



Meeting Date: June 4, 2025

Prepared By: Tiffany Farrell, Director of Corporate Services

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Report No: CPS-30-2025

Subject: Preliminary Year End Surplus and Reserve Fund Transfers 2024

Recommendation:

THAT Report CPS-30-2025 re: Preliminary Year End Surplus and Reserve Fund Transfers 2024 be received;

AND THAT the transfer to the legal reserve fund for 2024 in the amount of \$1,000,000 be approved;

AND THAT the transfer to the tax rate stabilization reserve fund for 2024 in the amount of \$210,188 be approved;

AND THAT the transfer to the municipal office build reserve fund for 2024 in the amount of \$200,000 be approved;

AND FURTHER THAT any remaining portion of the 2024 surplus be allocated to the tax rate stabilization reserve fund.

Purpose:

This report aims to inform Council of the cash-based budget surplus for the 2024 fiscal year and to propose the transfer of funds raised through the tax levy and other revenue sources, based on the estimated surplus, into reserve funds.

Background:

Each year, the Director of Corporate Services reconciles the Municipality's final operating surplus or deficit. In accordance with the Municipality's Reserve and Reserve Fund Policy, any surplus funds generated through taxation are transferred to reserve fund accounts as determined by the Director and approved by Council.

Throughout 2024, the Director of Corporate Services provided regular updates to Council on budget-to-actual figures. Early projections indicated a surplus, primarily due to higher-than-anticipated property tax revenues driven by growth, along with increased interest income resulting from elevated interest rates.

However, the year also saw significant legal expenses related to development. With further legal costs expected in 2024, staff implemented a cost containment strategy, which helped preserve the surplus. Although substantial legal costs were anticipated in December 2024, the majority were deferred to 2025, further contributing to the positive year-end financial position.

Analysis:

The estimated operational surplus for 2024 is \$1.41M (2023 - \$2.53M) and is attributed to the following factors:

1. **Uncompleted or Deferred Projects:** A significant portion of the surplus arises from projects that were either completed under budget or not completed as planned and subsequently deferred to 2025. Many of these projects were deferred due to the cost containment strategy put in place.
2. **Lower-than-Budgeted Expenditures:** Various departmental expenditures came in lower than originally budgeted, mainly related to salaries and benefits. Other savings were driven by factors such as cost-saving measures, fewer-than-expected operational requirements, or delayed spending in certain areas.
3. **Increased Revenue in Tax-Supported Departments:** Additional revenue was earned across several tax-supported departments. This includes higher-than-anticipated interest and penalties on outstanding accounts, increased service revenue, better-than-expected investment income, and proceeds from the sale or disposal of municipal assets. These revenue streams helped offset budgetary pressures and contributed to the overall surplus.

The current surplus is an estimate and may change once the audit is completed. Any difference between the estimated surplus and the post-audit amount will be adjusted through a transfer to or from the Tax Rate Stabilization Reserve Fund.

Below are the department/division details contributing to the final 2024 surplus:

Department/Division	Surplus	Notes
Property Taxes	\$ 291,734	Additional supplementals and fewer write-offs than anticipated. Supplemental taxes due to growth and fewer write-offs due to managing the farm/residential switches.
General Administration (including Economic Development, Council and Conservation Authorities, Cemetery)	\$ 334,572	<p>The surplus in General Administration for 2024 is primarily due to higher-than-anticipated revenue, including increased interest income, interest on outstanding accounts, and a rise in Provincial Offences Act (POA) revenue.</p> <p>In addition to the revenue gains, there were notable savings in general government expenses. These included lower-than-budgeted costs associated with the Build Middlesex Centre initiatives, specifically the Community Improvement Plan (CIP) and Continuous Improvement (CI) programs, as well as reduced spending on office supplies, clothing, postage, and IT hardware and software.</p>
Fire Department and Emergency Management	\$ 9,915	<p>The Fire Department ended the year in a surplus position, primarily due to higher-than-budgeted revenue, which exceeded projections by \$43,000. While expenses were over budget by \$33,000, this overage is attributed to a misallocation of benefit costs. Specifically, \$47,000 in benefit expenses were not correctly budgeted under the Fire Department, although the actual costs were charged to the department. This accounting discrepancy led to the appearance of an expense overage, despite the department's overall positive financial position.</p>

Animal Control and By-law Enforcement	\$ 30,759	Animal control and by-law enforcement divisions ended the year in a surplus position due to less costs for sub-contract and legal for by-law enforcement and animal control.
Transportation and Drainage (including debt payments)	\$ 816,051	The Transportation department ended 2024 with a significant surplus, primarily driven by lower-than-expected expenditures. Wages and benefits were under budget by \$386,000, largely due to salary gapping and a milder winter season that reduced the need for overtime and winter maintenance operations. Additionally, subcontracting costs came in \$302,000 below budget, further contributing to the overall surplus.
Waste Management	\$ 189,930	Waste management had a final surplus for 2024 as revenue was slightly over budget by \$24,409 due to growth. However, most of the surplus is from lower costs. The large expense savings was from the transition to producer pay for recycling in Q2.
Community Services and Facilities	\$ 600,317	Revenue exceeded the budget by \$453,000 for Community Services and Facilities, primarily due to higher-than-expected rental and program income from four community centres and the Komoka Wellness Centre, along with additional grant funding received for recreational programming. In addition to the increased revenue, operating costs across various facilities were lower than budgeted. This was achieved through cost containment strategies, including the deferral of certain projects and reduced spending on repairs and maintenance.
Planning and Development	(\$ 959,531)	The budget overages in the Planning and Development department were primarily due to legal costs, which were over budget by \$1,030,160. These legal fees were anticipated to exceed the budget significantly due to a development-related legal issue. In

		response, staff implemented cost containment measures across other departments to ensure the municipality did not face a deficit for 2024.
Fleet	\$ 96,444	The Fleet budget ended 2024 in a surplus position, primarily due to higher-than-anticipated revenue from the sale of older vehicles, which generated an additional \$52,000. In addition, fuel costs came in under budget, further contributing to the overall surplus.
Total Explained	\$ 1,410,191	

Financial Implications:

Refer to details above.

The increase in reserve funds for 2024 year-end are as follows:

Legal reserve fund of \$1,000,000 to support future development legal costs.

Municipal Office Build reserve fund of \$200,000 to support costs related to the improvement of community areas not originally in the project scope.

Tax Rate Stabilization reserve fund of \$210,188 to support future staff positions, particularly in the community services department.

Strategic Plan:

This matter aligns with following strategic priorities:

- Responsive Municipal Government

The annual surplus report responds directly to Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

Attachments:

N/A