



SUBJECT: Financial highlights for the period ended December 31, 2022

TO: Audit Committee

FROM: Finance Department

Report Number: F-05-23

Wards Affected: not applicable

File Numbers: 440-01

Date to Committee: March 8, 2023

Date to Council: March 21, 2023

Recommendation:

Receive and file finance department report F-05-23 providing financial highlights as at December 31, 2022

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 the quarterly financial performance throughout the year. To assist the Audit Committee with these responsibilities report F-05-23 will present preliminary key financial highlights for the year ended December 31, 2022.

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 consolidated statements include the financial results for the City along with a number of its local boards (Burlington Public Library, Burlington Economic Development, Burlington Museums Board, Burlington Theatre Board, Burlington Downtown BIA, and Aldershot

Village BIA). The City and local boards will have their 2022 audits performed by Deloitte with the exception of the Aldershot BIA whose 2022 audit will be completed by Colin Gray Professional Corporation.

The City's consolidated 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. This can make the review of the financial statements challenging. This report will present preliminary financial results from an operational perspective for the year ended December 31, 2022.

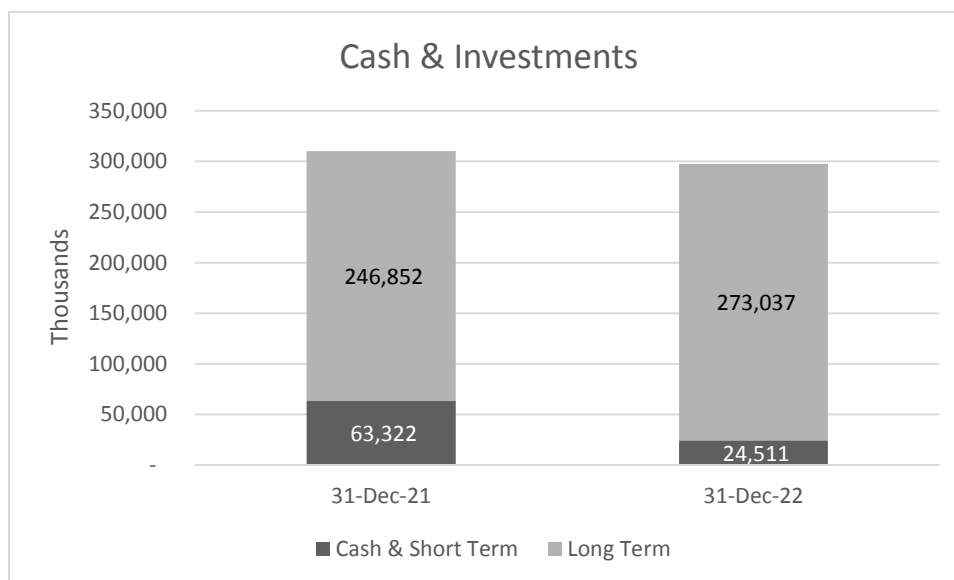
Statement of Financial Position

The statement of financial position is the equivalent of a balance sheet. It presents information on the assets, liabilities, and the 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, 2021, and December 31, 2022, on an unconsolidated basis:



Accounts receivable as at December 31, 2022, was approximately \$30.0 million. In comparison the accounts receivable balance as at December 31, 2021, was approximately \$24.6 million. The increase in receivables for December 2022 is due to outstanding invoices with the Region of Halton related to capital projects.

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 balance at December 31, 2022, was approximately \$12.3 million as compared to \$10.7 million reported at December 31, 2021.

Liabilities

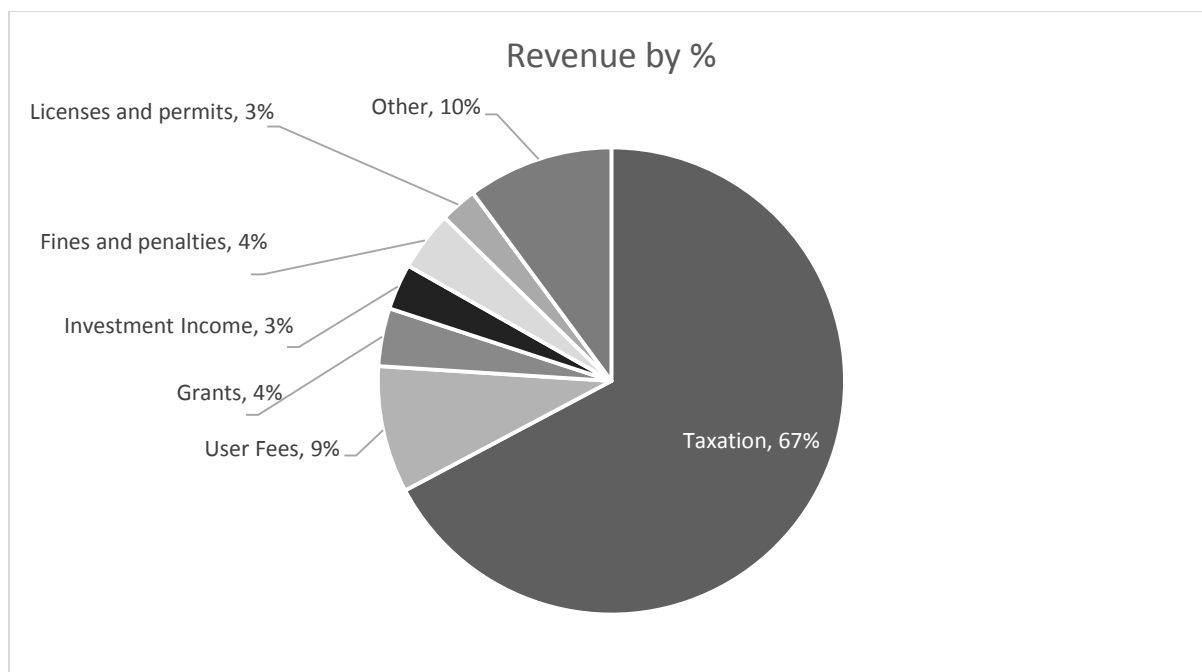
The unconsolidated balance of accounts payable and accrued liabilities at December 31, 2022, is approximately \$27.5 million compared to the balance at December 31, 2021, of \$24.9 million. The consolidated balance in the December 31, 2021, financial statements, of \$32.2 million includes accruals only recorded as part of the at year end audit.

One of the City's largest liabilities is derived from the issuance of long-term debt. The City's debt balance as at December 31, 2022, was \$73.8 million. Debt is used to fund capital expenditures. New debt issued in 2022 totaled \$13.1 million. This debt will be utilized for capital projects associated with roads and recreational facilities and to support a land purchase.

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, 2021:



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

	2022	2021
General Tax Levy	\$195,498	\$185,000
User fees and charges	23,514	17,785
Grants	11,077	20,326
Investment income	9,260	9,082
Penalties and interest on taxes	2,365	2,423
Hydro dividends and interest	3,765	4,084

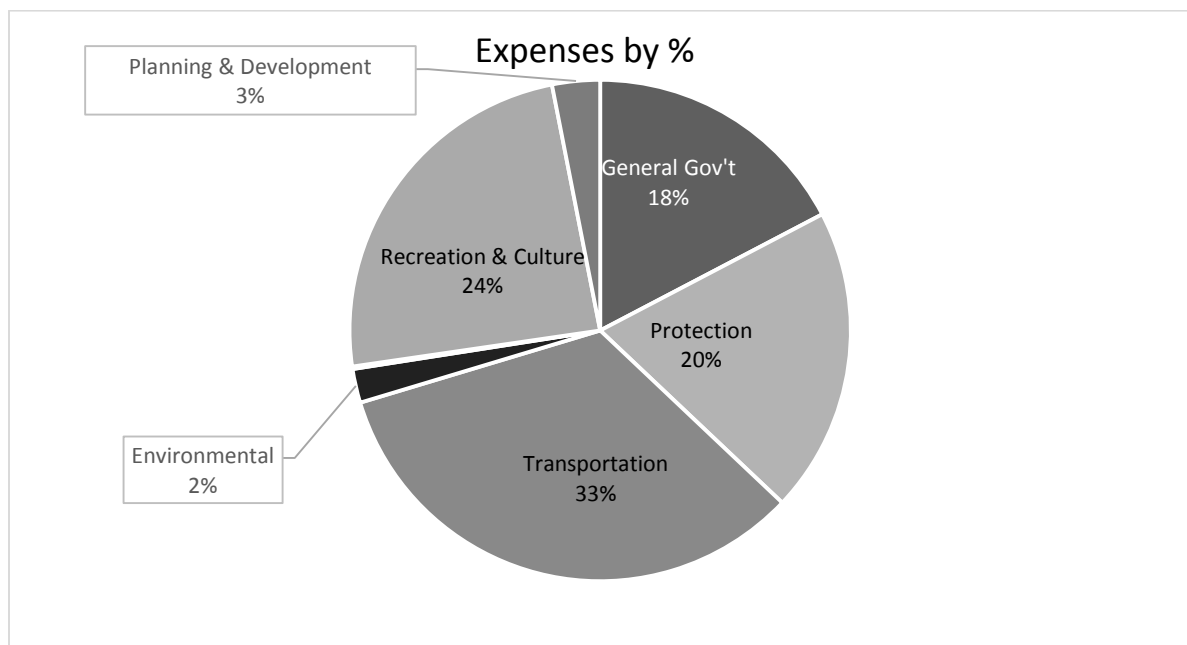
The decrease in Grant revenue in 2022 compared to 2021 is a result of the receipt of one-time Federal Gas Tax Top-Up Funding as well as additional Safe Restart Funding both of which were received in 2021.

The increase in User fees and charges year over year is mainly the result of reduced revenues in 2021 due to the effects of COVID-19 restrictions. Facility

closures and capacity limits in 2021 negatively impacted this revenue stream for the City.

Expenses

The City's operating expenses are reported during the year on a cash basis categorized by service while the consolidated financial statements report expenses on an accrual basis by category. 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 2021 consolidated 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 December 31st provides a comparison between 2022 and 2021 with the above noted adjustments excluded:

	2022	2021
General government	\$ 42,933	\$ 40,156
Protection to persons and property	47,524	46,309
Transportation services	56,691	52,453
Environmental services	796	911
Health services	393	385
Recreation and cultural services	54,990	50,495
Planning and development	7,461	6,686
Total Expenses	\$210,788	\$197,395

Other Financial Information

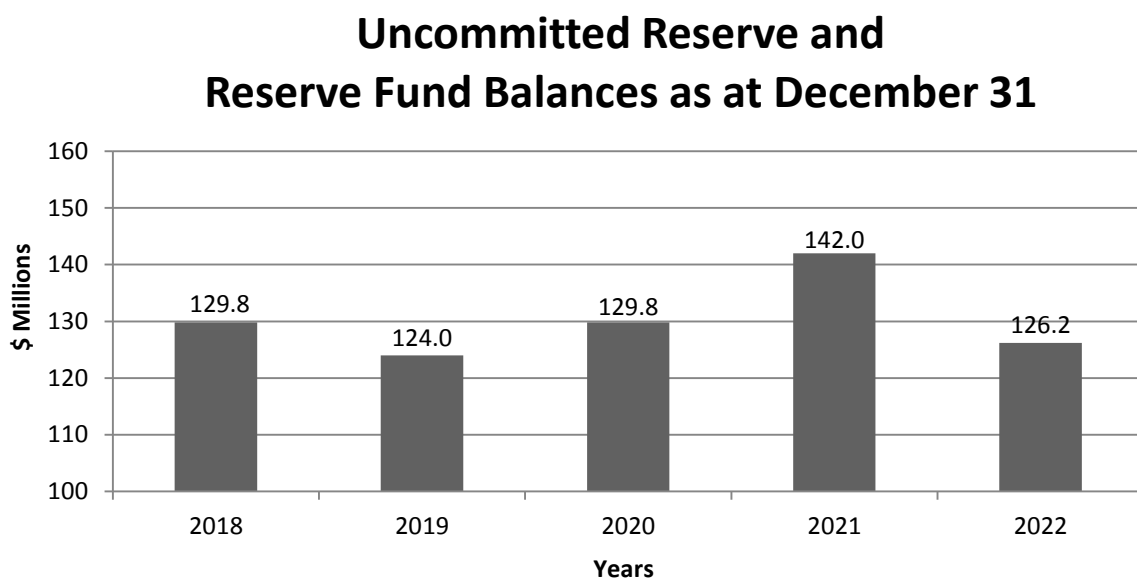
Reserve Funds

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.

Of the total reserves and reserve funds balance at December 31, 2022, \$49.5 million is committed for various projects leaving a total uncommitted balance of \$126.2 million. The commitments represent expenditures approved by Council or funds held for specific future purposes. The decrease in the uncommitted balance of the reserves and reserve funds year over year is due to approved funding in 2022 for such initiatives as Lions Club Park acquisition, Enterprise Resource Planning (ERP) implementation and Skyway Community Centre revitalization.

The uncommitted balance of the City's reserve and reserve funds as at December 31st are presented for the last five years:



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

(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.