

Background Report

Presented By: Jim Bundschuh, Director of Corporate Services
Meeting Date: September 22, 2025
Subject: 2026 Business Plan - Recommendations to Mayor.docx
Attachment(s): None

Report Summary

The 2026 Business Plan will be presented to Council during full day sessions on November 12 and November 26, 2025. The materials for these sessions will be published for review on October 23. In advance of this, there are two specific areas where direction is being sought, and approval requested by the Mayor.

Background/Analysis

The 2025 Business Plan incorporated the first ten-year Operating Plan, following the development of a ten-year Capital Plan in the 2024 Business Plan. As in previous years, the Business Plan will be presented to Council and will detail Major Initiatives and Division Highlights to outline upcoming changes and ongoing work. The associated impact on taxation will also be included in the Business Plan presentation.

Separate reports outlining the Business Plan's implications for both the Police Department, Fire Services and the Town's debt will also be presented on September 22, 2025.

Highlights

A significant factor for Council to consider on the tax rate is the impact of the growth rate. Historically, an estimated growth figure is published for the November Business Plan meetings and then updated to the final MPAC assessment growth values for the December final budget presentation. This methodology adds a great deal of uncertainty into the budget deliberations in November, complicating the decisions that Council must make. Additionally, rates can potentially differ significantly from year to year, creating uncertainty in the budgeting and tax setting process.

For the November 2025 meetings, the 2024 growth rate will be used as the final 2025 grow rate is unknown at that time. This past practice has worked well as the Town has historically seen healthy growth rates of 2-3%. However, it should be noted that growth appears to have slowed this year and could potentially be as low as 1%.

Using a five-year average growth rate for the upcoming budget deliberations eliminates this uncertainty, thereby allowing Council to focus on more important aspects of the budget decision making process. This not only eliminates the uncertainty going into budget deliberations but also smooths out the impact of changes in growth on taxation which improves the planning process. It is therefore recommended that the Council recommend to the Mayor, that direction be provided to staff to use this five-year average growth rate methodology for the preparation of the 2026 tax calculations.

It is recommended to the Mayor that staff be directed to use a five-year average methodology for the assessment growth rate Annual Tax Calculations.

Budget Pre-Approval

Pre-Approval of select capital projects allows for early tendering of work for the purpose of achieving competitive bids and allowing work to commence early in the year. Annually, staff bring forward a report in September, outlining the priority items for Council consideration of pre-budget approval. Pre-approval requests are as follows:

1. Multi-Use Roll Off Truck (330-87769) - \$440,000

As part 2025 Business Plan, funds were allocated for the replacement of the cab and chassis for the existing Public Works water truck. Additional funds have been allocated towards this in the 2026 Business Plan, to alter the purchase to a new Multi-Use Roll Off Truck. Staff have been unsuccessful at sourcing a suitable used cab and chassis to receive the existing tank as originally planned. Compared to a stand-alone water truck, this unit will offer much more use and flexibility for the Public Works department, having the option of an interchangeable water tank, dump box, flatbed and backup plow truck. Essentially combining two existing trucks into one. It should also be noted that a slip-in water tank was purchased earlier this year to retrofit another fleet unit; however, the acquisition of this proposed unit is necessary to ensure the Public Works Department retains two fully operational water trucks. This purchase is contained in the overall Fleet Business Plan approved by Council during the 2025 budget deliberations. Pre-budget approval is requested as the typical delivery time is up to 18 months.

2. High Street Downtown Southampton Phase 2 (320-86846) - \$1,665,907

This report recommends the pre-approval and early award of Phase 2 of the High Street Reconstruction Project (2026), from west of Grosvenor Street to Dominion Lookout Point to MacDonnell Excavating Ltd., the lowest compliant bidder, at \$1,665,907 (excluding HST). MacDonnell, currently delivering Phase 1 (2025) to a satisfactory standard, was selected to maintain project continuity, ensure quality, and minimize disruption. Early approval in fall 2025 will allow procurement and scheduling to begin promptly, enabling construction from late 2025 to spring 2026. This pre-approval will reduce impacts during the peak tourism season and support the efficient delivery of other major upcoming infrastructure projects in Southampton.

3. Adelaide Street – Lambert to Huron Water Replacement (320-86809) - \$500,000

Approved in the 2025 budget for \$679,236.00, pre-budget approval is requested for an additional \$500,000 in 2026 to replace both the watermain and sewer main. The initial estimate only included drainage improvements and road work. A 2025 CCTV inspection

recommended sanitary main replacement, and Public Works further advised replacing the watermain located close to it to avoid future disruptions.

4. CCTV of Sanitary Sewer (300-86907) - \$200,000

This multi-year project, which began in 2024 and will continue through 2026, collects sanitary sewer condition data via CCTV inspections. Pre-budget approval is requested to allow for early award of the 2026 program to allow inspections to be completed in the spring of 2026. The data will inform the Town's long-term planning, enabling updates to the 10-Year Capital Plan and integration of sewer condition data into the Asset Optimizer system.

5. Highway 21 Resurfacing, Southampton (320-87768) - \$500,000

Pre-budget approval is requested for an additional \$500,000 in 2026 within the Connecting Links grant project to support repairs to the watermain feed for the Saugeen First Nation water tank. While the grant will not cover watermain repairs, Public Works and OCWA strongly recommend replacing all watermain valves from the Saugeen River Bridge to Craig Street during the resurfacing work to ensure system reliability and reduce the risk of future service disruptions. This pre-approval will reduce impacts during the peak tourism season and support the efficient delivery of major upcoming infrastructure projects in Southampton.

6. Waste Management Master Plan (450-65405) - \$75,000

The existing Waste Management Master Plan (WMMP) was complete in 2020 and will require an update in 2026. Pre-budget approval is requested to allow this RFP to be awarded before the end of the calendar year to support completion by the end of Q2/early Q3. The WMMP will support Source Separated Organics and Garbage contract services in 2027.

7. Port Elgin Medical Clinic Rooftop Unit Replacement (515-86528) - \$50,000

Unit 1 at Dr. Eral's Health Care has been shut down due to a cracked heat exchanger and a failed economizer. The gas supply has been turned off, and the unit is officially out of service.

We are currently maintaining heating in the affected area using electric forced duct heaters. These heaters are set to operate only when the unit calls for heat. However, they will not be sufficient to meet the demands of winter. Unit 1 is responsible for heating the entire northeast section of the building. Replacement parts are valued at close to 40 percent of the cost of a new unit. Considering the age of the equipment and the high repair cost, we recommend moving forward with a full unit replacement this fall. To fund this request, staff are also seeking pre-budget approval to shift rooftop unit replacements at this facility ahead two (2) years within the ten (10) year capital forecast, from 2029 (\$50,000) and 2030 (\$50,000) to 2026 and 2027.

8. Community Services Operators Tablets (125-86366) - \$5,000

Identified as a "just do it" experiment through Our Facilities Mapping LEAN exercise, staff identified that the digitization of work resources has led to a lag in access for operators in the field. Purchasing tablets dedicated to each Community Services Operator 1 will improve access to inspections, service requests, document sharing, Work Orders and

communications in the field. Tablets provide field operators with instant access to critical information, including real-time access to inspection forms, work orders, and service requests. Transitioning from paper or small format screen to tablet scale significantly reduces the risk of human error. During the LEAN exercise, operators identified that small format phone screens don't display some crucial information, and that contributing to forms and files is challenging on the smaller form factor. Data can be entered more easily in the field on a tablet, improving consistency and legibility. Beyond day-to-day operations, the use of tablets will improve digital records management.

9. Bluewater Lands Affordable Housing/Parkland Development (810-65430) - \$250,000

This project is a combination affordable housing/parkland development on the Town-owned lands within the Bluewater subdivision. Using Town-owned land, the Town is able to create attractive affordable housing opportunities for moderate- and low-income households, which is not adequately provided by the market alone. It is a multi-year project with approvals targeted in 2026 and construction in 2027. In addition to the \$250,000 in 2026, the business plan will include a further \$250,000 in 2027.

It is recommended to the Mayor that a pre-budget request \$3,485,907 of the 2026 Capital Budget be adopted.

Linkages

- Strategic Plan Alignment: Pillar 3: Building Valued Relationships
- Business Plan Alignment: Corporate Services Division Highlight

Financial Impacts/Source of Funding

Costs associated with these pre-budget approval requests are consistent with the 2026 funding levels included in the 2025 Business Plan.

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