

# MANAGEMENT DISCUSSION & ANALYSIS

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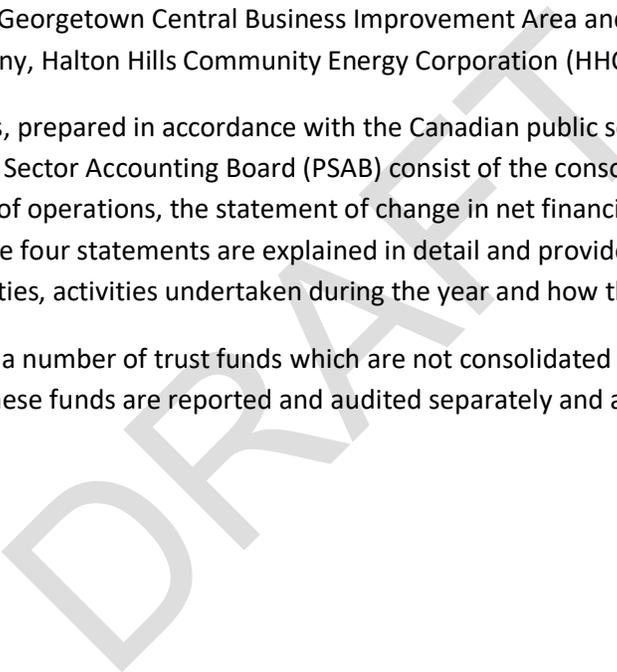
The 2020 Consolidated Financial Statements attest to the Town’s continued commitment to service and program delivery with a strong financial foundation and ability to remain resilient in the face of the COVID-19 pandemic.

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The Town of Halton Hills is pleased to present the 2020 management discussion and analysis, which provides a descriptive narrative to support the consolidated financial statements. These statements provide details of the municipality’s financial position and activities for the fiscal year ended December 31, 2020 and include the operations of the Town, the Halton Hills Public Library Board, the Acton Business Improvement Area, the Georgetown Central Business Improvement Area and the Town’s investment in its local distribution company, Halton Hills Community Energy Corporation (HHCEC).

The financial statements, prepared in accordance with the Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) consist of the consolidated statement of financial position, the statement of operations, the statement of change in net financial assets and the statement of cash flows. Each of these four statements are explained in detail and provide information concerning the Town’s assets and liabilities, activities undertaken during the year and how they were financed.

The Town also manages a number of trust funds which are not consolidated within the Town’s own financial statements. These funds are reported and audited separately and are attached within this report.

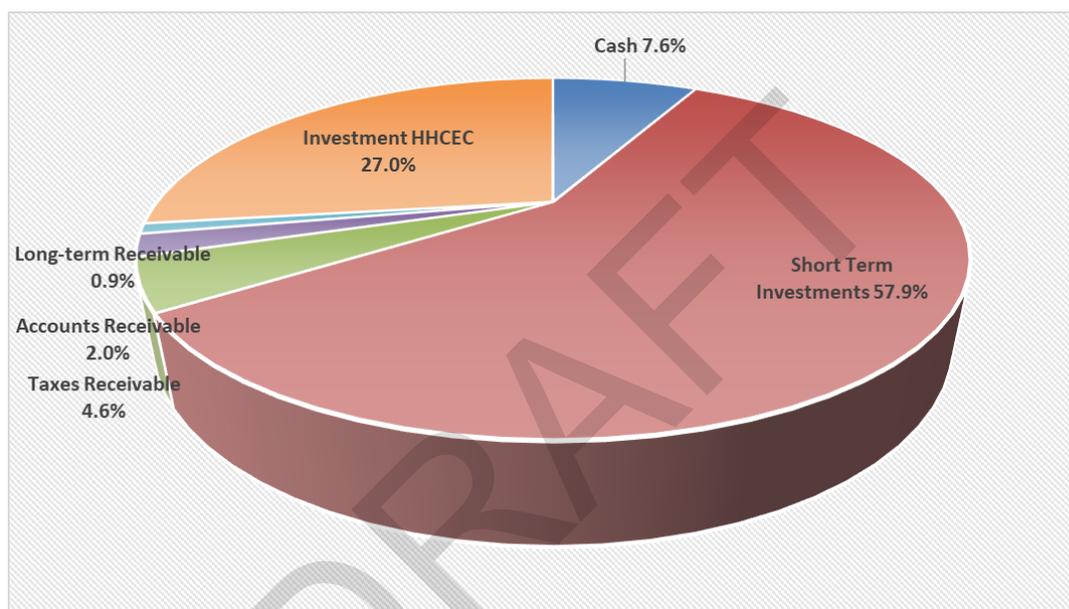


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position is a snapshot of the total financial assets (cash, investments and receivables) less liabilities (payables, deferred revenue, long-term debt) at December 31, 2020, resulting in a net financial asset position for the Town. This statement also provides details relating to the Town's non-financial assets including tangible capital assets and the Town's accumulated surplus (reserves, unspent capital funds, equity in tangible capital assets).

### Financial Assets

The Town's overall financial assets have increased by \$3.4M, totaling \$151.1M at the end of 2020. The increase is mainly due to a rise in the cash held at the end of the year in the Scotiabank operating account. The following graph shows the distribution of financial assets:



### Cash & Short Term Investments

Short term investments of \$87.5 have remained consistent with the prior year, while the cash position has increased by \$7.1M since 2019. This increase was driven by:

- The deferral of spending due to the financial uncertainty arising from the COVID-19 pandemic;
- Receipt of \$3.1M related to the first instalment of the promissory note repayment held by the Town with HHCEC;
- Receipt of provincial grant funding related to the COVID-19 Safe Restart Agreement

### Return on Investment

The Town invests its reserves with the Region of Halton through a pooled investment agreement and also holds its operating funds with Scotiabank in interest-bearing accounts. The combined rate of return from all investments is 2.63%, which has decreased from the 2019's return of 2.85%. The rate of return on the investment portfolio is lower than the prior year and is driven by the higher cash on hand balance held with Scotiabank at the lower rate of return coupled with the Bank of Canada interest rate drop during the year to 0.25%.

### *Investment in Halton Hills Community Energy Corporation*

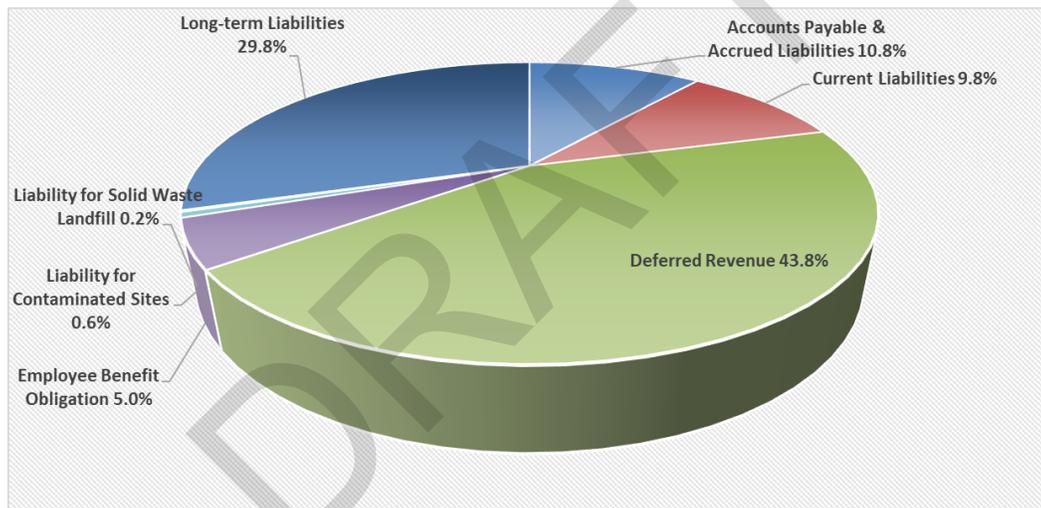
The Town's investment in the Halton Hills Community Energy Corporation (HHCEC) amounts to 27% of the total financial assets or \$40.8M. Owned and controlled by the Town of Halton Hills, HHCEC and its wholly owned subsidiaries are accounted for on the modified equity basis in the consolidated financial statements.

### **Liabilities**

The Town's liabilities total \$71M and have decreased by \$3.4M since 2019, due mainly to a decrease in long-term liabilities, detailed below.

Accounts payable and other current liabilities combined have decreased by \$0.4M to a total of \$14.6M, due mainly to the year over year changes in accrued staff costs. The payroll accrual for 2020 was \$1.2M lower than the prior year's, due to the closer alignment of payroll dates with the calendar year end. This decrease was partially offset by an increase in payables relating to upcoming payments for capital projects and development charges to the Region and school boards.

Deferred revenue funds are analyzed in more detail on page 4.



### *Long term Liabilities*

Long-term liabilities amount to \$21.2M, falling by \$2.5M since 2019. This reduction is a result of the repayment of debt principal totaling \$4.4M and the addition of \$1.9M in a new debt issuance related to the construction of 22<sup>nd</sup> Sideroad. The Town's debentures include \$20.1M payable to the Regional Municipality of Halton and \$1.1M payable to SouthWestern Energy.

The Province sets an allowable debt limit for municipalities whereby annual debt repayments should not exceed 25% of net revenues. Town Council has also approved further limitations on debt levels through the Corporate Debt Management Policy in 2019. This policy limits annual debt carrying costs to a maximum of 10% of the annual tax levy. For 2020, the Town's debt carrying costs were 9.4% of the annual tax levy and therefore within the Council imposed debt target.

2020 Debt Repayments to Annual Tax Levy			
Debt Carrying Cost	2020 Tax Levy	2020 Town Debt Limit	Council Imposed Debt Limit
\$ 5,024,426	\$ 53,557,300	9.4%	10%

In addition to the prescribed debt limit, the Province monitors each municipality's debt load through a financial indicator which measures the annual debt servicing cost as a percentage of total operating revenue less donated assets. In the past few years, the Town has been in the low end of the moderate risk category, which is expected to continue over the foreseeable future as outlined in the Long Range Financial Plan. For 2020, this indicator remains in the moderate risk category at 6.7%.

Flexibility Indicator #5	Range	Actuals							
		2020	Level of Challenge	2019	Level of Challenge	2018	Level of Challenge	2017	Level of Challenge
Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	Low: < 5% Mod: 5% to 10% High: > 10%	6.7%	Mod	6.4%	Mod	6.1%	Mod	5.9%	Mod

### Deferred Revenue

Deferred revenue represents receipts which by their nature are restricted revenues. Once qualifying expenses are incurred by the Town, these deferred revenues are transferred into revenue in the fiscal period that they are expended. It is the largest contributor to the Town's liabilities with a total of \$31.1M, and consist of the following balances:

2020 DEFERRED REVENUE		
	\$000's	%
Restricted Deferred Revenue	8,830	28%
Development Charges	6,986	22%
Parkland Cash In Lieu	6,576	21%
Building Stabilization Fund	5,187	17%
General Deferred Revenue	3,503	11%
	<u>31,081</u>	<u>100%</u>

Restricted deferred revenues of \$8.8M include unrecognized federal gas tax of \$4.5M which is consistent with the prior year's balance. It also includes funds which are held by the Town for the on-going maintenance of assumed sub-divisions, and deferred government grants.

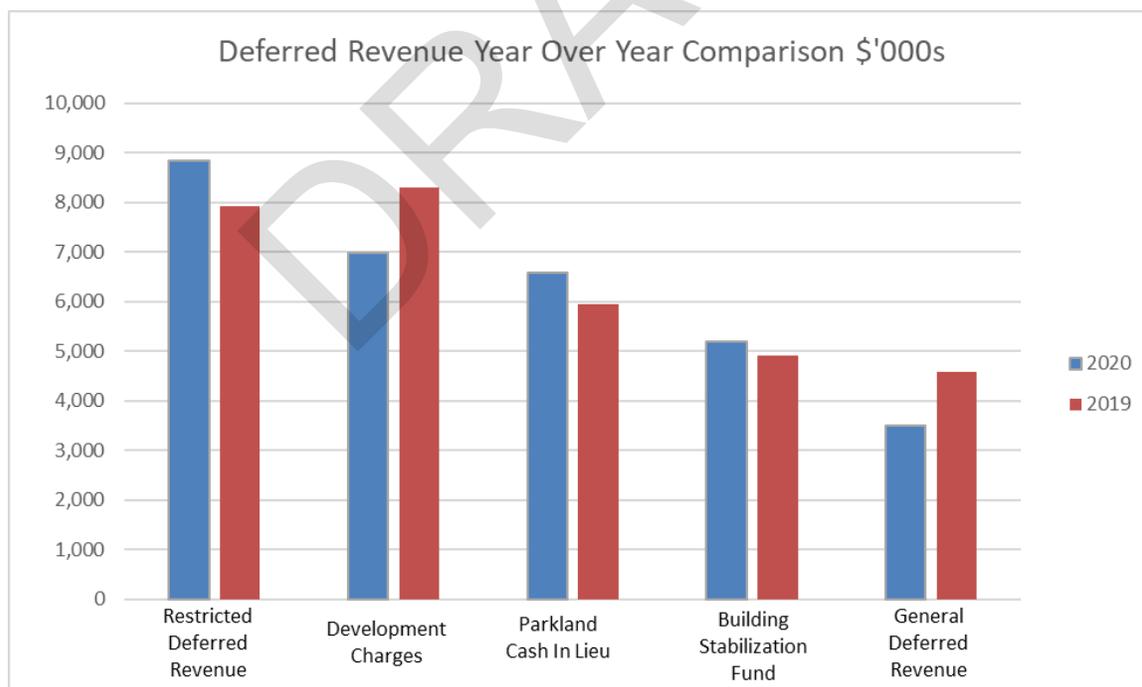
Development charges (DC) contribute significantly to the deferred revenue balance. Positive balances in the transportation, storm water management and administration services funds total \$6.9M at the end of 2020. In addition to the positive balance of the DC funds, the Town also has a number of DC funds where there has been the need to interim fund a \$19.6M shortfall in DC recoveries from Town reserves. The Town introduced a new methodology for reporting and tracking interfund loans during 2020 and this resulted in the need to restate \$8.2M of deferred revenues for the 2019 fiscal year.

The Parkland Cash in Lieu fund is also included within deferred revenues and totals \$6.6M at the end of 2020. The purpose of this fund is to finance the acquisition of land for parks or recreational purpose, and the development and redevelopment of land, parks and recreational facilities.

The Town also has a Building Stabilization fund within the deferred revenue line which amounted to \$5.2M at the end of 2020. As permitted under the Building Code Act, the purpose of this fund is to address fluctuations in year-to-year service volumes. This fund is used to defer revenues received in advance of work being performed.

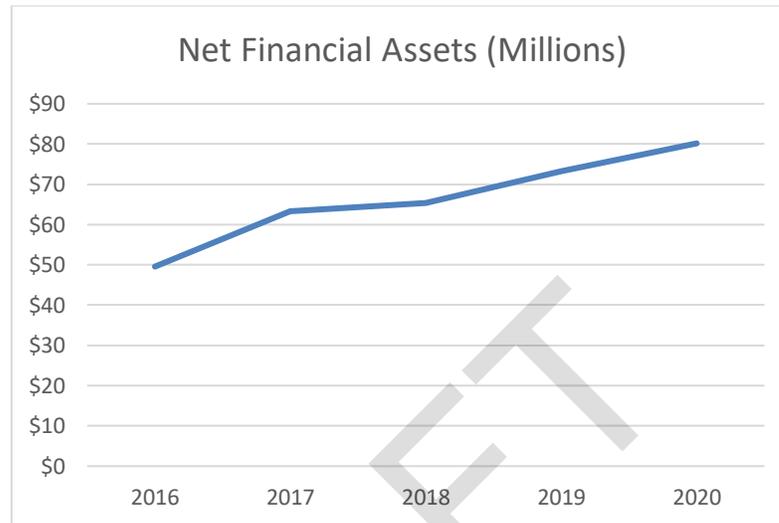
In addition to the restricted and obligatory funds outlined above, the deferred revenue line also includes \$3.5M of general deferred revenues such as Ontario Community Infrastructure Fund (OCIF), development agreements and applications, and Region revenues related to the fire station on Maple Avenue.

The following graph shows the year over year comparison of the change in composition of deferred revenue on the Statement of Financial Position.



## Net Financial Assets

The Town is in a net financial asset position of \$80.2M which has increased by \$6.8M since 2019. This indicates there is an increase in resources available for the future. Higher cash balances and investments related primarily to the receipt of the first installment of the hydro promissory note and deferrals of capital expenditures due to the uncertainty of the current COVID-19 pandemic have contributed to this increase. The following chart shows the increase since 2016 in the Town's net financial asset value:

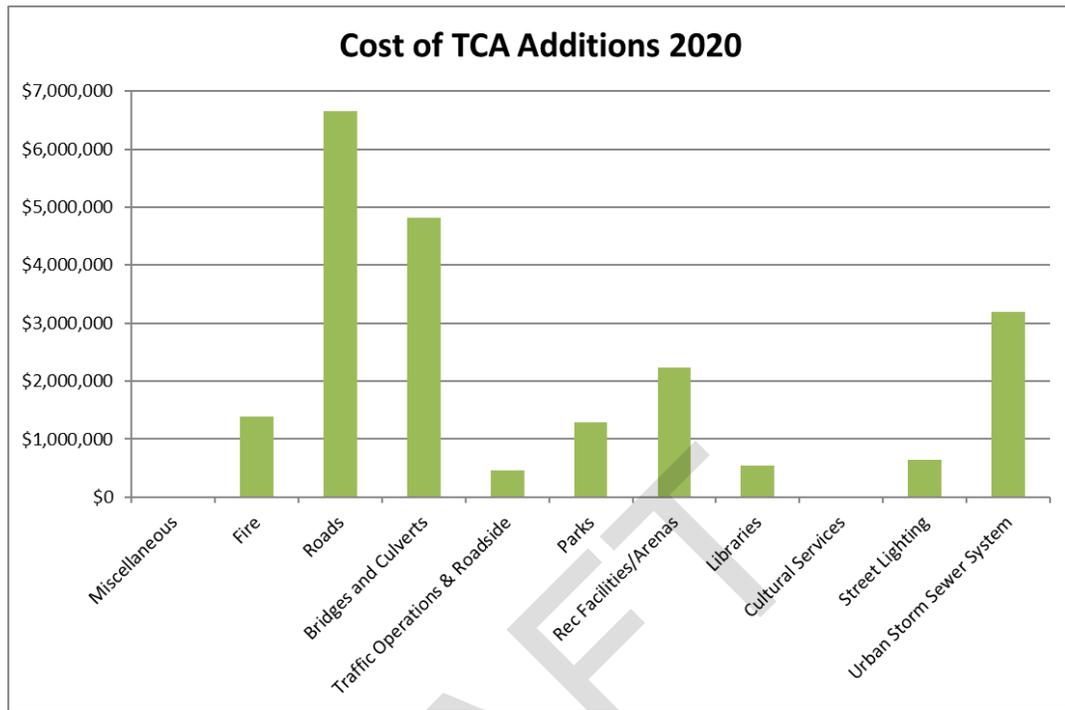


## Non-Financial Assets

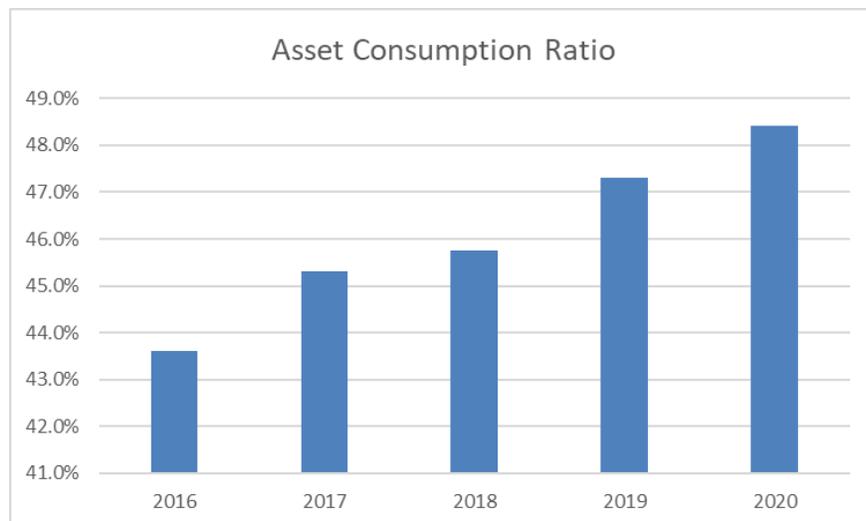
Non-financial assets primarily consist of net tangible capital assets. Tangible capital assets (TCAs) represent a significant value and are a key component in the delivery of many programs. Tangible capital assets include items such as roads, bridges, buildings, vehicles, land, storm water systems and computer hardware. Net tangible assets represent the cost of these assets less the accumulated amortization. Amortization is the term used to describe the annual allocation of a portion of the TCAs' historical cost as an expense over its useful life. The purpose of amortization is to show the decline in the asset's value as it ages through time and use. It is important to note that amortization uses an 'accounting useful life' which covers the period when the assets are expected to contribute to the Town's operations. In addition to this accounting treatment, the Town's asset management group undertakes periodic assessments of the physical condition of assets. The results of these assessments are considered in the capital budgets with respect to asset replacements, rehabilitation and enhancements.

In 2020, the Town added over \$21.2M in tangible capital assets including \$6.6M for upgrading road infrastructure assets through the regular pavement management program and the reconstruction of Armstrong Ave. An additional \$4.8M was spent to upgrade and rehabilitate bridges, with the most significant investment made on work for new parapet walls, concrete sidewalk and asphalt on the Main St N bridge. Improvements and assumptions related to the storm sewer systems, totaling \$3.1M occurred in 2020. A further \$2.2M was used for a roof replacement, new generator and cooling tower at Town Hall, and for design and renovations at the Acton Youth Centre. Other notable investments in tangible capital assets were \$1.3M for the purchase of a fire tank pumper, and \$1.2M to improve various community parks and trails, including the playground at the Gellert Community Centre, Glen Williams Park, and Maple Creek

Parkette Trail. The following graph shows the distribution of the 2020 tangible capital assets by cost over the different asset groups:



Investment in capital assets can be measured through different ratios and indicators; one such measure is the asset consumption ratio which calculates the closing amortization balance as a percentage of the total historical cost of capital assets. In essence, it highlights the aging of infrastructure and the potential need for replacement; the higher the ratio, the faster the assets are being used. At the end of 2020, the Town’s asset consumption ratio had increased to 48.4%. The gradual historical increase in this ratio is attributable to a number of factors, including fewer large scale construction projects, and lower rates of new asset assumptions from developers. In 2020 this was further impacted by the deferral of capital projects due to the financial uncertainty of the COVID-19 pandemic. The following graph depicts the asset consumption ratio which shows an increasing trend over the last 5 years:



## Accumulated Surplus

In addition to the Town's reserves, the accumulated surplus also includes unspent capital project funds, the value of non-financial assets such as the equity in tangible capital assets and the Town's investment in Halton Hills Community Energy Corporation.

The Town's reserves total \$43M (reserves of \$62.6M less DC interfund loans of \$19.6M) at the end of 2020. This represents an increase of \$6.7M in the past 12 months and can be attributed to the receipt of the hydro promissory note and receipt of funds from the sale of a land parcel.

Most notably the accumulated surplus shows a decline in the Town's equity in Halton Hills Community Energy of \$5.3M which was driven by a few factors: the repayment of \$3.1M to the Town related to a promissory note, lower earnings from hydro and a draw down on retained earnings to pay the shareholder dividend.

A new item for 2020 is the reporting of \$750K as a future recovery from Kiwanis user groups. This represents the debt costs recoverable from community user groups, incurred when the Town entered into a joint partnership agreement with the Halton District School Board for the capital construction of the Kiwanis playing field.

The change in accounting policy related to the recognition of development charges resulted in a retroactive restatement of \$8.2M to the accumulated surplus in 2019. Previously, development charges were recognized in revenue when qualifying expenses were incurred, as long as development charges as a whole were positive. Management has determined that it is appropriate to recognize development charge revenue only when each individual development charge reserve fund is positive and qualifying expenses have been incurred.

## CONSOLIDATED STATEMENT OF OPERATIONS

The consolidated statement of operations shows the Town's revenues and expenditures. It combines all operating fund activities, and non-tangible capital asset related items from the capital fund.

### Budget

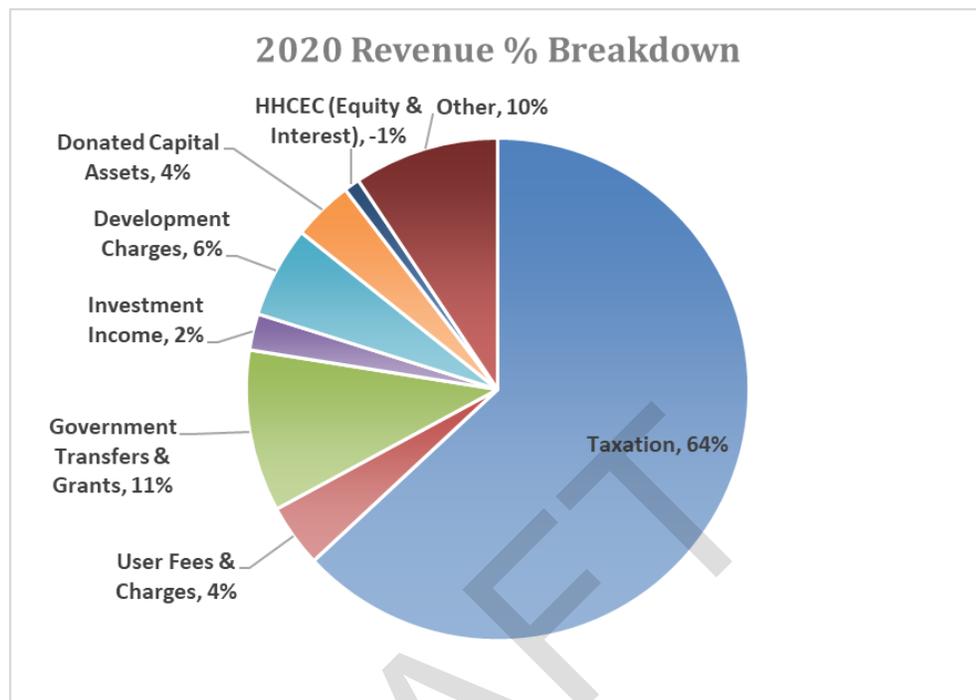
The Town compiles its annual operating and capital budgets in accordance with the Municipal Act. For the purposes of Financial Statement preparation in accordance with the Public Sector Accounting Board (PSAB) requirements, there are differences between the reported numbers. In order to ensure comparability of the Town's budget to the budgeted numbers contained within the financial statements, a PSAB compliant version of the proposed operating and capital budgets is also presented to Council during budget deliberations. The PSAB compliant budget numbers are reported in the budget columns of both the consolidated statement of operations and consolidated statement of change in net financial assets.

The following table lists the differences between the actual operating budget surplus reported to Council under the Municipal Act and the PSAB compliant surplus reported in the financial statements:

<b>Operating Budget Surplus</b>	<b>\$ 1,043,564</b>
Transfer unused contract carry forward to general surplus	<u>(260,805)</u>
<b>Adjusted Operating Budget Surplus</b>	<b>\$ 782,759</b>
Remove funding from surplus (prior year general surplus)	(67,876)
Increase surplus by reversal of non-PSAB eligible expenditures	
<i>Debt principal repayment</i>	4,431,034
<i>Net transfers to/(from) reserves</i>	13,996,216
Add other revenues (external to operating budget)	
<i>Non reserve revenues that fund the capital budget</i>	6,735,500
<i>Assumed assets</i>	3,455,911
<i>Investment income allocated directly to reserves</i>	825,124
<i>Miscellaneous recoveries allocated to reserves</i>	282,985
<i>Gain on disposal of assets</i>	3,068,910
Add other expenses (external to operating budget)	
<i>Contaminated sites</i>	(2,853)
<i>Decrease liability for post closure landfill</i>	6,317
<i>Amortization</i>	(17,612,409)
<i>Capital expenses not considered Tangible Capital Assets</i>	(3,418,222)
<i>Post employment benefits</i>	(175,623)
<i>Recovery from Kiwanis user groups</i>	(67,796)
Consolidate net income /(loss) of other entities	
<i>BIAs</i>	19,942
<i>HHCEC</i>	(2,159,179)
<b>PSAB Annual Surplus</b>	<b><u>\$ 10,100,740</u></b>
<i>(Reported in the Financial Statements)</i>	

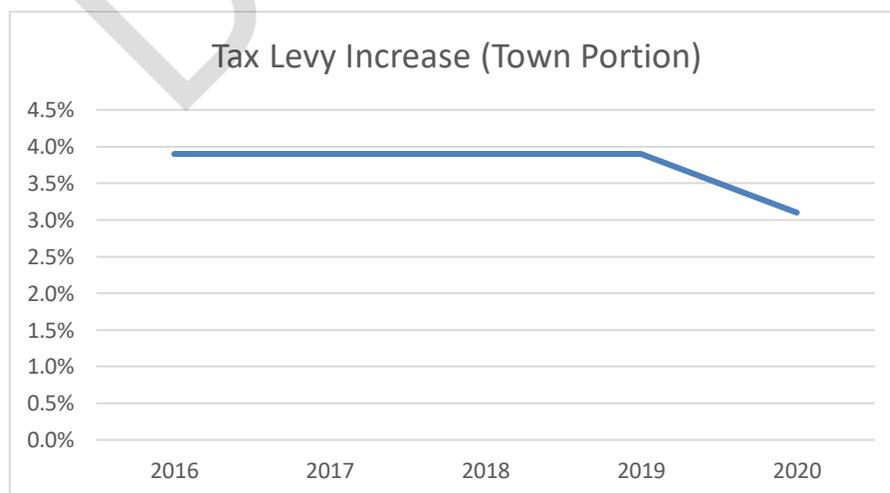
## Revenues

Revenues have increased by \$6M since 2019 driven mainly by the annual taxation increase and government transfers. The following chart illustrates the percentage breakdown of all 2020 revenues:



## Taxation

Council approved a 3.1% general levy tax increase for 2020 which represented a 0.8% reduction from the 3.9% increase in 2019. This tax increase allows the Town to balance financial stewardship with the delivery of Town services in an effective, efficient and economical manner. The following table illustrates the Town's rate increases in the past 5 years:



### *User Fees & Charges*

Revenues from user fees decreased by \$3.8M in 2020 due to the impacts of COVID-19 closures and restrictions. There were reductions in program and membership fees as most programs were cancelled or considerably reduced during 2020. Facility, ice and park rentals were also significantly reduced due to public health restrictions. Cemetery fees were the only user fee that increased in 2020. The following table provides a breakdown of the various fees included in the reported user fee revenue line:

	<u>2020</u>	<u>2019</u>	<u>Difference</u>
Activan	\$120,935	\$258,662	(\$137,727)
Aquafit/Lifesaving	17,122	132,075	(114,953)
Arena Floor Rental	20,885	104,733	(83,848)
Business Licenses	96,165	115,009	(18,844)
Cemetery Fees	292,535	255,312	37,223
Facility Rentals	258,882	386,384	(127,502)
General Admission	69,659	136,109	(66,450)
General Registration	196,022	1,232,789	(1,036,767)
Ice Rental	970,017	2,185,179	(1,215,162)
Memberships	19,032	89,145	(70,113)
Park Rental	148,096	317,808	(169,712)
Planning Fees	889,733	1,107,112	(217,379)
Tax Certificates & Information	167,469	294,536	(127,067)
Miscellaneous User Fees	324,904	797,765	(472,861)
	<u>\$3,591,456</u>	<u>\$7,412,618</u>	<u>(\$3,821,162)</u>

### *Development Charges*

In 2020, \$5.2M of Development Charges were recognized as revenue, which represents an increase over 2019 (\$2.5M). Recognition of revenue from development charges is used to fund the repayment of debentures and to finance capital and non- capital projects.

### *Government Transfers and Grants*

Transfers from upper levels of government are a significant source of revenue for the Town. In 2020, government transfers totaled \$9.2M (11% of revenues).

In 2020, the Town received COVID-19 pandemic relief funding from the Federal/Provincial Safe Restart grants. \$71,987 was received to offset transit pressures, however due to significant savings, this grant was not required. A further \$1,334,000 was received to offset general municipal operations related to COVID-19, of which \$1,310,989 was recognized as revenue in 2020.

The federal gas tax funds recognized as revenue was \$1.7M, which is significantly higher than the funding reported in the prior year due to the timing of expenditure outlays for large construction projects. Funds received under the federal gas tax agreement are deferred and recognized as revenue when qualifying

capital projects are completed. Upon completion of the construction works, funding is provided to the capital project to cover the costs incurred.

Provincial funding recognized as revenue increased by \$2.6M to \$5.1M in 2020. Grants received from the provincial government included \$1.5M for Ontario Connecting Links program, \$1.3M from the Ontario Community Infrastructure Fund (OCIF) which were used for capital asset construction, \$1.3M as Safe Restart funding, and \$577K in dedicated gas tax funding.

Transfers from other municipalities increased by \$975K mainly due to recoveries from the Region of Halton for various capital projects.

#### *Donated Capital Assets*

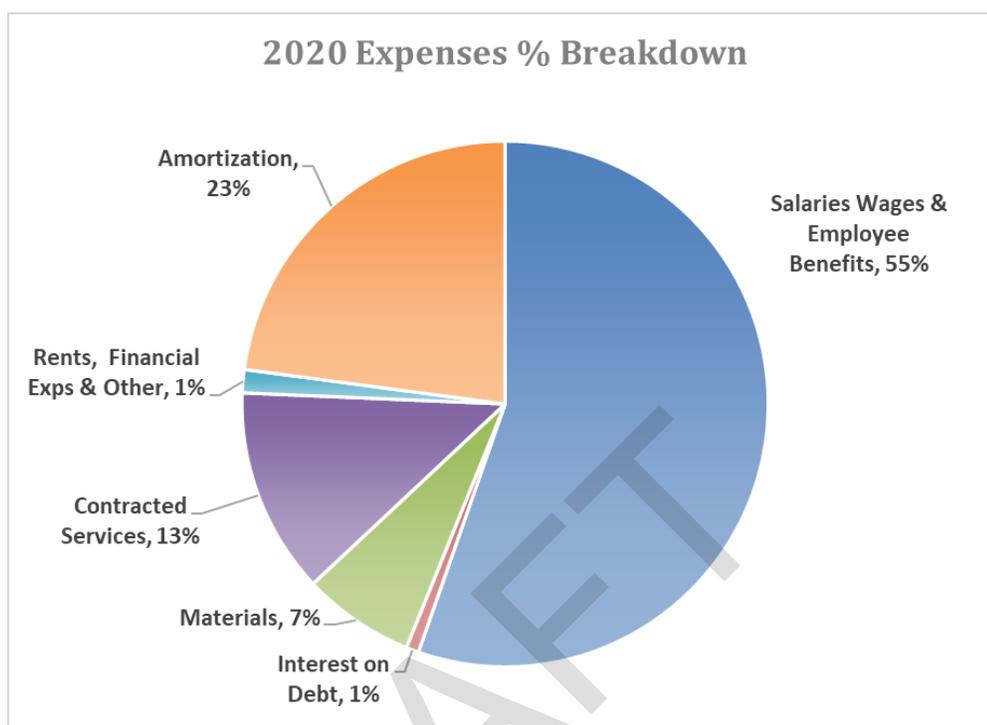
Donated tangible capital assets include any assets that the Town has assumed from developers, private organizations or individuals. These are reported as revenue in the statement of operations as the assets provide a future benefit to the Town. The Town assumed new tangible capital assets from developers in 2020 such as roads, sidewalks, storm water management ponds and streetlights, which resulted in the addition of over \$3.4M to the Town’s capital asset inventory. The following tables provide details of the 2020 asset assumptions:

<b><u>Contributed Assets</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Paved Roads & Sidewalks	\$ 1,839,043	\$ 2,814,653
Land	-	234,992
Street Lighting	160,000	195,875
Storm Water Management Pond	1,269,668	328,046
Other	187,200	492,055
	<u>\$ 3,455,911</u>	<u>\$ 4,065,621</u>

<b><u>2020</u></b>	<b><u>Type of Assumption</u></b>	<b><u>Developer</u></b>	<b><u>\$</u></b>
	Sub-division 20M-1155 Upper Canada Court	Menkes Developments	3,455,911
			<u>\$3,455,911</u>

## Expenses

Expenses have decreased by \$1.6M, due to the impact of COVID-19 pandemic and the resulting changes to operations. The following table shows the percentage split of total expenses:



### *Salaries, Wages & Employee Benefits*

Total labour costs increased by 0.4% over 2019. There were 6.0 full-time equivalent positions added in 2020 and 6.0 full-time equivalent positions were converted from temporary to permanent positions as part of the budget approval. A cost of living increase for non-union positions as well as contract increases for unionized positions increased salaries and wages in 2020. With the onset of the pandemic however, cost mitigation measures including the temporary lay-off of employees in non-essential services and staffing vacancies reduced overall staffing costs in 2020.

### *Amortization*

Amortization expenses represent the annual allocation of a portion of the historical cost of tangible capital assets as an expense over its useful life. The purpose of amortization is to show the decline in the asset's value as it ages through time and use. In 2020, the amortization expense marginally increased by \$115K.

### *Materials*

Material costs decreased by 18% in 2020 to \$5.3M. The closure of facilities and parks and cancellation or reduction in programs as a result of public health and safety measures significantly reduced the need for material purchases. As staff worked from home and switched to an on-line environment there was a further reduction in materials consumption.

### *Contracted Services*

Contracted services decreased by 4.4% (\$448K) when compared with the prior year. The reduction in contracted services is also attributed to the impacts of COVID-19 and closure of facilities, reduced

programming and event offerings. With the switch to offering more services online, there was an increase in subscription-based costs, which partially reduced the savings realized from operations.

### **ANNUAL SURPLUS**

An annual surplus of \$10.1M is being reported for 2020, which increases the Town's accumulated surplus to \$409.6M

### **CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

The Consolidated Statement of Change in net financial assets outlines the difference between the reported annual surplus and the change in net financial assets. It provides details on the acquisition and use of non-financial assets, such as Tangible Capital Assets, and their impact on the net financial position. The increase in the net financial position is attributable to increases in financial assets, mainly cash and short-term investments. These are partially offset by increases in deferred revenues, resulting in an overall increase of \$6.8M in net financial assets.

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## CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows shows how the Town used its cash in 2020. By adjusting the annual surplus for items that do not result in a cash transaction and taking into account the changes in working capital since the prior year, the result is a net increase in cash of \$19.9M from operations. Of the total \$24.4M available in cash, \$22.2M was used to buy new capital assets and repay debt and loans. Additional monies of \$0.6M were received in the form of dividends from Halton Hills Community Energy Corporation, \$3.1M was received as promissory note repayment by HHCEC, and \$3.2M was received in cash proceeds from disposal of fixed assets. A further \$1.9M was provided in the form of a new debenture from the Region of Halton to cover the upfront cost of construction of 22<sup>nd</sup> Sideroad between Highway 7 and Limehouse. In order to ensure sufficient working capital on-hand, \$3M of monies invested with the Region were withdrawn in January 2020 and a total of \$2.7M in interest was earned in 2020. This resulted in a net cash outflow from the Region of \$0.3M and increased the balance in the Scotiabank operating account to \$11.5M by the end of December 2020. The following table shows the movements of the Town's cash inflows and outflows throughout 2020:

<b>Cash at beginning of year</b>		<b>\$4,457,168</b>
Annual Surplus	\$10,100,740	
Adjust for all non-cash transactions	\$12,701,112	
Remove impact of non-cash working capital	<b>(\$2,858,841)</b>	
	<u>\$19,943,011</u>	<u>\$24,400,179</u>
<b>How was this cash used?</b>		
Purchase of new Capital Assets	<b>(\$17,764,487)</b>	
Repayment of Debt and Other Loans	<b>(\$4,431,034)</b>	
	<u><b>(\$22,195,521)</b></u>	<u>\$2,204,658</u>
<b>New cash coming in the door.....</b>		
Additional loan Region of Halton	\$1,900,000	
Cash from Fixed Asset disposals	\$3,236,038	
Promissory Note repayment from HHCEC	\$3,141,970	
Dividends from HHCEC	\$692,000	
	<u>\$8,970,008</u>	<u>\$11,174,666</u>
Investments with the Region		\$351,534
<b>Cash at end of year</b>		<b>\$11,526,200</b>

## PLANNING DOCUMENTS

### Long Range Financial Plan

Financial planning is a critical ongoing activity given the increasing complexity of the Town's financial portfolio. In 2018, the Town retained Watson & Associates Economists Ltd. to develop a Long Range Financial Plan (LRFP) and a financial planning tool that enables analysis and scenario planning to support key financing decisions. The Town continues to dedicate in-house resources to manage and update the LRFP model in response to ongoing developments and changing priorities.

The LRFP is based on the following key principles:

1. Manage the timing of the capital program to align capital projects with growth
2. Limit debt terms to a maximum of 10 years; longer terms require special Council approval
3. Optimize reserve balances
4. Focus on core infrastructure to reduce the infrastructure deficit over time

### Asset Management Plan

Asset management is the application of financial, technical, strategic planning and other inter-disciplinary techniques to effectively utilize and realize value from physical assets over their lifecycles. A dynamic Corporate Asset Management Policy confirms the Town's commitment to the planning, design, construction, acquisition, operation, maintenance, renewal, replacement and disposal of assets in a way that ensures sound stewardship, responsive customer service and improved quality of life.

The Town aligns asset management with other key corporate initiatives including the Long Range Financial Plan, Storm Water Management, Fleet Management, Urban Tree Management Strategy, the Climate Change Adaptation Plan and the Corporate Technology Strategic Plan. The culminating effect of this alignment is reflected in the annual capital and operating budgets where carefully planned funding optimizes asset lifecycles.

## CONCLUSION

In recent years the Town has consistently focused on long-range financial planning and the need to be able to adapt quickly to changing conditions. Through the careful re-investment of available funds into reserves, a solid debt management approach and the implementation of a comprehensive COVID-19 cost reduction and mitigation plan, combined with the timely financial support provided through the Federal/Provincial Safe Restart Agreement, the Town was able to end 2020 in a strong financial position.

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Moya Leighton CPA, CGA, MBA

Town Treasurer and Director of Finance

July 5, 2021

## 2021 and Beyond

### **COVID-19 Pandemic**

The COVID-19 pandemic has had a significant impact across the Town of Halton Hills during 2020 and this is expected to continue into 2021. With the rollout of vaccines, concerns surrounding COVID-19 variants and a third wave of rising cases, the situation is constantly evolving. Responding to these changes quickly and efficiently continues to be a priority for the Town.

The COVID-19 pandemic placed unforeseen fiscal demands on the Town requiring investments in facilities and equipment and unanticipated expenses as changes were implemented to the Town's operations. COVID-19 has challenged the municipality to work in different ways, employ new technology and deliver programs, where possible, in a virtual environment. The 2021 budget meets critical long range financial targets (based on the municipality's current size) and prioritizes projects that support health and safety, maintenance of assets and plans and completion of studies necessary to advance projects that are key to future development.

### **2021 Budget**

In planning for a vibrant, healthy and sustainable community, the Town is committed to providing community leadership on issues of concern and delivery of a broad range of public services to its residents and businesses. The 2021 municipal tax levy increase is 3.9% (net of assessment growth) and is consistent with the Town's Long Range Financial Plan. The increase includes inflation and non-discretionary increases required to maintain existing service levels, as well as a 0.6% dedicated tax levy to close the infrastructure gap.

## FINANCIAL MANAGEMENT

The responsibility for financial management is governed through a series of by-laws which prescribe the appropriate purchasing, investment, risk management, reserve and debt management policies. Halton Hills Town Council has ultimate authority to allocate funds through the annual operating and capital budget process. The following areas are subject to rigorous, well- defined processes and controls that support the effective and efficient management of Town resources.

### Capital Budget

The capital budget process commences with planning for the implementation of Council's strategic priorities. These priorities in combination with the Asset Management Plan guide the creation of the capital budget. A detailed business case for each capital project is compiled which is then subject to a management review and prioritized using a matrix. Financial affordability is determined through the long range financial planning tool and the appropriate funding sources are confirmed by the Treasurer and allocated to capital projects. Following a comprehensive review by Senior Management, the proposed capital budget is presented to Council through a series of Ward-specific budget review meetings providing the opportunity for detailed discussion. The capital budget is subsequently presented to Budget Committee for final review and is open to public delegation, prior to finalization.

Capital projects approved through the capital budget process are the responsibility of the Department Heads who are accountable to the CAO, Council and taxpayers for financial performance and service delivery.

### Operating Budget

The creation of the annual operating budget also follows a highly structured process. Starting with a detailed needs assessment, senior management reviews existing programs and service levels along with requests for new initiatives to determine if additional resources will be required, or if there is the opportunity to reallocate resources to achieve efficiencies. Research is conducted and projections are made to determine appropriate inflationary increases for operating expenditures. Senior management holds a series of thorough discussions to review revenues and expenditures for potential savings, opportunities for economies of scale and/or adjustments to services and programs. The proposed tax rate increase is reviewed for consistency with prior tax years, comparability with neighbouring municipalities and affordability for the average taxpayer. The preliminary operating budget is presented to Council early on in the process in order to secure direction for staff when preparing the budget details. The final proposed budget is discussed again with members of Council through Ward-specific review meetings prior to the final presentation to Budget Committee and is subject to public delegations.

Department Heads are responsible for the delivery of effective and efficient services and programs. They are ultimately accountable to the CAO, Council and taxpayers.

## Finance Team

The Town's Finance team is responsible for all finance functions from debt management to taxes, to budgets, providing advice on various options available to support growth and maintain existing programs and service levels.

In addition to being responsible for maintaining accurate records, the team regularly provides information to management who are accountable for the programs, services and capital projects that they manage and deliver. The Finance team also reports periodically to Council on various financial aspects such as reserve balances, and performance against budget.

Annually, the Finance team prepares the Town's financial statements in accordance with the standards prescribed by the Public Sector Accounting Board (PSAB) and coordinates the operating and capital budget process. Bound by Ontario Regulation 284/09 which requires municipalities to prepare a report to Council outlining expenses that have been excluded from budgets, the Finance team prepares a report which converts the budget into a PSAB compliant format. This report is presented to Budget Committee and is subsequently audited by the Town's external auditors and reported in the annual consolidated financial statements.

The Finance team also has the responsibility for developing, monitoring and ensuring compliance with financial controls. Recognizing that accurate information is of utmost importance for sound decision-making and effective management of the Town's resources, strong financial controls and processes are integral to providing reasonable assurance on the accuracy of the Town's data and the ensuing financial statements.

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## MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Town of Halton Hills have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of the Town's management. The preparation of financial statements includes the use of estimates based on management's judgment. These estimates are required when transactions affecting the current reporting period cannot be finalized with certainty until future periods.

The Town has an internal control system that provides reasonable assurance over the safeguarding of its assets and the accuracy of transactions. Through the established authorization process and formal reporting procedures along with appropriate levels of management review, these controls ensure accurate, timely and reliable information.

Additionally, the Town has many accounting policies that provide technical guidance on the treatment of various transactions. Note 1 of the accompanying notes to the financial statements includes a summary of the significant accounting policies used to prepare the financial statements.

The consolidated financial statements have been audited by KPMG LLP, the external auditors for the Town. The auditors have included an independent auditor report for each of the attached financial statements. These reports outline the scope and responsibility of the auditors and management throughout the audit process and express an opinion over the financial statements.

The auditors meet regularly with Town management throughout the audit process and report to the General Committee of Council at the planning stage of the audit and again at completion to present their significant audit findings.

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Moya Leighton CPA, CGA, MBA

Town Treasurer and Director of Finance

July 5, 2021