



Administrative Report

To: Warden MacDonald and Members of Essex County Council

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

Date: Wednesday, December 3, 2025

Subject: 2026 Budget Overview- Treasurer's Report

Report #: 2025-1203-FIN-R35-MR

Purpose

The purpose of this report is to provide County Council with a clear summary of the proposed 2026 budget, outlining the main financial priorities, allocation of funds, and key objectives for the upcoming year. In addition, it identifies potential risks and challenges, offering insight to help Council make informed decisions. This report ensures that the budget aligns with the County's strategic goals and community needs, while highlighting expected operating and capital activities.

Background

The preparation of the annual estimates for Essex County is governed by Section 289 of the Municipal Act, 2001, S.O. 2001, c.25, which mandates that upper-tier municipalities must prepare and adopt a budget each year. This budget must include estimates of all sums required during the year for municipal purposes, while also addressing any previous year's surpluses or deficits and determining appropriate reserves.

The County's annual budget process follows a multi-stage, collaborative approach that ensures alignment with strategic priorities and fiscal responsibility. Beginning in May 2025, Administration engaged in several review and planning meetings with Senior Leadership to establish assumptions, identify pressures, and refine departmental work plans.

Following Council's receipt of the 2025 Pre-Budget Report and Proposed Staffing Report on October 15, 2025, Administration finalized estimates and

incorporated direction received from Council to prepare the 2026 Budget for deliberation.

The 2026 Budget is organized by service area and includes both operating and capital estimates for directly delivered services and external commitments, providing a comprehensive financial plan for the upcoming year.

Discussion

The 2026 County of Essex Budget reflects Administration's commitment to accountability, transparency, and sound financial management. Below are explanations identifying key issues affecting our budget, focusing on risks, financial implications, challenges, opportunities, and external factors that will shape operations in 2026 and beyond.

Inflation

Although inflation has trended lower compared to the highs of recent years, it remains a significant cost pressure for municipal operations and long-term planning. In 2025, Canada's annual Consumer Price Index (CPI) rose by approximately 1.7 % year-over-year, with Ontario averaging around 2.2 % in the first quarter of the year.

Even though overall inflation is relatively modest, select cost categories continue to show stronger pressures. For example, food purchased from stores increased by about 3.3 % year-over-year, and shelter costs rose by roughly 3.0 %. These factors continue to affect household spending and wage pressures, which can influence County service delivery costs.

On the capital side, the Industrial Product Price Index (IPPI), which tracks manufacturing and construction material prices, increased by about 2.0 % year-over-year. These ongoing supply chain and material cost pressures directly affect infrastructure, construction, and equipment procurement.

For the 2026 Budget, the County must continue to account for price increases even as headline inflation has cooled. Vendors and service providers continue to incorporate inflationary and supply-chain driven cost escalations into new contracts and procurement. If actual cost increases exceed budgeted assumptions, any related overruns will be managed using the County's Rate Stabilization Reserves, consistent with the Reserve Management Policy.

Looking ahead, forecasts for Ontario suggest that CPI inflation in 2026 will remain within a moderate range of approximately 1.6 % to 2.5 %. While this indicates a more stable inflationary environment, the County should remain cautious, particularly because specific cost drivers such as labour, materials, and fuel may exceed these averages and have a disproportionate impact on municipal operations and capital projects.

Growth

Essex County is seeing continued growth driven by major investments in the electric vehicle (EV), manufacturing, and commercial sectors, although tariffs and global economic uncertainty have slowed expansion slightly as businesses adapt. The NextStar Energy battery plant, is expected to generate over 2,500 direct jobs and several thousand indirect roles, positioning the region as a key player in the EV supply chain. Additional investments include DS Actimo Canada's \$60 million facility, Kautex Textron's nearly \$23 million plant, and Ford's expansion of the Windsor Engine Complex, adding 150 jobs by 2026.

Beyond automotive, local manufacturers and commercial enterprises continue to invest in expansions, creating new jobs across multiple sectors. Healthcare infrastructure is advancing with Hôtel-Dieu Grace Healthcare's new rehabilitation clinic in Tecumseh and the New Windsor Essex Hospital anticipated to begin construction in 2026.

While these investments bring opportunities for employment and economic development, they also present challenges for the County. The rapid pace of growth, combined with inflationary pressures and infrastructure demands, may strain capital plans. Housing, workforce, and service needs must be carefully managed to ensure sustainable development.

Fiscally Responsible Government

In addition to the previously mentioned inflationary and growth pressures, Essex County grapples with escalating financial challenges stemming from increases in operational costs, internal capital needs (related to growth and asset replacement), infrastructure demands for facilities and roadways (both replacement and expansion), as well as constrained provincial funding, competing requests for new County-wide initiatives, and regional capital projects. Furthermore, the indefinite deferral of property value reassessment has led to modest in-year growth only. The Province continues its review of the property assessment and taxation system. Provincewide property tax

reassessments will continue to be deferred until this work is complete. These collective pressures will significantly influence Council decisions regarding program delivery, priorities, and service levels throughout 2026 and beyond. Despite these challenges, the County maintains established service delivery standards that effectively balance resident needs while minimizing the impact of rising costs on the community's property tax base.

During the 2026 Budget development, Administration has been guided by fundamental principles previously endorsed by Council, namely:

- **The current levels of service being delivered to the community are appropriate. Unless otherwise explained, enhancements are proposed to maintain service levels and achieve Provincial service level targets.**
- **The Corporation is prepared to maintain its commitment to the community as represented by current discretionary funding levels (i.e. external commitments).**
- **In making decisions with respect to the 2026 Budget, consideration has been given to the consequences of such decisions upon the Corporation's future financial stability.**

Standard and Poor's, a leading financial market intelligence provider and the Corporation's credit rating agency, currently rates the County of Essex highly, reflecting its strong financial practices. This recognition is based on factors such as healthy budgetary performance, disciplined financial management, a pay-as-you-go capital funding strategy, and substantial liquidity holdings, all of which contribute to the County's creditworthiness. The County will continue to monitor its financial position and await the outcome of the 2025 rating review.

These sound financial stewardship principles have positioned the County in a firm position, enabling effective management of tax rates year over year. Additionally, a solid reserve policy and balanced reserves play a crucial role in fiscal responsibility and long-term sustainability. Establishing reserves for managing uncertainties, addressing asset management lifecycle costs, and seizing future opportunities provides the Corporation with flexibility and financial strength during periods of fiscal challenge. Appendix I offers a summary of the Corporation's Reserves, showcasing the projected 2025 year-end balance and the impact of changes resulting from the Proposed 2026 Budget.

2026 Budget

As noted above, Administration initiated the formal budget process in May of 2025, and after gathering all departmental requests, the initial levy increase was just over \$13.3 million.

Following a thorough review of the budget and current service levels by Finance, the CAO, and the Senior Leadership Team (SLT), we have made significant reductions bringing the current proposed levy increase to \$5,672,860, a reduction in potential additional spending of \$7.6 million.

Provided in Chart 1, below, is a condensed summary of the proposed 2026 Budget, compared to 2025 Budget and Projected Actuals (see Appendix II for full Budget Summary Comparison). Operations are budgeted to require \$96.8 million while the Corporation’s Capital program is budgeted to require \$48.9 million. The Total County Requirement proposed in the 2026 Budget is \$145.7 million representing a **tax rate increase of 2.65%**.

Chart 1: Budget Summary (excerpt from Appendix II)

| Budget Summary | 2025 Budget | 2025 Projection | 2026 Budget |
|---------------------------------|----------------------|----------------------|----------------------|
| Operating Expenditures | \$166,622,420 | \$167,058,460 | \$177,149,300 |
| Operating Recoveries | 81,614,390 | 93,428,800 | 85,632,300 |
| Contribution to (from) Reserves | 7,737,210 | 19,115,580 | 5,294,780 |
| Net Operating Budget: | \$92,745,240 | \$92,745,240 | \$96,811,780 |
| Capital Expenditures | \$166,819,100 | \$81,993,240 | \$132,564,780 |
| Capital Recoveries | 9,745,870 | 17,536,380 | 22,365,320 |
| Contribution to (from) Reserves | (59,774,780) | (17,158,410) | (61,294,690) |
| Net Capital Budget: | \$47,298,450 | \$47,298,450 | \$48,904,770 |
| County Responsibility | \$140,043,690 | \$140,043,690 | \$145,716,550 |

For 2026, the County of Essex is challenged by a number of key operating conditions and capital expenditures imposing a year-over-year increase in net levy requirements. Offsetting these expenditures, in part, are savings achieved through: a net positive change in Current Value Assessment / assessment growth and various departmental cost reductions / containment initiatives proposed throughout the departmental Budgets.

Highlighted in Chart 2 and discussed in the following pages are various external influences or County of Essex specific conditions giving rise to a projected **levy increase of \$5,672,860**. If further reductions from Council are requested, it would be an approximate decrease of \$1.42 million to reduce the tax rate by 1%.

Of the total budget increase, approximately \$4 million is allocated to contractual salary and benefit increases previously presented to Council, with additional investments supporting key priorities across the County. These include funding for eight new paramedic positions, one human resources assistant and one HR generalist, and increased per diem funding for residential services, along with expansion of the overnight program, a Service Delivery Review for the IPS department, additional funding for EMS station maintenance, and investments in emergency management, workforce planning, and information technology. Facility improvements are also included at the County Administration building, such as the Library space in the basement, elevator accessibility upgrades and water line replacement, while enhancements at Sun Parlor Home provide expanded nurse practitioner services and additional recreational programming.

Most of the remaining increases are driven by inflationary pressures. This is a lean budget with minimal room for significant service enhancements. Administration worked hard to balance all priorities within a realistic budget framework for the year.

As noted in the Pre-Budget report, several items were excluded from the Draft 2026 Budget in order to achieve the target 2.65% increase. A detailed list of these items is provided in Appendix III, ranked by importance based on an exercise conducted by the Senior Leadership Team. While not included in the draft budget, many of these items represent important investments that support the long-term sustainability of the County and may have future implications for service delivery and infrastructure planning. Administration has excluded them to align with Council's direction to remain at or below inflation, while recognizing the value they bring to the County's operations and long-term planning.

The proposed 2026 Budget was structured to strategically utilize the in-year assessment growth to fund growth related operational and capital cost increases. The in-year growth for 2025 is anticipated to be a 1.49% increase (1.71% for 2024, 2.12% for 2023, 2.22% for 2022) in weighted assessment. Chart 2 below highlights the increases to the expiring levy proposed in 2025.

Chart 2: Summary of Levy Impacts

| Budget Summary | Levy Impact |
|------------------------------------|----------------------|
| County Levy 2025 | 140,043,690 |
| Community Services | 438,550 |
| Sun Parlor Home | 0 |
| Emergency Services | 754,480 |
| Infrastructure & Planning Services | 1,789,620 |
| Library Services | 158,820 |
| General Government Services | 1,000,960 |
| External Commitments | 1,530,430 |
| County Levy 2026 | \$145,716,550 |

Community Services/ Residential Services Homes

The 2026 Community Services budget totals \$1.2 million, an increase of \$438,550 from 2025, reflecting expanded responsibilities and rising service demands. The division continues to deliver the Residential Services Homes Program, supporting 226 subsidized beds across the County, and now oversees Homelessness Programs, including the Essex County Homelessness Hub, Emergency Shelter Program, and County Outreach Worker.

Inflation and wage pressures continue to strain providers, prompting a proposed \$5 per diem increase to help sustain services. The ECH2 Overnight Program, launched in mid-2025, has seen strong demand and will continue in 2026 with partial funding from the Province and the County. The County also remains an active partner in advancing the Regional Affordable Housing Strategy and supporting The Bridge’s tiny home expansion, reflecting Council’s ongoing commitment to housing stability and vulnerable residents.

Sun Parlor Home

Sun Parlor Home continues to provide essential long-term care to 206 residents with the support of over 380 dedicated staff. As resident care needs become increasingly complex, the Home remains focused on maintaining high-quality, person-centered care while managing staffing pressures and inflationary cost increases.

The 2026 proposed budget for Sun Parlor Home totals \$14,080,840, consistent with the restated 2025 budget, no increase is required. The budget supports the addition of a full-time Nurse Practitioner through a provincial partnership and half of a Human Resources Generalist position to strengthen recruitment and retention efforts. It also includes funding for recreation program backfill to enhance resident engagement and well-being. Ongoing capital maintenance and a facility feasibility study, scheduled for completion in 2026, will guide future planning to ensure the Home remains safe, accessible, and compliant with provincial standards.

Emergency Medical Services

Essex-Windsor EMS (EWEMS) continues to provide high-quality, responsive land ambulance services to residents of the County of Essex, the City of Windsor, and the Township of Pelee. Demand for service continues to rise, with approximately 68,500 responses projected for 2025, a 4.36% increase over the prior year, consistent with long-term growth trends.

The 2026 proposed budget for Emergency Services totals \$18,003,340, representing an increase of \$754,480 (4.37%) over the restated 2025 budget of \$17,248,860. This budget supports the addition of eight full-time paramedics, a Manager of Physical Resources, and a Human Resources Generalist, along with ongoing investment in fleet renewal, technology upgrades, and front-line operational tools to improve efficiency and staff wellness.

EWEMS continues to collaborate with the Windsor-Essex Ontario Health Team and advance the Community Paramedicine for Long-Term Care program which remains fully funded by the Ministry of Long-Term Care. These initiatives strengthen local health system integration, reduce hospital pressures, and enhance care for vulnerable residents.

Infrastructure and Planning Services

The 2026 Budget for Infrastructure & Planning Services totals \$54.3 million, representing an increase of 3.4% (\$1.79 million) over 2025. The budget continues to prioritize the maintenance and renewal of the County's extensive road and bridge network, while advancing key multi-year capital projects such as County Roads 22, 42, and 43. These investments are critical to supporting growth, improving traffic flow, and maintaining safety and accessibility across the region.

In addition to core infrastructure work, the 2026 Budget includes funding to support facility maintenance, asset management planning, and ongoing planning and development initiatives. The Department remains focused on delivering efficient, sustainable infrastructure solutions that align with the County's long-term growth strategy and climate resilience objectives.

Library

The 2026 Essex County Library (ECL) budget totals \$7.17 million, representing a 2.3% increase (\$158,820) over 2025. The budget supports the Library's ongoing mission to connect residents across seven municipalities through 14 branches and a robust 24/7 online platform. ECL continues to provide diverse collections and services that promote literacy, learning, and community engagement for residents of all ages.

While the 2026 Budget does not include any new staff positions, it reflects contractual wage and benefit increases, as well as strategic reallocations within existing budgets to address shifts in circulation trends and rising costs of eResource licensing. Inflationary pressures, fluctuating exchange rates, and the growing demand for digital content continue to shape ECL's financial outlook, as the Library remains focused on providing accessible, high-quality resources across Essex County.

General Government

The General Government area plays a central role in providing leadership, financial planning, risk management, and policy setting for the entire Corporation. Here are the highlights of the proposed 2026 budget in relation to the individual areas that encompass General Government Services.

The 2026 Council Services budget totals \$1,036,640, an increase of 14.2% over 2025. The budget reflects updated salary and benefit costs under the Council and Committee Remuneration Policy and continued support for conferences and meetings. It also includes higher membership fees and service costs, annualized contributions to reserves for Warden receptions and end-of-term events, and election-related expenses such as a Regional Orientation Program to support the transition of the next term of Council.

The 2026 Corporate Management budget totals \$2,474,470, a decrease of 15.5% from 2025, primarily due to shifting of an administrative cost recovery from the Finance department. While contractual wage and benefit costs have increased, overall wages are lower following position and classification adjustments. Records Management will retain a summer

student, and Legal Services will transition to an articling student beginning in summer 2026, with minimal budget impact this year.

The 2026 Financial Services budget totals \$2,062,230, an increase of \$1.7 million from 2025, reflecting the County's continued focus on financial sustainability and strategic capital investment. Key highlights include a \$1 million contribution to the EMS Capital Reserve to support the new hub and spoke stations identified in the EMS Master Plan. Investment income remains stable, supported by prudent management of reserves and interest rate trends. Administrative cost recoveries have been realigned to better reflect actual service delivery, ensuring improved transparency and accountability across departments.

The 2026 Information Technology Services budget totals \$2,654,790, a decrease of \$237,280 (8.2%) from 2025. The department continues to advance the County's digital transformation by aligning with corporate priorities and implementing recommendations from the Service Delivery Review. Key initiatives for 2026 include establishing a Project Management Office to standardize project delivery, continuing the migration to cloud-based systems and M365, transitioning the phone system to a cloud service, and refreshing network equipment to enhance security and efficiency across the organization.

The 2026 Human Resources budget totals \$1,306,160, a decrease of \$174,030 (11.8%) from 2025. The budget reflects continued investment in employee development and organizational growth, supporting key corporate initiatives under the County's Strategic Plan. It includes two new positions: a shared Human Resources Generalist to support EMS and Sun Parlor Home, and a Human Resources Assistant to help implement the redesigned Attendance Support Policy. These positions will assist with strengthening recruitment, compliance, and employee support across the organization.

External Commitments

The 2026 External Commitments budget totals \$41,386,130, an increase of \$1,530,430 (3.8%) over 2025. The budget reflects the County's continued commitment to meeting both legislated and discretionary obligations while supporting community partners. Key drivers include modest increases in funding for the Windsor Essex County Health Unit and property assessment costs, as well as rising Social Services and Social Housing operating costs due to wage adjustments and changes to the Child Care administrative funding formula. Discretionary commitments include contributions to Erie Shores HealthCare, the New Windsor Essex Hospital Reserve, Invest

WindsorEssex, and Tourism Windsor Essex Pelee Island, as well as support for the Community Safety and Well-Being Plan.

Reserve Management Policy Targets

The County's Reserve Management Policy provides a framework for responsible oversight of reserve funds, ensuring that financial decisions support long-term needs and that reserves are maintained at appropriate levels. If reserves fall below target in any year, Administration will implement a plan to restore them to a stable position.

For the 2026 Budget, reserve levels are generally on track, reflecting positive progress. However, as noted in the 2025 audit report to Council, the capital reserve remains underfunded, which continues to challenge the County's ability to fully address capital replacement needs when required. Affordability and tax rate considerations limit the pace at which this gap can be closed. Additionally, the roadway expansion reserve will dip below ideal levels in 2026 due to planned projects, and Administration has advised Council of the potential need to use debt in 2028 to fund necessary work. Ongoing levy contributions will aim to reduce reliance on debt. Reserve levels will be closely monitored throughout the year, with adjustments made where possible to maintain a balance between current financial stability and future obligations.

Budget Risk Factors

It is important to highlight for Council that there are risk factors inherent with any budget, in most cases beyond the control or discretion of Administration or Council. Key economic realities potentially impacting operations include, but are not limited to:

- Provincial funding constraints in service areas related to Public Health, EMS, Social Services, Social Housing, Community Services and Long-Term Care
- EMS delivery issues related to hospital emergency off-load delays
- EMS call volume – demographics & response time framework
- Service requirements to care for an increasingly frail and higher level of acuity resident complement at Sun Parlor Home
- Increase in social service caseloads

- Winter control maintenance costs
- Cost of fuel, medical and other supplies necessary across a diverse set of operating programs, specifically in EMS, Sun Parlor Home and Infrastructure & Planning Services
- Further escalation in the cost to construct and maintain linear assets
- Persistent global and domestic inflation
- Operational impact of US Exchange rate and higher import fees
- Interest earned on investments
- Premium increases for WSIB and other statutory deductions
- Health & welfare premiums (usage & escalation in service costs)
- Outstanding collective bargaining / arbitration results
- Social Housing – advanced timelines for capital renewal requirements and/or addressing of need to increase housing inventory

These outlined risks could significantly influence the proposed budget's outcome. Should any additional requirements arise during the fiscal year that exceed the proposed 2026 Budget, Council will be informed, and a funding strategy will be developed to address these necessary items.

County Levy & Tax Rates

Over the past decade the County Levy has increased, due in large part, to address expansion requirements of the County roadway and active transportation infrastructure and more recently, service enhancements to address growth, demographics and systemic health related issues/services. Also impacting annual levy increases is the commitment towards the New Windsor Essex Hospital System. Further, as the County assessment increases relative to the City, a greater shift of costs is transferred from the City to the County for shared programs including: Social Services, Social Housing and Emergency Medical Services.

Although the County Levy has steadily grown over the years, tax rates remain fairly constant, due in large part, to prudent financial management decisions and moderate but stable growth in assessment in the County of Essex over this same period.

The impacts of certain inflation and their projected persistence at even a moderate degree have made it challenging for Administration to maintain service levels in 2026 without an increase to the levy. Growth in the region is also a significant factor in the year over year levy requirement increase. In the absence of development charges, the cost of growth is born primarily on the Corporation’s tax rate.

The consolidation of the departmental budget estimates produces a residential tax rate for County purposes for 2026, assuming no significant change in tax policy, of **.0057414081**.

Chart 3 illustrates the change in County taxes on a per \$350,000 basis.

Chart 3: Residential Tax Rate Comparison, 2025-2026

| Year | Assessed Value | Res. Tax Rate | Taxes | Tax Change |
|------|----------------|---------------|------------|------------|
| 2025 | \$350,000 | .0055932794 | \$1,957.65 | |
| 2026 | \$350,000 | .0057414081 | \$2,009.49 | \$51.84 |

Financial Implications

Administration believes this budget represents a practical plan that’s been carefully put together in consultation with all County departments. It’s designed to keep the County running smoothly under current conditions, balance demands for services, and prepare us for future growth. The approach focuses on:

- **Maintaining Service and Responsiveness:** The budget supports essential services while being mindful of the impact on taxpayers. The goal is to continue delivering quality services without putting undue financial strain on residents.
- **Planning for the Future:** This budget helps the County keep up with long-term commitments, including funding the New Windsor Essex Hospital System, addressing capital and infrastructure needs, and supporting economic and community growth initiatives. Proactive planning ensures that key projects can proceed efficiently and sustainably.
- **Keeping Inflation in Check:** Inflationary pressures have been considered, with contingency funds in place to help manage rising costs without reducing service quality.

- **Protecting Financial Stability:** The County's strong reserve and financial management policies help maintain a solid foundation while minimizing the risk of large tax increases in the future.

A large part of the County's spending is tied to services required by law, and past experience shows that cutting or delaying these services can create greater costs and risks later. This budget balances those obligations while advancing key priorities.

To achieve the targeted 2.65% levy increase, some important initiatives were excluded from the draft 2026 Budget, even though they represent meaningful investments in the County's operations and long-term sustainability. Administration has documented these items so that Council can still consider them for inclusion in 2026, should they wish to prioritize them, while remaining aligned with the direction to maintain a responsible tax impact. Despite these constraints, the proposed levy increase is manageable and allows the County to continue delivering quality services today while preparing for the future.

Consultations

Hoa Du, Financial Analyst

Kelli Schmidt, Financial Analyst

Kelly Robinson, Financial Analyst

Marcia Millia, Financial Analyst

Heidi McLeod, Manager, Accounting - Administration/Deputy Treasurer

County Senior Leadership Team (SLT)

Strategic Plan Alignment

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

Recommendation

That Essex County Council receive report number 2025-1203-FIN-R34-MR, 2026 Budget Overview- Treasurer’s Report as information and for public deliberation.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

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

| Appendix | Title |
|-----------------|---|
| I | 2026 Reserve Schedule |
| II | 2026 Budget Summary |
| III | 2026 Business Case Requests Excluded from Budget in Ranked Order |