

Subject: 2024 Year-End Operating Budget Variance Report - City Wide

Reference:

Date to Council: April 14, 2025

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Financial Planning

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Clerk's File #: AF/14585

To: Mayor and Members of City Council

Recommendation:

1. THAT City Council **RECEIVE FOR INFORMATION** the 2024 Year-End Operating Budget Variance Report; and further,
2. THAT City Council **ACCEPT** the recommendations of the City Treasurer with regards to the finalization of the 2024 Year-End as follows:
 - a. THAT the Operating Budget deficit of \$2,374,125 **BE FUNDED** from the Budget Stabilization Contingency
 - b. THAT the balance remaining within the Budget Stabilization Contingency in the amount of \$25,875 **BE TRANSFERRED** to Fund 139, the Budget Stabilization Reserve
 - c. THAT \$4,737,669 in Budget Carry-Forwards **BE APPROVED** as detailed in Appendix C; and further,
3. THAT Council **RECEIVE** the attached Development Charges 2024 Income Statement Schedule as detailed in Appendix D; and further,
4. THAT Council **RECEIVE** the attached Development Charge Reserve Fund Statement – Listing of Credits as detailed in Appendix E; and further,
5. THAT City Council **AUTHORIZE** the establishment of a new reserve fund, titled “ETS Reserve” for any Performance Based Funding and unrestricted funding earned by the Employment and Training Services (ETS) division and provided by the Windsor Regional Employment Network (WREN) - Service System Manager (SSM) for purposes of developing future employment programming, and/or unforeseen expenses; and further;

6. THAT City Council **AUTHORIZE** the City Treasurer as part of the year-end closing process, to transfer surplus Performance Based Funding and unrestricted funding earned, to the ETS Reserve; and further,
7. THAT the City Treasurer **BE AUTHORIZED** to apply funds which are retained within the ETS Reserve, inclusive of interest which is earned on balances held in reserve, as may be required to fund future Employment and Training Service needs on the basis that any activity within the reserve **BE REPORTED** to Council as part of future year-end variance reports; and further,
8. THAT City Council **AUTHORIZE** an agreement with the Windsor-Essex County Health Unit, for a period of up to 24 months in the amount of \$146,527, for health promotion programs utilizing the remaining funds previously transferred to and being held by the City; and further,
9. THAT City Council **AUTHORIZE** the CAO and City Clerk to execute the agreement with the Windsor-Essex County Health Unit subject to review for legal content by the City Solicitor, financial content by the City Treasurer and technical content by the Commissioner, Human & Health Services; and,
10. THAT City Council **APPROVE** the following transfers to/(from) the various reserve accounts/funds which is required as part of the 2024 Year-End close:
 - a. (\$56,761) to Fund 231 – WREN SSM IES Reserve
 - b. (\$32,579) to Account 1756 (Reserve for Tree Planting)
 - c. (\$349) to Account 1762 (Municipal Elections Reserve)
 - d. (\$1) to Account 1768 (Ontario Fire Serve Grant Reserve)
 - e. \$1,592 from Account 1782 (Fire – Clothing Reserve)
 - f. \$12,150 from Account 1774 (Replacement of Firefighter PPE)
 - g. \$36,557 from Account 1784 (Succession Planning Reserve)
 - h. \$88,657 from Fund 114-128 (Development Charges Reserves)
 - i. \$147,824 from Account 1780 (Tennis Facility Jackson Park)
 - j. \$300,151 from Fund 160 (Capital Expenditure Reserve)

Executive Summary:

N/A

Background:

Annual operating budgets for all City departments are set at or around the beginning of the calendar year. Professional estimates, the current legislative environment, macroeconomic trends (such as currency fluctuations, commodity prices, unemployment figures, inflationary trends, and business investment, etc.) and other local information available at the time are significant inputs to the operating budget. All departments are responsible to monitor revenues and expenditures on an ongoing basis and undertake projections through to the end of the year to ensure they remain at, or as close to, their approved budget as possible. This assists in mitigating all material

variances as effectively as possible. As is typical with most forecasts, accuracy tends to increase as the year progresses and more information and data becomes available. In addition to the City's operating budget, which is primarily funded by the property tax levy, certain expenditures are funded by specific non-property tax levy sources such as Legislated Building Permits, On/Off Street Parking Operations and the Sewer Surcharge Operating Fund. The discussion section of this report provides additional detail for the year-end variances for all departments.

City Council is being requested to approve actions which were taken in order to finalize the 2024 year-end operating results.

Discussion:

Year-End Operating Variance

The 2024 fiscal year has been closed with an operating deficit of \$2,374,125. This figure includes budget carryovers totalling \$4,737,669, which have been outlined in Appendix C. These budget carry forwards are primarily due to the timing of expenditures and will assist in ensuring that planned City services will have sufficient funding when required. The deficit also includes the use of \$3,734,069, which was drawn from the Budget Stabilization Reserve (BSR). As part of the development of the 2024 Operating budget, \$7.8 million was approved as placeholder funding to be drawn as needed. The lesser amount of \$3.7 million has been detailed below in Table C. Funding for the year-end deficit will require the use of \$2,374,125 of the \$2.4 million corporate contingency amount which is included annually as a budgeted expenditure for unforeseen or unexpected situations. The balance remaining in the corporate contingency of \$25,875 has been transferred to the BSR.

Table A below provides a summary of the 2024 Gross and Net approved operating budgets and year-end variances for City Departments, Agencies, Boards & Committees. The year-end variances have been sorted from largest deficit to largest surplus. Supporting explanations for the departmental variances is included in Appendix A.

Table A: 2024 Corporate Variance Summary

Department	2024 Gross Budget	2024 Net Budget	2024 Year-End Variance	% of Net Budget
Fire & Rescue	\$57,607,535	\$55,504,013	(\$1,929,188)	(3.48%)
Transit Windsor	\$45,840,469	\$17,618,928	(\$1,895,803)	(10.76%)
Parks, Recreation & Facilities	\$65,854,297	\$44,022,186	(\$511,516)	(1.16%)
Taxation & Financial Projects	\$4,191,258	\$649,312	(\$506,434)	(78.00%)
Corporate Security	\$3,998,394	\$1,404,244	(\$364,591)	(25.96%)
Human Resources	\$7,746,698	\$6,761,299	(\$287,387)	(4.25%)
Legal	\$14,462,972	\$6,765,382	(\$212,005)	(3.13%)
Building Services	\$9,493,128	\$1,449,696	(\$111,496)	(7.69%)
Asset Planning	\$1,598,313	\$739,513	(\$28,969)	(3.92%)
Pollution Control	\$25,201,078	\$0	\$0	0.00%
Library Services	\$9,068,428	\$8,196,393	\$0	0.00%
Mayor's Office	\$504,893	\$504,893	\$0	0.00%
Planning & Development	\$5,561,286	\$3,560,106	\$3,828	0.11%
CAO's Office	\$1,200,218	\$1,200,218	\$5,013	0.42%
Financial Accounting	\$3,404,853	\$2,731,303	\$15,061	0.55%
Housing & Children Services	\$159,319,871	\$16,256,853	\$25,169	0.15%
Financial Planning	\$4,922,080	\$3,379,996	\$28,333	0.84%
City Council	\$1,149,967	\$992,976	\$29,155	2.94%
Information Technology	\$11,480,842	\$8,920,319	\$40,229	0.45%
Public Works	\$64,702,367	\$33,482,267	\$108,436	0.32%
Equity & Diversity	\$472,345	\$359,072	\$119,763	33.35%
Communications	\$4,374,801	\$3,693,768	\$137,406	3.72%
Culture & Events	\$2,711,564	\$2,183,729	\$164,337	7.53%
Economic Development	\$2,285,949	\$2,194,123	\$165,626	7.55%
Council Services	\$7,251,786	\$4,013,349	\$265,432	6.61%
Engineering	\$10,024,571	\$2,923,403	\$575,016	19.67%
Huron Lodge	\$35,232,654	\$10,152,534	\$646,249	6.37%
Employment & Social Services	\$149,452,140	\$8,395,577	\$809,983	9.65%
Corporate Accounts	\$194,461,508	\$92,228,244	\$2,516,897	2.73%
Sub-Total: City Departments	\$903,576,265	\$340,283,696	(\$191,456)	(0.06%)
Police Services	\$123,958,993	\$103,576,858	(\$3,792,328)	(3.66%)
Housing Corporation	\$25,608,108	\$16,831,885	\$265,673	1.58%
Agencies	\$24,522,485	\$24,421,887	\$1,343,986	5.50%
Sub-Total: ABC's	\$174,089,586	\$144,830,630	(\$2,182,669)	(1.51%)
Total: Municipal	\$1,077,665,851	\$485,114,326	(\$2,374,125)	(0.49%)

Operational & Economic Statistics

Appendix B includes a list of relevant operational and economic statistics (extracted from various sources) that have been presented in previous variance reports to Council. The data is provided as background information and is depicted graphically for 2024 year-end, along with each of the preceding nine years for ease of reference and comparison purposes. Administration will continue to monitor and report on these statistics as part of the regular variance reporting to Council.

Budget Carry-Forwards

Appendix C includes a list of the recommended budget carry-forwards, which have been approved for 2024. These are budgeted items, which total \$4,737,669 and that, due to timing, not been expended in 2024. As a result, the budgets for those items have been carried forward into 2025. These expenditure line items are expected to be utilized in support of services in 2025 or beyond. A detailed review has been completed for each carry forward request and it has been determined that the amounts are reasonable.

Development Charge Reserve Income Statements

The final two appendices (**Appendix D & Appendix E**) provide City Council with detailed revenues and expenses for all of the development charge reserves in 2024, as required by the Development Charges Act, along with a listing of outstanding development charge credits at year-end.

New Reserve (Employment and Training Services - ETS)

In 2024, the Employment and Training Services division was made aware there would be an opportunity to receive additional Performance Based Funding (PBF) at the direction of the Service System Manager (SSM). PBF is earned through successfully supporting individuals in obtaining and maintaining employment and reporting the information to the SSM. This PBF funding will serve a vital role in ETS by allowing the team to fund future programming, offset unforeseen expenses and create opportunities for new initiatives laid out from the ETS team.

Approval is being sought, as part of the year-end process, to allow the City Treasurer to transfer any surplus Performance Based Funding and unrestricted funding earned, to the ETS Reserve. Further, approval is being sought that would allow the City Treasurer to retain and apply funds, inclusive of interest earned, as may be required to fund future Employment and Training Services needs. Activity within the reserve will be reported to Council as part of the annual year-end variance report.

Other Operating Reserves

On/Off Street Parking

A transfer of \$31,194 was made to the On-Off Street Parking Reserve. Although the revenue from hourly and monthly parking fees was lower than anticipated, this shortfall

was fully offset by expenditure savings. These savings were achieved through cost reductions in areas such as maintenance, utilities, staff gapping, and other operational expenses. Additional details on all account categories, including specific revenue and expenditure variances, can be found in Appendix A of this report.

Building Permit Reserve

The budgeted operating draw from the Building Permit Reserve for 2024 was \$1,355,256. However, due to the prevailing economic conditions, the revenue generated from Building Permit activity, after accounting for expenses related to the administration and enforcement of the Ontario Building Code Act, resulted in a net contribution of \$9,545,366 to the BPFR. This contribution was primarily driven by an increase in revenue totaling \$8,868,014, along with staff gapping savings of \$677,352. Additional details on all account categories, including specific revenue and expenditure variances, can be found in Appendix A of this report as well as report C50/2024 also presented at this time.

Sewer Surcharge Reserve

The year-end contribution to the Sewer Surcharge Reserve was \$11,854,566. Pollution control revenue from sewage treatment recoveries, over strength sewage rates, and leachate recoveries were higher than anticipated by \$2 million. In addition, general revenue was higher by \$9,494,840 largely due to increased development and growth resulting in more customers utilizing water and wastewater services. This increase in revenue could not have been readily projected prior to the end of the year primarily due to two factors; variability of water usage and timing of billings which occur after water usage data is collected. Most of the growth and development occurred in the later quarter of 2024 and the financial results were calculated in February/March of 2025, after the year-end close. While there were higher-than-anticipated costs for operating supplies and contracted services, these shortfalls were offset by surpluses resulting from salary gapping and holdbacks in sewer surcharge capital transfers. The salary gapping savings stemmed from temporary vacancies and staffing delays, while the holdbacks in capital transfers were due to the timing of project expenditures. Additional details on all account categories, including specific revenue and expenditure variances, can be found in Appendix A of this report.

Other Reserve Transfers

Municipal Vacant Home Tax (VHT)

In 2024, the City launched its Municipal Vacant Home Tax Program (VHT Program) that levied a three percent (3%) tax on residential properties that were vacant more than one hundred and forty days (140) in 2024. This complaint-based program resulted in one hundred and thirty-nine billings, generating a total revenue net of related expenses of \$213,717. In accordance with Council direction (CR493/2023), revenue, net of related expenses of \$213,717 was transferred to the City's Housing Reserve (Fund 216) to assist with housing-related programs, projects, and initiatives.

Municipal Accommodation Tax (MAT)

In 2024, total revenue net of administrative costs generated from the Municipal Accommodation Tax (MAT) was \$2,991,408, of which, fifty percent (50%) or \$1,495,704, was shared equally between the City of Windsor and Tourism Windsor Essex and Pelee Island (TWEPI). The City's share was transferred to the Tourism Development Infrastructure and Program Reserve Fund to support tourism-related infrastructure projects.

Agreement with the Health Unit (Oral Health Treatment)

In 2013, City Council (CR18/2013) passed a by-law directing the Windsor Utilities Commission to cease the fluoridation of the City of Windsor water supply and that the savings from this action be directed to oral and health nutrition and education in Windsor and Essex County for a period of 5-years. An Oral Health Education Committee was established to oversee the initiative, which ran successfully from 2013 to 2018. Despite the campaign's conclusion at the end of the five years, \$146,527 remained unspent.

Administration is recommending that the City of Windsor partner with the Windsor-Essex County Health Unit (WECHU) to utilize the funds for health promotion programs supporting enhanced access to oral health treatment through provincially and federally funded programs. This programming will target prioritized populations such as low-income households, youth, and older adults to connect them to WECHU programs or a community dental office for further support. Additional partnerships with post-secondary programs will ensure core oral health assessment skills are integrated into health and social service curricula.

Transfer To / From Reserves

Throughout the course of the year, costs related to certain initiatives are captured in operating accounts/funds and then transferred at year-end to/from various specific reserves consistent with past practice. The following transfers have occurred and a summary is provided below in **Table B**.

Table B: 2024 Summary of Transfers (To)/From Reserve Accounts/Funds

RESERVE FUND / ACCOUNT	AMOUNT
Fund 231 - WREN SSM IES Reserve	(\$56,761)
Account 1756 - Reserve for Tree Planting	(\$32,579)
Account 1762 - Municipal Elections Reserve	(\$349)
Account 1768 - Ontario Fire Serve Grant Reserve	(\$1)
Account 1782 - Fire - Clothing Reserve	\$1,592
Account 1774 - Replacement of Firefighter Personal Protect Equipment	\$12,150
Account 1784 - Succession Planning Reserve	\$36,557
Fund 114-128 - Development Charge Reserves	\$88,657
Account 1780 - Tennis Facility Jackson Park	\$147,824
Fund 160 - Capital Expenditure Reserve	\$300,151

One-Time Funding

During the development of the 2024 operating budget, a total of \$7,837,640 in one-time funding was approved to address non-recurring budgetary needs for the fiscal year. These requests were considered and approved during the budget process to prevent ongoing operating costs from being embedded in the base budget, thereby minimizing the required levy increase. Throughout the year, departmental budgets are closely monitored, and access to approved one-time funding is restricted to instances where a department anticipates ending the year in a deficit position. Whenever possible, departments are encouraged to avoid utilizing these funds to preserve the balance in the reserves from which they are approved. Of the total one-time funding approved in 2024, only \$3,734,069 was drawn from the reserve, representing 48% of the total allocated amount. **Table C** below includes a departmental listing of approved one-time funding vs. the total amounts transferred in 2024.

Table C: 2024 Approved One-Time Funding vs. 2024 Actual Transfers

Department	Approved One-Time Funding	Actual Transferred Funding	Un-transferred	Percentage Used
Building Services	\$156,440	\$0	\$156,440	0%
Communications	\$109,000	\$0	\$109,000	0%
Corporate Security	\$43,900	\$43,900	\$0	100%
Council Services	\$300,000	\$300,000	\$0	100%
Engineering	\$135,750	\$0	\$135,750	0%
Financial Planning	\$170,567	\$69,936	\$100,631	41%
Fire & Rescue	\$110,051	\$97,014	\$13,037	88%
Housing & Children's Serv.	\$342,140	\$103,063	\$239,077	30%
Housing Corporation	\$634,531	\$267,546	\$366,985	42%
Human Resources	\$62,765	\$0	\$62,765	0%
Huron Lodge	\$125,000	\$0	\$125,000	0%
Information Technology	\$521,235	\$0	\$521,235	0%
Parks, Rec. & Facilities	\$456,641	\$386,641	\$50,000	85%
Planning & Dev. Services	\$150,000	\$0	\$150,000	0%
Legal	\$82,617	\$54,084	\$28,533	65%
Public Works	\$1,393,963	\$323,123	\$1,070,840	23%
Taxation & Fin. Projects	\$138,541	\$74,234	\$64,307	54%
Transit Windsor	\$2,904,499	\$2,014,529	\$889,970	69%
Total	\$7,837,640	\$3,734,069	\$4,083,571	48%

Risk Analysis:

There are a number of potential risks that can impact the year-end financial results which may cause differences from what had previously been reported to City Council as follows:

1. The Net Tax Additions/Reductions account is extremely difficult to project with certainty. While many of the larger tax appeals have been settled there is still an ability for taxpayers to appeal their property assessment value on an annual basis. Any variances in this account will vary dramatically based on the outcomes and timing of the settlements.
2. Current macro and micro economic conditions such as changes to local unemployment rates, volatility of energy costs, commodity prices and interest rates, as well as supply and demand for products and services. Inflationary increases (the Consumer Price Index) in 2024 averaged 2.4%. This has become a significant risk in the last couple of years and is being monitored closely.
3. Seasonal variability with respect to revenues (e.g. Recreation Fees) and expenses (e.g. winter control).
4. Potential increases in staffing costs due to factors such as sick call replacement, modified duties (particularly in mandated or 24/7 operational areas), WSIB, joint job evaluation or other arbitration decisions, and health benefit usage (Green Shield). Some of these costs may be covered by corporate provisions/reserves.
5. Potential increase to unavoidable expenditures such as unavoidable repairs and maintenance, along with related purchases of materials and supplies, legal expenses, streetlight maintenance, etc.
6. The significant use of estimates, historical knowledge and judgement in developing budgets and projecting actual expenses for the year implies that actual year-end revenues and expenditures may differ significantly from quarterly projections. One way to mitigate this risk and help to offset any unexpected or one-time variances is by way of the annual corporate contingency account.

Climate Change Risks

Climate Change Mitigation:

Climate Change Mitigation initiatives are budgeted throughout the corporation and any variances form part of the departmental and ABC variance descriptions.

Climate Change Adaptation:

Climate Change Adaptation initiatives are budgeted throughout the corporation and any variances form part of the departmental and ABC variance descriptions.

Financial Matters:

Detailed descriptions to support the departmental year-end variances have been provided in Appendix A.

Consultations:

All City Departments provided comments to augment and clarify the analysis performed by the Financial Planning Department.

Michael Dennis, Manager, Strategic Capital Budget Development & Control

Emilie Dunnigan, Manager, Development Revenue & Financial Administration

Linda Higgins, Manager of Inter-Governmental Subsidies & Financial Administration

Mark Spizzirri, Manager, Performance Measurement & Business Case Development

Conclusion:

The 2024 year-end close process is complete, and the variance report is being presented to City Council for final direction.

Planning Act Matters:

N/A

Approvals:

Name	Title
David Soave	Manager, Operating Budget Development & Control
Tony Ardovini	Deputy City Treasurer – Financial Planning
Janice Guthrie	Commissioner, Finance & City Treasurer
Joe Mancina	Chief Administrative Officer

Notifications:

Name	Address	Email

Appendices:

1. Appendix A – 2024 Operating Budget Variance
2. Appendix B – 2024 Operational & Economic Statistics
3. Appendix C – 2024 Budget Carry-Forwards
4. Appendix D – 2024 Development Charges Reserve Funds Income Statement
5. Appendix E – 2024 Statement of Activity – Development Charge Credits