Special Committee of the Whole Agenda - Budget

September 22, 2026

10:00 a.m.

Council Chambers - Grey County Administration Building

Committee Report

To:	Warden Matrosovs and Members of Grey County Council
Committee Date:	September 22, 2026
Subject / Report No:	FR-CW-20-26
Title:	2027 and 2028 Budget Update
Prepared by:	Garrett Reed, Interim Deputy Treasurer, Sue Murray, Interim Director of Finance/County Treasurer
Reviewed by:	Randy Scherzer, Chief Administrative Officer
Lower Tier(s) Affected:	

Recommendation

1. **That Report FR-CW-20-26 regarding the 2027 and 2028 Budget Update be received; and**
2. **That the proposed draft budget be incorporated into the draft 2027 and proposed 2028 budgets as presented, for council's consideration and direction.**

Executive Summary

The purpose of this report is to provide committee with an update on the 2027 budget and 2028 projected budget, including the assumptions and pressures included within. Attached to this report is a link to the Grey County Budget book page where a draft preliminary budget has been published for council's review and commentary. Staff will bring back an updated budget with all supporting documents to the new term of council in December.

Background and Discussion

The annual budget is developed using assumptions about changes to costs, inflation, supply chain pressures, funding levels, availability of revenue sources and general economic conditions. This report summarizes some of the underlying factors that are influencing the 2027 budget and 2028 proposed budget. Attached to this report is a link to a detailed draft budget book for councils' consideration.

The 2027 draft budget currently proposes $335,468,800 of gross expenditures with $91,933,700 being raised from taxation, an increase of $7,982,600. After taking into consideration $784,800 in estimated new assessment growth this results in an increase of $7,197,800 or an 8.49% increase over the 2026 approved budget. A 1% levy increase in 2027 represents $847,400 based on MPAC data as of August 31, 2026 but will change depending on changes in assessment until MPAC closes their roll in the beginning of November.

In 2028, the projected budget includes $273,024,500 of gross expenditures with $102,993,100 being raised from taxation, an increase of $11,059,400. After taking into consideration $800,000 in estimated new assessment growth this results in an increase of $10,259,400 or an 11.16% increase over the 2027 proposed budget. This increase includes an estimated $2,800,000 for expected cost of Conservation Authorities being funded by the County based on changes being implemented by the Province. If Conservation Authorities were removed from this budget, the levy increase would be $8,259,400 before growth, $7,459,400 after growth or 8.11% after growth.

Timelines

The finance budget team began working with their departments to forecast revenues and expenditures at the end of spring and continued throughout the summer. Meetings to review the departmental budgets with the CAO and Deputy CAO occurred in July. Based on direction from those meetings staff prepared a draft budget in August. This budget is being provided in draft to council with an updated budget being presented to the incoming council in December. The updated budget will include any changes in assumptions or grants that become known before the end of October. Staff will also include in the December budget presentation any recommendations that are received from the current council during this meeting.

Source of Budget Assumptions

Inflation and pricing updates

Staff review every budget line individually and update amounts based on the best information available. Different types of costs have different adjustments year over year based on the nature of the expense. As of July 2026, the federal consumer price index is up 3.03% over July 2025, while the provincial index is only up 2.04% in Ontario. The provincial non-residential building construction index is up 3.96%.

Some costs are based on multi-year contracts, which have provisions for annual increases and allow staff to determine the exact budget needed. When no contract exists, or the contract is set to expire, staff will use historical increases to predict the expected increase for future years. These can vary by type of expenditure and very rarely equal the standard provincial or federal CPI inflation rates. Some items where staff have seen significant increases in pricing are software costs, medical supplies and group benefits.

In certain departments not only does pricing need to be reviewed, but also the volume of goods or services consumed. Transportation is the best example of this as they see annual inflationary increases for items like salt, sand and vehicle parts but based on the past few winters they have also seen an increase in the quantity of products consumed. In these cases, staff look at the consumption over the past five years and estimate what the future consumption will be. Paramedic Services is also heavily impacted by this. As call volumes increase, so does the consumption of fuel and medical supplies, in this case staff increase these budgets annually based on projected increases in call volume.

Provincial and Federal Funding

The budget includes grant funding agreements from various ministries at both the provincial and federal level. These levels of government operate on March 31st year ends and therefore it is very rare for staff to have confirmation of future years funding when developing their budgets. Unless there are multi-year funding agreements in place staff assume that the current funding models will continue to be in place for future years. For cost-based grant funding staff calculate the grant based on budgeted expenses and assume funding eligibility will remain the same. If the County has received annual inflationary increases to the grant in the past an inflationary increase is built into the budget.

The budget assumes that OCIF funding will remain at the same level as 2026 or $3,836,916. However, 2026 is the final year of a commitment from the provincial government to double OCIF payments, meaning that the payment could decrease by $1,918,458 if the funding is returned to 2021 funding levels. This funding is utilized to offset the transportation capital level and fund major projects. The funding is typically announced in the fall, and staff will update the budget if new information becomes available.

Capital asset lifecycles

The 10-year capital plan relies on a variety of assessment tools to determine project priority and timing. For building and facilities, staff utilize building condition assessments and regular inspections to prioritize projects. For vehicles and equipment, lifecycle replacement schedules are used but if the asset is determined to still be in good condition at the end of its expected life the replacement may be deferred. For roads, bridges and major infrastructure, regular condition inspections are performed by both internal and external experts to evaluate the current condition of assets. Staff use the condition, in relation to the expected useful life, as well as the risk associated with the asset's failure, to determine the most appropriate treatment for the asset. Treatment can range from minor repairs completed by Grey County staff to a full reconstruction.

Staff utilize recent pricing for similar completed projects plus an inflationary adjustment to inform current pricing for future capital projects. If no similar projects have been recently completed, staff are encouraged to seek estimates from external parties to develop their capital budgets. Staff then compare the project funding required to available funding including current levy, reserve balances and capital grant funding to determine if there is a funding shortfall. If a shortfall in funding exists, staff may propose increases to their capital levy or re-prioritize and defer certain projects where possible.

Investment Income

Based on the current uncertainty within the Canadian economy, the Bank of Canada's July Monetary Policy Report and information provided by investment advisors, staff have assumed that the Bank of Canada Policy interest rate will stay at 2.25%. Based on these changes, staff have estimated the average bank prime rate to be 4.45% for 2027 and 2028. Based on the above, staff will be using the following interest rates when projecting interest and investment income:

- Average General Bank rate: 2.70% in 2027 and 2028
- Guaranteed Investment Certificate (GIC) rates in 2027 and 2028
  - 1 Year 2.90%

- 2 Year 3.15%
- 3 Year 3.35%
- 4 Year 3.50%
- 5 Year 3.60%

As per the Cash and Investment Policy, the net revenue budgeted from investments that exceeds 1% of the County's own purpose levy is to be placed in the One-Time Funding Reserve to assist with funding non-recurring expenditures and unexpected costs.

Growth in Assessment

Based on current growth for 2026 showing with the Municipal Property Assessment Corporation (MPAC), staff are anticipating less growth in assessment in Grey County than previous years. Currently staff are currently projecting growth to be applied against the overall levy of $784,800 in 2027 and $800,000 in 2028. This is significantly lower than growth in recent years, 2025 had growth of $1,880,300 and the five-year average from 2021-2025 was $1,681,300. Based on this staff estimated $1,400,000 of growth in the 2027 forecasted budget that was included in the 2026 budget. This results in a difference of $615,200 to the amount forecasted last year.

Growth in assessment is not a straight calculation and can vary greatly throughout the year as new properties are added to the tax base or properties are written down. Staff will continue to monitor growth until MPAC closes their roll in November and update the projection for the December budget presentation.

Budget Impacts

The 2027 Budget reflects a $7,982,600 increase before growth compared to the 2026 approved budget. The table below outlines the major items that are impacting the increase to the budget compared to the previous year in 2027 and 2028.

Item	**2027**	**2028**
Increased cost for existing staffing	$3,852,600	$4,128,800
Increased spending on existing capital assets	$2,199,700	$2,395,800
Health and dental benefit increases	$564,900	$475,900
Conservation authority costs uploaded to the County	$0	$2,800,000
2026 FTE requests	$52,300	$0
2027 FTE requests	$574,300	$205,000
2028 FTE requests	$0	$552,900
Increased cost of operating new Rockwood Terrace*	$425,200	($248,200)
Keeping old Rockwood after moving into new building*	$378,200	$126,100
Paramedic enhancement plan	$431,000	$431,000

Roads exchange	$310,000	$0
Transportation increases to align to actuals for operating costs	$269,200	$201,900
Affordable housing fund increase to get to 1% of levy	$120,600	$50,400
New Dundalk base debenture	$0	$175,400
Increases in provincial funding	($2,210,400)	($1,350,400)
Increase in rents, tickets and other user fees	($412,600)	($63,500)
Remaining costs associated with inflationary increases and smaller enhancements to service	$1,427,600	$1,178,300
Total Levy Increase	**$7,982,600**	**$11,059,400**

*The increased operating costs associated with the new and old Rockwood Terrace were calculated based on a late December 2026 construction completion date and April 2027 resident move in date. As presented to Long Term Care Committee of Management and the Redevelopment Task Force on September 17, construction completion is now expected to be March 2027 at the earliest with residents moving in summer 2027. Staff are analyzing the net operating impact of the revised schedule and will update the 2027 budget and 2028 outlook before the December budget review.

The 2026 approved budget included a forecasted budget increase before growth in 2027 of $7,323,400. Therefore, the current proposed increase is $659,200 higher than projected. The major impacts that changed from the prior year's assumptions are listed in the table below.

Item	Variance to 2027 Forecasted Budget
Increased cost for existing staffing	$935,000
Reduced spending on existing capital assets	($61,200)
Health and dental benefit increases	$147,800
New 2027 FTE requests	$221,100
Deferring 2027 FTE requests to 2028	($342,900)
Reduced cost of operating new Rockwood Terrace	($27,000)
Keeping old Rockwood after moving into new building	$378,200
Transportation increases to align to actuals for operating costs	$189,800
Deferring Dundalk base debenture to 2028	($175,400)
Increases in provincial funding	($599,100)

Increase in rents, tickets and other user fees	($240,500)
Remaining costs associated with inflationary increases and smaller enhancements to service	$237,800
Total Levy Increase	**$663,600**

Increased Cost for Existing Staffing

Increased cost for existing staff totals $3,852,600 or 4.55% of levy in 2027 and $4,128,800 or 4.49% of levy in 2028. Salaries and benefits are the largest operating expense within the County's budget, making up a total of 50.59% of gross operating expenses in the 2026 budget and 53.2% in the 2027 draft budget. These costs relate to settled and expected collective agreement increases for unionized staff as well as the cost-of-living adjustment for non-union staff. Based on ongoing negotiations and confidential nature of the numbers that influence these increases staff have prepared a closed session report to provide more details on the pressures within these budget lines.

Increased spending on existing capital assets

Increased cost for existing capital assets totals $2,199,700 or 2.60% of levy in 2027 and $2,395,800 or 2.61% of levy in 2028. This increase relates to the County's continued investment required to reduce its infrastructure deficit. The total replacement cost of the County's capital asset portfolio is approximately $2.4 billion dollars and includes roads, bridges, buildings, vehicles and equipment. To continue to maintain these assets it was estimated that an annual increase to the County's levy of 2.55% would be required to close the deficit by 2039. The increase is slightly higher due to increased pricing capital improvements and immediate needs for repairs on deteriorating assets. An updated asset management plan is being finalized and is anticipated to be brought to committee of the whole in late October.

Health and dental benefit increases

Increased cost for health and dental benefits totals $564,900 or 0.67% of levy in 2027 and $475,900 or 0.52% of levy in 2028. Benefits renew on April 1st of every year and staff utilize the current rates and apply an estimated annual increase. Based on previous years increases and estimates from the County's benefit consultants', staff are anticipating that health benefit premiums will increase by 12.4% and dental benefit premiums will increase by 5% in each of the next two years.

Conservation authority costs uploaded to the County

Increased costs for conservation authorities total $2,800,000 or 3.05% of levy in 2028. This is a new line item to the County's budget in 2028. Provincial changes to the conservation authorities' structure will result in the funding being provided by the upper tier municipalities as opposed to lower tier municipalities. Staff have prepared a best estimate based on the total costs being paid by lower tier municipalities currently. The actual cost will be based on the approved budget of the newly formed conservation authorities and the weighted assessment of properties within the new conservation authority boundaries relative to Grey County's borders.

FTE Requests

Increased cost for new FTE requests total $574,300 or 0.68% of levy in 2027 and $757,900 or 0.82% of levy in 2028. This budget includes the addition of new positions in both 2027 and 2028. Additionally, there are costs of $52,300 or 0.06% for annualizing 2026 new positions as they were budgeted to begin in April of 2026. Within the budget book there is a page dedicated to each staff request with a description and justification for why the new position is being recommended, as well as the detailed budget inclusive of non-salary related costs and any potential savings or revenues that can be used to offset the positions costs. A summary of all new positions is outlined below

Proposed Position	**2027 Impact**	**2028 Impact**
2028 Emergency Management Coordinator	$0	$100,700
Archives & Collections Assistant (PT-Contract)	$48,900	$500
Business / Data Analyst	$105,800	$37,400
Custodian - Sydenham Campus	$62,000	$17,600
Environmental Sustainability Coordinator	$60,300	$62,900
Environmental Sustainability Coordinator - Contract	$86,000	$31,700
GIS and Data Specialist - Transportation Services	$0	$95,600
Housing Case Coordinator	$73,100	$26,700
Intermediate Engineering Technologist	$0	$14,400
Manager of Facilities	$0	$125,600
Manager Performance and Culture	$0	$127,300
Mechanic	$0	$89,200
Recreation Aid (LTC)	$38,500	$1,100
Student Placement & Quality Support Coordinator	$66,900	$27,600
Summer Student - Communications	$16,400	($200)
Summer Student - Finance	$16,400	($200)
Total	**$574,300**	**$757,900**

Increased cost of operating new Rockwood Terrace

Increased cost for operating the new Rockwood Terrace total $425,200 or 0.50% of levy in 2027 and then there are savings of $248,200 or 0.27% of levy in 2028. The budget assumes that the new 128 bed Rockwood Terrace will be operational in April of 2027. This budget represents the cost of additional staff, materials and building costs for the new building, less the increase in grant and resident revenue for adding 28 new beds. A full breakdown of costs and revenues is included in the budget book. The impact is less in 2028 than 2027 as more residents will occupy and pay semi-private and private rates at the new facility. Additionally, there are some up-front costs in 2027 to outfit the new building with items like linens and dishes. Based on the updated construction and resident move in timelines these costs will be adjusted for the December budget presentation. There will be reduced grant funding and tenant revenue based on the later move-in dates, but there will also be savings in staffing and building operational costs. Staff are currently analyzing the net impact for both 2027 and 2028 budgets.

Keeping old Rockwood after moving into new building

Increased cost for keeping the old Rockwood after moving into the new building total $378,200 or 0.45% of levy in 2027 and $126,100 or 0.14% of levy in 2028. Once the new Rockwood is operational, the County will continue to incur costs to maintain the existing building until the building is sold or repurposed. These costs include insurance, utilities and security. Staff have currently built the budget assuming the County would continue to own and maintain this building throughout 2028. Based on the updated construction and resident move in timelines these costs will be adjusted for the December budget presentation. There will be savings in 2027 as the additional costs for security and insurance will not be needed until the building is vacated in the summer.

Paramedic enhancement plan

Increased cost for the paramedic services enhancement plan total $431,000 or 0.51% of levy in 2027 and $431,000 or 0.47% of levy in 2028. Paramedic services are currently in the fourth year of a 11-year plan to enhance the County’s paramedic service delivery in order to maintain current response times against projected call volume increases over the same period. Staff developed a plan to phase in the service delivery enhancements with provincial funding allocations over the 11-year period. This requires an annual increase to the tax levy of $431,000 per year over that period. The plan is currently being reviewed to ensure that underlying assumptions are still relevant, and service enhancements are being made at the right time and right location in the County. Based on the timing of the report the budget presentation in December may or may not include updated recommendations.

Roads exchange

Increased cost for the roads exchange total $310,000 or 0.37% of levy in 2027. This increase in the 2027 budget is the result of council deciding to phase in the financial impact of the roads exchange across the 2026 and 2027 budgets as there was uncertainty around when the exchanges would take place.

Transportation increases to align to actuals for operating costs

Increased cost for aligning transportation budgets to actual costs total $269,200 or 0.32% of levy in 2027 and $201,900 or 0.22% of levy in 2028. As mentioned in the assumptions section of the report, transportation has seen a drastic increase in the quantity of the supplies and materials being consumed within their operating budget. The primary drivers for this are more salt, sand, fuel and vehicle supplies. Staff have reviewed the past 5 years of actual expenditure and have based the proposed budget on what would be considered an average year. However, these actual expenditures will depend on the frequency and severity of winter weather events.

Affordable Housing fund increase to get to 1% of Levy

Increased cost for increasing the transfer to the Affordable Housing Reserve Fund total $120,600 or 0.14% of levy in 2027 and $50,400 or 0.05% of levy in 2028. Based on direction during the 2021 budget process staff were directed to allocate 1% of the County's annual levy to a separate affordable housing fund. This fund is intended to support, and has supported, the retrofitting and construction of affordable and attainable housing in Grey County. During the 2026 budget process it was identified that the annual transfer to reserve had not grown at the same rate as the overall levy. Staff proposed returning the transfer to 1% of the overall levy but doing it over two years (2026 and 2027). Subsequently there will be annual increases equal to the levy increase from the previous year's budget.

New Dundalk base debenture

Increased cost for a new debenture for a Dundalk paramedic base total $175,400 or 0.19% of levy in 2028. Grey County staff are currently in discussions with Southgate staff about the future of the rental agreement for the Dundalk paramedic station. Due to new equipment being purchased for the Southgate fire department it is expected that the two emergency services will no longer be able to occupy the space together. Staff are evaluating all options available and will report back to council, but the 2028 budget currently assumes that a new base will need to be built in Dundalk and will be 100% debt financed but this could change once options are explored further.

Increases in provincial funding

Increased revenues for provincial funding result in savings of $2,210,400 or 2.61% of levy in 2027 and $1,350,400 or 1.47% of levy in 2028. This increase in revenue is the result of staff updating funding amounts based on 2026 increases and expecting increases for 2027. For grants that are based on eligible expenditures staff have assumed that funding guidelines will remain the same and increased grant revenues based on increased expenditures. For grants that have received regular inflationary increases staff have assumed this practice will continue. For all other grants staff have assumed that funding will remain the same in 2027 and 2028 as 2026.

Increase in rents, tickets and other user fees

Increased revenues for rents, tickets and other user fees result in savings of $412,600 or 0.49% of levy in 2027 and $63,500 or 0.07% of levy in 2028. User fee revenue actuals have been reviewed and projected for the remainder of 2026. Based on this, staff expect to see increases in user fees which can be applied against rising costs. These fees include more resident revenue in long-term care based on new residents moving in and paying up to date rates. Tenant revenue in Housing is increasing based on current trends around reduced vacancy rates and changes in tenant circumstances that impact rent calculations. Additionally Provincial Offences is seeing increase ticket revenue, this is partially attributed to improving recovery rates on fines as the County is now using three separate collection agencies.

Remaining costs associated with inflationary increases and smaller enhancements to service

Increased cost for inflation and smaller enhancements total $1,427,600 or 1.68% of levy in 2027 and $1,178,300 or 1.28% of levy in 2028. This increase is the result of staff aligning hundreds of budget lines with actual spending and building in assumed increases based on current trends. Higher than CPI inflationary pressure is expected to be seen on costs for software licensing, medical supplies, insurance and building maintenance. Additionally, staff are expecting to see increased funding required for Court Security, regional transit, physician on call pay, MPAC and Grey Bruce Public Health.

Financial and Resource Implications

Staff will update the proposed budgets based on any new information received between now and fall when draft budget documents will be finalized. Meetings are scheduled for December 11 and 18. The full package will include an updated draft budget, 10-year capital plan, capital map and other supplementary information.

Relevant Consultation

☒ Internal: All County staff with budget responsibilities

☒ External: MPAC, member municipalities, consultants where applicable, funding calculators, financial institutions among other sources for estimating costs

Appendices and Attachments

Grey County budget book site