

City of Mississauga
Corporate Report



<p>Date: March 3, 2025</p> <p>To: Chair and Members of General Committee</p>	<p>Originator's files:</p>
<p>From: Geoff Wright, P.Eng, MBA, City Manager and Chief Administrative Officer</p>	<p>Meeting date: April 9, 2025</p>

Subject

2024 Year End Reserves and Reserve Funds Report

Recommendation

- That a new Discretionary Reserve Fund entitled "Building Services Reserve Fund" (#35601) be created to stabilize revenues related to building services.
- That the balance of \$11,485,290.27 be transferred from the Reserve for Building Permit Revenue Stabilization (#30161) to the new "Building Services Reserve Fund" (#35601).
- That the Reserve for Building Permit Revenue Stabilization (#30161) be closed.
- That \$1,023,974.93 be transferred from the Special Holding Reserve Fund (#35589) to the Fiscal Stability Reserve (#30125).
- That a new Reserve Fund entitled "Churchill Meadows Tennis Facility Fund" (#35534) be created for the provision of funds for the capital repair and refurbishment of the Tennis Facility.
- That the North West Park Pool Reserve Fund (#35588) be renamed to "Churchill Meadows Pool Reserve Fund".
- That all necessary required by-laws be enacted.

Executive Summary

- Reserves and Reserve Funds (R&RFs) balances have decreased by \$6.7 million (net of committed funds) from 2023 year-end to 2024 year-end.
- Adjustments are proposed for the Fiscal Stability Reserve and Special Holding Reserve Fund.
- A new reserve fund is proposed to manage the surplus and or deficits pertaining to the Building Service Fees
- A new reserve fund is proposed for the provision of funds for capital repair and replacement of the Tennis Facility at the Churchill Meadows Community Centre and

Mattamy Sports Park.

- Five Reserve Funds were closed in 2024 through Council approved Corporate Reports (By-law #0077-2024).

Background

Reserves and Reserve funds (R&RFs) are created to assist with long-term financial stability and financial planning. By maintaining R&RFs, the City can accumulate funds for future needs or contingent liabilities, a key element of sound long-term financial planning practices. R&RFs also provide stability in times of unexpected shifts in revenues and expenditures. Credit rating agencies consider municipalities with higher reserve balances more advanced in their financial planning. R&RFs are maintained to:

- Provide stability in the face of variable and uncontrollable factors (e.g., growth, interest rates, and changes in subsidies) and to ensure adequate and sustainable cash flows
- Provide financing for one-time or short-term requirements without permanently impacting tax rates
- Make provisions for replacement of capital assets to sustain infrastructure
- Provide flexibility to manage debt levels and protect the City's financial position and
- Provide for future liabilities

Discretionary Reserves are established at the discretion of Council, often as part of an overall strategy to fund programs or special projects. Discretionary Reserves are generally used to mitigate the impact of fluctuations in operating costs and revenue. Examples of reserves currently used to mitigate budgetary fluctuations include the Reserve for Winter Maintenance and the Fiscal Stability Reserve. At the City, interest is not allocated to reserves.

Discretionary Reserve Funds and Obligatory Reserve Funds are established by Council for a specific purpose (e.g. Development Charges and Federal and Provincial Gas Tax). They contain funds that have been set aside as directed by a requirement of provincial or federal legislation, or by a decision of Council. Examples of projects include funds for conducting major repairs, renovations or rehabilitation of buildings or large equipment; acquiring new assets; and the lifecycle replacement of older city assets. Interest earned on these reserve funds must be allocated to the reserve fund that earned the interest.

Comments

Opening and Closing of Reserves and Reserve Funds in 2024

No new Reserve Funds were established, and the following five Reserve Funds were closed in 2024 through Council approved Corporate Reports (By-law #0077-2024)

- 1) Safe Restart Municipal Reserve (#30150)
- 2) Safe Restart Transit Reserve Fund (#30151)

- 3) COVID 19 Recovery Funding Municipal Reserve Fund (#30152)
- 4) Development Charges – Hershey Debt (#31347)
- 5) Discretionary DC Exemption Reserve Fund (#35600)

Amendment of Reserve and Reserve Funds

Housekeeping Changes

- **Renaming North West Park Pool Reserve Fund (#35588)**

A housekeeping change in Reserve and Reserve Fund By-law #0184-2022 is needed to rename the North West Park Pool Reserve Fund to “Churchill Meadows Pool Reserve Fund” to accurately reflect its location and purpose, ensuring clarity in financial reporting.

Transfers

- **Special Holding Reserve Fund (#35589) to Fiscal Stability Reserve (#30125)**

The Special Holding Reserve Fund (#35589) was established by Council in 2017 via Resolution #0212-2017. The purpose of this reserve fund is to capture year-end operating surplus contributions to be directed to future initiatives.

An initial deposit of \$2.9 million was transferred from the 2017 year-end surplus as an estimated amount equivalent to the City’s development charges relief for 174 Region of Peel affordable housing units located at 360 City Centre Drive. It was later determined that the actual development charges relief was \$2.3 million. The difference of \$0.6 million inclusive of interest earned is recommended to be returned to the Fiscal Stability Reserve (#30125).

Similarly in 2022, a transfer of \$0.5 million was transferred to the Special Holding Reserve Fund (#35589) as a one-time transfer to fund DC incentives which is no longer required due to the dedicated transfer to the special holding reserve fund through the operating budget. Thereby, it is recommended that \$0.5 million for this transfer be returned to the Fiscal Stability Reserve (#30125).

Request to Open / Close Reserve and Reserve Funds

- **“Building Services Reserve Fund” (#35601)**

The City collects various types of fees related to Building services. The Building Permit Revenue Stabilization Reserve (#30161) was created to offset fluctuations in permit revenues. Currently, the Building Permit Revenue Stabilization (#30161) is a Reserve under By-law 0184-2022 and does not require the segregation of money or assets, thereby allowing the use of the balance remaining in the reserve to be used to “top-up” or transferred to other reserves and reserve funds. Reserve funds, however, require a segregation of funds which are restricted to meet a specific purpose of the reserve fund as noted in the City’s *Reserves and Reserve Funds Management Policy 04-06-09*.

After consulting with the City's legal counsel on the permissible uses of building permit fees and management thereof, it is recommended that going forward any surplus of building services revenue, if any, after covering associated costs, be kept in a segregated reserve fund. A new discretionary reserve fund is to be created entitled "Building Services Reserve Fund (#35601) and the remaining uncommitted balance of \$11,485,290.27 in Reserve #30161 be transferred to this new reserve fund. The Building Permit Revenue Stabilization reserve #30161 will then be closed.

- **"Churchill Meadows Tennis Facility Fund" (#35534)**

A new Tennis Facility comprised of seven new tennis courts were developed within the Mattamy Sports Park at the Churchill Meadows Community Center. To manage the Tennis Facility, the city has entered into a commercial lease agreement with Premier Racquet Clubs Mississauga Corp. who would be responsible for operating the tennis clubs over the duration of the lease.

The city has paid for and installed a portion of the leasehold improvements and will recover \$1.25 million from Premier Racquet Clubs through annual capital recovery of \$0.25 million over five years. Additionally, there is an annual lease payment schedule that is anticipated to recover \$2.3 million over the life of the lease agreement.

Thereby, a new discretionary reserve fund is to be created entitled "Churchill Meadows Park Tennis Facility Fund" (#35534) for these contributions which would be used towards the capital repair and refurbishment of the Tennis Facility.

2024 Year-End Balances and Significant Changes from 2023

As at December 31, 2024, City staff managed 102 R&RFs with a consolidated 2024 year-end balance of \$1,057.7 million (net of committed funds). The total balance of R&RFs has decreased by \$6.7 million (net of committed funds) from 2023 to 2024. Table 1 summarizes all operating and capital R&RFs. R&RF balances are managed on an individual basis. Appendix 1 provides a more detailed listing of each R&RF.

General Committee	2025/03/03	5
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Table 1. Reserves and Reserve Funds – Position (net of committed funds) (\$000s)

	<u>Year End 2023</u>	<u>Year End 2024</u>	<u>\$ Change in Balance</u>	<u>% Change in Balance</u>
Obligatory R&RFs				
Development Charges	231,509	195,081	(36,428)	(16)%
CIL Parkland	140,476	139,766	(710)	(1)%
CIL Parking	4,446	(4,137)	(8,583)	(193)%
Community Benefits Charges	13,296	15,545	2,249	17%
Provincial Gas Tax	40,435	35,904	(4,532)	(11)%
Canada Community Building Fund	26,950	31,436	4,486	17%
Section 37- Bonus Zoning	8,404	8,376	(27)	(0)%
Housing Accelerator Fund	28,426	30,502	2,076	7%
	493,944	452,474	(41,470)	(8)%
Discretionary R&RFs				
Fiscal Stability	43,227	59,798	16,570	38%
Operating Reserves	69,403	51,275	(18,127)	(26)%
Stormwater Reserves	6,007	6,245	238	4%
Developer Contributions	32,980	35,841	2,862	9%
Employee Benefits	36,492	43,095	6,603	18%
Insurance	39,610	37,056	(2,554)	(6)%
Lot Levy	52,907	57,207	4,300	8%
Other Reserve Funds	45,438	58,660	13,221	29%
Stormwater Reserve Fund	64,521	78,548	14,027	22%
Tax Capital	180,322	169,721	(10,601)	(6)%
Tax Specific	(465)	7,761	8,226	(1768)%
	570,441	605,206	34,766	6%
Total R&RFs	1,064,384	1,057,680	(6,704)	(0.6)%

In 2024, total R&RFs decreased slightly by approximately 0.6% or \$6.7 million. Obligatory R&RFs decreased by 8%, whereas Discretionary R&RFs increased by 6%.

Development charges decreased by \$36.4 million in 2024 and is mainly driven by the funding of PN 24117 (Property Acquisitions) by Development Charges – Roads and Related Infrastructure Reserve Fund (#31335) in the amount of \$38.4 million. This was approved through an in-year Council Resolution (0202-2024).

The CIL Parking Reserve has a reduced balance by \$8.6 million because the City acquired property in 2024.

The overall balance in the Provincial Gas Tax Reserve Funds decreased by \$4.5 million in 2024 mainly as a result of funding \$10 million in Hydrogen Bus Acquisitions through Council Resolution (0172-2024) and partially offset by interest earned in the reserve fund.

The Housing Accelerator Fund (HAF) was established in 2023 to hold HAF contributions which will be disbursed in four separate advances. The increase of \$2.1 million in 2024 is a result of interest earned on the Reserve Fund.

The Fiscal Stability Reserve increased by \$16.6 million or 38% mainly due to the transfer of \$15.6 million from the Building Revenue Stabilization Reserve (#30161) as a result of the reserve being over the target as at 2023 year-end. This was to help replenish the level of the Fiscal Stability Reserve as it has been used to fund the City-wide deficits in previous years.

Operating Reserves are used to mitigate financial risk and stabilize the operating budget. The decrease of \$18 million in 2024 is mainly due to the transfer of \$15.6 million from the Building Revenue Stabilization Reserve (#30161) to the Fiscal Stability Reserve (#30125).

Employee Benefits Reserve Funds' balance increased by \$6.6 million, due to the contribution of excess premiums over claims for Long Term Disability Administrative Services (LTD ASO) totalling \$10.4 million. This was partially offset by \$3.8 million to cover WSIB claim expenditures.

Stormwater Reserve Funds have increased during 2024 mainly due to the transfer from operating for the Stormwater Pipe Reserve Fund as well as some returns of funds from Capital projects due to project completion.

Other Reserve Funds include a variety of program specific reserve funds. The overall increase of \$13.2 million is mostly attributed to program surplus transfers from operating, such as Municipal Accommodation Tax, and Parking Meter Revenue.

Tax Specific Reserve Funds is comprised of various program specific reserve funds which had an increase of \$8.2 million. The main driver being contributions to the Public Safety Fire Reserve Fund to fund fire stations and equipment in 2024 and in the future.

Reserves & Reserve Funds with Targets

Target balances for specific R&RFs have been identified to ensure these R&RFs are adequately funded. Appendix 2 provides a summary of all R&RFs with targets, comparing 2024 year-end balances to target. R&RF targets and balances are continually reviewed by Finance staff. Any funding requirements or revised targets are addressed through the annual Business Plan & Budget process, or specific corporate reports.

Financial Impact

There are no financial impacts resulting from the recommendations in this report.

The R&RF balances are in a fiscally stable position. Annual capital budget development and the Long-Range Financial Plan ensure that R&RFs are optimally used to address infrastructure replacement and city building needs. Strong and predictable R&RF balances also ensure the City can fund capital projects should anticipated senior government funding not be available or opportunities with cost-sharing infrastructure projects (e.g. ICIP) arise. Established principles and procedures for the City's R&RFs position the City well for long-range financial planning and reduce the potential for unanticipated budget pressures.

The City's 2024 surplus of \$3.1 million was transferred to the Elections Reserve (\$2.7 million) and Fiscal Stability Reserve (\$0.4 million).

Conclusion

Strong R&RF management and administration are key components of the City's long-term planning strategies and assist the City in achieving sustainability and flexibility while minimizing vulnerability. Planning for future liabilities and providing for a contingency ensures these liabilities and risks can be addressed as required.

The City's Finance division has established an approach of continuous improvement with respect to R&RFs. Policies, procedures and guidelines continue to be developed. Staff will continue to report ongoing activity through the Budget and Business Planning cycle and through the annual R&RF report.

Attachments

Appendix 1: Reserves and Reserve Funds – Year End 2024

Appendix 2: Reserves and Reserve Funds with Targets - Balance Compared to Target



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