



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: April 28, 2025

Report No: ES-013-25

Subject: 2024 Operating Variance and Journal Entries

Recommendation: THAT the 2024 Financial Statements be prepared on the basis of the year-end transactions set out in report ES-013-25;

THAT staff be directed to transfer \$500,000 from the Legal and Insurance Reserve to the Severe Weather Reserve;

THAT staff be directed to prepare accounting entries to transfer the surplus, estimated at \$5,790,875, from the operating fund to the following:

- \$2,290,875 to the Growth Capital - Other Reserve
- \$1,500,000 to the Tax Rate Stabilization Reserve
- \$1,000,000 to the Vehicle and Equipment Replacement Reserve
- \$1,000,000 to the IT Reserve

EXECUTIVE SUMMARY

This report provides a detailed review of the preliminary unaudited 2024 financial position of the Town with the following information of note:

- An estimated surplus in the amount of \$5,790,875 is largely the result of savings in Transit services due to increased ridership and associated GO Transit fare integration subsidies, savings due to staff vacancies and savings in Operations contracts and materials, which was primarily weather related
- It is recommended that the surplus be transferred to the Growth - Other Reserve, Tax Rate Stabilization Reserve, Vehicle and Equipment Replacement Reserve and IT

EXECUTIVE SUMMARY

Reserve in consideration of the investment needs from those reserves and to bring the balances in those reserves closer to the target balances identified in Appendix 3

- The audit of the 2024 financial position has progressed through the month of April and final results will be confirmed in the 2024 Financial Report scheduled to be presented at the May 26, 2024 Council meeting.

REPORT

Background

In accordance with Corporate Policies No. 113: Financial Management - Budget Management and No. 115: Accounting, this report explains the significant variances in the actuals compared to the approved 2024 operating budget as well as the allocation of the surplus. The information presented herein has been developed based on reviews that were held with operating budget managers to identify key variances as well as to finalize 2023 accounts payable and accounts receivable accruals.

This report also satisfies the requirements of Ontario Regulation 332/12 which states that the Town must make available to the public annual reports with respect to Building Fees imposed under the Building Code Act. Included in this report is information on the total amount of fees collected, the direct and indirect costs of delivering the services related to the administration and enforcement of the Act and the amount of the reserve fund established for the purpose of administration and enforcement of the Act.

Discussion

The final year end position of the Operating Fund is an estimated surplus of \$5.8 million for the Town (excluding library). This represents a variance of 5.8% on net budgeted expenditures of \$99.2 million and 3.0% on the gross expenditures of \$192.5.0 million.

	2020	2021	2022	2023	2024	Average
Variance (\$Millions)	\$1.85	\$4.45	\$0.45	\$(0.23)	\$5.79	\$2.5
% Variance to Net Budget	2.7%	6.0%	0.6%	(0.3)%	5.8%	3.0%

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% Variance to Gross Budget	1.3%	3.0%	0.3%	(0.1)%	3.0%	1.5%
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*Positive figures represents a favourable variance and a negative figure represents an unfavourable variance.

For consistency with prior years, the variance amounts above exclude the final positions of the library and BIA. If the final position of the BIA and Library were reflected in the 2025 year end figures, the net and gross percentages would be 6.1% and 3.2%, respectively.

The estimated Town position at the end of 2024 by department is as follows:

Department	Net Budget	Actuals	(Surplus)/ Deficit	Percent
Mayor & Council	\$691,453	\$646,660	\$(44,793)	94%
Executive Services	3,558,892	3,362,236	(193,656)	94%
Corporate Services	35,782,216	33,686,014	(2,096,202)	94%
General Government	(71,211,136)	(71,164,171)	46,965	100%
Community Services	31,310,174	28,051,303	(3,258,871)	90%
Development Services	(131,599)	(373,917)	(241,318)	283%
Library	-	(194,584)	(194,584)	
Hospital Expansion	-	-	-	
BIA	-	(104,409)	(104,409)	
Gross Surplus	-	(6,089,868)	(6,089,868)	
Less: Library Board Surplus (Note 2)		194,584	194,584	
Less: BIA Surplus (Note 3)		104,409	104,409	
Net Town Surplus		\$(5,790,875)	\$(5,790,875)	

Note 1 - Figures include rounding and may result in minor variances to the attached Financial Schedules.

Note 2 - Library surplus will be transferred to the Library Tax Rate Stabilization Reserve in accordance with the Town's Treasury Policy No. 116.

Note 3 - BIA surplus will be transferred to the DBIA Surplus Reserve Fund in accordance with the Town's Treasury Policy No. 116.

Variance Overview

The surplus is a result of Transit savings of \$1.5 million primarily due to increased ridership and associated GO Transit fare integration subsidies, staff vacancy savings which exceeded budget by \$1.2 million and savings of \$0.85 million in Operations contracts and materials due to a combination of a lighter winter and reduced work requirements in other areas. Further contributing to the surplus were lower than budgeted tax write offs of \$0.46 million, increased penalties and interest payments of \$0.87 million, IT savings of \$0.49 million in annual maintenance and service agreements, savings in recreation programs of \$0.7 million, savings in utilities due to reduced consumption and cost of \$0.39 million and higher recoveries of winter maintenance and streetlight costs from developers in the amount of \$0.3 million due to new subdivision registrations and the timing of subdivision assumptions. These areas of savings were partially offset by increased costs for HR legal



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matters in the amount of \$0.92 million and a shortfall in parking enforcement revenues of \$0.41 million.

Detailed commentary on variances by department can be found in Appendix 2.

Reserves and Reserve Funds

Reserves and reserve funds are an important element of the Town's long-term financial plan. They make provisions for the replacement and rehabilitation of existing Town assets, provide a contingency for one-time and unforeseeable events, and provide flexibility to manage debt levels and protect the Town's financial position.

A summary of reserve and reserve fund balances by type is outlined in the table below. A detailed continuity schedule by each reserve and reserve fund comparing ending 2024 balances to target balances is provided in Appendix 3.

Reserves and Reserve Funds (\$000)	Dec 31, 2023 Balance	In-Year Activity	Dec 31, 2024 Balance
Stabilization	\$22,074	\$194	\$22,269
Corporate Use	14,679	1,022	15,700
Infrastructure Non Growth	87,556	13,087	100,644
Infrastructure Growth	55,468	31,462	86,930
Program Specific	17,774	(868)	16,906
Board, Committee & Other	2,426	8,261	10,687
Total	\$199,978	\$53,158	\$253,136

The in-year activity includes transfers to/from the operating budget, and a number of those transfers are driven by external revenues and do not impact the operating surplus. It is important to understand where operating transfers deviate from budget as it will have resulting implications on reserve balances.

The following table presents a summary view of variances between budgeted and actual operating transfers to/from reserve and reserve fund by category.

Reserve/Reserve Funds (\$000)	Budgeted Transfer to/(from) Operating	Actual Transfer to/(from) Operating	Surplus/ (Deficit)
Stabilization	\$(678)	\$(299)	\$379
Corporate Use	1,660	1,345	(315)
Infrastructure Non Growth	42,862	48,614	5,752
Infrastructure Growth	7,527	6,253	(1,275)
Program Specific	(366)	(259)	107
Board, Committee & Other	685	330	(356)
Total	\$51,691	\$55,984	\$4,293

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Transfers to Stabilization reserves are in a surplus position primarily due to the overall savings in the Building Department that were transferred to reserve. Corporate Use reserve transfers are unfavourable to budget due to timing differences in development activity.

Transfers to Infrastructure Non Growth related reserves were higher than anticipated largely due to higher than expected investment income, proceeds from the Ontario Lottery and Gaming Corporation (OLG), sale of equipment and additional dividends received from Milton Hydro.

Infrastructure Growth transfers were unfavourable to budget due to lower than anticipated Capital Provision revenues being collected through financial agreements resulting from the timing of development activity and lower than anticipated supplementary taxes.

Transfers to Program Specific Reserves were higher than budget primarily due to higher than anticipated revenue from the Ministry of Natural Resources for extracted aggregates and additional lease revenues. Board, Committee & Other are showing as a deficit due to unplanned grant funding that was transferred to the operating fund.

A detailed commentary on other significant variances in reserve and reserve fund transfers within the operating fund is presented in Appendix 4.

Review of Reserve Balances to Target and Recommended Transfers

Annually staff review and assess reserve balances relative to target. The Legal and Insurance Reserve is approximately \$1.3 million over target at year end. Staff recommend transferring \$500,000 from the Legal and Insurance Reserve to the Severe Weather Reserve to bring the Severe Weather Reserve closer to the 2024 target balance.

The Infrastructure Renewal Reserves continue to be well below target. The Town should continue its strategy of budgeting for a lifecycle contribution to those reserves for any new assets and, subject to the budget process, investing additional incremental amounts annually within the operating budget to reduce the deficit over time.

The Tax Rate Stabilization, Growth Capital - Other, Information Technology and Vehicles and Equipment Replacement reserves are all below their target balance by amounts ranging from \$2.4 million to \$6.2 million. There continues to be pressure on these reserves as well due to legislation (example - development charge exemptions), inflation and program needs. It is recommended that a portion of the 2025 surplus be allocated towards each of these reserves as discussed further below.

Debenture Obligations

The Town ended 2024 with \$46.8 million in total debt outstanding including a new issuance of \$10.5 million in 2024 as well as \$5.0 million in debenture repayments that occurred during the year.

In addition to the debenture obligations outlined below, \$7.0 million of debt that has been previously approved by Council remains yet to be issued. Based on the status of projects with unissued debt as a funding source, it is expected that a debt issuance will take place in 2025.

Existing Debenture Obligations (\$000)	Debt at Dec 31, 2023	2024 New Issuance	Principal Payments for 2024	Debt at Dec 31, 2024
Tax Supported	\$22,231	\$10,475	\$(3,149)	\$29,557
Capital Provision (Hospital)	6,515	0	(1,567)	4,947
Hospital Expansion (see below)	12,578	0	(302)	12,275
Total	\$41,324	\$10,475	\$(5,019)	\$46,780

The Hospital sinking fund debenture is held and managed by the Region of Halton for the purpose of retiring the debt at maturity. The annual \$302,726 sinking fund contribution and

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the interest income to be earned on the investments of the sinking fund over 30 years are projected to fully cover the principal payment due at maturity.

Hospital Expansion Sinking Fund Debenture	Amount
Sinking Fund Debt (payable on Apr 6, 2045)	\$15,000,000
Annual Contributions to date to the Region of Halton (\$302,726 per year)	(2,724,534)
Sub-total	\$12,275,466
Interest Earned to Date by Region of Halton	(506,348)
Dec 31, 2024 Balance per the Region of Halton Performance Indicator Report	\$11,769,118

Recommendations for the Year End Surplus/Deficit

As part of the year-end process, staff consider the distribution of the year-end surplus or funding of deficit based on Council approved policies.

It is recommended that \$2,290,875 of the surplus be transferred to the Growth Capital - Other Reserve on the basis that

- The balance of the Growth Capital - Other Reserve at the end of 2024 was \$2.1 million as compared to a target balance of \$8.3 million.
- DC exemptions, which are funded from this reserve, currently have an annual funding deficit of \$2.8 million as identified within the 2025 Budget. This deficit has the potential to increase with the growth of additional residential units.

It is recommended that \$1,500,000 of the surplus be transferred to the Tax Rate Stabilization Reserve:

- This approach would re-instate the Tax Rate Stabilization Reserve funding used in the 2025 budget to mitigate pressures on the property tax increase. The year end balance in the Tax Rate Stabilization reserve is \$5.85 million relative to a 2024 target of \$8.2 million. The 2025 Budget forecasted this reserve to decline to \$4.68 million by the end of 2025 as a result of the tax mitigation funding used in the 2025 budget.

It is recommended that \$1,000,000 of the surplus be transferred to each of the Vehicle and Equipment Replacement and the Information Technology Reserves. These reserves are below target by \$2.6 million and \$3.8 million respectively at the end of 2024, and are forecasted to fall to very low levels in certain years within the 10 year capital forecast.



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Financial Impact

The estimated final year-end position of the operating fund is an estimated surplus of \$5.8 million for the Town. This report is providing information as to the allocation of the surplus necessary to facilitate the completion of the 2024 year-end accounting entries.

Where known at the time of 2025 budget development, the variances identified herein informed adjustments that were made to the 2025 budget. Any new budget variances identified will be considered in the 2026 budget process. All variances and reserve and reserve fund balances will also inform the management of the budget in 2025.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA Phone: Ext. 2216

Attachments

Appendix 1 – 2024 Year End Operating Financial Statements

Appendix 2 – 2024 Year End Operating Variance Commentary by Department

Appendix 3 – Reserve and Reserve Fund Continuity Schedule

Appendix 4 – Reserve and Reserve Fund Transfer to/from Operating Variance and Commentary

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and



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Recognition of Traditional Lands

Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.