



Council Report

Report Number: **CORP 2025-015**

Meeting Date: April 22, 2025

Title: **2024 Financial Year End Position**

Description: To provide 2024 Year End Status to Council and to seek deficit financing approval

Author and Title: Jessica Hood, Supervisor Budget and Financial Planning

Recommendation(s):

That Report **CORP2025-015 2024 Financial Year End Position**, be received; and,

That the 2024 Operating Deficit of \$1,139,474.10 be financed from the Tax Stabilization Reserve – uncommitted (1.32285 A 412430); and,

That Council approve the transfer of deferred grant revenue of \$56,155.26 to the following reserves as per Table C in Report CORP2025-015:

- Tax Stabilization – Economic Development (1.32285 A 331182) \$31,155.26
- Tax Stabilization – uncommitted (1.32285 A 412430) \$25,000.00

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

The purpose of this 2024 year-end report is to provide a financial overview of the City's operating results for the year ended December 31, 2024. The Operating Budget is predominantly (approximately 60 percent) financed through property tax revenue and user fees, which are used to support City service delivery.

The Operating Budget is segregated into the General and the Area rated services. The audited 2024 financial statements will be presented to Council in Quarter Two.

Area rate levies ceased in 2024 for streetlights, parks, and fire. At the Council meeting held July 23, 2024, the following motion was approved:

CR2024-403

Moved By Councillor Ashmore

Seconded By Deputy Mayor McDonald

That Report CORP2024-019, **Special Rate Area (SRA) Update**, be received, and;

That Street Lights, Parks and Fire be moved from the Special Rate Area Tax Levy to the General Rate Tax Levy, and

That the Special Rate Area Reserves be transferred to the General Tax Stabilization Reserve for the following and closed:

Lindsay Parks Special Rate Area Reserve of \$254,889.74

Fire Special Rate Area A Reserve of \$1,543.89

Fire Special Rate Area C Reserve of \$22,192.71

Carried

Therefore, this 2024 year-end allocates the remaining services, being, police and transit as area rated.

Water and Wastewater fees collected from residents and businesses support the operation, maintenance and repair of the water and sanitary systems; these financial results are included in the Water & Wastewater Fund.

Kawartha Lakes Haliburton Housing Corporation is also included in this surplus disposition report.

Overall, in 2024, the Canadian economy returned to a 2 percent inflation mid-year and lowered to 1.8 percent by year-end (down from 2.9 percent at the beginning of 2024).

The Bank of Canada lowered the interest rate mid-December 2024 to 3.25 percent in its commitment to maintain price stability by keeping inflation close to the 2 percent target. The City's minor deficit represents the services delivered, generally within budget, given the economic factors.

The City's 2024 year-end deficit of \$1,139,474.10 represents approximately less than a half of a percent on the gross 2024 budget of approximately \$253 Million. At the regular Council meeting of October 22, 2024, Council approved the following recommendation regarding annual surplus dispositions:

CR2024-614

That Report CORP2024-026, Operating Surplus Disposition Policy, be received;

That the policy entitled Operating Surplus Disposition Policy, attached as Appendix A to CORP2024-026, be adopted and numbered for inclusion in the Corporate Policy Manual;

That all reserve transfers in Table 1 in Report CORP2024-026 be approved as part of the Operating Surplus Disposition Policy;

That the Water and Wastewater Operating Surplus be transferred to the Water and Wastewater Operating Reserve;

That the surplus in wage and benefits from annual budgets be transferred to the People Services Stabilization Reserve; and

That any remaining annual operating surplus be transferred to the Tax Stabilization Reserve.

This report seeks Council approval of the staff recommended 2024 deficit financing in principle with the above policy.

Rationale:

Annually, the budget process produces an operating budget that provides residents and businesses with quality levels of service through the effective and efficient use of resources. The budget is a static plan and over the course of the year, circumstances arise that amend the expected course of action thereby creating budget variances.

The City's year end position is allocated between the General and Area Rated components.

General Rated Tax Deficit

The City incurred a gross General Rate Deficit of \$61,181 in 2024.

This was reduced by the following transfers to Reserves according to CP2024-009 Operating Surplus Disposition Policy.

Transfer to Reserve	Policy Section	Amount
Property Development Reserve	2.03	\$773,272
Fenelon Falls Powerlink Reserve	2.04	\$238,086
Norland Dam Reserve	2.05	\$9,224
Airport Reserve	2.06	\$0
Building Code Act	2.07	\$45,211
Fleet Maintenance	2.14	\$0
Public Art	2.15	\$12,500
Total policy-directed transfers		\$1,078,293

After the above policy-directed reserve transfers, the 2024 net general tax deficit remaining is \$1,139,474. Staff recommend financing this deficit from the Tax Stabilization Reserve. The 2023 year-end surplus transferred \$1.2 Million to this reserve as a mitigation strategy to respond to future budget year deficits.

The Tax Stabilization Reserve balance including committed and uncommitted amounts would be \$3.59 Million should Council approve the recommendation on page one of this report. The City's reserve strategy will include reviewing the optimal balance for this reserve and a plan to continue to maintain it.

Please see Appendix A for a summary of the financial year end.

Investment Income Deficit

In Quarter three of 2024, Council approved the closure of capital projects resulting in the need to obtain debenture proceeds. Due to the complexities involved in seeking approval from Infrastructure Ontario and the lengthy process, the debenture proceeds have not been received at the time of writing this report. This resulted in reduced interest income for the year ending 2024. The net effect of the interest shortfall combined with the surplus of miscellaneous revenues was a deficit of \$1.4 Million.

Wages

City wages broke even in the 2024 year-end on a budget of \$104 Million. The 2024 workplan included strategies to invest in the retention and attraction of staff and did so within the approved budget.

Supplemental Taxes

Supplemental Taxes were increased in the 2024 budget to recognize the growth occurring in the City. Previously, supplemental taxes were budgeted at \$600,000 and in 2024 they were increased to \$2.2 Million. The City not only achieved this figure in the 2024 actual Municipal Property Assessment growth but recognized a \$400,000 increase above the \$2.2 Million. By right sizing this estimate in the 2024 budget, it was projected that the City would be in a break-even position at year end versus historic surplus generation.

Parks and Recreation User Fees

It was difficult to anticipate customer behaviour and estimate parks and recreation user fees coming out of the pandemic. In 2024, the City experienced an approximate \$1.05 Million surplus in user fees indicating that the City is returning and surpassing pre pandemic revenue levels. The 2025 budget was adjusted to reflect this data.

Victoria Manor

Victoria Manor experienced a surplus of over \$940,000 predominantly because of increased Ministry of Health grant funding.

Winter Control

Winter Control met service levels and due to above seasonal temperatures in 2024, a surplus of over \$1 Million was experienced. The City maintains a winter control tax stabilization reserve of just over \$2 Million in anticipation of years that experience

winter control response expenditures surpassing that of the budget. The City's reserve strategy will continue to optimize and build up appropriate funding levels in this reserve.

Emergency Services

The Ministry of Health grant funding for Paramedic Services is based on the prior year's approved budget. Historically, the budgeted grant funding was based on 50 percent of the current proposed budget expenses and not the amount eligible in the funding application. As a result, this caused a variance between budget and actual grant funding resulting in a deficit. Commencing 2026, the budget approach will be adjusted to more accurately reflect the funding structure.

Additionally, part-time staffing expense was under budgeted in 2024 resulting in wage related variances. In the 2025 budget, part-time staffing expenses were increased to reflect current staffing requirements.

Overall, Paramedic Services experienced a deficit of just over \$1 Million.

Fire Services experienced increases in contracted services, (specifically relating to safety equipment, bunker gear, as well as contracted snow plowing) and materials and supplies.

Overall, Fire Services experienced a deficit of \$666,809.

WSIB

The City experienced an approximate \$700,000 increase above the approved 2024 budget. This is an area that is difficult to predict, however, an increase was incorporated into the 2025 budget to reflect recent experience.

Table A - Area Rated Deficit

Area Rate	Initial (Surplus)	Transfer to Reserve	Remaining Operating Balance
Ontario Provincial Police (OPP)	(\$103,437)	\$103,437	\$0
Kawartha Lakes Police (KLPS)	(\$67,947)	\$67,947	\$0
Transit	(\$15,680)	\$15,680	\$0
Total	(\$187,064)	\$187,064	\$0

The calculation of Area Rate (Surplus)/deficit includes the tax levy raised, as well as Supplementary taxes and write offs incurred in year. The increase in supplementary

taxes of approximately \$102,000 contributed to the area rate surplus. The remainder of the surplus of approximately \$85,000 is attributed to higher than anticipated Kawartha Lakes Police Service grant revenue and an increase in transit fee revenue.

The area rate tax reserve balances, after the above policy directed transfers to reserves are completed would be:

- Transit \$ 24,098
- KLPS \$120,716
- OPP \$503,629

Water and Wastewater Surplus

The Water and Sewer Operations (WWW) had a surplus of \$221,184. This was transferred to the Water and Sewer Rate Stabilization Reserve in accordance with CORP2024-026. This reserve balance after the 2024 adjustment is completed would be \$221,184.

The surplus position can be attributed to the following key factors:

- Water and Sewer user revenue was approximately \$669,000 higher than the budget. This is indicative of greater consumption levels in 2024 and/or new connections coming onto the system
- Contracted services and salaries, wages and benefits were approximately \$408,000 higher than budget
- All other expenses were consistent with budget

Additionally, payments made for the Northwest Trunk (NWT) Capital Charge receivables resulted in interest income accumulated since the 2016 By Law was enacted. This resulted in a reserve transfer of \$661,766 to the Sewer Infrastructure Reserve.

The WWW financial summary is included in Appendix B.

Kawartha Lakes Haliburton Housing Corporation (KLHHC)

In 2024, KLH HC opened the doors to Hamilton St, Lindsay with the addition of 46 new units. Additionally, construction commenced on Murray St, Fenelon Falls for 30 new units.

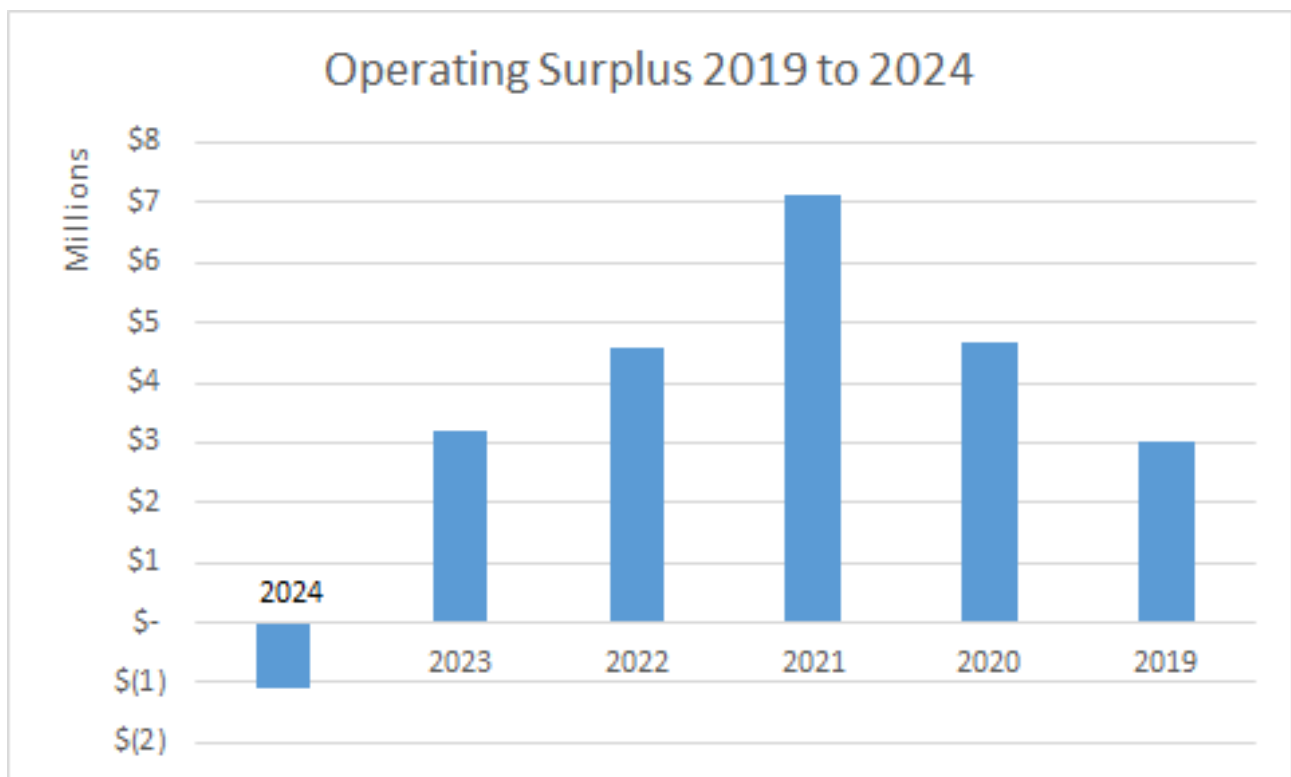
KLH HC 2024 year-end resulted in a deficit of \$180,658. The expenditure security costs were higher than budget, and a revenue shortfall was incurred on the inability to fully rent the new Hamilton Street units as quickly as originally predicted.

KLH HC maintains an Operating Surplus Reserve to mitigate deficits incurred. The current year deficit of \$180,658 has been financed from this reserve and the resulting year end (surplus)/deficit position for KLH is zero.

The KLH HC Operating Surplus Reserve after the 2024 adjustment is completed would be \$479,531.

The City Council will receive the 2024 year-end audited statements at their annual general meeting to be held in December 2025.

Table B – Operating Surplus graph 2019 to 2024



Deferred Grant Revenues – Transfer to Reserve

Deferred revenue is revenue that has not yet been earned. For example, a department will be awarded a grant of \$10,000 but will only spend \$8,000. The \$2,000 remaining grant is allocated to deferred revenue to either a) be used for other projects or b) returned to the grantor. Some grants do not require a reconciliation and therefore will never be returned to the grantor.

The grant deferrals below have been in deferred revenue, and it is prudent to transfer them to a reserve. Staff are confident these grants will not be recovered by the grantor, given the length of time that has elapsed since the grant was active.

Table C – Deferred Revenue clean up

Deferred Revenue	Year	Total	To Reserve
Enterprise Funds	2019	\$31,155.26	Tax Stabilization – Economic Development
Misc. Federal Payment	2020	\$25,000.00	Tax Stabilization – Uncommitted

Other Alternatives Considered:

Council could recommend financing the deficit from another reserve(s), however Council policy CP2024-009 standardized the practice of surplus dispositions into the Tax Stabilization Reserve to provide for years of deficits. The usage of the Tax Stabilization reserve adheres to the reserve strategy for this purpose.

In the absence of the recommended reserve(s) utilization, the only remaining option would be for Council to approve adding the 2024 deficit onto the 2025 tax bills. Under the municipal act, a municipality is prohibited from operating in a deficit position.

Alignment to Strategic Priorities

The 2024 Financial Year End Position Report supports the strategic goal of Good Government. This report details the effective use of financial resources by departments working within budget constraints.

Financial/Operation Impacts:

The General Tax deficit of \$1,139,474.10 Million is recommended to be financed from the Tax Stabilization reserve to balance the Operating fund to zero. The reserve strategy and long-term financial plan will continue to build the Tax Stabilization reserve to an optimal level. The sole purpose of the Tax Stabilization reserve is to set aside funding in years of surpluses and have funding available for years of deficits.

The remaining balance in the Tax Stabilization reserve after this funding adjustment is \$3.61M and allocated as follows:

- Committed for Winter Control \$2.13M
- Economic Development \$538,000
- Debt Stabilization \$439,000
- Uncommitted balance of \$480,500 for use in future years.

The surplus in Water and Wastewater has been transferred to the Water and Wastewater User Rate Stabilization reserve, in accordance with Policy CP2024-009 Section 2.08. The remaining balance in the Water and Wastewater User Rate Stabilization reserve after this funding adjustment is \$221,184.

The KLHHC 2024 surplus has been transferred to the Local Housing Surplus reserve, in accordance with CP2024-009 Section 2.09. The remaining balance in the Local Housing Surplus reserve after this funding adjustment is \$479,531.

Consultations:

Senior Management Team

Managers

Executive Assistants

Attachments:

Appendix A – City summary



2024 Operating
Summary

Appendix B – Water and Wastewater summary



2024 Water and
Wastewater Summary

Appendix C – Kawartha Lakes Haliburton Housing Corporation



2024 KLHHC
Summary

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Department Head: Sara Beukeboom