

October 16, 2025

To: Mayor Cam Guthrie

RE: Staff response to Mayoral Direction for the 2026 City Budget

On April 1, 2025, [Mayoral Budget Direction 2025-B7](#) (2025-B7) was released. Since then, staff have worked collaboratively with you to develop the Mayor’s 2026 Draft Budget Update (“2026 Update”). The 2026 Update reflects your decisions as of September 24, 2025, the staff cut-off date for inclusion in the draft budget. That work has resulted in a 2026 Update for tax-supported services, as follows:

	2026 Forecast	2026 Update
City Services impact (operating and capital)	4.03%	2.87%
Council respectful requests	0.48%	0.13%
Mayor budget enhancements	0.00%	0.17%
Total City Services impact	4.51%	3.17%
Hospital levy	0.21%	0.21%

Below, we have outlined the work done to reduce the tax levy as directed; however, it is important to note that significant investment and value for our community remains in the 2026 Update, including:

- Transit enhancements (route 98, affordable bus pass digitization, activation of digital signs, seniors and youth ride free programs).
- Two new paramedic shifts.
- The opening of the South End Community Centre and the Baker District redevelopment.
- Increased investment in seniors’ services.
- NG911 fire dispatch.
- Continued investment in information technology to protect and enhance our digital environment.
- Major capital investment in growth enabling infrastructure, high priority asset renewal, and transit electrification.

Section 1

Section 1 of 2025-B7 directed staff to prepare an update to the adopted 2026 operating and capital budget for presentation to you with a property tax impact of no more than 2.50 per cent for the City Services portion along with scenarios for a 3.50 per cent and 4.50 per cent property tax impact.

Through the 2026 budget update process, City staff have:

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- Reviewed and updated base budget/inflationary pressures for changes that occurred since the 2026 forecast was developed.
- Reviewed all operating impacts from capital to identify savings opportunities.
- Reviewed growth and service enhancement investments included in the 2026 forecast in accordance with the budget prioritization criteria and recommended the deferral of some new investments.
- Developed and presented you with options for consideration to reduce the tax levy through service reductions.

The results of this work are included in the budget materials published at guelph.ca/budget.

It is not possible to achieve a 2.50 per cent tax levy increase for City Services by deferring new investments alone, and therefore service reduction options in the following amounts were presented to you for consideration:

Service area	Presented (\$)	Accepted (\$)	Not Accepted (\$)
Mayor & Council	43,000	43,000	0
Chief Administrative Officer	135,000	110,000	25,000
Corporate Services	160,000	0	160,000
Public Services	6,071,000	1,303,000	4,768,000
Infrastructure, Development and Environment	1,326,000	599,000	727,000
Total	7,735,000	2,055,000	5,680,000
Tax levy impact	2.20%	0.59%	1.62%

The list of service reductions included in the 2026 Update can be found on the Operating Budget tab of the budget website. Service reduction options presented, but not accepted, include:

- A reduction in the number of physical voting locations by 50 per cent given the Council decision to add online voting as an option for the 2026 election.
- The elimination of the annual all-staff recognition event.

- The elimination of horticulture services, amusement rides, splash pads, and portable washrooms in parks.
- Transit reductions including decreased frequency of service on all routes, elimination of statutory holiday service, and elimination of on-demand Sunday service.
- A reduction in paramedic response service.
- A reduction in animal shelter services.
- A reduction in road safety initiatives.

If all service reduction options presented had been accepted, together with the work outlined above to reduce and defer new 2026 investment, a tax levy increase below the 2.50 per cent target for City Services would have been the outcome.

Tax-supported capital funding

An increase in tax-supported capital funding of \$4.8 million (1.38 per cent tax levy impact) is included in the 2026 Update. Staff strongly recommend against any reduction in this category for the following reasons:

- The projects included in the capital budget and forecast rely upon this budgeted level of capital funding. Staff have reviewed the capital budget and forecast and cannot in good faith recommend further capital spending deferrals due to the level of infrastructure condition risk.
- The nature of the risk associated with any deferred capital work to accommodate budget reductions is important:
 - Reducing state of good repair capital work can be expected to impact service delivery continuity and drive-up operating costs.
 - Reducing growth enabling capital work will limit advancement of new housing and hinder progress toward the City's Housing Pledge.
- Increases to tax supported capital transfers were already cut in half through the 2025 budget confirmation process to meet the 2025 Mayoral Direction target, and the 10-year capital plan was significantly reduced to accommodate this lower amount of available funding.
- The projected impact of the reduced capital budget and forecast on expected asset condition over ten years was modelled and presented to Council in June 2025 through the Asset Management Plan update. That work highlighted a \$355 million backlog in state of good repair work, and estimated that the percentage of assets in poor, very poor, or past due condition are expected to increase from just over 30 per cent in 2025 to between 45 and 50 per cent of all City assets by 2034. A reduction in tax funding for capital

would mean this deteriorates to an unacceptable level, increasing likelihood of outcomes like vehicle and equipment breakdowns, unexpected bridge/road closures and sinkholes for example.

Spending on a reactionary, emergency basis is significantly more costly than planned capital project procurement.

- Through the 2026 budget update, capital spending of \$111 million has been deferred out of the next three years (2026 to 2028) in response to low development charge (DC) collections. If collections do not return to the projected levels in 2028 and beyond, additional deferrals will be required.
- Staff have continued to prioritize advancing several very significant city-wide growth-enabling capital projects in 2026 through 2028 despite low DC collections; doing so relies heavily on inter-reserve fund borrowing from tax and rate supported capital reserve funds, and the use of debt financing to bridge that gap.
- Tax and rate supported capital funding is more stable and reliable as it is within Council's control. Further limiting tax supported capital funding increases the vulnerability of the capital forecast due to the unpredictable nature of DC collections and changes to the DC legislative framework by upper levels of government.
- The City's credit rating is a considerable factor in the capital planning strategy. The credit rating review is comprehensive and does not consider the City's finances in isolation. It looks very broadly at the city as a whole, considering the ability to sustain expected municipal service delivery through asset state of good repair, meet legislated growth targets, changes in the local economy, the broader Ontario and Canadian economies, and more. Maintaining our strong credit rating enables the lowest cost of debt for the City over the long-term.

Budget requests from Council

During the 2025 budget confirmation process, Council respectfully requested that you consider including the following investments totaling just under \$1.7 million (0.48 per cent tax levy impact) in the 2026 Update:

- \$815 thousand to build Beaumont Park (PK0198).
- \$400 thousand to increase the annual transfer to the Affordable Housing reserve (119).
- \$154 thousand to increase annual funding for 100 per cent renewable energy initiatives by increasing the budget for capital project GG0261 by that amount annually.
- \$300 thousand in funding for the Guelph Bicentennial.
- \$50 thousand to enhance support for Advisory Committee of Council members to cover reimbursements and training expenses.

During 2025, additional requests for consideration in the 2026 budget update were approved by Council:

- Funding for the expansion of the Private Tree by-law (April 2025).
- Funding for the development of a mixed-use space including an arts and cultural centre in the former Drill Hall (April 2025).
- Funding for daytime shelter services (May 2025).

The following Council respectful requests are included in the 2026 Update:

- \$400 thousand increase in the transfer to the affordable housing reserve (119).
- \$50 thousand to enhance support for Advisory Committee of Council members to cover reimbursements and training expenses.

Capital funding for Beaumont Park (PK0198) has not been included as construction is scheduled for 2028 and it is not operationally feasible to move it forward from that timeline.

Mayor budget enhancements

Throughout the process of updating the 2026 budget, you have asked staff for information about the cost of investment in some areas based on input you have received from Council and the community, and as a result, you have directed that the following investments be included in the 2026 budget update:

- \$210 thousand investment to support downtown businesses and vulnerable individuals through the Welcoming Streets Initiative (one year funding).
- \$162 thousand increase to transition the Youth Ride Free Pilot and Seniors Ride Free Pilot into a permanent initiative to enhance transit accessibility for youth and affordable mobility for seniors.
- \$128 thousand for the community led, City supported G2G Trail connection between Woodlawn Road and Silvercreek Parkway, improving connectivity and recreational opportunities.
- \$75 thousand investment to promote Guelph's Community Call to Climate Action and activate the community towards our Community Race to Zero goal (three-year funding).

Achieving the requested scenarios

A 2.50 per cent City Services tax levy increase could be achieved through a combination of acceptance of additional service reductions from the list presented, and/or consideration of inclusion of Council's respectful requests and Mayor budget enhancements in the budget update.

For a or 3.50 per cent or 4.50 per cent City Services tax levy increase, staff would recommend prioritizing the reversal of accepted service reductions or an allocation to begin to rebuild the tax-supported contingency reserves toward target.

Non-tax supported operating budgets

As directed in section 1(c) of 2025-B7, all non-tax supported operating budgets were also reviewed and updated. The following summarizes the work done and updates made:

- Updates made to base budget/inflationary for collective agreement costs, carbon tax savings, and other administrative savings and organizational efficiencies.
- Revenue adjustments were made to reflect lower growth assumptions including to Ontario Building Code revenue, and water, wastewater, stormwater growth revenue.
- The Courts budget was updated to reflect Automated Speed Enforcement and Red Light Camera move to the Administrative Penalty System effective Jan 1, 2026.
- Service reductions were presented for consideration and accepted.
- Work was completed on rebalancing the Water and Wastewater capital reserve funds based on the capital forecast as directed by Council through the 2025 budget confirmation.

Section 2

Section 2 of 2025-B7 directed staff to provide a forecast of the projected 2025 year-end surplus or deficit position, and the impact on the contingency reserves from reserve funding the final year of the commitment for renovations and expansions under the Guelph General Hospital Levy of 0.21 per cent or \$750 thousand.

The following information is provided in response to this direction:

- The combined tax supported contingency reserve balances were at \$20.6 million (51 per cent of target) at the end of 2024.
- If the 2025 final tax supported operating position aligns with the second quarter budget monitoring deficit projection of \$1.9 million, the 2025 year-end contingency reserves balance is projected at 29 per cent of target.
- Additional use of contingency reserves is included in the 2026 Budget to phase-in 2024 budget increases throughout the multi-year budget period. After factoring in the 2026 use of reserves, the result is a projected balance at the end of 2026 of \$8.8 million or 20 per cent of target. This includes a projected 2026 balance of \$923 thousand in the tax operating contingency reserve, which previously funded the Guelph General Hospital Levy.

Mayor Cam Guthrie

October 16, 2025

RE: Staff response to Mayoral Direction for the 2026 City Budget

Page 7 of 8

- The balance in this group of reserves is expected to range from 15 to 20 per cent of the target from 2026 through 2029.

This is an uncomfortably low balance without any expected contribution from a surplus in 2025 to build it back up.

Through the multi-year budget and the 2025 budget confirmation, Council has supported motions to prioritize rebuilding the contingency reserve balances toward their target levels. Staff have continued to recommend this approach in 2026 through a motion in the Budget Companion Report and have added an additional recommendation in the 2026 Budget Companion Report for Council to direct staff to consider including an allocation to rebuild these reserves through the next multi-year budget cycle for 2028 to 2031. Staff strongly recommend against funding anything else out of the tax supported contingency reserves through the 2026 budget confirmation process, including the Hospital Levy.

Section 3

Section 3 of 2025-B7 directed staff to immediately review 2025 and prior approved capital projects that had not yet started and report back to you with any options for deferring projects to create capacity for other priorities. Staff took the following approach to this review:

- Pulled a list of all capital projects approved in 2025 and prior capital budgets that did not have any spending or commitments against them as of the date of release of 2025-B7.
- Reviewed that listing with you in early May and provided follow-up responses to your questions about several projects.

This work did not result in the cancellation or deferral of any previously approved capital projects aside from a budget reduction of \$150 thousand for PL0061 – Housing Initiatives due to duplication in the capital plan resulting from the receipt of grant funding for this work. A budget adjustment was processed through the 2025 Q2 Budget Monitoring Report and has been factored into the updated reserve forecast for the 2026 budget update.

We trust the information above provides a satisfactory overview of how City staff have met the direction you provided through 2025-B7, and we look forward to supporting you and Council through the next two months of the budget process, including the release of your 2026 Proposed budget in mid-November and budget amendment day.

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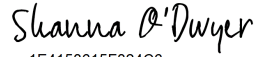
Page 8 of 8

Sincerely,

Signed by:

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Tara Baker,
Chief Administrative Officer

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Shanna O'Dwyer, General Manager, Finance
City Treasurer and Chief Financial Officer