



## **Administrative Report**

**To:** Warden MacDonald and Members of Essex County Council

**From:** Melissa Ryan, CPA, Director, Financial Services/Treasurer

**Date:** Wednesday, October 15, 2025

**Subject:** 2026 Pre-Budget Discussion

**Report #:** 2025-1015-FIN-R30-MR

---

### **Purpose**

The purpose of this report is to update County Council on the preliminary status of the County's 2026 budget and to provide context on key considerations, drivers, and decisions that will inform deliberations.

### **Background**

The County has maintained a consistent budget process for many years. Last year, enhancements were introduced to improve transparency and provide Council with greater clarity on staffing, programs, and service-level impacts through the presentation of a Pre-Budget Report and a Pre-Budget Staffing Report from Human Resources.

Building on that approach, Administration is providing Council with an early view of the 2026 budget drivers, including contractual obligations and significant program requirements such as the Asset Management Plan, roadway expansion, and EMS services. The Draft 2026 Budget has been developed in alignment with Council's direction to prepare a budget at or below the rate of inflation. In order to achieve this target, certain items requested by Administration to maintain service levels have been deferred or reduced.

### **Discussion**

This section highlights the key factors shaping the Draft 2026 Budget, including Council's priorities, the financial pressures being managed, and the steps Administration has taken to balance fiscal responsibility with

maintaining services. It also outlines where the draft budget currently stands, what items have been deferred or reduced to remain within Council's target, and the risks that should be considered moving forward.

## **Council Direction and Priorities**

---

Throughout 2025, a number of reports and issues were brought forward to County Council which provided Administration with valuable insight into Council's priorities. This direction has been incorporated into the preparation of the Draft 2026 Budget.

Council has directed that the budget be developed at or below the rate of inflation. As of August 2025, Canada's national CPI was reported at 1.9%, while Ontario's last reported CPI was 2.39% (December 2024). Administration has prepared the Draft 2026 Budget in alignment with this direction while recognizing the ongoing financial pressures facing municipalities. These pressures include contractual and legislated cost increases, the impact of inflation on fuel, utilities, and contracted services, and the rising costs associated with infrastructure renewal and service demands in areas such as health care, housing, and emergency response.

## **Approach to Budget Development**

---

The County's budgeting approach continues to focus on maintaining a sustainable base budget. This ensures that ongoing expenditures are supported by ongoing revenues and reduces the reliance on reserves for operating purposes. While reserves remain an important tool for financial stability, continued reliance on one-time funding to support base operations erodes the long-term fiscal position of the County. For 2026, Administration has reviewed all departmental budgets in detail, ensuring that staffing and resources are allocated appropriately between budgets, with internal recoveries applied where necessary, and identifying efficiencies and reductions to offset inflationary impacts wherever possible.

## **Current Draft Position**

---

The Draft 2026 Budget currently reflects a tax rate increase of about 3%, following departmental and Senior Leadership reviews. Of this, contractual and legislated cost increases represent roughly 2.81% (or \$3.97 million in additional costs for 2026). Assessment growth in the region, estimated at 1.13%, helps offset these pressures and reduces the overall impact on existing taxpayers.

Despite these pressures, the draft budget incorporates several items that address Council's expressed priorities. These include the addition of eight paramedic positions, one human resources assistant and one HR generalist, an increase to per diem funding for residential services, expansion of the County's overnight program, increased funding for EMS station maintenance, and investments in emergency management, workforce planning, and information technology. Additional investments have also been made at Sun Parlor Home to increase nurse practitioner services and recreational programming, as well as for facilities updates such as elevator improvements to ensure accessibility and water line replacement. Funding for phragmites management and drainage maintenance has also been increased, consistent with Council direction.

### **Items Deferred or Reduced**

---

In order to meet Council's direction, a number of items have been deferred or reduced. For instance, the Asset Management Plan identified a requirement of \$1.125 million, of which only \$482,000 could be accommodated in the levy. Similarly, roadway expansion was projected to require \$1.5 million but has been reduced to \$1.25 million. In addition, several departmental business cases have been excluded in order to remain within the inflationary target.

A detailed list of these excluded items is provided in Appendix A, ranked in order of importance following an exercise undertaken by the Senior Leadership Team. While these items are not included in the Draft 2026 Budget, many represent important investments that support the long-term sustainability of the County, and Council should remain mindful of their potential future impacts.

Should Council feel strongly about advancing any of these items there is the opportunity to incorporate them during budget deliberations. Administration has excluded them in order to align with Council's direction to remain at or below inflation; however, we recognize the value they bring and encourage consideration of bringing these items back into the budget should Council wish to prioritize them.

### **Economic Outlook**

---

In developing the Draft 2026 Budget, Administration has considered the broader economic environment. While CPI growth has moderated, municipalities continue to face higher-than-average inflation in construction, utilities and labour markets. Interest rates affect borrowing costs and

investment income. Labour market pressures, particularly in health care and EMS, continue to influence recruitment and retention costs. Construction costs also remain volatile, adding uncertainty to long-term planning.

## **Reserve and Debt Position**

---

The County remains in a strong overall reserve position. In accordance with the County's Reserve Policy, most reserve categories are within target ranges. The Capital Reserve is below target due to ongoing infrastructure commitments; however, Administration anticipates significant draws in coming years to support EMS facility growth and potentially Sun Parlor Home, depending on the outcome of the feasibility study.

The County is also required to invest in and save for the long-term replacement of assets identified in the Asset Management Plan (AMP). These funds are critical to ensuring the sustainability of core infrastructure and to meeting legislative requirements for asset management planning. Ongoing contributions to reserves for AMP purposes help the County manage future capital expenditures without placing undue pressure on the annual levy.

Currently, the County carries no debt. However, projections indicate that by 2028 the County will likely need to issue debt to fund the roadway expansion program. Maintaining this debt-free position in the short term supports long-term financial flexibility, ensures capacity remains available for major future capital projects, and allows for careful planning ahead of anticipated borrowing needs.

## **Strategic Considerations and Risk**

---

It is important to note that constraining the budget to inflation requires difficult trade-offs. Deferring investments may affect long-term capacity, particularly in areas such as EMS, asset management, and roadway expansion. Continued reliance on reserves to balance annual budgets may compromise the County's ability to respond to future capital and operating pressures. At the same time, major capital projects such as roadway expansion, contributions to the new regional hospital, social services and EMS growth related capital remain significant financial challenges.

## **Next Steps**

---

To ensure that Council is fully informed during deliberations, Administration encourages members to submit questions in advance wherever possible.

This will allow for detailed responses and support an efficient and productive budget session.

The Draft 2026 Budget will be provided to Council at least three weeks prior to deliberation day on December 3, 2025. This advance distribution ensures Council has sufficient time to review the budget in detail. Following Council's receipt, the budget will be released to the public one week later, allowing for broad consultation and transparency in line with the County's commitment to open and inclusive decision-making.

This pre-budget report is intended to support an informed and transparent process, ensuring Council is fully aware of the pressures, risks, and opportunities that frame the 2026 budget. Administration looks forward to working with Council to balance fiscal responsibility with the maintenance and enhancement of County services.

### **Financial Implications**

This report is for information only. There are no financial implications associated with this report. The information shared in this report focus on enhancing the clarity and efficiency of the budget process. Any and all references to proposed tax rate changes will be deliberated on December 3, 2025.

### **Consultations**

Senior Leadership Team (SLT)

**Strategic Plan Alignment**

<b>Working as Team Essex County</b>	<b>Growing as Leaders in Public Service Excellence</b>	<b>Building a Regional Powerhouse</b>
<ul style="list-style-type: none"> <li><input type="checkbox"/> Scaling Sustainable Services through Innovation</li> <li><input type="checkbox"/> Focusing “Team Essex County” for Results</li> <li><input type="checkbox"/> Advocating for Essex County’s Fair Share</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Being an Employer with Impact</li> <li><input checked="" type="checkbox"/> A Government Working for the People</li> <li><input checked="" type="checkbox"/> Promoting Transparency and Awareness</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Providing Reliable Infrastructure for Partners</li> <li><input checked="" type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County</li> <li><input type="checkbox"/> Harmonizing Action for Growth</li> <li><input type="checkbox"/> Advancing Truth and Reconciliation</li> </ul>

**Recommendation**

That Essex County Council receive report number 2025-1015-FIN-R30-MR, 2026 Pre Budget Discussion as information.

**Approvals**

Respectfully Submitted,

*Melissa Ryan*

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

*Sandra Zwiers*

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

<b>Appendix</b>	<b>Title</b>
A	Business Cases Excluded from 2026 Budget