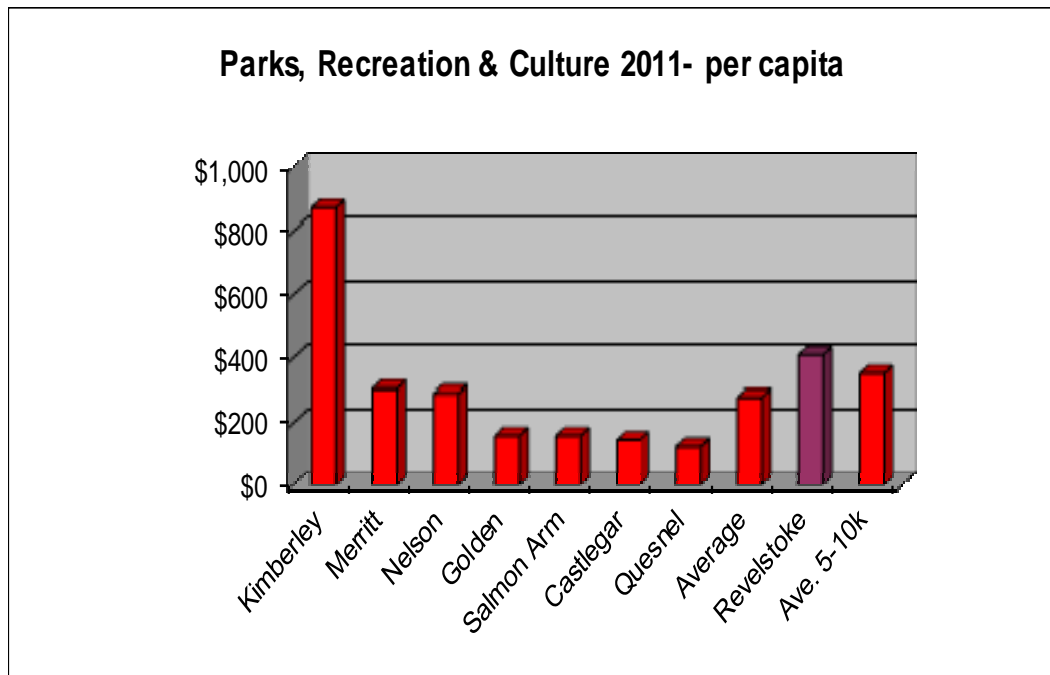


Chart 26

It can be seen from the foregoing chart that Revelstoke spent more per capita in 2011 than both the average of all municipalities in BC and the average of communities with populations between 5,000 and 10,000. In 2011 Revelstoke's per capita cost was \$410 while in 2010 it was \$393.

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 communities¹².

¹² Revelstoke does cost share with the CSRD for the provision of recreational facilities to Area 'B' residents. In 2011 the city received \$166,043 from the regional district towards the cost of recreation operations including interest on the aquatic centre loan.

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

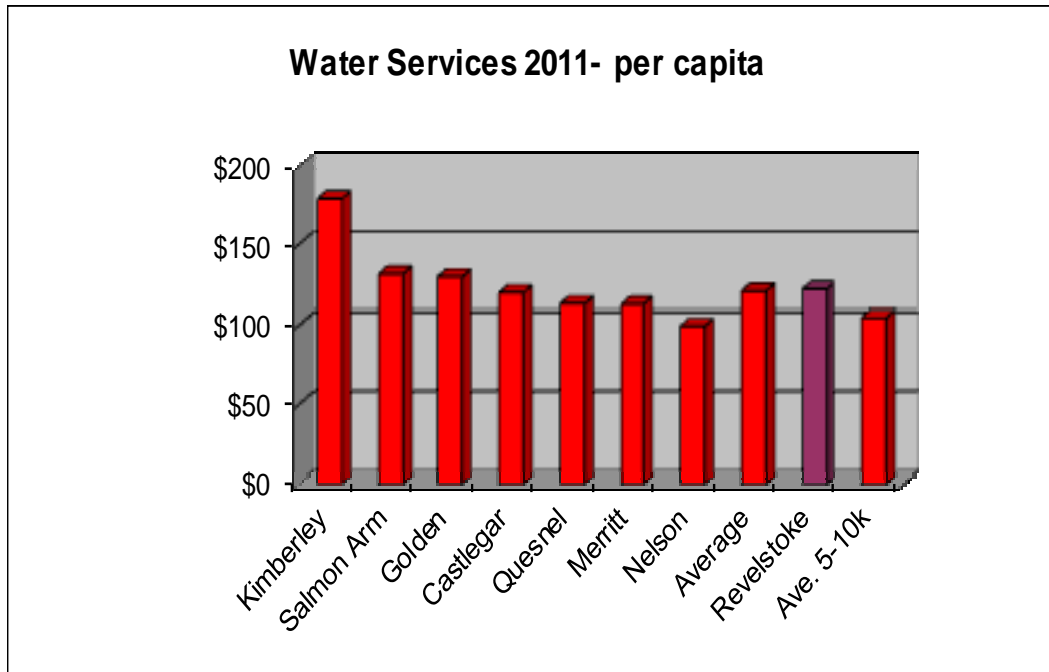


Chart 27

Revelstoke's costs per capita for this utility are about average for the comparison group.¹³ Revelstoke spent \$122 per capita in 2011 and \$110 per capita in 2010. It can be seen that Revelstoke's per capita costs are about average compared to all municipalities but above the average for municipalities within the 5,000 to 10,000 population group.

¹³ 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 kilometer¹⁴ of water line:

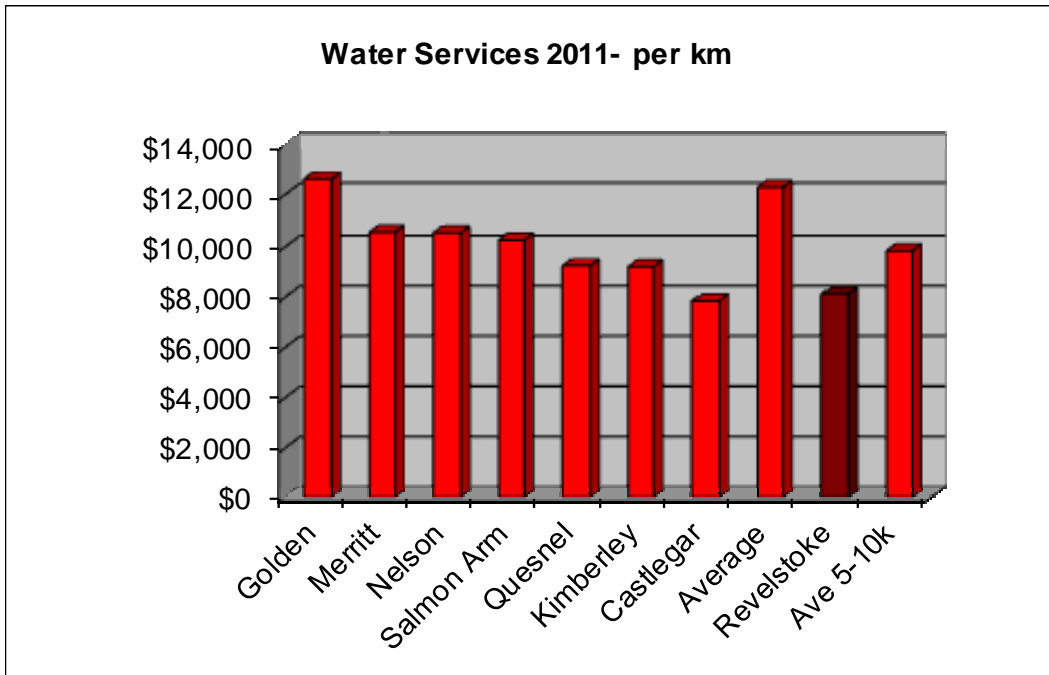


Chart 28

It can be seen that Revelstoke's costs per kilometre are lower than all members of the comparison group, except Castlegar, as well as both averages, indicating the operation of an efficient service.

¹⁴ Revelstoke reported 108 kilometres of water pipe to the province for the 2011 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.

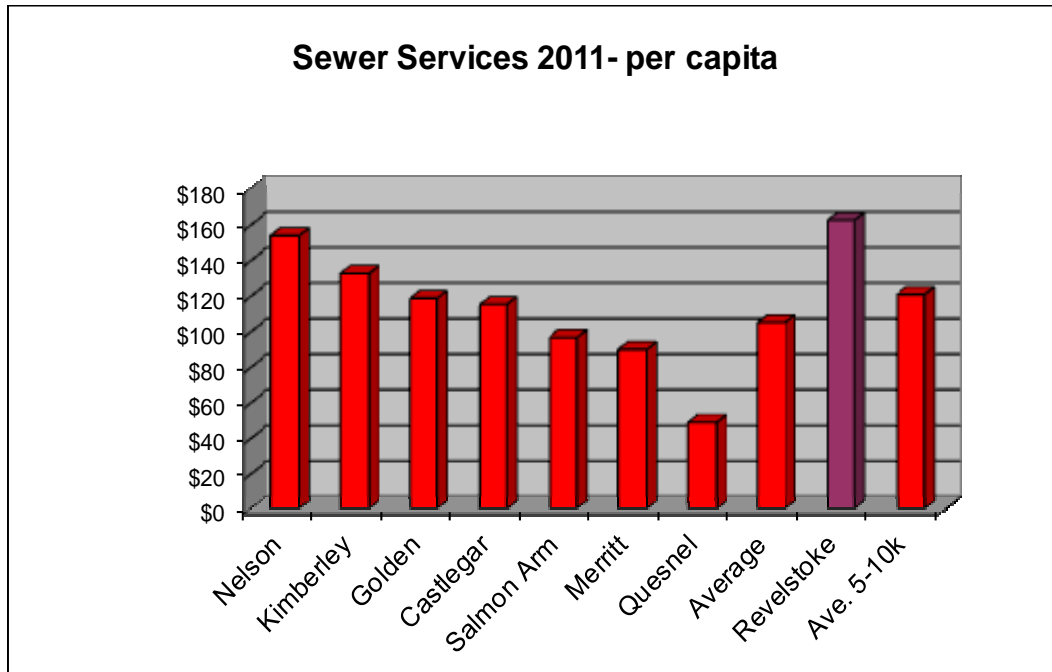


Chart 29

In 2011, Revelstoke was higher than all members of the comparison group as well as both averages. Revelstoke spent \$163 per capita in 2011 and \$72 in 2010. The main reason for the significant increase in per capita costs is the inclusion of the sewer lagoon desludging project as a non-TCA expenditure. This project amounted to about \$500,000. Although budgeted, as a capital project and paid for by long term debt, the project did not meet the criteria for a tangible capital asset and had to be fully written off in the year of expenditure.

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 kilometre¹⁵ of sewer line:

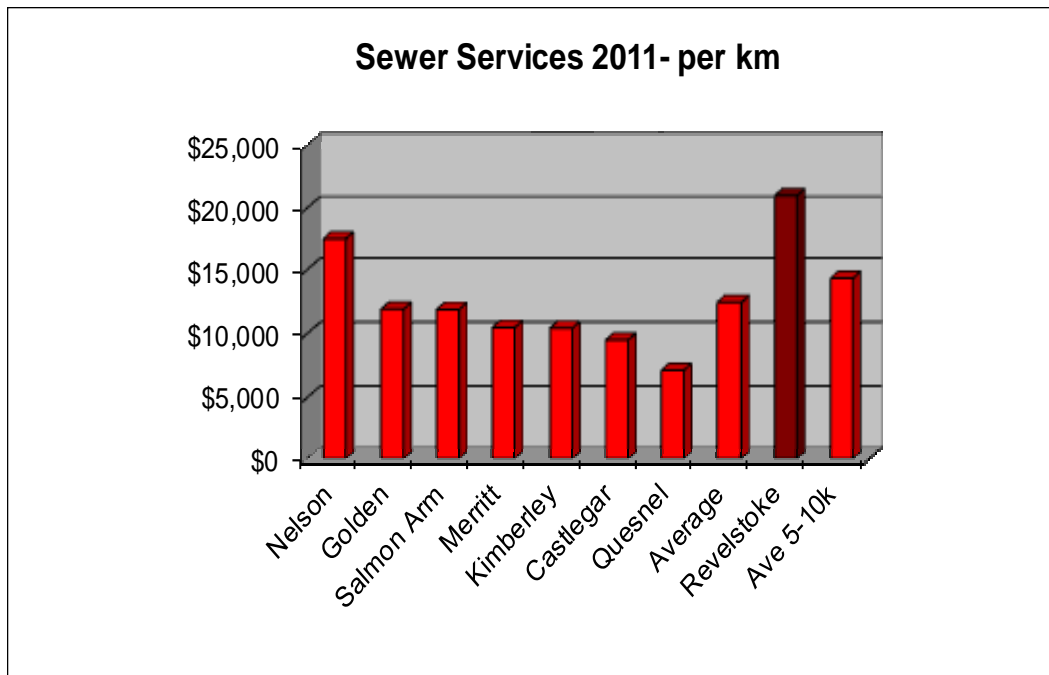


Chart 30

¹⁵ 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 assessment¹⁶ in each of the municipalities in the comparison group. Total charges include municipal and school taxes, hospital, regional district, BCAA¹⁷ and MFA¹⁸ 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.

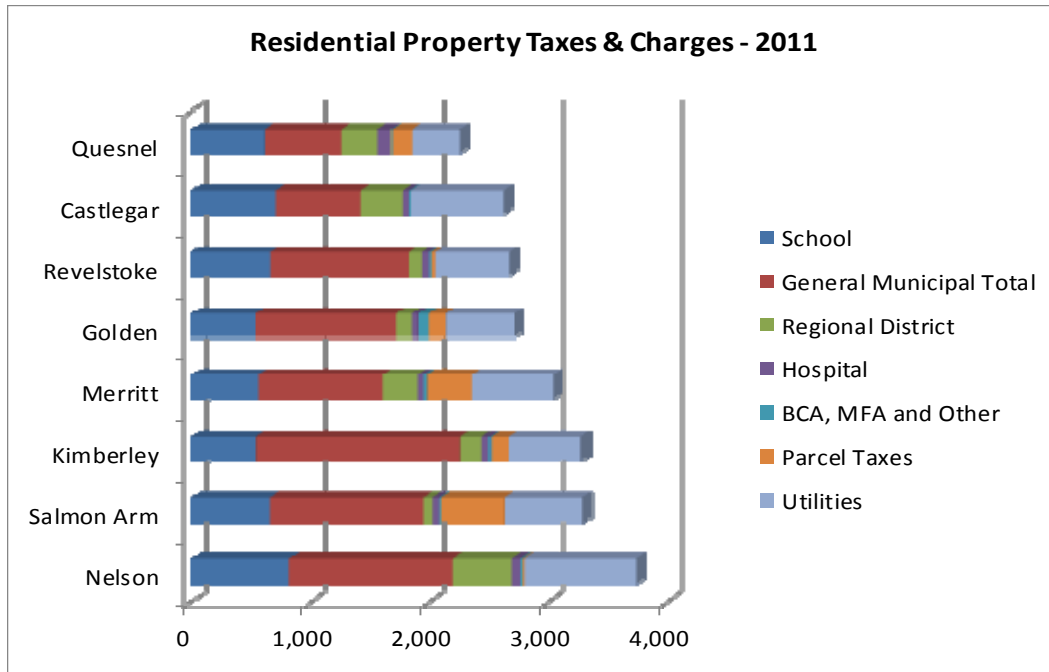


Chart 31

In 2011 Revelstoke ranked third lowest compared to fourth lowest in 2010.

Chart 32 shows the ranking in terms of general municipal taxation only including parcel taxes and user fees:

¹⁶ The average assessed value will vary in each community. For example, the average assessed value of a single family dwelling in Revelstoke in 2011 was \$314,029 (\$325,974 – 2010) while in Salmon Arm it was \$301,027 (\$291,249 – 2010). This indicates that, in 2011, the market value of homes in Salmon Arm was lower than Revelstoke's on average. The municipal tax rate of each community was \$3.67 for Revelstoke and \$4.26 for Salmon Arm.

¹⁷ British Columbia Assessment Authority.

¹⁸ Municipal Finance Authority.

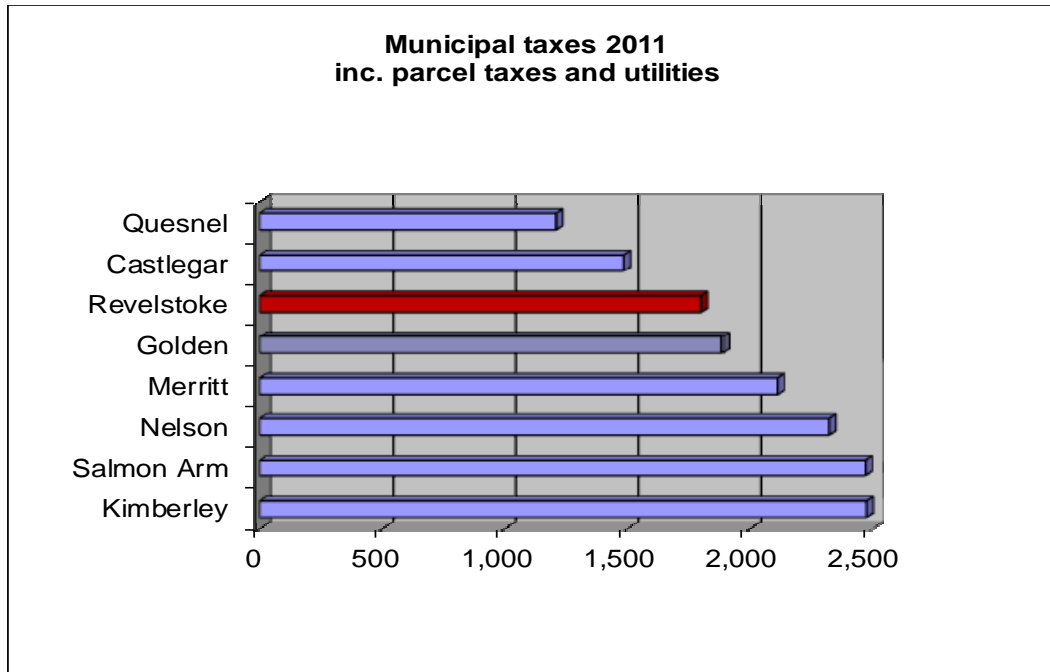


Chart 32

Revelstoke maintains the same ranking as in Chart 31.

Conclusion

The city's net financial position continues to deteriorate and our borrowing levels, although well within provincial limits, continue to increase. These are certainly causes of concern and need to be monitored closely going forward.

Our accumulated surpluses (including reserve funds) are also low compared to the averages of both municipalities with a population of between 5,000 and 10,000 and all municipalities in BC. This has been a consistent element of these reports and the city needs to do more to build reserves so that it can fund future infrastructure expenditure commitments with less reliance on borrowing. The city also needs to build surpluses as part of its ongoing financial planning process so that it is able to finance future road rebuilding and road rehabilitation programmes without resorting to borrowing.