

City Council Report

REPORT NUMBER 040-2026-Corporate Services-Finance

DATE

PREPARED

January 8, 2026

FILE

**CITY COUNCIL
MEETING DATE**

February 3, 2026

SUBJECT

Annual Reserve and Reserve Fund Update

RECOMMENDATION TO CITY COUCIL

WITH RESPECT to Report 040-2026-Corporate Services-Finance, we recommend that the amendments to the following Reserve Funds with respect to By-law 220-2023 be approved as outlined in this Report:

- Capital General Reserve Fund;
- Building Faster Fund Reserve Fund;
- Building Permit Reserve Fund;
- Canada-Community Building Fund Reserve Fund;
- Ontario Community Instructure Fund (OCIF) Reserve Fund;
- Ontario Municipal Commuter Cycling (OMCC) Reserve Fund;
- and Parkland Dedication Reserve Fund;

AND THAT the following by-law schedules included in By-law 220-2023 be repealed and replaced with the revised by-law schedules as appended in Attachments 1-7:

- Schedule 8 - Capital General Reserve Fund;
- Schedule 51 - Building Faster Fund Reserve Fund;
- Schedule 5 - Building Permit Reserve Fund;
- Schedule 6 - Canada-Community Building Fund Reserve Fund;
- Schedule 27 - Ontario Community Instructure Fund (OCIF) Reserve Fund;
- Schedule 28 - Ontario Municipal Commuter Cycling (OMCC) Reserve Fund; and
- Schedule 30 - Parkland Dedication Reserve Fund;

AND THAT the Animal Control Reserve schedule within Appendix A – Schedule of Reserves included in the Reserve and Reserve Fund Policy (Policy 05-01-08) be repealed and replaced with the revised Animal Control Reserve schedule as appended in Attachment 8;

AND THAT an Assessment Growth Reserve Fund, Community Improvement Plans (CIPs) Reserve Fund, Parks & Open Spaces Reserve Fund, and Solid Waste & Recycling Reserve Fund be created as detailed in this Report;

AND THAT By-law 220-2023 be amended by adding Schedules 52 to 57, as appended in Attachments 9 to 14;

AND THAT \$500,000 be transferred from the Assessment Growth Reserve Fund to the CIPs Reserve Fund to provide initial funding for the Growth Community Improvement Plan.

AND THAT \$180,700 be transferred to the Parks & Open Spaces Reserve Fund from the Land Development Account.

AND THAT all recommendations included within this report, be effective for the 2025 fiscal year;

AND THAT the amendment to By-law 220-2023 be presented to City Council for ratification.

EXECUTIVE SUMMARY

On May 12, 2025, Council approved Report 110-2025 (Corporate Services), which established the Assessment Growth Funds Policy in order to define how assessment growth is allocated through the annual budget process. The Policy provides direction for the use of excess and one-time assessment growth funds, including contributions to the Capital General Reserve Fund. This report recommends amending the Capital General Reserve Fund By-law Schedule to formally include assessment growth funds as an eligible contribution source.

This report also recommends amendments to existing reserve fund by-laws to ensure alignment with current City programs. The Animal Services Task Force recommended expanding the scope of the Animal Control Reserve to allow withdrawals for broader animal services programming. The reserve's existing withdrawal criteria are outdated and were originally established to fund a feral cat trap, neuter and return (TNR) program that is no longer in place.

Effective November 4, 2024, the City implemented an organizational realignment to support growth objectives, including a departmental name change from Infrastructure, Development & Operations to Infrastructure & Operations and the creation of a new Growth department. As a result, departmental references in the special reporting requirements of several Obligatory Reserve Fund By-law schedules require updating.

The *Municipal Act, 2001* grants authority to establish and maintain Reserve Funds per Section 417 (1) "for any purpose for which it has authority to spend money". This Report recommends approval for the creation of four (4) new Reserve Funds – Assessment Growth Reserve Fund, Community Improvement Plan (CIPs) Reserve Fund, Parks & Open Space Reserve Fund, and Solid Waste & Recycling Reserve Fund.

To align with the direction of the 2025 Operating Budget, it is recommended that the City establish an Assessment Growth Reserve Fund, to invest in initiatives aimed at driving further growth.

On June 16, 2025 (Report 190-2025 – Growth – Development Services – Planning Services) Council approved the Growth Community Improvement Plan (Growth CIP) which aims to transform the City's approach to supporting growth, investment and innovation. The Growth CIP provides a suite of grants and incentives to support high-impact employment projects at key stages. To facilitate the Growth CIP Financial Incentive Programs, Administration recommends the creation of a CIPs Reserve Fund and a transfer of \$500,000 from the Assessment Growth Reserve Fund to the CIPs Reserve Fund to provide initial funding for this initiative.

As part of the Housing Accelerator Fund (HAF) Action Plan the City has identified surplus lands for housing, with a preference towards affordable housing. The majority of recommended surplus lands fall under the Parks & Open Spaces inventory. The proposed Parks & Open Space Reserve Fund is intended to hold the net proceeds of the sale of any lands under the Parks & Open Spaces inventory to be allocated to Parks & Open spaces to enhance infrastructure and tree canopy in other parks.

The proposed Solid Waste & Recycling Reserve Fund is being recommended to prepare for the implementation of the Organics (Green Bin) Program and will help smooth the impact on the tax levy in future years. Council approved a contribution of \$863,000 to the proposed Reserve Fund as part of the 2025 operating budget.

Two Obligatory Reserve Funds; the Housing-Enabling Core Services (HECS) Reserve Fund and the Housing-Enabling Water Systems Fund (HEWSF) were established in 2025 through formal acceptance of Transfer Payment Agreements with the Province of Ontario, effective January 9, 2025, and June 9, 2025, respectively. These reserve funds are presented for information only, except for the requested approval of the associated reserve fund by-laws and their inclusion in the Consolidated Reserve Fund By-law (By-law 220-2023).

Administration recommends that all approvals, if adopted, be deemed effective for the 2025 fiscal year.

DISCUSSION

Reserve Fund Amendments

Capital General Reserve Fund

As noted above in the details for the Assessment Growth Reserve Fund in the executive summary, an Assessment Growth Funds Policy (Policy 05-02-06) was approved and provided direction for the allocation of the surplus assessment growth funds.

To align the Capital General Reserve Fund with this policy, an amendment to the Capital General Reserve Fund is required to include assessment growth funds as an eligible

contribution source. Specifically, the wording “Assessment Growth Funds as outlined in the Assessment Growth Funds Policy” is proposed to be added to the contributions section of By-law Schedule 8 – Capital General Reserve Fund included in By-law 220-2023.

Administration is recommending By-law Schedule 8 - Capital General Reserve Fund included in By-law 220-2023 shall be repealed and replaced with the revised Schedule 8 - Capital General Reserve Fund as appended in Attachment 1;

Animal Control Reserve

The City’s Animal Control Donation Reserve was created for the purpose of depositing donations to be used specifically for the benefit of the health and care of animals in the City of Thunder Bay. The current withdrawal criteria for the reserve includes Trap, Neuter, and Return (TNR) program for feral cat costs, however the City does not currently have a TNR program.

To more effectively support local rescues and foster partnerships, the City’s Animal Services Taskforce recommended amending the Animal Control Donation Reserve to allow withdrawals for other programs for animal wellbeing in the City of Thunder Bay. This amendment does not exclude TNR programs from being funded, as they will remain eligible, but will provide other programs an opportunity to benefit from funding.

This amendment was presented and endorsed by the Quality of Life Standing Committee on December 16, 2025 in Report 320-2025 Update – Animal Services Taskforce.

Administration is recommending an amendment to the withdrawal criteria of the Animal Control Donation Reserve to allow withdrawals for programming for the health and care of animals in Thunder Bay. Further, Administration recommends the Animal Control Reserve schedule within Appendix A – Schedule of Reserves included in the Reserve and Reserve Fund Policy (Policy No. 05-01-08) be replaced with the revised Animal Control Reserve schedule as appended in Attachment 8;

Obligatory Reserve Funds

As a result of the November 4, 2024 Corporate restructuring there was a change in the name of the Infrastructure, Development & Operations department to Infrastructure & Operations as well as a creation of a new Growth department where some divisions were reallocated.

As a result, several Obligatory Reserve Fund by-law schedules reference outdated or incorrect departmental names within their special reporting requirements. Administration recommends amending the affected Reserve Fund By-law Schedules to replace references to Infrastructure, Development & Operations with Infrastructure & Operations, or to reference the Growth department where responsibilities now fall within the Development Services division:

- Building Faster Fund Reserve Fund;
- Building Permit Reserve Fund;

- Canada-Community Building Fund Reserve Fund;
- Ontario Community Infrastructure Fund (OCIF) Reserve Fund;
- Ontario Municipal Commuter Cycling (OMCC) Reserve Fund; and
- Parkland Dedication Reserve Fund.

Reserve Fund Additions

Assessment Growth Reserve Fund

As part of the City's 2025 Operating Budget (Report 1-2025 – Corporate Services) the creation of an Assessment Growth Reserve Fund was proposed to support Growth-related initiatives. The Reserve Fund is intended to hold the annual assessment growth funds. Council, through the 2025 budget, approved a contribution of \$1.7 million (the 2025 projected Assessment Growth) to the proposed Reserve Fund to be invested in future growth-related activities.

Further on May 12, 2025 (Report 110-2025– Corporate Services) Council approved the Assessment Growth Funds Policy. The Policy (Policy 05-02-06) provides direction for the allocation of the surplus assessment growth funds and one-time assessment growth funds.

To align with the direction of the 2025 Operating Budget and Assessment Growth Funds Policy, it is recommended that the City establish an Assessment Growth Reserve Fund, to invest in initiatives aimed at driving further growth, be funded with the annual assessment growth funds.

Administration is recommending the creation of the Assessment Growth Reserve Fund, and inclusion of the new By-law schedule, as appended in Attachment 9, to be included in By-law 220-2023.

Community Improvement Plans (CIPs) Reserve Fund

On June 16, 2025 (Report 190-2025 – Growth – Development Services – Planning Services) Council approved the Growth Community Improvement Plan (Growth CIP) which aims to transform the City's approach to supporting growth, investment and innovation. The Growth CIP provides a suite of grants and incentives to support high-impact employment projects at key stages.

To facilitate the Growth CIP Financial Incentive Programs Administration recommends the creation of a Community Improvement Plans (CIPs) Reserve Fund. While it is further recommended that \$500,000 of the projected \$1.7 million assessment growth funds previously allocated to the Assessment Growth Reserve Fund be transferred out of the Assessment Growth Reserve Funds and into the CIPs Reserve Fund to provide initial funding for this initiative. Additionally, the CIPs Reserve Fund shall also provide funds for the City's Strategic Core Area CIPs financial incentives programs as well.

The creation of the Reserve Fund and transfer of \$500,000 that was previously earmarked for the Assessment Growth Reserve Fund were both previously identified in the June 2025

Corporate Report noting that approval would be sought within this annual reserve and reserve fund update corporate report. Proposed in the 2026 budget is an additional \$600,000 contribution from the Assessment Growth Reserve Fund to the CIPs Reserve Fund and annually going forward in 2027 and beyond the Reserve Fund shall be funded by an annual contribution from the operating budget.

Administration is recommending the creation of the Community Improvement Plans (CIPs) Reserve Fund, and inclusion of the new By-law schedule, as appended in Attachment 10, to be included in By-law 220-2023. Additionally, Administration also recommends a transfer of \$500,000 from the Assessment Growth Reserve Fund to the CIPs Reserve Fund.

Parks & Open Spaces Reserve Fund

As part of the Housing Accelerator Fund (HAF) Action Plan the City has identified surplus lands for housing, with a preference towards affordable housing. The majority of recommended surplus lands fall under Parks & Open Spaces inventory.

Consistent with Council's policies, any sale proceeds for lands will be deposited into the Land Development Account with the exception of the sale of parkland.

Further, Council approved (via a 2024 closed session report, 2024CLS.031) that net proceeds of the sale of any lands under the Parks & Open Spaces inventory be allocated to Parks & Open Spaces to enhance infrastructure and tree canopy in other parks. Based on the above approval it is recommended that a Parks & Open Spaces Reserve Fund be created to hold the above noted funds for the purpose of providing funds to enhance infrastructure and tree canopy in other parks.

Two properties in Parks & Open Spaces inventory were sold during the year with net proceeds of \$180,700. It is recommended that upon creation of the new Reserve Fund \$180,700 in net proceeds received from the sale of these lands be transferred to the Parks & Open Spaces Reserve Fund from the Land Development Account, where the proceeds have been temporarily held.

Administration is recommending the creation of the Parks & Open Spaces Reserve Fund, and inclusion of the new By-law schedule, as appended in Attachment 13, to be included in By-law 220-2023. Additionally, Administration also recommends a transfer of \$180,700 from the Land Development Account to the Parks & Open Spaces Reserve Fund.

Solid Waste & Recycling Reserve Fund

As part of the City's 2025 Operating Budget (Report 1-2025 – Corporate Services) the creation of a Solid Waste & Recycling Reserve Fund was proposed. The Reserve Fund will help smooth the impact on the tax levy in future years during implementation of the Organics (Green Bin) Program.

Council, through the 2025 budget, approved a one-time contribution of \$863,000 Ontario Municipal Partnership Funds (OMPF) to the Reserve Fund to prepare for the implementation of the Organics (Green Bin) Program. An additional one-time contribution to the Reserve Fund from the operating budget is being proposed in the 2026 budget.

Administration is recommending the creation of the Solid Waste & Recycling Reserve Fund, and inclusion of the new By-law schedule, as appended in Attachment 14, to be included in By-law 220-2023.

Obligatory Reserve Funds

Housing-Enabling Core Servicing Stream (HECS) Reserve Fund

On April 7, 2025 (Memorandum from Kayla Dixon, dated March 17, 2025), Council approved the execution of the Transfer Payment Agreement (TPA) for the Housing-Enabling Core Servicing (HECS) fund between the Ministry of Infrastructure and the Corporation of The City of Thunder Bay be approved. Following this, the TPA for the HECS was executed between the Province and the City effective as of June 9, 2025. As outlined in the TPA the HECS Funds will fund projects aimed at the development, repair, rehabilitation and expansion of municipal roads and bridges to promote growth and enable housing for growing and developing communities.

Housing-Enabling Water Systems Fund (HEWSF) Reserve Fund

On December 2, 2024 (Memorandum from Kayla Dixon, dated October 10, 2024), Council approved the execution of the Transfer Payment Agreement (TPA) for the Housing-Enabling Water Systems Fund (HEWSF) between the Ministry of Infrastructure and the Corporation of the City of Thunder Bay be approved. Following this, the Transfer Payment Agreement (TPA) for the Housing-Enabling Water Systems Fund (HEWSF) was executed between the Province and the City effective as of January 9, 2025. As outlined in the TPA the HEWSF funds are designed to help municipalities repair, rehabilitate, and expand core, water, wastewater and stormwater infrastructure.

Per the City's Reserve & Reserve Fund Policy, an Obligatory Reserve Fund is established by way of formal acceptance of the agreement that required the Reserve Fund or through legislation from a higher level of government. In line with the Policy, the Housing-Enabling Core Service Stream (HECS) Reserve Fund and Housing-Enabling Water Systems Fund (HEWSF) Reserve Fund were established by their respective TPAs and will be contributed to and withdrawn from, pursuant to the TPAs.

Administration is recommending the creation of By-law Schedule 54, Housing-Enabling Core Service System (HECS) Reserve Fund and Schedule 55, Housing-Enabling Water Systems Fund (HEWSF) Reserve Fund as appended in Attachments 11 and 12, and inclusion in By-law 220-2023.

CONSULTATION

Administration sought endorsement on these recommendations from the Finance and Administration Standing Committee on January 6, 2026.

At Standing Committee there was discussion on whether the Land Development Account can be used to fund Reserves or Reserve Funds or redistributed to other areas throughout the Corporation and whether Administration considers changes to the annual budgeted Reserve and Reserve Fund contributions.

Administration shared that the Land Development Account is similar to a Reserve or Reserve Fund and would not typically be used to fund other Reserves or Reserve Funds but is used in the budget to fund expenses that would be eligible for its use.

Administration also shared that reducing or eliminating a discretionary Reserve Fund contribution would reduce the in-year tax levy but have an exponential impact the next year. Administration reviews Reserve and Reserve Fund balances under the guidance of the City Treasurer and Finance team, especially those that have target balances and could, when necessary, reallocate budgeted dollars from one Reserve or Reserve Fund to another, on a temporary basis. Any such recommendations would come before Council in the operating budget, for approval.

The Committee unanimously endorsed the recommendations as presented.

FINANCIAL IMPLICATION

Administration is recommending \$500,000 be transferred from the Assessment Growth Reserve Fund to the Community Improvement Plans (CIPs) Reserve Fund to provide initial funding for the Growth CIPs grant programs. This funding was previously earmarked as part of the \$1.7 million annual assessment growth funds to be contributed to the Assessment Growth Reserve Fund.

Administration is also recommending \$180,700 be transferred from the Land Development Account to the Parks & Open Spaces Reserve Funds, where the proceeds of the sale of Parks & Open Space inventory are being temporarily held.

BACKGROUND

The Consolidated Reserve Fund By-law and Reserve and Reserve Fund Policy were approved by City Council in 2023 (Report 63-2023 – Corporate Services & Long-Term Care – Financial Services).

Administration reports to Council on the City's Reserve and Reserve Funds multiple times throughout the year as part of the annual budget, year-end audit and financial statements, and year-end corporate report. Additionally, an update on Reserve and Reserve Funds may

occur at any time during the year when there are requests to approve new Reserves or Reserve Funds or when any amendments are necessary.

REFERENCE MATERIAL ATTACHED

Attachment 1 – Schedule 8 – Capital General Reserve Fund

Attachment 2 – Schedule 51 – Building Faster Fund Reserve Fund

Attachment 3 – Schedule 5 – Building Permit Reserve Fund

Attachment 4 – Schedule 6 – Canada-Community Building Fund Reserve Fund

Attachment 5 – Schedule 27 – Ontario Community Infrastructure Fund (OCIF) Reserve Fund

Attachment 6 – Schedule 28 – Ontario Municipal Commuter Cycling (OMCC) Reserve Fund

Attachment 7 – Schedule 30 – Parkland Dedication Reserve Fund

Attachment 8 – Appendix A – Schedule of Reserves - Animal Control Reserve Schedule

Attachment 9 – Schedule 52 – Assessment Growth Reserve Fund

Attachment 10 – Schedule 53 – Community Improvement Plans (CIPs) Reserve Fund

Attachment 11 – Schedule 54 – Housing-Enabling Core Servicing Stream (HECS) Reserve Fund

Attachment 12 – Schedule 55 – Housing Enabling Water Systems Fund (HEWSF) Reserve Fund

Attachment 13 – Schedule 56 – Parks & Open Spaces Reserve Fund

Attachment 14 – Schedule 57 – Solid Waste & Recycling Reserve Fund

REPORT PREPARED BY

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REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

01/22/2026 (MM/DD/YEAR)