

Staff Report

Report To: City Council
Report From: Mason Bellamy, Manager of Public Works and Engineering
Meeting Date: July 27, 2026
Report Code: OP-26-041
Subject: Grey County Urban Road Transfer Update

Recommendations:

THAT in consideration of Staff Report OP-26-041 respecting an update on the Grey County Urban Road Transfer, City Council receives the report for information purposes.

Highlights:

- Grey County Council has endorsed the Urban Road Transfer framework and directed staff to proceed with road transfer agreements and a legal transfer date of **June 1, 2027**.
- The County-approved **Version B+** funding model includes enhanced transition funding, payment certainty, and additional protections requested by municipalities.
- Owen Sound is proposed to assume approximately **15.37 km of County roads and 11 traffic signals**, representing the largest share of the urban road transfers in Grey County.
- The City is projected to receive approximately **\$15.25 million** in transition funding, development charge transfers, operational support, traffic signal funding, and identified capital contributions in exchange for what staff believe to be in excess of \$87 million in assets not including traffic signals or structures.
- County Council directed that all available condition assessments, inspection records, asset inventories, capital planning information, and known infrastructure deficiencies be provided to receiving municipalities before agreements are executed.

- City staff continue to review the proposed funding model, transfer agreements, asset condition information, and long-term financial impacts.

Vision 2050 - Strategic Plan Alignment:

[Strategic Plan](#) Priority: The recommendation contributes to core service delivery or a corporate initiative that enables service delivery for one or more strategic priorities.

Previous Report/Authority:

[Report OP-26-007](#) Re: Grey County Urban Road Transfer

Background:

As outlined in Staff Report OP-26-007, Grey County's 2014 Transportation Master Plan identified several urban road segments that may be more appropriately owned and maintained by local municipalities. Since 2023, Grey County have been engaged in discussions regarding the transfer of urban roads and selected road exchanges intended to better align jurisdictional responsibility with local service delivery and infrastructure planning.

An Urban Road and Road Exchange Task Force was established by Grey County to review the proposed transfers, associated funding models, operating impacts and implementation strategies. The Task Force met on May 26, 2026, with representatives from all affected municipalities, including staff from the City of Owen Sound, to review several funding scenarios and provide recommendations to County Council.

During Task Force discussions, municipal representatives raised concerns regarding:

- Adequacy and reliability of transition funding;
- Recognition of urban operating and lifecycle costs;
- Development charge allocation methodology;
- Traffic signal maintenance responsibilities;
- Short-term capital needs and asset condition;
- Long-term financial risk associated with assuming County infrastructure; and

- The need for complete infrastructure records and condition information prior to transfer.

Following consideration of the Task Force recommendations, Grey County Council's Committee of the Whole passed a motion for an enhanced Version B+ framework on June 25, 2026, which included additional protections respecting minimum funding increases, operational cost support, information disclosure requirements and payment certainty. The motion was adopted in the approved minutes by Grey County Council on July 9, 2026.

Analysis and Options:

While the County's decision does not fully achieve the outcome sought by the City and other lower-tier municipalities, the Version B+ framework represents a significant improvement over the initial proposals and may reflect the most practical outcome available given Grey County's financial constraints.

Throughout the Urban Road Transfer discussions, municipalities consistently advocated for increased capital funding, recognition of ongoing operating costs, certainty of future payments, and greater protection against inheriting infrastructure liabilities. The final framework adopted by County Council incorporates many of these concerns through enhanced transition funding, annual funding escalators, operational funding support, and traffic signal funding.

From the County's perspective, Council was required to balance municipal concerns against its own long-term financial sustainability. The funding package approved under Version B+ represents a substantial financial commitment by Grey County over a ten-year period and will create additional budget pressures that must be accommodated through future County financial plans.

Although the City would have preferred a funding model that more fully offsets the long-term lifecycle, rehabilitation, and operational costs associated with the transferred assets, the approved framework provides materially greater financial support and certainty than earlier options considered during the Task Force process. The inclusion of operational funding, indexed transition payments, and the removal of annual budget approval contingencies reduces some of the financial risk that would otherwise be assumed by the City.

Staff's review indicates that important financial and asset management risks remain, particularly regarding future rehabilitation requirements and lifecycle replacement costs beyond the transition period. However, given the County's fiscal realities and the need to establish a transfer framework acceptable to multiple municipalities, Version B+ may represent the best achievable compromise available through the negotiations.

Version B+ Summary

Version B+ was not one of the original funding models presented by Grey County staff. Rather, it emerged through amendments made by County Council during consideration of the Urban Road Transfer recommendations after receiving feedback from affected municipalities through the Urban Road and Road Exchange Task Force.

The Version B+ framework was developed as a compromise between the County's financial capacity and municipal concerns regarding the long-term costs of assuming ownership of County infrastructure.

Key components include:

- Transfer of urban roads and traffic signals to local municipalities effective June 1, 2027.
- Ten-year transition funding based on a full-lane replacement model, providing municipalities with funding to help address future capital rehabilitation needs.
- Annual funding increases of the greater of 5 per cent or the increase in Grey County's major construction capital budget, helping preserve the value of future payments.
- Five years of declining operational funding to assist municipalities with maintenance, winter control, inspections, administration, insurance, and other operating costs associated with the transferred infrastructure.
- Traffic signal funding for municipalities assuming signalized intersections.
- Development charge transfers to recognize growth-related infrastructure costs associated with transferred roads.
- Enhanced information-sharing requirements, obligating the County to provide available condition assessments, CCTV records, asset inventories, capital planning information, inspections, and known deficiencies before transfer agreements are finalized.

- Removal of annual budget contingency language, providing greater certainty that approved transition funding will be paid.

Financial Supports

Under the Version B+ framework, the City of Owen Sound is expected to receive approximately \$15.25 million in funding and related contributions, which is an increase of approximately \$5.72 million from the \$9.52 million the County recommended in March, in exchange for assuming ownership of approximately 15.37 km of County roads and 11 traffic signals, two bridges, several structures, and storm infrastructure.

The funding package is comprised of several components designed to address both the immediate and long-term impacts of the transfer:

- \$11.26 million in transition funding paid over a 10-year period to support future road rehabilitation and reconstruction needs.
- \$3.30 million in development charge one-time transfers to recognize growth-related infrastructure investments associated with the transferred road network.
- \$231,746 paid over five years in operational transition funding to help offset additional maintenance, winter control, inspection, administration, insurance, and operational costs incurred by the City during the transition period.
- \$183,951 paid over five years in traffic signal funding recognizing the City's assumption of responsibility for 11 signalized intersections.
- \$269,010 in one-time funding towards capital projects, potentially the Grey Road 5 hill at Harrison Park, providing additional project-specific support beyond development charge allocations.

The funding model and yearly specifics can be found on the Version B+ Roads Exchange Funding Table that was provided by the County and included as Attachment 1.

Separate from the funding package, the City has historically recovered costs associated with winter maintenance of County roads which will no longer be recovered. While the City will continue to be responsible for the winter maintenance of the roads, the annual amount of this lost revenue source is approximately \$140,000.

Transitional Work Plan

City staff will be required to undertake a significant amount of due diligence, financial planning, operational review, and implementation work prior to the proposed transfer date of June 1, 2027. While the Version B+ framework establishes the funding and transition principles, City staff must undertake a comprehensive review to ensure the City is prepared to assume ownership, operation, maintenance, and long-term stewardship of the transferred infrastructure. Key activities anticipated between now and the transfer date include:

1. Review and Negotiate Transfer Agreements
 - Complete a detailed review of the proposed transfer agreements, funding commitments, payment schedules, asset condition disclosures, liability provisions, and outstanding capital obligations in the fall of 2026.
 - Continue discussions with Grey County to address any unresolved issues identified through the due diligence process in the fall of 2026.
2. Complete Asset and Financial Due Diligence
 - Review condition assessments, inspection records, CCTV data, asset inventories, and known infrastructure deficiencies provided by Grey County in the winter of 2026/2027.
 - Confirm the current condition of transferred assets and identify future rehabilitation and replacement requirements.
3. Undertake a Service Delivery Review
 - As identified in previous staff reports, complete a service review to determine the operational resources required to maintain the expanded road network and traffic signal system.
 - Assess staffing requirements within Public Works, Engineering, and related service areas, including any additional positions, equipment, training, or operational support required to maintain service levels.
 - Complete the service review report for Council in late 2026/early 2027.
4. Update the 2027 Capital Budget and Long-Term Capital Plan
 - Incorporate the transferred roads, traffic signals, and associated infrastructure into the City's asset management and capital planning programs.

- Review and adjust the 2027 Capital Budget and long-range capital forecast to address anticipated rehabilitation, reconstruction, and lifecycle replacement requirements in January of 2027.
 - Determine how transition funding and development charge transfers will be allocated to future capital projects and reserve strategies.
5. Review Impacts to the 2027 Operating Budget
- Assess the operating impacts associated with assuming responsibility for the transferred infrastructure, including winter maintenance, traffic signal operations, inspections, pavement management, drainage maintenance, utility locates, engineering support, insurance, and administration.
 - Develop recommendations for incorporation into the 2027 and future operating budget processes, including the use of temporary transition funding provided through Version B+.
6. Review Existing Contracts and Service Agreements
- Evaluate existing City and County contracts that may be affected by the transfer, including pavement marking, roadside maintenance, winter control, traffic signal maintenance, materials supply, engineering services, and other operational agreements.
 - Identify opportunities to amend, consolidate, or re-tender contracts to accommodate the expanded infrastructure inventory.
7. Update Asset Management and Lifecycle Planning
- Incorporate the transferred assets into the City's Asset Management Plan and lifecycle forecasting models.
 - Refine long-term funding strategies to address the infrastructure liabilities that will remain after the 10-year transition funding period expires.
8. Return to Council with Final Recommendations
- Present the results of the due diligence review, service delivery review, staffing analysis, financial assessment, budget impacts, and transfer agreement negotiations.
 - Provide Council with a final recommendation regarding execution of the transfer agreements and implementation of the Urban Road Transfer Program in the spring of 2027.

Resource Alignment:

Financial Resources

The financial implications of the Urban Road Transfer will be incorporated into the City's annual budget process, future asset management, and long-term financial planning. The transition funding provided through the County's Version B+ framework will be reviewed alongside the operating, capital, and lifecycle requirements associated with the transferred assets to ensure that funding is allocated in a manner that supports both short-term implementation and long-term sustainability.

Any recommended budget adjustments, reserve allocations, capital project changes, or funding strategies arising from this review will be brought forward through the annual budget process, multi-year capital plans, and future asset management updates to ensure Council has the information necessary to make informed financial decisions regarding the long-term stewardship of the transferred assets.

Human Resources

As identified in the previous staff report, the transfer of approximately 15.37 km of roadway infrastructure, associated stormwater assets, bridges and retaining walls, and 11 traffic signals are expected to increase operational and maintenance requirements within the Public Works and Engineering Department. Prior analysis suggested the need for an additional three staff. Staff will undertake a detailed service delivery review to assess staffing, supervision, training, and resource requirements and will report any recommendations to Council as part of a future report including the implementation planning process.

Time and Scheduling

With Grey County Council's approval of the Urban Road Transfer framework and the proposed transfer date of June 1, 2027, City staff will undertake a structured implementation process to prepare for the assumption of ownership, operation, and maintenance responsibilities associated with the transferred roads and related infrastructure.

Prior to the transfer date, staff will:

- Complete the review and finalization of transfer agreements and associated funding arrangements.

- Undertake detailed due diligence on transferred assets, including condition information, lifecycle requirements, and long-term financial implications.
- Complete a service delivery review to determine staffing, organizational structure, fleet, technology, and operational requirements necessary to support the expanded infrastructure inventory.
- Review and update asset management, capital forecasts, etc. to incorporate the transferred assets.
- Assess the impacts to the 2027 Operating Budget and Multi-Year Capital Plan and bring forward any recommended adjustments through the normal budgeting cycles in late 2026 (operating) and the spring of 2027 (capital).
- Review contracts, service agreements, and procurement requirements affected by the transfer and identify any required amendments or replacement contracts.
- Integrate the transferred roads, traffic signals, stormwater infrastructure, structures, and related assets into the City's operational, maintenance, inspection, and reporting programs.
- Report back to Council on the results of the implementation review and any recommended staffing, budget, policy, or service delivery changes required to support a successful transition.

This work will be coordinated through the City's asset management, financial planning, and 2027 budget processes to ensure the City is operationally and financially prepared for the transfer of approximately 15.37 km of roadway infrastructure and associated assets on June 1, 2027.

Technology and Infrastructure

The transfer of County roads and related infrastructure will likely require additional fleet assets, software, hardware, asset management resources, and technology systems to support increased operational and maintenance responsibilities. Staff will review technology, fleet, and infrastructure requirements as part of the implementation planning process and incorporate any recommended changes into future budget and business planning discussions.

Climate and Environmental Impacts:

There are no anticipated climate or environmental impacts.

Communication and Engagement:

As the transfer of County roads represents a significant change in infrastructure ownership and service delivery responsibilities, staff will develop and implement a communications plan to ensure residents, businesses, developers, and other stakeholders are informed throughout the transition process.

The communications plan will focus on:

- Explaining the purpose and scope of the road transfer and the infrastructure being assumed by the City.
- Communicating the operational and service delivery implications of the transfer.
- Clarifying any changes to public reporting, customer service processes, construction coordination, permits, maintenance responsibilities, and service requests.
- Providing residents with clear information ahead of the June 1, 2027, transfer date regarding service responsibilities and points of contact.

Communication tools may include the City's website, social media channels, media releases, and public information materials.

The overall communications objective will be to ensure the public understands that the transfer represents a change in ownership and responsibility for certain road assets, while maintaining confidence in the City's ability to continue delivering safe and reliable transportation infrastructure services.

Report Developed in Consultation With:

Director of Corporate Services

Attachments:

1. Version B+ Roads Exchange Funding Table
2. County Road Transfer Map

Reviewed by:

Lara Widdifield, Director of Public Works and Engineering

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Mason Bellamy, Manager of Public Works and Engineering at mbellamy@owensound.ca or 519-376-4440 ext. 3300.