

Subject: District Director of Finances John McPherson's report as request ed by Councillor Crest;

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A MESSAGE FROM ERNIE CRIST

April 2, 2002

In response to my request for the exact amount of funding that has gone into the District's Reserve Funds each and every year commencing in 1996 to 2002 as well as the total amount of money taken from those Funds during the same period, John McPherson, our Director of Finance, has now provided his report.

It consists, in the main, of a schedule of transactions for that period for both the Reserve Funds and the Heritage Fund, for each of the years 1996 to 2000 inclusive. The statements have been copied from the District's Annual Reports for those years. The final figures for the 2001 are not yet available, as they require year end adjustments and pre audit review prior to inclusion in a statement.

Comparable figures for 2002 will not be available until the end of the year and the conclusion of the audit process for 2002.

I would like to thank John McPherson, our Director of Finance, and although the figures he supplied are based on the District's Annual Reports for those years, they are presented in a format more focused and are thus far more readable.

For anyone who is interested in receiving a copy, the tracking number is 2002-00024 & 2002-00340, File number 1715-30/06.

The report confirms the worst fears on my part about the state of the District's finances. It reveals a picture of both the Heritage Fund and the Reserve Funds being depleted to an extent so staggering that, in any caring and conscious community, it could not but cause profound apprehension and a quick demand for radical changes of leadership. While other municipalities have built up their Funds to ease the long term capital burden on the taxpayers, the District has used them for operating expenses.

The sharp reduction of those Funds, now so desperately needed to rebuild an aging infrastructure, takes place at a time when municipal property taxes in the District are the highest in the Region. This is to say that municipal taxes, including waste, water and other GVRD levies, for an average home in the District of North Vancouver assessed at an average of \$400,000 are higher than in any other municipality in the Region.

This is notwithstanding that the District has had additional substantial income from its Heritage Fund, including proceeds from land leases plus interest generated by these Funds.

During the recent expose of the "Reserve Funds" a great deal has been made of changing the "Reserve Funds" function to among other things, reduce the water rates. A closer examination reveals, however, that, in reality, this was largely a PR exercise amounting to only a \$3 reduction per household or roughly \$90,000 for all residential units while the actual amount taken from the reserves amounted to over \$2 million from the Water Reserve Fund alone.

The extent of the mismanagement is clearly evident if you consider that West Vancouver has a Reserve Fund of over \$1,700 per capita and the City \$1,600 while in the District, it is \$317 per capita and may turn out to be much less once the figures for 2001 and 2002 become available. To put things in perspective keep in mind that the estimated water main renewal alone requires over a hundred million dollars.

Claims to the contrary are in flagrant contradiction of statements made before. They are also at variance with expert opinion provided by other municipalities. More than 15 % of all water pipes in the District are asbestos in need of replacement. More than 40 % are iron pipes which have been in place for 40 years more or less also needing to be replaced. This whole issue is not only a question of a likely loss of water through faulty pipes but first and foremost a question of public health. They are the reasons why building up substantial Reserve Funds was crucial. But this is not how it turned out and the impact will be staggering.

According to a separate report titled PER CAPITA SURPLUSES, RESERVE ACCOUNTS AND RESERVE FUNDS BALANCES, it is stated that "Prior to 1999, reserve funds committed to approved Capital projects were reported as part of the originating reserves until project completion. Commencing in 1999, and with the concurrence of our external auditors, such funding has been reported as an asset of the General Capital Fund, rather than as an asset of the various reserve funds." The effects of this change" the report continues "is to increase the reported Capital Fund assets, and decrease reserve fund assets by the same amount". This exercise misses the whole point, of course.


It is really quite immaterial how the reserve fund pie is sliced, the bottom line is that the funds have been depleted when they should have been built up. What is true for the reserve funds is also true for the Heritage Fund. Its depletion will cost the District Taxpayers between \$12 and \$15 million annually in interest and that is the issue.

To shed some light on this issue, I attempted to make a motion that we request an outside audit. There was no support from Council.

It is unlikely that a story of greater incompetence in municipal finance can be found in the municipal annals of B.C.

It is now up to the public to draw the appropriate conclusions.

Ernie Crist

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