



SUBJECT: Financial highlights as at March 31, 2020

TO: Audit Committee

FROM: Finance Department

Report Number: F-18-20

Wards Affected: not applicable

File Numbers: 440-01

Date to Committee: June 10, 2020

Date to Council: June 22, 2020

Recommendation:

Receive and file finance department report F-18-20 providing financial highlights as at March 31, 2020.

PURPOSE:

The purpose of the report is to assist Audit Committee in reviewing the quarterly financial performance of the City of Burlington.

Background and Discussion:

The Audit Committee terms of reference indicate that the Audit Committee will review and recommend for approval the annual audited consolidated financial statements and will review quarterly financial performance. To assist Audit Committee with its responsibility report F-18-20 presents some key financial highlights for the quarter ended March 31, 2020. During this unprecedented situation with the Covid 19 pandemic, that has included closure of City facilities and cancellation of programs, monitoring of financial performance will be of concern to committee.

On an annual basis the Consolidated Financial Statements of the City of Burlington are presented to the Audit Committee for their recommendation to Council to approve the statements. The City's financial statements are prepared in accordance with Canadian public sector accounting standards for local government. These standards do not always correspond with the way the City records and reports on its daily operations which can make approval of the statements more difficult. This report will present

financial results from an operational perspective for the period ended March 31, 2020. Typically, in this quarterly report we would also include balances from the City's financial statements for the period ended December 31, 2019. However, due to the closure of City facilities because of the Covid 19 pandemic, the external audit of the statements could not be completed. The audit will be completed later in the summer and the financial statements will be presented to Audit Committee in the fall. As a reference point for comparison, we are including limited information from the 2018 statements.

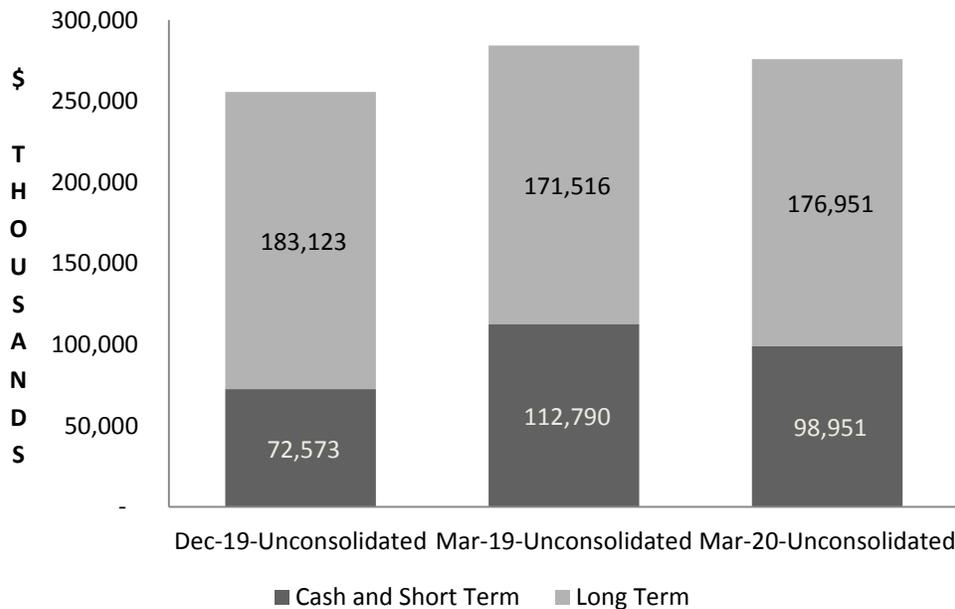
Statement of Financial Position

The statement of financial position is the City's balance sheet. It presents information on the assets, liabilities and accumulated surplus of the City.

Assets

Key components of the asset section are cash, short term investments and long-term investments. These categories together reflect the City's investment strategy given current market conditions. Funds are allocated amongst them to maximize investment income, retain an appropriate level of liquidity and respond to economic forces that influence the investment environment while maintaining a portfolio compliant with the City's investment policy. The following chart compares the balances of these categories as at December 31, 2019, March 31, 2019 and March 31, 2020:

Cash and Long Term Investment Comparison



Another key component of the statement of financial position is taxes receivable. Taxes represent the key revenue source the City uses to fund its service delivery. Taxes receivable are recorded when billed. The City issues bills twice a year, in January and May. These bills represent four installments which are due in February, April, June and September. In response to the Covid pandemic and in order to provide some relief to taxpayers, the installments have been delayed with the June installment due in August and the September installment due in October. Taxes receivable due at March 31, 2020 were \$100.4 million as compared to \$96.5 million reported at March 31, 2019.

Accounts receivable as at March 31, 2020 of \$19.7 million includes accrued gas tax of approximately \$5.6 million. The equivalent accounts receivable balance as at March 31, 2019 was \$13.6 million. An increase in Parks & Recreation receivables of \$2.4 million contributes to the year over year difference. In addition there is an increase of \$3.7 million in general receivables which are primarily due from the Region for roadworks.

Liabilities

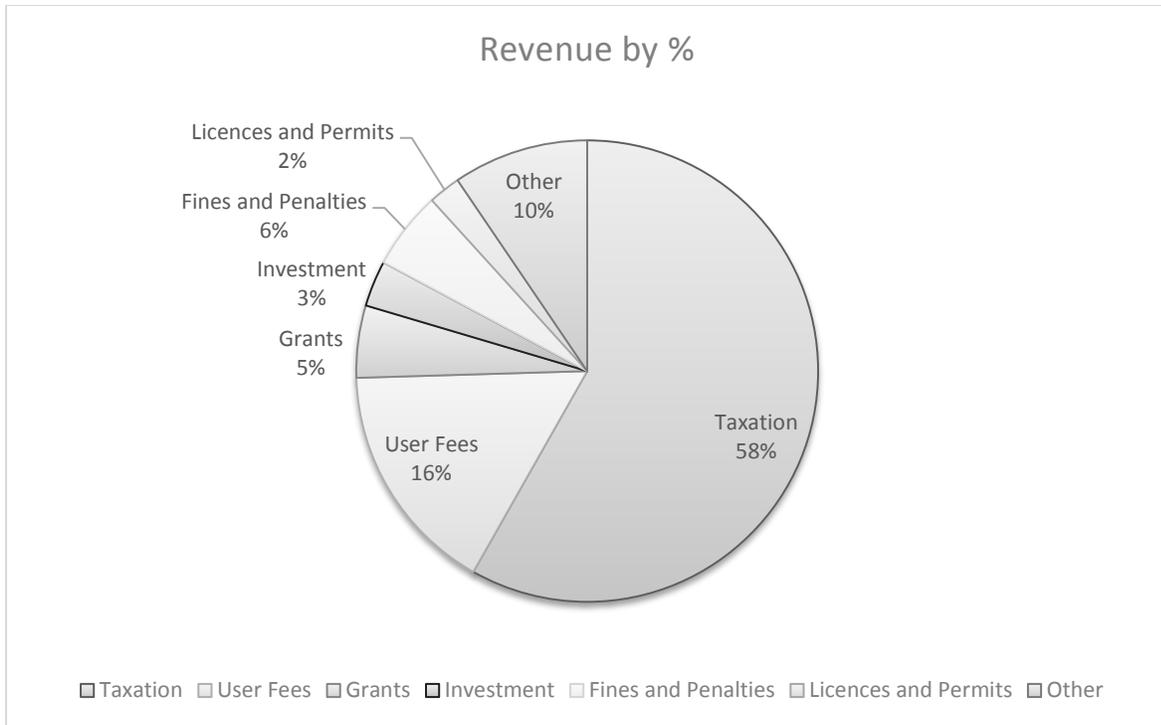
The balance of accounts payable and accrued liabilities at March 31, 2020 is \$13.2 million and is compared to the unconsolidated balance at March 31, 2019 of \$11.5 million. The consolidated balance at December 31, 2018 of \$31.1 million includes accruals including certain payroll accruals only recorded at year end.

One of the City's greatest liabilities is derived from the issuance of long-term debt. The balance as at December 31, 2019 was \$88.8 million. Debt principal payments in 2019 were \$14.6 million while new debt approved and issued by December 31, 2019 was \$7.7 million. Debt is used to fund capital expenditures. The new debt issued was primarily for road works and the concluding phase of the Joseph Brant Museum Expansion.

Statement of Operations

Revenues

The Statement of Operations provides information on the City's revenues and expenses. Although taxation revenue is the largest component of the City's revenues, user fees and charges, investment income and funds from senior levels of government all contribute to enabling the City to deliver services to the community. The following chart is provided as a reference point and provides information of the various components of the City's revenues based on revenues reported in the consolidated financial statements as at December 31, 2018:



Due to the impacts of Covid 19 and the closure of City facilities and cancellation of programs, revenues at the end of 2020 are likely to vary from this distribution.

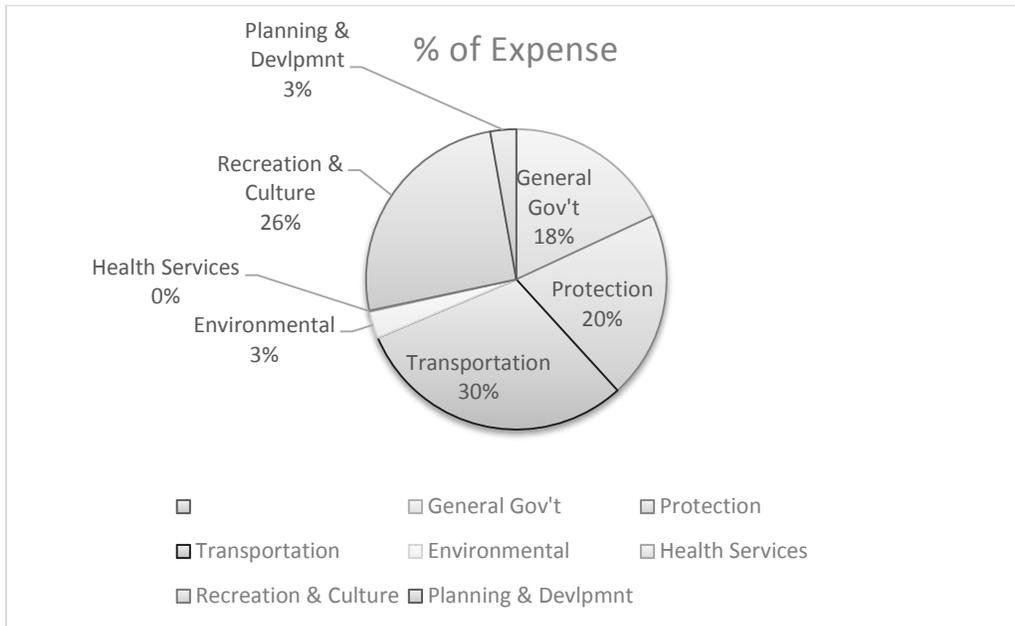
Although a meaningful comparison cannot be made between current operations and the financial statements due to the adjustments that are made for financial statement purposes, some revenue items as compared between current year and prior year are presented for information:

	31-Mar-20	31-Mar-19
General Tax Levy	147,064	143,672
User fees and charges	6,152	6,112
Grants	5,646	7,648
Investment income	3,956	2,192
Penalties and interest on taxes	505	450
Hydro dividends and interest	-	1,226

It should be noted that tax revenue includes taxes billed but not yet due.

Expenses

The City's operations are reported during the year on a cash basis categorized by service while the financial statements report expenses on a category basis. Certain components that are not part of operational reporting such as post employment benefit expense are added to the expenses reported in the financial statements. The following chart shows the breakdown of expense attributed to the categories as reported in the 2018 financial statements:



The adjustments needed to report expenses in the financial statements are extensive including allocating post-employment benefit expense, interest expense on debt, depreciation expense and non-capital information captured in capital projects. Information extracted from the City's financial system provides a comparison between 2020 and 2019 with the noted adjustments excluded:

	31-Mar-20	31-Mar-19
General Government	8,415	7,981
Protection to persons and property	10,230	10,130
Transportation services	11,016	11,731
Environmental services	74	37
Health services	81	72
Recreation and cultural services	11,020	10,630
Planning and development	<u>1,431</u>	<u>1,224</u>
Total Expenses	<u>42,267</u>	<u>41,805</u>

In April 2020 in response to the Covid 19 program, the City introduced an expenditure restraint program. The effects of the program will become more evident as the year progresses.

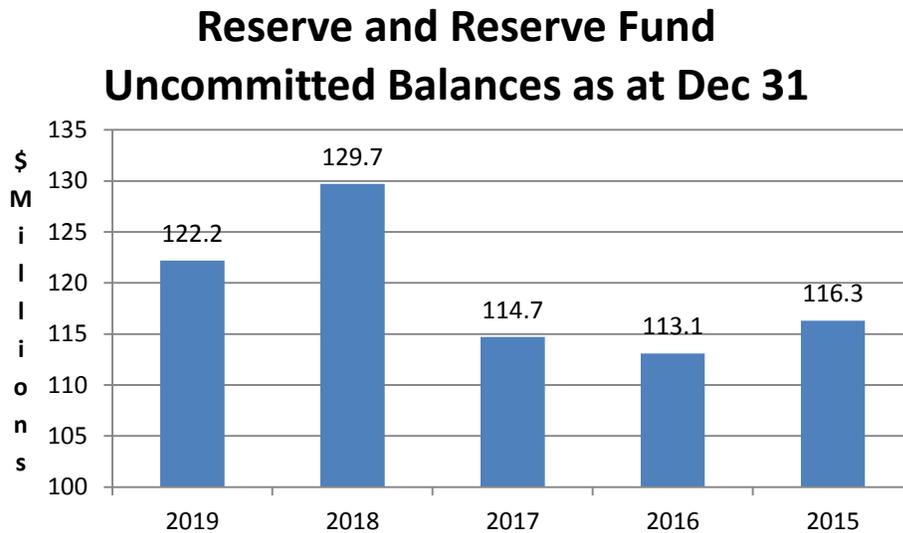
Other Financial Information

Reserve Funds

Reserve funds are a critical component of a municipality's long-term financing plan. They provide:

- Stability to the tax rate in the face of variable circumstances
- Funding for one-time expenses
- The ability to make provisions for the replacement and/or acquisition of infrastructure and
- Flexibility to manage debt levels to protect the municipality's financial position.

The uncommitted balance of the City's reserve and reserve funds are presented for the last five years:



The impact of the current pandemic on the City's financial results for 2020 is largely unknown at this point. The City continues to monitor and adjust as the situation persists. Among the actions expected to mitigate the impacts are:

- Use of reserve funds as appropriate
- Introduction of an expenditure restraint program
- Reduction of human resource costs as a result of layoff of part-time employees and freeze on hiring of contract staff and students.
- Delay of capital spending as appropriate
- Delay of funding of one-time expenditures approved in the 2020 budget.

Financial Matters:

Not applicable

Conclusion:

A report of financial highlights is presented for Audit Committee's information.

Respectfully submitted,

Sandy O'Reilly
Controller and Manager of Financial Services

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.