

Staff Report



Financial Services Department

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REPORT TO: Committee of the Whole

DATE OF MEETING: April 7, 2025

SUBMITTED BY: Ryan Hagey, Director of Financial Planning & Asset Management

PREPARED BY: Debbie Andrade, Manager of Budgets

WARD(S) INVOLVED: All

DATE OF REPORT: March 5, 2025

REPORT NO.: FIN-2025-131

SUBJECT: 2024 Variance Report

RECOMMENDATION:

For Information

REPORT HIGHLIGHTS:

- The purpose of this report is to provide the yearend financial results for City operations
- Tax Supported Operations ended the year with a surplus of \$1,930,000
- Enterprise Operations ended the year with results that were \$15,186,000 better than budgeted
- This report supports the delivery of core services.

BACKGROUND:

This is the third and final formal variance report to Council regarding the City's financial performance versus the 2024 budget. The report and attached schedules include information regarding:

- Tax supported operating
- Rate supported enterprises/utilities, and
- Supplementary information related to investment income

REPORT:

The City's tax-supported operations ended the year with a surplus of \$1,930,000. Surplus funds are saved in the City's stabilization reserves for a future year when costs are higher or revenues are lower than expected. In that future year, the stabilization reserves will fund the resulting deficit and help avoid tax/utility rate increases. The major contributors to the overall positive variance are surpluses in Engineering, Planning, Debt Charges, Other Taxation, Penalties and Interest and Operations - Road and Traffic. These positive variances are offset in part by deficits in Sport, Corporate Communications, Economic Development, Gapping, Transfers to Reserves, Facilities Management and Parks & Cemeteries.

More details about each of the City's tax supported divisions are provided in the report below and in Schedule 1.

All of the City's enterprises (non-tax supported business lines) ended the year with results better than budgeted. More details about each of the City's enterprises are provided in the report below and in Schedules 2-8.

Operating Fund – Tax Base (Schedule 1)

The City ended the year with an operating surplus of \$1.93M in tax-supported operations. This result is 0.76% of budgeted expenditures which total \$255.7M. The table below shows the City has ended the year in a surplus position in all years since 2015 with the exception of 2020 and 2021 which were due to the economic realities of COVID-19.

Tax Supported Operations – Yearend Position

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Surplus/ (Deficit)	\$0.98M	0.94M	\$1.42M	\$1.73M	\$0.77M	(\$5.06M)	(\$4.65M)	\$1.23M	\$3.06M	\$1.93M

Significant variances (over \$200,000) are summarized below by division. Schedule 1 provides additional detail by including information for variances that exceed \$100,000 of the budget.

Significant Variances (over \$200,000)

Community Services Department:

- Sport had a deficit of \$571,000 due to higher than budgeted program costs and lower than budgeted revenues.

Corporate Services Department:

- Corporate Communications had a deficit of \$272,000 due to lower than budgeted advertising and sponsorship revenues as well as increased printing fees.

Development Services Department:

- Economic Development had a deficit of \$315,000 due to additional one-time funding in the grant to THEMUSEUM.
- Engineering had a surplus of \$772,000 due to higher than budgeted new subdivision revenue.
- Planning had a surplus of \$289,000 due to higher than anticipated revenues for site plans as well as zoning certificates.

General Expense:

- Debt Charges had a surplus of \$703,000 due to deferred timing of new debt issuance.
- Gapping had a deficit of \$1,835,000 due to lower than budgeted salary gapping.

- Other General expense had a surplus of \$221,000 due to lower than budgeted expenditures.
- Transfers to reserves had a deficit of \$277,000 due to higher than budgeted transfers to reserves.

General Revenues:

- Other Taxation had a surplus of \$1,516,000 due to increased PIL revenue from Conestoga College as well as decreased write-offs.
- Penalties and Interest had a surplus of \$2,448,000 due to higher than budgeted accounts receivable balances.

Infrastructure Services Department:

- Facilities Management had a deficit of \$898,000 due to increased security costs as well as increased building maintenance costs associated with city facilities.
- Operations – Roads and Traffic had a surplus of \$1,188,000 due to reduced winter maintenance costs resulting from unseasonably warm winter months.
- Parks and Cemeteries had a deficit of \$1,210,000 due to increased costs in the downtown core as well as higher than budgeted turf and sports field maintenance costs and unexpected trail repairs because of a wetter summer season.

Enterprises – (Schedules 2 to 8)

Enterprises as a whole ended the year better than budgeted. Final results for rate supported enterprises/utilities have been closed out to the appropriate reserves according to policy. Summary information about each enterprise is noted below, with more detailed information provided in the schedules attached to this report.

Building Enterprise (Schedule 2)

The Building Enterprise had a positive variance to budget of \$231,000 due to cost savings related to staff vacancies, which more than offset a shortfall in building permit revenues.

Golf Enterprise (Schedule 3)

The Golf Enterprise had a positive variance to budget of \$283,000 due to higher than budgeted green fee and golf cart rental revenues which is offset in part by increased operating costs associated with more frequent use of golf greens and extended operating hours.

Parking Enterprise (Schedule 4)

The Parking Enterprise had a positive variance to budget of \$648,000 due to increased monthly and daily use of parking and lower costs related to staffing and security.

Water Utility (Schedule 5)

The Water Utility had a positive variance to budget of \$4,716,000 due to increased volume of water sold as a result of the warmer weather and increased population, as well as cost savings from staff vacancies.

Sanitary Sewer Utility (Schedule 6)

The Sanitary Sewer Utility had a positive variance to budget of \$7,048,000 due to higher than budgeted revenues, which is consistent with increased volume sales also noted in the Water utility. Additionally, operating expenses were lower than budget due to staff vacancies and lower volume of sewer rebates.

Stormwater Utility (Schedule 7)

The Stormwater Utility had a positive variance to budget of \$984,000 due to higher revenues from increased development as well as savings from staff vacancies and contracted services.

Gas Utility (Schedule 8)

The Gas Utility (Total) had a positive variance to budget of \$1,275,000.

- Gas Delivery had a positive variance of \$1,635,000 due lower than budgeted operating expenses as a result of lower volume of gas sold and decreased contractor charges.
- Other Programs (Rental Water Heaters and KU Dispatch) had a positive variance of \$165,000 due to higher rental revenues and warranty recoveries.
- Gas Supply had a negative variance of \$525,000 due to lower than anticipated sales from warmer weather which was mostly offset by reduced operating expenses as a result of lower volumes of gas sold and favourable hedging strategies.

Investment Report (Schedule 9)

All investments were made in accordance with the City's investment policy. Short-term investment yields to date averaged 5.52% and were well above the average interest rate of 4.85% for all of 2023.

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

Final results for tax supported operations and rate supported enterprises/utilities have been closed out to the appropriate reserves. Surpluses increase the funds available in the reserve to offset future deficits, while deficits decrease funds available to deal with unanticipated funding needs.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

PREVIOUS REPORTS/AUTHORITIES:

- FIN-2024-404 June 2024 Operating Variance Report
- FIN-2024-512 September 2024 Operating Variance Report

APPROVED BY: Jonathan Lautenbach, Chief Financial Officer

ATTACHMENTS:

- Schedule 1: Statement of Operations – Tax Supported Services
- Schedule 2: Statement of Operations – Building
- Schedule 3: Statement of Operations – Golf
- Schedule 4: Statement of Operations – Parking
- Schedule 5: Statement of Operations – Water
- Schedule 6: Statement of Operations – Sanitary Sewer
- Schedule 7: Statement of Operations – Stormwater
- Schedule 8: Statement of Operations – Gas
- Schedule 9: Investment Report