

SUBJECT: Financial Status Report as at December 31, 2024

TO: Committee of the Whole

FROM: Finance  
N/A

Report Number: FIN-02-25

Wards Affected: All

Date to Committee: April 7, 2025

Date to Council: April 15, 2025

---

## **Recommendation:**

Receive for information finance department report FIN-02-25 regarding financial status as at December 31, 2024.

## **Executive Summary**

A financial update highlighting the City's fourth quarter of 2024 in the following areas:

- Investments & Cash Flow;
- Property Tax Collection;
- Debt & Financial Obligation Limit;
- Reserves and Reserve Funds; and
- Financial Position

# Information Report

## **PART A – INVESTMENTS & CASH FLOW**

The Bank of Canada (BoC) continued its rate-cutting trajectory in the fourth quarter of 2024. By the end of Q4, the overnight rate had fallen to 3.25% from 5% since June 2024. In its recent economic update, the BoC reported a significant easing of inflation, which has now moved closer to the Bank's 2% target, and noted that past cuts in interest rates are boosting economic growth in Canada. At the same time, the threat of wide-ranging tariffs by the new US administration has increased uncertainty.

On January 29, 2025, the BoC implemented a further 25-basis-point cut, bringing the overnight rate to 3.00%. The BoC stressed that this cut was based on recent data showing reduced inflationary pressures, coupled with the threat of wide-ranging tariffs.

Despite these efforts to stabilize the economy, the prospect of rising trade tensions with the United States presents a new economic threat. The potential imposition of tariffs on key Canadian exports could weigh on economic growth and complicate the BoC's policy approach. If these tariffs materialize, they may exacerbate supply chain disruptions, increase costs for Canadian businesses, and ultimately slow economic recovery. The Bank has acknowledged this risk and indicated that it will monitor trade developments closely when assessing future monetary policy decisions.

Further rate cuts are anticipated at the March meeting, as the Bank seeks to support economic stability while guiding inflation toward the desired target. Economists estimate the BoC overnight rate will decrease further beyond January, with the rate ranging between 2.00% and 2.50% by the end of 2025.

The growing threat of tariffs from the United States, coupled with the slowing economy, poses a significant risk to investment returns. However, given the recent higher interest rate environment, staff have strategically diversified the investment portfolio to capitalize on elevated interest rates. This approach has allowed the portfolio to invest in bonds with higher yields over extended periods, resulting in increased interest income. However, any new funds and maturing investments face the potential of being reinvested at lower rates.

By aligning the City's investment approach with the expected economic landscape, staff aim to maximize financial performance while staying within the limits of the City's investment policy. Staff will continue to closely monitor the bond market and economic conditions, adjusting the City's portfolio as needed to optimize investment returns.

Overall, the current budget investment income exceeded budget for year-end based on the details below:

|                                    | <b>Actual December<br/>2024</b> | <b>Actual December<br/>2023</b> |
|------------------------------------|---------------------------------|---------------------------------|
| Total Interest                     | 6,806,652                       | 6,789,498                       |
| Budget                             | 5,300,000                       | 5,300,000                       |
| Favourable/(Unfavourable) Variance | 1,506,652                       | 1,489,498                       |
| Capital Gains                      | 996,391                         | 694,334                         |
| Favourable/(Unfavourable) Variance | 2,503,043                       | 2,183,832                       |

The attached Appendix A shows overall interest earned to December 31, 2024, on the total investment portfolio. The overall portfolio balance is lower by \$18.2 million when compared to the same date for the previous year. This decrease is due to the timing of cash flows for significant capital projects, the issuance of debt and the collection of external recoveries for joint projects.

Overall investment income as of December 31, 2024, has increased compared to the prior year. As noted above, a rising interest rate environment that started in 2022 and continued through the first quarter of 2024 has enabled staff to leverage short term investments at a higher interest rate. Staff will continue to monitor market fluctuations and the interest rate environment taking advantage of investment opportunities where prudent to do so in accordance with the City's investment policy.

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 December 31, 2024, the City's investment portfolio included \$14.2 million Region of Halton bonds.

As of December 31, 2024, the City's investment portfolio is compliant with the guidelines set out in the City's investment policy and goals adopted by the City.

## **Cash Flow**

Cash flow projections show that the City is expected to have adequate cash funding to meet its financial obligations. The below chart summarizes the City's estimated cash holding for the first quarter of 2025 with a comparison to the actuals in the previous year.

|                 | <b>2025</b> | <b>2024</b> |
|-----------------|-------------|-------------|
| <b>January</b>  | 19,797,215  | 34,456,129  |
| <b>February</b> | 102,573,231 | 38,873,525  |
| <b>March</b>    | 37,612,005  | 18,204,682  |

Fluctuations in the cash balance between 2025 and 2024 are due to the timing of payments for commitments, cash inflows and short-term investments/maturities.

## **PART B – PROPERTY TAX COLLECTION**

The City of Burlington is responsible for collecting property taxes on behalf of the city, the Region of Halton and the Halton Boards of Education as mandated by the *Municipal Act, 2001*. Appendix C provides a comparison of the property tax status as of December 31, 2024, with December 31, 2023. The total levy for 2024 is \$528.3 million, up from \$493.0 million in 2023.

Collections for the current taxation year stand at 97.0%, which is in line with previous years, as shown in the chart below and detailed in Appendix C.

| <b>As at December 31</b>  | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Current year Collections  | 97.0%       | 97.1%       | 97.8%       | 98.1%       | 97.6%       | 97.7%       |
| Current year Outstanding* | 3.0%        | 2.9%        | 2.2%        | 1.9%        | 2.4%        | 2.3%        |

\*includes installments not yet due

Overdue property tax notices are usually issued four times a year to assist with collections. However, due to the Canada Post strike, overdue notices could not be sent in December. In addition to these notices, tax collection letters are also sent to property owners with outstanding balances from the current year and the previous two years. These letters were sent out in May, with owners given a deadline of October 31 to pay the oldest arrears.

In November, property title searches were conducted on 121 accounts that remained three years in arrears, and lenders were notified. By the end of the year, this number had decreased to 45 accounts. This is an increase from the 26 searches conducted in 2023. Staff continue to work diligently with property owners to resolve their arrears. This process typically leads to the clearance of the oldest arrears on most accounts.

For properties that remain three years in arrears as of January 2025, the *Municipal Act, 2001* permits the initiation of a tax sale process. Liens will be registered against the property title, and the owners, along with any interested parties, will be notified that they have one year to pay off the tax arrears. If the arrears are not settled within this one-year period, the city may proceed with a municipal tax sale.

Staff are actively working on the four properties that currently have liens registered against their titles from previous years.

The city continues to offer three pre-authorized payment plans, providing a convenient and reliable payment option for property owners. Approximately one-third (24,200) of all property accounts are enrolled in these plans.

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

**Debt Capacity:** As of December 31, 2024, the City's total debt charges as a percentage of own source revenue is estimated to be 10.29%, which is below the council approved guideline of 12.5%, and below the provincial limit of 25% (See Appendix D). Further, as of December 31, 2023, the City has an estimated \$114.4 million in total principal debt outstanding. Considering principal debt repayments of \$16.4 million, \$17 million in new debt issued, and \$36.5 million in approved but not yet issued debt for 2024, the City's total principal debt outstanding and remaining to be issued at year-end 2024 is \$151.5 million.

The reported debt capacity and forecasted principal debt outstanding are based on a snapshot on December 31, as such debt approved by Council after this date, will impact these figures. Any changes will be reported within the next quarterly update.

The City's debt is monitored on a regular basis, and debt capacity is projected based on debt that is retiring, debt approved (issued and to be issued), as well the capital forecast debt requirements. Any in-year debt approvals beyond what is included in the City's capital program will be reflected in an updated debt capacity. It is important to note that debt capacity changes from one year to the next, and capacity in one year is not necessarily indicative of the forecasted trend.

**Tax Supported Debt Charges:** The City's 2024 budget for tax supported debt charges is \$12.3 million, and as of December 31, this budget meets the planned needs of tax supported debt repayments in 2024.

**PART D - RESERVES AND RESERVE FUNDS**

Reserves and reserve funds are an essential element of the City’s long-term financial plan. They allow the City to set aside funds for a future purpose and fulfil a critical financial need for the municipality. They make provisions for the replacement and rehabilitation of existing City assets, provide a contingency for one-time and unforeseeable events, and provide flexibility to manage debt levels and protect the City’s financial position.

**Stabilization Reserves and Reserve Funds**

Stabilization reserves are used to offset extraordinary and unforeseen expenditure requirements, one-time expenditures, cyclical expenses, revenue shortfalls and they help to minimize fluctuations in the tax levy.

|  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Contingency</li><li>• Severe Weather</li><li>• Tax Rate Stabilization</li></ul>  | <ul style="list-style-type: none"><li>• Planning Fee Stabilization</li><li>• Engineering Fee Stabilization</li><li>• Commodity Stabilization</li></ul> |
| Target Balance of consolidated stabilization reserves and reserve funds (excluding building permit) is 10-15% of the City’s own source revenues. Based on 2023 own source revenues of \$301 million the target range is: <b>\$30.1 million to \$45.2 million</b> |  |
| December 31, 2024, <i>Uncommitted Balance</i> : <b>\$16,714,688</b> → <b>Currently at 5.6% of the City’s own source revenues</b>   |  |

As part of the City’s reserve and reserve fund policies the City sets a target balance for consolidated stabilization reserve funds (excluding Building Permit) at 10-15% of the City’s own source revenues. It is important to note that the target is based on the City’s uncommitted balance as an accurate depiction of funding available for future use. The cash balance includes funds approved by council to be spent on specific initiatives and therefore are not available for future spending. The City is currently at 5.6% which is below the City’s target range of 10-15%.

The severe weather reserve fund is used to alleviate the impact of unforeseen fluctuations in costs associated with severe weather events. The City’s policy with respect to this reserve fund is highlighted below.

| Stabilization Reserve Fund  | Recommended Balance   | December 31 Uncommitted Balance |
|-----------------------------|---|---------------------------------|
| Severe Weather Reserve Fund | <p>A minimum balance of 25% of the five-year average of winter maintenance costs, this equates to \$1,287,549.</p> <p>Target balance equal to one year's expenditure requirements (2024) = \$5,567,767.</p> | \$4,818,473                     |

As per the policy the balance in the reserve fund exceeds the minimum balance requirement, however, is less than the target balance by approximately \$0.75 million.

### Building Permit Stabilization Reserve Fund

The building permit stabilization reserve fund is used to stabilize building permit revenues and expenditures, which can vary from year to year based on development activity levels in accordance with Bill 124.

| Corporate Reserve Funds       | Recommended Balance                                 |  | December 31 Uncommitted Balance |
|-------------------------------|---|--|---------------------------------|
| Building Permit Stabilization | The reserve fund is capped at 163% of direct costs. | Total direct costs for 2024 were approximately \$5.6 million. Based on this the upset balance for the reserve fund is <b>\$9.13 million.</b> | \$4.0 million                   |

## Capital Reserve Funds

Capital reserve funds form a vital component of any Capital Financing Plan and are used extensively by the City in financing the capital program for maintenance and replacement of existing infrastructure to maintain assets in a state of good repair and the construction/purchase of infrastructure to service the growing community.

| Capital Reserve Funds                           | Recommended Balance   |  | December 31 Uncommitted Balance |
|---|---|--|---------------------------------|
| Vehicle and Equipment Reserve Funds             | The target balance for the consolidated capital reserve fund balance is a minimum of 2% of the asset replacement value. | The City's 2023 Asset Management Plan has total asset replacement value at approximately \$6.3 billion. Based on this amount the minimum recommended balance is <b>\$126 million</b> . | \$33.8 million                  |
| Parks & Recreation Infrastructure Reserve Funds |   |  |                                 |
| Transit Related Reserve Funds                   |   |  |                                 |
| Other Capital Reserve Funds                     |   |  |                                 |

## Corporate Reserve Funds

Corporate reserve funds provide for various contingent and potential future liabilities. The City budgets annually for the current year costs expected to be incurred from these liabilities but does not budget for the estimated future liability. The impact of post-employment benefit expenses is communicated annually as part of the financial statements.

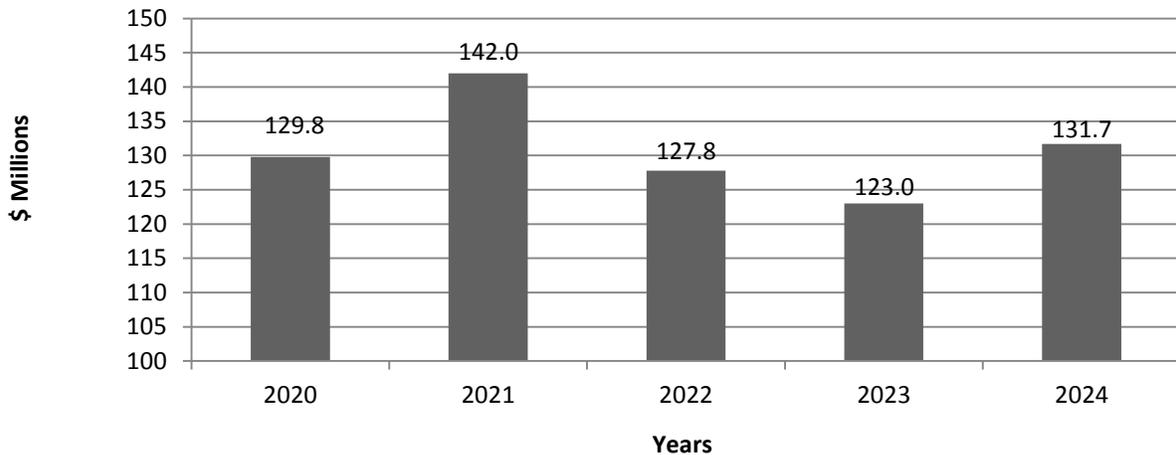
| Corporate Reserve Funds | 2023 Actuarial Valuation Liability | December 31 Uncommitted Balance |
|-------------------------|------------------------------------|---------------------------------|
| Employee Accident       | \$13.1 million                     | \$7.4 million                   |
| Benefits                | \$17.6 million                     | \$2.8 million                   |

The balances of the City's reserves and reserve funds are disclosed in Appendix E.

As at December 31, 2024, the total reserve and reserve fund balance amounted to \$225.9 million. This balance is \$30.7 million lower than the corresponding figure in 2023 (\$256.6 million). The decrease is due to year-end adjustments for financial reporting with an offset in the commitments.

Of the total balance reported, \$94.2 million is committed for various projects leaving an uncommitted balance of \$131.7 million. Commitments represent expenditures approved by Council or funds held for specific future purposes. The following chart provides a 5-year historical perspective of the uncommitted balances as at December 31:

### Uncommitted Reserve and Reserve Fund Balances as at December 31



The increase from prior year in the uncommitted reserve and reserve fund balance is due the receipt of the Housing Accelerator Funding (Q1 2024), Development Charge collections throughout 2024 and the year-end investment surplus.

#### **PART E - 2024 BUDGET MONITORING**

The Operating Budget Performance report as of December 31, 2024 (F-11-25) to be included on the current or subsequent agenda in May 2025.

#### **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 December 31<sup>st</sup>**

**(Amounts are in thousands of dollars)**

|  | 2024    | 2023    |
|--|---------|---------|
|  | \$      | \$      |
| Cash & temporary investments                       | 52,800  | 54,133  |
| Taxes receivable*                                  | 15,803  | 16,810  |
| Long term investments                              | 304,774 | 321,661 |
| Investment in Burlington Enterprises Corporation** | 144,415 | 144,415 |
| Deferred revenue - obligatory reserve funds        | 87,166  | 76,949  |
| Net long-term liabilities                          | 114,966 | 128,567 |

**\* Reported net of allowance for write-offs**

**\*\* 2024 balance is as at December 31, 2023**

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 December 31, 2024, the significant balance changes include:

- Decrease in long-term investments which are addressed in Part A of this report.

---

### **Strategic Alignment**

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

---

**Author:**

Greg Henderson  
Supervisor, Financial Reporting  
Gregory.Henderson@burlington.ca

**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 approved by the Commissioner, Head of Corporate Affairs, Chief Financial Officer, and Commissioner of Legal and Legislative Services/City Solicitor.