



REPORT

Council

Meeting Date: June 21, 2021

FROM: Finance Department

DATE: June 8, 2021

SUBJECT: March 31st, 2021 Financial Results

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

That the staff report dated June 8, 2021, entitled *March 31st, 2021 Financial Results* from the Finance department, be received.

KEY FACTS:

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

- The Financial Results report presents the town's financial activities from January 1, 2021 to March 31, 2021.
- The total projected town variance after reserve transfers is \$4.72 million favourable.
- Total capital expenditures of \$56.7 million have been incurred during this period.
- A total of 19 capital projects have been identified for closure this period resulting in \$838.7 thousand being returned to reserves and reserve funds.
- A total of 15 tendered contracts and 3 single source awards in excess of \$100,000 were awarded during this period.

BACKGROUND:

This report provides an update regarding the town's financial activities from January 1, 2021 to March 31, 2021 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 financial results to date, the majority of town programs are projecting a favourable variance. This is primarily due to projected savings in personnel costs, though savings have been recognized in a number of other areas as well, which offsets revenue losses due to the COVID-19 pandemic.

COMMENT/OPTIONS:**OPERATING BUDGET**

Based on the March 31st results, the total projected town variance after reserve transfers is \$4.72 million favourable.

Program (\$ Millions)	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
Emergency Services	40.45	9.20	40.68	(0.23)
Road Network	25.83	10.50	24.49	1.34
Oakville Transit	28.17	6.24	27.41	0.76
Recreation and Culture	21.98	4.00	21.35	0.63
Parks and Open Spaces (incl. Cemetery and Harbours)	19.30	2.21	19.11	0.19
Oakville Public Library	10.21	2.45	9.87	0.35
Community Development	3.01	0.29	1.92	1.09
Political Governance	3.79	0.75	3.69	0.10
Municipal Enforcement (incl. Parking)	2.81	0.24	3.91	(1.10)
Corporate Support Services	32.94	7.00	31.34	1.60
Total Program Variance	\$ 188.49	\$ 42.87	\$ 183.77	\$ 4.72
Corporate Hearings & Litigation	0.50	0.23	4.12	(3.62)
Corporate Revenue & Expenses	(188.99)	(285.75)	(192.90)	3.90
Town Variance before transfers	\$ -	\$ (242.66)	\$ (5.00)	\$ 5.00
Policy Related and Recommended Transfers for Programs:				
Transfer (to)/from Building Enterprise Reserve				(0.07)
Transfer (to)/from Cemetery Reserve				0.00
Transfer (to)/from Harbours Reserve fund				(0.22)
Transfer (to)/from Parking Reserve fund				not recommended
Transfer (to)/from Election reserve				0.00
Total Town Variance after transfers				\$ 4.72

As shown above, the total projected Program variance is \$4.72 million favourable. Corporate Hearings and Litigation is projecting an unfavourable variance of \$3.62 million due to costs for the Glen Abbey hearing while Corporate Revenue and Expenses is projecting a favourable variance of \$3.90 million primarily due to General Safe Restart Agreement (SRA) Funding from the province with \$1,886,000 received for Phase 2 and a further \$2,853,709 expected to be received for Phase 3 later in 2021. The total Program variance combined with Corporate Hearings & Litigations and Corporate Revenues & Expenses shows a total town variance before transfers of \$5.00 million favourable.

Legislation requires any surplus/shortfall generated from building permit revenues to be transferred to/from the Building Enterprise Reserve. A transfer of \$0.07 million to the Building Enterprise Reserve is projected. Town policy is to balance any surplus/deficit for Cemeteries, Harbours, Parking, and Election to their own program specific reserves. Cemeteries and Election are projecting to be on budget. Harbours is projecting a surplus of \$0.22 million which town staff will likely recommend to be transferred to the Harbours reserve fund as normal at year-end.

Parking continues to be significantly impacted by the COVID-19 pandemic and is projecting a deficit of \$1.38 million. In 2020, the town did not transfer from the Parking reserve fund to cover the shortfall given the impact of the pandemic and the provision of Safe Restart Funding provided by the province. It is staff's expectation that a similar approach will be recommended this year. After all policy related and recommended transfers, the total projected town variance after transfers is \$4.72 million favourable.

COVID-19 Impact

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. The total projected COVID-19 impact to year-end is \$8.63 million as shown below with \$7.12 million due to revenue loss and \$1.51 million due to additional costs.

COVID-19 Impact (\$ Millions)	2021 Variance to Budget
Revenue Loss	
Recreation and Culture	(4.65)
Transit	(0.97)
Parking	(0.81)
Municipal Accomodation Tax	(0.33)
Galleries	(0.15)
Other Programs	(0.21)
Total Revenue Loss	\$ (7.12)
Additional Costs	
Personnel Services and Benefits	(0.90)
Materials and Supplies	(0.16)
Purchased Services	(0.45)
Total Additional Costs	\$ (1.51)
Total COVID-19 Impact projected to year-end	\$ (8.63)

Revenue Loss

Significant COVID-19 related revenues losses include:

- Recreation and Culture is projecting revenue loss of \$4.65 million. The revised assumptions used for year-end projections include actuals for January to March and a further 26% revenue shortfall for April to December based on the 2021 budget to year-end.
- Transit is projecting revenue loss of \$0.97 million. The revised assumptions used for year-end projections include actuals for January to March and a further 24% revenue shortfall for April to December based on the 2021 budget to year-end.
- Parking is projecting revenue loss of \$0.81 million. The revised assumptions used for year-end projections include actuals for January to March and a

further 21% revenue shortfall for April to December based on the 2021 budget to year-end.

Additional Costs

Additional costs are projected primarily in personnel services for more municipal enforcement officers to assist with COVID-19 enforcement in the community. Also, some Recreation staff have been redeployed to assist with Parks maintenance due to a significant increase in visitors to parks. Materials & supplies and purchased services include additional COVID-19 related purchases including safety signs in Parks, safety supplies as well as additional equipment rental, cleaning, installation of touchless dispensers, more frequent replacement of air filters and air balancing work at town facilities.

Program Variance

Mitigation efforts continue and savings in expenditures are projected to be realized to offset the impact from the pandemic. Despite the total projected COVID-19 impact of \$8.63 million, the total projected Program variance is \$4.72 million favourable as shown below. The most significant variances to budget by expense and revenue type are discussed below.

\$ Millions	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	166.84	33.98	158.45	8.40
MATERIALS & SUPPLIES	22.87	5.69	22.23	0.64
CAPITAL OUT OF OPERATIONS	0.30	0.11	0.36	(0.05)
PURCHASED SERVICES	35.64	13.43	34.65	1.00
PAYMENTS & GRANTS	5.18	1.16	4.69	0.49
INTERNAL EXPENSES & TRANSFERS	36.57	4.69	36.06	0.51
Total EXPENSES	\$ 267.41	\$ 59.06	\$ 256.42	\$ 10.99
REVENUES				
EXTERNAL REVENUES	(55.41)	(11.94)	(49.48)	(5.93)
INTERNAL RECOVERY & FUND TRSFS	(23.50)	(4.25)	(23.17)	(0.33)
Total REVENUES	\$ (78.92)	\$ (16.20)	\$ (72.65)	\$ (6.26)
Total Program Variance	\$ 188.49	\$ 42.87	\$ 183.77	\$ 4.72

Personnel Services & Benefits - \$8.40 million favourable. These savings are higher than normal, mainly in Recreation & Culture and Transit, due to reduced programming and services being projected. Also, the town continues to mitigate the COVID-19 impact of revenue loss and additional costs by keeping positions vacant and only filling critical positions.

Materials & Supplies - \$0.64 million favourable. These savings are primarily attributed to utilities (heat, hydro, water) mainly in Recreation and Culture due to the closure of various facilities and reduced programming being projected.

Purchased Services - \$1.00 million favourable. These savings are primarily attributed to instructor and performer fees and programming costs in Recreation and Culture due to reduced programming being projected. Also, demand for specialized Transit service has been lower than normal and this is expected to continue over the next few months resulting in estimated savings in taxis.

Payments & Grants - \$0.49 million favourable. These savings are primarily due to reduced Presto fees and bank service fees given the reduced number of payment transactions.

Internal Expenses & Transfers - \$0.51 million favourable. These savings are primarily due to lower internal charges for equipment usage which is offset by lower internal recoveries.

External Revenue - \$5.93 million unfavourable. Although revenue loss due to COVID-19 is projected to be \$7.12 million as discussed in the previous section, some programs (Parks, Harbours and Municipal Enforcement) are projecting higher revenues due to unbudgeted grants for Parks and Municipal Enforcement and higher revenue for finger docks in Harbours for a net revenue loss of \$5.93 million.

Internal Recovery & Fund Transfers - \$0.33 million unfavourable. This is primarily due to lower recoveries from capital projects for staff time given the efforts to keep various positions vacant and only fill critical positions, as well as lower recoveries for equipment usage.

The most significant variances to budget by program area are discussed below. Appendix A provides more detail of the 2021 projected variance by program area.

Recreation and Culture - \$0.63 million favourable

The projected variance is primarily due to \$3.41 million in personnel savings given reduced programming being projected to year-end and keeping positions vacant that are not critical in order to mitigate the impact of the pandemic. Savings in materials and supplies (\$0.65 million) and purchased services (\$0.87 million) are also projected due to savings on utilities as well as instructor and performer fees and other programming costs given the closure of various facilities and reduced programming being projected. Revenue loss of \$4.65 million is projected and the revised assumptions used for year-end projections include actuals for January to March and a further 26% revenue shortfall for April to December based on the 2021 budget remaining.

\$ Millions	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	21.84	3.25	18.43	3.41
MATERIALS & SUPPLIES	5.18	1.06	4.53	0.65
CAPITAL OUT OF OPERATIONS	0.07	0.01	0.05	0.02
PURCHASED SERVICES	4.27	0.62	3.40	0.87
PAYMENTS & GRANTS	1.01	0.31	0.79	0.22
INTERNAL EXPENSES & TRANSFERS	4.50	0.21	4.38	0.12
Total EXPENSES	\$ 36.86	\$ 5.47	\$ 31.58	\$ 5.29
REVENUES				
EXTERNAL REVENUES	(14.36)	(1.50)	(9.71)	(4.65)
INTERNAL RECOVERY & FUND TRSFS	(0.52)	0.03	(0.51)	(0.01)
Total REVENUES	\$ (14.89)	\$ (1.47)	\$ (10.23)	\$ (4.66)
Total Recreation and Culture	\$ 21.98	\$ 4.00	\$ 21.35	\$ 0.63

Oakville Transit - \$0.76 million favourable

The projected variance is primarily due to \$0.48 million in purchased services savings given the reduced need to use taxis to provide specialized service. Transit Operations and Maintenance are also projecting a combined \$0.25 million favourable variance. This is due to savings from reduced staffing and the Presto fare settlement fee which fluctuates with revenue. Oakville Transit's ridership has been less than expected due to the most recent lockdown and stay at home order. However, the associated revenue shortfall has been more than offset by savings on expenses. In light of the extended and ever changing pandemic related orders and regulations, Oakville Transit has taken a conservative approach to Q1 projections.

The town is eligible to receive an allocation of up to \$3,071,331 under the Safe Restart Agreement (SRA) Phase 2 funding from the Provincial government to support with COVID-19 municipal transit pressures with payments based on eligible expenditures incurred from October 1, 2020 to March 31, 2021. The town recognized \$549,275 of the Phase 2 funding for eligible expenditures incurred from October 1, 2020 to December 31, 2020. The balance of \$2,522,056 is available for eligible expenditures incurred between January 1, 2021 and March 31, 2021. It is unlikely that the town will use the entire available balance for this period and there is currently no option to extend the Phase 2 eligibility period for any unused funding. Phase 2 SRA funding is not included in year-end projections at this time as staff will complete the submission for reimbursement at the end of May and will report to Council in the next financial report the amount of funding recognized.

The town is also eligible for an allocation of up to \$2,381,326 under the SRA Phase 3 funding to address additional COVID-19 related financial impacts with payments based on eligible expenditures incurred from April 1, 2021 to December 31, 2021. "The Province may also, at its sole discretion and on a case-by-case basis, grant

extensions to the Phase 3 eligibility period for costs incurred after December 31, 2021 but prior to January 1, 2023.” Phase 3 SRA funding is not included in the year-end projections at this time as staff will complete the submissions for reimbursement throughout 2021 and will report to Council in future financial reports the amount of funding recognized.

\$ Millions	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	21.00	4.18	19.83	1.17
MATERIALS & SUPPLIES	4.56	0.90	4.55	0.01
CAPITAL OUT OF OPERATIONS	0.01	0.01	0.01	(0.00)
PURCHASED SERVICES	3.61	1.12	3.13	0.48
PAYMENTS & GRANTS	0.91	0.12	0.79	0.12
INTERNAL EXPENSES & TRANSFERS	4.66	0.00	4.66	(0.00)
Total EXPENSES	\$ 34.73	\$ 6.33	\$ 32.96	\$ 1.77
REVENUES				
EXTERNAL REVENUES	(4.47)	(0.09)	(3.46)	(1.00)
INTERNAL RECOVERY & FUND TRSFS	(2.10)	(0.01)	(2.09)	(0.01)
Total REVENUES	\$ (6.57)	\$ (0.10)	\$ (5.56)	\$ (1.01)
Total Oakville Transit	\$ 28.17	\$ 6.24	\$ 27.41	\$ 0.76

Municipal Enforcement (including Parking) - \$1.10 million unfavourable

The projected variance is primarily due to additional personnel (\$0.60 million) required to address COVID-19 related concerns in the community. Net revenue loss of \$0.53 million is projected primarily due to \$0.81 million revenue loss in Parking which is partially offset by a \$0.34 million COVID-19 grant from the Region for extra municipal enforcement costs.

\$ Millions	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	4.84	1.09	5.43	(0.60)
MATERIALS & SUPPLIES	0.32	0.04	0.24	0.08
CAPITAL OUT OF OPERATIONS	0.00	-	-	0.00
PURCHASED SERVICES	1.52	0.30	1.58	(0.06)
PAYMENTS & GRANTS	0.57	0.06	0.57	0.00
INTERNAL EXPENSES & TRANSFERS	2.25	0.53	2.25	(0.00)
Total EXPENSES	\$ 9.51	\$ 2.01	\$ 10.08	\$ (0.57)
REVENUES				
EXTERNAL REVENUES	(4.92)	(1.46)	(4.40)	(0.53)
INTERNAL RECOVERY & FUND TRSFS	(1.78)	(0.31)	(1.78)	0.00
Total REVENUES	\$ (6.70)	\$ (1.78)	\$ (6.17)	\$ (0.53)
Total Municipal Enforcement (incl. Parking)	\$ 2.81	\$ 0.24	\$ 3.91	\$ (1.10)

Road Network - \$1.34 million favourable

The projected variance is primarily due to \$1.12 million in personnel savings of which \$0.40 million is in the crossing guard program due to COVID-19 impacts and the balance in savings coming from various vacancies.

\$ Millions	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	15.98	3.33	14.86	1.12
MATERIALS & SUPPLIES	6.51	2.09	6.49	0.03
CAPITAL OUT OF OPERATIONS	0.09	0.00	0.10	(0.01)
PURCHASED SERVICES	9.63	7.22	9.57	0.07
PAYMENTS & GRANTS	1.35	0.33	1.34	0.01
INTERNAL EXPENSES & TRANSFERS	7.22	0.90	7.09	0.13
Total EXPENSES	\$ 40.79	\$ 13.88	\$ 39.45	\$ 1.35
REVENUES				
EXTERNAL REVENUES	(5.12)	(1.42)	(5.21)	0.09
INTERNAL RECOVERY & FUND TRSFS	(9.84)	(1.95)	(9.75)	(0.09)
Total REVENUES	\$ (14.96)	\$ (3.38)	\$ (14.95)	\$ (0.01)
Total Road Network	\$ 25.83	\$ 10.50	\$ 24.49	\$ 1.34

Community Development - \$1.09 million favourable

The projected variance is primarily due to \$1.07 million in personnel savings for various vacancies in Planning Services and Development Services. As of March 31, actual revenue earned represents 26% of the annual budget and is currently projected to be on budget at year-end.

\$ Millions	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	14.41	3.19	13.33	1.07
MATERIALS & SUPPLIES	0.08	0.02	0.08	(0.00)
CAPITAL OUT OF OPERATIONS	0.01	-	0.01	-
PURCHASED SERVICES	0.51	0.12	0.48	0.03
PAYMENTS & GRANTS	0.11	0.02	0.12	(0.01)
INTERNAL EXPENSES & TRANSFERS	8.07	1.85	8.07	(0.00)
Total EXPENSES	\$ 23.18	\$ 5.19	\$ 22.08	\$ 1.10
REVENUES				
EXTERNAL REVENUES	(17.16)	(4.40)	(17.15)	(0.01)
INTERNAL RECOVERY & FUND TRSFS	(3.01)	(0.50)	(3.01)	(0.00)
Total REVENUES	\$ (20.17)	\$ (4.90)	\$ (20.16)	\$ (0.01)
Total Community Development	\$ 3.01	\$ 0.29	\$ 1.92	\$ 1.09

Corporate Support Services - \$1.60 million favourable

The projected variance is primarily due to \$1.93 million in personnel savings for various vacancies spread throughout corporate support services. These positions have been left vacant to mitigate the impact of the pandemic.

Revenue shortfall of \$0.33 million is projected primarily due to lower municipal accommodation tax (MAT) revenue, which is in fact offset by an equal reduction in transfers to the local tourism board and the MAT reserve. Lower internal recovery and fund transfers of \$0.21 million are attributed to lower recoveries from capital projects for Facilities and Construction Management staff time given the efforts to keep various positions vacant and only fill critical positions.

\$ Millions	2021	2021	2021	2021
	Annual Budget	Q1 Actuals+ Commitments	Q1 Year-end Projection	Variance to Budget
EXPENSES				
PERSONNEL SERVICES & BENEFITS	27.93	5.61	26.00	1.93
MATERIALS & SUPPLIES	1.09	0.29	1.19	(0.11)
CAPITAL OUT OF OPERATIONS	0.03	0.00	0.03	0.00
PURCHASED SERVICES	8.31	2.33	8.30	0.00
PAYMENTS & GRANTS	0.42	0.07	0.28	0.15
INTERNAL EXPENSES & TRANSFERS	0.34	0.03	0.16	0.17
Total EXPENSES	\$ 38.11	\$ 8.33	\$ 35.97	\$ 2.14
REVENUES				
EXTERNAL REVENUES	(1.86)	(0.35)	(1.53)	(0.33)
INTERNAL RECOVERY & FUND TRSFS	(3.31)	(0.98)	(3.09)	(0.21)
Total REVENUES	\$ (5.17)	\$ (1.32)	\$ (4.62)	\$ (0.54)
Total Corporate Support Services	\$ 32.94	\$ 7.00	\$ 31.34	\$ 1.60

CAPITAL BUDGET

The total cumulative approved capital budget for active projects is \$532.5 million. During this period, total expenditures of \$56.7 million have been incurred in 2021, bringing the total life-to-date or cumulative spending in active projects to \$406.8 million. Appendix B shows more information on total approved budget and expenditures by program.

Some of the major projects underway with 2021 spending are shown below.

Capital Project	LTD Approved Budget	2021 Expenditures	Total LTD Expenditures (incl. Prior Yrs)
53311006 6th Line-Dundas to William Hal	11,006,000	9,418,383	12,097,554
53311410 Speers Rd - GO Station W of 3rd Line to 4th Line	30,744,000	4,188,185	27,101,173
54412007 Replacement Buses	4,170,000	4,162,296	4,184,296
53321504 Downtown Lakeshore - Reconstruction/Streetscape	25,163,700	3,272,839	25,639,973
53371505 Vista Promenade - Shoreline Protection	2,761,000	2,330,300	2,708,369
52272101 EAB Management Program	2,374,500	1,814,684	1,814,684
54411903 Major Vehicle Refurbishment	5,188,000	1,814,119	4,226,089
47801901 Museum - Coach House Renovation	2,750,000	1,631,164	1,930,441
52212010 Bronte Green (Merton) Parks and NHS Trails	1,050,000	1,044,602	1,044,602
52902002 Dock Renewal	1,100,000	1,032,042	1,078,398
Total	\$ 86,307,200	\$ 30,708,614	\$ 81,825,579

Capital Budget Transfers and Closures

In accordance with the Financial Control Policy, 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 during this period.

Project	Transfer TO/ (FROM)
52211808 - Shieldbay Village Square 1	(70,000)
52211908 - St. Ann's Park (Hixon)	70,000

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 required funding was approved by the CAO in this period.

Project No.	Project Title	Total Approved	Financing	Note
36102120	Trafalgar Rd Widening Fibre Work	\$ 266,370	General Capital Reserve/ Recovery - Region	Fibre optics funding for the widening of Trafalgar Road. There will be a 50% recovery from Halton Region.
52901902	Bronte Harbour Dredging	\$ 110,000	Harbours Reserve	Additional costs due to Ministry of Environment, Conservation and Park retracting the original permit. Contractor incurred additional mobilization costs for the equipment, reinstallation of the loading / unloading dock and is required to deploy additional turbidity curtains within the work zone at the request of MECP and DFO.
63502101	Property/Land Development Model	\$ 100,000	Provincial Grant	A new capital project for "Property/Land Development Approval Service Review" to facilitate the review has been created and will be fully funded by the Government of Ontario under the Audit and Accountability fund.

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

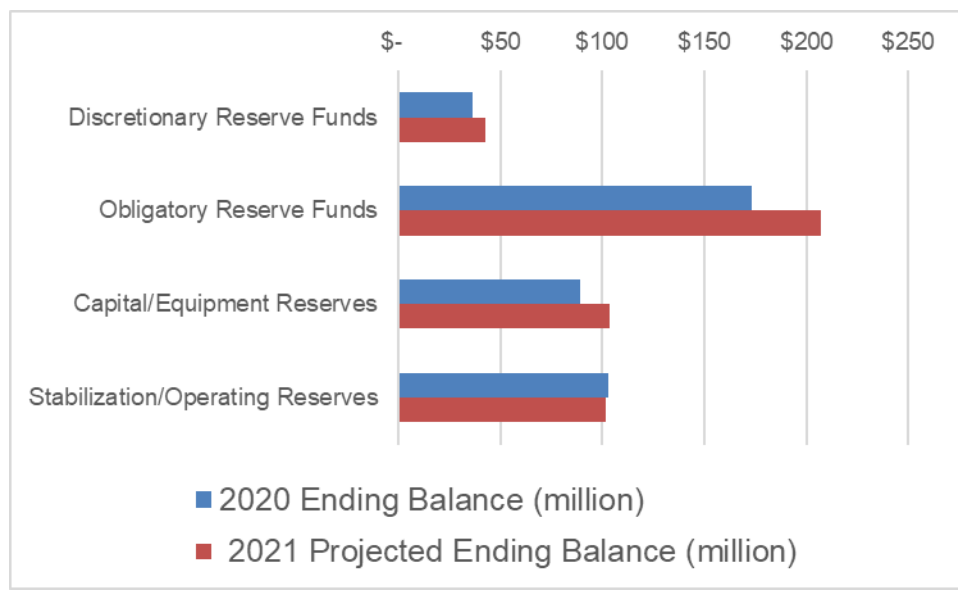
goes into service that the projects are closed. As a result of the review during this period, a total of 19 projects will be closed. These closures represent a net savings of \$838.7 thousand that will be returned to reserves and reserve funds of which \$157.4 thousand will be returned to town capital and equipment reserves and \$681.3 thousand 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	56,360.8	55,522.1	838.7	157.4	681.3	838.7
CAO Authority	-	-	-	-	-	-
Net Impact	\$ 56,360.8	\$ 55,522.1	\$ 838.7	\$ 157.4	\$ 681.3	\$ 838.7

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. Reserve Funds are established by Council for a specific purpose, and include funds that have been set aside in accordance with legislative requirements or at the discretion of Council. As such, the town has both obligatory reserve funds and discretionary reserve funds. 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. 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. Trust funds are held by the town for the benefit of other agencies or entities in accordance with specific statutes or trust indenture.

The 2020 ending balances, and 2021 projected ending balances are shown below with further details of individual reserve and reserve funds in Appendix D.



*Note: 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

Stabilization and Operating reserves are expected to remain stable over the course of the year, and have adequate funding for the recommendations included in this

report. Should there be increased COVID related or other unforeseen impacts to the town, these reserves are healthy and would be available to support such pressures. Capital related reserves are expected to increase, as transfers to these reserves for future capital needs exceed the anticipated capital outlay in 2021.

Reserve Funds

Obligatory Reserve Funds, which include Development Charges, cash in lieu of Parkland, provincial and federal Gas Tax, are expected to increase from \$173.5 million to \$207 million as expected revenue exceeds current year capital needs. Legislation for these reserve funds requires that funding only be transferred to capital projects once spending has been incurred; therefore, it is important to note that the fully committed balance when considering all approved funding is projected to be \$178 million at year end.

Discretionary Reserve funds are expected to remain stable throughout the year. While Parking is anticipating a shortfall, the potential use of SRA funding may be available to support the program.

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 March 31, 2021 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.

2021 Trust Funds (\$ Thousands)				
Trust Fund	2020 Ending Balance	2021 Activity		Balance at 2021-03-31
		Contributions	Transfers	
Cemetery Marker Care	357.0	1.3	-	358.2
Cemetery Perpetual Care	5,801.3	74.2	-	5,875.5
Library - Halton Information Providers	95.1	-	-	95.1
Burloak Canoe Club	35.9	-	-	35.9
Bronte Harbour Yacht Club	23.3	2.0	-	25.3
Oakville Power Boat Club	10.8	2.0	-	12.8
Bronte Community Tennis Club	23.6	-	-	23.6
Oakville Rugby Club	6.2	3.0	-	9.2
Oakville Yacht Squadron	4.1	2.0	-	6.1
Total	6,357.4	84.4	-	6,441.8

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 this quarter.

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. As the town navigates through the pandemic, a defensive investment stance continues to be taken to ensure adequate liquidity, providing a stable cash outlook and the ability to meet all obligations.

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 March 31, 2021, gross investment revenue from realized interest income and capital gains/losses, net of amortized premiums/discounts was \$2.6 million, on a portfolio of cash and investments totaling \$566.7 million (book value). The annualized rate of return based on average cash and investment holdings was 1.86%, with an average maturity of 5.5 years.

The Bank of Canada has held the target for the overnight interest rate at the effective lower bound of 0.25% since March 2020, and initiated historic bond purchase programs in order to support the economy. This extraordinary monetary policy support will continue to be in place until target inflation of 2% is sustainably achieved, which is not expected until the latter half of 2022. While recent data shows higher inflation towards 3%, these numbers are transitory in nature and it is expected that inflation will ease back towards 2% later this year. The low interest rate environment for the foreseeable future will put downward pressure on bank interest and investment earnings. Appendix F provides 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 debt issuance in the May, for which \$1.1 million was issued on behalf of the town for the replacement of dockage at Oakville Harbour. With Halton's AAA credit rating and bond yields near recent lows, the debenture financing for this project was secured at very favourable levels.

Total principal outstanding at the beginning of the year was \$106.4 million, and will decline to \$99.2 million at year end. The town is in a strong financial position with total

debt charges for the year at 4% of net own source revenue, which is well within town policy of 12% and the Ministry limit of 25%. 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. Securities are generally held for site plan and subdivision related residential and non-residential development (85%) as well as specific property related works. At March 31st the town held \$146.3 million in securities, and 88% are secured by letters of credit (the remainder are cash).

CONSIDERATIONS:

(A) PUBLIC

This report provides information to the public regarding the town's financial performance for 2021 as of March 31, 2021. 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

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