

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



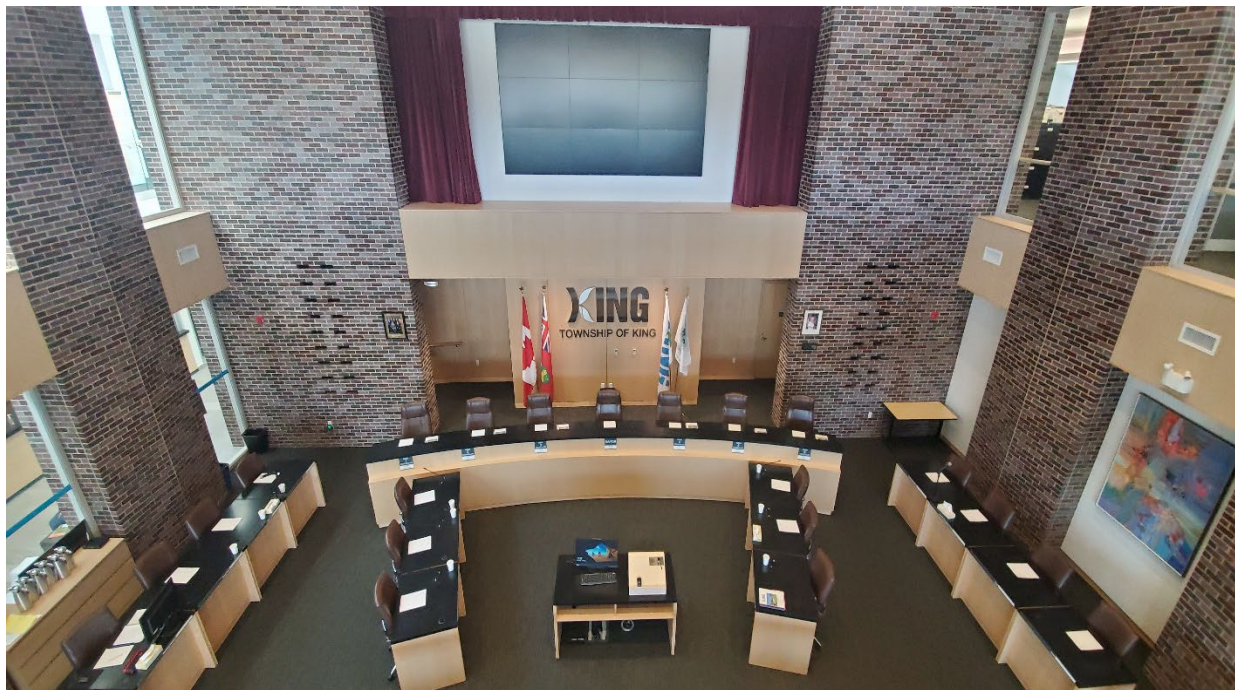
## FINANCIAL REPORT

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The Township of King is pleased to present its 2024 Financial Report and Consolidated Financial Statements, for the year ended December 31, 2024. This report has been prepared in accordance with the *Municipal Act, 2001* and based on the reporting standards set by the Public Sector Accounting Board of Chartered Professional Accountants of Canada and the best practices in financial reporting by the Municipal Finance Officers Association (MFOA).

The 2024 Financial Report and Consolidated Financial Statements are the responsibility of Management of the Corporation of the Township of King. The financial statements have been examined by KPMG Canada LLP Chartered Professional Accountants, the external auditors for the Corporation. The responsibility of the external auditor is to express an opinion on whether the financial statements are fairly presented, in all material respects, in accordance with public sector accounting standards.

The Financial Highlights have been extracted from the Township's Audited Consolidated Financial Statements.



King Township Municipal Centre (KTMC)

The Township of King prepares its budget on a fund accounting basis where budgeted operating expenditures and capital are balanced with revenues. Like all other municipalities, the Township of King is required under the Public Sector Accounting Board rules to prepare financial statements on the full accrual basis accounting, including amortization, tangible capital assets, asset retirement obligations, and future employment benefits.

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



The Consolidated Financial Statements in the 2024 Financial Report have been prepared in accordance with general accepted accounting principles for local government as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. By converting the Township's statements to a full accrual basis, it changes the budget from a balanced budget to recognize either a surplus or deficit. The statements and related information are the responsibility of management and include the financial activities of all deemed entities controlled by the Township of King.

Some highlights of the 2024 financial statements include:

- An investment in Tangible Capital Assets of \$9.9 million which included but not limited to infrastructure, roads, bridges, recreation facilities, equipment, and vehicles.
- Within the Tangible Capital Assets, \$2.8 million was uploaded to York Region for 17<sup>th</sup> Sideroad from Jane Street to Dufferin and Keele Street from Lloydtown Aurora Road to Davis Drive.
- \$5.7 million in net proceeds with the disposal of land within 15-19 Old King Road and a portion of 5885 King Road (2.4 acres) for four (4) properties from 12953-12969 Highway 27, Nobleton.
- An increase of \$4.1 million in additional assets from development assumptions conveyed from developers of roads, sidewalks, streetlights, stormwater mains, water and wastewater mains.
- An increase in taxes receivable of \$1.2 million with the addition of levies for Nobleton Sewer charges, Bylaw charges, and a decline in payments received overall.
- An increase in the amount of development charges collected and used to fund capital projects with a net increase of \$6.3 million.
- Over \$15.8 million of investments returned at the end of the term causing an increase in cash at year end which was later re-invested in 2025.
- An increase in site plan deposits of \$728 thousand on as development moves forward in 2024 for the various planning applications.
- A reduction in receivables of \$1.3 million with less grants received in 2024 with the completion of the Town-Wide Recreation Facility (TWRC)

For 2024, the Township adopted the following accounting standards applicable for fiscal years beginning Jan 1, 2024:

- PS 3160 – Public Private Partnerships (P3's), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets from the private section.
- PS 3400, Revenue, establishes a framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This had no impact to the overall financial statements, as it is more of a presentation of revenue arising from transactions that include performance obligations, referred to as "exchange transactions" and transactions that do not have performance obligations, referred to as "non-exchange transactions".

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



- Exchange Transactions:

These involve an exchange of value, where the public sector entity provides a good or service in exchange for consideration. A key characteristic of exchange transactions is the presence of a performance obligation, an enforceable promise to provide the good or service.

- Non-Exchange Transactions:

These transactions do not involve a direct exchange of value and lack a performance obligation. Examples include grants, donations, and tax revenues.

There was no impact on the financial statements of the Township as a result of the adoption of these standards.

## Financial Assets

Table 1:

As at December 31 (\$ millions)	2024	2023	Change in 2024 Increase / (Decrease)
<b>Financial Assets</b>			
Cash	\$54.5	\$20.1	34.4
Investments	\$35.1	\$51.0	\$(15.9)
Taxes receivable	\$10.9	\$9.6	1.3
Trade and other receivables	\$6.2	\$7.6	\$(1.4)
User charges and sewer receivable	\$8.8	\$9.4	\$(0.6)
<b>Total</b>	<b>\$115.5</b>	<b>\$97.7</b>	<b>17.8</b>

The decrease of \$17.8 million in financial assets for the Township is mainly attributed to the following:

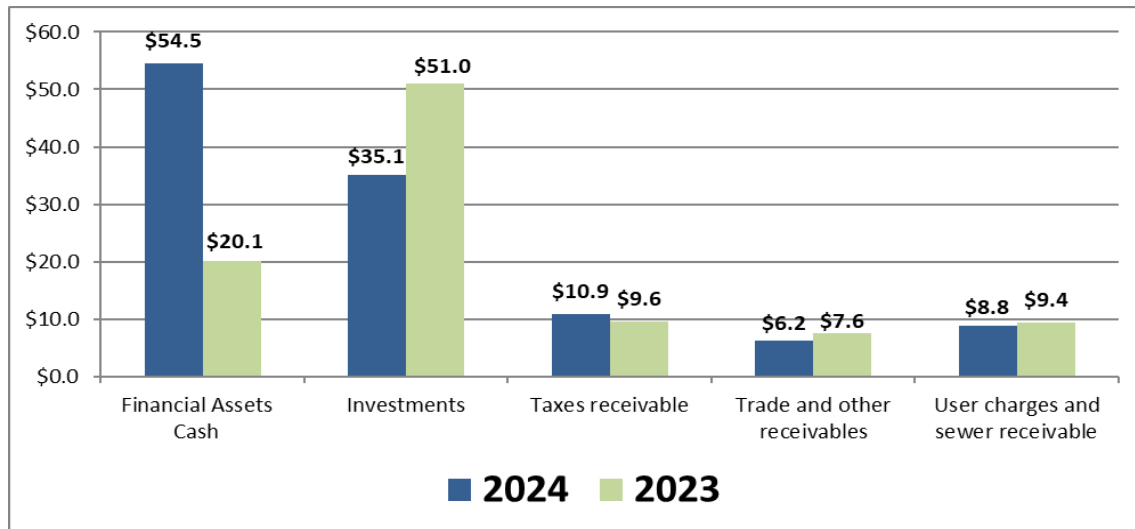
- \$34.4 million increase in cash with the maturity of a 2 year note and a 1-year GIC redeemed in October 2024 for \$15 million and a large development charge (DC) payment received in December 2024 for \$19.5 million related to the Jane and King development. Of the \$19.5 million received, the portion to remain with the Township is \$7.3 million while \$11.6 million was given to York Region and \$600 thousand to the school boards. In the early part of January 2025, staff looked at options for investments to capitalize on the funds received, based on our cashflow projections and the funding needs for larger capital projects.
- Increase of \$1.3 million for taxes receivable with additional billing at year-end for supplementary assessment changes from MPAC and transfers to taxes for Nobleton Sewer connection fee payments.

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



- Reduction of \$1.4 million in receivables as the grant for the TWRC was received before the end of 2024.
- \$600 thousand decrease to reflect year one of the Nobleton Sewer payments for residents that selected the option to have the capital charge split over 15 years on their tax bill. This is for all contracts within Nobleton from 2010 to current.

**Table 2: Summary of Financial Assets 2024 vs 2023**



## Investments

The Township diversifies its investment portfolio into different options to strengthen its interest revenue. The Township invests in High Interest Savings Account (HISA), Guaranteed Investment Certificates (GIC'S), Principal Protected Notes, and Callable bonds in a wide range of terms. Below is a summary of the investments, date of purchase, type, maturity date, rate, and amount invested.

**Table 3:**

Date	Investment Term	Maturity Date	Rate	Amount Invested
28-Apr-23	Principal Protected Note - 2-year	02-May-25	5.18%	\$ 5,000,000
28-May-24	Callable Accrual Note (BNS) - 10-year - Callable 3-year	29-May-34	6.42%	\$ 1,800,000
29-Jul-24	Principal Protected Note (BMO) - 6 Year - Callable	01-Aug-31	5.75%	\$ 5,000,000
30-Aug-24	Linear Accrual GIC (NBC) - Extendible - 10-year - Callable 2-year	30-Aug-34	5.41%	\$ 5,000,000
19-Sep-24	Principal Protected Note (BNS) - 7-year - Callable 2-year	26-Sep-31	8.25%	\$ 3,500,000
24-Sep-24	Linear Accrual Note (BMO) - 15-year - Callable 1-year	24-Sep-39	6.05%	\$ 5,000,000
18-Oct-24	Principal Protected Note (BMO) - 7-year - Callable 2-year	24-Oct-31	7.00%	\$ 5,000,000
18-Dec-24	Principal Protected Note (BNS) - 15-year - Callable 3-year	18-Dec-39	5.90%	\$ 5,000,000
	Unrealized Loss			-( \$ 130,750)
<b>Current Balance</b>				<b>\$ 35,169,250</b>

The fair value adjustment net loss of \$130,750 recognizes the fair value of certain investments under the new accounting standard PS 3450.

Taxes Receivable

The Township is continuing to implement a tax arrears program to help reduce property taxes outstanding. The program involves communicating with the property owners, offering special payment arrangements and payment plans, notifying mortgage companies, and proactively processing tax sales on eligible properties.

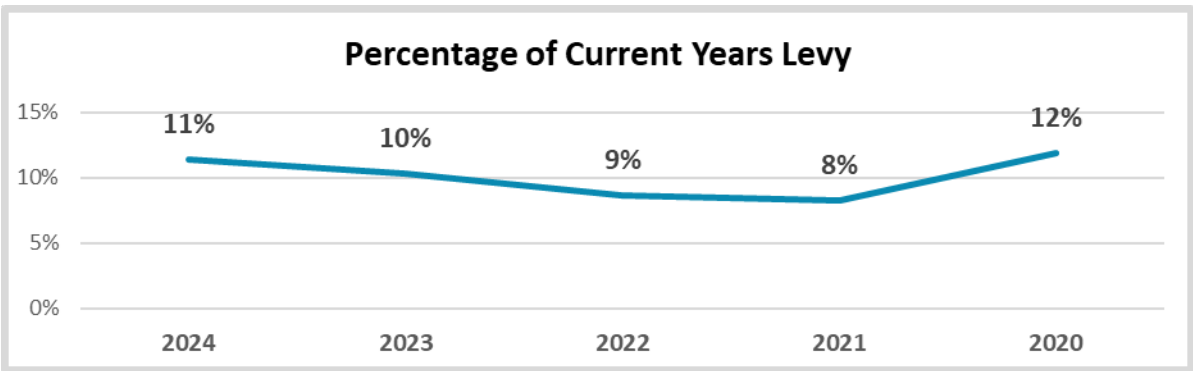
Tax arrears have been an issue with the Township over the years as indicated in the table below that shows the tax arrears from 2020-2024. We see a slight increase in taxes receivable for 2024 which is mainly due to timing of supplementary billing with assessment changes from MPAC and transfers to taxes due to lack of payment for outstanding invoices from by-law. In December 2024, the Township did not send out its arrears notices due to the postage strike which caused a delay in collections which is reflected in the increase in receivables.

There is a concern that the percentage is increasing, and staff are looking at options to increase its collection practices to ensure more timely payments for tax arrears.

Below is a chart to show the history of arrears over the last 5 years.

Table 4:

Taxes Receivable, End of Year	2024	2023	2022	2021	2020
Taxes Receivable	\$ 10,867,120	\$ 9,639,269	\$ 7,877,777	\$ 7,225,326	\$ 10,234,774
Total Taxes Levied	\$ 95,606,531	\$ 93,542,126	\$ 90,699,749	\$ 87,209,932	\$ 86,394,348
Percentage of Current Years Levy	11%	10%	9%	8%	12%



The Township reports our financial indicators to the province with the yearly reporting in the Financial Information Return (FIR). The Township’s tax arrears historically have been over the 10% industry standard indicating a moderate to high level of risk which was flagged by Ministry staff in 2020. The success of the tax arrears program is evident in the results which show a decrease from 12% to 8% for 2021. Staff have seen a slight increase in the taxes arrears and will work on targets to address properties with long standing issues. Staff will continue this approach for future collections to ensure the taxes receivable balance decreases. It is important to note the Township collects on behalf of the York Region and the school boards and must make payments to them on an installment basis regardless if property owners pay or not.



# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



## Financial Liabilities

Table 5:

As at December 31 (\$ millions)	2024	2023	Change in 2024 Increase / (Decrease)
<b>Financial Liabilities</b>			
Accounts payable and accrued liabilities	\$35.7	\$27.0	\$8.7
Developer and other deposits	\$13.3	\$12.6	\$0.7
Deferred revenue (General & Obligatory Reserves)	\$16.2	\$9.7	\$6.5
Employee future benefits and other liabilities	\$4.2	\$3.9	\$0.3
Asset retirement obligation	\$2.8	\$3.0	\$(0.2)
Long-term debt	\$13.1	\$16.2	\$(3.1)
<b>Total</b>	<b>\$85.3</b>	<b>\$72.4</b>	<b>12.9</b>

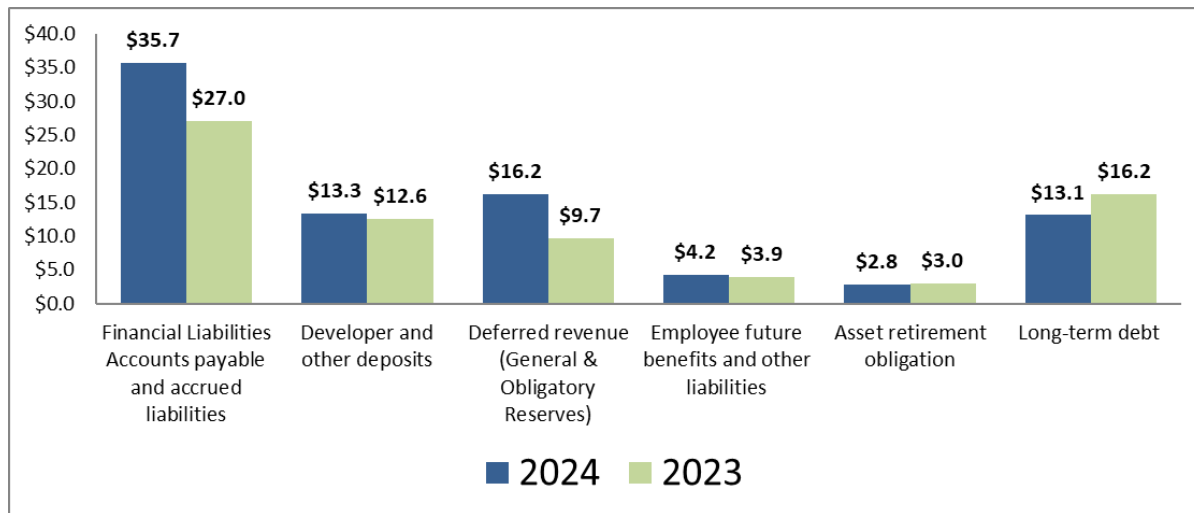
The increase of \$12.9 million in financial liabilities for the Township is mainly attributed to the following:

- \$8.7 million increase in accounts payable and accrued liabilities to account for additional accruals for work completed in 2024 related to capital projects and timing of payables related to invoices received. This includes a large DC payment for York Region and the school boards for their portion of the payment received in December for the Jane and King Development. There was a significant increase in holdbacks for the Town-wide Recreation Facility (TWRC), the King Heritage Cultural Centre and Church restoration project and the Kettleby Road Reconstruction project.
- \$0.7 million in additional site alternation, lot and road deposits received in 2024 related to planning applications currently being constructed.
- \$6.5 million increase in deferred revenue to recognize the additional development charges received in 2024 which is net of the funding requirements for capital projects in 2024. In particular, funding \$3.7 million for various road projects, and \$550 thousand for the various studies for a total of \$4.3 million to fund DC projects including commitments.
- \$0.3 million from updating the Township's Post-Retirement non-pension benefits and Sick leave benefit by our actuarial review which was completed in 2023 and forecasted for the next 3 years.
- \$0.2 million decrease in adopting the asset retirement obligation (ARO) which originally included Solid Waste landfill closure liabilities for the 2 landfill sites of the Township. The new standard now recognizes an ARO for tangible capital assets with prescribed decommissioning regulations such as fuel storage tanks, drinking water wells, septic tanks and bed systems, ice rinks with ammonia refrigeration systems, and sewage ponds. Also, the Township must recognize a future liability for the estimated cost to remove hazardous materials such as asbestos from any township-owned building.
- Decrease in the long-term liabilities of \$3.1 million which reflects the payments associated with the Township's debt servicing payment obligations that have drawn down from the total debt outstanding related to debenture payments to York Region.

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



**Table 6: Summary of Financial Liabilities 2024 vs 2023**



## Non-Financial Assets

**Table 7:**

As at December 31 (\$ millions)	2024	2023	Change in 2024 Increase / (Decrease)
<b>Non-Financial Assets</b>			
Tangible capital assets	\$443.5	\$411.7	\$31.8
Inventory held for own use	\$0.1	\$0.1	\$0.0
Prepaid expenses	\$0.5	\$0.7	\$(0.2)
<b>Total</b>	<b>\$444.1</b>	<b>\$412.5</b>	<b>\$31.6</b>

Most of the year over year change within Non-Financial Assets relates to the recognition of new tangible capital assets. The Township made significant investments in tangible capital assets totalling \$31.8 million in 2024 which is net of the \$12.1 million amortization expenses.

- Additional assets of \$9.9 million listed in table 8 (below)
- Within the Tangible Capital Assets \$2.8 million was uploaded to York Region for 17<sup>th</sup> Sideroad from Jane Street to Dufferin and Keele Street from Lloydtown Aurora Road to Davis Drive.
- \$5.7 million in net proceeds with the disposal of land within 15-19 Old King Road and a portion of 5885 King Road (2.4 acres) for four (4) properties from 12953-12969 Highway 27, Nobleton.
- An increase of \$4.1 million in additional assets from development assumptions conveyed from developers of roads, sidewalks, streetlights, stormwater mains, water and wastewater mains.

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS

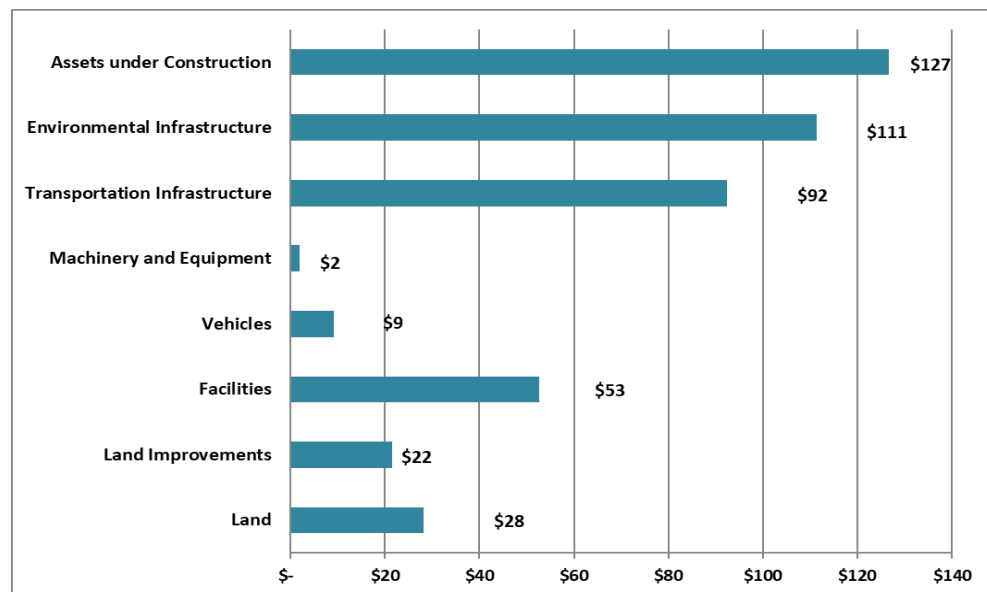


**Table 8:** Some of the additions in 2024 for a total of \$9.9 million

Additions for 2024	Value \$ (millions)
• Various Road Improvements, Traffic Signals and calming	\$5.8
• Bridges & Culverts	\$2.0
• Park Improvements – Salamander Park, Fox Trail Park, Park improvements and the Holland Marsh District School	\$1.0
• Additional Fleet and equipment in Public Works and Community Services	\$0.8
• 2 Ice Resurfacers for Recreation Facilities	\$0.3

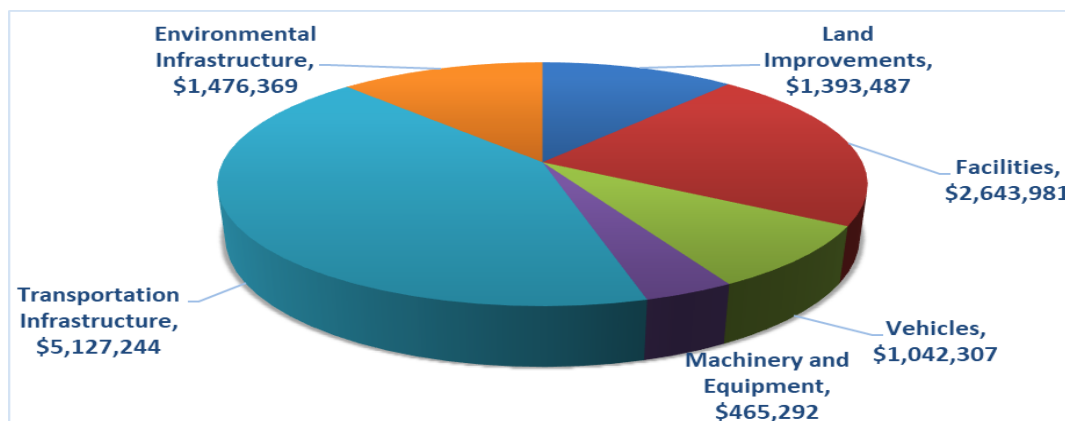
The following table represents the Net Book Value (NBV) of assets in millions:

**Table 9:** Total NBV \$443.5 million



The value of amortization per class of assets is shown below:

**Table 10:** Total Amortization is \$12.1 million





# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



The Township's sustainable funding source for capital offsets the projected amortization expenses of approximately \$1.1 million per year. Amortization provides an indication of how much should be set aside / spent each year to repair and replace the Township assets. However, amortization is based on historical cost of assets and the future cost to replace an asset (such as a road or bridge) will cost more than what the Township paid for it more than 50 years ago. The difference between the historical cost and the replacement cost is called the infrastructure funding gap.

The Township needs to build-up sustainable funding for capital. In recent years, the Township has actively worked to reduce the infrastructure funding shortfall by levying more property tax dollars for capital purposes.

The plan is to build up our tax funded capital and funding for infrastructure repair and replacement in the amount of \$7.7 million in 2024 and forecasted to increase \$0.5 million per year in the 10-year plan. The new asset management plan in 2025 will outline the amount to be increased for future funding of all core and non-core assets to ensure sufficient funding is identified for Township infrastructure.

As part of the Township's Fiscal Strategy, we must look at our 10-year capital forecast and balance the needs of growth and non-growth. In conjunction with our Asset Management Plan (AMP) we must include the various studies to help formulate the 10-year plan. These include but, are not limited to the Community Service plan that looks at the various amenities for parks, recreation, and culture. The Fire Master Plan that looks at community risk assessment, the Official Plan for population growth for both residential and commercial / industrial, the Development Charge Study which is a 5-year plan that was adopted by Council in January 2021 and the Paving strategy.



# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



Table 11:

Table A: 10 Year Capital Forecast by Department

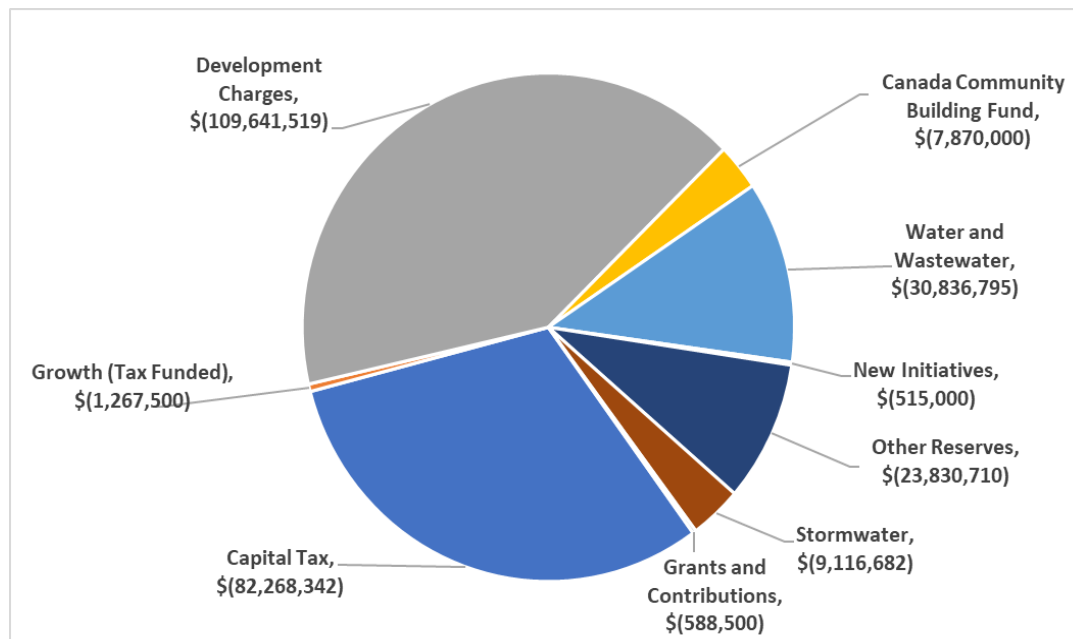
Department	2024	2025	2026	2027	2028	2029-2033	Total
Office of CAO	145,000	120,000	120,000	120,000	120,000	600,000	1,225,000
Library	93,488	52,632	7,621,255	7,765,735	57,059	488,603	16,078,772
Fire & Emergency Services	488,000	1,210,000	1,095,000	1,303,500	2,812,500	4,605,680	11,514,680
Public Works	10,877,700	11,007,345	13,671,513	30,802,652	38,544,012	79,017,447	183,920,669
Finance	140,000					100,000	240,000
Growth Management Services	395,000	450,000	150,000	150,000	50,000	780,000	1,975,000
Community Services	2,527,742	10,446,360	7,512,114	5,549,440	6,705,250	18,240,021	50,980,927
<b>Total Capital Projects</b>	<b>14,666,930</b>	<b>23,286,337</b>	<b>30,169,882</b>	<b>45,691,327</b>	<b>48,288,821</b>	<b>103,831,751</b>	<b>265,935,048</b>

Table B: 10 Year Capital Forecast by Asset Type

Asset Type	2024	2025	2026	2027	2028	2029-2033	Total
Information Technology	145,000	120,000	120,000	120,000	120,000	600,000	1,225,000
Studies	1,285,000	1,005,000	407,500	481,000	295,000	1,935,000	5,408,500
Fleet	1,397,742	2,718,760	3,345,364	3,292,390	1,618,840	7,264,133	19,637,229
Equipment	351,488	52,632	101,255	250,735	37,059	762,603	1,555,772
Roads & Engineering	8,487,700	4,550,000	6,973,448	18,114,640	11,095,898	30,642,192	79,863,878
Water	215,000	2,000,000	870,000	2,205,000	7,354,400	6,824,770	19,469,170
Stormwater	400,000	1,207,345	1,356,565	1,156,512	1,432,208	5,251,552	10,804,182
Waste Water	700,000	1,150,000	2,670,000	3,863,500	3,043,000	7,123,417	18,549,917
Parks	630,000	8,785,000	4,711,750	3,492,050	6,030,250	14,894,750	38,543,800
Facilities	1,055,000	1,697,600	9,614,000	12,715,500	17,262,166	28,533,334	70,877,600
<b>Total</b>	<b>14,666,930</b>	<b>23,286,337</b>	<b>30,169,882</b>	<b>45,691,327</b>	<b>48,288,821</b>	<b>103,831,751</b>	<b>265,935,048</b>

Table 12:

In relation to the table above, the funding sources forecasted for the capital projects totaling \$265,935,048 for 2024 to 2033 is reflected in below:



# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



## Accumulated Surplus

Table 13:

As at December 31 (\$ millions)	2024	2023	Change in 2024 Increase / (Decrease)
Financial Assets	\$115.5	\$97.7	\$(2.0)
Financial Liabilities	\$85.3	\$72.4	\$(0.5)
<b>Net Financial Assets</b>	<b>\$30.2</b>	<b>\$25.3</b>	<b>\$(1.5)</b>
Non- Financial Assets	\$444.1	\$412.5	\$44.5
Total Net Assets	\$474.3	\$437.8	\$43.0
<b>Accumulated Surplus - End of Year</b>	<b>\$474.3</b>	<b>\$437.8</b>	<b>\$43.0</b>

The 2024 accumulated surplus change is equal to the 2024 annual surplus from operations from the statement of operations. In 2024, the Township's change represents an increase of \$43.0 million to the accumulated surplus at the end of December 31, 2024. Details are provided in the financial statements under note 13 for more information.



## OPERATIONS AND ACCUMULATED SURPLUS

The budgets for the Township are prepared using fund accounting where revenues equal expenses for the budget / planning purposes. On the fund basis of accounting, the Township ended the 2024 year with a deficit of \$24 thousand due to revenue shortfalls in recreation facilities, programming, planning applications and overspending in expenditures for staffing in various areas and development. Staff took steps earlier in the year to reduce spending where possible, and delayed staffing recruitment to gap vacancies to offset any loss of revenues.

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



Some highlights for the 2024 Statement of Operations include:

- \$982,063 favourable variance in investment income due to increase in investments. This is the net amount that is allocated to the operating budget and the balance of interest revenue is allocated to reserve funds as per corporate reserve policy.
- \$438,081 favourable variance related to supplementary tax revenue, in particular for Jane & King development, which changed from farmland to vacant industrial and additional assessment for Via Moto development.
- \$394,814 favourable variance in tax penalties revenue due to higher tax arrears balance at 11% leading to additional interest revenue.
- (\$303,519) unfavourable variance in road related contractual services due to price increases in winter sidewalk maintenance contracts, procurement of additional contracted services for two snowplows to backfill vacant equipment operator positions to maintain service levels, and emergency replacement of a culvert on 18th Sideroad.
- (\$85,997) unfavourable variance in winter maintenance salt and sand supply costs due to price increases.
- \$234,138 favourable variance in waste management, capital services and parks contractual services due to lower than anticipated volume of garbage and recycle pick-up, lower locates pricing, and delays in landscaping product deliveries.
- (\$601,449) increase in salaries and benefits in particular for the volunteer firefighters with additional response times and rate adjustments offset by \$57,476 in some additional revenues for fire-related incidents.
- (\$38,679) unfavourable variance in program fees for King Heritage and Culture and Laskay Hall due to renovation closures for most of the year.
- (\$90,258) unfavourable variance in program fees for day camps, Cold Creek and recreation programs due to lower enrollment than anticipated.
- (\$119,317) unfavourable variance in special event program fees due to low participation at events including cancellations at Maple Syrup festival and low attendance at the Food and Drink event.
- (\$42,158) unfavourable variance in utilities mainly in hydro and water due to higher usage at the recreation centres and splash pads partly offset by savings in heat/gas due to the milder winter in the first half of 2024.
- (\$278,183) unfavourable variance in contractual services including heater and furnace repairs at the King City and Schomberg fire stations, new rooftop air conditioning unit, tube heater and rolling steel fire door replacement at Nobleton Arena, Ice resurfacer repairs and roof leak repairs at Trisan Centre, fire system repairs at Schomberg Hall, garage fire cleanup and roll up doors repaired at the Works Depot, exterior wood re-staining at King City Library, installation of blinds, pot lights, and door/elevator repairs at King Heritage Culture Centre.
- (\$217,464) unfavourable variance in all planning applications due to developer delays moving forward with application amidst the persistent high-interest rate environment.
- (\$275,587) unfavourable variance in development revenues net of costs due to delays in subdivision agreement fees by Remcor-Bracor, Mansions of King and Forest brook which were moved to 2025 and the write-off of uncollected cost recoveries.
- \$167,744 favourable variance in bylaw revenues due to higher efficiencies in the Administrative Monetary Penalties (AMPS) program for parking and bylaw violations.

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



- (\$91,583) unfavourable variance in IT subscriptions, user licensing and security platform services.

A detailed reporting of the fund basis operating budget deficit will be provided in a separate report as part of the year-end process in Report (FIN-2025-10).

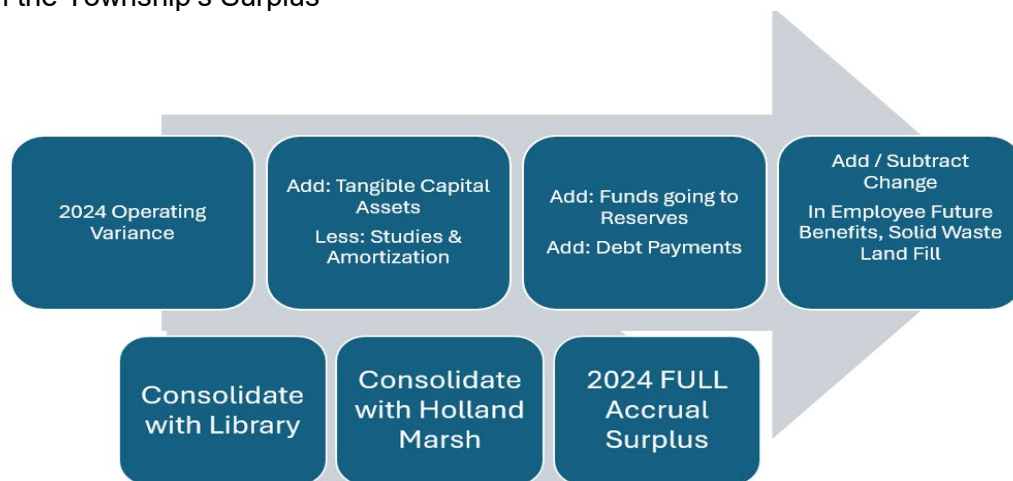
## Conversion to Full Accrual Accounting

In order to comply with PSAB reporting, the Township converts its fund basis of accounting to the full accrual accounting for both revenues and expenses. For example, prior to 2009 there was no requirement to present tangible capital assets on the Township's Statement of Financial Position. At the time, all Ontario municipalities at the time expensed tangible capital assets (TCA) additions with revenues related to capital project additions shown to fully offset the expenses.

Under the full accrual method of accounting, the TCA additions are now capitalized on the Township's Statement of Financial Position similar to other private businesses and organizations. Municipalities now show amortization expense as listed on the Statement of Operations which is one of the largest expenses for many municipalities due the volume of assets under a municipality's control such as roads, bridges, fleet, facilities, and equipment.

The items below are included in the December 31, 2024 financial statements:

- Amortization of tangible capital assets
- Accumulated Surplus/(Deficit) from Operations
- Net Book Value Gain / Loss on disposal of Tangible Capital Assets
- Revenue – Grants (including Federal Gas Tax)/Development Charges/Recoveries from other municipalities/ other - for Capital
- Revenue – Contributed Assets (assets assumed by the Township by developers)
- Transfer from/to Reserves are not considered Revenue or Expenses and are removed from the Township's Surplus



# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



The following is the adjustment from the Township's fund accounting deficit of \$24 thousand to the actual full accrual surplus of \$42.9 million:

**Table 14:**

	\$ Thousands
2024 Fund Accounting Operating Budget Deficit	(\$24)
<b>Tangible Capital Asset (TCA) Adjustments</b>	
• Tangible Capital Asset Amortization	(\$12,149)
• 2024 Tax Levy Funded Capital Program	\$24,532
• Capital Budget Items not considered Tangible Capital Assets	(\$1,620)
• Net Book Value loss on Disposal of Tangible Capital Assets	(\$589)
	<u>\$10,174</u>
Surplus after accounting for TCA	<u>\$10,150</u>
<b>Other Full Accrual Adjustments</b>	
• Transfers to Reserves not considered an expense	\$25,127
• Transfers from Reserves not considered revenue	(\$1,638)
• Long term debt (external) not considered as expenditures	\$2,747
• Change in Employee Future Benefits Liability	(\$150)
• Change in Solid Waste Landfill Closure and Post Closure Liability	\$159
• Consolidation of Library Board and Holland Marsh	\$395
• Transfer cemetery surplus to reserve	\$9
	<u>\$26,649</u>
2024 Full Accrual Surplus	<u>\$36,799</u>

## MUNICIPAL DEBT

King Township's capital planning requirements may rely on the use of debenture financing to support investment in municipal infrastructure. This approach has been analyzed on the basis of the Township's current debt structure, in conjunction with Ministry defined debenture capacity / annual repayment limits, and with a comprehensive understanding of current reserve and reserve funds.

Under section 401 of the *Municipal Act*, debentures are issued by the upper tier; therefore the Region of York issues debentures on behalf of the Township of King. Debenture issuance at the Township will only be undertaken in compliance with the provisions of the *Municipal Act, 2001*, specifically Part XIII Debt and Investment, as well as Ontario Regulation 403/02 (Debt and Financial Obligation Limit).



# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



At the end of 2024, the Township's net outstanding debt is \$13.1 million.

The long-term debt incurred by the Township and outstanding at the end of the year consists of the following:

**Table 15:**

By-law	Purpose / Description	Issue Date	Maturity Date	Interest Rate	Type	2024	2023
2015-62	For the construction of road and watermain in the community of Nobleton, in the amount of \$6,000,000. This is a sinking fund debenture	2015-06-15	2025-06-15	2.60%	Sinking Fund	6,000,000	6,000,000
2016-54	For the construction of sewer works in the community of Nobleton, in the amount of \$6,000,000, with annual principle payments of \$400,000	2011-07-04	2026-07-06	3.80%	Serial	800,000	1,200,000
2019-21	For the King Roads project in the amount of \$6,100,000. This is a sinking fund debenture.	2019-04-18	2029-04-18	2.65%	Sinking Fund	6,100,000	6,100,000
2019-52	For King Buildings including the King Township Municipal Centre (KTMC), King City Library / Senior Centre and Graham Sideroad Bridge. This is a sinking fund debenture.	2019-04-18	2029-04-18	2.65%	Sinking Fund	10,000,000	10,000,000
2022-19	For the construction of sewer works in the community of Nobleton, in the amount of \$4,500,000, with annual principle payments of \$300,000	2023-07-15	2037-07-15	4.45%	Serial	3,900,000	4,200,000
Long-Term Liabilities						26,800,000	27,500,000
Less: Sinking Fund Assets						(13,718,770)	(11,257,114)
<b>Net Long-Term Liabilities</b>						<b>13,081,230</b>	<b>16,242,886</b>

## Type of debentures:

**Serial Debentures:** Designed to pay equal, semi-annual principles amounts with interest calculated on the declining balances;

**Amortized Debentures:** Constructed to pay equal, semi-annual total payments with the interest component decreasing over the term;

**Sinking Fund Debentures:** Designed to pay equal, annual sinking fund contributions and equal, semi-annual interest payments to a fund that when combined with interest earned is used to repay the principal at the maturity. **2015-62 – Construction of Road and Watermain in Nobleton**

This debenture was issued in 2015 for the construction of a road and watermain in the community of Nobleton for a total of \$6.0 million. This was issued as a sinking fund debenture with an interest rate of 2.6% and a maturity date of June 15, 2025. Semi-Annual payments are made for interest payments and the principle paid at maturity.

## 2016-54 – Sewer Works in Nobleton

Issued in 2011, for the construction of the sewer works in the community of Nobleton in the amount of \$6.0 million. This is a traditional serial debenture with a principal payment of \$400,000 a year plus interest of 3.8% for a maturity date of July 6, 2026.

## 2019-21 – King Road Projects

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



This debenture was issued in 2019 for the construction of various road projects throughout the Township for a total of \$6.1 million. This was issued as a sinking fund debenture with an interest rate of 2.65% and a maturity date of April 18, 2029. Semi-Annual payments are made for interest payments and the principle paid at maturity.

## 2019-52 – Various Town Projects

This debenture was issued in 2019 for the construction of Graham Sideroad Bridge, the King Township Municipal Centre (KTMC) and the King City Library / Senior Centre for a total of \$10.0 million. This was issued as a sinking fund debenture with an interest rate of 2.65% and a maturity date of April 18, 2029. Semi-Annual payments are made for interest payments and the principle paid at maturity.

## 2022-19 – Sewer Works in Nobleton

This debenture was issued in 2023 for the construction of sewer works (phase 3) in the community of Nobleton, in the amount of \$4.5 million. This is a traditional serial debenture with a principal payment of \$300,000 a year plus interest of 4.45% for a maturity date of July 15, 2037.

Annual debt charges are included in the amount of the property tax rate, user rate, and area specific charge (benefitting landowner) calculations. The table below summarizes the annual debt charges (principal and interest) for the Township's existing debt obligation; it does not include any new proposed debt.

**Table 16:**

Year	Principal	Interest	Total
2025	2,746,809	701,521	3,448,330
2026	2,204,290	594,971	2,799,261
2027	1,804,290	570,190	2,374,480
2028	1,804,290	557,187	2,361,477
2029	1,804,290	330,165	2,134,455
2030-2037	2,717,261	454,375	3,171,636
<b>TOTAL</b>	<b>13,081,230</b>	<b>3,208,409</b>	<b>16,289,639</b>

## Annual Debt Repayment Limit

The Province of Ontario, through regulation, prescribes the Annual Debt Repayment Limit (ARL) for municipalities. The ARL is calculated based on 25% of the municipality's own source revenues and represents the maximum amount which the municipality has available to commit to payments relating to debt and financial obligation. Prior to the authorization by Council of a long-term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner. As per the debt policy within the Township of King, we have an approved limit of 10% for all debt.

The ARL statement report indicates that the Township has a debt limit of \$13,899,026 million. The current amount utilized is \$3,555,478 which represents 6.40% for 2024. The chart below includes the 2024 – 2034 estimated debt ARL include principal and interest for all debentures including sinking fund contributions and long-term leases. For 2024, this includes the start of

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



the Nobleton Sewer serial debenture for ½ a year in 2022 than a full year starting in 2023 for a 15-year term and estimated 4.45% interest.

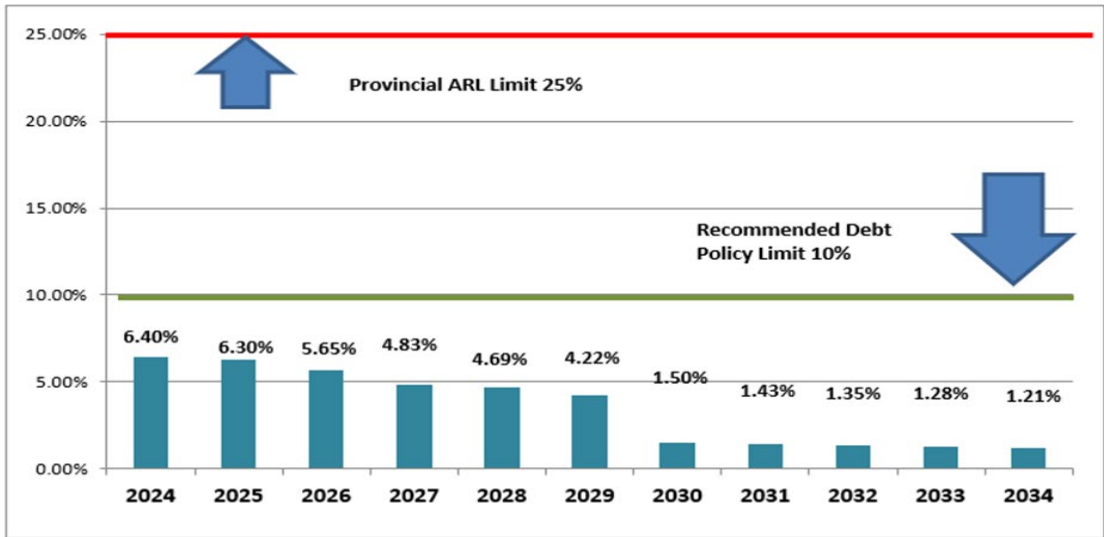
## Debt Forecast

Based on debt financing the Township’s current debt limit is 6.37%. Below represents the forecasted projected debt limit for the remaining debentures not including any additional forecasted debt requirements.

The Bar Chart below entitled *Forecast: Total Debt (2024-2034)* illustrates current principal repayment requirements together with forecast principal repayment requirements (post 2023) by the municipality based on the Township’s 2024 capital plan.

Table 17:

**Forecast: Total Debt 2024-2034**



The chart above includes 2022-19 Nobleton Sewer Phase 3, for the construction of sewer works in the amount of \$4.5 million. This is a traditional serial debenture with a principal payment of \$300,000 a year plus interest of 4.45% for a maturity date of July 15, 2037. The payments are funded by benefiting property owners as part of the Nobleton Sewer Phase 3 project.

The projections also include an estimated debenture for 2025 for the Town Wide Recreation Centre of \$5 million at a rate of 3.7% amortized at 10 years. This will be confirmed based on development charges collected and whether the debt will be required to bring the development charge reserve for parks and recreation to a positive balance.

## Annual Reporting Requirements

# 2024 MANAGEMENT DISCUSSION AND ANALYSIS



The Director of Finance / Treasurer will determine the short- and long-term borrowing needs and report to Council annually on any outstanding debt balance, their use and measured to key financial indicators. Through the Capital Budget process, the Director of Finance / Treasurer will also seek Council approval on all new debt prior to works being formally undertaken and will advise Council of issuance of debt when it is appropriate.

The Corporate Debt Policy will be reviewed periodically and updated if necessary. Any required changes will then be submitted to Council for approval. Otherwise, the Corporate Debt Policy will be formally reviewed, at a minimum of every five (5) years from the date of the last review.

## CONCLUSION

In consultation with Council, the Senior Leadership Team and staff will continue to present a well-balanced annual budget and additional financial strategies to provide a fiscally responsible outlook for the Township of King.

Some of the principles staff take into consideration in developing its fiscal strategies are flexibility, transparency, governance, and reliability.

The overall Fiscal Strategy is intended to guide the financial policies and corporate strategies to ensure the goals and objectives of the Corporate Strategic Plan are achievable over the long-term.