
For Information

REPORT TITLE: Budget Policy and Reserve Management Policy Compliance Update – December 31, 2025

FROM: Davinder Valeri, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

To provide an update on the use of delegated authority to adjust the operating budget, capital budget, reserves, and reserve funds, in accordance with Peel Region’s financial policies for the six-month period ending December 31, 2025.

REPORT HIGHLIGHTS

- The Budget Policy and Reserve Management Policy provide internal financial controls, administrative rules, and delegated authority to staff to carry out day-to-day business, and requires staff to report to Regional Council at a minimum of twice annually on the activities related to the use of delegated authority.
 - Adjustments to the operating budget, capital budget and reserves were processed under Council delegated authority in accordance with the Budget Policy and Reserve Management Policy ending December 31, 2025.
 - There were activities in 89 capital projects resulting in a net budget decrease of \$11.7 million, including \$9.6 million returned to Capital Reserves and \$2.1 million returned to Development Charges Reserves
 - The available balance of the Tax Supported Rate Stabilization Reserve is 5.3 per cent of the total 2025 Tax-supported Operating Budget, which is slightly above the lower limit required of 5 to 10 per cent target range.
 - The available balance of the Utility Rate Stabilization Reserve is 6.5 per cent of the total 2025 Utility Rate supported operating budgets, which is within the 5 to 10 per cent target range.
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DISCUSSION

1. Background

The Budget Policy establishes financial controls and provides administrative rules and procedures for staff to apply in carrying out Peel Region businesses. The Reserve Management Policy provides guidance on the use and management of reserves, reserve funds and specialty funds.

The objective of these policies is to provide an appropriate balance between financial control and operational efficiency. To achieve this, the policies delegate authority to staff to

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deal with day-to-day operations related to adjustments to the operating budget, the capital budget, and reserves within prescribed parameters.

The Budget Policy and Reserve Management Policy require that staff report to Regional Council at a minimum of twice annually on the activities related to the use of delegated authority. This report provides the second update for 2025 and specifically on the activities for the six-month period ending December 31, 2025, including reporting requirements as specified in these policies.

2. Operating Budget Changes Under Delegated Authority

a) Redeployments

Operating budget redeployments have the effect of changing the purpose for which the unexpended budget will be spent. There were no redeployments approved under Council delegated authority for the 6 months ending December 31, 2025.

3. Capital Budget Changes Under Delegated Authority

a) Authorization to Commit a Project to Over Budget Expenditure (maximum \$250,000 per project)

During the reporting period, there were no capital project budget increases approved and processed under Council delegated authority during the reporting period.

b) Redeployments

During the reporting period, 31 capital project budget redeployments for a total net value of \$3 million were approved and processed under Council delegated authority in accordance with the Budget Policy. Appendix I outlines these project details.

c) External Funding

During the reporting period, one capital project budget increase of \$16.1 million was approved in accordance with the Budget Policy. This budget increase request was fully funded by external funding with a net zero cost to Peel Region. Appendix II outlines the project details.

d) Reductions

Through active management of capital projects, the budget of one project under Water and Wastewater Services was reduced by \$5 million under Council delegated authority during the six months ending December 31, 2025. Funding of \$5 million was returned to Capital Reserves and is outlined in Appendix III.

4. Summary of Capital Project Activities Impacting Reserves and Reserve Funds

Table 1 below provides a summary of capital project activities impacting reserves and reserve funds from July to December 31, 2025.

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Table 1: Summary of Capital Project Activities Impacting Reserves and Reserve Funds

Activities	No. of Projects	Net Budget ¹ (\$Millions)	Net Budget Increased/ (Decreased) (\$Millions)	Returned to Reserves (\$Millions)	
				Capital Reserves	DC Reserves
a) Projects Closed					
Tax Supported	57	48.2	(5.5)	(4.5)	(1.1)
Utility Rate Supported	31	50.3	(1.2)	(0.2)	(1.0)
Subtotal	88	98.5	(6.7)	(4.6)	(2.1)
b) Projects Decreased ²	1	51.7	(5.0)	(5.0)	-
Subtotal	1	51.7	(5.0)	(5.0)	-
TOTAL	89	150.2	(11.7)	(9.6)	(2.1)

Numbers may not add up due to rounding

¹“Net Budget” refers to the Net Budget prior to the increase/decrease

² Projects Decreased represent ongoing work and remain active

The total impact of capital project changes is a net budget decrease of \$11.7 million, or eight percent of the total \$150.2 million net budget. Of the \$11.7 million net budget decrease, \$9.6 million was returned to the capital reserves, and \$2.1 was returned to the Development Charges (DC) reserve funds.

5. Changes to Reserves and Reserve Funds Under Delegated Authority

For the six-month period ending December 31, 2025, there were two fund transfer requests between sub reserves approved under delegated authority. Additionally, there were three requests to create new Rate Stabilization Reserves under delegated authority, and one Specialty Reserve was created under Council authorization. Details are included in Appendix IV.

6. Status of Tax and Utility Rate Stabilization Reserves

The Reserve Management Policy requires that the balances of the Rate Stabilization Reserves for both Tax Supported services and Utility Rate Supported services be maintained within the range of 5 to 10 per cent of their respective total annual operating budgets.

The budget process allows Council to review all pressures and additionally prioritize the programs and outcomes for which the recommended resources should be allocated. Annual budget deliberations provide the opportunity to determine the projects the Region should allocate for and can afford to move ahead with.

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Rate stabilization reserves are used to fund one-time or temporary costs, unanticipated costs and to smooth out budget increases. Utilization of Rate Stabilization Reserves provides Regional Council with an effective tool to manage risk and to remain within approved tax and/or utility rate targets.

a) Rate Stabilization Reserve – Tax

Council committed \$43.6 million in expenditures through the 2025 budget, of which only \$0.8 million was funded from reserves. As of December 31, 2025, the Tax Rate Stabilization Reserve balance was \$118.5 million, representing 5.1 per cent of the recommended reserve level. As this balance is at the lower end of the required target range of 5 to 10 per cent of the total operating budget, staff recommend transferring the remaining 2025 surplus of \$6.6 million to the reserve. If approved by Council, the reserve balance will increase to \$125.1 million, or 5.3 per cent of the recommended level.

b) Rate Stabilization Reserve – Utility Rate

Council approved \$2.8 million in expenditures through the 2025 budget process; however, these funds were not required at year-end. As a result, the Utility Rate Supported Rate Stabilization Reserve closed at \$47.8 million as of December 31, 2025, representing 6.4 per cent of the 2025 Utility Rate Supported Operating Budget.

At year-end, staff recommend transferring \$0.1 million from the 2025 surplus in regional utility services to the Utility Rate Stabilization Reserve. If approved by Council, the reserve balance will increase to \$47.9 million, or 6.5 per cent of the 2025 Utility Rate Operating Budget, which remains within the target range.

Financial flexibility is one of the pillars of fiscal sustainability that supports the long-term financial health of the Region, and maintaining the target range is a critical measure of Peel's overall fiscal health.

BILL 45, BILL 60, AND BILL 98 RISKS AND IMPLICATIONS

On December 11, 2025, Bill 45 (*Peel Transition Implementation Act, 2025*) received Royal Assent and initiated a phased transfer of certain services from the Regional Municipality of Peel to the Cities of Mississauga and Brampton, and the Town of Caledon. Responsibility for regional roads and stormwater infrastructure is scheduled to transfer by July 1, 2027, followed by waste collection services by October 1, 2027.

On November 27, 2025, Bill 60 (*Fighting Delays, Building Faster Act, 2025*) received Royal Assent and introduced additional changes, including amendments to the *Municipal Act, 2001* transferring jurisdiction over water and wastewater utilities to lower-tier municipalities effective January 1, 2029, or a later prescribed date. Bill 60 also enacted the *Water and Wastewater Public Corporation Act, 2025*, enabling designated public utility corporations to deliver water and wastewater services on behalf of municipalities. On March 30, 2026, the provincial government tabled Bill 98 (*Building Homes and Improving Transportation Infrastructure Act*), which provided further details respecting this model, although additional regulations are required to fully implement the proposed framework.

At this time, the full legal, financial, and operational implications of Bill 45, Bill 60, and Bill 98 for Peel Region and its local municipalities remain uncertain. Staff will continue to monitor

