



SUBJECT: Financial highlights for the period ended September 30, 2021

TO: Audit Committee

FROM: Finance Department

Report Number: F-39-21

Wards Affected: not applicable

File Numbers: 440-01

Date to Committee: December 8, 2021

Date to Council: December 14, 2021

Recommendation:

Receive and file finance department report F-39-21 providing financial highlights as at September 30, 2021.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation
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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-39-21 will present key financial highlights for the quarter ended September 30, 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 review of the financial statements challenging. This report will present financial results from an operational perspective for the period ended September 30, 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 investment holdings 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 breaks down the balances of these categories as at December 31, 2020 (unconsolidated), September 30, 2020, and September 30, 2021:



Accounts receivable as at September 30, 2021 was approximately \$12.9 million. The equivalent accounts receivable balance as at September 30, 2020 was comparable at approximately \$10.5 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 September 30, 2021 were approximately \$32.9 million as compared to \$101.1 million reported at September 30, 2020. The 2020 balance is significantly higher due to the City's response to the Covid-19 pandemic during 2020. In order to provide some relief to taxpayers, the final billing was mailed in July 2020 and installments were delayed with the April and June installments due in August and the September installment due in October.

Liabilities

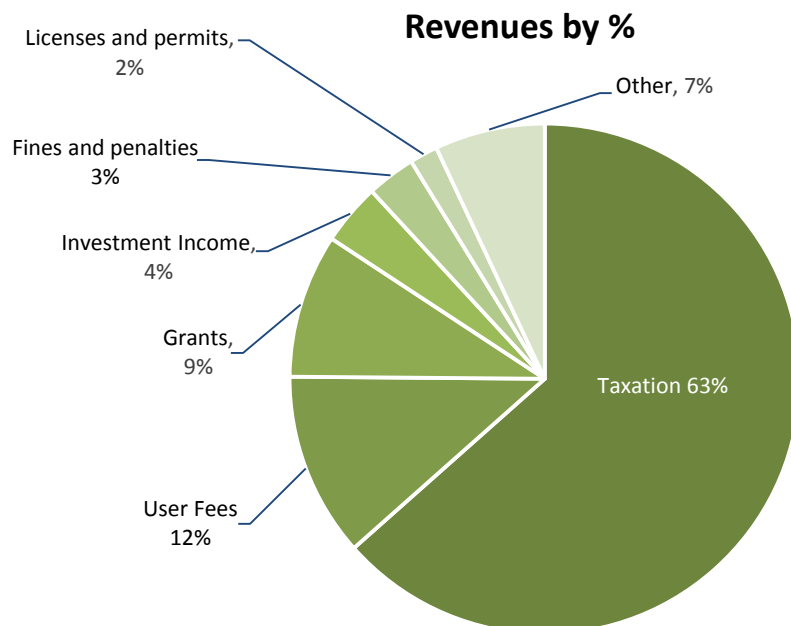
The balance of accounts payable and accrued liabilities at September 30, 2021 is approximately \$10.1 million compared to the balance at September 30, 2020 of \$14.1 million. The consolidated balance at December 31, 2020 of \$31.8 million reflects accruals including certain payroll accruals only recorded 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 included the closure of City facilities and cancellation of programs, the revenue distribution is likely to vary from prior years.

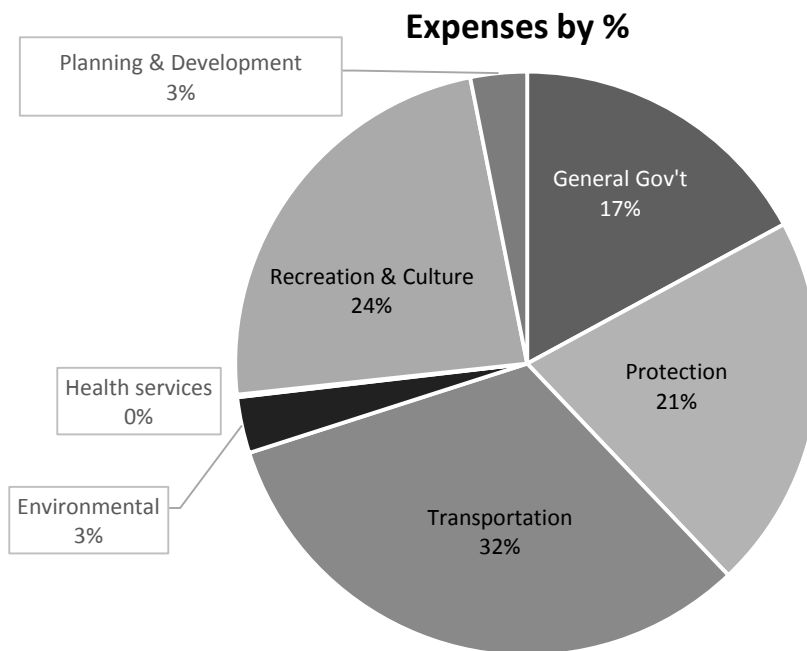
Although a meaningful comparison cannot be made between current operations and the financial statements due to the adjustments that are made for financial statement purposes, some revenue items as of September 30th compared between current year and prior year are presented for information:

	2021	2020
General Tax Levy	\$211,933	\$267,919
User fees and charges	13,029	12,114
Grants	11,781	9,790
Investment income	4,820	6,682
Penalties and interest on taxes	1,972	896
Hydro dividends and interest	1,496	2,399

It should be noted that tax revenue includes taxes billed but not yet due. The difference in General Tax Levy revenues from September 2020 to September 2021 is due to the postponement of the requisition payments to the Region and school boards in 2020 to help support the City's property tax deferral program.

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 September

30th provides a comparison between 2021 and 2020 with the noted adjustments excluded:

	2021	2020
General government	\$ 31,532	\$ 28,734
Protection to persons and property	31,915	30,941
Transportation services	35,741	34,085
Environmental services	504	462
Health services	270	245
Recreation and cultural services	34,427	32,457
Planning and development	4,524	4,507
Total Expenses	\$138,913	\$131,431

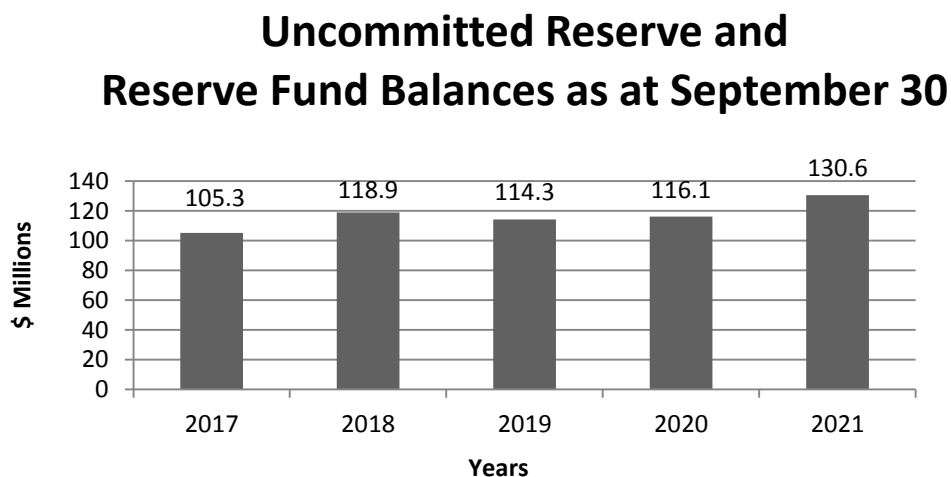
Other Financial Information

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 September 30 are presented for the last five years:



The Covid-19 pandemic will continue to have an impact on the City's financial results in 2021. The City will continue to use 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 the quarterly financial highlights is presented for Audit Committee's information.

Respectfully submitted,

Michelle Moore

Controller and Manager of Financial Services

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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.