

## REPORT

2026 Budget Committee

Meeting Date: June 16, 2025

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**FROM:** Finance Department

**DATE:** June 3, 2025

**SUBJECT:** Staff Report - 2026 Budget Forecast – June 16, 2025

**LOCATION:**

**WARD:** Town-wide

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### RECOMMENDATION:

That the 2026 Budget Forecast report and accompanying staff presentation be received.

### KEY FACTS:

The following are key points for consideration with respect to this report:

- The updated 2026 forecasted overall tax bill increase is 3.97% which includes resources to support the strategic priorities and objectives outlined in the Council Strategic Plan.
- Over the next several months, staff will be working on budget submissions with the focus on refining their operating and capital budgets and consideration of priorities from the Council Strategic Plan.
- Economic growth has slowed and inflation is on the rise in 2025 due to ongoing uncertainty and impacts from the trade war. Although April inflation came in at 1.7%, inflation measures that control for the removal of the carbon tax surprised on the upside at just above 3%, the fastest pace in a year. There is an upside risk to inflation as the impact of tariffs are felt throughout the economy.
- The 2025 budget process will be in accordance with Bill 3, *Strong Mayors, Building Homes Act, 2022*.

### BACKGROUND:

The 2026 budget process is now underway. This report provides an update on the economic outlook, the overall forecasted 2026 tax bill increase, outlines the budget process, and provides budget input received from the public to date.

## COMMENT/OPTIONS:

### 2026 Budget Forecast

The 2025 operating and capital budget was adopted on December 19, 2024. In the 2025 budget documents, staff prepared a 2026 budget forecast, projecting an overall tax bill increase of 3.92%, which assumed a 4.30% increase forecasted by the Region and no increase for Education. This 2026 forecasted budget included inflationary impacts and revenue adjustments known at the time, capital and growth impacts, deferred assessment growth from prior years to offset growth-related operating costs such as the Sixteen Mile community centre and library, and resources to support the strategic priorities and objectives outlined in the Council Strategic Plan and 2023-2026 Action Plan.

The forecasted budget also includes the 1% increase for the capital levy. The annual capital levy is the largest source of financing for the capital program, along with tax-supported debt charges. There are a number of pressures on the capital program, including higher than usual increases in construction costs over recent years, asset management infrastructure needs, and the higher cost of climate related infrastructure. As a result, the capital levy and capital reserves were not sufficient to fund the 2025-2034 capital program, and financing strategies will need to be considered. While the annual increase to the capital levy by 1% of the prior year tax levy has not kept pace with the capital program in recent years, it is a strategy that has helped to mitigate the impact of these pressures. It is imperative that the annual increase continues so that the capital levy remains a reliable funding source for the capital program.

Since that time, staff completed a preliminary update of the 2026 forecast including personnel cost increases for negotiated and expected labour contracts and increases to benefits. Assessment growth, previously budgeted at 1.00%, has been increased to 1.50% given the growth the town has experienced. Assessment growth results from new properties being added to the tax roll and expansions/additions to existing properties which offset costs to provide Town programs and services to the expanded community.

The combination of the previously forecasted increase and the additional budget pressures identified as part of this preliminary review results in a forecasted overall increase of 3.97%, as shown in the chart below.

Budget Drivers	Overall Share of Tax Bill	2026 Increase on Tax Levy (million)	2026 Increase on Tax Levy	2026 Impact on Total Tax Bill
Inflationary Impacts & Cost/Revenue Adjustments		\$ 9.45	3.36%	1.46%
Capital and Growth		\$ 8.18	2.90%	1.26%
Council Strategic Priorities		\$ 1.40	0.50%	0.22%
Annualization of Items Approved in Prior Years		\$ 0.86	0.30%	0.13%
Oakville Public Library		\$ 1.18	0.42%	0.18%
Prior Years' Assessment Growth		\$ (4.57)	-1.62%	-0.71%
Capital Levy		\$ 2.82	1.00%	0.43%
<b>Total Base Operating Budget</b>		<b>\$ 19.30</b>	<b>6.86%</b>	<b>2.98%</b>
Assessment Growth		\$ (4.22)	-1.50%	-0.65%
<b>Total Town of Oakville*</b>	<b>43.5%</b>	<b>\$ 15.08</b>	<b>5.36%</b>	<b>2.33%</b>
<b>Region of Halton**</b>	<b>38.2%</b>		4.30%	1.64%
<b>Education</b>	<b>18.3%</b>		0.00%	0.00%
<b>Total*</b>				<b>3.97%</b>

\*Exclusive of reassessment impacts

\*\*Region of Halton 2025 Budget report

Over the coming months, staff will be working on their budget submissions. The focus will be on refining their operating and capital budgets and forecasts using the latest information available and aiming to present a budget in the fall based on the direction from Council. Rates and fees will be adjusted in accordance with the User Fees Policy and consideration will be given to current and anticipated economic conditions, the implementation of a Stormwater fee, as well as the inclusion of key priorities from Council's Strategic Plan.

### 2026 Council Strategic Plan and Key Initiatives

The [Town of Oakville Council Strategic Plan and 2023-2026 Action Plan](#) ("Council's Strategic Plan") helps guide Council's decision making and is an important driver in building the annual budget. As in prior years, the budget documents will be structured based on Council's Strategic Plan and key action items will be considered for inclusion into the budget.

Council's Strategic Plan is organized under 4 priorities: Growth Management, Community Belonging, Environmental Sustainability, and Accountable Government. Each priority has objectives, community indicators, and action items. Staff consider each of these in the annual budget process. Commissioner presentations in October will provide more explanations on these; however, some examples of business cases currently being worked on for the 2026 budget include:

- Growth Management:
  - Housing Action Plan implementation
  - Midtown implementation
  - E-Scooter readiness plan
- Community Belonging:
  - Sports Tourism Strategy
  - Events grant funding
  - Parks improvements
- Environmental Sustainability:
  - Development of a Climate Action Roadmap
  - Midtown District Energy feasibility study
  - Stormwater management fee implementation
- Accountable Government:
  - IT security enhancements
  - Continuous improvement initiatives

In addition to these important initiatives, the budget will also consider the impacts of providing quality service levels to residents, undertaking important infrastructure renewal projects in conjunction with our Asset Management program, and supporting key growth projects to support our increasing population.

### Budget Principles

Financial management is one of Council's strategic objectives to ensure the long-term fiscal sustainability of the town. A sustainable long-term financial plan ensures that the following objectives are met.

- Flexibility within the long-term horizon
- Financial risk is limited
- Long-term cost of financing is minimized
- Statutory requirements are met
- Credit agency criteria are considered

The following financing policies and assumptions represent the sustainability framework outlined in the asset management plan which will continue to guide the affordability of the ten-year capital forecast.

- Debt re-payment levels remain within the Council approved policy limits;
- Outstanding debt-to-reserve levels do not exceed the 1:1 ratio required to maintain AAA credit rating;
- The 1% capital levy increase is maintained;
- Timing of growth projects aligns with anticipated residential and non-residential development;
- Capital reserves are maintained at sufficient levels to minimize risk, support future initiatives and provide for unknown contingencies;
- Equipment reserves are maintained at sufficient levels to support on-going life cycle replacements;
- Building replacement reserve contributions are maintained and, as new facilities are built, contributions are increased and phased in over five years.

### Economic Outlook

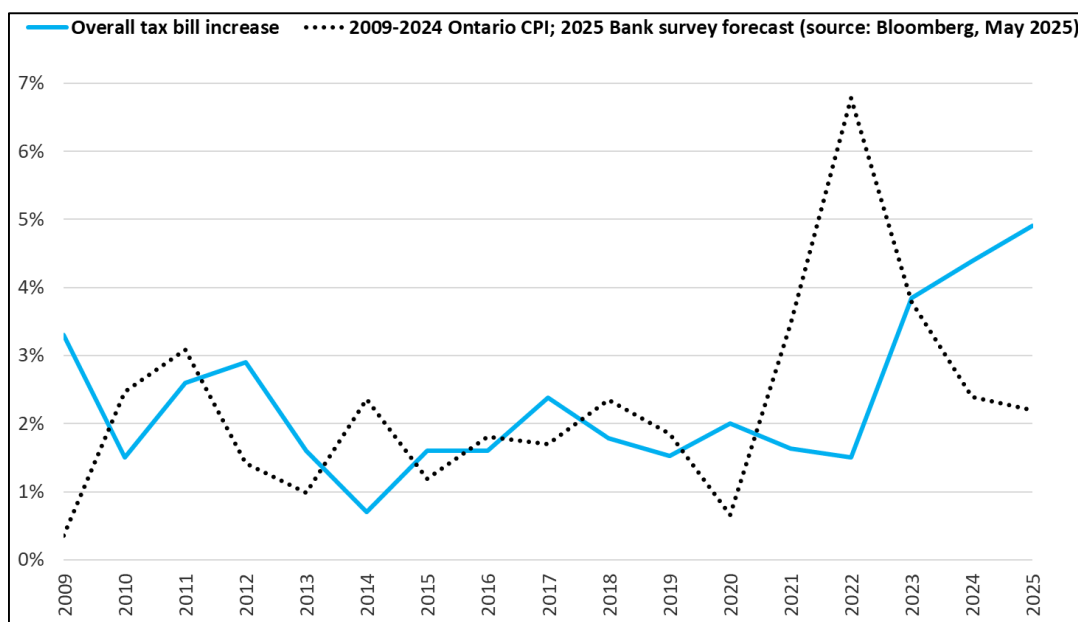
The economy ended 2024 in a solid position, with inflation just below the 2% mid-point of the Bank of Canada's (BOC) 1%-3% target range, healthy GDP growth of 2.6% in Q4 2024, and steady interest rate cuts from the Bank of Canada (BOC). In 2025, there has been, and continues to be, significant uncertainty in the economy for households, businesses, and governments. The magnitude and length of a trade war with the United States is unknown and is expected to stall the economy and increase inflation in the coming months.

Early signs of the trade war are beginning to show. While Q1 GDP was stronger than expected at a 2.2% annual rate, this was largely driven by a pre-tariff inventory build up. It is expected that growth will slow throughout Q2 as the impact of tariffs takes effect. Canada's unemployment rate increased to 6.9% in April (from 6.7% in March), due to slower hiring demand and losses in the manufacturing sector which were largely Ontario based.

Although headline inflation has averaged 2% over the past two quarters, one-off factors in the temporary GST tax holiday and the removal of the consumer carbon tax had a significant downward impact on inflation data. In April, inflation came in at 1.7%; however, inflation measures that control for the removal of the carbon tax (CPI trim and CPI median), surprised on the upside at just above 3%, the fastest pace in a year. Data showed higher prices for motor vehicles and groceries that could reflect the early impact of tariffs, but also included higher than expected numbers for domestically produced services.

Despite the uncertainty that the Canadian economy faces and the prospects of slowing growth and rising unemployment, the higher than expected inflation data in April and longer term upside inflation risk from tariff impacts led the BOC to hold the overnight interest rate at 2.75% in April and June. The Governor of the BOC noted in early June that the higher core inflation experienced can be partly attributed to higher goods prices, that the data may reflect the effects of trade disruption, and that many businesses report that they are already facing higher costs related to finding alternative suppliers and developing new markets. The Town's operating and capital budgets may experience some of these pressures, the extent of which is unknown given the uncertainty and volatility of the ongoing trade war.

The following chart shows historical overall tax bill increases for the town and CPI along with the forecasted figures.



## 2026 Budget Process

The 2026 budget process will be in accordance with Ontario Regulation 530/22 as a result of Bill 3, *Strong Mayors, Building Homes Act, 2022*. The Act assigned to the Head of Council the powers and duties of the municipality with respect to proposing and adopting a budget.

Staff have prepared two appendices to assist Council and the public as it pertains to Bill 3 and the Town's 2026 budget process.

- Appendix A outlines the draft schedule the town plans to follow in considering the 2026 budget which will allow the town to:
  - adopt a budget before the start of the 2026 fiscal year, as has been our practice in non-election years,

- conduct a robust public engagement and consultation opportunities, and
  - ensure a process that complies with the legislative changes.
- Appendix B represents the decision matrix as outlined in Bill 3 and the regulations.

The draft schedule in Appendix A also provides for the mayor to give direction to staff, based on feedback from the budget committee, to prepare a budget based on a target and one that incorporates the principles outlined in this report and the priorities of the Council Strategic Plan. As well, Appendix C provides budget input received from the public to date.

### **CONSIDERATIONS:**

#### **(A) PUBLIC**

All budget meetings are open to the public and will be streamed online.

#### **(B) FINANCIAL**

The approved budget will result in a tax levy increase for 2026.

#### **(C) IMPACT ON OTHER DEPARTMENTS & USERS**

All departments participate in the budget process.

#### **(D) CORPORATE STRATEGIC GOALS**

This report addresses the corporate strategic goal(s) to:

- Be an accountable government.
- Be fiscally sustainable

#### **(E) CLIMATE CHANGE/ACTION**

Climate change/action is a key priority of Council. The proposed budget will incorporate climate change initiatives in alignment with this strategic priority.

### **APPENDICES:**

Appendix A – 2026 Budget Approval Process

Appendix B – Budget Decision Flowchart

Appendix C – Budget Input from the Public

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