



Town of Niagara-on-the-Lake

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REPORT #: CS-25-016

COMMITTEE DATE: 2025-07-15

DUE IN COUNCIL: 2025-07-22

REPORT TO: COTW-General

SUBJECT: 2024 Year-End Deficit

1. RECOMMENDATION

It is respectfully recommended that:

- 1.1 Council receives Report CS-25-016 quantifying the 2024 Operating Budget Deficit of \$578,897 or 1.8%;
- 1.2 Council approves that the 2024 deficit be funded with the Parking Reserve.

2. EXECUTIVE SUMMARY

- Annually, as the Town completes fiscal year-end processes, an Operating Budget Surplus or Deficit is calculated, which reflects the year's performance. (Budgeted revenues and expenses less actual revenues and expenses).
- The Town's annual surplus/deficit results fluctuate generally due to external factors such as market conditions, with some years showing a positive variance and others showing a negative variance.
- For 2024, the Town experienced an operating budget (cash) deficit of 1.8% or \$578,897. This indicates an overall unfavourable performance of actuals compared to the budget.
- Staff recommend funding the deficit with the Parking Reserve.

3. PURPOSE

This report updates Council on the 2024-year end Operating Budget Deficit and seeks approval for the recommended funding.

4. BACKGROUND

During the January 23rd Budget Review Committee meeting, Staff presented an estimated projected deficit for the 2024 year-end of \$280,440. After finalizing the 2024 year-end results, the deficit for 2024 is \$578,897. The increase from the projected deficit consists of several differences, with two notable drivers being insurance claims (\$178k over projected) and lower-than-expected ice rental revenues (\$150k lower than projected). Staff are recommending funding the deficit with the Parking Reserve, which has performed exceptionally well with a year-end balance of \$3.35M.

KPMG, the Town's auditor, is finalizing the 2024 year-end audit and reviewing financial statements. The Financial Statements and audit findings are anticipated to be presented at the July 22, 2025 Council meeting. Should Council approve the above-noted recommendations, the funding for the 2024 Operating Deficit will be reflected in the Financial Statements accordingly.

This report focuses exclusively on budget performance and how any variances from the budget are funded at the end of the year, excluding those that have already been addressed through other staff reports. Actual results, as reflected in the Town's financial statements, can vary significantly. For example, the Town received a substantial dividend from the sale of its ownership in Niagara Regional Broadband of \$3 Million, but these proceeds have been addressed and allocated to various reserves through report CS-25-003. A reconciliation between budget performance and overall financial performance will be presented with the Town's Financial Statements at Council in report CS-25-017.

The following is a review of the Town's 5-year historical budget Surplus/ (Deficit) results:

Year	Surplus/(Deficit)
2020	129,526
2021	187,548
2022	(99,416)
2023	234,613
2024	(578,897)

5. DISCUSSION / ANALYSIS

The 2024 Operating Budget Deficit has been quantified and generated as follows:

Department	2024 Budget	2024 Actual	\$Surplus/ (Deficit)	%(Over)/ Under Budget
Municipal Purposes	(15,805,280) *	(15,924,441) *	119,161	(0.75%)
Council	274,889	341,727	(66,838)	(24.31%)
CAO Administration	464,763	549,423	(84,661)	(18.22%)
Corporate Services	3,029,915	2,919,737	110,178	3.64%
Fire & Emergency Services	2,212,883	2,329,352	(116,468)	(5.26%)
Operations-Roads	3,933,391	4,500,523	(567,132)	(14.42%)
Fort George and Transit Subsidy	(842,338) *	(708,343) *	(133,995)	15.91%
Operations- Parks & Recreation	3,844,004	3,678,066	165,938	4.32%
Community & Development	1,087,556	930,444	157,112	14.45%
By-Law Enforcement	416,508	545,683	(129,175)	(31.01%)
Street Lighting	514,960	547,977	(57,311)	(11.35%)
Total Deficit	\$0	578,897	(578,897)	

*Municipal Purposes & Transit reflects net revenue in blue

Major surpluses/(deficits) are summarized as follows:

Municipal Purposes: Experienced a surplus driven by revenues performing better than expected. Primarily, market conditions resulted in high interest rates, allowing for a substantial increase in passive investment revenue. Additionally, taxation-related revenues, including penalties and interest, exceeded budget targets. Even though this Cost Centre experienced a surplus, some expenses were well over budget and revenues under budget, preventing a larger surplus from being realized; this includes legal fees, insurance claims, as well as POA and NRBN interest revenues .

Council: Deficit driven by higher-than-expected costs associated with the Integrity Commissioner, which is largely an uncontrollable cost and varies depending on complaints/usage, and conference expenses.

CAO Administration: The overall cost centre experienced a deficit associated with staffing changes.

Corporate Services: Surplus was driven by lower-than-expected costs and higher-than-expected revenues, particularly from finance charges. This surplus was partially offset by higher expenses for staff recruitment and audit fees, related to CAO recruitment and a delayed final billing for the 2023 audit, which was posted in 2024.

Fire & Emergency Services: Deficit driven by higher-than-expected expenses related to salaries, recruitment, training, and vehicle maintenance.

Public Works: Deficit is driven by various expenditures that were higher than expected, some of which are due to fluctuating market conditions. Drivers include salaries, various supplies/materials, vehicle/equipment fuel and maintenance, along with various road maintenance contracts and construction materials related to surface treatment, sweeping and flushing, ditching, sidewalk repairs and maintenance, tree trimming and removal, and sanding and salting. Increasing costs, failures, and service level management had implications that contributed to these overages.

Fort George/Transit Subsidy: The overall cost centre deficit is driven by lower-than-expected revenues associated with Fort George Bus Traffic, along with increasing costs associated with revenue sharing (proportion) and the heritage shuttle contract.

Parks & Recreation: The overall cost centre surplus is driven by higher-than-expected revenues associated with the Community Centre (i.e. memberships and rentals), Arena ice rentals, Parks revenues, and various types of Cemetery revenues. However, higher-than-expected costs associated with utilities and vehicle and building maintenance have slightly decreased this surplus.

Community & Development: The overall cost centre experienced a surplus driven by lower-than-expected costs from staffing gaps.

By-Law Enforcement: The overall Cost Centre experienced a deficit mainly driven by

higher-than-expected salary-related costs.

Street Lighting: The overall Cost Centre deficit is driven by higher-than-expected hydro utility and maintenance costs on street lighting. Despite utility costs decreasing over the past several years post-implementation of the Town's LED conversions, overly optimistic budget projections for 2024 contributed to a deficit. Staff will continue to monitor trends and project closer to actuals in the 2026 budget.

5.2 Funding of 2024 Operating Deficit

The Municipal Act stipulates that the net operating budget be balanced to zero annually. After completing the Town's 2024 year-end, an overall deficit of \$587,897 has been quantified, and Staff are recommending that it be fully funded from the Parking Reserve. Further, post-pandemic, the Parking Reserve has remained healthy due to excellent performance in parking revenues. The reserve balance has grown 256% since 2021, with an average annual increase of 57%. Lastly, after consideration of 2025 net commitments, the reserve is projected to remain well above \$3M.

6. STRATEGIC PLAN

The content of this report supports the following Strategic Plan initiatives:

Pillar

2. Good Governance

Priority

2.1 Financially Sustainable Future

Action

2.1 c) Efficiencies & Cost Reductions/Avoidances

7. OPTIONS

7.1 Option 1: Council approves the operating budget deficit funding (**As Recommended**).

7.2 **Option 2:** Council recommends an alternative surplus allocation (Not Recommended).

8. FINANCIAL IMPLICATIONS

Now that the 2024-year-end results are identified, Staff have a clearer picture of reserve balances and will continue to monitor the 2025 budget to actual results.

9. ENVIRONMENTAL IMPLICATIONS

There are no environmental implications to this report.

10. COMMUNICATIONS

No communication is required as a result of this report.

11. CONCLUSION

The recommended funding of the 2024 Operating Budget Deficit will bring the Town in compliance with balancing the budget to zero as required by the Municipal Act while utilizing appropriate reserves and mitigating financial impacts into 2025.

12. PREVIOUS REPORTS

N/A.

13. APPENDICES

N/A

Respectfully submitted:

Prepared by:

A handwritten signature in black ink, appearing to be 'NA' with a stylized flourish.

Nick Alaimo, CPA, CMA
Manager of Finance/Deputy Treasurer

Recommended by:

A handwritten signature in blue ink, appearing to be 'K. Freeborn'.

Kyle Freeborn, CPA, CMA
Director of Corporate Services/Treasurer

Submitted by:

A handwritten signature in black ink, appearing to be 'Nick Ruller'.

Nick Ruller
Chief Administrative Officer