

# City of Mississauga Corporate Report



Date: March 7, 2025	Originator's files:
To: Chair and Members of Budget Committee	
From: Geoff Wright, P.Eng, MBA, City Manager and Chief Administrative Officer	Meeting date: March 26, 2025

## Subject

**Operating Budget Financial Report as at December 31, 2024**

## Recommendation

1. That \$2,700,000.00 of the year-end operating program surplus be transferred to the Elections Reserve (#30135);
2. That \$404,456.52 of the year-end operating program surplus be transferred to the Fiscal Stability Reserve (#30125);
3. That funding for the \$1.7 million 2024 year-end Stormwater operating program deficit be transferred from the Stormwater Capital Reserve Fund (#35992); and
4. That the 2024 Annual Financial Statement for Building Permit Fees, as attached in Appendix 2, be received for information as required by the *Building Code Act, 1992*

## Executive Summary

- The City ended 2024 in a surplus position of \$3.1 million for services funded by the tax levy. It is recommended that the year-end surplus be transferred to the Election Reserve (#30135) in the amount of \$2.7 million and to the Fiscal Stability Reserve (#30125) in the amount of \$0.4 million
- Payment in Lieu of Taxes revenue from the Greater Toronto Airports Authority continues to be impacted by lower passenger counts, with a revenue loss of \$7.9 million in 2024. Revenue in 2024 is based on passenger counts from 2022 which were 29 per cent lower compared to pre-pandemic levels
- The Stormwater operating program resulted in a year-end deficit position of \$1.7 million at the end of 2024. It is recommended that the year-end deficit be offset by a transfer from the Stormwater Capital Reserve Fund (#35992)

## Background

In accordance with the Operating Budget Policy (04-04-03), Finance provides Council with a review of the City's operating financial position at a minimum of twice per year.

## Comments

Prior to any transfers to reserves, the City was in a surplus position of \$3.1 million at the end of 2024. This surplus is driven by higher than budgeted tax penalties and interest revenue of \$8.6 million, higher than budgeted Transit revenue of \$8.2 million (due to higher ridership than expected and increased fare revenue) and higher than budgeted supplementary tax revenue of \$4.2 million (due to recovery of accounts with arrears). These items are partially offset by unfavourable labour variance due to union collective agreement settlements of \$5.1 million, and lower than budgeted revenue from the Greater Toronto Airports Authority (GTAA) Payment in Lieu of Taxes (PILT).

While the City has recovered from the financial impacts of COVID-19, there continues to be a revenue loss of \$7.9 million from the GTAA PILT in 2024. This is due to the calculation of the PILT being based on 2022 passenger counts, which were 29 per cent lower compared to pre-pandemic levels. This revenue shortfall will continue in 2025, with a forecasted revenue loss of \$2.5 million, based on 2023 passenger counts that were gradually returning to pre-pandemic levels.

Other major variances include:

- Unfavourable Parks, Forestry & Environment variance of \$2.4 million higher than budget in Other Operating Expenses due to increases in material and operating costs
- Unfavourable Facilities & Property Management variance of \$1.5 million higher than budget in Other Operating Expenses due to increased maintenance demands for ageing infrastructure and structural repairs
- Unfavourable General Government labour variance of \$1.2 million higher than budget mainly due to hiring additional Human Resources contract staff to meet business needs

The following table summarizes the year-end operating budget variances by service area:

## Operating Summary by Service Area - 2024 Year-End Results (\$ Millions)

Service Area	Net Budget	Year End Position Before Reserve Transfers	Surplus/(Deficit) Before Reserve Transfers	Reserve Transfers	Surplus/(Deficit) After Reserve Transfers
Fire & Emergency Services	157.0	157.1	(0.1)	0.0	(0.1)
Transit	114.4	106.4	8.0	0.0	8.0
Roads	87.6	91.3	(3.7)	0.0	(3.7)
General Government	58.3	59.3	(1.0)	0.0	(1.0)
Corporate Transactions	46.8	42.9	3.9	(3.1)	0.8
Parks, Forestry & Environment	46.2	48.5	(2.3)	0.0	(2.3)
Recreation & Culture	43.5	43.5	0.0	0.0	0.0
Information Technology	39.1	38.9	0.2	0.0	0.2
Mississauga Library	34.0	34.7	(0.7)	0.0	(0.7)
Facilities & Property Management	34.4	36.1	(1.6)	0.0	(1.6)
Planning & Building	11.9	11.8	0.2	0.0	0.2
Mayor & Members of Council	5.4	4.8	0.5	0.0	0.5
Regulatory Services	3.3	3.6	(0.3)	0.0	(0.3)
<b>Total Tax Levy Funded</b>	<b>682.0</b>	<b>678.8</b>	<b>3.1</b>	<b>(3.1)</b>	<b>0.0</b>
Stormwater	48.3	50.0	(1.7)	1.7	0.0
<b>Total Stormwater Charge Funded</b>	<b>48.3</b>	<b>50.0</b>	<b>(1.7)</b>	<b>1.7</b>	<b>0.0</b>
<b>Total City</b>	<b>730.2</b>	<b>728.8</b>	<b>1.4</b>	<b>(1.4)</b>	<b>0.0</b>

Note: Numbers may not add due to rounding.

Appendix 1 provides additional details and comments on operating variances by service area.

### Year-end Transfers to Reserves and Reserve Funds

The year-end surplus is recommended to transfer \$2.7 million to the Elections Reserve, and \$0.4 million to the Fiscal Stability Reserve. The transfer to the Elections reserve is recommended to ensure sufficient reserve funds are available for the 2026 election.

### UNCOLLECTIBLE WRITE-OFFS

#### Accounts Receivable

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 total amount to be reported to Council annually. In 2024, 6,591 invoices were issued, totalling \$30.8 million. Write-offs completed in 2024 for prior years' uncollectible invoices totalled \$153,179.00. 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 2024.

#### Property Taxes

Section 354 of the *Municipal Act, 2001* allows municipalities to remove unpaid taxes from the tax roll if the Council of the local municipality approves the Treasurer's recommendation to write off the taxes as uncollectible.

Staff have determined that taxes billed on two properties are uncollectible and the balance of taxes, fees, and late payment charges should be written off. All collection efforts in accordance with the Collection of Outstanding Property Taxes Policy (04-02-03), have been exhausted,

including assignment to the Bailiff. Details of the properties, including the reason and amounts for write-off, are provided in Appendix 3.

## **RECONCILIATION BETWEEN OPERATING RESULTS AND 2024 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 (PSAS). The main differences between these two bases include the inclusion of 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 small surplus through the tax levy and stormwater funded operating budgets, on a full accrual basis, an annual surplus of \$725.7 million was realized, pending final external audit adjustments. This is mostly due to an increase in tangible capital assets assumed through the Lakeview and Brightwater sites.

## **TAX ADJUSTMENT APPLICATIONS AND CITY-INITIATED ASSESSMENT APPEALS**

The Assessment Appeal and Tax Adjustment Management Policy (04-02-08) requires annual reporting of the tax adjustment application and City-initiated assessment appeal activity. In 2024, 157 tax adjustment applications were processed, resulting in a tax reduction of \$1,227,539 in total taxes. The breakdown of the tax reduction is as follows:

City	\$334,674
Region	\$417,747
Province	\$474,170
BIA	\$948

The majority of tax reductions resulted from demolitions/fire and properties being unusable for a minimum three months. In 2024, staff filed 22 assessment appeals for properties either under assessed or classed incorrectly. Ten appeals have been resolved, resulting in an increase in total taxes of \$52,793, with the city portion being \$19,465. The other appeals remain active at the Assessment Review Board.

## **NEW REVENUE ACCOUNTING STANDARD**

Effective January 1, 2024, the City adopted a new accounting standard in alignment with Public Sector Accounting Standards. This standard establishes guidelines for the recognition and reporting of revenue and distinguishes between transactions with and without performance obligations. As a result, the timing of revenue recognition for certain streams, such as licences

and permits, have been adjusted. Revenue from exchange transactions will now be recognized when the City fulfills its performance obligations.

This standard has been implemented across all municipalities and is expected to significantly impact the timing of revenue recognition. The most substantial effects have been observed in Building Permit and Site Plan revenue. The City, like many municipalities, previously recognized this revenue on a cash basis upon collection. Under the new standard, revenue must be recognized as services and benefits are provided to the payor. Accordingly, the timing of Building Permit and Site Plan revenue recognition has shifted, beginning in 2024. Moving forward, all exchange transactions will be recognized as performance obligations are met.

The decrease in recognized revenue for 2024 will be offset by a corresponding increase in the City's deferred revenue balance. In subsequent years, as performance obligations are fulfilled, deferred revenue will be recognized accordingly. While the City will continue collecting Building Permit and Site Plan fees, the new standard governs the timing of when these collections can be recorded as revenue.

For the 2024 transition year, \$13.1 million in Building Permit revenue and \$5.5 million in Site Plan revenue was reclassified from User Charges to Deferred Revenue - General, pending the fulfillment of related performance obligations.

## **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 2024 based on unaudited information and is included as Appendix 2.

## **Financial Impact**

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

## Conclusion

Excluding Stormwater, the City ended the year with a surplus of \$3.1 million. This surplus is driven by higher tax penalties and interest revenue, Transit revenue and supplementary taxes, and was partially offset by the impacts of union labour negotiation settlements and the GTAA PILT revenue loss. The year-end surplus is recommended to be transferred to the Elections Reserve and the Fiscal Stability Reserve.

## Attachments

Appendix 1: Operating Budget Variance Details by Service Area

Appendix 2: 2024 Annual Financial Statement for Building Permit Fees

Appendix 3: Summary of Uncollectible Write-Offs



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