

Staff Report



To	Committee of the Whole
Service Area	Office of the Chief Administrative Officer
Date	Tuesday, May 6, 2025
Subject	2024 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding

Recommendation

1. That the 2024 tax supported operating deficit of \$397,604 be allocated to or funded from the City's reserve and reserve funds as follows:
 - a. Transfer \$12,271 to the Library Operating Contingency Reserve (102) in accordance with the request from the Library Board.
 - b. Transfer \$245,072 to the Police Operating Contingency Reserve (115) in accordance with the anticipated request from the Guelph Police Board.
 - c. Fund the deficit of \$654,948 from the Tax Rate Operating Contingency Reserve (180).
 2. That the 2024 non-tax supported operating surplus of \$333,814 be allocated to or funded from the non-tax supported City reserve and reserve funds as follows:
 - a. Fund the Parking Services deficit of \$62,273 from the Parking Operating Contingency Reserve (106).
 - b. Transfer the Stormwater Services surplus of \$566,747 to the Stormwater Capital Reserve Fund (165).
 - c. Fund the Water Services deficit of \$276,756 from the Water Operating Contingency Reserve (181).
 - d. Transfer the Wastewater Services surplus of \$1,705,452 to the Wastewater Operating Contingency Reserve (182).
 - e. Fund the Building Services deficit of \$1,752,995 from the Building Services OBC Stabilization Reserve Fund (188).
 - f. Transfer the Courts Services surplus of \$153,639 to the Courts Capital Reserve Fund (120).
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Executive Summary

Purpose of Report

The purpose of this report is to provide details of the 2024 year-end operating position for the City's tax supported and non-tax supported departments. The information contained in this report is subject to any adjustments resulting from the year-end external audit. Additionally, this report serves as Council's opportunity to approve the allocation of the 2024 surplus and deficit, in accordance with the Council approved Surplus Allocation Policy and the General Reserve and Reserve Fund Policy.

Key Findings

The City's overall year-end operating position compared to budget is a deficit of 0.01 per cent or \$64 thousand. The net operating result for tax-supported departments is a deficit of \$397 thousand or (0.1) per cent of the 2024 total tax supported gross expenditures. The tax supported deficit is further broken down to City departments combined surplus of \$4.7 million, together with Local Boards' surplus of \$257 thousand, partially offsetting the Shared Services deficit of \$5.2 million.

The net operating result for non-tax supported departments is a surplus of \$334 thousand or 0.3 per cent of the 2024 total non-tax supported gross expenditures.

The 2024 budget was the first year of the City's four-year multi-year budget (MYB), and it came during a time of economic uncertainty, with historically high inflation. The MYB process involved reviewing historical trends in revenue and expenditures to address inflationary pressures and mitigate historical year-end surplus results. The surplus in City tax supported services is offsetting the deficit in County Social Services and was anticipated in the MYB process. The plan was for temporarily higher investment income from higher than normal interest rates, and lower tax reassessment expenditures from the deferred property tax assessment cycle update to offset the phase-in of increases to the County Social Services budget. This strategy has largely borne out, with a net deficit of just over \$650 thousand to be funded from the Tax Operating Contingency reserve (180). Other key drivers of the 2024 deficit position include budget pressures in purchased goods and services, compensation, revenue collection and building and equipment maintenance.

Attachment-1 2024 Year-end Surplus and Deficit by Department provides the actual year-end results for each department.

Strategic Plan Alignment

Reporting year-end results supports the Foundations theme in the Future Guelph Strategy Plan by maintaining a fiscally responsible local government. Monitoring the financial status of the City is directly linked to the City's credit rating as Standard and Poor reviews and updates the credit rating annually. In 2024 S&P Global Ratings reaffirmed the City's financial credit rating as AAA with a stable outlook, the agency's highest possible rating.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

This year-end deficit position reflects the trend analysis adjustments and the strategic approach to phasing in significant budget impacts over multiple years in the 2024-2027 multi-year budget as noted above with respect to County of Wellington Social Services cost increases. Staff identified several trends and adjusted the multi-year budget to align the budget with actual activity to help mitigate historical year-end surpluses. While there is a net tax supported deficit to be funded from the Tax Operating Contingency reserve (180), not all of the budgeted transfers from contingency reserves were required in 2024, depending on the specific item that was earmarked for reserve funding, and the actual cost results for that item. A total of \$6.2 million in tax supported contingency reserves funding was included for 2024, with only \$2.6 million in actual transfers required due to departmental surpluses. The 2024 budgeted transfers not required will be released from reserve commitments and reflected in future contingency reserve forecasts. An updated view of the contingency reserve position is provided in the Long-Term Financial Statement: Reserves and Debt report.

Staff anticipate receiving a recommendation from the Guelph Police Services (GPS) Board to direct police surplus funds to their operating contingency reserve to offset future needs. The Board meets May 15, 2025, and will forward their formal request once finalized. City staff support the request to provide the Board with more autonomy and ownership over risk management in a multi-year budget environment.

A request was received from the Guelph Public Library (GPL) Board to direct the Library's operating surplus to their contingency reserve, which is also supported by City staff.

Report

On November 29, 2023, Guelph adopted its first four-year Multi-Year Budget (MYB) for 2024-2027, aiming to meet service delivery requirements for both current and future populations in alignment with the Future Guelph strategic plan. The MYB process involved reviewing historical trends in revenue and expenditures to address inflationary pressures and mitigate historical year-end surplus results. The 2024 budget assumed a greater level of financial risk by the City to help with property tax affordability. This was achieved primarily through the phase-in of inflationary pressures, offset by temporary projected increases in investment income and a temporary reduction in property tax reassessment expenditures.

On February 28, 2024, a [Mayoral Direction](#) requested staff to update the 2025 operating and capital budget with a property tax impact of no more than 4 per cent. Consequently, the implementation of new services was paused due to the risk of cancellation in 2025, resulting in budget savings that offset pressures in other areas of the City. However, some concerning trends persisted in 2024, including: increasing pressure on vehicle and building maintenance budgets, ongoing recruitment challenges in some areas pushing overtime costs and an overreliance on third party labour, minimum staffing requirements requiring back fill for

mandated leaves, and persistent economic uncertainty. Despite these challenges, staff managed to maintain the bottom line effectively.

The City's overall year-end operating position compared to budget is a deficit of 0.01 per cent or \$64 thousand. Detailed year-end results for each service area follow in the sections below.

Council received the [Third Quarter 2024 Budget Monitoring Report](#) on December 4, 2024. At that time, staff projected a year-end favorable variance of \$850 thousand for both tax-supported and non-tax-supported budgets. However, the actual year-end position was lower than projected. The key drivers for the discrepancy between the forecast and actual results were higher-than-expected building and equipment maintenance costs, increased reliance on third-party contractors and consultants due to staffing vacancies, and ongoing overtime pressures for emergency services within compensation.

This report is prepared in consultation with the City's departments as part of the regular budget monitoring process. Departments provided comments on their financial results for the year ending December 31, 2024. Table 1 provides a high-level summary for the year-end position of the City's tax supported and non-tax supported operations.

Table 1: Summary of year-end position

Tax Supported Operating Budgets	Total Approved Net Budget (\$)	Year-end Variance (\$) Surplus/(Deficit)	Variance as a Percent of Budget
City Departments	175,865,982	4,926,396	2.8%
General Revenues and Expenses	(286,967,243)	(370,383)	0.1%
Local Boards and Shared Services	111,101,261	(4,953,617)	-4.5%
Total Tax supported		(397,604)	-0.09%
Non-tax Supported Operating Budgets	Total Approved Gross Expenditure (\$)	Year-end Variance (\$) Surplus/(Deficit)	Variance as a Percent of Budget
Water Services	35,571,038	(276,756)	-0.8%
Wastewater Services	38,625,662	1,705,452	4.4%
Building Services	6,655,045	(1,752,995)	-26.3%
Court Services	5,526,600	153,639	2.8%
Stormwater Services	12,449,740	566,747	4.6%
Parking Services	3,987,518	(62,273)	-1.6%

Tax Supported Operating Budgets	Total Approved Net Budget (\$)	Year-end Variance (\$) Surplus/(Deficit)	Variance as a Percent of Budget
Total Non-tax Supported	102,815,603	333,814	0.3%
Total City*		(63,791)	-0.01%

*Calculated as a per cent of total expenditure budget

Detailed information is provided in the attachments:

Attachment-1 2024 Year-end Operating Surplus and Deficit by Department,
Attachment-2 2024 Year-end Operating Surplus and Deficit by Account Category.

Corporate Variance Drivers

The identified drivers below were significant, resulting in variances in both the tax supported and non-tax supported budgets.

Revenue

Favorable collections amounted to \$18.1 million, or 3.4 per cent of the total revenue budget. Key drivers of this revenue surplus included:

- Transit realized a \$1.4 million surplus due to higher enrollment from the University of Guelph and increased ridership.
- A one-time proactive review of Harmonized Sales Tax (HST) and Input Tax Credits (ITC) rebates resulted in a \$149 thousand surplus.
- Investment income continued to outperform the budget in 2024 as expected, resulting in an operating surplus of \$3.0 million as a result of higher than normal interest rates in 2024.
- Higher tonnage at Solid Waste public drop-off and transfer stations, resulting in \$766 thousand surplus revenue.
- Sale of recycled goods and Stewardship Ontario grant exceeded budget by \$1.7 million.
- Culture and Recreation event revenue rebounded to pre-COVID levels resulting in a \$530 thousand surplus in user fee revenue.
- Proceeds of \$478 thousand from vehicle sales which are not budgeted for; however, the proceeds were fully transferred to the Infrastructure Renewal Reserve (150) to fund future replacements in line with the Reserve and Reserve Fund Policy.
- Stormwater rate revenue exceeded budget by \$340 thousand due to a greater number of Equivalent Residential Units (ERU) than estimated in the rate model.

This surplus revenue offset deficits in other areas of the City. Current economic conditions continue to negatively impact the rate of new construction, affecting building permit revenue in The Ontario Building Code (OBC) (\$4.4 million lower than budgeted) and site plan application fees in Planning and subdivision application fees in Engineering. This trend is expected to continue in 2025. Additionally, Courts continued to see lower fine revenue collections in 2024, mainly due to postal distribution issues and the inability to deliver fines in a timely manner.

Compensation

Corporately, year-end compensation costs resulted in a surplus of \$723 thousand or 0.3 per cent of the budget. Due to the overall compensation surplus the budgeted transfer from the Compensation Reserve to help offset increased health and dental costs and LTD costs (\$1.7 million) was not completed. Planning, OBC, Engineering, Finance, Legal, Courts, Water, Wastewater and Operations continued to experience high vacancies and industry-wide labour market challenges in recruitment. Parks, Culture and Recreation experienced overages due to increased contract staff and extended part-time hours required to cover service delivery needs in 2024. Despite the overall surplus, overtime and part-time costs exceeded the budget in 2024. This was partly due to recruitment challenges and vacancies, which required existing staff to work additional hours to maintain service levels, cover mandated leaves, and meet minimum staffing regulations in the emergency services departments.

While the City remains slightly below the overall compensation budget, costs associated with longer-term leaves are a continued budget pressure. Workplace Safety and Insurance Board (WSIB) costs increased 120 per cent in 2024 compared to 2023, and trends see costs steadily increasing since 2020. Long term multi-year mental stress injuries (MSI) continue to exert significant pressure on the incurred costs, both in terms of Loss of Earnings benefit payments and ongoing healthcare costs. Over 85 per cent of lost time hours in 2024 were because of new MSI claims. Staff continue to monitor claims and support return to work plans. Additional resources budgeted for 2026 have been approved for advanced recruitment in 2025 to support our growing staffing complement and the pressures faced in the management of claims including, but not limited to, Short-term Disability, Long-term Disability, and WSIB.

Fuel

In 2024, the corporate fuel budgets ended with a favorable variance of \$480 thousand. Although gas prices averaged 16 per cent higher than budgeted, the stabilization of diesel prices fully offset this deficit. Fleet Services, which predominantly uses gasoline, ended the year with a deficit of \$364 thousand. Conversely, the Transit Fleet, which uses diesel, ended the year with a surplus of \$844 thousand. At the time of budget staff anticipated historically higher fuel pricing to continue and included a budgeted transfer from the Environment and Utility Contingency Reserve (\$1.2 million) to phase in the impact. As a result of the favorable variance this transfer was not completed.

Building Repairs and Maintenance

Corporately, year-end building maintenance costs resulted in a deficit of \$925 thousand due to higher than anticipated costs attributed to aging facility assets. There is a risk of unforeseen critical failures and emergency maintenance as asset life cycles are extended. This trend is expected to continue as facility projects are deferred into future years. Staff are developing mitigation strategies to ensure higher priority work is completed and budgets are managed effectively.

Vehicle Repairs and Maintenance

Corporately, year-end vehicle repairs and maintenance costs resulted in a deficit of \$1.4 million. This deficit is primarily due to inflationary impacts on the cost of parts, third-party labour and an increased need for maintenance due to supply chain issues delaying the replacement of vehicles considered to be at the end of their

useful lives. This trend is expected to continue into 2025. Staff will be reviewing the timing of purchases as part of the 2026 budget update to ensure replacement vehicles are procured in a timely manner to help offset increased maintenance costs.

Utilities

Corporately, expenditures on electricity, natural gas, and water resulted in a deficit of \$137 thousand, or two per cent higher than budgeted. The higher-than-anticipated costs for electricity and water were primarily due to the Alectra Lost Revenue Adjustment Mechanism (LRAM), which led to an unforeseen charge, resulting in a \$275 thousand deficit in streetlighting. As a result of this deficit, the annual loan repayment for the LED Street Lighting Upgrade project to the Wastewater Capital Reserve Fund (153) was short \$139 thousand. Previous repayments were higher than the loan repayment schedule and the loan is still on track to be paid off on time. An adjustment was made in the 2025 budget update for these increased costs. The tax supported share of the utilities deficit in the amount of \$321 thousand was funded from the Environment and Utility Reserve (198) in line with the Reserve and Reserve Fund Policy.

Staff will continue to monitor utility rates and the shift in fuel/energy costs as we transition away from fossil fuels towards electrification. Additionally, they will keep implementing energy management measures to reduce energy use, greenhouse gas emissions, and financial exposure.

Variance Highlights by Service Area

2024 was a challenging budget year for many areas of City operations. The following section provides an overview of departments with significant variances (plus or minus \$150 thousand).

Office of the CAO

Strategic Initiatives and Intergovernmental Services ended the year with a deficit of \$275 thousand. The main driver of this variance was higher than forecasted uptake in the Affordable Bus Pass program which resulted in higher ridership in Transit. The 2025 budget was updated to reflect higher participation in the Affordable Bus Pass program.

Finance ended the year with a surplus of \$598 thousand. This surplus was primarily due to compensation savings from a secondment to the Enterprise Resource Planning (ERP) project and staff vacancies. Additionally, an in-year review of the HST and ITC claims by the City's retained HST consultant resulted in additional one-time revenue. Combined with higher-than-expected arrears revenues, these factors contributed to the surplus.

Infrastructure, Development and Environment

Planning and Building Services ended the year with a surplus of \$1.2 million, primarily due to staff vacancies. To ensure ongoing service delivery, consultants and temporary staff are being utilized. The successful completion of the pest control program allowed for its discontinuation ahead of the 2025 target, resulting in savings of \$125 thousand. And, although site plan revenue was lower than expected due to a challenging economic environment for development, other development application fees were higher as developers prepared their land for future projects.

The OBC ended the year with a \$1.8 million deficit, primarily due to a \$4.4 million revenue shortfall caused by high interest rates and developer delays in large multi-residential construction projects. The revenue shortfall was partially offset by savings in compensation as new positions added to accommodate an expected increase in housing starts were left unfilled. This was a particularly challenging year as overall building permits issued actually increased slightly in comparison with 2023, however, the number of units created from building permits in 2024 was less than half of the 2023 new unit permits. While most categories of permit fees decreased in comparison with 2023, multi-residential permit fees had the most notable decline of \$1.4 million year over year. Additionally, political and tariff uncertainty in Q4 is adding further pressure for the development community and the uncertain economic climate has and is expected to continue in 2025. Updates were made to the OBC revenues in the 2025 budget update. Staff will continue to monitor the economic climate and housing starts and will provide updates to Council through the 2025 budget monitoring process.

Facilities and Energy Management ended the year with a \$684 thousand deficit, primarily due to continued pressures in compensation budget lines. As cleaning and maintenance services expanded, replacing the existing third-party contractor, additional costs were incurred for operating supplies and labor. Staff time for cleaning services during the initial transition was not fully recovered from departments, and additional overtime was required for after-hours emergency maintenance. A value-for-money audit of corporate cleaning practices is scheduled for 2025 as part of the internal audit plan.

Engineering and Transportation Services ended the year with a surplus of \$1.6 million, primarily driven by compensation savings. Additionally, application and service fees exceeded budget expectations, helping to offset an unfavorable variance in subdivision application revenue. Due to the overall positive position a budgeted reserve transfer from the Tax Operating Contingency Reserve (180) for \$29 thousand was not required.

As part of the City's Vision Zero initiative, Automated Speed Enforcement (ASE) cameras are in operation and rotated around Guelph to address speeding through residential neighborhoods and community safety zones. Additionally, red light cameras (RLCs) are used as a tool to help reduce the number of vehicles running red lights. The programs began in 2022 (RLC) and 2023 (ASE), with the net revenue generated through these initiatives transferred to reserve to fund future safety initiatives. Since 2022, a total of \$846 thousand has been transferred to the transportation reserve (\$774 thousand RLC, and \$73 thousand ASE), and \$220 thousand has been drawn from the reserve to fund transportation safety improvement capital works.

Solid Waste Services ended the year with a surplus of \$2 million due to increased reimbursement of funding from the Stewardship Ontario grant, increased recycled products commodity prices and increased tonnage of waste collected at the Public Drop Off and Transfer Station. The carbon credit sales did not materialize due to timing of credits quantification/verification and therefore the associated transfer to the 100RE Reserve Fund (355) was not completed. Carbon credit sales are anticipated to be realized in 2025. In addition, the budgeted transfer from the Tax Operating Contingency Reserve (180) for Blue Box Transition costs of \$207 thousand was not required.

Water Services ended the year with a \$277 thousand deficit, primarily due to the costs associated with multiple watermain breaks in the last quarter of 2024. Staffing vacancies contributed to a compensation surplus but also necessitated a reliance on contractors, thereby increasing the cost of purchased services. Additionally, Water Services experienced significant dependence on rental vehicles due to supply chain issues affecting the availability of replacement vehicles. The lower housing starts also impacted Water services as they saw fewer water connections than budgeted resulting in lower basic charge revenues and volumetric trended slightly higher than budget.

Wastewater Services ended the year with a surplus of \$1.7 million, primarily driven by savings in compensation due to vacancies and the implementation of new efficient equipment, which resulted in lower operating costs. Investments in pre-treatment processes led to higher quality discharge to the sanitary system, resulting in decreased revenue in overstrength agreements but increased treatment capacity. Overall wastewater revenue tracked to budget with basic charge revenues lower than budget due to housing starts and volumetric higher than budget.

Economic Development and Tourism ended the year with a \$272 thousand surplus. This was mainly due to savings from delaying the Wayfinding project to 2026 and the Customer Relationship Management system implementation to 2025. Additionally, \$100 thousand in long-term contribution agreements were not executed in 2024 because of anticipated reductions in 2025. Higher-than-expected revenue from the seasonal patio program also contributed to the surplus.

Public Services

Culture and Recreation ended the year with a deficit of \$520 thousand, primarily due to increased staffing needs and building maintenance. There was a greater need for part-time staff for children's programming and summer camps to meet legislative requirements and accommodate participants with additional needs when requested. The Museum experienced a significant drop in school program bookings and an overall decline in attendance. Some exhibitions were over budget and didn't translate to additional revenue as expected. Sponsorship and donation dollars were significantly lower than budgeted. Additionally, aging facilities contributed to increased failures and maintenance costs, for example a flood at the River Run Centre and extensive work at the Sleeman Centre. This included a major refrigeration overhaul, installation of temperature monitoring systems, and upgrades to door operations at Gate #1 to meet Accessibility for Ontarians with Disabilities Act standards.

Guelph Transit ended the year with a surplus of \$3.8 million, primarily due to increased revenue from higher enrollment at the University of Guelph and an overall increase in ridership, a portion of which is attributable to the Affordable Bus Pass. The decision to pause the implementation of the Route 5 expansion in 2024 resulted in compensation savings, which helped offset increased overtime costs. Additional savings were realized in areas such as operator uniforms, building repairs, consulting services, and software maintenance.

Operations ended the year with a deficit of \$1.5 million after the winter control surplus of \$331 thousand was transferred to the Environment and Utility Contingency Reserve (198) in line with the Reserve and Reserve Fund Policy. The deficit is primarily due to budget pressures in the Fleet and Bylaw divisions. The Bylaw and Corporate Security divisions experienced a \$590 thousand deficit in

compensation due to the recruitment of additional staff to support encampments, and a combined \$241 thousand deficit in purchased goods and services for replacing city-wide security infrastructure. These deficits were slightly offset by a \$279 thousand surplus from increased parking fines issued by additional staff. Overall, the Operations deficit was partially offset by a \$1.3 million surplus in roads compensation, resulting from short-term hiring challenges.

Parking Services ended the year with a deficit of \$62 thousand, marking a significant improvement compared to the previous four-year average deficit of \$1.5 million. In 2024, Parking Services was realigned under Operations, integrating this service within the broader Operations framework, which is yielding the intended outcomes. In 2025, further deficit management strategies including transitioning from gate parking to license plate recognition systems are being implemented. This change will help reduce the reliance on contracted services and mitigate the lost revenue caused by gate issues.

Guelph Wellington Paramedic Services (GWPS) ended the year with a \$2.7 million deficit, shared between the City of Guelph (\$1.4 million) and the County of Wellington (\$1.3 million). The net City position is \$1.2 million after budgeted reserve transfers to fund the City share of the expansion and WSIB costs. Further details can be found in the [Joint Social Services Land Ambulance Paramedics Services Year-end 2024 Budget Variance Report - Draft](#).

Fire Services ended the year with a \$1.4 million deficit, driven by increased overtime costs and expenditures on purchased goods and services. The department faced multiple high-value fleet repairs due to aging vehicles, resulting from a two-year wait for the delivery of new trucks. Additionally, unforeseen costs related to unpaid previous year radio system invoices and increased expenses to maintain bunker gear after multiple large fires this year contributed to the deficit. A review of backfill cost trends for leaves is underway and will inform potential budget adjustments for backfill assumptions through the 2026 budget confirmation process.

Corporate Services

Information Technology ended the year with a \$209 thousand surplus primarily due to staffing vacancies and higher capital project labour recoveries than budgeted partially offset by some third party contract staff.

City Clerk's Office ended the year with a \$502 thousand surplus primarily due to Committee of Adjustment fees which saw a 47 per cent year over year increase in volume of applications. Additional expenditure savings were seen in compensation due to rolling vacancies and purchased services where efficiencies were created by consolidating services.

Strategic Communications and Community Engagement ended the year with a surplus of \$167 thousand primarily due to the re-scoping of the Customer Service strategy resulting in positions being unfilled in 2024.

Legal Services ended the year with a \$148 thousand deficit, which was funded by the Legal and Insurance Contingency Reserve (193) in line with the reserve and reserve fund policy. The deficit was mainly due to increased litigation costs and heavy reliance on external consultants to cover staff leaves and handle specialized matters. Compensation savings from vacancies partially offset these costs.

Court Services ended the year with a surplus of \$154 thousand, primarily due to multiple staffing vacancies and savings on Joint Processing Centre costs resulting from lower Automated Speed Enforcement (ASE) and Red-Light Camera (RLC) charge volumes. The lower-than-expected ASE and RLC charges were attributed to the location of the cameras and increased public awareness of the programs. This is also an indication that these programs are reducing speeding and the number of drivers running red lights, therefore creating safer driving conditions within the city. The net revenue from these programs is transferred to Engineering and Transportation Services, which in turn is transferred to the Transportation Reserve (164) to fund road safety initiatives. These savings were partially offset by lower revenues across the department due to the postal strike, which impacted on the ability to mail charges.

Local Boards and Shared Services (LBSS)

The City's budget for Social Services ended the year with a \$5.2 million deficit driving the overall year-end deficit position of the LBSS. The City's 2024 Social Services budget was developed to better align with the County of Wellington's budget and forecast, moving away from the historical practice of underbudgeting in this area, and a significant budget increase from the County was phased over four years.

The 2024 phase-in reduction of \$4.2 million was a known budget risk that was planned to be mitigated by expected surpluses in investment income and lower tax write-offs due to the delay of the assessment update by the Municipal Property Assessment Corporation. Additionally, there was a \$900 thousand increase to the County's budget for the City's social services costs after the City's budget for 2024 was adopted. This increased the \$4.2 million phase-in to a \$5.1 million phase-in for 2024.

The Guelph Public Library concluded the year with a surplus of \$12 thousand and due to the overall surplus position, the budgeted transfer from the Tax Operating Contingency Reserve (180) to fund the Library Capital Project Manager (\$142 thousand) was not completed. Further details on the Guelph Public Library position can be found on the [Guelph Public Library Board agenda](#).

The Guelph Police Services ended the year with a surplus of \$245 thousand. Details on the year-end position can be found on the [Guelph Police Service Board agenda](#) once available.

General Expenses and Revenue

General Expenses and Revenues ended the year with a deficit of \$356 thousand. The deficit is mainly due to unforeseen costs related to corporate staffing and recruitment, legal fees, retiree benefits, and year-end accounting for benefit costs impacting General Human Resources. This is partially offset by higher investment income, lower than budgeted assessment appeals and insurance costs.

The budgeted transfer from Compensation Contingency Reserve (131) of \$1.8 million to offset increased medical, dental and LTD costs was not required due to an overall surplus in corporate compensation. Additionally, insurance costs came in within the approved budget and a transfer of \$359 thousand from the Legal/Insurance Reserve (193) was not completed.

Operating Budget Surplus and Deficit Recommendation

That the total tax supported operating deficit of \$397,604 be allocated to or funded from the reserves and reserve funds as follows:

Table 2: Tax Supported Recommendation

Tax Supported	Amount \$
Transfer to Library Operating Contingency Reserve (102)	12,271
Transfer to Police Operating Contingency Reserve (115)	245,072
Transfer from Tax Rate Operating Contingency Reserve (180)	(654,948)
Tax Supported Total	(397,604)

That the total non-tax supported operating surplus of \$333,814 be allocated to or funded from the reserves and reserve funds as follows:

Table 3: Non-Tax Supported Recommendation

Non-Tax Supported	Amount \$
Transfer from Parking Operating Contingency (106)	(62,273)
Transfer to Stormwater Capital Reserve Fund (165)	566,747
Transfer from Water Operating Contingency Reserve (181)	(276,756)
Transfer to Wastewater Operating Contingency Reserve (182)	1,705,452
Transfer from Building Services OBC Stabilization Reserve Fund (188)	(1,752,995)
Transfer to Court Capital Reserve Fund (120)	153,639
Non-Tax Supported Total	333,814

The rationale for the above transfers includes:

- The transfer of \$12,271 to the Library Operating Contingency Reserve (102) is in accordance with the request from the Guelph Public Library Board as outlined in attachment 3. City staff support the request to provide the Board more autonomy and ownership over risk management in a multi-year budget environment.
- The transfer of \$245,072 to the Police Operating Contingency Reserve (115) in accordance with the pending request from the Guelph Police Services Board. Staff anticipate receiving recommendations from Guelph Police Services (GPS) Board to direct surplus funds to their operating contingency reserve to offset future needs. The Board meets May 15, 2025, and will

forward their formal request once finalized. City staff support the request to provide the Board more autonomy and ownership over risk management in a multi-year budget environment.

- The transfer of \$654,948 from the Tax Rate Operating Contingency Reserve (180) to fund the overall remaining tax supported deficit for City Services and Local Boards and Shared Services is in accordance with the Reserve and Reserve Fund Policy.

Non-Tax Supported recommendations in accordance with the Reserve and Reserve Fund Policy:

- The transfer to fund the parking deficit of \$62,273 is recommended to be from the Parking Operating Contingency Reserve (106).
- The transfer to fund the Water Services deficit of \$276,756 is recommended to be from the Water Operating Contingency Reserve (181).
- The transfer of the Wastewater surplus of \$1,705,452 to the Wastewater Operating Contingency Reserve (182).
- The transfer to fund the Ontario Building Code Administration deficit of \$1,752,995 is recommended to be from the Building Services OBC Stabilization Reserve Fund (188).
- The transfer of the Stormwater surplus of \$566,747 is recommended to be transferred to the Stormwater Capital Reserve Fund (165). The City's General Reserve and Reserve Fund policy states that surpluses in this reserve should be directed to the contingency reserve; however, staff recommend directing this surplus to the capital reserve fund to address cost pressures in the capital forecast as the stormwater contingency reserve is adequately funded at this time.
- The transfer of \$153,639 to the Court Capital Reserve Fund (120), as the Court Operating Contingency Reserve (211) is fully funded to target.

Financial Implications

The 2024 budget faced significant inflationary pressures and ongoing economic instability, leading to a heavy reliance on operating contingency reserves as well as offsetting risk mitigation measures. A total of \$6.2 million in tax supported contingency reserves funding was included for 2024, with only \$2.6 million in actual transfers required due to departmental surpluses. The 2024 budgeted transfers not required will be released from reserve commitments and reflected in future contingency reserve forecasts. An updated view of the contingency reserve position is provided in the Long-Term Financial Statement: Reserves and Debt report.

As part of the 2024 budget confirmation, at the [November 29, 2023 Special City Council Budget Meeting](#), Council endorsed the recommendation: "That Council acknowledges the City's operating contingency reserve balances are below approved targets, and that staff be directed to replenish these reserves as a first priority through the allocation of year-end surplus until such point that they reach a minimum of 75 per cent of target over the multi-year budget period." The future reliance on contingency reserves as an emergency funding source is at risk, and it is crucial to safeguard these balances in upcoming budgets. Rebuilding these reserves must continue to be a key focus.

The year-end operating position and reserve fund positions are critical factors in determining the City's overall fitness, as assessed by an external credit rating

agency. This credit rating influences the cost at which the City can issue debt, impacting the affordability of long-term capital projects for taxpayers and ratepayers.

Staff have thoroughly reviewed historical trend analysis in the past few budget cycles which focused on key surplus or deficit drivers. This is reflected in this year's overall deficit of 0.01 per cent the budget, which has become tighter, and staff will continue to focus on budget monitoring to ensure budget deficits are flagged early and mitigation measures developed to avoid a large year-end deficit in 2025.

Consultations and Engagement

Department General Managers are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility of monitoring the operating budget is shared by the operating departments and the Finance department. Department managers were provided financial reports based on their actual revenue and expenditures to December 31, 2024, with which they provided commentary in consultation with the Finance department. Final results were reviewed with each Service Area Leader and the Executive Team.

Attachments

Attachment-1 2024 Year-end Operating Surplus and Deficit by Department

Attachment-2 2024 Year-end Operating Surplus and Deficit by Account Category

Attachment-3 Guelph Public Library Board Request for 2024 Surplus Allocation

Departmental Approval

Karen Newland, Manager Budget Services

Report Author

Cathy Butcher, Senior Corporate Analyst- Operating Budget

This report was approved by:

Shanna O'Dwyer

General Manager Finance/City Treasurer and Chief Financial Officer

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