



Council-In-Committee Meeting – October 15, 2025

Subject: June 30, 2025 Operating Variance Report
Report Number: CS-25-139
Division: Corporate Services
Department: Finance
Ward: All Wards
Purpose: For Decision

Recommendation(s):

That Report CS-25-139 June 30, 2025 Operating Variance Report be received as information;

And That staff be directed to continue monitoring the 2025 Operating Budgets and take any reasonable steps to reduce or eliminate negative variances while mitigating any negative impact on service levels.

Executive Summary:

The purpose of this report is to provide Council with a financial update on both the actuals spent to June 30, 2025, and the projected year-end position for the Levy and Rate Operating Budgets.

Continuing the commitment of providing Council with additional and timely information for decision making, variance reporting will assist in mitigating any material variances as effectively as possible. As for most forecasts, it is very typical that accuracy increases as the year progresses and more information and data become available.

This report will highlight budget variance concerns, risks and challenges, that Council should be aware of and potential mitigation strategies where available will be discussed as required.

Based on information known and expenditures as of June 30, 2025, the projected year-end position for the Levy Operating Budget is a surplus of \$5,111,800, which equates to 3.7% of the approved levy, and is considered within a reasonable range. The projected year-end position for the Rate Operating Budget is a surplus of \$289,500 or 0.9% of the approved rate requirement.

Finance staff continue to monitor operating variances to provide departments and Council with accurate information to make informed financial decisions.

Discussions:

This report will highlight budget variance concerns, risks and challenges, that Council should be aware of and potential mitigation strategies where available will be discussed as required.

It should be noted that budgeted figures are annualized, however, the timing of large expenses (such as contracts), may occur unevenly and at various times of the year. Also, New Budget Initiatives do not start at the first of year, and thus usually generate some surplus in the first year of implementation. Expenses are generally within the control of staff and are therefore managed well in relation to approved budgets. Revenues, other than taxation and government funding, are driven by the change in economy, community preferences, and community demand. These conditions, which are typically outside of staff’s control, will continue to be monitored throughout the year.

The County underwent a corporate reorganization of the Divisions and Departments effective June 2, 2025. Due to the timing of these changes, the Operating Variance is being presented under the County’s organizational structure as at the start of 2025. All budget and variance reports moving forward will be presented with the new County structure.

Attachment A provides financial reports at the Corporate, Division and Department level, and presents the forecast for 2025 levy and rate operations. The information contained within these financial reports is described in the following table.

Table 1: Attachment Column Descriptions

Variance Report Column	Column Explanation
2025 Approved Budget	This column presents the Approved 2025 Operating Budgets as approved by Council. This budget does not include any budget amendments approved to date.
2025 Budget Adjustments	This column includes adjustments made in-year: addition of funded projects and adjustments to surplus/(deficit) as approved by Council and reallocations between categories.
2025 Adjusted Budget	This column is the sum of 2025 Approved Budget and 2025 Adjustment columns.
YTD 2025 Actuals as of June 30th, 2025	These are the actual revenue and expenditures realized up to June 30th, 2025.
Jul-Dec 2025 Forecasted Actuals	These are the forecasted expenditures and revenues amounts for July to December 2025.
2025 Total Forecast	This column is the sum of the YTD actuals and the forecasted actuals to provide the total expected forecast.
	This presents an estimate of year-end expenditures and revenues. The forecasting system produces year-end projections based upon the spending pattern from previous

Variance Report Column	Column Explanation
	years. Staff in each Department review these projections and adjust where they determine there are differences between the projection and their knowledge of actual events. Financial Management & Planning staff have reviewed these forecasted amounts with the operating departments and adjustments have been made where appropriate.
Projected Surplus/(Deficit)	This is the difference for each expenditure and revenue of the 2025 Approved Budget over the 2025 Total Forecast.
Projected Variance %	This is the percentage of the projected surplus/(deficit).

Projected Levy Operating Budget Variances

As outlined in Table 2 and Page 6-7 of the Attachment, as of June 30, 2025, approximately 45.5% of the expenditures in the Approved 2025 Levy Budget have been spent with 54.5% remaining. For revenues, 46.0% of revenues have been received leaving 54.0% expected to be collected.

The levy operating budget is projecting a surplus of \$5,111,800 or 3.7% of the Approved 2025 Levy Budget. Additional details by Department and Division are summarized in Attachment A.

Table 2: Norfolk County Levy Operating June 30, 2025 Variance

	2025 Approved Budget	2025 Adjusted Budget	2025 Total Forecast	Projected Surplus / (Deficit)
Total Expenditures	271,188,400	273,501,793	268,849,200	2,339,200
Total Revenues	134,766,200	137,040,367	137,538,800	2,772,600
Total	136,422,200	136,461,426	131,310,400	5,111,800

Table 3 provides a summary of the projected year-end variances by division as at June 30, 2025.

Table 3: Projected Levy Operating Variance by Division

Division	2025 Approved Budget	2025 Adjusted Budget	2025 Projected Year End Actuals	2025 Projected Surplus/ (Deficit)
Norfolk County				
Corporate Revenues and Expenditures	(\$3,858,400)	(\$3,858,400)	(\$4,593,600)	\$1,095,200
Mayor and Council Services	1,269,300	1,269,300	1,232,400	36,900
Office of the CAO	21,468,400	21,468,400	20,189,900	1,278,500
Corporate Services	8,591,900	8,546,126	7,731,300	860,600
Environmental & Infrastructure Services	27,686,800	27,686,800	26,899,600	787,200
Health and Social Services	12,349,800	12,349,800	13,656,700	(1,306,900)
Operations	41,014,400	41,014,400	39,981,800	1,032,600
Community Development	7,291,400	7,376,400	6,775,600	515,800
Total Norfolk County	\$115,813,600	\$115,852,826	\$111,513,700	\$4,299,900
Division	2025 Approved Budget	2025 Adjusted Budget	2025 Projected Year End Actuals	2025 Projected Surplus/ (Deficit)
Boards and Agencies				
Grand River Conservation Authority	\$1,748,300	\$1,748,300	\$1,748,200	\$100
Long Point Region Conservation Authority	31,600	31,600	31,600	0
Lynnwood Arts Centre	40,000	40,000	40,000	0
Grand Erie Public Health	2,108,200	2,108,200	2,066,400	41,800
Norfolk County Library Board	3,516,300	3,516,300	3,424,000	92,300
Police Services	1,164,200	1,164,200	12,486,600	677,600
Total Boards and Agencies	\$20,608,600	\$20,608,600	\$19,796,700	\$811,900
Total	\$136,422,200	\$136,461,426	\$131,310,400	\$5,111,800

For the operating levy, the most significant variance drivers for the projected year-end balance are presented in Table 4, with additional details provided below the table. It should be noted that significant variances that are offset by funding have been excluded from this listing, since they are not driving the year-end projections. These items are explained within the Division and Department summary reports in Attachment A.

Table 4: Projected Levy Operating Variances Details

Item Description	2025 Projected Variance +/-
Projected Operational Positive Variances	
Salary Gapping (not including funded activities)	2,577,000
OPP Policing Servicing Contract	364,000
Court Security & Prisoner Transportation Grant	284,000
Various Contracted Services	276,400
Net PILS and Supplemental Taxes	265,800
Curbside Collection	199,400
Tipping Fee Revenue (Transfer Stations)	180,700
Roads - Asphalt, Winter Salt & Sand Materials	170,000
Leases	146,300
Utilities	137,500
Mileage	136,000
Haulage and Waste Disposal	133,500
Facilities Maintenance & Repair Programs	132,600
Locates	128,200
Projected Operational Negative Variances	
Norview Lodge Funding and Fees and Service Charges	(188,600)
Subtotal	4,942,800
Miscellaneous	169,000
Total Surplus	5,111,800

Projected Operational Positive Variances – Explanations

Salary Gapping

The forecasted variance for Salaries & Benefits from the 2025 Levy Operating Budget is a surplus of approximately \$2.67M. Of this, approximately \$2.58M is related to levy funded positions. This amount is comprised of several contributing factors, including gapping, turnover related rate and benefit changes, job evaluations, and fluctuations in call volume related to part-time firefighter staff. These factors are partially offset by a collective agreement renewal which exceeded the budgeted mandate and included retroactive pay back to 2023 beyond what had been accrued annually. Surpluses driven by ministry funded positions may not contribute to Norfolk's overall operating surplus as funds may be returned to Provincial Ministries as appropriate.

As noted in the forecasted variance, there continues to be gapping related to permanent FTEs as a result of vacancies and turnover. The level of anticipated gapping for 2025 is reasonable based on the size of the County.

Competition driven by a significant portion of the Ontario workforce entering retirement age as shown through the Ontario Population Pyramid and the adoption of remote working practices - particularly in higher paying areas and industries - continue to expand the market of employment opportunities available to employees, making recruitment and retention a challenge. Consistent with Norfolk County's corporate salary gapping policy AD-013, staff have endeavored to make use of the surplus created through gapping to alleviate some of the burden of being understaffed.

This includes:

- Hiring of additional students beyond the budgeted complement
- Hiring additional resources for temporary project administration
- Short term contracts for added support
- Increasing the hours of part time staff
- Extra staffing where updated ministry legislation has created a greater workload while re-organization options are being considered
- Succession planning to allow for training when a departure is expected

Staff continue to initiate temporary solutions to staffing shortages while striving to fill the budgeted positions, however there are challenges with hiring and retaining temporary staff as well, which limit the success of these efforts.

OPP Policing Services

The surplus of \$364,000 from the OPP Policing Services contract is due to the County's conservative accounting practices which resulted in reconciliation adjustments being accrued at the 2024 year-end. OPP Policing Services will continue to be a budget driver for 2026 as cost escalations continue to be phased in for municipal billing statements.

Court Security & Prisoner Transportation Grant

Funding for this program has fluctuated over recent years, resulting in both favourable and unfavourable variances from year-to-year. This year the surplus is consistent with the underlying cost increases for these services which are reflected in the OPP Policing Services contract. The projected surplus this year is \$284,000

Various Contracted Services

The surplus of \$276,400 is the sum of a large number of small savings across numerous departments throughout the County. This is largely driven by small savings and overages, based on the requirements for 2025. These are one-time savings that will not impact 2026 budget development.

Net Payments-In-Lieu (PILs) and Supplemental Taxes

An overall projected surplus of \$265,800, is made up of a projected deficit for PILs of \$138,500 and a projected surplus of \$404,300 in supplemental taxes. The variances are a result of the changes in property classifications and additional taxes for changes in property amenities. Supplemental taxes vary by year depending on the amount of changes to properties and the timing of MPAC assessment of the changes.

Curbside Collection and Tipping Fees

The cost of curbside collection is projected to result in a surplus of \$199,400 including blue box, waste and bulky items. The surplus is due to a lower tonnage collected than anticipated. Tipping fees are also forecasted to close the year in a surplus of \$180,700, due to more waste being brought to the transfer stations than anticipated for 2025.

Roads – Asphalt, Winter Salt & Sand Materials

An overall projected savings of \$170,000 for 2025 based on year-to-date activity. These are large budgets and requirements can vary year-to-year, based on a number of factors including frequency and severity of winter events. Asphalt material usage is forecast under budget based on year-to-date activity, and historically this program has been utilized conservatively. Winter control materials estimates are based on analysis of year-to-date purchases and historical utilization and inventory levels.

Leases

Overall, a surplus of \$146,300 is anticipated across County wide lease costs, due to changes within the facilities that the County utilizes to provide services. These changes will be incorporated into future budgets.

Utilities

The overall projected savings of \$137,500, encompasses all utilities (hydro, natural gas, water and wastewater and telecommunications), for all departments. The budget for utilities is based on assumed rate increases and year-to-date actuals at the time of budget development, therefore actual rates and facility utilization can vary. Additionally, IT staff were able to negotiate lower cell phone contracts in 2025. The 2026 budget will be reviewed and adjusted accordingly.

Mileage Expenses

Positive variances have been forecasted in mileage expenses corporately. Many departments have underutilized mileage, these savings can be attributed to the availability and utilization of virtual meetings, conferences and webinars. The 2026 budget will be reviewed and adjusted accordingly.

Haulage and Waste Disposal

The projected surplus is a result of a savings from departments across the County, where contracted disposal services are implemented. The 2026 budget will be reviewed and adjusted accordingly.

Facilities Maintenance and Repair Programs

Maintenance and repair supplies and services have a projected surplus of \$132,600 driven by lower than anticipated needs and efficiencies gained through centralized planning and preventive maintenance. The budget is adjusted annually based on historical trends.

Locates

The budget for locates is based on a combination of the contracted costs and the estimated number of locates required annually. The requirements for locates will vary year-to-year based on needs. The budget for locates is reviewed annually and adjusted based on the historical trend.

Descriptions of Projected Levy Operational Negative Variances

Norview Lodge Funding and Fees and Service Charges

The increase to the Provincial per diem funding was estimated at 4.0%, however, the actual increase was only 2.1%. As the resident fees are tied to the per diem rates, the lower increase resulted in lower than anticipated funding and revenue. The 2025 budget will be adjusted accordingly.

Projected Rate Operating Budget Variances

As outlined in Table 6 and Attachment A, as of June 30, 2025, approximately 35.3% of the expenditures in the Approved 2025 Rate Operating Budget have been spent with 64.7% of the budget remaining. For revenues, 48.5% of revenues have been received leaving a 51.5% budget expected to be collected.

In addition, for the year-end, the County is projecting an estimated favorable variance of \$289,500 or 0.9% of the Approved 2025 Rate Operating Budget. Additional details are summarized in Attachment 1.

Similar to levy operations, the estimated financial position of the County for 2025 is directly related to uncontrollable factors (weather conditions, utility usage, emergency repairs, etc.). As a result, material fluctuations in the projected variances could occur if unforeseen events materialize.

Table 6: Norfolk County Rate Operating June 30, 2025 Variance

	2025 Approved Budget	2025 Adjusted Budget	2025 Total Forecast	Projected Surplus / (Deficit)
Total Expenditures	\$43,635,300	\$43,635,300	\$42,437,00	\$1,198,300
Total Other Revenues	10,842,700	10,842,700	9,920,000	(992,700)
Total Rates	32,792,600	32,792,600	32,806,500	13,900
Total Surplus				\$289,500

The most significant variance drivers for the projected year-end balance regarding the rate operations are presented in Table 7. Below the table, a high-level description of each variance is provided.

Table 7: Projected Rate Operating Variance Details

Item Description	2025 Projected Variance Positive/(Negative)
Projected Positive Variances	
Water - Contracted Services, Locates & Chemicals	189,200
Water - Maintenance and Repairs	104,800
Water - Salaries & Benefits	97,900
Wastewater Locates, Utilities and Lab Services	74,900
Projected Negative Variances	
Wastewater - Contracted Services	(171,300)
Subtotal	295,500
Miscellaneous	(6,000)
Total Surplus	289,500

Descriptions of Projected Rate Operating Positive Variances

Water Contracted Services, Locates and Chemicals

A projected surplus for contracted services, locates and chemicals of \$189,200 for water is driven by lower than anticipated needs for the year. For 2025, expenses are lower than expected for water meter installations and leak detection preventive maintenance needs. Additionally, fewer locate services were required, and the County budgeted conservatively for chemicals following recent cost increases over the past few years. The usage is driven by need which can vary year to year.

Water Maintenance and Repairs

Lower than expected maintenance and repairs over the first half of the year has resulted in the projected surplus of \$104,800. These needs will vary from year to year, based on unexpected repairs required.

Salaries and Benefits

Water salaries and benefits are forecasted to be under budget by \$97,900, largely driven by staff turnover and rate differentials.

Wastewater Locates, Utilities and Chemicals

A projected surplus for locates, utilities and chemicals of \$74,900 for wastewater is driven by lower than anticipated needs and usage for the year. 2025 is seeing lower than anticipated need for locate services along with conservative budgeting for utilities, and chemicals which have seen cost increases in recent years. The usage is driven by need which can vary year to year.

Description of Rate Operating Negative Variances

Wastewater Contracted Services

The projected deficit of \$171,300 is driven by higher than expected additional services provided by OCWA – including maintenance and overtime items.

Risks

Several potential risks could have a significant impact when projecting year-end financial results.

Potential risks include:

1. Increased costs due to inflation and supply chain issues.
2. Potential increase in staffing costs due to modified duties, sick time and job evaluation.
3. Seasonal impacts such as weather, which effects costs (water main breaks, for example).
4. Unexpected increased expenditures for unavoidable repairs and maintenance and related material purchases, legal expenses, etc.

Mitigation Strategies

All departments will continue to monitor expenditures and revenues on an ongoing basis and forecast to the end of the year to ensure they remain at or as close to their approved budgets as possible.

Finance Comments:

The County's financial reporting software allows staff in each department direct access to monitor their account activity in comparison to approved budget levels.

The County's capital financing principles call for the servicing costs of debt-funded projects to be included in the respective operating budgets in the year of project approval. As debenture issuances are typically completed at project completion there is often a minor variance pertaining to servicing costs not yet incurred due to timing lag. This allocation remains within the Debt Servicing Costs line, being offset by a one-time transfer to related capital reserves. This is consistent with the approach completed in recent years and will be included in future financial policy recommendations.

Interdepartmental Implications:

All departments are involved and work together when monitoring and reviewing performance on a continual basis.

Consultation(s):

Dustin DeBoer, Workforce Planning Specialist
Andrea Kannawin, Senior Financial Analyst
Erika Tardif, Senior Financial Analyst
Jared Carter, Senior Financial Analyst
Michael VanSickle, Senior Financial Analyst
Ryan Fess, Senior Financial Analyst

Strategic Plan Linkage:

This report aligns with the 2022-2026 Council Strategic Priority Serving Norfolk - Ensuring a fiscally responsible organization with engaged employees who value excellent service.

Explanation: Variance reporting supports staff communication to Council and the community regarding financial status of levy and rate funded operations. The continuous monitoring of operating budgets allows staff to react to corporate needs, helping to exceed community expectations.

Attachment(s):

- Attachment A – June 30, 2025 Operating Variance Report

Approval:

Approved By:

Heidy VanDyk, General Manager, Corporate Services

Reviewed By:

Amy Fanning, CPA, Treasurer / Director, Finance

Chris Everets, CPA, Manager, Financial Planning

Prepared By:

Amy Vesprini, Supervisor, Financial Planning & Reporting