



PORT COLBORNE

Subject: 2025 Year End Surplus and Project Close Out

To: Council

From: Financial Services Department

Report Number: 2026-49

Meeting Date: April 14, 2026

Recommendation:

That Financial Services Department Report 2026-49 be received; and

That the year-end levy surplus be allocated to the City's General Stabilization Reserve (\$116,277), Working Capital Reserve (\$26,543), and Tangible Capital Assets Reserve (\$312,551); and

That the reserve transfers recommended in Financial Services Report 2026-49 be approved; and

That the capital and related project and reserve balances of Appendices E, F, and G of Financial Services Department Report 2026-49, be approved.

Purpose:

This report highlights the funding budget to actual results, provides recommendations pertaining to surplus, capital and related project closeouts and reserve activity for 2025.

Background:

This report provides the year-end unaudited actuals for the year ended December 31, 2025. At the time of writing this report, the City's auditors are conducting the annual audit. It is anticipated the Audited Financial Statements will be presented to Council in June.

Financial Services notes this report contains certain forward-looking information. In preparing this report, certain assumptions and estimates were necessary. These estimates are based on information available to management at the time of preparing this report. Council and other users are cautioned that actual results may vary.

Financial Services reminds Council and users of this report that it is based on fund accounting that follows the cashflow of the budget. For greater clarity, this report is not prepared in accordance with full Canadian public sector accounting standards in the same manner as the audited financial statements that follow accrual accounting. For example, this report reflects capital purchases as cash outlays instead of capitalizing them on the balance sheet and amortizing them over their useful life. As a reminder, fund accounting is utilized by all municipalities as a mechanism to develop budgets and track cashflow. While accrual accounting can provide for a longer-term picture of an organization by capitalizing assets and recording long-term liabilities such as employee future benefits, fund accounting helps the municipality ensure funding is available in the immediate term to cover current obligations.

A presentation of the City's financial results has been prepared (see **Appendix A**).

While high-level comments to the year-end financial results have been provided in the report, Financial Services encourages Council members to reach out to staff for further discussion.

Discussion:

For the fiscal year ended December 31, 2025, the City experienced a Levy surplus of \$455,371 as identified below:

Levy	Actual	Budget	Net
Revenue	47,578,598	39,465,389	8,113,209
Personnel Expense	(18,631,367)	(18,438,344)	(193,023)
Operating Expense	(15,627,353)	(16,114,215)	486,862
Surplus before Transfers	13,319,877	4,912,830	8,407,047
Transfer (to)/from Related Companies	(850,981)	(919,825)	68,844
Transfer (to)/from Reserves	357,040	(1,401,773)	1,758,813
Transfer (to)/from Funds (Rates)	8,984,206	7,604,868	1,379,338
Transfer (to)/from Funds (Capital)	(21,354,772)	(10,196,100)	(11,158,672)
Surplus/(Deficit)	455,371	-	455,371
Recommended Transfers	(455,371)	-	(455,371)
Surplus/(Deficit)	-	-	-

The summarized chart above identifies that revenues and expenses were higher than budgeted. **Slides 10 to 14 of Appendix A** highlight in greater detail budget to actual differences related to both revenue and expenses.

The variance in reserve transfers of \$1,758,813 is made up of both in-year Council approved transfers from reserves as well as transfers to reserve in accordance with the City's Reserve and Reserve Fund Policy.

The Transfer from Funds amount relates to transfers from the rate budgets of water, wastewater, and storm sewer. This relates to overhead charges between the Levy and Rate as well as in-year Council approved transfers from Rate reserves to fund capital projects.

Summary comments related to self-sustaining entities can be found on **Slides 18 to 18 of Appendix A**.

For greater detail, Staff encourage Council members and readers to review **Appendix B and C**.

For the fiscal year ended December 31, 2025, the City experienced a combined Rate deficit of \$5,052 as identified below:

Rates	Actual
Water	(698,046)
Wastewater	435,495
Storm Sewer	257,499
Surplus/(Deficit)	(5,052)

As rate payers are different than those of the levy, rate reserves exist to support stability in the budget. Year-end surpluses are transferred to these reserves and deficits are funded from these reserves. These reserves bring stability to the budget. As such, the surplus/(deficit) is recorded as Transfer (to)/from Reserves.

Rates	Actual	Budget	Net
Revenue	19,361,381	18,967,500	393,881
Personnel Expense	(1,351,923)	(1,343,300)	(8,623)
Operating Expense	(9,385,731)	(10,374,760)	989,029
Surplus before Transfers	8,623,726	7,249,440	1,374,286
Allocations: Within Departments	-	-	-
Transfer from Reserves	1,395,461	1,395,461)	-
Transfer to Reserves	(1,040,033)	(1,040,033)	-
Transfer (to)/from Funds	(8,984,206)	(7,604,868)	(1,379,338)
Surplus/(Deficit)	(5,052)	-	(5,052)

The summarized chart above identifies there were both revenue and expense variance for the year. **Slides 20 to 22 of Appendix A** highlight in greater detail budget to actual differences related to both revenue and expenses.

For greater detail, Staff encourage Council and readers to review **Appendix D**.

This report contains a summary of Capital and Related Projects recommended for closeout and still on-going in **Appendices E and F**.

Slide 25 and 26 of Appendix A highlight that, as of 2025, 90 approved capital and related projects remain open. Staff completed 41 projects and in doing so made

\$1,076,860 available for other initiatives. The dollar figure associated with the 90 remaining projects is \$35,565,186. The three largest projects are the East Side Employment Lands Servicing, the Watermain Replacement and Looping, and the Wastewater Relining projects. An update on 2026 activity will be provided with the first trimester reporting that will be prepared for the period ending April 30, 2026. Financial Services is planning to present this update at the July 14 Council meeting.

In **Appendix G**, Financial Services has summarized reserve activity and identified the approved reserve targets and/or progress or steps required to establish a final target.

Council and users of this report will also find **Appendix H – Investments** and **Appendix I – Debt Management** that highlight the City's investment returns and debt management along with related compliance with approved policies.

Financial Services identifies the debt approved by way of the 2024 and 2025 Capital Budgets have not yet been issued as projects need to be substantially complete before the debt can be issued. As forecasted in **Appendix I** the City's borrowing capacity as defined by the annual repayment limit (ARL) is forecasted to expand over time and is forecasted at 3.73% in 2025 on an in-year basis based on approved debt. The ARL remains well below the City's self-imposed limit of 15% and the Province of Ontario maximum of 25%. The City is actively pursuing a Municipal Service Corporation (MSC) for water and wastewater. An update to the debt position and outlook will accompany further MSC discussions.

Internal Consultations:

Financial Services would like to thank all departments for their assistance and cooperation.

Financial Implications:

This report recommends allocating the year-end levy surplus of \$455,371 as follows:

- \$116,277 be allocated to the General Stabilization Reserve, resulting in the reserve reaching its target balance equal to 10% of the levy; and
- \$26,543 be allocated to the Working Capital Reserve, resulting in the reserve reaching its target balance equal to 10% of the levy; and
- \$312,551 be allocated to the Tangible Capital Assets Reserve, resulting in more funding being available for future capital projects.

This report also recommends the following 2026 capital funding recommendations:

- Daycare project

- Replace \$500,000 of budgeted future debt funding with:
 - \$250,000 from the Capital Under/Over Reserve; and
 - \$250,000 from funding substitutions with grants.
 - Grant funding substitutions are achieved through using unallocated Ontario Community Infrastructure Fund (OCIF) and Canada Community Building Fund (CCBF) funding.
- One-time City Hall Maintenance project (new)
 - Maintenance is required for Council Chambers and Committee Room 3.
 - \$120,000 in funding to come from the Capital Under/Over Reserve

The capital and related project and reserve balances are presented in **Appendices E, F, and G** following City policies and practices, including that of the Reserve Policy.

One area requiring additional disclosure is that of the encumbrance reserve, which is utilized when there is no other reserve but funds have been budgeted in one year and/or need to be carried forward to the following year. The encumbrance reserve is made up of the following:

Encumbrance Reserve	Opening Balance 2025	In-Year Transfers	Ending Balance 2025
Fire Department	327,072	-	327,072
Physician Recruitment	196,014	109,125	305,139
New Property Tax and Rate Billing Software	188,000	-	188,000
Cruise Tours Surplus	-	4,781	4,781
Cannabis Grant	34,548	(34,548)	-
Cannabis Strategy	30,000	(30,000)	-
Corporate Communications - Public Engagement	125,000	(125,000)	-
Smoke Alarm Program	5,437	(5,437)	-
Total	906,071	(81,079)	824,992

The majority of the balance relates to the Fire Department. The encumbered funds will support the engagement of subject matter experts and personnel expenses. The funding related to physician recruitment is the result of timing differences between recruitment and funding. The funding related to property tax and rate billing software is to cover the operating costs of new software that has not yet been procured.

Public Engagement:

The City's Budget and Financial Reporting can be found at:

<https://www.portcolborne.ca/en/city-hall/budget-and-financial-reporting.aspx>

Strategic Plan Alignment:

The initiative contained within this report supports the following pillars of the strategic plan:

- Environment and Climate Change
 - Welcoming, Livable, Healthy Community
 - Economic Prosperity
 - Increased Housing Options
 - Sustainable and Resilient Infrastructure
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Conclusion:

That the recommendations contained in this report be approved.

Appendices:

- a. Appendix A – 2025 Year End Financial Update Presentation
- b. Appendix B – 2025 Year End Levy Summary
- c. Appendix C – 2025 Year End Levy Department and Division Summaries
- d. Appendix D – 2025 Year End Rate Summary and Department Detail
- e. Appendix E – Capital and Related Projects Summary
- f. Appendix F – Capital and Related Projects Holding Account
- g. Appendix G – Reserves
- h. Appendix H – Investments
- i. Appendix I – Debt Management

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.