



SUBJECT: Financial Status Report as at June 30, 2019

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-37-19

Wards Affected: Not applicable

File Numbers: 100-01

Date to Committee: September 9, 2019

Date to Council: September 23, 2019

Recommendation:

Receive and file finance department report F-37-19 providing the financial status as at June 30, 2019.

Purpose:

- An Engaging City
- Good Governance
-

Background and Discussion:

PART A - FINANCIAL POSITION

A large component of the City's Statement of Financial Position is the investment portfolio. The investment strategy is determined by many economic factors as discussed in this report. The Bank of Canada increased rates twice in 2017 and three times in 2018 to take the overnight rate from 0.5% up to 1.75%. Towards the end of 2018 commentary from the Bank of Canada began to shift towards a more neutral interest rate environment. This commentary has continued throughout 2019 with a slight shift towards a more negative economic outlook. The Bank of Canada has continued to assert that it will make its decision based on economic data but also that it must consider geopolitical circumstances, such as ongoing trade wars. Currently, market expectation is forecasting for rates to be on hold for the remainder of 2019 with a chance that rates could be cut.

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 leading into 2019;

- Maintain investments in the City's long-term portfolio taking the opportunity to invest in new bond issuances. Once the 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. Staff will focus on maximizing capital gains at the appropriate times and reinvest in the market taking advantage of higher interest rates at a longer duration.

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

	Projected December 2019	Actual December 2018
Total Interest	4,350,000	4,142,978
Budget	5,300,000	5,300,000
Favourable/(Unfavourable) Variance	(950,000)	(1,157,022)
Capital Gains	1,050,000	1,805,832
Favourable/(Unfavourable) Variance	100,000	648,810

The attached Appendix A shows investment income (interest earned, and capital gains realized) to June 30, 2019 on the total investment portfolio. The net bank position as of June 30, 2019 has increased by \$18.5M. This increase is offset by a decrease in the short-term portfolio. As interest rates have not risen in 2019 and there is no expectation for them to increase the ability to earn a reasonable rate of return through short term investments is limited. The City's bank provides a competitive interest rate consequently making short term investments not beneficial at this time.

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, 2019, the City’s investment portfolio included \$16.1 million Region of Halton bonds.

As at June 30, 2019 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 – PROPERTY TAX COLLECTION

The City of Burlington collects property taxes for the city, Region of Halton and the Halton Boards of Education as legislated under the Municipal Act, 2001. Appendix C reflects the property tax status at Jun 30, 2019 compared to June 30, 2018. The 2019 total levy is \$419.6 million compared to \$408.6 million in 2018.

Collections for the current taxation year are 69.1%, which is consistent with prior years as highlighted in the chart below and detailed in Appendix C.

As at June 30	2019	2018	2017	2016	2015
Current year Collections	69.1%	69.3%	69.8%	69.5%	69.6%
Current year Outstanding*	30.9%	30.7%	30.2%	30.5%	30.4%

*includes installments not yet due

Arrears notices are sent four times per year to aid in collections. In addition to arrears notices, tax collection letters are sent to owners with arrears in both the current year and two previous years; business properties are sent letters in the first quarter and residential properties in the second quarter.

In May, collection letters were sent to 433 residential property owners that owed taxes back to 2017, compared to 414 in 2018. 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 the remaining owners that have not made satisfactory payment arrangements (approx. 295 accounts).

Two residential properties have had a tax arrears certificate registered on title in 2019, compared to seven in 2018. First notices were issued in the first quarter as per legislation. Full payment has been received on both accounts in the second quarter. One property remains registered from 2018 and payment is expected shortly.

The city offers multiple payment options including three pre-authorized payment plans which provide a convenient and reliable payment method for property owners. Approximately one third (20,000) of all property accounts are enrolled in pre-authorized payment plans.

Property tax bills are available electronically via Canada Post's epost service. There are currently 2,193 accounts signed up for electronic bill presentment, representing 3.39% of all property tax accounts.

PART C - DEBT AND FINANCIAL OBLIGATION LIMIT

As of June 30, 2019, the City's total debt charges as a percentage of own source revenue is estimated to be 10.3%, which is 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. Taking into consideration principal debt repayments of \$14.6 million, a debt issuance of \$7.7 million, as well as \$19.6 million in debt which has been approved and not issued, total city principal debt outstanding at year end 2019 is approximately \$108.4 million.

PART D - RESERVES AND RESERVE FUNDS

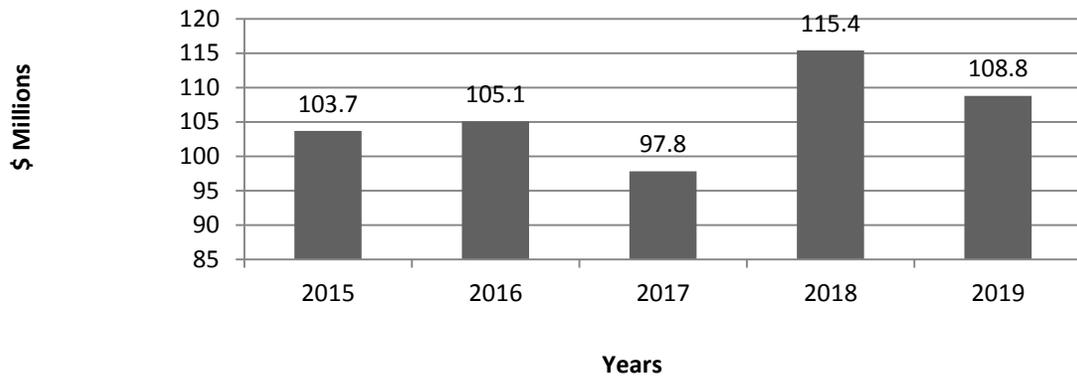
The status of the City's Reserves and Reserve Funds balances are disclosed in Appendix E.

At June 30, 2019, the total of these balances amounted to \$154.8 million, which is \$20.4 million lower than the corresponding figure of \$175.2 million at June 30, 2018. This decrease is due to the usage of the reserve funds and commitment pay outs.

Of the total Reserves and Reserve Funds \$46.0 million is committed for various projects leaving an uncommitted balance of \$108.8 million. The commitments represent expenditures approved by Council 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 - 2019 BUDGET MONITORING

Please refer to the 2019 Current Budget Performance Report as of June 30, 2019, in the same agenda (F-39-19).

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)**

	2019	2018
	\$	\$
Cash & temporary investments	109,406	105,900
Taxes receivable*	133,813	129,796
Long term investments	208,792	214,901
Investment in Burlington Hydro Electric**	133,243	130,726
Deferred revenue - obligatory reserve funds	37,880	47,488
Net long term liabilities	103,429	109,079

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

**** 2019 balance is as at December 31, 2018**

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, 2019, there was a decrease in deferred revenue for the obligatory reserve funds. This decrease is due to the usage of funding for 2019 approved capital projects. 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, 2019.

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

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.