

To: COUNCIL

Meeting Date: 5/13/2025

Subject: 2024 Year End Operating Update

Submitted By: Sheena Pawliwec, CPA, CGA, Acting Chief Financial Officer

Prepared By: Victoria Terella, CPA, CMA, Manager of Financial Planning

Report No.: 25-014-CRS

File No.: C11

Wards Affected: All Wards

RECOMMENDATION(S):

THAT Report 25-014-CRS 2024 Year End Operating Update be received;

AND THAT the tax-supported and water utility operating budget variances for the December 2024 reporting period, as outlined in report 25-014-CRS, be approved;

AND THAT the tax-supported operating surplus of \$3,062,493 be allocated in the amount of \$1,531,247 to the Rate Stabilization Reserve, \$510,247 to the Capital Works Reserve fund to reduce the debenture funding to capital project A/00420-40 Preston Auditorium Expansion Construction, \$571,000 to the Infrastructure Renewal Reserve Fund, and \$450,000 to the Election Reserve;

AND THAT the water surplus of \$2,356,004 be transferred equally to the Water Rate Stabilization Reserve Fund and the Water Capital Reserve totaling \$1,178,002 respectively;

AND THAT the wastewater surplus of \$3,255,245 be transferred to the Wastewater Rate Stabilization Reserve Fund and Wastewater Capital Reserve for \$492,264 and \$2,762,981, respectively;

AND THAT the Cambridge Public Library surplus in the amount of \$96,402 be transferred to the City Rate Stabilization Reserve;

AND THAT the Year End Operating Surplus Allocation Policy, as amended, as per Appendix C to report 25-014-CRS be approved;

AND FURTHER THAT the transfers to and from the reserve funds as outlined in Appendix A to report 25-014-CRS be approved.

EXECUTIVE SUMMARY:

Purpose

As per the City's budget control by-law, Council is to be provided with regular updates related to operating budget variances. This report is an update for the 2024 year-end operating variances for the tax-supported and water utility budgets.

Key Findings

Operating Variances:

The net surplus for tax-supported operations is \$3,062,493 for 2024, representing 1.9 per cent of the gross expenditures. The main driver includes increased investment income of \$2.9 million surplus driven by the Bank of Canada's favourable overnight interest rate.

The total Water Utility surplus for 2024 is \$5,611,249 which represents 7.0 per cent of gross expenditures. This surplus consists of \$2,356,004 for Water and \$3,255,245 for Wastewater.

- **Water:** The main driver of the water surplus was the increased water billing revenue from higher than anticipated water sales. Partially offsetting this surplus was higher than expected water purchases from the Region of Waterloo. Savings were generated in water metering supplies and materials due to on-hand stock remaining from 2023. Additionally, there were savings from lower than anticipated licensing costs for AML systems, with costs expected to return in 2025.
- **Wastewater:** The main driver of the surplus of wastewater was the increased sewer billing revenues, which resulted from higher treatment volumes and a low inflow and infiltration rate. Partially offsetting the surplus was the additional cost of wastewater treatment by the Region of Waterloo. Additionally, higher than anticipated external recovery revenues were realized for new service installations.

The funding provided by the City to the Library, operating as Cambridge Public Library, was equal to the amount budgeted.

- Management and board members of the Cambridge Public Library have informed the City that the total 2024 annual surplus for the Cambridge Public Library Board was \$96,402. The surplus was primarily generated from savings in compensation costs due to gapping during staffing turnovers/leaves and lower-than-expected benefit and pension expenses.

Year End Operating Surplus Allocation Policy Amendment:

The Year End Operating Surplus Policy (Appendix C) reflects an amendment to update the allocation guidelines to include consideration for the distribution of any remaining surplus (following the application of earlier applied criteria) towards the reduction of future debt requirements. This is in addition to the existing guidelines that residual surplus funds be directed to other reserves/reserve funds as identified by the Chief Financial Officer as underfunded.

Financial Implications

In accordance with the Reserve Fund By-Law 2-17, as amended, and the Year End Operating Surplus Allocation Policy, as amended per Appendix C of this report, staff recommend the following transfers to/from their respective reserve and reserve funds as outlined below. A recommendation is being made to contribute \$571,000 of the tax-supported year-end surplus to the Infrastructure Renewal Fund to supplement the reserve in response to the draw per report *25-011-IFS Critical Ice Making Component Replacements Dickson and Duncan McIntosh Arenas*.

- Tax-supported surplus of \$3,062,493:
 - \$1,531,247 to the Rate Stabilization Reserve Fund;
 - \$510,247 to the Capital Works Reserve Fund;
 - \$571,000 to the Infrastructure Renewal Reserve Fund; and
 - \$450,000 to the Election Reserve.
- Water surplus of \$2,356,004:
 - \$1,178,002 to the Water Rate Stabilization Reserve Fund; and
 - \$1,178,002 to the Water Capital Reserve.
- Wastewater surplus of \$3,255,245:
 - \$492,264 to the Wastewater Rate Stabilization Reserve Fund; and
 - \$2,762,981 to the Wastewater Capital Reserve Fund.
- Cambridge Public Library surplus of \$96,402:
 - \$96,402 to the City Rate Stabilization Reserve.

An update on the balances of the City's reserve and reserve funds, along with their relative health with respect to their approved funding targets, can be found in Appendix B.

The following tables summarize the 2024 surpluses on the tax supported operations and the water utility operations.

The total tax supported surplus for 2024 is \$3,062,493, as seen in the table below.

Department	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31st	Over/(Under) Restated Budget	% Of Restated Budget
Mayor and Council	\$1,334,000	\$1,334,000	\$1,206,476	(\$127,524)	(9.6%)
Office of the City Manager	\$3,103,700	\$3,275,456	\$3,373,137	\$269,437	8.7%
Corporate Services	\$51,344,750	\$51,499,225	\$50,946,846	(\$397,904)	(0.8%)
Corporate Enterprise	\$7,390,700	\$7,474,300	\$7,370,571	(\$20,129)	(0.3%)
Community Development	\$10,207,500	\$10,774,965	\$8,913,675	(\$1,293,825)	(12.7%)
Infrastructure Services	\$28,674,900	\$28,744,200	\$29,861,579	\$1,186,679	4.1%
Corporate Expenditures	(\$110,656,750)	(\$114,821,961)	(\$113,335,977)	(\$2,679,227)	2.4%
Cambridge Public Library	\$8,601,200	\$8,601,200	\$8,601,200	\$0	0.0%
Total Tax Supported	\$0	(\$3,118,615)	(\$3,062,493)	(\$3,062,493)	N/A

The total water utility surplus for 2024 is \$5,611,249 as seen in the table below.

Department	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Water Expenses	\$41,655,600	\$41,592,001	\$42,166,736	\$511,136	1.2%
Water Revenues	(\$41,655,600)	(\$41,675,600)	(\$44,522,740)	(\$2,867,140)	6.9%
Total Water	\$0	(\$83,599)	(\$2,356,004)	(\$2,356,004)	N/A
Wastewater Expenses	\$38,871,800	\$38,871,800	\$38,975,780	\$103,980	0.3%
Wastewater Revenues	(\$38,871,800)	(\$38,871,800)	(\$42,231,025)	(\$3,359,225)	8.6%
Total Wastewater	\$0	\$0	(\$3,255,245)	(\$3,255,245)	N/A
Total City of Cambridge Water Utility	\$0	(\$83,599)	(\$5,611,249)	(\$5,611,249)	N/A

STRATEGIC ALIGNMENT:

☐ Strategic Action

Objective(s): Not Applicable

Strategic Action: Not Applicable

OR

☒ Core Service

Program: Finance

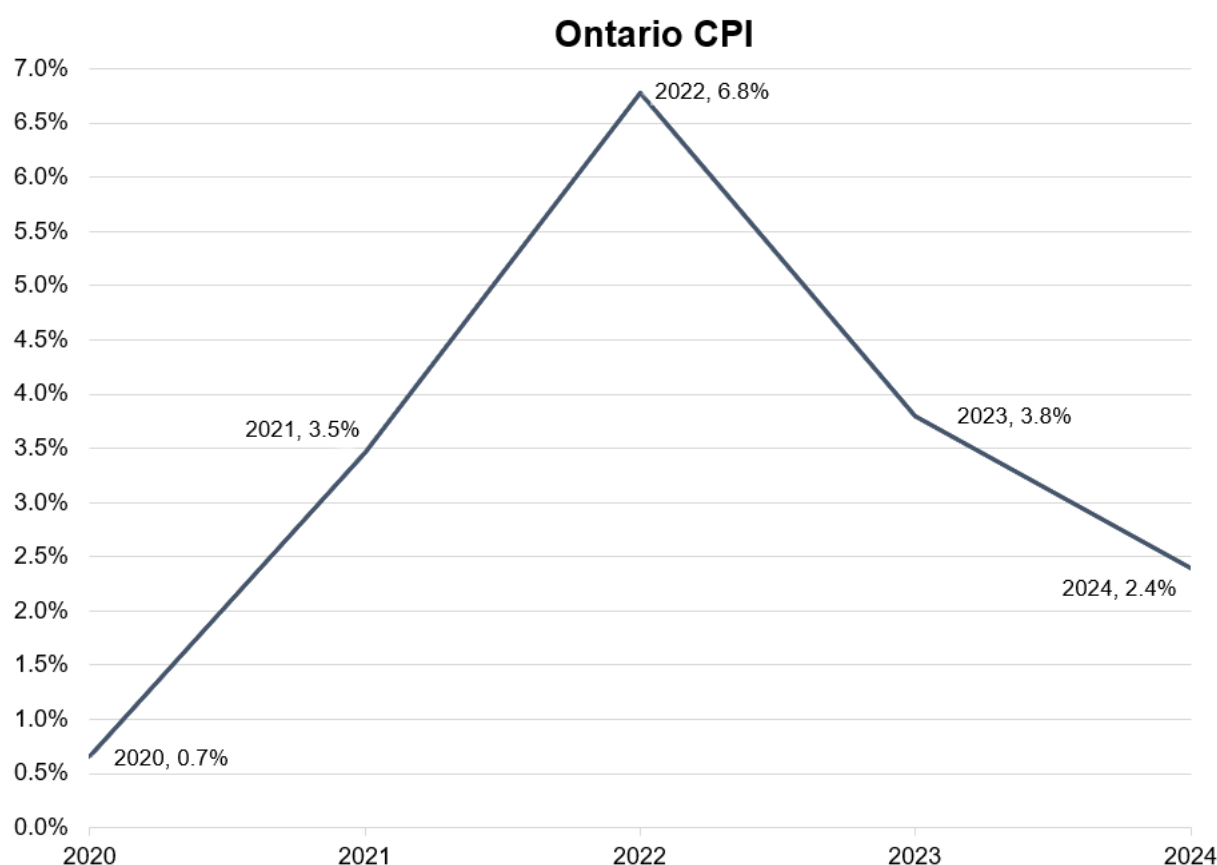
Core Service: Financial Planning

Providing updates to Council on operating budget variances supports responsible oversight of financial resources. It also ensures program managers and departments are accountable for the programs they manage and provide transparency as to where public dollars are spent.

BACKGROUND:

The consumer price index (CPI) is a widely used measure of inflation. In 2024, Ontario CPI remained high at a 2.4 per cent annual average. There has been a deceleration in the Ontario CPI over the years from 6.8 per cent in 2022 and 3.8 per cent in 2023.

The graph below illustrates the gradual increase and decrease in the levels of Ontario inflation since the pandemic.



Source: Ontario Data Catalogue¹

While inflation continued to decline for a second straight year, as seen on the graph above, it continues to be above the Bank of Canada's (BOC) inflation target of 2 per

¹ <https://data.ontario.ca/dataset/ontario-consumer-price-index/resource/cfeca07a-7752-4e54-b109-fe20467413a2>

cent. The BOC reduced interest rates on five occasions throughout 2024, taking the policy interest rate from 5.00 per cent to 3.25 per cent as of December 31, 2024.

In Ontario, inflation is expected to decrease to an average of 2.2 per cent in 2025, and 2.1 per cent in 2026.

ANALYSIS:

Tax-Supported Operating Variance

The City has a 2024 net surplus of \$3,062,493 representing 1.9 per cent of the City's gross operating budget of \$163,316,150. The table below shows the variance between the annual Council approved budget and year end actuals for each department, for tax-supported operations.

Department	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31st	Over/(Under) Restated Budget	% Of Restated Budget
Mayor and Council	\$1,334,000	\$1,334,000	\$1,206,476	(\$127,524)	(9.6%)
Office of the City Manager	\$3,103,700	\$3,275,456	\$3,373,137	\$269,437	8.7%
Corporate Services	\$51,344,750	\$51,499,225	\$50,946,846	(\$397,904)	(0.8%)
Corporate Enterprise	\$7,390,700	\$7,474,300	\$7,370,571	(\$20,129)	(0.3%)
Community Development	\$10,207,500	\$10,774,965	\$8,913,675	(\$1,293,825)	(12.7%)
Infrastructure Services	\$28,674,900	\$28,744,200	\$29,861,579	\$1,186,679	4.1%
Corporate Expenditures	(\$110,656,750)	(\$114,821,961)	(\$113,335,977)	(\$2,679,227)	2.4%
Cambridge Public Library	\$8,601,200	\$8,601,200	\$8,601,200	\$0	0.0%
Total Tax Supported	\$0	(\$3,118,615)	(\$3,062,493)	(\$3,062,493)	N/A

The main driver of the 2024 surplus of \$3,062,493 is increased investment income of \$2.9 million, partially offset by the \$453,100 net deficit in Taxation Revenue.

Increased Income from Investments

The City's investment income performance is primarily driven by the Bank of Canada's overnight interest rate. With a high overnight interest rate of 5.00% in the first half of 2024, the City's bank rate remained high. As the City's investments matured throughout the year, finance staff quickly secured favourable long-term investment rates to reduce interest rate risk. Additionally, the increase in investment income was caused by an increase in the City's fund balances. For more detailed analysis of the City's investment portfolio, please refer to the April 29, 2025 Council report 25-011-CRS 2024 - Year End Report on Investments.

Taxation Revenue Deficit

Higher tax write-offs and rebates totaling \$2.5 million resulted from one-time Assessment Review Board write-offs for the settlement of two large properties, as well as the write-off of tax revenue receivables for contaminated and orphan properties. However, other taxation-related revenues exceeded budget and were able to offset these higher tax write-offs. These included penalties and interest on taxes (\$1.4 million) and supplemental taxes (\$595,474).

Corporate-Wide Gapping

The tax supported corporate-wide gapping target of \$1,245,000 was exceeded this year due to natural gapping stemming from staff turnover and the challenges departments faced in 2024 to recruit for vacant positions. The gapping savings were budgeted in Corporate Expenditures while the savings were realized throughout the other departments and in some instances utilized to offset additional costs such as hiring of temporary employees or contractors to perform work.

Further explanation of variances between budget and actuals are provided in the following sections by department.

Mayor and Council

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Mayor and Council	\$1,334,000	\$1,334,000	\$1,206,476	(\$127,524)	(9.6%)
Total Mayor and Council	\$1,334,000	\$1,334,000	\$1,206,476	(\$127,524)	(9.6%)

The Office of the Mayor and Council realized net savings of \$127,524. This was primarily due to staff vacancies, which resulted in salary savings. Additionally, there were savings in materials and supplies, attributed to sponsorships and in-kind funding received throughout the year.

Office of the City Manager

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Office of the City Manager Administration	\$530,500	\$530,500	\$558,346	\$27,846	5.2%
Corporate Communications	\$1,056,400	\$1,056,400	\$961,676	(\$94,724)	(9.0%)

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Legal and Realty Services	\$1,516,800	\$1,688,556	\$1,853,115	\$336,315	22.2%
Total Office of the City Manager	\$3,103,700	\$3,275,456	\$3,373,137	\$269,437	8.7%

The Office of the City Manager realized a net deficit of \$269,437. The main drivers are as follows:

- **Office of the City Manager Administration:** A net deficit of \$27,846 primarily due to salary costs.
- **Corporate Communications:** A net surplus of \$94,724 driven by staff vacancies, which resulted in salary savings. These savings were partially offset by additional expenditure on professional services for contract staff.
- **Legal and Realty:** A net deficit of \$336,315, primarily due to a decrease in lease revenues from no longer leasing 1300 Bishop Street, as forecasted in April 2024, and a transfer to the Soccer Facility Capital Reserve Fund to account for a prior year adjustment related to rental revenues from the City's agreement with Cambridge Youth Soccer. Additionally, there were increased costs from unanticipated reviews of all elevators and lifts, higher legal external professional services, and lower revenues due to non-recoverable legal searches. The deficit was partially mitigated by staff vacancies and lower-than-expected expenses in Realty professional services.

Corporate Services

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Corporate Services Administration	\$271,700	\$101,684	\$0	(\$271,700)	(100.0%)
Office of the City Clerk	\$3,937,300	\$4,276,991	\$4,544,574	\$607,274	15.4%
Financial Services	\$3,781,750	\$3,793,550	\$3,685,011	(\$96,739)	(2.6%)
Fire Services	\$30,731,300	\$30,731,300	\$30,360,035	(\$371,265)	(1.2%)
Human Resources	\$3,082,200	\$3,055,200	\$3,173,254	\$91,054	3.0%
Technology Services	\$9,540,500	\$9,540,500	\$9,183,972	(\$356,528)	(3.7%)
Total Corporate Services	\$51,344,750	\$51,499,225	\$50,946,846	(\$397,904)	(0.8%)

The Corporate Services Department realized an overall surplus of \$397,904 for 2024. The main drivers are as follows:

- **Corporate Services Administration:** A savings of \$271,700 driven by staff vacancies, which resulted in salary savings.
- **Office of the City Clerk:** A net deficit of \$607,274 due to the delay in receiving the Administrative Monetary Penalty System (AMPS) agreement, resulting in a loss of revenue from January to March 2024. Additionally, there were non-recoverable costs related to encampments, including overtime requirements and contracting out for 24/7 security support at key events. Other pressures included costs associated with integrity commission inquiries and investigations, Council meetings, increased printing, Canada Post's postage rate increase, and offsite document storage costs. The Election Reserve is currently underfunded based on the forecasted 2026 election costs. A total of \$450,000 of the year end surplus is recommended to be transferred to fund this reserve.
- **Financial Services:** Net savings of \$96,739 were driven by contract service savings. Transitioning to a new vendor for tax sale procedural costs and postponing the multi-year budget consultant resulted in one-time savings as previously forecasted. Additional savings were achieved through staffing recoveries, as existing staff costs were funded from the Housing Accelerator Fund (HAF) capital project work. These savings were partially offset by increased costs in Service Cambridge for ActiveNet (recreation program registration tool) due to higher online bookings and overall price increases.
- **Fire Services:** Net savings of \$371,265 due to reduced costs from renegotiating the dispatching contract, increased revenue from cost recovery of MTO calls on Highway 401, and a one-time change to a training agreement.
- **Human Resources:** A net deficit of \$91,054 due to unanticipated legal costs related to labor relations and higher-than-anticipated advertising costs to support the recruitment process. HR plans to review the most cost-efficient models for recruitment in 2025.
- **Technology Services:** Net savings of \$356,528 due to salary gapping from vacancies and equipment renewal savings from deferring internet upgrades (e.g., Cemetery upgrades awaiting vendor availability), with this project now underway in 2025. Additional savings were achieved from recovering existing staffing costs for the Housing Accelerator Fund (HAF) capital project work.

Corporate Enterprise

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Corporate Enterprise Administration	\$418,000	\$413,400	\$404,432	(\$13,568)	(3.2%)
Corporate Strategy	\$460,100	\$455,300	\$428,990	(\$31,110)	(6.8%)
Economic Development	\$874,200	\$874,200	\$832,326	(\$41,874)	(4.8%)
Risk and Facilities	\$5,638,400	\$5,731,400	\$5,704,823	\$66,423	1.2%
Total Corporate Enterprise	\$7,390,700	\$7,474,300	\$7,370,571	(\$20,129)	(0.3%)

The Corporate Enterprise Department realized an overall surplus of \$20,129 for 2024. The main drivers of this surplus include:

- **Corporate Enterprise Administration:** Net savings of \$13,568 due to anticipated one-time professional development savings as noted in the August forecast. Additionally, there were one-time salary savings.
- **Corporate Strategy:** Net savings of \$31,110 due to increased capacity to complete in-house Corporate Strategy communication work instead of outsourcing. There were also one-time savings in government relations costs.
- **Economic Development Division:** Net savings of \$41,874 due to salary savings from vacancies and one-time savings in marketing costs. These savings were achieved through the development of a marketing plan in 2024. Additionally, there was a reduced request for marketing and materials from Downtown BIA's 50/50 reimbursement plan.
- **Risk and Facilities Division:** Net deficit of \$66,423 due to the addition of 1300 Bishop St. to support operations staff, as per the 2024 forecast reporting. This deficit was partially offset by facility savings on utility costs.

Community Development

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Community Development Administration	\$443,400	\$471,800	\$462,545	\$19,145	4.3%
Building Services	\$0	\$0	\$1	\$1	0.0%
Engineering and Transportation Services	\$3,828,700	\$3,803,800	\$3,191,703	(\$636,997)	(16.6%)

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Planning Services	\$2,086,300	\$2,700,227	\$2,402,741	\$316,441	15.2%
Recreation and Culture	\$3,849,100	\$3,799,138	\$2,856,685	(\$992,415)	(25.8%)
Total Community Development	\$10,207,500	\$10,774,965	\$8,913,675	(\$1,293,825)	(12.7%)

The Community Development division had a surplus of \$1,293,825 for 2024. The main drivers include:

- **Community Development Administration:** A deficit of \$19,145 primarily due to payment of the 2023 Community Energy Investment Strategy contribution in 2024.
- **Building Services Division:** An overall net surplus of \$573,859, primarily due to higher revenues from capital recoveries, recovering existing staffing costs for the Housing Accelerator Fund (HAF) capital project work, and lower building fee exemptions. The surplus amount was transferred to the Building Permit Stabilization reserve in accordance with the reserve fund by-law.
- **Engineering & Transportation Services:** Net savings of \$636,997 driven by savings achieved through natural gapping from vacancies, lower-than-expected hydro costs, reduced spending on contracted services, increased revenues from insurance recovery, and other fee recoveries. External recoveries from engineering and inspection fees were significantly higher than budget as the City was required for 2024 year-end to recognize \$3.1 million of prior years' engineering fee revenues which were historically deferred and recorded as a liability. This change follows the public accounting standard change PS 3400 - Revenue in effect for year-end 2024 whereby this revenue is to be recognized immediately rather than deferred. The \$3.1 million has been transferred to the Rate Stabilization Reserve Fund to be held for potential future budget impacts as it relates to this change.
- **Planning Services:** A deficit of \$316,441, primarily due to a decrease in application volume on new housing and construction projects caused by adverse economic conditions. This deficit was offset by salary and benefit savings due to gapping.
- **Recreation and Culture Program:** A **surplus** of **\$992,415**, primarily from salary and benefit savings due to vacancies in older adult and aquatics programs. The division also saw increased revenues from program fees due to higher enrollment in City-run summer camps and aquatic programs.

Infrastructure Services

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31st	Over/(Under) Restated Budget	% Of Restated Budget
Infrastructure Services Administration	\$438,800	\$438,800	\$419,493	(\$19,307)	(4.4%)
Asset Management and Project Management	\$334,900	\$346,400	\$335,049	\$149	0.0%
Stormwater	\$7,232,100	\$7,292,100	\$7,457,605	\$225,505	3.1%
Operations	\$20,669,100	\$20,666,900	\$21,649,432	\$980,332	4.7%
Total Infrastructure Services	\$28,674,900	\$28,744,200	\$29,861,579	\$1,186,679	4.1%

Infrastructure Services realized a net deficit of \$1,186,679 driven by the following impacts:

- **Infrastructure Services Administration:** A net surplus of \$19,307 mainly due to lower-than-anticipated departmental administrative costs for materials and supplies.
- **Asset Management and Project Management:** A net deficit of \$149 due to savings in staffing costs from a staff vacancy, offset by lower revenues because the Canada Summer Jobs grant was not awarded for 2024.
- **Environmental Services (Storm Water Management):** A net deficit of \$225,505 due to higher-than-expected restoration material costs for storm manhole and catch basin repairs. Extended mild weather led to higher fleet recovery expenses, staff overtime, and contract services for leaf collection. Fewer storm projects resulted in reduced application revenues. Partially offsetting this deficit were higher revenues from new service installations.
- **Operations:** A net deficit of \$980,332 due to several factors:
 - **Parks:** A deficit of \$986,374 driven by increased contract service costs for additional maintenance and expenses related to the first year of operations of the Fountain Street Soccer Complex, catch-up on long outstanding repairs in parks and splashpads, higher contract winter services costs, and higher vehicle lease costs due to deferred vehicle purchases. Additionally, the Fountain Street Soccer Complex had lower revenues due to discounted rental fees and overall lower sports field revenues, as well as increased water consumption for spray pads and soccer fields.

- **Roads:** A net deficit of \$42,595 driven by revenue shortfalls in external recoveries due to less third-party restoration work and reduced recoveries from the Region of Waterloo due to a milder winter. Partially offsetting this were staff vacancies and reduced staff overtime. The milder winter also resulted in a transfer of winter maintenance savings (totaling \$592,986) into the Rate Stabilization Reserve in accordance with the City's Reserve and Reserve Fund By-law.
- **Arenas:** The deficit of \$581,291 is attributed to increased general maintenance for aging arena buildings and ice-making equipment, as well as additional staffing costs due to the unplanned extended use of Karl Homuth, Dickson, and Duncan McIntosh arenas. Cambridge Sports Park incurred extra contract costs due to a greater portion of contracted hours expensed in 2024 compared to 2023. The Cambridge Sports Park contract spanned two years, from 2023 to 2024, and any changes in usage impacts the overall cost each year. Higher supplies and materials costs for canteens were offset by increased concession sales.
- **Cemeteries:** Total savings of \$222,356 driven by various factors including one-time savings in professional services due to a New Hope Cemetery fuel storage tank purchase by Fleet Operations, a delay in the Blair Cemetery transfer to the City leading to one-time savings in contract services, lower program-related service expenses and other revenues due to annual variations in product sales, a one-time bulk sale of burial plots leading to higher program revenues, and higher-than-anticipated investment returns in Cemetery Care and Maintenance.
- **Forestry and Horticulture:** A surplus of \$407,573 largely due to staff vacancies, savings in general maintenance contracts for trails due to deferred trail renewal work, savings in horticulture watering services due to a wetter growing season, no significant windstorms resulting in savings in contract support, savings in the tree maintenance contract that ended mid-2024, and fewer trees planted than anticipated. Partially offsetting this surplus, expenses were increased related to encampment costs. Higher program revenues were generated from increased tree removal compensation payments from areas under development, partially offset by lower permit revenues due to delayed implementation of tree management plan review fees.
- **Fleet Services:** Fell within budget. Fleet asset replacements were delayed due to supply chain constraints, leading to budget exceedances in maintaining aging fleet. Increased maintenance led to overages in

materials and supplies as well as overtime. General maintenance exceeded budget due to unplanned replacements of the Bishop Operations Centre wash bay equipment, a deteriorating fuel storage tank at New Hope Cemetery, and the removal of a fleet hoist. Partially offsetting these overages were savings in staffing costs due to staffing shortages from extended leave and recruitment challenges. Fewer weather events also led to savings in fuel.

Corporate Expenditures

Category	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Corporate Financing	(\$913,300)	(\$913,300)	(\$1,050,211)	(\$136,911)	15.0%
Capital Levy	\$10,431,300	\$10,431,300	\$10,431,300	\$0	0.0%
External Funding	\$2,066,800	\$2,052,600	\$2,033,425	(\$33,375)	(1.6%)
Insurance	\$1,684,100	\$1,684,100	\$1,684,100	\$0	0.0%
Income From Investment	(\$4,284,500)	(\$7,304,000)	(\$7,193,086)	(\$2,908,586)	67.9%
Taxation Revenue	(\$122,590,950)	(\$123,722,461)	(\$122,137,815)	\$453,135	(0.4%)
Payment in Lieu	(\$1,060,000)	(\$1,060,000)	(\$1,175,763)	(\$115,763)	10.9%
Corporate Grants	(\$70,100)	(\$70,100)	(\$70,100)	\$0	0.0%
Corporate Allocations	(\$3,309,400)	(\$3,309,400)	(\$3,287,054)	\$22,346	(0.7%)
Capital Debt Finance	\$2,673,600	\$2,673,600	\$2,673,376	(\$224)	(0.0%)
Development Incentives	\$4,715,700	\$4,715,700	\$4,755,851	\$40,151	0.9%
Total Corporate Expenditures	(\$110,656,750)	(\$114,821,961)	(\$113,335,977)	(\$2,679,227)	2.4%

Corporate Expenditures realized net savings of \$2,679,227 in 2024. The main budget variances within Corporate Expenditures are as follows:

- **Income from Investment:** Exceeded budget by \$2,908,586 driven by the increase in the Bank of Canada target rate throughout 2024.
- **Payments-in-Lieu of Taxes:** Increased by \$115,763 due to additional revenue billed to government agencies. Given the upward revenue trends, the department will increase the 2025 forecast revenue and review again for the 2026 budget development.
- **Corporate Financing:** Additional savings of \$136,911 driven by reduced corporate liability for vacation payout due to a change in practice to an accrued vacation payout model. This was offset by an increased number of WSIB payouts in 2024 with no offset from the WSIB reserve fund as the balance was already significantly less than the actuarial valuation. Additionally, corporate-wide

gapping savings were budgeted in Corporate Expenditures while the savings were realized throughout various departments.

- **External Funding:** Net savings of \$33,375 were achieved by funding the Cambridge Chamber of Commerce through a one-time draw from the Economic Development Reserve Fund instead of using the tax levy as budgeted. This decision was approved through report 24-012-CRE on September 17, 2024.
- **Development Incentives:** Lower than budgeted in 2024 (\$31,607 compared to a budget of \$5,073,800). As a result, the savings were transferred to the Waived Development Charges Reserve Fund to be set aside for future financial exposure on waived DCs. The overall net deficit of \$40,151 reflects the repayment of Waived DCs to the Economic Development reserve fund.
- **Capital Debt Finance:** Reduced based on the debt amortization schedule of issued debt to date, with the budgeted charges of unissued debt being transferred to the corresponding reserve funds.
- **Taxation Revenue:** A net deficit of \$453,135 mainly comprised of the following net impacts:
 - Tax write-offs and rebates totaling \$2,436,610 predominantly due to Assessment Review Board (ARB) write-offs from multi-year appeals settled in 2024 pertaining to two large non-residential properties, namely Toyota and Cambridge Centre Mall. Additionally, there were one-time write-offs of tax revenue receivable for contaminated and orphan properties.
 - These write-offs were offset by an increase in penalties and interest on taxes of \$1,390,832 also affected by uncollectible water billings transferred to taxes receivables. Additional property tax supplemental billings of \$595,474 were also realized.

Cambridge Public Library

Division	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Cambridge Public Library	\$8,601,200	\$8,601,200	\$8,601,200	\$0	0.0%
Total Cambridge Public Library	\$8,601,200	\$8,601,200	\$8,601,200	\$0	0.0%

The funding provided by the City to the Library, operating as Cambridge Public Library, was equal to the amount budgeted.

Management and board members of the Cambridge Public Library have informed the City that the total annual surplus for the Cambridge Public Library Board was \$96,402 in 2024. The surplus was primarily generated from savings in compensation costs due to gapping during staffing turnovers/leaves and lower-than-expected benefit and pension expenses.

The Cambridge Public Library Board's recommendation to Council is that the surplus be transferred to the Facility Capital - Library Reserve in the amount of \$56,402 and the Library Rate Stabilization reserve in the amount of \$40,000. It is recommended, however, that this surplus be contributed to the City Rate Stabilization Reserve to provide the City with greater flexibility in response to recent economic uncertainty and a conservative approach to utilizing excess funds to supplement the City's reserve.

Water Utility Variance

Water utility has a net surplus of \$5,611,249 for 2024 representing 7.0 per cent of gross expenditures. The following summary shows the variance between the annual Council approved budget and year-end actuals for water utility operations which is comprised of the water and wastewater departments.

Department	Total Restated Budget	Revised Forecast	YTD Actuals as of December 31	Over/(Under) Restated Budget	% Of Restated Budget
Water Expenses	\$41,655,600	\$41,592,001	\$42,166,736	\$511,136	1.2%
Water Revenues	(\$41,655,600)	(\$41,675,600)	(\$44,522,740)	(\$2,867,140)	6.9%
Total Water	\$0	(\$83,599)	(\$2,356,004)	(\$2,356,004)	N/A
Wastewater Expenses	\$38,871,800	\$38,871,800	\$38,975,780	\$103,980	0.3%
Wastewater Revenues	(\$38,871,800)	(\$38,871,800)	(\$42,231,025)	(\$3,359,225)	8.6%
Total Wastewater	\$0	\$0	(\$3,255,245)	(\$3,255,245)	N/A
Total City of Cambridge Water Utility	\$0	(\$83,599)	(\$5,611,249)	(\$5,611,249)	N/A

The total water utility surplus for 2024 is \$5,611,249. Of this surplus amount, \$2,356,004 is attributed to Water and \$3,255,245 is attributed to Wastewater.

- **Water:** The main driver of the water surplus was due to the increased water billing revenue from higher than anticipated water sales. A review of past water billing revenue accruals pertaining to 2022 and 2023 identified the requirement for an adjustment. This resulted in higher water billing revenues reported for 2024. Partially offsetting this surplus was higher than expected water purchases from the Region of Waterloo. Savings were generated in water metering supplies and materials due to on-hand stock remaining from 2023. Additionally,

there were savings from lower than anticipated licensing costs for AMI systems, with costs expected to return in 2025.

- **Wastewater:** The main driver of the surplus of Wastewater was the increased sewer billing revenues, which resulted from higher treatment volumes being billed out and a low inflow and infiltration rate. A review of past water billing revenue accruals pertaining to 2022 and 2023 identified the requirement for an adjustment. This resulted in higher water billing revenues reported for 2024. Partially offsetting the surplus was an overage in contract services due to the additional cost of wastewater treatment by the Region of Waterloo. Additionally, higher than anticipated external recovery revenues were realized for new service installations.

Year End Operating Surplus Allocation Policy Amendment

The Year End Operating Surplus Policy (Appendix C) reflects an amendment to update the allocation guidelines to include consideration for the distribution of any remaining surplus (following the application of earlier applied criteria) towards the reduction of future debt requirements. This reflects an addition to the existing guidelines that residual surplus funds be directed to other reserves/reserve funds as identified by the Chief Financial Officer as underfunded.

EXISTING POLICY / BY-LAW(S):

The Budget Control By-Law 152-14 identifies roles, responsibilities, and spending authorities for accountability around the City's financial management. It also identifies reporting requirements to ensure both accountability and transparency around the City's finances. Under the By-Law, Council approval is required for the following operating spending deviations:

- Transfers between divisions exceeding the lesser of 10% or \$100,000;
- Any net overall deficit within a department.

The Reserve Fund By-Law 2-17, as amended, identifies the City's reserve and reserve funds, including uses and funding targets.

The Year-End Operating Surplus Allocation Policy, as amended in Appendix C, establishes a priority framework for the allocation of any year-end operating surplus that may arise from the Tax Supported or Water Utility Budgets in a manner that is consistent with Council's view of long-term financial sustainability, and in line with best practices in financial management. This policy supports the City of Cambridge's strategic goal of focusing on the responsible management of financial resources, ensuring transparency and accountability.

FINANCIAL IMPACT:

Restatements

Changes in operations have resulted in restatements of the 2024 approved budget for comparative purposes. The changes reallocate certain costs and revenues between accounts and/or divisions and have no net effect on the total approved budget for 2024.

The restatements for 2024 include:

- Restructure of staff from Forestry to Recreation;
- Restatement of the maintenance budget (also known as minor capital budget) for recreation buildings from Recreation to Facilities who support the maintenance of these buildings.

Division	Original Budget	In Year Changes	Total Restated Budget
Mayor and Council	\$1,334,000	\$0	\$1,334,000
Office of the City Manager	\$3,103,700	\$0	\$3,103,700
Corporate Services	\$51,344,750	\$0	\$51,344,750
Corporate Enterprise	\$7,132,500	\$258,200	\$7,390,700
Community Development	\$10,381,900	(\$174,400)	\$10,207,500
Infrastructure Services	\$28,758,700	(\$83,800)	\$28,674,900
Corporate Expenditures	(\$110,656,750)	\$0	(\$110,656,750)
Cambridge Public Library	\$8,601,200	\$0	\$8,601,200
Total Tax Supported	\$0	\$0	\$0

PUBLIC VALUE:

Sustainability and Transparency:

This reporting supports the financial sustainability of the City by ensuring appropriate oversight and governance towards the City's financial resources. It also provides transparency as to where public dollars are spent.

ADVISORY COMMITTEE INPUT:

Not applicable.

PUBLIC INPUT:

Posted publicly as part of the report process.

INTERNAL / EXTERNAL CONSULTATION:

Staff delegated with budget responsibility have been consulted with respect to their budget variances in the writing of this report.

CONCLUSION:

The overall operating surplus for the City in 2024 is \$3,062,493 which represents 1.9 per cent of the City's gross operating budget. The total water utility surplus for 2024 is \$5,611,249 which represents 7.0 per cent of gross budget.

In accordance with the Reserve Fund By-Law 2-17, as amended, and the Year-End Operating Surplus Allocation Policy, as amended in Appendix C, staff recommend the following transfers to/from their respective reserve and reserve funds as outlined below. A recommendation is being made to contribute \$571,000 of the tax-supported year-end surplus to the Infrastructure Renewal Fund to supplement the reserve balance in response to the draw per report 25-011-IFS Critical Ice Making Component Replacements Dickson and Duncan McIntosh Arenas.

- Tax-supported surplus of \$3,062,493:
 - \$1,531,247 to the Rate Stabilization Reserve Fund;
 - \$510,247 to the Capital Works Reserve Fund;
 - \$571,000 to the Infrastructure Renewal Reserve Fund; and
 - \$450,000 to the Election Reserve.
- Water surplus of \$2,356,004:
 - \$1,178,002 to the Water Rate Stabilization Reserve Fund; and
 - \$1,178,002 to the Water Capital Reserve.
- Wastewater surplus of \$3,255,245:
 - \$492,264 to the Wastewater Rate Stabilization Reserve Fund; and
 - \$2,762,981 to the Wastewater Capital Reserve Fund.
- Cambridge Public Library surplus of \$96,402:
 - \$96,402 to the City Rate Stabilization Reserve.

REPORT IMPACTS:

Agreement: **No**

By-law: **No**

Budget Amendment: **No**

Policy: **No**

APPROVALS:

This report has gone through the appropriate workflow and has been reviewed and or approved by the following as required:

Director

Deputy City Manager

Chief Financial Officer

City Solicitor

City Manager

ATTACHMENTS:

1. 25-014-CRS Appendix A – Impacts to Reserve and Reserve Funds
2. 25-014-CRS Appendix B – Reserve and Reserve Funds Update
3. 25-014-CRS Appendix C – Year End Operating Surplus Allocation Policy