



**SUBJECT: Financial status as at June 30, 2018**

**TO: Committee of the Whole**

**FROM: Finance Department**

Report Number: F-34-18

Wards Affected: All

File Numbers: 100-01

Date to Committee: September 10, 2018

Date to Council: September 24, 2018

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**Recommendation:**

Receive and file Finance department report F-34-18 providing the financial status as at June 30, 2018.

**Purpose:**

- An Engaging City
- Good Governance
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**Background and Discussion:**

On June 30, 2018, the investment portfolio for the City totalled \$320.8 million which represents an increase of \$10.1 million from the comparative figure of \$310.7 million at June 30, 2017. The increase is due to growth in the development related and stabilization reserve funds.

The attached Appendix A shows investment income (interest earned, and capital gain realized) to June 30, 2018 on the total investment portfolio.

Investment income has increased from \$5.2 million in 2017 to \$5.8 million in 2018. The current yield on the city investment is 2.67% compared to 2.57% in 2017.

The Bank of Canada increased rates twice in 2017 and twice again in January and July 2018 to take the overnight rate from 0.5% up to 1.50%. Commentary continues to be cautious for the future specifically on the risk surrounding NAFTA negotiations and sensitive economic conditions.

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 2018;

- Maintain investments in the City's long term portfolio but with reduced duration. Once the rising interest rate environment stabilizes 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. As interest rates rise the ability to realize capital gains will diminish. Staff will focus on maximizing capital gains at the appropriate times and reinvest in the market taking advantage of increased interest rates at a shorter duration.

Investment income is projected to meet budget for year end based on the details below.

|                                       | <b>Projected<br/>December 2018</b> | <b>Actual<br/>December 2017</b> |
|---------------------------------------|------------------------------------|---------------------------------|
| Total Interest                        | 4,100,000                          | 4,109,342                       |
| Budget                                | 5,300,000                          | 5,300,000                       |
| Favourable/(Unfavourable)<br>Variance | (1,200,000)                        | (1,190,658)                     |
| Capital Gains                         | 1,500,000                          | 2,253,608                       |
| Favourable/(Unfavourable)<br>Variance | 300,000                            | 1,062,950                       |

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, 2018, the City's investment portfolio included \$16.9 million Region of Halton bonds.

As at June 30, 2018 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 June 30, 2018 compared to June 30, 2017. The total current levy has increased to \$408.6 million from \$394.7 million, an increase of \$13.9 million. Collections have increased by \$7.3 million. Collections have consistently been 68-70% of the current year levy for this period. They are currently at 69.26% compared to 69.84% in 2017.

Total current and prior years' arrears have increased to \$131.2 million from \$124.8 million representing a change in collections of \$6.4 million. The total arrears for 2018 are at 32.10% of the current levy which continues to be consistent with previous years.

Seven residential properties have had a tax arrears certificate registered on title in 2018, compared to six 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 second quarter, 414 collection letters were sent to residential property owners with outstanding taxes dating back to 2016 compared to 451 letters in 2017. Approximately 33% 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 280 residential properties).

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

|                                      | June 2018 | June 2017 | % Change |
|--------------------------------------|-----------|-----------|----------|
| Monthly Pre-Authorized Payment       | 16,486    | 16,343    | 0.87%    |
| Due Date Pre-Authorized Payment Plan | 3,714     | 3,674     | 1.09%    |
| Ratepayer Defined Payment Plan       | 79        | 85        | -7.06%   |
| Total                                | 20,279    | 20,102    | 0.88%    |

Property tax bills are available electronically via Canada Post's epost service. This service currently stands at 1,951 accounts signed up for electronic bill presentment, representing 3.04% of all property tax accounts.

### **PART C - DEBT AND FINANCIAL OBLIGATION LIMIT**

As of June 30, 2018, the City's total debt charges as a percentage of own source revenue is estimated to be 11.9%, which is slightly below the council approved guideline of 12.5%, and below the provincial limit of 25%. (See Appendix D)

The city has an estimated \$95.7 million in total principal debt outstanding reflecting principal debt repayments of \$13.4 million and a recent debt issuance of \$20.2 million in 2018. A further \$19.7 million of debt has been approved and not issued which brings the total principal debt outstanding at year end 2018 to approximately \$115.3 million.

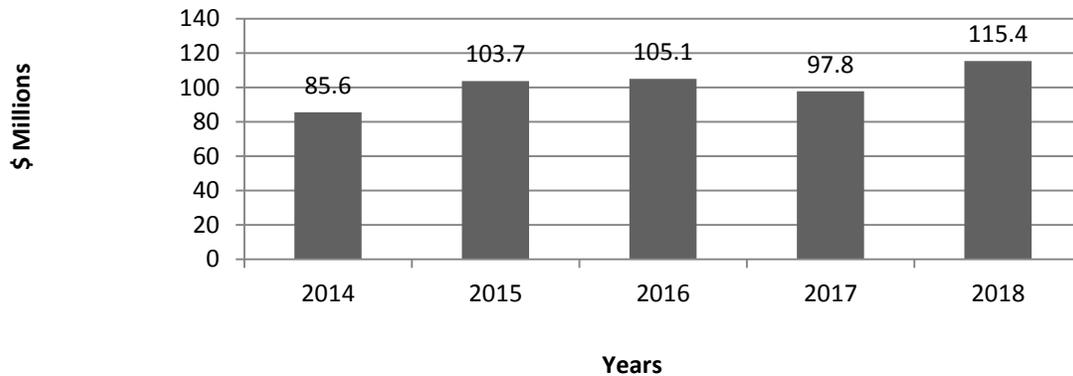
### **PART D - RESERVES AND RESERVE FUNDS**

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

At June 30, 2018, the total of these balances amounted to \$175.2 million, which is \$14.6 million higher than the corresponding figure of \$160.6 million at June 30, 2017. 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 \$59.8 million is committed for various projects leaving an uncommitted balance of \$115.4 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 - 2018 BUDGET MONITORING**

Please refer to the 2018 Current Budget Performance Report as of June 30, 2018, in the same agenda (F-33-18).

#### **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)**

|   | 2018    | 2017    |
|---|---------|---------|
|   | \$      | \$      |
| Cash & temporary investments                | 105,900 | 109,633 |
| Taxes receivable*                           | 129,796 | 124,310 |
| Long term investments                       | 214,901 | 201,030 |
| Investment in Burlington Hydro Electric**   | 130,726 | 128,491 |
| <br>  |         |         |
| Deferred revenue - obligatory reserve funds | 47,488  | 38,375  |
| Net long term liabilities                   | 109,079 | 102,157 |

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

**\*\* 2018 balance is as at December 31, 2017**

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, 2018, there was an increase in long term investments as well as an increase in deferred revenue for the obligatory reserve funds. These increases are due to the receipt of development related funds which are invested into the City's long term portfolio. 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, 2018.

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 Reserves

**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.