

# City of Kawartha Lakes

## 2021 Audited Financial Statements & Surplus Disposition

June 21, 2022



# Agenda

- Results of the Audit
- Review of Financial Statements
  - Overall Surplus
  - High Level Variance
  - Financial Indicator Review
  - Balance Sheet Items

# Results of the Audit

- Overall Annual Surplus is \$8,655,809 prior to Area Rate and Water and Wastewater Reserve Transfers
- Reserve Transfers prior to surplus figure above

Winter Control	\$2,131,473
Library Operating	\$ 254,439
Building Department	<u>\$1,593,842</u>
	<u>\$ 3,979,754</u>

# 2021 Overall Surplus

	2021 (Surplus)/ Deficit	2020 (Surplus)/ Deficit
General Tax Rate	\$(7,067,852)	\$(4,594,454)
Area Tax Rate	15,134	77,733
Water and Sewer	-	-
KLH HC	(65,652)	(155,787)
<b>Overall Operating (Surplus)</b>	<b>\$(7,118,370)</b>	<b>\$(4,672,508)</b>

# 2021 General Tax Rate Surplus

- Overall Surplus of \$7,067,852
- Reasons for Surplus:
  - Waste Management Fees
  - Victoria Manor, City, Human Services, Paramedics, Transit, Fire – pandemic grants
  - Pandemic Expense reductions – training, utilities, etc
  - Snow Plow Contracts – light winter
  - Penalty and Interest on Taxes – increased arrears

# 2021 Area Rate Surplus

Area Rate	2021 (Surplus)/Deficit	2020 (Surplus)/Deficit
Transit	\$ -	\$ 22,888
Fire Area A	33,994	122,093
Fire Area C	(374,447)	(536,384)
Lindsay Parks	76,683	(78,648)
OPP	(990)	4,866
Kawartha Lakes Police	(250,458)	(10,242)
Streetlight	(93,682)	(170,717)
<b>Area Rate (Surplus)</b>	<b>\$ (608,900)</b>	<b>\$ (646,144)</b>

# 2021 Area Rate Surplus

- Total Overall Surplus of \$ 608,900
- All Surplus Areas were transferred to Rate Stabilization Reserves
- Fire Area A deficit was covered by Area Rate Stabilization Reserves and a portion of the Lindsay Parks deficit was partially funded by Area Rate Stabilization Reserves and the remainder of the deficit (24,370) was raised in 2022 through an increase in their specific area rate tax levy

# Financial Indicator Review

- Provides Comparative Information from Prior Years and Other Municipalities

## Ratios Analyzed:

- Tax Arrears vs Operating Revenue
- Reserve Ratio
- Debt Servicing Cost
- Annual Repayment Limit (ARL)



# Tax Arrears vs Total Taxes Levied Ratio

## 2021 CKL Data and Ratio

2021 Tax Arrears \$ 12,087,492  
2021 Tax Levy \$ 146,970,712

Ratio 8.22%

Low Risk Below 10%

## Comparative Information

### City History

2019 3.98%  
2020 7.05%

### South Single Tier

2019 5.40%  
2020 6.10%

# Tax Arrears History 2017-2021

Year	Tax Arrears	Tax Revenue	Ratio
2021	\$12,087,492	\$146,970,712	8.22%
2020	\$10,196,490	\$144,559,654	7.05%
2019	\$ 5,579,837	\$140,090,599	3.98%
2018	\$ 4,893,273	\$135,125,606	3.62%
2017	\$ 4,707,683	\$130,575,068	3.61%

# Reserve Ratio

## 2021 CKL Data and Ratio

2021 Reserves      \$ 54,765,189

2021 Expenses      \$229,751,202

Ratio                      23.84%

Low Risk      More than 20%

## Comparative Information

### City History

2019                      16.48%

2020                      21.44%

### South Single Tier

2019                      52.3%

# Debt Servicing Ratio

## 2021 CKL Data and Ratio

2021 Debt Pmts      \$ 16,476,924

2021 Revenue        \$ 256,267,048

Ratio                    6.42%

Moderate Risk        5% to 10%

## Comparative Information

City History

2019                    6.50%

2020                    6.14%

South Single Tier

2019                    4.80%

2020                    4.80%

# Annual Repayment Limit (ARL)

## 2021 CKL Data and ARL

Principle and Interest Payments

Revenue	\$	172,088,740
25% of Rev	\$	43,022,185
2021 P and I	\$	<u>(16,476,924)</u>
2021 ARL	\$	<u>26,545,261</u>

## Level of Debt

2021 Debt           \$ 124,492,232

Available Debt based on ARL

10 years@5%	\$172,244,680
20 years@5%	\$288,607,013

# Balance Sheet Analysis

- North West Trunk Receivable
- Long Term Debt – Note 7 – Page 13 & 14
- Development Charge Reserve – Note 4-Page 10 & 11
- Accumulated Surplus – Note 8 – Page 15

# North West Trunk Receivable

- 2021 payment of \$1.8 Million
- Outstanding 2021 Accounts Receivable is \$19.3M as compared to \$19.6M in 2020
- Annual indexing applied each year
- Update to developers as to amounts owing will go out in 2022

# Long Term Debt

Description	2021	2020
General Tax Rate Debt	\$ 27,948,927	\$ 30,433,238
Water and Sewer User Debt	39,214,285	42,833,923
DC Debit Debt	29,160,412	24,164,535
North West Trunk Debt	9,336,087	10,003,186
Housing Debt	13,094,913	10,579,430
Municipal Drainage	242,791	244,518
10 Year Plan Debt	14,830,904	17,248,755
<b>Total Debt</b>	<b>\$ 133,828,319</b>	<b>\$ 135,507,585</b>



# Development Charge (DC) Reserve Fund

- Borrowed \$6.3 Million to bring DC Reserve to 0 in 2021
- Long Term Financial Plan has significant DC funding in the capital projections
- 2022 Current balance is \$9.8 Million in a deficit
- Concern about DC revenue projections

# DC Reserve Collections

## DC Reserve Collection History

2017	\$ 3,674,105
2018	\$ 4,862,067
2019	\$ 409,759
2020	\$ 5,107,380
2021	\$11,327,070

## DC Study Projections

2020	\$ 18,920,918
2021	\$ 19,488,546
2022	\$ 20,073,202
2023	\$ 20,675,398
2024	\$ 21,295,530

- Follow Provincial Growth Plan

# Accumulated Surplus

Description	2021	2020
Operating Fund Surplus	\$ 7,118,370	\$ 4,672,507
Capital Fund Surplus (Deficit)	12,147,613	15,281,076
Employee Future Benefits	(24,300,817)	(20,167,727)
Post Closure Landfill Costs	(13,352,280)	(13,413,608)
Accrued Interest on LTD	(323,968)	(356,275)
Long Term Debt (LTD)	(124,492,230)	(125,504,397)
Reserves	54,765,189	47,416,863
Tangible Capital Assets	579,602,957	556,720,549
<b>Accumulated Surplus</b>	<b>\$491,164,834</b>	<b>\$464,648,988</b>

# Resolution from CORP2022-008

**That** Council authorize the transfer of the 2021 Surplus as follows:

- The Fleet department surplus of \$272,722 be transferred to a newly created Fleet Maintenance Reserve and Council approve the creation of that reserve; and
- A portion of the Victoria Manor surplus of \$500,000 be transferred to the General Contingency Reserve, committed to Victoria Manor, for a Facility Master Plan; and

# Resolution from CORP2022-008(cont.)

- That \$1,000,000 be transferred to the General Contingency reserve, committed to the Empower (Pandemic Recovery) program; and
- That \$1,000,000 be transferred to the Capital Contingency Reserve, to replenish this reserve; and
- That \$1,000,000 be transferred from the General Contingency Reserve committed to Winter Control and moved to the Public Works Fleet Reserve in order to purchase brushing and ditching equipment; and
- That the remainder of the 2021 Surplus of \$4,295,130 be transferred to the Asset Management Reserve for future capital.

# 2022 Projection

- Paramedic staffing
- Winter Control – January-May 2022
- Revenue recovery

# End of Presentation

## Questions?