

SUBJECT: Operating budget performance report as at December 31, 2025 and summary of year-end financial position

TO: Committee of the Whole

FROM: Finance

Report Number: FIN-09-26

Wards Affected: All

Date to Committee: April 13, 2026

Date to Council: April 21, 2026

Recommendation:

Receive for information finance department report FIN-09-26 which reports on the 2025 year-end financial position and retained savings disposition; and

Direct the Chief Financial Officer to allocate the 2025 retained savings based on the strategy outlined in finance report FIN-09-26.

Executive Summary

This report provides an overview of the City's 2025 year-end operating results and outlines the major factors contributing to the annual budget variance. The 2025 Operating Budget resulted in unaudited retained savings of \$2,994,369, subject to finalization through the year-end external audit.

Detailed variance information is included in:

- **Appendix A**, which identifies significant revenue and expenditure variances of +/- \$100,000 from budget and provides explanatory commentary; and
- **Appendix B**, which summarizes departmental variances and includes department-specific comments for items exceeding +/- \$100,000 from budget.

The purpose of this report is to provide Council with a transparent summary of the City's year-end financial performance, the key drivers of the 2025 operating surplus, and a recommended strategy for the allocation of retained savings.

The recommended disposition of the retained savings is intended to support the City's long-term financial sustainability through one-time transfers to reserves and reserve funds. Priority has

been given to replenishing reserve balances that have been drawn down in recent years, as well as strengthening the City's capacity to address known future one-time funding requirements and emerging financial risks.

Purpose of report:

- Address other area of responsibility

Key findings:

- The 2025 Operating Budget resulted in a favourable variance of \$2,994,369.

Implications:

- This report looks to provide a clear communication of the drivers of the 2025 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.

Information Report

Background

The City monitors budget performance throughout the year in order to identify emerging expenditure pressures and revenue shortfalls, allowing management to take timely and appropriate corrective action where possible. This ongoing monitoring supports prudent financial stewardship and helps ensure that the City remains responsive to changing economic and operational conditions.

The City's financial system has been used to record and report on 2025 operating results. Departments have reviewed year-end variances and provided explanations for the primary drivers contributing to significant favourable or unfavourable results.

As is standard practice, year-end financial results reflect:

- the recording of accounts payable,
- year-end accruals,
- and transfers to and from reserve funds made in accordance with approved financial policies and business models.

This report summarizes the City's overall year-end financial position and outlines the recommended disposition of the 2025 retained savings.

Analysis

The City's 2025 unaudited retained savings total \$2,994,369, subject to completion of the external audit.

Overall, the favourable year-end position reflects:

- lower-than-budgeted net expenditures in City Services,
- stronger-than-budgeted corporate revenues,
- partially offset by unfavourable corporate expenditure pressures.

The detailed drivers of these variances are outlined in the appendices and summarized further below where relevant.

Financial Matters:

	2025 Budget	2025 Actual (Unaudited)	Variance Fav./(Unfav.)
City Services	\$179,772,285	\$176,659,038	\$3,113,246
Local Boards & Committees	\$17,290,899	\$17,290,898	\$0
Corporate Expenditures	\$81,211,212	\$83,109,390	\$(1,898,179)
Corporate Revenues	\$(278,274,395)	\$(280,053,696)	\$1,779,301
Total			\$2,994,369

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 2025.

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

Business Transfers	2025 Transfer Amount	Reserve Fund Balance (Dec. 31, 2025)
Transfer to/(from) Parking District Reserve Fund	\$1,040,449	\$12,585,621
Transfer to/(from) Paletta Mansion Reserve Fund	\$123,166	\$863,657
Transfer to/(from) LaSalle Park Pavilion Reserve - Fund	\$(214,609)	\$12,354
Transfer to/(from) Waterfront Centre Reserve Fund	\$149,807	\$530,716
Transfer to/(from) Municipal Consent Reserve Fund	\$(95,795)	\$145,655

These transfers reflect year-end operating results within each business area and are consistent with the City's practice of maintaining self-supporting business operations through dedicated reserve funds.

Development Application Reserve Funds

To help manage the volatility of development-related revenues, Council established the following reserve funds in 2005 (BP-10-05):

- Engineering Fee Stabilization Reserve Fund
- Building Permit Stabilization Reserve Fund
- Planning Fee Stabilization Reserve Fund

These reserve funds are intended to reduce operating budget pressures during periods when development activity and related fee revenues are impacted by economic or market conditions.

As of December 31, 2025, the following year-end transfers were made prior to the calculation of retained savings:

Transfers	2025 Budget Revenues	2025 Actual Revenues (Unaudited)	2025 Provision to / (from) Reserve Fund	Reserve Fund Balance (Dec. 31, 2025)
Engineering Fee Stabilization	\$75,500	\$1,295	\$(74,205)	\$406,533
Building Permit Stabilization	\$7,585,017	\$4,541,286	\$(1,837,555)	\$2,528,198
Planning Fee Stabilization	\$6,064,280	\$2,438,289	\$(3,625,891)	\$(2,988,274)

Engineering Fee Stabilization Reserve Fund

The shortfall in subdivision administration fee revenues resulted in a \$74,205 draw from the Engineering Fee Stabilization Reserve Fund.

This reserve fund continues to serve its intended purpose by smoothing fluctuations in development-related revenues. Staff anticipate that the reserve will be used strategically over the next several years to gradually reduce reliance on this funding source within the operating budget as the city reaches greenfield build-out.

Building Permit Stabilization Reserve Fund

Building permit services operate on a full cost-recovery, fee-for-service basis and are not supported by the property tax levy, in accordance with legislative requirements.

The Building Permit Stabilization Reserve Fund exists to support continuity of service during periods of cyclical slowdown in the construction industry and to help manage fluctuations in permit activity and fee revenues.

In 2025:

- Building permit revenues were below budget by \$3.0 million before reserve support;
- Actual revenues totaled \$4.54 million compared to a budget of \$7.59 million;
- A \$1,837,555 draw from the Building Permit Stabilization Reserve Fund was required, consistent with the City's Bill 124 building permit reserve model.

As in recent years, the Building Department continued to experience fewer high-density residential projects progressing from planning approvals to the building permit stage, despite overall permit volumes remaining relatively stable. This shift in development mix reduced revenue generation relative to budget assumptions.

The department is currently undertaking a fee review to ensure the sustainability of the service and the continued appropriateness of the fee structure.

Planning Fee Stabilization

Planning fee revenues experienced a significant unfavourable variance in 2025, resulting in a \$3,625,891 draw from the Planning Fee Stabilization Reserve Fund.

Actual revenues totaled \$2.44 million compared to a budget of \$6.06 million. The revenue shortfall was primarily driven by challenging regional housing market conditions, including:

- low consumer confidence,
- slower new home sales,
- elevated home prices,
- and only modest reductions in interest rates in the latter half of 2025.

These conditions contributed to lower-than-average development application volumes and reduced planning fee revenues across several application categories.

This trend was particularly evident in residential site plan applications, which represent a key milestone in the development approval process immediately preceding building permit issuance and, historically, development charge payment.

While revenues from larger development applications were also lower than anticipated, staff continue to observe strong activity in pre-consultation meetings and pre-application discussions.

This ongoing activity suggests that development proponents remain engaged and are preparing applications for future submission as market conditions improve.

Staff also note that some applicants may be deferring submissions pending:

- the adoption of the Community Planning Permit System, which is expected to provide a more streamlined approval process and lower application costs; and
- implementation of the new Zoning By-law, which is expected to enable additional housing options in areas where such forms were not previously permitted.

To help support future recovery, staff continue to proactively engage with applicants, monitor inactive files, and encourage timely progression of development applications. Combined with zoning modernization and process improvements, these efforts position the department to respond effectively when market conditions strengthen and application volumes increase.

Recommendation Details

As noted above, the City's 2025 unaudited retained savings are \$2,994,369.

It is recommended that these one-time funds be allocated in a manner that strengthens the City's long-term financial position and improves resilience against future financial pressures. Specifically, it is recommended that the retained savings be allocated as follows:

- \$1,497,184 to the Tax Rate Stabilization Reserve Fund
- \$1,497,184 to the Capital Purposes Reserve Fund

Where reserve fund balances are referenced below, they reflect balances prior to the recommended disposition.

\$1,497,184 Provision to Tax Rate Stabilization Reserve Fund

It is recommended that \$1,497,184 be transferred to the Tax Rate Stabilization Reserve Fund to help finance future one-time expenditures and replenish prior one-time funding commitments.

In recent years, a number of one-time expenditures and commitments have been funded from this reserve. This transfer will:

- restore capacity within the reserve,
- improve the City's flexibility to address future unbudgeted or one-time costs,
- and support prudent financial planning.

Prior to this recommended transfer, the uncommitted balance in the Tax Rate Stabilization Reserve Fund is \$12,670,819

The City's target for its consolidated stabilization reserve funds (excluding the Building Permit Stabilization Reserve Fund) is 10% to 15% of own-source revenues. As of December 2025, the consolidated balance of these reserve funds remained below target at 5.38%, highlighting the importance of continued replenishment where financially feasible.

\$1,497,184 Provision to Capital Purposes Reserve Fund

It is recommended that \$1,497,184 be transferred to the Capital Purposes Reserve Fund to support infrastructure replacement and renewal.

The City continues to face significant long-term capital funding pressures related to maintaining and renewing existing assets. As identified in the 2025 Corporate Asset Management Plan (PWS-30-25), current reserve levels remain well below the amount needed to sustainably fund lifecycle renewal requirements.

A prudent consolidated target for capital reserve funds is a minimum balance equal to 2% of total asset replacement value. Based on the City's estimated total asset replacement value of \$7.15 billion, this target equates to approximately \$143 million. As of December 31, 2025, the City's uncommitted consolidated year-end balance in capital reserve funds is approximately \$33.6 million, which remains materially below the desired target.

Accordingly, directing a portion of the 2025 retained savings to the Capital Purposes Reserve Fund is a fiscally responsible measure that supports the City's long-term infrastructure strategy and helps reduce the gap between available reserve funding and identified renewal needs.

Audit and Final Year-End Adjustments

While the 2025 year-end close process has progressed routinely, this represents only the second full year-end close under the City's new financial system.

Staff remain focused on ensuring that the year-end review is comprehensive and recognize that minor adjustments may still be required as part of final year-end procedures and the external audit.

Accordingly, should any final audit adjustments change the reported retained savings of \$2,994,369, it is recommended that any difference be provided to, or drawn from, the Tax Rate Stabilization Reserve Fund.

This approach provides an efficient and appropriate mechanism for managing any final adjustments while maintaining the integrity of the recommended reserve allocation strategy.

Implications

The recommended disposition of the 2025 retained savings reflects prudent financial management and supports the City's long-term financial sustainability.

The proposed transfers will:

- strengthen reserve balances that have been utilized in recent years,
- improve the City's capacity to respond to future one-time financial pressures,
- support the replenishment of stabilization reserves that remain below target,
- and contribute additional funding toward long-term infrastructure renewal requirements, where reserve levels remain materially below desired benchmarks.

Taken together, these recommendations enhance the City's financial resilience and help ensure that appropriate resources are available to manage future risks and obligations in a fiscally responsible manner.

References

- 2025 Corporate Asset Management Plan (PWS-30-25)
- Mid-year 2025 Operating Budget Performance Report (FIN-28-25)

Strategic Alignment

(Select all that apply)

- 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

Authors:

Gurpinder Grewal
Financial Analyst
Gurpinder.Grewal@burlington.ca

Meri Gjeka
Financial Analyst
Meri.Gjeka@burlington.ca

Appendices:

- A. Variance By Cost Element
- B. Variance By Department

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.