

**Region of Waterloo**  
**Corporate Services**  
**Corporate Finance**

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**To:** Strategic Planning and Budget Committee  
**Meeting Date:** November 18, 2025  
**Report Title:** Review of Preliminary 2026 Plan and Budget

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**1. Recommendation**

For information

**2. Purpose / Issue:**

To table the official draft 2026 Plan and Budget.

**3. Strategic Plan:**

This report supports the Resilient and Future Ready strategic priority to ensure fiscal accountability and transparency in service delivery as we work toward achieving our goals within the Growing with Care priorities of Homes for All, Climate Aligned Growth, Equitable Services and Opportunities, and Resilient and Future Ready Organization.

**4. Report Highlights:**

- Through report COR-CFN-25-009 dated May 6, 2025, staff provided a preliminary overview of the 2026 Plan and Budget context. At this time the Administration and Finance Committee directed staff to prepare and present a draft 2026 budget for direct regional services that limits the overall tax levy increase to no more than 5 percent, while maintaining vital services and seeking efficiencies wherever possible.
- Regional staff provided an overview of the 2026 Plan and Budget on October 22, 2025, through a presentation which set the stage and context for the work ahead to achieve an approved 2026 Plan and Budget by December 16, 2025.
- Resident voices continue to be vital throughout this process, and a fulsome engagement and communication plan was created with the goal of reaching a broad range of audiences, including strategies to reach equity deserving groups. A full report on engagement feedback and activities will be presented on December 3<sup>rd</sup>, 2025 at Strategic Plan and Budget Committee meeting.
- The 2026 Preliminary Budget Book has been produced which includes 2026 operating budget and 2026-2035 capital program summaries by division

meeting the guidance Council provided in May. A link to the 2026 Preliminary Budget Book is available on the Budget page of the Region's website.

- The 2026 preliminary base operating budget (excluding Police Services) includes a property tax levy requirement of \$614.9 million, representing an increase of \$35.6 million from 2025. The property tax impact of Regional Services (excluding Police Services) is 4.94% taking into account estimated assessment growth of 1.15%.
- The main drivers of the 2026 budget increase relate to inflation and cost escalation, adjustments to revenues and funding, impacts relating to prior year approvals and annualization of 2025 service expansions.
- The preliminary operating budget proposes a wholesale water rate increase of 5.9%, wholesale wastewater rate increase of 5.9%, retail water distribution rate increase of 3.9% and retail wastewater collection rate increase of 4.9%, effective January 1, 2026. These rates are aligned to the forecast provided in the 2025 budget cycle.
- The Region's 2026-2035 capital program proposes investments of approximately \$7.4 billion over ten years, with \$611 million planned in 2026.
- Attached in Appendix B, as requested by council in May, are business cases for new staff proposed in this budget – 2 for Ion2, 2 for shelter maintenance (in replacement of a contract, for cost savings), and 1 fare inspector for GRT bus system.
- Attached presentations are meant to facilitate discussion with council on November 18<sup>th</sup> and 19<sup>th</sup>; with the 18<sup>th</sup> focused on Annual Business Plan priorities and operating expenses and the 19<sup>th</sup> focused on the capital plan.
- An overview of preliminary user rates and fees is included in report COR-CFN-25-020, dated November 18, 2025.

## 5. Background:

- The Strategic Planning and Budget Committee officially kicked off the 2026 Plan and Budget process on October 22, with the aim to approve the final budget on December 16.
- Council established a levy guideline of 5%, which has been achieved in the prepared preliminary budget (a link to the 2026 Preliminary Budget Book is available on the Budget page of the Region's website).
- Council further directed that the 10-year Capital Program be developed within an affordability framework
- To achieve Council's guideline, Region staff underwent a rigorous process of prioritization using the following set of principles:
  - Make a significant measurable, impactful difference to Growing with Care outcomes and objectives.

- Mitigate a significant risk that the community or the organization currently faces.
  - Maintains the course, investing first in existing essential service delivery and commitments that support the bold agenda Council has already set.
  - Meets prescribed legislated standards or requirements (accreditation, compliance, or legal).
  - Moves forward time critical items – service level changes, strategic initiatives, capital projects - that must be done immediately and are time critical, meaning it cannot wait a year or more.
  - Makes fiscal sense, is financially sustainable, with an approved business case or equivalent analysis that shows it is affordable for taxpayers today and over the longer term.
- This year's plan is about striking the right balance – ensuring quality service while maintaining affordability.
  - Engagement with residents continues to be vital to the plan and budget process.
  - For the 2026 plan and budget, strategies for engagement include: online through the EngageWR site, community outreach at events across the community, presentations to advisory committees and local groups (e.g. Grand River Accessibility Advisory Committee, Youth Advisory Committee and KW Accessibility), as well, as two public input session in Council chambers and two Community Budget Consultation Sessions in Cambridge and Woolwich.
  - A full report on engagement feedback and activities will be presented on December 3<sup>rd</sup>, 2025 at Strategic Plan and Budget Committee meeting.
  - Since implementing Growing with Care, we have made significant progress in each priority area, including:
    - Homes for all - 1,036 new affordable housing units are in development and 21 Plan to End Chronic Homelessness actions are in progress
    - Equitable services and opportunities - making it easier and safer for people to get around with 2,200kms of lanes for cars and bicycles and Miovision Cameras are being added to 540 intersections to improve signal timing and safety
    - Climate aligned growth - in 2025, solar photovoltaic panels (PV) has generated 1,560,000 kWh of electricity, generating \$662,000 in revenue, and saving 184 tonnes of GHG emissions.
    - Resilient and ready organization - through creativity and strategic decision making, the Region has achieved \$41 million in efficiency savings over recent years and an additional \$100M + of 'avoided' costs
  - Planned initiatives for 2026 responds to our current context, including:
    - Affordability remains a challenge, and with this, reliance on Regional services is increasing – the affordable housing waitlist exceeds 10,000 households, Ontario Works caseload includes over 18,000 people (up 11% since 2024), over 13,000 children are on the child care waitlist, there has been a 4% increase in 911 calls from 2023 to 2024 and a 26% increase in completed FOI requests in 2024

- Impacts of extreme weather is rapidly increasing – from January to October this year, the Region has monitored or responded to 39 incidents or emergencies, including climate emergencies such as floods, extreme heat and cold, ice storms and more. We are seeing a 4% sustained increase in water use attributed to population growth. And we now have 20 years of landfill capacity remaining.
- Costs to deliver services is increasing – there has been approximately 7% increase in water and wastewater treatment chemicals.
- Increasing community engagement – engaging with community remains vital and we are seeing an increase in resident interactions. Social media comments have doubled over the last two quarters of 2025 (from 10,784 in Q1 to 20,950 in Q2). We have 20,950 EngageWR subscribers.
- There are opportunities to move forward with technology, AI, digitizing processes, and streamlining workflows to improve efficiency and reduce administrative burdens; however, these will require additional investments.
- Guided by Growing with Care and taking into consideration our current context, the preliminary 2026 plan and budget focuses on: maintaining essential services, responding to the big issues our community cares about most, and finding smarter, more efficient ways to deliver services.
- Full details of the draft 2026 strategic initiatives are included in Appendix A.

## **6. Communication and Engagement with Area Municipalities and the Public**

### **Area Municipalities:**

Staff continue to work with area municipal colleagues to ensure service delivery alignment as well as sharing information about engagement strategies for the Plan and Budget process.

### **Public:**

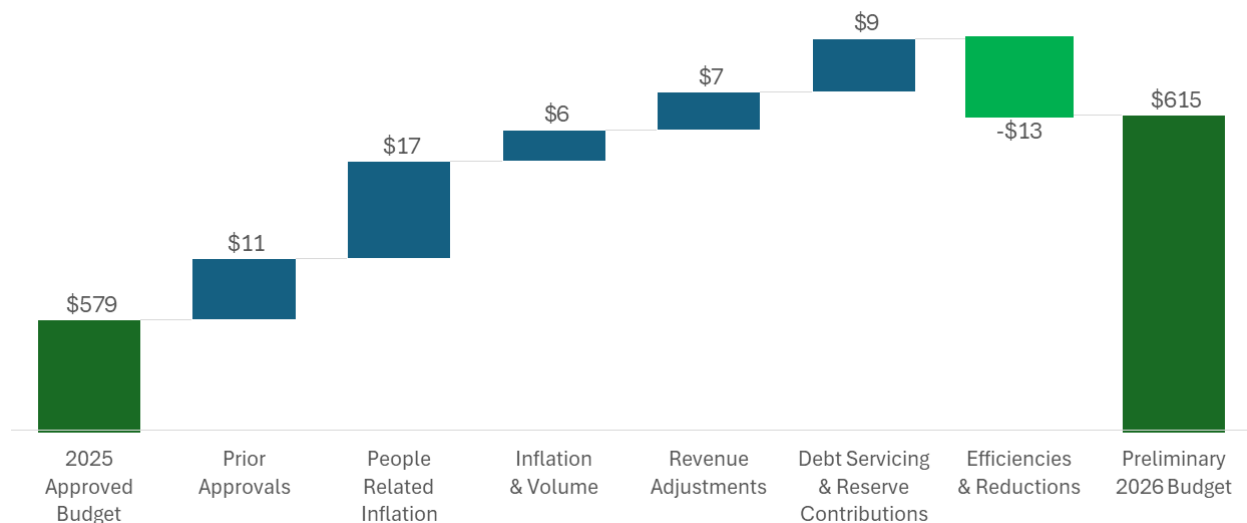
The Region continues to conduct robust engagement with residents around the Plan and Budget process. Based on feedback received last year, the focus of engagement is to increase understanding and awareness of the budget process as well as providing opportunities for residents to share their thoughts. Engagement strategies include online input through our EngageWR site, community outreach at events across the community, presentations to advisory committees and local groups (e.g. Grand River Accessibility Advisory Committee, Youth Advisory Committee and KW Accessibility) as well as two public input session in Council chambers and two Community Budget Consultation Sessions in Cambridge and Woolwich. A full report on engagement feedback and activities will be presented on December 3<sup>rd</sup>, 2025 at Strategic Plan and Budget Committee meeting.

## **7. Financial Implications:**

The 2026 preliminary base operating budget (excluding Police Services) includes a

property tax levy requirement of \$614.9 million, representing an increase of \$35.6 million from 2025 (6.15% increase). The property tax impact of Regional Services (excluding Police Services) is 4.94% taking into account estimated assessment growth of 1.15%. A 1% change in the regional portion of the tax bill (excluding Police) in 2026 equates to \$5.9 million.

### Tax Levy Growth from 2025 to 2026 (\$ millions)



Budget adjustment falls into the following categories:

- **Prior approvals** - Prior Approvals include annualization of 2025 approved budget expansions, waste collection contract, Doon village reopening, etc.
- **People related inflation** - People related inflation includes cost of living adjustments and benefit contract price increase (no change in benefits provided outside of union contracts, approved by council)
- **Inflation & volume** - Inflation aligned to either known contract pricing, or CPI/Construction price index as most appropriate. Volume would reflect alignment to actual experience (example: amount of fuel)
- **Revenue adjustments** - Revenue adjustment includes reduction for transit, Provincial Offenses Act (POA) and airport – aligned to current experience; slightly offset by minor fee increases across the region. Most fee increases are driven by cost recovery, contract obligations and alignment to inflation.
- **Debt servicing & reserve contributions** - Debt Servicing increase based on issued debt in 2025 and increasing capital reserve funding per pay as you go policy
- **Efficiencies & adjustments** – Efficiencies, totaling approximately \$4.2 million, relate to management diligence in providing the most effective service. Adjustments fall into either rightsizing services to demand, doing more with less or optimizing financial levers, totaling approximately \$8.3 million.

The preliminary operating budget proposes a wholesale water rate increase of 5.9%, wholesale wastewater rate increase of 5.9%, retail water distribution rate increase of 3.9% and retail wastewater collection rate increase of 4.9%, effective January 1, 2026. User fee changes are also proposed for Transit Services, Waste Management, Airport, Regional Growth, Development and Sustainability Services and minor changes planned in other program areas. All proposed changes to user fees and charges are outlined in report COR-CFN-25-020 on this agenda.

The Region's 2026-2035 capital program proposes investments of \$7.4 billion over ten years, with \$611 million planned in 2026. Funding for the capital program is comprised of grants/subsidies, property taxes, user rates and development charges. The 2026 capital budget includes projects that are in progress but will not be completed at the end of 2025 as well as projects intended to commence in 2026. Regional Council annually approves the capital budget for the current year and approves the following nine (9) years as a forecast. During the budget development process, staff have reviewed the need, timing, scope and cost of capital works and adjusted project expenditure profiles to reflect the status of existing projects, planned activity in 2026 and resource capacity.

Note that as per Councils direction a business case is included in Appendix A for the 2 new FTEs related to the Ion2 work; 2 new FTE for shelter maintenance (cost savings initiative replacing an expensive contract), and 1 FTE for GRT bus fare inspection for 2026. No other new FTEs, not previously approved by council, are being brought forward in this budget.

## **8. Conclusion / Next Steps:**

Additional review of the Region's operating and capital budgets including responses to councillor requests for information and additional follow ups is scheduled for December 3, 2025. Final budget day is scheduled for December 16, 2025.

## **9. Attachments:**

Presentation: November 18, 2025 Plan and Budget (Operating)

Presentation: November 19, 2025 Plan and Budget (Capital)

Appendix A: Draft 2026 Strategic Initiatives

Appendix B: FTE Business Cases

Appendix C: New Service Adjustments

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