



Report

Subject: 2024 Fourth Quarter Operating Fund Variance Report

Department: Corporate Services

Division: Finance

Report #: CPS-2025-030

Meeting Date: 2025-05-12

Recommendations

That report CPS-2025-030 regarding the 2024 Fourth Quarter Operating Fund Variance be received; and

That staff allocate 2024 operating budget surpluses and fund deficits in accordance with the Corporate Operating Budget Surplus Allocation and Deficit Funding policy.

Overview and Background

The purpose of this report is to provide Council with a summary of the preliminary operating position for the 2024 budget year and includes commentary relating to significant variances that have been identified in the property tax supported budget, water and wastewater budgets, and self-funded programs (Building and Cemetery). This report and the explanations provided are intended to highlight insights for Council awareness. It should be noted that these results are preliminary and subject to change as staff work through the final year-end entries and audit process.

The 2024 consolidated operating budget position resulted in a total surplus of \$6.76 million. The following table outlines the operating budget position according to funding source:

	Variance	% of Tax / User Rate / Self-funded revenue
Property Tax Supported Budget (excluding Police)	\$4.604	13.3%
Police Services	0.543	12.4%
Library Services	0.104	4.7%
Water Services	0.445	5.7%
Wastewater Services	1.128	16.6%
Building Services	(0.143)	(31.8%)
Cemetery Services	0.081	81.9%
	\$6.763	

There are a number of factors contributing to 2024 variances that are considered one-time in nature and are not anticipated to continue into 2025 or future years. Other factors that had a sustainable impact on operating budgets were captured during the development of the 2025 operating budget, to the extent known. Details regarding operating variances by source are provided in the body of this report.

As part of the audit and financial statement preparation process, staff will finalize surplus and deficit amounts for the operating budgets identified in the table above. Once finalized, staff will allocate surpluses and fund deficits in accordance with the new Corporate Operating Budget Surplus Allocation and Deficit Funding policy on today's Council meeting agenda, subject to Council approval of the policy.

Analysis/Current Situation

The 2024 preliminary consolidated operating budget position shows an overall favourable variance of approximately \$6.76 million, primarily due to higher than planned revenues including interest income, and lower than planned expenditures across various divisions. Table 1 below summarizes the annual operating fund results by broad category.

Table 1 – 2024 Q4 Preliminary Operating Fund Variance

\$ Millions	Actuals \$	Budget \$	Variance \$	Variance %
Revenues	(\$70.34)	(\$67.57)	\$2.77	4.10%
Expenses	54.77	58.91	4.14	7.03%
Internal Transfers	8.81	8.66	(0.15)	(1.73%)
Total Operations	(\$6.76)	\$0.00	\$6.76	

For reference, revenues higher than budget and expenses less than budget result in a positive (+) or favourable variance, and revenues less than budget and expenses higher than budget result in a negative (-) or unfavourable variance.

Consolidated annual revenues were \$2,771,977 higher than the 2024 budget forecast. Revenues represent approximately 104% of the annual budget and were 5% higher than revenues in 2023.

Consolidated annual expenditure was \$4,140,387 lower than the 2024 budgeted allocation. Expenditures represent approximately 93% of the annual budget and were 2% higher than expenditures in 2023.

Consolidated annual internal transfers were \$149,591 higher than the 2024 budgeted allocation. Internal transfers represent approximately 102% of the annual budget and were 14% higher than the internal transfers in 2023.

Attachment 1 “2024 Fourth Quarter Operating Fund Variance by Division” provides a comparison of the actual operating results to the operating budget allocations for the year ended December 31, 2024, by division. Significant variances that are greater than 15% or \$100K are described below:

1. Property Tax Supported Budget:

- \$120,949 **Committees** – This favourable variance was due to lower levels of spending across the majority of board, committee, and task forces, including the recent dissolution of the Homelessness Task Force, Honours Committee, and Equity, Diversity and Inclusion Committee. Through the 2025 budget process, board, committee, and task force budgets were reviewed to align with their approved workplans. Therefore, it is not anticipated that significant underspending will continue past 2024.
- \$69,736 **By-Law** – This favourable variance was primarily driven by an additional \$79K in revenue from POA funds and cost recoveries. Other minor variances had an offsetting effect on this position.
- \$2,845,029 **Corporate Allocations** – This positive variance was driven by the following significant variances:
- \$1.659M more in interest income due to elevated interest rates
 - \$561K more in ORDC interest income due to elevated interest rates
 - \$811K less in debt charges due to timing of debt issuance. Debt is anticipated to be issued in 2025, and the budget capacity will be used for those issuances
 - Supplementary taxes collected were \$441K below budget, partially offsetting this position.

\$116,374	Finance – This favorable variance was mainly attributable to lower compensation expenditures which were due to temporary vacancies totaling \$126K. Other minor variances had an offsetting effect.
\$79,537	Crossing Guards – This favorable variance was mainly attributable to lower compensation expenditures which were due to position vacancies totalling \$72K.
(\$126,034)	Recreation and Events – This unfavorable variance was largely attributable to aquatic programming, as Alder Recreation generated \$290K less in revenue in that service. This was partially offset by an additional \$140K in aquatic revenue from Tony Rose, along with a modest positive impact from summer camp program registration, which brought in \$22K more than forecasted.
\$103,530	Library – This favourable variance was attributable to the following sources: <ul style="list-style-type: none"> • \$55K more in administrative fee revenue (i.e. non-resident fees, cost recoveries) • \$34K less for compensation expenditure due to full-time position vacancies • \$10K less for expenditure related to facilities management
\$1,196,257	Public Works – This favourable variance was attributable to the following sources: <ul style="list-style-type: none"> • \$482K less for sanding/salting (this was primarily due to a change in accounting practice where salt and sand are now inventoried, resulting in a one-time variance.) • \$176K less for resurfacing and patching • \$162K less for catch basin, curbs, and storm sewers • \$135K less for snow removal • \$97K more in external cost recoveries • \$77K less in compensation expenditure due to • \$43K less for sidewalk maintenance
\$83,883	Capital Works – This favorable variance was primarily attributable to lower compensation expenditures which were due to full-time position vacancies totalling \$91K. Other minor variances had an offsetting effect on this position.
\$543,683	Ontario Provincial Police – This favourable variance was primarily driven by an additional \$511K in unbudgeted grant revenue.

2. User Rates/Self-Funded Budgets (no levy funding):

- (\$142,790) **Building** – This unfavourable variance was primarily driven by lower building permit revenues which were \$179K below forecast. This position was offset by lower compensation expenditures of \$18K, and jointly lower expenditures for service agreements and computer operation of an additional \$18K.
- \$444,787 **Water** – This favourable variance was attributable to the following sources:
- \$165K more in administrative revenues, primarily related to water billing
 - \$111K less in compensation expenditure
 - \$109K less for outside services for meters and conservation
 - \$65K less for fleet management
- \$1,128,210 **Wastewater** – This favourable variance was attributable to the following sources:
- \$613K of additional eligible debt service cost recoveries from development charges as set out in the 2024 Development Charge Study
 - \$248K more in cost recoveries at the Water Pollution Control Plant
 - \$197K less in compensation expenditure due to full-time position vacancies
 - \$94K less for software agreements under SCADA

Corporate Implications

Preliminary results show a favourable variance of approximately \$6.76 million for the year ending December 31, 2024. The final 2024 financial position will be determined once final year-end entries are recorded and the audit is complete, currently anticipated for June. Should the Town's final 2024 position result in a surplus, it will be allocated based on the Corporate Operating Budget Surplus Allocation and Deficit Funding Policy on the June 9 Council meeting agenda, subject to Council approval of that policy.

Based on the preliminary results included in this report, and subject to Council approval of the Corporate Operating Budget Surplus Allocation and Deficit Funding Policy, 2024 fiscal results would be allocated to reserves as follows:

Reserve	Target Balance	Current Balance	Difference	Allocation of 2024 surplus/ (funding of deficit)	Ending Balance
Stabilization Reserves					
Tax Stabilization Reserve	\$4,189,540	\$936,907	\$3,252,633	\$3,252,633	\$4,189,540
Water Stabilization Reserve	\$1,164,000	\$1,164,000	\$0	\$0	\$1,164,000
Wastewater Stabilization Reserve	\$1,022,000	\$1,022,000	\$0	\$0	\$1,022,000
Building Reserve	\$200,000	\$118,993	\$81,007	(\$142,790)	(\$23,797)
Cemetery Reserve	\$28,000	\$20,772	\$7,228	\$7,228	\$28,000
Capital Reserves	note: capital reserves have a contribution target not a balance target				
General Tax Supported Reserve				\$1,999,240	
Water Capital Reserve				\$444,787	
Wastewater Capital Reserve				\$1,128,210	
Cemetery Capital Reserve				\$73,464	
Subtotal				\$6,762,772	

It should be noted that the 2024 financial results presented in this report are preliminary and subject to change as staff work through the final year-end entries and audit process. As a result, final reserve allocations identified in the table above may be slightly different than presented in this report.

The deficit for the Building reserve will be provided for in the 2026 budget, if required.

Strategic Alignment

Strategic Plan

Strategic Goal: Future-Readiness

Objective: Due Diligence

Notice Provisions

Not Applicable

Respectfully submitted by

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Attachment(s): 1. 2024 Fourth Quarter Operating Fund Variance by Division