



Report to: General Committee

Report Date: March 4, 2025

SUBJECT: 2024 Year-End Results of Operations
PREPARED BY: Ameen Khan, Manager, Financial Planning
Jay Pak, Senior Manager, Financial Planning and Reporting

RECOMMENDATION:

- 1) THAT the report titled “2024 Year-End Results of Operations” be received;
- 2) THAT the City’s 2024 operations net favourable variance of \$10.20M be transferred to the Life Cycle Capital Replacement and Capital Reserve Fund, as per the approved Financial Planning and Budgeting Policy; and further,
- 3) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

The City of Markham adopted its 2024 annual operating budget of \$469.4M in February 2024, which includes the City’s primary operating budget, and operating budgets for Planning & Design, Engineering, Building Standards and Waterworks.

This report provides an overview of the 2024 year-end operating results, comparing actuals to the annual operating budget.

Primary Tax-Funded Operating Budget (Appendix 1)

(Includes winter maintenance, excludes Planning & Design, Engineering, Building Standards and Waterworks)

The total operating surplus for 2024 including winter maintenance is \$10.20M.

The winter maintenance budget, which was favorable by \$3.51M at year end, contributed to the total operating surplus for 2024.

The surplus for 2024 represents 3.7% of the total operating budget and is within an acceptable range from a fiscal stewardship perspective.

The 2024 overall variance is summarized below:

(\$ in millions)	2024		Variance	% of
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	<u>Budget</u>
Revenues	308.06	278.33	29.73	110.7%
Expenses	<u>279.75</u>	<u>259.53</u>	<u>(20.22)</u>	107.8%
Subtotal	28.31	18.80	9.51	
Year-End Accounting Accruals & Other Adjustments	<u>7.99</u>	<u>5.17</u>	<u>(2.82)</u>	
Subtotal	20.32	13.63	6.69	
Winter Maintenance	<u>10.12</u>	<u>13.63</u>	<u>3.51</u>	
Net surplus including winter maintenance	<u>10.20</u>	<u>(0.00)</u>	<u>10.20</u>	

After the transfer of \$10.20M to the City's Life Cycle Capital Replacement and Capital Reserve Fund, as per the approved Financial Planning and Budgeting Policy, the surplus, including year-end accounting accruals and other adjustments, is fully depleted.

Operating Results for Non-Tax Funded Departments

Development Services (Appendices 2 to 6)

The Development Services Commission includes Planning and Design, Engineering and Building Standards Departments.

Any identified surpluses/deficits from the Planning and Design and Engineering Department operating results are transferred to/from the Development Fee Reserve at year-end.

Any surplus/deficit from the Building Standards operating results is transferred to/from the Building Fee Reserve at year-end.

In 2024, the non-tax funded departments under the Development Services Commission collectively had a surplus of \$8.09M mainly due to revenues exceeding expenses.

The primary driver of the surplus was from higher than anticipated revenue from building permits and engineering fees.

The following chart lists each of the non-tax Development Services Commission Department results against budgeted surplus/(deficit):

<u>YTD Dec 2024 (\$Ms)</u>			
Development Services Commission	Variance		
	Actual	Budget	fav./ (unfav.)
<u>Department:</u>			
Planning and Design	\$ (2.89)	\$ (3.03)	\$ 0.14
Engineering	\$ 3.19	\$ (1.22)	\$ 4.41
Building Standards	\$ 2.72	\$ (0.82)	\$ 3.54
Surplus / (Deficit)	\$ 3.02	\$ (5.07)	\$ 8.09
Transfer to Reserve	\$ 3.02	\$ (5.07)	\$ 8.09
Net surplus after Transfer to Reserve	\$ -	\$ -	\$ -

Environmental Services - Waterworks (Appendix 7 and 8)

The Environmental Services (ES) – Waterworks Department incurred a surplus of \$24.85M against a budgeted surplus of \$19.28M, which represents a favourable variance of \$5.57M. The full amount of the surplus will be transferred to the Waterworks Reserve.

Environmental Services – Waterworks had a surplus of \$24.85M mainly due to revenues exceeding expenses. The favourable variance to budget of \$5.57M is primarily due to lower water expenditures than anticipated.

PURPOSE:

The purpose of this report is to provide an overview of the 2024 year-end actual results of operations against the 2024 operating budget.

BACKGROUND:

Operating Budget Controls and Monitoring Process

Finance Staff periodically distribute operating statements to all department Directors and also review the results of operations department by department. Based on pre-established variance thresholds, departments are contacted for explanations and to determine mitigating strategies, if required. In addition, Finance Staff meet with Directors every quarter to review the department operating results. Finance Staff advise the Executive Leadership Team (ELT) immediately should significant variances arise.

The City of Markham adopted its 2024 annual operating budget of \$469.4M in February 2024 which included the City's primary operating budget, Planning & Design operating budget,

Engineering operating budget, Building Standards operating budget and Waterworks operating budget.

The Planning & Design, Engineering, Building Standards and Waterworks operating budgets are primarily user fee funded, including planning and engineering fees, building permit fees and water billings. Separate reserves have been established to support the department's day-to-day operations and capital programs.

This report identifies actual performance against the annual budget including an explanation of variances. All budgets are monitored monthly and departments provide details of material variances (actual to budget). The variances are reviewed, analyzed and consolidated by the Financial Planning and Reporting team in the Finance Department.

This report provides a variance analysis by Primary Tax Funded Operating Budget by major accounts. A more detailed breakdown by Commission is available in Appendices 9 through 14.

DISCUSSION:

Primary Operating Budget

CITY'S PRIMARY OPERATING BUDGET BY MAJOR ACCOUNTS

(including year-end accounting accruals and other adjustments and winter maintenance)

(\$ in millions)	2024		Variance	% of
	<u>Actual</u>	<u>Budget</u>	<u>fav./(unfav.)</u>	<u>Budget</u>
Revenues	308.06	278.33	29.73	110.7%
Expenses	<u>279.75</u>	<u>259.53</u>	<u>(20.22)</u>	107.8%
Subtotal	28.31	18.80	9.51	
Year-End Accounting Accruals & Other Adjustments	<u>7.99</u>	<u>5.17</u>	<u>(2.82)</u>	
Subtotal	20.32	13.63	6.69	
Winter Maintenance	<u>10.12</u>	<u>13.63</u>	<u>3.51</u>	
Net surplus including winter maintenance	<u>10.20</u>	<u>(0.00)</u>	<u>10.20</u>	

The 2024 actual operating results, including year-end accounting accruals and other adjustments and winter maintenance, netted a favourable variance of \$10.20M (\$29.73M favourable revenue and \$19.53M unfavourable expense, including Winter Maintenance) against budget.

The major variances are outlined in the chart below:

Revenues	Fav. / (Unfav.)	Expenditures	Fav. / (Unfav.)
Investment income	\$24.33 M	Salaries & benefits	(\$0.30) M
Property tax penalty and interest	\$2.01 M	COVID Reserve funding	\$3.00 M
Supplementary Taxes	\$1.24 M	Corporate Contingency	\$2.18 M
Federal and Provincial grants	\$1.15 M	Winter Maintenance	\$3.51 M
Finance Admin Fees and sundry revenue	\$0.95 M	Utilities	\$1.43 M
Licenses and Permits	\$0.50 M	Transfer to Reserves	(\$25.00) M
Payments-in-lieu of Tax	\$0.34 M	Year-End Accounting Adjustments	(\$2.82) M
Developer Contributions	\$0.32 M	Maintenance and Repairs	(\$1.14) M
Service to Other Agencies	\$0.29 M	Professional Services	(\$0.34) M
Recreation Services revenue	(\$1.09) M	Other	(\$0.05) M
Theatre, Art Centre and Museum revenue	(\$0.51) M	Total	(\$19.53) M
Other	\$0.20 M		
Total	\$29.73 M		

The following sections break down the net favourable variance of \$6.69M (excluding winter maintenance) by major accounts.

REVENUES

At the end of December, revenues totalled \$308.06M against a budget of \$278.33M resulting in a favourable variance of \$29.73M or 110.7% of the annual budget. This was mainly due to higher general revenues from investment income.

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./ (Unfav.)</u>
Property Taxation Revenues	\$ 189.51 M	\$ 187.74 M	\$ 1.77 M
General Revenues	\$ 71.18 M	\$ 44.64 M	\$ 26.54 M
User Fees & Service Charges	\$ 36.04 M	\$ 37.40 M	\$ (1.36) M
Grant & Subsidy Revenues	\$ 3.77 M	\$ 2.62 M	\$ 1.15 M
Other Income	\$ 7.56 M	\$ 5.93 M	\$ 1.63 M
Total	\$ 308.06 M	\$ 278.33 M	\$ 29.73 M

Property Taxation Revenues (Actual \$189.51M – Budget \$187.74M = Variance \$1.77M)
Property taxation revenues were favourable by \$1.77M mainly due to supplemental taxes.

For 2024, the total outstanding tax receivable for all taxation years as of December 31st, 2024 was \$43.0 million or 5.1% of total taxes levied, meaning the City collected 94.9% of all taxes levied. For comparison, prior year collections were 2023: 95.2%, 2022: 95.5%, 2021: 95.6% and 2020: 95.3%.

General Revenues (Actual \$71.19M – Budget \$44.64M = Variance \$26.54M)

The general revenues budget includes investment income (annual budget \$33.34M), penalties and interest on property taxes (annual budget \$5.30M), fines including parking and by-law

infractions (annual budget \$3.65M), and business, taxi, marriage and other licenses (annual budget \$2.35M).

General revenues also include Alectra Inc. interest and dividends (annual budget of \$15.83M) with a corresponding transfer to the Life Cycle Replacement and Capital Reserve Fund. At year-end, a net \$1.00M is retained in the Operating Budget from Alectra interest and dividends.

General revenues totaled \$71.18M at the end of December against a budget of \$44.64M. The main drivers for the favourable variance of \$26.54M are investment income of \$24.33M due to a higher Prime Rate and sale of investment assets such as bonds and Principal Protected Notes (PPNs), licenses and permits of \$0.50M and property tax penalty and interest of \$2.01M. The latter results from higher outstanding balances for properties in arrears net of approved property tax deferrals, partially offset by lower by-law fines revenue (\$0.29M).

User Fees and Service Charges (Actual \$36.04M – Budget \$37.40M = Variance (\$1.36M))
The user fees and services charges budget of \$37.40M includes revenues from programs offered by Recreation, Culture Departments and the Markham Public Library, and service fees such as new property tax account set-up fees, ownership change administrative fees and utility permit fees (budget \$24.57M), and facility rentals for arenas, pools, gym and halls (budget \$12.83M).

User fees and service charges were unfavourable by (\$1.36M), the main drivers of which were unfavourability in Recreation (\$1.09M), Theatre, Museum and Arts Centres (\$0.46M) and Library programs and fines (\$0.19M) mainly due to lagging demand following the COVID-19 pandemic.

Grants & Subsidy Revenues (Actual \$3.77M – Budget \$2.62M = Variance \$1.15M)
The favourable variance of \$1.15M resulted primarily from the receipt of one-time federal and provincial grants offset by corresponding expenses.

Other Income (Actual \$7.56M – Budget \$5.93M = Variance \$1.63M)
The favorable variance of \$1.63M is mainly due to finance administrative fees and sundry revenue.

PERSONNEL EXPENDITURES

In 2024, personnel expenditures were unfavourable by \$0.30M which represents 100.2% of the year-end budget.

While full-time salaries were favorable due to 46 net vacancies, this was offset by part-time unfavourability, Fire overtime, part-time overtime statutory premiums and benefits unfavourability.

<u>Personnel</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Full time net of vacancy backfills and part time salaries	\$ 148.92 M	\$ 150.98 M	\$ 2.06 M
Overtime and other personnel costs	\$ 3.22 M	\$ 0.86 M	\$ (2.36) M
Total	\$ 152.14 M	\$ 151.84 M	\$ (0.30) M

NON-PERSONNEL EXPENDITURES

In 2024, non-personnel expenditures were unfavourable by \$19.92M (118.5% of budget). This was mainly driven by higher than anticipated one-time transfers to reserves, including the Capital Gains Reserve related to higher investment income, and Life Cycle and the Ramp-Up Reserve to provision for future expenditures.

<u>Non-Personnel Items</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav./(Unfav.)</u>
Materials & Supplies	\$ 6.92 M	\$ 6.82 M	\$ (0.10) M
Procured Services	\$ 48.28 M	\$ 50.30 M	\$ 2.02 M
Transfers to Reserves	\$ 70.56 M	\$ 45.56 M	\$ (25.00) M
Other Expenditures	\$ 1.85 M	\$ 5.01 M	\$ 3.16 M
Total	\$ 127.61 M	\$ 107.69 M	\$ (19.92) M

Materials & Supplies (Actual \$6.92M – Budget \$6.82M = Variance (\$0.10M))

Materials & supplies budget of \$6.92M includes facility maintenance supplies, uniforms, recreation and other program supplies (annual budget \$4.13M), vehicle supplies such as fuel and repair parts (annual budget \$2.19M), and printing and office supplies (annual budget \$0.50M).

The Materials & Supplies expenses were \$0.10M unfavourable mainly due to vehicle related costs such as vehicle parts and shop materials.

Procured Services (Actual \$48.26M – Budget \$50.30M = Variance \$2.02M)

The Procured Services budget of \$47.78M includes utilities and streetlight hydro (annual budget \$12.00M), waste collection (annual budget \$15.66M), maintenance & repairs (annual budget \$6.67M), professional services such as Theatre artist/entertainer fees, school crossing guards and external legal services (annual budget \$3.09M), insurance (annual budget \$3.52M), communications (annual budget \$1.51M) and promotion and advertising (annual budget \$1.31M).

Procured Services were favourable by \$2.02M mainly due to:

- \$1.43M favourable in utilities primarily due to lower than budgeted usage
- \$1.06M favourable due to one-time favourability in insurance from liability deductibles
- \$0.85M favourable in contracted municipal services mainly due to one-time favourability in the catch basin cleaning contract and timing delays related to technology initiatives
- Partially offset by unfavourability of \$1.14M in maintenance and repairs mainly due to facility maintenance

Transfers to Reserves (Actual \$70.56M – Budget \$45.56M = Variance (\$25.00M))

The unfavourable variance of \$25.00M is mainly driven by one-time transfers to Life Cycle and other reserves. The unfavourability from these transfers is shown in Appendix 15 - One-Time Items Impacting Surplus / (Deficit).

Other Expenditures (Actual \$1.85M – Budget \$5.01M = Variance \$3.16M)

Other expenditures budget of \$5.01M includes contingency expense and non-personnel ramp ups \$2.47M and property tax adjustments \$1.58M. The favourable variance of \$3.16M is mainly due to lower corporate contingency expenditures of \$2.18M and favourability of \$1.09M from lower tax adjustments than anticipated.

Summary of One-Time Items

There were a number of one-time items affecting the City's 2024 year-end results which are included in the year-end surplus of \$10.20M. One-time items include favourability in investment income and winter maintenance and a transfer from the COVID Relief Fund for Recreation and Culture programs, partially offset by unfavourability from increased transfers to reserves. In some cases, budgets have been adjusted in 2025 where needed.

The one-time items affecting the City's 2024 year-end results are summarized in Appendix 15.

After adjusting for the one-time items and transferring the remaining \$10.20M to the City's Life Cycle Capital Replacement and Capital Reserve Fund, as per the approved Financial Planning and Budgeting Policy, the surplus including year-end accounting accruals and other adjustments is fully depleted.

Year-End Accounting Accruals and Other Adjustments

Year-end accounting accruals and other adjustments = Unfavourable variance \$2.82M

In 2024, the year-end accounting accruals and other adjustments totaled \$7.99M against a budget of \$5.17M resulting in an unfavourable variance of (\$2.82M). The year-end accounting accruals and other adjustments also include severance, salary continuance payments, firefighter sick leave payouts, post-employment benefits and salary accrual.

The City received a total of \$18.47M in Safe-Restart funding and COVID-19 Recovery funding. By the end of 2024, \$18.47M has been fully allocated.

An exhibit outlining the funding received since 2020 and how the funding has been utilized in 2024 is available in Appendix 16.

Winter Maintenance

The 2024 actual winter maintenance expenditures was \$10.12M against a budget of \$13.63M, resulting in a favourable variance of \$3.51M.

The City's winter maintenance budget includes personnel expenditures, salt and sand purchases as well as five service contracts:

1. Supply and operation of tandem/single combination plow to sand and plow the City's primary road network;
2. Supply and operation of loaders to assist in the snow removal in cul-de-sacs, wide corners and rear lanes;
3. Grader rentals to remove snow on the City's local road networks;
4. Sidewalk snow removal; and
5. Windrow snow clearing services for eligible applicants

Variances between actual costs and budgeted costs are impacted by a range of external factors including, but not limited to, the amount of snowfall and the number of snow events which require City roads to be cleared or salted.

The following chart provides details of the \$3.51M favourable variance:

<u>Description</u>	<u>Actual</u>		<u>Budget</u>		<u>Variance Fav./(Unfav.)</u>	
					<u>Hours</u>	<u>\$M</u>
Sidewalk (per unit of equipment)	103	hrs	205	hrs	103	hrs 0.81
Tandem (per unit of equipment)	165	hrs	306	hrs	141	hrs 0.84
Graders and windrows (per unit of equipment)	43	hrs	99	hrs	57	hrs 0.34
Loader (per unit of equipment)	86	hrs	198	hrs	112	hrs 0.78
Salt & Sand	12,615	tonnes	25,007	tonnes	12,392	tonnes 1.09
Part-time & overtime costs						(0.35)
Other winter maintenance costs						0.00
Winter maintenance favourable variance						3.51

Staff will continue to monitor the trends to determine whether future adjustments to the winter maintenance budget are necessary.

Operating Results for Non-Tax Funded Departments

Development Services (Appendices 2 to 6)

The Development Services Commission includes Planning and Design, Engineering and Building Standards Departments.

Any identified surpluses/deficits from the Planning and Design and Engineering Department operating results are transferred to/from the Development Fee Reserve at year-end.

Any surplus/deficit from the Building Standards operating results is transferred to/from the Building Fee Reserve at year-end.

In 2024, the non-tax funded departments under the Development Services Commission collectively had a surplus of \$8.09M mainly due to revenues exceeding expenses.

The primary driver of the surplus was from higher than anticipated revenue from building permits and engineering fees which resulted in a favorable variance of \$6.82M against budget.

The following chart lists each of the non-tax Development Services Commission Department results against budgeted surplus/(deficit):

<u>YTD Dec 2024</u>			
Development Services Commission	Actual	Budget	Variance fav./(unfav.)
<u>Department:</u>			
Planning and Design	\$ (2.89)	\$ (3.03)	\$ 0.14
Engineering	\$ 3.19	\$ (1.22)	\$ 4.41
Building Standards	\$ 2.72	\$ (0.82)	\$ 3.54
Surplus / (Deficit)	\$ 3.02	\$ (5.07)	\$ 8.09
Transfer to Reserve	\$ 3.02	\$ (5.07)	\$ 8.09
Net surplus after Transfer to Reserve	\$ -	\$ -	\$ -

Further details with regards to the DSC non-tax departments can be found within Appendices 2 to 6.

ES-Waterworks (Appendix 7 and 8)

The Environmental Services (ES) – Waterworks Department incurred a surplus of \$24.85M against a budgeted surplus of \$19.28M, which represents a favourable variance of \$5.57M. The full amount of the surplus will be transferred to the Waterworks Reserve.

Environmental Services – Waterworks had a surplus of \$24.85M mainly due to revenues exceeding expenses. The favourable variance to budget of \$5.57M is primarily due to lower water expenditures than anticipated.

Further details with regards to Waterworks can be found in Appendix 7 and 8.

FINANCIAL CONSIDERATIONS:

The Council approved Financial Planning and Budgeting Policy states any year-end operating surplus will first be transferred to the Corporate Rate Stabilization Reserve to achieve a level equivalent to 15% of local tax revenues, secondly to replenish the expenditures in the Environmental Land Reserve Fund and finally transferred to the Life Cycle Replacement and Capital Reserve Fund.

As the City's Corporate Rate Stabilization Reserve has sufficient funding, the City's 2024 net operations favourable variance of \$10.20M will be transferred to the Life Cycle Capital Replacement and Capital Reserve Fund, as per the approved Financial Planning and Budgeting Policy.

The audited 2024 draft consolidated financial statements will be presented to General Committee in April 2025. The year-end results presented in this report are subject to change based on the results of the external audit.

RECOMMENDED

Joseph Silva
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

Appendices 1 to 16

Appendix 1 – Primary Operating Budget - Financial Results for the Twelve Months Ended December 31, 2024

Appendix 2 – Planning & Design Operating Budget - Financial Results for the Twelve Months Ended December 31, 2024

Appendix 3 – Engineering Operating Budget - Financial Results for the Twelve Months Ended December 31, 2024

Appendix 4 – Planning and Engineering Development Fee Reserve Balance for the Twelve Months Ended December 31, 2024

Appendix 5 – Building Standards Operating Budget - Financial Results for the Twelve Months Ended December 31, 2024

Appendix 6 – Building Fee Reserve Balance for the Twelve Months Ended December 31, 2024

Appendix 7 – Waterworks Operating Budget - Financial Results for the Twelve Months Ended December 31, 2024

Appendix 8 – Waterworks Reserve Balance for the Twelve Months Ended December 31, 2024

Appendix 9 – Variances by Commission and Department for the Twelve Months Ended December 31, 2024 – CAO's Office, Corporate Communications, Fire Services, People Services and Legal

Appendix 10 – Variances by Commission and Department for the Twelve Months Ended December 31, 2024 – Community Services

Appendix 11 – Variances by Commission and Department for the Twelve Months Ended December 31, 2024 – Corporate Services

Appendix 12 – Variances by Commission and Department for the Twelve Months Ended December 31, 2024 – Development Services

Appendix 13 – Variances by Commission and Department for the Twelve Months Ended December 31, 2024 – Mayor and Council

Appendix 14 – Variances by Commission and Department for the Twelve Months Ended December 31, 2024 – Corporate Items

Appendix 15 – One-Time Items Impacting Surplus / (Deficit) for the Twelve Months Ended December 31, 2024

Appendix 16 – Safe Restart and COVID-19 Recovery Funding Availability as of December 31, 2024