

	THE CORPORATION OF THE TOWN OF GRAVENHURST	
	To:	Committee of the Whole
	From:	Wayne Campbell, Director of Financial Services / Treasurer
	Date:	May 12, 2026
	Subject:	2025 Operating Year End Report No. FIN 2026-08

RECOMMENDATIONS

The Director of Financial Services / Treasurer recommends:

THAT Report No. FIN 2026-08 re: 2025 Operating Year End be received for information;

AND THAT the 2025 Operating Surplus of \$817,164 subject to final auditing adjustments, be transferred to the following reserves, effective December 31, 2025:

- \$217,164 to the Tax Stabilization Reserve; and
- the balance of \$600,000 to the Community Reinvestment Reserve.

PURPOSE

The purpose of the 2025 Operating Year End Report is to provide an overview of financial performance for the year and recommend the appropriate treatment of the 2025 Year End Operating surplus.

BACKGROUND

The Town's Operating Budget plays a vital role in funding the day-to-day activities and initiatives that support the community's needs. Effective financial management is crucial to ensuring that the Town delivers high-quality services while maintaining fiscal responsibility.

Financial Management Framework

The Town's financial management practices are guided by the Municipal Act, 2001, which requires municipalities to manage their finances prudently and avoid operating deficits. As such, any operating surplus or deficit at year-end should be addressed either at year-end or early in the subsequent year. The Town's financial management practices include:

- **Variance Reporting:** Quarterly updates provided to Council on financial performance, enabling informed decision-making and adjustments as needed.
- **Regular Variance Reviews:** The Senior Leadership Team conducts regular reviews to identify trends, address potential issues, and ensure compliance with legislation, Council expectations, and the approved budget.

Operating Surpluses and Deficits

The Town may experience operating surpluses or deficits due to various factors, including:

- **Prudent Stewardship of Town Resources:** Managing within budget is an important expectation of the Senior Leadership Team, and an Operating Variance of +/- 3% range falls within a standard tolerance for a municipal operation.
- **Unique (and often one-time) situations in-year:** Some examples include staff vacancies that are temporarily unfilled or salary gapping, revenues that significantly exceed expectations, expenses for significant events that exceed budget, one-time grant opportunities, etc.
- **A decision to defer or cancel a program or service:** In this case, the funding allocation is simply not used.

Reserve Policies

The Town has established policies for managing operating surpluses and deficits:

- **Operating Surpluses:** Transferred to the Community Reinvestment Reserve Fund, as per the policy adopted by Council on November 19, 2019. This reserve fund supports future initiatives and projects that benefit the community.
- **Operating Deficits:** Funded from the Tax Stabilization Reserve, which is designed to fund emergencies and one-time pressures related to operating issues. This reserve helps to maintain stability in the Town's tax rates and ensures that essential services are not disrupted.

ANALYSIS

The Town's 2025 Operating Surplus of \$817,164 is primarily attributable to the sale of a 7-year Principal Protected Note (PPN). This transaction represented a strategic, one-time reallocation of investment proceeds to support in-year operating pressures and maintain financial flexibility.

In addition to this one-time factor, the surplus was further supported by favourable Supplementary and Omitted Taxes, lower-than-expected tax write-offs, and strong Recreation and Culture revenues.

It is important to note that a significant portion of the 2025 surplus is non-recurring in nature, driven by a deliberate financial strategy rather than ongoing operational efficiencies. As such, the treatment of these surplus warrants consideration beyond the standard policy application.

Under the Town's Reserve and Reserve Fund Policy, operating surpluses are typically transferred in full to the Community Reinvestment Reserve Fund, while operating deficits are funded from the Tax Stabilization Reserve.

However, given the one-time nature of the 2025 surplus, the fact that the Tax Stabilization Reserve was previously drawn down to fund the operating deficit in 2024 and that the current balance of the reserve is below the target range, this Report recommends a one-time deviation from policy.

Table 1

TOWN OF GRAVENHURST
2025 Year End Financial Summary
December 31, 2025

<u>Department</u>	<u>Jan - Dec Net Spend</u>	<u>2025 Net Budget</u>	<u>% Utilized</u>
Council	313,794	331,700	95%
Community Partnerships	1,504,095	1,414,250	106%
Community Contributions	304,200	104,200	292%
Office of the CAO	865,492	875,850	99%
Legislative Services	516,411	536,875	96%
Financial Services	733,675	763,850	96%
Fire & Emergency Services	1,416,841	1,287,141	110%
Recreation & Culture	724,961	1,064,105	68%
Development Services	1,586,832	1,327,107	120%
Infrastructure Services	6,981,546	5,905,526	118%
Corporate Administration	4,911,858	7,066,265	70%
NET OPERATING BUDGET	19,859,705	20,676,869	96%

CONSULTATION

The following individuals / community groups were consulted:

- Senior Leadership Team
- Pahapill and Associates Chartered Professional Accountants

CORPORATE FINANCIAL IMPACT

The 2025 year end financial results reflect the prudent stewardship of Town resources, the increase in revenues and the favourable variance in Recreation and Culture.

COMMUNICATIONS

This Report will be posted on the Town website.

FUTURE CONSULTATIONS

NIL

CONCLUSIONS

Administration concludes that the 2025 Operating Surplus of \$817,164 is reflective of a unique year, and that the transfer of the surplus to the Tax Stabilization Reserve and the Community Reinvestment Reserve, as recommended in this Report, should be approved to support the Town's multiple long-term financial objectives.

CLIMATE CHANGE IMPLICATIONS

This Report itself does not directly contribute to meeting the intentions of the Climate Change Declaration, however the frequency and intensity of extreme weather events such as those experienced in 2024 and 2025 and the costs associated with them are anticipated to increase as a direct result of the changing climate over the coming years. This makes the need for climate resilient decision making and financial flexibility more important than ever. Many items contained in the Operating Budget related to the Town's adaptation and mitigation plans, which aim to help Council make informed climate-related decisions.

RELATION TO STRATEGIC PLAN

This Report advances and supports the following elements of the Town of Gravenhurst Strategic Plan by:

Pillar 3: Effective Municipal Services

Goal 9: Continue to deliver best-in-class, responsive, efficient, and effective services

Goal 10: Ensure continued prudent financial and asset management planning

Administration's quarterly reporting schedule on performance is an important component in the accountability cycle to both Council and the community. It provides an opportunity to keep Council and the community informed on the use of resources approved in the annual budget.

RELATION TO OTHER MUNICIPAL REPORTS, PLANS OR APPLICABLE LEGISLATION

This Report related to other municipal reports, plans or applicable legislation including:

1. Municipal Act, 2001
2. A09-RES Corporate Policy on Reserves and Reserve Funds
3. 2025 Operating Budget
4. Town Asset Management and Long-Term Sustainability Plan (AMLTSP)

ATTACHMENTS - nil

RESPECTFULLY SUBMITTED BY:

Author: Theresa Trott, Manager of Accounting / Deputy Treasurer

Approved by: Wayne Campbell, Director of Financial Services / Treasurer

Approved by: Scott Lucas, Chief Administrative Officer