

2025 Financial Statements 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 (the “Town”);
- Newmarket Public Library;
- The Main Street District Business Improvement Area (“BIA”);
- The Town’s proportionate share of the joint venture with the Town of Aurora – Central York Fire Services

Newmarket Hydro Holdings Inc. is wholly owned by the Town of Newmarket. Through its subsidiary, Newmarket-Tay Power Distribution Ltd., it distributes electricity to homes and businesses in Newmarket, Midland, and Tay. The Town accounts for its investment in Newmarket Hydro Holdings Inc. using the modified equity method where the Town tracks its ownership and annual income as a single line of its financial statements.

Subsequent to year end, The Town of Newmarket and Tay Township signed a Securities Purchase Agreement with Alectra Inc. for the sale of Newmarket-Tay Distribution Ltd., by way of sale of the shares of Newmarket Hydro Holdings Inc. and Tay Hydro Inc.

2025 Financial Highlights

	2025	2024	Change
Financial position	\$ 857,679,887	\$ 803,149,231	\$ 54,530,656

Financial position is the amount by which assets exceed liabilities. A positive balance indicates the Town can meet debt obligations and set funds aside for long-term sustainability. This balance continues to rise year-over-year, reflecting ongoing efforts to build assets and reduce liabilities. The 2025 increase is primarily due to increased Tangible Capital assets.

	2025	2024
Capital reserves as % of accumulated amortization	27.3%	26.6%

This ratio shows reserve funding for future asset replacement relative to accumulated depreciation. A 1.0% tax levy increase to Asset Management Reserve Funds was approved in 2025. This increase was partially offset by in-year capital spending.

	2025	2024	2025 BMA Study ¹
Taxes Receivable as % of total taxes levied (including York Region and School Board)	8.6%	7.1%	8.6%
Asset consumption ratio	41.3%	41.6%	42.8%
Debt service costs as a % of own source revenues	1.4%	3.2%	4.2%

Taxes receivable as a percentage of total taxes levied is an indicator of economic conditions and taxpayers' ability to pay. The increase from 2024 reflects higher year-end taxes receivable relative to total taxes levied. Equifax's Q4 2025 Market Pulse report noted that consumer debt rose by about 3% from 2024, while Canadian insolvencies reached their highest level since 2009, largely due to higher mortgage renewal costs and ongoing cost-of-living pressures.

Asset consumption ratio measures how much of the Town's tangible capital assets have been used, calculated as accumulated amortization as a percentage of the gross cost of depreciable assets. The ratio highlighted the aged condition of the Town's assets and potential replacement needs. Higher ratios can signal greater renewal pressure. 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.

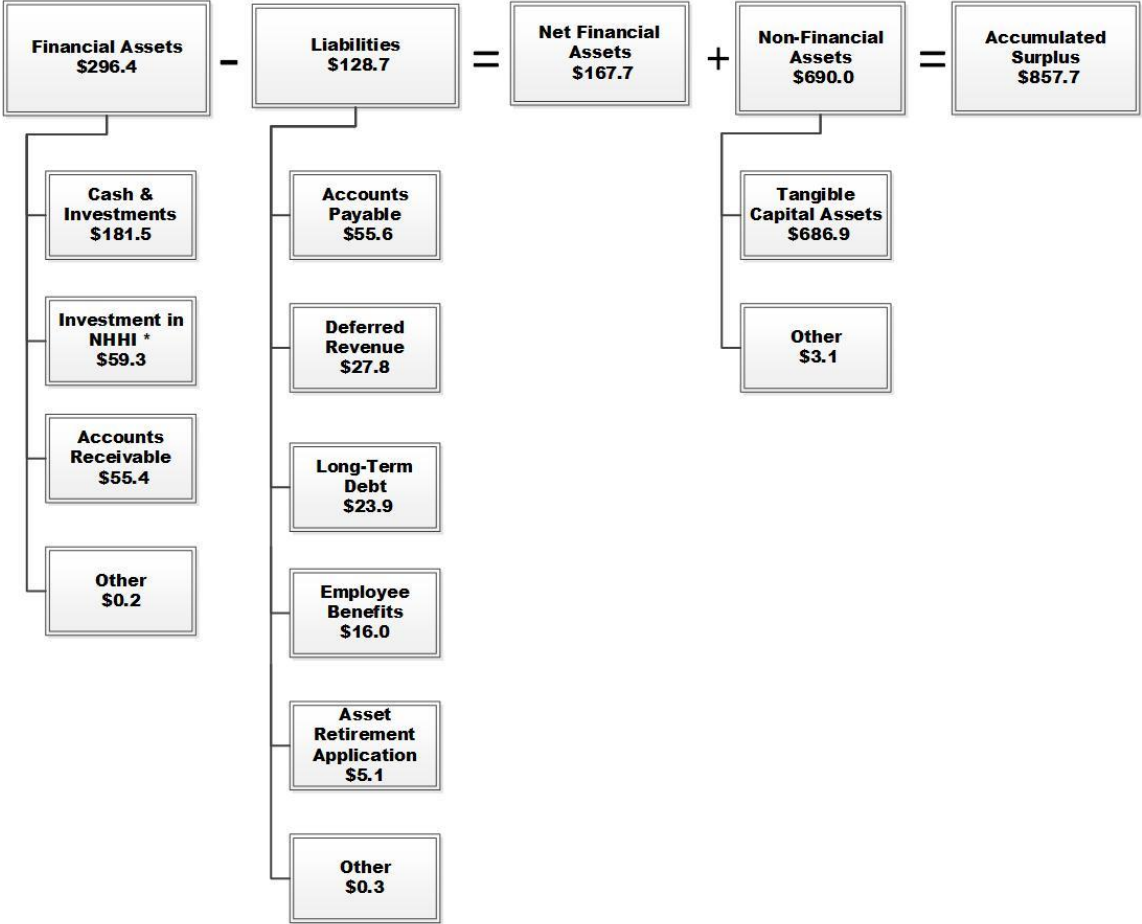
The debt service cost ratio shows the share of the Town's own-source revenue used for principal and interest payments. The province limits municipal borrowing through the Annual Repayment Limit (ARL), set at 25% of own-source revenues under Ontario Regulation 403/02. Although this is the legislative maximum, municipalities and credit rating agencies generally use more conservative benchmarks. In practice, debt servicing costs are typically kept below 10% of own-source revenues as a prudent affordability measure. The lower ratio in 2025 reflects debt that matured or was fully repaid during the year.

¹ BMA Management Consulting Inc. (BMA) annually completes a municipal comparative study on behalf of participating Ontario municipalities

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.

Financial Assets

The Town’s cash position is closely managed and remains sufficient, when combined with short-term and long-term investments, to meet ongoing cash requirements. Management considers highly liquid investments with maturities of three months or less to be cash equivalents.

Cash & investments

The year-end cash position decreased by \$28.7 million from \$98.3 million (2024) to \$69.7 million (2025), while investments increased by \$8.5 million from \$103.3 million (2024) to \$111.8 million (2025).

The decrease in cash is primarily attributable to increased expenditures related to the Mulock Park capital project, and lower development charge collections due to soft development market conditions.

The investment is primarily driven by unrealized capital gains on principal protected notes (PPNs), reflecting a rise in market value at year end without sales or maturations.



Receivables

Town receivables increased by \$8.9 million from 2024, primarily due to higher outstanding balances at year-end resulting from the timing of billings and collections.

Financial liabilities

Accrued liabilities

Accrued liabilities increased by \$7.6 million from 2024, mainly due to higher construction holdbacks related to the Mulock Park capital projects. Holdbacks are amounts withheld from contractor payments until project milestones are met or the work is substantially complete, at which point the funds are released.

Deferred revenue

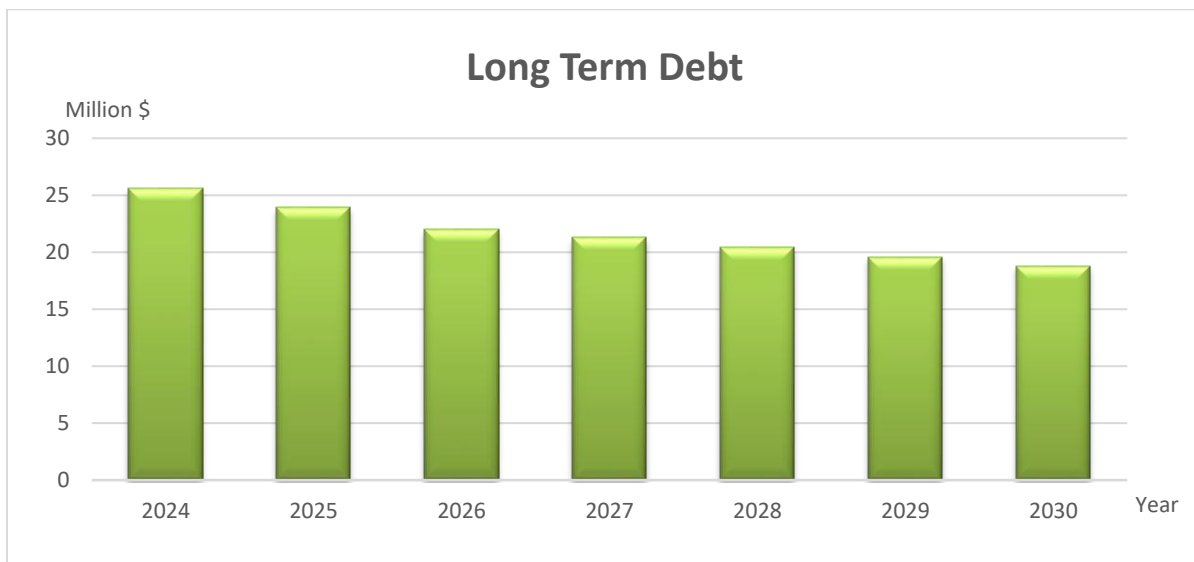
Deferred revenues are recognized as liabilities until the related funds are spent or used for their intended purpose. Major sources include development charges, building permit revenues, the Canada community building fund, parkland cash-in-lieu, and engineering administration revenues.

Deferred revenues totalled \$27.8 million (2025) compared to \$37.3 million (2024). The decrease is primarily due to lower development charge collections and higher capital spending.

Long-term debt

The Town's [Debt Management Policy](#) establishes the criteria for borrowing, with debt financing generally used for capital expenditures when other funding sources are not available. The policy sets a servicing limit (principal and interest) at 10% of the Town's own source revenues, which is below the ARL (25%) set by the Province.

In 2025, the Town's actual debt servicing cost as a percentage of own source revenues was 1.4% (2024 – 3.2%). The decrease is primarily due to the repayment of certain debt obligations during the year. Total debt represents 4.0% of the net book value of the Town's tangible capital assets (2024 – 4.5%). Based on an assumed annual interest rate of 3% and a 20-year term, the Town has additional estimated borrowing capacity of \$272 million while remaining within its 10% debt servicing limit.

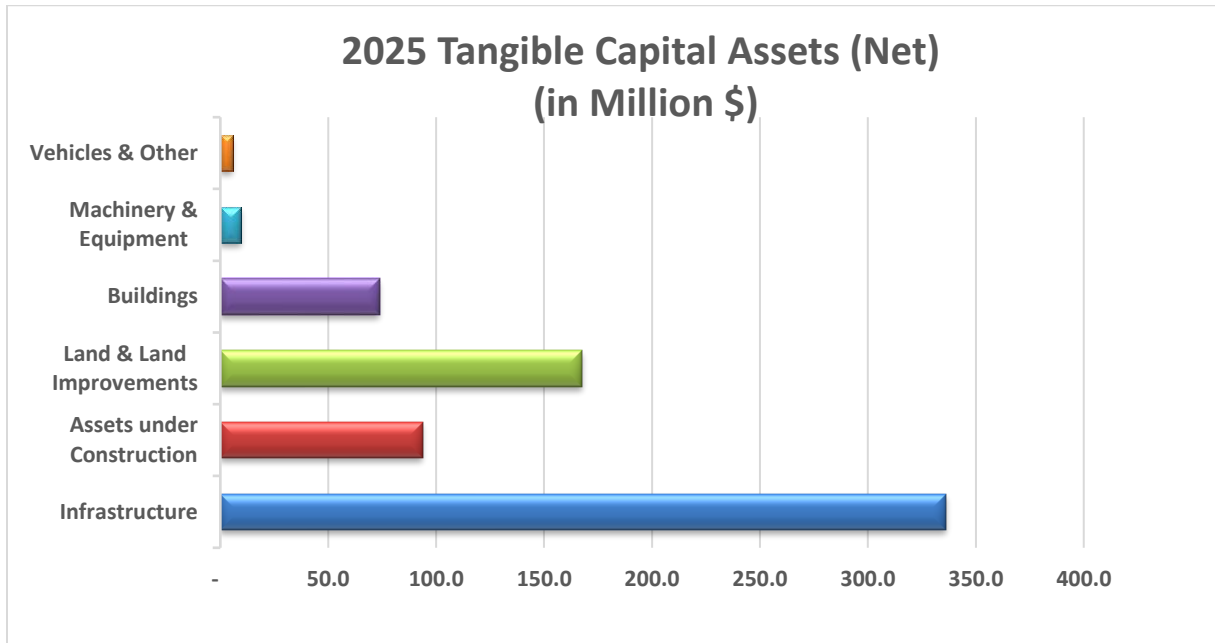


The table shows a gradual decline in long-term debt over the forecast period, reflecting scheduled debt repayments.

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 reported net financial assets of \$167.7 million at year-end (2024 – \$175.4 million), a decrease of \$7.7 million. This balance is calculated as total financial assets less liabilities and represents the resources available to fund future operations.

Non-financial assets



Tangible capital assets (TCA) are reported at net book value (historical cost less accumulated amortization). TCA cost includes expenditures directly attributable to the acquisition, construction, development, or betterment of the asset.

TCA (net of amortization) increased by \$62.3 million, from \$624.6 million in 2024 to \$686.9 million in 2025. The increase reflects continued investment in major capital projects, including Mulock Park and House, the Queen Street bridge replacement, Haskett park and trail improvements, road and underground infrastructure replacements, and facility upgrades.

The approved 2025 capital budget totalled \$74.6 million and was subsequently revised to \$101.4 million during the year to reflect timing changes and the acceleration of certain projects. Total capital spending in 2025 was \$78.6 million, representing 77.5% of the revised budget.

Accumulated surplus

The Town's accumulated surplus for the 2025 fiscal year was \$ 857.7 million (2024 – \$803.1 million). Accumulated surplus represents the Town's overall financial position. The Town's accumulated surplus is comprised primarily of its net investment in tangible capital assets, equity in Newmarket Hydro Holdings Inc., as well as reserves and reserve funds set aside for specific purposes, with the remaining balance available to support ongoing operations and future priorities. It reflects the resources available to support future service delivery but does not represent cash available for spending.

The Town and Tay Township signed a Securities Purchase Agreement with Alectra Inc. for the sale of Newmarket-Tay Power Distribution Ltd., by way of sale of the shares of Newmarket Hydro Holdings Inc. and Tay Hydro Inc. This transaction is subject to regulatory review and approval by the Ontario Energy Board (OEB). The closing of the transaction is expected to occur in late 2026 or early 2027, contingent upon receiving OEB approval.

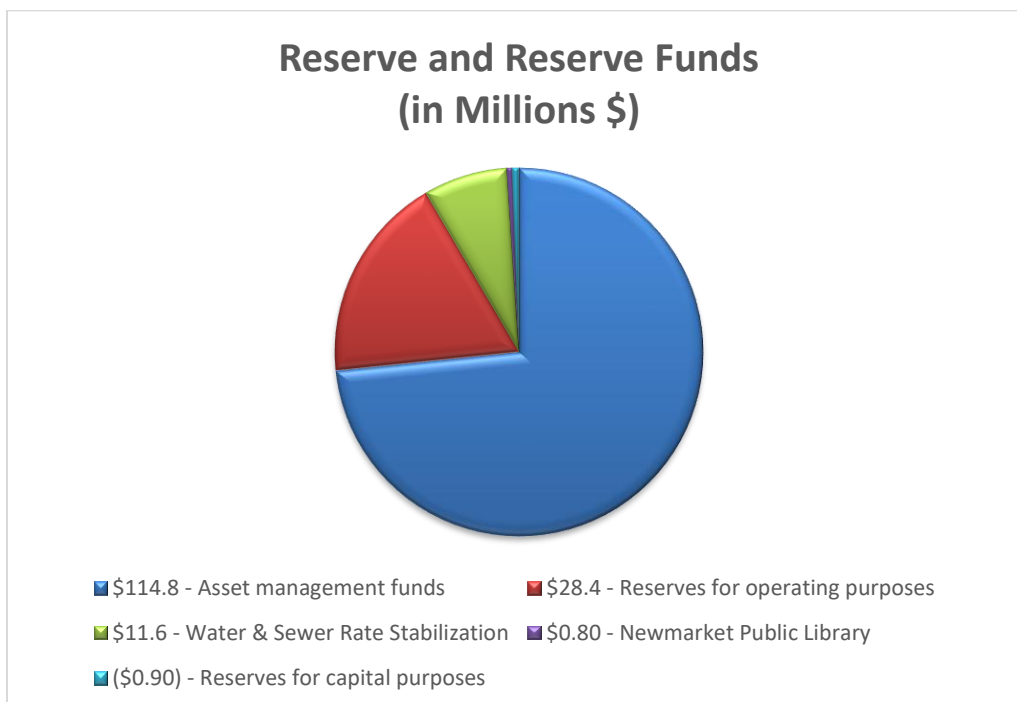
Accumulated Surplus Components	2025	2024
Investment in tangible capital assets	\$ 686,930,066	\$ 624,619,971
Reserve and reserve funds	154,701,476	149,902,328
Newmarket Hydro equity investment	59,340,267	59,363,902
Long-term debt	(23,966,925)	(25,629,979)
Unfunded liabilities (employee benefits)	(7,382,754)	(5,430,698)
Other (operating surplus, capital fund)	(11,942,243)	323,707
Total Accumulated Surplus	\$ 857,679,887	\$ 803,149,231

Reserve and Reserve Funds

Reserves and reserve funds provide for the future replacement of Town assets and help address anticipated and unforeseen obligations, while also minimizing fluctuations in tax and utility rates.



The Town's total reserves and reserve funds were \$154.7 million at the end of 2025, compared to \$149.9 million in 2024. The \$4.8 million increase reflects contributions of \$46.3 million, partially offset by capital and operating draws of \$41.5 million for asset replacement projects, including Hillview Drive reconstruction, Bristol Road watermain lining, Millard/Church reconstruction, Mulock Park, and other general capital works such as network infrastructure upgrades and software updates.



Asset management funds totalled \$114.8 million at the end of 2025 (2024 – \$103.7 million). This increase reflects the Town’s ongoing commitment to annually enhance asset management contributions to help address the infrastructure funding needs of the future.

A review of the Town’s asset management reserve funds was undertaken to assess long-term asset replacement requirements and evaluate how current contribution levels compare to these needs. A 1.0% capital levy was implemented in 2025 to support this strategy.

Consolidated Statement of Operations

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

Consolidated Statement of Operations	2025 (in millions \$)	2024 (in millions \$)
Revenues	\$ 218,109,040	\$ 212,651,959
Expenses	(168,246,021)	(158,111,456)
Income from NHHI*	1,308,422	2,799,827
Gain/(loss) on tangible capital assets	(1,286,316)	12,969
Gain/(loss) on foreign exchange	(367,133)	376,001
Annual Surplus	\$ 49,517,992	\$ 57,729,300

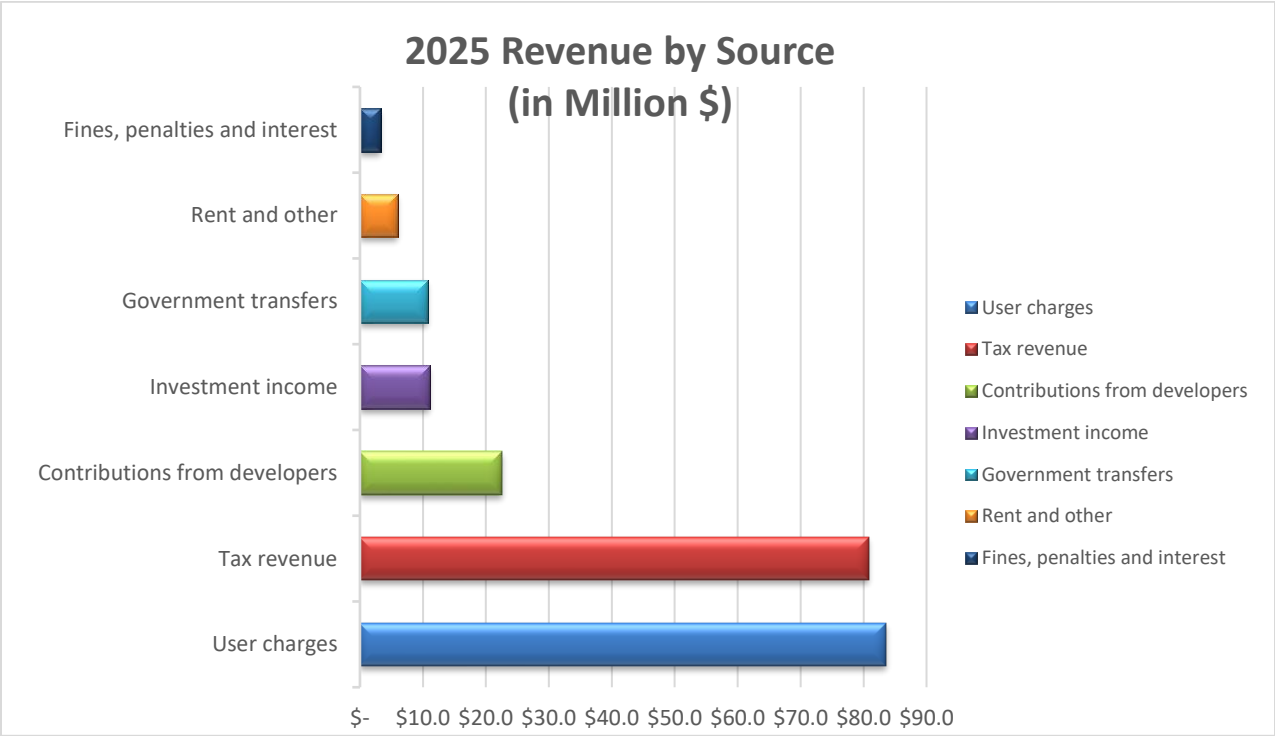
*Newmarket Hydro Holdings Inc.

Revenues

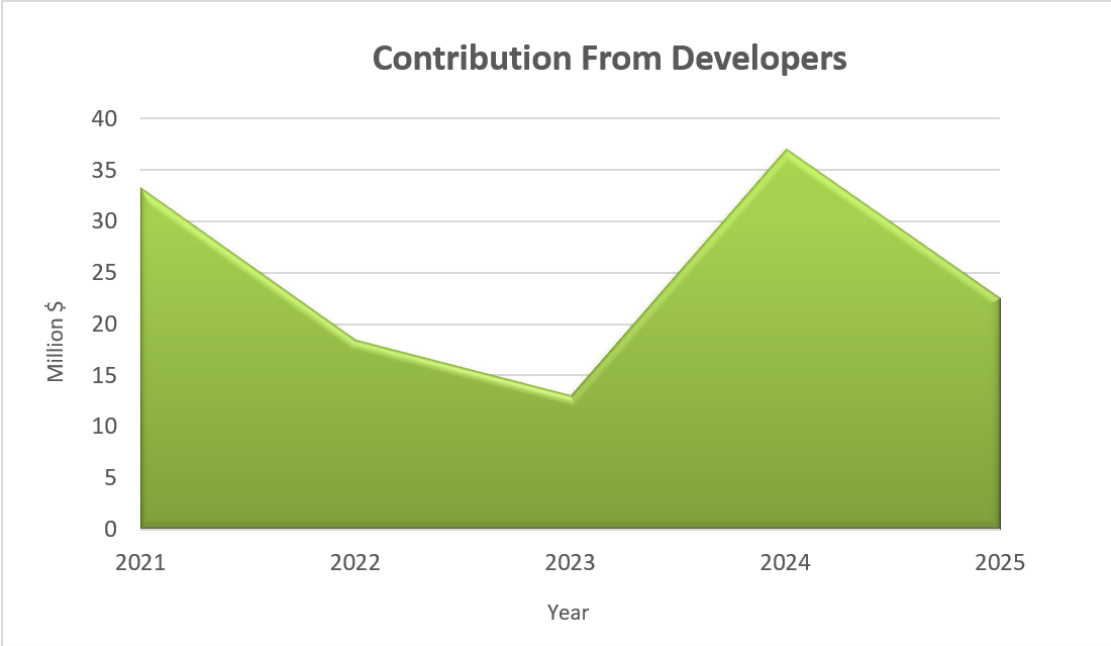
The Town pays for services it delivers through a variety of revenue streams.

Revenue highlights for 2025 included:

- User charges were \$83.6 million (2024 - \$70.9 million) which is \$12.7 million higher than in 2024. The charges include water, wastewater, and stormwater revenues, recreation program revenues, license fees, fines from automated speed enforcement and building permit fees. Fees and charges increased on average by 2.5% in 2025.
- In 2025, Water and Wastewater rates increased on average by 3.5% for residential customers in accordance with the [10-Year Financial Plans \(2023-66\)](#). This equates to a \$49 increase annually (based on annual water consumption of 200 cubic meters).



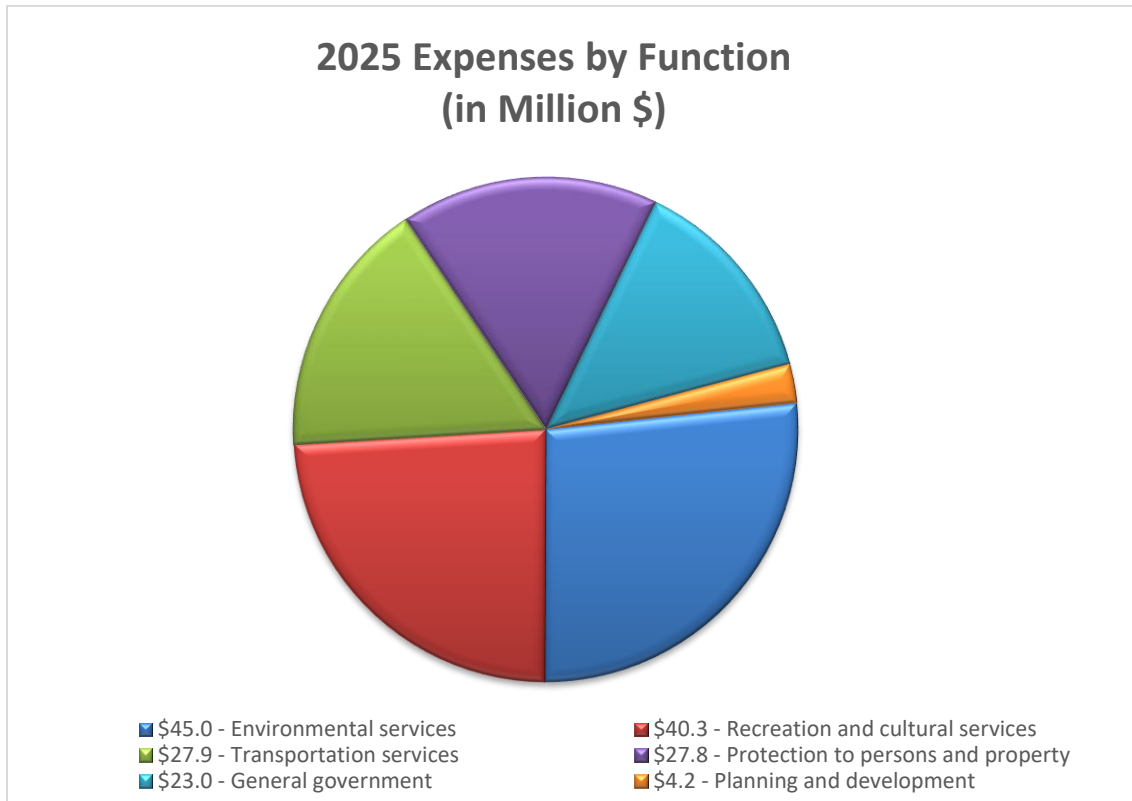
- Stormwater rates increased by 3.8% in accordance with the 10-Year Financial Plans, the increase was \$6.85 based on a 465 square metre lot.
- Property taxes were \$80.9 million (2024 - \$77.9 million) increased by \$3.0 million. The percentage of revenue from property taxes is 38% of total revenues (consistent with prior years). Property taxes are the major funding source to support the tax-supported operating budget.
- Contributions from developers totalled \$22.6 million in 2025, making a \$14.5 million decrease from \$37.1 million in 2024. This funding supported several capital projects including Mulock Park, Haskett Park Breathing Space, Shining Hill Tennis, and assumed assets, which are infrastructure assets constructed by developers and transferred to the Town upon completion.



- Investment income was \$11.1 million in 2025 (2024 - \$12.2 million) down \$1.1 million from 2024. The decrease reflects lower bank interest rates, which declined to 2.95% at the end of 2025 from 4.13% at the end of 2024. The Town’s investment portfolio also includes non-traditional investments, such as a loan to a user group for solar panel installations, and an energy retrofit project.
- Government transfers were \$10.8 million (2024 - \$8.9 million) which is \$1.9 million higher than in 2024. The increase in 2025 reflects funding received through the Road Safety Initiative Fund and higher contributions from the Canada Community-Building Fund to support the Mulock House Adaptive Re-use capital project.
- Rent and other were \$6.0 million (2024 - \$2.6 million) which is \$3.4 million higher than 2024, mainly due to contributions from York Region for Mulock Drive Multi-Use Pathway capital project, and higher contributions to reserve due to Workplace Safety and Insurance Board (WSIB) rebates.
- Fines, penalties and interest were \$3.3 million in 2025, a \$0.2 million increase comparing to 2024 - \$3.1 million.

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.



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:

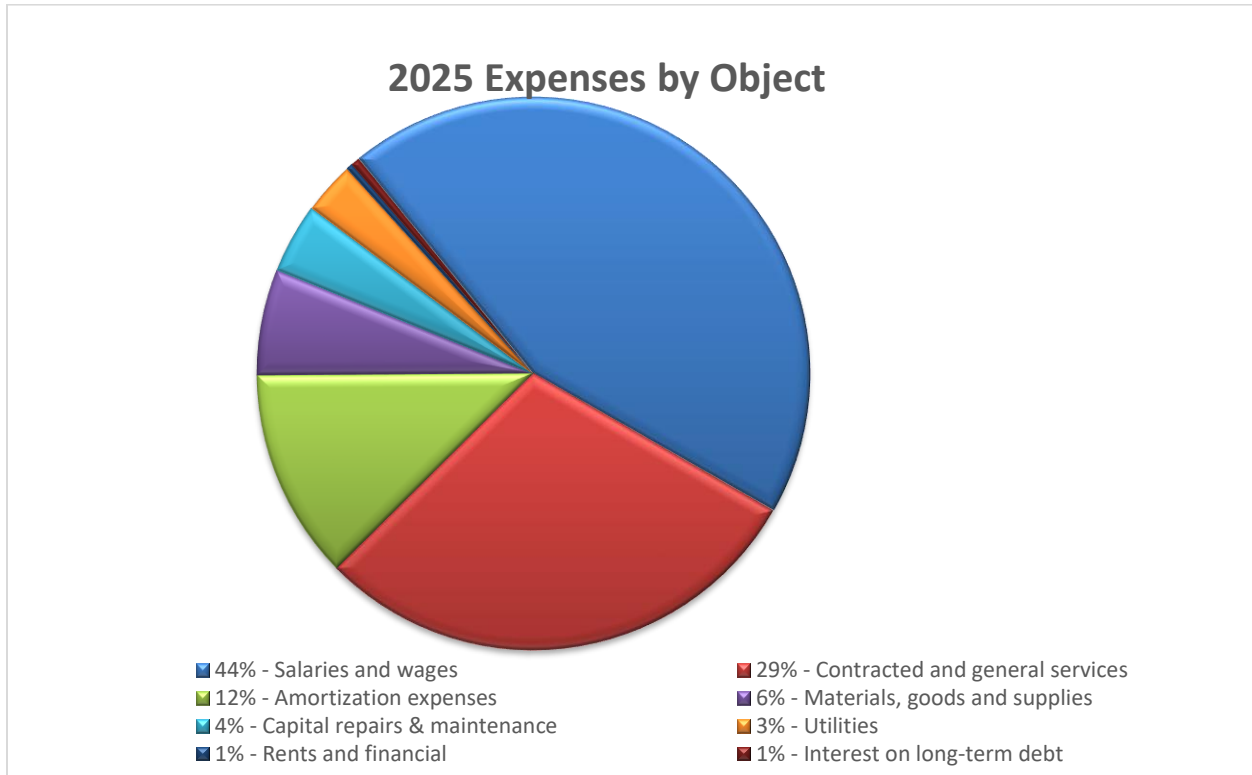
Water and Wastewater Services, and Solid Waste Collection

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 39-40) shows a breakdown of these costs by service bundle.

Total expenses in 2025 were \$168.2 million (2024 - \$158.1 million), an increase of \$10.1 million over 2024.

- Salaries, wages, and benefits accounted for 44% of the total expenses. 2025 Salary expenditures included staffing costs to support the Automated Speed Enforcement (ASE) program that was implemented in late 2024. The program was discontinued by the Province in November 2025.
- Contracted and general services increased by \$3.7 million compared to 2024, primarily due to higher costs for legal consulting, ASE operations, a land purchase, sidewalk rehabilitation and maintenance work, and special events.
- Amortization (or depreciation) increased by \$0.5 million compared to 2024. The year-over-year increase in amortization expense reflects the continued investment in infrastructure.

- Materials, goods, and supplies increased by \$0.7 million compared to 2024, primarily due to higher costs for winter control materials (salt and sand), park improvements, and various minor equipment repairs and replacements.

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.
- keep municipal taxes low while maintaining 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.

To navigate emerging economic uncertainty, including the volatility and projected reduction of Development Charge (DC) revenue, the Town is currently updating its Fiscal Strategy. This proactive update will safeguard the Town's strong financial foundation and ensure long-term resilience.