

Staff Report

Report To: Corporate Services Committee
Report From: Kate Allan, Director of Corporate Services
Meeting Date: October 9, 2025
Report Code: CR-25-126
Subject: 2025 T2 Financial Update

Recommendations:

THAT in consideration of Staff Report CR-25-126 respecting 2025 T2 Financial Update, the Corporate Services Committee recommends that City Council receive the report for information purposes.

Highlights:

- The City is forecasting a modest year-end surplus, largely due to one-time revenues and continued staff gapping.
- Operational recovery efforts from the winter and spring remain a key cost driver.
- The WSIB rebate is confirmed and may be considered for future risk management initiatives.
- Labour relations remain stable in 2025, providing temporary budget relief.
- Tax base health is showing early signs of stress, which may influence the 2026 Mayor's budget.

Strategic Plan Alignment:

[Strategic Plan](#) Priority: This report supports the delivery of Core Service.

Climate and Environmental Implications:

The financial results for 2025, especially in relation to winter control and spring recovery efforts, clearly illustrate how climate-related variability directly affects the City's financial sustainability. While total snowfall was not historically unprecedented, the frequency, severity, and compression of snow and ice events placed significant and sustained pressure on resources. These patterns are increasingly difficult to predict and underscore the importance of embedding climate resilience and operational adaptability into both short- and long-term financial planning.

Previous Report/Authority:

[CR-25-057 2025 T1 Financial Update](#)

Background:

The City of Owen Sound operates on a calendar year budget cycle. This report summarizes the City's financial position for the first eight months of the fiscal year (January to August 2025) and provides a forecast through year-end.

Forecasting methodology remains consistent:

- Year-to-date actuals are compared to budget.
- Year-end projections for September to December are developed using prior-year trends and known adjustments.

This update excludes financial information from the Owen Sound Police Board and the Union Public Library. Updates from both organizations will continue to be reported to Council through their respective governance structures.

Analysis:

1. Operational Risk and Cost Pressures

The financial strain resulting from the compressed winter season and extended spring recovery has become more pronounced since the T1 update. While total snowfall volumes remained within historical norms, the frequency and intensity of snow and ice events over a short period created sustained pressure on winter control operations. Additionally, costs associated with

spring clean-up, late-season storm debris, and facility restoration are now more fully recognized in the City's accounts.

As of the end of August, the total net variance associated with winter control and spring recovery is estimated at \$699,000, a further increase from the \$600,000 estimate reported at T1. These impacts were concentrated in snow and ice materials, overtime, contracted services, and follow-up infrastructure repair.

This reinforces the need for continued investment in resilient operations and financial flexibility to address climate-driven volatility and further supports the use of non-recurring revenue (such as the WSIB rebate) to address similar unanticipated risk-based cost drivers.

2. Risk Management Surplus – WSIB Rebate and Future Allocation

In March 2025, the City received a confirmed WSIB surplus rebate and program refund totaling \$570,000, including:

- The base surplus rebate for premiums paid in 2023
- Additional incentive funds through the WSIB Excellence Program

This refund reflects the City's strong track record in risk mitigation, including injury prevention, claim management, and compliance, and should be viewed as a return of premiums, not recurring revenue.

Staff are recommending that Council consider earmarking a portion of these funds for Emerald Ash Borer (EAB) remediation. Like WSIB, EAB represents a public safety and liability risk, particularly around urban trails, roadways, and parks. Leveraging the rebate to address this emerging risk is consistent with the principles of reinvesting in prevention and would avoid additional pressure on the tax base.

3. Labour Relations – Budget Relief in a Transition Year

The temporary standstill in Fire arbitration has contributed to a forecasted surplus in HR-related legal costs. With no major contracts under negotiation in 2025, labour relations have remained stable.

Looking ahead:

- Fire arbitration is expected to resume in 2026.
- The Inside CUPE agreement expires December 31, 2026. Preparatory work is expected to begin late next year.

This window of labour stability offers short-term budget relief, but staff caution against assuming long-term savings, especially in light of broader inflationary trends in the municipal sector and ongoing negotiations in comparator municipalities.

4. Penalty Revenue and Tax Base Health

Penalty and interest on taxes is forecast at \$566,000, approximately 30% above budget. While this provides additional revenue, it also reflects a higher incidence of late or deferred payments than in prior years.

More notable is the increase in taxes receivable as a percentage of the total levy, moving from the historical range of 5% to closer to 10% in 2025. Staff will continue to monitor this trend over time and assess its potential impact on the City's finances.

5. Gapping and Staff Vacancy Savings

Wage-related gapping is forecast at approximately \$180,000, more than double the \$85,000 included in the original budget. These savings are due to recruitment delays and temporary vacancies across multiple divisions.

While beneficial in the short term, staff note that prolonged gapping can result in delayed service delivery, reduced capacity, and increased burnout risk. Strategic workforce planning will continue to be important heading into 2026.

6. Police Forecast – Early Signs Positive

The Owen Sound Police Service has provided preliminary indications that a year-end surplus of approximately \$250,000 may be possible. However, no formal financial update has been received from the Police Board at the time of this report, and no adjustment has been made to the City's consolidated forecast.

Financial Implications:

The City is currently forecasting a year-end surplus of approximately \$650,000, prior to consideration of any unbudgeted in-year allocations. This forecast incorporates one-time positive variances such as the \$570,000 WSIB rebate, higher-than-anticipated investment income, and savings from wage-related gapping.

However, the financial picture continues to reflect notable operational pressure. The total winter control and spring recovery variance has increased to \$699,000, driven by overtime, contracted snow services, and additional spring clean-up costs across roads, facilities, and parks.

Staff caution that while the projected surplus provides a measure of short-term flexibility, it does not represent structural or recurring capacity. Any surplus persistent to year end will be recommended to be transferred to the tax stabilization reserve in line with the reserve and reserve fund policy.

A final year-end report and recommendation for allocation of any remaining surplus will be brought forward to Council in spring 2026.

Communication Strategy:

Financial reports are available on the City's website.

Consultation:

City Staff

Attachments:

None

Recommended by:

Kate Allan, Director of Corporate Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan, Director of Corporate Services at kallan@owensound.ca or 519-376-4440 ext. 1238.