



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: May 6, 2025

Report Number: SRCFS.25.018

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.25.018 - Year-End Operating Results as of December 31, 2024**

Purpose:

To present the financial operating results (unaudited) for the year ending December 31, 2024.

Recommendation(s):

- a) That the 2024 Operating Results be received for information purposes;
- b) That the 2024 Operating Budget carryforward items of \$255,000 listed in Appendix "B" be approved and carried over to the 2025 Operating Budget;
- c) That the 2024 Library deficit of \$136,600 be funded through a one-time supplementary Municipal Grant in 2024 to support leadership transition planning;
- c) That the surplus allocation and deficit funding as detailed in Appendix "C", be approved:
 - i. 2024 Operating Fund surplus of \$1,843,000 be allocated as follows:
 - o \$929,200 transferred to the Tax Rate Stabilization Reserve
 - o \$913,800 transferred to the Workplace Safety and Insurance Board (WSIB) Reserve Fund
 - ii. 2024 Water & Wastewater Fund deficit of \$2,428,200 be funded from the Water Rate Stabilization Reserve
 - iii. 2024 Stormwater Management Fund surplus of \$197,500 be transferred to the Water Quality Protection Reserve Fund

Contact Persons:

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- Sherry Adams, Commissioner Corporate and Financial Services, ext. 2521

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Report Approval:

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

Key Messages:

- The 2024 year-end results highlight the significant variances between actual operating costs and revenues versus budget for the Operating Fund, Water & Wastewater Fund and Stormwater Fund.
- The Operating Fund realized a net 2024 operating surplus of \$1,843,000, which staff propose \$929,200 be transferred to the Tax Rate Stabilization Reserve. The remaining \$913,800 is proposed to be transferred to the Workplace Safety and Insurance Board (WSIB) Reserve Fund, to anticipate the contribution shortfall that was absorbed by the reserve fund. This supplementary contribution will help ensure adequate funds are available to address long-term liabilities associated with the City's commitments in this area.
- The Water & Wastewater Fund realized a net 2024 operating deficit of \$2,428,200, which staff propose to be funded from the Water Rate Stabilization Reserve.
- The Stormwater Management Fund realized a net 2024 operating surplus of \$197,500, which staff propose to be transferred to the Water Quality Protection Reserve Fund.

Background:

The purpose of this report is to provide a financial overview of the City's operating results for the year ending December 31, 2024 using the same presentation format as the approved budget. The City's operations are presented based on their main funding sources. The Operating Fund is predominantly funded through property tax revenues and user fees, which are used to support City services such as parks operations, road and winter maintenance, recreation and community programs, amongst other services and initiatives.

Water & Wastewater fees collected from residents and businesses help support the operation, maintenance and repair of the water and sanitary system; these financial results are presented under the Water & Wastewater Fund. Moreover, the Stormwater Management Fund summarizes stormwater fee revenues offset against the costs of maintaining stormwater management ponds, storm sewers and catch basins.

Appendix "A" provides a breakdown of the operating results by Fund and further by the Divisions within each Department. Appendix "B" highlights the unspent 2024 Operating Budget items that are being requested as budget carryforwards into the 2025 Operating Budget. Lastly, Appendix "C" provides a breakdown of the surplus/deficit allocations to the various reserves and reserve funds.

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Discussion:

Each year, the budget process produces an operating budget for the upcoming year that provides a financial framework for how the City intends to utilize its resources. It is a resource allocation plan that the City and residents can use as a measurement for the efficient use of resources. However, the budget is a static plan and over the course of the year, circumstances often arise that change the expected course of action resulting in budget variances.

Financial Implications:

Operating Fund

Budget expense variances occur when there is over-spending or savings compared to the original plan. Conversely, Budget revenue variances occur when revenues fall short or exceed plan. These variances are inherent and occur in the natural course of operations for all municipalities. As a whole, actual financial results are unlikely to perfectly align with budgeted expectations. The Financial Control By-law framework was utilized to reallocate personnel and non-personnel resources to fulfill departmental priorities, in order to effectively accomplish the objectives, set forth by Council to remain within respective budgets.

The overall surplus is an accumulation of all the budget variances, both positive contributors (higher revenues or lower expenses) and negative contributors (lower revenues or higher expenditures). A review of prior year budget variances provides a measure for organizational results and is used as a tool for current year forecasting and formulation of the upcoming year's budgets. The year-end Operating Fund variances are summarized in the following table, in comparison to the year-end forecast as reported to Council in September 2024:

2024 Operating Surplus Summary

Operating Fund	Actual	Forecast
2024 Year-End Operating Surplus	\$2,098,000	\$501,600
Minus: Carryforward Requests	(255,000)	-
Total Operating Surplus	\$1,843,000	\$501,600

The City approved a 2024 Operating Expenditure Budget of \$211.9 million, and completed the fiscal year with a total year-end operating surplus of \$2,098,000, before carryforward requests. Total year-end net operating expenditures were 99.1% of the 2024 net operating budget.

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Staff propose \$929,200 be transferred to the Tax Rate Stabilization Reserve and the remaining \$913,800 be transferred to the Workplace Safety and Insurance Board (WSIB) Reserve Fund. The carryforward requests represent unspent 2024 budget for initiatives that have been postponed in 2024 for completion in 2025 (See 'Appendix B').

The Tax Rate Stabilization Reserve is generally used to offset extraordinary, one-time expenses or revenue shortfalls in order to mitigate large fluctuations and increases in the annual tax levy. At the end of each fiscal year, the Treasurer is authorized to allocate operating surplus funds to the reserve or draw from the reserve in the event of a deficit, as per By-Law 109-13 (By-Law to provide Treasurer the Authority to Reallocate any Annual Operating Surplus of Fund any Annual Operating Deficit). This by-law was approved in 2013 and the City will consider an update to the by-law as part of the Financial Master Plan study, to be reported to Council later in 2025, based on a review of best practices with other municipalities.

As at December 31, 2024, the Tax Rate Stabilization Reserve would be approximately \$18.4 million after the transfer. The City's target balance for this reserve is 10% of budgeted operating expenditures, which is \$21.2 million for 2024. As at December 31, 2024, the WSIB Reserve Fund would be approximately \$6.0 million, after the transfer.

The City is self-insured for WSIB claims. The WSIB Reserve Fund is funded through personnel budget allocations to the reserve fund, and as claims are approved, funded from the reserve fund. Claims have significantly increased over the years and will present budget pressures in the future. The 2024 claims exceeded personnel budget allocations to the reserve fund by \$913,800, and the shortfall was absorbed by the reserve fund. The proposed 2024 surplus allocation will help ensure adequate funds are available to address long-term liabilities associated with the City's commitments in this area. An actuarial valuation is planned in 2025 to assess the City's future liability related to WSIB claims and provide recommendations for future contributions to ensure adequacy of the reserve fund.

The 2024 operating surplus of \$2,098,000, before carryforwards, is the net result of \$7,037,400 positive variance contributors, (\$4,259,600) negative variance contributors and additional costs (\$679,800) from programs that were accelerated in the second half of the year due to the City's forecasted surplus position.

Positive Variance Contributors (higher revenues or lower expenditures versus budget)

The following table is a list of the positive budget variances totaling \$7,037,400, contributing to the 2024 operating surplus, with comparisons to the forecast.

Page 5**2024 Positive Budget Variances Summary**

	Item Description	Actual Variance	Forecast Variance
1.	Tax Arrears - Penalties & Interest (including uncollectible provision)	\$2,273,800	\$2,110,200
2.	Aquatics and Fitness Program revenues (net of costs)	1,129,700	543,800
3.	Winter Maintenance contracts and materials	871,100	-
4.	PIL (Payments-In-Lieu of Taxation) – York Region Transit	618,500	624,800
5.	Parking Fines revenues	613,300	300,000
6.	Development Planning and Committee of Adjustment revenues	455,100	140,200
7.	Lottery License revenues	335,400	-
8.	Refuse Collection and Recycling contracts	309,100	159,400
9.	Recreation General Program revenues (net of costs)	205,200	129,700
10.	Emergency Response and False Alarm revenues	152,100	26,000
11.	Other	74,100	149,400
	Total	\$7,307,400	\$4,183,500

Tax Arrears – Penalties & Interest (including provision for uncollectible portion) generated an additional \$2.3 million in revenues. Staff have been actively engaged in the tax collections process that started in 2024 and will continue in 2025 and onwards. This variance is expected to decrease significantly in future years. \$2 million (i.e. 30% of all penalty and interest revenue) is tied to tax accounts with arrears that date back to 2019 or prior. These accounts, if left unpaid by the end of 2025, will be subject to tax sale in 2026.

The Aquatics and Fitness Program ended the year with a \$1,129,700 favourable variance, with \$320,500 due to stronger than expected fitness membership revenues and additional fitness classes. The remaining favourable variance is attributed to a substantial effort in training and hiring casual aquatic staff that led to an increase in aquatics instructional programming. The extended closure of the Wave Pool required the City to maximize efficiencies by filling programmable space at other aquatics facilities rather than opening an additional facility at sub-optimal staffing levels.

Winter Maintenance contracts and materials experienced a favourable variance of \$871,100 due to a milder winter in the beginning of 2024 that entailed fewer contractor deployments.

Payments-In-Lieu of Taxation generated a surplus of \$618,500, as the York Region transit facility at 55 Orlando Drive remained eligible for payment in lieu of taxation. The Region is in discussions with the Province to make regulatory changes to exempt the

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municipal transit facilities from property taxation. This budget variance has been a recurring item for the past several years.

Parking Fines revenues were \$613,300 greater than budgeted. In early 2024, the Community Standards Division transitioned to 24 hour a day, 7 days a week by-law enforcement coverage. This transition was possible by converting Parking Enforcement Officers into Community Standards Officers with expanded responsibilities and revised shift schedules. The success of the conversion far exceeded expectations, resulting in enhanced service delivery, improved staff engagement, reduced sick time and higher than forecasted parking fine revenues.

Development Planning and Committee of Adjustment revenues have resulted in additional revenues of \$455,100 above the 2024 budget. The overall volume of applications increased slightly in comparison to the previous year, however the number of larger development proposals that are often high revenue generators has decreased. Notwithstanding the preceding, Development Planning revenues are favourable as a result of the elimination of the Collaborative Application Process (CAP) and the conversion of CAP submissions to Planning Act applications which no longer require a deferral/credit of a portion of application fees. In addition, application fee increased as a result of the development application fee review completed in Feb 2024 that came into effect in April 2024.

Lottery License revenues reflect the City's share of lottery and gaming revenues from Bingo World and Gaming Richmond Hill as determined by the Alcohol and Gaming Commission of Ontario and Ontario Lottery Gaming Corporation (OLG). After a period of decline, from the effects of COVID-19, there has been an upward trend in commission revenues since 2022, due to the OLG increasing the number of permits for charitable gaming available. The City completed the year with a favourable budget variance of \$335,400 in lottery license and gaming commission revenues.

Refuse & Recycling contracts experienced a surplus of \$309,100 as a result of lower than predicted tonnages of waste collected curbside.

The Recreation Program completed the year with a \$205,200 favourable variance resulting from a greater number of participants enabling increased program offerings at various community centres. This surplus is partially offset by \$221,000 in unfavourable Activenet software costs due to a 5% unbudgeted increase in contract prices and more transaction charges than expected from increased Aquatics and General Program registrations, as previously noted.

Emergency Response and False Alarm revenues reflected a \$152,700 increase over budget due to an increase in false alarm billings from the Ministry of Transportation (MTO) rate changes.

Page 7**Negative Variance Contributors (lower revenues or higher expenditures versus budget)**

The following is a detailed listing of the negative budget variances of \$4,259,600 that reduced the 2024 year-end surplus, with comparisons to the forecast.

2024 Negative Budget Variances Summary

	Item Description	Actual Variance	Forecast Variance
1.	Personnel Gapping (excluding Recreation and CUPE strike-related)	(\$1,118,300)	(\$1,035,600)
2.	Roads Maintenance contracts and materials (e.g., boulevards, sidewalks, sign pavement markings)	(845,500)	(244,800)
3.	Lois Hancey Aquatic Centre (Wave Pool) repairs and minor capital	(584,900)	(225,400)
4.	Supplementary Tax revenues	(497,900)	(800,000)
5.	CUPE Strike-Related costs (net of savings and lost revenues)	(435,700)	-
6.	Activenet Software contract	(221,000)	(155,700)
7.	Fire Services Vehicle and Equipment maintenance	(191,200)	(70,000)
8.	Richmond Hill Public Library operations deficit – funded from a one-time supplementary municipal grant	(136,600)	-
9.	Facility Maintenance (hydro, water, heating fuel and and HVAC)	(128,300)	(327,900)
10.	Staircase Repairs (Saigeon Trail)	(100,200)	(115,000)
	Total	(\$4,259,600)	(\$2,974,400)

Personnel Gapping are savings primarily from temporary vacancies due to attrition, promotions, turnover, maternity leaves and other unpaid absences. The annual budget includes a gapping factor of \$1,474,300 to account for these temporary vacancies when the hiring process is delayed. Overall, the City experienced gapping of \$356,000, resulting in an unfavourable variance of \$1,118,300. Included in overall personnel gapping is the overtime costs in the Fire and Emergency Services Division which were \$477,500 higher than budgeted. The overtime costs are mainly a result of the need to backfill staff with long-term disability, WSIB and mid-year retirement vacancies in the Dispatch and Operations sections. In addition, \$105,200 in Fire shift premium costs were incurred as a result of the collective agreement requirement to fill vacant supervisory roles with temporary acting supervisors. Gapping also includes utilization of personnel budget for additional IT resources to backfill vacancies and other IT projects, as presented to Council through the mid-year 2024 Year-End Operating Forecast Staff Report (SRCFS.24.039). The City's actual gapping excludes recreation staff and CUPE strike-related costs, which have been separately noted in the report.

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Roads Maintenance contracts and material costs for boulevards, sidewalks and sign pavement markings had an unfavourable variance of \$845,500 caused by increased service requests associated with implementation of the Transportation Safety and Operation Strategy and additional sidewalk repair work approved through Financial Control By-Law delegated authority.

Lois Hancey Aquatic Centre (Wave Pool) repairs and minor capital budgets were overspent by \$584,900. The wave pool had been closed for 2.5 years prior to the City's attempt to re-start activities in 2024. As a result of the complex and aging piping infrastructure, the City identified severe degradation of the piping systems and a professional leak detection service found that the under-slab piping failures were the root causes of the pool leaks. City engineers and an external contractor coordinated a plan for emergency repairs which included excavating and repairing the necessary piping and pool basin. The additional costs were absorbed through the City's overall surplus and no draw was made from the City's Infrastructure Repair & Replacement Reserve Fund to offset the expenses.

Supplementary Tax revenues fell short of budget by \$497,900 as a result of fewer than expected supplementary assessments. Supplementary tax revenues are generally related to new properties or properties that have had alterations or improvements that were not reflected on the previous interim or final billing. As a result, a change in assessment classification or value would take place and the property would be billed for supplementary taxes. The 2024 budget had been adjusted to reflect the slowdown in construction in Richmond Hill and it is anticipated that the slowdown will continue to persist into 2025.

Canadian Union of Public Employees (CUPE) Strike-Related costs, net of savings and lost revenues, resulted in a \$435,700 unfavourable impact to the City surplus. The City employs approximately 200 full-time CUPE staff and 40 part-time seasonal CUPE workers. The last negotiated cost of living increase for CUPE employees ended March 31, 2024, before a new three-year agreement was approved in December 2024. "The agreement was reached following the CUPE labour disruption, which began on November 22 and lasted for 19 days. The labour disruption contributed to net unbudgeted costs from the negotiated rate impact, overtime incurred by non-CUPE staff, additional security and picket line management expenses. In addition, the City incurred a revenue loss of over \$300,000 due to the cancellation of ice rental permits, arena programs, and events. However, these losses were partially mitigated by payroll savings during the disruption period.

ActiveNet Software is a recreation management software used to coordinate online registration and scheduling for the City's recreation programs. In 2024, Activenet software costs were over budget by \$221,000 as a result of increased Aquatics and General Program registrations combined with an unbudgeted 5% increase in contract prices.

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Fire Services Vehicle and Equipment maintenance costs were overbudget by \$191,200 due to unexpected breakdowns (including a major pump failure) and more assets needing service by external providers to assist staff on medical restriction. The unfavorable variance is partly offset by the increase in false alarms billings due to MTO rate changes, as previously noted.

Richmond Hill Public Library operations experienced a deficit of \$136,600 which staff recommend be funded through a one-time supplementary municipal grant. The deficit mainly stemmed from the negotiated rate increases from the renewed CUPE collective agreement and leadership transition in 2024.

Facility Maintenance was \$128,300 overbudget due to additional HVAC costs, net of utility savings. Utilities were underspent by \$251,000, with the savings primarily attributed to recent energy efficiency projects and the CUPE labour dispute, which led to arena ice pad closures for three weeks. In addition, water costs were reduced due to retrofitting of the pool filtration systems at community centres (e.g. Elgin West) combined with the delayed reopening of the Wave Pool. The utility savings were offset by \$379,000 in additional HVAC costs, primarily due to the maintenance of aging infrastructure, which required higher-than-anticipated labour and material expenses, as well as an increased number of demand-based maintenance activities.

Saigeon Trail underwent staircase repairs which generated additional costs of \$100,200. The extra work was approved through Financial Control By-Law delegated authority.

Accelerated Programs/Projects

Staff provided an updated forecast on year-end results to Council at the September 24, 2024 Budget Committee of the Whole (BCW) meeting. Based on the projected surplus and recommendations in the 2024 Year-End Operating Forecast Staff Report (SRCFS.24.039), Council approved the acceleration of four tax-funded operating budget programs or capital projects which would have otherwise been considered in the 2025 budget.

The total additional costs from these programs/projects amounted to \$679,500 in unbudgeted expenses which are funded from the City's overall surplus.

	Item Description	Actual Variance	Forecast Variance
1.	Council and Committee Room Upgrades	(\$440,000)	(\$440,000)
2.	Block Pruning and Rear Yard Tree Pruning	(155,500)	(145,000)
3.	Sidewalk Repairs	(83,500)	(110,000)
4.	Ellsworth cul-de-sac traffic circle repairs	(800)	(12,500)
	Total	(\$679,800)	(\$707,500)

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Non-Tax Funded Operations

Building Permits and Inspections Fund

The Building Services Division is responsible for the administration and enforcement of the Ontario Building Code and applicable laws. City staff review building permit applications to ensure compliance with these regulations prior to permit issuance. Following approval, field inspections are conducted to verify that construction aligns with the approved permit drawings. In 2024, building permit fees and other related revenues exceeded budget projections by a combined \$2.6 million. This increase in revenue can be attributed to several factors:

- Following a comprehensive review and approval from Council, building permit fees increased in 2024.
- Reduction in interest rate spurred building permit activity in the second half of 2024, more specifically in the low-rise sector.
- A new edition of the building code was released in 2024, with an effective date of January 2025, leading to increased interest from permit applicants who sought approval under the previous edition of the code before the new regulations took effect.
- Two long-term care projects submitted building permit applications toward the end of 2024 to meet the Province's funding criteria."

The overall 2024 net surplus of \$3.13 million was transferred to the Building Permit Rate Stabilization Reserve Fund.

Water & Wastewater Fund

2024 Water & Wastewater Surplus Summary

Water & Wastewater Fund	Actual	Forecast
2024 Year-end Draft Surplus/(Deficit)	(\$2,428,200)	(\$1,512,400)
Minus: Carryforward Requests	-	-
Total WWW Deficit	(\$2,428,200)	(\$1,512,400)

The City purchases water from York Region at a wholesale rate and in turn, charges properties a retail rate based on actual water usage. Wastewater is then collected from the individual properties and directed back to York Region sanitary sewer mains. In addition to the cost of water, the City also incurs expenses related to the daily maintenance, inspection and repair of the water distribution system and wastewater collection system. The Drinking Water Quality Management System and Policy provides guidance to operations and ensures that the community is provided with safe drinking water and safely treated wastewater. Overall, the Water & Wastewater Fund ended the

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year with total deficit of \$2,428,200, which staff propose be funded from the Water Rate Stabilization Reserve.

Water and wastewater services for residential, commercial and industrial accounts produced a combined deficit variance of (\$3,046,400). During the year, the City experienced a higher percentage of unbilled water (14.49%) compared to budget (11.6%). In 2024, the City was active in replacing several large watermain projects and the commissioning of these watermains required an excessive amount of flushing to take place. This flushing of water is not metered and is not billed as these are City projects. In the future, staff intend to meter these activities to better account for the water use.

Maintenance Administration and Operations completed the year with a savings of \$111,200 due to increased infill service revenues from higher than anticipated servicing requests for new infill developments throughout the City. This was partially offset by increased water and sewer infrastructure emergency repairs and restoration work throughout the year.

Revenue Services experienced savings in water meter contracted services such as meter testing, reading, investigative services and printing cost. The continued emphasis on replacing older ICI (Industrial, Commercial, Institutional) meters with AMI (Advanced Metering Infrastructure) meters resulted in fewer data log investigation and greater accuracy in monitoring any sudden spikes in water usage. In addition, the City implemented the water customer portal in 2024, which resulted in more residents opting to go paperless by choosing the e-billing option and consequently reducing printing costs and partially offset increasing postage costs. Overall, Revenue Services contributed a net surplus of \$167,500.

The City was able to take advantage of the high, albeit declining, interest rate environment set by the Bank of Canada on its short-term securities. As a result, Investment income produced a favourable surplus of \$339,700 for the Water and Waster Fund.

Stormwater Management Fund

Stormwater refers to the runoff from rain and melting snow that flows over land or other impervious surfaces. The City's stormwater management systems store and control the stormwater through storm sewers, ponds and catch basins. In some cases, the runoff is released back into natural streams and rivers. The costs to manage and operate the program are recovered through stormwater management fees, which are charged to residents and businesses through a multi-tier rate structure based on property type. Overall, the Stormwater Management Fund generated a year-end surplus of \$197,500, primarily due to amendments in property types that increased revenues. However, these gains were partially offset by rising maintenance costs for cleaning storm sewers, catch basins, and oil grit separators, as well as an increase in requests for CCTV

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inspections to support City capital projects. Staff recommend that the surplus be transferred to the Water Quality Protection Reserve Fund.

Carryforward and Surplus Allocation

The 2024 Budget Carryforward requests are listed in Appendix “B”.

In accordance with the Surplus Control Bylaws No 109-13 and 110-13, Appendix “C” lists the surplus allocation of the Operating Fund and the Stormwater Management Fund, as well as the deficit funding from the Water and Wastewater Fund.

Relationship to Strategic Plan 2024-2027:

The presentation of the Year-End Operating results relates to Pillar 3, Strengthening our Foundations, specifically Priority 1, Make decisions that are evidence based and data driven to enable the City’s long term financial sustainability, as well as social, environmental and economic sustainability.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format, please call the contact person listed in this document.

- Appendix A – Financial Overview
- Appendix B – Budget Carryforward Requests
- Appendix C – 2024 Surplus Allocation and 2024 Deficit Funding

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Report Approval Details

Document Title:	SRCFS.25.018 2024 Year-End Operating Results.docx
Attachments:	- SRCFS.25.018 Appendix A - Financial Overview.pdf - SRCFS.25.018 Appendix B - Budget Carryforward Requests.pdf - SRCFS.25.018 Appendix C - 2024 Surplus Allocation and 2024 Deficit Funding.pdf
Final Approval Date:	Apr 22, 2025

This report and all of its attachments were approved and signed as outlined below:

Gigi Li - Apr 17, 2025 - 4:21 PM

Sherry Adams - Apr 17, 2025 - 4:39 PM

Darlene Joslin - Apr 22, 2025 - 7:50 AM