

Date: February 20, 2026	Originator's files:
To: Chair and Members of Budget Committee	
From: Marisa Chiu, CPA, CA, Commissioner of Corporate Services, Chief Financial Officer and Treasurer	Meeting date: April 22, 2026

## Subject

**2025 Year End Reserves and Reserve Funds Report**

## Recommendation

1. That the purpose for the “Building Services Reserve Fund” (#35601) be amended in By-law 0184-2022, the Reserves and Reserve Funds from “used to stabilize revenues related to building services” to “providing sufficient funds to maintain operations and address capital needs of the building permits process affected by fluctuating development.”
2. That all necessary by-laws be enacted.

## Executive Summary

- Reserves and Reserve Funds (R&RFs) balances have increased by \$15.8 million (net of committed funds) from 2024 year-end to 2025 year-end.
- One Reserve Fund was closed, and three new Reserve Funds were opened in 2025 through Council approved Corporate Reports (By-law #0067-2025 and #0151-2025).
- Amending “Building Services Reserve Fund” (#35601) By-law 0184-2022 to better reflect its operational use and intent.

## Background

Reserve 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 and Reserve Funds vs. Obligatory Reserve Funds**

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 2025**

Three new Reserve Funds were established in 2025 through Council approved Corporate Reports (By-Law #0067-2025 and #0151-2025).

- 1) Churchill Meadows Tennis Facility Reserve Fund (#35534)
- 2) Lincoln Alexander Turf Sports Field Reserve Fund (#35535)
- 3) Building Services Reserve Fund (#35601)

One Reserve was closed in 2025 through Council approved Corporate Reports (By-law #0067-2025).

- 1) Reserve for Building Permit Revenue Stabilization (#30161)

### **Amendment of Reserve and Reserve Funds**

#### **Housekeeping Changes**

- Amend "Building Services Reserve Fund" (#35601) Purpose in by-law #0184-2022

It is recommended to amend the Building Services Reserve Fund (#35601) purpose from “To be used to stabilize revenues related to building services” to “Provides for sufficient funds to continue operating and capital needs of the building permits process affected by fluctuating development.”

Building permit revenues fluctuate with development activity while operating and capital costs of the building permit process remain relatively constant. The revised wording of the purpose clarifies that the reserve fund is used to ensure sufficient funding is available to maintain operations and address capital needs during periods of variable development, improving transparency and alignment with how the reserve fund is used in practice.

### **2025 Year-End Balances and Significant Changes from 2024**

As at December 31, 2025, City staff managed 103 R&RFs with a consolidated 2025 year-end balance of \$1,073.4 million (net of committed funds). The total balance of R&RFs has increased by \$15.8 million (net of committed funds) from 2024 to 2025.

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.

### **Table 1. Reserves and Reserve Funds – Position (net of committed funds) (\$000s)**

	<u>Year End 2024</u>	<u>Year End 2025</u>	<u>\$ Change in Balance</u>	<u>% Change in Balance</u>
<b>Obligatory R&amp;RFs</b>				
Development Charges	195,081	128,869	(66,213)	(34)%
Cash-in-Lieu of Parkland	139,766	150,458	10,692	8%
Cash-in-Lieu of Parking - City Wide	(4,137)	(37)	4,100	(99)%
Community Benefits Charges	15,545	15,987	442	3%
Provincial Gas Tax	35,904	33,378	(2,526)	(7)%
Canada Community Building Fund	31,436	35,164	3,728	12%
Section 37- Bonus Zoning	8,376	9,309	932	11%
Housing Accelerator Fund	30,502	47,505	17,003	56%
	<b>452,474</b>	<b>420,632</b>	<b>(31,842)</b>	<b>(7)%</b>
<b>Discretionary R&amp;RFs</b>				
Fiscal Stability	59,787	65,682	5,895	10%
Operating Reserves	51,275	38,565	(12,710)	(25)%
Stormwater Reserves	6,245	6,506	261	4%
Developer Contributions	35,841	37,089	1,248	3%
Employee Benefits	43,095	47,691	4,596	11%
Insurance	37,056	33,288	(3,767)	(10)%
Lot Levy	57,207	59,003	1,796	3%
Other Reserve Funds	58,660	68,952	10,293	18%
Stormwater Reserve Fund	78,548	70,137	(8,411)	(11)%
Tax Capital	169,721	221,457	51,736	30%
Tax Specific	7,761	4,439	(3,322)	(43)%
	<b>605,195</b>	<b>652,810</b>	<b>47,614</b>	<b>8%</b>
<b>Total R&amp;RFs</b>	<b>1,057,669</b>	<b>1,073,442</b>	<b>15,773</b>	<b>1.5%</b>

### Obligatory Reserve Funds Explanation of Significant Changes

Development Charges (DC) Reserve Funds decreased by \$66.2 million in 2025, primarily due to the housing market slowdown, which directly reduced the volume and timing of DC collections, leading to lower contributions to DC reserve funds as developers deferred or rephased investments in new construction.

At the same time, planned and Council-approved draws continued to fund growth-related capital projects as many DC funded projects are multi-year in nature, the City remains obligated to continue funding these projects once initiated, to ensure continuity of construction, contractual commitments, and infrastructure delivery aligned with growth needs.

Through the cyclical Work-in-Progress (WIP) review, funding was returned from projects with changed scope or timing back to the appropriate DC reserve funds.

The Cash-in-Lieu of Parkland Reserve Funds increased by \$10.7 million in 2025, driven primarily by \$5.7 million in funding returned through the WIP review process and \$5.9 million in investment interest earnings generated on reserve fund balances.

The CIL Parking Reserve Fund has increased by \$4.1 million as a result of proactive review conducted by staff to review existing projects that had not commenced and returned funds back to the DC reserves through the Work in Progress review completed in 2025.

The Provincial Gas Tax Reserve Funds decreased by \$2.5 million in 2025, primarily due to the use of \$8.0 million to offset transit-specific operating deficits. This use is aligned with the purpose of the Provincial Gas Tax as a dedicated funding source for transit-related operating costs in the annual operating budget. The reserve continues to operate within established target levels, and the decrease was partially offset by the return of \$3.4 million in WIP funding and \$2.0 million in investment income.

The Housing Accelerator Fund (HAF) was established in 2023 to hold HAF contributions which will be disbursed in four separate advances. In 2025, the reserve fund increased by \$17.0 million as a result of receiving the second installment of \$28.2 million and earning \$1.7 million in investment interest earnings on the balance. This was offset by \$12.9 million used to top up the Development Charges reserve fund for the discount provided through the Mayors Housing Task Force (MHTF) initiatives.

### **Reserves and Discretionary Reserve Funds Explanation of Significant Changes**

The Fiscal Stability Reserve increased by \$5.9 million in 2025, primarily due to a \$6.0 million transfer from Building Services for indirect cost recovery, \$3.4 million net contribution from TNC enforcement revenues in excess of expenses and \$1.7 million in growth related tax apportionment. These increases were partially offset by a \$5.4 million draw to fund the City's 2025 operating deficit.

Operating reserves are used to mitigate financial risk and stabilize the operating budget. The \$12.7 million decrease in 2025 is primarily due to the transfer of the remaining balance from the Building Permit Revenue Stabilization Reserve (#30161) to the Building Services Reserve Fund (#35601), as approved in the 2024 Year-End Reserves and Reserve Fund Report (By-law #0067-2025). This is reflected as a corresponding increase in the 'Other Reserve Fund' category in Appendix 1.

There was minimal activity in the remaining operating reserves; Winter Maintenance, Elections, Tourism Mississauga, DC Incentive, Reserve for the Arts and Reserve Development Fees, making the Building Permit reserve reorganization the main driver of the decrease. Employee Benefits Reserve Funds' balance increased by \$4.6 million, due to the contribution of excess premiums over claims for Long Term Disability Administrative Services (LTD ASO) totalling \$9.1million. This was partially offset by \$4.5 million in higher WSIB claim expenditures than the prior year.

Other Reserve Funds include a variety of program specific reserve funds. The overall increase of \$10.3 million is mainly driven by the following reserve funds:

- \$15.8 million increase in the Building Services Reserve Fund (#35601) due to the transfer of \$11.5 million from the Building Permit Revenue Stabilization Reserve (#30161) and \$4 million in building permit revenue surpluses.
- \$2.8 million increase in the Affordable Housing Reserve Fund (#35591) due to a Section 37 Developer contribution to be used for affordable housing.
- (\$6.6) million decrease in the Municipal Accommodation Tax RF (#35580) mainly attributed to funding 2025 Budget Capital Projects (By Law #0009-2025).
- \$(3.2) million decrease in the Automated Speed Enforcement Reserve Fund (#35580) mainly due to funding a 2025 Budget Capital Project (By Law #0009-2025). Note that a portion of this funding is anticipated to be returned to source in the future due to change in scope as a result of legislative changes under the *Building a More Competitive Economy Act*.

Stormwater Reserve Funds have decreased during 2025 by \$8.4 million mainly due to the funding of approved 2025 capital projects which slightly exceeded contributions received during the year.

Tax Capital Reserve Funds increased by \$52 million in 2025 driven primarily by the return of project funding following a review of active capital projects to ensure reserve allocations accurately reflect actual funding requirements and project delivery needs.

### **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 2025 year-end balances to the target of that year. 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.

## 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.

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 2025

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



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