

Reserves and Reserve Funds

2026–2029 Business Plan
and 2026 Budget

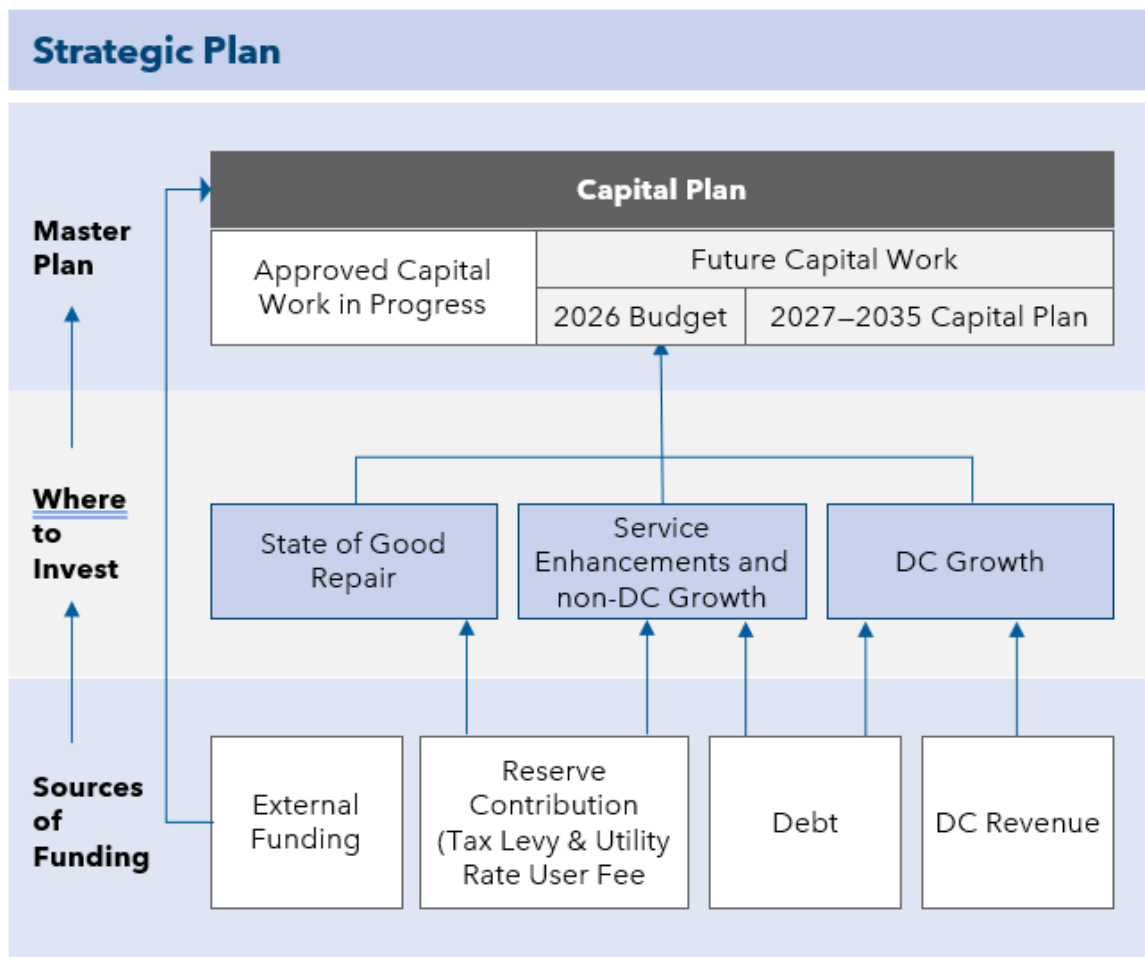
Table of Contents

Executive Summary	3
Overview	4
Reserves and Reserve Funds	4
Reserves for Tax-Supported Services and Utility Rate Supported Services	6
Rate Stabilization Reserves	7
Tax-Supported Rate Stabilization Reserve	7
Utility Rate Stabilization Reserve	8
Capital Reserves	9
Specialty Reserves and Reserve Funds	14
Additional Details for Specialty Reserves and Reserve Funds	15
2025 Proposed COVID-19 Reserve Requirements	17

Executive Summary

Reserves and Reserve Funds are established by Peel Regional Council to provide long-term financial sustainability, enable financial planning and to provide flexibility to manage financial volatility. Maintaining reserves enables Peel Region to accumulate funds for future capital and operating needs or contingent liabilities, a key part of a strong and prudent financial strategy. Rate stabilization reserves provide funding to help mitigate fluctuations in operating revenues and expenditures and fund one-time expenditures. This enables more stable and consistent budgets and financial results. Maintaining high levels of Reserves and Reserve Funds are good indicators of strong financial management to credit rating agencies. Capital reserves are the main funding sources for capital works. Exhibit 1 below provides a high-level view of the relationship between capital reserves and reserve contributions to the capital plan.

Exhibit 1. Relationship Between Capital Financing and the 10-Year Capital Plan



Overview

In 2013, Peel Regional Council approved a reserve management policy that was in accordance with Peel's long term financial strategy. The policy outlined a portfolio approach to the management of capital reserves and operating reserves. The aim was to accomplish centralization of reserves management, and create more flexibility to address priority needs in the organization. Each year, as part of the budget submissions, a report is presented to Peel Regional Council on the status of the reserves including their adequacy and compliance with target levels, as outlined in the Reserve Management policy.

Reserves and Reserve Funds

- **A Reserve** is an accumulation of funds, at the direction of Council, of appropriations from net revenues. Reserves can be allocated for:
 - 1) Operating purposes such as the rate stabilization reserves which are used primarily to mitigate annual fluctuations in revenues and expenditures, or for one-time expenditures.
 - 2) Capital Reserves which are used to fund capital work such as the state of good repair of assets and infrastructure not eligible for development charge funding.
- **A Reserve Fund** is an accumulation of appropriations from net revenues for purposes which are restricted by law or by the direction of Council, contained in the by-law establishing the Reserve Fund.

On the following page, Table 1. Summary of Reserves by Reserve Categories (in \$ millions) presents a high-level summary of Projected Uncommitted Balances (for each reserve by reserve category), and Table 1B. presents Closing balances after encumbrances for DC reserves.

Table 1. Summary of Reserves by Reserve Categories (in \$ millions)

Reserves and Reserve Funds	Projected Uncommitted Balance Dec. 31, 2025	2026 Budget Contribution	2026 Budget Requirement	2026 Projected Interest	Projected Uncommitted Balance Dec. 31, 2026
Tax-Supported Rate Stabilization Reserve	71.5	—	(45.7)	1.6	27.4
Utility Rate Supported Stabilization Reserve	42.3	—	(2.7)	1.4	40.9
Total Tax & Utility Rate Stabilization Reserves	113.7	—	(48.4)	3.0	68.3
Tax-Supported Capital Reserve	326.0	258.2	(520.9)	35.8	99.0
Utility Rate Supported Capital Reserve	77.1	389.0	(459.9)	37.3	43.5
Tax & Utility Rate Capital Reserves	403.1	647.2	(980.8)	73.1	142.6
Specialty Reserves¹	73.6	8.0	(7.9)	2.5	76.2
Reserve Funds	80.2	47.9	(39.7)	2.8	91.2
Total Peel Region Reserve Funds	670.6	703.1	(1,076.8)	81.4	378.2

Note: Numbers may not add up due to rounding.

Table 1B. Summary of Reserves by Reserve Categories - Development Charges (in \$ millions)

Reserves and Reserve Funds	Closing Balance after Encumbrances Dec. 31, 2025	2026 Budget Contribution	2026 Budget Requirement	2026 Projected Interest	Closing Balance after Encumbrances Dec. 31, 2026
Total Development Charges Reserve Funds²	(4,318.1)	885.0	(1,829.1)	(160.5)	(5,422.6)

Note: Numbers may not add up due to rounding.

¹ Three Specialty reserves have been excluded. Based on the capital nature of these three reserves, they are included in the Tax-Supported Capital Reserve portfolio.

² 2026 Budget contribution (\$885M) includes \$600M in forecasted debt proceeds. Section 43 of the Development Charges Act, 1997 requires that the Treasurer of the municipality provide to Council annually a financial statement of development charges (DC) related transactions and balances. The 2024 Treasurers Statement was presented to Council on June 12, 2025. In 2024 and 2025 to date, DC expenditures and debt payments exceed DC Revenues. Staff will continue to monitor

Reserves for Tax-Supported Services and Utility Rate Supported Services

Two types of reserves that have a significant impact on the annual budget are the rate stabilization reserves and capital reserves. The rate stabilization reserves assist in supporting operations for both the tax-supported services as well as operations that support the utility rate services. Similarly, there are capital reserves to fund capital works for Peel Region tax-supported services and the Utility rate funded services or Water/Wastewater services.

The following pages will provide additional details of these reserves.

Rate Stabilization Reserves

The Rate Stabilization Reserves are operating reserves. In the Reserve Management Policy these are defined, as reserves arising from the operation of programs. Surpluses from tax-supported programs and utility rate supported programs are segregated into separate reserves. These reserves are utilized to minimize annual fluctuations in both property tax and utility rates by means of providing funding for one-time costs. Applying these reserves enables significant pressures to be phased in over time. They remain a useful tool to address program pressures where there is some degree of uncertainty. Peel Region has generally two types of Rate Stabilization Reserves; Tax-Supported Rate Stabilization Reserves to bolster Peel Region tax funded services, and Utility Supported Rate Stabilization Reserves to fund the water and wastewater services.

Table 2. Rate Stabilization Reserves (in \$ millions)

Rate Stabilization Reserve	Projected Uncommitted Balance Dec. 31, 2025	2026 Budget Contribution	2026 Budget Requirement ¹	Projected Interest	Projected Uncommitted Balance Dec. 31, 2026
Tax-Supported	71.5	–	(45.7)	1.6	27.4
Utility Rate Supported	42.3	–	(2.7)	1.4	40.9
Total Tax and Utility Rate Supported	113.7	–	(48.4)	3.0	68.3

Note: Numbers may not add up due to rounding.

Tax-Supported Rate Stabilization Reserve

As illustrated in Table 2. Rate Stabilization Reserves (in \$ millions) above, the projected balance at the beginning of 2026 for the Tax Rate Stabilization Reserve is \$71.5 million. 2026 budgeted requirements total \$45.7 million and estimated interest revenue totals \$1.6 million, for an estimated year-end (December 31, 2026) balance of \$27.4 million. Overall, the Tax Rate Stabilization Reserve is projected to have sufficient funds to manage the operational needs of the Peel Region tax-supported services.

As the Reserve Management policy requires a minimum 5% threshold (of the total operating budget for programs funded from property taxation), the minimum adequacy threshold is projected at \$124.7M. For the 2026 year end, the projected uncommitted balance is \$27.4M or 1.1%, which falls short of the minimum requirements. Staff will continue to monitor this reserve to alleviate costs and pressures.

¹ Summary III of the 2026 Budget Overview provides details of the 2026 budget requirements.

Utility Rate Stabilization Reserve

For the Utility Rate Stabilization Reserve, a balance of \$42.3 million is projected for the beginning of 2026. Budgeted requirements total \$2.7 million and projected interest totals \$1.4 million, for an estimated year-end (December 31, 2026) balance of \$40.9 million. Overall, the Utility Rate Supported Stabilization Reserve is projected to have sufficient funds to manage the operational needs of the water and wastewater services.

Capital Reserves

Peel Region's capital plans are funded through several funding sources which include, capital reserves, development charges (DC) reserves, internal borrowing, external funding and debt. Capital Reserves provide financial flexibility to fulfill long term financing requirements. They are utilized to fund both the state of good repair of existing assets and to fund other capital work not eligible for DC funding. Capital Reserves assist in achieving the long-term financial sustainability of assets. Peel Region has two capital reserves, a Tax-Supported Capital Reserve to fund capital work for tax funded Peel Region services and a Utility Rate Supported Capital Reserve to fund capital work for the water and wastewater services. With the exception of one year since 2008, Council has approved annual infrastructure levies to increase capital reserves for the purpose of supplementing funding for Peel Region's capital plan.

Each year, these reserves are assessed to determine if their uncommitted balances and proposed future contributions will remain adequate to fund the planned capital work that rely on capital reserves. This prudent approach has facilitated funding of significant infrastructure needs in the community.

Table 3. Capital Reserves (in \$ millions)

Capital Reserve	Projected Uncommitted Balance Dec. 31, 2025	2026 Budget Contribution	2026 Budget Requirement	Projected Interest	Projected Uncommitted Balance Dec. 31, 2026
Tax-Supported Capital Reserve	326.0	258.2	(520.9)	35.8	99.0
Utility Rate Supported Capital Reserve	77.1	389.0	(459.9)	37.3	43.5
Total Tax and Utility Rate Supported Capital Reserves	403.1	647.2	(980.8)	73.1	142.6

Note: Numbers may not add up due to rounding.

Tax-Supported Capital Reserves

The Tax-Supported Capital Reserves are funds accumulated through annual budgeted contributions via the property tax. Their purpose is to fund the infrastructure needs of Peel Region Tax-Supported Services. Infrastructure funded by these reserves includes new affordable housing, new paramedic reporting stations, replacing ambulances and ensuring the state of good repair of roads and Peel's housing stock.

Table 3. Capital Reserves (in \$ millions), illustrates the Tax-Supported Capital Reserve is projected to have an uncommitted balance of \$326.0 million at the beginning of 2026.

The budgeted reserve contribution is \$258.2 million, less budgeted requirement or use of \$520.9 million, to fund the 2026 Tax-supported Capital Budget. Interest revenue is estimated at \$35.8 million, for an estimated year end uncommitted balance of \$99.0 million to fund future Tax-Supported Capital requirements.

Figure 1. Annual 1.0% Infrastructure Levy Increase 2026–2035 (in \$ millions) below provides a long-term projection of the Tax-Supported Capital Reserve balance over the next 10 years.

As illustrated, assuming a 1.0% infrastructure levy increase each year, the uncommitted Reserve or Available balance (solid red line) of the Tax-Supported Capital Reserve, is insufficient to fund the forecasted capital work requiring capital reserve funding (black line) through the short to long-terms (2027-2035). The most significant drivers of the projected expenditures include the demand for funding new affordable housing, and replacement of existing affordable housing, primarily in the Peel Living portfolio; followed by Roads and Paramedic Services.

**Figure 1. Annual 1.0% Infrastructure Levy Increase 2026–2035
(in \$ millions)**

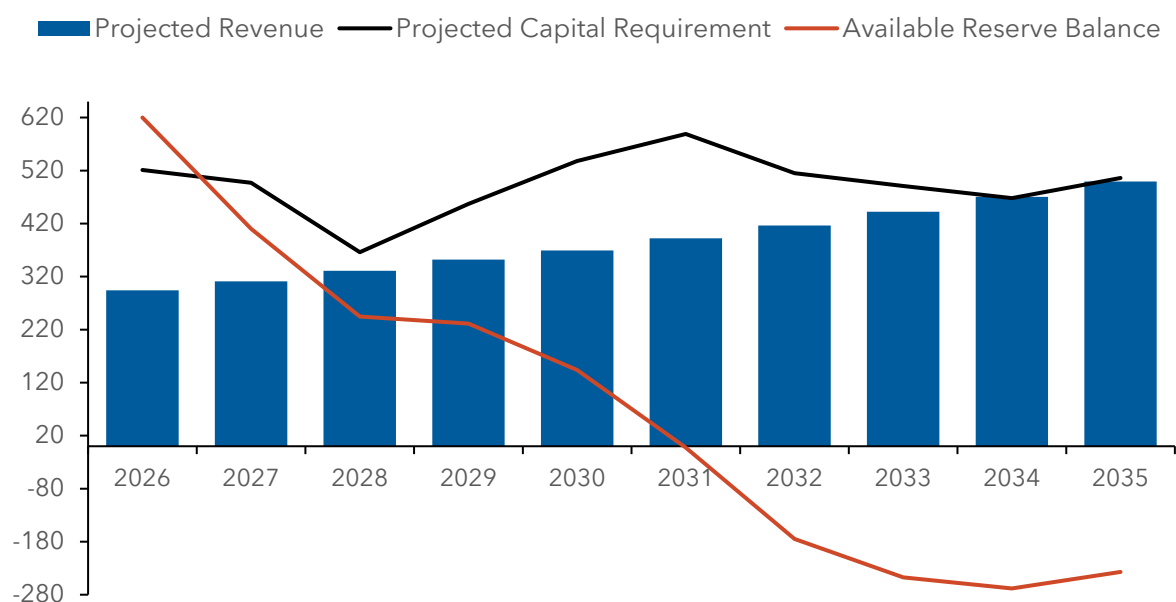


Table 4. Annual 1.0% Infrastructure Levy Increase 2026–2035 (in \$ millions)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Projected Revenue	294	311	331	352	369	392	416	442	471	499
Available Reserve Balance	620	410	244	231	144	(2)	(175)	(247)	(268)	(237)
Projected Capital Requirement	521	497	366	457	538	589	515	419	468	506
Uncommitted Balance/ Funding Shortfall	99	(87)	(121)	(225)	(395)	(519)	(690)	(739)	(736)	(743)

Utility Rate Supported Capital Reserves

The Utility Rate Supported Capital Reserves are reserves accumulated through annual budgeted contributions via the utility rate (water and wastewater fees). These reserves serve to fund the infrastructure needs of the Water and Wastewater service. Infrastructure that is funded by the Utility Rate supported Capital Reserve includes the replacement of watermains, pumping stations, maintaining the water and wastewater facilities in a state of good repair, and other capital enhancements required by the water and wastewater service.

Table 3. Capital Reserves (in \$ millions), illustrates that the Utility Rate Supported Capital Reserve is projected to have an uncommitted balance of \$77.1 million at the beginning of 2026. The budgeted reserve contribution is \$389.0 million, offset by a budget requirement or use of \$459.9 million to fund the 2026 Utility rate-supported Capital Budget. Interest revenue is estimated at \$37.3 million, for a year-end projected uncommitted or available balance of \$43.5 million.

Figure 2. 6.0% Infrastructure Utility Rate Increase for 2026, 5.5% 2027–2029, 4.0% 2030 and 3.0% Increase to 2035 (in \$ millions)

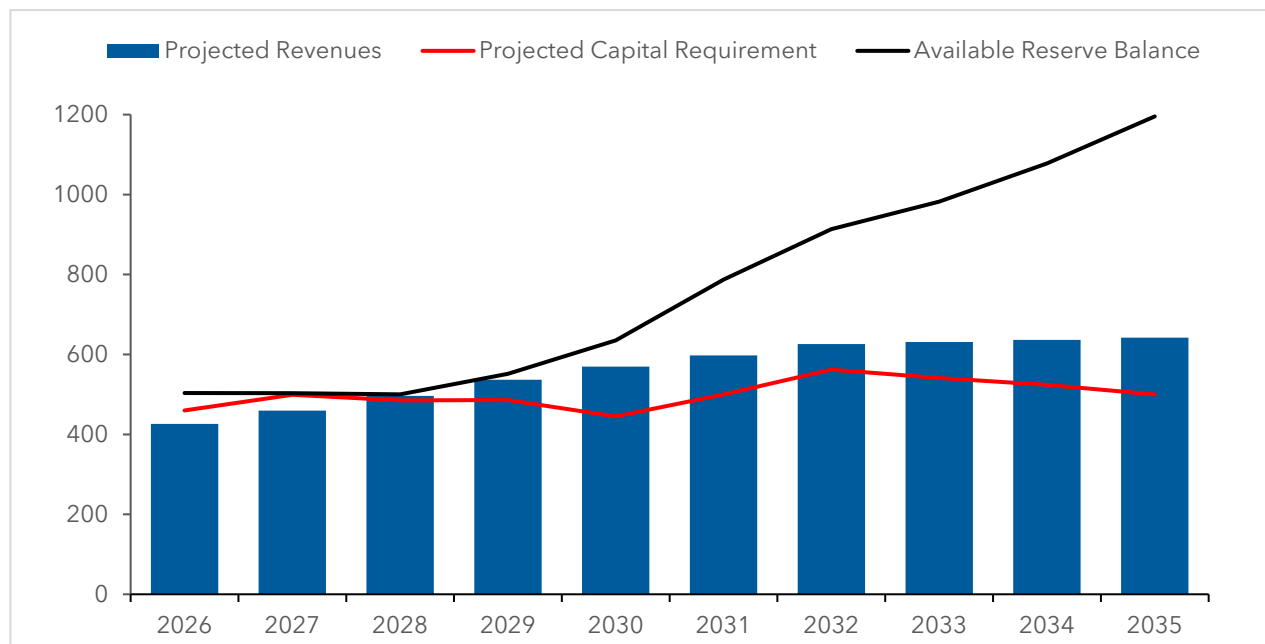


Table 5. 6.0% Infrastructure Utility Rate Increase for 2026, 5.5% 2027–2029, 4.0% 2030 and 3.0% Increase to 2035 (in \$ millions)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Projected Revenue	426	460	496	537	570	597	626	631	636	642
Available Reserve Balance	503	503	500	551	635	787	913	982	1,078	1,195
Projected Capital Requirement	460	499	485	486	445	500	562	541	524	500
Uncommitted Balance/ Funding Shortfall	44	4	15	65	190	287	351	441	553	695

Figure 2 provides a longer-term projection of the Utility Rate supported Capital Reserve balance required over the next ten years. These amounts are forecasted to fund the capital work that is planned.

Infrastructure levy increases are assumed for the years 2026–2035 as follows: 6.0% for 2026, 5.5% for 2027–2029, 4.0% for 2030, and 3.0% for the remaining years. At these proposed rates, projections indicate available reserves (depicted by the black line) are adequate for the years 2026-2035. Overall, sufficient uncommitted Utility Rate Supported Capital Reserves are projected over the ten years.

Specialty Reserves and Reserve Funds

Table 6 presents projected Uncommitted Balances for Specialty Reserves and Reserve Funds.

Table 6. Specialty Reserves and Reserve Funds (in \$ millions)

Reserves and Reserve Funds	Projected Uncommitted Balance Dec. 31, 2024	2025 Budget Contribution	2025 Budget Requirement	2025 Projected Interest	Projected Uncommitted Balance Dec. 31, 2025
Insurance Stabilization Revenue	10.7	–	–	0.4	11.1
Administrative Service Only (ASO) Benefit Stabilization	8.9	–	–	0.3	9.2
WSIB Reserve Pensions	16.6	–	–	0.6	17.1
Affordable Housing Incentives	16.2	7.5	(7.5)	0.5	16.8
DC Financial Incentive Reserve	(3.1)	0.5	–	(0.1)	(2.7)
COVID-19 Related Reserve	23.5	–	(0.4)	0.8	23.8
Human Services Revolving Capital Fund	0.8	–	–	–	0.8
Total Specialty Reserves¹	73.6	8.0	(7.9)	2.5	76.2
Canada Community Building Fund	76.2	47.5	(39.4)	2.7	87.0
Other Reserves	3.9	0.4	(0.2)	0.1	4.2
Total Reserve Funds	80.2	47.9	(39.7)	2.8	91.2

Note: May not add up due to rounding.

¹ Three capital specialty reserves are excluded. Based on the capital nature of these three reserves, they are included in the Tax-Supported Capital Reserve portfolio. Details of those three reserves are provided in Table 7. Specialty Reserve Adequacy Status (in \$ millions).

Additional Details for Specialty Reserves and Reserve Funds

Table 7. Specialty Reserve Adequacy Status (in \$ millions)

Reserve	Name	Description	Balance Sept. 30, 2025
R0500	Insurance Stabilization Reserve	To fund any material variances that could adversely impact Peel Region relating to liability claims or accidental losses	10.6
R0520	Administrative Service Only (ASO) Benefit Stabilization	To fund any material unexpected variances in self-insured Extended Health Care (EHC) and Group Life benefit plans	10.1
R0880	WSIB Reserve Pensions	To fund Peel Region's future Workplace Safety and Insurance Board (WSIB) liability (self-insured) as determined by the actuaries	16.4
R1159	Affordable Housing Incentives	Affordable rental incentives program to provide grants to developers to create more affordable rental units within their purpose-built projects	21.7
R1169	Development Charges (DC) Financial Incentive Reserve	To provide funding for grant-in-lieu of development charges for eligible developments	(3.2)
R1171	COVID-19 Recovery Reserve	To address work that has been backlogged due to COVID-19	14.5
R1261A	Human Services Revolving Capital Fund	To support community partner integration and system improvements activities in Human Services Department	0.8
R0221¹	Capital Finance Stabilization - Greenlands Securement	To provide annual funding of Greenlands capital project which involve securing Greenlands by Peel's Conservation Partners	3.7
R1140¹	Capital Long-Term Waste Management Strategy – Energy from Waste Savings	To receive savings from interim landfill operation placed after expiry of third-party incineration contract	147.0
R1919¹	Housing – Contingency Liability Reserve	To fund the potential gap in the state of good repair reserves faced by affordable housing service providers	66.6
R1923²	Housing-Advances to Providers	To track loans that the service provider obtains from Peel Region (draw from R1919) that are under \$500,000	0.0
R1924²	Housing-Loans to Providers (Pre)	To track loans that the service provider obtains from Peel Region (draw from R1919) that are over \$500,000	0.0
R1925²	Housing- Loans to Providers (Post)	This reserve is to track repayments which have begun from housing service providers	0.0

¹ Three capital specialty reserves are excluded. Based on the capital nature of these three reserves, they are included in the Tax-Supported Capital Reserve portfolio.

² The three Reserves are for notional use only, no incremental commitment is expected.

Table 8. Reserve Funds Adequacy Status (in \$ millions)

Reserve Funds	Description	Intended Use	Balance Sept. 30, 2025
R0025	Canada Community-Building Fund	A reserve fund for the receipt of federal gas tax funds under the Municipal Funding Agreement (MFA) for the transfer of Federal Gas Tax revenues under the deal for cities and communities with the Association of Municipalities (AMO). Fund would be used for eligible expenditures	89.6
R0022	Provincial Gas Tax Funds	Through an individual by-law, reserve fund established under the agreement signed by Peel Region with the Province used to receive provincial gas tax funds for eligible public transportation expenditures. This is required per the <i>Municipal Act</i>	0.1
R0008	Heritage - Programming	A reserve created for the deposit of funds donated for the purposes of programming the Peel Heritage Complex other than those received through the PHCRC	0.5
R0019	Heritage - PHCRC	A special campaign be implemented to defray the capital cost of fixtures, furnishings, equipment and related installations for exhibitions, events and other activities of the Peel Heritage Complex, to be called the Peel Heritage Complex Renewal Campaign (PHCRC); a reserve be created for the deposit of all receipts from the PHCRC	0.1
R0011	Transportation Demand Management	To establish a reserve fund for the maintenance of the dedicated Ontario Municipal Transportation Demand Management Grant associated with the development of the Interactive Web-based Active Transportation Map	0.0
R0018	Britannia Golf Course	To establish a reserve fund for the capital and stabilization requirements of a Britannia Golf Course Reserve used to receive deposit from the city of Mississauga and the money shall be used only for the purposes set out in Paragraph 6.4 of the agreement	0.3
R0030	Public Sector Network Reserve Fund	To receive revenues (2006) from Public Sector Network (PSN) Subscribers under agreement. Revenues should be used to offset shared network expenditures	1.0
R1168	Major Office Incentives Reserves	To seed funding for Peel Region's Major Office Incentives Program	0.1

2026 Proposed COVID-19 Reserve Requirements

Table 9. COVID-19 Reserve Requirements (in \$ thousands)

Reserve By Service	Proposed 2025 Covid Related Reserve Requirements	Reason for the Draw
Public Health	9,096	Funding to support 55.5 full-time positions and 46 contract positions was approved by Council. Council Resolution #2024-417 on May 23, 2024 - Immunization Beyond COVID-19: Urgent Need to Invest in Community Protection Against Vaccine Preventable Diseases in Peel. Reserve funding to be phased out in 2027
	1,646	11 contract extensions needed to address the rising number of institutional outbreaks and increasingly complex communicable disease cases as Peel residents are at risk of severe illness or death. Council Resolution #2024-418 May 23, 2024 - Responding to the Increasing Burden and Urgent Risk of Communicable Diseases and Outbreaks in Peel Region.
	156	2025 Budget Request #37 Strengthen Communicable Disease and Outbreak Investigations to Prevent Disease Transmission - one contract position for 18 months: July 1, 2025, to December 31, 2026.
	316	Resources required given legislated requirement to update Peel's current Community Safety and Wellbeing Plan in 2025.
Seniors Services:	108	BR#2 Contract staffing is required to optimize workforce management, scheduling, and payroll operations for over 1500 Long Term Care staff while ensuring compliance and mitigating operational risks. These positions will improve scheduling efficiency, strengthen payroll oversight, and ensure appropriate staffing in outbreaks.
	125	BR#3 Contract staffing is required to sustain and expand emotion-based care practices, ensuring seniors with dementia receive compassionate, person-centered support.
Total	11,447	