Staff Report

Report To: City Council

Report From: Kate Allan, Director of Corporate Services

Meeting Date: September 14, 2026

Report Code: CR-26-084

Subject: Preliminary 2027 Budget Information and Process

Recommendations:

THAT in consideration of Staff Report CR-26-084 respecting the process for the preliminary 2027 Budget, City Council receives the report for information purposes.

Highlights:

- Preliminary 2027 Budget Position: The preliminary 2027 operating budget currently reflects a 5.23 per cent tax levy increase, based largely on maintaining existing services, known contractual and staffing commitments, and the dedicated 1 per cent allocation to capital. This is an early financial baseline and has not yet been subject to detailed departmental review.
- Flexible Budget Process: The 2027 budget schedule has been designed to accommodate either a Mayor's budget or a traditional Council-approved budget, depending on the approach selected by the incoming Mayor following the municipal election.
- Operating Budget Focus: The fall budget process will focus on the 2027 operating budget, including the first year of using Euna as part of budget development. The City's Multi-Year Capital Plan will remain separate and will be revisited in spring 2027.

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:

N/A.

Background:

The purpose of this report is to provide Council with an early indication of the City's preliminary 2027 operating budget position and an overview of the anticipated budget process following the 2026 municipal election.

Based on information available at this time, the preliminary 2027 budget represents an estimated 5.23 per cent increase to the municipal tax levy. This figure should be considered an initial starting point only. It largely represents a status quo budget incorporating known or reasonably anticipated commitments, together with the City's existing commitment to dedicate the equivalent of 1 per cent of the prior year's tax levy toward capital infrastructure.

The preliminary budget has not yet been reviewed or updated by individual departments and does not incorporate potential service level changes, departmental budget pressures, opportunities for savings, or adjustments required to better align individual budgets with actual costs and current service delivery.

The 2027 budget process will also occur following the municipal election and transition to the new term of Council. At this time, it is not known whether the incoming Mayor will choose to exercise the Mayor's budget powers or allow the statutory timeline to expire, in which case the City would proceed through a more traditional staff-prepared budget process.

The timelines and preliminary financial information outlined in this report relate primarily to the 2027 operating budget. The City's Multi-Year Capital Plan will continue to be maintained separately and will be revisited through the established capital planning process in spring 2027.

Staff have developed the preliminary 2027 budget schedule to accommodate either approach.

Mayor's Budget Process

Should the incoming Mayor choose to exercise the Mayor's budget powers, staff anticipate a process similar to that followed for the 2026 budget.

Under this approach, a proposed Mayor's budget would likely be tabled in December. Council would receive detailed budget information and have an opportunity in January to propose amendments to the Mayor's budget in accordance with the legislated process.

Following the Council amendment period, the process would proceed through the applicable Mayoral veto and Council override periods before the budget is deemed adopted.

Staff-Prepared Draft Budget Process

Alternatively, the incoming Mayor may choose not to exercise the Mayor's budget powers and allow the statutory period for proposing a Mayor's budget to expire.

In that circumstance, staff would prepare and present a draft municipal budget for Council's consideration through the City's traditional budget process. Council would deliberate the staff-prepared draft and ultimately approve the 2027 budget.

Under this scenario, final Council consideration and approval would occur after February 1, 2027, once the statutory period associated with the Mayor's budget authority has concluded.

The proposed meeting schedule has been structured to accommodate either approach. This allows staff to continue the technical work required to develop the budget without predetermining the process that will ultimately be selected by the incoming Mayor.

Analysis and Options:

Preliminary 2027 Budget Position

Based on information currently available, the preliminary 2027 operating budget reflects an estimated 5.23 per cent increase to the municipal tax levy.

This represents a preliminary status quo position and should not be interpreted as either a staff-recommended tax levy increase or the expected final 2027 budget.

Approximately 2.6 per cent of the preliminary increase relates to base budget pressures. These are primarily the financial impacts of maintaining existing services and commitments and include:

- committed staff complement base wages;
- negotiated and anticipated wage and benefit increases;
- anticipated outcomes associated with collective bargaining;
- contractual increases for major services, including transit and waste collection;
- insurance and other significant contractual cost increases; and
- increases already established through existing agreements or service commitments.

The preliminary budget also includes the $25,000 grant to Georgian College previously presented to Council.

Known revenue adjustments have been incorporated where sufficient information is currently available. These include anticipated changes related to housing revenues, tax penalty and interest revenue, and transit revenues.

Capital Funding

The preliminary budget maintains the City's existing approach of dedicating the equivalent of 1 per cent of the prior year's tax levy toward capital infrastructure.

The calculation considers the combined impact of the City's capital levy, transfers to capital reserves, and debt payments associated with capital investments. As existing debt matures, the funding capacity created through those retired debt payments is retained for capital purposes. Transfers to capital reserves are similarly considered when determining the overall amount dedicated to capital.

This approach ensures that, in aggregate, the equivalent of 1 per cent of the prior year's tax levy continues to be added annually to the City's capacity to fund capital infrastructure.

Maintaining this commitment is particularly important given the City's identified infrastructure funding requirements and the need to gradually increase sustainable funding for asset replacement and rehabilitation.

Police and Library Budgets

At the time of preparing this report, staff have not received preliminary 2027 budgets from either the Owen Sound Police Service Board or the Owen Sound & North Grey Union Public Library.

For preliminary forecasting purposes only, the City's current budget model assumes:

- a 5 per cent increase for Police Services; and
- a 6 per cent increase for Library Services.

These assumptions are placeholders and will be replaced with the respective budget submissions when they become available.

Further Budget Development

Significant work remains before a complete 2027 budget can be presented.

At this stage, individual departments have not completed their detailed review of the preliminary budget. Consequently, the 5.23 per cent preliminary increase does not yet reflect:

- adjustments required to align budgets with actual expenditure and revenue experience;
- emerging operating pressures identified by departments;
- changes required to maintain existing service levels;
- proposed service level increases or decreases;
- new initiatives or business cases;
- potential efficiencies, savings, or revenue opportunities; or
- decisions or priorities of the incoming Mayor and Council.

The preliminary figure is therefore best understood as a financial baseline based primarily on known commitments and existing assumptions.

Following the election, staff will continue detailed budget development with department heads and the incoming Council. The resulting budget will provide considerably more information regarding departmental requirements, service levels, capital priorities and the financial implications of potential changes.

Resource Alignment:

Financial Resources

The preliminary 2027 budget currently reflects an estimated 5.23 per cent municipal tax levy increase.

This figure is provided to establish an early baseline and provide transparency regarding the City's starting financial position heading into the municipal election. It is not a recommended or final tax levy increase.

The final financial impact will depend on further departmental review, updated information, Police and Library budget submissions, decisions regarding service levels and priorities, and the budget process ultimately followed by the incoming Mayor and Council.

Human Resources

Budget preparation requires time and input from staff across the organization, including departmental review of operating requirements, service levels, revenues, staffing needs, and capital priorities.

The annual budget process is administered by Finance, with the Treasurer having primary responsibility for coordinating budget development, financial analysis and preparation of the consolidated budget. The Financial Services Supervisor provides support with budget preparation, analysis, and related financial information.

No additional staffing resources are proposed specifically for preparation of the 2027 budget.

Time and Scheduling

The 2027 Council meeting calendar and proposed budget dates have been structured to accommodate either a Mayor's budget process or a traditional Council-approved budget process. This provides flexibility for the incoming Mayor to determine how they wish to proceed following the municipal election without requiring significant changes to the planned budget schedule.

Budget development is expected to proceed generally as follows:

September: Departments undertake detailed budget preparation and review, including operating and capital requirements, revenues, staffing, and known budget pressures.

October: Finance coordinates departmental budget meetings with the City Manager and individual departments to review submissions, assumptions, and corporate priorities.

November: Following the municipal election, staff will meet with the incoming Mayor regarding the preliminary budget and the process they intend to follow. If the Mayor intends to propose a Mayor's budget, this period may also include meetings with individual Councillors to provide information and receive input. Staff will also continue to liaise with the Police Service Board and Library Board regarding their respective budget submissions.

December: Staff will be positioned to support the tabling of a Mayor's proposed budget, should the Mayor elect to exercise their budget authority. Alternatively, staff will have a draft budget prepared and available to support the traditional Council budget process should the Mayor not propose a budget.

January and February: The process will proceed in accordance with the approach selected. A Mayor's budget would be subject to the legislated Council amendment, Mayoral veto, and Council override periods before being deemed adopted. If a Mayor's budget is not proposed, the staff-prepared draft budget would proceed to Council for deliberation and approval following the expiry of the applicable statutory period.

This approach allows the technical and administrative work required to prepare the 2027 budget to continue regardless of the process ultimately selected and positions the incoming Mayor and Council to proceed efficiently following the election.

The timelines outlined above relate to the 2027 operating budget. The City's Multi-Year Capital Plan will be revisited separately in spring 2027

Technology and Infrastructure

The City is currently implementing Euna budget software, with 2027 representing the first year the software will be actively used as part of the budget development process.

The personnel budgeting module is currently being used to estimate wages and assess the financial impacts of wage-related changes. Staff also anticipate utilizing Euna to support some budget reporting and preparation of the 2027 budget book.

The 2027 budget will represent a transition year, with budget development occurring through a hybrid approach. A smaller group of staff will pilot budget development directly within Euna, while other departments will continue to use the City's established Excel-based budget templates. Ultimately, all departmental budget information will be incorporated into Euna to support consolidation and reporting.

Operating parallel processes will allow staff to implement and test the new system while maintaining established processes and reducing implementation risk. Lessons learned through the 2027 budget process will inform further configuration, training and process improvements.

The objective is to transition fully to the Euna budgeting platform for subsequent budget cycles, reducing reliance on Excel-based processes and establishing a more consistent and integrated corporate budgeting process.

Climate and Environmental Impacts:

There are no anticipated climate or environmental impacts.

Communication and Engagement:

Staff will continue preparing the detailed 2027 budget through the election period so that the incoming Mayor and Council are positioned to proceed efficiently regardless of which budget process is selected.

Following the election, staff will confirm the applicable budget process with the incoming Mayor and provide Council with updated budget information, timelines, and opportunities for Council participation.

The planned budget meeting schedule has been developed with sufficient flexibility to support either a Mayor-proposed budget beginning in December or a staff-prepared draft budget proceeding to Council consideration after February 1, 2027.

Report Developed in Consultation With:

City Manager

Attachments:

None

Submission approved by:
Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan, Director of Corporate Services at kallan@owensound.ca or 519-376-4440 ext. 1238.