

FINANCIAL STATEMENT DISCUSSION and ANALYSIS

For the year ended December 31, 2024

Table of Contents

Introduction	2
Statement of Financial Position	3
Statement of Operations	6
Annual Surplus	15
Key Highlights of Operating Results for each Fund	15
General Fund	15
Water Utility Fund	20
Sanitary Sewer Utility Fund	20
Drainage Utility Fund	21
Solid Waste Utility Fund	21
Reserve Fund Balances	21
Statement of Change in Net Assets	21
Statement of Cash Flows	22
New Accounting Regulations	23
Debt - Borrowing Capacity	24
Financial Sustainability	25
Strategic and Financial Planning and Reporting	25
Fiscal Capacity	25

FINANCIAL STATEMENT DISCUSSION and ANALYSIS

For the year ended December 31, 2024

Prepared by Management
Unaudited

To be read in conjunction with the 2024 Financial Statements

Introduction

In accordance with the *Community Charter (Charter)*, the City of White Rock's audited financial statements are prepared and presented to Council. The City of White Rock's audited financial statements for the year ended December 31, 2024, have been prepared in accordance with Canadian Public Sector Accounting Standards, as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

This Financial Statement Discussion and Analysis (FSD&A) is provided to supplement the audited financial statements. Prepared by City management, this unaudited report offers a narrative explanation of significant financial trends, variances, and key results. It highlights material differences between the current year's budget and actual results, as well as variances from prior year figures. The FSD&A is intended to be read in conjunction with the City's audited financial statements.

The financial statements include the following:

- Statement of Financial Position summarizes the assets (financial and non-financial), liabilities, net debt and accumulated surplus as at year-end.
- Statement of Operations outlines revenues, expenses, surplus for the year and accumulated surplus at year-end. This statement reflects the combined operations of the General, Utility, Capital and Reserve funds for the City.
- Statement of Changes in Net Financial Assets outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- Statement of Cash Flows summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Statement of Financial Position

The Statement of Financial Position provides a snapshot of the City's financial position as at December 31, 2024, and 2023. It outlines the City's financial assets, liabilities, and non-financial assets, and shows whether the City ended the year in a net financial asset or net debt position. The difference between these amounts is the Accumulated Surplus.

Table 1: Summarized Statement of Financial Position

	2024 Actual	2023 Actual	Year over Year Change
Net Financial Assets	\$ 116,115,312	\$ 101,599,839	\$ 14,515,473
Non-Financial Assets	173,703,228	170,292,218	3,411,010
ACCUMULATED SURPLUS	\$289,818,540	\$271,892,057	\$ 17,926,483

The Accumulated Surplus is a key measure of the City's financial strength and long-term sustainability. It includes investment in Net Financial Assets, Prepaid Expenses, Tangible Capital Assets, and Reserves.

Table 2: Net Financial Assets

	2024 Actual	2023 Actual	Year over Year Change
Cash and Cash Equivalents	\$ 165,092,894	\$ 137,781,972	\$ 27,310,922
Temporary Investments	20,000,000	33,547,054	(13,547,054)
Accounts Receivable	8,167,242	5,967,650	2,199,592
Accounts Payable and Accrued Liabilities	(9,550,744)	(8,791,345)	(759,399)
Post-Employment Benefits	(1,814,864)	(1,823,842)	8,978
Asset Retirement Obligation	(473,800)	(473,800)	-
Refundable Performance Deposits	(13,439,012)	(13,334,889)	(104,123)
Capital Lease Obligation	(33,624)	(72,178)	38,554
Debt	(19,597,755)	(20,378,409)	780,654
Deferred Revenue	(32,235,025)	(30,822,374)	(1,412,651)
TOTAL	\$ 116,115,312	\$ 101,599,839	\$ 14,515,473

The difference between the City's financial assets and its liabilities is called Net Financial Assets. This represents the amount the City has available to pay for future programs, services, or infrastructure investments, after accounting for what it owes. The City's financial position continued to be strong throughout 2024 with Net Financial Assets of \$116.1M (2023 - \$101.6M) at year-end. The increase in Net Financial Assets of \$14.5M over the prior year was primarily due to an increase in cash and cash equivalents, largely resulting from less capital expenditures than originally planned, an increase in accounts receivable related to an increase in property taxes receivable and in amounts secured by letters of credit.

The cash and cash equivalents balance was mainly made up of deposits in interest-bearing accounts at the City's bank as well as funds invested in the Municipal Finance Authority (MFA) money market fund. Investments primarily consist of funds invested in Guaranteed Investment Certificates (GICs). Much of the cash and investment balance is restricted through legislation, relating to contractual requirements concerning future obligations, or is previously committed, as shown in the chart below:

Chart 1: Cash and Investments

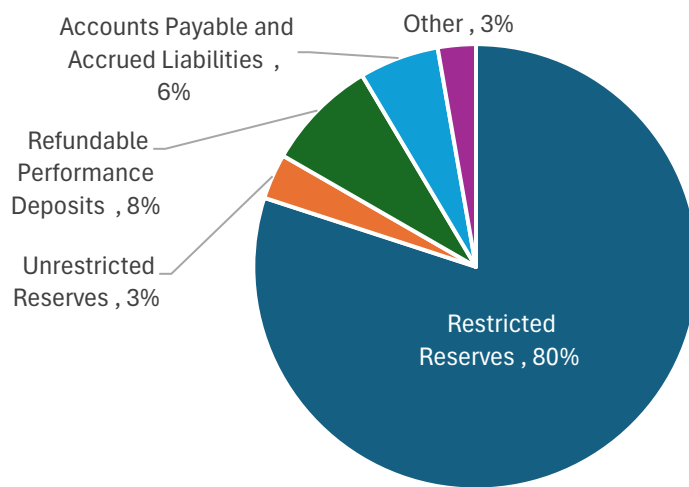


Table 3: Non-Financial Assets

	2024 Actual	2023 Actual	Year over Year Change
Tangible Capital Assets	\$ 172,161,198	\$ 168,732,243	\$ 3,428,955
Prepaid Expenses	1,347,154	1,314,059	33,095
Inventories of Supplies	194,876	245,916	(51,040)
TOTAL	\$ 173,703,228	\$ 170,292,218	\$ 3,411,010

Non-Financial Assets include Tangible Capital Assets (TCA), Prepaid Expenses, and Inventories of Supplies.

TCA increased by \$3.4M during the year, bringing the total net book value of TCA to \$172.2M at year-end (2023 - \$168.7M). This increase was primarily due to new asset additions. In accordance with public sector accounting standards, TCAs are reported at historical cost, net of accumulated amortization. The year-over-year change reflects the combined impact of asset acquisitions, amortization expense, disposals, and debt repayments related to capital projects. It is important to note that this figure does not represent the current replacement cost of the City's assets.

Table 4: Tangible Capital Assets (TCA)

	2024 Actual	2023 Actual	Year over Year Change
Land and Land Improvements	\$ 46,085,486	\$ 46,335,964	\$ (250,478)
Buildings and Facilities	22,895,453	23,745,899	(850,446)
Machinery and Equipment	7,633,778	8,291,020	(657,242)
Roads and Sidewalk	26,638,325	24,547,731	2,090,594
Sanitary Sewer Infrastructure	15,836,706	14,110,147	1,726,559
Storm Water (Drainage) Infrastructure	15,600,438	14,132,697	1,467,741
Water Infrastructure	33,045,927	32,911,215	134,712
Assets Under Construction	4,425,085	4,657,570	(232,485)
TOTAL	\$ 172,161,198	\$ 168,732,243	\$ 3,428,955

The City of White Rock owns and maintains a significant amount of physical assets including roads, traffic signal controls, sewer and water systems (reservoirs, pipes, pumps, etc.), equipment, vehicles, parks, facilities, and other amenities. TCA represent a significant portion of municipal government assets and are crucial to the delivery of programs and services, operations, and community safety.

Although the historical cost is significant, the replacement cost of the assets is substantially more. The City utilizes these assets to deliver the services and programs that the community relies on. The City prepares annual five-year capital plans that are mostly comprised of the cost of maintaining, replacing or upgrading this large and diverse inventory to keep them in a state of good repair. Some of the infrastructure has been in use for some time, and some have been recently upgraded or replaced through asset improvement programs.

One of the most critical aspects of financial sustainability is the stewardship over the City's assets. Without the ongoing replacement and proper maintenance of these assets the City would not be able to continue to deliver the services to the same level that the community enjoys and expects.

The City of White Rock supports and follows the recommendations of accounting oversight bodies and government agencies to implement sound accounting, management and reporting practices over TCA. The City understands the long-term financial benefits of deploying a formal asset management plan, as well as the positive impact such a plan can have on overall sustainability. The City is working to continue to build sustainable asset infrastructure improvement funding into its base budget. The development of a longer-term asset management plan is a priority for the City in order to better quantify the infrastructure funding gap. Work on this project is expected to continue through 2025 and 2026.

Table 5: Accumulated Surplus

	Reserves Established By Bylaw	Other Reserves	Other Surplus Funds	Invested in Tangible Capital Assets	Total 2024	Total 2023
General Fund	\$ 36,136,269	\$ 46,228,472	\$ 8,803,526	\$ 104,814,503	\$ 195,982,770	\$ 183,693,633
Sanitary Sewer Fund	-	15,879,046	1,453,215	15,969,697	33,301,958	32,485,454
Drainage Fund	-	16,049,928	918,517	16,688,165	33,656,610	31,396,221
Water Fund	-	9,830,969	2,245,000	14,801,233	26,877,202	24,316,749
TOTAL	\$ 36,136,269	\$ 87,988,415	\$ 13,420,258	\$ 152,273,598	\$ 289,818,540	\$ 271,892,057

The Accumulated Surplus increased by \$17.9M during the year, reaching \$289.8M at the end of 2024, (2023 - \$271.9M). This increase, referred to as the annual surplus, represents the excess of total revenues over expenses across all funds before capital expenditures, amortization and budgeted transfers to reserves. The growth in accumulated surplus strengthens the City's overall financial position, supporting long-term flexibility and sustainability in delivering services and funding future infrastructure needs.

The City's Accumulated Surplus is allocated across all funds, as shown in Table 5 above. The largest portion is Invested in TCA, totaling \$152.3M at the end of 2024 (2023 - \$148.0M). This amount represents the net book value of capital assets that were acquired using the City's own funds.

The Accumulated Surplus Invested in Tangible Capital Assets shown in the table above is lower than the total net book value of Tangible Capital Assets reported on the Statement of Financial Position. This is because the Accumulated Surplus amount Invested in TCA excludes amounts that were financed through outstanding debt and capital lease obligations, as well as two significant facility upgrade contributions that were externally funded.

The City holds a portion of its Accumulated Surplus in Reserves that are established by Council or by bylaw for specific purposes, primarily to support future capital expenditures. Reserve balances increased in 2024 due to a combination of factors, including the timing of capital project spending, interest earned on Reserve funds, advance receipt of grant funding, and proactive budgeting decisions made by Council to build Reserves for future infrastructure renewal and replacement needs. (For more information see the Reserves section of this report and refer to Note 14 in the financial statements.)

Statement of Operations

The Statement of Operations provides a summary of the revenues, expenses, and surplus' across all funds throughout the reporting period, before capital expenditures, amortization and budgeted transfers to Reserve funds are taken into account, and outlines the change in accumulated surplus.

Table 6: Summarized Statement of Operations

	2024 Budget		2024 Actual		Variance
Revenues - All Sources	\$	84,078,100	\$	73,561,687	\$ (10,516,413)
Less: Expenses		54,555,100		55,635,204	1,080,104
ANNUAL SURPLUS	\$	29,523,000	\$	17,926,483	\$ (11,596,517)

The City recorded an annual surplus of \$17.9M in 2024 (2023 - \$23.5M), which was 39% below the budgeted surplus of \$29.5M (2023 budgeted - \$23.7M). The variance from the budgeted surplus was primarily due to actual revenues falling short of budget by \$10.5M (2023 - \$7.9M shortfall). Further information on the surplus is discussed in the following pages.

Consistent with other municipalities, the City's largest source of revenue is Property Taxes. The next largest source is Sales of Services and Other Revenue, which accounted for 31% of total revenues, followed by Utility User Fees at 19%. These revenue streams provide the foundation for funding the City's operations and services.

Chart 2: 2024 Revenue Sources

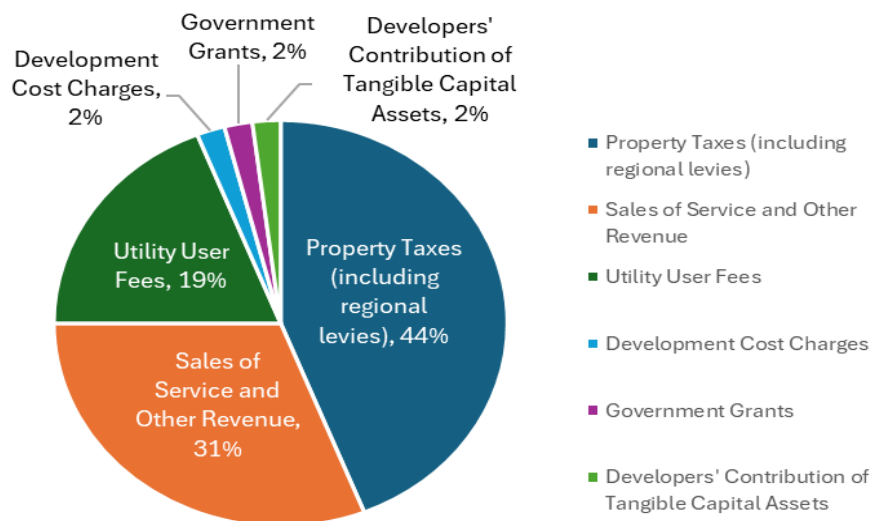


Table 7: Revenue – Budget Variance

	2024 Budget	2024 Actual	Variance
Property Taxes (including regional levies)	\$ 32,541,200	\$ 32,554,802	\$ 13,602
Receipts in Lieu of Taxes	28,100	28,139	39
Utility User Fees	14,032,900	14,153,995	121,095
Development Cost Charges	1,512,800	425,233	(1,087,567)
Government Grants	14,418,500	1,502,728	(12,915,772)
Developers' Contribution of Tangible Capital Assets	-	1,759,360	1,759,360
Sales of Service and Other Revenue	21,544,600	23,137,430	1,592,830
TOTAL	\$ 84,078,100	\$ 73,561,687	\$ (10,516,413)

Property Taxes and Utility User Fees were generally in line with budget expectations. While Developers' Contributions of Tangible Capital Assets and Sales of Service and Other Revenue exceeded budget by a combined \$3.4M, these positive variances were offset by shortfalls in Development Cost Charges and Government Grants, which came in under budget by \$1.1M and \$13.0M, respectively. Some revenue sources, such as development-related income and government grants are inherently difficult to predict due to their reliance on market conditions, project timing, and eligibility criteria. These uncertainties often result in fluctuations between budgeted and actual results from year to year. These variances were the primary contributors to the \$11.6M shortfall in the City's annual surplus compared to budget.

Development Cost Charges (DCCs) revenue often differs from the budget due to the timing of related capital projects. When DCC funds are collected, they are initially recorded as Deferred Revenue on the Statement of Financial Position. The revenue is only recognized on the Statement of Operations once the associated project work begins and the funds are used, resulting in year-to-year differences between budgeted and actual DCC revenue.

Government Grant revenue came in below budget in 2024 due to timing in receipt or approval of grant funds. The City must include the full cost of capital projects, including the corresponding anticipated grant funding, in the financial plan to ensure a balanced budget and to meet application requirements for most grant programs. In 2024, a significant portion of the variance in grant funding relates to the Pier Restoration project, which remains in the financial plan but does not yet have confirmed grant support.

Developers' Contributions of Tangible Capital Assets are not included in the budget as the timing and value of these contributions cannot be reliably predicted. Under Canadian Public Sector Accounting Standards, Developer Contributed Assets are recognized when the assets are transferred to the City or once substantial completion of the related development is achieved (depending on the type of contributed asset), at which point the contributed infrastructure is recorded as both an asset and revenue. Because of this, the contributions generally result in positive budget variances.

For other capital contributions, such as funding from third parties, revenue is recognized not when the funds are received, but as the related capital expenditures are incurred. If funding is received in advance of project spending, it is recorded as deferred revenue and recognized as revenue on the Statement of Operations over time, in alignment with the progress of the associated capital project. In some cases, this revenue may be recognized over multiple years, depending on the timing of the work and how the funds are applied.

Table 8: Sales of Service and Other Revenue – Budget Variance

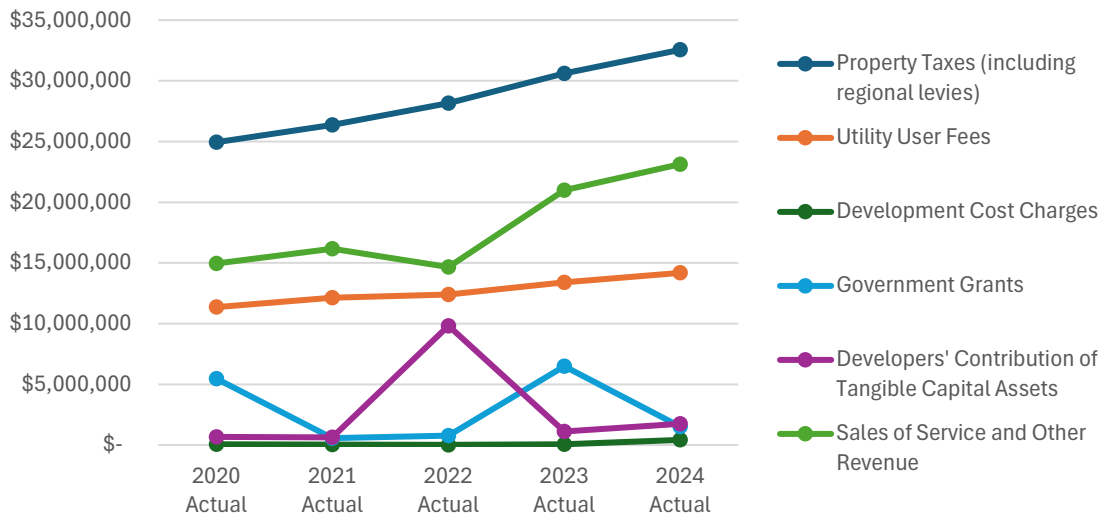
	2024 Budget	2024 Actual	Variance
Parking	\$ 4,386,000	\$ 4,321,147	\$ (64,853)
Parks, Recreation and Cultural Services	1,717,300	1,974,787	257,487
Licences and Permits	2,160,400	2,567,451	407,051
Solid Waste Services	1,897,500	1,906,219	8,719
Utility Service Connection Fees	672,000	1,065,452	393,452
Community Amenity Contributions	770,000	-	(770,000)
Interest and Penalties	4,603,800	8,483,099	3,879,299
Contributions toward Tangible Capital Asset Improvements	3,717,000	717,492	(2,999,508)
Other	1,620,600	2,101,783	481,183
TOTAL	\$ 21,544,600	\$ 23,137,430	\$ 1,592,830

Within Sales of Services and Other Revenue, the overall positive variance was primarily driven by higher than budgeted Interest (investment) income due to elevated interest rates. However, as rates began to decline in late 2024 and into early 2025, this level of return is not expected to continue in future years. Investment income is budgeted conservatively to help ensure that actual revenues do not fall short of budgeted expenditures, and also because Municipalities in British Columbia are not permitted to budget for or run a deficit according to the *Charter*. This approach ensures that the City maintains a balanced budget even when market conditions change.

Other contributors to the positive variance included higher than anticipated revenues from Parks, Recreation, and Cultural Services, as well as from Licenses and Permits. These gains were largely offset by lower-than-expected Contributions toward TCA Improvements and by the absence of Community Amenity Contributions, with no amounts received in 2024.

The Contributions toward Tangible Capital Asset Improvements shown in the table above differ from the Developers' Contributions of Tangible Capital Assets listed in the Revenue Summary. Developers' Contributions involve actual physical assets, such as roads, sidewalks, or utilities, that are constructed under servicing agreements and transferred to the City, at which point they become City-owned assets. In contrast, non-Developer Contributions toward Tangible Capital Asset Improvements as shown in the table above represent financial contributions received to help fund capital asset improvements.

Chart 3: Five-Year Revenue Trend



Property Taxes are the City's largest and most stable source of revenue and they fund the majority of the City's non-utility operating costs. Sales of Services and Other Revenue make up the next largest portion. Unlike Utility User Fees, which are directly tied to specific services, Property Taxes are relied upon to fund general City operations, including police and fire services, road maintenance, parks, recreation, and administration.

Like other municipalities and private organizations, the City continues to face significant cost pressures. These include rising wages and benefits under collective agreements, persistent supply chain issues linked to the global impacts of the COVID-19 pandemic, and several years of above-average inflation. To keep pace with these cost pressures and continue delivering essential services, the City has had to increase both Property Taxes and Service Fees.

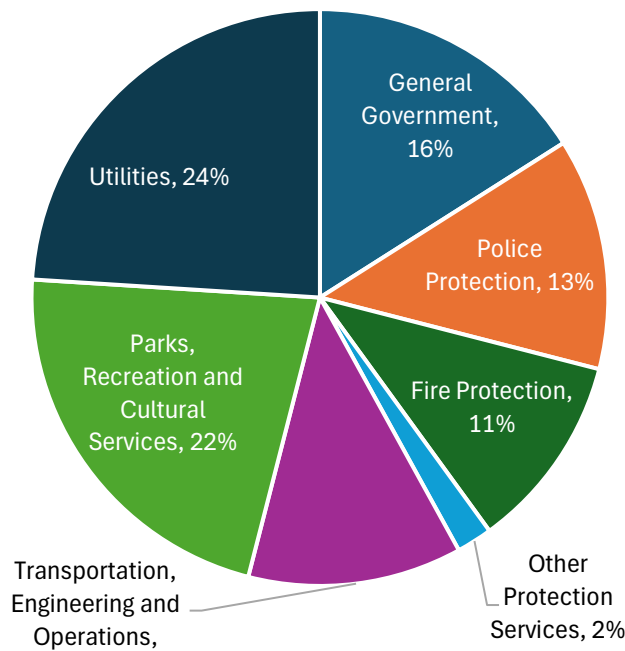
It is important to note that municipalities in British Columbia do not receive ongoing operational funding from senior levels of government. This means the City must rely on its own revenue sources, primarily Property Taxes, to sustain core services and absorb inflationary and contractual cost increases.

Utility User Fees have also increased in recent years to keep pace with the rising costs of delivering water, sanitary and sewer, and solid waste services. These utilities are self-funded and must recover their full costs through user fees. Like general operations, they have been impacted by rising wages, inflation, material and energy cost increases, and infrastructure renewal needs.

In contrast, revenue from government grants and developer contributions remains unpredictable. These sources depend on the timing of development, as well as the availability and success of grant

applications. As such, while they fund capital projects, they cannot be relied upon to support the City's ongoing operating costs.

Chart 4: 2024 Expense (excluding TCA)



The largest portion of the City's operating expenses in 2024 (excluding capital expenditures which are not included in the Statement of Operations) were Utilities at 24%, followed by Parks, Recreation, and Cultural Services, accounting for 22% of total expenses. This reflects the City's continued investment in community programming, facilities, and public spaces. The next largest area was General Government at 16%, which includes administrative functions and corporate support services. Police Protection represented 13% of total expenses, followed by Transportation, Engineering and Operations at 12%, and Fire Protection at 11%. These allocations reflect the City's focus on maintaining essential services and supporting the safety and wellbeing of residents.

As shown in the table below, while the City's total expenses increased year-over-year, the distribution remained fairly consistent with the prior year.

Chart 5: Expense by Object

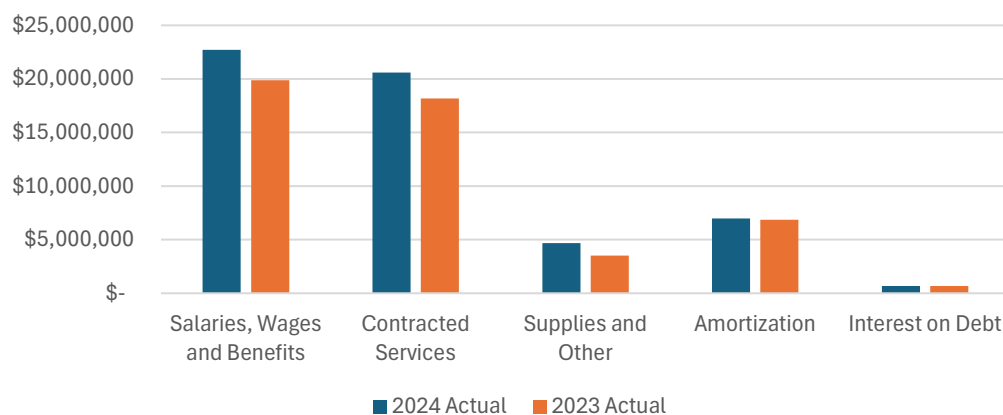


Table 9: Expense by Object – Year over Year

	2024 Actual	2023 Actual	Year over Year Change
Salaries, Wages and Benefits	\$ 22,723,259	\$ 19,869,034	\$ 2,854,225
Contracted Services	20,586,631	18,190,719	2,395,912
Supplies and Other	4,673,441	3,503,968	1,169,473
Amortization	6,969,020	6,868,884	100,136
Interest on Debt	682,853	689,572	(6,719)
TOTAL	\$ 55,635,204	\$ 49,122,177	\$ 6,513,027

Salaries, Wages and Benefits continue to be the City's largest operating expense, accounting for 41% of total expenses in 2024. This category increased by \$2.9M over the previous year, primarily due to contractual wage and benefit increases under collective agreements, as well as changes to the City's Exempt Compensation Policy (Policy No. 403) as approved by Council. The increase also reflects the addition of a new Training and Development Advisor position within Human Resources and the reclassification of an existing non-management role to a management position, both of which were approved through the 2024 financial planning process.

Contracted Services represent the City's second largest expense category, totaling \$20.6M, or 37% of total expenses. The year-over-year increase in this category was mainly attributed to rising contract rates, general inflationary pressures, and higher costs related to ongoing maintenance. Most variances within this category were under 10%, reflecting overall stability in the City's contracted service delivery, despite external cost pressures.

Table 10: Contracted Services

	2024 Actual	2023 Actual	Year over Year Change
RCMP	\$ 5,365,411	\$ 5,280,965	\$ 84,446
Repairs and Maintenance	3,133,787	2,867,715	266,072
Regional District Charges	2,461,661	2,075,692	385,969
Operating Expenses funded from Capital funding	2,354,467	883,792	1,470,675
Program Costs	2,061,174	2,105,205	(44,031)
Fraser Valley Regional Library	1,112,896	1,047,851	65,045
Insurance	1,032,875	898,307	134,568
Legal and Accounting Services	941,998	892,009	49,989
Utilities	887,020	939,027	(52,007)
Consultant Services	516,192	525,059	(8,867)
Tipping Fees	441,668	404,204	37,464
Other	277,482	270,893	6,589
TOTAL	\$ 20,586,631	\$ 18,190,719	\$ 2,395,912

Regional District Charges increased by \$386K in 2024, an 18.6% rise over the previous year. These charges are levied by the Greater Vancouver Sewerage and Drainage District (GVSD), part of Metro Vancouver, and are not within the City's control. The increases reflect regional cost pressures and adjustments passed on to member municipalities.

Operating Expenses funded from Capital refer to projects that are financed through capital budgets but do not result in tangible capital assets. These typically include initiatives such as master plans, asset condition assessments, CCTV inspections, and rehabilitation work that does not meet capitalization thresholds. These costs can vary significantly from year to year depending on the nature and scope of planned projects. In 2024, capital-funded operating expenses increased by \$1.5M (166.4% over 2023) due to several large initiatives, including sanitary and drainage rehabilitation projects (\$331K), CCTV inspections (\$252K), public art at Johnston Road and Thrift Avenue (\$183K), and various facility upgrades and planning studies related to the Kent Activity Centre and the Community Hub project (\$379K), along with a number of smaller initiatives.

Insurance expenses, which include coverage for property, buildings, liability, errors and omissions, cyber risks, and vehicles, increased by \$135K (14.9%) in 2024. This increase was primarily driven by market conditions, impacting municipal insurance rates.

Table 11: Supplies and Other

	2024 Actual	2023 Actual	Year over Year Change
Program Supplies	\$ 1,652,725	\$ 600,667	\$ 1,052,058
Grants, Awards and Other Recognition	652,117	628,502	23,615
Vehicle Parts and Fuel	486,962	478,705	8,257
Bank and Credit Card Related Charges	425,474	395,460	30,014
Other	379,856	344,710	35,146
Training, Development and Travel	293,620	304,277	(10,657)
Small Equipment	232,754	205,186	27,568
Utility Charges (City Owned Utilities)	228,292	242,146	(13,854)
Landscaping Supplies	200,094	161,853	38,241
Telecommunications	121,547	142,462	(20,915)
TOTAL	\$ 4,673,441	\$ 3,503,968	\$ 1,169,473

Supplies and Other expenses totaled \$4.7M in 2024, representing 8.4% of the City's overall expenditures. Similar to Contracted Services, most of the increases in this category were under 10% and are largely attributed to inflation and rising costs of materials and supplies.

Program Supplies experienced the most significant year-over-year increase, rising by \$1.1M or 175.2%. This category includes a broad range of operational expenses such as testing and recruitment costs, office and maintenance supplies, postage and courier services, event-related expenses, janitorial supplies, and general costs associated with running City programs, facilities, and departments. The largest contributor to this increase was the \$660K media replacement at the water treatment plant, a scheduled maintenance activity that occurs once every four years. Other notable contributors included increased spending on water maintenance supplies (\$157K), roads maintenance supplies (\$116K), and janitorial supplies (\$65K).

Small Equipment expenses rose by \$27.6K, or 13.4%, compared to 2023. This category covers mid-range items that are more valuable than general supplies but do not meet the threshold for capitalization as tangible capital assets. Examples include tools, monitors, and other equipment used across various City departments and facilities.

Landscaping Supplies also saw a higher-than-average increase, rising by \$38.2K or 23.6%, reflecting greater investment in public space maintenance and beautification efforts.

Annual Surplus

Table 12: Summarized Statement of Operations – Budget Variance

	2024 Budget	2024 Actual	Variance
Revenues - All Sources	\$ 84,078,100	\$ 73,561,687	\$ (10,516,413)
Less: Expenses	54,555,100	55,635,204	1,080,104
ANNUAL SURPLUS	\$ 29,523,000	\$ 17,926,483	\$ (11,596,517)

The 2024 Annual Surplus of \$17.9M represents the difference between total revenues and total expenses across all City funds, including both operating and utility funds. This figure is calculated before accounting for non-cash items such as amortization, capital expenditures, and any budgeted transfers to reserves. It provides a high-level view of the City's financial performance for the year.

The 2024 Annual Surplus can be further broken down by fund as follows:

Table 13: Annual Surplus by Fund

	2024 Actual Surplus (Deficit)	2023 Actual Surplus (Deficit)	Year over Year Change
General Fund	\$ 12,080,072	\$ 16,945,909	\$ (4,865,837)
Water Utility Fund	2,589,525	2,781,080	(191,555)
Sanitary Sewer Utility Fund	816,504	1,609,987	(793,483)
Drainage Utility Fund	2,260,389	2,225,075	35,314
Solid Waste Utility Fund	179,993	(23,182)	203,175
TOTAL	\$ 17,926,483	\$ 23,538,869	\$ (5,612,386)

Key Highlights of Operating Results for each Fund

General Fund – the 2024 General Fund Annual Surplus, before accounting for amortization, capital expenditures, and budgeted transfers to Reserves funds, was \$12.1M (2023 - \$16.9M).

Transfers to Reserve funds are a planned part of the annual budget and are reflected in the property tax rates and user fees charged to property owners. These transfers are essential for supporting the City's long-term capital and infrastructure strategies.

As part of prudent financial planning, municipalities budget for transfers to Reserve funds to help proactively manage infrastructure needs for:

1. Supporting infrastructure maintenance and replacement – Roads, buildings, vehicles, and other capital assets have limited useful lives and require ongoing investment to ensure they remain safe and functional.
2. Enabling long-term financial planning – Regular contributions to Reserves allow the City to plan ahead for major infrastructure needs and help to avoid large, sudden funding requirements.
3. Reducing financial risk – Building Reserves helps minimize reliance on debt or emergency tax increases by ensuring funds are available when needed.
4. Maintaining financial stability and creditworthiness – Strong reserve practices demonstrate sound financial management, which supports the City's credit rating and borrowing capacity.

These Transfers to Reserves are considered “below the line” in financial reporting, meaning they are recorded after revenues and expenses have been accounted for in calculating the annual surplus.

After taking those items into account, the Unappropriated General Fund Surplus was \$6.5M. A summary of this calculation is provided in Table 14 below.

Table 14: General Fund Unappropriated Annual Surplus

	2024 Actual
Revenue - General Fund	
Property Taxes (including regional levies)	\$ 32,554,802
Receipts in Lieu of Taxes	28,139
Sales of Service and Other Revenue	19,395,249
Development Cost Charges	108,908
Government Grants	1,502,728
Developers' Contribution of Tangible Capital Assets	1,234,901
	<u>54,824,727</u>
Expenses - General Fund	
General Government	\$ (8,882,927)
Police Protection	(7,049,571)
Fire Protection	(6,383,802)
Other Protection Services	(1,316,142)
Transportation, Engineering and Operations	(6,944,044)
Parks, Leisure and Cultural Services	(12,166,558)
Interest on Debt	(1,610)
	<u>(42,744,654)</u>
Annual Surplus Including Amortization	12,080,072
Adjustments for Non-Cash Items	
Amortization	\$ 4,903,946
Gain on Disposal of Tangible Capital Assets	(6,730)
Surplus Available for Capital and Reserves	<u>16,977,288</u>
Capital and Reserves	
Transfers to Roadwork Reserve	\$ (1,000,000)
Transfers to Capital Works Reserve	(2,020,500)
Transfers to Equipment Replacement Reserve	(928,700)
Transfers to Infrastructure Reserve	(5,975,500)
Transfers to Other Capital Reserves	(1,472,498)
Interest to Reserves (Statutory Reserves)	(2,020,352)
Net Transfer from Operating Reserves	991,200
Transfer from Capital Reserves (for Capital	6,990,803
Transfer from COVID-19 Safe Restart Grant	363,283
Transfers from Other Reserves	332,470
Capital Expenditures	(5,655,106)
Capital Lease Payments	(38,554)
UNAPPROPRIATED SURPLUS	\$ 6,543,834

The 2024 General Fund Unappropriated Surplus of \$6.5M was primarily the result of the following contributing factors:

Table 15: General Fund Unappropriated Annual Surplus – High Level Variance

	2024 Actual
Net investment income higher than budget	\$2.2M
Wages and benefits savings	1.9M
RCMP contract savings	0.8M
Unutilized operating contingency	0.7M
Penalties, interest on taxes, licensing fees & other revenue higher than budget	0.3M
Timing adjustment - Increased revenue related to new accounting standard	0.2M
Other miscellaneous savings	0.4M
TOTAL	\$6.5M

Investment income exceeded budget largely due to elevated interest rates in 2024. However, as rates began to decline in late 2024 and into early 2025, this level of return is not expected to continue in future years. Investment income is budgeted conservatively to help ensure that actual revenues do not fall short of budgeted expenditures, and also because Municipalities in British Columbia are not permitted to budget for or run a deficit according to the *Charter*. This approach ensures that the City maintains a balanced budget even when market conditions change.

Wages and benefits came in under budget due to a combination of factors including the timing from when a position is approved or becomes vacant to when it is filled, challenges in recruiting certain positions, as well as staffing temporary and casual positions. Timing issues around positions have been experienced in almost all City departments. Some examples of these positions in 2024 include Property Insurance and Risk Manager, Records Coordinator, Tangible Capital Analyst and Human Resources Advisor. Examples of positions where recruitment has been challenging include Building Official positions and the Purchasing Specialist.

In 2024, the City adopted Public Sector Accounting Standard PS 3400 – Revenue, which is intended to improve transparency and consistency in how public sector entities recognize revenue. The new standard distinguishes between revenue earned with performance obligations (where the City must provide a good or service) and revenue without such obligations. Under the new rules, revenue must only be recognized once the City has fulfilled its obligation to the customer or recipient. Implementing this Standard resulted in \$0.2M (net) of un-budgeted revenue being recognized in 2024.

Table 16: 2025 Budget Items funded from 2024 General Fund Unappropriated Annual Surplus

	2024 Actual
2024 Unappropriated Surplus	\$6.5M
2025 One-time budget items	(0.5M)
Carry forward of unspent 2024 operating budget items to 2025 financial year	(0.1M)
2024 REVISED UNAPPROPRIATE GENERAL FUND SURPLUS	\$5.9M

As part of the year-end financial process, a portion of the 2024 General Fund Unappropriated Surplus has been allocated to support one-time initiatives and deferred projects included in the 2025 budget. These items are non-recurring in nature and are therefore funded from prior year surplus rather than through increases to current year property taxes.

In addition to one-time budget items for 2025, departments also identify operating projects or initiatives that were approved in the 2024 budget but were not completed by year-end. These delays are often the result of staffing constraints, shifting priorities, or unforeseen operational challenges. Despite not proceeding as planned, these projects remain important, supporting Council's strategic priorities, addressing service gaps, or contributing to long-term planning efforts.

To ensure this work can still move forward, the associated budgets are carried forward and funded from the General Fund surplus. In many cases, the surplus itself was partially generated by the unspent funds originally allocated to these projects. This approach allows the City to complete the initiatives without requiring an increase to property taxes in the following year.

After allocating funding for these one-time and carried-forward budget items, the revised Unappropriated General Fund Surplus was \$5.9M.

Unappropriated General Fund Surplus Allocation

City revenues and annual surpluses are strategically allocated by Council to Reserve funds to support long-term financial stability. These Reserves serve several key purposes: they help protect the City against unexpected events that could result in budget shortfalls, they stabilize funding for programs with year-to-year cost fluctuations, they support future capital and infrastructure investments, and they provide coverage for potential liabilities. Importantly, maintaining healthy Reserve balances also helps reduce the City's reliance on debt, minimizing the need to borrow for planned projects and thereby reducing long-term financing costs.

At its regular meeting on April 14, 2025, Council approved the distribution of the 2024 Revised Unappropriated General Fund Surplus as follows:

Table 17: Allocation of 2024 General Fund Unappropriated Annual Surplus

	2024 Actual
Revised Unappropriated Surplus	\$5.9M
General Fund Accumulated Surplus Reserve	(0.3M)
Community Hub Reserve	(5.6M)
REMAINING UNALLOCATED GENERAL FUND SURPLUS	\$0

The \$310K transfer made to the General Operating Fund Accumulated Surplus Reserve was to align with Council Policy No. 307. This policy recommends maintaining a reserve balance between 10% and 15% of annual General Operating Fund expenditures, ensuring the City is well-positioned to respond to unforeseen events or financial pressures.

The remaining \$5.6M of the General Fund Unappropriated Surplus was allocated to the Community Hub Reserve. This reflects Council's continued commitment to the Community Hub project.

Meaningful progress on the Community Hub project has already been made, including preliminary site assessments confirming suitability, high-level cost estimates, public engagement planning, and the hiring of a Senior Project Manager to lead the initiative. While earlier funding models included the potential sale of City-owned land, not all options demonstrated a net financial return. Additionally, new elements such as affordable housing are now being explored, expanding the original project scope. The allocation to the Community Hub Reserve ensures the City is financially prepared to advance the project while minimizing the need for borrowing or additional tax increases.

Water Utility Fund

The 2024 Water Utility Fund ended the year with a surplus of \$2.6M (2023 - \$2.8M). revenues were higher year-over-year by \$916K largely related to water user and connections fees (\$661K) and Development Cost Charges (\$215K). Expenses were also higher year-over-year by \$1.1M, largely due to the media treatment at the water treatment plant, resulting in a comparable surplus year-over-year.

Sanitary Sewer Utility Fund

The 2024 Sanitary Sewer Utility Fund reported a surplus of \$817K (2023 - \$1.6M). This variance was the result of Revenue coming in slightly less than the prior year, by \$23K, and expenses being \$771K higher than the prior year due to higher District Levies assessed by Metro Vancouver, as well as additional sewer maintenance.

Drainage Utility Fund

The 2024 Drainage Utility Fund recorded a surplus of \$2.3M (2023 - \$2.2M). While revenues were \$454K higher than the prior year, largely due to a combination of user fees, connections fees and development cost charges, expenses were higher by \$418K due to additional system maintenance, resulting in a comparable surplus year-over-year.

Solid Waste Utility Fund

The 2024 Solid Waste Utility Fund ended the year with a surplus of \$180K (2023 – \$23.2K deficit). User fees increased in 2024 due to expected higher waste and recycling charges. As such, revenues were \$240K higher than the prior year and were offset by partially higher waste and recycling fees of \$27K.

Reserve Fund Balances

Table 18: Reserve Fund Balances

	2024 Actual	2023 Actual
Established By Bylaw	\$ 36,136,269	\$ 33,407,822
Specific Purpose	87,988,415	78,282,317
TOTAL	\$124,124,684	\$111,690,139

As of December 31, 2024, the City held \$124.1M in Reserve funds (2023 - \$111.7M) to support planned infrastructure improvements and ongoing operating commitments. Additional details on reserve balances can be found in Note 14 of the accompanying financial statements.

While the total reserve fund balance may appear substantial, it is important to note that it falls well short of what will be required over the long term. Management roughly estimates that the cost to renew and replace the City's existing infrastructure could exceed \$1B. This underscores the importance of continuing to build reserves to ensure the City can meet future needs without putting undue pressure on property taxpayers or relying heavily on debt

Statement of Change in Net Assets

The Statement of Changes in Net Financial Assets illustrates how the City's financial position evolved over the course of the year, specifically in terms of its ability to meet future obligations using its financial assets, such as cash, receivables, and investments. This statement builds on the Statement of Operations by showing how the City's annual surplus translates into actual changes in financial resources, after accounting for capital investments and other non-cash adjustments.

Table 19: Summarized Statement of Changes in Net Financial Assets

	2024 Actual	2023 Actual
Annual Surplus	\$ 17,926,483	\$ 23,538,869
Acquisition of Tangible Capital Assets	(8,761,199)	(5,099,817)
Recognition of Asset Retirement Obligations	-	(473,800)
Developers' Contribution of Capital Assets	(1,759,360)	(1,112,786)
Amortization of Tangible Capital Assets	6,969,020	6,868,884
Net Proceeds on Disposal of Capital Assets	122,584	30,287
Net Acquisition of Prepaid Activities	(33,095)	(145,459)
Net Consumption (Acquisition of) Inventories and Supplies	51,040	(7,857)
Change in Net Financial Assets	\$ 14,515,473	\$ 23,598,321
Net Financial Assets - Beginning of the Year	101,599,839	78,001,518
NET FINANCIAL ASSETS - END OF YEAR	\$116,115,312	\$101,599,839

The City's financial position improved over the prior year. As of December 31, 2024, the City's net financial assets increased by \$14.5M, reaching \$116.1M (2023 - \$101.6M).

The largest areas that contribute to the change in Net Financial Assets are the annual surplus, acquisition of TCA, Developers' Contribution of TCA, and Amortization of TCA. In 2024, the City invested \$8.8M in tangible capital assets (2023 - \$5.1M), funded through a combination of taxation, reserves, development levies, developer contributions, and grants. These investments supported a range of community improvement projects, including projects such as road resurfacing, sidewalk installations, and water and storm sewer upgrades. Developers' Contribution of Capital Assets was \$1.8M.

Statement of Cash Flows

The Statement of Cash Flows outlines how cash was generated and used by the City over the course of the year. It provides insight into how the City's operating, capital, investing, and financing activities impacted the overall cash position, from the beginning to the end of the year.

This statement is organized into four key sections:

- Operating Activities – Cash inflows and outflows from the City's core operations, such as property tax collection, grant revenue, and payments for wages and services.
- Capital Activities – Cash used to acquire or build long-term assets like roads, facilities, or equipment, as well as proceeds from the sale of capital assets.
- Investing Activities – Cash associated with the purchase or maturity of investments, including term deposits and other financial instruments.

- Financing Activities – Cash flows related to debt, including funds received through borrowing and payments on outstanding debt.

The Statement of Cash Flows focuses solely on actual cash movements. This gives Council and the public a clearer understanding of whether the City generated sufficient cash to fund its operations and investments, and whether it maintained a strong cash position to meet future financial obligations.

Table 20: Summarized Statement of Changes in Net Financial Assets

	2024 Actual	2023 Actual
Net Cash Provided By Operating Activities	\$ 23,312,325	\$ 22,311,808
Net Cash Used In Capital Activities	(8,729,249)	(5,038,528)
Net Cash Used In Financing Activities	(819,208)	(810,922)
Net Cash Provided By (Used In) Investing Activities	13,547,054	(10,503,571)
Net Change in Cash and Equivalents	\$ 27,310,922	\$ 5,958,787
Cash and Cash Equivalents - Beginning of Year	137,781,972	131,823,185
CASH AND CASH EQUIVALENTS - END OF YEAR	\$165,092,894	\$137,781,972

In 2024, Net Cash Provided by Operating Activities totaled \$23.3M, slightly higher than the \$22.3M recorded in 2023. This increase was primarily driven by changes in accounts payable and accrued liabilities, deferred revenues, development cost charges, and tax and general receivables. Net Cash Used for Capital Activities was \$8.7M, up from \$5.0M in the prior year, reflecting higher investment in infrastructure and community assets. Financing Activities resulted in a net outflow of \$819K, consistent with \$811K in 2023. Net Cash Provided by Investing Activities was \$13.5M, compared to Net Cash Used of \$10.5M in 2023. This change reflects a timing difference in the maturity and reinvestment of the City's term deposits.

New Accounting Regulations

Effective January 1, 2024, the City adopted several new Canadian Public Sector Accounting Standards (PSAS), including PS 3400 – Revenue, PS 3160 – Public Private Partnerships, and PSG-8 – Purchased Intangibles. Each was adopted on a prospective basis, meaning changes apply only to transactions occurring on or after the adoption date.

PS 3400 – Revenue provides a framework for recognizing revenue and distinguishes between two types of transactions:

- Transactions with performance obligations, where the City is required to provide goods or services in return for payment.
- Transactions without performance obligations, where revenue can be recognized immediately.

As a result of implementing this standard, the City's building permits revenue decreased by \$36K, and other revenues decreased by \$20K with a corresponding increase in deferred revenue. In addition, the City's business licenses revenue increased by \$257K, with a corresponding decrease in deferred revenue.

PS 3160 – Public Private Partnerships provides guidance on the recognition, measurement, and disclosure of infrastructure procured through certain types of public-private partnership arrangements. While adopted on January 1, 2024, the implementation of PS 3160 did not have an impact on the amounts reported in the City's 2024 financial statements.

PSG-8 – Purchased Intangibles, addresses the recognition of purchased intangibles, non-monetary assets without physical substance that are acquired through an arm's-length transaction. Intangibles received through transfers or contributions are excluded. The guideline was adopted prospectively and had no impact on the financial results reported for 2024.

Debt - Borrowing Capacity

Under the *Charter*, the City is subject to specific restrictions regarding the amount of long-term debt it can incur and the process it must follow to do so, including commitments related to capital leases. The legislation establishes borrowing limits based on a percentage of the City's annual sustainable revenues, which are used to determine the City's capacity to service debt. Specifically, the City may allocate up to 25% (2023 - \$16.2M) of its annual sustainable revenues toward debt servicing, defined as the combined payments of principal and interest, with the approval of the electorate. Without elector approval, the City is limited to using no more than 5% of its sustainable revenues for debt servicing, provided the borrowing is authorized by Council alone. These restrictions are designed to ensure municipalities maintain fiscal responsibility and do not overextend their financial commitments.

Using debt to finance capital improvements is a common and strategic practice among municipalities, particularly as communities become more developed and traditional funding sources, such as land sales and developer contributions, become less prevalent. Borrowing allows the City to invest in essential infrastructure while spreading the cost over time.

In 2024, the City of White Rock continued to maintain a moderate level of debt on a per capita basis. The debt-per-capita ratio decreased to \$893, down from \$929 in 2023, based on the City's population of 21,939 as reported in the 2021 Canadian Census. For additional details, please refer to Note 9 of the financial statements.

Financial Sustainability

The City is committed to long-term financial sustainability and recognizes the importance of working collaboratively with regional partners and senior levels of government to develop funding and service models that are resilient and adaptable. Sustainable financial planning is essential to maintaining service levels, supporting infrastructure renewal, and ensuring the City can respond effectively to emerging challenges and community needs.

Strategic and Financial Planning and Reporting

The City's strategic and financial planning processes are closely aligned. Council's vision and priorities for the 2022–2026 term are set out in the Strategic Priorities document, which provides high-level direction for City operations. These priorities are directly linked to departmental work plans, which outline specific initiatives and performance targets designed to achieve Council's goals. This integrated approach ensures that strategic direction is translated into measurable actions, supported by responsible financial planning and regular progress reporting.

Annually the City prepares a Five-Year Financial Plan, the development of which begins with strategic planning and includes public consultation, briefings for Council, and comprehensive discussion sessions culminating in a proposed Five-Year Financial Plan for Council approval. Using this as a framework, work plans are developed for each department, with resource needs identified. The base Financial Plan is developed to maintain existing service levels in accordance with policies, Staff present recommended service level changes, where appropriate, to Council for their consideration through a budget increase request process which includes any costs in excess of what is permitted as part of base budget assumptions. Major capital expenditures are identified on a five-year cycle, with annual reviews and updates.

Fiscal Capacity

City Council and staff are committed to ensuring the City remains fiscally sustainable by balancing service delivery with the community's capacity to fund those services. Essential public services, such as public safety, infrastructure, parks, as well as recreational and cultural programs, are funded collectively through taxation to ensure equitable access for all residents. These services contribute to a healthy, inclusive, and vibrant community.

Other services, such as Utilities, are more appropriately funded through user fees to align costs with demand and ensure that those who use the services pay for their delivery. This approach helps manage resources effectively while maintaining fairness in how services are paid for.

Council also recognizes the important role that cultural, religious, historical, and philanthropic organizations play in building a strong community. To support these valued institutions, the City uses its legislative authority to provide property tax exemptions to eligible applicants, helping them remain financially viable while continuing to serve the public good.

Questions? Please email cgartry@whiterockcity.ca.