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Multi-Year Budget Simulation - 2026-2030 Budget Pressures

Items have been numbered to assist with referencing the financial table.

Maintaining Current Service Levels – Base Budget

1. Inflationary Pressures and User Fees

Economic Pressures
Labour shortages, new regulations, and tariff risks continue to influence the cost environment in complex ways.

Consumer Price Index (CPI)

- CPI rose 1.7% year-over-year in May, matching April's increase.
- Main drivers: smaller rent increases and declines in travel tours; slight rebound in gas and cellular service prices.
- Excluding energy, CPI rose 2.7% in May (down from 2.9% in April).
- Gasoline prices dropped 15.5% year-over-year, largely due to the removal of the consumer carbon levy.

Construction Price Index

- Construction costs are rising sharply across Canadian municipalities in 2025.
- In the Toronto area, the non-residential construction index rose 3.8% in Q1 year-over-year.
- Key drivers: increased utility and metal fabrication costs, labour shortages, and U.S. tariffs on imported materials.
- These pressures are significantly raising capital project costs for the City.

GDP Growth

- Canadian GDP grew 2.6% in Q4 2024.
- Slower growth of 1.8% is forecast for 2025, with trade tensions expected to dampen investment and exports.

Other Operating Expenses & Revenues

- A 1.75% base funding increase is planned for Local Boards and Partnered Corporations in 2026 (Burlington Public Library, Burlington Museums, Art Gallery of Burlington, The Burlington Performing Arts Centre (BPAC), and Burlington Economic Development and Tourism).
- Most user rates and fees are projected to rise by 3.0% annually, depending on market conditions.

Efficiencies

As part of the annual budget development process, members of the City's Executive Leadership Team (XLT) identify efficiencies and establish clear priorities to find savings, avoid unnecessary costs, and make the most of available resources. This involves systematically reviewing operations, programs, and expenditures to pinpoint areas where processes can be streamlined, resources better allocated, or duplicative efforts reduced. At the same time, prioritization ensures that limited funds are directed toward the highest-impact initiatives—those that align most closely with the City's strategy and organizational goals and deliver the greatest value to the community. By combining efficiency improvements with strategic prioritization, the City can strengthen financial stewardship, support critical services, and position itself for long-term sustainability without compromising core outcomes.

2. Corporate Expenditures/Revenues

Provisions to Reserve Funds

Reserves and reserve funds when used in conjunction with debt policies are a critical component of a municipality's long-term financial plan and financial health, as highlighted in the BMA Management Consulting Inc. (BMA) financial condition assessment (Report F-19-23, May 2023).

Reserves and reserve funds provide tax rate and cash flow stability when the City is faced with unforeseen or uncontrollable events. It ensures cash flows are sustained and allows for internal financing for temporary or one-time expenditures. Furthermore, these funds provide the City flexibility to manage debt levels and allows for planning future liabilities.

BMA placed the following indicators in a Caution status:

- Stabilization Reserve Funds are below target policy levels.

  The target balance for the consolidated stabilization reserve funds (excluding Building Permit Stabilization Reserve Fund) is set at 10%-15% of the city's own source revenues. As of March 31, 2025, the consolidated balance of these reserve funds is below target at 7.1%.

- Capital Reserve Funds are also below target policy levels.

  A consolidated target for capital reserve funds should be a minimum balance of 2% of the total asset replacement value. Based on the city's updated 2025 total asset replacement value of $7.15 billion, this equates to $143 million. As of March 31, 2025, the City's uncommitted consolidated year-end balance in capital reserve funds is approximately $23.0 million, well below the intended target.

- Corporate Reserves and Reserve Funds require a sufficient budget allocation.

  These reserves and reserve funds are used to manage costs that will be transferred to future generations, as the City incurs liabilities that do not have to be paid immediately. Reserves and reserve funds in this category include Employee Accident (self-insured WSIB), Benefits and Insurance costs. Contributions to these reserve funds should take into consideration the liability associated with these funds. A sufficient budget allocation is required to fund in-year WSIB costs and post-employment benefits so that the Employee Accident Reserve Fund and Benefits Reserve Fund can eventually be replenished to cover the future liabilities.

The Finance Department is currently undertaking a comprehensive review of the City's reserve funds to ensure they are appropriately structured, adequately funded, and aligned with the City's financial policies and long-term goals. This review includes evaluating the purpose, usage, and target balances of each reserve to confirm they meet current and future needs—such as funding capital projects, managing risk, and responding to unforeseen events. By analyzing reserve levels and usage trends, the department aims to improve transparency, support financial stability, and ensure that reserve funds continue to serve as a strong foundation for responsible fiscal management. The results of this review will be presented to Council this fall.

Debt/ Debt Charges

The Multi-Year Forecast reflects *Responsible Debt Management* as the budget adheres to the city's debt policy limits while using debt in the most effective manner as per the city’s long-term financial plan. The city’s debt policy limits the total debt charges as a percentage of net revenues to 12.5% (provincial legislated limit is 25%). As of March 2025, the City’s total debt charges as a percentage of own source revenue is estimated to be 8.56%.

The city’s debt policy contains an allowance to temporarily exceed the 12.5% to a maximum of 15% for no more than three (3) consecutive years. The corresponding recovery from the overage should also be sustained for a minimum of three years. The city’s current debt limit is within the parameters as defined by the policy.

Staff continue to monitor the interest rate environment and regularly review debt modelling to adjust for current and forecasted impacts of interest rate changes. Increased interest rates reduce available debt capacity and result in higher debt financing costs to the City. The budget for tax supported debt charges will need to be increased to reflect the increase in financing costs associated with forecasted debenture issuances related to the city’s capital program. As the interest rate market is changing, estimated impacts are based on projected rates at time of issuance and are subject to change.

The “Impacts of New Infrastructure” section of the simulation includes increases in tax supported debt charges of $300,000 in 2026 to accommodate the remaining required debt to be issued for the first phase of the Robert Bateman Community Centre project. An additional $750,000 in each of 2027 and 2028 has been included to support phase 2 of this project.

Corporate Revenues

The Bank of Canada (BoC) has continued its monetary easing during Q1 of 2025, reducing the overnight rate to 2.75% in March 2025. This marks a cumulative 2.25% reduction since June 2024, when the rate stood at 5.00%. The BoC attributed its decision to ongoing economic uncertainty and the impact of U.S. tariffs on Canadian exports.

In this evolving environment, the BoC has emphasized that future interest rate decisions will be guided by ongoing assessments of inflation trends, economic growth, and global trade dynamics. While further rate reductions are anticipated, the timing and extent will depend on economic conditions.

Despite these challenges, the recent period of elevated interest rates has allowed City staff to secure strong yields on long-term bond investments, locking in attractive rates before the broader market decline. However, reinvestment risk remains a key consideration, as maturing positions and new funds may need to be allocated at lower interest rates going forward.

Staff continue to manage the City’s investment portfolio prudently, aligning investment decisions with both economic conditions and the City's Investment Policy objectives. The strategy remains focused on preserving capital, generating stable income, and ensuring sufficient liquidity to meet operational needs. Staff will monitor economic and financial developments closely and adjust as necessary to support the long-term financial health of the City.

The forecast includes:

- An additional resource to provide enhanced financial oversight and support to actively manage the City's investments, financial risk and maximize investment returns. The cost of this new resource is anticipated to be offset with additional investment returns.
- A further increase in investment income of $50,000 per year starting in 2027.

3. Assessment Growth

An important consideration in the preparation of the budget is estimating the rate of growth expected in the community which affects both revenues and expenses in the capital and operating budgets.

Growth in the community will result in incremental tax revenues from assessment growth. It also drives the requirement to expand services and infrastructure such as roadways, parkland and facilities to a growing community.

The 2026 forecast includes assessment growth at 0.75%. This provides approximately $1,985,000 of additional revenue to offset inflation and growth-related costs in the base budget. The assessment growth of 0.75% reflects increased assessment from new construction offset by reductions to assessment resulting from appeals based on Assessment Review Board (ARB) decisions and Requests for Reconsideration.

Over the past 5 years, net assessment growth has ranged from a high of 1.02% to a low of 0.34% for an average of 0.66%. Assessment growth is forecasted at 0.75% for 2026 increasing to 1.00% from 2027 – 2030.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual					Forecast				
Net Assessment Growth	0.34%	0.45%	0.60%	1.02%	0.89%	0.75%	1.00%	1.00%	1.00%	1.00%
Average	0.66%					0.95%				

These estimates are based on an analysis of future development projections including an allowance for assessment appeals. This growth can be difficult to forecast as it is dependent upon new properties being added to the assessment roll by the Municipal Property Assessment Corporation (MPAC).

Finance staff will work closely with MPAC and should assessment growth assumptions change they will be incorporated in the 2026 Proposed Budget and adjusted in future updates to the simulation.

4. Operating Impacts of New Infrastructure

Additional investments in new and enhanced community assets have been approved which will result in additional operating expenses. These items will impact the 2026 and future budgets and include:

- Increased software maintenance costs as well as ongoing resourcing to operationalize Information Technology capital projects which support Building a 21st Century Workforce (2026-2030)
- Expansion of Transit Service – the phasing in over 2026 and 2027 of operating expenses for four conventional and one specialized bus purchased in the 2025 budget. This aligns to the objectives of the Transit 5-year business plan.
- Additional tax supported debt charges as outlined earlier in the Debt/ Debt Charges section of this report (2026-2028) related to the Bateman Community Centre (phases 1 and 2).
- Additional maintenance costs associated with the formal assumption of the Alton West community.
- Various other operating impacts from a variety of smaller capital projects

5. Operational and Financial Sustainability

Council has endorsed a multi-year approach to provide $100,000 of continued incremental investment in recreational facility preventative maintenance. This investment is included in the 2026 forecast and 2027 of the simulation.

6. Provision to Infrastructure

2025 Corporate Asset Management Plan (PWS-30-25)

The 2025 Corporate Asset Management Plan is included on this same agenda. This report provides a strategic framework for managing Burlington's infrastructure to ensure safe, reliable, and cost-effective service delivery for current and future residents. This report recommends that the dedicated infrastructure renewal levy of 2.0% be maintained in the 2026 budget.

During 2026, the City will complete a Long-Term Financial Plan to holistically review and consolidate all funding requirements across the corporation with all financial resources, including debt financing capacities. The results of this plan will inform any future adjustments which may be required to the infrastructure levy after 2026.

Multi-Year Community Investment Plan (F-24-24)

The Multi-Year Community Investment Plan (MYCIP) which outlined a financing plan for proposed multi-year community investment opportunities. The MYCIP identified capital infrastructure requirements related to master plans completed to date such as the Parks Provisioning Master Plan, Integrated Mobility Plan, Fire Master Plan as well as land requirements and future facility needed to support some of these infrastructure developments and the development of complete communities over the next 25 years.

Based on the forecasted timing capital investments requiring this funding, the annual incremental increase to the base funding can be reduced to $250,000 for 2026. This value is increased to $750,000 for 2027 and $1 million for 2028-2030.

7. Key Investments

Key Investments are proposed variations in the budgeted expenditures or revenues for which separate budget disclosure is warranted. These priorities identified in the simulation are classified within two categories.

A. Sustaining City Operations, Financial Oversight and Risk Mitigation

The simulation includes several initiatives that serve to bring City operations and asset maintenance to recommended service levels, improve operational and financial oversight and reduce risk. For 2026 these include:

- Improved investments in Forestry Service to close current service level gaps in accordance with the Urban Forestry Master Plan recommendations.
- Additional Planning resource resulting from the City's new accountabilities under Bill 185 which removed planning responsibilities from Halton Region. This resource would support natural heritage matters during development review.
- Enhanced financial oversight and support to actively manage the City's investments, financial risk and maximize investment returns.
- Additional Transit mechanic resource to support repairs and preventative maintenance activities on the expanded transit fleet. This will mitigate the risk of service disruptions and improve customer experience.
- Enhanced support to mitigate the risk of the on-going threat of cyber security attacks.

- Enhanced funding to the Burlington Public Library to support additional costs related to the New Appleby Branch and stabilize operational expenses.

B. Enhancing Services

The simulation includes several items to enhance current service levels. For 2026, these items include:

- Additional waste management services within parks. This creates a positive customer experience and promotes the use of our outdoor recreational amenities.
- The conversion of staffing resources in the Roads, Parks and Forestry services to enhance drainage operations.
- Service level improvements to the Windrow Removal Program.
- Additional funding to support public engagement opportunities.

The city continues to make investments in our capital program which will enhance our ability to provide needed services within our community. Some examples in 2026 include:

- Continued phased funding to support an expansion of the Transit Operations Centre to facilitate the growth of the Transit program that has occurred over the past number of years and is forecasted to continue in the future.
- Investment in new Active Transportation facilities, aligned with our Integrated Mobility Plan.
- Continued investment in the revitalization of our aging recreation facilities to enhance customer experience, improve accessibility and address new infrastructure requirements.

8. Allowance for Unknown Factors

As with all forecasts, it is imperative to recognize that there are unknown factors that will likely occur in the future that could impact the model. To address these unpredictable factors, an amount of $100,000 has been included in the 2027 forecast, increasing by $100,000 per year. This allowance has been included to recognize that factors in the simulation such as future efficiency savings and assessment growth can be increasingly difficult to predict the further out into the future they are.

Multi-Year Budget Simulation ($ Thousands)

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	Description	Forecast 2026	2027	2028	2029	2030
	City Tax Levy	**$ 264,724**	**$ 282,190**	**$ 301,456**	**$ 321,549**	**$ 341,639**
1 & 2	**Maintaining Service Levels (Base Budget)**	**$ 9,338**	**$ 9,071**	**$ 9,431**	**$ 9,806**	**$ 10,197**
3	**% Assessment Growth**	**0.75%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**
4	**Operating Impacts of New Infrastructure**					
	Software Maintenance Costs and Enhancements to Systems	$ 482	$ 295	$ 319	$ 342	$ 348
	New Asset Maintenance from the Capital Program	$ -	$ 150	$ 194	$ 180	$ 180
	Operating impact of Community Growth	$ 276	$ 560	$ 560	$ 560	$ 747
	Bateman Operating Costs and Debt Charges	$ 300	$ 750	$ 1,023	$ 273	$ -
	Expansion of Transit Service	$ 554	$ 554	$ -	$ -	$ -
5	**Operational and Financial Sustainability**					
	Maintaining Recreational Assets (Preventative Maintenance)	$ 100	$ 100	$ -	$ -	$ -
6	**Provision to Infrastructure**					
	Infrastructure Renewal Levy	$ 5,287	$ 5,644	$ 6,029	$ 6,431	$ 6,833
	Multiyear Community Investment Plan Funding	$ 250	$ 750	$ 1,000	$ 1,000	$ 1,000
	Additional Base Budget Items	**$ 7,249**	**$ 9,363**	**$ 9,685**	**$ 9,346**	**$ 9,854**
	Key Investments					
7a	Sustaining City Operations, Financial Oversight and Risk Mitigation	$ 207	$ 389	$ 485	$ 246	$ 175
7b	Enhancing Services	$ 673	$ 342	$ 292	$ 393	$ 401
	Total Key Investments	**$ 880**	**$ 731**	**$ 777**	**$ 638**	**$ 576**
8	**Allowance for Unknown Factors**		**$ 100**	**$ 200**	**$ 300**	**$ 400**
	Total Net Taxes	**$ 282,190**	**$ 301,456**	**$ 321,549**	**$ 341,639**	**$ 362,666**
	City Budget Increase (%)	**5.80%**	**5.77%**	**5.61%**	**5.20%**	**5.10%**
	City Share of Overall Property Tax Increase (%)	**2.98%**	**3.00%**	**2.96%**	**2.78%**	**2.77%**
	Overall Property Tax Increase (including Region and Education) (%)	**3.97%**	**3.99%**	**3.95%**	**3.77%**	**3.75%**

Regional tax increase estimated at 3.0% in 2026 - 2030

Overall Property Tax Increase (including Region and Education) (%)	**4.40%**	**4.32%**	**4.11%**	**3.89%**	**3.87%**

Regional tax increase estimated at 4.3% in 2026, 4.0% in 2027, 3.5% in 2028 and 3.4% thereafter