



**Subject: 2024 Year End Surplus and Project Close Out**

**To: Council**

**From: Corporate Services Department**

Report Number: 2025-68

Meeting Date: April 8, 2025

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**Recommendation:**

That Corporate Services Department, Financial Services Division, Report 2025-68 Subject: 2024 Year End Surplus and Project Close Out, be received; and

That the year-end levy surplus be allocated to the City's Encumbrance Reserve; and

That the reserve transfers recommended in Report 2025-68 be approved; and

That the capital and related project and reserve balances of Appendices E, F, and G of Corporate Services Department Report 2025-68, be approved.

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**Purpose:**

This report highlights the funding budget to actual results, provides recommendations pertaining to surplus, capital and related project closeouts and reserve activity for 2024.

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**Background:**

This report provides the year-end unaudited actuals for the year ended December 31, 2024. At the time of writing this report, the City's auditors are conducting the annual audit. It is anticipated that the Audited Financial Statements will be available and brought to Council meeting in July.

Financial Services identifies this report contains certain forward-looking information. In preparing this report, certain assumptions and estimates were necessary. These estimates are based on information available to management at the time of preparing this report. Council and other users are cautioned that actual results may vary.

Financial Services reminds Council and users of this report that it is based on fund accounting that follows the cashflow of the budget. For greater clarity, this report is not prepared in accordance with full Canadian public sector accounting standards in the same manner as the audited financial statements that follow accrual accounting. For example, this report reflects capital purchases as cash outlays instead of capitalizing them on the balance sheet and amortizing them over their useful life. As a reminder, fund accounting is utilized by all municipalities as a mechanism to develop budgets and track cashflow. While accrual accounting can provide for a longer-term picture of an organization by capitalizing assets and recording long-term liabilities such as employee future benefits, fund accounting helps the municipality ensure funding is available in the immediate term to cover current obligations.

A presentation of the City's financial results has been prepared and will be presented at the Council meeting. The presentation is attached as Appendix A.

While high-level comments to the year-end financial results have been provided in the report, Financial Services encourages Council members to reach out to staff for further discussion.

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## Discussion:

For the fiscal year ended December 31, 2024, the City experienced a Levy surplus of \$219,000 as identified below:

Levy	Actual	Budget	Net
Revenue	41,379,336	36,424,615	4,954,721
Personnel Expense	(17,821,701)	(17,413,500)	(408,201)
Operating Expense	(16,757,959)	(15,213,330)	(1,544,629)
<b>Surplus before Transfers</b>	<b>6,799,677</b>	<b>3,797,785</b>	<b>3,001,892</b>
Transfer (to)/from Capital	(13,744,552)	(6,168,881)	(7,575,671)
Transfer (to)/from Reserves	(827,655)	(1,821,538)	993,883
Transfer (to)/from Funds	7,991,530	4,192,634	3,798,896
<b>Surplus/(Deficit)</b>	<b>219,000</b>	<b>-</b>	<b>219,000</b>
Recommended Transfers	(219,000)		(219,000)
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The summarized chart above identifies that revenues and expenses were higher than budgeted. **Slides 7 to 11 of Appendix A** highlight in greater detail budget to actual differences related to both revenue and expenses.

The variance in reserve transfers of \$993,883 is made up of both in-year Council approved transfers from reserves as well as transfers to reserve in accordance with the City's Reserve and Reserve Fund Policy.

The Transfer from Funds amount relates to transfers from the rate budgets of water, wastewater, and storm sewer. This relates to overhead charges between the Levy and Rate as well as in-year Council approved transfers from Rate reserves to fund capital projects.

Summary comments related to self-sustaining entities can be found on **Slides 12 to 15 of Appendix A**.

For greater detail at an account level Staff encourage Council members and readers to review **Appendix B and C**.

For the fiscal year ended December 31, 2024, the City experienced combined Rate surpluses of \$819,868 as identified below:

Rates	Actual	Budget	Variance (\$)	Transfer to/(from) Reserve*
Wastewater	1,167,187	384,000	783,187	(732,813)
Water	727,851	693,300	34,551	(512,149)
Storm Sewer	886,130	884,000	2,130	136,130
<b>Surplus/(Deficit) Subtotal</b>	<b>2,781,168</b>	<b>1,961,300</b>	<b>819,868</b>	<b>(1,108,832)</b>

\*Includes recommended year-end transfers and in-year Council approved transfer to fund capital projects

As rate payers are different than those of the levy, rate reserves exist to support stability in the budget. Year-end surpluses are transferred to these reserves and deficits are funded from these reserves. These reserves bring stability to the budget. As such, the surplus/(deficit) is recorded as Transfer (to)/from Reserves.

Rates	Actual	Budget	Net
Revenue	16,545,447	16,559,613	(14,166)
Personnel Expense	(943,223)	(983,800)	40,577
Operating Expense	(8,500,526)	(9,421,879)	921,353
<b>Surplus before Transfers</b>	<b>7,101,698</b>	<b>6,153,934</b>	<b>947,764</b>
Allocations: Within Departments	-	-	-
Transfer from Reserves	3,765,000	-	3,765,000
Transfer to Reserves	(1,961,300)	(1,961,300)	-
Transfer (to)/from Funds	(8,085,530)	(4,192,634)	(3,892,896)
<b>Surplus/(Deficit)</b>	<b>819,868</b>	<b>-</b>	<b>819,868</b>

The summarized chart above identifies that there were both revenue and expense variance for the year. **Slides 17 to 19 of Appendix A** highlight in greater detail budget to actual differences related to both revenue and expenses.

For greater detail at an account level Staff encourage Council and readers to review **Appendix D**.

This report contains a summary of Capital and Related Projects recommended for closeout and still on-going in **Appendices E and F. Slide 21 and 22 of Appendix A** highlight that, as of 2024, 75 approved capital and related projects remain open. Staff completed 53 projects and closed out/transferred 5 projects and in doing so made \$2,549,484 available for other initiatives. The dollar figure associated with the 75 remaining projects is \$27,642,703. The three largest projects are Wastewater Relining, East Side Employment Lands, and the Watermain Replacement and Looping project. An update on 2025 activity will be provided with the first trimester reporting that will be prepared for the period ending April 30, 2025. Financial Services is planning to present this update at the July 8 Council meeting.

In **Appendix G**, Financial Services has summarized reserve activity and identified the approved reserve targets and/or progress or steps required to establish a final target.

Council and users of this report will also find **Appendix H – Investments** and **Appendix I – Debt Management** that highlight the City's investment returns and debt management along with related compliance with approved policies.

Financial Services identifies the debt approved by way of the 2024 and 2025 Capital Budgets have not yet been issued as projects need to be substantially complete before the debt can be issued. As forecasted in **Appendix I** the City's borrowing capacity as defined by the annual repayment limit (ARL) is forecasted to expand over time and is forecasted at 5.5% in 2025 on an in-year basis based on approved debt. The ARL remains well below the City's self-imposed limit of 15% and the Province of Ontario maximum of 25%.

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### **Internal Consultations:**

Financial Services would like to thank all departments for their assistance and cooperation.

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### **Financial Implications:**

This report recommends allocating the year-end levy surplus of \$219,000 to the City's Encumbrance reserve to fund the following operating initiatives:

- \$125,000 of the surplus allocation will go towards Corporate Communications (Public Engagement and Analysis); and
- \$94,000 of the surplus allocation will go towards new tax and water software required to replace existing software that will soon no longer be supported.

This report also recommends transferring \$300,000 from the Levy Capital – Over/Short Reserve to fund the following capital initiatives:

- \$175,000 towards design and layout efficiencies at City Hall to bring By-Law back to City Hall to free up space in the Fire Hall for training and fire prevention initiatives; and
- \$125,000 towards new tax and water software implementation.

In addition to the \$94,000 allocation of surplus and \$125,000 transfer from the Capital Over/Short Reserve, the new tax and water software project requires an equal contribution from the Rate programs. The proposed tax and water software will establish a platform to improve the citizen experience and functional analysis of water and wastewater activity in the City. The software will establish a foundation for all citizen facing applications, allowing the City to migrate to one common application. This will provide administrative synergies as well as an improved citizen experience.

The recommended transfers to fund the new tax and water software is summarized in the following table:

	Tax and Water Software	
	Operating	Capital
Levy Operating - Surplus	94,000	
Levy Capital - Over/Short Reserve		125,000
Wastewater Reserve	37,600	50,000
Water Reserve	37,600	50,000
Storm Reserve	18,800	25,000
<b>Total</b>	<b>188,000</b>	<b>250,000</b>

\* Funded from respective reserves

To provide additional context, current software will soon no longer be supported, nor does it address the shortfalls that have been identified by residents. Residents would like equal monthly fixed billing as well as one self-service portal to transact with the City. Staff have undergone an Request for Proposal (RFP) process that identified that only one application exists that would not only meet our current needs but also allow for the consolidation of other City applications.

The capital and related project and reserve balances are presented in **Appendices E, F, and G** following City policies and practices, including that of the Reserve Policy. One area requiring additional disclosure is that of the encumbrance reserve which is a reserve utilized when there is no other reserve but funds have been budgeted in one year and/or are needed or required to be carried forward to the following year. The encumbrance reserve is made up of the following:

Encumbrance Reserve	Opening Balance 2024	In-Year Transfers	Year-End Transfers to Approve	Ending Balance 2024
Cannabis Grant	34,548			34,548
Cannabis Strategy	30,000			30,000
Physician Recruitment	51,501	144,513		196,014
Smoke Alarm Program	5,437			5,437
Electric Vehicle Charging Station	20,000	(20,000)		-
Community Safety Department	249,600	77,472		327,072
Corporate Communications (Public Consultation and Analysis)	-		125,000	125,000
New Property Tax and Rate Billing Software	-		188,000	188,000
<b>Total</b>	<b>391,086</b>	<b>201,984</b>	<b>313,000</b>	<b>906,070</b>

The cannabis encumbrances are from 2019 and 2020. Staff are reviewing these funds and will incorporate recommendations in the 2025 Trimester 1 reporting. The majority of the balance relates to the Community Safety Department. The encumbered funds will support the engagement of subject matter experts and personnel expenses. The funding related to physician recruitment is the result of timing differences between recruitment and funding.

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### Public Engagement:

The City's Budget and Financial Reporting can be found at:

<https://www.portcolborne.ca/en/city-hall/budget-and-financial-reporting.aspx>

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### Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Environment and Climate Change
  - Welcoming, Livable, Healthy Community
  - Economic Prosperity
  - Increased Housing Options
  - Sustainable and Resilient Infrastructure
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### Conclusion:

That the recommendations contained in this report be approved.

## **Appendices:**

- a. Appendix A – 2024 Year End Financial Presentation
- b. Appendix B – 2024 Year End Levy Summary
- c. Appendix C – 2024 Year End Levy Department and Division Summaries
- d. Appendix D – 2024 Year End Rate Summary and Department Detail
- e. Appendix E – Capital and Related Projects Summary
- f. Appendix F – Capital and Related Projects Holding Account
- g. Appendix G – Reserves
- h. Appendix H – Investments
- i. Appendix I – Debt Management

Respectfully submitted,

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## **Report Approval:**

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.