

Staff Report



To	Committee of the Whole
Service Area	Office of the Chief Administrative Officer
Date	Tuesday, May 5, 2026
Subject	2025 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding

Recommendation

1. That the 2025 tax supported operating deficit of \$19,743 be allocated to or funded from the City's reserve and reserve funds as follows:
 - a. Transfer \$123,772 to the Library Operating Contingency Reserve (102) in accordance with the request from the Library Board.
 - b. Transfer \$5,759 to the Police Operating Contingency Reserve (115), \$1,250,000 to the Police Capital reserve fund (158), and \$300,000 to WSIB reserve (330) in accordance with the anticipated request from the Guelph Police Board.
 - c. Fund the deficit of \$1,699,274 from the Tax Rate Operating Contingency Reserve (180).
 2. That the 2025 non-tax supported operating deficit of \$1,558,034 be allocated to or funded from the non-tax supported City reserve and reserve funds as follows:
 - a. Fund the Parking Services deficit of \$1,009,017 from the Parking Capital reserve fund (151).
 - b. Transfer the Stormwater Services surplus of \$249,857 to the Stormwater Capital Reserve Fund (165).
 - c. Fund the Water Services deficit of \$790,427 from the Water Operating Contingency Reserve (181).
 - d. Transfer the Wastewater Services surplus of \$1,705,759 to the Wastewater Capital Reserve Fund (153).
 - e. Fund the Building Services deficit of \$2,316,614 from the Building Services OBC Stabilization Reserve Fund (188).
 - f. Transfer the Courts Services surplus of \$602,408 to the Courts Capital Reserve Fund (120).
 3. That Council approves an increase in the 2026 operating budget of \$175,000 to advance the HR job evaluation system funded from the Strategic Initiatives Reserve (179).
-

Executive Summary

Purpose of Report

The purpose of this report is to provide details of the 2025 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 2025 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 0.28 per cent or \$1.6 million. The net operating result for tax-supported departments and Local Boards and Shared Services (LBSS) organizations is a deficit of \$20 thousand or 0.01 per cent of the 2025 total tax supported gross expenditures. The tax supported deficit is further broken down to City departments combined deficit of \$1.37 million, together with Local Boards' surplus of \$1.35 million.

The net operating result for non-tax supported departments is a deficit of \$1.6 million or 0.3 per cent of the 2025 total non-tax supported gross expenditures.

From an operating budget perspective, there are several notable trends impacting the 2025 results including:

Revenue-related trends:

- Lower than budgeted development and growth-related revenue streams: Planning, Building, and Engineering fees, as well as Water and Wastewater rates and supplementary taxes due to not meeting growth assumptions.
- Surplus revenue for Transit, Culture and Recreation, City Clerk's Office, Finance and General Revenues.

Compensation-related trends:

- CUPE 241 and 973 agreement ratified June 10, 2025; costed at a \$2.4 million impact on 2025 budget.
- Overtime pressures: deficits in Paramedics, Fire, and Transit due to on-going employee leaves and maintenance of minimum staffing requirements. Overtime deficits are also reported in Corporate Building Maintenance, Roads and Parks.
- Additional program specific staffing cost pressures to respond to service demands including in Paramedic Services, winter response, implementation of the public space use by-law, and summer camp enrollment.
- Continued recruitment and retention challenges in certain departments creating savings that helped mitigate compensation pressures corporately.

Buildings, vehicles and equipment maintenance related trends:

- Price escalation on original equipment manufacturers or equivalent parts has been significant and is driving up costs.
- Continued cost pressures from aging infrastructure, vehicles and equipment resulted in more frequent unplanned maintenance and emergency failure

work, a \$1 million deficit for building maintenance, and \$1.8 million deficit for vehicle and equipment maintenance.

Corporate fuel and utilities trends:

- \$1.4 million savings due to the consumer carbon tax reductions on fuel; savings related to natural gas were not realized in 2025 due to timing of the removal of the carbon tax and seasonality of the expenses.

Attachment-1 2025 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 2025 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

The year-end deficit position of \$1.6 million is less than the \$3.1 million deficit forecasted in the [Third Quarter 2025 Budget Monitoring Report](#). The key driver of the change between third quarter projection and year-end is a surplus in LBSS of \$1.3 million compared to a projection of \$200 thousand in the third quarter(Q3), and a higher surplus in wastewater services. 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 2025, depending on the specific item that was earmarked for reserve funding, and the actual cost results for that item. A total of \$8.4 million in tax supported contingency reserve funding was budgeted for 2025, with only \$3.6 million in actual transfers required due to departmental surpluses. The 2025 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 presented on the May 5, 2026, Committee of the Whole agenda.

Staff anticipate receiving a recommendation from the Guelph Police Services (GPS) Board to direct police surplus funds to their operating contingency reserve, capital reserve fund, and the City's WSIB reserve to offset future needs. The GPS Board meets May 21, 2026, and will forward their formal request once finalized. City staff support the request to direct a significant portion of the surplus to the Police capital reserve fund to help work toward reducing the net negative position of the combined Police tax supported and DC capital reserve funds resulting from low DC collections.

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 and included as Attachment-3.

Report

On November 29, 2023, Council adopted Guelph's first four-year multi-year budget (MYB) for 2024 to 2027 and on January 25, 2025, the 2025 budget confirmation process concluded with Council approval of the LBSS budgets.

The City's overall year-end operating position compared to budget is a deficit of 0.28 per cent or \$1.6 million.

Council received the [Third Quarter 2025 Budget Monitoring Report](#) on December 2, 2025. At that time, staff projected a year-end deficit of \$3.1 million 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 surpluses in Guelph Public Library, Guelph Police Services, and a higher surplus in wastewater services.

This report is prepared in consultation with City departments as part of the regular budget monitoring process. Departments provided comments on their financial results for the year ending December 31, 2025. 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	180,033,209	(1,174,406)	(0.7%)
General Revenues and Expenses	(300,850,750)	(198,299)	(0.07%)
City Tax supported	(120,817,541)	(1,372,705)	(0.01%)
Non-tax Supported Operating Budgets	Total Approved Gross Expenditure (\$)	Year-end Variance (\$ Surplus/(Deficit)	Variance as a Percent of Budget
Water Services	38,538,843	(790,427)	(2.05%)
Wastewater Services	41,579,564	1,705,759	4.10%
Building Services	5,500,805	(2,316,614)	(42.1%)
Court Services	6,252,200	602,408	9.64%
Stormwater Services	14,528,214	249,857	1.7%

Tax Supported Operating Budgets	Total Approved Net Budget (\$)	Year-end Variance (\$ Surplus/(Deficit)	Variance as a Percent of Budget
Parking Services	4,605,328	(1,009,017)	(21.9%)
Total Non-tax Supported	111,004,954	(1,558,034)	(1.4%)
Total City*		(2,930,738)	(0.66%)
Tax Supported Operating Budgets	Total Approved Net Budget (\$)	Year-end Variance (\$ Surplus/(Deficit)	Variance as a Percent of Budget
Local Boards and Shared Services	120,817,541	1,352,961	1.12%
Total City and Local Boards and Shared Services*		(1,577,777)	(0.28%)

*Calculated as a per cent of total budgeted operating expenditure.

Detailed information is provided in the attachments:

Attachment-1 2025 Year-end Operating Surplus and Deficit by Department,
Attachment-2 2025 Year-end Operating Surplus and Deficit by Account Category

Corporate Variance Drivers

The corporate variance drivers impacting City operations only are outlined below and offer an overview of the factors influencing the City's 2025 year-end position. These factors are shaped by seasonality, timing, unpredictable market forces, collective bargaining, and events beyond the City's control. The impacts from the corporate variance drivers will impact all departments and are discussed corporately to avoid significant repetition throughout the report.

Revenue

Favorable collections amounted to an overall \$14.2 million surplus compared with budgeted revenue, or 2.5 per cent of the total revenue budget. Key drivers of this revenue surplus included:

- Transit realized a \$1 million revenue surplus due to increased ridership.
- Economic Development realized a \$4.5 million surplus driven by land sales. The proceeds were transferred to the Strategic Property Reserve (332) in line with the Reserve and Reserve Fund Policy.
- Investment income continued to outperform the budget in 2025 as projected, resulting in an operating surplus of \$760 thousand which was lower than 2024 due to falling interest rates.
- Higher tonnage at Solid Waste resulting in increased tipping fees and \$255 thousand surplus revenue.
- Energy rebates and incentives revenue of \$698,696 resulted in transfers of \$187,397 to 100RE reserve fund (355) and \$511,299 to Wastewater Capital reserve fund (153) in line with the Reserve and Reserve Fund Policy.

- Culture and Recreation saw a user fee revenue surplus of \$802 thousand, driven by a successful camp season and strong demand for performances at the River Run Centre.
- Proceeds of \$1.9 million from vehicle, scrap metal, recycling carts, and other assets sales which are not budgeted for; however, the proceeds were fully transferred to the Infrastructure Renewal reserve fund (150) and Paramedics Capital reserve fund (360) to fund future replacements in line with the Reserve and Reserve Fund Policy.
- Stormwater rate revenue exceeded budget by \$157 thousand due to a greater number of Equivalent Residential Units (ERU) than estimated in the rate model.
- The City Clerk's Office had a revenue surplus of \$270 thousand from the Committee of Adjustment fees, which cover applications for lot creation, boundary adjustments, and minor variances to zoning by-laws. The volume of Committee of Adjustment applications has seen a sustained higher level of activity and staff are working to forecast a reasonable revenue adjustment for 2027 to reflect that along with additional resources that are required to service this higher level of activity.
- Finance finished the year with a \$171 thousand revenue surplus in user fee revenue, driven mainly by higher than budgeted arrears related fees.

The above surplus revenue is offset by revenue deficits in other areas of the City.

- Ontario Building Code (OBC), revenues were \$3.2 million lower than budgeted. Current economic conditions continue to negatively impact the rate of new construction. Developers are facing lower pre-sales and ongoing uncertainty related to HST exemptions, development charge and Planning legislation changes, tariffs, and construction costs, which are discouraging investment and delaying projects. Statistics Canada's data reports a 6.3 per cent decline on a year over year basis in the total value of building permits nationwide in December, with Ontario seeing a significant drop in single-family permits, but a recovery in multi-unit permits. This trend mirrors our local experience, where permit fee revenues continue to fall well below budget expectations, despite maintaining high overall permit volumes. The uptick in multi-unit permits is a positive indicator moving forward but permit revenues are still expected to be under pressure in 2026. Mitigation strategies included a 2026 budget update that reflects a more achievable revenue budget given the current provincial forecasts and economic conditions. In addition, a consultant was engaged to complete a fee study, with results being presented to council in June 2026.
- Water and Wastewater Services ended in a combined revenue deficit of \$373 thousand, driven by lower annual consumption, and fewer new connections than budgeted in the rate model.
- Parking revenue was \$350 thousand below budget due to lower parkade demand and the transition from gated access to the license plate recognition system.
- Carbon credit sales budgeted at \$300 thousand did not materialize and therefore the corresponding transfer of \$300 thousand to the 100RE reserve fund (355) was not completed.

Compensation

Compensation and benefits accounted for just under half of the 2025 operating expenses and resulted in a year-end deficit of \$3.1 million, or 1.50 per cent of the

budget inclusive of the \$1.3 million in-year budget adjustment for [Paramedic Services](#) staffing. The primary drivers of the deficit are summarized below:

- Recruitment challenges in securing full-time permanent staff led to increased reliance on temporary contracts, over-complement hires, and overtime across several departments, including Paramedic Services, Facilities, Planning, Operations, Information Technology, and OBC. As a result, overtime costs exceeded the 2025 budget by 74.3 per cent, or \$2.9 million. Contributing factors included vacancies, mandated leave coverage, and minimum staffing requirements in Paramedic Services, Transit Services, Fire, and Operations.
- Recently negotiated CUPE 241 and 973 collective agreements added an estimated \$2.4 million in costs, as compensation budgets were updated in 2026 to reflect the negotiated terms.
- Several budgeted service level changes including reductions to Public Drop Off hours, outreach, audits, curbside inspections, the Protection Officer Inspection Program, Water Services outreach, youth programming, program planning, and customer service staffing were scheduled to take effect January 1, 2025, but were implemented partway through the year. To offset the resulting financial impact, a transfer of \$290 thousand was made from the Tax Operating Contingency reserve (180), with the remaining \$587 thousand commitment released from reserve.
- To address operational needs, additional staffing resources were approved for the Corporate and Community Safety team to support downtown safety and encampment response. Human Resources also advanced the hiring of an Abilities and Occupational Health Specialist to support employees on leave and facilitate safe return-to-work processes.
- Surplus in health, dental, and Long Term Disability benefits meant the budgeted \$1.0 million transfer from the Compensation Contingency (131) reserve was not required.
- Longer-term leaves continue to create budget pressures, particularly related to mental stress injuries (MSI). MSI claims accounted for over 90 per cent of lost time hours in 2025 and continue to drive significant Loss of Earnings benefit payments and ongoing healthcare costs. Staff continue to monitor claims and support return-to-work planning.
- Guelph Wellington Paramedic Services experienced a significant compensation deficit due to high sick time usage and unplanned absenteeism, despite the \$1.3 million in-year budget adjustment. Additional details are available in the Joint Social Services Land Ambulance Committee report presented on April 8, 2026. The City's share of the budget adjustment was \$819 thousand, transferred from the Tax Rate Contingency Reserve (180) as approved through the [2025 Second Quarter Budget Monitoring Report](#).

Purchased Goods and Services

Purchased Goods resulted in an overall surplus position of \$1.3 million or 3.2 per cent driven by a surplus in fuel and the inability to secure budgeted vehicle purchases in year. The 2025 vehicle purchases budgeted in operating were transferred to capital projects at year end to accommodate these supply chain issues.

Fuel

In 2025, the corporate fuel budgets ended with a favorable variance of \$1.4 million mainly due to the removal of the federal carbon tax on April 1, 2025. Although gasoline prices averaged 2 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 surplus of \$231 thousand. Transit Fleet, which uses diesel, ended the year with a surplus of \$1.2 million. 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 (198) (\$581 thousand) to phase in the impact. As a result of the favorable variance this transfer was not completed.

Utilities

Corporately, expenditure on electricity, natural gas, and water resulted in a surplus of \$76 thousand, one per cent lower than budget. Additional water and electricity charges were offset by savings in natural gas costs, driven by the removal of the federal carbon tax on April 1, 2025.

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

Purchased Services are over budget by \$1.2 million, or 2.2 per cent mainly due to Corporate Building Maintenance and vehicle maintenance:

- partially offset by surpluses in insurance of \$510 thousand, travel and training of \$804 thousand, and consulting of \$988 thousand.
- \$237 thousand was transferred from the Legal/Insurance reserve (193) to offset costs in litigation and external consultants to cover leaves and for specialized matters.
- Insurance costs came in within the approved budget so a budgeted transfer of \$140 thousand from the Legal/Insurance reserve (193) was not completed.

Building Repairs and Maintenance

Corporately, year-end building maintenance costs resulted in a deficit of \$1.0 million due to higher than anticipated costs attributed to aging facility assets. A transfer of \$329 thousand from the Tax Rate Operating Contingency reserve (180) to phase-in the impact of increased corporate building costs was completed as budgeted. As building assets continue to age and life cycles are extended, we are seeing a growing number of repairs, rising maintenance expenses, and more frequent equipment failures. This trend increases the risk of unforeseen critical breakdowns and emergency after-hours service calls. Additionally, newer building systems, while more efficient, are becoming increasingly digitized and complex, requiring more staff time and third-party contractor support, along with higher costs for replacement parts when failures occur.

Several unforeseen and urgent repairs have contributed to the deficit, including:

- Generator failure at City Hall resulting in unforeseen rental costs while awaiting replacement parts (approximately 12 weeks).
- Repairs at the Guelph Youth Music Centre and the Guelph Youth Shelter.
- Ongoing mold remediation at multiple City buildings.

- A sprinkler system failure at the Provincial Offences Court.
- Urgent HVAC and mechanical repairs including boilers, hot water tanks, exhaust fans, and sensors have also been necessary at Victoria Road, West End, and River Run.

Vehicle Repairs and Maintenance

Corporately, year-end vehicle repairs and maintenance costs resulted in a \$1.8 million deficit, comprised of \$760 thousand for the non-transit fleet (allocated across user departments) and \$1.0 million for the transit fleet.

Key drivers of the repairs and maintenance pressures include:

- Aging fleet assets - many fleet vehicles have exceeded their intended service life. To keep them operational, additional maintenance is required, increasing both frequency and cost of repairs.
- Rising parts costs - the cost of vehicle parts has surged significantly. This trend is affecting a wide range of components, straining the maintenance budget. The City does not source these parts directly from the U.S. but suspect there are tariff impacts in vendor supply chains which are being passed onto their customers through increased prices. This is further influenced by broader market uncertainty surrounding supply and trade conditions.
- Transit fleet challenges arise from the fact that most replacement parts are proprietary to the bus manufacturers, with limited high-quality alternatives available. As a result, repair and maintenance costs are expected to remain elevated.
- Increased contracted maintenance costs - due to internal staffing shortages in fleet services, critical maintenance tasks are being outsourced. Vendors, facing high demand from the City and other clients, have raised their prices. The limited number of qualified service providers has further reduced competitive pricing options.

Reserve and Reserve Fund Transfers

The preliminary tax supported position is calculated after the following transfers to/from reserve and reserve funds in accordance with those budgeted and the General Reserve and Reserve Fund Policy:

- Street lighting ended the year in a deficit which resulted in the transfer to the Wastewater Capital reserve fund (153) for repayment of an internal loan to fund the LED Steet Lighting Upgrade project to be less than budgeted by \$93,310.
- Reserve transfers budgeted in 2025 to be transferred from the Tax Operating Contingency reserve (180) totaling \$6,278,817 to phase in budgetary impacts are detailed below:
 - A reserve transfer totaling \$250,000 was budgeted in emergency funding for homelessness and of this, \$49,767 was funded from the reserve in 2025. Grant funding was received and partially offset the City's contribution and a portion of the funds were for tangibles which were provided through the County and other community partners.
 - \$100,000 budgeted for corporate sponsorship work was not funded.
 - \$43,335 to support Physician recruitment (funded as budgeted).
 - \$750,000 for the Hospital Levy (funded as budgeted).
 - \$50,000 was required for the Farmers' Market transition to 10C (\$81,436 budgeted).

- Reserve transfers budgeted in 2025 from other contingency reserves where the full budget was not required:
 - Utility Billing implementation costs were lower than budget and only required a total of \$520,262 to be funded from Water (181), Wastewater (182), Stormwater (359) Contingency reserves (\$2,819,560 budgeted).
 - \$19,256 was funded from the Efficiency, Innovation, and Opportunities reserve fund (351) for Internal Audit value for money audits (\$50,000 budgeted).
- Additional in-year approvals funded from reserves:
 - \$32,950 in Seed Funding from the Affordable Housing Reserve (119) (\$100,000 budgeted). The balance remains committed in the reserve to be used in 2026 as funding flows for commitments made in 2025.
- The following transfers from reserve and reserve funds were not completed due to existing 2025 surplus at the department level:
 - Reserve transfers budgeted to be transferred from Tax Operating Contingency reserve (180) to fund Transit Services pilots youth and seniors ride free (\$174,000), Legal and Courts Services budgeted in error (\$6,115).

Other Variance Drivers

Winter Related Events:

The Roads Division of Operations recorded a winter control deficit of approximately \$1.9 million, driven by a higher number of winter weather events in 2025. A significant contributor of this deficit relates to road salt costs exceeding budget by \$900 thousand, with the remaining pressure attributable to additional staff time required to operate rented equipment for plowing and sidewalk clearing. Snow and winter weather were significantly more impactful than originally budgeted. For example, in February, the City declared a significant weather event due to extreme winter conditions. Cleanup efforts affected multiple departments through increased material usage and staff overtime costs.

In accordance with the Reserve and Reserve Fund Policy, the winter control deficit of \$1.9 million was funded from the Environment and Utility Contingency Reserve (198) at year-end.

Local Boards and Shared Services (LBSS)

The Guelph Police Service budget ended the year with a \$1.6 million surplus, the details of which will be reported to the Guelph Police Services Board in mid-May.

The Guelph Public Library concluded the year with a surplus of \$124 thousand as reported to the Guelph Public Library Board at the [March 30 Board meeting](#).

County of Wellington Social Services operating costs ended the year with a surplus of \$1.8 million for the City's share of the budget. On the capital side, the City's share of 2025 spending was \$4.4 million, and the County closed capital projects that relieved \$578 thousand from previously approved City funded commitments. The outstanding 2025 and prior approved City portion of the social services capital budget totaled \$1.9 million at the end of 2025, and this amount has been transferred to the Social Housing reserve (208) at year-end to fund these costs as they are incurred in 2026 and future. As a result of the operating surplus and capital project close-outs, overall, the City's budget for social services ended the

year in a \$287 thousand deficit without the \$2.8 million transfer from the Tax Rate Operating Contingency reserve (180) that was budgeted to phase-in County budget increases over time. No transfer was completed due to the timing of receipt of the final year-end reconciliation package from the County, and the \$287 thousand deficit is included in the City services tax-supported year-end deficit of \$1.7 million. The County reports their year-end variances to their Administration, Finance and Human Resources Committee, including the Social Services variance.

Operating Budget Surplus and Deficit Recommendation

That the total tax supported operating deficit of \$19,743 thousand 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)	123,772
Transfer to Police Operating Contingency reserve (115)	5,759
To Police Capital reserve fund (158)	1,250,000
To WSIB reserve (330)	300,000
Transfer from Tax Rate Operating Contingency reserve (180)	(1,699,274)
Tax Supported Total	(19,743)

That the total non-tax supported operating deficit of \$1,558,034 be allocated to or funded from the reserves and reserve funds as follows:

Table 3: Non-Tax Supported Recommendation

Non-Tax Surplus / Deficit Disposition	Amount \$
Transfer from Parking Capital reserve fund (151)	(1,009,017)
Transfer to Stormwater Capital reserve fund (165)	249,857
Transfer from Water Operating Contingency reserve (181)	(790,427)
Transfer to Wastewater Capital reserve fund (153)	1,705,759
Transfer from Building Services OBC Stabilization reserve fund (188)	(2,316,614)
Transfer to Court Capital reserve fund (120)	602,408
Total	(1,558,034)

The rationale for the above transfers includes:

- The transfer of \$123,772 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 with more autonomy and ownership over risk management in a multi-year budget environment.
- The transfer of \$5,759 to the Police Operating Contingency reserve (115), \$1,250,000 to the Police Capital reserve fund (158), and \$300,000 to the WSIB reserve in accordance with the pending request from the Police Services Board. This will bring the Police Operating Contingency reserve balance to approximately 88 per cent of the maximum target under the Reserve and Reserve Fund policy. The Board meets May 21, 2026 to review the year-end position, and will forward their formal request to Council once finalized. City staff support the request to direct a significant portion of the surplus to the Police capital reserve fund to help work toward reducing the net negative position of the combined Police tax supported and DC capital reserve funds resulting from low DC collections.
- The transfer of \$1,699,274 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 \$1,009,017 is recommended to be from the Parking Capital reserve fund (151). The City's General Reserve and Reserve Fund policy states that deficits should be funded from the Parking Contingency reserve (106), however, staff recommend funding from the Capital reserve fund due to the minimal balance of \$70,760 available in the contingency reserve. The balance in Parking Capital reserve fund (151) is sufficient to fund the deficit; however, future capital projects will need to be reviewed in comparison to the level of funding through the 2027 budget update and next multi-year budget cycle.
- The transfer of the Stormwater surplus of \$249,857 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 service 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 and impacts from Bill 23 which are funded from this reserve fund as the stormwater contingency reserve is adequately funded at this time.
- The transfer to fund the Water Services deficit of \$790,427 is recommended to be from the Water Operating Contingency Reserve (181). The Water contingency reserve can accommodate this deficit; however, the balance will be 25 per cent of target after the year-end transfer.
- The transfer of the Wastewater surplus of \$1,705,759 to the Wastewater Capital Reserve (153). The City's General Reserve and Reserve Fund policy states that surpluses in this service should be directed to the contingency reserve; however, staff recommend directing this surplus to the capital reserve fund as the operating contingency reserve is above target.
- The transfer to fund the Ontario Building Code Administration deficit of \$2,316,613 is recommended to be from the Building Services OBC Stabilization reserve fund (188) in accordance with policy and in alignment with the

established purpose of this reserve fund. This will leave approximately \$1.3 million in the reserve fund. There is a likelihood of interfund borrowing being required in 2026 due to continued slower growth and this was highlighted during the 2026 budget confirmation process.

- The transfer of \$602,408 to the Court Capital Reserve Fund (120), as the Court Operating Contingency reserve (211) is fully funded compared to target.

Financial Implications

The 2025 budget faced significant inflationary pressures and ongoing economic instability, leading to a heavy reliance on operating contingency reserves to phase in impacts as well as offsetting risk mitigation measures. A total of \$8.4 million in tax supported contingency reserve funding was budgeted for 2025, with only \$3.6 million in actual transfers required as outlined in the report above. The 2025 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, presented on the May 5, 2026 Committee of the Whole agenda.

As part of the 2025 budget confirmation, at the [November 27, 2024 Special City Council Budget Meeting](#), Council endorsed the recommendation: "That Council acknowledges the City's reserve strategy deployed in the 2025 budget update results in operating contingency reserve balances that continue to be below approved targets, and that staff continue to 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". There was no surplus for the 2025 year-end to help replenish the tax supported contingency reserves, and with very low balances in comparison with established targets, the future reliance on contingency reserves as an emergency funding source is at risk. It is crucial to safeguard and begin to rebuild these balances in upcoming budgets.

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 0.28 per cent of the gross expenditure 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 2026.

Human Resources is requesting an in-year budget increase of \$175 thousand to implement a new job evaluation system (JES) funded from the Strategic Initiatives reserve (179). The current system has been in place since 2014 and is inefficient as it is being used without job descriptions. This results in constant re-benching of jobs, confusion for managers leading to distrust of the system, and a very cumbersome process requiring significant administration for people leaders and Human Resources. The JES implementation will begin with generic job descriptions which will allow job class information to be applied to roles and not individual roles.

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, 2025, and they provided commentary and insight on these results in consultation with the Finance department. Final results were reviewed with each Service Area Leader and the Executive Team.

Attachments

Attachment-1 2025 Year-end Operating Surplus and Deficit by Department

Attachment-2 2025 Year-end Operating Surplus and Deficit by Account Category

Attachment-3 Guelph Public Library Board Request for 2025 Surplus Allocation

Departmental Approval

Karen Newland, Manager Budget Services

Report Author

Ray Kalinowski, Senior Corporate Analyst- Operating Budget

This report was approved by:

Shanna O'Dwyer

General Manager, Finance/City Treasurer and Chief Financial Officer

Office of the Chief Administrative Officer

519-822-1260 extension 2300

shanna.odwyer@guelph.ca

This report was recommended by:

Tara Baker

Chief Administrative Officer

Office of the Chief Administrative Officer

519-822-1260 extension 2221

tara.baker@guelph.ca