



SUBJECT: Financial Status Report as at December 31, 2016

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-09-17

Wards Affected: All

File Numbers: 100-01

Date to Committee: February 27, 2017

Date to Council: March 27, 2017

Recommendation:

Receive and file finance department report F-09-17 providing financial status as at December 31, 2016.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

PART A - FINANCIAL POSITION

On December 31, 2016 the City had cash and investments totalling \$235.4 million, which represents a net increase of \$11.4 million, or 5.0% to the comparative figure of \$224.0 million at December 31, 2015.

Appendix A shows total investment income (interest earned and capital gains realized) up to December 31, 2016 on the total investment portfolio.

Investment income as of December 31, 2016 is \$10.5 million which is up from \$10.0 million in 2015. The current yield on the City's investments is 2.93% compared to 3.07% in 2015.

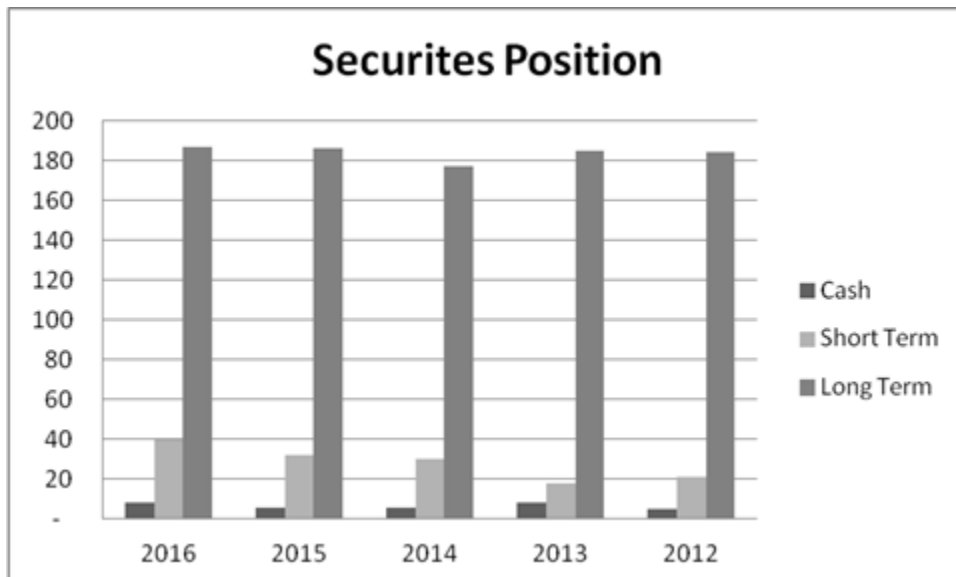
The Bank of Canada (BoC) interest rate was on hold from September 2010 to December 2014. Since that time the BoC cut rates twice, first in January 2015 and again in July 2015, both times by ¼%. The current bank rate is 0.50%. With the change in government in the United States and upcoming elections within the European Union, there is currently a level of uncertainty in the market. Staff will continue to follow current events and the impact on the market while managing the risk to the City's portfolio.

Based on the economics of the market, staff has been practicing the following investment strategies in 2016

- Maintain investments in the City's long term portfolio while managing risk to ensure that there will not be a liquidity issue to meet commitments.
- Trade bonds for capital gains by taking advantage of market fluctuations generated by economic data. This practice resulted in a realized capital gain of \$2.8 million for 2016 compared to \$2.3 million realized for 2015.

Appendix B provides a listing of the current portfolio by type of investment, and weighted average yield, in accordance with the Ontario Regulation 438/97.

The following chart displays the composition of cash and investments over the past five years. It shows movement between cash, short-term, and long-term investments to achieve the most favourable investment income results.



PART B - TAX COLLECTION

Appendix C reflects property tax status at December 31, 2016 compared to December 31, 2015. The total current levy has increased to \$382.9 million from \$374.4 million, an increase of \$8.5 million. Collections have increased by \$8.3 million. Collections have traditionally been 96% - 98% of the current year levy for this time period and they are currently at 97.71% compared to 97.70 % at year-end 2015.

The total current and prior years' arrears have increased to \$11.8 million from \$11.5 million. The total arrears as a percentage of the current year levy are currently 3.07% compared to 3.08% in 2015.

There are 4 vacant land properties that were registered with a tax arrears certificate prior to 2016 that are currently under review.

Title searches to determine mortgagee on properties that have taxes 2 years in arrears for which payment arrangements have not been received were completed in November and December on 53 properties. Letters were sent to advise the owners and the mortgage companies of the tax arrears; this step is taken prior to a Tax Arrears Certificate being registered on title. These letters have resulted in 70% of the accounts being paid in full or part by either the Mortgage Company or the owner(s). Accounts that have made payment arrangements will continue to be monitored. Over the next three months the Tax Collector will commence tax arrears certificate registrations on properties where no contact or payment arrangements have been made.

Staff continues to promote preauthorized payment plans. The year-to-year comparisons on the plans are detailed below.

	Dec 2016	Dec 2015	% Change
Monthly Pre-Authorized Payment	16,397	16,217	1.11%
Due Date Pre-Authorized Payment Plan	3,619	3,482	3.93%
Ratepayer Defined Payment Plan	98	102	(3.92%)
Total	20,114	19,801	1.58%

Property tax bills can be received electronically via Canada Post's epost service. This service has continued to grow and we have 1,819 accounts signed up for electronic bill presentment. This represents 2.88% of all property tax accounts.

PART C - DEBT AND FINANCIAL OBLIGATION LIMIT

As of December 31, 2016 the City's total debt charges as a percentage of own source revenue is estimated to be 10.8%, which is within the council approved guideline of 12.5%, and regulation of 25%. (See Appendix C)

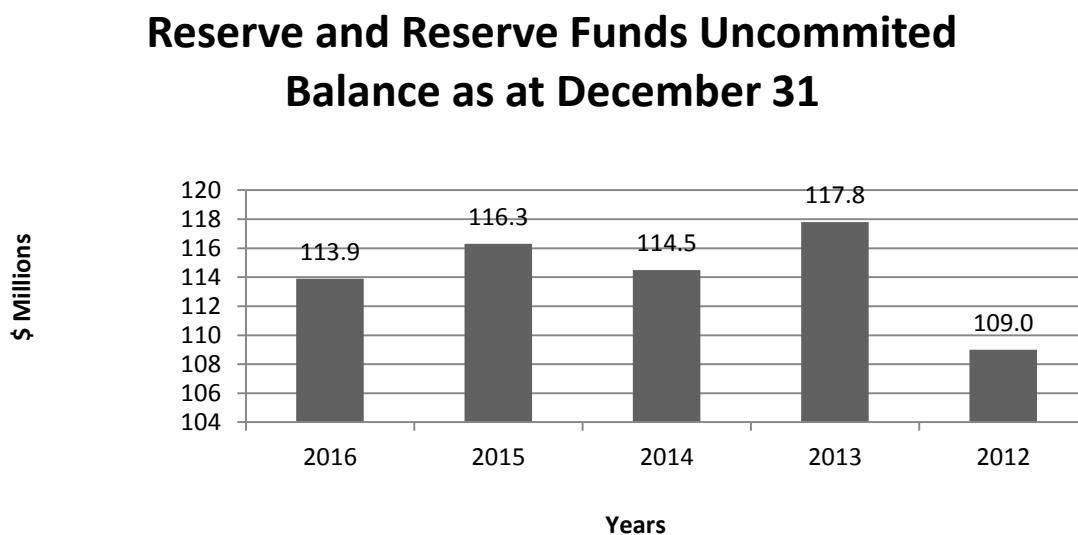
The city has an estimated \$105.5 million in total principal debt outstanding. Taking into consideration principal debt repayments of \$11.4 million, as well as \$21.2 million in debt which has been approved and not issued, total city principal debt projected to be outstanding at year end 2016 is approximately \$115.3 million.

PART D - RESERVES AND RESERVE FUNDS

The current status of the City's Reserves and Reserve Funds balances are disclosed in Appendix E.

At December 31, 2016 the total of these balances amounted to \$183.8 million, which is \$14 million higher than the corresponding figure of \$169.8 million at December 31, 2015. This increase is due to the timing of transfers into the reserve funds and timing of commitment pay outs. Of the total Reserves and Reserve Funds \$69.9 million is committed for various projects leaving an uncommitted balance of \$113.9 million. The commitments represent expenditures approved by Council in previous years' capital budgets or funds held for specific future purposes.

The following chart provides an historical perspective of uncommitted reserve and reserve fund balances as at December 31:



PART E - 2016 BUDGET MONITORING

As of December 31, 2016 the preliminary unaudited current budget results in a favourable variance of \$2.7M.

Please refer to 2016 Retained Savings Report (F-11-17, February 27, 2017 - Committee of the Whole) for high level factors which make up the favourable variance. Further to this report will be the Final Current Budget Performance report (April 3, 2017 - Committee of the Whole) which will explain in greater detail the primary drivers for the retained savings as well as provide explanations for favourable and unfavourable year-end variances greater than \$100,000 at the net service level. Staff will continue to monitor and update the year-end projections as part of the 2017 budget.

PART F – Financial Position

The financial status report provides information on significant balances on the City's statement of financial position. Information is provided on the City's short and long term investments and cash balances. Information is also provided on taxes receivable. The reserve fund balances contain obligatory reserve funds which are shown as deferred revenue on the City's statement of financial position. Our net long term liabilities are discussed in the section on debt and financial obligation limits. Significant balances are as follows:

As at December 31

(Amounts are in thousands of dollars)

	2016	2015
	\$	\$
Cash & temporary investments	48,159	37,988
Taxes receivable*	11,770	10,560
Long term investments	187,227	186,027
Investment in Burlington Hydro Electric **	127,142	127,142
Deferred revenue - obligatory reserve funds	61,281	58,369
Net long term liabilities	105,522	73,416

*** Reported net of allowance for write-offs**

**** 2016 balance is as at December 31, 2015**

The City's statement of financial position provides a long term view of the City's financial health. A year over year comparison helps to identify indicators that may be of concern or interest. As of December 31, 2016 there was an increase in the net long term liabilities balance of approximately \$32.1 million. This increase from the prior year is primarily driven by the issuance of debt for the Joseph Brant Memorial Hospital (\$27.7 million issued in 2016). Also as of December 31, 2016, there was an increase in the 'Cash & temporary investment' balance of approximately \$10.2 million. This increase was due to a higher amount in the City's short term investments (see Appendix A) which were intended to be used for the City to meet its cash flow needs. While these indicators currently do not reflect any concern for the municipality it is important that they continue to be monitored on a regular basis.

Financial Matters:

Not applicable.

Conclusion:

To present the financial status of the City as at December 31, 2016.

Respectfully submitted,

Michelle Moore

Coordinator of Accounting

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Appendices:

- A. Securities Position and Performance
- B. Investment Portfolio
- C. Property Tax Collection
- D. Debt and Financial Obligation Limit
- E. Reserve Funds and Reserve

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.