

**Subject: 2025 Tax, Transit and Rate Supported Programs Operating and
Capital Budget Q1 Status**

File Number: ACS2025-FCS-FSP-0006

**Report to Finance and Corporate Services Committee on 3 June 2025
and Council 11 June 2025**

**Submitted on May 23, 2025 by Svetlana Valkova, Interim Deputy Chief Financial
Officer, Financial Services, Finance and Corporate Services Department**

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Ward: Citywide

**Objet : Rapport d'étape du T1 sur le budget 2025 de fonctionnement et des
immobilisations pour les programmes financés par les recettes
fiscales, le transport en commun et les redevances**

Numéro de dossier : ACS2025-FCS-FSP-0006

**Rapport au Comité des finances et des services organisationnels le 3 juin 2025
et au Conseil le 11 juin 2025**

**Soumis le 23 mai 2025 par Svetlana Valkova, Cheffe adjointe des finances,
services financiers par intérim, Direction générale des finances et des services
organisationnels**

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the Finance and Corporate Services Committee recommend that Council:

1. Receive this report and documents 1 to 4 for information

RECOMMANDATION DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil:

1. de recevoir ce rapport et les documents 1 à 4 à titre d'information

BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by Council. Operating reports present actual year-to-date revenues and expenditures against the amounts budgeted for the corresponding period. Year-end forecasts are presented in the second quarter report. Capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, along with the actual expenditures and commitments incurred to date.

The purpose of this report is to present the first quarter operating and capital budget results for Citywide Tax Supported Programs, Rate Supported Programs, and OC Transpo along with providing an overview of any issues or risks that will be monitored during the year and reported in subsequent quarterly reports.

The overall tax, transit, and rate-supported deficit for the first quarter was \$14 million, mainly driven by above average winter weather events, which resulted in a calendarized winter operations deficit of \$24.9 million. Financial mitigation measures, such as a discretionary spending freeze and a hiring pause, have helped reduce the deficit to \$14 million. Management remains committed to implementing these strategies throughout 2025, with a continued focus on maintaining service levels. Progress and outcomes will be reported through the City's quarterly financial status updates.

First-quarter results for Ottawa Police Services (to be presented to the Police Services Board on June 12, 2025), Ottawa Public Library ([OPLB-2025-0513-10.2](#)), and Ottawa Public Health (to be presented to the Ottawa Board of Health on June 16, 2025), are presented in separate reports to their respective Boards.

The Midterm Governance Review ([ACS2025-OCC-GEN-0001](#)) has prompted changes to the City's financial reporting framework. Specifically, the Transit Services' quarterly financial results will no longer be reported and presented to the Transit Committee separately. This change aims to enhance the transparency and efficiency of the City's financial reporting processes.

DISCUSSION

First Quarter Year-to-Date Results

The City continues its commitment to strong financial management amid the ongoing economic challenges. The first quarter deficit is driven by the severe winter weather, with snowfall levels 50 per cent above the five-year average. Financial mitigation strategies including a discretionary spending freeze and a pause on hiring continue to play a critical role in managing the impact of these unforeseen events.

The City continues to monitor external financial pressures such as the ongoing and unpredictable impacts of tariffs on imported goods and materials. While there are no financial impacts related to the Q1 financials, staff are tracking potential cost implications. Capital projects involving construction materials, fleet components, and IT equipment are among the areas most likely to be affected by potential cost escalations. Any emerging impacts, including budgetary pressures and project timeline adjustments, will be detailed in subsequent quarterly financial status reports throughout 2025.

Another external factor being monitored is the elimination of the federal carbon tax, which is expected to have a positive impact on the 2025 operating budget. As of April 1, 2025, the federal government removed the consumer carbon tax in Ontario. Since this change occurred after Q1, no impacts were reflected in this report. The policy change is expected to reduce operating costs, particularly in fuel-intensive departments such as Transit Services, Public Works, and Emergency and Protective Services. The full financial impact will be reported in subsequent quarterly reports.

The Q2 Status Report will provide a forecast of the year-end financial position.

The Q1 year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2025 budgets on a monthly and quarterly basis established primarily on historic spending patterns. Programs such as winter maintenance and recreational programs (outdoor pools and beaches) have seasonal spending patterns. Other program expenditures or revenues are not seasonal in nature but also may not occur evenly throughout the year. These expenditures are more difficult to allocate to a specific month, or months, so historical spending patterns are used. These types of program costs or revenues may occur at specific periods during

the year. For example, a maintenance contract may be expected to be paid by the end of March; therefore, the budget is reflected in March.

A high-level corporate summary of the operating results for each City department, as shown in Document 1, is summarized in Table 1. Table 1 summarizes the Q1 operating results for all Citywide Tax Supported, Transit Supported and Rate Supported service areas. Document 1 shows the first quarter's actual expenditures and revenues compared to the budget for the same period. For reference purposes, the annual budget for the department or program area is provided.

Table 1: 2025 Q1 Operating Results (in thousands of dollars)

	First Quarter		Year-to-Date Net Surplus / (Deficit)
	Net Budget	Net Actual	Total
Tax Supported Programs			
Elected Officials	3,768	3,770	(2)
Office of the Auditor General	633	514	119
City Clerk & Solicitor	5,869	5,580	289
Rail Construction Program	0	0	0
Community and Social Services	67,670	65,698	1,972
Public Works Department	55,436	76,081	(20,645)
City Manager's Office	1,375	1,381	(6)
Legal Services	2,799	3,017	(218)
Public Information & Media Relations	1,104	1,097	7
Emergency and Protective Services	68,453	67,048	1,405
Recreation, Cultural and Facility Services	40,046	39,084	962
Finance and Corporate Services Department	34,470	34,072	398
Planning, Development and Building Services Department	3,665	3,550	115
Strategic Initiatives Department	7,325	6,060	1,265
Infrastructure and Water Services Department	1,660	1,558	102
Non-Departmental - All Services	(1,154,168)	(1,153,716)	(452)
Total Departmental Tax Supported Programs	(859,893)	(845,205)	(14,688)

	First Quarter		Year-to-Date Net Surplus / (Deficit)
	Net Budget	Net Actual	Total
Transit Services	126,990	128,683	(1,693)
Total Tax Supported Program and Transit Supported Program	(732,903)	(716,521)	(16,382)
Water	(18,057)	(19,012)	955
Wastewater	(10,913)	(11,832)	919
Stormwater	(21,159)	(21,706)	547
Total Rate Supported Programs	(50,128)	(52,549)	2,421
Grand Total	(783,031)	(769,070)	(13,961)

*Figures rounded

The Q1 year-to-date citywide tax-supported and transit-supported results show a combined deficit of \$16.382 million which is primarily driven by winter operations in Public Works (PW) and the \$1.7 million deficit in Transit Services. Public Works reported a deficit of \$20.645 million, primarily due to the above average snowfall and severe weather-related expenses. Transit Services had a deficit of \$1.693 million, mainly attributed to lower provincial funding, reduced fare revenues, and higher Para Transpo service delivery costs.

The overall citywide tax, transit, and rate-supported year-to-date deficit for the first quarter is a deficit of \$13.961 million.

All departments and service areas were asked to review their first quarter results to ensure that their respective spending and revenue results were not indicative of any underlying issues needing to be highlighted or addressed at this time. Additional information on specific program areas, where there was a significant variance from budget that should be highlighted, is provided in the next section.

Highlights of Q1 Results

Community and Social Services (CSS) – Surplus of \$1.972 million

The Surplus in CSS is a result of additional revenue in the Municipal Child Care Centres from the new provincial model and increased resident accommodation revenue in Long-Term Care.

Public Works (PW) – Deficit of \$20.645 million

The deficit in Roads Services of \$24.9 million is due to higher expenditures for winter maintenance of road, sidewalk, and pathway networks. From January to March 2025, the City received 193 cm of snow, which was 50 per cent higher than the five-year average of 143 cm. This deficit is partially offset by the \$3.7 million surplus in Solid Waste Services, due to the calendarization of User Fee revenues and lower vehicle costs. The deficit in Traffic Services of \$1.5 million is primarily due to the Automated Speed Enforcement program (ASE). Revenues for the period were lower-than-anticipated as a result of inclement weather and changes in driver behaviour. Any surplus or deficit in the ASE program at year-end will be offset in the Road Safety Reserve. The surpluses of \$1.2 million and \$982 thousand in Parks Maintenance and Forestry Services, respectively, are due to lower contracted services spending caused by weather-related delays. This surplus will be fully allocated throughout the remainder of 2025.

Emergency and Protective Services (EPS) – Surplus of \$1.405 million

The surplus in EPS is due to higher-than-anticipated parking fines, revenue and recoveries from one-time agreements, compensation savings from vacancies, deferred spending on materials and services, and provincial revenue for the Paramedic Service received in advance of staffing. This surplus was partially offset by higher- than-anticipated Workplace Safety and Insurance Board costs, increased fleet fuel and maintenance charges, and higher facility winter maintenance expenses.

Finance and Corporate Services (FCS)– Surplus of \$398 thousand

The surplus in FCS is attributed to increased tax and water user fee revenues, as well as higher-than-anticipated revenues from marriage licensing and related services.

Recreation, Cultural and Facility Services (RCFS) – Surplus of \$962 thousand

The RCFS surplus is largely due to higher-than-budgeted revenue from arena rentals, registrations, and short-term rentals. This has been partially offset by higher utility cost and facility maintenance expenses.

Planning, Development and Building Service (PDBS) – Surplus of \$115 thousand

The PDBS surplus is largely due to vacancies and professional services savings in the first quarter. The revenue deficit is attributed to a phased-in user fee increase and lower-than-anticipated volume of Zoning By-Law Amendment, subdivision and site plan fees in Planning Services, as well as a lower volume of road cuts and sewer connection in the first quarter in Right of Way, Heritage and Urban Design. The revenue deficit is

offset by a Building Code Services revenue surplus, which is contributed to the Building Code Services Stabilization Reserve.

Strategic Initiatives (SI) – Surplus of \$1.265 million

The SI Department surplus is largely due to vacancies in the first quarter, savings in purchased services, and the timing of property tax expenditures and recoveries.

Infrastructure and Water Services (IWS) – Surplus of \$102 thousand

There are no significant expenditure variances to report. The revenue surplus is due to new urban boundary fees, offset with the associated expenses.

Non-Departmental (ND) - All Services – Deficit of \$452 thousand

ND showed a deficit of \$452 thousand primarily driven by additional borrowing costs from higher interest rates, partially offset by investment income and higher-than-anticipated penalties and interest revenue. This deficit is forecasted to be offset with surplus in the future quarters.

Transit Services – Deficit of \$1.693 million

Expenditures in the first quarter were \$200 thousand below budget, mostly due to lower compensation costs, and O-Train Line 1 performance deductions. These savings were largely offset by the delayed implementation of the New Ways to Bus (launched on April 27, 2025) and higher Para Transpo service delivery costs. The O-Train performance deductions of one million was partially offset by \$200 thousand in replacement bus costs. Revenues were \$1.9 million below budget, mainly due to lower provincial funding resulting from lower Transit Payment Agreement expenditures, and lower-than-budgeted fare revenue. These shortfalls were partially mitigated by higher gas tax revenues. First-quarter results by Transit Service areas are summarized in Table 2 - Transit Services' Operating Results Summary March 31, 2025 Variance.

**Table 2 – Transit Services’ Operating Results Summary March 31, 2025 Variance
(In thousands of dollars)**

Transit Services	Expenditures			Revenue			Surplus / (Deficit)		
	Annual Budget	YTD Budget	YTD Actual	Annual Budget	YTD Budget	YTD Actual	YTD Expenditure	YTD Revenue	YTD Net
General Manager’s Office	576	145	167	0	0	0	(22)	0	(22)
Safety, Compliance, Training & Development	22,833	6,807	5,185	0	0	0	1,622	0	1,622
Transit Engineering Services	8,202	1,569	1,173	0	0	0	396	0	396
Transit Customer Systems & Planning	40,359	9,884	9,715	0	0	0	169	0	169
Transit Service Delivery and Rail Ops	139,047	27,222	25,854	0	0	0	1,368	0	1,368
Bus & Para Operations	386,948	101,469	104,090	0	0	0	(2,621)	0	(2,621)
Strategic Comm & External Relations	6,023	1,504	1,516	0	0	0	(12)	0	(12)
Transit Non-Departmental	214,262	32,215	32,947	0	0	0	(732)	0	(732)
Operating Revenue				(370,465)	(53,825)	(51,964)	0	(1,861)	(1,861)
Transit Committee Total	818,250	180,815	180,647	(370,465)	(53,825)	(51,964)	168	(1,861)	(1,693)

Rate Supported Services – Surplus of \$2.421 million

Drinking Water Services’ surplus of \$955 thousand is due to vacancies and higher-than-anticipated water consumption.

Wastewater Services’ surplus of \$919 thousand is due to vacancies and lower-than-anticipated debt servicing charges, offset by lower-than-anticipated revenues.

Stormwater Services’ surplus of \$547 thousand is mainly due to vacancies, lower-than-anticipated debt servicing charges, and higher-than-anticipated revenues from account growth.

Q1 Compensation Results

Document 2 provides compensation information showing the actual salary / benefits and overtime costs incurred by departments for Q1 versus the full year budget. Overall, the total actual compensation costs for the first quarter were 26 per cent of the full year 2025 compensation budget.

On a corporate basis, actual overtime costs as a percentage of the annual budget are 51 per cent spent. Additional overtime is due to increased demand for shelters from Housing Services, legislated increased hours of care in Long Term Care with an

occupancy rate of over 97 per cent, plus seasonal requirements in Public Works due to the severe winter events in Q1.

In Transit Services, the actual overtime costs are 42 per cent of the full year budget, mainly due to vacant positions. It is important to note that these compensation and benefit amounts are not inclusive of recoveries from capital.

Capital Projects and Programs

Document 3 provides a list of tax, transit, and rate-supported capital projects. The list identifies the lead department, category (renewal, growth, or service enhancements), total approved budget authority, expenditures, and contractual obligations as of March 31, 2025. The total for capital works in progress excluding the external boards is \$17.013 billion, of which \$4.485 billion is uncommitted to date. Separate Q1 Status Reports will be provided to the Boards of the Ottawa Police Service, Ottawa Public Library and Ottawa Public Health and will include a status on projects that are under their respective mandates.

Operating Budget Adjustments and Transfers

A summary of the budget adjustments and transfers impacting overall expenditures or revenues made in the first quarter of 2025, either through the delegated authority given to the Chief Financial Officer/Treasurer or through Council-approved reports, is provided in Document 4. The City's Delegation of Authority By-law, Schedule B, Section 8 requires that the transfer of operating funds exceeding \$200,000 be reported to Committee and City Council on a quarterly basis.

FINANCIAL IMPLICATIONS

The financial implications are outlined in the report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

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.

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 – Operating Results Summary March 31, 2025

Document 2 – 2025 Q1 Compensation Summary

Document 3 – 2025 Q1 Capital Works-in-Progress

Document 4 – 2025 Q1 Operating Budget Adjustments and Transfers

DISPOSITION

There are no disposition requirements as this is an administrative report.