

Date: March 19, 2026	Originator's files:
To: Chair and Members of Budget Committee	
From: Marisa Chiu, CPA, CA, Commissioner of Corporate Services, Chief Financial Officer and Treasurer	Meeting date: April 22, 2026

Subject

2025 Year End Financial Report and Quarter 1 Update as at March 31, 2026

Recommendation

1. That \$5,360,685 of the 2025 year-end operating deficit be transferred from the Fiscal Stability Reserve (30125);
2. That \$33,000,000 be transferred to the Fiscal Stability Reserve;
3. That the 2025 year-end Stormwater operating program surplus of \$4,620,929 be transferred to the Stormwater Pipe Reserve Fund (#35993);
4. That the 2025 Annual Financial Statement for Building Permit Fees as outlined in Appendix 2 of the Corporate Report entitled "2025 Year End Financial Report and Quarter 1 Update as at March 31, 2026" from the Commissioner of Corporate Services, Chief Financial Officer and Treasurer, dated March 19, 2026, be received for Information as required by the *Building Code Act 1992*; and
5. That unpaid taxes, charges, fees, penalties and interest totaling \$803.30 as outlined in Appendix 3 be written-off as uncollectible and removed from the tax roll.

Executive Summary

- The City ended 2025 in a deficit position of \$5.4 million for services funded by the tax levy. A transfer of \$5.4 million from the Fiscal Stability Reserve (#30125) is recommended to reduce the deficit to zero.
- The Stormwater operating program resulted in a year-end surplus position of \$4.6 million at the end of 2025. It is recommended that the year-end surplus of \$4.6 million be transferred to the Stormwater Capital Reserve Fund (#35993).
- As of March 31, 2026, the City is projecting an operating deficit of \$6.8 million, driven primarily by lower Transit revenue (\$3.6 million), increased snow clearing costs resulting

from more frequent and intense winter weather events (\$1.5 million), and reduced Recreation & Culture revenue (\$1.4 million).

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

Excluding Stormwater, the City was in a deficit position of \$5.4 million at the end of 2025. This deficit is mainly driven by an unfavourable Roads variance of \$15.2 million, largely attributable to higher number of winter weather events and increased labour costs arising from temporary labour expenses and union settlement impacts; and \$3.0 million in lower-than-budgeted Payment in Lieu of Taxes (PILT) revenue from the Greater Toronto Airports Authority (GTAA). These items are partially offset by higher than budgeted Tax Penalties and Interest revenue of \$12.8 million.

Other major variances include:

- Lower-than-budgeted Recreation & Culture revenue of \$5.2 million due to lower user fees, reduced external recoveries and the South Common Community Centre closure
- Higher than budgeted Fire & Emergency Services Labour and Benefits of \$3.3 million due mainly to retroactive salary adjustments
- Higher than budgeted Parks, Forestry & Environment Other Operating Expenses of \$2.5 million due to increases in transportation and equipment costs
- An unfavourable Transit variance of \$1.1 million due to reduced ridership and lower service growth, and higher Labour and Benefits from union negotiation settlements; partially offset by lower Other Operating Expenses driven by reduced fuel prices, decreased fuel consumption and lower PRESTO commissions, and higher Transfer from Reserves driven by a higher Provincial Gas Tax transfer
- Higher than budgeted Supplementary Tax revenue of \$2.9 million driven by higher assessment growth being processed by MPAC
- Gain on land sale of \$3.5 million
- A favourable Regulatory Services variance of \$5.4 million driven by higher revenue mainly from a short-term accommodation grant and lower labour costs driven by labour gapping for full-time positions resulting from the timing of hiring
- The cancellation of the Automated Speed Enforcement program resulted in a reduction in revenue of \$3 million and reduced Transfer from Reserves by \$1.4 million, offset by a lower Other Operating Expenses of \$2.6 million, lower Labour and Benefits of

\$1.4 million and lower Transfer to Reserves of \$0.4 million, resulting in an overall net zero impact to the City

A \$5.4 million transfer from the Fiscal Stability Reserve (#30125) is proposed, which will offset the deficit and bring the balance to zero.

In addition, the City requested funding from the Province to assist with its 2026 operating budget pressures. The Minister of Municipal Affairs and Housing under subsection 302(2) of the *Municipal Act, 2001* has granted the City \$33 million from the Province to help offset these pressures. It is proposed that the \$33 million be transferred to the Fiscal Stability Reserve (#30125).

While the City has recovered from the financial impacts of COVID-19, there continues to be a revenue loss of \$3.0 million from the GTAA PILT in 2025. This is due to the calculation of the PILT being based on 2023 passenger counts, which were 11 per cent lower compared to pre-pandemic levels. This revenue shortfall will continue in 2026, based on 2024 passenger counts that remain 7 per cent below pre-pandemic levels.

Stormwater was in a surplus position of \$4.6 million at the end of 2025. The surplus results from lower Other Operating Expenses of \$3.3 million driven by less sump pump subsidy applications and lower Labour and Benefits of \$1.4 million which are driven by labour gapping savings and recovery of labour to capital in Storm Services. A \$4.6 million transfer to the Stormwater Capital Reserve Fund (#35993) is proposed, which will offset the surplus and bring the balance to zero.

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

Operating Summary by Service Area – 2025 Year-End Actuals (\$ 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	166.3	170.0	(3.6)	0.0	(3.6)
Corporate Transactions	113.8	93.3	20.4	5.4	25.8
Transit	107.0	108.2	(1.1)	0.0	(1.1)
Roads	89.5	104.7	(15.2)	0.0	(15.2)
General Government	63.4	63.9	(0.5)	0.0	(0.5)
Parks, Forestry & Environment	43.9	46.4	(2.5)	0.0	(2.5)
Information Technology	40.2	39.6	0.7	0.0	0.7
Recreation & Culture	33.5	38.4	(4.9)	0.0	(4.9)
Mississauga Library	29.7	32.0	(2.3)	0.0	(2.3)
Facilities & Property Management	23.5	25.6	(2.1)	0.0	(2.1)
Planning & Building	16.6	16.1	0.5	0.0	0.5
Regulatory Services	14.5	9.1	5.4	0.0	5.4
Mayor & Members of Council	5.5	5.6	(0.1)	0.0	(0.1)
Total Tax Levy Funded	747.5	752.9	(5.4)	5.4	0.0
Stormwater	49.9	45.3	4.6	(4.6)	0.0
Total Stormwater Charge Funded	49.9	45.3	4.6	(4.6)	0.0
Total City	797.5	798.2	(0.7)	0.7	0.0

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

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 2025, 7,918 invoices were issued, totalling \$40.1 million. Write-offs completed in 2025 for prior years' uncollectible invoices totalled \$217,355.00. 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 2025.

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 the property identified in Appendix 3 are uncollectible and the balance of taxes, fees, and late payment charges in the amount of \$803.30 should be written off. Details of the property, including the reason and amounts for write-off, are provided in Appendix 3.

RECONCILIATION BETWEEN OPERATING RESULTS AND 2025 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 \$424.7 million was realized, pending final external audit adjustments.

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 delegated to staff. In 2025, 244 tax adjustment applications were processed, resulting in a tax reduction of \$1,556,129 in total taxes. The majority of tax reductions resulted from exemptions and properties being unusable for a minimum of three months.

The breakdown of the tax reduction is as follows:

City	\$418,727
Region	\$533,487
Education	\$598,180
BIA	\$5,735
Total	\$1,556,129

In 2025, staff filed nine assessment appeals for properties either under assessed or classed incorrectly. Two appeals have been resolved, resulting in an increase in total taxes of \$3,771,

with the City portion being \$1,625. The other appeals remain active at the Assessment Review Board.

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 2025 based on unaudited information and is included as Appendix 2.

2026 Q1 FINANCIAL UPDATE

While this report focuses on the 2025 fiscal year, staff have also provided Q1 forecast and continue to monitor financial activity in 2026. In addition to the ongoing pressures related to inflation, tariffs, and supply-chain constraints particularly affecting construction costs and material availability, there are emerging external factors that are increasingly impacting operating budgets.

A key pressure is the rising cost of energy, fuel, and diesel. Ongoing geopolitical instability in the Middle East continues to drive volatility in global oil and gas markets, creating upward pressure on fuel, diesel, and utility prices. This has significant implications for services such as transit, winter operations, and facility heating. Collectively, these factors contribute to uncertain financial environment, requiring close monitoring and adaptive budget strategies as the year progresses.

As of March 31, 2026, staff have identified a few variances, indicating an estimated forecasted operating deficit of \$6.8 million for the period. The primary factors contributing to this shortfall are:

- A revenue shortfall in Transit of \$3.6 million below budgeted expectations due to reduced ridership and lower service growth.
- Higher expenditures of \$1.5 million within the Roads Service Area primarily due to a greater number of winter weather events.
- A revenue shortfall of \$1.4 million in the Recreation & Culture Service Area due to lower user fees and facility closures.

It is important to note that these figures are preliminary. The projections are subject to change as more data becomes available and actual results are materialized. Staff will continue to closely monitor the City's financial results and will implement appropriate measures throughout the year to mitigate any emerging budgetary pressures.

FOLLOW UP TO PRIOR COUNCIL REQUEST

At the January 12, 2026 Budget Committee meeting, Council had requested a year-over-year analysis of major revenue sources with emphasis on areas experiencing declines and explanation of factors contributing to variances from prior projections. The analysis is provided in Appendix 4.

Financial Impact

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

Conclusion

Excluding Stormwater, the City recorded a \$5.4 million deficit at the end of 2025. This deficit is mainly driven by a \$15.2 million unfavourable Roads variance resulting from higher winter maintenance and labour costs, as well as \$3.0 million in lower than budgeted PILT revenue from the GTAA. These pressures were partially offset by \$12.8 million in higher Tax Penalties and Interest revenue. The year-end deficit is recommended to be offset by a transfer from the Fiscal Stability Reserve to reduce the deficit to zero.

Attachments

Appendix 1: 2025 Operating Budget Variance Details by Service Area

Appendix 2: 2025 Annual Financial Statement for Building Permit Fees

Appendix 3: Summary of Uncollectible Write-Offs

Appendix 4: Revenue Variances and Contributing Factors



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