

**Subject: Disposition of 2025 Tax and Rate Supported Operating
Surplus/Deficit**

File Number: ACS2026-FCS-FSP-0004

**Report to Finance and Corporate Services Committee on 7 April 2026
and Council 22 April 2026**

**Submitted on March 25, 2026 by Svetlana Valkova, Interim Deputy Chief Financial
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Ward: Citywide

**Objet : Disposition de l'excédent/déficit d'exploitation soutenu par l'impôt et les
taux de 2025**

Numéro de dossier : ACS2026-FCS-FSP-0004

Rapport au Comité des finances et des services organisationnels

le 7 avril 2026

et au Conseil le 22 avril 2026

**Soumis le 25 mars 2026 par Svetlana Valkova, Cheffe adjointe des finances,
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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Corporate Services Committee recommend that Council:

- 1. Approve the \$16.763 million 2025 operating surplus in City-Wide be transferred to the Tax Stabilization Reserve;**
- 2. Approve the \$2.006 million 2025 operating surplus in Ottawa Public Library (OPL) be transferred to the Library Reserve;**
- 3. Approve the Ottawa Police Services' 2025 operating deficit of \$25.133 million be funded from the Tax Stabilization Reserve;**
- 4. Approve the \$51.946 million 2025 operating deficit in Transit Services be funded as follows:**
 - a. \$44.946 million from the Tax Stabilization Reserve; and**
 - b. \$7 million from the Transit Operating Reserve.**
- 5. Approve the \$11.843 million 2025 operating surplus in Water Services be transferred to the Water Reserve;**
- 6. Approve the \$9.346 million 2025 operating surplus in Wastewater Services be transferred to the Wastewater Reserve;**
- 7. Approve the \$954 thousand 2025 operating surplus in Stormwater Services be transferred to the Stormwater Reserve;**
- 8. Approve the transfer of \$850 thousand of the 2025 operating surplus in By-law and Regulatory Services to the City-Wide Reserve as an advance repayment for costs related to the development of their online business licensing software thereby fulfilling By-law and Regulatory Services' financial obligation one year in advance.**
- 9. Approve the addition of 6 full-time equivalent (FTE) positions to the Ottawa Paramedic Service Central Ambulance Communication Centre (CACC), as funded by the Ministry of Health's increased base funding.**
- 10. Receive the update to the maximum target balance of the Tax Stabilization Reserve using the existing approved methodology.**
- 11. Receive Documents 1 to 4 for information.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande que le Conseil :

- 1. approuve que l'excédent d'exploitation de 16,763 millions de dollars pour 2025 à l'échelle de la Ville soit transféré au fonds de réserve pour la stabilisation des taxes;**
- 2. approuve que l'excédent d'exploitation de 2,006 millions de dollars pour 2025 de la Bibliothèque publique d'Ottawa (BPO) soit transféré au fonds de réserve pour la Bibliothèque publique d'Ottawa;**
- 3. approuve que le déficit d'exploitation de 25,133 millions de dollars pour 2025 du Service de police d'Ottawa soit financé à partir du fonds de réserve pour la stabilisation des taxes;**
- 4. approuve que le déficit d'exploitation de 51,946 millions de dollars pour 2025 des Services de transport en commun soit financé comme suit :**
 - a. 44,946 millions de dollars à partir du fonds de réserve pour la stabilisation des taxes;**
 - b. 7 millions de dollars à partir du fonds de réserve pour le fonctionnement du transport en commun**
- 5. approuve que l'excédent d'exploitation de 11,843 millions de dollars pour 2025 des Services d'eau soit transféré au fonds de réserve pour les services d'eau;**
- 6. approuve que l'excédent d'exploitation de 9,346 millions de dollars pour 2025 des Services d'eaux usées soit transféré au fonds de réserve pour les services d'eaux usées;**
- 7. approuve que l'excédent d'exploitation de 954 000 \$ pour 2025 des Services des eaux pluviales soit transféré au fonds de réserve pour les services d'eaux pluviales;**
- 8. approuve le transfert de 850 000 \$ de l'excédent d'exploitation de 2025 des Services des règlements municipaux et de la réglementation vers le Fonds de réserve de la Ville, à titre de remboursement anticipé des coûts liés au développement de leur logiciel de délivrance de permis d'entreprise en**

ligne, ce qui permettra de remplir l'obligation financière de ce service un an à l'avance;

- 9. approuve l'ajout de six (6) postes équivalents temps plein (ETP) au Centre intégré de répartition des ambulances (CIRA) du Service paramédic d'Ottawa, financés par l'augmentation du financement de base du ministère de la Santé.**
- 10. prenne acte de la mise à jour du solde maximal ciblé du fonds de réserve pour la stabilisation des taxes à l'aide de la méthodologie approuvée actuelle.**
- 11. prendre connaissance des documents 1 à 4 à titre informatif.**

EXECUTIVE SUMMARY

As part of the finalization of 2025 operations and the preparation of the 2025 financial statements, Council approval is required for the disposition of any surplus or funding of any deficit. This report provides an analysis of the results of 2025 operations for all tax and rate-supported City programs.

Strong financial management continues to be a priority for the City, Council, and our residents. Council continues to play a leading role in the City's approach to fiscal prudence and financial sustainability. The adoption of strong financial policies, plans and processes continue to support the City's prudent approach to financial sustainability for today and for the future. As reported regularly throughout 2025, staff implemented several financial mitigation measures early in the year, including a discretionary spending freeze and non-priority operational hiring pause. These actions, supported by Council, were taken to address emerging financial pressures, particularly those related to Transit's path to financial sustainability and the significant winter weather events experienced in the first half of 2025. These early management interventions and risk mitigations resulted in financial improvements throughout 2025. In addition, as presented throughout the Quarterly 2025 reporting and the 2025 Budget process, the Tax Stabilization Reserve included additional funding beyond the required maximum target to fund the projected 2025 Transit deficit.

The City-Wide Tax-Supported services ended the year with a \$31.977 million surplus, and Rate-Supported services ended the year with a \$22.142 million surplus. The Transit Services operating budget, which falls under the mandate of the Transit Committee

finished 2025 with a \$51.946 million deficit. The Ottawa Police Service (OPS) operating budget, which falls under the mandate of the Ottawa Police Services Board, finished 2025 with a \$25.133 million deficit. The Ottawa Public Library (OPL) operating budget, which falls under the mandate of the Ottawa Public Library Board, finished 2025 with a \$2.006 million surplus. The overall 2025 City budget concluded the year with a \$20.954 million deficit which reflects a significant improvement in comparison to the Q2 forecasted deficit of \$51.1 million. The final \$20.954 million deficit includes the \$36 million Provincial funding that was not received in 2025. Had this funding been provided the overall City results would have been in a \$15 million surplus. The reported Transit Services, OPS, and OPL year-end results reflect the allocations of taxation related accounts in each business area.

Ottawa Paramedic Service

The Ministry of Health has increased funding for the Ottawa Paramedic Service Central Ambulance Communication Centre (CACC) by \$1.456 million bringing the total to \$21.611 million for the 2025-2026 funding year. This funding includes \$866 thousand for 6 new full-time equivalent positions, enhancing dispatch services and emergency response.

Update on Reserve Balances and Targets

Staff have completed the annual review of reserve balances, as committed in the Disposition of 2024 Tax and Rate Supported Operating Surplus/Deficit report ([ACS2025-FCS-FSP-0003](#)). Based on 2025 year-end results, uncommitted discretionary reserves total \$489.096 million, or 9.41 per cent of total net 2026 operating budget of \$5.2 billion, which remains within the recommended best practice range of 8.5 per cent to 12 per cent. The Tax Stabilization, Transit Operating, Employee Benefit, and City-wide Capital Reserves have been assessed against their established minimum and maximum target levels, with the detailed positions presented in Document 3 – Transfers and Reserves Schedule. Staff will continue to monitor reserve balances and will bring forward any required reallocation recommendations through future financial reports.

RESUME

Dans le cadre de la finalisation des opérations de 2025 et de la préparation des états financiers de 2025, l'approbation du Conseil municipal est requise pour décider de l'utilisation de tout excédent ou du financement de tout déficit. Le présent rapport fournit une analyse des résultats des activités de 2025 relatives aux programmes municipaux financés par les recettes fiscales et les redevances.

Une gestion financière rigoureuse demeure une priorité pour la Ville, le Conseil municipal et la population. Le Conseil continue d'exercer un rôle de premier plan dans l'approche de la Ville en matière de prudence budgétaire et de viabilité financière. La mise en place de politiques, de plans et de processus financiers solides permet de soutenir l'approche prudente de la Ville en matière de viabilité financière pour aujourd'hui et à l'avenir. Comme mentionné à plusieurs reprises au cours de l'année 2025, le personnel municipal a mis en place, dès le début de l'année, diverses mesures d'atténuation financières, dont un gel des dépenses discrétionnaires et une pause dans l'embauche pour les postes opérationnels jugés non prioritaires. Appuyées par le Conseil, ces mesures ont été mises en place afin de répondre aux pressions financières émergentes, notamment celles liées au cheminement du transport en commun vers la viabilité financière, ainsi qu'aux importants événements météorologiques hivernaux survenus durant la première moitié de 2025. Ces interventions de gestion mises en œuvre de manière proactive, jumelées à des mesures de réduction des risques, ont permis d'améliorer la situation financière de la Ville tout au long de l'année 2025.

À la fin de l'année, les services financés par les recettes fiscales à l'échelle de la Ville ont enregistré un excédent de 31,977 millions de dollars, tandis que les services financés par les redevances ont affiché un excédent de 22,142 millions de dollars. Le budget de fonctionnement des Services de transport en commun, qui relèvent du mandat du Comité du transport en commun, s'est soldé en 2025 par un déficit de 51,946 millions de dollars. En fin d'année 2025, le budget de fonctionnement du Service de police d'Ottawa (SPO), qui relève du mandat de la Commission de service de police d'Ottawa, a affiché un déficit de 25,133 millions de dollars. Le budget de fonctionnement de la Bibliothèque publique d'Ottawa (BPO), qui relève du mandat du Conseil d'administration de la Bibliothèque publique d'Ottawa, s'est soldé en 2025 avec un excédent de 2,006 millions de dollars. Dans l'ensemble, le budget municipal de la Ville pour 2025 s'est conclu par un déficit de 20,954 millions de dollars, ce qui représente une amélioration importante par rapport au déficit de 51,1 millions de dollars prévu au deuxième trimestre (T2). Le déficit final de 20,954 millions de dollars tient compte des 36 millions de dollars en financement provincial qui n'ont pas été reçus en 2025. Si ce financement avait été versé, les résultats financiers globaux de la Ville auraient plutôt fait état d'un excédent d'environ 15 millions de dollars. Les résultats de fin d'année des Services de transport en commun, du Service de police d'Ottawa et de la Bibliothèque publique d'Ottawa intègrent les allocations des comptes liés à la taxation associées à chacun de ces secteurs d'activité.

Service paramédic d'Ottawa

Le ministère de la Santé a augmenté le financement du Centre intégré de répartition des ambulances (CIRA) du Service paramédic d'Ottawa de 1,456 million de dollars, portant le financement total à 21,611 millions de dollars pour l'exercice de financement 2025-2026. Ce financement comprend 866 000 \$ destinés à la création de six nouveaux postes équivalents temps plein, afin d'améliorer les services de répartition et les interventions d'urgence.

Mise à jour concernant les soldes et les objectifs des fonds de réserve

Le personnel a complété l'examen annuel des soldes des fonds de réserve, conformément au rapport Disposition de l'excédent/déficit d'exploitation soutenu par l'impôt et les taux de 2024 ([ACS2025-FCS-FSP-0003](#)). D'après les résultats de fin d'année 2025, les fonds de réserve discrétionnaires non engagés totalisent 489,096 millions de dollars, ce qui correspond à 9,41 % du budget de fonctionnement net total de 2026, établi à 5,2 milliards de dollars. Ce niveau demeure conforme à la fourchette recommandée selon les bonnes pratiques, soit entre 8,5 % et 12 %. Les fonds de réserve de stabilisation des taxes, du fonctionnement du transport en commun, des avantages sociaux du personnel et des immobilisations à l'échelle de la Ville ont été évalués en fonction de leurs niveaux cibles minimum et maximum établis. Les positions détaillées sont présentées dans le Document 3 – Calendrier des transferts et des réserves. Le personnel poursuivra la surveillance des soldes des fonds de réserve et présentera toute recommandation de réaffectation jugée nécessaire dans de futurs rapports financiers.

BACKGROUND

As part of the year-end financial reporting process for 2025 and the preparation of the annual financial statements, Council approval is required for the allocation of any surplus or the funding of any deficit. This comprehensive report presents a detailed analysis of the 2025 operating results for all tax and rate-supported City programs, providing a thorough overview of the City's financial performance for the year.

On March 28, 2018, Council approved the Reserve Management Policy ([ACS2018CSDFIN-0004](#)), establishing minimum and maximum target levels for key City reserves and requiring regular reporting on their status. In keeping with this requirement, and as outlined in the Disposition of 2024 Tax and Rate Supported

Operating Surplus/Deficit report ([ACS2025FCSFSP0003](#)), this report provides an update on the 2025 year-end reserve balances and their alignment with established targets.

DISCUSSION

Year-End Results

The City of Ottawa has several operations funded from sources that cannot be co-mingled and/or require separate reporting. The year-end results are presented by business area. These business areas include City-Wide Tax-Supported Services, Ottawa Police Service (OPS), Ottawa Public Library (OPL), Transit Services, and Rate-Supported Services (Water, Wastewater and Stormwater Services). For services such as transit and police that have their own tax rate, the business area results include both the operating results and an allocation of the various taxation related revenue and expenditure accounts. Document 1 - 2025 Operating Results Summary presents a summary of the year-end operating results by business area.

City-Wide Tax-Supported services ended the year with a \$31.977 million surplus and Rate-Supported Services ended the year with a \$22.142 million surplus. These outcomes reflect a significant financial improvement from the 2025 forecast of \$2.134 million deficit for City-Wide Tax-Supported Services and \$11.5 million surplus for Rate-Supported Services. As reported in the 2025 Tax, Transit and Rate Operating and Capital Budget Q2 Status report to Council on September 10, 2025 ([ACS2025-FCS-FSP-0010](#)).

Transit Services finished 2025 with a \$55.858 million deficit. Once the various Transit taxation related accounts are allocated to the business areas, the result is an overall \$51.946 million deficit, compared to the 2025 forecast of a \$46.646 million deficit provided in the 2025 Tax, Transit and Rate Operating and Capital Budget Q2 Status report to Council on September 10, 2025 ([ACS2025-FCS-FSP-0010](#)). The deficit reflects a combination of expenditure and revenue pressures. The main expenditure impacts were driven by the delayed opening of O-Train Lines 1 East, lower debt servicing, higher performance deductions, and reduced diesel and facility costs, while revenue pressures resulted from lower ridership, increased use of discounted fares, reduced reliance on gas tax and reserves due to unissued debt, and \$36 million of senior government funding that was not received. It is recommended to approve a transfer of \$44.946 million from the Tax Stabilization reserve and \$7 million from the Transit Operating Reserve to fund Transit Services' 2025 operating deficit.

The OPS operating budget, which falls under the mandate of the Police Services Board, finished 2025 with a \$28.858 million deficit, compared to the 2025 Q3 forecast of a \$19.3 million deficit provided in the [Financial Status Report - 2025 Third Quarter](#) to the Police Services Board on December 5, 2025. Once the various police taxation related accounts are allocated to the business areas, the result is an overall \$25.133 million deficit.

The OPL operating budget, overseen by the OPL Board, ended 2025 with a \$2.006 million surplus, a slight difference from the projected surplus of \$2.032 million reported in the OPL Second Quarter 2025 Financial Status Report ([OPLB-2025-0909-10.6](#)) on September 9, 2025.

The following provides a brief overview of the major City service areas that contributed to the 2025 year-end results. Additional information is provided in Document 2 - 2025 Detailed Operating Results by Business Area.

Tax-Supported City-Wide: Departmental Accounts

City Clerk \$444 thousand deficit:

The \$444 thousand shortfall in the Office of the City Clerk is due to higher-than-expected translation and interpretation costs, driven by increased demand.

Legal Services \$873 thousand deficit:

The \$873 thousand shortfall in Legal Services is due to an increase in arbitration costs for various ongoing legal matters partially offset by compensation savings from staffing vacancies.

Community and Social Services \$3.622 million surplus:

The surplus in Community and Social Services of \$3.622 million is a result of additional revenue in the Municipal Child Care Centres due to the new provincial funding model, and the additional resident accommodation and provincial revenue in Long-Term Care. This surplus was partially offset by a deficit in Employment and Social Services driven by higher expenses for ridership costs associated with the Community Bus Pass and EquiPass. Housing and Homelessness Services experienced increased demand for shelters and higher expenditures related to homelessness and community housing services which were fully offset by provincial and federal funding.

Emergency and Protective Services \$4.377 million deficit:

The \$4.377 million deficit in the Emergency and Protective Services Department is primarily attributable to higher compensation costs resulting from a retroactive contract settlement, as well as increased Workplace Safety and Insurance Board (WSIB) charges in Fire Services. These costs have been partially offset through discretionary spending savings on programming materials and services, and lower contract costs for corporate radios, as well as savings from vacancies. Increased revenues from parking fines in By-law and Regulatory Services, Paramedic paid-duty agreements, and false fire alarms fees also mitigated the deficit.

Public Works \$28.725 million deficit:

The deficit of \$28.725 million in Public Works is mainly driven by the Road Services deficit due to a significantly harsher winter season that included 70 snow days, 43 per cent above the five-year average and 294 cm of snowfall, 40 per cent higher than average, requiring increased deployment of staff and equipment. Parks Maintenance experienced a deficit due to higher inflation-related vehicle and materials costs. These pressures were partially offset by surpluses in Solid Waste from lower operating costs and higher revenues from tipping fees, in Forestry Services from limited availability of contracted services, and staffing vacancies in several service areas. Parking Services also generated a surplus from higher Off-Street Parking revenue, and Traffic Services reported a surplus due to increased external revenues, with Automated Speed Enforcement revenue losses mitigated by reduced operating costs and lower reserve contributions.

Recreation, Cultural and Facility Services \$1.762 million surplus:

The Recreation, Cultural and Facility Operations Department ended the year with a \$1.762 million surplus. Community Recreation and Cultural Programs contributed \$4.4 million in positive results, driven by lower compensation costs and higher revenues from registrations, rentals, and summer camps. These gains were partly offset by a \$1.7 million deficit in Aquatics, Specialized and City-Wide Programs resulting from increased facility maintenance and compensation costs, although higher program revenues helped mitigate the impact. Facility Operations also posted a deficit due to increased compensation costs and fleet costs required to support services.

Finance and Corporate Services \$1.998 million surplus:

Finance and Corporate Services reported a surplus of \$1.998 million due to higher revenue from tax and water billing services and savings generated through a discretionary spending freeze and a pause on non-priority operational hiring.

Planning, Development and Building Services \$1.172 million deficit:

The Planning, Development and Building Services Department deficit of \$1.172 million is due to lower than anticipated volume of Zoning By-Law amendments, Subdivision, and Site Plan fees in Planning Services, as well as a lower volume of Road Cuts and Sewer Connections in Right of Way, Heritage and Urban Design, partially offset by additional Building Permit revenue. The expenditure surplus is due to staffing vacancies and savings on purchased services.

Strategic Initiatives \$1.603 million surplus:

The Strategic Initiatives Department surplus of \$1.603 million is largely due to staffing vacancies and purchased services savings.

Infrastructure and Water Services \$355 thousand surplus:

The Infrastructure and Water Services Department ended the year with a \$355 thousand surplus, driven primarily by staffing vacancies.

Non-Departmental Accounts**Capital Formation Costs \$1.44 million surplus:**

The surplus is mainly driven by lower than expected debt servicing charges.

Corporate Common Expenditures and Revenues \$40.07 million surplus:

The surplus is driven by higher early payment discounts, lower financial charges related to new debt, merchant fees, and bank charges. Investment income also exceeded expectations with a \$24 million gain from transitioning assets under the Prudent Investor Standard and an additional \$8 million from maintaining higher short-term investment balances while interest rates remained elevated longer than anticipated. Additional revenues from penalties and interest in tax accounts, higher activity at the Rideau Carleton Raceway, and higher Municipal Accommodation Tax (MAT) collections from Airbnb. These gains were partially offset by lower lottery and red-light camera revenues.

Tax Related Expenditures and Revenue \$16 million surplus:

The surplus of \$16 million is primarily driven by higher supplementary taxation and Payments in Lieu of Taxes (PILT) revenues and lower remissions. Supplementary taxation revenue increased due to continued tax base growth from new construction and property improvements. PILT revenues also exceeded expectations as a result of newly acquired PILT-eligible properties, increased airport-related payments, and prior-year settlement payments for properties with outstanding disputes. In addition, taxation remission costs decreased because of fewer assessment appeals and continued active participation in the appeal process.

Tax-Supported - Transit Services \$51.946 million deficit:

The Transit Services Department reported a \$51.946 million operating deficit in 2025. The revenue shortfall was driven primarily by two factors: \$36 million in budgeted funding from senior levels of government was not received, and \$20.2 million in lower fare revenue due to lower ridership and the average fare lower than planned. On the expenditure side, savings were realized because the opening of O-Train Line 1 East did not occur in 2025, lower debt charges, and reduced spending on diesel fuel and facility costs. These savings were partially offset by higher compensation costs primarily associated with the ratification of ATU279 collective agreement, a delay in implementing New Ways to Bus route changes, increased Para Transpo service costs, and higher insurance claims. In 2025, O-Train Line 1 performance deductions totaled \$2 million and were offset by \$300 thousand for R1 replacement bus service costs.

Tax-Supported – Ottawa Police Services (OPS) \$25.133 million deficit:

The Ottawa Police Service (OPS) reported a \$25.133 million operating deficit in 2025 after tax-related expenditures and revenues were allocated. Five primary factors contributed to the year-end deficit. The most significant pressures were the \$7.5 million collective agreement settlement and \$11 million in overtime costs. In addition, a \$6.5 million shortfall resulted from Public Safety Canada's decision not to reimburse costs associated with demonstrations related to the Israel-Palestine conflict under the National Capital Extraordinary Policing Costs program. Further pressures arose from higher than forecasted WSIB expenses and increased corporate support costs related to the staff stabilization plan, these items totaled \$31 million and were partially offset by revenue surpluses, including recoveries from secondments, resulting in a net deficit of \$29 million before the allocation of non- departmental tax-related accounts.

Tax-Supported – Ottawa Public Library (OPL) Services \$2.006 million surplus:

The OPL reported a year-end surplus of \$2.006 million mainly driven by savings in compensation due to staffing vacancies and additional revenue from donations partially offset by increased library materials and supplies expenditures.

Rate-Supported Programs**Drinking Water Services \$11.843 million surplus:**

The surplus of \$11.843 million in Drinking Water Services is primarily attributed to vacancies and higher than anticipated water consumption driven by the extended dry summer and fall, offset with increased activities and water usage.

Wastewater Services \$9.346 million surplus:

The surplus of \$9.346 million in Wastewater Services is due to vacancies, lower debt servicing charges and higher than anticipated water consumption driven by the extended dry summer and fall, offset with increased maintenance activities.

Stormwater Services \$954 thousand surplus:

The surplus of \$954 thousand in Stormwater Services is due to vacancies and higher than anticipated account growth.

Disposition of Surplus and Deficits:

The surpluses and deficits in the various business areas are recommended to be allocated as outlined in Table 1 - Disposition of Surplus and Deficits.

It is recommended that \$850 thousand from the \$5.474 million surplus in By-Law & Regulatory Services be allocated to the City-Wide Reserve. This would allow for the early repayment of costs related to the development of their online business licensing software thereby fulfilling By-law and Regulatory Services' (BLRS) financial obligation one year in advance.

Table 1 – Disposition of Surplus and Deficits
(in thousands of dollars)

	Tax Supported					Rate	Total
	City-Wide	Police	Transit	Library	Total Tax Supported	Water/Sewer/Storm	
Overall City Surplus / (Deficit) per Document 1	31,977	(25,133)	(51,946)	2,006	(43,095)	22,142	(20,954)
1 - Disposition per existing by-laws / Council direction:							
Transfer to Solid Waste Rate Reserve	(14,364)	0	0	0	(14,364)	0	(14,364)
Total Disposition	(14,364)	0	0	0	(14,364)	0	(14,364)
Remaining Surplus / (Deficit)	17,613	(25,133)	(51,946)	2,006	(57,460)	22,142	(35,318)
2 - Disposition of Surplus and Deficits							
City-Wide Reserve (BLRS business licensing online solution advanced repayment)	(850)	0	0	0	(850)	0	(850)
Transit Operating Reserve	0	0	7,000	0	7,000	0	7,000
Library Reserve	0	0	0	(2,006)	(2,006)	0	(2,006)
Tax Stabilization	(16,763)	25,133	44,946	0	53,316	0	53,316
Police Reserve	0	0	0	0	0	0	0
Water Reserve	0	0	0	0	0	(11,843)	(11,843)
Wastewater Reserve	0	0	0	0	0	(9,346)	(9,346)
Stormwater Reserve	0	0	0	0	0	(954)	(954)
	(17,613)	25,133	51,946	(2,006)	57,460	(22,142)	35,318
Remaining Balance	0	0	0	0	0	0	0

*Figures rounded.

Continuity of Reserves and Reserve Funds

Document 3 – Transfers and Reserve Schedule provide a detailed reconciliation of the City’s reserves and reserve funds, outlining the 2025 financial activity, the forecasted 2026 budgeted reserve transfers, and the impact of this report’s recommendations on reserve balances.

Operating Budget Adjustments

Throughout the year, operating budget adjustments, including interdepartmental transfers, are made to ensure that budget authority is properly aligned with spending needs. These adjustments are processed either under the delegated authority of the Chief Financial Officer/Treasurer or through Council approved reports. Delegated authority is exercised in accordance with the Delegation of Authority By-law 2025-69 for the transfer of operating funds. When operating fund transfers, including interdepartmental transfers, exceed \$200 thousand, they must be reported to the Finance and Corporate Services Committee and City Council. Document 4, Operating Budget Adjustments and Transfers Impacting Overall Expenditures and Revenues, summarizes all budget changes processed since July 1, 2025.

In addition, the Ministry of Health has increased base funding for the Ottawa Paramedic Service Central Ambulance Communication Centre (CACC) for the provision of dispatch services which is 100 per cent funded by the Province. According to the Ministry's letter dated February 13, 2026, the City is provided with additional base funding of \$1.374 million and \$82 thousand in one-time funding for the 2025-2026 funding year, bringing total funding under the Agreement to \$21.611 million. This increase includes \$866 thousand, for 6 FTEs for the Ottawa Paramedic Service Central Ambulance Communication Centre.

Reserve Balances and Target Ranges

As committed in the Disposition of 2024 Tax and Rate Supported Operating Surplus/Deficit report ([ACS2025-FCS-FSP-0003](#)), staff have completed the annual review of reserve performance and are providing an update on the year-end positions of the City's reserves relative to the target ranges.

Given the continued uncertainty in Transit Services related to fare revenue recovery and funding commitments from upper levels of government, maintaining a defined one-time mitigation capacity within the Tax Stabilization Reserve remains a prudent fiscal safeguard. In accordance with the Council approved methodology, a \$36 million one-time mitigation amount was established for 2025. For 2026, staff are maintaining this approach and are reflecting a \$47 million mitigation amount to address the ongoing risk of a Transit operating deficit should anticipated senior government funding does not materialize. Accordingly, the maximum target balance has been adjusted to reflect this revised mitigation amount. No changes have been made to the risk factors or methodology established in the prior report.

This section provides an update strictly on reserve balances and their alignment with those existing targets.

The City maintains the following key reserves with Council approved minimum and maximum targets: the Tax Stabilization Reserve, Transit Operating Reserve, Employee Benefit Reserve, and the City-Wide Capital Reserve. These ranges continue to reflect the framework endorsed last year, and year-end uncommitted 2025 balances have been assessed accordingly.

At the close of 2025, uncommitted balances across all discretionary reserves totaled \$489.096 million, or 9.41 per cent of total net 2026 operating budget of \$5.2 billion. This remains within the recommended best-practice range of 8.5 per cent to 12 per cent, demonstrating that reserve levels remain stable and generally aligned with the City's

Reserve Policy.

Key highlights from the year-end analysis are as follows:

Tax Stabilization Reserve

The year-end balance of the Tax Stabilization Reserve balance remains within the established minimum and updated maximum target and continues to serve as the primary buffer against tax supported operating variability, weather related pressures, and fluctuations in tax related expenditures and revenues. As part of the disposition of year end results, \$44.946 million from the Tax Stabilization Reserve is being applied to partially offset the operating deficit in Transit, and \$25.133 million is being applied to offset the operating deficit in Police.

Transit Operating Reserve

Transit Services ended 2025 with a \$51.946 million operating deficit. As part of the disposition of year-end results, \$7 million from the Transit Operating Reserve is being applied to partially offset this deficit. As a result of this drawdown, the Transit Operating Reserve will fall below its minimum target level. The reduced balance reflects ongoing pressures within Transit operations and will require continued monitoring to determine appropriate replenishment strategies through the Long-Range Financial Plans and annual budget process.

Employee Benefit Reserve

The Employee Benefit Reserve's year-end balance is above its maximum target, consistent with the reserve's role in supporting long-term employee benefit obligations.

City-Wide Capital Reserve

The City-Wide Capital Reserve remains aligned with established minimum target based on expected reserve transfers. Alignment with the maximum target will continue to be informed by capital requirements identified through the Long-Range Financial Plan.

A summary of each key reserve's 2025 year-end balance and how it compares to approved target levels is presented in Table 2 – Reserve Balances and Targets.

Staff will continue to monitor reserve performance through 2026. Any required adjustments to maintain alignment with approved target ranges will be brought forward through future Long-Range Financial Plans and the annual Budget Directions Report.

Table 2 - Reserve Balances and Targets

Reserve Name (All amounts shown in millions \$)	Uncommitted 2025 year- end balance	Minimum Target	Maximum Target	Above Maximum Target / (Below Minimum target)
Tax Stabilization Reserve	92.3	36.6	114.6	In range
Transit Operating Reserve	0.8	12.1	25.7	(11.3)
Employee Benefit Reserve	112.4	67.8	90.4	22
City-Wide Capital Reserve Group	69.4			
Less: Special Purpose Capital Reserves	<u>(10.5)</u>			
City-Wide Capital Reserve	58.8	21.5	Tax LRFP	In range

FINANCIAL IMPLICATIONS

The financial implications are outlined in the report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations of the report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

Not applicable.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the Accessibility for Ontarians with Disabilities Act, (2005) in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

CLIMATE IMPLICATIONS

As committed in the Disposition of 2024 Tax and Rate Supported Operating Surplus and Deficit report ([ACS2025-FCS-FSP-0003](#)), staff confirm that there are no changes to the City's reserve management practices in this year's report. The updates introduced last year continue to ensure that reserve balances reflect ongoing climate related risks, including extreme weather and flooding, and support the City's ability to respond to these pressures.

With no revisions required this year, the Reserve Management Policy continues to align with the 2023 to 2026 strategic goal of enhancing resilience to extreme weather and with the Climate Change Master Plan priority of applying a climate lens to the new Official Plan and related documents. This consistent approach maintains the integration of climate risk considerations in financial and operational planning.

DELEGATION OF AUTHORITY IMPLICATIONS

Delegated authority was exercised as set out under the Delegation of Authority by-law 2025-69 regarding the transfer of operating funds. The transfer of operating funds exceeding \$200 thousand shall be reported to the Finance and Corporate Services Committee and City Council and is presented in Document 4.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations of the report.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitments to the current Term of Council Priorities of: a city that has affordable housing and is more livable for all; a city that is more connected with reliable, safe and accessible mobility options; a city that is green

and resilient; and a city with a diversified and prosperous economy. The report also promotes the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – 2025 Operating Results Summary

Document 2 –2025 Detailed Operating Results by Business Area

Document 3 – Transfers and Reserves Schedule

Document 4 – Operating Budget Adjustments and Transfers Impacting Overall Expenditures / Revenues

DISPOSITION

Staff will implement the report recommendations as outlined in the report.

Note: A correction was made to this report further to the City Clerk's Delegated Authority, as set out in Schedule C, Section 9 of Delegation of Authority By-Law 2025-69, to correct a number on page 8.