



REPORT

TO: Mayor Lawlor and Members of Council

FROM: Kathryn Brott – Manager of Revenue

DATE: July 7, 2025

REPORT NO.: CS-2025-017

SUBJECT: Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds as at December 31, 2024

RECOMMENDATION:

THAT Report No. CS-2025-017 dated July 7, 2025, regarding Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds as at December 31, 2024, be received for information.

KEY POINTS:

The following are key points for consideration with respect to this report:

- This report informs Council of the status of the reserves, reserve funds, deferred revenue and trust funds held by the Town of Halton Hills as at December 31, 2024
- As of December 31, 2024, reserve cash balances were above the levels projected in the 2024 Long Range Financial Plan (LRFP). At the same time, Development Charge (DC) collections continued to fall below forecasted amounts, and internal borrowing remained above target because of continued delays in anticipated growth.
- The Town's financial sustainability indicator for total reserves as a percentage of expenditures is 46.4% and remains within the low-risk category of the Provincial standard, which requires a ratio above 20%.

BACKGROUND AND DISCUSSION:

The Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds report outlines the status of the various funds held by the Town of Halton Hills as at December 31, 2024.

The attached schedules A to D summarize the reserves, discretionary reserve funds, obligatory reserve funds and trust funds held by the Town and include the opening balances as of January 1, 2024, activity from January to December 2024, un-booked commitments, and any internal borrowing.

Schedule A is a summary of the detailed Schedules B to D. Schedule B lists the Town's reserves and discretionary reserve funds, Schedule C lists the obligatory reserve funds, and Schedule D lists the trust funds that the Town administers.

Reserves, Reserve Funds, and Trusts

The opening balance column reflects the balance of the reserves, discretionary reserve funds, obligatory reserve funds and trusts that were reported in the 2023 published financial statements. It does not include any unrecorded amounts.

The activity from January to December 2024 includes the interest that has been earned on the reserves, reserve funds, and trust funds during the period and movements in and out of the funds. The Town's 2024 operating surplus is identified in both Schedules A and B and is consistent with the recommendations in report CS-2025-016, Distribution and Funding - 2024 Final Operating Budget Position.

In accordance with Council approval of report CORPSERV-2018-0045, the Treasurer can reallocate funds between reserves to meet the needs identified in the LRFP and the Town's capital program. In 2024, \$715,000 has been reallocated to the Strategic Planning reserve and \$412,616 has been reallocated to the Technology Replacement reserve from the Capital Replacement Reserve.

The Town's reserve cash balances as of December 31, 2024, were higher than projected in the 2024 LRFP. This was due in part to the timing of capital project closures, the recognition of proceeds from asset sales, and higher interest and investment income allocated to reserves.

Development Charges and Inter-fund Borrowing

The governing legislation that permits a municipality to borrow for capital projects is the Municipal Act. Specific restrictions with respect to internal borrowing for growth-related capital projects, are set out in section 36 of the Development Charges Act (DCA), 1997. Section 36 states that a municipality may borrow money from a reserve fund.

The construction of growth-related projects is intended to be paid for by DC funds to ensure that the burden is on the developer and not the taxpayer. However, internal

borrowing is required when the DC reserve funds are in a negative position and the Town needs to pay for growth-related capital works in advance of growth. Borrowing from a reserve or reserve fund may occur only when an analysis of the reserve has determined that excess funds are available and that the use of these funds will not adversely affect the intended purpose of the reserve. Repayment, including interest, relies on cash inflows from future DCs, which are dependent upon the realization of projected growth.

As of December 31, 2024, a total of \$34.1 million (2023 - \$34.3M) has been borrowed from the Town’s reserves to interim finance growth-related capital projects, where development charges are insufficient to meet funding requirements. Of the total \$34.1 million borrowed, \$27.2 million has been used to interim finance expenditures that have already occurred and the remaining \$6.9 million is required to interim finance known outstanding commitments (OC) that haven’t yet taken place. Table 1 below shows the breakdown (both before and after outstanding commitments) of the internal loans by DC and provides details of the reserve that the funds were borrowed from.

Table 1 – 2024 Breakdown of Internal Loans by Development Charge Fund

DC Reserve Funds;			Interfund Loan	Interfund Loan
December 31, 2024	Borrowed From		Before OC*	After OC*
Transportation Services	New Capital Rsv	\$	-	\$ 4,528,025
Storm Water Mgt. Services	New Capital Rsv	\$	589,197	\$ 639,197
Fire Protection Services	New Capital Rsv	\$	891,643	\$ 891,643
Fire Protection Services	Fire Services Rsv	\$	108,726	\$ 108,726
Recreation & Parks Services	New Capital Rsv	\$	22,870,868	\$ 24,585,381
Library Services	New Capital Rsv	\$	1,953,626	\$ 1,953,626
Administration Services	New Capital Rsv	\$	735,381	\$ 1,340,190
Transit Services	New Capital Rsv	\$	4,116	\$ 11,243
Total		\$	27,153,558	\$ 34,058,031

*OC: Outstanding Capital Commitments

While internal borrowing levels remained stable between 2023 and 2024, they continue to exceed the projections outlined in the 2024 LRFP, primarily due to delays in development charge collections associated with slower than anticipated growth. Although the reserve cash position has improved, driven by one-time revenue and project savings, ongoing internal borrowing continues to place pressure on available financial resources. Continued prudent financial management will be necessary until growth-related revenues begin to materialize.

Staff will continue to closely monitor the timing of development activity and update LRFP forecasts as necessary.

Financial Indicators

The Town monitors various financial indicators, both internal and external, to evaluate its financial health and inform budget decisions and long-term planning strategies.

Table 2 below provides a breakdown of various indicators related to reserve planning, both internal and external, that the Town monitors through its long-range financial planning process to manage financial sustainability and risk.

Table 2 – 2024 Internal and External Reserve related Financial Indicators

Reserve Indicators and Activity						
Indicators & Activity	2024				2023 Actuals	2022 Actuals
	Actuals	Projected LRFP	Variance			
			(\$)	(%)		
Internal Indicators & Activity						
Cash Reserves Balance	\$ 37,730	\$ 30,417	\$ 7,312	24.0%	\$ 29,177	\$ 33,571
Population (Stats Can)	62,951	64,967	-	-	62,951	62,951
Cash Reserves per Capita	\$ 599	\$ 468	\$ 131	28.0%	\$ 463	\$ 533
Development Charge Collections	\$ 5,257	\$ 7,268	\$ (2,011)	-27.7%	\$ 1,077	\$ 2,642
Development Charge Cash Balances	\$ 203	\$ 2,282	\$ (2,079)	-91.1%	\$ -	\$ -
Internal Borrowing	\$ 34,058	\$ 29,674	\$ (4,384)	-14.8%	\$ 34,340	\$ 28,631
Provincial Indicator						
Total Reserves & Discretionary Reserves as a % of Municipal Expenses**	46.4%	59.2%	-	-12.8%	40.3%	43.2%

*Balances are as of December 31st and shown in millions

**before interfund loans

Internal indicators were established during the development of the LRFP and reflect various risk-based targets. Financial planning involves the analysis of these targets to better understand current fiscal challenges, assess the assumption of risk, and evaluate the certainty of projected future cash flows.

The LRFP uses a cash reserves per capita target of \$559 to represent long-term financial sustainability. For 2024, a more conservative interim target of \$468 per capita was established, reflecting a prudent approach to risk management. The actual result of \$599 per capita exceeds this target by 28.0%, indicating a strengthened financial position relative to both the forecast and the prior year. This position is driven by several factors, including the delayed realization of previously committed interfund loans, which temporarily preserved cash balances; the deferral of new project approvals that would have increased internal borrowing; proceeds from the sale of tangible capital assets; higher-than-budgeted interest income allocated to reserves; and the return of unspent funds from closed capital projects. The population figure used in this calculation remains

at 62,951, based on the 2021 Census, and will be updated following the release of the next census.

The following two indicators monitor DC collections and DC reserve fund balances. In 2024, DC collections totaled \$2.0 million below the projections outlined in the LRFP, continuing a trend observed in recent years. This shortfall reflects the delayed timing of growth and the associated DC collections.

Internal borrowing totaled \$34.1 million at year-end, exceeding the LRFP target of \$29.7 million. Despite this variance, borrowing levels remained relatively stable compared to the previous year, supported by the 2024 budget's cautious approach to limiting new DC funded capital spending and debt, while continuing to advance key Town projects.

The province's external sustainability indicator, which measures total reserves (net of internal loans) as a percentage of municipal expenses, was 46.4% in 2024. This represents an improvement over the 2023 indicator of 40.3% and keeps the Town within the low-risk category, defined by the province as maintaining a ratio above 20%.

While the year-over-year improvement is a positive development, this indicator has experienced a notable decline since 2019, falling from 72.4%. It also remains well below the 74% average of comparator municipalities, as reported in the 2023 Provincial Financial Indicator Review. As noted in prior years, the primary factor contributing to this trend is the delayed receipt of development charges which has increased the Town's reliance on internal reserves to cash flow capital works, placing additional pressure on reserve balances.

The province typically publishes updated Financial Indicator data following the annual submission of the Financial Information Return (FIR). The Town anticipates the 2024 indicators will be available in early 2026. These indicators, along with the Town's internal measures, will continue to be closely monitored and reported to Council.

While the Town's cash reserve position has strengthened, finishing the year above LRFP projections, challenges remain. Development Charge collections continue to fall short of forecasted levels, and internal borrowing, although stable year over year, remains above target. These factors signal continued pressure on growth-related funding and reinforce the importance of cautious financial planning moving forward.

STRATEGIC PLAN ALIGNMENT:

This report is administrative in nature and does not have an impact on the Town's Strategic Plan.

RELATIONSHIP TO CLIMATE CHANGE:

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

PUBLIC ENGAGEMENT:

Public Engagement was not needed as this report is administrative in nature.

INTERNAL CONSULTATION:

The report was compiled based on data held within the financial accounting system.

FINANCIAL IMPLICATIONS:

This report is administrative in nature and does not have any financial implications.

Section 36 of the Development Charges Act, 1997 allows a municipality to borrow money from reserve funds to temporarily cover any gaps resulting from delays in the timing of receipt of development charge revenue.

Reviewed and approved by,

Joseph Vandermeer, Deputy Treasurer

Moya Jane Leighton, Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer