

Staff Report

Report To: Corporate Services Committee
Report From: Kate Allan, Director of Corporate Services
Meeting Date: May 7, 2026
Report Code: CR-26-043
Subject: 2026 – T1 Financial Update

Recommendations:

THAT in consideration of Staff Report CR-26-043 respecting the 2026 T1 Financial Update, the Corporate Services Committee recommends that City Council receive the report for information purposes.

Highlights:

- The City is currently tracking generally in line with the approved budget, with no significant or unexpected variances identified at this early stage.
- Seasonal pressures remain a key driver, with winter control costs trending over budget and additional impacts anticipated from an exceptionally wet spring.
- Staffing vacancies continue to generate short-term savings but are creating organization-wide capacity pressures that are affecting service delivery.

Vision 2050 - Strategic Plan Alignment:

[Strategic Plan](#) Priority: The recommendation contributes to core service delivery or a corporate initiative that enables service delivery for one or more strategic priorities.

Previous Report/Authority:

N/A

Background:

The City of Owen Sound operates on a calendar year budget cycle, meaning our fiscal year starts in January and ends in December. This report summarizes the City's financial position for the first four months of the 2026 fiscal year (January to April) and provides an early indication of our potential year-end position.

Our analytical approach remains consistent with prior years:

1. The year-to-date financial results from January to April, including revenues, expenditures, and variances from budget.
2. A forecast for the remaining eight months of the fiscal year (May to December), informed primarily by historical trends, adjusted for known changes in the current year.

This methodology reflects the cyclical nature of municipal operations, where many revenues and expenditures follow predictable seasonal patterns. In developing the forecast, staff consider:

- Seasonal variations in expenditures, particularly those associated with winter operations and infrastructure maintenance;
- Regular payroll costs, including collective agreement impacts, staffing changes, and temporary vacancies;
- Known one-time revenues or expenditures that are not expected to recur; and
- Any confirmed contractual, legislative, or program changes impacting the current year.

It is important to note that, at this early stage in the fiscal year, the City is estimating outcomes for the remaining eight months, and as such, any year-end forecast carries a high degree of uncertainty. While historical data provides a reasonable foundation, it cannot fully account for unforeseen events, including weather variability, economic shifts, or operational pressures that may arise later in the year.

This report does not include detailed financial analysis of the Owen Sound Police Service. Financial updates related to Police Services continue to be provided to Council through the Police Services Board meeting minutes, consistent with prior reporting practices.

Similarly, this report does not include financial results from the Owen Sound & North Grey Union Public Library. The Library operates as an independent board with its own financial systems, bank accounts, and reporting structure.

The City's financial obligation is limited to the annual levy approved through the budget process, and any surplus or deficit realized by the Library is managed by the Board. As such, Library financial variances are not incorporated into the City's operating forecast.

All other City departments and divisions are consolidated within this report and contribute to the City's overall financial position on a consistent basis.

Analysis and Options:

Applying the forecasting methodology previously described, the City is currently tracking generally in line with budget, with no significant or unexpected variances identified at this early stage in the fiscal year. However, several emerging trends and known pressures are noted for Council's awareness.

Winter Control and Seasonal Pressures

Winter control operations are currently tracking approximately \$500,000 over budget. While this represents a significant pressure, it is less severe than the same point in 2025, reflecting a heavy winter season that, while impactful, has been more manageable operationally than the prior year.

As has been the case in recent years, winter-related costs extend beyond snow clearing and include downstream impacts such as spring clean-up, infrastructure wear, and facility maintenance. These pressures will continue to evolve over the coming months.

Wet Spring – Known Pressure Not Yet Reflected

The City is currently experiencing an exceptionally wet spring, which is expected to have a broad operational and financial impact. At this time, these impacts are not yet fully reflected in the financial statements, as many associated costs will be incurred and processed later in the spring and early summer.

Anticipated impacts include:

- Reduced revenues in weather-dependent services, such as campground bookings;
- Increased maintenance costs related to trail repairs, drainage issues, and erosion;
- Higher volumes of leachate at the landfill increasing hauling costs; and

- General clean-up costs associated with prolonged runoff and saturated conditions.

While the financial impact cannot yet be quantified with precision, staff are confident that these pressures will materialize in future reporting periods. As a result, the City's financial position remains sensitive to weather conditions through the balance of the spring and summer seasons, which will ultimately influence both revenues and expenditures.

Labour Costs and Fire Arbitration

The financial impact of the Fire interest arbitration award has not yet been fully reflected in the City's financial records, as retroactive payments are still being calculated and processed. Based on current estimates, this is expected to result in an approximately \$90,000 budget pressure within Fire Services for the 2026 fiscal year.

This remains an estimate at this time and will be refined as final figures are confirmed and applied.

Gapping and Organizational Capacity

As in prior years, the City is experiencing savings from temporary vacancies (gapping) across multiple departments. While this represents a positive financial variance, it continues to present operational challenges.

In 2026, these impacts are being felt more broadly across the organization, with no single service area isolated from staffing constraints. Prolonged vacancies are affecting service delivery timelines, internal capacity, and overall organizational resilience.

This dynamic reinforces that while gapping contributes to short-term financial performance, it can also create longer-term operational risks if sustained.

Revenue Trends and Positive Variances

Several areas continue to show positive financial performance, including:

- **Facility booking revenues**, which remain strong and consistent with recent trends;
- **Transit ridership revenues**, which are trending favourably at this stage; and
- **Building permit and control revenues**, which are expected to meet or exceed budget based on current activity levels.

These positive variances provide some offset to cost pressures; however, given the early stage of the fiscal year, they should be viewed as preliminary indicators rather than confirmed outcomes.

Overall Forecast Position

At this time, and based on the information available, staff expect the City to track generally in line with the approved budget by year-end.

However, it is important to emphasize that:

- A significant portion of the fiscal year remains unobserved;
- Known pressures (such as spring weather impacts and arbitration costs) are not yet fully reflected; and
- The City's financial performance remains highly sensitive to external factors, particularly weather conditions.

Staff will continue to monitor all trends closely and will report back to Council through the T2 Financial Update with a more refined and reliable year-end forecast.

Resource Alignment:

Financial Resources

There are no financial impacts as a result of this report. At this moment in time there are no indications that the City is in a significant deficit or surplus position.

Human Resources

N/A

Time and Scheduling

N/A

Technology and Infrastructure

N/A

Climate and Environmental Impacts:

There are no anticipated climate or environmental impacts.

Communication and Engagement:

This report has been posted to the City's website with the agenda in advance of the meeting. Historic financial statements are available on the City's website.

Report Developed in Consultation With:

City staff and department heads.

Attachments:

None

Reviewed by:

Kate Allan, Director of Corporate Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan, Director of Corporate Services at kallan@owensound.ca or 519-376-4440 ext. 1238.