

MANAGEMENT REPORT

Date: August 13, 2025
To: Stratford City Council
From: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Report Number: COU25-104
Attachments: 2026 Budget Mayoral Direction

Title: Proposed 2026 Multi-Year Budget Process and Tentative Schedule

Objective: To provide updates to Council regarding the proposed process and tentative timelines for approval of the 2026 budget, to outline preliminary assumptions being used for the 2026 budget and to maintain the multi-year operating budget framework/policy.

Background: In 2024, Council adopted a Multi-Year Budget Process and Policy.

On May 1, 2025, the City of Stratford became a Strong Mayor city.

This legislation provides that the head of council, in the City's case the Mayor, is required to propose the budget for the municipality each year by February 1. The Mayor must share the proposed budget with each member of council and the City Clerk, and make it available to the public. If the Mayor does not propose the budget by February 1, council must prepare and adopt the budget.

After receiving the proposed budget from the Mayor, council can amend the proposed budget by passing a resolution within a 30-day review period. The Mayor then has 10 days from the end of the council review period to veto any council amendment. To veto a council amendment, the Mayor must provide written documentation of the veto and rationale to each member of council and the City Clerk on the day of the veto. Within a 15-day period after the Mayor's veto period, council may override the Mayor's veto of a council amendment if two-thirds of all council members vote to override the veto.

There are mechanisms in place to enable council and the head of council to shorten their respective review, veto and override periods. For example, council could pass a resolution to shorten their review and override period, and the head of council could provide written documentation to members of council and the municipal clerk to shorten the veto period.

At the end of this process, the resulting budget is adopted by the municipality.

This report includes the proposed shortened timelines for the 2026 budget adoption process to comply with the Act.

Staff have begun to meet internal timelines and will work with the Mayor's direction document to strive for this outcome.

Council will have the opportunity to present ideas or suggestions through the budget process; however, it is understood that the draft budget as presented represents the direction provided by the Mayor.

Timely budget approval remains critical to ensure that planning and procurement for operating activities and capital works occurs early on to ensure competitive pricing and timing can occur within the year where possible.

Therefore, a slightly different process and timeline for 2026 is outlined below.

Analysis:

1) Analysis: Multi-Year Budgeting

The use of multi-year operating budgets is common practice in many municipalities and Stratford has been moving towards this. For 2026, the intent is to present a multi-year operating budget covering 2026, plus three additional years, 2027-2029.

There is no expectation that approving the 2026 budget is an approval of the subsequent years. Instead, as outlined in the Municipal Act, in-year budgets must be approved annually.

The purpose of including the additional years is intended to illustrate inflationary impacts and known cost pressures that are likely to affect those subsequent years. It also is intended to reflect changes in debt levels and increases to reserve fund transfers to fund the 10-year capital program. If legislative changes are known or anticipated in those subsequent years, or new funding strategies are approved, this also gives a format to show what those effects might look like.

The multi-year budget policy will require some revisions to ensure consistency with the provincial legislation around strong mayors, but in principle it is expected to continue with the intent outlined above.

2) Process and Assumptions for 2026

Department staff consider whether efficiencies can be found without impacting services and present a budget that is 'zero-based' – that is, includes only the costs and revenue assumptions to maintain the status quo level of service that has been established and approved by Council. Considerations are also given to potential efficiencies that can be

recognized due to reduced fuel consumption, the switch to more efficient equipment and so on.

Should Council at any time request a review of the established service level that could impact the current or future year budgets, this may also be incorporated into the process.

Inflation is considered, but not blanketly assumed for the year being reviewed. Staff use known market information for inflation and consumption levels are built into things like fuel, hydro, heat, materials, and supplies. For 2026, there seems to be some relief compared to previous years, when assessing national pricing indices for both consumer goods and commercial building costs. For the purposes of preparing the 2026 budget, general inflation is assumed to be **2.5%**.

In cases where material costs more accurately mirror non-residential building indices (including capital projects), higher assumptions may be used, but on a case-by-case basis.

Other factors and effects that departments will provide additional detail on and that may not be included in the Mayor's 2026 draft budget will be identified during the budget presentations. This could include items like:

- Ongoing impacts of Bill 23 phasing in/waiving of Development Charges.
- Ongoing Community Improvement Plan incentive funding beyond what was included in the 2025 budget process.
- The Community Grants and other Community Supports programs.
- Capital /Infrastructure/Asset Management pressures to replace existing assets that have reached their end of useful life, including those within the 10-year capital program period.
- Staff-recommended reserve planning for operational items like insurance, the City's self-funded short-term disability program, legal costs and other.
- Labour markets/recruiting and retaining and the financial impact of wage reviews or collective agreement impacts beyond initial estimates (2%).
- Implementation/continuation costs of initiatives that have been approved/are in progress:
 - Cultural Plan
 - Sport Tourism Plan
 - Cooper Site development
 - Other Industrial Land servicing requirements
 - Accessibility (included in the 10-year capital program)

- Climate change initiatives (included in the 10-year capital program)
- Climate change effects (included in the 10-year capital program) to meet 2030 and 2050 milestones (many of these initiatives are capital intensive in the initial stages and will result in some operational savings through the life of the investment).
- Increasing investment in affordable housing (deferred 398 Erie impacts, and any others).
- Any Council or other initiatives not yet identified.

Estimates from any of these considerations will inform the 'base budget' and anything that cannot be accommodated within the Mayor's directive will be identified as having been removed, or as an expansion initiative.

No staffing expansion initiatives are being proposed.

The required investment in our assets still far exceeds our current contributions. Using a combination of reserve funds, long-term debt, and sourcing grant funding continue to be funding sources outside of the tax levy.

For the 2026 budget, staff will be advising whether transfers to reserves to fund the capital program are sufficient to complete the capital expenditure requirements as well as any projects that have been removed but may otherwise be recommended by staff.

In 2026, the approach taken for expansions will be limited by staff to those initiatives that are considered as such by the Mayor.

Council should consider that legislated services and impacts are not discretionary and consider strategic priorities in that context. These are the difficult concepts that will continue to be part of the budget processes for 2026 and beyond.

3) Overview of Timeline and Internal Process Controls

The 2026 budget process has already begun. Departments have reviewed the Fees and Charges By-law, which will inform many of the fee revenue lines in the 2026 budget.

Departments will use guidelines and budget assumptions for:

- Wages: assumption 2%
- Employer costs for statutory payroll remittances: assumption no change
- Employee benefit rates: assumption 3%
- Inflation: assumption 2.5%

Finance staff will provide relevant information to departments so that budgets are developed with consistent assumptions for items that affect all departments.

The Treasurer and Chief Administrative Officer will continue to meet with the Mayor as the process evolves to ensure that the draft budget can reflect the Mayor's priorities.

After preparing their departmental draft budgets meeting the deadlines established, each Director will meet with the Treasurer and Chief Administrative Officer (CAO) in early September to discuss, review and assess individual budget proposals. This is to ensure accuracy, completeness, and consistency corporate-wide.

Once these budget component reviews are completed and compiled, the draft budget will be discussed in its entirety by Corporate Leadership Team led by the Treasurer and Chief Administrative Officer and then compiled into a comprehensive draft budget package that is expected to be released to Council and the public mid-October for comment.

It is at this stage that the budget survey will be released with commenting open for 3 weeks and when other forms of public engagement, such as the pop-ups that were popular in 2025 will occur.

This timeframe will allow sufficient time to summarize and compile comments for the Mayor's consideration before releasing the Mayor's Draft Budget document.

The 2025 budget meetings consisted of two full-day meetings, plus two subsequent evening sessions.

The following is a summary of the proposed 2026 budget timeline as noted above:

Timelines	Proposed Date(s)
Proposed 2026 budget process, multi-year budgeting policy, and Council amendment and veto periods approved by Council	August 11 - Finance and Labour Relations Committee and Reconvene Council
Fees and Charges By-law update for 2026 rates	August 11, 2025, Council
Tentative release of Draft 2026 budget to Council and the public for comment	Week of October 13, 2025
Public Engagement - release of 2026 budget survey to the public <ul style="list-style-type: none">Closing date for 2026 budget survey	Survey Opens October 15, 2025 Survey Closes November 15, 2025

Timelines	Proposed Date(s)
Public Engagement – if directed <ul style="list-style-type: none"> • Pop-up locations to be determined 	Dates to be determined by staff if approved by Council
Mayor's 2026 Budget to be presented to Council and the public	November 17, 2025
1 st Finance and Labour Relations Committee budget meeting <ul style="list-style-type: none"> • Mayor to present an overview of the budget 	November 27, 2025
2 nd Finance and Labour Relations Committee budget meeting <ul style="list-style-type: none"> • Council to propose amendments to the Mayor's budget 	December 1, 2025
Mayoral Veto Period (1 day)	December 2, 2025
Council override period (7 days)	December 9, 2025
Budget deemed adopted	Following completion of amendment/veto/override process

For staff to achieve the milestones established in the budget timetable, it is recommended that Council shorten the legislative amendment and veto timelines established by the Municipal Act as outlined in the table below:

Proposed Mayor and Council 2026 Budget Amendment Timelines:

Period	Legislated Timeline	Shortened Timeline
Council Amendment Period	30 days	15 days
Mayoral Veto Period	10 days	1 day
Council Veto Override Period	15 days	7 days

As permissible under subsection 7(10) of O. Reg. 530/22, the Mayor has indicated their intent to shorten their veto period by way of notice to Council and the Clerk following approval of this report.

Financial Implications:

Financial impact to current year operating budget:

None - this report is for information only.

Financial impact on future year operating budget:

None - this report is for information only.

Link to asset management plan and strategy:

None - this report is for information only.

Alignment with Strategic Priorities:

Not applicable: This report does not align with one of the Strategic Priorities as the changes to the budget process are legislated.

Alignment with One Planet Principles:

Not Applicable: This report is for information only.

Staff Recommendation: THAT the report titled, "Proposed 2026 Budget Process and Tentative Schedule (COU25-104), dated August 11, 2025, be received;

AND THAT Council provide direction regarding any changes to the budget survey and/or public engagement format preference;

THAT Council provide staff with any specific known initiatives to be brought forward for consideration by the Mayor, changes or additions to capital projects identified in the current 10-year capital forecasts, and changes in service levels or activities to advance the approved strategic priority goals it wishes to be considered for the 2026 fiscal year, if any at this time;

THAT Council reduce the period as set out in subsection 7(3) of O. Reg. 530/22 to pass a resolution making an amendment to the proposed budget from 30 days to 15 days;

AND THAT Council reduce the period as set out in subsection 7(10) of O. Reg. 530/22 to override the head of council's veto of an amendment to the proposed budget from 15 days to 7 days.

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Recommended by:	Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer Adam Betteridge, Interim Chief Administrative Officer