

2024 Financial Statement Discussion and Analysis (FSDA)

The Town of Newmarket's consolidated financial statements have been prepared in accordance with the reporting standards set by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The consolidated financial statements include the financial results of:

- Town of Newmarket;
- Newmarket Public Library Board;
- The Main Street District Business Improvement Area;
- The Town's proportionate share of the joint venture with the Town of Aurora – Central York Fire Services

The Town's investment in Newmarket Hydro Holdings Inc. is accounted for on a modified equity basis. Newmarket Hydro Holdings Inc. has two subsidiaries – Newmarket-Tay Power Distribution Ltd., and NT Holdings Inc. (formerly Envi Networks Ltd.). Newmarket Hydro Holdings Inc. also has an Investment in Ecobility Inc.

For 2024, the Town adopted the following accounting standards applicable for fiscal year beginning January 1, 2024:

- Public Private Partnerships PS 3160 – the standards on accounting for public private partnerships is the relationship between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. After reviewing contracts and discussing with internal department representatives, it was determined that none of its present asset infrastructure arrangements require recognition within its financial statements; consequently, no significant measurement assumptions were necessary.
- Revenue PS 3400 - The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. The Town reviewed and determined that no significant changes were required to meet this criteria. As a result, there is no impact to the financial statements for 2024.
- Purchased Intangibles PSG – 8 - The new guideline provides guidance on recognizing and accounting for purchased intangible assets. These are identifiable non-monetary economic resources without physical substance, acquired through an arm's length exchange transaction between knowledgeable, willing parties. The Town reviewed and determined that there are no assets that meet this criteria. As a result, there is no impact to the financial statements for 2024.

A selection of financial indicators are explained below:

2024 Financial Highlights	2024	2023
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Financial position	\$803,149,231	\$743,034,243
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Financial position refers to the net position of assets in excess of liabilities. Positive balances indicate the Town's ability to cover debt obligations and to have funds set aside for future sustainability. The balance is increasing year over year. The Town's continued focus on increasing assets while lowering liabilities will keep this indicator on a positive trend.

Capital reserves as % of accumulated amortization	26.6%	23.4%
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The ratio shows the level of reserve funding for future capital purposes compared to the total depreciation to date.

The Town remains committed to fiscal stewardship by increasing contributions to the Asset Management Funds to provide funds for asset replacements to maintain the Town's assets in a state of good repair.

Breakdown of capital reserves as % of accumulated amortization was as follows:

Tax-supported	3.2%
Rate-supported	73.2%

2024 Financial Highlights	2024	2023	BMA Study 2024 Results*
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Receivables as % of total taxes levied (includes Region and School Board)	7.0%	6.3%	7.6%
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Uncollected property taxes as a percentage of total taxes charged is a good indication of the strength of the local economy and the ability of the community to pay its annual taxes.

The Town has a low ratio, showing good economic health, increased liquidity, and strong controls over tax collection. The BMA Study identified in the Greater Toronto Hamilton Area (GTHA) that the average rate is 7.6%. Additionally, they noted that credit rating agencies consider 8% or above to be a negative factor.

**BMA Management Consulting Inc. (BMA) annually completes a municipal comparative study on behalf of participating Ontario municipalities*

2024 Financial Highlights	2024	2023	BMA Study 2024 Results
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Asset consumption ratio	39.2%	39.4%	43.7%
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The asset consumption ratio shows the value of the tangible capital assets that have been consumed. Total accumulated amortization is calculated as a percentage of the gross cost of depreciable assets. This ratio highlights the aged condition of the Town's physical assets and potential asset replacement needs. A higher ratio may indicate significant replacement needs. Out of 101 municipalities in the BMA study, the average was 43.7% in 2024.

The Ministry of Municipal Affairs and Housing considers a ratio of 25% or under to be relatively new; 26%-50% to be moderately new; 51%-75% to be moderately old and over 75% to be old.

2024 Financial Highlights	2024	2023	BMA Study 2024 Results
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Debt service costs as a % of own source revenues	3.2%	3.5%	4.4%
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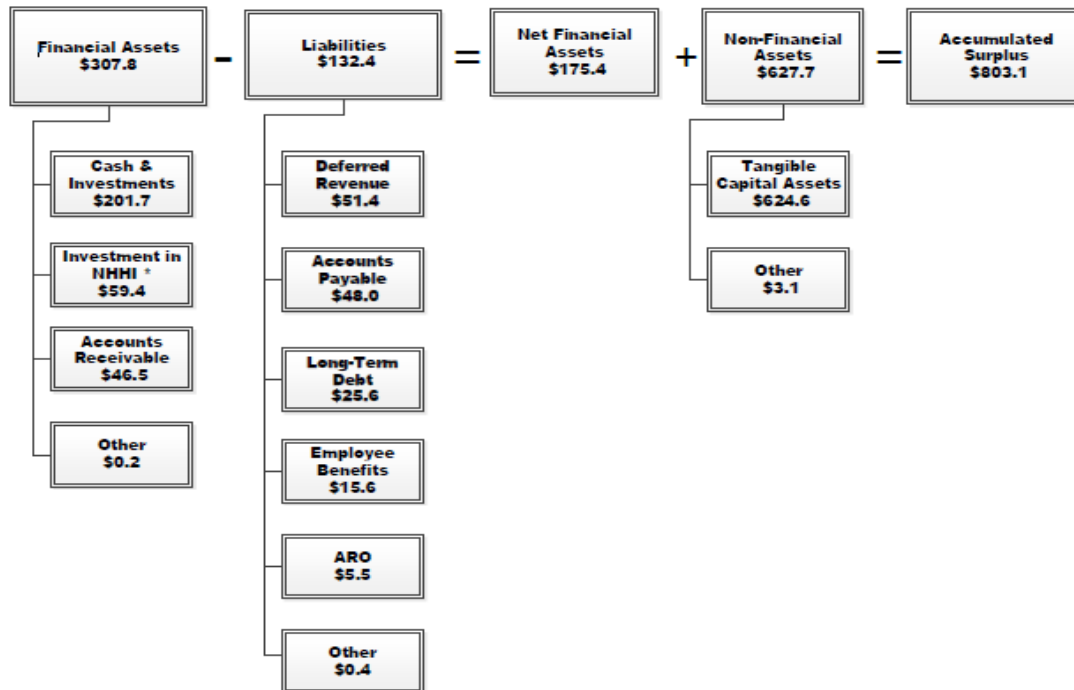
This ratio indicates the extent to which the Town's own source revenues are committed to debt charges.

The Ministry of Municipal Affairs and Housing considers a ratio between 5% and 10% to be a moderate risk and a ratio below 5% to be low risk. Credit rating agencies consider that principal and interest should be below 10% of own-source revenue. This is the same calculation as that used for the Annual Repayment Limit.

Consolidated statement of financial position

Overview

The Consolidated Statement of Financial Position highlights key financial figures. The chart below presents the information reported in the Consolidated Statement of Financial Position (in millions).



*Newmarket Hydro Holdings Inc.

Cash Resources

The Town's cash position is closely managed and remains adequate, combined with short-term and long-term investments to meet ongoing cash requirements. Management considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The year-end cash position increased by \$2.6 million from \$95.8 million (2023) to \$98.4 million (2024), while investments increased by \$5.0 million from \$98.3 million (2023) to \$103.3 million (2024).



The cash position increased by \$2.6 million, mainly from repayment of \$2.4 million from a loan receivable.

Investments increased by \$5.0 million, mainly due to unrealized capital gains on One Investment.

**ONE Investment's Mission is to empower Ontario municipalities to harness the power of investments as a financial planning tool.*

Net Financial Asset Position

Financial assets include cash and other assets expected to be converted to cash, sold, or consumed within a year. The Town ended the year with net financial assets totaling \$175.4 million (2023 - \$148.8 million), an increase of \$26.6 million. This balance is calculated as total financial assets less liabilities and represents the amount available to finance future operations.

Deferred revenue

Deferred revenues are considered liabilities until the funds are spent or used for their intended purpose. The major deferred revenues include:

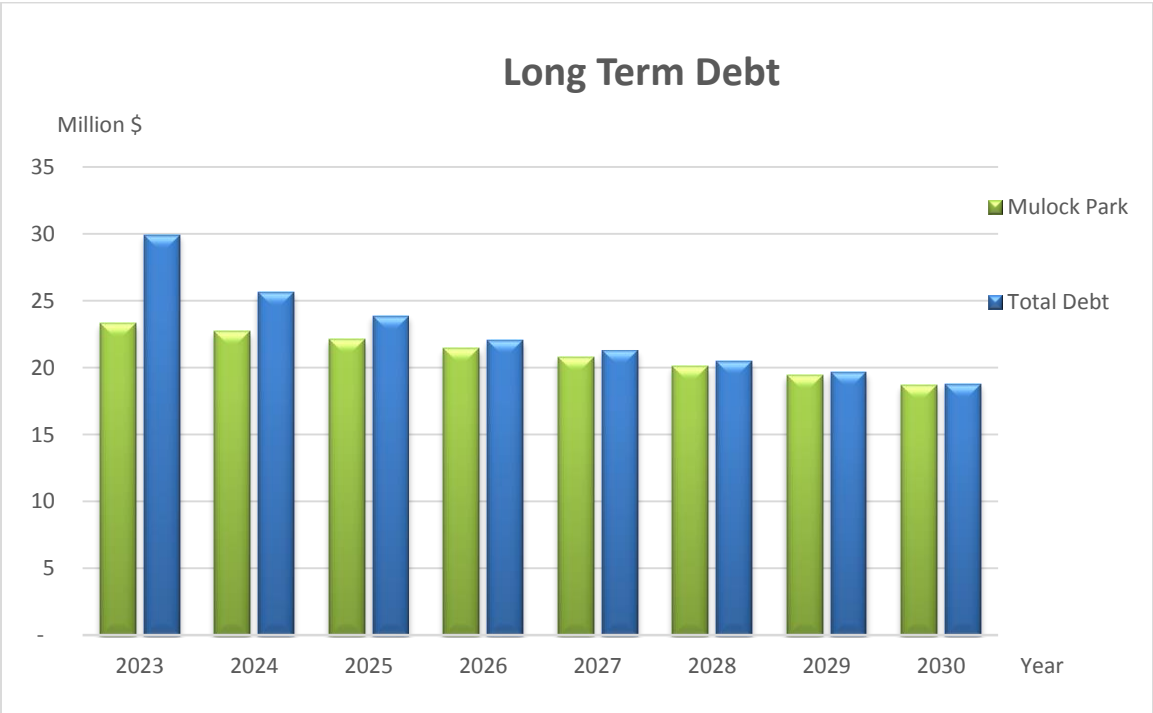
- Development charges;
- Building permit revenue;
- Canada Community Building Fund and other grants;
- Parkland cash-in-lieu;
- Engineering administration revenues.

In 2024, the Town collected \$5.7 million for development charges, parkland contributions, and engineering administration fees, and allocated \$33.6 million to capital projects, which was mainly related to the Mulock Park project.

Long-term debt

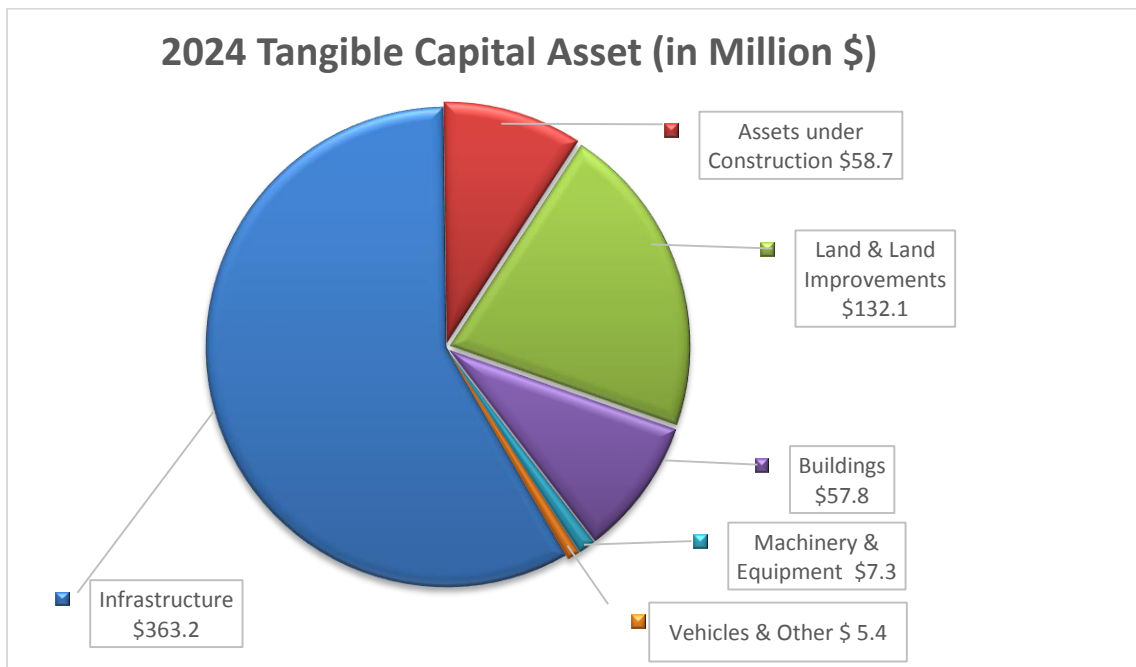
A significant component of the financial liabilities is the Town’s long-term debt. The town’s debt policy establishes the criteria for loans. Generally, debt financing is only available for capital expenditures when other sources of financing are not available. The policy outlines a servicing limit (principal and interest) equal to 10% of the Town’s own source revenues, which is lower than the 25% limit that the province allows municipalities.

In 2024, the Town’s actual debt servicing was 3.2% (2023 – 3.6%). At an annual interest rate of 3% with a term of 20 years, the Town could borrow another \$218.9 million and remain within its 10% debt servicing (borrowing) limit. Debt represents 4.5% of the net book value of the Town’s tangible capital assets (2023 – 5.3%).



The Town’s long-term debt position reflects the pattern of investment in major infrastructure projects. As per the chart above, Mulock Park represents 88.6% of the Town’s long-term debt in 2024.

Non-financial assets



The 2024 approved capital budget totaled \$70.6 million. \$68.0 million was budgeted for tangible capital assets (TCA), \$2.6 million for major repairs and maintenance expenses, and other items below the threshold for TCA. The 2024 capital program and spending authority were revised to \$57.7 million during the year, and \$50.4 million (87%) of TCA was added. In 2024, the total capital spending was \$54.2 million, an increase of 70% compared to 2023 (\$31.9 million).

One of the Town's goals has been to develop a sustainable capital financing strategy. A review of the Town's asset management funds took place to determine the financial requirements to replace the Town's assets and how the Town's annual contributions to these reserve funds compare. A capital levy of 1.5% was included in 2024.

The higher contribution to reserves aligns with the Asset Management Plan (AMP) and recommendations from the Fiscal Strategy. Staff continues to refine and update the plan.

The Town is on track to meet provincial regulations *Ontario Regulation 588/17 – Asset Management Planning for Municipal Infrastructure*. A report on 2025 Asset Management Plans will be tabled at the June 16, 2025 Committee of the Whole for Council endorsement in order to meet the July 1, 2025 provincial timeline.

The Town's tangible capital assets (net of amortization expense) increased by \$34.1 million in 2024 compared to an increase of \$19.3 million in 2023.

The asset additions included work-in-progress costs for the Mulock Park, and roads/underground replacements, trail lighting, and facility replacements.

Accumulated surplus (deficit)

The Town's accumulated surplus for the 2024 fiscal year was \$ 803.1 million (2023 - \$743.0 million). The accumulated surplus reflects the resources that have been built up over time at the Town of Newmarket. The balance includes items such as tangible capital assets, equity in Newmarket Hydro Holdings Inc., and various reserves and reserve funds.

Accumulated surplus:

Accumulated surplus comprises the following:

	2024	2023
Reserves set aside for specific purposes by Council:		
Reserves for operating purposes	\$ 23,103,907	\$ 19,549,696
Reserves for capital purposes	1,325,459	4,108,925
Newmarket Public Library	680,962	1,271,395
Water and wastewater rate stabilization	11,352,010	9,860,153
Total reserves	36,462,338	34,790,169
Reserve funds set aside for specific purposes by Council:		
Asset replacement funds	103,663,834	72,148,842
Reserve funds for operating purposes	6,222,048	6,360,935
Reserve funds for capital purposes	2,208,447	13,644,191
Self-insured long-term disability	1,345,661	2,526,574
Total reserve funds	113,439,990	94,680,542
Total reserves and reserve funds	149,902,328	129,470,711
Invested in tangible capital assets	624,619,971	590,529,170
Financed by long-term debt	(25,629,979)	(29,909,074)
Equity in Newmarket Hydro Holdings Inc. (note 10)	59,363,902	57,948,486
Employee future benefits to be recovered	(5,430,698)	(4,290,807)
Land surplus	(110,000)	—
Prior year unrealized gain on PPNs	1,002,000	—
Operating surplus	3,736,043	3,188,982
Capital fund balance	(4,304,336)	(3,903,225)
Accumulated surplus	\$ 803,149,231	\$ 743,034,243

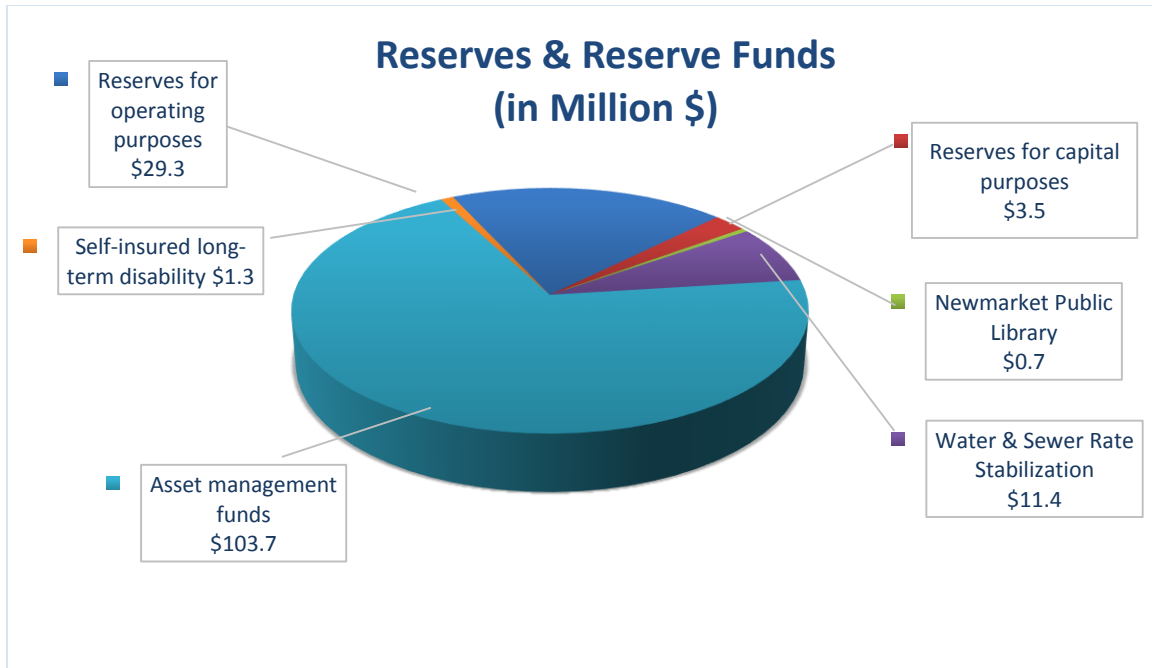
It is the Town's practice to record year-end transfers in the current year to balance the rate-supported operating budgets, such as water, wastewater, stormwater, and the building services department.

Reserves and Reserve Funds

Reserves and reserve funds are used to set aside funding for the future replacement of the Town's assets, as well as other expected and unexpected obligations. They also help to minimize potential fluctuations in the tax and utility rates, commonly referred to as Rate Stabilization.



The total of the Town's reserves and reserve funds at the end of 2024 was \$149.9 million, an increase of \$20.4 million from the beginning of the year. The major factors for the increase were increased contributions to the asset management funds by \$31.5 million, and a decrease in capital and operating reserves of \$10.8 million for the water meter replacement program, and other general capital replacements.

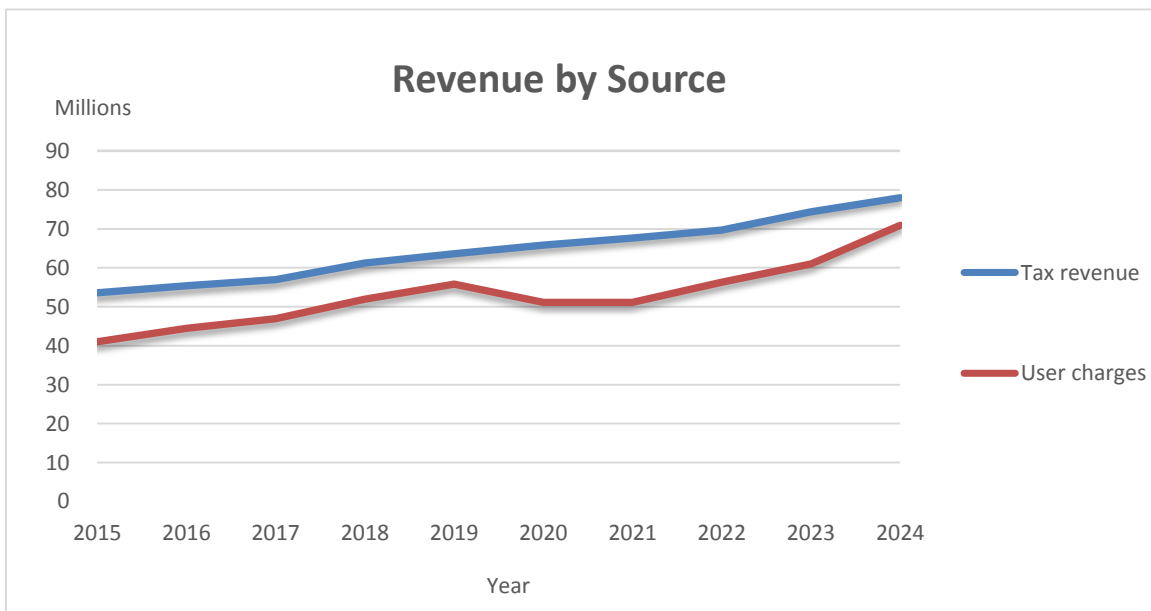
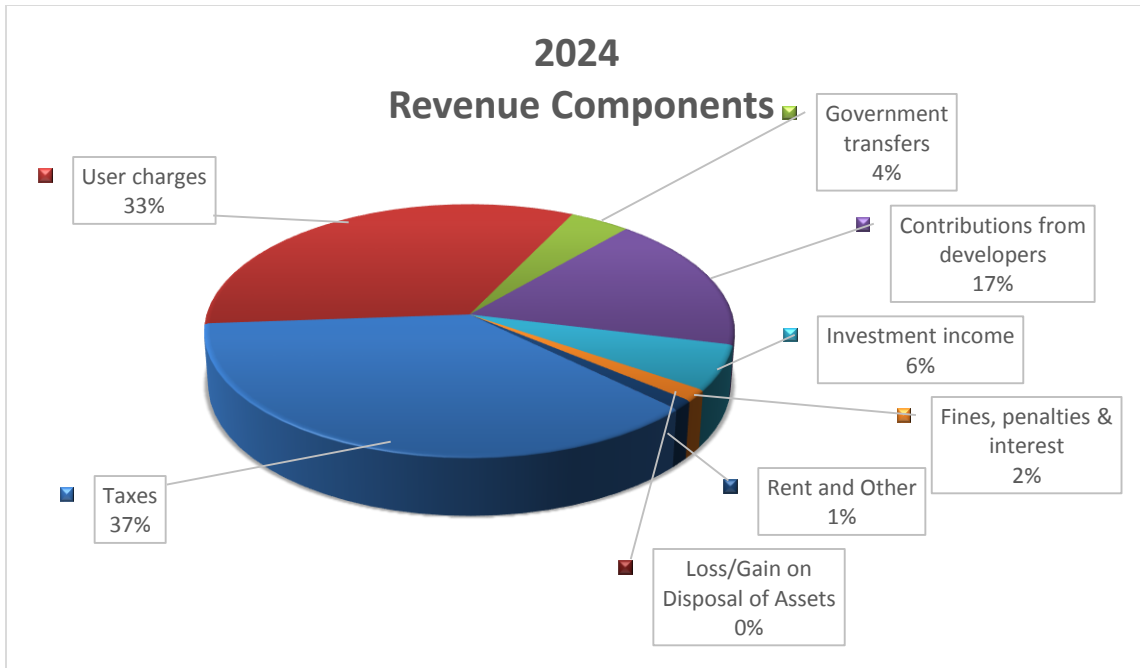


Consolidated statement of operations and surplus

The consolidated statement of operations reports the revenues collected by the Town, the cost of providing municipal services, and the resulting annual surplus or deficit.

Revenues

The Town pays for the services it delivers through a variety of revenue streams including property taxes, user charges, government transfers, contributions from developers, investment income, fines, penalty and interest, rent, land sales, and sale of goods.



Revenue highlights for 2024 included:

- Property taxes increased by \$3.6 million. The percentage of revenue from property taxes was 36.7% of total revenues (consistent with prior years). Property taxes are the most stable and reliable source of revenue for a municipality.

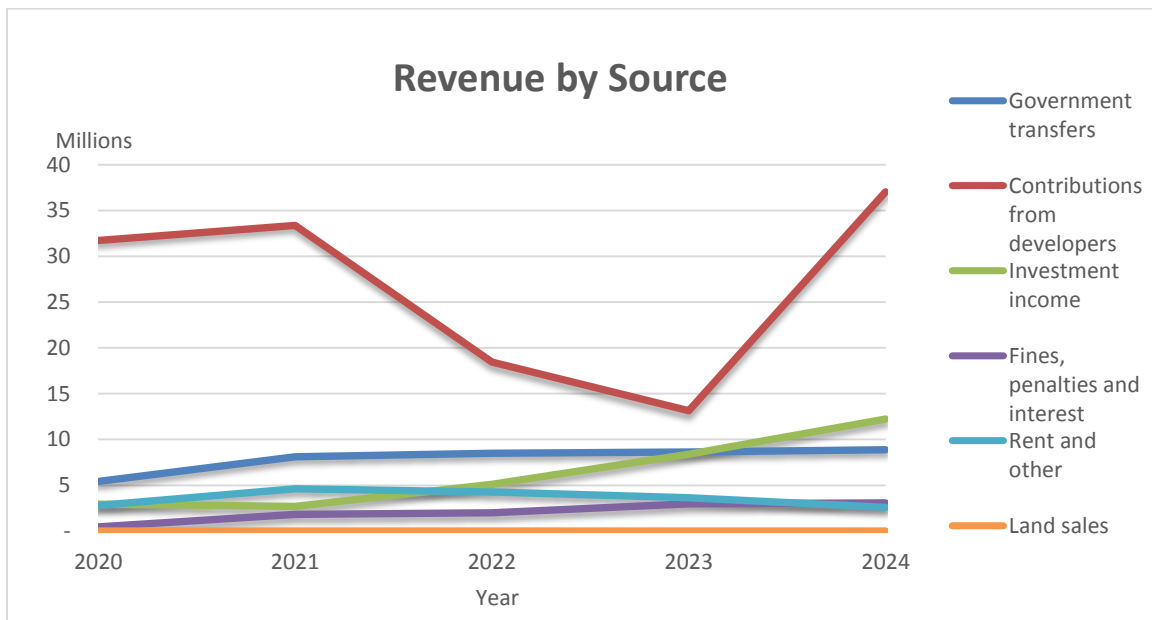
Write-offs, which reduce tax revenues, were lower compared to 2023 by \$0.2 million.

The Town approved a total of \$0.7 million in charity rebates in 2024 based on 34 applicants, which was slightly higher than 2023.

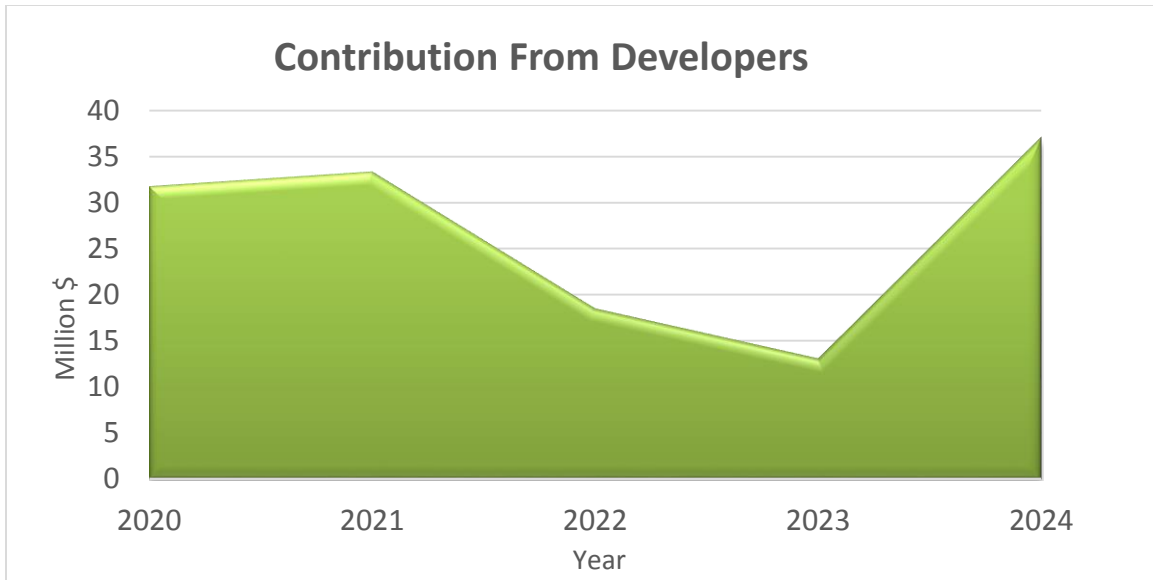
- User charges were \$10.0 million higher than in 2023. The charges include water, wastewater, and stormwater revenues, recreation program revenues, license fees, and building permit fees. Fees and charges increased on average by 3.4% in 2024.

In 2024, Water and Wastewater rates were increased on average by 3.5% for residential customers in accordance with the 10-Year Financial Plans. Water & Wastewater increase was \$49 based on annual water consumption of 200 cubic meters.

Stormwater rates were also increased in accordance with the 10-Year Financial Plans, the increase was \$125 based on a 465 square metre lot.



- Government transfers were higher than in 2023 by \$0.2 million.
- Contributions from developers were \$24.0 million higher than in 2023, due to an increase in development charge funding for capital projects, mainly the Mulock Park Construction.



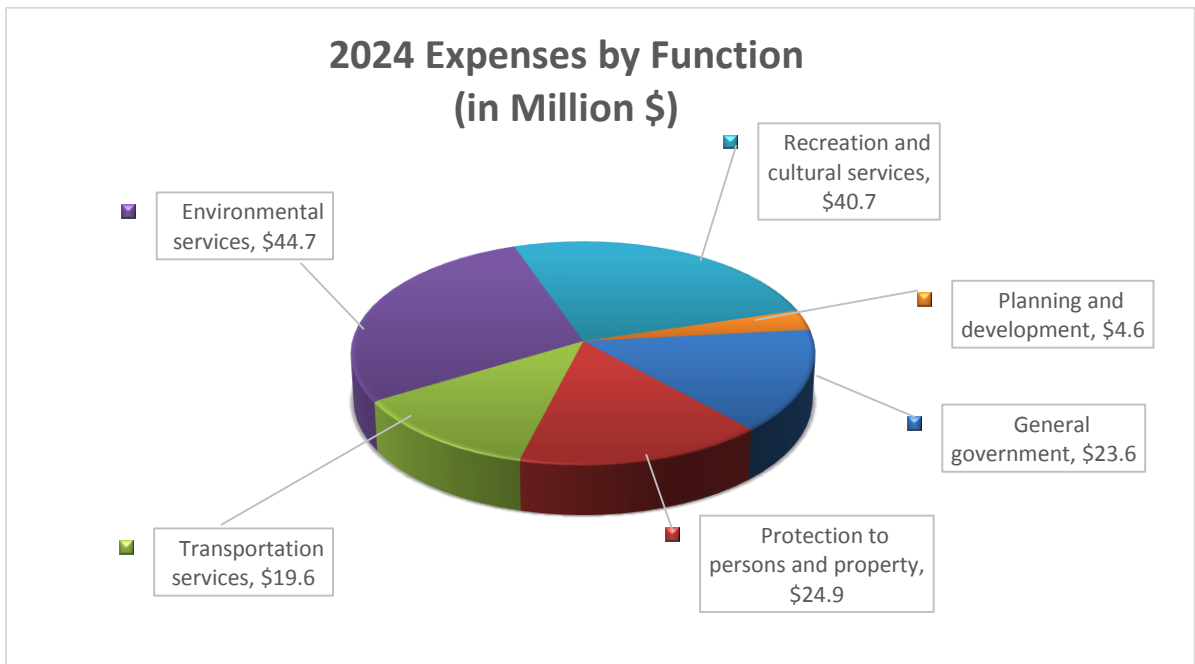
- Investment Income was \$3.9 million higher than in 2023. This was mainly due to unrealized capital gains from One Investment in 2024 of \$3.0 million.

The Town's investments included several non-traditional investments (loan to a user group, installation of solar panels, and an energy retrofit project).

The Town recorded the dividend from Newmarket-Tay Power as a transfer to the Asset Management Funds. Dividends of \$1.3 million were received and recognized in 2024.

Expenses

The Town provides a wide variety of municipal services to its residents. The chart below provides an overview of these services by functional activities, consistent with provincially legislated requirements.



Some of the major services included in each category are:

General government:

Finance, Human Resources, Information Technology, Communications, Legal, Customer Services, Clerks Office, Council and Executive Office expenses

Protection to persons and property:

Fire services, Licensing, and Bylaw Enforcement

Transportation services:

Roads and Road Maintenance, Snowplowing, Operations, and Capital Projects Engineering

Environmental services:

Water and Wastewater Services, and Solid Waste Collection

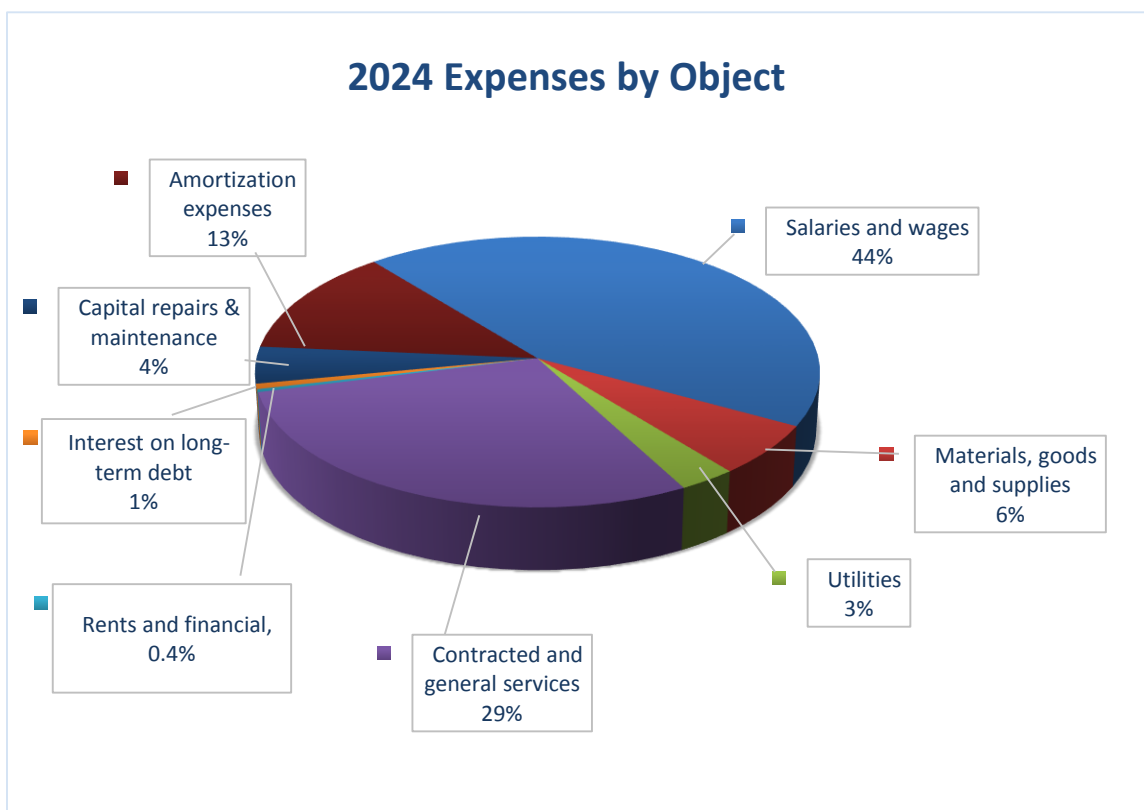
Recreational and cultural services:

Programs and Facility costs at all Recreation Centres, Parks Maintenance, Library, Theatre, and Museum

Planning and development:

Planning and Building, Engineering and Development, and Economic Development

Schedule 2 to the Consolidated Financial Statements (pages 40-41) shows a breakdown of these costs by service bundle.



- Total expenses in 2024 were \$158.1 million, an increase of \$9.9 million over 2023.
- Salaries, wages, and benefits represent 44% of total expenses. The economic increase in 2024 was 2.4%. Additionally, a provision for the potential costs for the renewal of the CYFS collective agreement, which ended December 31, 2023, was accrued in 2024.
- Materials, goods, and supplies (including minor capital, water meters, and materials for main replacement, equipment rental, and repairs and maintenance) increased by \$2.3 million over 2023, mainly due to playground equipment replacement, park spot improvements, HVAC facility repairs and maintenance, and various equipment repairs.
- Utilities increased by \$1.1 million compared to 2023, mainly due to increased costs for streetlighting maintenance.
- Contracted and general services were \$0.5 million higher compared to 2023. The areas with the highest year-over-year change were due to increased costs

for computer software, consulting costs for legal and asset management, and an increase in insurance costs.

- Rent and Financial was lower by \$0.4 million compared to 2023. Due to a higher bad debt provision recorded in 2023.
- Amortization (or depreciation) increased by 1.8% over 2023.

Annual (current year) surplus

The annual (current year) surplus for the year was \$57.7 million (Accumulated Operating Surplus year-over-year change). Accumulated operating surplus \$799.8 million (2023 - \$742.1 million).

Conclusion

The Town's Fiscal Strategy has been endorsed by Council since 2020 to ensure the Town's future sustainability as a community. As recommended by the Fiscal Strategy, the Town continues to make contributions to reserves and pay down debt. These remain the primary objectives, as well as keeping municipal taxes low while maintaining the high level of services, investing in assets, and preparing for the future. To support a growing population, the Town is committed to using assessment growth revenues to fund growth-related expenditures. The Town has a strong financial foundation to navigate through economic uncertainty.