Information Report

Service Area	Office of the Chief Administrative Officer
Date	Friday, May 22, 2026
Subject	**2026 First Quarter Budget Monitoring Report**

Executive Summary

Purpose of Report

The purpose of this report is to provide Council notice of any financial risks or opportunities that could affect the 2026 year-end position. This report includes the first quarter (Q1) actual financial information for both the operating and capital budget for each department and capital program of work as of March 31, 2026.

Key Findings

Overall, from an operating perspective, there is a risk of exceeding the budget at year-end. Due to limited data and rapidly changing economic conditions it is difficult to quantify potential full-year outcomes this early in the fiscal year; however, staff will continue to focus on service delivery and expense management to manage the budget risk throughout the year. There are several notable risks and opportunities that staff are monitoring and will continue to report on throughout the year, including:

Economic Uncertainty and Corporate Risks:

- Global economic uncertainty is a major risk, driving higher costs and volatility, especially in fuel prices.
- Rising fleet maintenance and repair costs, driven by aging assets, supply chain delays, and labour shortages.
- Increased facility maintenance risks, with aging infrastructure and climate-related impacts contributing to higher emergency repair costs.
- Significant financial pressures from winter operations, including overtime, salt usage, and infrastructure damage.

Revenue:

Revenue outlook presents a mix of risks and opportunities. Key risks include:

- Parking revenues are at risk due to lower demand for permits in parkades and surface lots.
- Broader uncertainty in Finance, supplementary taxes, and Ontario Building Code (OBC) revenues driven by economic conditions, construction activity, and regulatory factors. Mitigation strategies for OBC revenue pressures will be brought forward through a fee study in June.

Key opportunities include:

- Increased transit ridership (with some offsetting pressure from low Conestoga U-Pass uptake).
- Stronger planning application volumes.
- Expanded recreation-related services are expected to support revenue growth.
- Implementation of a Parking License Plate Recognition system will enhance operational efficiency and improve revenue collection.

Compensation-related Risks:

- Outcomes of ongoing collective bargaining with OPSEU are still unknown.
- Overtime pressures stemming from the need to maintain minimum staffing levels while covering various forms of leave, reflecting broader attendance management risks across essential services.
- Proposed WSIB legislation changes may increase costs through higher benefit rates, longer claim durations, and expanded eligibility, creating both short and long-term financial risks.

Capital Expense and Revenues:

From a capital perspective the budget available in 2026 to be executed is $810.4 million. Key highlights during Q1 include:

- $25.7 million spent.
- 62.4 per cent of the capital budget is committed or spent.
- An additional $253.4 million must be executed to reach the City's 80 per cent target. A significant portion of this was committed in early Q2 through the construction purchase order for the Guelph Transit and Fleet Services Facility.

Capital revenues are at serious risk mainly due to provincial legislation deferring payment of DCs to occupancy combined with continued low development activity. Development Charge (DC) collections are only 0.3 per cent or $69 thousand of budgeted collections at the end of Q1. Significant growth-related capital deferrals are anticipated through the 2027 budget confirmation process, including reconsideration of the scale of DC-supported capital work currently forecast for 2027.

Federal and provincial grant programs continue to be announced. However, the overall funding landscape is evolving, with shifts in priorities and funding reallocation within provincial and federal budgets shaping how opportunities are pursued and prioritized. These changes have resulted in fewer grant opportunities in the short term, but the team remains optimistic that funding opportunities will increase as program changes and realignments are finalized.

A few key statistics for grants in Q1 include:

- Total value of grant funding awarded in 2026 to date: $15 thousand.
- Total value of grant applications submitted in Q1 2026 and prior that are still under review with the funder: $3.6 million.

The City is expected to refinance $26.1 million of refundable serial debentures in 2026, that were initially issued in July 2016. This refinancing is expected to occur before the balloon payment of $26.1 million is due in July 2026 and is in line with the 2026 debt strategy and April 2025 issuance authority.

Strategic Plan Alignment

Reporting quarterly on the financial status of the operating and capital budget supports the Foundations theme in the Future Guelph Strategy Plan by maintaining a fiscally responsible local government. Monitoring the status of the City's budgetary performance is linked to the City's credit rating as the City obtains an updated credit rating annually. In 2025 S&P Global Ratings reaffirmed the City's financial credit rating as AAA with a stable outlook, the agency's highest possible rating.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

Staff will continue to monitor and report on the impact of risks and opportunities identified in this report to safeguard the City's long-term sustainability. Early identification of potential risks and implementation of mitigation strategies reduces reliance on the City's contingency reserves at year-end.

As reported in the 2025 Long-term Financial Statement: Reserves and Debt Report, as of December 31, 2025, the available balance in the tax supported corporate contingency reserves was 36 per cent of the target balance, down from 50 per cent in 2024. Balances below target reduce the City's financial health, limiting the ability to mitigate any negative financial impacts should an overall City deficit materialize.

The year-end operating position is important in determining the City's overall fitness as assessed by an external credit rating agency. This credit rating affects the rate at which the City can issue debt thereby affecting the affordability of long-term capital projects for the City tax and rate payers.

Report

On February 4, 2026, the 2026 Budget Confirmation process concluded with Council approval of the Local Boards and Shared Services budget. The Q1 budget monitoring report provides an initial look at the factors that may influence the 2026 year-end position.

This report was prepared by Finance in collaboration with the City's departments as part of the regular budget monitoring process. Departments received financial data as of March 31, 2026. Actual expenditures and revenues were analyzed, and significant deviations from the budget that could impact on the year-end financial position were identified with support from Finance staff. Departments have highlighted positive trends, challenges, risks, and concerns based on all available information at the time of this report.

Corporate Variance Risks and Opportunities:

The corporate risks and opportunities outlined below offer an initial overview of the factors that could influence the City's year-end position for 2026. These factors are

shaped by seasonality, timing, unpredictable market forces, and events beyond the City's control. Furthermore, certain expenses and revenues may not be realized until later in the year. Quarterly updates will be provided to Council through the budget monitoring process.

Economic Uncertainty:

There is a growing risk that global economic uncertainty will continue to place upward pressure on the cost of purchased goods and services in 2026 and beyond. While fuel prices remain a significant driver of cost escalation, several broader economic factors are contributing to higher and more volatile pricing across the supply chain.

Global supply chain disruptions driven by geopolitical instability, shipping delays, trade uncertainty, and lingering effects of tariff policies continue to affect the availability and cost of goods and services. These disruptions can slow the flow of goods, increase prices, and delay the delivery of essential parts such as HVAC components, fleet parts, hardware, vehicle components, and other operational supplies. These factors increase the risk of higher costs for both internal repairs and contracted work delivered by third-party service providers. Although tariff related risks have eased and are not currently dominating headlines, broader trade uncertainty remains a concern, particularly for vehicle procurement, repairs, and maintenance, which are highly sensitive to tariff and trade related announcements. Two directives under the Buy Ontario Act, which received Royal Assent in late 2025, were issued in March 2026. These directives introduce additional considerations for procurement planning for fleet acquisitions and capital infrastructure projects. Requirements or preferences for Ontario-based or Canadian suppliers may limit the pool of eligible bidders or reduce access to lower-cost international options. While these measures are intended to support local economic development and supply chain resilience, they may result in higher upfront capital costs in some cases. Conversely, prioritizing local suppliers may also yield indirect financial benefits, such as improved supply chain reliability, reduced transportation costs, enhanced service responsiveness, and broader economic benefits within the province that can support the City’s tax base over time.

Higher fuel costs compound these challenges by increasing transportation and input costs, which can lead to higher prices for materials, equipment, supplies, and contracted services. Fuel surcharges may also be applied to service contracts and vendor invoices, further elevating operating costs. If fuel prices remain elevated, inflationary pressures may persist, increasing the cost of borrowing and debt; however, this scenario may also create opportunities for higher investment income. This dynamic adds another layer of uncertainty, as inflation increases would likely result in vendors passing additional costs on to the City.

Collectively, these economic pressures heighten the risk of cost escalation for purchased goods and services, reduce predictability in procurement, and may place additional pressure on operating and capital budgets across multiple service areas. The full impacts of the current global uncertainty particularly in relation to fuel remain unknown. Staff will continue to monitor conditions and update inflationary assumptions through the 2027 confirmation process.

Operating Budget

Revenue:

City departments have identified a range of emerging opportunities and risks associated with revenue assumptions in 2026, reflecting current trends and evolving economic conditions. Several revenue streams are under pressure due to market uncertainty, legislative changes, and fluctuating activity levels, while others are performing stronger than anticipated and are anticipated to help offset these challenges as the year progresses.

Risks:

- Culture and Recreation faces potential risks to grant, donation, and sponsorship revenues, particularly at the Museum, where ongoing construction is expected to limit fundraising, sponsorship, and programming opportunities.
- Parking revenues are at risk due to fewer permits issued in several parkades and surface lots. Monthly and hourly demand may not reach capacity in these locations, creating ongoing pressure on overall parking revenue.
- General Revenues also face a potential risk of lower-than-anticipated supplementary property tax collections due to ongoing economic conditions, construction activity levels, and broader growth uncertainty.
- Finance revenues associated with real estate transactions are also at risk due to lower market activity, driven by broader economic and housing sector uncertainty that could reduce overall transaction volumes.
- Courts revenue risks are linked to the Province's abrupt cancellation of the Automated Speed Enforcement program in late 2025. Because the announcement occurred after the City's budget had already been approved, the loss of anticipated revenue is expected to negatively impact the Transportation Reserve balance.
- OBC revenues remain at risk in 2026 and for the foreseeable future. While overall permit volumes continue to be strong, there is ongoing risk that revenue generating permits, particularly those for large multi-residential developments will continue to lag. A third-party fee study is underway, that if approved, would increase fees in the second half of 2026. Despite these actions, current projections indicate a high likelihood that the Building Services OBC Stabilization Reserve (188) will be fully depleted by the end of 2026 and interfund reserve borrowing will be required unless unanticipated revenues materialize.

Opportunities:

- Transit continues to experience increased ridership, which is driving higher revenue in 2026, although this may be partially offset by lower than projected revenue from the Conestoga College u-pass.
- Recreation and Culture opportunities include enhanced food and beverage services during theatre performances, expanded Evergreen food service operations, and increased utilization of the Sleeman Centre to support additional revenue generation after Council's approval of the new Sleeman Centre operating model earlier this year.
- Planning is currently experiencing higher-than-expected permit activity and application volumes, creating the potential for a revenue surplus, particularly if larger site plan applications materialize.

- There is an opportunity for increased parking revenues and parking fine revenue through the implementation of the License Plate Recognition program, which streamlines operations and improves efficiency. This change, combined with an increase in fine fees, is expected to increase revenues.
- The City Clerk's Office is trending toward a revenue surplus from the collection of Committee of Adjustment fees, which cover applications for consent to create new lots or adjust boundaries, and applications for minor variances to the municipal Zoning Bylaw requirements or for permission to extend land uses that have existed prior to the passing of the current bylaw.

Overall, while several revenue streams continue to face significant uncertainty, the City also has several emerging opportunities that can help offset these pressures. Opportunities along with continued monitoring, and proactive mitigation strategies will be essential to supporting the City's financial stability throughout 2026.

Compensation:

Overall, City staff compensation budgets (excluding Local Boards) are within budget to the end of Q1. Several departments identified risks and opportunities associated with compensation budgets in 2026. Staff vacancies continue to generate savings most notably in Planning and Building, Engineering and Transportation, Finance, and Legal and Court Services. However, these savings stem from retirements, voluntary turnover, temporary leaves, and ongoing recruitment challenges for key positions. As a result, departments are prioritizing their work plans based on the staff resources currently available.

Risks associated with increased demand on overtime budgets have been reported by Guelph Wellington Paramedic Services, Fire Services, and Guelph Transit. These pressures stem from the need to maintain minimum staffing levels while covering various forms of leave, reflecting broader attendance management risks across essential services. This is a challenge for most municipalities within the Province. In Facilities, there is also a risk of increased overtime costs associated with responding to after-hours emergencies.

Ontario has proposed legislative changes to the Workplace Safety and Insurance Act, primarily through Bill 105, that would increase WSIB Loss of Earnings benefits from 85 per cent to 90 per cent, allow eligible workers to receive benefits beyond age 65, and eliminate the 72-month lock-in rule for benefit reviews. If implemented, these changes may increase costs through higher benefit rates, longer claim durations, and expanded eligibility, creating both short-and long-term financial risks. If approved, these changes will require a review and update of the City's actuarial assumptions related to WSIB expenses and will require budget increases to manage.

Furthermore, ongoing collective bargaining contract negotiations present additional risks to compensation budgets in 2026, notably OPSEU bargaining is expected to have an impact on the Paramedics budget. Staff will continue to monitor compensation trends throughout the year to mitigate budget variances.

Corporate Utilities:

As of March 31, corporate utilities are trending on budget. Forecasts indicate that extreme weather and temperature fluctuations may place additional demand on building systems and increase overall energy consumption in 2026. Global events

and broader economic uncertainty could influence utility rates, which will continue to be monitored. External risks such as changes to electricity regulations, increased demand, and growing strain on the existing power grid may also increase electricity costs going forward. Despite these risks, energy-efficiency initiatives and current utility recoveries are expected to help mitigate higher consumption and potential rate escalation.

The City's ongoing focus on energy conservation and innovation continues to reduce exposure and generate operating savings. Recent updates include the installation of solar panels at the City owned sports dome and heat pumps at Fire Hall 1. Staff will continue to pursue additional efficiencies, such as further solar installations, to reduce carbon emissions and manage long-term utility costs.

Corporate Fuel:

Fuel costs have emerged as a significant financial risk for 2026, as current market prices are well above the assumptions built into the 2026 confirmed budget. Continued economic uncertainty and global unrest may place even further upward pressure on fuel prices throughout the year. Diesel is averaging approximately $1.82 per litre compared to the budgeted $1.19, and unleaded fuel is averaging $1.41 per litre versus the budgeted $1.16. These elevated prices present a substantial risk and are already creating pressure on both transit and non-transit operations. Budgeted consumption is approximately 4.8 million litres (all types of fuel). Although the recent announcement to suspend the Federal fuel excise tax (from April 20 to September 7, 2026) will provide some relief of approximately 10 cents per litre for diesel and four cents per litre for unleaded, the offset is minimal relative to the overall impact. Based on current pricing applied to full-year forecasts an overall deficit will materialize by year-end. A projection will be provided in the second quarter budget monitoring report.

Corporate Vehicle and Equipment Repairs and Maintenance:

There is a risk of negative variances in vehicle repairs and maintenance due to the expansion and retention of aging vehicles, particularly within Transit where supply chain delays continue to impact replacement schedules. Rising inflation, tariffs, and increasing strain on the skilled-trades labour market are further driving up the cost of parts, repairs, and third-party labour. Transit is experiencing additional pressures from an aging conventional and mobility fleet, escalating technology requirements, and integration challenges associated with early stages of fleet electrification. Contracted repair work is increasing due to ongoing difficulties recruiting mechanics, and Fleet is anticipating a higher volume of engine and transmission failures between 2026 and 2028 as 24 buses from 2018 near end of life. New Buy Ontario legislation could also constrain vehicle ordering and potentially lead to higher costs if alternative suppliers are limited. Work to advance the bus refurbishment program is underway and is expected to help mitigate some of these pressures over time.

Corporate Facilities Repairs and Maintenance:

There is a growing risk of unforeseen critical failures and increased emergency maintenance as asset life cycles are extended and building infrastructure continues to age. Labour market constraints, inflation, supply-chain challenges, and the increasing complexity of building systems all contribute to rising maintenance costs.

Climate change is further intensifying these pressures by increasing the frequency and severity of extreme weather events, placing additional strain on building systems. Previously identified risks within Culture and Recreation, particularly at the West End Recreation Centre have persisted, with boiler, plumbing, electrical, and HVAC failures requiring emergency repairs in Q1 2026.

Winter Related Events:

The severity of winter weather has created significant budget risks across several operational areas. In January, the City declared a significant weather event due to severe winter conditions, and the resulting cleanup efforts have placed considerable pressure on departmental budgets. The Roads Division has already exceeded its operating supplies budget, and additional overtime costs were incurred to support storm response. Throughout 2026, frequent thaw-and-freeze cycles, with temperatures hovering around the freezing point, increased the amount of salt required to maintain road safety. Snow removal in the downtown and surrounding areas also added budget pressure, as heavy snow accumulation required greater reliance on contracted snow-removal services. Water Services also experienced significant weather-related main breaks (30 main breaks in Q1 2026 alone compared with an annual average of 45). The overall financial impact will ultimately depend on weather conditions during the latter half of the 2026 winter season. Weather conditions are becoming increasingly volatile, resulting in greater variability and uncertainty in winter operations. Staff will continue to monitor these trends closely and will update assumptions as part of the 2027 budget confirmation process.

Capital Budget

The capital budget carried over from 2025 was $446.3 million, in addition to a Council adopted 2026 budget of $366.4 million resulting in the total available budget for 2026 of $810.4 million.

In March 2026, staff undertook an extensive project level review of uncommitted balances that would carry-over to 2026. Through this review a total of $2.3 million was reduced from the uncommitted approved budget and released to the reserve funds.

Capital budget adjustments made in Q1 can be found in Attachment-2 - Q1 2026 Capital Budget Adjustments.

Total capital spending to the end of Q1 was $25.7 million, which was $0.9 million more than last year. As of March 31, 2026, there was $191.3 million in issued purchase orders (PO), which was $48.2 million less than last year.

A summary of capital activity to the end of the quarter is included in Attachment-1 Q1 2026 Capital Spending.

As of March 31, 2026, the uncommitted approved budget which is yet to be executed was $593.4 million, which was $200.3 million more than the same quarter of 2025. The major driver of this is the Guelph Transit Fleet Services Facility which accounts for almost half of the 2026 approved budget. The PO for the construction of the facility was issued ($173 million) in mid-April for construction to begin in June.

As discussed in the 2025 Year End Capital Budget Monitoring Report, staff will continue to monitor the trajectory of capital spending and commitments throughout 2026 and recommend any necessary adjustments in advance of the 2027 budget update.

Committed/Spent

The City has set a target of having 80 per cent of the capital budget spent or committed through POs by the end of the year.

For 2026 a total of $475.2 million must be spent/committed in order to meet the 80 per cent target. This dollar amount is based on the total approved capital budget as of March 31, 2026. It will fluctuate as the budget is adjusted throughout the year through project adjustments.

At the end of Q1, the spent/committed per cent is 62.4, an additional $253.4 million in spending/commitments is required to meet the 80 per cent target by the end of the year. As the year progresses and procurement ramps up prior to the peak construction period, staff will be monitoring the trajectory of the capital program and make any required adjustments prior to the 2027 budget. In mid-April, the purchase order for the Guelph Transit and Fleet Services Facility was issued at a value of $173 million which will drive up the spent/committed per cent tremendously, this will be seen when we report the metric in Q2.

Emerging Issues

Fuel Prices

Fuel increases can have a negative impact on the capital budget as effects of fuel increases are felt throughout the supply chain making infrastructure supplies and services more expensive. As the cost of fuel increases are a component of the price of a good/service, the increase in most cases cannot be separated out to determine an overall impact. Any budget adjustments required will be included in the quarterly monitoring reports to Council.

Buy Ontario Act (Public Sector Procurement), 2025

The strategic objective of the Buy Ontario Act (BOA) is to protect Ontario's jobs and businesses and to promote and build key industries and strengthen economic resilience. Under the Municipal Buy Ontario Procurement Directive new fleet vehicles and new capital infrastructure are affected. There is a phased approach to the policy requirements with three effective dates:

- April 13, 2026 – fleet vehicle requirements for municipalities
- May 15, 2026 – capital infrastructure requirements for municipalities
- June 1, 2026 – capital infrastructure and fleet vehicle requirements for Local Boards, Municipal Service Corporations

The Fleet Vehicle Policy first prioritizes Made-In-Ontario vehicles and second, made by Ontario Vehicle Producers, for all new light-duty passenger fleet vehicle procurements. There are some exclusions to the policy including short-term leases up to 12 months and vehicles that are physically modified or upfitted for an intended operational use or function such as ambulances, police cruisers, enforcement vehicles and emergency response vehicles. If the vehicle requirements cannot be met or are not available, an alternative approach may be taken,

however, there is a prescribed path that must be followed for procurement and detailed records kept at each stage to document if a Made-In-Ontario or by an Ontario Vehicle Producer is not selected. The list of Made-In-Ontario vehicles is currently limited to less than a dozen vehicle models which includes only one truck model.

The Capital Infrastructure Policy prioritizes Ontario-Made and Canadian-Made goods/services and includes procurement for:

- construction, reconstruction, renovation,
- major fixtures, furniture and equipment included in and incidental to the construction of the facility and required to support the facility's operational readiness immediately following completion of construction, and
- transit fleet vehicles and buses but excluding light duty passenger vehicles.

Out of scope is medical equipment, information technology, operational fixtures, furniture or equipment acquired after the facility is operational and routine maintenance, repair and operations unless structural. Staff must first conduct a market assessment, if the policy would result in a 25 per cent cost increase there is a potential exclusion from the policy otherwise a Domestic Supply Chain Plan (DSCP) detailing origin and value of major goods and services must be completed by vendors when bidding on a procurement. A 10 per cent evaluation advantage must be given to the bidder with the highest proportion of Ontario made goods and services in their DSCP. There is some flexibility providing an alternative approach if it is not feasible to require vendors to submit a DSCP and an exclusion from the policy if it conflicts with federal funding agreement in place. Documentation of the market assessment undertaken, details to support decisions and approvals must all be obtained and provided to the Government of Ontario as required.

Prior to the Buy Ontario Act being enacted, the City submitted feedback March 2, 2026 in which staff outlined several concerns around the potential impacts of the Buy Ontario policies on the City's procurement. Potential impacts included lowering the competitiveness and overall value for money of public procurement and increased delays due to the additional evaluation, tracking and reporting requirements added to an already complex process. As these requirements become effective, staff will be adjusting procurement processes to ensure compliance with the Act. Any budgetary impact will be monitored closely and adjustments made as part of the 2027 budget.

Budget Adjustments

Capital budget adjustments made in Q1 can be found in Attachment-2 Q1 2026 Capital Budget Adjustments. In Q1, there are no budget adjustments that require Council approval. All adjustments on Table 1 are reductions made through the comprehensive review of the uncommitted balances being carried over from 2025. All capital reallocations completed were under $100 thousand and appear on Table 2.

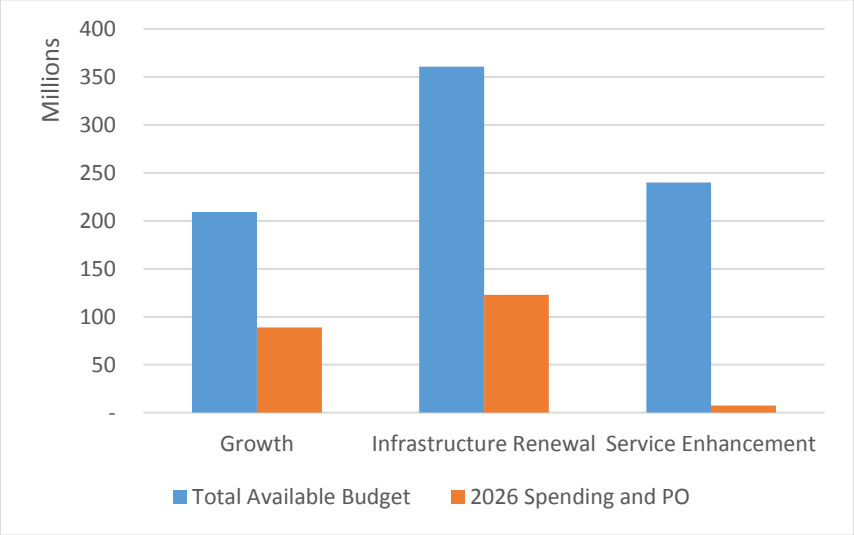
Capital Investment Categories

Due to the integrated nature of many departmental capital budgets, and to enhance understandability of the budget outcomes, the capital program is categorized by capital investment category as outlined below:

- **Infrastructure Renewal** – state of good repair renewal and maintenance work on the City's existing $7.7 billion portfolio of capital assets. Valuation per the Corporate Asset Management Plan 2025. Funded primarily through the infrastructure renewal reserve and rate funded capital reserves.
- **Growth** – creation of new assets to serve a growing community, maintaining the current level of service provided to the existing population. Funded through growth revenue tools such as development charges, parkland dedication, community benefit charges and tax sourced growth reserve.
- **Service Enhancement** – creation of new assets that will provide a new or enhanced level of service for the community. Funded primarily through the tax sourced service enhancement reserve, 100RE reserve or specific grants such as ICIP.

Each project can only be assigned one investment category and is determined based on the dominant funding source. It is important to note that linear work such as road reconstructions often includes components of all or a combination of two funding sources based on the scope of the project.

Figure 1 - Capital Investment Category



This report includes project level comments for all projects in Table 1 below, that have over $10 million in available budget. Available budget is the total budget that has been approved in the current and previous years less any expenditures incurred in previous years.

The City currently has nine projects with available budget over $10 million. These projects currently account for 60 per cent of the total available budget. Of these nine projects, four are Tier 1 projects. Information about many larger scale construction and infrastructure improvement projects is available on the City's Construction Projects webpage. As local boards, the Guelph Police Service and Guelph Public Library are reported outside this framework and their capital budgets are not included in this report. Information on their capital projects are reported through their respective board reports. No project comments are submitted to the City.

In accordance with project management standards implemented by the Project Management Office, capital projects that are highly complex, non-routine, and financially significant with budgets greater than $10 million are identified as Tier 1 projects. See the City's capital projects webpage for detailed quarterly updates on Tier 1 projects. Based on the most recent quarterly reporting, these projects are all within their original or revised budget, schedule, and scope.

Table 1 - Projects with available budget greater than $10 million

Project	Investment category	Program of work	Available budget	2026 Spend & PO	2026 Uncommitted budget
*(TC0059) Guelph Transit and Fleet Services Facility (ICIP-GUE-03)	Service Enhancement	Parking and Transit Services	199.3	1.6	197.8
(ST0003) Biosolids Facility Upgrade	Infrastructure Renewal	Water Management	68.7	6.2	62.5
(ST0043) Tertiary Treatment Process Facility	Growth	Water Management	49.1	4.3	44.8
*(PN0060) Wyndham St N Reconstruction - Farquhar to Woolwich (part of the Downtown Infrastructure Renewal Program)	Infrastructure Renewal	Transportation Network	38.9	33.9	5.0
(WT0064) FM Woods Booster Pumping Station Upgrade	Infrastructure Renewal	Water Management	38.1	25.6	12.5
*(RF0093) South End Community Centre Construction	Growth	Culture and Recreation	30.3	25.8	4.6
*(LB0028) New Central Library	Growth	Corporate Facilities, Public Works and By-Law	26.4	25.5	0.9
(PN0097) Speedvale Avenue Reconstruction - Glenwood to Manhattan	Growth	Transportation Network	18.8	14.4	4.4
(WT0015) Verney Booster Pumping Station Upgrades	Growth	Water Management	17.0	0.9	16.1

*denotes Tier One projects

Infrastructure Renewal

Total available budget for the infrastructure renewal investment category is $360.7 million. In-year capital spending within the infrastructure renewal capital investment category was $14.1 million with another $108.8 million in PO commitments as of March 31, 2026. Remaining to be executed is $237.9 million of the budget.

ST0003 Biosolids Facility Upgrade

- Program of Work: Water Management
- Available Budget: $68.7 million
- Total 2026 spending and POs: $6.2 million
- Uncommitted yet to be executed budget: $62.5 million
- Project update: Design has reached 60 per cent completion. Options are being developed to align the construction estimate with the approved budget.

PN0060 Wyndham St. N. Reconstruction – Farquhar to Woolwich

- Program of Work: Transportation Network
- Available Budget: $38.9 million
- Total 2026 spending and PO commitments: $33.9 million
- Uncommitted yet to be executed budget: $5.0 million
- Project update: As part of the Downtown Infrastructure Renewal Program, progress on Wyndham St. N. Reconstruction is reported on through the Tier One webpage. Construction is underway, regular updates can also be found on the project's webpage including how to access and park in Downtown during construction.

WT0064 FM Woods Booster Pumping Station Upgrade

- Program of Work: Water Management
- Available Budget: $38.1 million
- Total 2026 spending and PO commitments: $25.6 million
- Uncommitted yet to be executed budget: $12.5 million
- Project update: Construction of the booster pumping station is on-going. Reservoir work is completed along with most of the foundation walls. Work to come in 2026 include closing in the building, electrical and installation of a generator. Further, on the mechanical side, delivery and installation of vertical turbine pump and surge tanks along with interconnected piping and control equipment is planned for 2026. Uncommitted budget includes site works including landscaping and parking lot construction. The RFP for interior renovations to better support operational needs is anticipated to be released in Q2 2026.

Growth

Total available budget for the growth investment category is $209.1 million. In-year capital spending within the growth capital investment category was $9.6 million with another $77.0 million in PO commitments as of March 31, 2026. Remaining to be executed is $122.5 million of the budget.

ST0043 Tertiary Treatment Process Facility

- Program of Work: Water Management

- Available Budget: $49.1 million
- Total 2026 spending and POs: $4.3 million
- Uncommitted yet to be executed budget: $44.8 million
- Project update: Construction tender was released April 7 and is open for bids until June 4. It is anticipated to be awarded by the end of Q2.

RF0093 South End Community Centre Construction

- Program of Work: Culture and Recreation
- Available Budget: $30.3 million
- Total 2026 spending and POs: $25.8 million
- Uncommitted yet to be executed budget: $4.6 million
- Project update: Quarterly updates are available through the Tier One webpage. Construction is on-going, exterior envelope work is expected to be completed in Q2 2026, and interior finishing work is on-going. The facility is expected to open in the fall of 2026.

LB0028 New Central Library

- Program of Work: Corporate Facilities, Public Works and By-Law
- Available Budget: $26.4 million
- Total 2026 spending and POs: $25.5 million
- Uncommitted yet to be executed budget: $0.9 million
- Project update: Quarterly updates are available through the Tier One webpage. Interior partition walls along with HVAC, plumbing and electrical rough-ins are on-going.

PN0097 Speedvale Avenue Reconstruction - Glenwood to Manhattan

- Program of Work: Transportation Network
- Available Budget: $18.8 million
- Total 2026 spending and POs: $14.4 million
- Uncommitted yet to be executed budget: $4.4 million
- Project update: Phase 2 (GJR tracks east of Speedvale/Woolwich intersection to Riverview Drive, including Speed River bridge replacement) construction is underway. Phase 3 (Riverview Drive to Manhattan Court) is in detailed design with construction currently budgeted in 2028.

WT0015 Verney Booster Pumping Station Upgrades

- Program of Work: Water Management
- Available Budget: $17.0 million
- Total 2026 spending and POs: $0.9 million
- Uncommitted yet to be executed budget: $16.1 million
- Project update: Pre-qualification of general contractors is being completed and the contract award for construction is anticipated in Q3.

Service Enhancement

Total available budget for the service enhancement investment category is $239.9 million. In-year capital spending within the infrastructure renewal capital investment category was $1.9 million with another $5.5 million in PO commitments as of March 31, 2026. Remaining to be executed is $232.4 million of the budget.

TC0059 Guelph Transit and Fleet Services Facility (ICIP-GUE-03)

- Program of Work: Parking and Transit Services
- Available Budget: $199.3 million
- Total 2026 spending and POs: $1.6 million
- Uncommitted yet to be executed budget: $197.8 million
- Project update: Quarterly updates are available through the Tier One webpage. The PO for the construction of the facility was issued in mid-April (will commit $173 million of this budget in Q2) with construction to begin in June.

Capital Revenues

Development Charges

Collections

DC collections as of March 31, 2026 were $69 thousand and are trending at 0.3 per cent of the $21.4 million budget estimate. This is an exceptionally low level of collections relative to both projections in the DC Background Study and the revised collection forecasts, which had already been reduced to reflect slow development activity. DC collections projected based on the growth forecast and rates outlined in the City's 2023 DC Background Study are $61.0 million, therefore collections up to the end of March 31, 2026 are 0.1 per cent of the DC Background Study projections.

Bill 17 introduced legislation to defer DC payments on residential development from the time of building permit issuance to the time of occupancy. This legislation came into effect in November 2025, and as a result residential DC collections have been minimal as new development is being constructed. As outlined in the 2026 Administrative Development Charge By-law Update report, staff estimated the impact of this legislation to be a loss of $14.6 million in DC collections in 2026. Through the end of March, there has been $1.8 million of DCs deferred, which will be collected at the time of occupancy. Also, there is a significant DC appeal in process with $10.9 million at risk; the lost revenue would be funded from tax and rate supported reserve funds if the appeal is successful.

The $69 thousand of DC collections from January to March represents a single detached or semi-detached home that chose to pay their DCs at building permit. The City has not received any DC collections for non-residential development during Q1. Staff will be revising the expected DC collections through the 2027 Budget Update and the next Multi-Year Budget cycle. Significant corresponding deferrals to the capital budget and forecast will need to be made to maintain a balanced forecast.

If not for the provincial legislative change to collect residential DCs at occupancy, the City would be tracking ahead of last year's collections pace. The $1.8 million in DCs deferred to occupancy under the new legislation, combined with the continued low level of development activity, fully accounts for the gap. Both pressures are real and both are having a material impact on City finances.

Over the past two years, the City has continued to prioritize moving forward high priority growth enabling infrastructure in the face of lower DC collections by leveraging inter-reserve fund borrowing, deferring asset renewal work, and using debt. This strategy has allowed the City to advance critical projects, but it has also

created financial obligations that must now be serviced against a backdrop of deeply insufficient DC revenue. The current trajectory is not sustainable and the City's continued prioritization of growth enabling works in the face of low DC collections must be reassessed in 2027 and future capital budgets.

Based on the 2026 Budget Confirmation debt projections, there will be $10.1 million of DC funded debt servicing costs in 2026, which significantly exceeds anticipated DC collections for the year. These debt servicing costs relate to previously budgeted or executed projects including the Police Headquarters expansion, the Market Parkade, and the South End Community Centre. Given the current outlook, DC collections are not sufficient to fully cover DC debt servicing costs. As a result, even in the absence of additional growth-related capital projects, the DC reserve funds would continue to decline. This continues to put pressure on both tax and non-tax supported services as these funding sources effectively serve as interim financing for growth related infrastructure.

Looking ahead, significant capital deferrals are expected through the 2027 budget confirmation process. The 2027 capital forecast currently includes $77 million of DC supported capital spending. Given the reality of current collections, the depletion of DC reserve fund balances, and the existing debt servicing obligations for approved projects, a conversation about whether it remains prudent to continue advancing DC-supported capital works during this period of low DC collections is required. DC collection assumptions are foundational to the capital plan and the City's financial capacity to move growth capital work forward. Staff will continue to closely monitor and report on collections as the year progresses.

Exemptions and Discounts

To promote affordability, a long-term perspective was taken to budgeting for DC exemptions and discounts. This approach involves gradual increases in the budgeted annual transfers as outlined in the Growth Strategy. The cost of DC exemptions and discounts is covered by other City revenue sources through transfers from taxes (Growth Reserve Fund 156) and rates (Water, Wastewater, and Stormwater capital reserve funds, 152, 153, and 165 respectively) to the DC Exemption reserve funds.

The 2026 budgeted transfers for exemptions and discounts is $14.1 million, actual exemptions to the end of Q1 are $1.9 million (12 per cent of budget). The actual exemptions are outlined in Table 2. If this trend continues through the remainder of the year, this will provide some relief to the projected Growth and rates reserve fund balances, however, it is noted that a DC appeal has been filed for one development which, if successful, would result in an exemption of $10.9 million, representing a significant risk to the tax supported capital reserve forecast.

Table 2: Actual exemptions through March 31, 2026 ($)

Exemption Type	Amount
Industrial expansions	-
Category of owner (exempt per by-law)	-
Non-profit housing corporation	-

Exemption Type	Amount
Rental housing discounts	67,058
Phase in	-
Additional Residential Dwelling Units (ARDUs)	1,617,473
Total Exemptions Funded	1,684,531

Grants

The Building Communities Strong Fund (BCSF) is the Federal government's primary infrastructure funding program, administered by Housing, Infrastructure and Communities Canada (HICC). Announced through the Federal Budget 2025 and officially launched on April 7, 2026, BCSF consolidates several legacy federal infrastructure funding programs under a single framework. The program provides $51 billion over 10 years starting in 2026–27, with an additional $3 billion per year ongoing for local infrastructure investment. Funding is delivered through three streams: the Provincial and Territorial Stream, the Direct Delivery Stream, and the Community Stream.

As part of the BCSF launch, the Canada Community-Building Fund (CCBF) has been rebranded as the BCSF Community Stream, with no changes to the existing agreement or allocation model. Together with the Dedicated Provincial Gas Tax, these programs continue to represent the City's two stable, ongoing sources of external capital funding. In 2026, the City is confirmed to receive $9.4 million through the BCSF Community Stream and $3.0 million through the Provincial Gas Tax. These allocations are directed to obligatory reserve funds and applied to eligible capital priorities, reducing pressure on property-tax-supported funding.

Both programs continue to serve as core components of the City's long-term capital and reserve strategy, providing predictable annual contributions that support infrastructure renewal and transit investment.

The overall ICIP funding commitment to Guelph remains unchanged and continues through 2033. In September 2025, staff prepared and submitted claims to recover $18.0 million in receivables from the Investing in Canada Infrastructure Program (ICIP). At the time this report was prepared, the City is awaiting receipt of these funds. Once received, a second claim is planned for submission in the third quarter (Q3) 2026. As of March 2026, the total ICIP receivable has increased to a total of $19.4 million.

The City is continuing to implement housing initiatives funded through the $21.4 million Housing Accelerator Fund (HAF) grant from the Government of Canada. In March 2026, the third payment of $5.4 million was successfully received, bringing the total funding received to $16.2 million. Release of the final installment is tied to meeting both the HAF Action Plan commitments and achieving 3,657 permitted housing units by the end of 2026. While completion of initiatives continues to be on track, market-driven constraints continue to limit development in Guelph and beyond, affecting progress toward the HAF housing target. As a result, incentivized units are below target and there is risk the City may not achieve the established

target by the end of 2026. Staff are actively monitoring project budgets and timelines to ensure initiative delivery remains aligned with HAF objectives and the approved funding envelope and are also exploring flexible opportunities to accelerate unit delivery in the final year.

In Q1 2026, the City was awarded the following grant, which will be added to the capital budget in Q2:

- $15 thousand from Green Communities Canada Demonstrate Stream for the Arkell Spring Grounds Miyawaki Seed Rainforest for Plantation Succession

In 2025, the City was notified of the commitment of a $15.6 million Canada Public Transit Fund allocation, consisting of $1.57 million annually over ten years starting in 2026. The funding agreement has been finalized following federal approval of the 2026 capital plan. Beginning in 2026, this funding will be applied toward the installation of electric bus charging infrastructure at Guelph Transit Central Station. Installation timelines are dependent on coordination with Alectra and Metrolinx to complete required grid upgrades associated with the Downtown Infrastructure Renewal Program (DTIRP). As a result, charger installation is anticipated to be completed in Q1 2028, aligned with the forecasted DTIRP MacDonnell Street construction period. Funding is expected to be received progressively over the life of the project. The City also remained an active participant in the Ministry of Transportation's Metro-Regional Agreements (MRA) process, contributing planning and transportation policy materials to support the provincial Expression of Interest stage. The MRA stream is expected to provide up to $2 billion annually over ten years, though this amount may be adjusted following the recent $5 billion reduction to the overall CPTF program. The City submitted planning and transportation policy materials demonstrating alignment with transit-oriented development, while the Ministry prepares a regional Greater Golden Horseshoe plan that may include Guelph's capital needs. There have been no new updates since the Year End Capital Report.

At March 31, the City had $3.6 million in grant applications under review with funding agencies:

- $1.4 million from HICC for the CPTF Stream 3 - Active Transportation Fund for the Rural to Core Bikeway spanning Woodlawn Rd. and downtown.
- $1.2 million from Labour, Immigration, Training and Skills Development from the Skills Development Fund Capital Stream for the Firefighting Training Burn Tower, which will replace the existing fire burn trailer which is nearing the end of its useful life.
- $140 thousand from the FCM for the Residential Resilience Financing program for the program design study of a residential finance program, similar to the Guelph Greener Homes Program with a focus on climate change resilience.
- $125 thousand from the FCM for the GMF's Safe and Active School Routes, for improving safety and accessibility for students and the community in the Onward Willow neighbourhood.
- $67 thousand from the Ministry of Transportation (MTO) for the EV ChargeOn program delivered through the Ontario Vehicle Innovation Network (OVIN) for the supply and installation of 6 EV chargers for public use at Market Parkade.

- $79 thousand from the Ministry of Environment, Conservation and Parks for the Ontario Community Environment Fund (OCEF) to enhance the City's source water protection through ecological restoration

In early 2025, prior to the launch of the BCSF, the City applied for $34.8 million to HICC under the Canada Housing Infrastructure Fund (CHIF) to increase the capacity of Guelph's wastewater treatment facility and associated trunk sewers to support population growth. In Q1 2026, the City was notified that the project was not approved for funding under the CHIF program, despite advocacy efforts undertaken over the previous year. However, municipalities with applications submitted under legacy programs, including CHIF, have been encouraged to engage with the BCSF to determine eligibility. BCSF includes three funding streams, and City staff are actively seeking additional information to better understand program requirements and assess alignment with eligible City projects. Applications that were not funded under CHIF may be considered under the BCSF framework, and staff are currently working with program representatives to confirm the status of the City's CHIF application under the new program.

In addition to CHIF, the City was notified in Q1 that the following grant application was not approved for funding:

- $8 million from HICC for the Green and Inclusive Community Buildings (GICB) program, for energy retrofits and inclusive upgrades to the River Run Centre.

The outcomes of the above applications reflect the recent shifts in program priorities and funding allocations. In response, staff continue to take a targeted and proactive approach, ensuring the organization is well positioned to identify and advance funding opportunities as they emerge.

Financial Implications

Ongoing monitoring of operating and capital spending and revenue ensures that projects and services are delivered as intended and that any financial impacts or risks are addressed proactively.

Staff will continue to monitor the impact of risks and opportunities identified in this report to safeguard the City's long-term sustainability. Identifying potential risks and, where possible, implementing mitigation strategies early reduces the reliance on the City's contingency reserves at year-end. Contingency reserves were utilized in the 2025 budget to phase in cost pressures and promote affordability for the community. As reported in the 2025 Long-term Financial Statement: Reserves and Debt Report, as of December 31, 2025, the available balance in the tax supported corporate contingency reserves was 36 per cent of the target balance, down from 50 per cent in 2024. Balances below target reduce the City's financial health, limiting the ability to mitigate any negative financial impacts should an overall City deficit materialize.

The year-end operating position is important in determining the City's overall fitness as assessed by an external credit rating agency. The credit rating affects the rate at which the City can issue debt thereby affecting the affordability of long-term capital projects for the City tax and rate payers.

Consultations

Departments are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility for monitoring the operating budget is shared between the operating departments and the Finance department. Department General Managers received financial reports based on their actual operating revenue and expenditures up to March 31, 2026, and provided commentary in consultation with the Finance department.

Project Managers are responsible for managing capital accounts and ensuring capital deliverables are completed within the approved budget and a reasonable timeframe to achieve the Council's expected outcomes for each project. Department General Managers and Project Managers received financial reports based on their actual capital expenditures and commitments up to March 31, 2026. Using this information, they provided progress status updates and financial forecasts at the project level, based on the best available information at the time. Future updates are subject to change based on the economic environment.

Attachments

Attachment-1 2026 Capital Spending

Attachment-2 Q1 2026 Capital Budget Adjustments

Departmental Approval

Karen Newland, Manager Budget Services

Justin Wei, Deputy Treasurer, Manager Financial Strategy and Reporting

Report Author

Ray Kalinowski, Senior Financial Analyst - Operating, Budget Services

Patricia Zukowski, Senior Financial Analyst - Capital, Budget Services

Dylan Prince, Senior Financial Analyst – Financial Strategy, Strategy & Reporting

Stephanie Devost, Senior Financial Analyst – Financial Strategy, Strategy & Reporting

This report was approved by:

Shanna O'Dwyer
General Manager Finance/City Treasurer and Chief Financial Officer
Office of the Chief Administrative Officer
519-822-1260 extension 2300
shanna.odwyer@guelph.ca

This report was recommended by:

Tara Baker
Chief Administrative Officer
Office of the Chief Administrative Officer
519-822-1260 extension 2221
tara.baker@guelph.ca

Attachment-1: Q1 2026 Capital Spending

Table 1: Capital Spending as of March 31, 2026 (all values are in thousands of dollars)

Budget by investment category	Infrastructure Renewal	Growth	Service Enhancement	Total Year to Date
Carry-over budget	211,506	187,860	46,974	446,340
2026 capital budget, approved	150,607	22,469	193,365	366,441
2026 additional approved funding	(1,372)	(489)	(487)	(2,347)
Available capital funding	**360,741**	**209,840**	**239,852**	**810,434**
2026 capital spending	14,094	9,615	1,947	25,656
Open purchase orders (PO)	108,793	77,022	5,532	191,347
Total spending and commitments	**122,887**	**86,637**	**7,480**	**217,004**
Projects closed	0	0	0	0
Uncommitted approved budget	**237,854**	**123,203**	**232,373**	**593,430**

Note: May not add due to rounding.

Attachment-2: Q1 Capital Budget Adjustments

Definitions

Budget Adjustment (Table 1)

A budget adjustment is the change in the total approved expenditure budget of a project. Any increase or decrease in the expenditure budget has a corresponding adjustment to the funding, however, the current approved funding allocation remains the same. Council approval for budget adjustment increases are required regardless of amount except for an increase due to the receipt of external funding sources.

Budget Reallocation (Tables 2)

A reallocation transfers approved budget from one approved project to another approved project while maintaining the current funding allocation. Reallocations do not change the total approved expenditure or funding budget. Council approval is required for amounts over $500 thousand.

Table 1 - Additional approved budget and other budget adjustments

ID	Capital account	Entry description	Budget increase / (decrease) $
BR-26CAP-09	PN0044 Nicklin Rd Reconstruction - Burns to Woodlawn	Reductions identified through the 2025 WIP review	(50,002)
	BR0017 Grove St. Reconstruction - Metcalfe to 178 Grove St.		(500,000)
	RD0330 Emma / Earl Pedestrian Bridge		(487,000)
	RD0487 Transportation Modeling		(55,192)
	EO0018 29 Victoria Rd North (Collection Trench) Environmental Decommissioning		(130,000)
	PN0169 Levels of Service		(43,640)
BR-26CAP-15	OB0002 Ontario Building Code Fleet Replacement	Reduction identified through the 2025 WIP review	(148,000)
BR-26CAP-16	WC0060 Solid Waste Collections Truck New	Reduction identified through the 2025 WIP review	(433,590)
BR-26CAP-17	ST0006 Water Resource Recovery Centre Instrumentation	Reduction identified through the 2025 WIP review	(500,000)
Grand total	n/a	n/a	**(2,347,424)**

Table 2 – Summary of reallocations under $100,000

Description	**Amount $**
Additional funding (various projects) required at planning/purchasing stage	12,000
Additional funding required during project execution	7,420
Additional funding required at project closeout	32,650
Grand Total	**52,070**