



Information Memo

To: Council Meeting
Date: July 22, 2025
Division: Corporate Services
Department: Finance
Ward: All Wards
Subject: Summary of Recent Operating Surpluses and Debt Avoidance

Recommendation(s):

That the Information Memo regarding the Summary of Recent Operating Surpluses and Debt Avoidance be received as information.

Background

During review of the 2024 Audited Financial Statements and Year End Performance Measures at the Council in Committee meeting on July 8, 2025, staff were asked to provide further details on the recent operating surpluses that have occurred, specifically as it relates to debt avoidance and the related savings that have been generated. This information memo provides further detail and extrapolates the savings over the life of the debt that would otherwise have been issued if surpluses had not materialized.

Discussion:

As at December 31, 2024, Norfolk generated \$10.7 million in levy operating surplus for the year. As noted in report CS-25-080, Norfolk County Historical Financial Review, Norfolk experienced several years of deficits leading up to 2019. From that point forward, following significant shifts in policies and procedures and years of detailed review work, Norfolk was able to right-size its budgets and generate operating surpluses in subsequent years.

When surpluses occur, residents often ask, why not just use that extra money to lower next year's taxes? The reason staff don't recommend that is because the surplus is mostly from one-time items that are not expected to recur in future years. If the surplus was used to lower the 2026 taxes, the County would face an even bigger tax increase in 2027 to make up for the artificial reduction. Instead, the surplus is often used in ways that generate long-term savings, like avoiding debt.

At the July Council-in-Committee meeting, Council approved \$8.2 million of the 2024 surplus to be used for projects that the County otherwise expected to borrow money for.

This move:

- Allows the County to construct important drains, upgrade fire trucks, and purchase a previously rented administration building.
- Lowers debt repayments to be included in the 2026 levy operating budget by more than \$750,000, and
- Saves taxpayers a total of \$3.9 million in interest costs over the next 20 years from not borrowing the money.

So while surpluses are not directly used to reduce next year's taxes, Norfolk County's Surplus Management Strategy ensures they are used in ways that make the County's operations more affordable and sustainable; reducing property taxes, through debt avoidance, for years to come.

In recent years, Norfolk has experienced similar success. \$10.5 million of the 2023 surplus was used for the same purpose, mitigating almost \$800,000 in annual debt repayments at the time, and avoiding \$4.8 million in total interest payments over the life of the loan.

For 2022, almost \$4.0 million of the surplus was used for this purpose as well, mitigating just under \$500,000 in annual debt repayments at the time, and avoiding nearly \$1 million in total interest over the life of the loan.

Thanks to Norfolk's strong financial performance, more than \$22 million in debt has been avoided through this strategy in the past three years, keeping \$9.7 million in would-be interest costs in the pockets of taxpayers!

Finance Comments:

To give further context to the numbers discussed above, Table 1 (below) shows the most recent three years of surpluses detailing the total debt principal and total interest costs that have been avoided as well as average annual payment and average annual interest costs that have been avoided over the life of the loan.

Year	Debt Principal	Total Interest	Average Annual Payment	Average Annual Interest
2022 Surplus/2024 Budget ¹	\$3,972,000	\$945,091	\$491,700	\$94,500
2023 Surplus/2025 Budget ²	\$10,483,429	\$4,839,520	\$766,100	\$242,000
2024 Surplus/2026 Budget ³	\$8,184,960	\$3,869,916	\$602,700	\$193,500
Total	\$22,640,389	\$9,654,527	\$1,860,500	\$530,000

¹ 10-year 4.25% semi-annual amortizing debentures per CS-23-104

² 20-year 4.50% semi-annual serial debentures per CS-24-101

³ 20-year 4.50% annual serial debentures per CS-25-092

Attachment(s):

- N/A

Conclusion:

Norfolk County's consistent generation of operating surpluses and prudent application of these funds to avoid debt has built a strong foundation for long-term financial sustainability. By redirecting surpluses toward critical infrastructure needs instead of temporary tax relief, the County is reducing future debt burdens and minimizing interest costs. This disciplined approach has already saved taxpayers nearly \$10 million in interest over just three years, and demonstrates the tangible, lasting benefits of fiscal responsibility and strategic surplus management.

Approval:

Approved By:
Al Meneses, CAO

Reviewed By:
Heidy VanDyk, General Manager, Corporate Services

Prepared By:
Amy Fanning, CPA, Treasurer / Director, Finance
Jared Carter, CPA, Senior Financial Analyst