

Committee of the Whole (2) Report

DATE: Wednesday, May 12, 2021

WARD(S): ALL

TITLE: 2020 YEAR END FISCAL HEALTH REPORT

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: FOR INFORMATION

Purpose

To report on the City's fiscal health for the year ending December 31, 2020.

Report Highlights

- The City's property tax supported operations ended 2020 with a surplus of \$3.1 million, largely attributed to lower than budgeted labour costs and receipt of Federal-Provincial COVID emergency assistance funding.
- Transfers of \$0.5 million to the Year-End Expenditure Reserve and \$2.6 million to the Tax Stabilization Reserve were made to bring the ending financial position to balance.
- Combined, the rate supported operations ended 2020 in an unfavourable position of \$1.5 million, resulting in a lower than expected transfer to the reserves that support the renewal of water, wastewater, and stormwater infrastructure.
- Total capital spending in 2020 was \$119.3 million, including \$1.7 million on projects that were closed during the year, and \$4.6 million on new capital projects approved in 2020.
- In 2020, 200 capital projects were closed and \$31.8 million was returned to various originating reserves and reserve funds.

Recommendation

1. That the 2020 Year End Fiscal Health report be received.

Background

The fiscal health report tracks actual spending performance of the City's calendarized financial plan. This report provides the year-end financial position of the City as at December 31, 2020 on the same basis as the 2020 budget, with accompanying commentary on the contributing factors that have affected the City's fiscal health.

The year-end fiscal health report compares annual actual city operating, water, wastewater and stormwater operations, and capital results as of December 31, 2020, versus the approved budgets and on the same basis as the budget. This differs from the basis of accounting in the City's audited financial statements in some important ways. The full amortization of tangible capital assets and post-retirement benefits are excluded from this report while transfers to and from reserves, and net debenture financing requirements are included.

The City's draft audited financial statements are expected to be presented to Audit Committee and approved by Council in June 2021.

Previous Reports/Authority

[2020 Mid-Year Fiscal Health Report - June 30, 2020](#)

Analysis and Options

Executive Summary

In March 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 a Global Pandemic. The City of Vaughan followed by declaring a state of emergency and implemented measures to ensure safety and support, residents, businesses, and employees. These measures included, but were not limited to:

- Closure of all City facilities and park amenities including refunds issued without penalty for all cancelled camps, programs and permits.
- Additional safety measures and protocols in all aspects of the City's operations and service delivery.
- Financial assistance with respect to deferral of property taxes (waived late payment penalty on the Interim billing until July 1st, 2020).
- Deferred renewals of Business Licenses for existing businesses by up to 90 days.
- Suspension of collection of Municipal Accommodation Tax until September 1st, 2020.
- Deferral of the annual Stormwater Charge for 60 days.
- Cancellation of the planned 2020 Water and Wastewater rate increases; and

- Implemented workforce re-balancing measures, including temporary layoffs for non-essential staff who are unable to work from home, redeployments, and organizational re-alignments.

The COVID-19 pandemic and measures taken by the City have had significant financial impacts to the City's Tax and Rate Supported Operating Budgets.

The City's property tax supported operations ended 2020, before year-end reserve transfers, in a surplus financial position of \$3.1 million, due to mainly to receiving \$6.15 million in Phase 1 Safe Restart Agreement funding from the Federal and Provincial Governments to support COVID-19 operating costs and pressures in 2020. This funding helped mitigate net pressures from foregone revenues and incremental costs with savings from avoided expenses due to closures and workforce re-balancing across various departments. Approximately \$0.5 million of the surplus was transferred to the Year-End Expenditure Reserve and the remaining \$2.6 million was transferred to the Tax Rate Stabilization Reserve to mitigate tax pressures in 2021 and beyond.

Combined, the water, wastewater and stormwater rate supported operations ended 2020 with reserve contributions below budget. Lower commercial water sales were offset with reduced water purchases from York Region and lower than expected spending on maintenance and installations. Lower commercial wastewater billings were offset by reduced York Region treatment costs and lower than expected spending on maintenance and installations. Both the City and the Region cancelled the 2020 rate increases for water and wastewater, which is impacting both sales and purchase variances. These result in reserve contributions higher than budget in water and lower than budget in wastewater. Lower sales in stormwater were offset by favourable variances in maintenance and administrative costs resulting in a favourable reserve contribution.

Overall, the rate supported operation ended the year with combined contributions to reserves of \$22.2 million which was \$1.5 million less than expected. These reserve funds are necessary for future infrastructure replacements as these assets near the end of their useful life.

During 2020, approximately \$119.3 million was spent on 419 capital projects, an increase of 42.7 percent from 2019 capital spending of \$83.6 million. Departments closed a total of 200 capital projects in 2020 and \$31.8 million from the closed projects were returned to various originating reserves and reserve funds.

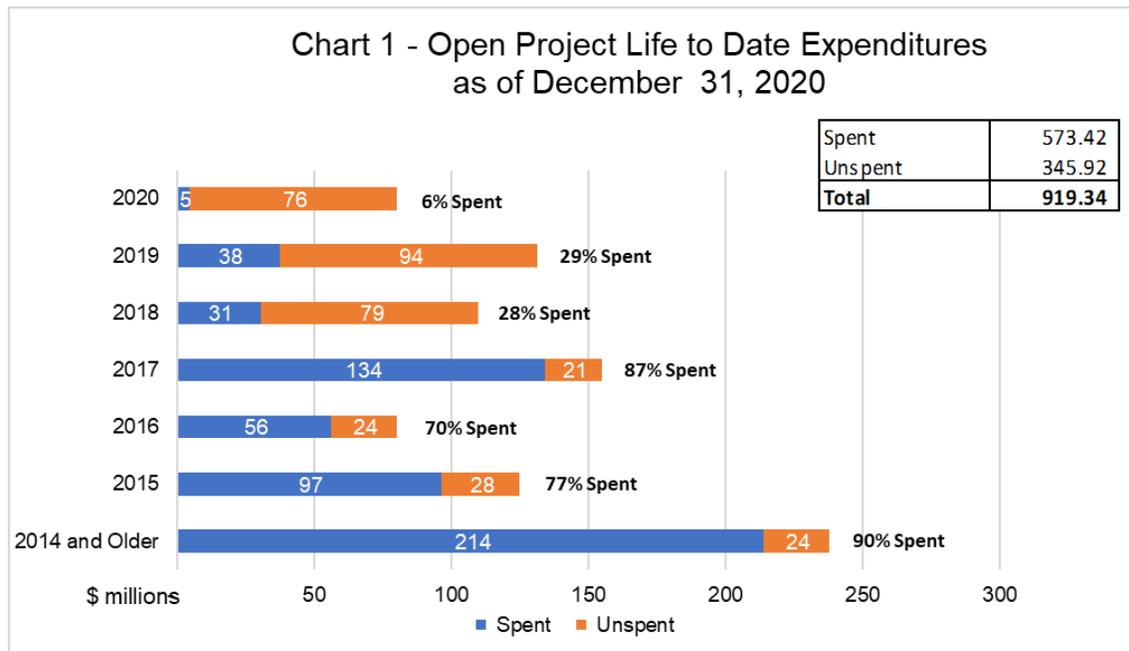
At December 31, 2020, there was a total of 620 open capital projects with total budget remaining of \$345.9 million.

Attachment 1 provides the Operating financial results for all City departments.

Operating Results – Year-Ending December 31, 2020

Table 1			
\$ million	Budget	Actual	Variance
Property Tax Based Budget			
Revenues	320.8	313.6	(7.2)
Expenditures	320.8	310.5	10.3
Year End Position	\$ 0.0	\$ 3.1	\$ 3.1
Reserve Transfer			
TO Year-End Expenditure Reserve		0.5	
TO Tax Stabilization Reserve'		2.6	
Net		\$ 3.1	
Water Rate Based Budget			
Revenues	80.9	75.7	(5.2)
Expenditures	70.1	63.2	6.9
Lifecycle Contribution	10.8	12.5	1.7
Wastewater Rate Based Budget			
Revenues	102.9	90.9	(12.0)
Expenditures	91.7	84.8	6.9
Lifecycle Contribution	11.2	6.1	(5.1)
Stormwater Charge Based Budget			
Revenues	11.2	9.8	(1.4)
Expenditures	9.5	6.2	3.3
Lifecycle Contribution	1.7	3.6	1.9
<small>Note - numbers may not add due to rounding</small>			

Capital Expenditure Results as of December 31, 2020



DISCUSSION

Operating Budget Results

Total City revenues at year-end were \$7.2 million or 2.2% lower than planned.

\$ million	Total Operating		Variance			
	Budget \$	Actual \$	Operating (non-COVID) \$	COVID-19 \$	Total	
					\$	%
Fees and Charges Revenue	63.9	50.6	3.8	(17.1)	(13.3)	(20.8%)
Corporate Revenues	23.9	36.6	7.6	5.0	12.7	53.1%
Reserve Transfers	17.2	10.8	(6.4)		(6.4)	(37.2%)
Taxation	215.8	215.6	(0.1)		(0.2)	(0.1%)
Total Revenues	\$320.8	\$313.6	\$ 4.9	\$ (12.1)	(7.2)	(2.2%)

Note - numbers may not add due to rounding

Non-COVID-19 Operating Revenue Variances:

Fees and Charges Revenue – favourable variance of \$3.8 million was due mainly to higher than planned volumes of Building Standards and Development Application Fees.

Corporate Revenues – favourable variance of \$7.6 million was due mainly to timing of maturity of investments, benefiting from pre-COVID rates, investing at higher yields at non-traditional regulated financial institutions and higher than budgeted dividends received from Vaughan Holdings Incorporated (Alectra).

Reserve Transfers - unfavourable variance of \$6.4M represents lower than budgeted transfers from Development Engineering and Building Standard reserves due to higher fee collection and lower overall costs of the programs.

Taxation – unfavourable variance of \$0.1 million is due mainly to lower assessment growth than anticipated (1.45% actual vs. budget of 1.7%).

COVID-19 Related Revenue Variances:

Fees and Charges Revenue – unfavourable variance of \$17.1 million was due mainly to lower recreation user fee as a result of the closure of recreation facilities and the cancellation of programs, and lower parking fee revenues as a result of fewer vehicles using paid parking spaces and reduced collections of licensing fees.

Corporate Revenues – favourable variance of \$5.0 million was due mainly to receiving \$6.2 million in Safe Restart Agreement funding, partially offset by lower Municipal Accommodation Tax revenues.

Total City expenditures at year-end were \$10.3 million or 3.2% lower than planned.

Table 3						
\$ million	Total Operating		Variance			
	Budget \$	Actual \$	Operating (non-COVID) \$	COVID-19 \$	Total	
					\$	%
Departmental	283.6	268.7	(5.5)	20.4	\$ 14.9	5.3%
Reserve Contrib. & Corp. Exp.	14.0	22.6	(9.6)	1.0	\$ (8.6)	(61.4%)
Long Term Debt	10.5	10.5			\$ -	-
Contingency	4.8	0.7	4.1		\$ 4.1	85.4%
Capital from Taxation	7.9	7.9			\$ -	-
Total Expenditures	\$ 320.8	\$ 310.5	\$ (11.0)	\$ 21.4	\$ 10.3	3.2%

Note - numbers may not add due to rounding

Non-COVID-19 Operating Expenditure Variances:

Departmental – unfavourable variance of \$5.5 million consists mainly of higher than budgeted transfer to Building Standards (\$6.6 million) and Development Planning (\$2.4

million) reserves due to higher than budgeted revenue, partially offset by natural gapping of positions (e.g. turnover, vacancies) throughout 2020.

Reserve Contributions & Corporate Expenses – unfavourable variance of \$9.6 million was due mainly to labour gapping budgeted in Corporate (\$5.5 million), but realized in departments, and contributions to Insurance and Winter Reserves (\$4.1 million) recommended by the respective consultants.

Contingency - favourable variance of \$4.1M was due to a conscientious effort to manage costs; under-spending in Contingency helped offset pressures arising from COVID-19.

COVID-19 Related Expenditure Variances:

Departmental – favourable variance of \$20.4 million was due mainly to workforce re-balancing which includes temporary layoffs and current staff vacancies; reduced operating costs due to facility closures (e.g. contracts, materials, supplies); and cancelled/deferred discretionary spending such as conferences, training and education and professional fees.

Reserve Contributions & Corporate Expenses – favourable variance of \$1.0 million was due mainly to lower MAT Contributions, partially offset by additional COVID-19 expenses (personal protection equipment, additional cleaning, overtime).

Attachment 2 provides commentary at the Portfolio/Office level.

Water, Wastewater, and Stormwater Results

Water Operations gross margin was \$0.6 million less than budget.

Table 4				
\$ million	Budget	Actual	Variance	
			\$	%
Residential Billings	46.7	47.2	0.5	1.1%
Commercial Billings	31.3	26.5	(4.8)	(15.3%)
Other	0.4	0.5	0.1	25.0%
Purchases/Treatment Charges	49.1	43.3	5.8	11.8%
Non-Revenue Water	7.3	8.3	(1.0)	(13.7%)
Gross Margin	22.0	22.6	0.6	2.7%
Other Revenues	\$ 2.5	\$ 1.5	\$ (1.0)	(40.0%)
Note - numbers may not add due to rounding				

Residential water sales for the 4th quarter ended higher than budget by 1.1% whereas commercial water sales ended lower than budget by 15.3%. These results are a combination of the impact of COVID-19 and the 2020 rate freeze directed by Council to provide relief to businesses and citizens.

- As a result of decreased sales, Regional water purchases (direct cost) were lower than budgeted. Further, York Region cancelled the 2020 water and wastewater rate increases resulting in lower than expected water purchase costs.
- Non-Revenue Water (NRW) was higher than budgeted. Several initiatives, including meter replacements, are underway to find and reduce NRW.

Water Operations expenditures before Lifecycle Contributions were \$2.1 million less than budgeted.

Table 5				
\$ million	Budget	Actual	Variance	
			\$	%
Maintenance and Installation Cost	7.1	5.6	1.5	21.1%
General Administration	5.9	5.3	0.6	10.2%
Joint Service Costs	0.7	0.7	0.0	.0%
Total Expenditures	13.7	11.6	2.1	15.3%
Lifecycle Contribution	\$ 10.8	\$ 12.5	\$ 1.7	15.7%
Note - numbers may not add due to rounding				

- Maintenance and Installation Costs ended lower by 21.1%. Federal and Provincial grants for meter installations and temporary vacancies resulted in lower expenses.
- General Administration costs were lower by 10.2% mainly due to postponed hiring while assessing vacancies against needs and lower than expected training due to COVID-19 and limited availability of Ministry of Environment, Conservation and Parks (MECP) compliant virtual training.

The City's net lifecycle contribution was \$1.7 million greater than budgeted at the end of the fourth quarter.

Wastewater Operations gross margin was \$7.0 million less than budget.

Table 6				
\$ million	Budget Actual		Variance	
			\$	%
Residential Billings	59.6	56.3	(3.3)	(5.5%)
Commercial Billings	40.7	32.7	(8.0)	(19.7%)
Other	0.5	0.5	0.0	.0%
Purchases/Treatment Charges	71.7	65.8	(5.9)	(8.2%)
Non-Revenue Water	10.7	12.3	1.6	15.0%
Gross Margin	18.4	11.4	(7.0)	(38.0%)
Other Revenues	\$ 2.1	\$ 1.4	\$ (0.7)	(33.3%)
Note - numbers may not add due to rounding				

- Residential and commercial billings for the fourth quarter are trending 5.5% and 19.7% respectively lower than budget. These results are a combination of the impact of COVID-19 and the 2020 rate freeze directed by Council to provide relief to businesses and citizens.
- Wastewater billing is based on water consumption and therefore trends similar to water consumption. As a result of decreased billings, treatment charges (direct cost) were lower than budgeted. Further, York Region cancelled the 2020 water and wastewater rate increases resulting in lower than expected wastewater treatment charges.

- Non-Revenue Water (NRW) was higher than budgeted. Since wastewater collection and treatment are based on water volumes, these costs are affected by NRW. Several initiatives, including meter replacements, are underway to find and reduce NRW.

Wastewater Operations expenditures before Lifecycle Contributions were \$2.6 million less than budgeted.

Table 7				
\$ million	Budget	Actual	Variance	
			\$	%
Maintenance and Installation Cost	4.8	2.8	2.0	41.7%
General Administration	3.8	3.2	0.6	15.8%
Joint Service Costs	0.7	0.7	0.0	.0%
Total Expenditures	9.3	6.7	2.6	28.0%
Lifecycle Contribution	\$ 11.2	\$ 6.1	\$ (5.1)	(45.5%)
Note - numbers may not add due to rounding				

- Maintenance and Installation Costs ended lower by 41.7% due to postponed hiring while assessing vacancies against needs, time to set up contracts for recurring work for flow monitoring activities, lower than expected CCTV work, lateral repairs and inflow and infiltration reduction activities.
- General Administration costs were lower by 15.8% mainly due to postponed hiring while assessing vacancies against needs and lower than expected training due to COVID-19 and limited availability of Ministry of Environment, Conservation and Parks (MECP) compliant virtual training.

City's net lifecycle contribution was \$5.1 million lower than budgeted at year-end.

Stormwater Operations gross margin was \$1.1 million less than budgeted.

Table 8				
\$ million	Budget Actual		Variance	
			\$	%
Residential Billings	4.2	4.2	0.0	.0%
Commercial Billings	6.3	5.2	(1.1)	(17.5%)
Gross Margin	10.5	9.4	(1.1)	(10.5%)
Other Revenues	0.7	0.4	(0.3)	(42.9%)
Note - numbers may not add due to rounding				

- Total annual billing for stormwater charges was completed in the third quarter.
- Total billing revenues are lower than budgeted due to changes that have occurred to assumptions originally used to build the stormwater charge.

Stormwater Operations expenditures before Lifecycle Contributions were \$3.3 million less than budgeted.

Table 9				
\$ million	Budget Actual		Variance	
			\$	%
Maintenance and Installation Cost	5.3	3.1	2.2	41.5%
General Administration	4.1	3.2	0.9	22.0%
Joint Service Costs	0.1	-0.1	0.2	200.0%
Total Expenditures	9.5	6.2	3.3	34.7%
Lifecycle Contribution	\$ 1.7	\$ 3.6	\$ 1.9	111.8%
Note - numbers may not add due to rounding				

- Maintenance and Installation costs were lower by 41.5% mainly due to delay in contract award for stormwater pond maintenance and cleaning and lower than expected street sweeping activities. Based on the findings of the stormwater main inspections, lower than expected repairs were required.
- General Administration costs were lower by 22.0% mainly due to lower than expected spending on professional fees and postponed hiring while assessing vacancies against needs.

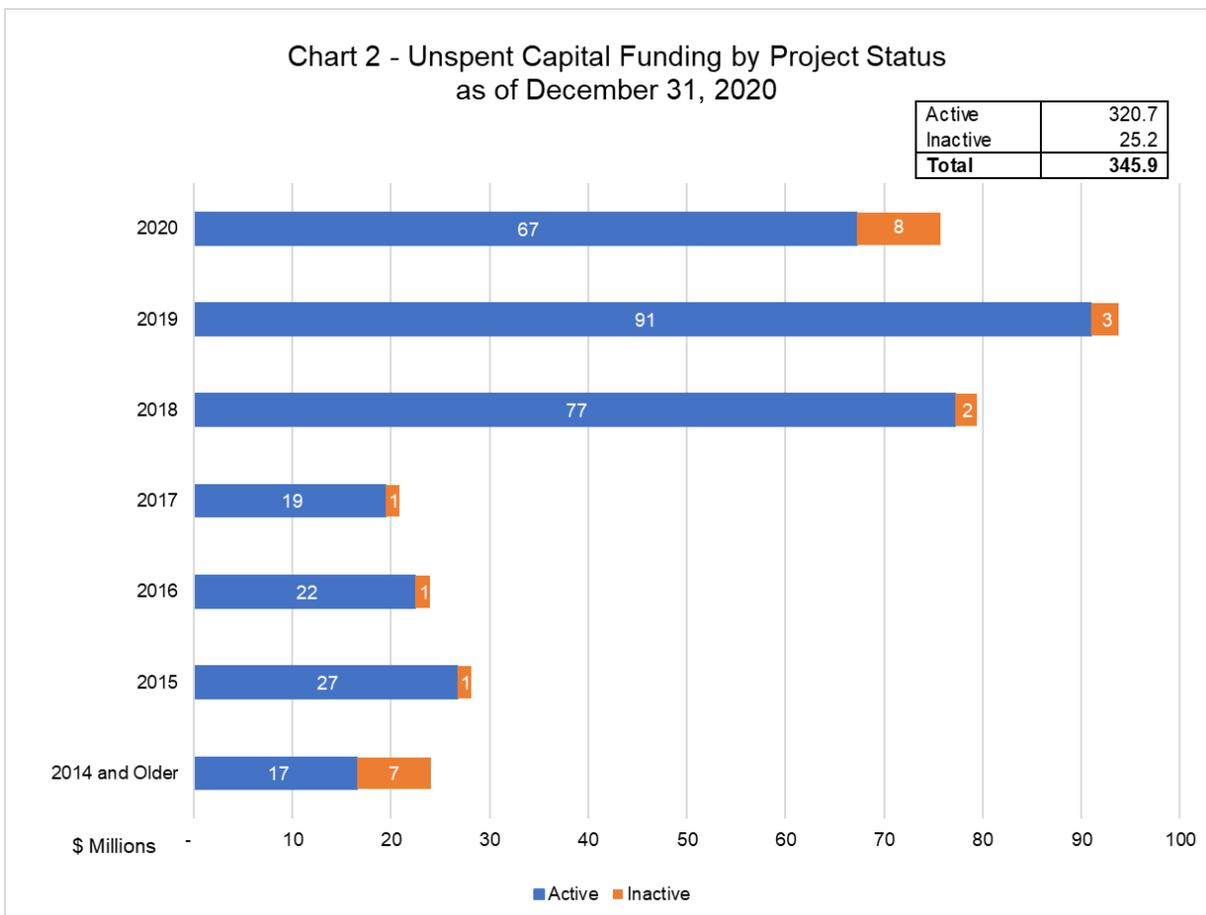
- Joint services fee with Alectra were lower than expected due to adjustment in previous year billing.

The City’s net lifecycle contribution was \$1.9 million higher than budgeted at year-end.

Capital Budget Results

As at December 31, 2020, there was a total of 620 open capital projects with \$345.9 million of total budget remaining. The open projects were made up of 506 active projects and 114 inactive projects. The open project unspent funding breakdown by year is illustrated in Chart 2 below.

Further information about the inactive projects can be found in the next section of the report.



In the 2020 Budget, departments indicated that \$160 million in capital expenditures would be processed throughout 2020. At the end of 2020, approximately 73 percent of the forecasted amount was spent. Departments are continuing to enhance the robustness of their capital cash flow spend forecasts.

A complete list of open projects can be found [online](#).

Inactive Projects and Closed Projects

Of the 620 open capital projects, there are 114 projects that are considered inactive. Inactive projects comprise 18 percent of the total number of open projects, equating to 7 percent of the \$345.9 million in unspent funds. Approximately 72 percent of the inactive projects are substantially complete but are required to remain open until a future event occurs, while 28 percent of the inactive projects are on hold or have not started for a variety of reasons such as project scope and estimated costs being reevaluated, project reprioritization, and insufficient resources to advance the project.

The breakdown of the classification of the 114 open inactive projects is as follows:

Classification	Number of Projects	Unspent \$ million
Completed - to be closed	66	\$7.0
Completed - under warranty or maintenance	14	\$2.8
Completed - waiting for final invoices	2	\$0.4
Not Started	15	\$10.5
Project on Hold	17	\$4.5
Grand Total	114	\$25.2
Numbers may not add due to rounding.		

Staff continue to review the status of projects on hold and projects deferred, and accordingly will develop action plans to return funding commitments back to the funding sources, to repurpose the project scope, or to advance the project.

A complete list of Inactive Projects can be found [online](#).

Departments closed 200 projects in 2020, returning \$31.8 million to Reserves

The table below provides a breakdown of projects closed during 2020.

Portfolios	Number of Projects Closed	Returned to Reserve (\$ million)
Infrastructure Development	104	\$16.6
Planning and Growth Management	20	\$12.3
Public Works	52	\$1.1
Community Services	11	\$0.5
Economic and Cultural Development	1	\$0.4
Corp. Serv., Library, City Treasurer/CFO	12	\$0.9
Grand Total	200	\$31.8
Numbers may not add due to rounding.		

A complete list of Closed Projects can be found [online](#).

Capital Transfers Authorized by the Chief Financial Officer/City Treasurer

The Chief Financial Officer/City Treasurer has the delegated authority to approve any operating or capital realignments between departments, provided they are fiscally neutral. A summary of these changes is incorporated into the quarterly reporting process.

The following CFO authorized capital budget amendments were processed during 2020:

From	To	Amount
CD-1991-17 "Traffic Control Signals"	ID-2099-20 "Traffic Infrastructure Improv"	\$200,000.00
PU-2532-18 Implementation of Procurement Modernization Recommendations	SE-0078-16 Procurement Modernization	\$150,000.00
\$66,950 from BF-8522-17 "Maple CC Painting" and \$400,000 from BF-8483-19 "Maple CC Renov" and \$412,000 from BF-8541-19 "Maple CC-Pool & Fitness Chng Rm Renov"	ID-2055-18 "Maple CC-Feasibility Study/Office Renov"	\$878,950.00
BU-0011-16 Financial Master Plan and DI-0075-15 Financial Framework-DC study	BU-2551-18 Long Range Fiscal Planning and Forecast	\$194,992.06
ID-2073-20 Pedestrian and Cycling Infrastructure Implementation Program City Wide.	CD-1978-18 Sidewalk on Pine Valley Drive	\$600,000.00
CD-2001-16: 2018 Road Rehabilitation/Reconstruction (\$500,000) and CD-2018-15: 2017 Road/Reconstruction (\$500,000)	CD-2026-17: 2019 Road Rehabilitation/Reconstruction	\$1,000,000.00
SE-0091-19 Time and Attendance	IT-9550-18 Digital Strategy	\$270,000.00
FL-5353-16 PKS-Replace Unit #1608 with 16' large area mower	FL-5423-18 PW-RDS-Replace Unit #1297 with Backhoe	\$10,000.00
EN-1944-13:2014 Road Rehab & Watermain Rep	ID-2046-18: 2020 Watermain Replacement	\$100,000.00
IT-3012-16 Enterprise Telephone System Assets Renewal	IT-3011-16 Central Computing Infrastructure Renewal	\$412,136.91
PK-6632-18 Cherry Hills Slope Stabilization	PK-6651-19 Cherry Hills Slope Stabilization	\$22,550.25

EV-2542-20 SCADA, weather, AVL, traffic stations at JOC	PW-7223-19 JOC Space Design	\$80,000.00
VM-9573-20 Centre of Community Lobby Improvements	RE-9537-17 VMC Library, Recreation and YMCA Centre of Community	\$200,000.00
SE-0091-19 Time and Attendance (\$150,000) and IT-9550-18 Digital Strategy (\$120,000)	FI-2533-18 Finance Modernization	\$270,000.00
CD-2016-15: 2016 Watermain Replacement	EV-2125-18 Maplewood Booster Pumping Stn and WW-2541-17 Maplewood Booster Stn Contl Upgds	\$31,788.00
DE-7160-15 VCM Program	DE-7225-19 Hydro Transmission lines	\$66,825.73
EV-2542-20 SCADA, weather, AVL traffic stations at JOC	WW-2541-17 Maplewood Booster Stn Contl Upgds	\$15,000.00
ID-2032-17 Traffic Signal Installation	ID-2085-20 Traffic Signal Installation	\$70,000.00
ID-2096-20 Emergency Response Access Route	ID-2109-20 Emergency Response Access Route	\$60,000.00
LI-4530-14 Civic Centre Resource Library-Furniture and Equipment	LI-4519-09 Civic Centre Resource Library – Structure & Building	\$87,000.00
PK-6388-14 Pedestrian Bridge	PK-6534-16 King High Park Pedestrian Bridge	\$86,100.81
CD-1978-18 Sidewalk on Pinevalley	ID-2073-20 Pedestrian and Cycling Infrastructure	\$575,000.00
CD-2019-15: 2017 Watermain Replacement	CD-2002-16: 2018 Watermain Replacement	\$775,000.00
DT-7131-14 Clark Avenue West Cycle Facility	ID-2080-19 Clark Avenue West Cycling Facility	\$279,932.61
EN-1997-13 Implementation of Corporate Asset Management	EN-1958-13 Corporate Asset Management	\$146,639.00
FL-5430-19 PW-RDS-Replace Unit #1527 with ½ ton 4x4 Quad Cab pickup	FL-5326-18 PKS-Replace Unit #1446 with a ¾ ton crew cab pickup	\$1,500.00
IM-7218-19 Asset Management Plan Development	IM-7217-19 CAM Strategy Update and Roadmap	\$610,877.00
LI-4570-19 Vaughan Hospital Library Non-Building Capital Costs	LI-4530-14 Civic Centre Resources Library-Furniture and Equipment	\$5,750.00
PK-6570-16 Woodbridge Highlands Open Space	PK-6647-19 Woodbridge Highlands Open Space	\$9,328.13

Continuity Schedule of Reserves and Reserve Funds

\$ million	Opening Balance	Revenues	Expenses	Closing Balance Before Commitments	Commitments	Closing Balance After Commitments
Obligatory Reserves						
City-Wide Development Charges	473.3	21.2	37.9	456.5	207.2	249.4
Area Specific Development Charges	9.2	5.5	1.7	13.0	17.7	(4.7)

Restricted Grant	36.7	9.7	17.2	29.1	21.1	8.1
Other	100.0	26.4	5.2	121.3	5.1	116.2
Obligatory Subtotal	619.2	62.8	62.0	620.0	251.1	368.9
Discretionary Reserves						
Infrastructure	223.4	44.3	26.6	241.1	56.5	184.6
Capital from Taxation	21.6	8.2	6.3	23.5	16.5	7.0
Corporate	18.1	0.1	0.1	18.0	0.0	18.0
Special Purpose	8.2	1.0	0.2	8.9	14.3	(5.3)
Sustainability	49.4	21.0	4.8	65.7	1.2	64.5
Discretionary Subtotal	320.7	74.7	38.1	357.3	88.5	268.8
Grand Totals	\$939.9	\$137.5	\$100.1	\$977.3	\$339.6	\$637.7

At the end of 2020, the reserve balance before commitments was \$977.3 million. Net reserve activity of \$339.6 million is committed against these reserves and reserve funds. After this activity is accounted for, the total reserves and reserve fund balances as of December 31, 2020 was \$637.7 million, of which \$368.9 million was for obligatory reserves and \$268.8 million was in discretionary reserves.

Total Development Charges (DCs) revenues of \$26.7 million is comprised of \$21.2 million in DC collections and \$5.1 million investment income. Collections are lower than the historical average due to the continued impact of the 2018 DC pre-payment agreements. Compared to 2019, City-wide DC collections have increased 247% or by \$11.5 million because of new development applications outside of the DC pre-payment agreements.

The Detailed Reserve Continuity Schedule can be found [online](#).

Financial Ratios

Financial Ratios in alignment with Corporate Targets

Discretionary reserves provide the City with financial flexibility to safeguard against economic downturns and finance operations internally. To ensure the sustainability of these reserves, the City has adopted associated targets. The City also has a target ratio for debt services costs.

The table below provides the status of these targets at the end of 2020.

Policy Ratio	2020	2019	Target
Discretionary Reserve	>50%	>50%	>50% of Own Source Revenues
Working Capital	11%	10%	Up To 10% of Own Source Revenues (tax only)
Debt Service	2%	2%	<10% of Own Source Revenues

Discretionary Reserve Ratio - The greatest pressure on discretionary reserves is largely due to funding infrastructure replacement as the City's initial stock of infrastructure assets begin to reach the end of their useful lives.

Working Capital Ratio – The calculated ratio of 11% includes the year-end balance of the Tax Rate Stabilization Reserve. Contributions to Working Capital Reserve and Tax Stabilization Reserve occur when the City achieves a surplus; these reserves can be sources of funding to address a year-end deficit position. In 2020, approximately \$2.6 million of the operating surplus from taxation was transferred to the Tax Stabilization Reserve. The consideration of consolidating the Working Capital Reserve and the Tax Rate Stabilization Reserve will be analyzed and discussed in an upcoming reserve policy review.

Debt Service Ratio - The City's policy limits debt to a maximum of 10 percent of total the City's own-source revenue, which is significantly lower than the Province's 25 per cent maximum. Total debenture outstanding principal as of December 31, 2020 was approximately \$17 million (2019 - \$23 million). In 2020 the total debt repayment costs were \$6.3 million (2019 - \$7.4 million), \$5.7 million in principal and \$0.6 million in interest. Repayment costs of \$6.3 million represents approximately 2 percent of the City's own source revenues. The Debt Service Ratio continued to improve in 2020, this was achieved in part by looking for responsible and innovative ways to fund capital projects. It is worth noting however, that while debt financing can be an additional tool to fund infrastructure in the City, fiscal prudence and due diligence are necessary to ensure the City's long-term financial sustainability and flexibility.

The City is working to complete a long-term fiscal plan that would take into consideration the City's Term of Council strategic plan, growth plans, asset management plan, development charge study, and treasury management strategy. A Debt Management Policy was developed and introduced for 2021 which will compliment this long-term fiscal plan; recommendations resulting from the analysis will be considered in the City's multi-year financial plan to ensure financial decisions are mindful of short-term and long-term financial impacts from the City's growth and desired levels of services.

Grant Activity Update

Since 2017, all grant activity is centrally tracked by the Municipal Partnership Office in Economic and Cultural Development. Keeping city-wide priorities in mind, this office identifies and communicates funding opportunities, supports applications, and ultimately reports on the outcomes in partnership with the Financial Planning and Development

Finance Department. The data below reflects both the actual cash flow received in 2020 from grant sources of ongoing projects.

In 2020, the City received approximately \$24.8 million in grant revenues, inclusive of the City's Gas Tax revenues of \$16.3 million.

The table below summarizes the grants revenues received in 2020. These figures exclude the Federal Gas Tax received in 2020.

Grant Classification	Capital Grants	Operating Grants
Clean Water and Wastewater Fund	1,246,043	
Green Municipal Fund	89,969	
Rail Safety Improvement Program	154,644	
Canada Summer Jobs		115,640
Public Library Operating, Pay Equity and First Nations Salary Supplement Grant		154,023
Fire Prevention Grant		2,650
VBEC - Core Funding		227,436
VBEC – Starter Company Plus		107,647
Tourism Vaughan – Ontario Grant		217,425
Safe Restart Agreement – Phase 1		6,152,800
Total by Grant Type	1,490,656	6,977,621
Total Grants Received in 2020	8,468,277	

Approximately \$0.2 million was received from Transport Canada for the rail improvement work to enhance the safety of railways in 2020.

The City received funding approval of \$21 million from the Clean Water and Wastewater Fund in 2017. This grant funding was planned to help offset costs for fifty (50) projects applied for, more notably including: VMC Edgeley Pond and Park, Centre Street Watermain Replacement, Stegman's Mill Watermain Replacement, Andrew Park/Button/Marilyn Place/ North Humber Road Watermain Replacement, Clarence Street Slope Stabilization; Distribution Watermain Conditional Assessments; Repair and Rehabilitation of Pumping Stations; Smart Water Metering; and Development of a Corrosion Control Strategy. Completion of these projects is essential to keeping our communities safe, healthy, and livable. A task force was formed to facilitate a collaborative effort amongst various city departments and to address action items in a

timely and appropriate manner. In 2018 the Task Force worked with Federal government and obtained a funding reallocation and scope expansion approval which provided the City with an opportunity to maximize potential grant funding. CWWF projects are progressing in accordance with the projects scheduled timelines; throughout 2020, two expense claims totaling \$0.8 million were submitted to Infrastructure Ontario for processing, which are expected to be received in 2021.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The report is consistent with the priorities set in the Service Excellence Strategic Initiatives under Operational Performance: Financial Sustainability.

The City's property tax supported operations ended 2020 in a surplus financial position of \$3.1 million, of which \$0.5 million was transferred to the Year-End Expenditure Reserve and \$2.6 million was transferred to the Tax Rate Stabilization Reserve, consistent with the Consolidated Reserve Policy.

Combined, the water, wastewater and stormwater rate supported operations ended 2020 with reserve contributions of \$22.2 million which was \$1.5 million less than expected, resulting in a lower than expected transfer to the infrastructure reserves that support these activities.

During 2020, approximately \$119.3 million was spent on 419 capital projects. Departments closed a total of 200 capital projects in 2020 and \$31.8 million from the closed projects were returned to various originating reserves and reserve funds.

For more information, please contact:

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Attachments

1. City Operating – 2020 Financial Summary
2. City Operating – Portfolio/Office Summary

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