




CITY COUNCIL

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City of Toronto's reserves and reserve funds

Reserves and Reserve Funds form an essential part of sound financial management. These funds are set aside to be used for planned, future expenses. The City cannot legally budget for a deficit (as the provincial and federal governments can), so it must put aside funds in Reserves and Reserve Funds.

Reserves allow for funding of irregular or occasional expenses, such as municipal elections every three years, major equipment purchases and large purchases such as buildings. A Reserve is funded by contributions from the Operating Budget at the discretion of Council.

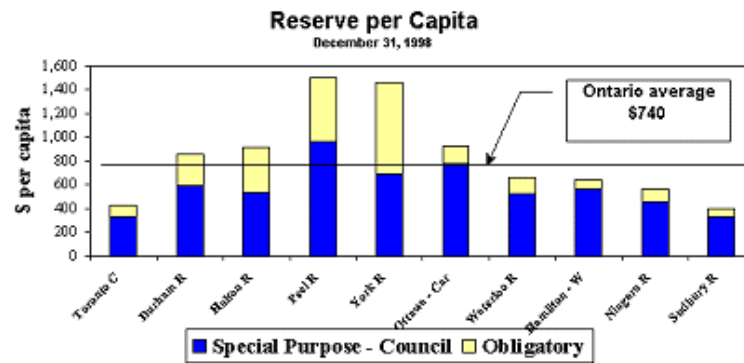
Some Reserves and Reserve Funds are under-funded due to fiscal constraints over the past ten years, including the downloading of new responsibilities without sufficient revenues. Examples of under-funding include: annual Reserve and Reserve Fund contributions for vehicles at \$28 million instead of \$40 million; employee benefits, currently under-funded by \$955 million; and social assistance stabilization, under-funded by \$224 million.

Reserve Funds cannot be used to fix Operating Budget issues. Such use would only aggravate the current inadequate situation. It would simply result in a short-term deferral of tax increases. Even if the City did, only funds from certain reserves could be used, and then only for one-time capital expenditures.

There are two types of Reserve Funds - Obligatory and Council-specific. Obligatory Reserve Funds contain funds which have to be provided on the basis of legislation or contractual obligations. These funds can only be used for the purpose indicated. Council creates special accounts for a specific purposes.

The City's Reserve Funds at December 31, 2000 were:

	\$ Millions (approximately)
Reserves (e.g. vehicle replacement, working capital, water rate stabilization)	\$239
Reserve Funds (obligatory) Operating (e.g. social services) Capital Program Support (e.g. Homes for Aged, Parklands)	\$230
Specific Purpose - Council Operating (e.g. Employee Benefits, TTC Stabilization) Capital (e.g. Land Acquisition, Homeless)	\$454
TOTAL RESERVE & RESERVE FUNDS - DECEMBER 2000 (approx.)	\$923M



(Excludes temporary reserve funds for one-time TTC Capital.)

Comparisons to Toronto As the chart above indicates, on a per capita basis the City of Toronto's reserves are below the Ontario average and well below its GTA neighbours.