



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: June 24, 2025

Report Number: SRCFS.25.013

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.25.013 - 2024 Reserve and Reserve Fund Status**

Purpose:

To provide an update on the status of the City's Reserves and Reserve Funds as of December 31, 2024.

Recommendations:

- a) That staff report SRCFS.25.013 regarding 2024 Reserve and Reserve Fund Status be received;
- b) That Council enact the Housing Accelerator Fund Grant Reserve Fund By-law 63-25 included in Appendix C; and
- c) That for administration purposes, the Ontario Cannabis Legalization Implementation Reserve be closed upon amalgamation with the Tax Rate Stabilization Reserve.

Contact Person:

- Diana Selicean, Capital and Reserves Financial Management Advisor, Extension 6427
- Muhammad Raza, Manager, Fiscal Strategy and Long-Term Planning, Extension 6307
- Gigi Li, Director Financial Services and Treasurer, Extension 6435
- Sherry Adams, Commissioner Corporate and Financial Services, Extension 2521

Report Approval:

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner and City Manager. Details of the reports approval are attached.

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Key Messages:

- The City's Reserves and Reserve Funds reached \$479.85 million at the end of 2024, showing strong financial management and a 5.93% increase from the previous year.
- This report shows how the City is making sure funds are available for critical needs like infrastructure, services, and emergencies, while maximizing every dollar to deliver real community benefits such as new parks, stormwater upgrades, improved transit, and additional firefighters.
- Despite ongoing provincial legislative changes, the City continues to adapt its funding strategies and rigorously reviews all Reserves and Reserve Funds to ensure they align with key priorities such as housing, economic growth, and the protection of essential services and infrastructure.

Background:

In accordance with the City's Financial Control By-law and as part of long-term financial planning, it is essential to regularly review the status of Reserves and Reserve Funds to maintain appropriate levels and ensure financial sustainability. Staff will continue to inform Council regularly on the adequacy of the City's Reserves and Reserve Funds.

Reserves and Reserve Funds, established through City By-laws or Provincial legislation, are essential tools for ensuring the City's financial flexibility and long-term stability. They help mitigate risks, manage operational uncertainties, and support sustainable service delivery. These funds play a vital role in the City's overall financial framework and serve as a key indicator of its fiscal health.

Funds are allocated to the various Reserves and Reserve Funds through the following sources:

- Internal funding sources: approved budget contributions, approved Capital Asset Sustainability fee, annual surplus contributions, sale of assets, capital project financial status reports, investment income.
- External funding sources: development related charges and fees collected, government grants and donations.

When Council approves the capital budget, it also commits the corresponding Reserve and Reserve Fund allocations for capital expenditures and asset acquisitions. These projects are funded progressively as expenditures are incurred. To prevent from overcommitting the Reserve or Reserve Fund, any approved but unspent funding is earmarked and deducted from the actual reserve balance. For reporting purposes, staff present these earmarked amounts separately.

Page 3**Discussion:****2024 Year End Balances and Significant Changes since 2023**

As of December 31, 2024, the City maintained 86 Reserves and Reserve Funds, with a consolidated year-end balance of \$479.85 million. This represents an increase of \$26.86 million, or 5.93%, compared to the previous year's total balance.

Reserves and Reserve Funds	Year End 2023	Year End 2024	Change in Balance (\$)	Change in Balance (%)
Reserves	\$62.03	\$66.43	\$4.40	7.10%
Reserve Funds	\$390.96	\$413.42	\$22.46	5.74%
Obligatory	\$172.52	\$200.69	\$28.17	16.33%
Discretionary	\$218.44	\$212.72	-5.72	-2.62%
Total	\$452.99	\$479.85	\$26.86	5.93%

A. Reserves

Reserves are allocations of revenue set aside at Council's discretion through the annual budget or forecast process. Typically linked to the Operating Program, reserves are not tied to specific assets and do not accrue interest. Instead, interest earned on these funds is historically reflected as investment income in the Operating Budget, with a budgeted amount of \$9.6 million in 2024.

Reserves, categorized as outlined below, account for 7.10% of total Reserves and Reserve Funds. Their balance increased by \$4.4 million, rising from \$62.03 million in 2023 to \$66.43 million in 2024.

Reserves	Year End 2023	Year End 2024	Change in Balance (\$)	Change in Balance (%)
Stabilization Reserves	\$29.29	\$32.68	\$3.39	11.58%
Developer Funded Reserves	\$29.17	\$29.64	\$0.47	1.59%
Other Reserves	\$3.57	\$4.12	\$0.54	15.26%
Total	\$62.03	\$66.43	\$4.40	7.10%

Stabilization Reserves

These reserves are intended to mitigate the impact of fluctuations in operating costs and revenues on tax and utility rates, as well as to accumulate funds for future contingent liabilities.

The 2024 year-end balance stands at \$32.68 million. This includes a \$0.93 million surplus transfer from the operating fund to the Tax Rate Stabilization Reserve, and a \$2.43 million transfer from the Water Sewage Rate (Water Rate Stabilization) Reserve to the water fund, as approved by Council at the May 6, 2025, Budget Committee of the Whole meeting through SRCFS.25.018.

Developer Funded Reserves

Developer Funded Reserves are fees collected from development activities and are used to support services such as engineering reviews, inspections, water meter installations, tree planting, and streetlight infrastructure. In 2024, the balance increased by \$0.47 million, rising from \$29.17 million in 2023 to \$29.64 million. This growth is primarily due to higher collections of engineering review and inspection fees associated with subdivisions and site plans.

Other Reserves

Other Reserves include Disabled Parking Fines Reserve, David Dunlap Observatory Woodlot Management Reserve, and the Terrestrial Natural Area Restoration Reserve. As of December 31, 2024, the combined balance of these reserves was approximately \$4.12 million.

B. Reserve Funds

Reserve Funds differ from Reserves in that they are physically segregated from other City assets and all interest earned within a Reserve Fund must be retained in that fund. These funds are primarily linked to the Capital Program and are categorized into two types: **Obligatory Reserve Funds** and **Discretionary Reserve Funds**.

Obligatory Reserve Funds

Obligatory Reserve Funds consist of revenues received and set aside for specific purposes as mandated by legislation, provincial statutes, or contractual agreements. These funds are restricted in use and can only be applied to the purposes for which they were collected.

As of December 31, 2024, Obligatory Reserve Funds had an earmarked balance of \$200.69 million, representing 42% of the City’s total Reserves and Reserve Funds. These funds are organized into four main categories:

Obligatory Reserve Funds	Year End 2023	Year End 2024	Change in Balance (\$)	Change in Balance (%)
Development Charges	\$106.66	\$130.06	\$23.40	22%
Lot Levies and Cash-in-lieu of Parkland	\$50.11	\$55.12	\$5.01	10%
Canada Community Building Fund	\$11.61	\$5.81	-\$5.80	-50%
Other Obligatory	\$4.14	\$9.70	\$5.57	135%
Total	\$172.52	\$200.69	\$28.17	16.33%

Development Charges Reserve Funds

As set out under Section 16(1) of the Development Charges Act, these Reserve Funds are comprised of Development Charges collected and their use is restricted to fund development or growth-related infrastructure.

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The combined earmarked balance of these Reserve Funds is \$130.06 million as of December 31, 2024.

The \$23.4 million balance increase is mainly attributable to timing difference of growth projects earmarked compared to last year and an increase in developer charges collected, and higher interest allocated.

Development Charges Reserve Funds	Year End 2023	Year End 2024	Change in Balance (\$)	Change in Balance (%)
City Wide Development Charges (Combined)	\$88.11	\$109.54	\$21.42	24.31%
Area Specific Development Charges (combined)	\$18.55	\$20.52	\$1.97	10.63%
Total	\$106.66	\$130.06	\$23.40	21.93%

During 2024, the City collected \$34.18 million in development charges, which represents an increase of \$11.19 million when compared to 2023, mainly due to an increase in residential development activity.

Since 2019, the Province of Ontario has introduced several legislative changes to the Development Charges Act, beginning with Bill 108 and most recently through Bill 185, which have significantly impacted the City's ability to fund growth-related infrastructure. These changes have altered how development charges are calculated, phased in, and applied, affecting the financial sustainability of municipal infrastructure planning.

The Province has recently introduced Bill 17, the Protect Ontario by Building Faster and Smarter Act, 2025, which proposes further amendments to the development charges framework. While the stated intent of the legislation is to streamline planning processes and support housing delivery, the full implications for municipal revenue generation and infrastructure funding are still being assessed. Staff are currently reviewing the proposed changes to understand their potential impact on the City's financial planning and growth management strategies.

Staff will continue to monitor these legislative developments and provide Council with updates on the financial and operational impacts to the City as appropriate.

Lot Levies and Cash-in-lieu of Parkland

Established under Section 42(15) of the Planning Act, the Cash-in-Lieu of Parkland Reserve Fund is designated for the acquisition and development of new parkland. As of December 31, 2024, the fund held an uncommitted balance of \$55.12 million.

In 2024, the fund's balance increased by \$5.01 million, primarily due to \$8.08 million in collections, significantly higher than the \$2.77 million collected in 2023, exceeding the amount transferred to the Capital Program.

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Canada Community-Building Fund

Introduced in 2005, the Canada Community-Building Fund (formerly the Federal Gas Tax Fund) provides Ontario municipalities with stable, predictable, and long-term funding for environmentally sustainable infrastructure. Recent updates to the program have expanded the list of eligible capital projects, enabling greater alignment with the City's strategic priorities. As of December 31, 2024, the fund had a balance of \$5.81 million.

In 2024, the City secured a new agreement with the Association of Municipalities of Ontario (AMO), with an allocation of approximately \$6.8 million annually over the next four years. These funds have been earmarked for eligible capital projects in the Capital Program, including a \$15 million investment in stormwater infrastructure from 2025 to 2029 at \$3 million per year as approved in the 2024 Stormwater Management Financial Plan.

Other Obligatory Reserve Funds

As of December 31, 2024, the City's other Obligatory Reserve Funds totaled \$9.70 million. These include the Building Rate Stabilization Reserve Fund, Section 37 Community Benefits Reserve Fund, Community Benefits Charge Reserve Fund, and the newly established Housing Accelerator Fund (HAF) Grant Reserve Fund.

To help address the national housing shortage, the Government of Canada introduced the Housing Accelerator Fund (HAF) in the 2022 Federal Budget. This initiative aims to increase housing supply at a faster pace by providing incentive funding to municipalities that remove barriers and streamline the approvals and building process.

In alignment with this initiative, staff recommend the establishment of a dedicated Obligatory Reserve Fund to manage funds received from the Canada Mortgage and Housing Corporation (CMHC). This Reserve Fund is established to ensure that HAF contributions are administered in compliance with the HAF Contribution Agreement between the City and CMHC, including requirements for tracking, reporting, and use of funds.

To formalize this, **By-law 63-25**, included in **Appendix "C"**, is presented for Council enactment.

Under the executed agreement dated November 15, 2023, the City is eligible to receive four equal payments of \$7.79 million, totaling \$31.12 million between March 31, 2024, and March 31, 2027, contingent on meeting all Agreement conditions. As of the end of 2024, the City has received the first installment of \$7.79 million, which is earmarked for program incentives and staffing costs related to the extended fiscal year 2024 HAF Action Plan.

Discretionary Reserve Funds

Discretionary Reserve Funds are established by Council for specific purposes; however, unlike Obligatory Reserve Funds, they are not subject to external restrictions on their use. As of December 31, 2024, these funds totaled \$212.72 million, representing 44% of the City's total Reserves and Reserve funds. They are categorized as follows:

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Discretionary Reserve Funds	Year End 2023	Year End 2024	Change in Balance (\$)	Change in Balance (%)
Tax Supported R&R	\$66.97	\$62.18	-\$4.79	-7.15%
Rate Supported R&R	\$56.16	\$52.87	-\$3.29	-5.86%
Hydro	\$63.87	\$64.30	\$0.43	0.68%
Other Discretionary	\$31.44	\$33.37	\$1.93	6.13%
TOTAL	\$218.44	\$212.72	-\$5.72	-2.62%

Tax Supported Repair and Replacement Reserve Funds

Like many major Ontario municipalities, the City faces the dual challenge of aging infrastructure and the continual addition of new assets. To address mounting pressures on the Tax-Supported Repair and Replacement Reserve Funds, Council approved a 1% Capital Asset Sustainability Levy in 2016, applied annually through 2025. This annual levy was increased to 1.5% in 2024.

These Reserve Funds are primarily used to rehabilitate existing infrastructure, support infrastructure renewal projects, and advance strategic priorities. They also help fund the City's share of growth-related projects that benefit existing development.

As of the end of 2024, the combined earmarked balance of these Reserve Funds stood at \$62.18 million. The \$4.79 million year-over-year decline is mainly due to increased earmarking for state-of-good-repair capital projects.

Rate Supported Repair and Replacement Reserve Funds

The various Rate Supported Reserve Funds in the repair and replacement category are grouped by fund and as seen in the table below, and have a combined December 31, 2024, balance of \$52.87 million.

Rate Supported Repair and Replacement Reserve Funds	Year End 2023	Year End 2024	Change in Balance (\$)	Change in Balance (%)
Water and Wastewater	\$53.69	\$51.13	-\$2.56	-4.77%
Water Quality Protection (Stormwater)	\$2.47	\$1.74	-\$0.73	-29.48%
Total	\$56.16	\$52.87	-\$3.29	-5.86%

As of December 31, 2024, the combined balance for the Water and Wastewater Fund comprised of Watermain, Sanitary Sewer, and Watermeter Reserve Funds was \$51.13 million.

The Water Quality Protection Reserve Fund provides for the periodic rehabilitation of environmental, storm water management systems and has a balance of \$1.74 million as of December 31, 2024.

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On November 13th, 2024, Council approved the Stormwater Management Financial Plan, including funding for the City's ten-year Stormwater Capital Program. Infrastructure needs for 2025 to 2034 will be supported through a combination of sources: the Water Quality Protection Reserve Fund, Development Charges, the Canada Community-Building Fund, and other grants. To help manage and smooth potential rate increases, the City may also consider internal borrowing of up to \$22 million.

Hydro Reserve Funds

In 2003, Council established six Reserve Funds using proceeds from the sale of the former Richmond Hill Hydro. Two of these funds, the Capital Asset Continuity Reserve Fund and the Transportation Network Repair and Replacement Reserve Fund are grouped under Tax-Supported Repair and Replacement Reserve Funds, while the Water Quality Protection Reserve Fund is included in Rate-Supported Repair and Replacement Reserve Funds.

As of December 31, 2024, the combined balance of the remaining Hydro Reserve Funds totaled \$64.30 million, distributed among the following key funds:

Hydro Reserve Funds	Year End 2023	Year End 2024	Change in Balance (\$)	Change in Balance (%)
Community Enhancement and Economic Vitality	\$52.22	\$53.05	\$0.83	1.58%
Strategic Rapid Transit	\$7.65	\$7.33	-\$0.32	-4.14%
Ecological Legacy	\$4.00	\$3.93	-\$0.07	-1.86%
Total	\$63.87	\$64.30	\$0.43	0.68%

Community Enhancement and Economic Vitality Reserve Fund

Originally established with a \$40 million balance, this fund supports community projects or programs that enhance the quality of life and promote economic vitality. As of year-end 2024, the balance stood at \$53.05 million.

Key allocations from this Reserve Fund include:

- Funding of the eight-year phase-in of the Public Works Enhancement Program.
- Supporting the five-year phase-in of hiring 16 new firefighters, as approved in the 2022 Operating Budget.
- A proposed \$22.13 million allocation for stormwater infrastructure, pending Council approval of SRCFS.25.028 – Stormwater Management Capital Financing Plan. This would be funded through an internal financing arrangement over six years, with principal and interest repayments funded through rate increases in the Rate-Supported Stormwater Management Operating Budget.

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Strategic Rapid Transit

Established with a \$5 million balance, this fund supports long-range, multi-jurisdictional transit initiatives. As of December 31, 2024, the balance was \$7.33 million, earmarked for:

- \$1.2 million for the Richmond Hill Yonge North Subway Extension.
- Potential funding of the City's share of grade separation projects related to All Day GO service.

Metrolinx has confirmed that all staff and consulting costs directly related to the Yonge North Subway Extension will be fully reimbursed, recognizing the City's critical role in advancing the project.

Ecological Legacy Reserve Fund

Initially funded with \$6 million, this reserve was intended to support community-based ecological initiatives, with the principal preserved. However, due to its use in funding the Emerald Ash Borer (EAB) Management Strategy, the principal was reduced.

In 2016, Council directed that the remaining \$3 million principal be protected, with only interest earnings available for disbursement. As of December 31, 2024, the balance was \$3.93 million.

Other Discretionary Reserve Funds

As of December 31, 2024, other discretionary Reserve Funds totaled \$33.37 million. The \$1.93 million increase from the previous year is primarily attributed to:

- \$0.62 million from land sales transferred to the Property Divestiture and Acquisition Reserve Fund.
- \$0.92 million transferred from the operating budget surplus to the WSIB Reserve Fund.
- \$0.25 million increase in the Sick Leave Reserve Fund.

C. Interest Allocation

Investment income generated from the City's investment portfolio is allocated annually between the Operating Budget and Reserve Funds. While interest rates have declined from recent highs, they remain elevated compared to historical norms, allowing both the Operating Budget and Reserve Funds to continue benefiting from favorable returns.

Interest is allocated only to discretionary and obligatory Reserve Funds. The Municipal Act does not prescribe how interest must be distributed, the allocation is determined at the Treasurer's discretion.

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All Reserve Funds are assigned the portfolio income rate of return. The resulting interest amount is then simply a product of the return rate and the Reserve Fund's average balance for the year.

D. Reserve and Reserve Fund Realignment

City staff regularly review existing Reserves and Reserve Funds to ensure they remain aligned with current needs and priorities. As part of this ongoing process, staff recommend transferring the balance of the Ontario Cannabis Legalization and Implementation Reserve to the Tax Rate Stabilization Reserve.

This Reserve was originally established to hold funds received from the Ontario Cannabis Legalization Implementation Fund (OCLIF), intended to support municipal activities related to the implementation of recreational cannabis legislation.

The City received a one-time payment of \$89,168, which was set aside pending the completion of research and reporting that informed Council's decision on retail cannabis operations. These costs, initially funded through the tax base, would have been eligible for OCLIF funding.

Staff now recommend transferring the remaining balance of \$89,168 to the Tax Rate Stabilization Reserve and close the Ontario Cannabis Legalization Implementation Reserve.

Financial/Staffing/Other Implications:

This staff report provides status on Reserves and Reserve Funds for the year ended December 31, 2024. There are no financial, staffing or other implications as a result of this report.

Relationship to Council 2024-2027 Strategic Plan:

Presentation of the status of the City's Reserve and Reserve Funds reflects wise management of resources, and it touches on the Strengthening our Foundations Pillar and supports making decisions that are evidence based and data driven to enable the City's long term financial sustainability, as well as social, environmental and economic sustainability.

Through the Reserves and Reserve Funds By-laws, internal guidelines and external regulations, staff are closely monitoring the transfers to and from Reserves and Reserve Funds as approved in the Capital and Operating Budgets and reviewing the financial position of Reserves and Reserve Funds on a regular basis to ensure appropriate levels and financial sustainability.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format, please call contact person listed in this document.

Appendix A - Definitions of Reserves and Reserve Funds

Appendix B - 2023 and 2024 Reserve and Reserve Funds Year-end Balances Comparison

Appendix C - By-law 63-25 Housing Accelerator Fund Grant Reserve Fund

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Report Approval Details

Document Title:	SRCFS.25.013 - 2024 Reserve and Reserve Funds Status.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.25.013 - Appendix A - Definitions of Reserves and Reserve Funds.pdf- SRCFS.25.013 - Appendix B - 2023 and 2024 Reserves and Reserve Fund Balances Comparison.pdf- SRCFS.25.013 - Appendix C - By-Law 63-25 Housing Accelerator Fund Grant Reserve Fund .docx
Final Approval Date:	Jun 5, 2025

This report and all of its attachments were approved and signed as outlined below:

Gigi Li - Jun 4, 2025 - 5:57 PM

Sherry Adams - Jun 5, 2025 - 10:17 AM

Darlene Joslin - Jun 5, 2025 - 12:12 PM