



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: April 13, 2026

Report No: ES-016-26

Subject: 2025 Operating Variance and Journal Entries

Recommendation: THAT the 2025 Financial Statements be prepared on the basis of the year-end transactions set out in report ES-016-26;

THAT staff be directed to transfer \$1,000,000 from the Legal and Insurance Reserve to the WSIB Reserve;

THAT staff be directed to prepare accounting entries to transfer the surplus, estimated at \$4,129,919, from the operating fund to the following:

- \$3,000,000 to the Growth Capital - Other Reserve
- \$1,129,919 to the Tax Rate Stabilization Reserve

EXECUTIVE SUMMARY

This report provides a detailed review of the preliminary unaudited 2025 financial position of the Town with the following information of note:

- An estimated surplus in the amount of \$4,129,919 is largely the result of savings from staff vacancies and timing of development activity and associated planning application revenues, amongst other changes in revenues and expenditures.
- It is recommended that the surplus be transferred to the Growth Capital - Other Reserve and Tax Rate Stabilization Reserve in consideration of the investment needs from those reserves (especially in regards to development charge exemptions) and to bring the balances in those reserves closer to the target balances identified in Appendix 3.
- Due to the implementation timing of the new financial management software for the Town, the audit of the 2025 financial position is scheduled for early fall 2026 and the final results will be confirmed in the 2025 Financial Report that is scheduled to be presented at the December 14, 2026 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 2025 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 2025 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

Operating Budget Reporting

The final year end position of the Operating Fund is an estimated surplus of \$4.1 million for the Town (excluding library and BIA). This represents a variance of 3.7% on net budgeted expenditures of \$111.3 million and 1.9% on the gross expenditures of \$222.5 million.

| | 2021 | 2022 | 2023 | 2024 | 2025 | Average |
|-----------------------------------|--------|--------|----------|--------|--------|---------|
| Variance (\$Millions) | \$4.45 | \$0.45 | \$(0.23) | \$5.79 | \$4.13 | \$2.9 |
| % Variance to Net Budget | 6.0% | 0.6% | (0.3)% | 5.8% | 3.7% | 3.2% |
| % Variance to Gross Budget | 3.0% | 0.3% | (0.1)% | 3.0% | 1.9% | 1.6% |

*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 4.1% and 2.1%, respectively.



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The estimated Town position at the end of 2025 by department is as follows:

| Department | Net Budget | Actuals | (Surplus)/ Deficit | Percent |
|--------------------------------------|--------------|----------------------|-----------------------|---------|
| Mayor & Council | \$705,973 | \$632,536 | \$(73,437) | 90% |
| Executive Services | 4,004,276 | 3,467,498 | (536,778) | 87% |
| Corporate Services | 40,030,176 | 38,904,395 | (1,125,781) | 97% |
| General Government | (78,673,318) | (77,560,588) | 1,112,730 | 99% |
| Community Services | 32,863,447 | 31,529,439 | (1,334,008) | 96% |
| Development Services | 1,069,446 | (1,103,199) | (2,172,645) | (103)% |
| Library | - | (411,492) | (411,492) | |
| Hospital Expansion | - | - | - | |
| BIA | - | (33,740) | (33,740) | |
| Gross Surplus | - | (4,575,151) | (4,575,151) | |
| Less: Library Board Surplus (Note 2) | | 411,492 | 411,492 | |
| Less: BIA Surplus (Note 3) | | 33,740 | 33,740 | |
| Net Town Surplus | | \$(4,129,919) | \$(4,129,919) | |

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 Capital Infrastructure 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.

The main drivers of the surplus relate to increased savings from staff vacancies in the amount of \$2.1 million, increased penalties and interest on taxes receivable of \$1.4 million, a timing related increase in Planning application revenues of \$2.0 million and savings in fuel of \$0.7 million largely due to the federal government decision to remove the consumer carbon tax.

Winter maintenance costs exceeded budget by \$1.4 million due to the severe storms which brought record snowfall, prolonged blizzard conditions and required extended response efforts. However, the increased spending was largely offset by increased recoveries from the Region, Operations staff vacancy savings and savings in summer maintenance of roads and parks.

Other areas of significant unexpected pressures included WSIB claims and an adjustment to the WSIB liability resulting from an actuarial review in the total amount of \$1.9 million and a shortfall in parking fines of \$0.7 million.

A shortfall in building permit revenues of \$5.1 million relative to budget was driven largely by a decrease in industrial, commercial and institutional applications and permit issuance through 2025 combined with a small decrease in residential units. This shortfall resulted in a lower transfer to the Building Rate Stabilization Reserve for 2025, with no net impact to the Town's bottom line.



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

Balance Sheet Reporting

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 as at December 31, 2025.

| Tax Year | Total Billable Properties | Properties with Arrears as of Jan 5 | Final Tax Levy ¹ | Current Year Collections (as of Jan 5) ¹ | Current Year Past Due ¹ | Current Year % Paid |
|----------|---------------------------|-------------------------------------|-----------------------------|---|------------------------------------|---------------------|
| 2025 | 44,608 | 6,273 | 294,990,854 | 279,593,103 | 12,848,885 | 94.8% |
| 2024 | 43,389 | 4,631 | 267,512,218 | 256,835,650 | 10,076,270 | 96.0% |
| 2023 | 42,788 | 3,752 | 248,702,396 | 241,571,126 | 7,889,510 | 97.1% |

¹ Includes Town, Region and Educational Shares

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 2025 balances to target balances is provided in Appendix 3.

| Reserves and Reserve Funds (\$000) | Dec 31, 2024 Balance | In-Year Activity | Dec 31, 2025 Balance |
|------------------------------------|----------------------|------------------|----------------------|
| Stabilization | \$24,269 | \$(143) | \$24,126 |
| Corporate Use | 15,200 | 742 | 15,942 |
| Infrastructure Non Growth | 105,827 | 22,315 | 128,143 |
| Infrastructure Growth | 123,010 | 33,599 | 156,610 |
| Program Specific | 16,906 | 1,370 | 18,276 |
| Board, Committee & Other | 12,611 | 3,628 | 16,239 |
| Total | \$297,824 | \$61,512 | \$359,336 |

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



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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) Reserve | Actual Transfer to/(from) Reserve | Surplus/ (Deficit) |
|-------------------------------|-------------------------------------|-----------------------------------|--------------------|
| Stabilization | \$4,044 | \$(524) | \$(4,568) |
| Corporate Use | 1,812 | 1,012 | (800) |
| Infrastructure Non Growth | 49,007 | 54,624 | 5,617 |
| Infrastructure Growth | 12,929 | 10,584 | (2,345) |
| Program Specific | (738) | (572) | 166 |
| Board, Committee & Other | 731 | 621 | (111) |
| Total | \$67,785 | \$65,745 | \$(2,040) |

Transfers to Stabilization reserves are in a deficit position due to a timing related shortfall in building permit revenues resulting in a lower than budgeted transfer to the Building Stabilization reserve. Corporate Use reserve transfers are unfavourable to budget primarily 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 transferred to reserve in accordance with the 2025 budget allocations and Treasury Policy No. 116, savings from approved but unissued debentures that were transferred to reserves, revenue associated with the issuance of Additional Residential Unit (ARU) permits that was transferred to reserve/capital for purposes of tracking costs and revenues through the pilot period, and proceeds from the sale of equipment that was transferred to reserve.

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 was partially offset by higher 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. Board, Committee & Other are showing as a deficit largely as a result of a correcting entry to reverse interest applied to deferred grant revenue in 2024 and transferring it instead to



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the Infrastructure Renewal - Recreation reserve along with other excess investment income.

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



During the year end process staff reviewed the reserve balances against the 2025 reserve balance targets as well as the long-term forecasts and outlook.

The Tax Rate Stabilization and Growth Capital - Other reserves are each below their target balance by approximately \$3.0 million. There continues to be pressure on these reserves as well due to legislation (example - development charge exemptions) and program needs. It is recommended that a portion of the 2025 surplus be allocated towards each of these reserves as discussed further below.

The current balance in the WSIB reserve is \$5.7 million relative to an updated reserve target for the WSIB reserve of \$6.9 million. As a result, staff recommend transferring \$1,000,000 from the Legal and Insurance Reserve to the WSIB reserve.

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 Information Technology and Vehicles and Equipment Replacement reserves are both below their target balance. However, the 10 year Reserve and Reserve fund forecast as presented in the 2026 budget suggests that balances in these reserves will recover and be in line with the target balance within a few years.

Through the 2025 Year End Capital Variances staff report (ES-015-26) staff are recommending that \$3.0 million be transferred from the Project Variance Reserve with \$2.0 million transferred to the Infrastructure Renewal - Stormwater Reserve and \$1.0 million transferred to the Infrastructure Renewal - Roads and Structures Reserve.

Debenture Obligations

The Town ended 2025 with \$40.9 million in total debt outstanding and made \$5.9 million in scheduled debenture repayments during the year.

In addition to the debenture obligations outlined below, \$7.4 million of debt that has been previously approved by Council remains yet to be issued.



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| Existing Debenture Obligations (\$'000) | Debt at Dec 31, 2024 | Principal Payments for 2025 | Debt at Dec 31, 2025 |
|---|----------------------|-----------------------------|----------------------|
| Tax Supported | \$29,557 | \$(3,955) | \$25,601 |
| Capital Provision (Hospital) | 4,947 | (1,606) | 3,341 |
| Hospital Expansion (see below) | 12,275 | (302) | 11,973 |
| Total | \$46,780 | \$(5,864) | \$40,916 |

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 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) | (3,027,258) |
| Sub-total | \$11,972,742 |
| Interest Earned to Date by Region of Halton | (635,982) |
| Dec 31, 2024 Balance per the Region of Halton Performance Indicator Report | \$11,336,760 |

Amendments made to Financial Policies under Treasurer delegated authority

During 2025 an administrative amendment was made to the Financial Management - Budget Management Policy No. 113 under Treasurer delegated authority as follows:

- Section 7.1 iv was amended to reflect that Operating Budget and Capital Budget month-end statements will be provided to Council for the month-end positions from March, April, August and October only; July operating statements will no longer be brought forward to Council.
- This is being done in an effort to reduce administration while still ensuring Council is provided with regular reporting throughout the year on each of the capital and operating funds.
- In addition to the monthly statements noted above, detailed variance reports relating to the Capital budget will continue to be submitted to Council twice annually for the periods ending June 30 and December 31 and detailed variance reports related to the Operating Budget will continue to be submitted to Council three times annually for the periods ending May 31, September 30 and December 31.



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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 \$3,000,000 of the surplus be transferred to the Growth Capital - Other Reserve on the basis that:

- DC exemptions, which are funded from this reserve, currently have an annual funding deficit of \$1.8 million as identified within the 2026 Budget. This deficit has the potential to increase with changes in legislation and the growth of additional residential units.
- The overall deficit being reported through the 2025 Year End Capital report for DC Exemptions is \$3.23 million largely driven by mid-year changes in legislation that exempted long-term care homes from development charges as well as higher than anticipated ARUs and unbudgeted rental housing discounts.
- The balance of the Growth Capital - Other Reserve at the end of 2025 was \$6.8 million as compared to a target balance of \$9.5 million.

It is recommended that the balance of the surplus, estimated at \$1,129,919 , be transferred to the Tax Rate Stabilization Reserve:

- This approach would re-instate a portion of 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 \$6.2 million relative to a 2025 target of \$9.3 million. The 2026 Budget forecasted this reserve to decline to \$6.0 million by the end of 2026 as a result of the tax mitigation funding used in the 2026 budget.

Finalization of 2025 Financial Results and Audit

As previously discussed through staff report ES-008-26, due to a revision in the go-live date for the Town's new Financial Management System (FMS), there will be a corresponding timing adjustment to the completion of the Town's audit of the 2025 financial results. As key resources on the Town's FMS project team are also key supports to the year end audit, the audit process with Deloitte will need to be pushed back to the fall of 2026 to ensure that the new FMS system can be successfully launched with proper staff oversight. The auditor's



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review will be deferred along with the presentation of the final audit results, which can be expected at the December 14, 2026 Council meeting.

Financial Impact

The estimated final year-end position of the operating fund is an estimated surplus of \$4.1 million for the Town. This report is providing information as to the allocation of the surplus necessary to facilitate the completion of the 2025 year-end accounting entries.

Where known at the time of 2026 budget development, the variances identified herein informed adjustments that were made to the 2026 budget. Any new budget variances identified will be considered in the 2027 budget process. All variances and reserve and reserve fund balances will also inform the management of the budget in 2026.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

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

Attachments

Appendix 1 – 2025 Year End Operating Financial Statements

Appendix 2 – 2025 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



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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.