



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: July 14, 2025

Report No: ES-039-25

Subject: Operating Budget Review - May 2025

Recommendation: THAT the operating report for the five months ending May 2025 along with a projected year end surplus of \$2,348,321 be received for information.

THAT the Financial Management Policy No. 116 - Treasury be amended to re-classify the Per Unit Processing Reserve to a Reserve Fund, effective January 1, 2025.

EXECUTIVE SUMMARY

This report provides a detailed review and update of the operating budget through May 2025 with the following information of note:

- Current forecasting suggests that the operating fund will be in a surplus of \$2.4 million for year end, primarily related to higher than anticipated revenues in the areas of recreation, planning applications and developer revenues associated with Transit, along with savings in fuel and natural gas following the federal carbon tax removal.
- Gross investment income is expected to be \$2.8 million greater than budget due to largely to higher than budgeted portfolio balances.
- Reserve balances are expected to be \$18.5 million higher than anticipated, largely due to reclassifying the Project Variance Account to a Reserve along with the reinvestment of excess investment income into infrastructure renewal reserves.

The financial position of the Town will continue to change throughout the balance of the year due to factors such as weather conditions, utility and fuel usage and rates, and position vacancies.

REPORT

Background

Corporate Policy No. 113: Financial Management - Budget Management identifies that a comprehensive review of the Town's operating budget will be undertaken in association with its May 31 balances. Corporate Policy No. 116: Financial Management - Treasury as well as Ontario Regulation 438/97 require that reporting to Council on the investment portfolio must be done at least annually. This report is to satisfy the requirements as set out in those policies.

The revenue and expenditures that are shown in the financial statements within Appendix 1 are presented on a cash basis, and therefore exclude accruals.

Discussion

Operating Budget Monitoring for the period ending May 31, 2025

The following table reflects forecasted variances to the 2025 budget by department based on expectations for program delivery for the remainder of the year. It is worth noting that the departments that are presented in this table and report have been updated to reflect the organizational re-alignment that was announced earlier in 2025.

Department	2025 Approved Budget \$	2025 Forecast \$	Over/(Under) Budget \$
Mayor & Council	\$705,973	\$672,862	\$(33,111)
Executive Services	4,004,276	3,795,849	(208,427)
Corporate Services	40,030,176	38,985,132	(1,045,044)
General Government	(78,673,318)	(78,088,068)	585,250
Community Services	32,863,447	32,153,218	(710,229)
Development Services	1,069,446	250,602	(818,844)
Library	-	(117,916)	(117,916)
Hospital Expansion	-	-	-
BIA	-	-	-
Total Town of Milton		\$(2,348,321)	\$(2,348,321)

Note 1 Figures include rounding and may result in minor variances to the Attached Financial Schedules

Staff are currently forecasting a surplus to budget of \$2,348,321 for 2025.

The main drivers of the surplus relate to increased recreation fees of \$628,820, largely in the area of Fitness and Aquatics, a timing related increase in planning application revenues of \$653,445, developer revenues associated with Subsidized Transit Pass Agreements of \$561,709, savings in fuel and natural gas of \$441,949 as a result of the carbon tax removal, and \$449,747 due to a reversal of an Allowance for Bad Debts amount given a change in circumstances regarding the recovery of certain development related expenses.



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Partially offsetting these favourable variances is \$595,373 in increased winter maintenance costs resulting from severe storms during this past winter which brought record snowfall, prolonged blizzard conditions and required extended response efforts.

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

Balance Sheet Monitoring as at May 31, 2025

Investments and Cash Management

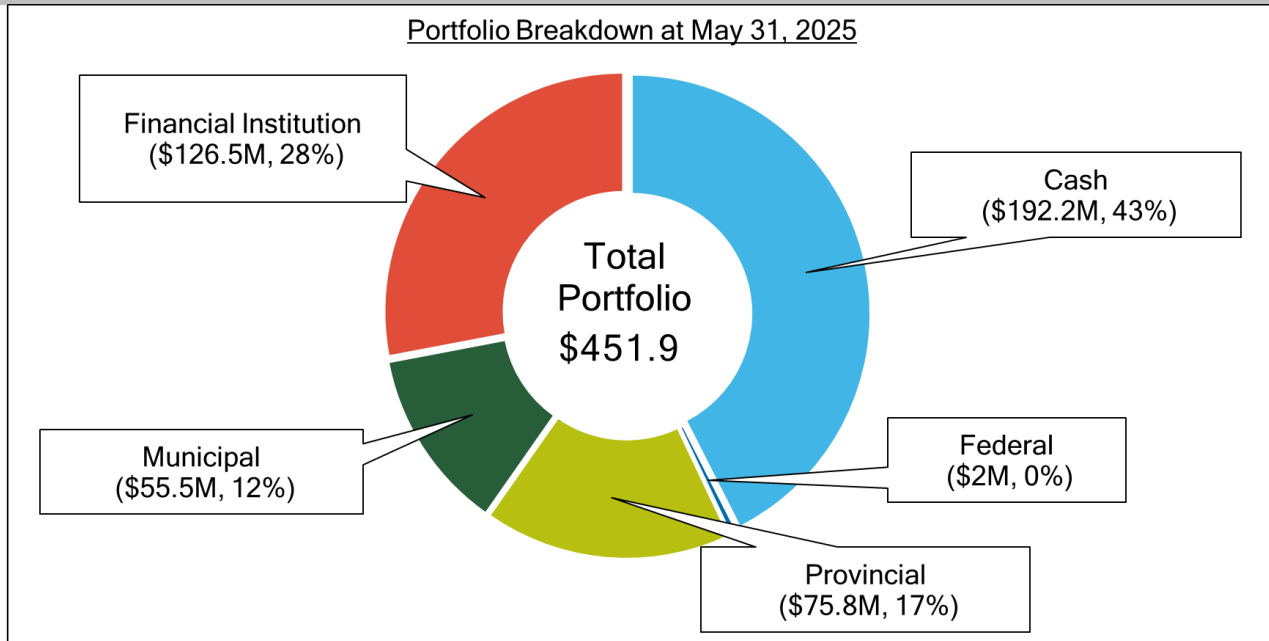
Economic Update

Over the previous twelve months the Bank of Canada (BOC) has lowered the overnight rate from 5.00% to 2.75% as of June 4, 2025. After declining substantially in a short period, the interest rates should remain stable over the next year according to the forecasts by the major Canadian banks. Inflation has been easing over the previous year and is expected to stay within the BOC's target range of 1% to 3% however the broader economy is showing signs of slowing, especially in housing and employment. The consensus among the major banks is that economic growth will remain modest, with uncertainty around tariffs and global conflicts contributing to market volatility and cautious monetary policy. Staff will continue to monitor market conditions to guide investment decisions while adhering to the objectives of the Town's Treasury Policy No. 116.

Portfolio Summary / Cash and Investment Positions

A summary of the overall portfolio as of May 31, 2025 is shown in the chart below and a detailed comparison of the limitations on holdings, as set out in Financial Management - Treasury Policy No. 116, is included in Appendix 3. All securities held in the first five months of 2025 satisfied the Town's credit rating requirements.

Discussion



The Town is currently carrying approximately 40% of its portfolio balance in cash, including approximately \$22 million in a locked-in high interest account, due to upcoming capital project expenditures and timing of tax collections and payments. It is anticipated that throughout the balance of the year the composition of the Town's portfolio breakdown will shift as the Town continues to take advantage of market opportunities and changing interest rates, as illustrated in Appendix 4. A resulting reduction in cash holdings and increase in both short and long term investments is expected as the year progresses.

2025 Investment Income Forecast

Due to a higher than expected portfolio balance, current projections estimate gross investment income to be \$15.2 million for the year, which is \$2.8 million higher than what was incorporated into the 2025 budget. The additional investment income will have no impact on the operating budget in 2025 as it will be allocated to reserves at year end in accordance with the Town's Treasury Policy, where it will be available for future investment by Council. Changing market conditions may create forecast adjustments throughout the year.

Property Tax Collection

The Town of Milton collects property taxes for the Town, Region of Halton and the Halton Boards of Education as legislated under the Municipal Act, 2001. The following table provides an update on the Town's current year tax collection up to the end of May 2025. As

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shown, the 2025 collection rate to date is generally aligned with the Town's historical rate as we approach the third regular installment date in late June.

Tax Year	Total Billable Properties	Properties with Arrears as of Jun 3	Final Tax Levy ¹	Current Year Collections (as of June 3) ¹	Current Year Past Due ¹	Current Year % Paid
2025	44,608	7,330	\$285,163,384	\$127,996,331	\$9,899,480	44.9%
2024	43,389	5,114	\$264,549,378	\$120,539,201	\$7,738,605	45.6%
2023	42,788	4,563	\$244,413,915	\$109,972,208	\$6,508,690	45.0%

¹ Includes Town, Region and Educational shares

Debenture Obligations

As of May 31, 2025 the Town has an estimated \$42.2 million in total debt outstanding. To date, \$4.6 million in debenture repayments have occurred. For the remainder of the year, based on the status of projects funded with unissued debt and market conditions, it is expected that approximately \$4.8 million in new debt will be issued as part of a Region of Halton debenture issuance. Additionally, \$1.2 million in debenture principal payments remain in 2025, which would bring the projected outstanding debt balance to \$45.7 million by year end.

Existing Debenture Obligation (\$000)	Debt at Dec 31, 2024	Principal Payments to May 31	Debt at May 31	Estimated New Issue	2025 Principal Payments Outstanding	Forecast Dec 31, 2025
Tax Supported	\$29,557	\$(2,712)	\$26,845	\$4,800	\$(1,243)	\$30,402
Capital Provision (Hospital)	4,947	(1,606)	3,340	0	0	3,340
Hospital Expansion (see below)	12,275	(303)	11,973	0	0	11,973
Total	\$46,780	\$(4,621)	\$42,159	\$4,800	\$(1,243)	\$45,716

The Hospital sinking fund debenture is held and managed by the Region of Halton, for the purposes of retiring the debt at maturity. The annual \$302,726 sinking fund contribution and the interest income to be earned on the investments of the sinking fund over 30 years were projected at the outset to fully cover the principal payment due at maturity. The balance at December 31, 2025 as shown will be further reduced by the interest earned to date on the fund which will be reported by the Region to the Town for year end.

Reserves and Reserve Funds

Reserves and reserve funds are an important element of the Town's long-term financial plan. They allow the Town 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 Town assets, provide a contingency for one-time and

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unforeseeable events, and provide flexibility to manage debt levels and protect the Town's financial position.

The anticipated reserve and reserve fund balances for 2025 are outlined in the table below. Balances by individual reserve and reserve funds are shown in Appendix 5.

Reserves and Reserve Funds (\$000)	As at Dec 31, 2024	As at May 31, 2025	Forecasted Dec 31, 2025	Surplus/ (Deficit) to Budget
Stabilization	\$24,269	\$23,153	\$23,990	\$(2,278)
Corporate Use	15,200	14,960	15,237	(2,192)
Infrastructure Non Growth	105,827	98,004	107,451	21,074
Infrastructure Growth	89,085	101,798	112,215	(2,070)
Program Specific	16,906	16,922	17,977	259
Board, Committee & Other	12,611	19,869	11,151	3,712
Total	\$263,898	\$274,705	\$288,022	\$18,505

The forecasted 2025 balance includes projected 2025 activity as identified in the 2025 budget along with any forecasted adjustments that have been identified in 2025. Following is commentary on forecasted 2025 year end reserve balances that are expected to be significantly different than budget:

Stabilization Reserves & Reserve Funds

The Stabilization reserves are expected to be lower at the end of the year due to lower than anticipated building permit activity resulting in a decreased transfer to the Building Stabilization Reserve. This is partially offset from higher than expected balances in the Tax Rate Stabilization and Severe Weather reserves at the end of 2024 (see staff report ES-013-25).

Corporate Use Reserves

The Corporate Use reserves are expected to be unfavourable to budget at the end of 2025 due to the lower than expected Per Unit Development Processing Fee revenues as a result of timing differences in development activity, higher than anticipated WSIB claims and lower than expected balances at the end of 2024 (see staff report ES-013-25).

Infrastructure Non Growth

The Infrastructure Non Growth reserves are projecting a surplus to budget largely due to the reclassification of the Project Variance Account balance of \$12.1 million to a reserve (see staff report ES-012-25), an additional \$2.05 million in investment income along with higher than expected balances at the end of 2024 (see staff report ES-013-25). The balance in the Project Variance Reserve will fluctuate based on the refinancing of projects following tender awards, grant funding received, etc.

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Infrastructure Growth

The Infrastructure Growth reserves are forecasting a deficit primarily due to the lower than expected Capital Provision reserve balance at the end of 2024 as a result of timing of development activity. While Development Charge (DC) reserves are currently projecting to be in line with budget, shifts in timing of capital expenditures and revenue collections could change as the year progresses. The DC reserve balances include the approximate \$33.9 million in cash flow assistance that was received in 2024 (see staff report CORS-016-24). A portion of the unfavourable variance is offset by higher than expected balances at the end of 2024 (see staff report ES-013-25).

Program Specific / Board, Committee & Other

The projected variances are related to year end transfers that occurred in 2024 (see staff report ES-013-25) with the exception of the Provincial Government Transfer reserve fund where grant funding will be held in an interest bearing reserve fund until it is spent and recognized in various Council approved projects.

Policy Update - No. 116 - Treasury

The Treasury policy provides guidance to staff in the management of debt, investments and the reserves. The reserves managed by the Town are differentiated between Reserves and Reserve Funds. Reserves represent funds set aside to assist in the maintenance of the financial position of the organization or future planned initiatives, and are often funded with general revenues such as the property tax levy. Reserve Funds are typically established through by-law of Council or by the requirement of federal or provincial legislation, and often are funded from a distinct funding source. An example of a Reserve Fund is the Canada Community-Building Fund, which represents funds received from the Federal Government. These funds are presented as deferred revenue on the Town's Annual Statements and recognized as revenue as the funds are spent in accordance with the guidelines of the program.

With the introduction of PS3400 Revenue Recognition standards an adjustment to the Town's Per Unit Processing Fees Reserve was required as part of the 2024 Annual Financial Statements. Per Unit Processing fees are developer contributions collected at the time of subdivision registration or site plan intended to recover time spent by staff outside the Planning and Building Department for review and processing of development related applications. Per Unit Processing fees had previously been held in a Reserve prior to use and as such had historically been reported as part of the Town's surplus in the Annual Financial Statements. Under the new PS3400 standard, Per Unit Processing Fees represent deferred revenues and, as such, in the Town's 2024 Annual Financial Statements were reflected as a Reserve Fund and shown as deferred revenue. Going forward revenue will be recognized annually through an allocation of funds from the



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Reserve Fund to recover the established portion of staff costs that are recovered from the per unit processing fees.

An amendment to the Town's Treasury policy, restating the Per Unit Processing Reserve to a Reserve Fund, is required to align with the new accounting treatment. In accordance with the Treasury Policy interest will now also be allocated to this fund going forward.

Financial Impact

The May 2025 variance review process suggests that the operating fund may be in a surplus position of \$2.3 million for 2025 related largely to higher than anticipated recreation fees, planning application fees, developer revenues associated with Transit, and savings in fuel and natural gas following the federal carbon tax removal. The financial position of the Town will continue to change throughout the balance of the year and may be impacted by factors including weather related activity, utility and fuel usage and rates, tax write-offs, the pace of growth and staff vacancies, among other items.

The results of the May variance review process, as well as the on-going monitoring of the Town's financial position, will be used to inform the preparation of the Town's 2026 Budget.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA 905-878-7252 x2216

Attachments

Appendix 1 - May 2025 Operating Financial Statements

Appendix 2 - May 2025 Operating Variance Commentary by Department

Appendix 3 - Investment Portfolio Holdings and Limitations

Appendix 4 - Interest Rates and Bond Yields

Appendix 5 - Reserve and Reserve Fund Continuity Schedule



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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 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.