

### Financial Stabilization Reserve (FSR) Repayment Strategy Update

After applying the approved adjustments in the March 17, 2026, Financial and Corporate Services report FCS03314, Operating Financial Update - December 31, 2025 (preliminary year-end financial results), a balance of \$87.4 million remains in the FSR. This is \$63.0 million below the preliminary required minimum balance of \$150.4 million.

In accordance with City Policy C629A - Financial Stabilization Reserve, in the event the unappropriated FSR balance falls below the minimum, a strategy will be adopted to achieve the minimum balance over a period not to exceed three years, starting with the subsequent year's operating budget.

In December 2024, through the Fall 2024 Supplemental Operating Budget Adjustment process (Financial and Corporate Services report FCS02529), Council identified \$10 million in one-time savings in 2025 to help replenish the FSR, and approved tax increases in 2025 of 0.5 per cent and in 2026 of an additional 0.6 per cent to restore the FSR back to the minimum balance over five years, from 2025 to 2029. To facilitate this, Council approved an exemption to Policy C629A to allow the repayment strategy to occur over five years instead of three.

The FSR repayment strategy is based on an assumption of results being equal to budget over the next five years (i.e. no tax-supported surplus or deficit). If the FSR's financial position improves over the next five years, potentially because of tax-supported surpluses, less funding will be required for repayment, and the excess funds will be reallocated sooner to expedite the creation of the dedicated renewal fund. Alternatively, if the FSR position gets worse as a result of further tax-supported deficits, larger tax increases may be required in future years to bring the FSR back up above its minimum balance by the end of 2029.

Considering the preliminary 2025 tax-supported surplus and recommended carry-forwards, the FSR is currently forecasted to reach its minimum balance in 2028. There are a number of variables that will impact the repayment timeline; Administration will continue to monitor the repayment strategy and report back with budget and performance reporting.

Once the FSR reaches its minimum balance, the funds used to replenish the FSR will be redirected towards a dedicated renewal fund to support the City's capital infrastructure renewal deficit.