



RESERVES AND **DEBT MANAGEMENT**

As adopted December 7, 2025

Reserves and Debt Management

The Fiscal Strategy includes four pillars to ensure long-term financial sustainability. The previous two sections of the budget addressed Revenue Management and Capital Planning, while this section focuses on the Reserve Management and Debt Management pillars. Balancing the use of reserves and debt must be carefully managed in the 10-Year Capital Plan. Reserve contributions and draws (both capital project funding and debt repayment) must be considered when developing the plan. This section explores that balance further.

Reserve Management

Reserves are used to fund capital projects and manage fiscal shocks to the operating budget. Reserves are funded through a number of sources including:

- Planned operating budget contributions to reserves funded through the tax levy or user rates
- Grants received from the provincial or federal governments
- Development charges and other development revenues collected for growth
- Operating budget surpluses which are allocated based on the Council approved surplus management strategy

Operating budget fiscal shocks are managed with stabilization reserves

In the operating budget, reserves are used to manage fiscal shocks to the budget which could result in large swings to the tax levy or user rates. This is done by smoothing the contributions to capital reserves and through the tax rate stabilization reserve or user rate reserves.

A standard practice is to keep the tax stabilization reserve at a target balance of about 10 percent of annual tax revenue to pay for any unforeseen pressures. The tax stabilization reserve will be used in 2026 for sidewalk inspection and maintenance, one-time upgrades to parks electrical utility boxes, temporary staffing support in procurement to implement administrative efficiencies and a one-time grant to support Aurora Historical Society’s repairs to the Hillary House.

Reserves are used to fund capital projects

Projects in the 10-Year Capital Plan are funded from reserves. There are a number of reserves that are used to fund capital projects and the funds are applied to the project based on the purpose for which each reserve can be used. The table that follows shows the balance of these reserves over the next 10 years and the annual balance change at the bottom.

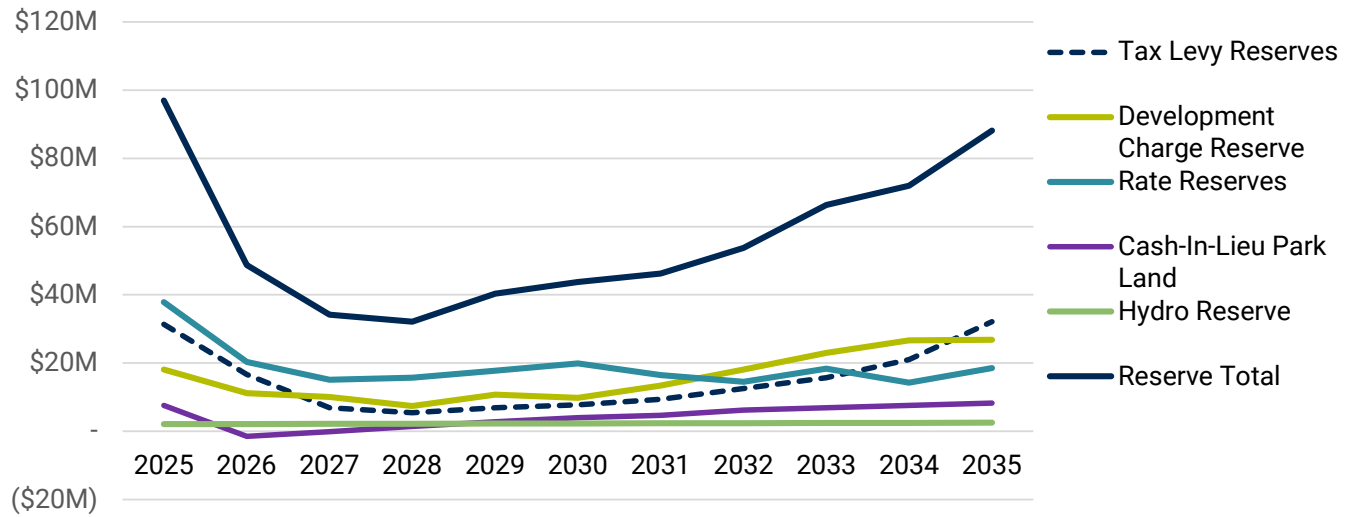
Forecasted reserve balances

(\$M)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Tax Levy Funded											
Asset Management											
Roads	7.3	7.0	4.5	4.5	5.3	5.6	6.2	6.9	6.4	5.5	6.4
Facilities	9.2	2.1	(1.0)	(0.7)	(0.5)	(0.3)	(0.4)	0.5	2.5	2.8	6.1
Information Technology	1.1	0.3	0.0	0.3	0.4	0.7	1.2	1.6	1.8	2.5	3.3
Fleet	3.8	3.1	1.4	1.3	1.2	0.7	0.7	(0.0)	(0.1)	1.2	3.2
Parks & Recreation	3.9	1.0	0.1	(0.4)	(0.8)	(0.8)	(0.8)	(0.3)	0.1	2.2	4.8
	25.4	13.4	5.0	5.0	5.7	5.9	6.9	8.8	10.7	14.3	23.9
Growth & New	4.7	3.1	2.2	0.4	0.9	1.4	2.1	3.0	3.9	4.8	5.9
Studies & Other	1.3	0.2	0.0	0.2	0.6	0.8	0.8	1.3	1.7	2.5	3.0
Total Tax Levy Funded	31.4	16.8	7.1	5.7	7.2	8.1	9.8	13.1	16.2	21.6	32.8
Annual Balance Change		(14.6)	(9.6)	(1.5)	1.5	1.0	1.7	3.2	3.2	5.4	11.2
Rate Funded											
Water	13.1	10.3	10.9	11.7	12.3	14.0	10.6	6.1	8.6	6.6	7.2
Wastewater	9.0	3.9	0.7	1.4	2.9	3.4	3.4	5.0	6.3	4.9	7.0
Stormwater	15.7	6.1	3.5	2.6	2.5	2.5	2.5	3.3	3.5	2.8	4.3
Total Rate Funded	37.8	20.3	15.1	15.7	17.7	19.9	16.5	14.5	18.4	14.3	18.5
Annual Balance Change		(17.5)	(5.2)	0.6	2.0	2.2	(3.4)	(2.0)	3.9	(4.1)	4.3
Development Charges											
Fire Services	(1.9)	(1.8)	(1.6)	(2.8)	(2.6)	(4.3)	(4.1)	(3.9)	(3.7)	(4.4)	(4.2)
Roads & Related	18.6	13.9	13.2	11.4	12.7	10.6	11.0	12.3	13.8	15.4	17.0
Parks & Recreation	(3.5)	(4.9)	(4.8)	(5.0)	(3.6)	(1.4)	0.9	3.1	5.2	6.8	4.3
Library Services	0.4	0.7	1.1	1.6	2.2	2.7	3.3	3.9	4.4	5.0	5.6
Water Supply & Distribution	1.5	1.3	1.2	1.1	1.0	1.0	1.2	1.3	1.5	1.7	1.9
Sewer	2.5	2.4	1.5	1.7	1.9	2.2	2.4	2.7	3.0	3.3	3.6
General Government	0.2	(0.8)	(0.8)	(0.9)	(1.2)	(1.3)	(1.5)	(1.5)	(1.4)	(1.4)	(1.5)
Municipal Parking Spots	0.4	0.4	0.4	0.5	0.5	0.3	0.3	0.3	0.4	0.4	0.4
Total Development Charge	18.1	11.2	10.2	7.6	10.8	9.9	13.5	18.2	23.1	26.7	26.9
Annual Balance Change		(6.9)	(1.1)	(2.6)	3.3	(0.9)	3.6	4.7	4.9	3.7	0.2
Cash-In-Lieu Park Land											
Cash-In-Lieu Park Land	7.6	(1.5)	(0.1)	1.4	2.8	4.0	4.6	6.2	6.9	7.5	8.2
Annual Balance Change		(9.1)	1.4	1.5	1.4	1.2	0.6	1.6	0.6	0.7	0.7
Hydro Reserve											
Hydro Reserve	2.1	2.1	2.2	2.2	2.3	2.3	2.3	2.4	2.4	2.5	2.5
Annual Balance Change		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Reserve Balance	97.0	49.0	34.5	32.5	40.8	44.2	46.8	54.3	67.0	72.7	89.0
Annual Balance Change		(48.0)	(14.5)	(2.0)	8.3	3.5	2.5	7.6	12.7	5.7	16.3

Note: The year ending balances are shown in the chart, these balances reflect the opening balances for the next year.

While some reserves do go into a negative balance, the overall capital reserves balance stays positive in all years. This budget includes an increase of annual fiscal strategy contributions to tax funded reserves to 1.5 percent starting 2027, the carrying costs for the completion of the LED debt and \$200,000 in savings from the move to producer responsibility for recycling waste starting 2026 will be contributed to the tax-funded asset management reserves.

10-year capital reserves balances grouped by funding source

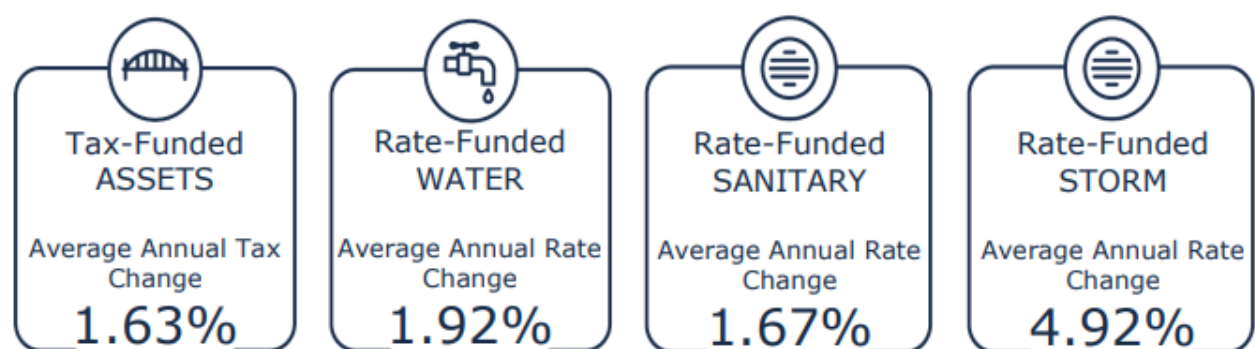


The 2024 Asset Management Plan highlighted the need for higher reserve contributions to achieve the recommended capital asset levels of service

For the most part, the Town’s approved 2024 Asset Management Plan’s defined level of service for most tax funded and user rate funded asset classes reflects their present levels of service. To maintain these levels of service, the Asset Management Plan recommends an annual tax increase over 15 years, meaning an increase from the existing dedicated asset management annual tax increase of 0.84 to 1.63 percent. This may increase with new infrastructure additions by the Town.

In 2026, to support asset management, the budget redirects the savings from the move to producer responsibility for waste and the savings from the completion of the LED conversion debt financing to asset management reserve contributions. This is a step forward to meeting the future asset management needs.

Asset Management Plan recommended reserve increases by funding source



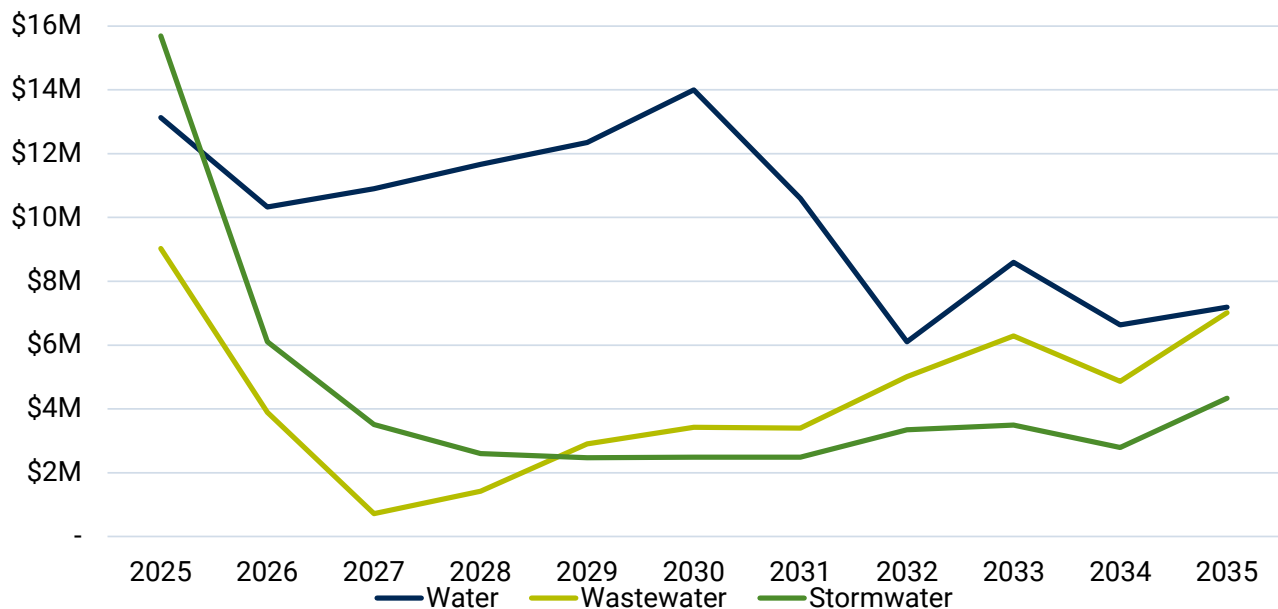
Similarly for the user rate funded assets, the Asset Management Plan recommends the Town adopt phase-in periods of 15 years for water, 10 years for wastewater and 20 years for stormwater networks resulting in dedicated annual rate increases of 2.89, 1.67 and 4.92 percent for water, wastewater and stormwater, respectively. These recommended increases try to find a balance between the annual burden placed on each service’s user rate, while minimizing the time needed to reach a state of infrastructure affordability.

This Budget continues to include previous Asset Management Plan recommendations for filling the funding gap for user rate reserves in 2026

The 2025 to 2026 Budget included contributions to user rate funded services as recommended in phase 1 of Asset Management Plan. These contributions in 2026 remain the same as presented in the previous budget. Then in 2027, increase of 2.25 percent to water, 1.50 percent to wastewater and 6.00 percent to stormwater rates will be applied. This approach results in lower contributions than recommended for wastewater over a phase in period of 10 years, but a slightly higher contribution for water and stormwater services. These annual rates strive to close the current infrastructure gap within 10 years.

These annual rate increases, that would be planned to begin in 2027, will result in an increase of \$0.11/m³ for water and wastewater combined and \$1.10/month for stormwater. The impact on the average quarterly residential bill with 54m³ of water consumption would be \$9.24 to support asset management.

User rate funded reserve balances



Tax levy reserves are mostly used to support asset management

The operating budget includes capital reserve contributions which is part of the overall tax levy. This reserve contribution increases on an annual basis through the one percent tax levy increase to support the Fiscal Strategy. Most of these funds go to support asset management reserves, while the balance supports contributions to the growth and new and studies and other reserves.

Increases to asset management reserves should be aligned with the Asset Management Plan recommendations.

The current practice of increasing the capital reserve contributions by one percent of the annual tax levy will need to increase in the future without support from higher levels of government. The reserve forecast assumes additional annual contributions to the asset management reserves will begin in 2027. The increase is a step forward to meet the recommendation outlined in the Asset Management Plan.

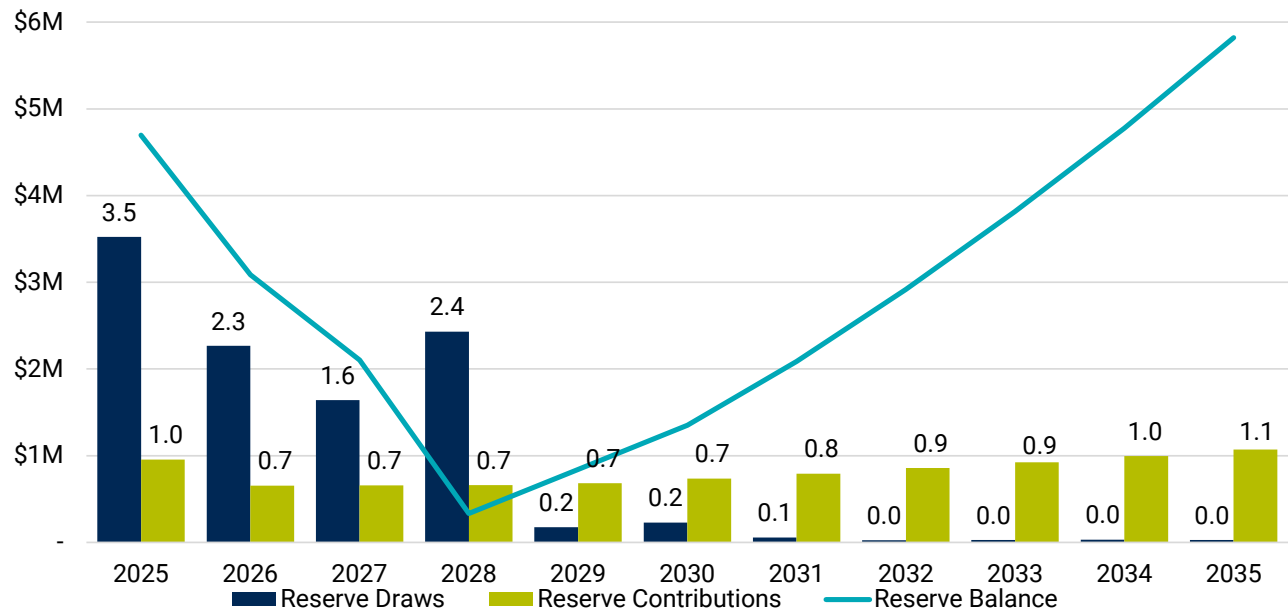
Staff will develop a financial strategy that will ensure the funding gap for existing backlogged project work and future asset management requirements are addressed over the long term. This long-term funding strategy will be presented to Council prior to the 2027 Budget. However, in the interim until this funding gap is eliminated, lower service levels may need to be managed in the short term.

The tax levy also supports other capital reserves for growth and studies projects

The Growth and New reserve is used to pay for the portion of growth projects not funded through Development Charges or Community Benefit Charges. The studies and other reserve supports strategic studies for both future capital and operating budget initiatives.

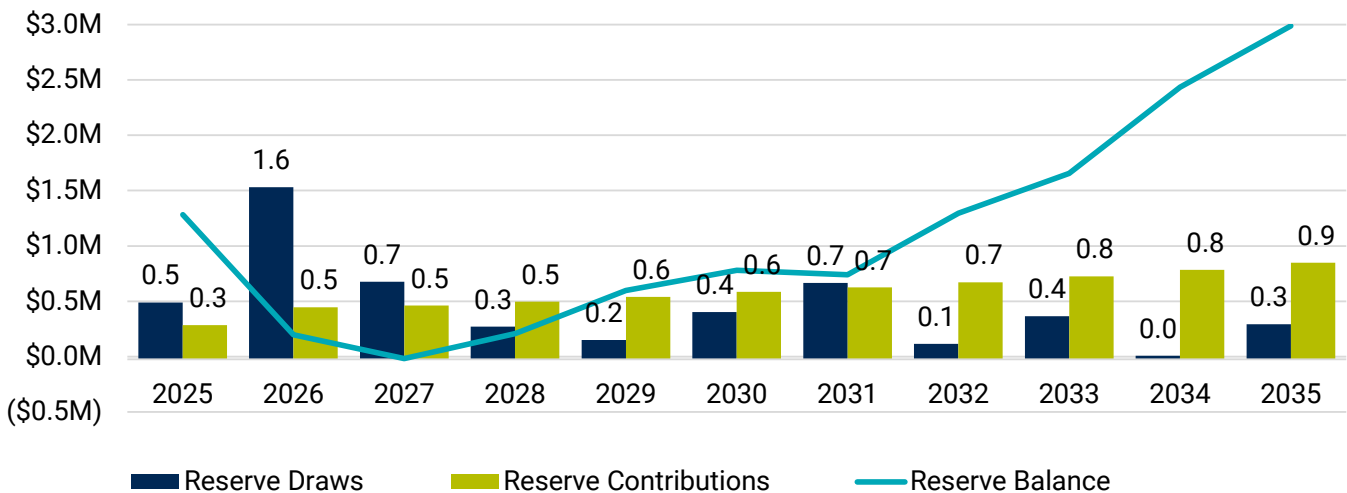
The Growth and New reserve maintains a positive balance in all years of the 10-year capital plan. The reserve shows a healthier balance at the end of 10-year period due to the removal of unfunded Growth and New projects. These projects are only partially funded by development charges, community benefit charge or grants, the balance would need to be funded through tax-funded reserves. Currently, the Town does not have sufficient funds available to pay for these projects in the outer years of Growth and New reserve.

Growth and New 10-year reserve balances



The Studies and Other reserve is relatively small as it represents the smallest portion of the capital plan. The reserve remains positive balance in most years throughout the 10-year capital plan.

Studies and other 10-year reserve balances



Building Faster Fund revenues will be used to pay for growth projects

To reward municipalities that build homes, the province created the Building Faster Fund which provides funding to municipalities based upon their performance against provincial housing targets.

As of the end of 2024, the Town has yet to receive any payments from this fund as the established annual housing targets have not been met. Since receiving this funding is uncertain, it is not included in the reserve forecast.

Development revenues are used to pay for growth

Development charges are collected on residential and non-residential developments, and the community benefit charges are collected on specific types of residential developments for the capital projects that are included in the studies and bylaws. These funds are used to pay for the growth-related costs of capital projects needed to maintain a consistent level of service to a growing community. The calculation of these development revenues considers a number of factors:

- **Development charges** include growth projects that have been identified in the development charges study, the historical service levels for each category and any benefit to existing residents; these eligible costs are then distributed over the projected growth period included in the study
- **Community benefits charges** include eligible growth projects in the community benefit strategy and an appraisal of land value for anticipated high density residential growth. As justified under the Town's community benefit strategy, the maximum four percent is applied to applicable high density residential growth land value is applied. Note, any growth projects included in this strategy cannot be included in the development charge study

In March 2024, Town's current development charge study and by-law was approved and then amended twice in 2024 to reflect the changes to the Development Charge Act. The 2024 study forecasted that Aurora would receive \$15.7 million on average in revenues over the 10-year period from March 2024 to March 2034; before considering the impact of revenue loss from affordable housing, purpose built rental bedroom development charge discounts and an ability to freeze development charges rates for up to 18 months.

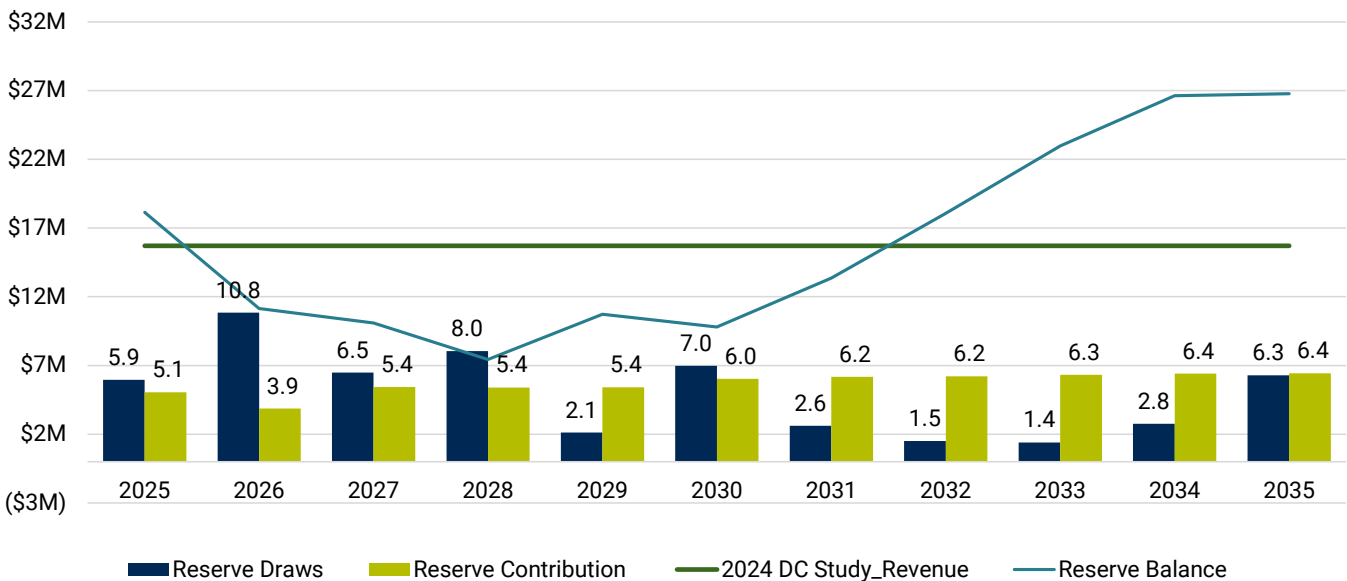
On June 5, 2025, provincial government approved Bill 17 – "Protect Ontario by Building Faster and Smarter Act". Bill 17 also includes significant residential development rebates/incentives for the developers. Some of the key amendment of Bill 17 are as follows:

- Exemption of development charges for all non-profit residential development
- Exemption of development charges for for-profit long-term care homes
- Deferral of development charges for five years, interest free, for for-profit institutions and purpose-built rentals
- Deferral of development charge payments from first building permit to occupation

In addition to Bill 17, York Region Council approved multiple policies offering further development charge incentives in support of development. Lower tier municipalities participation was made contingent in the incentives offered by York Region policies. For the most part, incentives offered include extending the deferral of development charge revenues.

A reduction in development charges, or other growth funding tools such as parkland dedication and community benefit charges, will hinder the Town’s ability to finance growth-related infrastructure. Without additional funding from higher levels of government this could result in the delay of building growth capital projects or increase the number of projects that will need debt financing to provide time for the deferred development charges to be collected.

Development charge 10-year reserve forecast



The reduction to the development charge revenue forecast impacted the capital plan and reserve forecast

In 2026, the forecasted development charge revenues are further reduced to average of \$6.2 million annually in comparison to the \$10 million forecasted in the 2025 Budget. As a result, 10 Growth and New projects valued at \$17 million, which are included in the current development charge study, are delayed beyond 2035. Details of those projects can be found in Capital Budget chapter of the 2026 Budget.

The reserve forecast above shows that the contributions are expected to continue to be lower than what was included in the study. The primary reason for the reserve balance to grow in the outer years is the exclusion of Growth and New projects as the funding available is not sufficient to proceed with most of the development charge funded projects for parks and facilities.

Also, an additional three Growth and New Projects, which are recommended by the Active Transportation Master Plan and trails plan, are moved to the unfunded category due to the new

Development Charge Study recognizing a higher benefit to existing residents, which has increased the share of these projects that must be funded from tax-funded reserves or grants. At this time there is not enough funding available in the growth and new reserve to proceed. The Town will seek other grant opportunities to ensure that the development charge revenues for these projects can be allocated, as the Town can only proceed with these projects if grant funding is received.

Debt Management

Debt is a financing tool which enables Aurora to manage the timing difference between when a capital project is constructed and when the funds are collected to pay for the project. This timing difference is most common for growth projects. Aurora's 10-year reserve forecast includes the repayment of debt issued for projects funded from development charges, user fees and the tax levy.

A Debt Management Policy was approved by Council in January 2023. The policy outlines the guidelines and controls for the issuance of debt including:

- A minimum balance of one-year's principal and interest costs shall be maintained in development charge reserves
- Debt funding source should be known at the time of debt financing
- Aurora's defined annual repayment limit and framework of debt

The 2026 Budget does not include any new debt authority to be approved at this time.

Development charge debt considers affordability in the 10-year plan

Larger growth capital projects require significant funding from development charges. Development charges are collected over an extended period and often the project needs to be built in advance of growth.

New development charge funded debt should only be considered if the forecast can show that enough development charge revenues will be collected in the future to pay the debt principal and interest. The new debt policy also recommends that a minimum balance of one year's principal and interest payments be maintained in the combined total of the development charge reserves. No new debt is acquired in the next 10- years as the focus is to pay off the existing debt and avoid any negative combined development charge reserve balance.

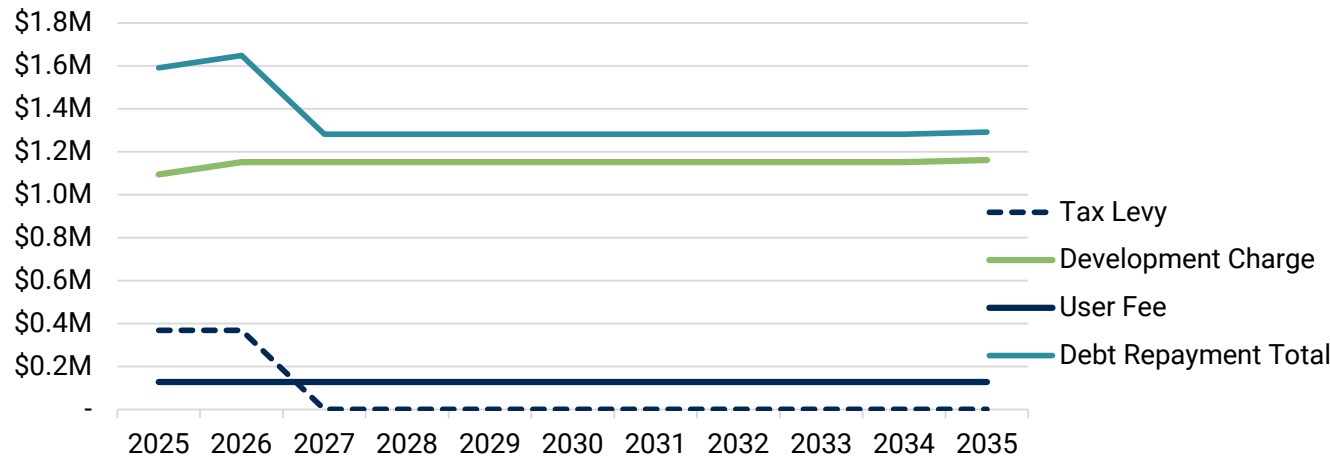
Existing debt is repaid through multiple sources

When debt principal and interest is paid, it is funded from the source that would have been used to fund the project in the capital plan. The Town has debt which is currently funded from development charges, user fees and tax levy.

Aurora’s current outstanding debt includes:

- Stronach Aurora Recreation Complex: 20-year debenture, to be paid off in 2025 (development charge funded debt)
- LED Streetlight Conversion project to be paid off in 2026 (tax funded)
- Aurora Sports Dome: 15-year debenture to be paid off in 2036 (user fee funded)
- Hallmark Baseball Diamonds: 20-year debenture, to be paid off in 2041 (development charge funded)
- Stronach Aurora Recreation Complex new gymnasium: 20-year debenture issued in 2025, to be paid off in 2045 (development charge funded)
- Aurora Town Square: 20-year debenture, to be paid off in 2045 (development charge funded)

Annual debt repayment costs by funding source



There will be no tax-funded debt outstanding for the Town in 2027 as when the debt repayment is completed for the LED streetlight tax-funded project in 2026, these funds used to repay debt will be converted to asset management reserve contributions as per the Fiscal Strategy.

Fiscal Strategy and financial policy ensure long-term financial sustainability

The Fiscal Strategy provides a long-term view to financial stewardship and financial management of Town resources. It ensures that the Town maintains desired service levels and adapts to the growth while managing the fiscal impacts year-over-year. Reserves and debt management pillars of the Fiscal Strategy supports the capital planning pillar of the Fiscal Strategy by managing the timing difference between when a capital project is built and when the funding for the project is received. Maintaining a positive reserve balance and manageable debt levels for the Town are the key indicators of long-term financial health. Reserves and debt graphs in this chapter show how fiscally sustainable decisions made during the budget approvals can ensure future financial health.