

City of North Bay Report to Council

Report No: CORP-2025-071

Date: July 25, 2025

Originator: Sara Gage

Business Unit: Corporate Services

Department: Financial Services Department

Subject: General Variance Year-end Projections as at June 30th, 2025

Closed Session: yes ☐ no ☒

Recommendation

That Council receive and file the City of North Bay's Year-end Financial Projection for the period ending June 30th, 2025, as set out in Report to Council CORP 2025-071 dated July 25, 2025, from Sara Gage.

Background

Subsequent to budgetary approval, departments are required to monitor their expenditures and revenues on an on-going basis and project to the end of the year. Year-end projections are reported to Council on a semi-annual basis, being June 30th and September 30th of each year with final results prepared as at December 31st. Projections become more accurate as the year unfolds, and more information becomes available. It is common practice for management to make necessary adjustments or reallocations of resources to ensure that departments realize all possible savings and efficiencies.

Financial/Legal Implications

See Analysis for Financial Implications. No Legal Implications.

Corporate Strategic Plan

- | | |
|---|--|
| <input checked="" 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 the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax base
- Ensure that Council and staff have a shared perception and goals

Analysis

To provide comprehensive year-end projections, each cost center and business unit has been reviewed in detail by Business Unit Managers. Finance provided a general review of all cost centers including a review of revenues, wages & benefits, fuel, fleet, insurance, and utilities. Based on projections prepared as at June 30th, the City is forecasting to utilize only \$2,042,224 of the \$3,075,780 one-time reserve transfer originally budgeted in the Council approved 2025 General Operating Budget.

A departmental summary of year-to-date actuals and associated budgets is attached to this report as Appendix A and Appendix B. The following summarizes the overall major variances between the approved budget and the projected year-end values:

- **Community Services** is projecting a year-end net surplus of \$530,328.

Factors contributing to the projected surplus include lower personnel, utility and contract costs, along with higher revenues.

Revenues are expected to be higher than budgeted for both the Arenas and Arts, Culture & Recreation.

- **Corporate Services** is projecting a year-end net surplus of \$35,683.

Factors contributing to the projected surplus resulted from nominal personnel savings and anticipated revenue, partially offset by nominal increased contract costs.

Both By-law and Finance departments estimate revenue surpluses by the end of the year. Cost pressures related to software licensing and maintenance fees in 2025 due to inflation as well as market movement of cost models from ownership to subscription-based pricing.

- **General Government Activities** is projecting a year-end net surplus of \$475,708.

The projected surplus is largely due to higher net investment and bank interest revenues, lower expected Assessment Review Board (ARB) write-offs, partially offset by a lower transfer from reserve and increased GCIP incentives.

Investment income and bank interest revenues are to exceed budgeted amounts by approximately \$1.37 million. Interest rates have slightly decreased but remain high along with cash balances. Large cash outlays are forecasted in the second half of the year (i.e. construction payments for the new Community Centre).

Expenditures related to tax appeals resolved via the Assessment Review Board (ARB) appeal process are expected to be lower than budgeted in 2025 by about \$420,000.

In 2023, the government announced that until it conducts a review of the accuracy and fairness of the assessment system, the reassessment will remain suspended. The last assessment was completed in 2016.

Tax incentives under the Growth CIP program are expected to be above budget by approximately \$250,000 due to increased applicants.

- **Infrastructure and Operations** is projecting a year-end net deficit of \$1,041,719.

Factors contributing to the projected deficit include higher Fleet Repairs/Maintenance costs, lower Landfill revenues and higher contract costs, partially offset by personnel savings.

Fleet is forecasting a net deficit of \$768,521 as a result of increased parts and outside repair costs offset by personnel cost savings.

Environmental Services is forecasting a deficit of \$545,903 which approx. \$410,000 is a result of lower tipping fee revenues which can fluctuate from year to year due to consumer habits and large-scale commercial projects/activities.

Roads is forecasting a surplus of \$249,646 due to approximately \$228,000 in

personnel savings.

- **Service Partners** are projecting to end the year on budget.

Risks

Corporate areas that could impact the budget include:

- Unexpected utility, fuel, and insurance costs due to unforeseen events
 - Unrealized revenues due to lower volumes and usage
 - Emergencies and unforeseen occurrences
 - Unforeseen vacancies in key operating areas
 - WSIB rate changes based on experience and trends
 - Economic pressures (Global and Regional)
 - Unexpected legislated changes to operations
- **Utility Costs** - Historical trends and anticipated price increases are used to project 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. Net utilities are currently trending under budget by approximately \$110,000.
- **Fuel** - The fuel budget was set based on expected usage at an estimated weighted average rate of \$1.46 per litre. Actual weighted average fuel rated for the first 6 months of the year has been \$1.29 per litre. Projections are based on current realized savings with projected rates for the remainder of the year. Under the terms of the current contract, the City pays pricing based on the Ultramar Daily Toronto Rack Rate. If usage remains the same for the balance of the year, savings are estimated to be approximately \$149,000 by year-end.
- **Personnel** - Several vacancies continue to be the result of recruiting issues. The labour market is experiencing a shortage in many areas, especially in the skilled trades. The City has experienced challenges in recruiting employees that meet qualifications. Estimated net personnel savings projected for 2025 are approximately \$1,255,587. Note, overtime and/or contracting out of certain services has been realized and is necessary to meet on-going operational needs. 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.

Reserves

As noted in the 2025 Council budget deliberations in March 2025, the City and Police Services received a WSIB rebate (based on the 2022/23 reporting years) in the amount of approximately \$1 million and \$500,000 respectively. It was communicated during the Council budget deliberations that these rebates would be recorded to reserves to replenish part of the approximately \$3.075 million one-time reserve funding utilized in the 2025 budget. Accordingly, the funds have been transferred to reserve.

The City has reserves available to offset a projected year-end deficit. If a year-end deficit results, it would be recommended to offset the deficit by the Tax Rate Stabilization Reserve for the purpose of closing the 2025 year. Operating reserve balances estimated as at the date of this report (net of 2025 budgeted transfers) follow:

- Tax Rate Stabilization Reserve (99529R): \$9,968,350
- Operating Budget Contingency Reserve (99557R): \$1,106,474

The Tax Rate Stabilization Reserve's target level is 5% to 10% of the total municipal tax levy (\$114,069,054) being \$5.7 million to \$11.4 million for 2025. The Operating Budget Contingency Reserve's target level is 1% of the gross operating budget (\$167,223,119), approximately \$1.67 million for 2025.

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.

Recommended Option

That Council receive and file the City of North Bay's Year-end Financial Projection for the period ending June 30th, 2025, as set out in Report to Council CORP 2024-071 dated July 25, 2025, from Sara Gage.

Respectfully submitted,
Name: Sara Gage, CPA
Title: Manager, Financial Services

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