

City of Mississauga
Corporate Report



<p>Date: March 22, 2024</p> <p>To: Chair and Members of General Committee</p>	<p>Originator's files:</p>
<p>From: Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer</p>	<p>Meeting date: April 24, 2024</p>

Subject

Financial Report as at December 31, 2023

Recommendation

1. That the "Financial Report as at December 31, 2023" report dated March 22, 2024 from the City Manager and Chief Administrative Officer, including Appendices 1 and 2, be approved.
2. That the \$0.7 million 2023 year-end Stormwater operating program surplus be transferred to the Stormwater Pipe Reserve Fund (#35993).
3. That the 2023 Annual Financial Statement for Building Permit Fees be received for information as required by the *Building Code Act, 1992*.
4. That all necessary by-laws be enacted.

Executive Summary

- The City was in a deficit position of \$10.5 million at the end of 2023, primarily due to the impact of the GTAA Payment in Lieu of Taxes (PILT) revenue shortfall. Funding of \$10.5 million through the Fiscal Stability Reserve has enabled the City to reduce the deficit to zero.
- The Stormwater operating program resulted in a year-end surplus of \$0.7 million, which will be transferred to the Stormwater Pipe Reserve Fund (#35993).

Background

In accordance with the Operating Budget Policy 04-04-03, Finance provides Council with a review of the City's financial position at a minimum of twice per year. This report provides an update on the City's 2023 year-end operating position.

Comments

Prior to any funding, the City was in a deficit position of \$10.5 million at the end of 2023. This is mainly due to higher than budgeted revenue loss from the Greater Toronto Airports Authority (GTAA) Payment in Lieu of Taxes (PILT), partially offset by accelerated recoveries in Transit revenue and operating expenses.

While the City has mostly recovered from the financial impacts of COVID-19, there continued to be a revenue loss of \$21.9 million from the GTAA PILT. The payments are calculated based on a two-year lag in passenger counts, in this case 2021 passenger counts, which were down 75% compared to pre-pandemic levels.

This revenue shortfall will continue in 2024, with a forecasted revenue loss of \$7.0 million, as PILT revenue will be based on a 2022 passenger count that began to increase as pandemic restrictions eased.

Other major variances:

- Favourable Transit net year-end surplus of \$16.7 million higher than budget driven by higher revenue of \$7.3 million (higher farebox revenue driven by higher ridership and fare increases), lower labour expenses of \$6.0 million (vacancies) and lower other operating expenses of \$3.3 million (lower diesel fuel prices).
- Unfavourable Roads other operating expenses of \$5.5 million due to higher winter maintenance costs as a result of large snow events experienced in January to April 2023.
- Unfavourable Parks, Forestry and Environment other operating expenses of \$3.9 million due mainly to higher transportation and contractor costs.

Table 1 summarizes the year-end operating budget variances by service area. Appendix 1 provides additional details and comments on operating variances by service area.

Operating Summary by Service Area - Q4 2023

Table 1. Operating Budget - Year end Results (\$Millions)

Service Area (\$ Millions)	Net Budget	Year End Actuals	Year End Variance	
			\$ Surplus/ (Deficit)	% of Budget
Fire & Emergency Services	140.6	141.4	(0.8)	(0.6%)
Transit	105.8	89.1	16.7	15.8%
Corporate Transactions	80.9	83.9	(3.0)	(3.7%)
Roads	69.6	79.6	(10.0)	(14.4%)
General Government	53.9	51.9	2.0	3.7%
Parks, Forestry & Environment	41.7	47.6	(5.9)	(14.1%)
Information Technology	34.7	33.7	1.0	2.9%
Library Services	31.2	29.1	2.1	6.7%
Recreation & Culture	32.9	35.2	(2.3)	(7.0%)
Facilities & Property Management	26.7	25.6	1.1	4.1%
Planning & Building	11.3	11.1	0.2	1.8%
Mayor & Members of Council	5.3	5.3	0.0	0.0%
Regulatory Services	1.8	2.9	(1.1)	(60.9%)
Stormwater	0.0	0.0	0.0	0.0%
City	636.4	636.4	0.0	0.0%

Note: Numbers may not add due to rounding.

MUNICIPAL ACCOMMODATION TAX

The City introduced the Municipal Accommodation Tax (MAT) in April 2018. This tax is collected by accommodations providers (facilities) offering short-term accommodation. The total revenue budget for MAT is \$9.8 million for 2023. Fifty per cent of the total net MAT revenue is remitted to Tourism Mississauga.

As of December 31, 2023, the revenue collected is \$16.2 million or 165% of total budget. Monthly MAT revenue collection is higher than budget — driven by the uptick in the travel industry and increase in room rates. The 2024 revenue budget, in addition to the changes related to the proposed MAT rate, has been increased to reflect increased occupancy demand revenue.

UNCOLLECTIBLE WRITE-OFFS

The Invoicing and Collections Policy 04-07-02 gives the City Manager the authority to write-off uncollectible invoices under \$25,000 and requires the amount of invoices written-off to be reported to Council annually. In 2023, a total of 5,739 invoices were issued totalling \$59.6 million. Write-offs completed in 2023 for prior years' uncollectible invoices totalled \$180,332.10. Invoices are only written-off after all avenues for collection have been exhausted, including adding invoices to the tax roll for collection (where authorized under legislation and/or by-laws),

assigning to collection agencies, and/or taking legal action. There were no write-offs greater than \$25,000 requiring Council approval in 2023.

RECONCILIATION BETWEEN OPERATING RESULTS AND 2023 FINANCIAL STATEMENTS

The City's operating budget is developed as a spending control document to establish a property tax levy, as required under the *Municipal Act, 2001* (the "Act") on a modified accrual basis. Separately, the Act requires municipalities to prepare annual financial statements on an accrual basis of accounting in accordance with Public Sector Accounting Standards. The main differences between these two bases include the inclusion of certain non-cash expenses and revenue that are included in the financial statements (but not in the budget), the elimination of transfers to-and-from reserve funds, and the inclusion of amortization in the financial statements (but not in the operating budget).

Although the City ended the year with a zero deficit on the operating budget (after the application of funding from reserves), on a full accrual basis, an annual surplus of \$331.7 million was realized (which excludes external consolidations and is subject to final audit adjustments).

ANNUAL FINANCIAL STATEMENT FOR BUILDING PERMIT FEES

The *Building Code Act, 1992* requires that financial reporting be prepared annually to provide information on the following matters:

1. Total fees collected (12-month period).
2. Direct costs of delivering services (review of permit applications and inspections of buildings).
3. Indirect costs of delivering services (support and overhead costs); and
4. The account balance for the Building Revenue Stabilization Reserve as established by Council.

To comply with the *Building Code Act, 1992*, this segment of the Annual Financial Statement for Building Permit Fees has been prepared for 2023 based on unaudited information and is included in Appendix 2.

Financial Impact

There are no financial implications resulting from the recommendations of this report.

Conclusion

Although the City adopted mitigating actions, such as cost containment strategies and closures of facilities wherever possible, the City nevertheless ended the year with a deficit of \$10.5 million. Funding from City reserves were required to reduce the deficit to zero.

Attachments

Appendix 1: Operating Budget Forecast Details by Service Area

Appendix 2: 2023 Annual Financial Statement for Building Permit Fees



Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer

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