

SUBJECT: Financial status report as at June 30, 2025

TO: Committee of the Whole

FROM: Finance
N/A

Report Number: FIN-29-25

Wards Affected: All

Date to Committee: September 8, 2025

Date to Council: September 16, 2025

Recommendation:

Receive for information finance department report FIN-29-25 regarding financial status as at June 30, 2025.

Executive Summary

A financial update highlighting the City's second quarter of 2025 in the following areas:

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

Purpose of report:

- To provide an update on key financial information for the City as of June 30, 2025.

Implications:

- For information purposes only.

Background

PART A – INVESTMENTS & CASH FLOWS

Monetary Policy and Interest Rates

The Bank of Canada (BoC) maintained its target for the overnight rate at 2.75% during its July 30, 2025, policy announcement. This decision follows a cumulative reduction of 2.25 percentage points since June 2024, when the rate stood at 5.00%.

The BoC's decision to pause rate cuts reflects a cautious approach amid ongoing economic uncertainties, including global trade tensions and domestic inflation dynamics. The central bank emphasized that future rate adjustments will be data-dependent, with a focus on achieving its inflation target and supporting sustainable economic growth.

Economic Growth and Inflation

The Canadian economy grew at an annualized rate of 2.2% in Q1 2025, supported by a temporary surge in exports ahead of the implementation of new U.S. tariffs. However, the economy effectively stalled in Q2, with real GDP contracting by 0.1% in both April and May, and a marginal 0.1% rebound in June. Economic weakness was broad-based, with most sectors showing signs of slowdown, despite some recovery in real estate. Overall, these indicators point to mounting economic slack and reinforce expectations that the Bank may resume interest rate cuts as early as September.

Inflation has remained relatively contained. The Consumer Price Index (CPI) rose from 1.9% in January to 2.4% in June 2025, influenced in part by the expiration of temporary GST/HST relief measures. However, core inflation was estimated at 2.5%, and broader core measures continue to range between 2.5% and 3.0%.

Investment Strategy and Risk

In this evolving economic landscape, the City of Burlington's investment strategy remains aligned with its policy objectives of capital preservation, liquidity, and competitive returns. The recent period of elevated interest rates provided opportunities to lock in attractive yields on long-term bond investments. However, with the current Bank of Canada policy rate at 2.75% and expectations of potential rate cuts as early as September, reinvestment risk has become more prominent, as maturing securities and new funds may need to be invested at lower rates.

Staff continue to manage the City's investment portfolio prudently, aligning investment decisions with both economic conditions and the City's Investment Policy objectives. Staff will monitor economic and financial developments closely and adjust as necessary to support the long-term financial health of the City.

Investment Income and Projection

Given current market conditions, investment income is expected to exceed budget at year-end based on the details below:

	Projected December 2025	Actual December 2024
Total Interest	6,000,000	6,806,652
Budget	5,300,000	5,300,000
Favourable/(Unfavourable) Variance	700,000	1,506,652
Capital Gains	484,596	996,391
Favourable/(Unfavourable) Variance	1,184,596	2,503,043

The attached Appendix A shows total interest earned on the investment portfolio up to June 2025. As of that date, the overall portfolio balance is \$12 million lower compared to the same time last year. This difference is due to several factors but is primarily related to the timing of cash flows for capital projects.

Overall investment income as of June 30, 2025, has decreased compared to the same period last year. The decline is primarily due to lower interest rates and a reduced average amount of invested capital.

Investment Holdings and Policy Compliance

Appendix B provides a listing of the current portfolio by investment type and weighted average yield, in accordance with Ontario Regulation 438/97. In line with the City of Burlington's investment policy, the City may purchase Region of Halton bonds up to, but not exceeding, the amount of the debenture issued on behalf of the City. As of June 30, 2025, the City's investment portfolio included \$14.2 million in Region of Halton bonds.

As of June 30, 2025, 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 chart below summarizes the City's estimated cash holding for the 3rd quarter of 2025 with a comparison to the actual in the previous year.

	2025	2024
July	41,739,766	30,141,508
August	25,574,680	29,975,848
September	88,339,491	52,614,871

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 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 June 30, 2025, compared to June 30, 2024. The 2025 total levy is \$558.2 million compared to \$523.3 million in 2024.

Collections for the current taxation year are 66.8%, which is comparable with prior years. The exception was 2020, which was affected by the tax relief offered in response to the Covid-19 pandemic. (City council approved the waiving of penalties from April to August 31 as well as the final billing due dates were extended from June and September to August and October).

As at June 30	2025	2024	2023	2022	2021	2020
Current year Collections	66.8%	67.3%	67.2%	69.1%	69.0%	46.9%
Current year Outstanding*	33.2%	32.7%	32.8%	30.9%	31.0%	53.1%

*includes final installments not yet due

Overdue property tax notices are typically issued four times per year to support collection efforts. In addition to these notices, tax collection letters are sent to property owners with arrears for the current year as well as the two previous years.

In May 2025, 557 letters were sent, compared to 527 letters in 2024. Property owners were given a deadline of October 31, 2025, to pay at least the oldest year of outstanding taxes.

In addition, as of January 2025, there were 46 commercial/industrial property owners with arrears dating back two years. As of the writing of this report, 44 of these property owners have either paid at least their oldest year of arrears or setup satisfactory payment arrangements.

As of May 2025, the total number of properties with liens registered was 7 (2 commercial and 5 residential). 3 of the residential property owners have now made full payment and their liens have been discharged. Active efforts are ongoing for the remaining 4 properties.

The City continues to offer its three regular pre-authorized payment plans which provide a convenient and reliable payment method for property owners. Approximately one third (24,964) of all property accounts are enrolled in these pre-authorized payment plans.

PART C - DEBT AND FINANCIAL OBLIGATION LIMIT

Debt Capacity: As of June 30, 2025, the City's total debt charges as a percentage of own source revenue is estimated to be 8.69%, 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, 2024, the City has an estimated \$115 million in total principal debt outstanding. Considering principal debt repayments of \$14.9 million, and \$45.2 million in approved but not yet issued debt for 2025, the City's total principal debt outstanding and remaining to be issued as of June 30, 2025, is \$145.3 million.

The reported debt capacity and forecasted principal debt outstanding are based on a snapshot on June 30, 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 2025 budget for tax supported debt charges is \$13.2 million, and as of June 30, this budget meets the planned needs of tax supported debt repayments in 2025.

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.

At the upcoming October Committee of the Whole meeting, staff will include a report that reviews reserve and reserve funds. The report will recommend options for consolidating

certain existing reserves to enhance the efficient management of the City's reserves and reserve funds and associated working capital.

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"> • Contingency • Severe Weather • Tax Rate Stabilization 	<ul style="list-style-type: none"> • Planning Fee Stabilization • Engineering Fee Stabilization • Commodity Stabilization
<p>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: \$30.1 million to \$45.2 million</p>	
<p>June 30, 2025, <i>Uncommitted Balance</i>: \$18,957,215 → Currently at 6.3% of the City's own source revenues</p>	

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 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	June 30 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) = \$5,512,910.</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 \$0.69 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		June 30 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 \$9.13 million.	\$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		June 30 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 2025 Asset Management Plan has total asset replacement value at approximately \$7.15 billion. Based on this amount the minimum recommended balance is \$143 million .	\$25.2 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.

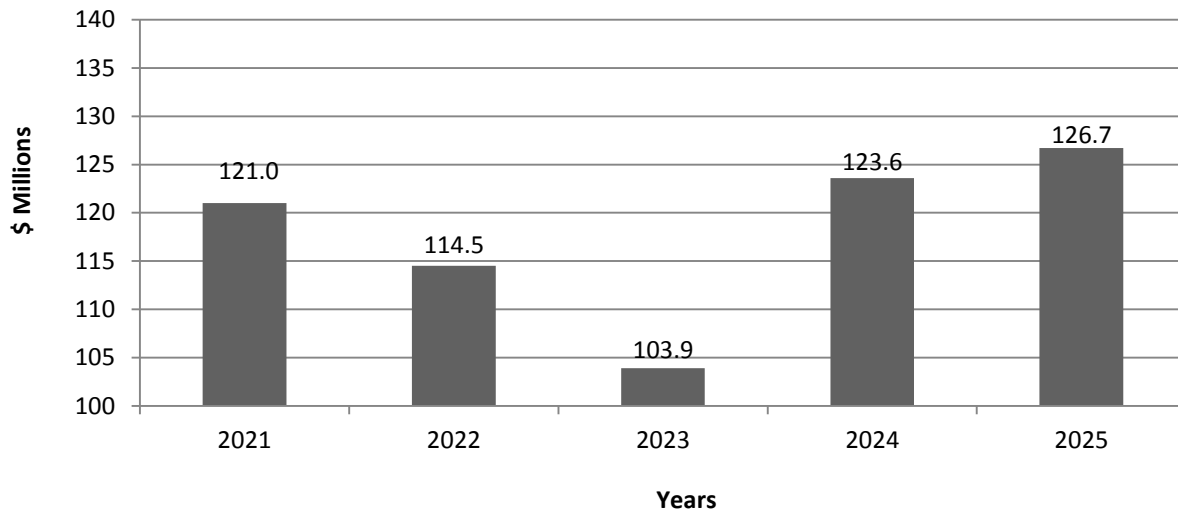
Corporate Reserve Funds	2024 Actuarial Valuation Liability	March 31 Uncommitted Balance
Employee Accident	\$15.8 million	\$9.2 million
Benefits	\$26.9 million	\$3.6 million

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

As at June 30, 2025, the total reserve and reserve fund balance amounted to \$217.4 million. This balance is \$11.1 million lower than the corresponding figure in 2024 (\$228.5 million). The decrease is due to the timing of funding for capital transactions and receipts from external sources.

Of the total balance reported, \$90.7 million is committed for various projects leaving an uncommitted balance of \$126.7 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 June 30:

Uncommitted Reserve and Reserve Fund Balances as at June 30



PART E - 2025 BUDGET MONITORING

The 2025 Operating Budget Performance Report as at June 30, 2025, will be reported at the September Committee of the Whole meeting.
Report reference: FIN-28-25.

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

(Amounts are in thousands of dollars)

	2025	2024
	\$	\$
Cash & temporary investments	175,472	155,397
Taxes receivable*	194,158	179,748
Long term investments	291,876	324,022
Investment in Burlington Enterprises Corporation**	149,720	145,464
Deferred revenue - obligatory reserve funds	79,729	82,479
Net long-term liabilities	114,966	131,403

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

** 2025 balance is as at December 31, 2024

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, 2025, the significant balance changes include:

- Decrease in long-term investments which are addressed in Part A of this report.
- Decrease in net long-term liabilities is due to the timing of debt issuance which is scheduled for the fall 2025 (occurred in the spring for 2024).

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

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