



Committee of the Whole Report

For the Meeting of May 1, 2025

To: Committee of the Whole **Date:** April 24, 2025
From: Susanne Thompson, Deputy City Manager and
Chief Financial Officer
Subject: 2024 Financial Statements

RECOMMENDATION

That Council:

1. Approve the 2024 Financial Statements.
2. Forward this item to the daytime Council meeting of May 1, 2025 for ratification.

EXECUTIVE SUMMARY

Under section 167 of the *Community Charter*, a municipality's financial statements must be prepared by its Financial Officer and presented to Council for acceptance. The 2024 financial statements are the responsibility of management and have been prepared in accordance with "generally accepted accounting principles" for local governments established by the Public Sector Accounting Board.

The information in the financial statements can provide indicators of the financial condition of an organization, as will be discussed in this report.

Under section 171 of the *Community Charter*, the City's Municipal Auditor, BDO Canada LLP (BDO), must report to Council on the annual financial statements. The report must be in accordance with the form and the reporting standards recommended by CPA Canada.

As outlined in their audit findings report, the focus areas for this year's audit included implementation of the new of public sector accounting standards for revenue and public private partnerships, recognition of grants and government transfers, and risk of management overrides. All testing was executed as planned and no adjustments were noted.

Once accepted by Council, BDO will issue an Auditor's Report expressing that in their opinion the financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2024.

PURPOSE

The purpose of this report is to provide Council with an overview of the City's 2024 audited financial statements and request Council's acceptance of the financial statements.

BACKGROUND

Section 167 of the *Community Charter* requires that annual audited financial statements be prepared and presented to Council for acceptance. The City's audited consolidated financial statements for 2024 have been prepared by management in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of CPA Canada.

Under PSAB reporting requirements, the following statements are presented for Council's review: (page references to Appendix A)



Statement of Financial Position (pg.2) – provides a summary of the City's economic resources (assets net of liability balances) available to meet its obligations and provide services. By continuing to grow its net financial asset position, the City strengthens its capacity to meet financial obligations.



Statement of Operations and Accumulated Surplus (pg.3) – identifies the current year contribution to the Accumulated Surplus balance from revenue and expenses.



Statement of Changes in Net Financial Assets (pg.4) – supplementary detail of the changes in assets and liabilities that explain the change to the Net Financial Assets balance on the Statement of Financial Position.









Statement of Cash Flows (pg.5) – supplementary detail to support the change to Cash and Cash Equivalents balance on the Statement of Financial Position.



Notes to the Financial Statements (pgs.6-28) - additional detail to disclose relevant reporting information and support significant balances in the Financial Statements.

The relationship between the statements is illustrated below (Figure 1): the Statement of Operations and Accumulated Surplus, the Statement of Changes and Net Financial Assets, and the Statement of Cash Flows provide expanded details on the balances in the Statement of Financial Position.

Figure 1. Relationship between Financial Statements

The Corporation of the City of Victoria Statement of Financial Position As at December 31, 2024, with comparative figures for 2023			
	2024	2023	
Financial Assets			
Cash and cash equivalents (Note 3)	\$ 121,941,832	\$ 97,276,196	
Accounts receivable			
Property taxes	4,360,823	4,189,736	
Other	32,902,977	37,500,804	
Portfolio investments (Note 4)	243,270,071	272,967,247	
Mortgage receivable (Note 5)	1,077,779	1,044,652	
Other assets	20,428	403	
MFA debt reserve fund (Note 16)	1,288,845	1,323,540	
	404,862,755	414,302,578	
Liabilities			
Accounts payable and accrued liabilities	34,759,431	35,189,523	
Prepayments	14,554,543	14,430,347	
Deposits	12,826,564	14,287,501	
Deferred revenue (Note 6)	30,737,826	31,127,016	
Long-term debt (Note 7)	43,885,097	48,962,799	
Employee future benefit liability (Note 8)	20,335,524	19,987,861	
Asset retirement obligation (Note 10)	1,928,234	1,706,893	
Capital lease obligations (Note 11)	791,244	-	
	159,818,463	165,691,940	
Net Financial Assets (net debt)	245,044,292	248,610,638	Statement of Changes in Net Financial Assets
Non-Financial Assets			
Tangible capital assets (Note 9)	773,485,604	722,459,962	
Inventories of supplies	2,585,076	2,655,209	
Deposits towards acquisition of tangible capital assets (Note 9(d))	-	535,000	
Prepaid expenses and deposits	2,897,419	2,539,789	
	778,968,099	728,189,960	
Accumulated Surplus (Note 12)	\$ 1,024,012,391	\$ 976,800,598	Statement of Operations and Accumulated Surplus
The accompanying notes are an integral part of these financial statements.			

The Statement of Financial Position, accompanied by Note 12 identifying the components of the Accumulated Surplus, provides a snapshot of the City's financial health at a point in time. The Statement shows what the City owns and what it owes.

ISSUES & ANALYSIS

This report identifies the information in the Financial Statements that can be used as indicators of the City's financial condition. The report also highlights the operational results contributing to the Statement of Financial Position at December 31, 2024, and addresses areas where Council policy guides decision making.

Indicators of Financial Condition

Financial condition is a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees, and others. Applying indicators of financial condition specific to government organizations offers readers of the financial statements insights into the short and long-term implications of policy decisions and illustrates a government's financial ability to maintain the level and quality of its services and to finance new programs.

Appendix D – Indicators of Financial Condition provides a detailed analysis of indicators applied to the City of Victoria financial statements over a 5-year period, considering the elements of sustainability, flexibility, and vulnerability.

The City’s Financial Sustainability Policy states in its Primary Objective that the “policies shall be designed and structured to develop principles that guide, support, and respect the direction of the community so that taxpayers can look forward to stable, equitable and affordable property taxation”. The indicators of financial condition illustrate that the application of these principles guide decisions that support building the City’s financial strengths in sustainability and flexibility, while considering the risk of vulnerability.

Financial Statement Analysis

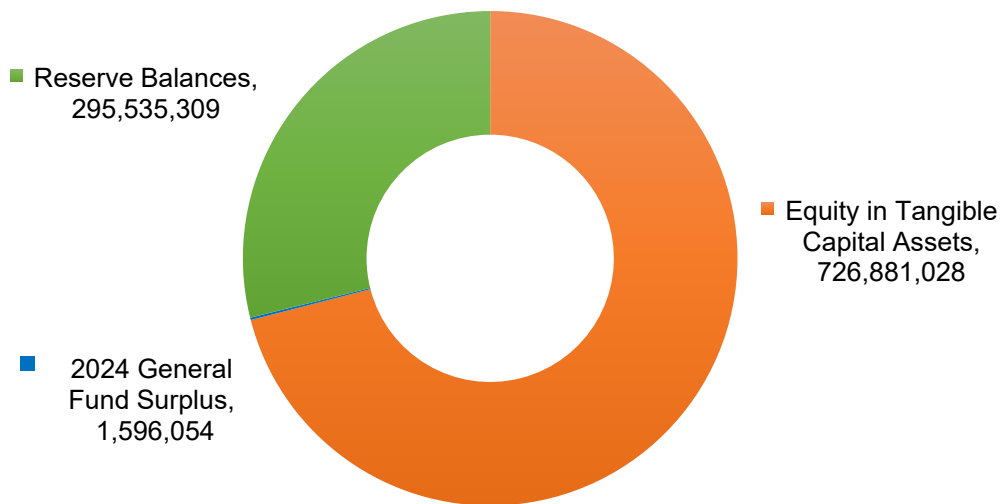
Accumulated Surplus

The Accumulated Surplus balance at December 31, 2024, as reported on the Statement of Financial Position, is \$1.02 billion. This is the accumulation of the City’s increases in equity in capital assets and reserve balances since its inception. The balance represents the total economic resources available to the City and indicates how much the City’s assets exceed its liabilities.

Of the economic resources available, equity in capital assets makes up the most significant portion of the accumulated surplus balance, followed by reserve balances (Figure 2). The current year General Fund Surplus of \$1.59 million makes up a small portion of the Accumulated Surplus balance.

Figure 2. Accumulated Surplus

At December 31, 2024 \$1,024,012,391



This means that the majority of the \$1.02 billion Accumulated Surplus consists of the City’s tangible capital assets, such as roads, underground infrastructure, land, buildings, and equipment, along with funds set aside in reserves for future spending.

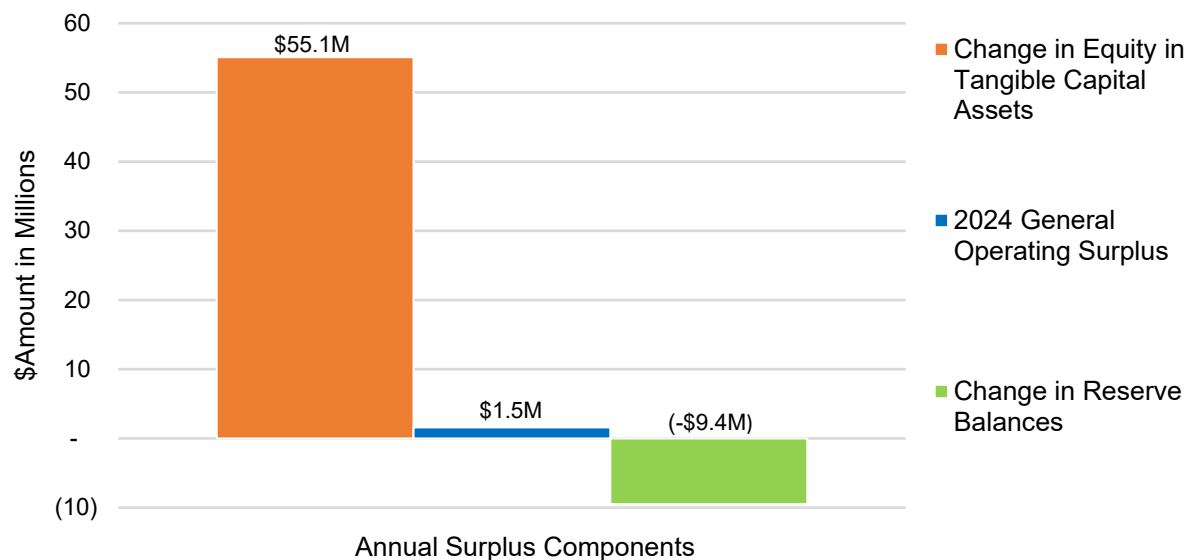
Annual Surplus

The Annual Surplus represents the economic resources gained by the City during the year and is reported on the Statement of Operations. The City's Annual Surplus for 2024 is \$47.2 million. Most of this surplus is comprised of increased equity in capital assets offset by decrease from use of the reserve balances (Figure 3). Of the total annual surplus balance, \$1.59 million is the General Fund surplus which is available for future spending.

The primary contributions to the 2024 General Fund surplus of \$1.59 million are higher than expected revenue from the Victoria Conference Centre and building permits, as well as reduced expenses due to staff vacancies; however, lower than expected parking revenues reduced the surplus. Council makes a decision annually on the use of the current year General Fund surplus which is incorporated into the following year's budget.

Figure 3. Annual Surplus

For the year ended December 31, 2024 \$47,211,793



Statutory Reserves

The City statutory reserve funds were established by bylaw under section 188 of the *Community Charter* and funding from these reserves can only be used for the specific purposes outlined in the bylaw.

In 2024 the City's statutory reserves decreased by \$7.7 million (Table 1) excluding non-statutory reserves. If both statutory and non-statutory reserves were considered, the decrease would be \$9.4 million, as shown in Figure 3 above. The reserve balance total includes funding for capital projects in progress. Funding is only drawn down from reserves as capital projects are completed. Some projects are either multi-year projects or experienced schedule adjustments to begin at a later date.

Specific to 2024, capital projects that are underway include:

- Multi-modal corridor improvements
- Topaz Park Phase 2
- Major street rehabilitation
- Vehicle and heavy equipment replacements
- Water, sewer, and storm water mains replacement projects
- EV infrastructure

Table 1. Statutory Reserve Balances

Reserve Fund Description	Dec 31, 2023	Transfer From Operating	Transfer To Operating & Capital	Interest	Dec 31, 2024
Financial Stability Reserves	\$ 54,616,815	\$ 2,522,094	\$ (5,164,577)	\$ 2,640,723	54,615,055
Equipment & Infrastructure Replacement Fund	194,097,236	24,672,905	(36,478,044)	9,384,600	191,676,696
Tax Sale Lands Fund	8,751,109	113,000	(7,233,281)	423,116	2,053,944
Parks and Greenways Acquisition Fund	2,345,923	40,076	(2,200,000)	113,425	299,424
Local Amenities & Tree	2,659,337	532,786	(72,540)	128,579	3,248,162
Affordable Housing	8,895,911	1,493,476	(502,559)	430,117	10,316,945
Climate Action	3,740,228	1,297,291	(661,270)	180,840	4,557,089
Art In Public Places	1,131,227	50,000	(102,161)	54,695	1,133,761
Downtown Core Area Public Realm Improvements	315,639	-	(100,576)	15,261	230,324
Park Furnishing Dedication Program	93,260	138,775	(82,150)	4,509	154,394
Growing Communities Fund	12,852,000	-	-	621,394	13,473,394
Total Reserve Funds Balance	\$ 289,498,685	\$ 30,860,403	\$ (52,597,159)	\$ 13,997,259	\$ 281,759,188

Development Cost Charges

Development Cost Charges (DCCs) are contributions from developers collected under bylaw to provide funds to assist the City to pay the capital costs of providing, constructing, altering, or expanding transportation, water, drainage, and sewage facilities, and for providing and improving parkland related to population growth.

DCC balances (Table 2) increased in 2024 by \$821,013 in interest revenue allocated and \$3.78 million in charges, compared to \$2.27 million in charges collected in 2023. A total of \$7.35 million was used to fund capital projects in 2024, compared to \$6.13 million funded from the DCC balances in 2023.

Table 2. DCC Balances

Development Cost Charges	Dec 31, 2023	Amounts Received	Amounts Used	Interest	Dec 31, 2024
Water and Environment	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation	1,019,863	1,323,644	(1,000,000)	49,310	1,392,817
Water	2,185,307	407,103	-	105,660	2,698,069
Drainage	1,373,100	291,667	(70,607)	66,389	1,660,549
Sewage	3,181,238	414,735	(734,612)	153,813	3,015,173
Parkland Acquisition and Development	9,221,117	1,338,789	(5,545,000)	445,841	5,460,747
Total Development Cost Charges	\$ 16,980,624	\$ 3,775,937	\$ (7,350,219)	\$ 821,013	\$ 14,227,355

Capital Assets

The City's inventory of capital assets (Table 3), cost before accumulated amortization, increased by \$71.7 million with the most significant increases resulting from:

- \$26.8 million for water, sewer, storm drain infrastructure
- \$12.2 million for multi-modal corridor improvements
- \$11.0 million for acquisition of future parks land
- \$9.3 million for road rehabilitation
- \$4.2 million for vehicles and equipment replacements
- \$2.3 million for Blanshard Street retaining wall

Table 3. Capital Assets

Capital Assets (Historical Costs)	2024	2023
Land	\$ 196,692,651	\$ 177,594,904
Buildings	170,625,092	162,199,741
Furniture, Equip, Tech & Vehicles	120,697,145	111,406,401
Roads, Bridges and Highways	334,291,450	313,075,960
Water Infrastructure	106,404,985	95,937,823
Sewer Infrastructure	57,614,159	51,099,968
Drainage Infrastructure	57,596,107	47,754,283
Assets Under Construction	16,966,448	30,135,841
Total Capital Assets	1,060,888,036	989,204,921
Accumulated Amortization	(287,402,432)	(266,744,959)
Total Capital Assets (Net Book Value)	\$ 773,485,604	\$ 722,459,962

Debt

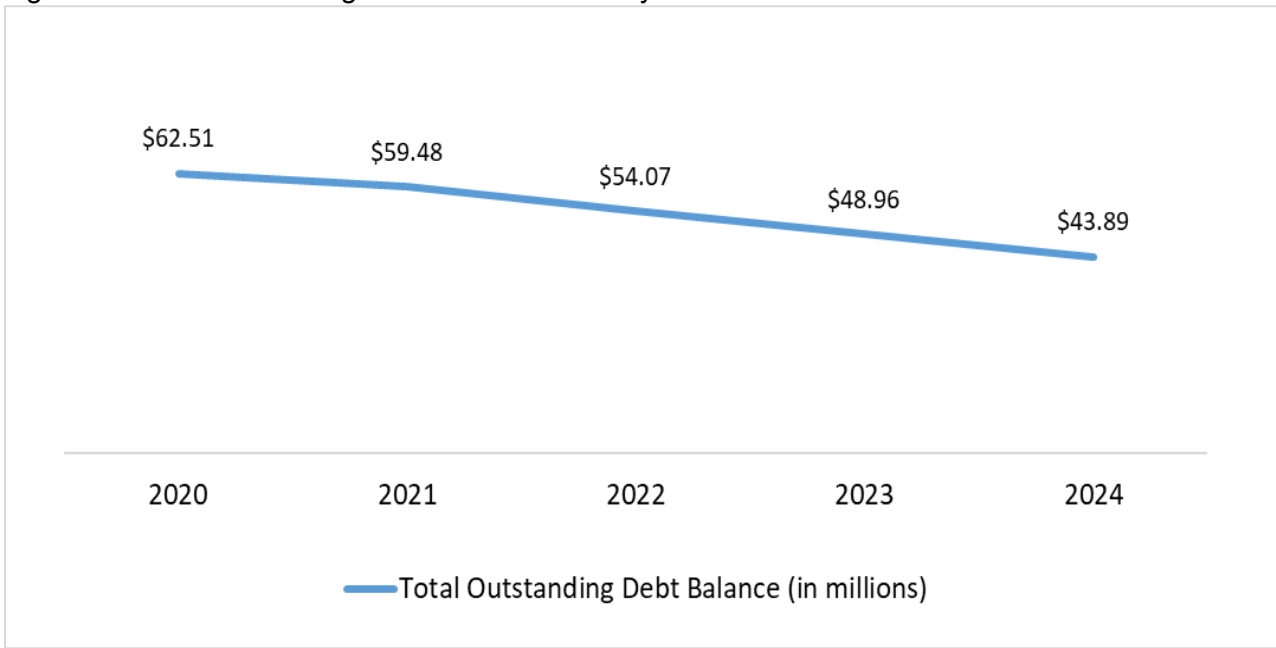
No new MFA debt was issued in 2024. The City's total outstanding debt (Table 4) decreased in the year by \$5.07 million.

Debt Management is governed by the City's Financial Sustainability Policy, which directs that debt be incurred only for one-time capital purchases and not for ongoing capital programs or operational expenses. The philosophy supporting the City's Financial Sustainability Policy and Reserve Fund Policy is to consider intergenerational equity by balancing the use of debt and reserves for capital funding to recognize the appropriate sharing of funding from current taxpayers as well as future beneficiaries.

Table 4. Debt Balance Outstanding

Debt Issues (in millions)	Expiry Date	2024	2023
Equipment Financing Loan	2026	0.90	1.65
Debenture Debt			
Issue 79, 80, 81 – Arena	2033 / 2033 / 2034	13.91	15.10
Issue 105 – Crystal Gardens	2024	0.00	0.23
Issue 105, 110 – Parkades Upgrades	2024 / 2025	0.32	0.88
Issue 115, 130, 139, 142 – Johnson Street Bridge	2031 / 2034 / 2036 / 2037	28.76	31.10
Total Debenture Debt		42.99	47.31
Total Debt balance outstanding at December 31, 2024		\$43.89 m	\$48.96 m

Figure 5. Total Outstanding Debt Balance over 5 years



Debt service charges (principal repayment, interest costs, and transfer to debt reduction reserve) are directed by the Financial Sustainability Policy to be maintained at a maximum of 7% of the prior year’s property tax levy and that, if possible, new debenture debt is added only in the years when other debt issues are retired. The current external debt servicing costs (principal repayment and interest) are below this level, therefore approximately \$2 million is transferred to the Debt Reduction Reserve and is available for internal borrowing as an alternative to incurring external debt. This internal borrowing funded the replacement of Fire Department Headquarters in 2023 resulting in a lower interest cost.

Portfolio Investments

The City’s investment portfolio (Tables 5 and 6) returned \$16.9 million in 2024, a decrease of \$0.5 million from 2023 due to a slight decreased interest rate compared to 2023. The actual investment portfolio rate of return was 5.05% (5.19% in 2023). The majority of investment revenue is allocated to reserves, per the City’s Reserve Fund Policy.

The investment portfolio is governed by the City’s Investment Policy, which prioritizes the safety of public funds through diversification, provides liquidity to meet cash flow demands, and yields the highest returns within the limits prescribed by *Community Charter* section 183, Investment of Municipal Funds.

Council has also directed staff to seek out investments that are socially responsible and fossil fuel free. The Municipal Finance Authority of BC (MFA) has a suite of pooled investments aligned with the socially responsible approach and fossil fuel free investment options available for local governments. These options include Pooled High-Interest Savings Accounts, Government Focused Ultra-Short Bond Fund, Short-term Bond Fund, Fossil Fuel Free Short-Term Bond Fund, and Pooled Mortgage Fund. These options allowed the City to increase the portion of socially responsible investments (SRI) as a percentage of overall holdings and increase diversification in investment holdings (Figure 8).

Table 5. Investment Portfolio

Investment Portfolio	2024		2023	
	Share	Value	Share	Value
MFA Pooled Money Market (Cash and Cash Equiv)	10%	\$ 35,651,813	4%	\$ 12,000,000
MFA High Interest Savings (Cash and Cash Equiv)	20%	70,158,861	15%	50,473,553
MFA Pooled Bond Funds (2 - 5 years)	41%	142,270,071	35%	115,967,266
Term Deposits Credit Unions (1 year)	17%	61,000,000	27%	91,999,981
Term Deposits Schedule 1 Banks (1 year)	2%	6,000,000	9%	31,000,000
GICs Credit Unions (5 year)	3%	9,000,000	3%	9,000,000
GICs Schedule 1 Banks (5 year)	7%	25,000,000	7%	25,000,000
	100%	\$ 349,080,746	100%	\$ 335,440,800

Table 6. Investment Returns

Investment Returns	2024	2023
Investment Returns	\$ 16,934,841	\$ 17,388,869
Actual Rate of Return	5.05%	5.19%
MFA Money Market Return	5.71%	5.38%
Average Bank Interest Rate	5.15%	5.29%

Figure 7. Rate of Return on Portfolio Investments over 5 years

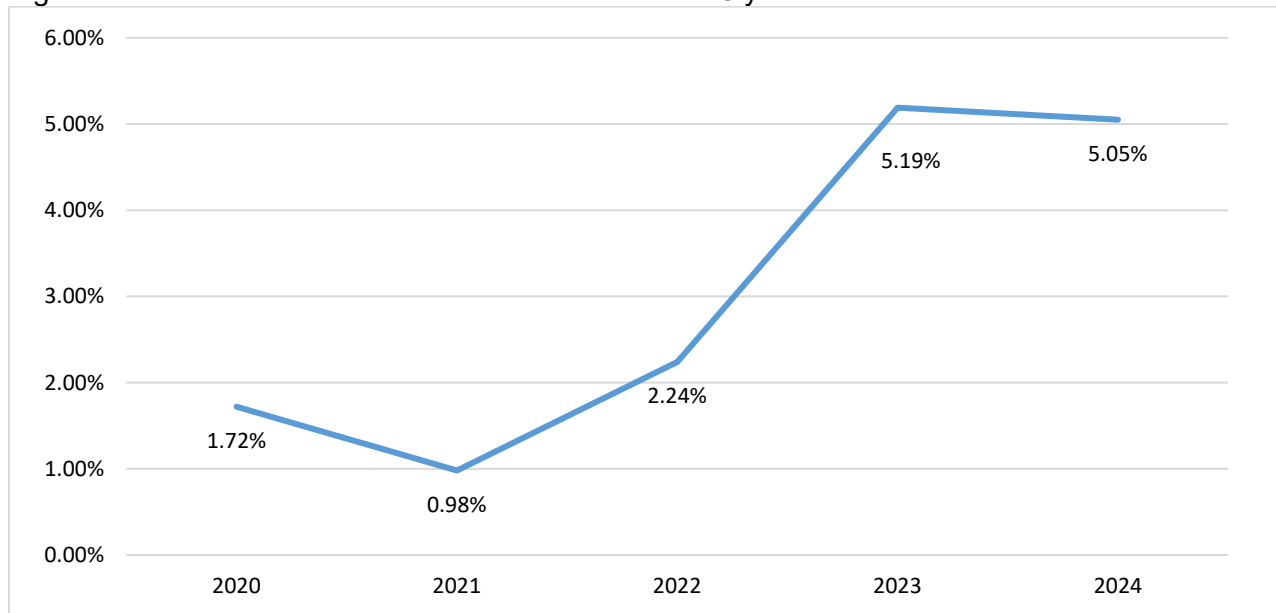
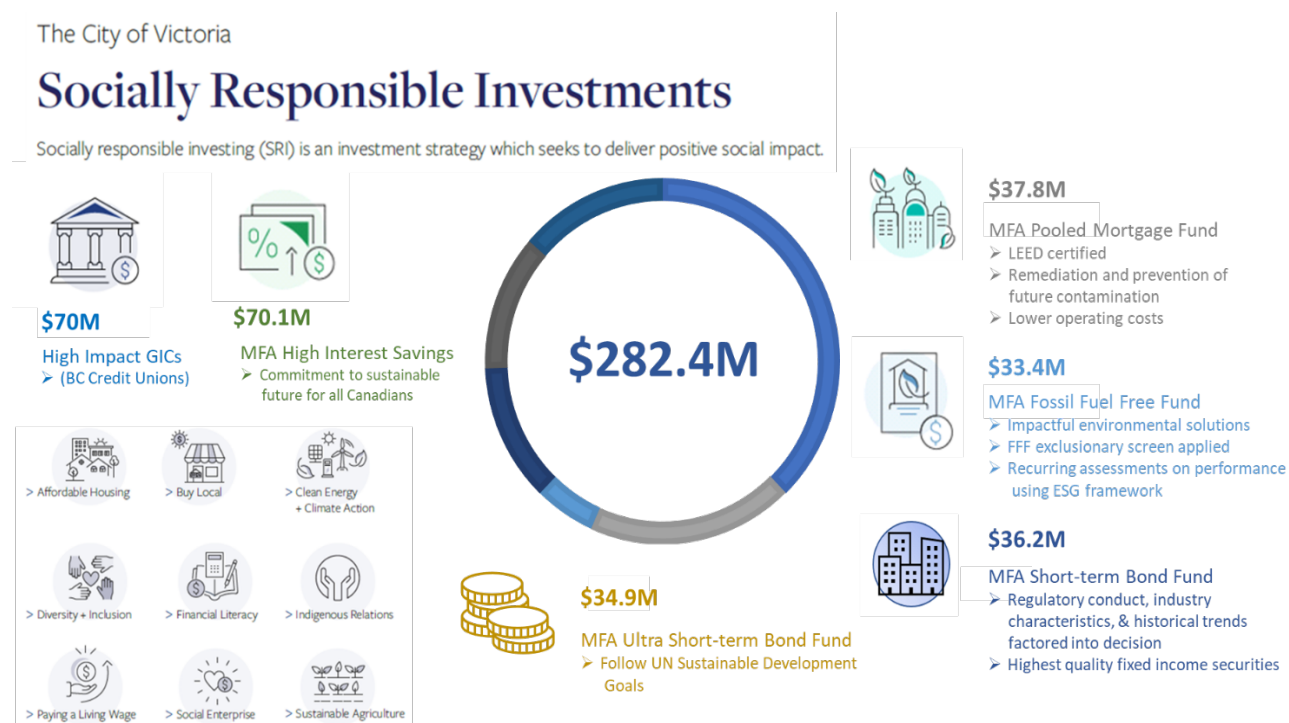


Figure 8. City of Victoria SRI Investments



Revenues and Expenses

The Financial Statements are presented in accordance with PSAB reporting standards to ensure comparability between government organizations across Canada. The budget information in the Statement of Operations was developed for the purpose of the Financial Plan, which is customized to the operations of individual government organizations. The format of the financial statements does not provide an effective comparison of budget to actual performance as the budget process does not take into account adjustments made for PSAB reporting standards.

In order to provide a meaningful comparison of budget to actual performance, additional schedules are attached to this report providing 2024 comparison of budget to actual for operating revenues and expenses (Appendix E), and capital expenditures (Appendix F). These comparisons are provided in the format for budget reporting for the year.

Information Presentation

The City continues to fulfil statutory obligations to provide an Annual Report and Audited Financial Statements that meet the requirements of the *Community Charter*. The annual report provides key highlights and performance measures in visual graphics so that it is easily understood.

CONCLUSION

BDO conducted the City's 2024 audit and have stated in the Auditor's Report their opinion is that these financial statements present fairly, in all material respects, the City's financial position as of December 31, 2024, and its results of operations and changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Respectfully submitted,

Raymond Lin
Manager, Accounting

Susanne Thompson
Deputy City Manager/CFO

Report accepted and recommended by the City Manager

List of Appendices

- Appendix A – Draft Audited Financial Statements for the year ended December 31, 2024
- Appendix B – Audit Findings Report to Mayor and Council
- Appendix C – Independent Auditor's Report
- Appendix D – Indicators of Financial Condition
- Appendix E – Budget to Actual Operating Revenues and Expenses
- Appendix F – Budget to Actual Capital Expenditures