

COMMITTEE OF THE WHOLE 2 – SEPTEMBER 22, 2020**2019 DRAFT CITY CONSOLIDATED FINANCIAL STATEMENT HIGHLIGHTS****Financial Assets****Cash and Cash Investments**

- Cash balance totals \$779.7M (2018, \$730.4M)
- Net increase cash \$49.3M (2018, increase of \$234.7M)
- Net increase in cash from operating activities \$111.0M (2018, \$336.5M)
- Significant items not involving cash
 - Amortization \$76.7M (2018, \$74.0M)
 - Contributed tangible capital assets \$486.6M (2018, 316.2M)
 - Assumed assets increased in 2019. Land and land improvements increased by \$136.5M, roads infrastructure increased by \$12.8M and water and wastewater and storm infrastructure increased by \$21.1M.
 - Share of net earnings of Hydro Vaughan Corps \$10.8M (2018, \$25.2M)
 - Decrease due lower income from Alectra \$49M (2018, \$115M) due to:
 - Increased cost of power due to inclusion of Guelph Hydro
 - Higher operating expenses due to wage and benefit inflation and the amalgamation with Guelph Hydro
 - Higher amortization cost
 - Higher net finance costs
 - Offset by:
 - Higher distribution revenue
 - Lower income taxes
 - Higher other revenue to due to higher consulting and billing services
 - Increase in deferred revenues – obligatory reserve funds \$2.2M (2018, \$208.1M)
Lower increase in 2019 due to volume of prepayments of development charges before new development charge rates implemented in 2018.
- Net decrease in cash from capital activities \$82.2M (2018 \$126.5M)
 - Cash used to acquire tangible capital assets \$82.3M (2018, \$126.6M)
- Net increase in cash from financing activities \$5.5M (2018 \$2.5M)
 - Debenture and other debt repaid \$6.8M (2018, \$13.6M)
 - Debenture and other debt incurred \$12.3M (2018, \$16.1M)
 - Debt incurred relates to amount owing re YMCA construction interest
- Net increase in cash from investing activities \$15.0M (2018, \$22.2M)
 - Decrease in cash due to increase in investments \$1.3M (2018, \$1.4M)
 - Increase in cash from Investment in Hydro Vaughan Corporations is \$16.3M(2018, \$23,7M) made up of operating dividends on solar and common shares, \$14.3M, a capital dividend on solar shares of \$2.0M from Alectra to Vaughan Holdings Inc. In 2018, the increase is made up of repayment of deferred interest on note receivable of \$8.8M, operating dividends on solar and common shares \$12.7M and a capital dividend of \$2.2M on solar shares from Vaughan Holdings Inc.

Taxes Receivable

- Taxes receivable are monies owing from property owners as at December 31st, 2019 and include the City's portion, Regional portion and the Provincial portion for education
- Taxes receivable totals \$48.2M (2018, \$47.8M)
 - Increase of \$0.4M primarily due to timing

Water and Wastewater Receivable

- The water and wastewater receivables total \$25.2M (2018, \$23.1M). Increase of \$2.1M primarily due to the 2019 rate increase of 9.9%

Investments

- Investments total \$88.6M (2018, \$87.3M)
 - Increase of \$1.3M primarily related to an increase in investment with CIBC Mellon of \$2.4M offset by a decrease in investment in municipal bonds of \$1.1M

Accounts Receivable

- The City's accounts receivable totals \$21.6M (2018, \$22.3M)
- Comprise a wide range of monies owing from various levels of government, outside agencies, and businesses
 - Decrease of \$0.7M mainly due the following:
 - a decrease of \$4.2M in HST receivable due to a CRA review of June and Sept 2018 -- funds withheld during the review were subsequently released in 2019.
 - Offset by an increase of \$3.3M in miscellaneous receivables

Investment in Hydro Vaughan Corporations

- Investment is increased by share of cash invested and Alectra's net income but is decreased by receipt of dividends
- Vaughan Holdings Inc. (VHI) – 20.5% (2018 21.49%) share of Alectra
- Hydro Vaughan Energy Corporation – 100% subsidiary of VHI
- 1446631 Ontario Inc. – inactive – 100% owned by COV
- Investment in Hydro Vaughan Corporations is \$629.3M (2018, \$635.9M)
 - Gain on merger with Guelph Hydro Electric Systems Inc - \$1.0M (2018 – nil)
 - Share of net earnings Hydro Vaughan Corporations - \$10.8M (2018 - \$25.2M)
 - Reduction of dividends paid from VHI to the City of Vaughan (COV) - -\$14.3M (2018 - -\$12.7M)
 - Return of capital on solar shares from Alectra to VHI – -\$2.0M (2018, -\$2.2M)
 - Return of capital on solar shares form VHI to the COV - -\$2.0M (2018, -\$2.2M)
- PowerStream Holdings merged with Horizon Holdings and Enersource Holdings on February 1, 2017
- On February 28, 2017, the newly merged company named Alectra acquired Hydro One Brampton Networks
- Ring Fenced Solar business retained as an operating subsidiary of Alectra and existing PowerStream shareholders retain ownership of the economic interests in those assets represent by Class S of Common Shares
- On January 1, 2019 Alectra amalgamated with Guelph Hydro Electric Systems Inc. VHI's percentage of ownership reduced to 20.5% from 21.49%

LIABILITIES

Accounts Payable and Accrued Liabilities

- City liabilities represent accrued and general liabilities to suppliers and contractors, outside agencies, other governments, as a result of operating fund activity, capital fund activity and legislative financial obligations to the York Region and School Boards
- Balance at December 31, 2019 was \$125.1M (2018, \$101.4M)
 - Increase of \$23.7M is primarily due to an increase in the year-end amount owing to the York Region primarily for development charges collected of \$22.3M, an increase in the year-end amount owing to the School Boards \$3.2M offset by a reduction of \$1.8M in trade payables and other accruals

Employee Future Benefit Liability

- Employee Future Benefit Liability totals \$144.8M (2018, \$134.2M)
- Includes:
 - Post retirement non-pension benefits \$129.9M (2018, \$120.9M)
 - Accrued Vacation Pay \$7.6M (2018, \$6.6M)
 - Workplace Safety and Insurance Board (WSIB) \$7.2M (2018, \$6.7)
- Post retirement non-pension benefits are based on 2017 actuarial study
- Represents the retirement benefits that have accrued over the service life of city employees to-date but not yet paid (ie. medical and dental)
- Costs of these benefits are recognized annually in the financial statements as the employees render their service
- A portion of these liabilities that are not funded annually are netted against the accumulated surplus
- To fund this liability, Council approved the creation of a reserve for post employee's retirement benefits, which now totals \$29.9M (2018, \$25.6M)
 - \$1.4M received in 2019 from Great West Life as a refund of claim reserves held - transferred directly to post employee retirement benefit reserve
- Vacation entitlement is earned during the course of employment and this liability represents the unused portion
- The WSIB valuation is based on a 2017 actuarial study
- WSIB liability represents the future expected claims and the liability is now \$7.2M due to an increased number of firefighters on WSIB for post-traumatic stress which is now fully funded by WSIB
- The WSIB reserve is \$1.3M (2018, \$1.2M)
 - \$75,000 is budgeted annually as the transfer to the WSIB reserve

Deposits and Deferred Revenue

- Deposits and Deferred Revenue represent pre-paid funds from developers, builders and other parties held by the City for capital projects to be constructed or various City services to be rendered in the future
- Deposits and deferred revenue total \$40.0M (2018, \$40.0M)

Deferred Revenue – Obligatory Reserve Fund

- Development Revenue – Obligatory Reserve Fund includes
 - Development charges
 - Cash in-lieu of parkland
 - Sub-divider contributions
 - Funds set aside from building permits under the Building Standards Act
 - Unused gas tax funds and other Provincial and Federal grants
- Funds considered liabilities as they are non-discretionary in terms of use and represent capital work obligations to be constructed by the City in the future

	2019	2018
Recreational land (The Planning Act)	\$ 72,544,521	\$ 67,884,484
Development Charges Act	482,519,449	493,043,286
Subdivider contributions	15,217,466	13,080,990
Federal Gas Tax Revenues	34,015,694	27,395,908
Building Standards Act	12,233,461	12,847,968
Ontario Grants	2,652,245	2,753,115
	\$ 619,182,836	\$ 617,005,751

Debenture and Other Debt

- Debenture and other debt total \$64.6M (2018, \$59.1M)
- Consists of sinking fund debentures, serial debentures and other development related debt.
- 2019 debt ratio is 2%, well within the Provincial Debt limit of 25% and the City's Debt policy limit of 10%
 - Increase of \$5.5 M due to debt repayment of \$6.8M offset by new debt issued in 2019 of \$12.3M which is the debt payable to the YMCA for construction of the city library and recreation space in the Vaughan Metropolitan Centre

Non-Financial Assets

- Non-financial assets are the City's tangible capital assets and prepaid expenses
- Tangible capital assets comprise the land and capital assets that are available and used to provide the necessary services to the citizens of Vaughan
- The tangible capital assets net book value as at December 31, 2019 total \$9.0B (2018, \$8.6B)
- Net book value is comprised of the gross capital asset cost plus additions, less disposals, less the accumulated amortization and adjustments
- Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put into service
- The 2019 amortization expense was \$76.7M (2018, \$74.0M)
- Assets under construction totalling \$199.3M (2018, \$174.1M) will not be amortized until the assets are brought into service
 - Refer to Note 9 of the Draft Consolidated Financial Statements for a breakdown of tangible capital assets

Accumulated Surplus

- Consists of:
 - Investment in tangible capital assets
 - Investment in Hydro Vaughan Corporations
 - Discretionary reserves
 - Amounts to be recovered in future years – debt and employee future benefits
 - Opening operating and capital fund balances
- The accumulated surplus at December 31, 2019 is \$9.6B (2018, \$9.1B)
- Discretionary reserves increased to \$320.7M (2018, \$302.2M)
 - Refer to Note 10 of the Draft Consolidated Financial Statements for a further breakdown of the Accumulated Surplus

Annual Surplus

- The Annual Surplus is a result of the accrual basis of accounting as required under

Canadian Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB). The cash basis of accounting used in the preparation of the budget (management reporting) will not yield the same result.

- Statutory financial statements present an annual surplus for the year end December 31, 2019 is \$494.2M (2018, \$357.8M) versus breakeven results in 4th quarter Fiscal Health Report
- Significant differences between Statutory financial statements versus from 4th quarter Fiscal Health Report due to statutory reporting requirements include:
 - Contributed assets \$486.6M (2018, \$316.2) included in statutory reporting revenue not in Fiscal Health Report
 - Statutory reporting for all Vaughan Hydro Corporations are done on an equity pick up basis, which includes 20.5% (2018-21.49%) of Alectra income less dividends received from Alectra, 100% of VHI net income and 100% of HVEC net loss while 4th quarter results include 75% of Alectra dividends from VHI and do not include the net income or loss of VHI and HVEC
 - Statutory reporting expenses includes amortization of tangible capital assets of \$76.7M (2018, \$74.0M) versus reserve contributions of \$37.8M in 4th quarter Fiscal Health Report
 - Statutory reporting includes an adjustment for the decrease in the City's equity interest in the net assets of Alectra of \$2.0M (2018, decrease \$2.2M) not included in 4th quarter Fiscal Health Report

Audit of Vaughan Tourism Corporation

- On March 19th, 2019, Council approved a Bylaw allowing the City to levy a four per cent Municipal Accommodation Tax (MAT) on the purchase of transient accommodations including hotels, motels and bed and breakfasts in Vaughan effective April 1, 2019. Pursuant to Ontario Regulation 435/17, at least 50 percent of the MAT revenue must be shared with a Tourism promotion entity.
- The Corporation of the City of Vaughan established a municipal service corporation, Tourism Vaughan Corporation, to serve as the City's tourism promotion entity. Tourism Vaughan Corporation was incorporated on May 15th, 2019.
- The Financial Statements of Tourism Vaughan Corporation are included in the attached financial statement package and are also included in the City of Vaughan Consolidated Financial Statements.
- 2019 Revenue was \$1.1M, 50% of total MAT collected by the City
- 2019 Expenses were \$0.2M and included professional fees to set up the website for hoteliers and salary for the Manager of Tourism
- 2019 Net Profit was \$0.9M

Audit of the Mayor's Gala and Golf Events Statement of Revenue/Expenses and Fund Balance

- All Gala and Golf revenue and expenses through the City of Vaughan books have always been included in the City's consolidated financial statements
- Note that donations made at the Gala are provided directly to the MacKenzie Health Foundation and are not reflected in the City of Vaughan published results. As such, the audited statement does not include \$40 million donated by the Cortellucci family to the Mackenzie Health Care Foundation.
- A total of \$67.6 million has been raised through Golf and Gala events since 2011 but not all donations flow through the City of Vaughan's books (as noted above).