

SUBJECT: Operating budget performance report as at December 31, 2024 and summary of year end financial position

TO: Committee of the Whole

FROM: Finance

N/A

Report Number: FIN-11-25

Wards Affected: ALL

Date to Committee: April 7, 2025

Date to Council: April 15, 2025

Recommendation

Receive for information finance department report FIN-11-25 which reports on the 2024 year-end financial position and retained savings disposition; and

Direct the Chief Financial Officer to allocate the 2024 retained savings based on the strategy outlined in finance department report FIN-11-25.

Executive Summary

This report outlines the financial variances realized during 2024. Additional details are provided in the attached Appendix A, which lists expenses and revenues with a significant favourable or unfavourable 2024 variance from budget of +/- \$100,000. Explanatory notes outlining the major drivers are provided.

Purpose of report:

- Address other area of responsibility

Key findings:

- The 2024 Operating Budget resulted in a favourable variance of \$1,493,135.

Implications:

- This report looks to provide a clear communication of the drivers of the 2024 budget surplus.
- The allocation of the retained savings, as recommended within this report, is based on a strategy that improves the financial health of the City via a one-time transfer to reserves and reserve funds. Priority for the disposition of the retained savings is given to known upcoming one-time costs in future years and include the replenishing of balances in reserves and reserve funds that have been depleted from one-time events.

Recommendation Report

Background

This report outlines the financial variances realized during 2024. Additional details are provided in the attached Appendix A, which lists expenses and revenues with a significant favourable or unfavourable 2024 variance of +/- \$100,000 and provides explanatory notes outlining the major drivers.

Analysis

In order to be proactive in identifying issues and initiating actions to mitigate over expenditures and revenue shortfalls, budgetary performance is monitored regularly to provide an early indication of potential problems and gives management time to consider appropriate actions. The City's new financial system has been used to record and report on the 2024 Operating budget variance. Explanations have been provided by the departments whom are the primary drivers of the variances.

Financial Matters:

The 2024 retained savings is \$1,493,135 subject to the finalization of the year-end audit.

| | 2024 Budget | 2024 Actual (Unaudited) | Variance Fav./(Unfav.) |
|---------------------------|-----------------|-------------------------|------------------------|
| City Services | \$166,250,482 | \$166,033,500 | \$216,982 |
| Local Boards & Committees | \$16,788,107 | \$16,788,107 | \$0 |
| Corporate Expenditures | \$74,401,709 | \$76,109,768 | \$(1,708,059) |
| Corporate Revenues | \$(257,440,294) | \$(260,424,506) | \$2,984,212 |
| Total | | | \$1,493,135 |

Note: figures may not add up due to rounding

As is usual practice, accounts payable, year-end accruals and year-end transfers to/from reserves funds have been made in 2024.

The following tables provide information regarding transfers to and from reserve funds for the City's net zero operations:

| Business Transfers | 2024 Transfer Amount | Reserve Fund Balance (Dec. 31, 2024) |
|---|-----------------------------|---|
| Transfer to/(from) Parking District Reserve Fund | \$1,402,412 | \$12,659,172 |
| Transfer to/(from) Paletta Mansion Reserve Fund | \$178,505 | \$1,008,261 |
| Transfer to/(from) LaSalle Park Pavilion Reserve - Fund | \$(95,023) | \$220,750 |
| Transfer to/(from) Waterfront Centre Reserve Fund | \$214,247 | \$380,360 |
| Transfer to/(from) The Municipal Consent Reserve Fund | \$234,851 | \$234,851 |

Development Application Reserve Funds

In 2005, the Engineering Fee Stabilization Reserve Fund, the Building Permit Stabilization Reserve Fund and the Planning Fee Stabilization Reserve Fund were created (refer to BP-10-05) to ease budget pressures should development revenues slow down due to economic and/or market conditions.

As of December 31, 2024, the following year-end transfers were made prior to the calculation of the year-end retained savings.

| Transfers | 2024 Budget Revenues | 2024 Actual Revenues (Unaudited) | 2024 Provision to / (from) Reserve Fund | Reserve Fund Balance (Dec. 31, 2024) |
|-------------------------------|-----------------------------|---|--|---|
| Engineering Fee Stabilization | \$75,500 | \$69,011 | \$(6,489) | \$467,598 |
| Building Permit Stabilization | \$7,198,618 | \$4,599,233 | \$(1,961,330) | \$3,966,430 |
| Planning Fee Stabilization | \$5,781,924 | \$4,390,973 | \$(1,390,951) | \$620,190 |

Engineering Fee Stabilization Reserve Fund

The small shortfall in Subdivision Administration Fees has resulted in a draw of \$6,489 from the reserve fund. The reserve fund will be used over the next five years to phase out our reliance on this funding source in the budget.

Building Permit Stabilization Reserve Fund

Building permit services are based on a “Fee for Service” model that is not supported by municipal taxes and is in full compliance with legislation. The intent behind establishing a Building Permit Stabilization Reserve fund is to provide municipalities with a sustainable tool for providing and maintaining building permit and inspection services throughout a fluctuating construction industry and overall economy.

The Building Department experienced a significant decline in large scale building permit applications, largely due to a combination of higher lending rates, increased construction costs, and market uncertainty. These factors created a challenging environment for developers, resulting in fewer building permit applications, which impacted overall building permit revenue generation.

In addition, building permit fee indexation was delayed and only indexed at a rate of 3% in an endeavor to offset increased fees. The financial disparity between the actual operating costs and indexation led to a loss of revenue of over \$1,000,000. As a result, the current building permit fees no longer adequately cover or offset the increase in operational costs, leaving the department with a shortfall that necessitates reliance on the reserve fund. Building Revenue losses were partially offset by a \$1,961,330 draw from the Building Permit Stabilization Reserve Fund as per the Bill 124 Model. The Building Department is currently undergoing a fee review.

Planning Fee Stabilization

Planning fee revenues experienced an unfavourable variance of \$1,390,951, resulting in a draw from the Planning Fee Stabilization reserve Fund. The unfavourable variance for the Planning Revenues can be attributed to market conditions which have been characterized by relatively high interest rates, slow new home sales and stable home sales prices. As a result, the City has seen lower than average application volumes for larger development applications like Official Plan and Zoning By-law Amendments as well as Site Plan applications.

Despite lower volumes and revenues in these categories, in 2024 there were high pre-consultation volumes which could suggest that there are proponents waiting for improved market conditions to submit formal applications, but that interest remains high.

Also reflective of the current state of the market, application volumes for smaller scale applications such as improvements to single family homes, including the creation of Addition Residential Units were higher than average, indicating that people are investing in their current homes rather than moving. Planning Fee Revenue losses were offset by a draw from the Planning Fee Stabilization Reserve Fund. A Planning fee review is currently underway.

Recommendation Details

As mentioned, the 2024 unaudited retained savings are \$1,493,135. It is recommended that the funds be allocated as follows: (Note: Where reserve fund balances are provided, they reflect the balance prior to recommended disposition).

\$598,737 Provision to Tax Rate Stabilization Reserve Fund

It is recommended that \$598,737 be set aside to finance one-time expenditures. Over the last few years numerous spending commitments have been placed on the Tax Rate Stabilization Reserve Fund. This transfer amount will replenish prior one-time funding drawn from the reserve fund and serve as prudent planning to absorb any future potential unbudgeted expenses. The uncommitted balance in this reserve fund is \$6,609,820. The target balance for the consolidated stabilization reserve funds (excluding Building Permit Stabilization Reserve Fund) is set at 10%-15% of the city's own source revenues. As of December 2024, the consolidated balance of these reserve funds is below target at 5.6%.

- **\$598,737 Provision to Capital Purposes Reserve Fund**

The infrastructure renewal reserve fund assists with financing infrastructure replacement and renewal needs. As indicated in the Asset Management Finance Plan Update report, F-20-23, the city has significant unmet needs in repairing and renewing existing assets. A consolidated target for capital reserve funds should be a minimum balance of 2% of the total asset replacement value. Based on the city's total asset replacement value of \$6.3 billion, this equates to \$126 million. As of December 2024, the City's uncommitted consolidated year-end balance in capital reserve funds is approximately \$33.8 million, well below the intended target.

- **\$250,000 Provision to Emergency Relief Reserve Fund (once established)**

Report FIN-12-25 on this same agenda recommends the establishment of an Emergency Relief Reserve Fund to provide compassionate relief to the community in the event that a natural hazard occurs. It is recommended that \$250,000 be set aside to provide initial seed funding for the establishment of this reserve fund.

- **\$45,662 one-time funding to Burlington Economic Development and Tourism**

On September 4, 2024 a memo was provided to Council from Burlington Economic Development which provided an update on progress and next steps re COW-04-24 Local Board Governance – Merger of Tourism Burlington with Burlington Economic Development. This memo was included in the Council information package of September 13, 2024. The memo identified additional costs to support the strategy, legal and administrative aspects of the merger and indicated that once final costs were known that a request would be made for the City to partially offset these expenses. The

final costs were \$120, 662, funded by \$50K previously approved by City Council, \$25K from Burlington Economic Development and Tourism Board, with the remaining \$45,662 recommended to be funded from the 2024 retained savings.

- Although the 2024 year-end close-off process has been routine to date, it is the first year-end close within the City’s new financial system. Staff are conscious of the need to ensure that the year-end review is comprehensive and additional minor adjustments may be required. Should any of these adjustments alter the final reported year-end variance of \$1,493,135 it is recommended that that the difference be provided to or drawn from the Tax Rate Stabilization Reserve Fund.

Implications

The Financial implications of the recommended disposition of the annual surplus are the prudent management of City Reserves and ensuring appropriate financial resources to best mitigate future risks and funding requirements.

References

Please refer to Appendix A: Variance Accountability Report

Strategic Alignment

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

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Appendices:

A. Variance Accountability Report

Draft By-laws for Approval at Council:

- N/A

Notifications:

None

Report Approval:

All reports are reviewed and approved by the Commissioner, Head of Corporate Affairs, Chief Financial Officer, and Commissioner of Legal and Legislative Services/City Solicitor.