



TOWN OF
HALTON HILLS
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REPORT

TO: Mayor Lawlor and Members of Council

FROM: Amy Tawse, Manager of Budgets and Financial Reporting

DATE: May 5, 2025

REPORT NO.: CS-2025-013

SUBJECT: Operating Budget Status for the Year Ended December 31, 2024 and Projected Surplus

RECOMMENDATION:

THAT Report No. CS-2025-013 dated May 5, 2025, regarding the operating budget status for the year ended December 31, 2024, and the projected operating surplus be received as information;

AND FURTHER THAT Staff report back to Council following the completion of the 2024 year-end audit on the appropriate distribution of the final surplus.

KEY POINTS:

The following are key points for consideration with respect to this report:

- The Town is forecasting a net overall surplus for 2024 of \$1,252,087, excluding the results of Library Services
- As per Town policy, the Library Services operating surplus of \$95,891 will be transferred to the Library Capital Reserve.
- All referenced expenditures occurred on or before December 31, 2024.
- The distribution of the 2024 operating surplus will be addressed through the 2024 Final Operating Budget Position report (report no. CS-2025-016) which will be presented to Council at the completion of the 2024 year-end audit.

BACKGROUND AND DISCUSSION:

The purpose of this report is to provide Council with an update on the net position of the 2024 operating results as at December 31, 2024.

Appendix 1 summarizes the 2024 results by department prior to adjustments being made.

Operating status for the year ended December 31, 2024

The following information and Table 1 below outline the adjustments made to arrive at the Town’s net surplus position of \$1,252,087:

- The overall total of \$1,599,166 (as outlined in Appendix 1) is the sum of the operating results for all Departments prior to any policy-related adjustments being made.
- There was a total of \$251,188 in unused contract funding which will be carried forward to 2025 based on policy (CORP-2021-0002). This relates to the hiring of approved contract resources and will continue to be tracked and carried forward to future operating budgets to fund delayed or unforeseen temporary resource requirements during the year.
- The Library Services operating surplus of \$95,891 will be transferred to the Library Capital reserve according to the provision contained in the Town’s reserve policy (PLCY-2018-0004).
- The remaining surplus of \$1,252,087 (\$1,599,166 less \$251,188 less \$95,891) is anticipated to be transferred to the Tax Rate Stabilization reserve according to the Town’s reserve policy after completion of the 2024 year-end audit.

Table 1 Forecast Net Position (Town)

Net forecast operating position (Appendix 1)		1,599,166
Less:		
contract funding to be carried forward	251,188	
Library operating surplus	<u>95,891</u>	
Forecast net position		1,252,087

The key drivers of the 2024 operating surplus include favourable revenues from facility rentals and registration in recreation programs; increased levels of salary gapping; additional supplementary taxes and increased tax penalties. The surplus has been reduced by overtime costs in Fire Suppression, legal fees and rising utility costs. Table 2 below provides a summary of the 2024 net position by department, including Library Services:

Table 2

2024 Financial Report For the period ending December 31, 2024				
	2024 Actuals 31-Dec	2024 Final Budget Total	Remaining \$	Remaining %
Council	\$ 822,537	\$ 871,300	\$ 48,763	5.6%
Office of the CAO	3,019,443	3,448,800	429,357	12.4%
Corporate Services	7,179,611	7,356,200	176,589	2.4%
Library Services	4,151,609	4,247,500	95,891	2.3%
Fire Services	11,504,949	10,319,800	(1,185,149)	(11.5%)
Transportation & Public Works	17,655,977	17,698,100	42,123	0.2%
Planning & Development	1,859,451	1,936,900	77,449	4.0%
Community Services	11,264,782	12,233,650	968,868	7.9%
Corporate Expenses	3,886,649	3,764,000	(122,649)	(3.3%)
Capital Financing & Other	11,816,017	11,816,045	28	0.0%
Contract Carryforward Transfer	251,188		(251,188)	0.0%
Total Net Expenditures	\$ 73,412,212	\$ 73,692,295	\$ 280,083	0.4%
Corporate Revenue				
Provincial Offences	(72,456)	(63,500)	8,956	(14.1%)
Investment Income	(1,155,000)	(1,155,000)	-	0.0%
Corporate Taxation*	(4,244,839)	(2,985,900)	1,258,939	(42.2%)
HH Community Energy	(1,113,100)	(1,313,100)	(200,000)	15.2%
Capital Chargeback & Other	(477,700)	(477,700)	-	0.0%
Total Corporate Revenue	\$ (7,063,095)	\$ (5,995,200)	\$ 1,067,895	(17.8%)
Net Position	\$ 66,349,117	\$ 67,697,095	\$ 1,347,978	2.0%
Levies	(67,697,095)	(67,697,095)		0.0%
	(1,347,978)	0	1,347,978	
Proposed Distribution of Remaining Net Budget				
Library Capital Reserve (transfer Library surplus to reserve)			95,891	
Tax Rate Stabilization Reserve (transfer Town surplus to reserve)			1,252,087	
			\$ 1,347,978	
Forecast Final Net Position			\$ -	
*includes PIL, supplementary tax, penalties etc.				

Note: due to rounding, numbers presented in this table may not add up precisely to the totals provided.

The distribution of the operating surplus will be addressed through the 2024 Final Operating Budget Position report which will be presented to Council at the completion of the 2024 year-end audit.

Salary Gapping

Salary gapping savings from delays in hiring full-time staff total \$2,699,598 for 2024 and are outlined in Table 3 below. These savings do not reflect any additional costs related to backfilling position vacancies.

Table 3 Salary Gapping

Department	Salary Gapping Savings
Office of the CAO	266,137
Corporate Services	504,177
Fire Services	-
Transportation & Public Works	768,186
Planning & Development	417,079
Community Services	744,018
Total - Salary Gapping	2,699,598

The primary reason for salary gapping is the timing of recruitment for new positions or turnover among existing employees, which results in vacancies for part of the year. This gapping leads to a surplus in salaries and benefits within department operating budgets. While hiring temporary staff to fill these positions reduces the surplus, the costs of backfilling are generally lower than the budgeted salaries. Additionally, some departments intentionally delay hiring for positions with severance implications to minimize budget impacts. The Corporate Expenses section of the budget includes a provision of \$560,000 to account for expected gapping each year and serves to partially offset departmental surpluses related to gaps in recruiting.

Operating Results by Department

The following section provides a summary of the 2024 operating results by department, as outlined in Appendix 1, prior to the application of any policy related transfers.

Council

Council is expecting a year-end surplus of \$48,763 (5.6%). There are savings of \$26K related to Councillor benefits, and discretionary spending is \$13K under budget due to reduced spending on travel, meals and training.

Office of the CAO

The Office of the CAO is forecasting a year-end surplus of \$429,357 (12.4%). The surplus is primarily due to increased revenues and savings in salaries from staff on leave. A surplus in revenues of \$267K is driven by increased business licensing, marriage license fees from new civil ceremonies, and the collection of delayed parking ticket revenue from MTO. Another major contributor to the surplus is \$183K savings from salaries and benefits. Other expenses exceeded the budget by \$20K due to extended parking control hours.

Corporate Services

Corporate Services is forecasting a year-end surplus of \$176,589 (2.4%). The surplus is primarily the result of salary gapping, with \$261K of savings attributable to vacant positions or the timing of the recruitment process for new positions that were approved through the 2024 budget process. Revenue from tax information fees and tax recoveries are also expected to contribute \$50K to the surplus. There were a couple of areas of unfavourable variances to budget in the department due to higher than planned expenditures for system maintenance contracts (\$106K): professional consulting fees (\$32K), and training (\$30K).

Library Services

Library Services is forecasting a year-end surplus of \$95,891 (2.3%). The surplus is the result of the receipt of unbudgeted grants amounting to \$21K and salary gapping savings totaling \$148K due to several staffing vacancies. The surplus was reduced by \$64K due to unfavourable variances on contracted and professional services; program supplies (partially funded by grants), and repair expenses for equipment and facilities.

Fire Services

Fire Services is projecting a year-end deficit of \$(1,185,149) (11.5%). This shortfall is primarily due to an unfavourable variance of \$808K in overtime costs and \$373K in wages and benefits required to maintain 24/7 coverage across three fire stations and backfill positions due to WSIB and other types of leaves. A contribution from the WSIB reserve was used to offset \$223K of these costs. Due to the higher-than-normal number of calls requiring part-time firefighter response, part-time wages were \$96K over budget in 2024.

Additionally, there are higher-than-expected expenses for materials and supplies (\$16K), driven by the cost of fuel in 2024 and the need to replace equipment. One-time costs related to transferring dispatch services (\$82K) and the outsourcing of fleet maintenance (\$37K) also contributed to the deficit. Despite some revenue offsets and cost savings in other areas, these factors collectively resulted in the overall budget shortfall.

Transportation & Public Works

The Transportation and Public Works department is forecasting a year-end surplus of \$42,123 (0.2%). There are several key drivers that serve to offset each other due to the timing and recognition of expenses.

The department shows a significant overall revenue surplus at the end of 2024, related to the timing of building permit revenue and funding from the building permit reserve. Building permits received during the last four months of 2024 will be recognized in 2025 when the work is substantially performed. Consequently, the revenue is transferred to a deferred revenue account for recognition in 2025.

Excluding the Building division, the department is experiencing shortfalls in various revenue streams, including \$117K in development agreements and applications due to slow development, ActiVan revenue is \$104K below budget due to lower ridership, and cemetery sales are \$76K below budgeted levels. Higher than expected costs for vehicle supplies (\$153K), utilities (\$68K), and repair and maintenance (\$40K) are offset by savings in contracted services (\$408K). The delay of the Automated Speed Enforcement (ASE) program results in both revenues and expenses coming in under budgeted levels, with minimal impact on the total department surplus.

Planning & Development

The Planning and Development department is forecasting a year-end surplus of \$77,449 (4.0%). This surplus is attributed to favorable salary gapping variances of \$345K in new positions, offset by a \$181K reduction in contributions from deferred revenue to fund these positions. Additionally, there is a shortfall of \$97K in development application revenue due to slow development.

Community Services

The Community Services department is projecting a year-end surplus of \$968,868 (7.9%). This surplus is primarily driven by rebounds and continued growth in various revenue streams, including recreation program registration, facility and ice rentals, increased advertising revenue, and the successful attainment of unbudgeted grant funding from provincial, federal, and non-government sources. These factors result in revenues that exceed the budget by \$1.2M. The increased demand will require additional staffing to manage the facilities and deliver programs. This will be addressed as part of the 2026 budget process.

There were however, increased utility costs (\$143K), significant repairs required to maintain facilities (\$111K), and additional staffing costs (\$388K) in 2024. These increases were necessary to respond to pre-existing service gaps and growth in demand for programming and facility usage – and serve to partially offset surplus revenue. A small portion of the departmental surplus was reinvested for staff resources that were directly required to respond to the growth in demand for recreational programming, which in turn generated further revenue, and ultimately resulted in a net zero impact on the budget. With these current trends expected to continue, additional resources will be needed to support this demand, the costs of which will be absorbed by the additional revenues that these programs generate. Overall, the department is in a

positive financial position, as participation in programs and attendance at facilities continues to rise.

Corporate Expenses

Corporate expenses are forecasted to have a year-end deficit of \$(122,649) (3.3%) due to unfavourable variances in legal fees related to OLT appeals and enforcement matters (\$321K), WSIB claim costs (\$200K), and the budgeted provision for salary gapping amount (\$560K). These variances are partially offset by savings in insurance related costs (\$376K), miscellaneous Accounts Receivable recoveries (\$125K), and favourable variances in tax write-offs (\$300K).

Corporate Revenues

The Corporate revenue section is forecasting a year-end surplus of \$1,067,895 (17.8%).

There was an increase in supplemental tax revenue in 2024 \$475K, which is primarily the result of growth in the assessment base due to ongoing non-residential construction activity over the past couple years. This additional development has contributed positively to the Town's overall tax revenues.

Favourable variances in penalties and Interest \$718K, can largely be attributed to broader macroeconomic conditions, including higher interest rates and increased inflation. These factors have contributed to the rising cost of living, which has placed financial pressure on residents and taxpayers.

As of 2024, the Town's total taxes receivable, inclusive of amounts owing to the Region and School Boards (Education), reached \$10.09 million, compared to \$8.35 million in 2023. While this represents an increase, it is important to note that there has not been a significant rise in the number of properties in arrears. Where arrears have occurred, they are typically limited to missed instalments that are later resolved, or modest one-year outstanding balances.

Staff will continue to monitor these trends closely and ensure that appropriate collection efforts and support remain in place to assist residents while maintaining the Town's financial sustainability.

Provincial Offences Act (POA) revenues and fine distributions were \$102K over budget, resulting in a favorable variance in addition to a positive variance of \$492K in investment income. In accordance with Town policy, the surplus related to these revenues is transferred to reserves, resulting in a net zero impact to the Corporate Revenue section.

STRATEGIC PLAN ALIGNMENT:

This report is administrative in nature and does not have an impact on the Town's Strategic Plan.

RELATIONSHIP TO CLIMATE CHANGE:

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

PUBLIC ENGAGEMENT:

Public Engagement was not needed as this report is administrative in nature.

INTERNAL CONSULTATION:

Finance staff consulted with the Senior Management Team, and department staff.

FINANCIAL IMPLICATIONS:

This report is administrative in nature and does not have any financial implications.

The Town is currently forecasting a net surplus position from operations in 2024, which includes a projected Town-related surplus of \$1,252,087 (net of the transfer to reserves of the Library Services operating surplus \$95,891)

The distribution of the year end surplus, once finalized, will be addressed in the 2024 Final Operating Budget Position report (report no. CS-2025-016) which will be presented to Council following completion of the year-end audit.

Reviewed and approved by,

Moya Jane Leighton, Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer