

REPORT

Council

Meeting Date: April 26, 2021

FROM: Finance Department

DATE: April 13, 2021

SUBJECT: 2020 Financial Results and Surplus Disposition

LOCATION:

WARD: Town-wide

Page 1

RECOMMENDATION:

1. That the April 13, 2021 report from the Finance department be received.
2. That the transfers to and from the Reserves and Reserve Funds and transactions contained in the report dated April 13, 2021 from the Finance department be approved.
3. That the remaining surplus of \$8.30 million be transferred to the Tax Stabilization Reserve (\$4.15 million) and the General Capital Reserve (\$4.15 million).
4. That the Future Energy Oakville capital project be refinanced and funded entirely from the General Capital Reserve in keeping with Federal Gas Tax program requirements.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The Financial Progress Report presents the town's financial activities from January 1, 2020 to December 31, 2020;
- The program specific operating variance, before transfers, is \$9.64 million favourable and after proposed transfers is \$7.70 million favourable;
- The non-program operating variance, before transfers, is \$2.97 million favourable and after proposed transfers is \$0.60 million favourable;
- Together, the total town operating variance, before transfers, is \$12.61 million favourable and after proposed transfers is \$8.30 million favourable;
- As of December 31 total capital expenditures of \$94.66 million have been incurred in 2020;
- A total of 29 capital projects have been identified for closure resulting in \$1.09 million being returned to respective reserves and reserve funds;

- A total of 11 tendered contracts and 9 single source awards in excess of \$100,000 were awarded during Q4 of 2020.

BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2020 to December 31, 2020 and covers all financial matters including: operating budget, capital budget, reserve and reserve fund balances, investment and trust funds and purchasing activities. Based on the unaudited financial results, the majority of town programs have a favourable variance. This is primarily due to savings in personnel costs, though savings have been recognized in a number of other areas as well. Some programs have experienced unfavourable variances, largely due to reduced revenues as a result of COVID-19 Pandemic.

COVID-19 Recap:

At the February 22, 2021 Council meeting, the Finance department presented preliminary 2020 financial results and COVID-19 impacts. Much of the information contained in that report remains unchanged and has not been reproduced in this report; however, there are a few highlights that are worth addressing.

Revenue shortfalls: The town's revenue shortfalls due to COVID-19 are \$23.3 million. Of this amount, \$12.5 million are in recreation services and \$5.5 million are in Oakville transit.

COVID-19 costs: The town also experienced increased costs due to the pandemic, including additional staff time, extra cleaning, and protective equipment. The estimated impact of this is \$1.3 million.

Direct mitigation measures: The town purposely made specific mitigation efforts to offset the impacts of the pandemic and these are estimated at \$13.3 million. Of these, the primary savings are in personnel costs (\$8.4 million), in addition to savings in utilities, programming, and fuel.

The net impact of these items is a cost of \$11.4 million before additional measures. The town has undertaken additional measures as an organization to reduce the financial impacts of the pandemic and these can be seen in the program variances discussed in the report. In addition, the province has provided both general and transit-specific funding to the town for a total 2020 impact of \$7.5 million.

COMMENT/OPTIONS:

Overall, the total town variance, before transfers, is \$12.61 million as shown in the chart below. This surplus is split between Programs (\$9.64 million surplus) and Corporate Revenue & Expenses (\$3.64 million surplus) and is partially offset by a deficit in Corporate Hearings and Litigations (\$0.67 million).

(in \$ Millions)

Program	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance
Recreation Services	18.67	17.95	0.72
Parks and Open Spaces (incl. Cemetery & Harbours)	18.12	17.22	0.90
Library	10.05	8.75	1.30
Emergency Services	38.81	38.85	(0.04)
Oakville Transit	24.13	22.46	1.67
Road Network	25.75	23.90	1.85
Municipal Enforcement (incl. Parking)	1.41	3.27	(1.86)
Community Development	4.21	2.68	1.53
Political Governance	3.94	3.29	0.65
Corporate Support Services	30.78	27.86	2.92
Total Program Variance	\$ 175.87	\$ 166.23	\$ 9.64
Corporate Hearings and Litigations	0.50	1.17	(0.67)
Corporate Revenue & Expenses	(176.37)	(180.01)	3.64
Total Town Variance	\$ -	\$ (12.61)	\$ 12.61
Policy Related/Recommended Transfers for Programs:			
Transfer to Building Enterprise Reserve			(1.65)
Net Transfer to Cemetery Reserve funds			(0.28)
Net Transfer to/from Harbours Reserve funds			-
Net Transfer to/from Parking Reserve funds			-
Transfer to the Election reserve			(0.01)
Excess Supplementary Taxes Transfer to the Tax Stabilization Reserve			\$ (2.37)
Net Surplus			\$ 8.30

The impact of the COVID-19 pandemic on the town's operations and the response undertaken by the town has impacted the program areas in different ways. Some programs were able to recognize savings due to reduced staffing and/or operating costs, while others experienced significant shortfalls in revenue. More detail on some of these programs can be seen below.

In addition, the town received \$4.46 million in General Safe Restart Funding from the province which can be seen in the Corporate Revenues & Expenses line.

Reserve transfers

Legislation requires any surplus or shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. For 2020 this results in a transfer of \$1.65 million to the reserve.

Town policy is to balance any surplus/deficit for Cemeteries, Harbours, Parking, and Elections to their own program specific reserves. Town staff are recommending that these transfers occur as normal for both Cemeteries (\$0.28 million) and Elections (\$0.01 million) due to the surpluses generated in these programs. Harbours and Parking were both significantly impacted by the COVID-19 Pandemic. Harbours experienced a deficit of \$0.34 million and Parking a deficit of \$1.70 million. Town staff are recommending that the transfers from reserves to fund these shortfalls not occur this year given the impact of the Pandemic and the provision of safe restart funding provided by the province.

Town council previously approved that revenues from supplementary taxes and payments-in-lieu of taxes in excess of budget be transferred to the Tax Stabilization Reserve. For 2020 this results in \$2.37 million being transferred to the reserve.

After all policy related and recommended transfers, the net town surplus is \$8.30 million. Usual practice would be to recommend that the surplus be transferred to the Tax Stabilization Reserve; however, as the balance in this reserve is very healthy (\$56.3 million) and is above the GFOA recommended levels, town staff are recommending that the surplus be split between the Tax Stabilization Reserve (\$4.15 million) and the General Working Capital Reserve (\$4.15 million). The funds added to the Tax Stabilization Reserve can assist as the town continues to experience the effects of the pandemic. The funds added to the General Working Capital Reserve helps to replenish the reserve to fund any upcoming large capital projects.

Program Variances

As illustrated in the table below, the town has experienced budget savings in all major external categories of expenses, while also seeing a significant decrease in external revenues. The largest single driver is the decrease in personnel costs as compared to budget, resulting in savings of \$18.12 million.

(in \$ Millions)

(after Reserve Transfers)

Type of Revenue/Expense	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance	2020 Year end %
Personnel Services & Benefits	162.51	144.39	18.12	11.2%
Materials, Supplies & Minor Capital	23.59	18.91	4.68	19.8%
Purchased Services	35.74	30.56	5.18	14.5%
Payments & Grants	5.68	4.18	1.50	26.4%
Internal Charges & Transfers	35.70	38.10	(2.40)	-6.7%
Total Expenses	\$ 263.22	\$ 236.14	\$ 27.08	10.3%
External Revenues	(66.25)	(48.80)	(17.45)	26.3%
Internal Revenues	(21.08)	(19.15)	(1.93)	9.2%
Total Revenues	\$ (87.33)	\$ (67.95)	\$ (19.38)	22.2%
Total Programs	\$ 175.89	\$ 168.19	\$ 7.70	4.6%

Appendix A provides more detail of the 2020 year-end variance by program. The following sections and charts highlight some of the Program areas that experienced the most significant budget-to-actual fluctuations in 2020.

Recreation Services:

Recreation Services had a positive year-end variance of \$0.72 million. The program experienced a significant revenue shortfall due to the impact of the pandemic, however, the department was able to successfully mitigate the impact by careful management of program costs and staffing levels.

External revenues experienced a shortfall of \$12.48 million compared to budget. As noted above the shortfall has been offset by savings in personnel (\$7.75 million), materials (\$1.87 million), and purchased services (\$2.72 million). The revenue shortfalls are most obvious in registration fees (\$6.4 million) and rentals (\$3.01 million). Within the personnel savings, \$4.04 million are due to reductions in part-time labour costs, largely due to the impacts of the pandemic. The town has also saved on keeping positions vacant, reduced utility costs, and reduced instructor fees.

(in \$ Millions)

Type of Revenue/Expense	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance	2020 Year end %
Personnel Services & Benefits	23.58	15.83	7.75	32.9%
Materials, Supplies & Minor Capital	5.51	3.64	1.87	33.9%
Purchased Services	5.32	2.60	2.72	51.1%
Payments & Grants	1.01	0.35	0.66	65.3%
Internal Charges & Transfers	4.27	3.87	0.40	9.4%
Total Expenses	\$ 39.69	\$ 26.29	\$ 13.40	33.8%
External Revenues	(20.41)	(7.93)	(12.48)	61.1%
Internal Revenues	(0.61)	(0.41)	(0.20)	32.8%
Total Revenues	\$ (21.02)	\$ (8.34)	\$ (12.68)	60.3%
Total Programs	\$ 18.67	\$ 17.95	\$ 0.72	4.0%

Library:

Library experienced significant savings of \$1.30 million for 2020. This is almost entirely due to savings in personnel costs, both in part-time costs (\$0.83 million) and full-time costs (\$0.31 million) and is a result of the reduction in services due to the pandemic and of some positions being vacant.

(in \$ Millions)

Type of Revenue/Expense	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance	2020 Year end %
Personnel Services & Benefits	8.37	6.91	1.46	17.4%
Materials, Supplies & Minor Capital	1.40	1.37	0.03	2.1%
Purchased Services	0.90	0.79	0.11	12.2%
Payments & Grants	0.01	0.01	-	0.0%
Internal Charges & Transfers	0.16	0.43	(0.27)	-168.8%
Total Expenses	\$ 10.84	\$ 9.51	\$ 1.33	12.3%
External Revenues	(0.58)	(0.34)	(0.24)	41.4%
Internal Revenues	(0.21)	(0.42)	0.21	-100.0%
Total Revenues	\$ (0.79)	\$ (0.76)	\$ (0.03)	3.8%
Total Programs	\$ 10.05	\$ 8.75	\$ 1.30	14.9%

Oakville Transit:

Transit came in ahead of the budget with a net program cost of \$22.46 million compared to the budget of \$24.13 million. While revenues were \$5.5 million under budget due to the pandemic, the department took a prudent approach to mitigate the impact. Service levels throughout the year were managed carefully to ensure an appropriate level of service in keeping with ridership demand. As a result, the revenue shortfall was mitigated by personnel savings, fuel savings and reductions in hired equipment (taxis) along with other miscellaneous reductions. The revenue shortfall was also partially offset by the receipt of Provincial transit funding.

While the revenue impacts were significant, transit service is subsidized by the tax levy to a greater extent than larger transit agencies, with the average subsidy pre-COVID of approximately \$5.24 per ride for conventional service and a cost recovery rate of 33%. The reduction in service along with the prudent approach to reducing expenditures has resulted in a positive bottom line, notwithstanding the COVID impacts. As noted above, Oakville Transit also recognized \$3.11 million in funding from the Provincial government which helped reduce the loss in fare revenues and the increased costs associated with COVID. The \$3.11 million is comprised of the following:

Phase 1 Safe Restart Funding – Transit	\$2,448,000
Phase 2 Safe Restart Funding – Transit	549,000
Municipal Transit Enhanced Cleaning Program	<u>109,000</u>
Total	\$3,106,000

In 2021, Transit also expects to recognize further Transit Phase 2 funding for January 2021 – March 2021 and Transit Phase 3 funding of \$2.38 million for the April 2021 – December 2021.

(in \$ Millions)

Type of Revenue/Expense	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance	2020 Year end %
Personnel Services & Benefits	20.94	18.94	2.00	9.6%
Materials, Supplies & Minor Capital	5.16	3.84	1.32	25.6%
Purchased Services	3.74	2.84	0.90	24.1%
Payments & Grants	0.93	0.73	0.20	21.5%
Internal Charges & Transfers	4.65	4.98	(0.33)	-7.1%
Total Expenses	\$ 35.42	\$ 31.33	\$ 4.09	11.5%
External Revenues	(9.29)	(6.89)	(2.40)	25.8%
Internal Revenues	(2.00)	(1.98)	(0.02)	1.0%
Total Revenues	\$ (11.29)	\$ (8.87)	\$ (2.42)	21.4%
Total Programs	\$ 24.13	\$ 22.46	\$ 1.67	7.4%

Road Network:

Road Network came in ahead of budget due to savings in personnel costs and materials. Within the personnel savings, \$0.51 million is due to savings in the crossing guard program due to COVID-19 impacts, as well as smaller amounts from traffic control and roadside maintenance. Traffic control also experienced greater recoveries for work done for area municipalities. Fleet services experienced savings in fuel costs; however these were more than offset by lower internal vehicle recoveries. Winter control experienced savings during the year; however, the \$0.93 million in savings were transferred to the Storm Event Reserve.

(in \$ Millions)

Type of Revenue/Expense	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance	2020 Year end %
Personnel Services & Benefits	15.41	13.61	1.80	11.7%
Materials, Supplies & Minor Capital	6.46	5.66	0.80	12.4%
Purchased Services	9.73	9.19	0.54	5.5%
Payments & Grants	1.35	1.32	0.03	2.2%
Internal Charges & Transfers	7.14	8.05	(0.91)	-12.7%
Total Expenses	\$ 40.09	\$ 37.83	\$ 2.26	5.6%
External Revenues	(4.68)	(5.36)	0.68	-14.4%
Internal Revenues	(9.66)	(8.57)	(1.09)	11.3%
Total Revenues	\$ (14.34)	\$ (13.93)	\$ (0.41)	2.9%
Total Programs	\$ 25.75	\$ 23.90	\$ 1.85	7.7%

Municipal Enforcement:

Municipal Enforcement has a negative variance as compared to budget, primarily due to the loss of parking revenues (\$1.90 million). More specifically, this unfavourable parking variance is from lot fees (\$0.94 million), permits (\$0.23 million), and fines (\$0.73 million). Municipal enforcement services (by-law) was one of the few departments with a negative personnel variance (\$0.20) and this was entirely due to the need for extra staff in the department to address COVID-19 concerns in the community.

(in \$ Millions)

Type of Revenue/Expense	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance	2020 Year end %
Personnel Services & Benefits	3.98	4.16	(0.18)	-4.5%
Materials, Supplies & Minor Capital	0.27	0.17	0.10	37.0%
Purchased Services	1.40	1.44	(0.04)	-2.9%
Payments & Grants	0.58	0.42	0.16	27.6%
Internal Charges & Transfers	1.18	1.24	(0.06)	-5.1%
Total Expenses	\$ 7.41	\$ 7.43	\$ (0.02)	-0.3%
External Revenues	(5.24)	(3.34)	(1.90)	36.3%
Internal Revenues	(0.76)	(0.82)	0.06	-7.9%
Total Revenues	\$ (6.00)	\$ (4.16)	\$ (1.84)	30.7%
Total Programs	\$ 1.41	\$ 3.27	\$ (1.86)	-56.9%

Community Development:

Community development is comprised of four areas – building services, planning services, development engineering, and strategic business services. Both planning services and development engineering experienced shortfalls of revenue for service fees (\$0.43 million) and permits (\$0.46 million) respectively. However, both planning services and development engineering, along with strategic business services, were also able to mitigate most of these shortfalls with personnel savings due to vacant positions (\$0.92 million).

Building services recognized over \$11.11 million in external revenues in 2020, a favourable variance of \$1.11 million over budget. In addition, building services had personnel savings due to a number of vacant positions (\$0.37 million). As a result of these budget savings, \$1.65 million will be transferred to the Building Enterprise Reserve.

(in \$ Millions)

Type of Revenue/Expense	2020 Net Approved Budget	2020 Year end Actuals	2020 Year end Variance	2020 Year end %
Personnel Services & Benefits	14.23	12.94	1.29	9.1%
Materials, Supplies & Minor Capital	0.09	0.06	0.03	33.3%
Purchased Services	0.70	0.43	0.27	38.6%
Payments & Grants	0.11	0.10	0.01	9.1%
Internal Charges & Transfers	8.73	8.81	(0.08)	-0.9%
Total Expenses	\$ 23.86	\$ 22.34	\$ 1.52	6.4%
External Revenues	(17.16)	(17.42)	0.26	-1.5%
Internal Revenues	(2.49)	(2.24)	(0.25)	10.0%
Total Revenues	\$ (19.65)	\$ (19.66)	\$ 0.01	-0.1%
Total Programs	\$ 4.21	\$ 2.68	\$ 1.53	57.1%
Transfer to Building Enterprise Reserve			1.65	
Post-transfer Total Programs			(0.12)	

Corporate Support Services:

Corporate support services is comprised of a number of functional areas. The largest driver of the variance surplus is personnel savings of \$2.5 million. These savings were spread throughout the functional areas, but especially in administrative executive management (\$0.48 million), finance (\$0.69 million), information systems (\$0.52 million), and facilities & construction management (\$0.43 million).

Other key variances include:

- A shortfall in municipal accommodation tax revenue of \$0.64 million; offset by an equal reduction in transfers to the local tourism board and the MAT Reserve;
- Savings in information systems of \$0.45 million for software maintenance;
- Shortfalls in facilities & construction management due to increased repairs at various town facilities (\$0.32 million).

Corporate Revenue & Expenses:

Corporate revenue & expenses includes key corporate activities such as taxation, penalties & interest, interest earnings, capital funding, insurance and other corporate items. Overall, corporate revenue & expenses had a favourable variance of \$3.64 million before transfers. Key components of the variance include:

- The town earned \$1.76 million in supplementary taxes and \$0.61 million in payments-in-lieu above the budgeted figures;
- Due to the favourable tax variances, Council approved the transfer of the \$2.37 million surplus to the tax stabilization reserve;
- In response to the pandemic, the town made the decision to suspend tax penalties & interest, resulting in a shortfall of \$1.87 million;
- Interest earnings came in ahead of budget by \$0.63 million;
- In 2020, the town experienced an unfavourable variance of \$0.60 million in tax write-offs for assessed properties;
- Insurance/accident claims came in \$0.34 million greater than budget;
- The town budgets at a corporate level for a portion of the vacant positions that occur each year; however, due to the pandemic, the decision was made to suspend this internal practice and leave the vacant savings in each department, resulting in a \$0.85 million shortfall at the corporate level;
- The province provided \$4.46 million in General Safe Restart Funding which has been recognized in this category.

In 2021, the town also expects to recognize further General Phase 2 funding of \$2,854,000 as provided by the province.

CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$464.4 million. As of December 31, total expenditures of \$94.7 million have been incurred in 2020, bringing the total life-to-date or cumulative spending in active projects to \$364.1 million. Appendix B shows more information on total approved budget and expenditures by program.

Some of the major projects underway with 2020 spending are shown below.

Capital Project	LTD Approved Budget	2020 Expenditures	Total LTD Expenditures (incl. Prior Yrs)
53311410 Speers Rd - GO Station W of 3rd Line to 4th Line	30,744,000	13,406,407	22,912,988
53321504 Downtown Lakeshore - Reconstruction/Streetscape	25,163,700	11,866,073	22,367,134
46601701 Oakville Trafalgar CC	48,277,300	11,197,575	47,593,882
43301802 Fire Station #8	10,704,900	6,860,175	10,870,373
43301402 Fire Station No.9 - Land	5,000,000	4,561,266	4,588,590
52901802 Bronte Outer Harbour Dockage	3,920,000	3,209,081	3,209,081
46631901 River Oaks - Replace Slab B Ice Rink	3,849,500	2,025,018	3,409,501
42101401 OTM Hospital Demolition	11,860,000	1,975,781	9,837,723
54411903 Major Vehicle Refurbishment	3,711,000	1,872,042	2,411,970
53381703 Maplehurst Storm Sewer - South of Bridge Road to Shaw Street	4,875,000	1,739,138	2,984,540
Total	\$ 148,105,400	\$ 58,712,556	\$ 130,185,782

Additional Project Funding Requests

Capital project 22102001 Future Energy Oakville is for the implementation of the Community Energy Plan. Council previously endorsed the Oakville Energy Task Force, Community Energy Plan Strategy and priority projects. A financial contribution of \$100,000 was approved through this project in support of the Oakville Energy Task Force's Implementation Management Office in 2020, with a further \$100,000 contribution being recommended in 2021 through a separate report. The financing approved for this project is \$150,000 Federal Gas Tax, and \$50,000 Capital Reserve. Staff recommend that the \$150,000 in Federal Gas Tax funding be refinanced and funded from the Capital Reserve, as confirmation has been received that the contribution would not be an eligible expenditure under the Federal Gas Tax program. The Federal Gas Tax funds would be returned to the reserve fund, and available for alternative capital projects.

Capital Budget Transfers and Closures

In accordance with the revised Financial Control Policy approved in November 2016, Commissioners are authorized to approve the transfer of funds between projects for any project where the costs exceed budget by the lessor of 10% or

\$200,000. The following transfers between projects were approved by Commissioners in Q4.

Project	Transfer TO/ (FROM)
21102002 - Additional COVID-19 Costs	100,000
36101712 - Corporate Document Management	(25,000)
36102010 - Hardware Evergreening	(75,000)
52211719 - Stairs, Bridges and Trails	55,000
52262001 - Glen Oak Creek Trail N Renewal	(55,000)

In addition, the CAO has authority to authorize funds from reserves or reserve funds up to \$350,000 provided the expenditures are within the original scope of the project. The following project required additional funding as approved by the CAO in Q4.

Project No.	Project Title	Total Approved	Financing	Note
43301802	Fire Station #8	\$ 300,000	Fire Res/Non-Res DC	Additional funding to address a number of items that surfaced during construction such as soft costs and remediation of site conditions

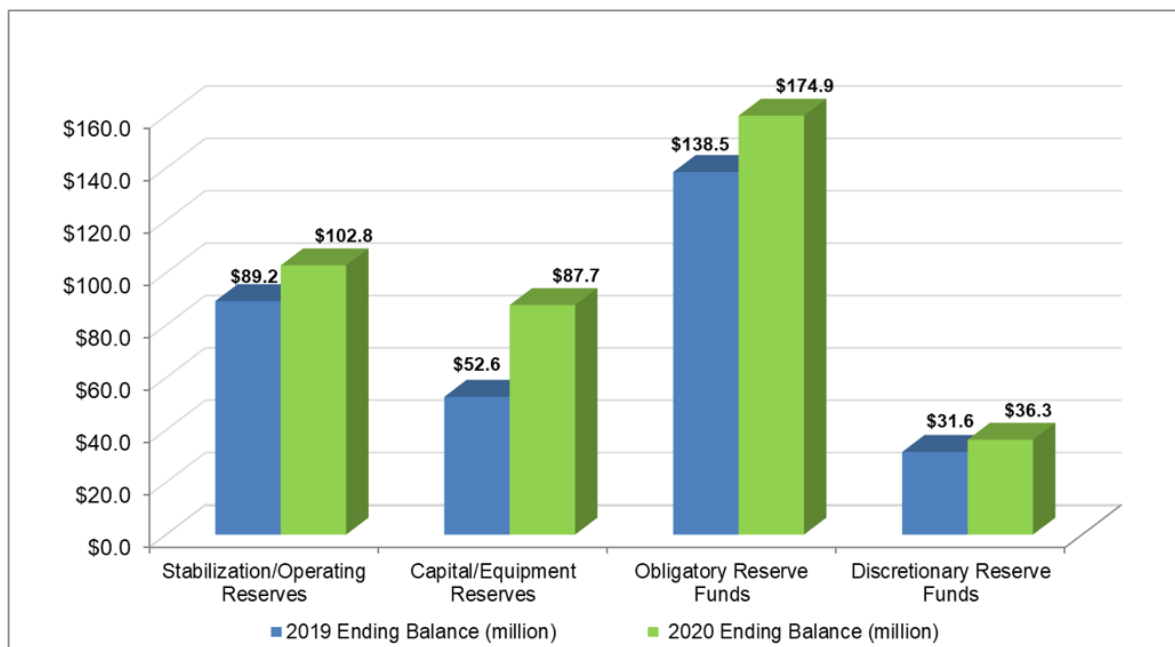
As part of our ongoing capital project management, staff review the status of all active projects each quarter to ensure that as projects are completed and an asset goes into service that the projects are closed. As a result of the December 31 review, a total of 29 projects will be closed. These closures represent a net savings of \$1.09 million that will be returned to reserves and reserve funds of which \$0.36 million will be returned to town capital and equipment reserves and \$0.73 million will be returned to development charge and program specific reserve funds. Appendix C provides more details of the project closures by program.

Authority	Project Budget vs Actual			Impact on Reserves (in \$1,000s) (Positive = surplus, negative = add'l funds required/received)		
	TOTAL APPROVED BUDGET	TOTAL ACTUAL EXPENSES	PROJECT LIFE VARIANCE	Town Capital & Equipment Reserves	Dev. Charge & Prog. Specific Reserve Funds	Total to/(from) Reserves
Commissioner	16,001.8	14,911.2	1,090.6	360.1	730.5	1,090.6
CAO Authority	-	-	-	-	-	-
Net Impact	\$ 16,001.8	\$ 14,911.2	\$ 1,090.6	\$ 360.1	\$ 730.5	\$ 1,090.6

RESERVES, RESERVE FUNDS AND TRUST FUNDS

Reserve and reserve funds are an integral part of the municipal budget planning process and long term financing plan that contributes to the municipality's sound financial position. Stabilization and Operating reserves are used to offset extraordinary and unforeseen expenditure requirements, one-time expenditures, cyclical expenses, revenue shortfalls and they help to minimize fluctuations in the tax levy. Capital and Equipment reserves form an important component of the town's long-term capital financing plan and are used to finance maintenance and replacement of existing infrastructure to maintain assets in a state of good repair, provide for community enhancements as well as fund the town's share of new infrastructure to service the growing community. Reserve Funds and Trust funds are held by the town for the benefit of other agencies or entities in accordance with specific statutes or trust indenture.

The 2019 and 2020 ending balances are shown below with further details of individual reserve and reserve funds in Appendix D.



*Note: Reserves ending balances do not include recommended transfers or surplus entries. Obligatory reserve balances do not include approved funding for capital projects not transferred yet as funds can only be transferred to projects as spending occurs.

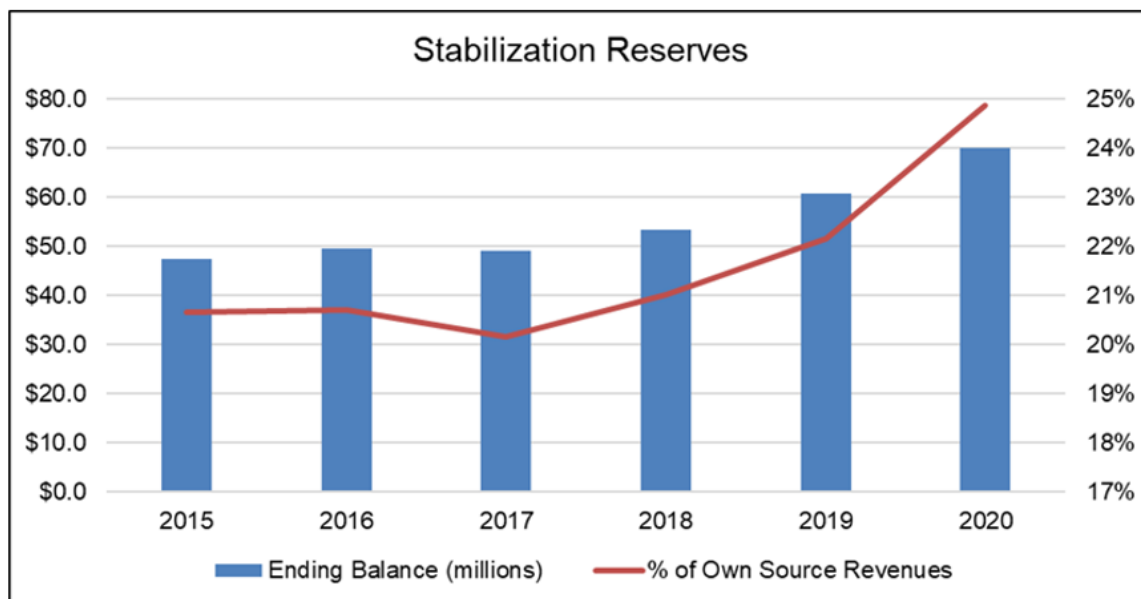
Reserves

At December 31, the 2020 ending balance for Stabilization/Operating reserves is \$102.8 million which is an increase of \$13.6 million over the 2019 ending balance, primarily due to annual contributions from operating. The 2020 ending balance for

Capital/Equipment Reserves is \$87.7 million which is an increase of \$35.1 million over the 2019 ending balance, primarily due to annual contributions from operating and capital project deferrals due to COVID-19.

Targets

GFOA recommends that governments, at a minimum and regardless of size, maintain unrestricted fund balances in their Stabilization reserves of no less than two months of own source revenues to provide sufficient liquidity and protect against unforeseen events. This is equivalent to a target of approximately 17%. The chart below illustrates that the Stabilization reserves balance as a percentage of own source revenues continue to remain above the recommended target.



Reserve Funds

At December 31, the 2020 ending balance for Obligatory Reserve Funds is \$174.9 million which includes Development Charges revenue of \$51.5 million, Parkland cash-in-lieu revenue of \$10.8 million, Gas Tax revenue of \$10.7 million and Interest allocations of \$3.5 million. The balance represents an increase of \$36.4 million from the 2019 ending balance. Legislation requires that funding only be transferred to capital projects once spending has been incurred; therefore, it is important to note that the ending balance of \$174.9 million is not the fully committed balance. The fully committed balance at December 31 is \$129.0 million. Approved expenditures of \$34.3 million were incurred in 2020 and a remaining \$45.9 million in approved capital spending will occur in future years.

The 2020 ending balance for Discretionary Reserve funds is \$36.3 million which is an increase of \$4.7 million over the 2019 ending balance primarily due to annual contributions from operating for infrastructure renewal at town facilities.

Trust Funds

Funds segregated and held in trust in accordance with the specific terms of a statute or trust indenture total \$6.4 million at December 31, 2020 as detailed in the following table. Interest and investment earnings are allocated based on proportionate balance at year end in accordance with policy and procedures.

2020 Trust Funds (\$ Thousands)				
Trust Fund	2019 Ending Balance	2020 Activity		Balance at 2020-12-31
		Contributions	Transfers	
Cemetery Marker Care	347.0	18.4	8.4	357.0
Cemetery Perpetual Care	5,482.5	453.4	134.6	5,801.3
Library - Halton Information Providers	103.8	121.4	130.1	95.1
Burloak Canoe Club	35.0	0.9	-	35.9
Bronte Harbour Yacht Club	20.8	2.6	-	23.3
Oakville Power Boat Club	8.6	2.3	-	10.8
Bronte Community Tennis Club	23.0	0.6	-	23.6
Oakville Rugby Club	3.1	3.2	-	6.2
Oakville Yacht Squadron	2.0	2.1	-	4.1
Total	6,025.7	604.8	273.2	6,357.4

PURCHASING

In accordance with the Town's Purchasing By-law 2017-095, a summary of the competitive bids, contract renewals and sole source awards in excess of \$100,000 are reported to Council quarterly. Appendix E provides details of the awards and contract renewals in excess of \$100,000 for Q4.

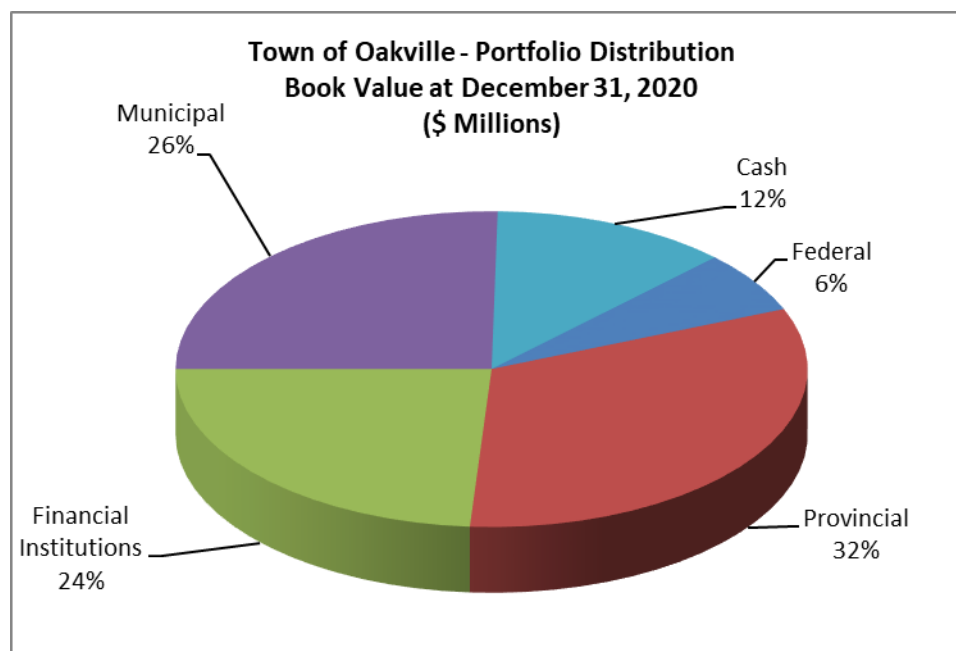
CASH MANAGEMENT and INVESTMENTS

Cash flows are managed to ensure the funding requirements of the town are met while providing for a reasonable rate of return on invested funds not needed in current operations. Throughout the year, a defensive investment stance was taken to ensure adequate liquidity, providing a stable cash outlook and the ability to meet all obligations. Staff continue to closely monitor the cash position and financial impacts related to the pandemic.

The investment strategy follows a conservative approach in order to mitigate term and interest rate risk by maintaining a portfolio structure of high-quality medium term investments. For the period ended December 31, 2020, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts was \$12.5 million, on a portfolio of cash and investments totaling \$491.6 million (book value). The annualized rate of return based on average cash and investment holdings was 2.40%, with an average maturity of 5.5 years.

In response to COVID-19 and the major economic impact associated with the pandemic, the Bank of Canada (BOC) cut the overnight interest rate by 1.5% in March to what is deemed the effective lower bound of 0.25%, and initiated historic bond purchase programs in order to support the economy. These measures continue to be in place, and have substantially lowered yields in fixed income. In the BOC's recent Monetary Policy Report, guidance was given that these support measures will continue well into the recovery and until the inflation objective of 2% is sustainably achieved. While recent data implies that inflation pressures may be imminent once the economy fully reopens, guidance indicates that rates will remain low for the foreseeable future. This will put downward pressure on bank interest and investment earnings over the coming years.

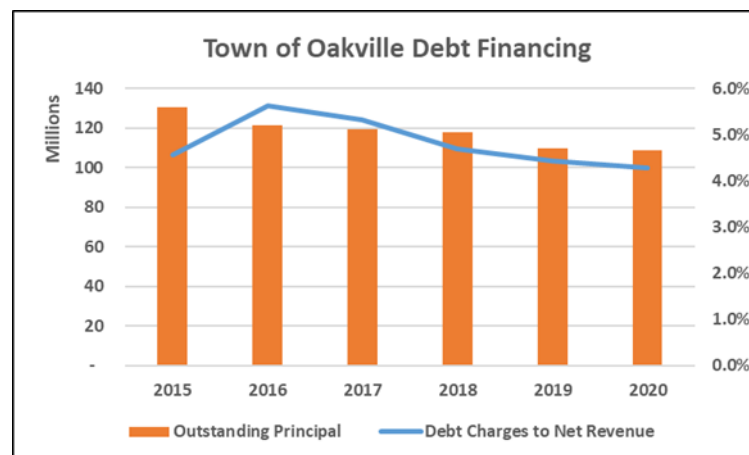
The chart below and Appendix F both provide further details on the components of the town's investment portfolio.



Debt

Debt financing complements the funding of capital works and is generally used for specific initiatives. Issuance of town debt is through Halton Region in compliance with provincial legislation. The Region completed a 2020 debt issuance in the spring, for which \$5.2 million was issued on behalf of the town for the Downtown Lakeshore Reconstruction and Streetscape project. With bond yields near all-time lows, the debenture financing for this project was secured at very favourable levels.

The town is in a strong financial position with total debt charges for the year at 4.29% of net own source revenue, which is well within town policy of 12% and the Ministry limit of 25%. The below chart displays the decline in principal outstanding over the past five years, and illustrates the prudent use of debt as a capital financing tool. Further details are provided in Appendix G.



Development Related Securities

Securities are required to ensure performance to town standards of development related work done by third parties. Staff monitor the progress of the various projects to ensure that adequate security is held by the town relative to the value of the outstanding work, and releases of securities are contingent on satisfactory inspection. At December 31st the town held \$148.7 million in securities, which is a decrease of 13% year over year. 83% are secured by letters of credit (the remainder are cash), and 29% of total securities have been held for more than 5 years.

CONSIDERATIONS:

(A) PUBLIC

This report provides information to the public regarding the town's financial performance for 2020 as of December 31, 2020. No specific groups have been notified directly regarding this report.

(B) FINANCIAL

This report and the information contained therein are in compliance with the town's financial policies.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Financial results have been estimated and reflected in consultation with the other departments

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:

- Reporting on the town's financial results is a key component of being an Accountable Government

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Appendix A – Operating Budget Variance Results

Appendix B – Capital Project Summary by Commission and Department

Appendix C – Summary of Capital Closures

Appendix D – Reserves and Reserve Funds

Appendix E – Purchasing Activity Greater than \$100,000

Appendix F – Investment Portfolio

Appendix G – Outstanding Debt

Appendix H – Municipal Act Reporting Requirements Report

Prepared by:

Jonathan van der Heiden

Deputy Treasurer and Director of Finance

Matt Day

Manager of Development Financing & Investments

Dalibor Stancovici

Manager of Financial Planning

Recommended by:

Jonathan van der Heiden

Deputy Treasurer and Director of Finance

Submitted by:

Nancy Sully

Commissioner of Corporate Services and Treasurer