



SUBJECT: Quarterly Status Report June 30, 2016

TO: Community and Corporate Services Committee

FROM: Finance Department

Report Number: F-32-16

Wards Affected: All

File Numbers: 100-01

Date to Committee: September 12, 2016

Date to Council: October 3, 2016

Recommendation:

Receive and file finance department report F-32-16 providing the quarterly status report as at June 30, 2016.

Purpose:

An Engaging City

- Good Governance

Executive Summary:

The purpose of this report is to provide Committee with the June 30, 2016 financial position of the municipality. The report specifically addresses the following areas:

Part A - Financial Position as at June 30, 2016

Part B – Property Tax Collection

Part C - Debt and Financial Obligations Limits

Part D - Reserves and Reserve Funds

Part E - Current Budget Monitoring

Part F – Balance Sheet

Background and Discussion:

PART A - FINANCIAL POSITION

On June 30, 2016, the investment portfolio for the City totalled \$278 million which represents an increase of \$5 million or 2% from the comparative figure of \$273 million at June 30, 2015.

The attached Appendix A shows investment income (interest earned and capital gain realized) to June 30, 2016 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 decreased from \$5.2 million in 2015 to \$5 million in 2016. The current yield on the city investment is 2.72% compared to 2.76% in 2015.

The volatility brought on by “Brexit” (the withdrawal of the United Kingdom from the European Union) and the uncertainty surrounding the upcoming US election, has resulted in lower bond yields. The optimism that started in the second quarter with the recovery of oil prices and currency was all but ignored.

The Bank of Canada last cut the lending rate to 0.5% in July 2015, since then the bank rate has been on hold with forward guidance stating that there is no current need to increase or decrease interest rates for the remainder of 2016.

Based on the economics of the market, staff will maintain the following investment strategies in 2016;

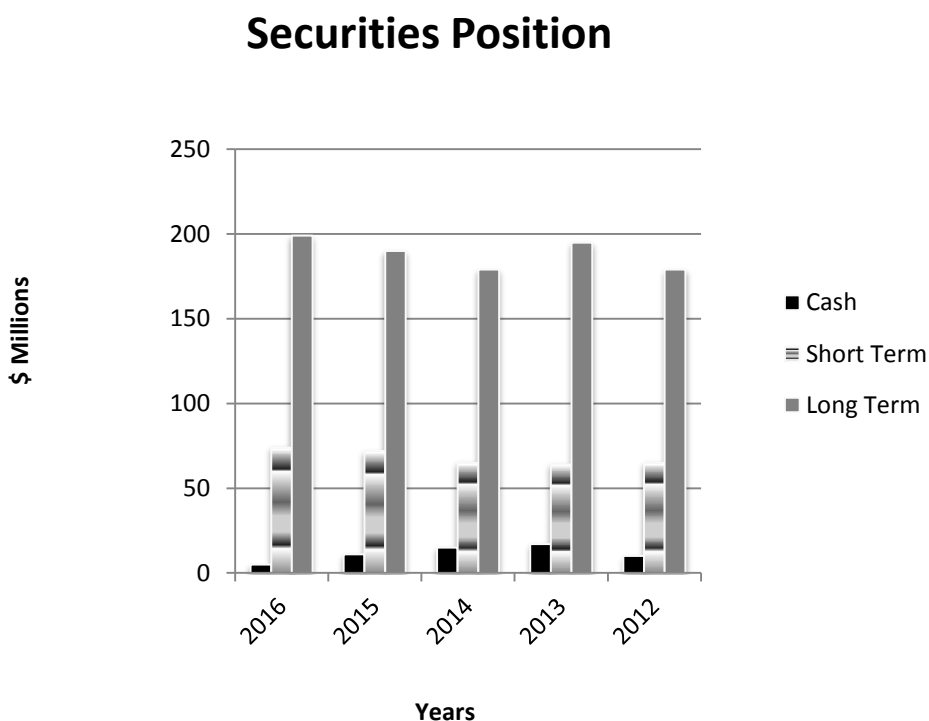
- Maintain investments in the City’s long term portfolio while managing risk to ensure that there will not be a liquidity issue to meet commitments.
- Trade bonds for capital gains by taking advantage of market fluctuations generated by economic data. This practice has resulted in realized capital gains of \$1.1 million year to date compared to \$1.4 million realized in the prior year as of June 30.

As at June 30, 2016, staff is on target to achieve budget of \$5.3 million for the year ending 2016.

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 accordance with 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. On April

22, 2016 the Region of Halton issued \$32.1 million in bonds on behalf of the City of Burlington of which the City purchased \$6 million.

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, 2016 compared to June 30, 2015. The total current levy has increased to \$381.5 million from \$370.6 million, an increase of \$10.9 million. Collections have increased by \$7.0 million. Collections have traditionally been 68-70% of the current year levy for this time period; they are currently at 69.5% compared to 69.6% in 2015.

Total current and prior years' arrears have increased to \$122.2 million from \$118.8 million representing a change in collections of \$3.4 million. The total arrears have been 32% - 33% of the current year levy for this time period and they are currently at 32.02% compared to 32.06% in 2015.

Prior years' arrears have decreased to \$5.7 million from \$6.2 million representing an improvement in collections of \$0.5 million or 0.19% as a percentage of the current levy over the previous year.

No properties have been registered for tax sale in 2016. There are 6 remaining properties with a tax certificate registered prior to 2016. Four are vacant land properties that are currently under review and 2 residential properties with resolutions underway.

During the second quarter, 393 collection letters were sent to residential property owners with outstanding taxes dating back to 2014 compared to 551 in 2015. Approximately 40% have responded to make payment arrangements.

A subsequent follow-up collection letter was sent in the third quarter (early August) to any accounts that have not made payment arrangements (253 residential properties).

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

	June 2016	June 2015	% Change
Monthly Pre-Authorized Payment	16,210	16,134	0.47%
Due Date Pre-Authorized Payment Plan	3,620	3,581	1.09%
Ratepayer Defined Payment Plan	104	114	-8.77%
Total	19,934	19,829	0.53%

Property tax bills are available electronically via Canada Post's epost service. This service currently stands at 1,805 accounts signed up for electronic bill presentment. This represents 2.85% of all property tax accounts.

PART C - DEBT AND FINANCIAL OBLIGATION LIMIT

As of June 30, 2016 the City's total debt charges as a percentage of own source revenue is estimated to be 11.6%, which is within the council approved guideline of 12.5%, and regulation of 25%. (See Appendix C)

The city has an estimated \$73.4 million in total debt outstanding. Taking into consideration debt repayments of \$13.8 million, a \$32.1 million issuance in 2016 as well as \$26.9 million

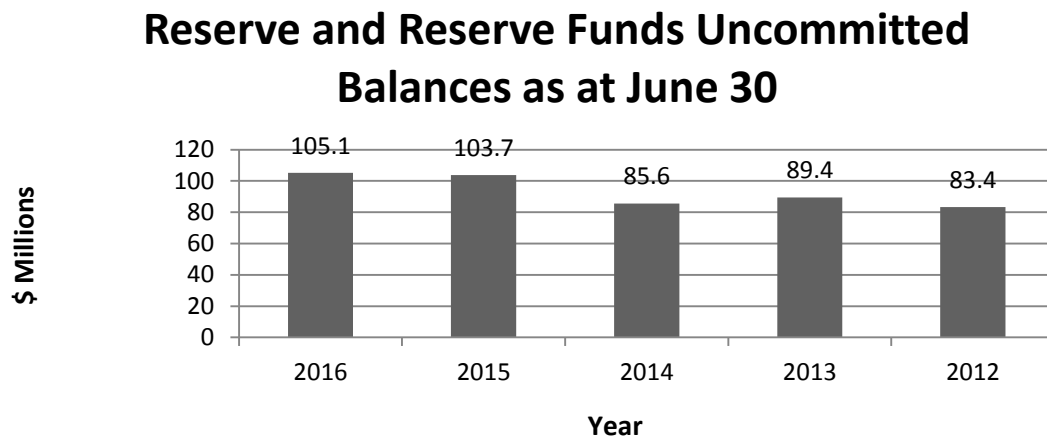
in debt which has been approved and not issued, total city debt projected to be outstanding at year end 2016 is approximately \$118.6 million.

PART D - RESERVES AND RESERVE FUNDS

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

At June 30, 2016 the total of these balances amounted to \$153.8 million, which is \$15 million higher than the corresponding figure of \$138.8 million at June 30, 2015. 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 \$48.7 million is committed for various projects leaving an uncommitted balance of \$105.1 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:



PART E - 2016 BUDGET MONITORING

Please refer to the 2016 Operating Budget Performance Report as of June 30, 2016 in the same agenda (F-36-16).

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 30

(Amounts are in thousands of dollars)

	2016	2015
	\$	\$
Cash & temporary investments	78,592	83,234
Taxes receivable*	121,403	117,650
Long term investments	199,943	190,212
Investment in Burlington Hydro Electric **	127,142	123,347
Deferred revenue - obligatory reserve funds	33,253	32,282
Net long term liabilities	73,416	70,223

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

**** 2016 balance is as at December 31, 2015**

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, 2016 there was a decrease in the cash & temporary investment balance of approximately \$4.6 million. The change represents a larger amount of holdings in long term investments. This balance fluctuates in order to address the City's cash flow needs as well as to maximize the rate of return on investments in line with the City's investment strategy. 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, 2016.

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.