



SUBJECT: Financial status report as at March 31, 2018

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-25-18

Wards Affected: All

File Numbers: 100-01

Date to Committee: June 4, 2018

Date to Council: June 18, 2018

Recommendation:

Receive and file finance department report F-25-18 providing the financial status as at March 31, 2018.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

PART A - FINANCIAL POSITION

On March 31, 2018, the investment portfolio for the City totalled \$251.7 million which represents a decrease of \$24.1 million from the comparative figure of \$275.8 million at March 31, 2017. The decrease is due to a timing difference between payment for the purchase of Sims Square in February and the issuance of debt used to support the purchase which was received in April.

The attached Appendix A shows investment income (interest earned and capital gain realized) to March 31, 2018 on the total investment portfolio.

Investment income has increased from \$2.5 million in 2017 to \$2.6 million in 2018. The current yield on the city investment is 2.83% compared to 2.70% in 2017.

The Bank of Canada increased rates twice in 2017 and again in January 2018 to take the rate from 0.5% up to 1.25%. Commentary since the last rate hike has been 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 (YTD \$677,720) 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.

	Projected December 2018	Actual December 2017
Total Interest	4,250,000	4,109,342
Budget	5,300,000	5,300,000
Favourable/(Unfavourable) Variance	(1,050,000)	(1,190,658)
Capital Gains	1,050,000	2,253,608
Favourable/(Unfavourable) Variance	-	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 March 31, 2018, the City's investment portfolio included \$22.4 million Region of Halton bonds.

As at December 31, 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 March 31, 2018 compared to March 31, 2017. The total current levy has increased to \$197.8 million from \$191.2 million, an increase of \$6.6 million. Collections have increased by \$2.8 million. Collections have consistently been 54-56% of the current year levy for this time period; they are currently at 55.60% compared to 56.06% in 2017.

Total current and prior years' arrears have increased to \$95.5 million from \$91.6 million representing a change in collections of \$3.9 million. The total arrears for 2018 are at 48.31% 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 the first quarter, compared to six in 2017. First notices are being issued as per legislation. There are four vacant land properties that were registered with a tax arrears certificate prior to 2018 that are currently under review.

In February, collection letters were sent to 17 commercial and industrial property owners that owed taxes in the prior two years (2017 & 2016). They were advised of the tax arrears situation and asked to make full payment or mutually acceptable payment arrangements to avoid a Bailiff warrant being issued. Discussions regarding payment arrangements have taken place with 16 of the property owners. This number of letters sent is consistent with prior years.

During the second quarter, approximately 400 collection letters will be sent to all residential properties with outstanding taxes in the two previous years asking for full payment or mutually acceptable payment arrangements. This figure is consistent with prior years. These accounts will then be monitored for compliance to the agreed upon payment arrangements.

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

	March 2018	March 2017	% Change
Monthly Pre-Authorized Payment	16,366	16,254	0.69%
Due Date Pre-Authorized Payment Plan	3,725	3,673	1.42%
Ratepayer Defined Payment Plan	74	95	-22.11%
Total	20,165	20,022	0.71%

Property tax bills are available electronically via Canada Post's epost service. This service currently stands at 1,903 accounts signed up for electronic bill presentment, representing 2.97% of all property tax accounts.

PART C - DEBT AND FINANCIAL OBLIGATION LIMIT

As of March 31, 2018, the City's total debt charges as a percentage of own source revenue is estimated to be 12.5%, which is at 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. Taking into consideration principal debt repayments of \$13.4 million, a recent debt issuance of \$20.2 million, as well as \$19.7 million in debt which has been approved and not issued, total city principal debt projected to be outstanding at year end 2018 is approximately \$115.3 million.

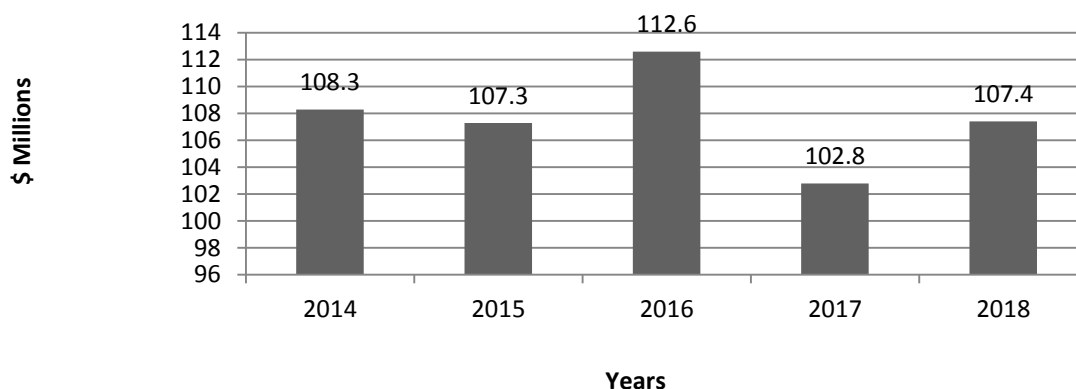
PART D - RESERVES AND RESERVE FUNDS

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

At March 31, 2018, the total of these balances amounted to \$177.7 million, which is \$9.9 million higher than the corresponding figure of \$167.8 million at March 31, 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 \$70.3 million is committed for various projects leaving an uncommitted balance of \$107.4 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 March 31:

Reserve and Reserve Funds Uncommitted Balance as at March 31



PART E - 2018 BUDGET MONITORING

As of March 31, 2018, the operating budget shows a favourable variance of \$1,561,571 with a year end projection favourable variance of \$1,640,759 (Appendix F & G).

Staff will continue to monitor and update the year-end projections as part of the 2018 budget review currently underway.

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 March 31st

(Amount are in thousands of dollars)

	2018	2017
	\$	\$
Cash & temporary investments	60,036	73,811
Taxes receivable*	93,922	90,258
Long term investments	191,675	201,953
Investment in Burlington Hydro Electric**	130,726	128,491
Deferred revenue - obligatory reserve funds	44,854	36,769
Net long term liabilities	88,925	102,157

*** Reported net of allowance for write-offs and based on two 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 March 31, 2018, there was a decrease in the cash and temporary investments balance of approximately \$13.8 million and a decrease in net long term liabilities of approximately \$13.2 million. These decreases are a timing difference between payments made on existing obligations and the issuance of the 2018 debt (received in April 2018). 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 March 31, 2018.

Respectfully submitted,

Michelle Moore

Coordinator of Financial Reporting

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Appendices: (if none delete section)

- 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.