

MANAGEMENT REPORT

Date: April 22, 2025
To: Finance and Labour Relations Sub-committee
From: Michael Koktan, CPA, CA, Manager of Financial Services
Report Number: FIN25-011
Attachments: Fourth Quarter 2024 Operating Variance Report

Title: Preliminary 2024 Year-End Results

Objective: To highlight anticipated 2024 year-end results and variances.

Background: Regular monitoring of budgetary performance provides early warnings of potential problems and flags areas requiring attention, allowing decision-makers time to address significant budget deviations.

This report is an early estimate of the ending 2024 position, noting there are still many year-end adjustments underway.

Analysis: The attached variance summary is preliminary, as Finance staff continue to process 2024 year-end transactions. The overall operating surplus for the year is \$3.9 million, primarily due to \$3.25 million in proceeds from a land sale and salary variances from staffing vacancies. A subsequent report will follow to seek direction from Council on the distribution of these proceeds (ie: transferred to a reserve for future use). This will adjust the forecasted surplus to < \$1 million.

The forecasted variance represents department and Finance staff's preliminary estimate of the final surplus position, including planned year-end journal entries.

The allocation of the surplus will be consistent with the reserves and reserves fund policies.

Detailed commentary on each of the departments' variances is in the attachment with this report. A high-level departmental overview is discussed below.

Mayor, Council, Committees

Lower expenses on special events and strategic priorities have resulted in a surplus of \$87,624.

Chief Administrative Officer

The department has tracked close to budget with no significant variance being incurred.

Human Resources

Higher than expected legal fees have resulted in a deficit of \$71,550 for the department. Due to employee-related matters and collective bargaining costs.

Corporate Services (Finance, Taxation, Clerks, Information Technology)

Overall, the department projects a surplus.

Finance/General: The primary driver of the surplus is the \$3.25 million realized from the land sale that occurred in the year. Other contributing factors include supplementary tax revenues, increased investment income, a higher than anticipated payment from Festival Hydro, and lower-than-anticipated tax write-offs. The 2024 budget anticipated leaning on the tax stabilization reserve (prior year surpluses) to augment revenues, however this was not required and will remain in the reserves for use in subsequent years.

Clerks: Surplus of \$57,777 realized due to timing differences with staff changes. Two positions filled at the end of Q4 with one full time position remaining vacant. In addition, training expenditures are lower than expected due to staff turnover and competing priorities.

IT: All amounts spent are charged back to divisions. No variance anticipated.

Building and Planning Services

Building Division permit revenue is tracking higher than budget but any surplus or deficit is managed through the reserve fund so there will be no levy impact.

Staffing challenges in the Planning Division have resulted in salary under-spending, but this has been offset by higher than budgeted consulting costs, the result of these staffing challenges.

Wage adjustments yet to be completed have significantly contributed to a \$217,000 surplus in the By-Law department. This will likely be reduced once final entries are completed.

Infrastructure Services

The Infrastructure Services Department as a whole, is within budget. The \$75,419 deficit in the Fleet Division is being driven by a delay in the delivery of fleet purchases which has resulted in higher than anticipated repairs and maintenance costs.

Fire and Airport

Staffing vacancies, and under-budget contractor expenses from delayed dispatch implementation, have contributed to the Fire Department surplus. Year-end payroll accruals are pending, with no significant overall variance anticipated once these are recorded.

Community Services

Community Services is forecasting a \$1.06 million surplus, resulting from significant variances in City Buildings, Facilities, and Transit. These variances are driven by higher rental and lease revenue combined with lower hydro costs in City Buildings, increased online ice bookings in Facilities, along with higher fare revenue and lower part-time salary costs in Transit.

Social Services

Social Services is forecasting a \$330,000 deficit, resulting from unbudgeted City Homelessness response costs, increased building maintenance fees and escalated food costs at the Day Care, and increased property taxes and repair expenses for the Perth & Stratford Housing Corporation.

Police

The department is expected to track to budget as any surplus or deficit is balanced via the Police reserve fund.

Library

The Library is expected to track to budget as any surplus or deficit is balanced via the Library reserve fund.

Conclusion

Year-end forecasts are noted in the attached. Staff is currently forecasting an operating budget surplus of less than \$1 million. Based on the total budgeted expenditures, this represents less than 1%. This projected operating surplus is still subject to change based on year-end entries.

According to the Reserve and Reserve Fund policy, any unallocated year-end surplus will flow to the Tax Stabilization Reserve. This reserve stabilizes or mitigates subsequent year budget increases from timing differences or unanticipated in-year variances, ensuring surpluses benefit taxpayers in future years.

Financial Implications:

Financial impact to current year operating budget:

2024 activity does not impact the 2025 or subsequent operating budgets except to the extent that prior year surpluses are often utilized to mitigate rising expenditures. This report is for information only. If a final surplus results from the accounting currently underway, it will flow into the tax stabilization reserve for future use.

Alignment with Strategic Priorities:

Not applicable: This report is a summary financial report for informational purposes and does not directly align with any specific Strategic Priority. It does however provide benefit by offering insight into overall operational performance and supports informed decision-making.

Alignment with One Planet Principles:

Not applicable: As this report is being prepared for informational purposes, the One Planet Principles do not apply.

Staff Recommendation: THAT the report titled, "Preliminary 2024 Year-End Results" (FIN25-011) dated April 22, 2025, be received for information.

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