

**Subject: 2025 Second Quarter Operating Budget Variance Report – City Wide**

**Reference:**

Date to Council: September 22, 2025  
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City Treasurer  
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**To:** Mayor and Members of City Council

**Recommendation:**

**THAT** City Council **RECEIVE FOR INFORMATION** the 2025 2<sup>nd</sup> Quarter Operating Budget Variance Report.

**Executive Summary:**

N/A

**Background:**

Annual operating budgets are required to be tabled for consideration prior to February 1 of each year and traditionally are based on the best available information and trends at that time. Key inputs to the operating budget include professional estimates, the current legislative environment, macroeconomic trends (such as currency fluctuations, commodity prices, unemployment figures, and business investment), and other relevant local information available. Inflationary pressures related to municipal expenditures and services, which can be very different from general consumer price increases, continue to place significant pressures on service budgets at the time budgets are developed and approval as well as during the fiscal year.

Due to the seasonal nature of some municipal operations, it is very difficult to accurately predict the financial position at year end. However, there are matters which may arise that should be highlighted and monitored so as to proactively address and implement any mitigation measures that must be taken. This report highlights to City Council those



matters which have been brought to the forefront as of Q2 which will require mitigation and alternative funding sources so as to ensure that the year end position for 2025 aligns with the overall approved budget. Mitigation strategies have been actioned that help to offset some of the pressures. Additional updates will be presented to City Council in future quarterly and year end reports.

## **Discussion:**

### ***General Considerations***

The financial position of the Corporation in any given year can be directly impacted by uncontrollable factors such as weather conditions, unemployment rates, fuel and utility costs, interest rates, settlement of litigation brought against the City in addition to general inflationary pressures.

Council will recall that the 2025 Budget included various provisions and estimates that were risked based. In other words, revenue projections were based upon best case scenarios while some estimates for expenditures were very conservative.

Following the adoption and approval of the 2025 Budget, the announcement of US tariffs and restrictions on International Students has added further pressure on anticipated expenditures and revenues. Planned revenues have not materialized and costs of service delivery have increased.

This report provides City Council with high level pressures which are projected to impact the year end operating position. Material fluctuations in addition to those identified as the projected variances provided as at 2<sup>nd</sup> quarter could still occur in the wake of significant unforeseen events.

### ***Municipal Levy***

As at Q2, Administration has identified approximately \$7.7 million in unrealized revenues and unanticipated expenditures primarily in the following departments:

Fire & Rescue	\$1,585,000
Transit Windsor	\$3,468,000
Windsor Police Service	\$2,575,000

The increase in net expenditures are directly related to anticipated shortfall in revenues due to economic conditions as well as staffing, sick leave (inclusive of WSIB claims) and overtime costs. External tax enquiries and related revenues have declined as the real estate market has some what leveled off. Increased external investigations as a result of employee complaints continue to be brought forward despite enhanced efforts targeted at improving employee moral. A projected shortfall in Transit bus revenue from post secondary student services will materialize in 2025 however this shortfall will be mitigated as part of successful renegotiated fee structures which are anticipated to take effect in the latter part of this year. Paid medical leave, which extends through 2025 for Transit employees, will also be eliminated following this year.



Offsetting the increased expenditures are one-time recoveries from various Agencies. These recoveries related to expenditures which were not required to be funded as part of the City's contribution to services in 2024 and were identified subsequent to the 2024 year end close. This amount was not considered material to the finalization of the 2024 Consolidated Financial Statements. The Agencies include the Windsor Essex Health Unit, Emergency Medical Services and Handi Transit.

While some mitigating measures have been actioned to address the pressures noted above, to ensure that the 2025 year end financial position is appropriately managed, Administration will continue to monitor both positive and negative variances within other operating departments to mitigate any unanticipated events which may materially change the projections as currently provided. Mitigation strategies as outlined below will be utilized to maximize available funding while maintaining service levels across the Corporation. Administration will also seek alternative funding sources which are non-levy related through the balance of the year.

### ***One Time Funding Approved in 2025 Budget***

The final approval of the 2025 Budget included approximately \$6.8 million in one-time funding from the Budget Stabilization Reserve (BSR), capital and other sources. It is important to note that these recoveries will only be made if, in the opinion of the City Treasurer, a transfer is required. Based on the current Q2 projections, approximately \$4.2 million of the total one-time funding has been included in the variance projections leaving a projected balance of approximately \$2.6 million to be retained within the reserve for unexpected or unanticipated events which may occur prior to the end of the year. Further to this, an annual provision of \$2.4 million has been set aside which if not required can be transferred to the BSR or used to balance the final year end position. Use of the BSR is not recommended at this time as this would result in draw upon a reserve that is necessary should a material unforeseen event occur.

### ***Mitigating Measures***

A number of mitigation strategies have been identified and will be applied as needed to help manage the City's final year-end financial position. At present, all departments have been requested to consider the need to fill positions prior to undertaking a recruitment. In addition, departments have been directed to closely monitor and restrict discretionary spending to help reduce overall pressures and offset the projected corporate variance. Further to this, Administration may consider the utilization of all or a portion of funding which had been previously committed to capital projects and which is no longer required as a result of receiving Provincial funding of \$5.2 million from the Building Faster Fund support of housing development.

Beyond these measures, the Administration may need to consider further options if required which may include limiting or deferring planned transfers to various reserve funds.



These measures will support Administration's efforts in balancing the overall year-end position such that additional draws from existing reserves are not required.

### ***Other Non-Tax Levy Variance***

In addition to the Municipal levy variance, other non-tax levy variances are estimated to result in a \$1.5 million net surplus. Included in this amount are the following which will be transferred to/from the noted Reserves; On-Off Street Parking Reserve \$0.3 million deficit, and the Building Permit Reserve \$1.8 million surplus. The transfer to the Building Reserve is a legislative requirement and cannot be utilized to offset the tax levy pressures.

### **Risk Analysis:**

There are a number of potential risks that can impact the year-end financial results as follows:

1. Current macro and micro economic conditions such as fuel costs, changes to local unemployment rates, volatility of energy costs, commodity prices and interest rates, as well as supply and demand for products and services. Although Consumer Price Index rates have been decreasing in 2025 (currently at 2.1%), inflationary factors which affect municipal expenditures continue to remain high and will continue to impact City costs going forward.
2. Seasonal variability with respect to revenues (e.g. recreation fees) and expenses (e.g. winter control & storm damage) could impact current year end projections.
3. Continued increase in staffing costs due to factors such as sick leave replacement, modified duties (particularly in mandated or 24/7 operational areas), WSIB, joint job evaluation or other arbitration decisions, and health benefit usage (Green Shield) may require additional funding. Some of these costs may be covered by corporate provisions/reserves.
4. Potential increase to unavoidable expenditures such as emergency repairs and maintenance, related purchases of materials and supplies, legal expenses, streetlight maintenance, etc.
5. The significant use of estimates, historical knowledge and judgement in developing budget and projecting actual expenses for the year implies that actual year-end revenues and expenditures may differ significantly from quarterly projections.

### **Climate Change Risks**

#### **Climate Change Mitigation:**

N/A



## **Climate Change Adaptation:**

N/A

## **Financial Matters:**

As at Q2, Administration has highlighted the significant factors which are projected to impact the 2025 year-end operating results.

Included in Appendix A are a list of relevant operational and economic statistics (extracted from various sources) as background information and is depicted graphically for the current quarter, along with each of the preceding nine years for ease of reference and comparison purposes. These statistics help inform the 2025 year end projections.

## **Consultations:**

All departments and ABC's provided comments to augment and clarify the analysis performed by the Financial Planning Department.

## **Conclusion:**

Administration is projecting additional pressures on the 2025 year end operating results of \$7.7 million. Administration will continue to monitor expenditures and revenues to the end of the year with a vision to mitigate any final deficit that may result.

A surplus as it relates to other funding from non-tax levy sources of approximately \$1.5 million is projected however as noted, any surplus or deficit within these other funding sources must be retained within the specified reserve. Administration will continue to monitor the year-end projections inclusive of mitigation measures that may be required.

## **Planning Act Matters:**

N/A

## **Approvals:**

<b>Name</b>	<b>Title</b>
Tony Ardovini	Deputy Treasurer – Financial Planning
Janice Guthrie	Commissioner of Finance & City Treasurer
Ray Mensour	Chief Administrative Officer

## **Notifications**

<b>Name</b>	<b>Address</b>	<b>Email</b>
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Name	Address	Email

# Appendices:

- Appendix A - 2025 Operational & Economic Statistics