

Staff Report



To	City Council
Service Area	Office of the Chief Administrative Officer
Date	Wednesday, March 19, 2025
Subject	2026 Budget Confirmation Planning Workshop

Executive Summary

Purpose of Report

Following the confirmation of the 2025 City services budget, the Mayor issued [mayoral direction 2024 B6-1](#) on December 3, 2024. This directive instructs staff to facilitate a City Council discussion on affordability targets for the 2026 and 2027 budget updates, as well as a review of the prioritization criteria used by staff for recommending budgeted investments and disinvestments. The purpose of this report is to provide an overview of the current 2026 and 2027 budgets, as well as the prioritization criteria, to support this discussion.

Key Findings

Guelph's first four-year Multi-Year Budget (MYB) covering 2024-2027 was adopted on November 29, 2023, and is confirmed annually in accordance with the Municipal Act. The City has a three-step budget confirmation process, which includes reviewing, updating and confirming the budget.

Following the 2025 budget confirmation, Guelph's 2026 tax-supported budget forecast indicates a 7.44 per cent increase over 2025, with City services accounting for 4.51 per cent. The 2027 budget forecast shows a 5.69 per cent increase over the 2026 budget forecast, with City services contributing 3.86 per cent.

The City's non-tax-supported budget is comprised of stormwater services, water services, wastewater services, parking services, Ontario Building Code Administration (OBCA) and court services. The combined 2026 non-tax supported rate increase is forecast to be 10.84 per cent, and the 2027 increase is 8.26 per cent.

The City portion of the capital budget for 2026 was updated to \$393.5 million for 2026 (total of \$398.8 million including local boards and shared services agencies (LBSS)), and for 2027 was updated to \$285.6 million for the City (\$292.5 million including LBSS).

The 2026 budget confirmation is proposed to kick off on October 16, 2025, with the release of the 2026 Mayor's draft budget update and conclude on December 17, 2025, with the LBSS budget confirmation.

For the 2025 budget confirmation process, staff utilized a prioritization framework to assess budget investments and disinvestments, with the following criteria:

creation of new housing units, meeting legislated and regulatory requirements, risk of disinvestment, impact to the public, and alignment with the Future Guelph Strategic Plan.

Strategic Plan Alignment

This report strengthens financial policies and practices to support a sustainable, long-term financial position. It accomplishes this through implementation of the multi-year budget planning process aligned to the City's strategic planning process.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

There is no direct financial implication resulting from this report. It provides a mechanism for the specific budget-related Council discussions related to the 2026 budget confirmation process. A strategic and efficient budget process results in effective use of staff and Council resources. The financial implications of the budget will be fully documented and presented through the 2026 budget confirmation materials.

Report

Guelph's first four-year Multi-Year Budget (MYB) covering 2024-2027 was adopted on November 29, 2023. The Municipal Act states that if a municipality passes a multi-year budget, it must readopt the budget every second or subsequent year. The City has a three-step budget confirmation process, which includes reviewing, updating and confirming the budget. The budget confirmation process acts as a pulse check done each year after a full MYB is approved. It provides administration and Council with the opportunity to review what was planned and work in an agile and flexible way to adjust for the current environment, including new direction from the Mayor or Council.

Following the confirmation of the 2025 City services budget, the Mayor issued [mayoral direction 2024 B6-1](#) on December 3, 2025. This directive instructs staff to facilitate a City Council discussion on affordability targets for the 2026 and 2027 budget updates, as well as a review of the prioritization criteria used by staff for recommending budgeted investments and disinvestments.

The [budget policy](#), along with the City's [Future Guelph strategic plan](#), the [Community Plan](#) and [master plans](#) are tools that can be leveraged to help focus and guide decision-making throughout the 2026 budget confirmation process.

2026 and 2027 budget review

Tax-supported operating budget

Following the 2025 budget confirmation, Guelph's 2026 tax-supported budget forecast indicates a 7.44 per cent increase over 2025, with City services accounting for 4.51 per cent. The 2027 budget forecast shows a 5.69 per cent increase over the 2026 budget forecast, with City services contributing 3.86 per cent. Guelph's

2026 and 2027 budget forecast is broken down in Table 1 by City services, local boards and shared services agencies and the Guelph General Hospital levy impact. Table 2 drills down into the City services budget forecast for 2026 and 2027 by category.

Table 1 - Guelph's 2026 and 2027 tax-supported budget forecast

Category	2026 budget increase (\$ millions)	2026 forecast tax levy impact	2027 budget increase (\$ millions)	2027 forecast tax levy impact
City services tax impact	18.5	5.28%	17.6	4.63%
Less: AG revenue (City share)	(2.7)	(0.77%)	(2.9)	(0.77%)
City services tax impact	15.8	4.51%	14.7	3.86%
LBSS tax impact	10.9	3.10%	9.2	2.41%
Less: AG revenue (LBSS share)	(1.3)	(0.38%)	(1.5)	(0.38%)
LBSS tax impact	9.6	2.72%	7.7	2.03%
Guelph General Hospital Levy	0.8	0.21%	(0.8)	(0.20%)
Net total tax impact	26.1	7.44%	21.7	5.69%

Table 2 - 2026 and 2027 tax-supported budget: City services by category

Category	2026 budget increase (\$ millions)	2026 forecast tax levy impact	2027 budget increase (\$ millions)	2027 forecast tax levy impact
Base budget inflationary	7.7	2.19%	7.7	2.02%
Operating impacts from capital	5.4	1.53%	4.4	1.16%
Growth	(0.5)	(0.13%)	1.5	0.40%
Service enhancement	0.1	0.02%	1.0	0.26%
Service reduction	(0.3)	(0.09%)	(0.1)	(0.02%)
Capital financing	4.5	1.28%	3.7	0.96%
Council amended future year impact	1.7	0.48%	(0.6)	(0.16%)
City service investment	18.5	5.28%	17.6	4.63%
Less: AG revenue (City share)	(2.7)	(0.77%)	(2.9)	(0.77%)
Net total tax impact	15.8	4.51%	14.7	3.86%

Base budget inflationary increases

City services are brought to life by the people who plan for and execute these services daily. This is reflected in the fact that compensation and benefits account for just under 50 per cent of the total operating expenses. From a base budget perspective, inflation factors for economic increases based on provincial legislation and collective agreements range from 2.30 to 3.00 per cent, with the average increase being closer to 3.00 per cent. There are additional inflationary adjustments

in benefit costs, utility costs, facility and equipment maintenance, medical supplies, and software licensing fees to meet current service delivery needs.

Operating impacts from capital

Operating impacts from capital are the activation funds required to deliver services associated with capital investments from the 2025 or prior years' budget, as well as any operating impacts associated with investments in the 2026 or 2027 capital budgets for which the capital investment and operationalization will occur in the same year. Operating impacts from capital are generally driven by growth or service enhancement capital projects; it is infrequent that an infrastructure renewal capital project drives additional operating costs. Within this category are the operating impacts being phased in for the South End Community Centre and the Baker District Redevelopment, which are both expected to open in 2026. Other major operating impacts are those associated with transit capital investments, the NG911 fire dispatch phone system, and several Information Technology related impacts. All operating impacts will be reviewed through the 2026 budget update to ensure alignment with the completion of the underlying capital investment.

Growth

Growth investments reflect the operating budget investments required to maintain current service levels for our growing community. Many growth investments are grouped with operating impacts from capital. This category reflects operating budget investments to service growth that are not directly associated with a capital project. These investments include expansion of community benefit agreements, new paramedics, and investment in resources to speed up housing. During the 2025 budget confirmation, actual assessment growth revenue was confirmed at 1.34 per cent, higher than the budgeted assessment growth revenue of 1.15 per cent. In line with the City's [Revenue Budgeting Policy](#), this amount was transferred to the Growth Reserve fund (#156) on a one-time basis. The reversal of this transfer offsets the growth investments resulting in the negative balance in the growth investment category for 2026.

Service enhancement

Service enhancements are investments that increase service levels to the current and future Guelph community. This category includes investments to enhance security services, implement electrification of our transit fleet and support for projected increases in transit ridership.

Capital financing

The capital budget is funded through annual transfers from the operating budget to capital reserve funds. Through the [2025 Budget Confirmation Planning 2024-166](#) report, staff indicated that to meet the [mayoral direction 2024-B2](#) a reduced level of capital funding would be required. This reduced funding level would apply not only for 2025, but also for 2026 and 2027 with the intention that the 10-year capital budget would be adjusted once, given the investment of time required to build the capital budget and long-term approach to capital financing. Also included in this category is funding for development charge exemptions and discounts, which the City must fund through property taxes and utility rates. The tax supported capital reserve funds were forecast to be in a deficit until 2033, returning to a positive balance in 2034, relying heavily on inter-reserve fund borrowing and leaving room for grants from upper levels of government to improve the forecast. If

Council chooses to lower the capital funding, there will need to be further capital plan project deferrals and cuts to balance the budget.

Respectful requests

Introduced through the 2025 budget process, the Council amended future year impact represents the respectfully requested recommendations from Council for the Mayor's consideration. This category includes capital funding for Beaumont Park construction, funding for the affordable housing reserve, increased investment for capital funding to the 100 Per cent Renewable Energy Reserve Fund to fund corporate and community energy initiatives linked to the Race to Zero and 100 per cent renewable energy goals, and investment for the Guelph Bicentennial event.

Assessment growth revenue

Assessment growth revenue is budgeted at 1.15 per cent of the base budget. Assessment growth revenue is allocated proportionately with 67 per cent allocated to the City and 33 per cent allocated to local boards and shared services. Actual assessment growth is confirmed in the fourth quarter of the year.

Non-tax-supported operating budget

The City's non-tax-supported budget is comprised of stormwater services, water services, wastewater services, parking services, Ontario Building Code Administration (OBCA) and court services. Water and wastewater rates include an amount to fund the City's commitment to the Grand River Conservation Authority, which is the only non-tax-supported operating budget impact from our local boards and shared services agencies. Table 3 provides the gross expenses by City service and local board for the 2026 and 2027 budget forecast (with 2025 comparison for context as gross expenditures are presented).

Table 3 - Gross non-tax-supported operating budget (\$ millions)

Category	2025 budget (total)	2026 budget forecast (total)	2027 budget forecast (total)
Ontario Building Code	5.5	5.6	5.8
Stormwater	14.5	16.5	18.4
Water	39.0	43.4	48.0
Wastewater	41.8	45.8	50.8
Parking	4.6	5.0	5.1
Court Services	6.3	6.4	6.4
Gross non-tax-supported City services	111.7	122.7	134.5
Local boards and shared services: Grand River Conservation Authority	1.9	1.9	2.0
Total gross non-tax-supported operating budget forecast	113.6	124.6	136.5

The City's second largest revenue source after property taxes, comes from water, wastewater, and stormwater rate revenues. These are based on a user fee model, with water and wastewater rates including both fixed and variable components, and

stormwater rates based on a property's impervious area. Table 4 provides the forecasted rate impact for 2026 and 2027.

Table 4 - Forecasted non-tax rate impact

Category	2026 forecasted rate impact	2027 forecasted rate impact
Non-tax rate impact (combined)	10.84%	8.26%

Capital budget

Through the [2024-2027 Multi-Year Budget Companion Report – Council Budget Decisions, 2023-370](#), Council acknowledged that the 10-year capital budget was not fully balanced. Staff were directed to balance the capital budget and forecast within available funding and report back through the 2025 budget confirmation. A capital prioritization framework was developed and used to achieve this direction, resulting in a \$1.1 billion reduction over the 10-year capital plan. Table 5 below highlights the adjustments made to each of the capital programs of work and provides the annual capital budget forecast for both 2026 and 2027.

Table 5 - Capital budget forecast by program of work (\$ millions)

Program of Work	2025- 2034 MYB	2025- 2034 confirmed	Change	2026 budget forecast (total)	2027 budget forecast (total)
Corporate Facilities, Public Works and By-Law	93.2	87.8	(5.4)	6.2	5.7
Corporate Plans, Programs and Technology	86.4	75.4	(11.0)	12.5	5.8
Culture and Recreation	59.0	53.7	(5.3)	2.7	3.7
Emergency Services	103.9	57.2	(46.7)	10.6	4.8
Parking and Transit Services	565.4	336.1	(229.3)	146.4	32.4
Parks and Open Space	156.0	138.0	(18.0)	11.6	6.1
Solid Waste Services	149.4	77.1	(72.3)	4.9	4.0
Transportation Network	1499.4	968.7	(530.7)	78.2	128.2
Water Management	688.3	547.3	(141.0)	120.4	94.9
Total City services capital budget	3,401.0	2,341.3	(1,059.7)	393.5	285.6
Other boards and agencies	71.7	72.9	1.2	5.2	6.8
Total capital budget forecast	3,472.7	2,414.3	(1,058.5)	398.8	292.5

Budget confirmation schedule

Following the successful confirmation of the 2025 budget, the City will again divide the 2026 budget confirmation into two phases: City services and LBSS agencies.

The Mayor's draft 2026 budget for City services will be released in mid-October, with a Council presentation in late October. A Mayor-led town hall will provide an engagement opportunity on the proposed draft, followed by the Mayor's budget update to be released shortly thereafter. As in previous years, a Special Council meeting for public delegations will be held in mid-November, and Council will reconvene on November 26 to propose budget amendments. Mayoral veto and Council override dates are currently held and will be confirmed as needed.

The 2026 budget updates for LBSS agencies will be released in early December and presented to Council for approval on December 17, 2025, following the formal confirmation of the City services budget. This will conclude the 2026 budget confirmation process.

This schedule is outlined below in Table 6 and is considered tentative. The City Clerks Office will place holds in calendars following the workshop on March 19, 2025.

Table 6 - 2026 Budget Confirmation meeting dates and proposed meeting times

Meeting Date	Meeting Topic	Proposed Start Time
October 16, 2025	Mayor's draft 2026 budget update released: City services	N/A
October 29, 2025	Council budget presentation	9:00 a.m.
November 3-7, 2025	Mayor-led Town Halls	N/A
November 10-13, 2025	Mayor's budget update released	N/A
November 18, 2025	Budget delegations: City services	6:00 p.m.
November 26, 2025	2026 Budget amendments	9:00 a.m.
December 4, 2025	LBSS budget update released	N/A
December 6, 2025	Last day for Mayoral veto	N/A
December 10, 2025	Date held for Council override of Mayoral veto (as needed)	9:00 a.m.
December 17, 2025	Alternate date held for Council override of Mayoral veto (as needed)	9:00 a.m.
December 17, 2025	LBSS 2026 Budget Confirmation	1:00 p.m.

Budget prioritization criteria

For the 2025 budget confirmation process, staff utilized a prioritization framework to assess budget investments and disinvestments. This framework included the following criteria:

- Creation of new housing units – prioritizing the services directly required to enable more housing (water, wastewater, stormwater and roads).
- Meeting legislated and regulatory requirements – prioritizing investments to meet legislative requirements including maintaining standards in emergency service response, health and safety, and minimum winter road maintenance standards.
- Risk of disinvestment – prioritizing investments where disinvestment or deferment carries a high or very high level of financial, regulatory or public risk. The risk assessment was aligned with the [Enterprise Risk Management framework](#).
- Impact to the public – prioritizing, where possible, investments where disinvestment is deemed to have a significant impact to the residents based on existing service levels and expectations.
- Future Guelph Strategic Plan – prioritizing items that meet the above criteria and additionally demonstrate the ability to advance the goals of the Future Guelph Strategic Plan in a measurable way.

This criteria was applied to both the operating and capital budgets for 2025 as well as the ten-year capital budget and forecast. For the 2026-2027 budgets, staff are proposing to utilize the same framework, with the addition of a continued, phased application of the equity lens. This allows for the reprioritization efforts from last year to be utilized as the baseline for this year, streamlining the review process in alignment with a normal multi-year budget confirmation process. The addition of continued, phased application of the equity lens to the prioritization process will ensure further consideration is given to the potential impacts (positive and negative) of recommendations.

Financial Implications

There is no direct financial implication resulting from this report. It provides a mechanism for the specific budget-related Council discussions related to the 2026 budget confirmation process. A strategic and efficient budget process results in effective use of staff and Council resources. The financial implications of the budget will be fully documented and presented through the 2026 budget confirmation materials.

Consultations and Engagement

None.

Attachments

Attachment-1 2026 Budget Confirmation Planning Workshop Presentation

Departmental Approval

None.

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