










MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is a narrative overview of the City of Vancouver's (the City's) financial activities for the fiscal year ended December 31, 2021. The information presented here should be read in conjunction with the letter of transmittal, the financial statements, and the related notes to the financial statements. The net increase or decrease in activity since the prior year is shown as a positive or (negative) number respectively.

FINANCIAL HIGHLIGHTS

- City of Vancouver assets plus deferred outflows exceeded its liabilities plus deferred inflows at fiscal yearend (FYE) by over \$1.66 billion. 
- Net investment in capital assets accounts for 65.8% of the total net position, with a value of \$1.09 billion. 
- Of the remaining net position, \$310.6 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restrictions. 
- The City's total net position showed a net change of \$144.7 million in current operations since the prior FYE. 
- Total program revenues were \$287.7 million, a net change of \$19.8 million from the prior FYE. The change is comprised of a \$27.9 million change in Charges for Services, Fees, Fines and Forfeitures and a \$(8.0) million change in Operating and Capital Grants and Contributions. 
- Program expenses were \$349.3 million, a net change of \$(6.1) million since the prior FYE. 
- General revenues, special items, extraordinary items and transfers were \$205.1 million, a net change of \$23.1 million since the prior FYE. 
- The City of Vancouver's governmental funds report a combined ending fund balance of \$345.9 million, which was a net change of \$67.4 million since the prior FYE. Of that, \$178.4 million is unrestricted by external parties or formal commitments - comprised of assigned and unassigned fund balances of \$106.0 million for the General Fund and \$72.4 million for all other governmental funds. 
- The City of Vancouver's total bonded debt was \$48.92 million. 

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the City's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other financial discussion and analysis of certain plans, projects, and trends necessary for understanding the full context of the financial condition of the City.

Basic Financial Statements



The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial section of this report also contains required supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements provide readers with a broad overview of the City of Vancouver's finances in a manner similar to a private-sector business. Functions of the City of Vancouver that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") are distinguished from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities").

The governmental activities of the City of Vancouver provide a full range of local government services to the public. Programs include law enforcement and public safety; fire protection; road construction and maintenance; community economic development; parks and recreation; and the issuance of permits and licenses. In addition, other general government activities include neighborhood support, a senior newsletter, and the revitalization of the downtown core area to name a few. The business-type activities of the City of Vancouver include water, sewer, storm water management and control, downtown parking, an airport, solid waste, building inspection, and a tennis center.

The Statement of Net Position presents information on all City of Vancouver's assets, deferred outflows, liabilities and deferred inflows, with the difference being reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating. Some other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

 **The Statement of Activities** presents information showing how the government's revenues and expenses impacted net position during 2020. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent to which each program relies on general revenue for funding. All changes in net position are reported using the accrual basis of accounting which requires that revenues are reported when they are earned and expenses are reported as soon as liabilities are incurred. The City has identified five entities as component units in the government-wide financial statements. Two of these entities will be shown in the government-wide financial statements as discretely presented component unit funds, Vancouver Downtown Redevelopment Authority (DRA) and Vancouver Public Facilities District (PFD). One, Vancouver Transportation Benefit District (TBD) is treated as a blended component unit presented as a special revenue fund. The City Center Redevelopment Authority (CCRA) and the Culture, Arts and Heritage Commission are component units of the City; however, they have no activity and are not shown on the statements.  The City has a joint venture, Clark Regional Emergency Services Agency (CRESA), and a jointly governed organization, the Council for the Homeless. See Note 11 for additional information on these organizations.

Fund Financial Statements

A fund is a self-balancing grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The City of Vancouver, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. All of the funds of the City of Vancouver fall into one of three categories: governmental funds, proprietary funds, or fiduciary funds. Governmental funds account for most, if not all, of a government's tax-supported activities. Proprietary funds account for a government's business-type activities where all or part of the costs of activities are supported by fees and charges paid directly by those who benefit from the activities. Fiduciary funds account for resources held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds

The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, Street Fund, Consolidated Fire Fund, Park Impact Fee Fund and Capital Improvement Fund. These are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

To get a longer term perspective of financial balances and results of operations, the City presents full accrual information in the government wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains budgetary controls over all city funds at the fund level and in the General Fund, by fund-department level. Budgetary controls ensure compliance with legal provisions embodied in the biennial appropriated budget. Governmental fund budgets are established in accordance with state law, and most are adopted on a fund level. The General Fund budget is adopted on a fund level. Personnel services are budgeted by full-time positions. Budgetary variances are discussed later in this section.

Proprietary Funds

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer/drainage utility, solid waste utility, airport, building inspection, parking, and tennis center operations. Internal service funds accumulate and allocate costs among the City's various functions. The City uses internal service funds to account for its facilities replacement, grounds and maintenance activities, rolling stock repair and replacement, computer repair and replacement, self-insurance, administrative services, benefits, health insurance benefits and mail room services.

Those revenues and expenses of internal service funds that are duplicated in other funds are eliminated in the government-wide

statements. The remaining balances are allocated and included in the governmental type activities columns. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting.

In comparing the Proprietary Fund Statement of Net Position to the business-type column on the government-wide Statement of Net Position, the total net position amounts agree, needing no reconciliation. In comparing the total assets and total liabilities between the same two statements, you will notice slightly different amounts. This is because the "Internal balances" line on the government-wide statement combines the "Due from other funds" (assets) and the "Due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

The proprietary fund financial statements provide separate information for the Water/Sewer and Parking Services Funds as these are considered major funds. All other enterprise funds are aggregated into a single presentation. Internal Service Funds are also aggregated into a single presentation but are not included in the totals.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Vancouver's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Vancouver's progress in funding its obligations to the citizenry and its employees. Required supplementary information can be found beginning on page 78 of this report.

The aggregated statements for *nonmajor* governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 89 – 135 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. The City of Vancouver's net position totals \$1,664,187,138 at December 31, 2021. The following is a condensed and comparative version of the Government-wide Statement of Net Position.

City of Vancouver's Net Position						
	Governmental Activities		Business-type Activities		Total Activities	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 408,492,912	\$ 574,735,204	\$ 154,243,588	\$ 194,390,861	\$ 562,736,500	\$ 769,126,065
Capital assets (net of accumulated depreciation)	733,218,180	718,513,444	444,407,966	462,804,437	1,177,626,146	1,181,317,881
TOTAL ASSETS	1,141,711,092	1,293,248,648	598,651,554	657,195,298	1,740,362,646	1,950,443,946
DEFERRED OUTFLOWS OF RESOURCES	12,058,860	11,352,704	3,651,050	3,275,986	15,709,910	14,628,690
Long-term liabilities	168,330,918	152,070,972	17,944,843	10,862,656	186,275,761	162,933,628
Other liabilities	26,071,414	36,272,758	12,829,626	10,542,041	38,901,040	46,814,799
TOTAL LIABILITIES	194,402,332	188,343,730	30,774,469	21,404,697	225,176,801	209,748,427
DEFERRED INFLOWS OF RESOURCES	9,305,491	73,770,332	2,129,278	17,366,739	11,434,769	91,137,071
NET POSITION						
Net investment in capital assets	666,081,836	634,753,811	439,247,966	459,554,437	1,105,329,802	1,094,308,248
Restricted	136,357,084	245,368,073	6,920,655	13,909,347	143,277,739	259,277,420
Unrestricted	147,623,209	162,365,406	123,230,236	148,236,064	270,853,445	310,601,470
TOTAL NET POSITION	\$ 950,062,129	\$ 1,042,487,290	\$ 569,398,857	\$ 621,699,848	\$ 1,519,460,986	\$ 1,664,187,138

During 2021, the City's total assets changed by \$210.1 million and deferred outflows of resources changed by \$(1.1) million, while total liabilities changed by \$(15.4) million and deferred inflows of resources changed by \$79.7 million, primarily related to the recording of GASB 68 pension activity. The net result is a change in total net position of \$144.7 million, or 9.5%.

Of the City's total assets, cash changed by \$87.4 million and restricted cash changed by \$7.0 million; receivables changed by \$14.4 million, capital assets changed by \$3.7 million, and other assets changed by \$102.79 million from 2019.

The largest portion of the City's net position, 65.8%, reflects its investment in capital, less any related debt still outstanding that was used to acquire those assets. The City's capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Net position representing resources that are subject to external restrictions on how they may be used is 14.9% of the total, and net position that is unrestricted represents the remaining 18.7%.

At December 31, 2021, the City of Vancouver reports positive balances in all three categories of net position, for the government as a whole.

Analysis of Changes in Net Position

Total change in net position from prior year was \$144.7 million, inclusive of the impact of prior period adjustments and changes in accounting principles. This is split between governmental change of \$92.4 million and business-type activities change of \$52.3 million. The Statement of Activities depicts the relationship of revenues and expenses for the City's governmental activities and proprietary funds. A condensed and comparative version of the Statement of Activities is shown below.

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Program revenues:						
Charges for Services, Fees, Fines & Forfeitures	\$ 84,784,919	\$ 97,210,201	\$ 127,727,430	\$ 143,188,023	\$ 212,512,349	\$ 240,398,224
Operating Grants & Contributions	26,157,964	18,519,610	2,011,168	934,161	28,169,132	19,453,771
Capital Grants & Contributions	8,627,310	5,951,430	18,498,695	21,847,205	27,126,005	27,798,635
General Revenues						
Property Taxes Levied for General Purposes	57,131,009	57,872,887	-	-	57,131,009	57,872,887
Sales & Use Taxes	50,535,448	68,378,343	-	-	50,535,448	68,378,343
Utility, Excise, Lodging & Other Taxes	72,008,615	78,476,207	-	-	72,008,615	78,476,207
Unrestricted Investment Earnings	-	5,812	1,245,490	(53,342)	1,245,490	(47,530)
Miscellaneous	918,395	-	224,366	442,204	1,142,761	442,204
Total Revenues	300,163,660	326,414,490	149,707,149	166,358,251	449,870,809	492,772,741
Program Expenses						
Governmental Activities:						
General Government	74,483,729	85,520,514	-	-	74,483,729	85,520,514
Security/Persons & Property	110,845,165	83,451,474	-	-	110,845,165	83,451,474
Physical Environment	24,797	(277,394)	-	-	24,797	(277,394)
Transportation	18,469,689	27,249,577	-	-	18,469,689	27,249,577
Social Services	452,449	1,230,294	-	-	452,449	1,230,294
Economic Environment	17,014,712	21,894,554	-	-	17,014,712	21,894,554
Intergovernmental Facilities	6,588,049	8,442,912	-	-	6,588,049	8,442,912
Culture & Recreation	7,444,989	6,855,612	-	-	7,444,989	6,855,612
Interest on Long-Term Debt	789,091	1,029,095	-	-	789,091	1,029,095
Business-Type Activities:						
Water Sewer	-	-	106,812,396	103,420,707	106,812,396	103,420,707
Parking	-	-	3,005,276	1,060,159	3,005,276	1,060,159
Airport	-	-	990,225	715,380	990,225	715,380
Building Inspection	-	-	5,756,406	5,687,329	5,756,406	5,687,329
Solid Waste	-	-	1,756,152	1,739,039	1,756,152	1,739,039
Tennis Center	-	-	1,035,785	1,322,337	1,035,785	1,322,337
Total Expenses	236,112,670	235,396,638	119,356,240	113,944,951	355,468,910	349,341,589
Excess (deficiency) of revenues over expenses	64,050,990	91,017,852	30,350,909	52,413,300	94,401,899	143,431,152
Transfers - Governmental	707,721	112,309	-	-	707,721	112,309
Transfers - Business-Type	-	-	(707,721)	(112,309)	(707,721)	(112,309)
Income (loss) before special & extra items	64,758,711	91,130,161	29,643,188	52,300,991	94,401,899	143,431,152
Special Items: Remove pension liability due to change in operations	-	-	-	-	-	-
Annexation	-	-	-	-	-	-
Total Special Items	-	-	-	-	-	-
Change in Net Position	64,758,711	91,130,161	29,643,188	52,300,991	94,401,899	143,431,152
Net Position - Beginning	885,638,705	950,062,129	532,590,698	569,398,857	1,418,229,403	1,519,460,986
Prior year adjustments	(335,287)	1,295,000	7,164,971	-	6,829,684	1,295,000
Change in accounting principles	-	-	-	-	-	-
Net Position - Ending	\$ 950,062,129	\$ 1,042,487,290	\$ 569,398,857	\$ 621,699,848	\$ 1,519,460,986	\$ 1,664,187,138

Governmental Activity Analysis

Governmental net position changed by \$92.4 million in 2021 from operations.

Revenues from Charges for Services, Fees, and Fines and Forfeitures saw a change from the prior year of \$12.4 million, or 14.7%; while revenues from Property Taxes changed by \$0.7 million, or 1.3%. A continued improving local economy is the driving force behind the tax increase. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation plus new constructions. Total governmental activities revenues changed by \$26.3 million, or 8.75%, including a change of \$17.9 million, or 35.4%, in revenues associated with Sales and Use taxes received by the City in 2021, compared to 2020.

- Governmental activities expenses in total changed by \$(0.7) million, or (0.3)%.

Business-Type Activities Analysis

Business-type net position changed by \$52.3 million in 2021 from operations.

The Business-Type Activity revenue and expenses experienced a change of \$16.7 million and \$(5.4) million, respectively. As depicted in the graphs that follow, the Water/Sewer activity is the largest business-type activity in the City. As a result, the financial position of the City's business-type activities is strongly influenced by the Water/Sewer activity. This year, Water/Sewer had a change from prior year of \$16.0 million in operating revenue and a \$(3.4) million in operating expenses. Revenue increased primarily from the increase in water and sewer rates, along with an increase in usage.

Other business-type activities had changes in expenses, including the Building Inspection fund at \$(69) thousand, and the Solid Waste fund at \$(17) thousand compared to last year due to increase in city-wide cost allocation and professional services.

Share of Business-Type Program Expenses & Revenues by Function

Total Business-Type Program Expenses		113,944,951	Total Business-Type Program Revenues		165,969,389
Program Expense by Function	Portion of Total		Program Revenue by Function	Portion of Total	
Water/Sewer	90.8%		Water/Sewer	88.7%	
Parking	0.9%		Parking	2.3%	
Airport	0.6%		Airport	0.7%	
Building Inspection	5.0%		Building Inspection	6.2%	
Solid Waste	1.5%		Solid Waste	1.3%	
Tennis Center	1.2%		Tennis Center	0.7%	
	100.0%			100.0%	

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Analysis

The City's governmental funds are categorized into four types consisting of Consolidated General, Special Revenue, Debt Service, and Capital Project funds. Each fund type has a unique purpose. Consolidated General Fund, Consolidated Fire Fund, Consolidated Street Fund, Consolidated Capital Improvement Fund and Park Impact Fees Fund are classified as major funds for the purposes of this report, based on criteria set forth by the Government Accounting Standards Board (GASB).

The Consolidated General Fund is the primary governmental fund. Consolidated General Fund revenues experienced a net change of 8.7% over the prior year. The largest positive contribution to the revenues came from an increase in sales tax, driven by multiple rounds of fiscal stimulus. During 2021 residents continued greater reliance on internet shopping compared to historical trends. As a result, the City was able to re-capture sales tax that likely was avoided by residents making purchases on the Oregon side of the river. The construction activity was also unprecedented, resulting in a large amount of one time retail sales. During 2021 the City's recreation centers opened up after being largely closed due to the restrictions placed on operations by the Washington Governor's emergency declarations during 2020. This resulted in the increase in Charges for Services of approximately during the year. The City's Business License Surcharge program, suspended during 2020, re-started in 2021 with some exceptions. There was also a rate increase on utility rates, resulting in an increased utility tax revenue to the Utilities and to the General Fund.

Consolidated General Fund expenditures accounted for 41.4% of total governmental funds' expenditures for the year. Ending fund balance of the Consolidated General Fund changed by \$31.7 million. Its fund balance includes a number of non-cash activities. The ending cash balance of the fund changed by \$27.0 million. In late 2021-2022 the City started a paced transition of staff to the office environment and opened City Hall to residents. Council meetings transitioned to an in-person format combined with on-line participation options. A number of new programs were started in 2021 in the General Fund, including an enhanced in-house

Diversity, Equity and Inclusion program, expanded Economic Development program, expanded Services for unsheltered individuals and the General Services program. All of these programs are led by new city directors and have additional staff to manage the program needs.

The Consolidated Fire Fund is a special revenue fund that encompasses both the operations and the equipment for the City's fire departments and Clark County Fire Protection District No. 5. Services provided by this fund include firefighting, emergency medical services and rescue. As reported in the Statement of Revenues, Expenditures and Changes in Fund Balances, major funding for the Consolidated Fire Fund is provided by Clark County Fire District No. 5 for services the City provides to its service district and transfers from the City's Consolidated General Fund. The Consolidated Fire Fund in 2021 accounted for 22.2% of the governmental funds expenditures - a change of \$3.2 million from the prior year due primarily to an increase in personnel costs and supplies. The fund balance changed by \$(0.6) million as expenses were slightly higher than revenues and transfers in.



The Consolidated Street Fund is a special revenue fund comprised of the two City funds that provide for street maintenance and pavement management. Revenues have historically been derived from tax contributions distributed from the Consolidated General Fund, state shared gasoline tax, an excise tax of ¼ of 1% of property value of transferred property and rents and royalties. A total of 11.4% of governmental fund expenditures was attributable to the Street fund in 2021; with a change due primarily to capital outlay, of \$7.05 million from last year. Fund balance changed by approximately \$4.2 million, mostly due to the timing delay of expenditures and enhanced real estate excise tax revenues, fueled by a robust real estate activity within city limits.



The Consolidated Capital Improvement Fund, established in 1977 to fund major capital projects in the City, is being reported as a major fund in 2021 due to the amount of capital projects during the year. Fund expenditures accounted for 3.78% of total governmental fund expenditures, a change of \$5.9 million compared to 2020, mostly due to Fire Station 11 project being constructed in 2021. Fund balance changed by \$7.7 million.



The Consolidated Park Impact Fees Fund was established in 1995 to account for the accumulation and disposition of impact fees assessed against new development under the Growth Management Act of 1990. Fund expenditures accounted for 0.30%, less than 1% of total governmental operating expenditures. Fund balance changed by \$2.4 million from last year due to a robust development within City boundaries, and a fee increase that went into effect as of January 1, 2021. Funds are accumulating cash for future capital projects that will serve new population of the City.



One new fund was added to the Major Funds schedule in 2021 -- the American Rescue Plan. Like many other governments, the City received the first installment of the ARPA grant from the federal government. In 2021 the City has reported \$1.1 million of expenditures, directly related to the pandemic and funded by the proceeds from the grant. The City also reported almost \$15 million in the grant to be offsetting its lost due to pandemic revenues. City Council made a decision to invest the grant dollars into the capital projects along the Fourth Plain corridor to improve public infrastructure, including parks, in the corridor and fund a portion of the Main Street Transportation project. City staff is working with the community to prioritize the projects to be built within the Fourth Plain corridor.

All other non-major governmental operating, debt service and capital construction funds comprise the remaining governmental expenditures.

Business-Type Funds Analysis

Proprietary, or business-type, funds are those funds that account for government operations where the intent is for the costs to be primarily paid by user charges. Enterprise funds are those funds that provide services primarily to external users, and the internal service funds provide their services primarily within the City. The City has twelve business-type funds: six enterprise funds, and six internal service funds.

The Consolidate Water Sewer Fund is the largest business-type fund in the City, accounting for 93.75% of net position for the enterprise funds at \$582.8 million. This fund encompasses three legally consolidated utilities: water, sewer, and drainage operations. The Water Sewer Fund's net position changed by \$44.3 million in 2020. This fund also reported operating income of \$22.8 million in 2020, a change of \$15.13 million from the prior year. Of that, operating revenue changed \$10.3 million or 8.9% from the prior year due to an increase in utility rates, and operating expenses also changed \$(4.8) million or (4.5)%, related to an increase in taxes and professional services for maintenance. Additionally, Water Sewer Fund net capital assets were \$446.6 million.



The Parking Services Fund reported a change in net position of \$2.9 million. Operating income totaled \$1.3 million.



The non-major business-type funds present a total operating income of \$5.0 million. The Building Inspection, Solid Waste and Tennis Center funds reported operating income while the Airport reported an operating loss. The Building Inspection Fund had \$4.6 million in operating income, which was a change of \$2.0 million from the prior year. The Tennis Center broke even on net position due to required contributions by the contracted management company. Solid Waste had \$428 thousand in operating income, which was a change of \$376 thousand from the prior year. The Airport fund reported a \$75 thousand net operating loss which was a change of \$182 thousand from the prior year. The non-major business-type funds represent \$0.3 million of the Net Pension Liability



in 2020.

Internal Service Funds operate similar to enterprise funds but perform services primarily for other funds within the City. Because of the nature of these funds, they are charged with operating as close as possible to a break-even point. They bill other funds based on estimated costs which are reconciled to actual annually or biennially depending on the fund. City Internal Service funds as reported in 2020 realized a net position change of \$9.5 million, reflective of the change to move some plans from a biennial reconciliation of rates to an annual one. In total Internal Service funds reported an operating income of \$6.6 million. The Internal Service Funds proportionate share of the Pension Liability is \$1.0 million at the end of 2020.



GENERAL FUND BUDGETARY HIGHLIGHTS

The City has been enjoying several years of revenues in the General Fund coming in above forecasts mostly due to elevated levels of Sales Tax revenue. On an on-going basis, the budget anticipates an ongoing structural deficit each biennium that is a result of growth in on-going expenditures outpacing growth in on-going revenues. Contributing factors to this deficit include the following:

- Voters' passage of Initiative 695, which eliminated the motor vehicle excise tax in 2000.
- Initiative 747, which beginning in 2002 limited increases in property taxes to the lower of 1 percent or the implicit price deflator.
- The phase out and elimination of the city's Business and Occupation Tax beginning in 1993.
- Significantly greater City reliance on revenues that fluctuate with the economy.

The City has had relative financial stability from 2011 through 2019 fiscal year. There were no service-level or staffing reductions taken during this period of time. The City has taken this time to evaluate and reinforce its Financial Policies for the General Fund and other funds and re-build its General Fund balance to allow for future fluctuations of the economy. These policies are reviewed every two years during the budget development process. The policies ensure that the City maintains a healthy financial foundation into the future. These policies address such items as debt, future capital needs, and adequate reserves to build a stable and sustainable future and guide creation of City budgets.

In 2020-21 City experienced the impact of the COVID-19 caused pandemic. Most services provided by the city changed as a direct result of the pandemic. City recreation centers remained closed for majority of the year. A number of services migrated to being transacted in an on-line environment, protocols for safety of city staff and the customers has been changed, most office functions moved to a tele-commuting environment. Early in the pandemic the city froze a number of vacant positions and paused capital projects. As the financial impact of the pandemic on the City became clear, the capital projects were re-started, but due to the weather patterns of the Pacific, many were postponed until 2021. The impact on the pandemic on the sales tax and property tax revenues has proven to be not as large as originally anticipated due to large federal fiscal programs that helped to support families and businesses in 2020 and 2021.

The final 2021-2022 biennial budget totals \$1.4 billion in operating and capital expenditures, including 1,204 employee positions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Vancouver's investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2020, amounts to \$1.09 billion (net of accumulated depreciation).

The table that follows is a comparison of the summary information for year-end 2019 and 2020 capital assets.



	Governmental Activities		Business-type Activities		Total Activities	
	2020	2021	2020	2021	2020	2021
Land and land improvements	\$ 129,055,729	\$ 131,776,948	\$ 40,193,431	\$ 40,193,431	\$ 169,249,160	\$ 171,970,379
Capital artwork	96,920	96,920	-	-	96,920	96,920
Intangible - Easements	9,147,847	9,319,599	18,586,838	18,586,838	27,734,685	27,906,437
Buildings and systems	100,583,176	118,980,739	16,884,130	17,198,314	117,467,306	136,179,053
Machinery and equipment	26,301,215	26,721,746	1,824,189	2,215,064	28,125,404	28,936,810
Infrastructure	441,230,556	406,274,366	340,425,167	344,680,795	781,655,723	750,955,161
Intangible assets	7,017,105	6,396,877	582,336	447,793	7,599,441	6,844,670
Construction in progress	19,785,632	19,336,383	28,947,083	39,482,202	48,732,715	58,818,585
Total	<u>\$ 733,218,180</u>	<u>\$ 718,903,578</u>	<u>\$ 447,443,174</u>	<u>\$ 462,804,437</u>	<u>\$ 1,180,661,354</u>	<u>\$ 1,181,708,015</u>





Total net capital assets changed 0.1% from prior year. Land assets changed \$2.7 million, or 1.6%, Intangible assets \$(0.8) million, or (9.9)%, and infrastructure changed \$(30.7) million or (3.9)%. Some of the major capital projects and acquisitions that took place during the year include construction of Fire Station 11, several large scale Water projects, SE 1st Street construction, continued development of the downtown waterfront, purchase of fleet vehicles, and infrastructure additions related to the City's utility funds. Additional information on City of Vancouver's capital assets can be found in Note 4 of this report. As of fiscal year end, the City had \$58.8 of capital projects in various stages of completion. Of this amount, 32.9% are related to Governmental Activities with the remaining 67.1% benefiting Business-type Activities.

Long-Term Debt

At December 31, 2021, the City of Vancouver had total bonded debt outstanding of \$48.9 million. Of this amount, \$47.4 million is General Obligation debt, which is backed by the full faith and credit of the government. The remainder of the City's debt of \$1.5 million represents issuance premiums and discounts. The table below is a comparison of the summary information for year-end 2020 and 2021 bonded debt. The City of Vancouver's total bonded debt changed by \$(8.1) million, the result of scheduled principal payments made throughout 2021.

City of Vancouver Outstanding Bonded Debt
(in thousands)



	Governmental Activities		Business-Type Activities		Total Activities	
	2020	2021	2020	2021	2020	2021
General obligation bonds	\$ 48,627	\$ 44,152	\$ 5,160	\$ 3,250	\$ 53,787	\$ 47,402
Revenue bonds	-	-	-	-	-	-
Net Amounts for:						
Issuance premiums						
(discounts)	3,233	1,520	-	-	3,233	1,520
Total	<u>\$ 51,859</u>	<u>\$ 45,671</u>	<u>\$ 5,160</u>	<u>\$ 3,250</u>	<u>\$ 57,019</u>	<u>\$ 48,921</u>

The City of Vancouver maintains an "AA2"/"AA+" issuer rating from Moody's/Standard and Poor's (S & P) rating services, respectively. The City's LTGO bonds are rated AA3/AA+. Additional information on the City's long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the end of 2021, revenue projections for 2022 indicate that revenues are anticipated to continue increasing over the projected time period, driven mostly by the continued economic stabilization. Despite the COVID-19 pandemic, the city experienced a lesser than anticipated impact to revenue, as sales and property taxes remained elevated, and customers continued to pay their utility charges. The City suspended the business license fee and surcharge program for 2020 to support local businesses, but restarted collections in 2021 with minor exemptions. The exemptions are anticipated to sunset at the end of 2022. After a brief contraction at the beginning of the pandemic, housing prices rapidly increased within the city and overall region and construction activity expansion in single family, commercial and affordable housing sectors. Federal funding received through the Coronavirus Aid, Relief and Economic Security Act (CARES Act), lessened the impact of the pandemic on city's operations. The city took proactive measures as well, including furloughs and halting planned improvement projects. Future financial impacts will be dependent on the length of time social distancing and stay at home measures are necessary and in place. The City continues working with its partners at the state, federal and local level to understand the potential economic impacts related to the pandemic. The City has enjoyed several years of stability and was able to set aside funding for several high priority capital projects, such as the Replacement Operations Center, remodel of the new Police Headquarters building, major maintenance of the City's buildings, including roof replacements and future Tower Mall redevelopment.

City management continues its commitment to seeking out and implementing new cost containment and service delivery options to ensure the most efficient and effective way of service delivery and savings over the long run. The City agencies have continued on a process of developing their business plans and priorities at the same time as City Council is developing the vision and strategic plan for the City of Vancouver over the long term.

Requests for Information

This financial report is designed to provide a general overview of City of Vancouver's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Financial and Management Services, City of Vancouver, P.O. Box 1995, Vancouver, WA, 98668-1995.