



SUBJECT: Quarterly financial status as at September 30, 2017

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-47-17

Wards Affected: all

File Numbers: 100-01

Date to Committee: November 27, 2017

Date to Council: December 11, 2017

Recommendation:

Receive and file finance department report F-47-17 providing a quarterly financial status as at September 30, 2017.

Purpose:

An Engaging City

- Good Governance

Background and Discussion:

PART A - FINANCIAL POSITION

On September 30, 2017, the investment portfolio for the City totaled \$305.1 million which represents an increase of \$29.8 million from the comparative figure of \$275.3 million at September 30, 2016.

The attached Appendix A shows investment income (interest earned and capital gain realized) to September 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 \$7.4 million in 2016 to \$7.8 million in 2017. The current yield on the city investment is 2.57% compared to 2.72% in 2016.

During the third quarter of 2017 the Bank of Canada delivered its first rate increase in almost seven years. Raising the rate on July 12th from the existing 0.5% to 0.75%. A second increase was announced on September 6th again raising the rate by 0.25% to 1%. The Bank is not expected to raise rates again until 2018 and the low interest rate environment will be maintained for the foreseeable future.

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;

- While the interest rate environment remains low, maintain investments in the City's long-term portfolio but with reduced duration. As interest rates rise, adapt the City's long-term portfolio to 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 \$1.8 million year to date compared to \$1.6 million realized by September 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 third quarter, staff is projecting a favorable variance of \$700,000 in investment income because of realized capital gains 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 September 30, 2017, the City's investment portfolio included \$22.4 million Region of Halton bonds.

As at September 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.

PART B - TAX COLLECTION

Appendix C reflects property tax status at September 30, 2017 compared to September 30, 2016. The total current levy has increased to \$395.9 million from \$381.4 million, an increase of \$14.5 million. Collections have increased by \$12.0 million. Collections have traditionally been 92-94% of the current year levy for this time; they are currently at 93.6% compared to 94% in 2016.

Total current and prior years' arrears have increased to \$29.5 million from \$27.2 million representing a change in collections of \$2.3 million. The total arrears have been 7-9% of the current year levy for this time and they are currently at 7.4% compared to 7.1% in 2016.

Prior years' arrears have decreased to \$4.2 million from \$4.5 million representing an improvement in collections of \$0.3 million.

Six residential properties have had a tax arrears certificate registered on title in 2017. Three 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 third quarter, 235 collection letters were sent to residential property owners with outstanding taxes dating back to 2015 compared to 253 in 2016. Approximately 30% have responded to make payment arrangements by September 30, 2017.

Preliminary title searches to determine mortgagee will commence at the beginning of November on properties with 2 previous years of tax arrears for which payment arrangements have not been received. Letters will be sent to advise the owners and the mortgage companies of the tax arrears. These letters usually result in most accounts being paid by either the Mortgage Company or the owner(s) thus eliminating the necessity to register a tax arrears certificate on title in 2018.

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

	Sept 2017	Sept 2016	% Change
Monthly Pre-Authorized Payment	16,059	15,868	1.20%
Due Date Pre-Authorized Payment Plan	3,658	3,607	1.41%
Ratepayer Defined Payment Plan	84	102	(17.65%)
Total	19,801	19,577	1.14%

Property tax bills are available electronically via Canada Post's epost service. This service currently stands at 1,859 accounts signed up for electronic bill presentment, representing 2.90% of all property tax accounts.

PART C - DEBT AND FINANCIAL OBLIGATION LIMIT

As of September 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.

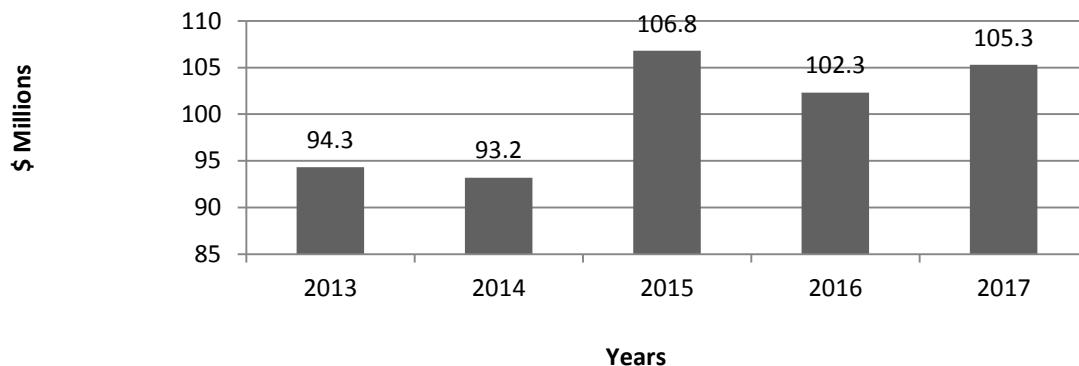
PART D - RESERVES AND RESERVE FUNDS

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

At September 30, 2017, the total of these balances amounted to \$171.5 million, which is \$20.2 million higher than the corresponding figure of \$151.3 million at September 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 \$66.2 million is committed for various projects leaving an uncommitted balance of \$105.3 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 September 30:

Reserve and Reserve Funds Uncommitted Balance as at September 30



PART E - 2017 BUDGET MONITORING

As of September 30, 2017, the operating budget shows a favourable variance of \$3.1 million with a year end projected favourable variance of \$2.6 million (Appendix F & G).

The year end projection is largely due to favourable human resource costs resulting from staff gapping, favourable development revenues, partially offset by unfavourable purchased services costs.

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 September 30th
(Amount are in thousands of dollars)

	2017	2016
	\$	\$
Cash & temporary investments	96,377	74,501
Taxes receivable*	28,969	27,325
Long term investments	208,676	200,770
Investment in Burlington Hydro Electric**	128,491	127,142
Deferred revenue - obligatory reserve funds	47,782	33,200
Net long-term liabilities	102,157	105,522

*** Reported net of allowance for write-offs and based on four 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 September 30, 2017, there was an increase in the cash and temporary investments balance of approximately \$21.9 million. This increase from the prior year is primarily driven by the collection of Development Charges and the timing of the payment to the Joseph Brant Hospital expansion which has not yet been requested to be paid. 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 September 30, 2017.

Respectfully submitted,

Michelle Moore

Coordinator of Financial Reporting

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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
- F. Budget Monitoring (by Service)
- G. Budget Monitoring (by Cost Element)

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.