

Staff Report



To	Committee of the Whole
Service Area	Office of the Chief Administrative Officer
Date	Tuesday, May 5, 2026
Subject	2025 Long-term Financial Statement: Reserves and Debt

Recommendation

1. That the 2025 Long-term Financial Statement: Reserves and Debt be received for information.
 2. That the updated Development Charge Exemptions Policy included as Attachment-5 of report 2026-222 - 2025 Long-term Financial Statement: Reserves and Debt, be approved.
 3. That Appendix A of the General Reserve and Reserve Fund Policy be amended to include the creation of DC Exemption reserve funds, as outlined in report 2026-222 2025 Long-term Financial Statement: Reserves and Debt.
 4. That \$2,000,000 be transferred from the Accumulated Sick Leave (Fire) reserve (100) to the WSIB reserve (330) in 2026.
-

Executive Summary

Purpose of Report

The purpose of this report is to update Council on the status of the City's reserves, reserve funds and debt at the end of 2025. It also fulfills the reporting obligations under the *Development Charges Act, 1997*, as amended (DCA), the *Planning Act, 1990*, as amended and the *Building Code Act, 1992*, as amended.

Key Findings

- The City's reserves and reserve funds increased by \$74.2 million or 13.1 per cent compared with the previous year, to a year-end balance of \$642.2 million, before commitments. This increase is primarily attributable to the issuance of debt in 2025 in accordance with the City's debt strategy, rather than new net contributions to reserves.
- While total reserve and reserve fund balances increased before commitments, available balances declined, reflecting significant capital commitments, continued reliance on interfund borrowing, combined with lower than forecast development charge collections. Including commitments, the total year-end available balance at the end of 2025 is \$208.7 million, a decrease of 12.1 per cent from the 2024 year-end balance.
- The year-end available balance in the tax-supported corporate contingency reserves was 36 per cent of target balance, compared to 50 per cent in 2024.

These reserves are used to phase-in tax levy impacts and are expected to continue to be drawn upon in 2026.

- A total of \$12.6 million in development charges (DCs) were collected in 2025 compared with \$53.8 million dollars forecasted based on the DC Background Study and Growth Forecast. DC exemptions and discounts totalled \$12.2 million, of which \$7.6 million were additional residential dwelling unit (ARDUs) exemptions. The budgeted 2025 tax and rate contributions for exemptions totalled \$11.3 million, meaning that actual exemptions of \$12.2 million were 107 per cent of budget.
- An updated Development Charge Exemption policy is proposed for Council approval that aligns with an updated interpretation of Development Charges Act (DCA) requirements, maintains funding for growth-enabling infrastructure, introduces balance for property tax and ratepayers, and improves clarity. New DC Exemption reserve funds are proposed for approval to implement the policy.
- Year-end debt outstanding totalled \$184.5 million after principal payments of \$9.7 million and \$92 million of debentures issued during the year. The City had two successful serial debenture issuances in a turbulent 2025 bond market, which nearly doubled the outstanding debt. Debt outstanding and repayments remain well within legislative and policy limits and are in alignment with the approved debt strategy.
- Direct debt to operating revenue is estimated at 30.1 per cent at the end of 2025. This is one of the metrics used by S&P Global Ratings, and a threshold of below 30 per cent is the lowest risk category for this metric. While this is one of many metrics evaluated by S&P, moving above this threshold does increase the possibility of the City's credit rating being downgraded.

Strategic Plan Alignment

The Strategic Plan identifies implementing the [Long-term Financial Framework](#) (LTFF) as a key requirement to maintain the City's financial health. Managing the City's reserves, reserve funds and debt effectively helps meet the criteria of the LTFF. Reporting on the activity and status of the City's reserves, reserve funds and debt informs Council on the City's progress toward meeting its strategic plan objective.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

This report does not affect the City's finances directly. However, continued strategic management of reserves, reserve funds and debt supports the City's overall financial health, including maintaining a favourable credit rating.

Report

Reserve and Reserve Funds

The City has over 90 reserve and reserve funds. These are used for planned capital expenses, strategic objectives, unexpected or extraordinary costs, and to smooth

tax levy fluctuations. The [General Reserve and Reserve Fund Policy](#) governs the use of reserves and reserve funds at the City. It guides how funds are used, funding sources, and sets out target balances for each reserve and reserve fund. The Policy groups reserves and reserve funds into the following categories:

- Tax-supported reserves and reserve funds
 - Contingency reserves
 - Program-specific reserves
 - Strategic reserves
 - Program-specific reserve funds
 - DC exemption reserve funds
 - Capital reserve funds
- Non-tax supported reserve and reserve funds
 - Contingency reserves
 - Capital reserve funds
- Obligatory reserve funds
 - Obligatory corporate reserve funds
 - DC reserve funds

A summary of all the reserves and reserve fund activity in 2025 is provided in Attachment-1 2025 Reserve and Reserve Fund Activity. The categories that have significant fluctuations or notable developments are discussed below. Detailed information in Attachment-2 2025 Development Charge Annual Treasurer’s Statement and Attachment-3 2025 Legislative Reporting of Reserve Funds is provided for DCs, parkland dedication (PD), community benefit charges (CBCs) and Ontario Building Code (OBC) to meet the requirements of the DCA, the *Planning Act* and the *Building Code Act*.

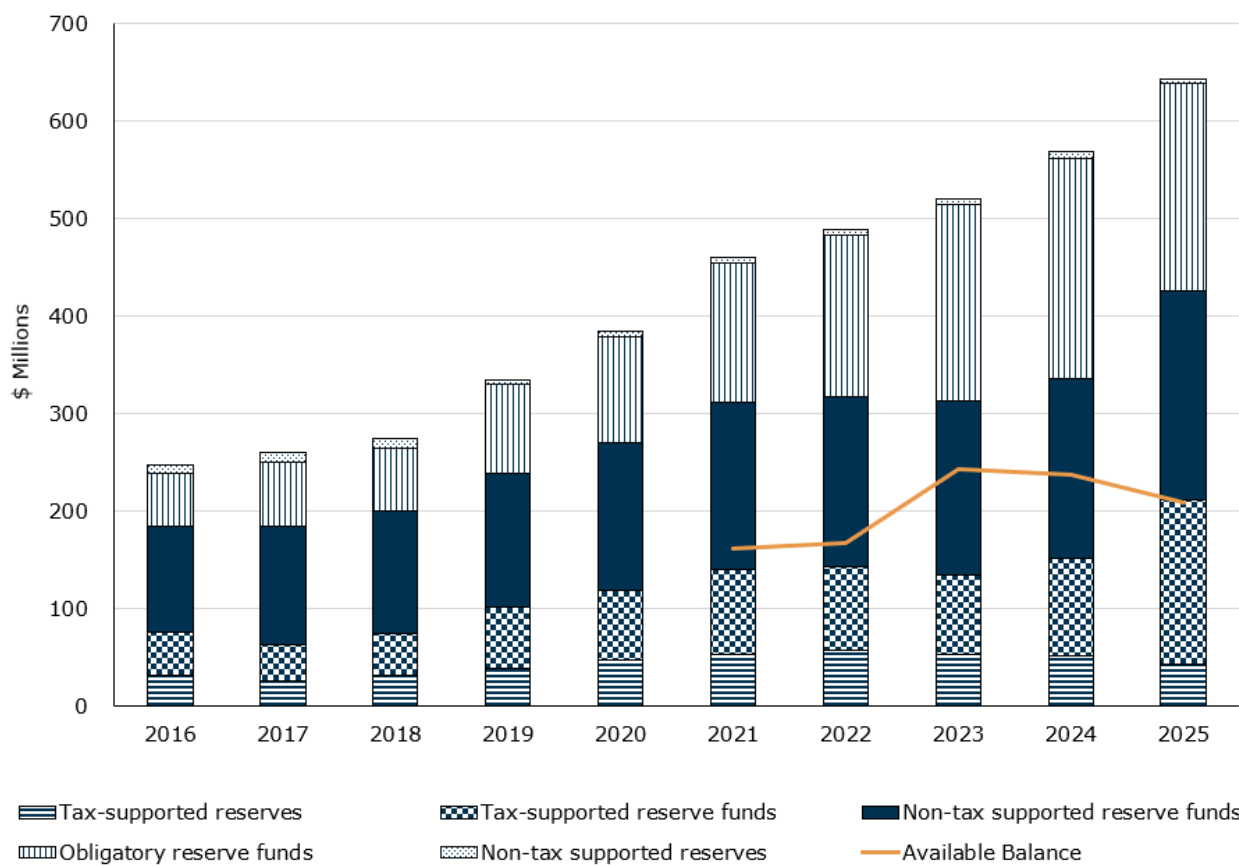
Surplus allocations and deficit funding, as recommended in the 2025 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding 2026-224, are accounted for in the figures below and included in Attachment-1.

Overall, actual reserve and reserve fund balances have increased by \$74.2 million in 2025, as shown in Figure 1. This is primarily from issuing debt for projects that are in execution phase. In 2024 these projects were temporarily funded from reserve funds, however the 2025 debenture issues replaced this reserve funding.

While some reserve fund balances appear strong, it is important to remember that interfund reserve borrowing is supporting the prioritized capital budget and forecast. Timing differences between capital expenditures, debt issuance, and development charge collections will continue to be managed through future budget and financing decisions.

The comparative 2024 figures presented in the report are restated figures, as detailed later in this report. Therefore, the figures may not agree to the 2024 Long-term Financial Statement: Reserves and Debt report.

Figure 1 Reserve and reserve fund balances from 2016 to 2025



To get a more realistic understanding of the reserve and reserve fund positions, it is important to consider the impact of Council budget approvals for which funds have not yet been spent. These funding commitments reduce the available balances and provide a full representation of the funding capacity in the reserves and reserve funds at the end of 2025.

For each reserve and reserve fund grouping, Attachment-1 presents the opening balance as of January 1, 2025, transactions through the year, including those to fund capital expenditure, and the ending balance on December 31, 2025. Additional information regarding capital expenditures in 2025 is provided in the 2025 Year-end Capital Budget Monitoring Report 2026-223. The year-end commitments column reflects Council budget decisions that result in future draws on reserve fund balances but have not been executed as of December 31, 2025. The available (uncommitted) balance represents the remaining reserve fund available after accounting for both current and prior year budget commitments.

Table 1 presents the commitments and available balances for 2025 in comparison to the 2024 balances for all reserves and reserve funds. At a high level, the available balance at the end of 2025 decreased by \$28.8 million.

The primary outflow from reserves and reserve funds is to fund capital expenditure but also includes strategic and program-specific operating investments. As outlined in the [2025 Budget confirmation](#), there is significant capital spending anticipated throughout the 10-year capital forecast, which will cause the capital reserve fund balances to decrease.

Table 1 Reserve/Reserve Fund balances/commitments/available balance summary (\$ millions)

Description	2025	2024	Increase/ decrease
Balance before commitments	642.2	568.0	74.2
Commitments	433.5	330.5	103.0
Available balance	208.7	237.5	(28.8)

Tax-Supported Reserves and Reserve Funds

Table 2 outlines the 2025 available balances in the tax-supported reserves and reserve funds in comparison to 2024. Overall, the tax-supported balances increased by \$42.6 million. This is driven by corporate capital reserve funds increasing by \$35.9 million and the implementation of the DC Exemption reserve funds, which are included in this category.

Table 2 Tax-supported reserves and reserve funds available balances (\$ millions)

Description	2025	2024	Increase/ decrease
Corporate Contingency reserves	17.9	24.3	(6.4)
Program-specific reserves	18.4	17.9	0.5
Strategic reserves	(5.1)	0.4	(5.4)
Program-specific reserve funds	14.7	9.6	5.1
Corporate capital reserve funds	14.6	(21.3)	35.9
DC Exemption reserve funds	12.9	0.0	12.9
Total	73.5	30.8	42.6

Tax-Supported Corporate Contingency Reserves

Contingency reserves provide the City with the flexibility to offset one-time, extraordinary and/or unforeseen expenditures to reduce the tax impact and manage year-end operating deficits. This group of reserves was drawn upon quite significantly throughout the Multi-Year Budget (MYB) as large operating budget increases were phased in over multiple years. As a group, the year-end available balance in the corporate contingency reserves were at 36 per cent of the target balance compared to 50 per cent in 2024. This includes the 2025 operating deficit funded by the Tax Operating Contingency reserve (180). The approved target is eight to ten per cent of own-source revenues.

Balances below the target reduce the City’s financial health. For example, the ability to quickly adapt to a changing environment to capitalize on opportunities and avoid threats, a key component of flexibility in the LTFF, is reduced. Additionally, flexibility to smooth future large budget increases over multiple years to avoid tax spikes is diminished.

To rebuild the contingency reserves, staff will continue to recommend the transfer of any tax-supported year-end surplus to the Tax Rate Operating Contingency

reserve (180) as a priority through future budget update processes. In 2025, there was an operating budget deficit funded from reserve 180 as explained in Report 2026-224 - 2025 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding. There was also a significant draw on the Environmental and Utility contingency reserve (198) for winter control. Staff will develop a strategy to rebuild these contingency reserves through the 2028-2031 multi-year budget.

Tax-Supported Program-specific Reserves

Recommendation four of this report recommends transferring \$2,000,000 from the Accumulated Sick Leave (Fire) reserve (100) to the WSIB (330) reserve. Reserve 100 is in a healthy position of 141 per cent of the minimum balance, and this transfer would bring the position down to 106 per cent of the minimum. The WSIB (330) is at 29 per cent of target, and this recommended transfer would bring the balance to 47 per cent of target.

The usage and the need for an adequate WSIB reserve balance are discussed in 2026-224 - 2025 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding.

Tax-Supported Corporate Capital Reserve Funds

The tax-supported corporate capital reserve funds support the City's five [Long-term Financial Strategies](#). The target balances in these reserve funds are linked to their approved purpose as outlined in the strategy documents.

Collectively, these reserve funds were overcommitted and in a deficit position at the end of 2024. This overcommitment resulted primarily from the temporary use of reserve funds to finance projects in the execution phase that were scheduled to be debt financed in 2025 or later. With the issuance of \$53.3 million of tax-supported debt in 2025, this temporary reserve fund borrowing was replaced, increasing the available balance in 2025.

This group of reserve funds is projected to remain in a positive position through 2029, based on projects included in the 2026 Budget Confirmation. This positive balance is expected to be used to offset a significant deficit expected in the DC reserve funds in 2026 and beyond.

Tax-supported DC Exemptions reserve funds

Municipal DC reserve fund balances are reported annually through the Treasurer's Statement and the Financial Information Return. In the City's case, approximately half of recent contributions to DC reserve funds have been funded through tax and rate supported transfers to fund development charge exemptions, meaning a portion of current balances reflects municipal funding rather than DC collections.

The new Development Charge Exemption Policy (Attachment-5) proposes the creation of DC Exemption reserve funds in alignment with the updated policy. These new reserve funds separate DC collections from exemption funding by service class, improving transparency and supporting the funding of growth-related capital projects when DC Collection reserve fund balances are insufficient.

The following are the proposed policy terms for the DC Exemption Reserve Funds:

- Reserve Numbers and names: DC Exemption Water (220), DC Exemption Wastewater (221), DC Exemption Stormwater (222), DC Exemption Highway

(223), DC Exemption Fire Services (224), DC Exemption Library Services (225), DC Exemption Transit Services (226), DC Exemption Growth Studies (227), DC Exemption Parks & Recreation (228), DC Exemption Police Services (229), DC Exemption Paramedic Services (230), DC Exemption Court Services (231), DC Exemption Health Unit (232), DC Exemption Waste Diversion (233), DC Exemption Public Works (234), DC Exemption Long-term Care Services (235).

- Purpose: Reserve funds are used to hold funding from property taxes and utility rates for development charge exemptions and discounts; and fund DC eligible capital infrastructure required to accommodate that growth in excess of development charge collections.
- Target balance: No established maximum limit.
- Source of Funds: Funds transferred in for discretionary and mandatory DC exemptions and discounts in accordance with the Identified Funding Requirement defined in the Development Charge Exemption Policy.
- Use of Funds: Funds transferred out for the growth-related component of projects identified in the Development Charges Background Study when there are insufficient balances in the DC reserve funds.
- Authority/Timing: Council approved through capital budget or other in year Council report. City Treasurer is delegated authority to approve funding adjustments between the DC Exemption reserve funds and DC reserve funds as needed to ensure DC collections are used first.

Mandatory exemptions and discounts, including those imposed through Bill 23, accounted for \$12.2 million (100 per cent) of total exemptions in 2025. The breakdown of the type of exemption can be found in Table 3.

Table 3 DC exemptions funded in 2025, by type (\$)

Exemption	Mandatory or discretionary	Amount
Industrial expansions	Mandatory	454,519
Category of owner	Mandatory	665,284
Rental housing discounts	Mandatory	2,408,754
Phase-in*	Mandatory	1,070,846
ARDUs	Mandatory	7,583,184
Total	n/a	12,182,586

* Eliminated through Bill 185 but still applicable to rate freeze developments with applications submitted during the time the phase-in was in effect.

DC exemptions are funded from the Growth (156), Water Capital (152), Wastewater Capital (153), and Stormwater Capital (165) reserve funds. Increases to tax and rate supported transfers into these reserve funds to fund DC exemptions have been phased in over several years to smooth the associated tax and rate impacts.

For 2025, the budgeted tax and rate supported contributions for exemptions totalled \$11.3 million, compared to actual exemptions of \$12.2 million, or 107 per cent of budget. This represents an improvement from 2024, when exemptions were

significantly over budget at 194 per cent. After several years of exemption costs exceeding budget, the Growth reserve fund declined into a negative position.

ARDU exemptions totalled \$7.6 million of the \$12.2 million in exemptions in 2025, a decrease from \$10.4 million in 2024, which stopped a multi-year trend of increasing ARDU exemptions. ARDU exemptions were in line with the 2025 reserve fund projections.

Non-Tax Supported Reserve and Reserve Funds

Table 4 outlines the available balances for the non-tax supported reserves and reserve funds at the end of 2025 in comparison to the balances in 2024. These balances have decreased by a combined \$15.6 million.

Table 4 Non-tax supported reserves and reserve funds available balances (\$ millions)

Description	2025	2024	Increase/ decrease
Non-tax supported contingency reserves	4.5	6.8	(2.3)
Non-tax supported capital reserve funds	93.1	106.5	(13.3)
Total non-tax supported reserves and reserve funds	97.7	113.3	(15.6)

Non-Tax Supported Contingency Reserves

The non-tax supported contingency reserve available balances are at 94 per cent of the target balance, as a group. The Parking Contingency, Water Contingency and Court Contingency reserves are all below their specified target. The Parking Contingency reserve (106) is at 26 per cent of the target balance after Parking experienced a deficit in 2024 and 2025. The balance in the reserve was not sufficient to fund the 2025 deficit and as such, the Parking Capital (151) reserve fund has been recommended to fund the deficit as discussed in 2026-224 - 2025 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding. The Water Contingency (181) reserve is 25 per cent of target after the 2025 deficit is funded.

Overall balances of the non-tax supported contingency reserves are close to target, however, have declined from 132 per cent of target in 2024. These projections will be closely monitored through the 2027 Budget Update to ensure there is a sufficient balance in these reserves to maintain flexibility.

Non-Tax Supported Capital Reserve Funds

The available balance in the non-tax supported capital reserve funds decreased by \$13.3 million. The commitments against this category of reserve funds increased in 2025, as a result of a change in the debt strategy through the 2026 Budget Confirmation. This removed \$51.3 million of planned debt from the FM Woods Station upgrades project and added a commitment against the Water Capital (152) reserve fund of the same amount.

The contrast in the available balances of the tax-supported capital, non-tax supported capital and DC reserve funds, show the informal interfund borrowing that has been utilized through the multi-year budget. The significant available balance in

the non-tax supported capital reserve funds is not committed to projects but is being used as an informal lender to tax-supported capital and DC reserve funds as those balances are low or negative. This is because the capital budget and forecast has been prioritized using the established capital prioritization criteria rather than being driven by the available balances in each grouping of capital reserve funds.

Obligatory Reserve Funds

Table 5 outlines the available balances in the obligatory reserve funds in comparison to 2024. Overall, this grouping of reserve funds decreased by \$55.9 million.

Table 5 Obligatory reserve funds available balances (\$ millions)

Description	2025	2024	Increase/ decrease
Obligatory corporate reserve funds	49.9	54.7	(4.9)
Development charge reserve funds	(12.3)	38.7	(51.0)
Total obligatory reserve funds	37.6	93.4	(55.9)

Obligatory Corporate Reserve Funds

These reserve funds are mandated under agreements and various pieces of legislation to be held separate from the balance of City funds and are treated as deferred revenue until the funds are used.

Additional commentary relating to Ontario Building Code Stabilization, Parkland Dedication and Community Benefits Charge reserve funds are provided in Attachment-3 2025 Legislated Reporting to meet the specific requirements of the *Building Code Act* and the *Planning Act*.

DC Reserve Funds

The total closing balance of all 17 DC reserve funds is negative \$12.3 million after all unspent commitments have been deducted. At the end of 2024, the net restated balance was a positive \$38.7 million. DC funding spent on capital expenditures in 2025 totalled \$35.3 million which does not include spending for the portion of projects that are DC debt financed, such as the South End Community Centre and Baker District Library.

For 2025 year-end, the City updated its revenue recognition policy for DC debt. Prior to 2025, DC revenue was recognized at the time capital expenditures were incurred, regardless of whether those expenditures were debt financed. This resulted in lower DC reserve fund balances, as the City repays debt financed projects over multiple years through principal and interest payments rather than upfront. When we communicated about DC reserve balances through this year-end report or the budget, we would always add back the DC debt outstanding to communicate the “real” balance available.

Under the revised revenue recognition policy, DC reserve funds are drawn down over the term of the debt as principal and interest payments are made. This change improves alignment between cash flows and debt repayment, and more accurately reflects the actual availability of DC reserve fund balances, and better aligns financial forecasting and financial reporting.

To implement this policy change, the City has restated the affected DC reserve fund balances for 2024. Table 6 outlines the impact of this restatement on the 2024 year-end reserve fund balances.

Table 6 2024 Reserve fund ending balance restatement

Reserve Fund	Increase/(Decrease) to 2024 Ending Balance
Growth reserve fund (156)	16,961,006
Police DC reserve fund (324)	11,203,997
Services Related to a Highway DC reserve fund (314)	9,665,335
Parking DC reserve fund (323)	3,560,000
Library DC reserve fund (316)	(2,231,273)
Parks and Recreation DC reserve fund (319)	20,267,267

DC Collections

DC reserve funds receive contributions from DC collections, interest on frozen DC rates, and allocated investment income. DC reserve funds received a total of \$14.9 million in inflows in 2025 from these sources as shown in Attachment-2 2025 Development Charge Annual Treasurers Statement. DC collections were projected to be \$53.8 million in 2025 based on the projections in the 2023 DC Background Study and the City collected \$12.6 million or 23 per cent of budget, a slight increase compared to 2024 collections of \$12.0 million. This variance negatively impacts the available balance in the DC reserve funds, however, this was anticipated in the 2026 Budget Confirmation as the projected 2025 collections were revised down to \$11.7 million. Accordingly, the shortfall will not negatively impact the reserve fund forecast for the 2027 Budget Update.

As discussed in detail in [report 2026-76 - 2026 Administrative Development Charge By-law Update](#), Bill 17 introduced legislation that shifts the timing of DC collections from building permit issuance to occupancy for residential development. This came into effect on November 3, 2025, so the impact on 2025 is minimal. The annual impact is estimated to be between \$10 million and \$20 million, depending on the level of development activity and the time between building permit issuance and occupancy moving forward. This timing change will be incorporated into the 2027 Budget Update reserve fund forecast and staff will make capital project deferral recommendations to maintain a balanced reserve fund forecast.

DC Debt

In many cases, growth-related projects are completed prior to having fully collected the DCs to fund the project. In these situations, external debt is permitted under the DCA to cash flow the capital costs of the project and is repaid by future DC collections. The total interest expense on debt from DCs was \$1.9 million in 2025. Table 7 presents the outstanding principal and maturity dates for DC debt. The Hanlon Expressway Interchange debenture and one of the DC debentures for the Police Headquarters will mature in 2026. These are balloon payments on the

debentures which will be refinanced to extend the maturity date and were included in the [April 2025 debt authority approval](#) from Council for issuance in 2025 and 2026.

Table 7 DC debt outstanding (\$)

Project	December 31, 2025 Outstanding Balance	Debt Maturity
Hanlon Expressway Interchange	8,959,917	2026
Police Headquarters	10,480,807	2026 and 2039
Baker District Central Library	7,121,482	2031
South End Community Centre	56,827,518	2031 and 2045
Wilson Street Parkade	3,361,000	2039
Total	86,750,725	n/a

DC Exemptions Policy Update

The City’s current [DC Exemption Policy](#) was last updated in November 2016, and is based on the understanding that DCA requires all DC exemptions and discounts be funded from other sources.

Development charge exemptions and discounts have increased significantly in recent years and now represent a material component of the City’s growth-related funding. This growing burden on local property tax and ratepayers led the City of London’s Mayor to reach out to the Minister of Municipal Affairs and Housing last summer to seek clarity on the requirement for municipalities to make up for legislatively required DC exemptions. [The Deputy Minister’s response](#) indicated that it is not required that municipalities top up the DC reserve funds when full or partial DC exemptions are provided. However, the response also confirms that municipalities are responsible for ensuring that adequate resources are available to enable infrastructure necessary to support growth.

This exchange prompted staff to review the DC Exemption Policy, and the interpretation of the DCA that it was based on. Through this review, staff have determined that the City’s current practice of funding DC exemptions is a policy choice, rather than a legislative requirement. The updated interpretation is the foundation for the updated Development Charge Exemption Policy (Attachment-5) recommended for Council approval.

The updated policy continues the practice of tracking and reporting on DC exemptions and maintaining reserve funds to address shortfalls resulting from exemptions and discounts. While this is a policy choice that continues to require property tax and rate funding contributions to support growth, it is strongly recommended for two primary reasons:

- Not funding exemptions and discounts would create a gap in capital funding, as exemptions and discounts do not lower the underlying cost of the capital works – they simply create a gap in the funding available to pay for them.
- Funding exemptions and discounts prevents cross-subsidization between development that would drive up DC rates up over time.

The updated Development Charge Exemptions Policy introduces balance for property tax and rate payers through the determination of the Identified Funding Requirement. This requirement is determined by subtracting grant funding received that reduces funding that would otherwise have been drawn from DC reserve funds from the amount of exemptions to be funded from taxes and rates. The exception from this approach is when a grant is specifically provided for the purpose of lowering DC rates.

The new proposed DC Exemption reserve funds align with the updated DCA interpretation and policy direction by tracking municipal funding for growth separately from developer funding. This will provide clarity and help to reduce the misunderstanding of DC reserve fund balances in the Financial Information Return. The proposed policy supports clearer financial management, improved transparency, and continued delivery of Council-approved capital programs.

Debt

Using and managing debt appropriately is critical to the City achieving long-term strategies, including sustainable funding and infrastructure investment. The City follows the [Debt Management Policy](#), to use debt to help achieve strategic objectives while keeping within legislative limits. The planned use of debt is discussed and updated every year in the budget, through the [debt strategy](#).

In 2025, the City issued its first and second debentures since 2021. In June 2025, \$58.0 million of 1-20 year serial debentures were issued under [Bylaw \(2025\) - 21093](#) for the South End Community Centre and the Baker District Infrastructure. In December 2025, the City issued \$34.0 million of 1-20 serial debentures under [Bylaw \(2025\) - 21181](#) for the Baker District Library and Parkade.

From 2022 to 2024, the City was building its debt capacity by making principal payments on existing debt and delaying issuances while interest rates were higher. This created the room for additional debt to be issued in 2025.

In 2026, staff have the authority to refinance the balloon payment on the 2016 refundable debenture issuance, which is expected to be complete by July 2026.

After principal payments of \$9.7 million and interest of \$3.8 million, the total debt outstanding at the end of 2025 was \$184.5 million. The City also has loans receivable totalling \$12.8 million under long-term financing agreements. This is comprised of two long-term loans receivable from The Elliott Community for previous renovations.

In 2024, the City advanced additional debt to The Elliott Community for the 29 long-term care bed expansion. In February 2025, this credit was converted to a long-term loan receivable from The Elliott.

Debt activity through 2025 is presented in Attachment-4 2025 Debt Activity. Table 8 presents the City imposed debt limits compared to the targets.

Table 8 City imposed debt limits

Limitation	Target	Current	Trend
Direct debt to operating revenue	<55%	30.1%	Increasing
Debt servicing to own-source revenue	<10%	2.6%	Stable

The increase in the direct debt to operating revenue ratio will be monitored closely, particularly in the context of external credit rating agency benchmarks. It should be noted that estimates are used for revenue in the above calculations, as the actual 2025 revenue figure will be finalized through the completion of the 2025 Audited Financial Statements. The direct debt to operating revenue estimate above is one of the metrics used by S&P Global Ratings, and a threshold of below 30 per cent is the lowest risk category for this metric. This is one of many metrics evaluated by S&P, but moving above this threshold does increase the possibility of the City's credit rating being downgraded.

Financial Implications

This report does not affect the City's finances directly. However, continued strategic management of reserves, reserve funds and debt supports the City's overall financial health, including maintaining a favourable credit rating. The City continues to manage its debt obligations well and stays within the Council-approved debt ratios.

Consultations and Engagement

A public notice was advertised in Guelph Today on April 9, 2026 as required by the Building Code Act.

Attachments

Attachment-1 2025 Reserve and Reserve Fund Activity

Attachment-2 2025 Development Charge Annual Treasurer's Statement

Attachment-3 2025 Legislated Reporting Requirements for Obligatory Reserve Funds (established under the Ontario Building Code and Planning Act)

Attachment-4 2025 Debt Activity

Attachment-5 Development Charge Exemption Policy

Departmental Approval

Justin Wei, Deputy Treasurer, Manager Financial Strategy and Reporting

Report Author

Dylan Prince, Senior Financial Analyst, Financial Strategy

Kevin Yaraskavitch, Senior Financial Analyst, Financial Strategy

This report was approved by:

Shanna O'Dwyer

General Manager Finance – City Treasurer and Chief Financial Officer

Office of the Chief Administrative Officer

519-822-1260 extension 2300

shanna.odwyer@guelph.ca

This report was recommended by:

Tara Baker

Chief Administrative Officer

Office of the Chief Administrative Officer

519-822-1260 extension 2221

tara.baker@guelph.ca