



SUBJECT: Financial status report as at June 30, 2017

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-39-17

Wards Affected: all

File Numbers: 100-01

Date to Committee: September 25, 2017

Date to Council: October 10, 2017

Recommendation:

Receive and file finance department report F-39-17 providing the financial status as at June 30, 2017.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

PART A - FINANCIAL POSITION

On June 30, 2017, the investment portfolio for the City totaled \$310.7 million which represents an increase of \$32.2 million or 12% from the comparative figure of \$278.5 million at June 30, 2016.

The attached Appendix A shows investment income (interest earned and capital gains realized) to June 30, 2017 on the total investment portfolio. A distribution of investment income between the Reserve Funds and Revenue Funds will be made at year-end.

Investment income has increased from \$5.0 million in 2016 to \$5.2 million in 2017. The current yield on the city investment is 2.57% compared to 2.72% in 2016.

Based on economic data released in the second quarter of 2017, the Bank of Canada anticipated an increase in the bank rate. The rate increase occurred mid July raising the rate from the existing 0.5% to 0.75%. A second increase is projected in the fourth quarter by an additional 0.25% bringing the bank rate up to 1% by the end of 2017. It is still anticipated that the low interest rate environment will be maintained for the foreseeable future but the market is showing signs of stabilizing.

Staff will continue to follow current events and their resulting impact on the market while managing the risk to the City's portfolio.

Based on the economics of the market, staff will maintain the following investment strategies in 2017;

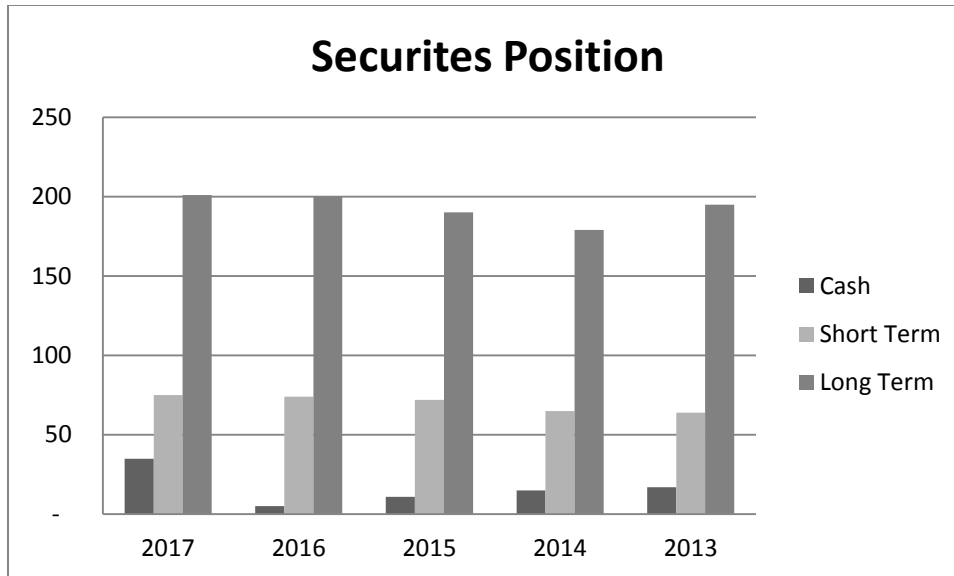
- Maintain investments in the City's long term portfolio but with reduced duration. As interest rates rise, invest in longer durations to maximize rate of return while managing risk to ensure there will not be a liquidity issue to meet commitments.
- Trade bonds for capital gains by taking advantage of market fluctuations generated by economic data. This practice resulted in realized capital gains of \$1.2 million year to date compared to \$1.1 million realized by June 30, 2016. This increase over prior year is the result of staff seeking to lock in existing capital gains within the portfolio based on expectations that rates would increase causing the gain to be lost. This strategy also allows staff to reinvest in the market for a higher yield.

As at the end of the second quarter, staff is on target to achieve budget of \$5.3 million for the year ending 2017.

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. In following the City of Burlington's investment policy, the City can purchase Region of Halton bonds, up to but not greater than, the amount of the debenture issued on behalf of the City. As of June 30, 2017, the City's investment portfolio included \$22.9 million Region of Halton bonds.

As at June 30, 2017 the City's investment portfolio is compliant with the guidelines set out in the City's investment policy and goals adopted by the City.

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 June 30, 2017 compared to June 30, 2016. The total current levy has increased to \$394.7 million from \$381.5 million, an increase of \$13.2 million. Collections have increased by \$10.6 million. Collections have traditionally been 68-70% of the current year levy for this time period; they are currently at 69.8% compared to 69.5% in 2016.

Total current and prior years' arrears have increased to \$124.8 million from \$122.2 million representing a change in collections of \$2.6 million. The total arrears have been steadily decreasing each year from 33.73% in 2010 to 31.62% in 2017.

Six residential properties have had a tax arrears certificate registered on title in 2017. Two of these have been paid up to date. There are 4 vacant land properties that were registered with a tax arrears certificate prior to 2017 that are currently under review.

During the second quarter, 451 collection letters were sent to residential property owners with outstanding taxes dating back to 2015 compared to 393 in 2016. Approximately 46% have made satisfactory payment or payment arrangements.

A subsequent follow-up collection letter will be sent in the third quarter (early August) to any accounts that have not made satisfactory payment arrangements (approximately 250 residential properties).

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

	June 2017	June 2016	% Change
Monthly Pre-Authorized Payment	16,343	16,210	0.82%
Due Date Pre-Authorized Payment Plan	3,674	3,620	1.49%
Ratepayer Defined Payment Plan	85	104	-18.27%
Total	20,102	19,934	0.84%

Property tax bills are available electronically via Canada Post's epost service. This service currently stands at 1,858 accounts signed up for electronic bill presentment, representing 2.90% of all property tax accounts.

PART C - DEBT AND FINANCIAL OBLIGATION LIMIT

As of June 30, 2017, the City's total debt charges as a percentage of own source revenue is estimated to be 10.0%, which is within the council approved guideline of 12.5%, and regulation of 25%. (See Appendix D)

The city has an estimated \$102.2 million in total principal debt outstanding. Taking into consideration principal debt repayments of \$13.2 million, as well as \$22.8 million in debt which has been approved and not issued, total city principal debt projected to be outstanding at year end 2017 is approximately \$111.7 million.

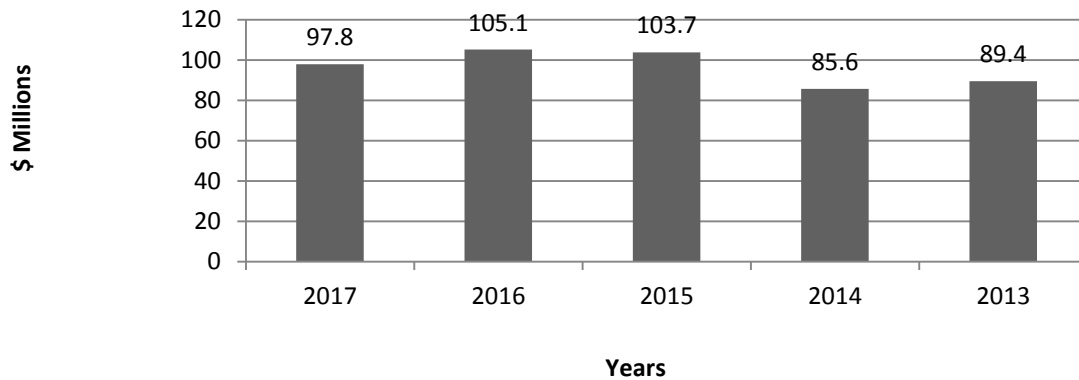
PART D - RESERVES AND RESERVE FUNDS

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

At June 30, 2017, the total of these balances amounted to \$160.6 million, which is \$6.8 million higher than the corresponding figure of \$153.8 million at June 30, 2016. 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 \$62.8 million is committed for various projects leaving an uncommitted balance of \$97.8 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 June 30:

Reserve and Reserve Funds Uncommitted Balance as at June 30



PART E - 2017 BUDGET MONITORING

Please refer to the 2017 Current Budget Performance Report as of June 30, 2017, in the same agenda (F-36-17).

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 June 30th
(Amount are in thousands of dollars)

	2017	2016
	\$	\$
Cash & temporary investments	109,633	78,592
Taxes receivable*	124,310	121,403
Long term investments	201,030	199,943
Investment in Burlington Hydro Electric**	128,491	127,142
Deferred revenue - obligatory reserve funds	38,375	33,253
Net long term liabilities	102,157	73,416

*** Reported net of allowance for write-offs and based on two installments**

**** 2017 balance is as at December 31, 2016**

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 June 30, 2017, there was an increase in the net long term liabilities balance of approximately \$28.7 million. This increase from the prior year is primarily driven by the issuance of debt for the Joseph Brant Hospital. 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 June 30, 2017

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.