



The Corporation of the  
City of Sault Ste. Marie

## COUNCIL REPORT

August 11, 2025

TO: Mayor Matthew Shoemaker and Members of City Council  
AUTHOR: Steve Facey, Manager of Finance  
DEPARTMENT: Corporate Services  
RE: Second Quarter Financial Report – June 30, 2025

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### **Purpose**

The purpose of this report is to provide Council the second quarter financial report for 2025.

### **Background**

Council reviews unaudited financial reports on a quarterly basis. The previous report can be found [here](#).

### **Analysis**

The second quarter financial results, as highlighted in **Appendix A**, are presented for Council's information. The information included is an update to what has been recorded since the first quarter report. The variances discussed below may contribute to the organization's year-end position; however, staff will continue to inform Council with updates as they become available.

Winter control activities remain overspent after analyzing April through June. The previous amount of \$1.4 million has increased to \$2.1 million, with almost 85% attributable to snow removal activities. The change from the first quarter to the second quarter is related to the timing of invoices and information. In addition to winter control activities, Public Works is also experiencing higher-than-budgeted repair costs to the City's fleet and equipment. This over-expenditure totals close to \$1 million to end of 2025. Offsetting under-expenditures also exist within Public Works, totaling \$700k for salary gapping, which will be reflected within the summer program's activities. All of these positions are intended to be filled by winter at the latest in order to maintain existing winter control service levels. In total, Public Works is anticipating a net over-expenditure of \$2.4 million for 2025.

Transit Services is facing similar pressures with respect to repairs and maintenance. An over-expenditure of \$600k is anticipated for 2025. These over-expenditures are partially offset by higher than anticipated Transit revenues; however, these are difficult to project as the impact of fewer international students will play a large factor in the fall of 2025. Transit revenues are still expected to reflect a positive variance by the end of the year.

Corporately, there are positive variances that offset these net over-expenditures, at least partially. Outside of Public Works, there are known positions that were not filled for an entire calendar year. Conservatively, we can estimate at least \$300k in known positions. This amount will most likely be higher given the previous year's trends. Staff are currently analyzing this in much more detail and will be able to provide a more refined figure in future reports. The City's ability to quantify salary gaps is quite manual and requires time to provide an accurate and less conservative amount. Also, from a corporate lens, the City has two positive variances with respect to an unbudgeted long-term care grant that is ending in 2025, as well as higher-than-anticipated revenues from the OLG. These net under-expenditures total \$1.2 million.

Lastly, Cemetery Services is also facing a net over-expenditure of approximately \$170k projected to the end of the year. This is the result of cremation revenues not materializing. A report on Cemetery Services will be forthcoming, anticipated in the third quarter of 2025.

From a City operations perspective, a deficit of \$1.5 to \$2.0 million is anticipated, given the data available now. Staff, including the City's Senior Management Team, are meeting monthly to analyze and recommend strategies as information becomes available. Cost mitigation strategies may need to be implemented soon to decrease the impact by December 31, 2025.

The City's levy, local boards, and outside agencies are outside its control. As reported previously, the Sault Ste. Marie Police Service is anticipating a net over-expenditure by the end of 2025. As of June 30, 2025, Police Services board meeting, an over-expenditure of \$1.45 million was highlighted for the board's information. These projections have been included for Council's information in Appendix D. This will form the City's year-end position and will need to be funded similarly to the impact of City operations. This is the most recent financial information available.

In total, with City operations and the City's outside agencies, a deficit of \$2.95 to \$3.45 million may materialize by December 31, 2025.

### **Funding a Deficit**

The City of Sault Ste. Marie has had a very lengthy streak of surpluses in recent history with only one deficit in approximately 20 years. Any deficit that a municipality faces must be funded. In the City's case, any deficit may be funded by City reserves which will require Council approval. Any unmitigated deficit, at this time, may be funded by the City's Winter Control, Tax Stabilization and Contingency reserves. Prior to that becoming a potential reality, staff will continue to mitigate as much as possible.

### **Assessment Growth and Capital**

The second quarter represents a positive assessment growth of 0.15% as highlighted in **Appendix B**.

A summary of the 2025 capital program is also included for Council's information in **Appendix C**. This information reflects actual expenditures and commitments equating to 61%.

### **Financial Implications**

There are no direct financial implications at this time.

The intent of the quarterly financial reports is to provide actual expenditures, both operating and capital, for the given period of time.

A deficit of \$2.95 to \$3.45 million may materialize by the end of 2025 when accounting for City operations and the City's outside agencies. Staff will continue to provide additional information to Council in future reports.

### **Strategic Plan / Policy Impact / Climate Impact**

This financial reporting is not an activity directly related to the strategic plan or climate action plan.

### **Recommendation**

It is therefore recommended that Council take the following action:

Resolved that the report of the Manager of Finance dated August 11, 2025 concerning Second Quarter Financial Report – June 30, 2025 be received as information.

Respectfully submitted,

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