

City of North Bay Report to Council

Report No: CORP-2025-033

Date: April 25, 2025

Originator: Laura Boissonneault

Business Unit: Corporate Services

Department: Financial Services Department

Subject: 2024 General Year-end Variance Report

Closed Session: yes ☐ no ☒

Recommendation

That Council:

1. Authorize the Chief Financial Officer to complete the 2024 reserve transfers as outlined in Appendix A; and
2. Receive and file the City of North Bay's 2024 General Year-end Variance report, as set out in Report to Council CORP 2025-033 dated April 25, 2025, from Laura Boissonneault.

Background

Managing the 2024 general operations required an on-going strategic approach and review of services. Actions such as monitoring discretionary spending, gapping vacant positions, deferring training and other initiatives, and strategic scheduling of staff were predominant throughout the year. The 2024 budget pressures included supply chain issues, inflationary pressures experienced through the rising costs of goods and services, and higher tendered contracts and agreements. Pressures were offset with increased revenues, such as net bank and investment interest income, as well as savings in personnel and other operational expenses. Additionally, the 2024 budget was approved with the understanding that the City may require reserve support as a means of funding temporary shortfalls in user fee revenues or unexpected cost increases. One-time reserves budgeted for 2024 are not required to close the year.

Pending any final year-end entries or external audit adjustments, the City of North Bay is expected to end the year with a surplus of \$2,188,025.

Financial/Legal Implications

Attached to this report are several appendices that provided additional year-end information. Required reserve transfers needed to finalize City activities are included in Appendix A. Appendix B provides a summary of the City's 2024 year-end results by Business Unit. Appendix C provides a summary of the City's year-end results by revenue and expenditure type.

Notable corporate-wide variances include:

- **Utility Costs** - Historical trends and anticipated price increases are used to budget utility costs; however, many variables can influence actual utility costs and there is always a risk that variances will be realized between budget and actual costs. The City has realized lower than anticipated Natural Gas rates in 2024. Net utilities ended the

year with a surplus of \$187,894.

- **Corporate Training** – Unspent dollars in 2024 was approximately \$111,035. Reinvesting in staff through training, conferences, and seminars provides for the opportunity to meet legislation and mandatory professional requirements, as well as maximizing workforce attributes. There have been many challenges to fully execute training throughout the organization such as vacancies and/or the inability to allow existing staff the required time due to operational demands.
- **Personnel** - Several vacancies continue to be the result of recruiting issues. The labour market is experiencing a shortage in many areas, especially in skilled trades. The City has experienced challenges in recruiting employees that meet qualifications. Net personnel savings for 2024 year-end are \$425,817. Savings in vacancies and gapping were offset with reduced personnel costs being allocated to Capital for various reasons including operational requirements. In addition, costs for overtime, agreements, and contracting out of certain services have been realized. Personnel savings are considered one-time and not sustainable as full complement is required to deliver budgeted municipal service levels and meet legislative requirements.
- **Fuel** - The fuel budget was set based on expected usage at an estimated weighted average rate of \$1.62 per litre. The actual weighted average fuel rate at year-end was \$1.38 per litre. Under the terms of the current contract, the City pays pricing based on the Ultramar Daily Toronto Rack Rate. Year-end savings realized total \$282,133.

Notable variances by business unit:

- **Community Services** is projecting a year-end net surplus of \$1,201,071.
Factors contributing to the projected surplus include lower personnel, training, insurance, fuel, supplies, maintenance, and utility costs, along with higher revenues.
Arena revenues exceeded budget by an estimated net amount of \$205,746. Some City programming such as beach supervision was either reduced or delayed due to hiring challenges, which in turn has resulted in temporary wage savings, as well as reduced programming operating costs. Additionally, personnel savings were realized in other areas due to gapping and vacancies.
- **Corporate Services** is projecting a year-end net surplus of \$477,600.
Factors contributing to the projected surplus resulted from higher revenues and lower personnel, consultants, training, and supply costs.
Recruitment has been a challenge; as well as some positions have remained temporarily vacant due to scheduled gapping. Some training and conference timetables have been deferred due to scheduling and vacancies. POA and IS departments realized higher than anticipated revenues.
- **General Government Activities** is projecting a year-end net surplus of \$1,695,802.
The projected surplus is largely due to higher net investment, bank interest, and other revenues, as well as lower tax write-offs and assessment at risk; partially offset with reduced transfers of one-time budgeted reserves.
Investment income and bank interest revenues were budgeted based on historical trends for a typical year. The budget was not adjusted to account for temporary fluctuations in market rates and/or cash balances. This approach was adopted to minimize the tax levy impacts for periods of fluctuating interest rates and/or temporary changes in cash balances. During 2024, actual interest rates remained high with small

drops in the latter months of the year. Accordingly, net investment income and bank interest revenue exceeded budgeted amounts by \$2,825,787.

A Supplementary Tax bill is issued by the City for additions, improvements, or adjustments made to a property during the year. 2024 Supplemental revenues were above budget by \$250,875.

Dividends are annually budgeted to be received from North Bay Hydro Distribution and Services via North Bay Holdco. Accordingly, dividends paid to the City during 2024 exceeded budget by \$387,106.

In August 2023, the government announced that until it conducts a review of the accuracy and fairness of the assessment system, the reassessment will remain suspended with an undetermined rollout date. Note, every reassessment brings with it an increased number of appeals that can contribute to fluctuations and higher tax write-offs in any given year. Annually, management estimates the amount of total assessment at risk and establishes an appropriate liability to offset volatile years. Recent decisions issued by the Divisional Court favored the Municipal position regarding several outstanding appeals. This has resulted in a reduction to the estimated assessment at risk by \$752,381. In addition, in-year write-offs related to tax appeals and minutes of settlement were lower than budget in the amount of \$652,102. In prior years, realized savings from assessment at risk allowances, ARB, or Minutes of Settlement decisions, were transferred to the Tax Policy/Assessment at Risk Reserve (99541R) at year-end to offset anticipated appeals resulting from the future reassessment process. It is recommended that \$752,381 be transferred to the associated reserve and that savings from reduced in-year write-offs be presented within the overall City surplus total.

Operating Reserve transfers were approved by Council for the 2024 budget process to reduce the overall tax levy pressure. The \$1,600,000 in budgeted one-time Operating Reserve funds and the one-time reserve transfer directed to lower capital levy pressures in the amount of \$1,000,000, are not required to balance the year-end position.

➤ **Infrastructure and Operations** is projecting a year-end net deficit of (\$1,250,106).

Factors contributing to the projected deficit include higher repairs/maintenance costs and lower Environmental revenues; partially offset with lower personnel, aggregates/materials, and fuel costs; along with higher Transit and disposal revenues.

Fleet repair parts and outside repair costs exceeded budget by (\$1,557,691) in 2024. In prior years any Fleet deficits would have been offset with a reduction to the annual budgeted transfer to reserves earmarked for all future vehicle and equipment requirements. Due to several reserve transfer reductions over the past years, the sustainability of the Fleet Life Cycle Reserve has been impacted. The full 2024 budgeted transfer to the Life Cycle Reserve has been transferred as approved. On a go forward basis, these approved annual budgeted reserve transfers will be administered as budgeted to ensure all future vehicle and equipment requirements are met.

The sale of recyclables, methane sales and Landfill revenues were lower than budget in the net amount of (\$211,523) at year-end. Environmental budgets are based on historical averages and realized sales/usage can fluctuate from year to year.

Personnel savings arose from gapping, vacancies and recruiting challenges.

Departmental personnel savings realized are considered one-time and not sustainable

as full complement is required to deliver municipal services.

Transit revenues exceed budget by \$544,040 at year-end and are largely due to increased ridership and higher contracted revenues.

- **Service Partners** ended the year with a surplus of \$63,658.

Municipal apportionments are usually confirmed by Service Partners in the first quarter of each year and it is common to have variances between budgeted and final costs. In addition, it is not uncommon to have one-time or sole benefit costs realized from Service Partners with the expenditures being offset by Council approved reserves.

Notable Reserve Transfers included in Appendix A:

To close the 2024 financial records, year-end transfers are required to be approved to the appropriate reserves. Council retains the option to re-allocate discretionary funds as required at a later date. A summary of the recommended transfers has been included in Appendix A. Finalizing these transfers will align with preparation for the external audit.

- To manage the City's insurance deductibles, the annual budget is based on historical deductible payments for a typical year and is not adjusted to account for large fluctuations in any given year. This approach has been adopted to minimize tax levy impacts. As past practice, a year-end reserve transfer is made to or from the Insurance Deductible Reserve (99503R) to balance annual deductible activities.
- In collaboration with both the North Bay Public Library and Police Services Board recommendations, the attached reserve transfers finalize their respective year-end positions. Annually, all year-end balances are required to be transferred to or from their corresponding reserves.
- The Winter Maintenance ended the year with a surplus of \$640,844 including aggregate savings of \$298,457 and personnel savings of \$142,353. Currently, the balance in the Winter Maintenance Reserve (99531R) is \$344,907. As in prior years, the surplus is recommended to be transferred to the Winter Maintenance Reserve.
- It is recommended that the Chief Financial Officer be authorized to transfer the City's year-end surplus in the amount of \$2,188,025 to the Completed Capital Reserve (99537R). As discussed in 2025 operating budget committee meetings, the capital reserve fund has been fully committed, and this transfer will be used to assist with future years' approved capital budget pressures and emergencies.
- A reduction of the assessment at risk allowance in the amount of \$752,381 is recommended to be transferred to the Tax Policy/Assessment at Risk Reserve (99541R) to offset anticipated appeals resulting from the future reassessment process.
- An Administrative Services Only (ASO) Benefit Plan is one in which the employer obtains a third-party provider to administer benefits on behalf of the Corporation. The employer chooses a plan design and assumes the risk of paying these claims up to a certain agreed upon level. A surcharge is issued when usage is above anticipated levels and an ASO refund is realized in the opposite situation. The City received a refund for 2024 in the amount of \$158,972 and these dollars are recommended to be transferred to the ASO Benefit Surplus Reserve (99546R) to offset any future program deficits.
- The 2023 net Fire revenues related to Fire Marque, totaling \$34,952, is required to be transferred to the Fire Reserve (99550R) for future training and equipment.
- To manage the City's fuel system, maintenance costs are isolated in the operating budget. The fuel system is expected to be self-sustaining and as such these costs are to

be funded through the Fuel Dispensing Reserve (99553R). These reserve dollars arise from a fuel surcharge included in fuel costs dispensed throughout the year. In 2024, \$100,410 in fuel surcharge revenue was collected from fuel activities and \$15,078 of this revenue is needed to cover in-year operating repair and maintenance expenses. Fuel system costs are not included in the internal vehicle usage rates.

- Annually, the City receives \$150,000 in grant funding for the Hazardous Material Team operations. Any unspent dollars are to be transferred to the Hazardous Material Vehicle Reserve (99594R) for the specific purchase of a Hazardous Material Team vehicle. Unused funds for the year total \$39,062 and are recommended to be transferred to the respective reserve.
- In accordance with the Municipality Contribution Agreement with the Ontario Lottery and Gaming Corporation (OLG), OLG remits quarterly payments to the City for its share of Casino revenues. A total of \$1,674,579 has been received by the City for 2024. Consistent with the policy – 'Allocation and use of Ontario Lottery Gaming Policy', funds received are recommended to be transferred to reserves through the year-end variance report for future consideration by Council. It is recommended that these funds be transferred to the Casino Revenue Reserve (99601R).
- The City maintains a vested sick leave plan covering all Fire Association employees hired before December 31, 1997. Upon retirement, unused vested sick leave is payable to the employee. Annually, these costs are funded through the Vested Sick Leave Reserve (99510R) and total \$126,971 for 2024.
- Proceeds from approved sales of City properties are transferred to the Property Development Reserve (99535R) and are used for purposes as directed by Council. Associated on-going expenses for the preparation and sale of City properties are funded from the reserve on an annual basis. In 2024, the City incurred \$4,293 in net associated expenses.

The City of North Bay's Reserve Policy forms a critical component of the municipality's Long-Term Financial Plan. Reserves are intended to be used to offset one-time expenses and reduce the risk to the taxpayers of significant budget impacts arising from uncontrollable events and activities.

Corporate Strategic Plan

- | | |
|---|--|
| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government | |

Specific Objectives

- Provide smart, cost-effective services and programs to residents and businesses
- Ensure that Council and staff have a shared perception of goals
- Ensure the efficient and effective operations of the City, with particular consideration to the impact of decisions on the property tax rate

Options Analysis

Option # 1

Council authorizes the Chief Financial Officer to complete the 2024 reserve transfers as outlined in Appendix A. Authorizing the transfers will enable staff to finalize the 2024 financial records in preparation for the external audit. This option is recommended.

Option # 2

Council does not authorize the Chief Financial Officer to complete the 2024 reserve transfers as outlined in Appendix A. If Council does not authorize the transfers to be completed, then there would be a delay in closing the 2024 financial records which is required for the external audit. This option is not recommended as Financial Statements, as well as the Provincial Financial Information Return (FIR), must be completed and submitted.

Recommended Option

That Council:

1. Authorize the Chief Financial Officer to complete the 2024 reserve transfers as outlined in Appendix A; and
2. Receive and file the City of North Bay's 2024 General Year-end Variance report, as set out in Report to Council CORP 2025-033 dated April 25, 2025, from Laura Boissonneault.

Respectfully submitted,

Name: Laura Boissonneault, CPA, CGA

Title: Director of Financial Services / Deputy Treasurer

I concur with this report and recommendation,

Name Shannon Saucier, CPA, CA

Title: Director, Strategic Initiatives

Name Peter E.G. Leckie, B.A. (Hons.), LL.B.

Title: City Solicitor

Name Alan Korell P.Eng.

Title: Interim City Engineer

Name Jason Whiteley

Title: Fire Chief

Name Ian Kilgour, MCIP, RPP

Title: Director, Community Services

Name Wanda Trottier, CHRL

Title: Director, Human Resources

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name John Severino, P.Eng., MBA

Title: Chief Administrative Officer

Personnel designated for continuance:

Margaret Karpenko, CPA, CMA

Chief Financial Officer /Treasurer

Attachments:

Appendix A 2024 Reserve Transfers

Appendix B 2024 General Operating Variance Summary

Appendix C 2024 Budget vs Actual Year-end Details