

Operating Variance Report for the Year Ended December 31, 2025

Date: July 7, 2026

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

The purpose of this report is to provide City Council with the Operating Variance for the year ended December 31, 2025. This report also requests City Council's approval for amendments to the 2025 Approved Operating Budget that have no impact on the City's Net Budget.

The following table summarizes the year end financial position for the City's Tax-Supported Operations as of December 31, 2025.

Table 1: Tax-Supported Operating Variance Summary

Variance (\$ in Millions) Favourable / (Unfavourable)	As of December 31, 2025		
	Budget	Actual	Var
Tax-Supported Operating Variance Summary			
City Operations	3,436.2	3,366.1	70.1
Agencies	3,104.6	3,090.2	14.4
Corporate Accounts	(902.2)	(926.0)	23.8
Total	5,638.6	5,530.4	108.2
<i>Less: Toronto Building</i>	(15.8)	(15.8)	0.0
Total Variance	5,654.4	5,546.2	108.2
% of Gross Budget			2%

As detailed in Table 1 above, for the 2025 year-end, Tax-Supported Operations experienced a favourable net variance of \$108.2 million. The favourable net variance is consistent with expectations considered during the 2026 Budget process and reflects adjustments for Toronto Building whose surplus is allocated to reserves by legislation.

Rate-Supported Programs:

Rate-Supported Programs reported a favourable year-end net variance of \$66.1 million.

Table 2: Rate-Supported Operating Variance Summary

Variance (\$ in Millions)	December 31, 2025		
Favourable / (Unfavourable)	Budget	Actual	Var
Rate-Supported Operating Variance Summary			
Solid Waste Management Services	0.0	(10.1)	10.1
Toronto Parking Authority	(41.9)	(33.8)	(8.1)
Toronto Water	0.0	(64.1)	64.1
Total Variance	(41.9)	(108.0)	66.1

The favourable year-end variance is driven by Toronto Water largely due to the sale of water.

Rate-Supported Programs are funded entirely by user fees that are used to pay for the services provided and the infrastructure to deliver them. Solid Waste Management Services and Toronto Water's respective year-end surpluses, if any, must be transferred to the Waste Management Reserve Fund and the Wastewater and Water Stabilization Reserves respectively, to finance capital investments and ongoing capital repairs and maintenance. In instances where the Toronto Parking Authority has a surplus, seventy-five percent (75%) of the surplus is allocated to the City, with the remaining 25% reinvested in Toronto Parking Authority's capital projects.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the budget adjustments detailed in *Appendix D – Pending Budget Adjustments* to amend the 2025 Approved Operating Budget, with no impact on the Net Operating Budget of the City as well as the recommended expenditure authority as detailed in *Appendix F – Pending Expenditure Authority*.

FINANCIAL IMPACT

For the year-ended December 31, 2025, when adjusted for Toronto Building, the City experienced a favourable net variance in Tax-Supported programs of \$108.2 million.

The year-end variance is consistent with expectations considered during the budget process and reflects projections reported at the nine-month mark, which identified a favourable variance of \$97.4 million, with an anticipated additional \$10 million. A total of

approximately \$107 million was incorporated into the City's 2026 Budget and multi-year financial planning to support budget balancing strategies. These funds have been fully allocated and are not available for other purposes.

Appendices

Appendices A, B and C provide a detailed summary of Net Expenditures, Gross Expenditures, Revenue for the year-end results by City Program and Agency, respectively. Appendix D details the recommended in-year budget adjustments that are financially neutral to the 2025 Approved Operating Budget. Appendix E provides a dashboard with information for each City Program and Agency. Appendix F details the Pending Expenditure Authority requests. Donations and Sponsorship funds are itemized by program in Appendix G and H respectively.

DECISION HISTORY

Toronto's 2025 balanced Tax and Rate Supported Operating Budget totals \$18.8 billion. This includes \$16.6 billion (gross) and \$5.6 billion (net) for the Tax Supported Operating Budget and \$2.2 billion for the Rate Supported Operating Budget, covering Toronto Water, Solid Waste Management Services, and the Toronto Parking Authority. These were considered by City Council on February 11 and are now deemed adopted.
<https://secure.toronto.ca/council/agenda-item.do?item=2025.MPB27.1>

The 2025 Operating Variance Report for the Four Months Ended April 30, 2025, was adopted by the City Council on July 23, 2025.
<https://secure.toronto.ca/council/agenda-item.do?item=2025.EX25.10>

The 2025 Operating Variance Report for the Six Months Ended June 30, 2025, was adopted by the City Council on October 8, 2025
<https://secure.toronto.ca/council/agenda-item.do?item=2025.EX26.4>

The 2025 Operating Variance Report for the Nine Months Ended September 30, 2025, was adopted by the City Council on December 16, 2025
<https://secure.toronto.ca/council/agenda-item.do?item=2025.EX28.13>

This report is provided pursuant to financial management best practices and budgetary control. As part of the City of Toronto's financial accountability framework, quarterly and year-end operating variance reports are submitted to Committees and City Council, to provide financial monitoring information on operating results to date and projections to year-end, and on an exception basis, to identify issues that require direction and/or decisions from City Council. In addition, City Council's approval is requested for budget adjustments that amend the 2025 Approved Operating Budget between City Programs and Agencies in accordance with the Financial Control By-Law and the City's financial management policies.

2025 ACHIEVEMENTS

DELIVERING RESULTS FOR TORONTONIANS

The 2025 Operating Budget included investments for long-standing programs and services as well as additional investments for new or enhanced programs and services.

The City is committed to transparency, accountability, and continuous improvement. As such, the following section highlights 2025 achievements through expanded services, improved access, and enhanced quality of life.

CreateTO

Advanced affordable housing initiatives on City-owned lands, with 5 new developments breaking ground and 7 sites under construction.

Supported the opening of Biidaasige Park and the new mouth of the Don River – one of the largest naturalization and parkland projects in Toronto – helping deliver a connected network of parks and green spaces.

Development Review

Significantly reduced planning application timelines, with average decision times decreasing to 180 days for Site Plan, 174 days for Zoning By-law, and 216 days for Official Plan/Zoning applications, compared to 2023 averages of 769, 677, and 729 days respectively.

Economic Development and Culture

Increased funding enabled the Toronto Arts Council to support 64 equity-priority organizations and deliver 27 additional grants to individual artists.

A total of 198 businesses received facade improvement funding, enhancing streetscapes and supporting local economic activity.

Housing Secretariat

Expanded eviction prevention supports assisted an additional 150 households through enhanced relief benefits.

The Rent Bank program supported 2,961 households, exceeding its target of 2,700, and provided additional assistance to 300 households to help avoid eviction.

Parks and Recreation

The CampTO Nutrition Program provided free snacks at 45 locations, reaching up to 56,000 participants.

Expanded access to recreation included an additional 8,000 hours of free outdoor swim time, extended seasonal operations, 95,000 additional cleaning hours annually at 45 facilities.

New programming expended pickleball, social, and employment readiness opportunities for youth and seniors. Approximately 2,600 additional participant spaces were created through 11 new programs across 4 locations, with utilization reaching 100% at McGregor Park and 75% at satellite locations.

Social Development

In 2025, the Toronto Community Crisis Service (TCCS) received more than 17,000 calls, resulting in over 14,000 dispatches. Since its inception in 2022, the service has responded to more than 41,000 calls, dispatched over 34,000 teams, and made over 9,500 referrals to housing, mental health, and substance use supports, with more than 1,600 individuals connected to case management. The program continues to reduce reliance on police response for mental health-related calls.

Toronto Employment and Social Services

Completed 46,994 Ontario Works referrals to Employment Ontario under the Province's Integrated Employment Services model, exceeding initial projections.

Served 147,681 cases (223,658 individuals) through 14 offices, providing financial and employment support to residents in need.

Toronto Paramedic Services

Maintained service levels despite rising demand, including a 4% increase in emergency calls, a 3% increase in patient transports, and a 3.5% increase in in-hospital times.

Toronto Public Library

Expanded Social and Crisis Support Services from 4 to 12 branches, supporting 19,747 customer engagements, including 6,323 crisis sessions and 8,586 program participants in 2025.

Financial Empowerment Services delivered over 1,200 one-on-one sessions, enabling \$2.0 million in accessed benefits, alongside 96 programs reaching more than 900 participants.

New Youth Hubs at Eatonville, Northern District, and Woodside Square are expected to support approximately 16,600 annual youth visits, providing access to programming, technology and safe drop-in-spaces.

Toronto Shelter and Support Services

Enhanced outreach initiatives resulted in six parks being cleared of encampments in 2025, compared with two in 2024. Sustained prevention measures have maintained zero re-encampment, and a total of 5,485 encampments were reduced across park properties.

Expanded outreach capacity, including the addition of 10 outreach workers and weekend service, with extended support to TTC locations.

The Creating Health Plus program expanded food supports, providing additional fresh food and high-need items to shelter and drop-in programs.

Toronto Zoo

Achieved higher-than-budgeted revenues in memberships and education, with over 92% participant satisfaction from education participants and members, reflecting improved guest experiences and learning outcomes.

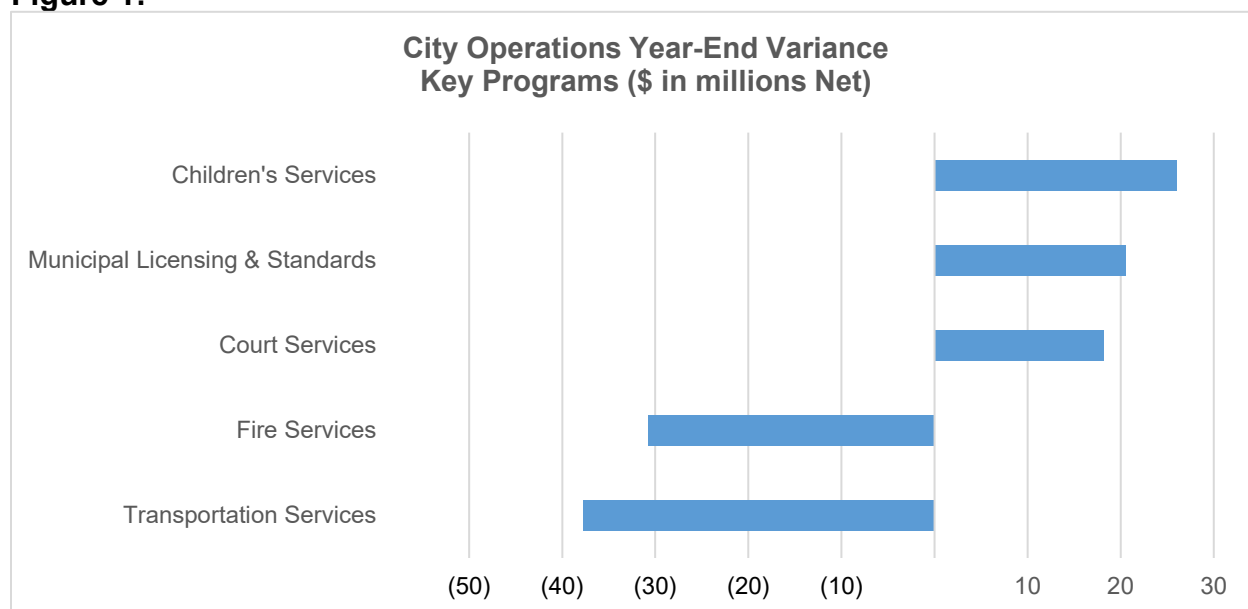
COMMENTS

CITY DIVISIONS

As of December 31, 2025, City Operations reported a favourable net variance of \$70.1 million (2%).

The divisions which have the most influence on the favourable net variances are outlined in Figure 1.

Figure 1:



Children's Services

Favourable variance of \$26.1 million is mainly driven by higher funding from the Province and Federal Governments due to changes in the funding model and ongoing implementation of Canada-Wide Early Learning and Child Care.

Municipal Licensing and Standards

Favourable variance of \$20.5 million mainly due to over-achieved revenues from business and gaming licenses due to increased volumes, registration fees; and other revenues. Additionally, lower spending in salaries and benefits contributed to the favourable variance.

Court Services

Favourable variance of \$18.2 million is primarily driven by lower spending on salaries and benefits resulting from vacancies, as well as savings related to courtroom audio

visual equipment and payments to interpreters and honorariums. In addition, fine revenue increased due to higher than budgeted number of tickets filed in 2025.

Fire Services

Unfavourable variance of \$30.7 million is a result of callback overtime, training costs related to Ontario regulation 343/22, and increased WSIB claims from provincially mandated Presumptive Cancer Legislation and Occupational Stress Injuries for firefighters; partially offset by savings in salaries and benefits due to attrition and retirements and favourable revenue from higher-than-expected false alarm charges.

Transportation Services

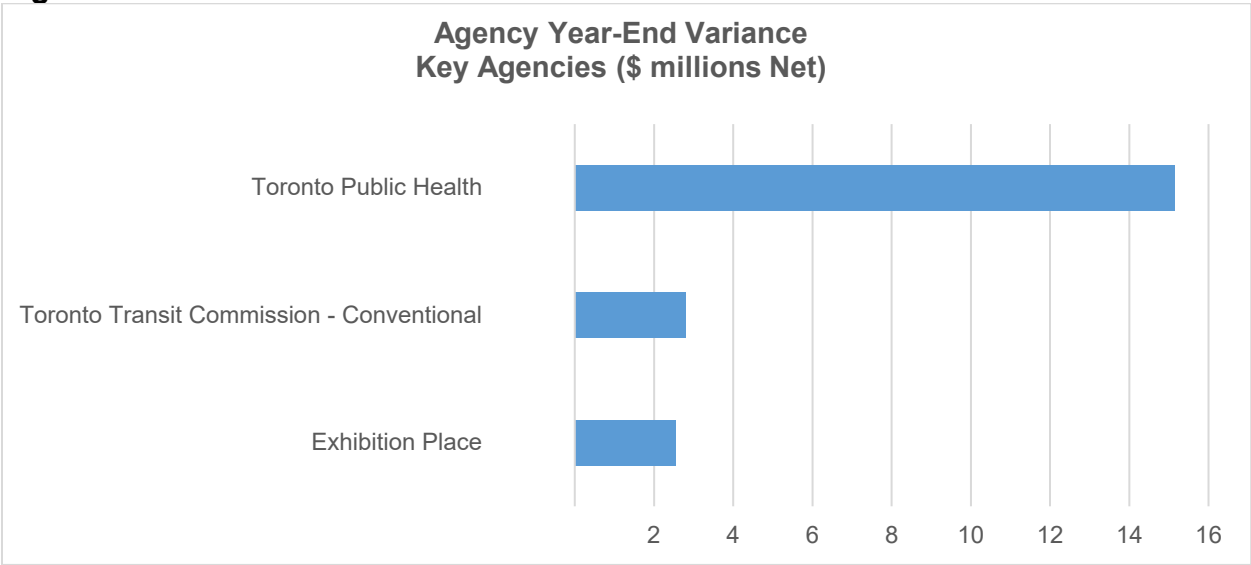
Unfavourable variance of \$37.8 million due to higher winter maintenance costs in response to the severe January-February winter storms, as well as the implementation of measures to strengthen winter maintenance operations for the 2025-2026 season, as directed by [EX27.2 - 2025 Winter Maintenance Program Review Update](#). Additionally, revenue for recoveries from construction related activities was \$3.8 million lower-than-budgeted.

CITY AGENCIES

As of December 31, 2025, City Agencies collectively reported a favourable net variance of \$14.4 million (0%).

The City Agencies which have the most influence on the favourable net variances are outlined in Figure 2.

Figure 2:



Exhibition Place

Favourable year-end variance of \$2.5 million mainly due to higher revenue from one-off large events; partially offset by higher expenditures from the replacement of aging equipment and information technology service contracts.

Toronto Public Health

Favourable net variance of \$15.2 million is primarily driven by lower spending from mandatory cost-shared programs due to a slower restart of paused programs, particularly within the reorganized Chronic Disease and Injury Prevention unit.

Toronto Transit Commission – Conventional

Favourable year-end variance of \$2.8 million due to the deferred timing of expenditures to support the planned opening of Line 5 and Line 6, lower than anticipated materials and services costs, lower employee benefits costs due to reduced WSIB claims, diesel cost savings following the removal of the Federal Carbon Tax effective April 1, 2025 and lower PRESTO commission fees consistent with reduced passenger revenue.

Revenue was unfavourable \$120.6 million, driven by lower Provincial funding related to the deferred timing of reimbursable Line 5 and Line 6 expenditures under the New Deal Agreement, lower-than-planned passenger revenue due to ridership levels below budget.

FIFA World Cup 2026 (FWC26)

Variance (\$ millions) Favourable / (Unfavourable)	2025 Year-End		
	Budget	Actual	Variance
Gross Expenditures			
City Manager Services	44.5	19.0	25.5
Toronto Emergency Management	1.9	1.5	0.4
Toronto Paramedic Services	1.5	1.3	0.2
Toronto Police Services	6.7	6.6	0.1
Social Development	0.1		0.1
Total Gross Expenditures	54.7	28.4	26.3

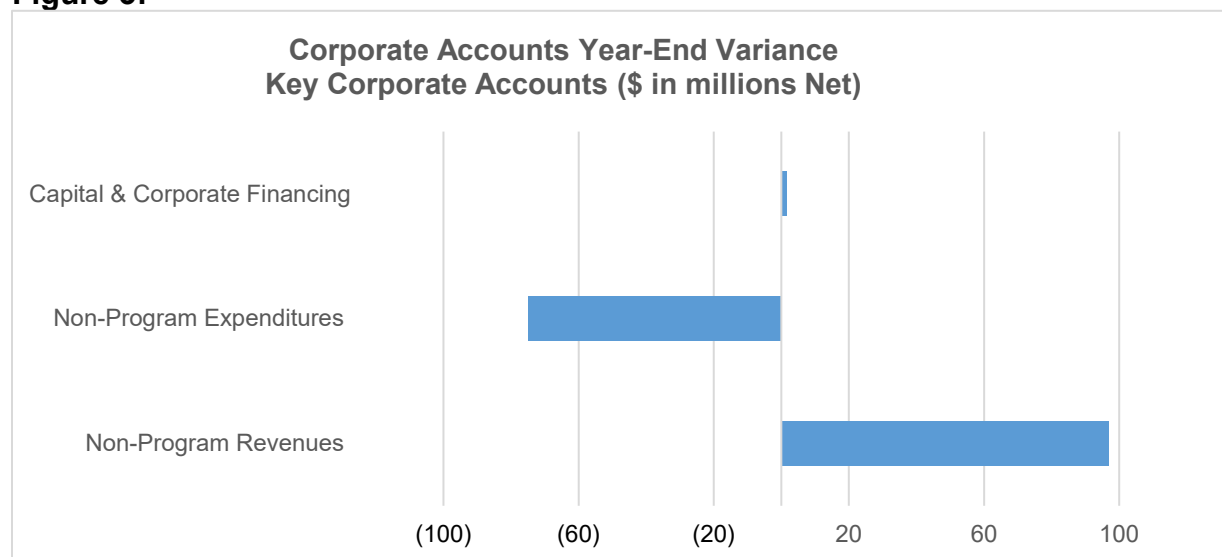
Year-end gross expenditures reflect a favourable variance of \$26.3 million. This is primarily due to the timing of rental expenditures planned for 2025 that will now be incurred in 2026, as well as delays in procurement activities. While this appears as an underspend in 2025, these funds do not represent savings as they will be utilized in 2026.

CORPORATE ACCOUNTS

As of December 31, 2025, Corporate Accounts reported a favourable net variance of \$23.8 million.

The key drivers of the favourable net variances are outlined in Figure 3.

Figure 3:



Capital and Corporate Financing

Favourable year-end variance of \$1.5 million driven mainly from lower than budgeted Capital from Current expenses, as well as lower debt charges.

Non-Program Expenditures

Unfavourable year-end variance of \$75.0 million, which includes additional reserve contributions planned as part of the multi-year budget planning process and timing impacts of collective bargaining agreements, that while within overall multi-year mandates, have higher than budgeted impacts in the early years of the agreements

Non-Program Revenues

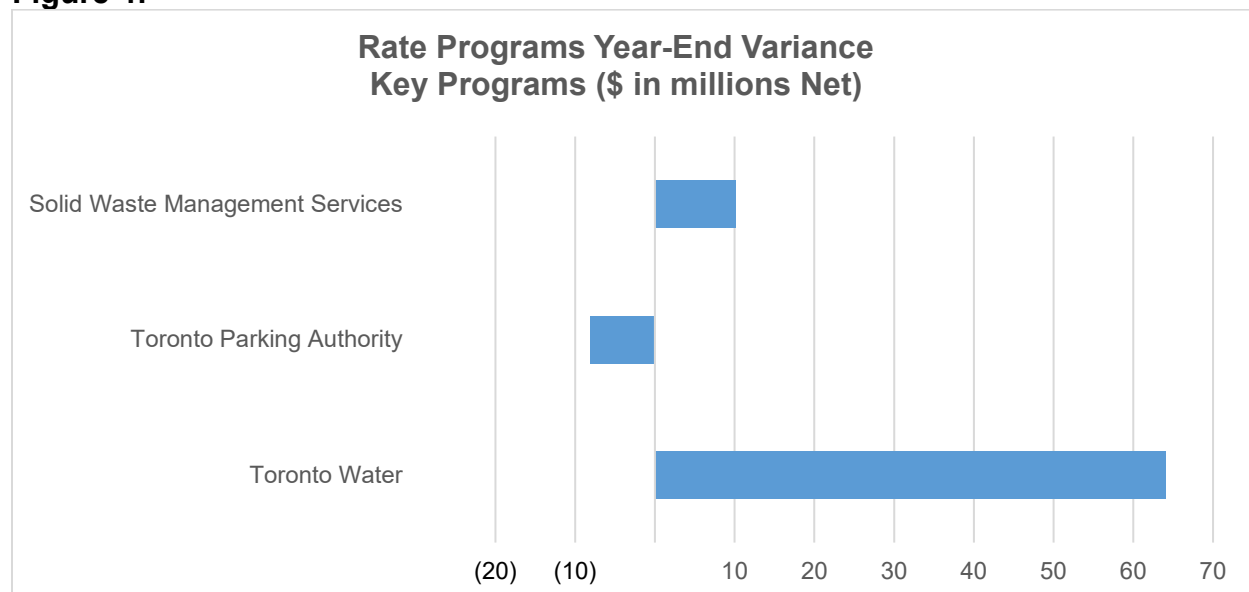
Favourable year-end variance of \$97.0 million driven by Interest and Investment earnings experiencing higher interest rates than budgeted, as well as strong performance from the Toronto Investment Board. Parking Tag revenue and supplementary taxes also contributed to the favourable variance but were offset by other corporate revenues which were lower as some budgeted draws from reserves were not required.

RATE-SUPPORTED PROGRAMS

As of December 31, 2025, Rate Programs reported a favourable net variance of \$66.1 million.

The favourable net variances are summarized in Figure 4.

Figure 4:



Solid Waste Management Services

Favourable year-end variance of \$10.1 million primarily driven by lower spending in services and rents including: lower collection, processing, haulage and storage costs. Favourable revenue variance of \$1.8 million is primarily driven by higher collection revenue, drop and load and Extended Producer Responsibility.

Toronto Parking Authority

Unfavourable net variance of \$8.1 million due to a one-time, non-performance-related transfer of four car parks and one property to the City valued at \$14.6 million. Excluding this transfer, which reflects an accounting loss only and does not impact the City's income share of TPA net revenue, underlying operations were \$6.5 million favourable due to lower depreciation from staggered capital delivery, lower salaries and benefits due to headcount management, and lower municipal tax expenses due to a lower-than-expected tax rate increase. This was partially offset by lower revenues from fewer parking transactions due to severe winter weather and ongoing congestion and construction impacts, despite strong Bike Share performance.

Toronto Water

Favourable year-end variance of \$64.1 million is driven by higher than planned revenue from sale of water to Toronto and York Region due to higher consumption, higher new water and sewer service connection revenue. The overachieved revenues are partially offset by lower revenue from transit projects in accordance with project timelines, lower private water and other third-party agreements. This is offset by \$4.9 million lower spending in expenses.

CONTACT

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix A - City of Toronto Net Expenditures for the Year-Ended December 31, 2025
Appendix B - City of Toronto Gross Expenditures for the Year-Ended December 31, 2025
Appendix C - City of Toronto Revenues for the Year-Ended December 31, 2025
Appendix D - Pending Budget Adjustments
Appendix E - Operating Variance Dashboard for City Programs and Agencies
Appendix F – Pending Expenditure Authority
Appendix G - Donation Funds
Appendix H - Sponsorships