

**Subject: Disposition of 2024 Tax and Rate Supported Operating
Surplus/Deficit**

File Number: ACS2025-FCS-FSP-0003

**Report to Finance and Corporate Services Committee on 1 April 2025
and Council 16 April 2025**

**Submitted on March 21, 2025 by Svetlana Valkova, Interim Deputy Chief Financial
Officer, Financial Services, Finance and Corporate Services Department**

**Contact Person: Nouny Munelith, Program Manager, Planning and Budgeting,
Finance and Corporate Services Department**

613-580-2424 extension 25877, Nouny.Munelith@ottawa.ca

Ward: Citywide

**Objet : Disposition de l'excédent/déficit d'exploitation soutenu par l'impôt et
les taux de 2024**

Numéro de dossier : ACS2025-FCS-FSP-0003

Rapport au Comité des finances et des services organisationnels

le 1 avril 2025

et au Conseil le 16 avril 2025

**Soumis le 21 mars 2025 par Svetlana Valkova, Cheffe adjointe des finances,
services financiers par intérim, Direction générale des finances et des services
organisationnels**

**Personne ressource : Nouny Munelith, Gestionnaire de Programme, Planification
et Budgétisation, Direction générale des finances et des services
organisationnels**

613-580-2424 poste 25877, Nouny.Munelith@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Corporate Services Committee recommend that Council:

1. Approve the \$51.969 million 2024 operating surplus in City-Wide be transferred to the Tax Stabilization Reserve;
2. Approve the \$1.250 million 2024 operating surplus in By-law and Regulatory Services be transferred to the City-Wide Reserve, effecting the advance repayment in relation to the Industrial Building Retrofit capital project, thereby fulfilling its financial obligation three years in advance;
3. Approve the Ottawa Police Services 2024 operating surplus of \$2.438 million be transferred to the Tax Stabilization Reserve;
4. Approve the \$21.660 million 2024 operating deficit in Transit Services be funded from the Tax Stabilization Reserve;
5. Approve the \$1.857 million 2024 operating surplus in Ottawa Public Library (OPL) be transferred as follows:
 - a. \$357 thousand transferred to the Library Reserve;
 - b. \$1.5 million transferred to a new capital account for the purchase of a new Bookmobile as approved by the Ottawa Public Library Board;
6. Approve the \$4.699 million 2024 operating surplus in Water Services be transferred to the Water Reserve;
7. Approve the \$1.455 million 2024 operating surplus in Wastewater Services be transferred to the Wastewater Reserve;
8. Approve the \$3.0 thousand 2024 operating surplus in Stormwater Services be transferred to the Stormwater Reserve;
9. Approve \$5.561 thousand of unallocated 2024 Rural Community Building Grant Program funding be carried forward to 2025 to provide additional funding towards the 2025 Rural Community Building Grant Program.
10. Approve the addition of 18 full-time equivalent (FTE) positions to the Ottawa Paramedic Service Central Ambulance Communication Centre (CACC), as funded by the Ministry of Health's increased base funding.

- 11. Approve updates to the Reserve Management Policy relating to setting of minimum and maximum reserve balances for the Tax Stabilization and the City-Wide Capital reserves to consider trends in key operating budget risk factors and to align with the Long Range Financial plan;**
- 12. Approve updates to the Reserve Management Policy in Document 5 relating to reporting requirements where the City Treasurer and Chief Financial Officer will report annually the updated reserve target balances as part of the Year-end Disposition report and to consider reserve balances below or above targets as part of the Budget Directions Report.; and,**
- 13. Receive Documents 1 to 4 for information.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande ce qui suit au Conseil municipal :

- 1. Approuver que l'excédent d'exploitation de 51,969 millions de dollars à l'échelle de la Ville pour 2024 soit transféré au fonds de réserve pour la stabilisation des taxes;**
- 2. Approuver que l'excédent d'exploitation de 1,250 million de dollars des Services des règlements municipaux pour 2024 soit transféré au fonds de réserve de la Ville, afin de procéder au remboursement anticipé relativement au projet d'immobilisations de modernisation des bâtiments industriels, remplissant ainsi son obligation financière trois ans à l'avance;**
- 3. Approuver que l'excédent de 2,438 millions de dollars du Service de police d'Ottawa pour 2024 soit transféré au fonds de réserve pour la stabilisation des taxes;**
- 4. Approuver que le déficit d'exploitation de 21,660 millions de dollars des Services de transport en commun pour 2024 soit financé à partir du fonds de réserve pour la stabilisation des taxes;**
- 5. Approuver que l'excédent d'exploitation de 1,857 million de dollars de la Bibliothèque publique d'Ottawa (BPO) pour 2024 soit transféré comme suit :**
 - a. 357 milliers de dollars transférés au fonds de réserve de la**

Bibliothèque;

- b. 1,5 million de dollars transférés à un nouveau compte d'immobilisations pour l'achat d'un nouveau Bibliobus comme l'a approuvé le conseil d'administration de la Bibliothèque publique d'Ottawa;**
- 6. Approuver que l'excédent d'exploitation de 4,699 millions de dollars des Services d'eau pour 2024 soit transféré au fonds de réserve pour les services d'eau;**
- 7. Approuver que l'excédent d'exploitation de 1,455 million de dollars des Services de traitement des eaux usées pour 2024 soit transféré au fonds de réserve pour les services d'eaux usées;**
- 8. Approuver que l'excédent d'exploitation de 3 milliers de dollars des Services des eaux pluviales pour 2024 soit transféré au fonds de réserve pour les services d'eaux pluviales;**
- 9. Approuver que le montant de 5,561 milliers de dollars du financement non alloué du Programme de subventions pour le renforcement communautaire en milieu rural pour 2024 soit reporté à 2025 pour fournir un financement supplémentaire au Programme de subventions pour le renforcement communautaire en milieu rural de 2025.**
- 10. Approuver l'ajout de 18 postes équivalents temps plein (ETP) au Centre de répartition des paramédics d'Ottawa (CRPO) du Service paramédic d'Ottawa, grâce à l'augmentation du financement de base du ministère de la Santé.**
- 11. Approuver les mises à jour de la Politique de gestion des fonds de réserve concernant l'établissement des soldes de réserve minimaux et maximaux pour le fonds de réserve pour la stabilisation des taxes et le fonds de réserve pour immobilisations de la Ville afin de tenir compte des tendances dans les principaux facteurs de risque du budget de fonctionnement et de s'harmoniser avec le Plan financier à long terme;**
- 12. Approuver les mises à jour de la Politique de gestion des fonds de réserve dans le document 5 concernant les exigences en matière de rapports, stipulant que le trésorier municipal et le chef des finances rendront compte annuellement des soldes cibles des fonds de réserve mis à jour dans le**

cadre du Rapport sur la cession à la clôture de l'exercice et tenir compte des soldes des fonds de réserve inférieurs ou supérieurs aux cibles dans le cadre du rapport sur les orientations budgétaires; et

13. Recevoir les documents 1 à 4 aux fins d'information.

EXECUTIVE SUMMARY

As part of the finalization of 2024 operations and the preparation of the 2024 financial statements, Council approval is required for the disposition of any surplus or funding of any deficit. This report provides an analysis of the results of 2024 operations for all tax and rate-supported City programs.

Strong financial management continues to be a priority for the City, Council and our residents. Council continues to play a leading role in the City's approach to fiscal prudence and financial sustainability. The adoption of strong financial policies, plans and processes continue to support the City's prudent approach to financial sustainability for today and for the future. As reported regularly throughout 2024, staff implemented several financial mitigations such as a discretionary spending freeze and non-priority operational hiring pause, early in 2024 to risk mitigate against several financial challenges, specifically related to Transit's path to financial sustainability, supported by Council. These early management interventions and risk mitigations resulted in significant financial improvements throughout 2024.

The overall 2024 City budget concluded the year with a \$44.475 million surplus. The City-Wide Tax-Supported services ended the year with a \$55.683 million surplus and Rate Supported services ended the year with a \$6.157 million surplus. The Transit Services operating budget, which falls under the mandate of the Transit Committee finished 2024 with a \$21.660 million deficit. The Ottawa Police Service (OPS) operating budget, which falls under the mandate of the Ottawa Police Services Board, finished 2024 with a \$2.438 million surplus. The Ottawa Public Library (OPL) operating budget, which falls under the mandate of the Ottawa Public Library Board, finished 2024 with a \$1.857 million surplus. The reported Transit Services, OPS, and OPL year-end results reflect the allocations of taxation related accounts in each business area.

The overall 2024 surpluses will continue to strengthen the overall City's financial strength and path forward. These surpluses along with the updated minimum and maximum balances for several of the City's reserves will provide and support a number of financial strategies that will be presented as part of the updated Transportation Master Plan, Long Range Financial Plans, the potential ongoing impacts of tariffs and

other macro economic factors that may impact the City's various financial plans.

Ottawa Paramedic Service

The Ministry of Health has increased base funding for the Ottawa Paramedic Service Central Ambulance Communication Centre (CACC) by \$4,371,984, bringing the total funding to \$20,228,783 for 2024-25. This includes \$2.6 million for 18 new full-time equivalent positions, enhancing dispatch services and emergency response.

Ontario-Ottawa Agreement Update

In consideration of the Disposition of 2024 Tax and Rate Supported Operating Surplus/Deficit report, and as committed to in the Ontario-Ottawa Funding Agreement report ([ACS2024-CMR-OCM-0001](#)) tabled at the April 3, 2024, Council meeting, staff are providing a status update on the implementation of the Ontario-Ottawa Agreement.

Following approval of the April 2024 report, staff focused on working with the province to finalize the transfer payment agreements (TPAs) required to facilitate the financial support outlined in the Agreement. Four of which are executed and the remaining one for Shelters and Homelessness Support (Ministry of Municipal Affairs and Housing) is imminent. The \$20 million in funding for 2024 was advanced while the transfer payment agreement dialogue was ongoing.

As identified in the Ontario-Ottawa Agreement, funding for various commitments was conditional on certain criteria being achieved.

The elements of the Agreement with conditionality have been fulfilled, and this has been confirmed during the monthly staff meetings between the City and the Provincial Ministry of Finance.

Updates to Reserve Management Policy

The Reserve Management Policy approved in 2018 adopted a portfolio-based structure and management approach, which combined several reserves into key reserve accounts that better aligned with source and use of funds. The policy established minimum and maximum target balances for key discretionary reserves, using a risk-based approach and methodology. Since that time, some of the City's operating risks have changed, particularly in relation to our experience with the pandemic and evolving understanding of the impacts of climate change.

This report does not recommend significant changes to the existing policy but rather updates the key risk factors used to establish reserve target levels and helps to clarify

the process for considering reserve balances that are below the minimum or above the maximum target levels. Minimum and maximum target levels will be updated annually to reflect the most recent financial performance trends and requirements. This report also provides an update on those target levels for key discretionary reserve accounts, based on updated risk factors and trends.

RÉSUMÉ

Dans le cadre de la finalisation des activités de 2024 et de la préparation des états financiers de 2024, il est nécessaire d'obtenir l'approbation du Conseil pour régler tout excédent ou déficit. Le présent rapport fournit une analyse des résultats des activités de 2024 relatives aux programmes municipaux financés par les recettes fiscales et les redevances.

Une gestion financière solide demeure une priorité pour la Ville, le Conseil municipal et nos résidents et résidentes. Le Conseil continue de jouer un rôle de premier plan dans l'approche de la Ville en matière de prudence et de viabilité financières. L'adoption de solides politiques, plans et processus financiers continue d'appuyer l'approche prudente de la Ville en matière de viabilité financière pour aujourd'hui et à l'avenir. Comme on l'a signalé régulièrement tout au long de 2024, le personnel a mis en œuvre plusieurs mesures d'atténuation financière, comme un gel des dépenses discrétionnaires et une suspension de l'embauche pour les postes opérationnels non prioritaires, au début de 2024, afin d'atténuer les risques liés à plusieurs problèmes financiers, particulièrement en ce qui concerne le parcours vers la viabilité financière du réseau de transport en commun, appuyées par le Conseil. Ces premières interventions de gestion et ces mesures d'atténuation du risque ont entraîné d'importantes améliorations financières tout au long de 2024.

Le budget municipal global de 2024 a terminé l'année avec un excédent de 44,475 millions de dollars. À l'échelle de la Ville, les services financés par les taxes ont terminé l'année avec un excédent de 55,683 millions de dollars, tandis que les services financés par les redevances ont terminé l'année avec un excédent de 6,157 millions de dollars. Le budget de fonctionnement des Services de transport en commun, qui relève du mandat du Comité du transport en commun, a terminé 2024 avec un déficit de 21,660 millions de dollars. Le budget de fonctionnement du Service de police d'Ottawa, qui relève du mandat de la Commission de services policiers d'Ottawa, a terminé 2024 avec un excédent de 2,438 millions de dollars. Le budget de fonctionnement de la Bibliothèque publique d'Ottawa, qui relève du mandat du Conseil d'administration de la Bibliothèque publique d'Ottawa, a terminé 2024 avec un excédent de 1,857 million de

dollars. Les résultats de fin d'exercice des Services de transport en commun, du Service de police d'Ottawa et de la BPO reflètent les affectations des comptes liés à l'imposition dans chaque secteur d'activité.

Les excédents globaux de 2024 continueront de renforcer la capacité financière globale de la Ville et sa voie à suivre. Ces excédents, ainsi que les soldes minimaux et maximaux actualisés de plusieurs fonds de réserve de la Ville, fourniront et appuieront un certain nombre de stratégies financières qui seront présentées dans le cadre du Plan directeur des transports et des plans financiers à long terme actualisés. Ils pourraient également permettre de faire face aux impacts continus potentiels des droits de douane et à d'autres facteurs macroéconomiques qui pourraient avoir une incidence sur les divers plans financiers de la Ville.

Service paramédic d'Ottawa

Le ministère de la Santé a augmenté le financement de base du Centre intégré de répartition des ambulances (CIRA) du Service paramédic d'Ottawa de 4 371 984 \$, portant le financement total pour 2024-2025 à 20 228 783 \$. Sont inclus dans ce montant 2,6 M\$ pour 18 nouveaux postes équivalents temps plein, ce qui permettra d'améliorer les services de répartition et les interventions d'urgence.

Mise à jour de l'Accord Ontario-Ottawa

Compte tenu du rapport sur la Disposition de l'excédent/déficit d'exploitation soutenu par l'impôt et les taux de 2024, et conformément à l'engagement pris dans le rapport sur l'Entente de financement Ontario-Ottawa (ACS2024-CMR-OCM-0001) déposé à la réunion du Conseil du 3 avril 2024, le personnel fait le point sur la mise en œuvre de l'Accord Ontario-Ottawa.

Après l'approbation du rapport d'avril 2024, et de concert avec le gouvernement provincial, le personnel a concentré ses efforts en vue de finaliser les ententes de paiement de transfert (EPT) nécessaires pour faciliter le soutien financier décrit dans l'accord. Quatre d'entre elles ont été mises en œuvre, et la dernière, au sujet du soutien des refuges et de la lutte contre l'itinérance (ministère des Affaires municipales et du Logement), le sera sous peu. Le financement de 20 millions de dollars (M\$) pour 2024 a été devancé, tandis que l'établissement de l'EPT était toujours en cours.

Comme établi dans l'Accord Ontario-Ottawa, le financement de divers engagements était conditionnel à la réalisation de certains critères.

Les éléments conditionnels de l'Accord ont été respectés, et cela a été confirmé lors de la réunion mensuelle du personnel entre la Ville et le ministère provincial des Finances.

Mises à jour de la Politique de gestion des fonds de réserve

La Politique de gestion des fonds de réserve approuvée en 2018 a adopté une structure et une approche de gestion fondées sur le portefeuille, qui regroupent plusieurs fonds de réserve dans des comptes de réserve clés mieux adaptés à la source et à l'utilisation des fonds. La politique a établi des soldes cibles minimaux et maximaux pour les principales réserves discrétionnaires, à l'aide d'une approche et d'une méthodologie fondées sur le risque. Depuis, certains des risques opérationnels de la Ville ont changé, particulièrement en fonction de notre expérience de la pandémie et de l'évolution de notre compréhension des répercussions des changements climatiques.

Le présent rapport ne recommande pas d'apporter des changements importants à la politique actuelle, mais met plutôt à jour les principaux facteurs de risque utilisés pour établir les niveaux cibles des fonds de réserve et aide à clarifier le processus d'examen des soldes des fonds de réserve qui sont inférieurs aux niveaux cibles minimaux ou supérieurs aux niveaux cibles maximaux. Les niveaux cibles minimaux et maximaux seront mis à jour annuellement afin de refléter les tendances et les exigences les plus récentes en matière de rendement financier. Le présent rapport fournit également une mise à jour de ces niveaux cibles pour les principaux comptes de réserves discrétionnaires, en fonction des facteurs de risque et des tendances actualisés.

BACKGROUND

As part of the year-end financial reporting process for 2024 and the preparation of the annual financial statements, Council approval is required for the allocation of any surplus or the funding of any deficit. This comprehensive report presents a detailed analysis of the 2024 operating results for all tax and rate-supported City programs, providing a thorough overview of the City's financial performance for the year.

Following approval of the April 2024 report, staff focused on working with the province to finalize the transfer payment agreements (TPAs) required to facilitate the financial support outlined in the agreement. Four of which are executed and the remaining one for Shelters and Homelessness Support (Ministry of Municipal Affairs and Housing) is imminent. The \$20 million in funding for 2024 was advanced while the transfer payment agreement dialogue was ongoing.

On March 28, 2018, Council approved a new Reserve Management Policy ([ACS2018-CSD-FIN-0004](#)) adopting a portfolio-based structure and management approach, which

combined several reserves into key reserve accounts that better aligned with source and use of funds. The policy also established minimum and maximum target balances using a risk-based approach and methodology.

DISCUSSION

Year-End Results

The overall 2024 City budget ended the year with a \$44.475 million surplus. The City of Ottawa has several operations funded from sources that cannot be co-mingled and/or require separate reporting. The year-end results are presented by business area. These business areas include City-Wide Tax-Supported Services, Ottawa Police Service (OPS), Ottawa Public Library (OPL), Transit Services, and Rate-Supported Services (Water, Wastewater and Stormwater Services). For services such as transit and police that have their own tax rate, these business area results include both the operating results and an allocation of the various taxation related revenue and expenditure accounts. Document 1 - 2024 Operating Results Summary presents a summary of the year-end operating results by business area.

The City-Wide Tax-Supported Services ended the year with a \$55.683 million surplus and Rate Supported ended the year with a \$6.157 million surplus. These outcomes deviate from the 2024 forecast of \$3.624 million surplus for tax-supported services and \$2.230 million surplus for rate-supported services. As reported in the 2024 Tax and Rate Operating and Capital Budget Q2 Status report to Council on October 2, 2024 ([ACS2024-FCS-FSP-0014](#)).

The Transit Services operating budget, which falls under the mandate of the Transit Committee, finished 2024 with a \$25.103 million deficit. Once the various Transit taxation related accounts are allocated to the business areas, the result is an overall \$21.660 million deficit. This is in comparison to the 2024 forecast of a \$25.646 million deficit that was provided in the 2024 Transit Operating and Capital Budget Q2 Status Report ([ACS2024-FCS-FSP-0013](#)). The main financial challenges were due to lower than budgeted ridership and increased use of discounted fares. It is recommended to approve a transfer of \$21.660 million from the Tax Stabilization reserve to fund Transit Services' 2024 operating deficit.

The OPS operating budget, which falls under the mandate of the Police Services Board, finished 2024 with a \$640 thousand deficit. This is in comparison to the 2024 forecast of maintaining a balanced budget position that was provided in the [2024 Third Quarter Financial Status Report](#) to the Police Services Board on December 2, 2024. Once the

various police taxation related accounts are allocated to the business areas, the result is an overall \$2.438 million surplus.

The OPL operating budget, which falls under the mandate of the OPL Board, finished 2024 with a \$1.857 million surplus. This is in comparison to the 2024 forecast of \$2.350 million surplus that was provided in the [OPL 2025 Draft Budget](#) documents on November 5, 2024.

The following provides a brief overview of the major City service areas that contributed to the 2024 year-end results. Additional information is provided in Document 2 - Variance Analysis of 2024 Operating Results.

Tax-Supported City-Wide

Departmental Accounts

Legal Services \$967 thousand deficit:

The \$967 thousand shortfall in Legal Services is due to increased legal costs for arbitration partially offset by compensation savings.

Community and Social Services \$1.787 million surplus:

The Community and Social Service Department reported a year-end surplus of \$1.787 million, primarily driven by the Long-Term Care program's surplus of \$1.322 million. This surplus resulted from lower-than-expected non-Hours of Care compensation expenses and prior year funding recoveries. However, this surplus was partially offset by a deficit in Employment and Social Services due to increased expenditures for the Ontario Disability Support Program Community Bus Pass and EquiPass, resulting from higher ridership, as well as additional costs for the Home Support Program driven by rising demand and inflation. Lower-than-expected compensation costs in Business Support Services and Gender & Race Equity, Inclusion, Indigenous Relations and Social Development Services also contributed to the overall surplus, resulting from staffing delays.

Emergency and Protective Services \$3.403 million deficit:

The Emergency and Protective Services Department year-end deficit of \$3.4 million is attributable to fleet repair and maintenance costs, increased Workplace Safety and Insurance Board claims and overtime, inflationary increases in materials and services, and an accident-related settlement. These increased costs were partially offset by

higher parking revenues in By-Law and Regulatory Services, the recovery of one-time expenses from provincial revenues, and cost-saving measures such as deferred hiring and reduced spending on materials and services in the Business and Technical Support Services.

Public Works \$687 thousand surplus:

The Public Works department reported a year-end surplus of \$687 thousand. Deficits occurred in Parks Maintenance, driven by increased costs for maintenance, vehicles, contractors, and materials. Traffic Services experienced a deficit due to higher liability claim settlements. Operational Performance & Development Services also reported a deficit, primarily due to higher compensation costs and fewer vacancies.

In contrast, Solid Waste saw a surplus of \$5.4 million, driven by higher revenue from recycling collection services and lower vehicle and operating costs. Roads Services also reported a surplus, due to lower operational costs due to lighter snowfall of 156 cm which was 76 cm lower than the five-year average of 232 cm, and provincial funding under the Ontario-Ottawa Agreement for the maintenance of OR174. These surpluses were partly offset by higher vehicle maintenance and repair costs. Forestry Services experienced a surplus, largely due to lower contracted service costs and one-time provincial revenues for severe weather response.

Additionally, Parking Services reported higher on-street parking revenues and maintenance savings, which were added to the Parking Reserve Fund. The Automated Speed Enforcement program experienced lower revenues, but this was offset by lower ticket processing costs and decreased contributions to the Road Safety Reserve.

Recreation, Cultural and Facility Services \$3.350 million deficit:

The Recreation, Cultural and Facility Operations department reported a year-end deficit of \$3.350 million. Key contributors to the deficit included Aquatics, Specialized & City-Wide Programs, which reported a deficit of \$1.008 million due to higher maintenance and compensation cost, partially offset by higher-than-budgeted revenue; and Facility Operations Service, which posted a deficit of \$869 thousand, driven by compensation costs in new facilities and inflation. In contrast, the GM's Office reported a surplus of \$195 thousand, resulting from lower compensation and benefit costs.

Finance and Corporate Services \$446 thousand surplus:

Finance and Corporate Services reported a surplus of \$446 thousand due to an increase in revenue from tax and water billing services. This was offset by rising IT

costs for technology maintenance and support attributed to rising prices and inflation.

Planning, Development and Building Services \$3.622 million deficit:

The Planning, Development and Building Services Department deficit of \$3.622 million is due to a reduced volume in Planning Applications, Building Permits and Engineering Design Review Inspections. The Building Code Services deficit was offset by a contribution from the Building Code Services Stabilization Reserve and the Planning Services and Right of Way, Heritage and Urban Design deficit were offset by staffing shortages and financial strategies implemented to mitigate the departmental shortfall.

Strategic Initiatives \$2.874 million surplus:

The Strategic Initiatives Department surplus of \$2.874 million is due to staffing shortages, savings in purchased services, as well as a one-time property tax adjustment. The revenue surplus is due to provincial funding from the Ontario-Ottawa agreement.

Infrastructure and Water Services \$435 thousand surplus:

The Infrastructure and Water Services Department surplus of \$435 thousand is due to discretionary savings and vacancies.

Non-Departmental Accounts

Capital Formation Costs \$3.084 million deficit:

The deficit is mainly driven by the cost of short-term borrowing to manage daily cashflow requirements which is reduced by investment income revenue recorded under corporate common revenues.

Corporate Common Expenditures and Revenues \$50.374 million surplus:

The main contributor to the surplus is investment income revenues. The forecasted decline in interest rates by June 2024 did not materialize as anticipated, due to sustained inflationary pressures throughout the year. Although modest interest rate reductions were implemented between June and December, larger expenditures, including LRT holdbacks, were deferred until the latter part of 2024. Consequently, cash reserve balances remained elevated, yielding investment income that surpassed budgetary expectations for 2024. In addition, there were increased penalties and interest revenue collected on Tax and Water accounts.

Tax Related Expenditures and Revenue \$12.330 million surplus:

The surplus of \$12.330 million is mainly attributed to significantly lower taxation rebates and remission expense and higher PILT revenues. Ottawa secured a successful court ruling that dismissed duplicate appeals and set a precedent in Ontario leading to the withdrawal of multi-year appeals on high-value properties, resulting in a substantial reduction in rebates and remission expense. Furthermore, there was a surplus in payment-in-lieu of taxes due to increased Airport Passenger Count revenue, driven by post-COVID-19 airport recovery, the annual municipal budgetary tax increase and prior-year's settlements on properties with disputes (unrelated to the fairness campaign).

Tax-Supported - Transit Services \$21.660 million deficit:

The Transit Services Department reported a \$25.1 million operating deficit in 2024. The main cause was a \$45.2 million revenue shortfall, with \$31.4 million attributed to reduced federal gas tax and operating reserve debt servicing funding required due to unissued debt, and \$13.9 million due to lower than budgeted ridership and increased use of discounted fares. However, this revenue shortfall was partially offset by \$20.1 million in expenditure savings. These savings were mainly driven by the delayed opening of O-Train Lines 2 and 4, lower debt charges, and reduced spending on diesel fuel and facility costs. Despite these savings, higher compensation costs, fleet maintenance expenses, and insurance claims reduced the full positive impact. In 2024, O-Train Line 1 performance deductions amounted to \$4.6 million, which were offset by \$1.2 million in costs for replacement bus service.

Tax-Supported – Ottawa Police Services (OPS) \$2.438 million surplus:

The OPS experienced \$26.7 million in pressures in 2024, largely due to costs incurred from a steady volume of events and demonstrations, and increased overtime costs from other operations throughout the year, combined accounted for \$20.8 million of the overall pressure. However, revenue from Public Safety Canada offset the event-related costs by \$13.7 million. Additionally, a compensation and benefits surplus due to vacancies during the year contributed to \$5.8 million toward reducing the overall pressures. The resulting impact on the OPS year-end position is a deficit of \$640 thousand, which was offset by surpluses in the taxation-related revenues, rebates and remissions allocations.

Tax-Supported – Ottawa Public Library (OPL) Services \$1.857 million surplus:

The OPL reported a year-end surplus of \$1.857 million. Key factors contributing to this

surplus included savings in compensation due to vacancies, totaling \$2.686 million. These savings were reduced by higher-than-expected expenditures in various areas, such as library materials, fleet costs, and fixed assets. Additionally, the OPL received non-budgeted donations and miscellaneous revenues.

As approved by the OPL Board, in the Fourth Quarter 2024 Financial Status Report ([OPLB-2025-0311-10.3](#)) on March 11, 2025, \$1.5 million of the \$1.857 million surplus will be subsequently transferred to a new capital account for the purchase of a new Bookmobile.

Rate-Supported Programs

Drinking Water Services \$4.699 million surplus:

The surplus of \$4.699 million in Drinking Water Services is primarily attributed to vacancies in operations, higher-than-anticipated permit revenues, and increased water revenues, largely driven by Tier 4 consumption.

Wastewater Services \$1.455 million surplus:

The surplus of \$1.455 million in Wastewater Services is due to, higher-than-anticipated sewer user revenues, and increased water consumption, partially offset with higher-than-expected maintenance costs

Stormwater Services \$3 thousand surplus:

No significant variance to report.

Disposition of Surplus and Deficits:

The surpluses and deficits in the various business areas are recommended to be allocated as outlined in Table 2.

It is recommended that \$1.250 million from the \$1.557 million surplus in By-Law & Regulatory Services be allocated to the City-Wide Reserve. This would allow for the early repayment of the Industrial Building Retrofit capital project, fulfilling the financial obligation three years ahead of schedule.

In addition, funds provided in 2024 for the Rural Community Building Grant Program were not fully allocated. While there were applications that did not receive funding, the remaining balance was not adequate to fund any of the outstanding applications. The

recommendation to carry forward \$5.561 thousand of the unspent balance is to support rural community building initiatives in 2025.

Table 1 - Disposition of Surplus and Deficits (in thousands of dollars)

	Tax Supported					Rate	Total
	City-Wide	Police	Transit	Library	Total Tax Supported	Water/Sewer/Storm	
Overall City Surplus / (Deficit) per Document 1	55,683	2,438	(21,660)	1,857	38,318	6,157	44,475
1 - Disposition per existing by-laws / Council direction:							
Transfer to Solid Waste Rate Reserve	(2,464)	0	0	0	(2,464)	0	(2,464)
Total Disposition	(2,464)	0	0	0	(2,464)	0	(2,464)
Remaining Surplus / (Deficit)	53,219	2,438	(21,660)	1,857	35,854	6,157	42,011
2 - Disposition of Surplus and Deficits							
City-Wide Reserve (BLRS Industrial Retrofit advanced repayment)	(1,250)	0	0	0	(1,250)	0	(1,250)
Transit Operating Reserve	0	0	0	0	0	0	0
Library Reserve	0	0	0	(1,857)	(1,857)	0	(1,857)
Tax Stabilization	(51,969)	(2,438)	21,660	0	(32,747)	0	(32,747)
Police Reserve	0	0	0	0	0	0	0
Water Reserve	0	0	0	0	0	(4,699)	(4,699)
Wastewater Reserve	0	0	0	0	0	(1,455)	(1,455)
Stormwater Reserve	0	0	0	0	0	(3)	(3)
	(53,219)	(2,438)	21,660	(1,857)	(35,854)	(6,157)	(42,011)
Remaining Balance	0	0	0	0	0	0	0

*Figures rounded.

Continuity of Reserves and Reserve Funds

Document 3 - Transfers and Reserve Schedule presents a detailed reconciliation of the City's reserves and reserve funds, reflecting the impact of this report's recommendations on reserve balances.

Operating Budget Adjustments

Throughout the year, adjustments to budgets are made to better reflect the alignment of budget authority with spending needs. These transfers are made either through the delegated authority given to the Chief Financial Officer/Treasurer or through Council-approved reports. Document 4 - Operating Budget Adjustments and Transfers Impacting Overall Expenditures/ Revenues shows the changes in budgets processed since July 1, 2024, which are funded from external revenues.

In addition, The Ministry of Health has increased base funding for the Ottawa Paramedic Service Central Ambulance Communication Centre (CACC) for the provision of dispatch services which is 100 per cent funded by the province. As per the Ministry of Health letter dated January 23, 2025, additional base funding of \$4,298,057 and

\$73,927 in one-time funding, brings the total funding available under the Agreement for 2024-25 up to \$20,228,783. This funding includes \$ 2.6 million for 18 FTEs for the Ottawa Paramedic Service Central Ambulance Communication Centre.

It is recommended that City Council approve the addition of 18 full-time equivalent (FTE) positions to the Ottawa Paramedic Service Central Ambulance Communication Centre (CACC), as funded by the Ministry of Health's increased base funding.

Ontario-Ottawa Agreement Update

In consideration of the Disposition of 2024 Tax and Rate Supported Operating Surplus/Deficit report, and as committed to in the Ontario-Ottawa Funding Agreement report ([ACS2024-CMR-OCM-0001](#)) tabled at the April 3, 2024, Council meeting, staff are providing a status update on the implementation of the Ontario-Ottawa Agreement.

Transfer Payment Agreements

Following approval of the April 2024 report, staff focused on working with the province to finalize the transfer payment agreements (TPAs) required to facilitate the financial support outlined in the Agreement. This work resulted in the development of the following five TPAs:

- Public Safety - Ottawa Downtown Safety Plan (Ministry of the Solicitor General) - \$48 million (executed December 6, 2024)
- Building for Economic Growth, Recovery and Renewal of Major Connecting Routes including Rural Roads (Ministry of Transportation) - \$50 million (executed January 23, 2025)
- Ottawa Road 174 – Operating & Capital Projects (Ministry of Transportation) - \$56 million (executed January 24, 2025)
- Economic Recovery for Downtown Ottawa (Ministry of Economic Development, Job Creation and Trade) - \$18.5 million (executed January 27, 2025)
- Shelters and Homelessness Support (Ministry of Municipal Affairs and Housing) the funding for 2024 was advanced while the transfer payment agreement dialogue was ongoing. The execution of the TPA is imminent and the 2025 funding will flow accordingly.

Operating and Capital Impact on 2024

Of the five TPAs, only the Public Safety - Ottawa Downtown Safety Plan provided funding up front. The other three TPAs are Conditional Grant Agreements and funding is provided after the City has expended the funds and submitted the necessary claim

submissions for reimbursement. Additionally, the Public Safety - Ottawa Downtown Safety Plan TPA and the Economic Recovery for Downtown Ottawa TPA align with the Provincial Fiscal year (April 1 to March 31), while the two other TPAs from the Ministry of Transportation (MTO) are aligned with the City's Fiscal year (January 1 to December 31).

Currently, the City has received \$12 million from the Ministry of the Solicitor General (SolGen) for project activities planned for the Provincial Fiscal year of April 1, 2024 to March 31, 2025. The remaining \$4 million for Year 1 will be received in Summer 2025 after the City submits the first year report to the SolGen.

Since the three Conditional Grant Agreements were not signed until January 2025 due to ongoing dialogue and discussions with the various ministries, submission for reimbursements did not occur until March 2025 for expenditures that occurred in 2024. Also, for the Economic Recovery for Downtown Ottawa initiative, funds could not be committed until the TPA was executed.

The two MTO TPAs did have deliverables in 2024, and therefore expense claim reports were submitted in February 2025. In keeping with the Agreement, the City sought \$3 million in operating expenses for Hwy 174 Operating and Capital Projects.

The Rural Roads project also undertook activities in 2024, however - as per the TPA - the City can only submit claim reports for projects that are 100 per cent complete. A review is currently being conducted to delineate the roadworks meets this requirement for 2024.

The Shelters and Homelessness Support (Ministry of Municipal Affairs and Housing) the \$20 million in funding for 2024 was advanced while the transfer payment agreement dialogue was ongoing. The execution of the TPA is imminent and the 2025 funding will flow accordingly.

Fulfillment of Conditions and Commitments

As identified in the Ontario-Ottawa Agreement, funding for various commitments was conditional on certain criteria being achieved.

The elements of the Agreement with conditionality have been fulfilled, and this has been confirmed during the monthly staff meetings between the City and the Provincial Ministry of Finance.

Additionally, as committed to by the City, all the elements of the Ontario-Ottawa Agreement deal involving the Federal government have been raised by the Mayor with

representatives from the Prime Minister's Office (PMO) and the Office of the Minister of Finance.

Staff have engaged with both the Deputy Ministers of Public Services and Procurement Canada and Housing, Infrastructure and Communities Canada, both have agreed to participate in the tripartite table.

There has been a series of discussions regarding establishing the tripartite tables however, the Terms of Reference for these are being led by the province and have yet to be drafted and considered. Efforts remain ongoing with respect to advancing this, however, given the current dynamic federally and the recent provincial election the completion of these may be delayed.

All the following is a summary of those conditions and their current status:

Table 2 - Ontario-Ottawa Agreement Status Update

Initiative	Condition	Status
Public Safety Alternative Mental Health Response, Direct Policing, Cybersecurity / Transit Security	Conditional (\$20M of total funding) on federal operating funding support for National Protests, Event Response and Public Safety.	Complete On March 7, 2025, the federal government announced a \$50-million, five-year funding agreement with the Ottawa Police Service to improve policing around Parliament Hill.
Shelters and Homelessness Support	Conditional (\$80M in respect of 2024 and 2025) on federal operating funding support for refugee and asylum seekers for eligible costs.	Complete
Building for Economic Growth, Recovery and Renewal of Major Connecting Routes	Up to \$80M for 1/3 of eligible capital costs for Kanata North Transitway, subject to the following conditions: <ul style="list-style-type: none"> City submit a project business case, aligned to Ottawa's transportation priorities, including details on operational affordability/feasibility 	Complete Matching funding from the federal government have not been secured to date; in the event that this funding is not secured, the \$80M will be repurposed for other transportation infrastructure priorities, subject to approval from the province.

Initiative	Condition	Status
	<p>for approval by the Ministry of Transportation</p> <ul style="list-style-type: none"> • 1/3 matching federal funding commitment (i.e., \$80M) as outlined in section 5.7 • Confirmation of municipal capital funding in-plan for the project • Should the federal government not provide matching funds by Spring, 2025, the City would have the flexibility to repurpose \$80M for other transportation infrastructure priorities subject to approval by the province. 	
Building Faster Fund	The City received \$37.5M based on 2023 performance. 2024 and 2025 amounts are conditional on working towards the achievement of 100% of housing targets the City has pledged to achieve by 2031 as outlined in the Building Faster Fund.	In progress

Reserve Management Policy Update

The City's reserves are established under Council authority and each reserve is different in both source and use of funds. From a financial accounting and reporting perspective, reserves are independent of the City's ongoing capital and operating expenditures. However, reserves do provide a one-time source of funds to manage fluctuations and unexpected or emergency needs for both operating and capital.

Effective management of reserves is a key component of municipal long-range financial planning, where a longer-term perspective is required to realize the full benefits of mitigating and addressing future unforeseen operating and financial risks to the City.

The Reserve Management Policy is reviewed on a regular basis and must be updated if there are any changes required in the risk framework, approach and methodology. Minimum and maximum target levels were established for four key reserves: Tax Stabilization Reserve; Transit Operating Reserve; Employee Benefit Reserve; and City-Wide Capital Reserve. Based on the most recent review of the reserve policy, staff are recommending updates to the risk factors to be considered for the Tax Stabilization Reserve and the City-Wide Capital Reserve.

In the current policy, the Tax Stabilization Reserve's target balances are maintained within a range of a minimum of the ten-year budget performance trend line average deficit and a maximum augmented by one and a half times the ten-year trend line average. The reserve minimum and maximum target balances also include the funds contributed each year for the Municipal Election. The following risk factors were considered in setting the minimum and maximum target balances in 2018: Winter Operations, Self-Insurance Premiums, and Tax Rebates and Remissions net of Supplementary Assessment Revenue. Staff recommend adding severe weather as another risk factor to consider when setting target levels for the Tax Stabilization reserve. As an additional risk mitigation measure, the maximum target will also be adjusted by a one-time amount of \$36 million to offset the risk of a potential 2025 operating deficit for Transit if funding from senior levels of government is not received.

As reported in the City's Task Force on Climate-Related Financial Disclosures (TCFD) section of the [2023 Annual Report](#) the incremental cost for the City to respond to extreme weather events has exceeded \$35 million between 2017 and 2023. It is recommended that the average annual incremental cost to respond to severe weather be used to set the minimum target for this risk factor and the maximum be set at two-times the minimum given the recent and projected trends of having more frequent and more intense weather. The City's climate projections indicate that severe weather such as flooding, freezing rain, wildfires, extreme wind and other storms are expected to increase in the coming decades.

In the current policy, the City-Wide Capital Reserve's target balances were based on the following risk factors: deficits for capital projects closed, expected contributions from the Endowment Fund and revenue from land sales. Staff recommend that these risk factors continue to inform the minimum reserve balance target but to change the

maximum target to be based on the capital needs of the long-range financial plan for tax supported capital (Tax LRFP). The last Tax LRFP was approved in 2017, but it will be updated in 2025 in support of the Asset Management Plans (AMPs) and Transportation Master Plan. Aligning the maximum reserve balance target with the capital needs in the upcoming Tax LRFP will ensure that the City has sufficient funding in reserves to meet the asset renewal and growth capital funding requirements per the affordable plan established by the LRFP.

The table below summarizes the risk factors and approaches to determining the minimum and maximum target balances. Updated target balances are provided below based on the most recent financial results ending in 2024.

Table 3 - Updated Risk Factors and Target Reserve Balances

Reserve	Risk Factor	Approach to determine target	Minimum Target Balance	Maximum Target Balance
Tax Stabilization Reserve	Tax-supported budget	Min: 10-year budget performance trend line average deficit. Max: 1.5X minimum risk factor.	3.6	5.4
	Election Costs	Min and Max: include funds contributed each year for the upcoming Municipal Election.	13.5	13.5
	Winter Operations	Min: 12.5% (1.5 months) of actual 5-year average annual expenditure. Max: 16.6% (2 months) of actual 5-year average annual expenditure.	11.1	14.8
	Self-Insurance	Min: 10-year budget performance trend line average deficit. Max: 10-year budget performance trend line peak deficit.	1.1	4.5
	Tax Rebates & Remissions (Net of	Min: 10-year budget performance trend line average deficit.	2.2	19.3

	Supplementary Assessments)	Max: 10-year budget performance trend line peak deficit.		
	NEW: Extreme Weather	Min: Historical average incremental cost to respond to severe weather. Max: 2X minimum risk factor.	5.1	10.1
	One-time mitigation strategy	Risk of 2025 Transit Operating Deficit	0	36.0
Total Tax Stabilization Reserve			36.6	103.6
Transit Operating Reserve	Transit Operating Budget	Min: 10-year budget performance trend line average deficit. Max: 10-year budget performance trend line peak deficit.	12.1	25.7
Employee Benefit Reserve	Employee Future Benefits Liability ¹	Min: 9% of the liability. Max: 12% of the liability.	67.8	90.4
City-Wide Capital Reserve	Capital Closure	Min: based on deficits for capital projects closed.	1.0	N/A
	Endowment Fund Contribution	Min: Budgeted contributions from the Endowment Fund.	13.0	N/A
	Land Sales	Min: Budgeted earnings from Land Development Corporation and Budgeted Surplus Land Sales	7.5	N/A
	NEW: Asset Management	Max: capital needs of the long-range financial plan for tax supported capital	N/A	Tax LRFP
Total City-Wide Capital Reserve			21.5	Tax LRFP

¹ As defined in the financial statements of the City of Ottawa

The City's uncommitted reserve balance at the end of 2024 for all discretionary reserves is \$457 million, constituting 9.3 per cent of the City's total net expenditure budget of \$4.9 billion for the 2025 budget. Staff recommend maintaining discretionary reserve balances, based on best practices, between a minimum of 8.5 per cent of operating expenditures and a maximum of 12 per cent based on best practices.

The table below identifies the four reserves that have minimum and maximum targets along with their uncommitted balance for the year-end closing 2024. The City Treasurer and CFO will recommend reallocations to rebalance and consider remaining reserve balances below or above targets as part of the Long-Range Financial Plans and Transportation Master Plan Updates. Additionally, as part of the Budget Directions Report to inform the annual budget process going forward.

Table 4 - Reserve Balances and Targets

Reserve Name (All amounts shown in millions \$)	Uncommitted 2024 year-end balance	Minimum Target	Maximum Target	Above Maximum Target / (Below Minimum target)
Tax Stabilization Reserve	138.8	36.6	103.6	35.2
Transit Operating Reserve	5.6	12.1	25.7	(6.5)
Employee Benefit Reserve	94.6	67.8	90.4	4.2
City-Wide Capital Reserve Group	55.7			
Less: Special Purpose Capital Reserves	(7.8)			
City-Wide Capital Reserve	47.9	21.5	Tax LRFP	In range

The reporting requirements established in the Reserve Management Policy are recommended to be updated as follows:

The City Treasurer and CFO shall present to Council a report on the Adequacy of Forecasted Reserves and a Status Report of reserve balances as part of the Year-end Disposition Report and recommend reallocations to rebalance and consider remaining reserve balances below or above targets as part of the Budget Directions Report to inform the annual budget process and/or as part of the updated LRFP's during each renewal cycle.

FINANCIAL IMPLICATIONS

The financial implications are outlined in the report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations of the report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

Not applicable.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

CLIMATE IMPLICATIONS

The financial strategy outlined in this report, which updates the City's reserve management policies, increases the City's financial capacity to address future challenges, including those related to climate change. Climate-related risks, such as extreme weather events, flooding, and other natural disasters, can have substantial financial impacts. By adjusting reserve balances to reflect these evolving risks, the City will be better positioned to prepare for and respond to climate-related challenges.

The update to the Reserve Management Policy supports the 2023-2026 strategic goal of enhancing resilience to extreme weather and climate change. It also aligns with the Climate Change Master Plan's priority action of incorporating a climate lens into the new Official Plan and related documents. This approach strengthens the City's broader efforts to integrate climate change risks into both financial and operational planning.

DELEGATION OF AUTHORITY IMPLICATIONS

Delegated authority was exercised as set out under the Delegation of Authority by-law 2025-69 regarding the transfer of operating funds. The transfer of operating funds exceeding \$200 thousand, shall be reported to the Finance and Corporate Services Committee and City Council and is presented in Document 4.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations of the report.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitments to the current Term of Council Priorities of: a city that has affordable housing and is more livable for all; a city that is more connected with reliable, safe and accessible mobility options; a city that is green and resilient; and a city with a diversified and prosperous economy. The report also promotes the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – 2024 Operating Results Summary

Document 2 – Variance Analysis of 2024 Operating Results

Document 3 – Transfers and Reserves Schedule

Document 4 – Operating Budget Adjustments and Transfers Impacting Overall Expenditures / Revenues

Document 5 – Reserve Management Policy Update

DISPOSITION

Staff will implement the report recommendations as outlined in the report.