



Staff Report

Corporate & Financial Services

Report To: Special Committee of the Whole
Meeting Date: October 14, 2025
Report Number: CFS.25.052
Title: 2026 Staff Proposed Draft Budget
Prepared by: Monica Quinlan, Director of Corporate & Financial Services

A. Recommendations

THAT Council receive Staff Report CFS.25.052, entitled “2026 Staff Proposed Draft Budget”;

AND THAT Council acknowledge that the Staff Proposed Base Budget reflects a 2.25% municipal levy increase, meeting Council’s guideline of 2.50%, achieved through operational efficiencies, vacancy savings, and new revenue sources;

AND THAT Council consider the Staff Recommended Budget, representing a 3.72% municipal levy increase, which includes an additional \$345,000 allocation to Asset Management to support legislative compliance, infrastructure sustainability, and long-term financial planning.

B. Overview

The 2026 Staff Proposed Base Budget is presented with a 2.25% municipal levy increase, slightly below Council’s guideline of 2.50%. This position was achieved through a combination of revenue enhancements and operational efficiencies, while maintaining core service levels and advancing the Town’s long-term financial sustainability.

Key drivers of this budget include:

- A \$4 per bag fee for all curbside garbage bags, projected to generate approximately \$750,000 in new annual revenue;
- Staff vacancy provision of \$380,000, representing anticipated recruitment timing and realignment of positions. In total, the Town currently has approximately \$800,000 in unfilled positions, and Council could choose to consider a temporary deferral of non-critical or non-core roles to further contain costs if required;
- Implementation of a new banking services agreement, generating approximately \$88,000 in annual savings and investment gains; and
- Introduction of a corporate purchasing card (P-Card) program, providing rebate incentives and reducing administrative costs.

Staff have also identified additional efficiency options—including the elimination of the municipally funded commercial Blue Box program and reduction of seasonal yard waste collection—that, if approved by Council, could provide a further \$255,000 in annual savings.

The base position demonstrates that Council’s guideline can be met through prudent financial management and operational efficiencies. However, **staff are also recommending an additional \$345,000 allocation toward Asset Management** to ensure compliance with Ontario Regulation 588/17 and to support the Town’s long-term infrastructure planning. When incorporated, this Asset Management transfer results in a **Staff Recommended Budget of 3.72%** and reflects the Town’s proactive commitment to sustainable infrastructure investment.

The 2026 Budget also introduces a comprehensive **Operational Work Plan** linking financial resources to departmental deliverables. The approach to work planning at the Town will be refined further in 2026 with the completion of the Corporate Strategic Plan and the linking of departmental activities not only to budget but to corporate priorities.

C. Background

The 2026 Budget continues the Town’s transition toward a **strategic, service-based budgeting framework**, consistent with the recommendations from the **KPMG Corporate Services Delivery Review (2024)**. This framework classifies services as **Mandatory, Essential, Traditional, or Discretionary**, allowing Council to assess priorities and resource allocation in a structured and transparent way.

The **Staff Proposed Base Budget** achieves a **2.25% levy increase**, below Council’s 2.5% guideline, by incorporating new revenue sources, efficiency gains, and continuing with a vacancy provision. This demonstrates that the Town can maintain existing service levels while respecting affordability targets.

However, to ensure the Town’s **Asset Management obligations** are adequately resourced, staff are recommending an additional **\$345,000 transfer** to advance the Asset Management Plan and continue to reach compliance of full financial sustainability. Incorporating this funding brings the total **Staff Recommended Budget** to a **3.72% levy increase**, representing a balanced approach between short-term affordability and long-term financial sustainability.

D. Analysis

1. Budget Overview and Pressures

The 2026 Proposed Budget was developed in a challenging fiscal environment marked by persistent cost pressures across key service areas. Inflationary increases in construction and contracted services, a projected \$360,000 increase in the OPP contract, and a \$100,000 increase in waste management fees (in addition to the 150% increase from 2023) continue to drive expenditure growth. Labour-related adjustments, including cost-of-living and benefits changes, are estimated at \$380,000, while assessment growth of approximately 2.17% remains below previous levels.

Despite these factors, the **Staff Proposed Base Budget** holds the **municipal levy increase at 2.25%**, achieved through efficiency measures, vacancy management, and new user-fee revenue. The **Staff Recommended Budget**, which includes the additional **\$345,000 transfer to Asset Management**, results in a **3.72% levy increase**, reflecting a proactive investment in the Town’s infrastructure sustainability and long-term fiscal health.

2. Integration of KPMG Service Review

The **KPMG Corporate Services Delivery Review** identified **28 opportunities** for improving efficiency, governance, and resource alignment. A key outcome of that review was the introduction of a four-tier service classification framework to guide future budget prioritization and resource allocation:

Category	Description	Equivalent	Examples
Mandatory	Required by legislation or regulation	Must Do	Council, Clerk’s Office, Human Resources (Payroll, H&S, Performance Evaluation), Finance, Procurement, Legal Services (Development Agreements, FOIs), Bylaw Enforcement, Animal Control, Planning Services, Development Engineering (Development Review, Approval and inspections), Building Services, Cemetery, Roads & Drainage, Garbage Collection, Waste Diversion, Waste Facility Management, Water & Wastewater Services, Fire Prevention & Suppression, Policing
Essential	Necessary to operate effectively	Should Do	CAO’s Office, Communications, Human Resources (Workforce Planning & Recruitment, Talent Management), P-Card Program, Information Technology, Fleet & Facilities, Administrative Monetary Penalty System (AMPs), Executive Leadership –

Category	Description	Equivalent	Examples
			Community Services, Development Support from Parks & Trails, Executive Leadership -Operations, Operations Strategic Planning, Capital Project Management, Infrastructure Studies
Traditional	Historically delivered, (may be reconsidered)	Can Do	Economic Development, Energy Mgmt, Legal Counsel, Realty Services, Business Licensing (i.e. STAs), Facility Booking and Rentals, Special Events, Community Support, Park and Trails Operations and Maintenance, Sports Fields and Recreation Surfaces, Recreation Facilities Operations and Maintenance, Sustainability
Discretionary	Value-added or optional	Nice to Do	Graphic Design, Paid Parking Program, Transit Services, Municipal Golf Course, Harbour

While this framework provides an important foundation for prioritizing municipal services, **it also emphasizes that the method of service delivery can and should be reviewed** on an ongoing basis. Even for Mandatory and Essential services, there may be opportunities to deliver outcomes differently — through modernization, shared service arrangements, automation, or revised workflows — while still meeting all regulatory obligations and maintaining quality standards.

This perspective encourages continuous improvement and recognizes **that “what” we do may be required by legislation, but “how” we do it can evolve**. Through respectful evaluation of delivery models, staff will continue to explore efficiencies and innovations across all service areas to ensure that every program remains effective, sustainable, and responsive to community needs.

It is also important to recognize that **some Discretionary programs directly contribute to the financial sustainability of core services**. For example, paid parking revenues help offset the enforcement and operational costs of the By-law Division, reducing the tax burden (by just over \$200,000) on residents while supporting compliance with provincial and local

regulations. Accordingly, while Discretionary programs are not legislatively required, their **value to the overall financial framework** must be considered when evaluating service level adjustments.

2a. Allocation of Costs Across Service Categories

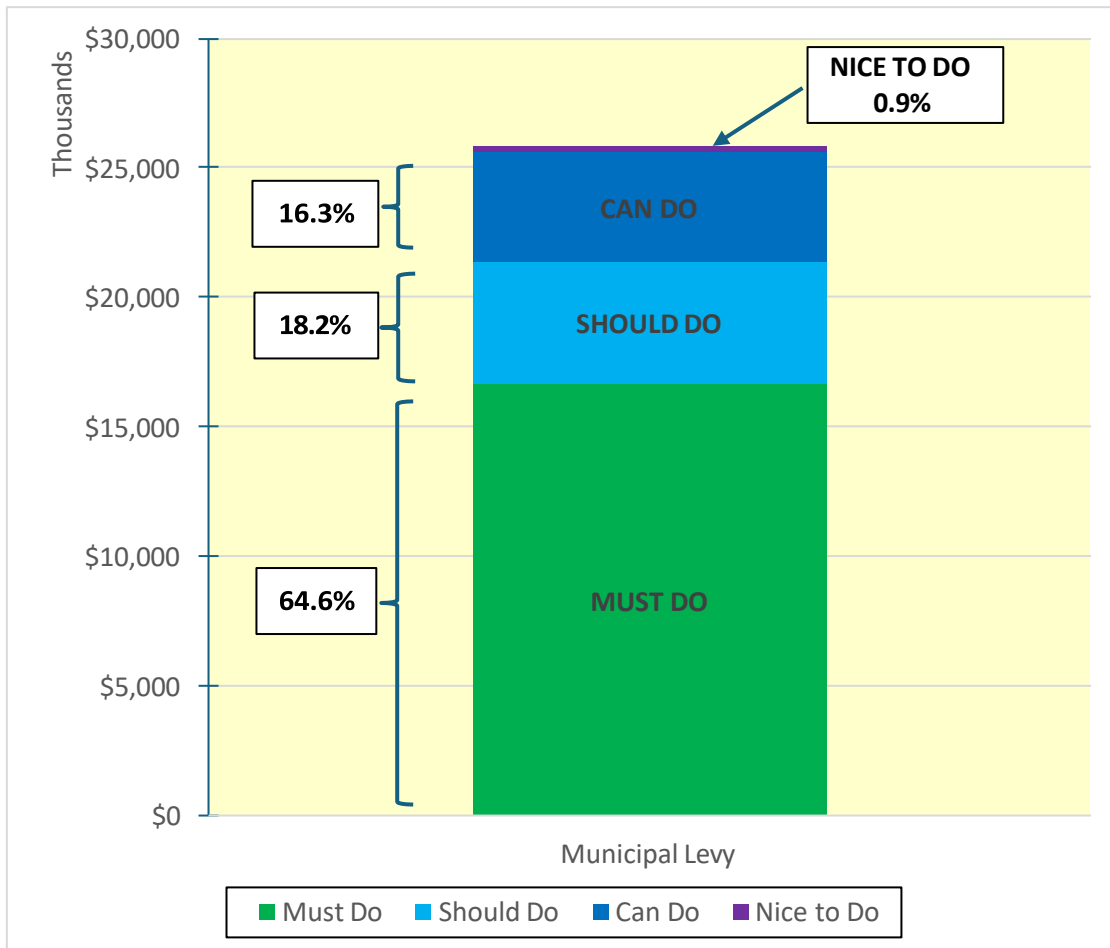
As part of the integration of the KPMG Service Review, staff have completed a preliminary assignment of corporate costs to the four service categories — Mandatory (Must Do), Essential (Should Do), Traditional (Can Do), and Discretionary (Nice to Do).

This work provides a first look at how the Town's total operating expenditures are distributed across service types and is presented graphically in Figure 1. Staff note that while every effort was made to assign costs accurately, there is an inherent degree of subjectivity in allocating shared corporate costs across multiple functions. For example, certain divisions — such as Human Resources, Legal Services and Communications — support all areas of the organization and in some cases within fall across multiple categories. In these cases, costs were proportionally distributed based on service connections or departmental workload estimates.

Accordingly, this analysis should be viewed as an initial benchmark rather than a final allocation. Further refinement will occur as the Town continues to advance service-based budgeting and strengthens its cost tracking and performance reporting frameworks. Nonetheless, this first step provides valuable insight into how resources are directed across the organization and helps inform future conversations on service levels, efficiencies, and priorities.

Figure 1 below illustrates the percentage of total expenditures attributed to each service type (Must Do, Should Do, Can Do, Nice to Do).

Figure 1 – Cost per Service Type



The preliminary cost allocation shows that the **majority of the Town’s municipal levy—approximately 65% (\$16.7 million)**—supports **Mandatory (Must Do)** services, reflecting the legislated nature of much of the Town’s work. **Essential (Should Do)** services account for about **18% (\$4.7 million)**, **Traditional (Can Do)** services for **16% (\$4.2 million)**, and only **1% (\$240,000)** supports **Discretionary (Nice to Do)** activities. This distribution highlights that the Town’s resources are already concentrated on core, legislated operations, leaving limited flexibility without affecting service levels or compliance. Staff note that some **subjectivity** was required when allocating shared costs (e.g., HR, IT, Legal), and further refinement will occur as the Town continues to advance service-based budgeting and cost tracking.

3. Cost Containment and Efficiency Measures

To maintain affordability and offset rising operating costs, staff have implemented and identified a series of efficiency initiatives aligned with KPMG’s modernization and performance improvement recommendations.

Initiative	Description	Annual Financial Impact (estimated)
Bag – Tag Program	\$4 per bag fee on all curbside garbage bags.	+\$750,000 (new revenue)
Banking RFQ	Reduced banking fees and higher deposit interest returns.	+\$88,000
Corporate P-Card Program	No annual fees and rebate incentives to streamline payments.	+\$10,000
Staff Vacancy Provision	Originally included in the 2025 budget – this ongoing provision reflects the timing of recruitment and position realignments.	+\$380,000
Eliminate Commercial Blue Box Collection (under review)	Aligns with provincial producer-responsibility model.	+\$180,000
Reduce Seasonal Yard Waste Collection (under review)	Reduce pickup weeks from 8 to 4.	+\$75,000
POS Terminal Modernization (under review)	Lower transaction fees and improved efficiency.	+\$5,000

Total estimated efficiencies/cost containments amount to approximately **\$1.1 million**, with an additional **\$260,000** in potential savings pending Council’s direction on service level adjustments.

As noted above, the 2026 Budget includes a **staff vacancy provision of \$380,000**, reflecting recruitment timing and realignment across departments. The total value of current vacancies of Tax Supported positions is estimated at **\$800,000**. Should Council wish to pursue a **targeted deferral of non-critical positions**, this could provide further short-term budget relief while maintaining operational flexibility. This same methodology could also be applied to requested positions not included in the Base Budget.

4. 2026 Operating Work Plan and Quarterly Performance Measurement

The 2026 Operating Budget includes a comprehensive **Operational Work Plan**, linking divisional budgets to departmental objectives and measurable deliverables. This work plan enhances transparency and accountability by connecting financial performance to operational outcomes and will serve as a key tool for **Quarterly Financial Analysis Reports**.

Each quarter, staff will report on financial variances and each Department will comment on progress towards work plan deliverables, ensuring that Council and the community receive evidence-based updates on service performance. This structure reflects KPMG's recommendation to strengthen **corporate performance measurement** and **organizational alignment** and represents a significant step forward in the Town's commitment to continuous improvement and results-based budgeting.

5. Asset Management and Long-Term Financial Sustainability

The **2026 Staff Recommended Budget** includes a **\$345,000 allocation toward Asset Management** to support the Town's continued implementation of Ontario Regulation 588/17 (*Asset Management Planning for Municipal Infrastructure*).

This investment is essential to ensuring the Town remains compliant with the next legislative milestone, which requires an updated and fully integrated **Asset Management Plan** by the end of **2025**. While this amount represents an increase from prior years, it reflects the Town's commitment to addressing infrastructure sustainability in a structured, evidence-based manner.

It also responds directly to the challenges identified in prior asset management discussions — namely:

- **Deferred investment** in core infrastructure leading to higher long-term costs;
- The need to align **capital planning, reserves, and debt capacity** to support full lifecycle replacement; and
- The integration of **climate resiliency and energy efficiency** into infrastructure planning.

This allocation is a proactive measure — a “pay-now to save-later” approach — ensuring that the Town's infrastructure program remains financially sustainable and that future Councils are equipped with accurate data and risk assessments when making capital decisions. Staff note that many municipalities across Ontario are facing similar pressures, and the Province's requirement for updated Asset Management Plans underscores the importance of investing in this foundational work now, rather than deferring it to later years when costs will inevitably increase.

Overall, the 2026 Staff Proposed Draft Budget reflects a disciplined, forward-looking approach to municipal finance. It demonstrates the Town's ability to meet Council's target, maintain core services, and align with the principles of transparency, sustainability, and continuous improvement established through the KPMG Review. As the budget process advances, staff will

continue refining projections, reviewing additional efficiency options, and preparing the final budget for public release and Council adoption.

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

N/A

G. Financial Impacts

The **Staff Proposed Base Budget** results in a **2.25% municipal levy increase**, which meets Council's guideline of 2.50%. This position was achieved through the implementation of operational efficiencies, including the **bag-tag program (\$750,000)**, **banking RFQ savings (\$88,000)**, **corporate P-Card rebates (\$10,000)**, **POS modernization (\$5,000)**, and a **staff vacancy provision (\$380,000)**.

In addition, the **Staff Recommended Budget** incorporates a **\$345,000 allocation for Asset Management**, representing a **3.72% total municipal levy increase**. This funding supports compliance with **Ontario Regulation 588/17** and assists in the Town's quest to moved towards full financial sustainability within asset management. If Council adopts the **Staff Recommended Budget**, the additional levy requirement will provide critical long-term benefits, including improved infrastructure condition data, lifecycle cost analysis, and the ability to make informed, sustainable investment decisions.

Should Council wish to explore further cost containment options, additional savings could be achieved through:

- **Deferral of non-critical vacancies** (up to \$800,000 in potential gross value);
- **Elimination of municipally funded commercial Blue Box collection** (\$180,000); and
- **Reduction of seasonal yard waste collection schedule** (\$75,000).

H. In Consultation With

Adam Smith, Chief Administrative Officer
Mike Switzer, Deputy Treasurer / Manager of Budgets and Accounting
Heather McFarlane, Budget Analyst
Vicky Bouwman, Asset Management Specialist

I. Public Engagement

The topic of this Staff Report will be the subject of a Public Meeting in accordance with the following schedule:

- (October 14, 2025) Special Committee of the Whole – Initial staff report (CFS.25.052) for Council to consider the staff proposed draft budget;
- (October 20, 2025) Council – recommendations from Special Committee of the Whole Meetings considered by Council and direction received to proceed to Public Meeting
- (October 21, 2025) Public Meeting Notice posted [usually the day after Council confirms direction];
- (November 10, 2025) Public Meeting
- (November 17, 2025) Committee of the Whole – Follow-up report to the Public Meeting, attaching comments received in response to the Public Meeting;
- (December 1, 2025) Council – recommendation from Committee of the Whole considered by Council, and related By-law, if any.

Any comments regarding this report should be submitted to Monica Quinlan, Director of Corporate & Financial Services directorcfs@thebluemountains.ca.

J. Attached

1. 2026 Staff Proposed Draft Budget Book

Respectfully submitted,

Monica Quinlan,
Director of Corporate & Financial Services

For more information, please contact:
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Report Approval Details

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This report and all of its attachments were approved and signed as outlined below:

Monica Quinlan - Oct 7, 2025 - 12:55 PM

No Signature found

Michael Switzer - Oct 7, 2025 - 1:37 PM

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Adam Smith - Oct 7, 2025 - 1:58 PM