REPORT FOR ACTION

Deferred Revenue (Obligatory Reserve Funds), Reserves and Discretionary Reserve Funds as at June 30, 2025

Date: September 15, 2025
To: Executive Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

The City of Toronto (City) maintains deferred revenue balances that will be recognized as revenues in future years, in addition to reserves and discretionary reserve funds that are intended to support the City's future activities. This report provides an update of these balances, as well as their related earned revenues and activities for the six months ended June 30, 2025.

Deferred Revenue

Deferred revenue, or obligatory reserve funds, are monies received from external parties for specific purposes outlined in Provincial legislation or third-party agreements.

For the six-month period ended June 30, 2025, the City's deferred revenues increased from $6,728.9 million to $7,514.7 million. The increase of $785.8 million was primarily driven by monies received from water and wastewater rate revenue, development and planning act contributions and the federal housing accelerator fund.

Reserves and Discretionary Reserve Funds

Reserves and Discretionary Reserve Funds are established by Council to support the financial management and operations of the City, minimize annual tax rate fluctuations, and provide a measure of financial flexibility to address the impact of significant unexpected pressures.

Reserves and Discretionary Reserve Funds balances increased by $70.8 million over the six-month period ended June 30, 2025, going from $5,610.6 million to $5,681.4 million. This net increase is the result of Council-authorized contributions for capital investments in housing, transit, capital infrastructure, and vehicle and equipment replacement. The majority of the City's Reserves and Discretionary Reserve Funds

balances ($5,454.1 million, or 96.0%) are committed to future Council directed activities that include capital and operating expenditures and rate-based activities.

The remaining reserve and discretionary reserve fund balance ($227.3 million, or 4.0%) 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. The uncommitted amount represents 1.2% of the total 2025 approved Operating Budget of $18,849.1 million.

There are total commitments and obligations of $41,066.7 million against the $13,196.1 million balance in committed reserves, discretionary reserves and deferred revenue consistent with the approved 10-Year Capital Plan and other requirements and obligations. These commitments and obligations are greater than three times the current reserve, discretionary reserve fund and deferred revenue balances, requiring continued reserve contributions to support planned expenditures. A further breakdown of the City's current balances in comparison to planned operating and capital expenditures, including both deferred revenues and discretionary reserve funds, can be found in Appendix F.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council direct that $8 million be transferred from the Waste Management Reserve Fund to the Green Lane Reserve Fund to ensure that the short to medium term capital and operating funding needs for the Green Lane Landfill project are available in the Green Lane Reserve Fund without impacting the 2025 Solid Waste Management Services Operating Budget.

2. City Council direct that $80.129 million in Land Transfer Tax stabilization funds, temporary held in the Capital Financing Reserve be transferred to the recently created Municipal Land Transfer Tax Stabilization Reserve to ensure sufficient funds are available to mitigate fluctuations in the Municipal Land Transfer Tax revenues during periods of slower real estate activity and to support stability and sustainability of City revenues and services.

FINANCIAL IMPACT

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

DECISION HISTORY

As per Chapter 227 of the Municipal Code, the Chief Financial Officer and Treasurer is required to report inflows and outflows of the City's obligatory reserve funds and reserves and discretionary reserve funds on a quarterly basis, as well as provide updates to this Chapter of the Municipal Code.
To view the most recent reports online, please see the links below:

- Deferred Revenue (Obligatory Reserve Funds), Reserves and Discretionary Reserve Funds as at December 31, 2024: Agenda Item History - 2025.EX25.11
- Deferred Revenue Report at September 30, 2024: Agenda Item History - 2024.EX19.15
- City of Toronto Reserve and Discretionary Reserve Fund Balances as at September 30, 2024: Agenda Item History - 2024.EX19.14

At its meeting on February 11, 2025, City Council requested the Chief Financial Officer and Treasurer to report to the Executive Committee by the third quarter of 2025 on a Community Benefits Charge Allocation Framework: Agenda Item History - 2025.CC27.1

COMMENTS

Deferred Revenues as at June 30, 2025

As at June 30, 2025, the City recorded deferred revenue liabilities in the amount of $7,514.7 million, an increase of $785.8 million from the December 31, 2024 balance of $6,728.9 million. In fiscal 2025, the following significant activities were reflected in the City’s deferred revenues:

- Contribution of $544.3 million from water and wastewater rates to be used for the specific provision of water and wastewater services and capital infrastructure.
- Contribution of $133.0 million in Development and Planning Act contributions from developers to be earned as revenue when critical growth-related capital project costs are incurred.
- Contributions of $117.8 million to support the implementation of Toronto’s Housing Accelerator Fund (HAF) initiatives.

The remainder of the changes consist of smaller contributions to other Obligatory reserve funds, which were offset by total revenues earned.

During the six months ended June 30, 2025, $43.6 million was recognized as earned revenue. Table 1 summarizes the City's deferred revenues as at June 30, 2025, with comparatives at December 31, 2024.

Table 1: Deferred Revenues as at June 30, 2025:

($ millions)	Jun. 30, 2025	Dec. 31, 2024
Restricted by Provincial legislation		
Development charges	2,877.8	2,842.7
Parkland acquisition/new development	935.4	907.3
Planning Act	744.2	710.4
Building Code Act service improvement	226.3	232.7
Provincial Gas Tax revenues for Public Transit	0.6	0.6
	4,784.3	4,693.7
Restricted by agreements with third parties		
Water / wastewater	2,150.3	1,605.9
Third party agreements	506.3	353.9
Community services	56.2	57.8
Toronto Transit Commission	6.6	6.6
State of good repair	8.4	8.4
Parking Authority	2.6	2.6
	2,730.4	2,035.2
Total Deferred Revenues	**7,514.7**	**6,728.9**

Appendix A provides details of the changes that affected the City's deferred revenue balances as at June 30, 2025. Appendix D provides an overview of the accounting treatment of deferred revenues.

Development Charges

The City currently has a balance of $2.9 billion in development charge (DC) funding which has been received to support critical growth-related infrastructure. DCs are collected and spent within a strict legislative framework outlined by the provincial *Development Charges Act, 1997*. The Act specifies that DCs can **only** be collected and used to support eligible growth-related capital projects, informed by a Council-approved Background Study.

As outlined in Table 2 below, the City has received an average of $520 million in DC funding from 2014-2024. The year-to-date experience in 2025 is significantly lower than previous years, with only $59 million received to date, reflective of current market conditions and a slowdown in development activity.

Table 2: Average Annual Development Charge Contributions (2014-2025)[1]

Time Period	Average Annual DC Net Contributions ($ millions)	Key Trends
2014 - 2017	$236	A period of lower contributions due to volume of development activity and DC rates in effect. Amounts were insufficient to support the City's growth-related infrastructure.
2018 - 2023	$732	A period of higher development activity resulted in funds being received at a faster pace than the City's ability to spend and implement new capital projects, which was exacerbated by global supply chain and labour market challenges.
2024	$383	A slower period of development activity resulted in lower DC contributions than anticipated. During this time, the City increased capital spending, with a total of $723 million ($678 million, net of refunds) withdrawn from the reserve fund to support critical growth-related projects. This resulted in a net reduction to the DC reserve fund balance.
2014 – 2024 Avg.	**$520**	
2025 Year-to-Date	$59	If this year-to-date trend continues, the City is estimated to receive contributions as low as $118 million, a decrease of 77% over the previous decade's average, which is an insufficient level to support future approved and planned capital spending.

[1]Contributions are net of refunds.

While there is $2.9 billion in the reserve fund currently, as part of the 2025 Budget Process, the 10-Year Capital Plan includes $6.1 billion in planned DC funding. This includes funding for critical major infrastructure projects required to support new development, including:

- $1.4 billion to support major transit initiatives, including Line 1 and 2 capacity enhancements;
- $1.3 billion for water and wastewater infrastructure, including new and upgraded trunk sewer systems; and
- $0.9 billion for critical road and transportation requirements.

This level of approved and planned spending relies on a steady inflow of DC funding, generally aligned with the historical average of $520 million annually, to support new population and development growth. The City's ability to fund these projects is currently at risk based on market conditions and a slowdown in development activity, as reflected by the $59 million received to date this year.

The City's DC revenue projections have been further impacted by new provincial legislation, Bill 17. As was outlined in Item EX24.2, the City estimates that Bill 17's introduction of an interest-free deferral for all residential DCs until the time of occupancy, instead of building permit, will result in a $1.9 billion cash flow impact over the next decade. As such, the City will likely need to defer, reprioritize or cancel planned capital projects, which are required to support growth.

Reserves and Discretionary Reserve Funds as at June 30, 2025

Reserve and Discretionary Reserve Fund balances as at June 30, 2025, totaled $5,681.4 million, an increase of $70.8 million from the December 31, 2024 balance. The following contributions and draws were responsible for the increase in the City's Reserve and Discretionary Reserve Fund balances:

- Net contribution of $139.6 million to the City Building Reserve Fund from the City Building Fund levy to support $8,515.0 million of capital investments included in the City's 10-year capital plan.
- Net draw of $118.9 million from the Capital from Current Reserve Fund as authorized by the City's Operating and Capital Budget (Agenda Item History - 2025.MPB27.1).

The remainder of the changes relates to contributions to and draws from other reserves and discretionary reserve funds which are not significant enough to disclose in detail.

Table 3 summarizes the City's reserve and discretionary reserve fund balances as at June 30, 2025, with a comparison to December 31, 2024. Balances reported are reflected at a point in time, and do not incorporate the planned future commitments to use these Reserves and Discretionary Reserve Funds to support program costs and infrastructure improvements.

Table 3: Reserves and Discretionary Reserve Funds as at June 30, 2025

($ millions)	**Jun. 30, 2025**	**Dec. 31, 2024**
Corporate	708.9	645.7
Stabilization	612.6	662.4
Water / wastewater	64.4	61.1
Donations	2.1	2.1
	1,388.0	1,371.3
Discretionary Reserve Funds:		
Corporate	3,149.5	3,115.4
Employee benefits	654.1	651.1
State of good repair	340.2	312.2
Community initiatives	149.6	160.6
	4,293.4	4,239.3
Total Reserves and Discretionary Reserve Funds reported in the City's Consolidated Accumulated Surplus balance	**5,681.4**	**5,610.6**

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.

Appendix B and C provides details on reserve and discretionary reserve fund activities and balances as at June 30, 2025. Appendix D provides an overview of the accounting treatment for reserve and discretionary reserve fund contributions.

Waste Management Reserve Fund and Green Lane Landfill Reserve Fund Transfer

The Waste Management Reserve Fund (XR1404) was originally authorized by City Council prior to amalgamation, in 1990, according to reserve fund records. It was further included as a discretionary reserve fund with the purpose of providing funds for the development and operation of waste management facilities, programs and services in Bylaw 181-2000, a bylaw approved by City Council on April 13, 2000 to provide consolidation, continuance and creation of reserves and discretionary reserve funds at the time of the City's amalgamation.

The Green Lane Landfill Reserve Fund (XR1408) was authorized by City Council in 2007 to provide for funding for the future costs of long-term, post-closure, use and management of the Green Lane Landfill site.

At this time, staff are recommending a transfer of $8 million from the Waste Management Reserve Fund to the Green Lane Reserve Fund.

This current recommended transfer of $8 million from the Waste Management Reserve Fund (XR1404) to the Green Lane Reserve Fund (XR1408) consists of $2.3 million to address one-time legacy funding issues due to limited budget availability; $1.1 million for 2024 overspending on Landfill Development projects and $4.6 million for the construction of a landfill ramp in 2025.

Capital Financing Reserve and Municipal Land Transfer Tax Stabilization Reserve Transfer

The Municipal Land Transfer Tax Stabilization Reserve (XQ0705) was established in 2025 to address volatility in MLTT revenues resulting from changes in the real estate market. The reserve is intended to stabilize revenues during economic downturns or real estate slowdowns to support uninterrupted delivery of City programs and services.

Prior to the creation of this reserve, surplus MLTT revenues were allocated to the Capital Financing Reserve. This transfer of $80.129 million from the Capital Financing Reserve (XQ0011) to the Municipal Land Transfer Tax Stabilization Reserve (XQ0705) aligns with the intended purpose of the reserve and ensures that MLTT-related revenues are managed through the designated reserve.

Community Benefits Charge (CBC) Allocation Framework

This section responds to City Council's request (2025.CC27.1) for a comprehensive update on the Community Benefits Charge (CBC) Allocation Framework. CBC was introduced by the Province to replace former Section 37 density bonusing provisions. Unlike Section 37, CBC is a standardized, rate-based tool—not a site-specific negotiation—and is designed to provide a more transparent and equitable approach to funding growth-related infrastructure.

Community Benefits Charges (CBCs) are collected under the authority of the *Planning Act* and are designated for specific growth-related capital investments. In accordance with legislative requirements, these funds are held in the City's obligatory reserve funds and recorded as deferred revenue. Including the CBC Allocation framework in this report provides Council with visibility into how these funds are being managed and allocated, ensuring compliance with statutory obligations and alignment with the City's financial policies. This supports transparency, accountability, and strategic oversight in the use of growth-related revenues.

City of Toronto's Community Benefits Charge (CBC) Allocation Framework

The Framework outlines how CBC funds collected from new developments or redevelopments are allocated to support capital projects that address growth and intensification.

The Framework, which will be used for future allocations, is built on transparency and guiding principles to ensure allocations are aligned with legislative requirements and City priorities. It promotes fairness and responsiveness to growth, recognizing that CBC revenues are being received gradually due to transition from the former density bonusing, current development activity and market conditions. To manage this, the City is currently applying a transitional allocation approach. This allows for flexibility in early implementation, with the understanding that allocations will scale up as development revenues increase. Over time, investments will be increasingly directed to areas experiencing significant growth and aligned with wards generating CBC revenues.

The CBC Allocation Framework sets out the City's approach to distributing CBC cash contributions collected under the *Planning Act* and Ontario Regulation 509/20.

Guiding Principles and Allocation Criteria

- **Geographic Alignment and Relevance:** CBC funds are generally directed to the geographic areas where they were collected, reinforcing the link between growth and local benefit. At the same time, the intent is that these projects, while locally grounded, also contribute to broader City priorities.
- **Growth-Related Investment and Strategic Alignment:** CBC contributions are allocated exclusively to capital projects that address development-driven pressures. All projects must comply with the *Planning Act*.
- **Supporting Complete Communities:** CBC funding is intended to support the capital costs of infrastructure and services, such as parks, libraries, affordable

housing, and community facilities, that are a result of higher-density development or redevelopment, to help create vibrant, inclusive, and well-serviced neighbourhoods that enhance quality of life for all residents.

- **Coordinated Funding:** CBCs are treated as a complementary funding source, used alongside development charges, parkland levies, and other tools. This integrated approach maximizes the impact of available resources and ensures efficient use of funds.
- **Capacity to Deliver and Financial Prudence:** Priority is given to projects that are ready to proceed and have the capacity to be delivered. CBC funds may be earmarked for portions of a project but are not committed to the capital budget until full funding is secured. This aligns with the City's stage-gating approach and supports responsible financial planning.
- **Pooling of Funds and Legislative Compliance:** CBC contributions may be pooled over multiple years to support eligible capital projects. The City must allocate or spend at least 60% of the CBC Reserve Fund annually, with the remaining balance eligible for earmarking to support future strategic investments. It's important to note that pooling is not permitted for all projects, and allocations must be carefully assessed to ensure compliance with legislative and regulatory frameworks.
- **Stakeholder Engagement:** Councillor input is considered to identify local community needs and help shape funding priorities, ensuring that allocations reflect both local perspectives and city-wide objectives.
- **Framework Context**: Unlike the former Section 37 contributions, which were site-specific and negotiated, CBCs are standardized levies. They are not tied to individual developments.

Allocation Process

1. **Monitoring** – Financial Planning tracks ward-level collections, allocations, and the CBC Reserve Fund balance.
2. **Reporting** – Financial Planning, in collaboration with the Chief Financial Officer and Treasurer, provides CBC Reserve Fund activity—including collections, allocations, and balances—prior to annual budget submissions.
3. **Opportunity Identification** – Divisions, in consultation with City Councillors, identify capital priorities for funding and submit requests through the annual budget process or, if needed, in-year adjustments.
4. **Evaluation and Prioritization** – Projects are evaluated based on readiness, expected impact, and alignment with the CBC Framework and other capital planning tools such as the City’s Capital Prioritization Framework and Corporate Asset Management Plan.
5. **Approval** – Allocations are approved through the annual budget process or in-year adjustments.

The CBC Allocation Framework provides a clear and principled approach to managing growth-related revenues. It ensures that contributions from development are used effectively to deliver meaningful infrastructure and services, while maintaining legislative compliance and financial accountability. As development activity continues and CBC revenues grow, the Framework will remain adaptable—supporting both local priorities and city-wide objectives, and helping to build complete, livable communities across Toronto.

For more information on the CBC Allocation Framework, please see Appendix E.

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix A: Deferred Revenues as at June 30, 2025

Appendix B: Reserves in Accumulated Surplus as at June 30, 2025

Appendix C: Discretionary Reserve Funds in Accumulated Surplus as at June 30, 2025

Appendix D: Accounting Overview of Deferred Revenues, Reserves and Discretionary Reserve Funds

Appendix E: Community Benefits Charge (CBC) Allocation Framework

Appendix F: Summary of Current Balances and Commitments for Deferred Revenues, Reserves and Discretionary Reserve Funds as at June 30, 2025