

City of Toronto Reserve and Reserve Fund Balances as at September 30, 2024

Date: November 26, 2024

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report summarizes the activities of the City of Toronto's (City) Reserves and Reserve Fund balances for the nine months ended September 30, 2024.

Reserves and Reserve Funds established by Toronto City Council (Council) are key to support the financial management and operations of the City, and to minimize annual tax rate fluctuations. The funds help offset future capital needs, obligations such as employee expenses, fiscal pressures from ongoing programs, unforeseen costs, and revenue shortfalls.

Reserves and Reserve Funds balances as at September 30, 2024 totaled \$5,857.7 million, an increase of \$566.0 million from December 31, 2023 (\$5,291.7 million). This net increase is the result of deliberate contributions for capital investments in housing, transit, capital infrastructure, and vehicle and equipment replacement as authorized by Council. The majority of the City's reserve and reserve fund balances (\$5,647.3 million, or 96.4%) are committed to future Council directed activities that include capital and operating expenditures and rate-based activities.

There are total commitments and obligations of \$15.721 billion against the \$5,647.3 million balance in committed reserves, consistent with the approved 10-Year Capital Plan. These commitments and obligations are nearly 3 times greater than the current reserve and reserve fund balances, requiring continued reserve contributions to support planned expenditures.

The remaining reserve and reserve fund balance of \$210.4 million, or 3.6% of total reserves and reserve funds, is uncommitted and available to respond to various unanticipated costs, stabilize funding sources, including the tax base, or for emergency purposes such as extreme weather events.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council receive the City of Toronto Reserve and Reserve Fund Balances as at September 30, 2024 for information.
2. City Council direct that \$211.1 million of funding in the “Tax Rate Stabilizing Reserve” for bridge funding temporarily held in that reserve as part of the enhanced multi-year budget strategy be transferred to the “Budget Bridging and Balancing Reserve Fund” consistent with the strategy outlined in the 2024 Budget process.

FINANCIAL IMPACT

There are no financial implications arising from the adoption of the recommendation in this report.

To ensure prudent financial management and considering uncertain levels of federal and provincial funding support in future years, the City must retain a contingency amount as part of its reserves and reserve funds to be in a position to address both unanticipated costs, while still maintaining a balanced budget. As an example, prudent financial management requires the City to retain a Tax Rate Stabilization Reserve balance as a contingency to address unanticipated and emergency events. The City has committed to maintaining a Tax Rate Stabilization Reserve balance of no less than 2% of annual property tax revenues for this purpose.

Reserve and Reserve Fund balances as at September 30, 2024, totaled \$5,857.7 million, an increase of \$566.0 million from the December 31, 2023 balance of \$5,291.7 million. The net increase is the result of various Council approved contributions for capital investments in housing, transit and capital, and contributions to vehicle and equipment replacement.

As of September 30, 2024, 96.4% of the City’s reserve and reserve fund balances are fully committed to supporting future operating expenses, or other Council-directed commitments, and expenditures in the 10-year capital plan. The remaining 3.6% of the City’s reserves and reserve funds are uncommitted and retained for emergency purposes such as stabilization of various funding sources, including the tax base, or for emergency purposes such as extreme weather events. The uncommitted amount represents 1.2% of the total 2024 approved Operating Budget of \$17,119.6 million.

An administrative adjustment is recommended to transfer temporary bridge funding that is currently held in the Tax Rate Stabilizing Reserve to the newly established Budget Bridging and Balancing Reserve. This adjustment is both consistent with the enhanced multi-year budget strategy outlined in the 2024 Budget Process, while also ensuring the balance of the Tax Rate Stabilization Reserve only reflects funds specifically available for tax rate stabilization purposes.

DECISION HISTORY

Reserves and Reserve Funds

As per Chapter 227 of the Municipal Code, the Chief Financial Officer and Treasurer will report inflows and outflows of the City's reserves and reserve funds on a quarterly basis, as well as provide administrative updates to this chapter of the Municipal Code, based on Council's decisions.

To view the most recent reports online, please see the links below:

City of Toronto Reserve and Reserve Fund Balances as at June 30, 2024

[Agenda Item History - 2024.EX17.14 \(toronto.ca\)](#)

City of Toronto Reserve and Reserve Fund Balances as at December 31, 2023

[Agenda Item History - 2024.EX16.15 \(toronto.ca\)](#)

The City's Reserve Funds are required by the City's [Investment Earnings Policy and the Administration of Reserve Accounts](#) (Policy) to earn investment income. City Council [recently approved an amendment to the City's Policy](#) so that each reserve fund receives an allocation of investment income based on the lesser of:

- (i) The three-month treasury bill rate as estimated at the time of the preparation of the annual operating budget, or
- (ii) 1 per cent, credited on November 30th of each year based on the account's average balance.

COMMENTS

Reserves and Reserve Funds as at September 30, 2024

Reserve and Reserve Fund balances as at September 30, 2024, totaled \$5,857.7 million, an increase of \$566.0 million from the December 31, 2023 balance. The following contributions were responsible for the majority of the increase in the City's Reserve and Reserve Fund balances:

- Contribution of \$235.6 million to the City Building Reserve Fund from the City Building Fund levy (offset by \$45.0 million in debt charge recoveries) to support \$6,100.0 million in approved Housing and Transit capital investments.
- Contribution of \$214.5 million to the Capital from Current Reserve Fund as authorized by the City's Operating Budget to be applied as funding against final 2024 capital expenditures ([Agenda Item History - 2024.MPB15.1 \(toronto.ca\)](#)).
- Contribution of \$99.1 million to the Budget Bridging and Balancing Reserve Fund from the 2023 year-end operating surplus consistent with the enhanced multi-year budget strategy discussed as part of the 2024 Budget Process ([Agenda Item History - 2024.EX16.11 \(toronto.ca\)](#)).

Table 1 summarizes the City's reserve and reserve fund balances as at September 30, 2024, with a comparison to December 31, 2023. Balances reported are reflected at a point in time, and do not incorporate the planned future commitments to use these reserves and reserve funds to support program costs and infrastructure improvements.

These commitments are included in the annual Operating Budget and 10 Year Capital Plan, and other multi-year initiatives in the early stages of cost estimation which are subject to future year budget consideration and approval. Comprehensive planning may take time, with expenditures to be incurred in future years following initial development of project plans.

Table 1: Reserves and Reserve Funds, as at September 30, 2024:

(\$ millions)	Sep. 30, 2024	Dec. 31, 2023
Reserves:		
Corporate	906.5	1,092.1
Stabilization	840.2	891.2
Water / wastewater	51.1	61.4
Donations	1.7	1.6
	1,799.5	2,046.3
Reserve Funds:		
Corporate	2,831.1	2,090.3
Employee benefits	651.8	650.5
State of good repair	415.1	346.3
Community initiatives	160.2	158.3
	4,058.2	3,245.4
Total Reserves and Reserve Funds reported in the City's Consolidated Accumulated Surplus balance	5,857.7	5,291.7

As per Council's directive ([2023.CC4.1](#)), the City is required to report on contributions to and withdrawals from the Tax Rate Stabilization Reserve. Information regarding changes in the Tax Rate Stabilization Reserve, as well as other reserve and reserve fund activities and balances, can be found in Appendices A and B. Details on the accounting treatment for reserve and reserve fund contributions can be found in Appendix C.

CONTACT

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SIGNATURE

Stephen Conforti
 Chief Financial Officer and Treasurer

ATTACHMENTS

- Appendix A: City of Toronto Reserves in Accumulated Surplus as at September 30, 2024
- Appendix B: City of Toronto Reserve Funds in Accumulated Surplus as at September 30, 2024
- Appendix C: Accounting Overview of Reserves and Reserve Funds