

Municipality of Lakeshore – Report to Council

Corporate Services

Financial Planning and Analysis



To: Mayor and Members of Council

From: Jessica Gaspard , Division Leader - Financial Planning and Analysis

Date: May 30, 2025

Subject: 2024 Year End (Q4) Budget to Actual Summaries

Recommendation

- 1) Receive the report regarding the 2024 Year End Variances for the general (taxation funded), water and wastewater (sanitary sewer) funds;
- 2) Approve the taxation-supported surplus of \$2,284,879 for the year ended December 31, 2024;
- 3) Approve a transfer of \$1,144,627 to the Contingency Reserve;
- 4) Approve a transfer of \$487,943 to the Legal Reserve;
- 5) Approve a transfer of \$268,638 to the Winter Control Reserve;
- 6) Approve a transfer of \$117,165 to the Police - Operating Reserve;
- 7) Approve a transfer of \$50,000 to the Encumbrance – Taxation Reserve for the Workforce Development Health and Safety Audit (a one-time funded 2024 consulting expense that was not completed)
- 8) Approve a transfer of \$58,213 to the Vehicles and Equipment Reserve;
- 9) Approve a transfer of \$3,462 to the Fire Vehicles and Equipment Reserve;
- 10) Approve a transfer of \$154,831 to the Building Services – Operating Fund Reserve which will then fund the 2024 net deficit as outlined in the draft 2024 Building Services Statement
- 11) Approve a transfer of \$(616,450) representing a deficit from Water operations for the year ended December 31, 2024 from the Water Reserve Fund;
- 12) Approve a transfer of \$807,463 representing a surplus from Wastewater (sanitary sewer) operations for the year ended December 31, 2024 to the Wastewater (Sanitary Sewer) Reserve Fund; all as presented at the July 8, 2025 Council meeting.

Strategic Objectives

3b) Modernizing and Enhancing Municipal Functions - Revise business processes to establish and employ a risk management framework, improved workflow management, and financial modelling to inform management of reserves

Background

The Municipality's budget is established by Council each year for operating and capital purposes as a cash-based budget used for determination of the annual tax levy requirement and user rate impacts.

The cash-based budget estimates are based on Council direction, economic trends and the best estimates and information available at the time. The actual expenditures and revenues in the various budget centers are monitored by Administration in relation to the approved budget on an ongoing basis. The year to date actual and projected results to the end of the year are reported to Council quarterly. The following report provides the final outcomes of the year ending December 31, 2024 (Q4).

Comments

This report is provided to advise Council of the results for the 2024 fiscal year in relation to the cash-based budget. The following is a breakdown of the major variances by various rates.

Taxation Funded Variances

The taxation-funded variance reports a surplus of \$2,284,879 as shown in **Appendix A**.

Appendix A: the Taxation Funded Variance Summary provides a summary of the projected year end balances for each budget center with comments.

Below are the major components contributing to the overall surplus as of the 2024 Year End (Q4):

Summary of 2024 Year End Variance

Category Description	Account Description	Favorable (Unfavorable)
Revenue	Surplus from Investment Income	1,653,039
	Surplus from Grant Revenue and Wage Subsidies	1,652,124
	Surplus from Ice Rental Revenue	251,683
	Surplus from Aquatics Revenue	107,232
	Surplus from Proceeds on Sale of Assets	75,383
	Shortfall in Supplementary Tax Revenue, Special Charges, and Payments in Lieu	(628,498)
	Shortfall in Building Division – Licences and Permits Revenue	(159,138)
	Shortfall in All Other Revenue Streams	(196,250)
	Total Revenue: Surplus	\$2,755,575
Expenses	Overage in Wages	(34,870)
	Savings in Training and Conferences	82,937
	Savings in Advertising and Promotion	59,659
	Savings in Travel Expense	30,085
	Savings in Interest Expense	512,926
	Savings in Debt Payments	139,154
	Savings in Municipal Tax Write Offs	103,589
	Savings in Legal Services	577,891
	Savings in Waste Collection Contract	263,068
	Savings in Salt Expense	155,669
	Savings in Winter Control Services	108,725
	Savings in OPP Contract	117,165
	Overage in Equipment Repairs & Maintenance	(147,640)
	Savings in Fuel and Oil	120,505
	Overage in Utilities	(413,194)
	Overage in Transfer to Hydro One Community Benefit Reserve	(1,877,589)
	Overage in Transfer to Working Funds Reserve	(364,433)
	Overage in Transfer to Canada Community Building Fund Reserve Fund (former Federal Gas Tax Reserve Fund)	(75,790)
	Overage in transfer to Furniture and Fixtures Reserved	(2,035)
	Savings in All Other Expenses	173,482
	Total Expense: Overage	\$(470,696)
	Total Surplus	\$2,284,879

Highlights of the projected results are as follows:

Revenue

The Municipality earned \$3.28M in investment income and exceeded the budget by \$1,653,039 due to strong returns from bank-held funds, reserves, development charges, tax penalties and interest.

Grant revenue and wage subsidies received totaled \$2,562,414, exceeding the budget by \$1,652,124. Of this amount, \$377,433 was attributed to wage subsidies, while \$1,877,589 was received through an agreement with Hydro One. This funding was related to two public filings of Notices of Commencement of Environmental Assessments and the initiation of construction activities associated with their project.

Ice rental and aquatics program revenues exceeded budget projections by \$251,683 and \$107,232, respectively. In 2024, the Municipality operated two ice pads year-round and introduced a third pad from September to May, representing an expansion over 2023 operations. This increase in available ice time contributed to higher rental revenue. Additionally, aquatics revenue rose due to increased pool usage, driven by higher drop-in attendance, expanded program offerings, and fewer service disruptions resulting from improved staff availability. The 2025 budget reflects these trends, with increased revenue projections aligned with the growth observed over the past two years.

Licences and Permits revenue was \$218,397 below budget, primarily due to a decline in building permit activity resulting from sanitary capacity restrictions. This trend is also reflected in the shortfall in Supplementary Tax Revenue, which was \$502,243 below budget.

Expenses

Wages and benefits were over budget by \$34,870 in 2024. This variance reflects a combination of staffing changes, service expansion, and adjustments to compensation practices across several departments.

The Fire Department recorded the largest overage, at \$425,289, primarily due to changes in the salary package for VFFs achieved during approved review by council, expanded public education programming, increased overtime from higher call volumes and dual-station dispatching, and more frequent recruitment and training activities.

The Atlas Tube Recreation Centre (ATRC) exceeded its budget by \$94,858, primarily due to the expansion of ice time availability and enhanced aquatics programming. Recreation wages were over budget by \$138,056, driven by the growth of day camps, fitness programs, and other recreational offerings. The Marina Department was over

budget by \$83,465, resulting from actual seasonal hours worked exceeding budgeted levels. Additionally, all three departments experienced overages in OMERS contributions, as the inclusion of non-full time employees in the pension plan was not accounted for in the 2024 budget.

Parks and Trails exceeded its wage budget by \$57,726 due to increased labour hours required to maintain service levels and new locations, without additional staffing resources.

Public Service experienced an overage of \$56,594, driven by pension-related increases, the hiring of two additional full-time positions, longer operating hours, and the need for evening and weekend shift coverage.

Facilities was over budget by \$43,966, largely due to an incorrect wage assumption that underestimated actual hourly pay rates.

Meanwhile, several departments realized wage savings due to vacancies in key roles:

- Community Planning: \$144,739 under budget
- Engineering: \$541,384 under budget
- Building: \$36,001 under budget
- Finance: \$40,598 under budget

A mild winter season in 2024 resulted in a surplus of \$264,394 in winter control and salt costs within the general fund.

Savings in training and conference expenses were primarily due to underspending across multiple departments, including \$39,000 in Council Services, \$11,500 in Police, \$11,000 in Committees of Council, and \$15,300 in Engineering.

Advertising and promotion expenses also came in under budget, with underspending noted in Recreation (\$15,400), Communications (\$8,400), Workforce Development (\$6,800), Community Planning (\$5,200), Committees of Council (\$5,000), Legislative and Legal Services (LLS) (\$4,900), ATRC (\$3,000), Police (\$2,500), and Parks and Trails (\$1,000).

Travel expense savings were achieved across several departments as well, including Committees of Council (\$7,500), Recreation (\$4,000), Economic Development and Mobility (\$3,100), ATRC – Facilities and Fields (\$3,050), Engineering (\$3,000), Digital Transformation and Cloud Services (\$2,500), Legal and Legislative Services – Admin (\$1,225), Council Services (\$1,200), and Operations Services – Admin (\$1,000).

Interest savings were largely attributed to a \$485,000 adjustment related to the collectability of grant funding for drainage maintenance, as the grants were successfully received in 2024.

Additional savings in debt payments and municipal tax write-offs resulted from debenture tile and drainage loans, as well as planned write-offs. These had been budgeted at

\$133,841 and \$150,000 respectively, but the actions were not carried out as anticipated in 2024.

Legal services savings totaled \$487,943, driven by refunds for insurance defense costs recovered from the municipal insurer and cost awards granted by the courts.

Contract savings were realized in the waste collection contract (\$263,068) and the OPP contract (\$117,165), as actual invoiced amounts were lower than budget estimates.

Conversely, equipment repairs, and maintenance resulted in a negative variance of \$147,640. This overage was primarily due to required repairs to pool boilers and dehumidifiers, HVAC systems, and the refrigeration and ice plant.

Fuel and oil expenses came in \$120,505 under budget, primarily due to lower gas prices compared to the previous year. The 2024 budget had included a proactive \$37,000 increase to account for potential cost and usage fluctuations, which ultimately were not required.

Utility expenses were over budget by \$413,194, primarily at the Atlas Tube Recreation Centre. This was expected, as the facility operated additional ice pads and expanded aquatics and recreation programming. These increased utility costs are aligned with the corresponding rise in user fee revenues for ice rentals and aquatics. The net recovery for ATRC remained in line with expectations, with an actual recovery rate of 42.6% compared to the budgeted target of 41%.

Reserves

Transfers to reserves were over budget as the Municipality received additional grant funding not anticipated in the original 2024 budget. This included \$1.87 million from the Hydro One Community Benefit and \$75,790 from the Canada Community-Building Fund. Transfers to the Working Funds Reserve reflect the reallocation of interest earned on funds held in reserve. Additional amounts were also transferred to the Furniture and Fixtures Reserve, funded by proceeds from the sale of surplus furniture and equipment.

Building Operations

Annual building permit collections amounted to \$715,862 representing \$159,138 less than budgeted. This was primarily due to restrictions on sanitary capacity that has limited building activities in 2024 as reported in the Quarterly Building Activity report to Council.

Due to the cyclical nature of development, the *Building Code Act* mandates municipalities to transfer annual building-related surpluses to reserves so that in underperforming years, that reserve may be drawn upon to cover deficits. It is recommended that a transfer of \$154,831 be made from the Building Operating Reserve Fund to cover the current deficit. The projected balance in the building reserve fund following this transfer will be approximately \$316,878.

User Rate Supported Results

Water Rate Funded Variances

The water variance report shows a deficit of \$(616,450), as detailed in Appendix A.

The primary cause of the shortfall was water losses within the UWWS that were not billed to customers, as the water was lost between the watermain coming from UWWS and the meters. Additionally, there were variances due to a change in the billing model at UWWS, but these balanced out to zero. However, the water loss resulted in a deficit of \$210,248

There was also a combined overage of \$417,111 related to water purification chemicals, system repairs and maintenance, and materials and supplies. Specifically, water purification chemicals were over budget by \$112,578, system repairs and maintenance by \$133,323, and materials and supplies by \$171,210. These overages were due to increased material and chemical costs, a higher frequency of emergency repairs, and major system upgrades undertaken during the year. For example, approximately \$60,000 was spent on installing cellular backup for data retrieval and upgrading from a dial-up internet connection. In response to these increased costs, the 2025 budget for water purification chemicals has been raised from \$276,500 to \$461,500, and the budget for materials and supplies has increased from \$185,000 to \$275,000.

Offsetting some of these deficits was a surplus of \$373,369 in wages, primarily due to staffing vacancies.

As water services are under a self-sustaining model, the actual 2024 surplus/(deficit) will be recommended for transfer to/(from) the Water Reserve Fund as part of the year end variance report.

Wastewater Rate Funded Variances (Sanitary Sewage)

The wastewater variance reports a surplus of \$807,463, as shown in Appendix A.

The increased surplus is primarily due to higher-than-expected revenue. Budgeted consumption was estimated at 2.69 million cubic meters, while actual consumption reached 2.77 million cubic meters, resulting in an additional \$138,991 in revenue. In addition, basic charge revenue saw a surplus of \$249,654, as the actual number of accounts exceeded the budgeted amount.

Further contributing to the surplus were savings in the inflow and infiltration program, amounting to \$317,638, and system repairs and maintenance, which came in \$138,558 under budget. These positive variances were partially offset by a deficit of \$260,046 in utility costs.

Another contributing factor was the delay in executing the Denis St. Pierre loan, which did not occur until December. Despite this, the related debt servicing and development

charges recovery were included in the 2024 budget. This timing difference resulted in a net surplus of \$298,511.

As wastewater services are under a self-sustaining model, any actual 2024 surplus/(deficit) will be recommended for transfer to/(from) the Wastewater Reserve Fund as part of the year end variance report.

Financial Impacts

Taxation Supported Results:

In accordance with the current Reserve and Reserve Fund Policy FN-389 (Appendix B), the Contingency Reserve is currently underfunded. The policy requires a balance equal to 5% of the budgeted general fund annual operating expenses, which equates to \$3,036,393 based on the 2024 levy of \$60,727,869. The forecasted balance of the reserve is \$1,422,025, resulting in a shortfall of \$1,594,368.

In addition to this, several reserve accounts are running low and may not be able to support potential 2026 budget requests or provide the financial security needed to sustain risks the reserves are designed to protect against. To return to compliance with the Municipal Reserve and Reserve Fund Policy FN-389 and to strengthen the financial sustainability of these reserves, administration recommends the following transfers:

A transfer of \$487,943 to the Legal Reserve is recommended, as these savings were generated from refunds related to insurance defense costs recovered from the municipal insurer and cost awards granted by the courts. The current balance of the Legal Reserve is \$76,293.

Administration also recommends approving a transfer of \$268,638 to the Winter Control Reserve. This transfer is made possible by savings from the 2024 winter season. Given that the 2025 winter control and salt budgets have already experienced a deficit due to severe weather in the first quarter, this transfer will help offset the shortfall. The current balance of the Winter Control Reserve is \$472,398.

A transfer of \$117,165 to the Police – Operating Reserve is also proposed. These funds represent savings from the 2024 OPP contract. In 2025, the OPP contract saw a significant increase, which was partially mitigated by a one-time billing adjustment provided by the province. Allocating this surplus to the reserve will help offset future increases in OPP billing. The current balance of the Police Operating Reserve is \$4,451.

It is further recommended to approve a transfer of \$50,000 to the Encumbrance – Taxation Reserve for the Workforce Development Health and Safety Audit. This audit was a one-time consulting expense budgeted in 2024 but was not completed during the year.

A transfer of \$58,213 to the Vehicles and Equipment Reserve is recommended, representing proceeds received from the auction of surplus vehicles and equipment. The current balance of the Vehicles and Equipment Reserve is \$(62,085.42).

Similarly, a transfer of \$3,462 to the Fire Vehicles and Equipment Reserve is proposed, reflecting proceeds from the auction of surplus fire vehicles and equipment. The current balance of the Fire Vehicles and Equipment Reserve is \$(250.32).

Finally, in accordance with the Reserve Fund Policy and the requirements of the Building Code Act, a transfer of \$154,831 to the Building Services – Operating Fund Reserve is recommended. These funds will then be used to cover the 2024 net deficit as outlined in the draft 2024 Building Services Statement. The current balance of the Building Services – Operating Fund Reserve is \$316,878.64

User Rate Supported Results

User rate supported surpluses are recommended to be transferred both to the Water Reserve Fund and Wastewater Reserve Fund respectively.

Attachments

Appendix A - Taxation Funded, Water Funded, Wastewater Funded Variance Summary
Appendix B - Reserve and Reserve Fund Policy FN-389

Report Approval Details

Document Title:	2024 Year End (Q4) Budget to Actual Summaries.docx
Attachments:	- Appendix A - Taxation Funded, Water Funded, Wastewater Funded Variance Summary.pdf - Appendix B - Reserve and Reserve Fund Policy FN-389.pdf
Final Approval Date:	Jun 17, 2025

This report and all of its attachments were approved and signed as outlined below:

Prepared by Jessica Gaspard

Submitted by Justin Rousseau

Approved by the Corporate Leadership Team