

SUBJECT: Financial status report as at December 31, 2025

TO: Committee of the Whole

FROM: Finance

Report Number: FIN-04-26

Wards Affected: all

Date to Committee: April 13, 2026

Date to Council: April 21, 2026

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## **Recommendation:**

Receive for information finance department report FIN-04-26, financial status report as at December 31, 2025

## **Executive Summary**

A financial update highlighting the City's fourth 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 December 31, 2025.

## **Implications:**

- For information purposes only.

## Background

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

#### **Monetary Policy and Interest Rates**

The Bank of Canada (BoC) reduced its target for the overnight rate to 2.25% by the end of 2025, following a series of cuts from a peak of 5.00% in mid-2024. These reductions were implemented as inflation returned to the BoC's 2% target and economic conditions softened. As of early 2026, the Bank has signaled a more balanced outlook, with future rate decisions remaining data-dependent and focused on maintaining price stability while supporting sustainable economic growth.

#### **Economic Growth and Inflation**

Against this monetary policy backdrop, the Canadian economy experienced modest and uneven growth in 2025, with overall activity remaining subdued. Full-year GDP growth was approximately 1.7%, reflecting below-trend performance. Economic activity was constrained by ongoing trade uncertainty, weaker exports, and slower population growth, although domestic demand and inventory accumulation provided partial support.

Inflation remained stable throughout the year, with overall consumer price growth close to the Bank of Canada's 2% target. Core inflation measures generally remained in the range of approximately 2.5% to 3.1%, indicating some persistence in underlying price pressures, but easing compared to prior years and contributing to a more balanced economic environment by year-end.

#### **Investment Strategy and Risk**

In 2025, the City continued to focus its investment strategy on balancing liquidity with maximizing returns. This approach built on actions taken in 2023 and 2024, when the City secured favourable yields on longer-term fixed income investments during a period of elevated interest rates. As a result, the portfolio remained well-positioned to withstand economic uncertainty while supporting the achievement of budgeted investment income targets.

During the year, the City capitalized on periods of market volatility, generating additional revenue through strategic investment decisions, including realized capital gains. Enhancing analytical tools also improved the forecasting and management of cash flows, enabling more effective investment allocation and access to attractive yields.

Looking ahead, the current lower interest rate environment, with policy rates at 2.25%, presents a potential reinvestment risk. As existing securities mature, future investments may need to be made at lower prevailing rates, which could place downward pressure on investment income.

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

**Investment Income and Projection**

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

	<b>Actual December 2025</b>	<b>Actual December 2024</b>
Total Interest	6,552,765	6,806,652
Budget	5,300,000	5,300,000
Favourable/(Unfavourable) Variance	1,252,765	1,506,652
Capital Gains	762,685	996,391
Favourable/(Unfavourable) Variance	2,015,450	2,503,043

Appendix A shows total interest earned on the investment portfolio up to December 31, 2025. As of that date, the overall portfolio balance is \$14.9 million higher than at the same time last year. This increase is due to several factors but is primarily related to the timing of capital expenditures and the collection of external recoveries for joint projects.

Overall investment income as of December 31, 2025, decreased by \$2.3 million compared to the same period in 2024, primarily due to lower interest rates. The Bank of Canada’s overnight rate declined from a peak of 5.00% in mid-2024 to 2.25% by the end of 2025.

**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 December 31, 2025, the City’s investment portfolio included \$16 million in Region of Halton bonds.

As of December 31, 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 holdings for the 1st quarter of 2026 with comparison to the actuals from the previous year.

	<b>2026</b>	<b>2025</b>
<b>January</b>	22,595,856	19,837,409
<b>February</b>	73,203,433	105,895,210
<b>March</b>	10,519,608	26,807,598

Fluctuations in the cash balance between 2026 and 2025 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 on behalf of the city, the Region of Halton and the Halton Boards of Education as legislated under the *Municipal Act, 2001*. Appendix C provides a comparison of the property tax status as of December 31, 2025, with December 31, 2024. The total levy for 2025 is \$559.7 million, up from \$528.3 million in 2024.

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>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current year Collections	97.0%	97.0%	97.1%	97.8%	98.1%	97.6%
Current year Outstanding*	3.0%	3.0%	2.9%	2.2%	1.9%	2.4%

\*includes 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 in the current year as well as the two previous 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 129 accounts that remained three years in arrears, and lenders were notified. This is an increase from the 26 searches conducted in 2023 but in line with the 121 searches completed in 2024. By the end of 2025, the number of accounts in three years of arrears had decreased to 41. 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 2026, 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 two 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 (25,340) of all property accounts are enrolled in these plans.

In mid-November 2025, the City launched a new online property tax portal that enables taxpayers to access and manage their property tax accounts. By December 31, 2025, over 1,300 property tax accounts had been registered.

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

**Debt Capacity:** As of December 31, 2025, the City's total debt charges as a percentage of own source revenue is estimated to be 7.93%, 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's total principal debt outstanding is estimated at \$115 million. After incorporating the \$24.5 million in new debt issuance for 2025 and \$20.7 million in approved but not yet issued debt, and deducting \$14.9 million in principal repayments for the year, the City's total principal debt outstanding and remaining to be issued is projected to be \$145.3 million as of December 31, 2025.

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 as 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 December 31, 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 October Committee of the Whole meeting, staff presented a report that addressed the consolidation and closure of several reserve funds. This review provided some streamlining to the City’s financial structure by reducing inactive or redundant reserves and aligning remaining funds to support broader purposes. A further comprehensive review of the City’s reserves and reserve funds is planned as part of the development of the long-term financial plan to ensure ongoing alignment with the City’s strategic and financial objectives.

### **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>• Tax Rate Stabilization</li></ul>	<ul style="list-style-type: none"><li>• Planning Fee Stabilization</li><li>• Engineering Fee 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 2024 own source revenues of \$330 million the target range is: <b>\$33.0 million to \$49.5 million</b>	
December 31, 2025, <i>Uncommitted Balance</i> : <b>\$17,754,505</b> → <b>Currently at 5.4% 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.

## 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 2025 were approximately \$5.4 million. Based on this the upset balance for the reserve fund is <b>\$8.8 million</b> .	\$2.2 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 2025 Asset Management Plan has total asset replacement value at approximately \$7.15 billion. Based on this amount the minimum recommended balance is <b>\$143 million</b> .	\$38.6 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.

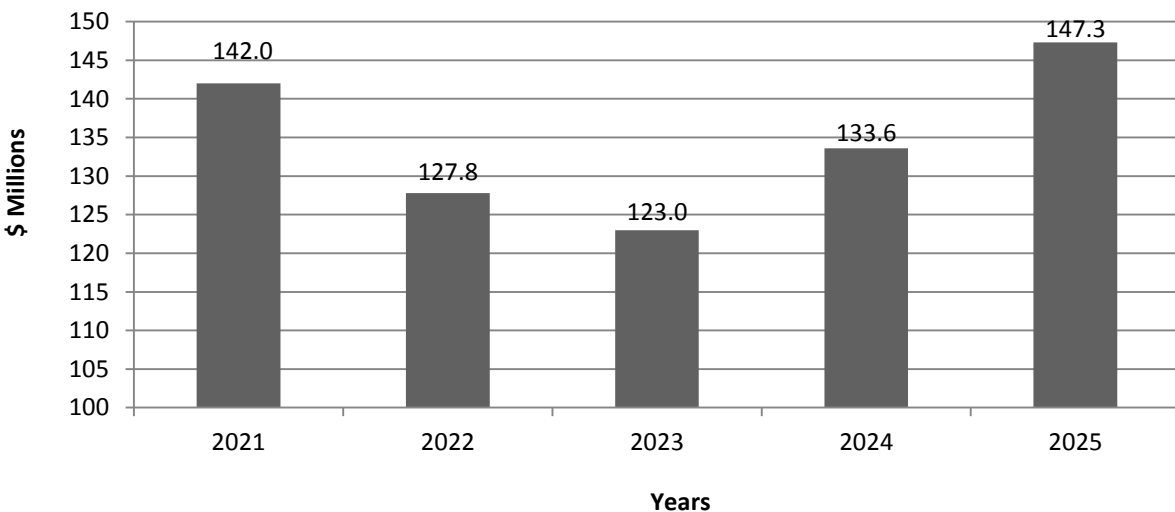
Corporate Reserve Funds	2024 Actuarial Valuation Liability	December 31 Uncommitted Balance
Employee Accident	\$15.8 million	\$8.2 million
Benefits	\$26.9 million	\$3.8 million

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

As at December 31, 2025, the total reserve and reserve fund balance amounted to \$248.4 million. This balance is \$10.2 million lower than the corresponding figure in 2024 (\$258.6 million). The decrease is due to the timing of funding for capital transactions.

Of the total balance reported, \$101.1 million is committed for various projects leaving an uncommitted balance of \$147.3 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



## **PART E - 2025 BUDGET MONITORING**

The Operating Budget Performance report as of December 31, 2025 (FIN-09-26) is included as a separate report on the current agenda.

## **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)**

	2025	2024
	\$	\$
Cash & temporary investments	80,209	52,800
Taxes receivable*	19,577	18,736
Long term investments	292,230	304,774
Investment in Burlington Enterprises Corporation**	149,720	149,720
Deferred revenue - obligatory reserve funds	115,544	118,187
Net long-term liabilities	124,555	114,966

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

**\*\* 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 December 31, 2025, the significant balance changes include:

- Increase in cash & temporary investments which are addressed in Part A of this report.

- Increase in net long-term liabilities is due to 2025 debt issuance which was issued in September 2025.
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### **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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### **Author:**

Michelle Moore  
Controller & Manager, Financial Services  
Michelle.Moore@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.