



SUBJECT: Financial highlights for the period ended March 31, 2021

TO: Audit Committee

FROM: Finance Department

Report Number: F-21-21

Wards Affected: not applicable

File Numbers: 440-01

Date to Committee: June 9, 2021

Date to Council: June 22, 2021

Recommendation:

Receive and file finance department report F-21-21 providing financial highlights as at March 31, 2021.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation.

Background and Discussion:

The Audit Committee's terms of reference indicate that it will review and recommend for approval the annual audited consolidated financial statements of the City and will review quarterly financial performance throughout the year. To assist the Audit Committee with this responsibility report F-21-21 will present key financial highlights for the quarter ended March 31, 2021. Given the significant impact of the COVID-19 pandemic, that has included closure of City facilities and cancellation of programs, monitoring of financial performance has become increasingly important.

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 City's financial statements are prepared in accordance with Canadian public sector

accounting standards. These standards in some instances differ with the way the City reports on its daily operations which can make approval of the financial statements challenging. This report will present financial results from an operational perspective for the period ended March 31, 2021.

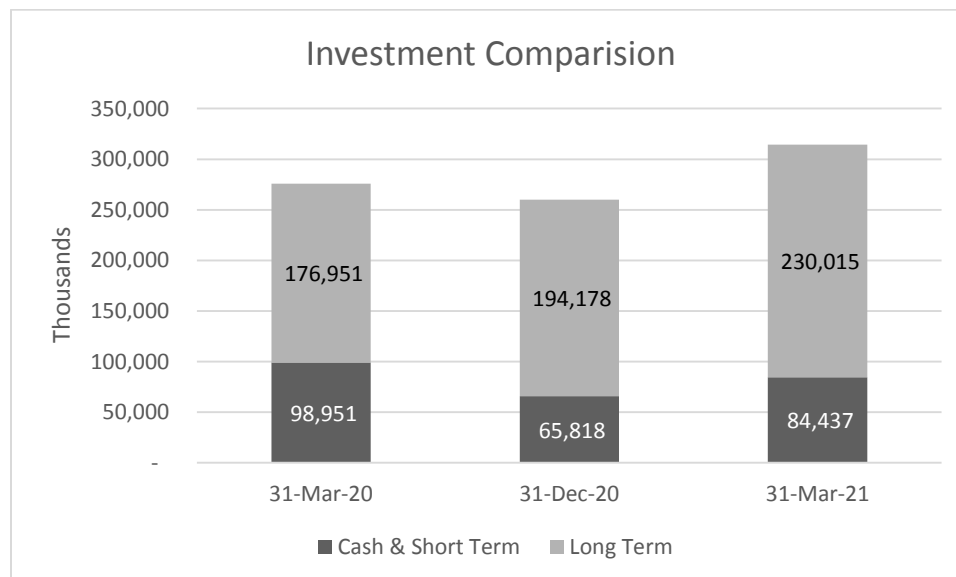
Statement of Financial Position

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 assets for the City include cash and investments, accounts receivable and taxes receivable.

Cash and investments (short and long term) reflect the City's cash flow position and investment strategy given current market conditions. Funds are allocated to maximize investment income, retain an appropriate level of liquidity, and respond to economic forces that influence the investment environment while maintaining a balanced portfolio in line with the City's investment policy. The following chart compares the balances of these categories as at December 31, 2020 (unconsolidated), March 31, 2020, and March 31, 2021:



Accounts receivable as at March 31, 2021 of \$20.3 million includes accrued Federal and Provincial gas tax of approximately \$7.6 million and accrued COVID-19 funding of \$800K. The equivalent accounts receivable balance as at March 31, 2020 was \$19.7 million.

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. Taxes receivable due at March 31, 2021 were \$101.5 million as compared to \$100.4 million reported at March 31, 2020.

Liabilities

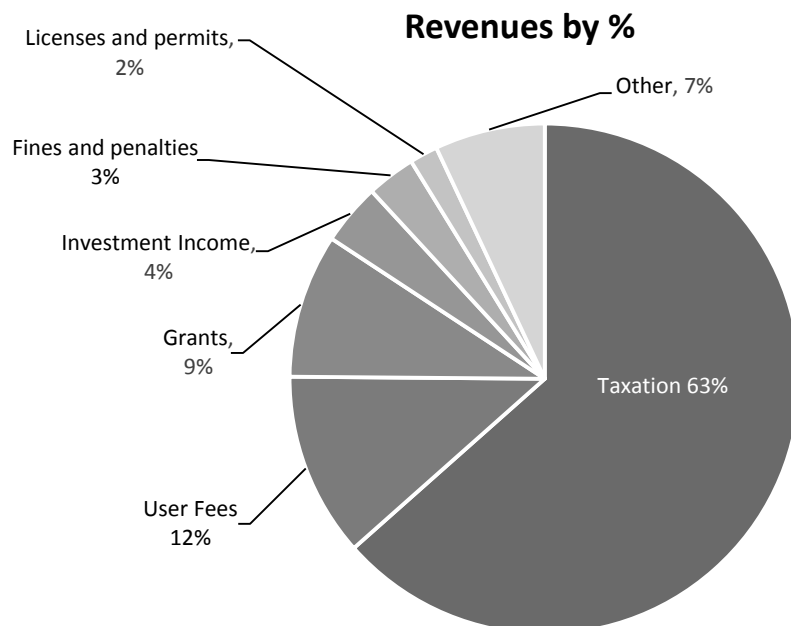
The balance of accounts payable and accrued liabilities at March 31, 2021 is \$11.2 million and is compared to the balance at March 31, 2020 of \$13.2 million. The consolidated balance at December 31, 2020 of \$31.8 million includes accruals including certain payroll accruals only recorded at year end.

One of the City's greatest liabilities is derived from the issuance of long-term debt. The balance as at December 31, 2020 was \$82.0 million. Debt principal payments in 2020 were \$13.7 million while new debt approved and issued in 2020 was \$6.8 million. Debt is used to fund capital expenditures. The new debt issued was primarily for road and storm capital projects.

Statement of Operations

Revenues

The Statement of Operations provides information on the City's revenues and expenses combining the information from both the operating and capital perspectives. 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, 2020:



Due to the impacts of COVID-19 which include the closure of City facilities and cancellation of programs, the revenue distribution is likely to vary from prior years.

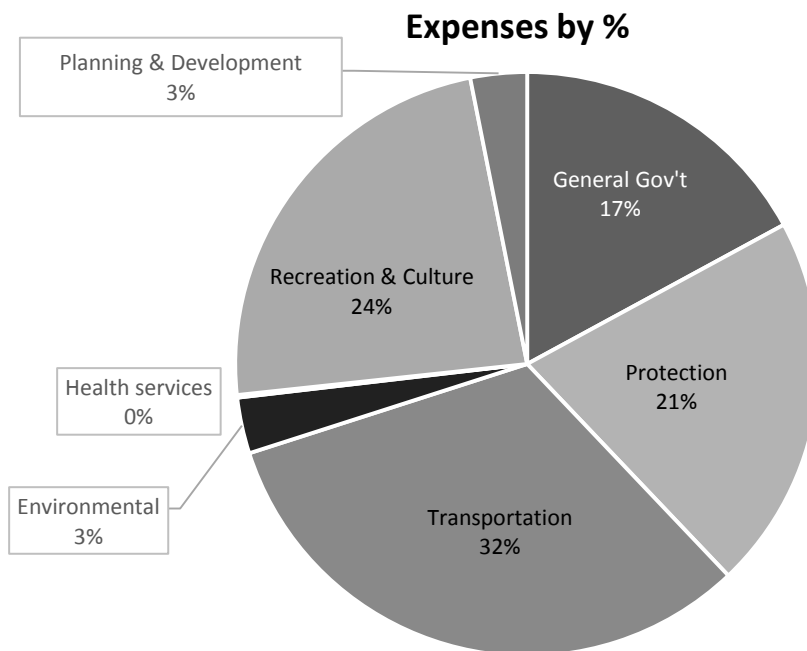
Although a meaningful comparison cannot be made between current operations and the financial statements due to the adjustments that are made for financial statement purposes, some revenue items as of March 31st compared between current year and prior year are presented for information:

	2021	2020
General Tax Levy	\$150,293	\$147,064
User fees and charges	2,867	6,152
Grants	9,800	5,646
Investment income	109	2,192
Penalties and interest on taxes	584	505
Hydro dividends and interest	1,076	-

It should be noted that tax revenue includes taxes billed but not yet due. Also, the difference in Hydro dividends and interest from March 2020 to March 2021 is the result of a timing difference.

Expenses

The City's expenses 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 benefits and amortization 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 2020 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 as of March 31st provides a comparison between 2021 and 2020 with the noted adjustments excluded:

	2021	2020
General government	\$ 8,524	\$ 8,415
Protection to persons and property	9,952	10,230
Transportation services	11,652	11,016
Environmental services	113	74
Health services	71	81
Recreation and cultural services	8,584	11,020
Planning and development	1,369	1,431
Total Expenses	\$40,265	\$42,267

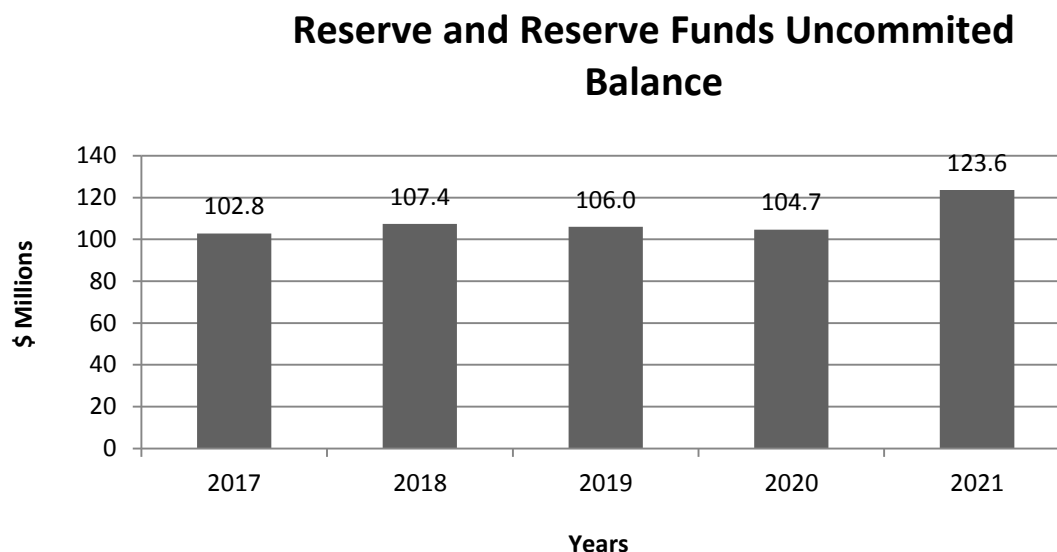
Other Financial Information

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 expenditures,
- 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 as at March 31 are presented for the last five years:



The current pandemic will continue to have an impact on the City's financial results in 2021. The City will continue to use and apply for funding from upper levels of government to help to address the continuing financial pressures as a result of the pandemic.

Financial Matters:

Not applicable.

Total Financial Impact

Not applicable.

Source of Funding

Not applicable.

Other Resource Impacts

Not applicable.

Climate Implications

Not applicable.

Conclusion:

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

Respectfully submitted,

Michelle Moore

Controller and Manager of Financial Services

(905) 335-7600 ext. 7535

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.