

2026
SUPPLEMENTARY
BUDGET
INFORMATION



SARNIA
ONTARIO



2026 SUPPLEMENTARY BUDGET INFORMATION

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**CITY CLERK'S DEPARTMENT
OPEN SESSION REPORT**

TO: Mayor and members of Council
FROM: Amy Burkhart, City Clerk
DATE: November 10, 2025
SUBJECT: 2026 Budget Process

Recommendation

For Council's Information

Background and Comments

Under section 284.16 of the *Municipal Act, 2001*, S.O. 2001, c. 25 ("the Act"), the powers and duties of a municipality with respect to proposing and adopting a budget are assigned to the Mayor.

To commence the 2026 budget process, the Mayor issued Mayoral Direction Number DR-2025-01 on July 22, 2025 directing the Chief Administrative Officer and Treasurer to:

- *Prepare a budget including estimates of all sums required for the 2026 fiscal year for the purposes of the municipality, and provide a copy to the Office of the Mayor by September 26, 2025 for review.*

On November 3, 2025, the Mayor issued Mayoral Direction Number DR-2025-02 directing the Chief Administrative Officer and Treasurer to:

- *Modify the draft budget prepared by staff in accordance with Mayoral Direction number DR-2025-01 as follows:*
 - *Remove the Police Facility financing costs in the amount of \$5.7 million from the 2026 Proposed Budget;*
 - *Move the Bright's Grove Library contribution to the unfunded capital list; and*
 - *Revise the 2026 Proposed Operating Budget to reduce the general levy increase from 13.47 percent to approximately 3.34 percent.*
- *Provide a copy of the modified draft budget to the Office of the Mayor by November 10, 2025.*

Mayoral Decision Number DC-2025-11 established dates for the Public Input and Grant Session (November 17, 2025) and the Budget Deliberations Meeting

(November 25, 2025).

On November 10, 2025, via Mayoral Decision Number DC-2025-14, the Mayor formally proposed the 2026 Budget.

Section 284.16 of the Act and Ontario Regulation 530/22 set out the processes and timelines associated with budget amendments, vetoes, and veto-overrides.

BUDGET DELIBERATIONS MEETING/AMENDING THE BUDGET

Within 30 days after receiving the proposed budget, Council may pass resolutions to amend the proposed budget. The prescribed deadline for amending the proposed budget is December 10, 2025.

The Budget Deliberations meeting is scheduled for November 25, 2025 at 9a.m.

At the conclusion of the Budget Deliberations meeting, after all amendments have been made, it is recommended that Council adopt a resolution to shorten the 30-day timeline to amend the proposed budget. This will accelerate the deemed adoption of the budget, and will allow the prescribed time periods for vetoes and veto overrides to expire and/or be enacted before the City's holiday closure.

If Council does not wish to shorten the 30-day timeline to amend the proposed budget, then Council should be prepared to call another meeting for the purpose of considering further amendments to the budget.

The process for the budget deliberations meeting will follow the same process as the past budget cycles. Council will be guided through the proposed budget and may introduce motions to amend the proposed budget.

A motion to approve the overall budget is no longer required due to the deemed adoption provisions contained within the Act.

Unfunded items and items that were referred to the 2026 Budget by Council will be itemized in a separate report and presented to Council for consideration at the Budget Deliberations meeting. Members may make motions to add unfunded items to the budget.

POLICE BUDGET

The Community Safety and Policing Act sets out the process by which budget estimates are provided by the Sarnia Police Service Board to the municipality for review and approval.

The municipality does not have the authority to approve or disapprove specific items in the estimates, but the municipality does have the authority to establish an overall police budget.

VETO POWER

The Mayor may veto a resolution passed by Council within 10 days after the expiry of the timeline for Council to pass resolutions.

The veto must be provided in writing to the Clerk and Members of Council and outline a reason for the veto.

The 10-day timeline for the Mayor to veto amendments to the proposed budget may be shortened by the Mayor by providing the Clerk and all Members of Council a written document identifying the shorter period.

If the Mayor vetoes a resolution passed by Council, the resolution shall be deemed not to have been passed by Council.

If the Mayor does not veto a resolution within the timeline, the budget shall be deemed to be adopted by the municipality.

OVERRIDE OF VETO

Council may override a veto if two-thirds of the total number of members of Council vote in favour of overriding a veto within 15 days after the expiry of the timeline for the Mayor to veto a resolution (6 votes to override).

The 15-day timeline for Council to override a veto on budget amendments may be shortened via a Council resolution.

If an override vote carries, the resolution to amend the budget shall be deemed to be passed by Council.

After the expiry of the timeline for Council to override a veto, the budget is deemed to be adopted by the municipality.

Consultation

None.

Financial Implications

There are no financial implications resulting from this report.

Prepared by:

Amy Burkhart
City Clerk

Approved by:

Chris Carter
Chief Administrative Officer

Attachments:

- none

CORPORATE SERVICES DIVISION
OPEN SESSION REPORT

TO: Mayor and members of Council

FROM: Kristen McGill, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: November 25, 2025

SUBJECT: Ontario Regulation 284/09 – 2026 Budget Report

Recommendation

It is recommended:

That Sarnia City Council receive and approve this report in compliance with Ontario Regulation 284/09 passed under the *Municipal Act, 2001*.

Background

Municipalities are required to prepare annual financial statements in accordance with the Public Sector Accounting Board (PSAB) standards, using the full accrual method of accounting. Municipalities are not required to use the accrual method for the annual budget preparation and may use a modified accrual approach by excluding certain non-cash items in their budget.

Ontario Regulation 284/09 states that in preparing the annual budget the municipality may exclude from estimated expenses all or a portion of the following:

1. Amortization Expenses
2. Post-employment benefit expenses
3. Solid waste landfill closure and post closure expenses.

The regulation also states that, prior to adopting a budget for the year that excludes any of the expenses listed above, the municipality shall:

- a) Prepare a report about the excluded expenses
- b) Adopt the report by resolution

The report must contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality to the end of the year resulting from the exclusion of any of the excluded expenses
2. An analysis of the estimated impact on the exclusion of any of the expenses on the future tangible capital assets funding requirement of the municipality

Comments

AMORTIZATION EXPENSES

While the City does not include amortization expenses in the operating budget, estimated at \$23,850,131, transfers from operating to reserves are included to fund capital asset renovation, improvements, and purchases. Although amortization is intended to expense the annual cost of asset use over time, incorporating it into the operating budget to fund future replacement is not an effective method in determining appropriate funding levels. This is because amortization:

- Excludes fully amortized assets that may still be in use,
- Is based on historical costs rather than current or future replacement values, and
- Does not include new assets due to growth and other initiatives.

POST-EMPLOYMENT BENEFITS

The 2026 budget includes estimated amounts required for post employment benefits for retirees, and fire sick leave retirement payments. The full amount of the post employment liabilities, valued at \$24,334,600 as of the end of 2024, are determined by actuarial valuations and is not included in the annual budget. For the 2026 budget year \$784,082 is included for post employment benefits.

SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE EXPENSES

The accounting standard related to the solid waste landfill closure and post-closure expenses, PS 3270, has been withdrawn. These asset costs are now included in the asset retirement obligation standard, PS 3280. Ontario Regulation 284/09 has not yet been updated to reflect this change in accounting standards.

The City's financial statements no longer include solid waste landfill closure costs, but does include asset retirement obligations, and resulting amortization and accretion expenses. These expenses recognize the legal obligations associated with the retirement of a tangible capital asset and are not included in the annual operating budgets.

The estimated cost of the change in this liability, as included on the most recent 2024 financial statements, is \$129,175.

ESTIMATED CHANGE IN ANNUAL SURPLUS

The estimated change in 2026 budget's annual surplus, resulting from the exclusion of the above-noted expenses, is calculated below. The exclusion amounts are based on figures from the most recent approved 2024 Audited Financial Statements.

Category	Amount
2026 Draft Budgeted Revenues	
Operating Revenues	\$195,471,259
Capital Plan Funding	\$59,861,407
Less: Transfer from Other Funds (Operating)	(\$8,667,655)
Less: Transfer from Other Funds (Capital Reserves)	(\$30,018,377)
Less: Proceeds on Long-Term Debt Issue	\$0
Total Revenues	\$216,646,634
2026 Draft Budgeted Expenses	
Operating Expenses	\$195,471,259
Capital Plan Expenses	\$59,861,407
Less: Transfer to Other Funds (Operating less WSIB)	(\$29,424,458)
Less: Tangible Capital Assets (TCAs)	(\$59,861,407)
Less: Debt Principal Payments	(\$81,409)
Total Expenses	(\$165,965,392)
Annual Surplus(Before Exclusions)	\$50,681,242
Exclusions from 2026 Draft Budget	
Less: Amortization of TCAs	(\$23,850,131)
Less: Asset Retirement Obligations	(\$129,175)
Less: Post -employment benefits	-
Total Exclusions	(\$23,979,306)
Annual Surplus (After Exclusions)	\$26,701,936

Including amortization and asset retirement obligation expenses in the annual operating budget would increase the tax levy by an estimated \$18,730,185, representing a 20.85 per cent increase for tax-supported assets. Additionally, water and sewer rates would need to be increased by approximately \$5,249,121 to account for amortization expenses related to water distribution, sanitary, and storm sewer assets.

According to the *Corporate Asset Management Plan – 2025*, the City of Sarnia has a total estimated asset replacement value of \$4.6 billion, with a target annual re-investment rate of \$83.3 million. Increasing the operating budget by the amortization amounts noted above would not be sufficient in meeting the City's annual asset replacement requirements.

The draft 2026 budget includes \$21,529,288 in transfers to capital reserves. While this is a significant investment, it is not sufficient to meet or maintain the annual target re-investment rate outline in the capital asset management plan. Additional financial strategies will be required to ensure future budgets include appropriate levels of funding to meet the current asset management re-investment levels.

Consultation

No consultation was required in the preparation of this report.

Financial Implications

Discussed within report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Michelle Leung, Financial Analyst and reviewed by Kristen McGill, City Treasurer.

Attachments:

- none

**CORPORATE SERVICES DIVISION
OPEN SESSION REPORT**

TO: Mayor and members of Council

FROM: Kristen McGill, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: November 25, 2025

SUBJECT: 2026 Proposed Operating Budget

Recommendation

It is recommended:

That Sarnia City Council approve the 2026 Proposed Operating Budget as presented.

Executive Summary**PROPERTY TAX AND USER RATES**

Property tax is collected through both the general levy and the transit special area levy, while the water and sewer systems are funded through user rates based on meter size and usage. Tax rates are set by using the approved budget along with assessment information and tax policy set by the County.

The 2026 Proposed Budget includes the following changes to taxation and user rates:

- Total Taxation: An increase of 3.34 per cent or \$2,999,292, including:
 - **General Operating:** -0.01 per cent or \$(5,199)
 - **Police Services:** 3.35 per cent or \$3,004,491
 - **Transit:** 6.13 per cent or \$325,934
- User Rates: A total increase of 4.96 per cent or \$2,360,389, including:
 - **Water:** 3.65 per cent or \$772,904
 - **Sewer:** 6.01 per cent or \$1,587,485

This report highlights the key budget change drivers for each of these areas.

WATER AND SEWER RATES

The proposed 2026 water consumption rate is \$0.9938 per cubic meter, an increase of \$0.0880 per cubic meter or 9.71 per cent from 2025, as well as a sewer surcharge of 134.01 per cent, an increase from 131.13 per cent in 2025.

The report also details the proposed changes to fixed water distribution rates by meter size.

PROPOSED OPERATING BUDGET

The 2026 Proposed Operating Budget includes \$195,471,259 in expenditures to operate the City, representing a year-over-year increase of 6.09 per cent.

Please note that any prior Council-approved commitments that do not fall within the 2026 budget year have been excluded from all documentation. One example of this case is the approval of the Sarnia Chris Hadfield Airport Municipal Services Corporation that occurred during the June 23, 2025, regular meeting. Council can expect to see expenses for the Municipal Services Corporation beginning in the 2027 budget.

Individual departmental budget sheets are included in this package, with each sheet detailing:

- 2024 Actuals
- 2024 Approved Budget
- 2025 Forecasted Results (as of June 30, 2025)
- 2026 Proposed Changes.

Each sheet also includes a percentage change between the 2026 Proposed Budget and the prior year's approved budget. All these inclusions combined form the 2026 Proposed Operating Budget.

The Police Service budget was presented at its [June 26, 2025 Sarnia Police Service Board meeting](#) and all figures are derived from the documents included in the above-noted meeting.

POLICE SERVICES BUDGET

The Sarnia Police Services presented their 2026 Proposed Budget at the June 26, 2025, Sarnia Police Service Board meeting where it was approved by the Board. Their budget came in at 6.5 per cent or a \$2,363,824 increase. The reversal of 2025 City-provided mitigation of \$640,667 has brought the Police budget to an increase of 8.41 per cent or \$3,004,491.

Note: It is the responsibility of the Board to propose the police budget. City Council may approve or reject it, however if Council rejects the proposed budget, the Board has the ability under the Police Services Act to appeal to the Ontario Civilian Police Commission for final determination.

MITIGATION EFFORTS TO MANAGE TAX INCREASES

The City's approach to preparing the 2026 Proposed Budget was to provide adequate service requirements while mitigating the budget pressures that

would cause extremely high increases to the general levy. The pressures of the world economic climate and the ongoing price increases are some of these challenges putting pressure on the current budgets and concerns for future budgets.

To reduce pressure on the general levy, the City has implemented the following mitigation measures, resulting in a 9.22 per cent reduction:

- \$5,260,991 transferred from various reserves, including WSIB (6220), Self Insurance (6225), Façade Improvement (6230), Tax Stabilization (6580), Operating Contingency (6581), and Pedestrian Safety (6660)
- \$3,020,708 reduction in transfers to Capital Infrastructure (6615)*

** This reduction required the removal of several capital projects.*

2025 PROJECTED CONTINGENCY RESERVE BALANCE

Based on the forecasted Quarter 3, 2025 deficit of \$5,231,618, the Operating Contingency Reserve (6581) is projected to end 2025 with a negative balance of \$(5,058,842).

To mitigate this shortfall, a transfer to reserves under Corporate Municipal (2490) has been reallocated from Capital Infrastructure (6615) to Operating Contingency (6581). This adjustment has reduced the amount of capital project funding availability for 2026 and future years.

In addition, the Operating Contingency (6581) is forecasted to be fully depleted (\$0) by the end of 2026. This is extremely dangerous for the City's financial stability, and strategies to restore this reserve should be prioritized.

Background

The Operating Budget represents the cost to operate and maintain municipal services. It includes the day-to-day expenditures, including salaries, benefits, utilities, materials, and supplies, as well as contributions to reserves to plan for future infrastructure needs. Such costs are recovered through a combination of taxation, user charges and grants.

The Operating Budget consists of the following budgets:

- General Municipal
- Police Services
- Transit
- Water
- Sewer

Comments

Documents included in the 2026 Proposed Operating and Reserves Budget book relating to the Operating Budget include:

1. 2026 Proposed Operating Budget Summary: Taxation, Rates, Expenditures & Revenues, including a summary of Water & Sewer Rates and Budgets
2. 2026 Proposed Operating Budget Summary – By Department
3. Total Full-Time Equivalent (FTE) Summary
4. 2026 Proposed Operating Budget Detail

1. 2026 PROPOSED OPERATING BUDGET SUMMARY: TAXATION, RATES, EXPENDITURES & REVENUES

The following is a summary of the amounts required to be raised through taxation and water and sewer rates to support the 2026 Operating Budgets:

Taxation

Taxation Budget	2025 Approved Budget (\$000)	2026 Proposed Budget (\$000)	Difference (\$000)	Change (%)
Current Operating	54,103	54,098	-5	(0.01)%
Police Services	35,729	38,734	3,005	8.41%
General Taxation	\$89,832	\$92,832	\$2,999	3.34%
Transit	\$5,314	\$5,641	326	6.13%
Total Taxation	\$95,147	\$98,472	\$3,325	3.49%
Growth Impact	525	525	-	0.00%
Total Taxation Revenue	\$95,672	\$98,997	\$3,325	3.48%

Water and Sewer Rates

Water/Sewer Rates Budget	2025 Approved Budget (\$000)	2026 Proposed Budget (\$000)	Difference (\$000)	Change (%)
Water Rates	21,203	21,976	773	3.65%
Sewer Rates	26,429	28,017	1,587	6.01%
Total Rates	\$47,633	\$49,993	\$2,360	4.96%

The growth impact amount reflects anticipated assessment growth. Since 2020, the Province of Ontario has placed a hold on property assessments due to the COVID-19 pandemic, and the timeline to resume those assessments remains unknown.

The Change (%) column represents the percentage increase in the taxation and user rates to fund the 2026 Operating, Police, Transit, Water Rates, and Sewer Rates Budgets. Percentage changes for tax and user rates are impacted by other factors that influence the rate calculation. For taxation, these factors include changes in the assessment base and tax policy implementation issues adopted by the County, such as the setting of tax ratios for the various tax classes. For user rates, these factors include estimated water consumption and the number of meters in the billing system.

Consumer Price Index

The Consumer Price Index (CPI) is widely used as an indicator of the changes in the general level of consumer prices, or the rate of inflation. While the CPI rate has been remaining around two per cent, there remains a lot of instability in the Canadian economy with ongoing trade negotiations and unpredictable tariff impacts.

[Monetary Policy Report – July 2025 - Bank of Canada](#)

[Key inflation indicators and the target range - Bank of Canada](#)

General Levy Change Drivers

The 2026 Proposed Operating Budget, including Police Services, requires an additional \$2,999,292 or 3.34 per cent to be raised through taxation. Each one per cent increase in the 2026 General Tax Levy represents approximately \$898,000 when compared to the Approved 2025 General Tax Levy.

Key Year-over-Year Changes (General Levy)	Amount (\$)	Change (%)
Variances outside of Management's control		
Contractual salary and benefit increases ⁽ⁱ⁾	3,005,057	3.35%
Final Debt Payment	(895,497)	-1.00%
Interest Rate Decrease & Reserve Transfer	1,015,449	1.13%
Subtotal	3,125,009	3.48%
Impacts of prior decisions		
Reversal of one-time operating support for 2025 budget	359,333	4.54%
Reversal of 2025 one-time reduction in contribution to tax stabilization reserve	600,000	0.70%
Reversal of 2025 one-time reduction in contribution to 6615 Capital Infrastructure	4,301,658	4.79%
One-time expense reversals	(109,500)	-0.12%
Subtotal	\$5,151,491	5.74%
General Taxation Subtotal Before Mitigation	\$8,276,500	9.22%

Key Year-over-Year Changes (General Levy)	Amount (\$)	Change (%)
Mitigation		
Transfer from 6220 WSIB Self Insurance Reserve	(2,500,000)	-2.78%
Transfer from 6225 Self Insurance Reserve	(2,159,131)	-2.40%
Transfer from 6230 Façade Improvement Loan Reserve	(30,045)	-0.03%
Transfer from 6580 Tax Stabilization Reserve	(171,387)	-0.19%
Transfer from 6581 Operating Contingency Reserve	(380,428)	-0.42%
Transfer from 6660 Pedestrian Safety Reserve	(20,000)	-0.02%
One-time reduction in contribution to the capital infrastructure reserve	(3,020,708)	-3.36%
Subtotal	(8,281,699)	-9.22%
Proposed General Operating Levy Increase	\$(5,199)	-0.01%
Sarnia Police Services budget ⁽ⁱⁱ⁾	3,004,491	3.35%
Total Proposed General Levy Increase	\$2,999,292	3.34%

- i. This increase is based on contractual increases, progression through wage grids based on tenure within a position, benefit cost increases.
- ii. The Sarnia Police Services budget is governed by The City of Sarnia Police Services Board ("Board"). The Police Service budget was presented at its June 26, 2025, meeting. One-time 2025 mitigation reversal of \$640,667 has been added to City-reported Police impacts. It is the responsibility of the Board to propose the police budget. City Council may approve or reject it, however if Council rejects the proposed budget, the Board has the ability under the Police Services Act to appeal to the Ontario Civilian Police Commission for final determination.

Transit Change Drivers

The Transit Budget provides for the cost to operate and maintain the conventional Transit System, excluding the Care-A-Van System, which is part of the General Operating Budget. Only property owners within the Designated Transit Area are levied taxes to support this budget.

The 2026 Proposed Transit Budget requires an additional \$325,934 to be levied, which is equivalent to a 6.13 per cent increase. Each one per cent increase in the 2026 Proposed Transit Area Budget represents approximately \$53,148 when compared to the Approved 2025 Transit Tax Levy.

Key Year-over-Year Changes (Transit)	Amount (\$)	Change (%)
Salaries & Benefits increase	235,919	4.44%
Insurance	48,880	0.92%
Fare Revenue Decrease	200,000	3.76%
Provincial Gas Tax Operating Contribution Increase	(156,789)	-2.95%
All other items combined	(2,076)	-0.04%
Total Proposed Transit Tax Increase	\$325,934	6.13%

Water & Sewer Change Drivers

The Water Rates Budget provides funding for the City to operate and maintain the water distribution system to allow the water acquired through the Lambton Area Water Supply System (LAWSS) to be provided to municipal ratepayers.

The 2026 Proposed Water Rates Budget provides for \$21,976,278 to be recovered through user rates, representing an increase in the amount to be raised through water billings by \$772,904 or 3.65 per cent when compared to the Approved 2025 Water Budget.

The Sewer Rates Budget provides funding for the City to operate and maintain the municipal sanitary sewage system, including the Sewage Treatment Plant, Bright's Grove Sewage Lagoons, and Storm Sewers. These costs are recovered by charging a Sewer Surcharge on water users that have access to the municipality's sanitary and storm sewer systems.

The 2026 Proposed Sewer Area Budget provides for \$28,016,771 to be recovered through user rates, representing an increase in the amount to be raised through sewer billings by \$1,587,485 or 6.01 per cent when compared to the Approved 2025 Sewer Budget.

Key Year-over-Year Changes (Water/Sewer)	Amount (\$)	Change (%)
Contribution to reserves	945,132	1.98%
Works Centre Operation	423,016	0.89%
Allocated Administration	323,286	0.68%
Salaries & Benefits	333,238	0.70%
LAWSS - City's share of LAWSS Administration, Operating and Capital budgets ⁽ⁱⁱⁱ⁾	87,224	0.18%
Insurance	77,902	0.16%
Equipment Maintenance	55,000	0.12%
Building Maintenance	50,000	0.10%
SCADA Maintenance	50,000	0.10%
Other Changes	15,591	0.03%
Total Proposed Water & Sewer Rate Increase	\$2,360,389	4.96%

- iii. The LAWSS budget is proposed pending approval by the LAWSS Board of Directors. The City of Sarnia's portion of LAWSS costs are based on the City's water flow percentage of the entire LAWSS system.

Water & Sewer Rates

To balance the Water Budget, a total revenue of \$21,976,278 is required. For the Sewer Budget (sanitary & storm), \$28,016,771 is required. The proposed rates are based on the five-year average water usage, as recommended by BMA, and consider the estimated number of meters of each size.

A [water/sewer rate study](#) was completed in 2021 to help guide rate setting decisions for future years. The study identified that, at that time, the City's residential water and sewer rates were 14 per cent below the provincial average, while the commercial and industrial rates were among the lowest in Ontario. To address this matter, the study recommended gradual rate increases over the coming years to slowly bring our rates up to the provincial average. The majority of the rate increases will be targeted on increased capital investment to address our infrastructure backlog.

The water and sewer rates are a combination of fixed and variable components. In recent years, the proportion of costs has been relatively high compared to variable costs. The rate study recommended targeting a 60 per cent fixed and 40 per cent variable rate. As a result, the proposed rate increases are primarily focused on the variable portion, with minimal change to the fixed component.

The following rates are recommended:

Meter Size	Meter Count Estimate	2025 Approved Monthly Distribution Charge	2026 Proposed Monthly Distribution Charge	Change
5/8"	23,196	\$29.35	\$29.35	-
3/4"	2,142	\$37.21	\$36.10	(\$1.12)
1"	349	\$119.49	\$125.47	\$5.97
1 ½"	211	\$239.00	\$250.95	\$11.95
2"	241	\$441.65	\$463.73	\$22.08
3"	41	\$849.97	\$892.47	\$42.50
4"	13	\$1,328.13	\$1,394.54	\$66.41
6"	9	\$2,760.80	\$2,898.84	\$138.04
8"	1	\$5,311.64	\$5,577.22	\$265.58
10"	8	\$8,798.88	\$9,238.82	\$439.94

The proposed 2026 water consumption rate is \$0.9938 per cubic meter, compared to the approved 2025 water consumption rate of \$0.9058 per cubic meter. The proposed 2026 sewer surcharge is 134.01 per cent, compared to the 2025 approved surcharge of 131.13 per cent.

These rates will take effect on January 1, 2026.

Total Budgeted Expenditures

The City's total expenditures include all costs necessary to operate the City, including all operating expenses and contributions to reserves for various projects. These expenditures exceed the revenue collected through property taxes and water/sewer rates. Other revenues sources make up the difference, which include user fees, grants, costs recovered, and investment income.

The attachment titled "2026 Proposed Operating Budget Summary: Taxation, Rates, Expenditures & Revenues" reflects total budgeted expenditures of \$195,471,259, reflecting an increase of \$11,218,989 or 6.09 per cent increase year-over-year.

The following is a summary of the 2026 Proposed Budget Expenditures for all City budgets, including the Operating, Police Services, Transit, Water and Sewer budgets:

Budget Expenditures	2025 Approved Budget Expenditures (\$000)	2026 Proposed Budget Expenditures (\$000)	Difference (\$000)	Change %
Current Operating	88,030	93,932	5,902	6.71%
Police Services	39,412	42,075	2,663	6.76%
Transit	8,565	8,873	307	3.59%
Taxation Subtotal	\$136,007	\$144,880	8,874	6.52%
Water	21,273	22,031	758	3.56%
Sewer	26,972	28,560	1,587	5.89%
User Rate Subtotal	48,245	50,591	2,345	4.86%
Total	\$184,252	195,471	11,219	6.09%

2. PROPOSED OPERATING BUDGET SUMMARY – BY DEPARTMENT

This report includes the same information as 1 above; however, it combines revenue and expenditures for each department. If there is a net cost to the City, the budget is represented with a positive number, and if there is a net revenue to the City, the budget is represented with a negative number.

3. TOTAL FULL-TIME EQUIVALENT (FTE) SUMMARY

The Full-Time Equivalent (FTE) report includes the 2025 Approved Budget and 2026 Proposed Budget staffing broken down by permanent full-time (PFT), permanent part-time (PPT), Temporary (TEMP) and Students (STU).

The following is a summary of the overall changes excluding police:

Employment Type	2025 Approved Budget	2026 Proposed Budget	Increase (decrease)
Permanent full-time (PFT)	448.50	449.00	0.50
Permanent part-time (PPT)	9.00	9.80	0.80
Temporary (TEMP)	25.84	25.53	(0.31)
Students (STU)	21.55	21.55	0.00
Total (excluding Police)	504.89	505.88	0.99

The Police Service budget was presented at its June 26, 2025 meeting, where an increase of 3 Full-Time Equivalents (FTEs) was approved for its 2026 budget.

Included in the net change is a proposed 1 additional permanent full-time staff:

1. Superintendent, Development/Transportation, Engineering and Operations division – one permanent full-time

Funded by:

- 50% water rates
- 50% sewer rates

2026 PROPOSED OPERATING BUDGET DETAIL

The 2026 Proposed Operating Budget Detail is included in the budget book for each revenue and cost centre. The report format includes the following components:

- 2024 Actuals: Final results from the most recently completed fiscal year
- 2025 Budget: The budget approved by Council
- 2025 Forecast: Calculated using actual results to the end of June 2025, plus a forecast of the results for the remainder of the year. Care should be taken in interpreting the 2025 Forecast, as the final 2025 results will differ from those forecasted.
- 2026 Proposed Budget: This is comprised of the following components:
 - 2026 Base Budget: The final 2025 Budget less one-time items in that budget

- 2026 One-Time items
- 2026 Adjustments to Budget: This includes inflationary adjustments and rate increases for the delivery of various municipal services
- Variance 2025 to 2026 Budget: Expressed as a percentage

Consultation

The Proposed Budgets have been submitted by the General Managers with changes or edits made during collaborative reviews with the General Managers, CAO, and Finance. It is important to note that service level changes are the responsibility of Council and have not been recommended or reflected within the budget.

Financial Implications

Financial implications are discussed within this report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Lauren Boyce, Accounting Analyst, Kelly Farr, Accounting Analyst, Michael Rapaich, Payroll Supervisor, and reviewed by Kristen McGill, City Treasurer.

Attachments: (Refer to Proposed Operating Budget Summaries, Tab 2)

1. 2026 Proposed Operating Budget Summary: Taxation, Rates, Expenditures & Revenue (pgs. 21-25)
2. 2026 Proposed Operating Budget Summary: By Department (pgs. 26-28)
3. Total Full-Time Equivalent (FTE) Staff Summary (pgs. 29-33)
4. 2026 Proposed Operating Budget (pgs. 34 – 199)

CORPORATE SERVICES DIVISION
OPEN SESSION REPORT

TO: Mayor and members of Council

FROM: Kristen McGill, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: November 25, 2025

SUBJECT: 2026 Proposed Capital Budget

Recommendation

For Council's Information

Executive Summary

The total value of the 2026 Proposed Capital Budget is \$59,861,407, with an additional \$129,035,000 in requests that are unfunded. This is higher than the 2025 Capital Budget of \$56,345,300 and represents an unsustainable level of capital investment for the City if contributions to reserves remain at current levels. The proposed funded and unfunded projects reflect the significant needs of aging infrastructure, new development requirements, opportunities to leverage grants, and a desire to invest in the City's assets.

If the current year's operating deficit increases, further reductions to the proposed capital program may be required to offset the shortfall due to the lack of sufficient reserve capacity to absorb the impact.

Background

As acknowledged in the *Capital Budget and Finance Policy* (CS-027, Rev. 01), approved June 17, 2019 and revised June 22, 2020, the Capital Budget is a multi-year financial plan forecasted over a ten-year timeline. It provides a framework for the planning of future financial resources required to fund capital expenditures and provides for the acquisition or rehabilitation of capital assets. A capital expenditure is a significant expenditure incurred to acquire, improve, rehabilitate, or reconstruct land, buildings, machinery and equipment, and linear assets (road, sewers, watermain, bridges, etc.).

Comments

Once again, the City is requesting a substantial level of capital investment. The following table summarizes the capital requests over the last five years along with the 2026 Proposed Capital Budget as presented to Council during the 2025

budget deliberations. This comparison illustrates how the outlook has changed since this time last year.

Should forecasted reserve balances not be adequate for the level of requested capital investments, the City will make necessary recommendations and continue to monitor reserves in years two through ten to ensure that adequate funding is budgeted for future capital initiatives.

Budget Year	Total Budget (\$)	External Debt Financing (\$)	External Funding Sources (\$)	Own Source Funding (\$)
2021	61,759,804	-	21,308,312	40,451,492
2022	48,962,238	-	22,386,974	26,525,264
2023	43,524,103	-	16,359,915	27,164,188
2024	54,515,763	-	22,961,688	31,554,075
2025	56,345,300		22,501,830	33,843,470
2026 (as presented in the 2025 10-Year Plan)	61,125,500	-	23,130,050	37,995,450
2026 Proposed	59,861,407	-	26,035,818	33,825,589

***Note: own source funding includes funding from reserves, water/sewer rates, transit rates, and development charges.**

CAPITAL REQUESTS

The following table summarizes proposed capital projects by category:

Category	Total value of 2026 requests (\$)
General Government	
City Administration	
Economic Development	222,000
Economic Development Total	222,000
Community Services	
Parks	2,257,530
Facilities	1,350,000
Community Services Total	3,607,530
Engineering & Operations	
Engineering	7,000,000
Environmental Services	100,000
Engineering & Operations Total	7,100,000

Category	Total value of 2026 requests (\$)
Fire	
Fire	2,864,654
Fire Total	2,864,654
Transit	
Transit	2,700,000
Transit Total	2,700,000
Water and Sewer	
Engineering	36,617,223
Environmental Services	2,405,000
Public Works	5,950,000
Water & Sewer Total	43,367,223
Total	59,861,407

In addition to the above funded projects, there are additional *unfunded* projects totalling \$129,035,000 that have been identified for consideration. These projects cannot be managed with the current reserve and reserve fund balances and would require either external funding or an increase to tax rates.

The 10-year Unfunded Capital Plan was not intended to be a “wish list”, but rather a realistic plan of what needs to be accomplished if funding was not an issue. These projects, due to their nature, can be postponed to future years in the case of limited financial resources.

The following table summarizes the total estimated 10-year costs of these unfunded projects:

Category	Project	Term	Total Unfunded 2026-2035 (\$)
General Government			
Economic Development	Competitive Market Analysis – Business Parks	2027-2035	11,250,000
	Harbour Project	2027-2035	45,000,000
Economic Development Total			56,250,000

Category	Project	Term	Total Unfunded 2026-2035 (\$)
Community Services	Bright's Grove Library	2026	2,060,000
	Strangway Community Centre Improvements	2026	200,000
	Multi-Use Recreational Facility	2026-2028	22,285,389
	Asset Management - Facility Improvements	2026-2035	11,807,795
	Pat Stapleton Arena Improvements	2027-2030	10,100,000
	Year-Round Recreational Campus	2026-2031	10,000,000
	Germain Park Outdoor Pool	2026	7,000,000
	Canatara Park Improvements	2026-2028	6,181,800
	Norm Perry Park	2027-2029	7,727,250
	Playground Equipment – Lions & Rainbow Parks	2026	900,000
Community Services Total			78,262,234
Engineering	Waterfront Master Plan Projects	2026-2033	36,360,600
	Road Rehabilitation	2026-2035	11,807,796
Engineering Total			48,168,396
	Rooftop Drone	2026	90,000
Fire	Fire Station Paving	2026	670,000
	Training & Storage Facility	2026-2027	1,825,000
Fire Total			2,585,000
General Government Total			175,265,630
Transit			
Transit	Fleet Upgrades – Zero Emissions	2026-2035	11,807,795
Transit Total			11,807,795
Water & Sewer			
Water & Sewer	Flood Mitigation	2026-2035	23,615,592
	Watermain, Sanitary, & Storm Sewer Replacements	2026-2035	11,807,795
Water & Sewer Total			35,423,387
Police			
Police	Facility Replacement	2026	91,000,000
Police Total			91,000,000
Total			323,596,812

Due to a shortfall of available funding in City reserves, these projects are currently unfunded. Should Council wish to proceed with any of these projects, staff will seek direction on funding priorities and strategies. Once staff have received direction, the financial plan will be communicated and reported.

General Government

City Administration

Economic Development

As part of the City's ongoing commitment to the long-term viability and strategic development of the Sarnia Chris Hadfield Airport, an initial investment of \$22,000 is proposed in 2026 for essential infrastructure improvements, including paving and stormwater drainage upgrades. This investment represents Phase 1 of a two-part implementation strategy based on the recently completed 10-year financial plan prepared by Explorer Solutions. The plan outlines a sustainable approach to future airport development under the new governance model of a Municipal Services Corporation (MSC).

In addition, the City is seeking approval for a 2026 capital allocation of \$200,000 to support servicing infrastructure within the Sarnia Business and Research Parks. These funds will contribute to the provision of core municipal services including roads, sanitary and storm sewers, water, electricity, and natural gas. This project is part of a broader four-year development initiative supported by \$1.5 million in grant contributions.

These strategic investments align with Council's priorities to support economic development, infrastructure renewal, and sustainable growth across the community.

Community Services

Facilities

Facilities' project requests total \$1,350,000 in commitments from the Capital Infrastructure Reserve and Canada Community Building Fund (CCBF) to support critical facility infrastructure projects in the arenas.

The Progressive Auto Sales Arena requires \$1,000,000 from the Capital Infrastructure Reserve to construct direct ice access from the Sting area, the addition of laundry facilities, the arena bowl seating, railings, and interior and exterior doors throughout the facility. The improvements are aimed at enhancing operational efficiency, safety, and user experience.

The Clearwater Community Centre requires a \$350,000 commitment from CCBF for the initial design and construction of a new arena refrigeration plant.

Parks and Recreation

The Parks and Recreation Department is requesting a total of \$2,257,530 in capital funding for 2026 to support a series of planned improvements across several key municipal parks and recreational facilities. These investments are aligned with the City's commitment to maintaining high-quality, accessible public spaces that serve a diverse range of community needs.

Projects include upgrades at Clearwater Community Centre, as well as improvements at Canatara Park, Kenwick Park, Norm Perry Park, Tecumseh Park, and Germain Park.

Clearwater Community Centre Improvements is the largest single project within the Parks & Recreation 2026 capital plan at \$750,000 from the Canada Community Building Fund (CCBF). The project will support a range of enhancements to outdoor amenities. These enhancements are intended to improve user experience, safety, and accessibility, while supporting year-round programming and community events.

With funding support from the Canada Community Building Fund (CCBF), several community parks—including Canatara Park, Kenwick Park, Norm Perry Park, Tecumseh Park, and Germain Park—are scheduled to receive significant capital upgrades in 2026 totalling \$1,477,530.

Planned improvements will address both recreational infrastructure and essential support systems, and include enhancements to BMX tracks, basketball courts, and tennis courts, renovations to changing rooms and public washroom facilities, new playground equipment, as well as upgrades to underground drainage infrastructure to improve site usability and resilience.

These investments will enhance the safety, accessibility, and functionality of key recreational amenities, ensuring they continue to meet the needs of residents and visitors for years to come.

Lastly, the Parks Department is requesting \$30,000 in funding for the acquisition of a new Kubota utility vehicle to support ongoing park operations. This investment will reduce maintenance and repair costs associated with aging equipment and will enable staff to maintain consistent service levels while meeting the operational demands across the City's Park system.

Engineering & Operations

Engineering

Within the General Government division, Engineering has capital requests totaling \$7,100,000. The largest project is the \$4,100,000 commitment for road rehabilitation which is primarily funded from the Ontario Community

Infrastructure Fund (OCIF). Bridges and culverts will receive capital improvements in the amount of \$1,600,000, primarily from OCIF, to rehabilitate the Donohue Bridge, the Wellington/Highway 40 culvert, and the pedestrian bridge over Cow Creek. These investments are necessary to maintain the safety and integrity of vital transportation links throughout the City.

The City will continue to collaborate with the St. Clair Region Conservation Authority to complete shoreline improvements. The \$1,000,000 commitment for this project will be fully funded by the Canada Community Building Fund (CCBF). This work will support long-term environmental resilience and infrastructure protection along vulnerable shorelines.

Other Engineering projects, totaling \$200,000 in commitments from the Capital Infrastructure Reserve, include streetlight and traffic signal replacements.

These initiatives align with the City's commitment to road safety, sustainability, and enhanced mobility for all users.

Environmental Services

Within the General Government division, Environmental Services has a capital request for paving at the compost site in the amount of \$100,000 from the Capital Infrastructure Reserve. This will reduce risk and maintenance costs.

Fire Services

Fire Services is requesting a total of \$2,864,654 in capital funding for 2026 to support essential equipment and facility upgrades that ensure continued public safety and operational readiness.

The most significant request, at \$1,559,654, is for the replacement of Engine 5, with funding proposed from the Capital Infrastructure Reserve. This apparatus is at the end of its service life, and its replacement is critical to maintaining reliable, front-line fire protection across the community.

With \$650,000 of funding through the Canada Community Building Fund (CCBF), and an additional \$350,000 from the Development Charges Reserve, Fire Services seeks to refurbish and renovate Station 5. Originally designed to accommodate a volunteer response model, the facility is no longer adequate for the needs of a modern, full-time, and diverse workforce. Renovations will improve functionality, safety, and working conditions for fire personnel.

Other capital requests include a \$225,000 commitment from the Capital Infrastructure Reserve for the replacement of firefighter bunker gear ensembles, ensuring continued compliance with safety standards and lifecycle replacement schedules and \$80,000, fully funded through the Ontario Fire

Protection Grant, for a Self-Contained Breathing Apparatus (SCBA) / Personal Protective Equipment (PPE) decontamination washer. This investment supports firefighter health and safety by reducing exposure to hazardous contaminants.

These investments are aligned with the City's commitment to providing high-quality emergency services and ensuring the safety and effectiveness of Fire Services personnel.

Transit

A total of \$2.7 million in transit capital investments is planned for 2026, made possible through funding from the Investing in Canada Infrastructure Program (ICIP) and the Canada Public Transit Fund (CPTF). These funds will support key projects including fleet expansion and replacement, facility upgrades, and enhancements to bus stop infrastructure—initiatives that will improve service reliability, accessibility, and overall transit experience for residents.

Water and Sewer

Engineering & Operations

Engineering

Engineering is proposing capital projects totaling \$36,617,223 within the Water & Sewer division for the upcoming year. Funding for these initiatives will be sourced from the Housing-Enabling Water Systems Fund (\$7,746,538), the Disaster Mitigation and Adaptation Fund (\$3,352,300), the Ontario Community Infrastructure Fund (\$1,322,568), the Investing in Canada Infrastructure Program (\$2,195,500), the Water and Sewer Reserves (\$18,563,105), and the Development Charges Reserve (\$3,253,462). The largest investment is in the Wellington Street Extension project totalling \$11,000,000, followed by the Combined Sewer Separation project at \$10,899,000. Other projects include Watermain Replacements, Flood Mitigation, and Sewer/Water/Road Reconstruction of Copeland Road and Kathleen Avenue.

These projects represent strategic investments in core infrastructure, supporting growth, climate resilience, and the long-term sustainability of municipal water and sewer services.

Public Works

Public Works has requested a total of \$800,000 from the Water & Sewer Capital Infrastructure Reserves; \$400,000 will be spent on the replacement of water meters within the water distribution system that have reached the end of their useful life, and \$400,000 is being requested for the acquisition and installation of a new rotary floor hoist.

The existing hoist is currently out of service, and due to its age, replacement components are no longer available. As a critical piece of equipment for the maintenance of the City's fleet and heavy equipment, its replacement is essential to ensure that Public Works can continue to meet operational requirements efficiently and without disruption.

Environmental Services

The Environmental Services Division is proposing \$5.95 million in capital investments for 2026. The most significant project is the \$4.5 million upgrade to the St. Andrews Treatment Plant Administration Building, which will be fully funded through the Capital Infrastructure – Sewer Reserve.

Additional projects funded by the Sewer reserve include sediment analysis of stormwater management facilities (SWMFs) and upgrades to wastewater pump and lift stations. These investments are essential to maintaining regulatory compliance, improving operational efficiency, and ensuring the long-term integrity of critical wastewater infrastructure.

Consultation

The capital project requests were submitted by the General Managers and Senior Management and consultation occurred with the divisions and the Chief Administrative Officer (CAO).

Financial Implications

The nature and extent of capital requests have been discussed throughout this report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Kelly Farr, Accounting Analyst, and reviewed by Kristen McGill, City Treasurer.

Attachments: (Refer to Proposed Capital Budget, Tabs 15-16)

1. 2026 Proposed 10-Year Capital Plan (pgs. 201-202)
2. 2026 Proposed 10-Year Capital Plan (Unfunded) (pg. 203)
3. 2026 Proposed Capital Budget – Funding Sources (pg. 204-205)
4. 2026 Capital Requests (pgs. 206-239)

CORPORATE SERVICES DIVISION
OPEN SESSION REPORT

TO: Mayor and members of Council

FROM: Kristen McGill, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: November 25, 2025

SUBJECT: 2026 Proposed Reserve and Reserve Fund Budget

Recommendation

For Council's Information

Executive Summary

Most Reserve and Reserve Fund transactions are incorporated within the Operating and Capital Budgets. This report identifies amounts that are transferred directly to or from reserves and therefore not reflected in the Operating and Capital Budgets.

Revenues totaling \$28,528,722 flow directly to Reserves and Reserve Funds. Expenditures totaling \$9,892,750 flow directly from Reserves and Reserve Funds.

In 2026, it is forecasted that the Reserves and Reserve Funds balance will decline from \$37,689,524 to \$24,976,496 based on planned inflows and outflows. Of this total, \$4,122,748 is in restricted Obligatory Reserve Funds, and the balance of \$20,853,748 is the amount for various capital and operational purposes. The total value of the capital project requests is \$59,861,407.

Two closures are being recommended for 2026:

- 6040 - Federal Harbour Reserve: Recommended for closure due to the remaining divestiture funding being used during the 2024 year-end reporting.
- 6660 - Pedestrian Safety: Recommended for closure as pedestrian safety initiatives are prioritized through active transportation projects within the Capital Budget process. The remaining amounts in this reserve have been allocated to the 2026 Operating Budget to help offset the levy increase.

Two new reserves are being recommended for creation:

- 6218 WSIB Self-Insurance Reserve – Police

- 6219 WSIB Self-Insurance Reserve – Fire

These new reserves will be utilized to differentiate WSIB claims for Fire and Police due to the nature of their duties. All other departmental WSIB usage will remain in 6220 - WSIB Self-Insurance.

Background

In the 2026 Proposed Capital Budget, the City is once again presenting an unprecedented level of capital investment, reflecting the aging infrastructure and new development requirements throughout the City. This level of capital investment, combined with the prior and current years' utilization of reserve funds for tax levy mitigation measures, has resulted in multiple reserves being fully depleted. Reserve contributions will need to be drastically increased and consistently reviewed to continue maintain the level of capital investments required throughout the City.

The City does not have any available reserve funding to respond to unplanned emergencies or to offset future tax levy pressures. Deviations from the 10-year Capital Plan or large operating deficits will also require increased contributions from operating, likely requiring a mid-year tax-levy increase, or automatic recovery in the following year's budget through an immediate tax-levy increase.

The *Reserves and Reserve Funds Policy*, approved by Council on September 11, 2023, identifies that it is the policy of the City of Sarnia to:

- *Maintain Reserves and Reserve Funds for:*
 - *planned future capital rehabilitation/replacement*
 - *unexpected/unpredicted expenditures which would otherwise cause fluctuations in the operating or capital budgets*
 - *irregular or occasional expenses*
 - *segregation of funds for a specific purpose or agreement*
 - *obligations payable in the future*
- *Manage Reserves, Reserve Funds in a responsible manner*
- *Prohibit the spending of any Reserve or Reserve Fund below zero*
- *Use Reserves, Reserve Funds solely for the intended purpose*

Reserves and Reserve Funds receive revenue through the following sources:

- Contributions from the City's Operating, Water, Sewer, and Transit Budgets.
- Contributions from senior levels of government, such as Canada Community Building Fund (formerly Federal Gas Tax), Provincial Gas Tax, Investing in Canada's Infrastructure Program (ICIP), Ontario Building Faster Fund (BFF), Rural Transit Solutions Fund (RTSF), and Ontario Community Infrastructure Fund (OCIF).

- Fees earned from City programs and services that have been approved for direction to reserves.
- Contributions from other outside stakeholders that have specific designated purposes, such as donations and development charges.
- Interest earned on the balances of Obligatory and Discretionary Reserves.

Reserves and Reserve Funds can be expended in the following ways:

- Funding of capital projects found in the City's annual Capital Budget.
- Contributions to the City's Operating, Water, Sewer, and Transit budgets.
- Expenditures that occur directly from the Reserves and Reserve Funds as part of the *Reserve Budget (see Dedicated Reserve and Reserve Fund Revenue and Expenditures)*.

Comments

The Reserves and Reserve Funds section of the 2026 Proposed Budget book is described by section below:

RESERVE AND RESERVE FUNDS SUMMARY

This summary includes a listing of Reserve and Reserve Funds detailed by:

- Obligatory (externally restricted Reserve Funds)
- Discretionary (interest-bearing Reserve Funds)
- Non-Obligatory (non-interest-bearing Reserves)

As the Reserve and Reserve Fund Budget and forecast reports included in the budget book are sorted by number, this list includes both the number and the name. The purpose of each Reserve and Reserve Fund is included for reference.

2026 PROPOSED 10-YEAR RESERVES PLAN

To ensure the 2026 Proposed 10-Year Capital Plan will be adequately funded, staff have also prepared a Proposed 10-Year Reserves Plan. This allows staff to ensure reserves remain in a positive balance over the 10-year timeframe by reducing the level of capital spending, building additional capacity in the operating budget for transfers to reserves, or identifying additional funding requirements to mitigate any negative reserve balances.

The Proposed 10-Year Reserves Plan indicates that reserve levels are projected to be insufficient for current requirements. Contributions to reserves continue to be reduced to mitigate the tax levy, while capital project requests far outweigh available contributions. When a low or negative balance occurs in the 10-year plan, staff will manage by reducing capital projects in those years or requesting additional contributions from the tax levy or user rates.

To maintain a positive balance, all capital infrastructure reserves (6614, 6615, 6616, and 6617) will need significant increases in contributions to offset the planned capital replacements required for City assets. Certain large capital projects are included separately as part of an unfunded listing. Including these projects would result in overdrawn reserve balances and would require significant additional tax-funded contributions from operating budgets or external debt funding.

The 2026 Police Service Reserve Fund budget has been included with information received during the June 26, 2025, Sarnia Police Services Board meeting.

2026 DEDICATED RESERVE AND RESERVE FUND REVENUE AND EXPENDITURES

Most Reserve and Reserve Fund amounts flow through the Operating and Capital Budgets. This summary outlines amounts that flow directly to or from reserves and would not be identified in the Operating and Capital Budgets.

Revenues totaling \$28,528,722 flow directly to Reserves and Reserve Funds. The largest direct revenues are from senior government funding:

- Provincial Gas Tax - \$1,232,951
- Canada Community Building Fund (formerly Federal Gas Tax) - \$2,359,548
- OCIF - \$6,860,036

The Canadian Public Transit funding is new for 2026, and the City is expected to receive \$588,219. These funding revenues are received annually and allow the City some flexibility as to how they are utilized.

Other funding sources are application based and include:

- ICIP – Investing in Canada Infrastructure Program grants - \$3,978,868
- Disaster Mitigation funding - \$3,352,300
- Fire Protection funding - \$80,000
- Housing Enabling Water Systems Funding - \$7,746,538
- Development charges - estimated to contribute \$1,700,000.

Expenditures totaling \$10,267,750 flow directly from Reserves and Reserve Funds. Anticipated WSIB payments for 2026 are budgeted at \$700,000 for Police, \$1,200,000 for Fire, and \$435,000 for the rest of the Corporation. Anticipated insurance claims are budgeted at \$525,000.

City Fleet/Equipment vehicle replacements total \$2,500,000 for the City, \$120,000 for Sarnia Fire Rescue Services, and \$1,225,000 for Sarnia Police Services vehicles. Tax assessment appeals are budgeted at \$630,000. Also included are project expenditures supported by department request memorandums

included in the 2026 Proposed Budget Book, as well as recurring annual requests for estimated expenditures that are not part of the General Operating Budget.

2026 PROPOSED RESERVE AND RESERVE FUND BUDGET

This summary, sorted by fund number, identifies the forecasted opening balance, anticipated inflows and outflows for 2026, and a forecasted ending balance. It includes revenues, expenditures, and allocations to and from other City budgets.

No Reserve or Reserve Fund can have a negative balance, with the exception of the Internal Borrowing Reserve, which is, by nature, a negative balance.

The following points should be noted when reviewing the 2026 Proposed Reserve and Reserve Fund Budget:

- The uncommitted balance as at December 31, 2025 was taken from the Forecasted Reserve and Reserve Fund Balances, December 31, 2025 schedule.
- Some of the items are estimates only, such as the claims payments for self-insurance, WSIB, and tax assessment appeals.
- No provision for interest earned on Reserve Funds has been provided except where Reserve Funds have been invested externally.
- The forecasted balance as at December 31, 2025, is an estimate as to what the Reserves and Reserve Funds balance may be at year-end.

In 2026, it is forecasted that the Reserves and Reserve Funds balance will decline from \$37,689,524 to \$24,976,496 based on planned inflows and outflows. Of this total, \$4,122,748 is in restricted Obligatory Reserve Funds, and the balance of \$20,853,748 is allocated for various capital and operational purposes.

The total value of the capital project requests is \$59,861,407, which is the primary reason for the decline in the Reserves and Reserve Funds balance.

The capital work required to build out Development Areas 1 and 2 is being funded from development charges; the charges will be received over time, whereas the development outlay will occur over the next several years.

Commencing in 2020, the Development Charge Reserve (6015) was funded with internal borrowings from total reserve and discretionary reserve fund balances. These borrowings are reflected in the 2026 Proposed Reserve and Reserve Fund Budget. In 2020, \$8,242,500 was borrowed for sewer upgrade work in Development Area 2, with a payback period of 10 years. In 2021, \$3,849,492 was borrowed as part of the Rapids Parkway extension project, again with a 10-year

payback. In 2026, \$1,375,144 is being repaid by the Development Charge Reserve (6015) to the Internal Borrowing Reserve (6900).

2026 RESERVE AND RESERVE FUND EXPENDITURES – DEPARTMENT REQUESTS

General Managers request to utilize Reserve or Reserve Funds for expenditures that do not meet the criteria of a capital project and are generally beyond regular operational activities. These requests are submitted by memorandum, providing justification for the expenditures.

2026 PROPOSED EQUIPMENT REPLACEMENT LIST

The Fleet Superintendent, in conjunction with the various Department Managers, identified \$2,500,000 for general fleet and \$120,000 for Sarnia Fire Rescue Services to be funded from the Works Equipment Reserve (6525). Buses and Care-A-Vans are not included here, but rather as a capital project.

Departments include a vehicle expense in their operating budget that fund the Works Equipment Reserve (6525). This Reserve, in turn, funds the equipment replacements and the operations of the garage.

FORECASTED RESERVE AND RESERVE FUND BALANCES – DECEMBER 31, 2025

The forecasted Reserve and Reserve Fund balances as of December 31, 2025, have been provided. Anticipated inflows and outflows for 2025 have been forecasted to estimate the year-end balances. These estimates will change based on actual results for the remainder of 2025.

The 2025 forecasted Reserve and Reserve Fund balances report shows a forecasted December 31, 2025, uncommitted balance of \$37,689,524. The Obligatory (restricted) balance is forecasted at \$8,941,113, with the unrestricted balance forecasted at \$28,748,411.

As per the policy, Reserves and Reserve Funds levels will be monitored and reported on a regular basis. When inadequate balances occur, staff are to make recommendations regarding strategies to work toward the target.

When Reserve and Reserve Fund balances are low, this reduces flexibility in funding capital rehabilitation or replacements, the ability to match funding for grant programs as they are announced, and the capacity to address infrastructure backlogs or deal with unexpected expenditures. The 10-Year Reserve and Reserve Fund Plan indicates that balances are not capable of funding the current 10-Year Capital Plan.

Reserve and Reserve Fund balances are extremely low and, in their current state, will not be available for any large emergency expenses. Increased reserve

contributions or cuts to capital projects are required to bring the reserves to sustainable levels.

Consultation

The proposed Reserves and Reserve Fund expenditures were submitted by the General Managers, and consultation occurred with the departments, Finance, and the Chief Administrative Officer in order to determine recommended funding.

Sarnia Police Services reserve contributions and expenditures for 2026 were updated with information from the Sarnia Police Services Board meeting held on June 26, 2025 ([Open Agenda – June 26, 2025](#))

Financial Implications

Discussed throughout this report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Lauren Boyce, Accounting Analyst, and reviewed by Kristen McGill, City Treasurer.

Attachments: *(Refer to Proposed Reserve and Reserve Fund Budget, Tabs 17)*

1. Reserve and Reserve Fund Listing (pgs. 241-245)
2. 2026 Proposed Reserve and Reserve Fund Summary (pgs. 246-247)
3. 2026 Proposed 10-Year Reserves Plan (including unfunded projects) (pgs. 248-261)
4. 2026 Dedicated Reserve and Reserve Fund Revenue and Expenditures (pgs. 262)
5. 2026 Proposed Reserve and Reserve Fund Budget (pgs. 263-271)
6. 2026 Direct from Reserve Requests (pgs. 272-273)
7. 2026 Proposed Equipment Replacement List (pg. 274)
8. Forecasted Revenue and Reserve Fund Balances – December 31, 2025 (pgs. 275-290)

**CORPORATE SERVICES DIVISION
OPEN SESSION REPORT**

TO: Mayor and members of Council

FROM: Kristen McGill, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: November 25, 2025

SUBJECT: 2026 Municipal Grants Allocation

Recommendation

It is recommended:

That Sarnia City Council award the 2026 Municipal Grants totaling a maximum of \$80,200 amongst the four applications.

Background

On May 28, 2018, Sarnia City Council adopted the [Municipal Grants Policy](#) to define eligibility criteria and to support community organizations in developing sustainable long-term funding strategies. At the time, Council resolved to “grandfather” three previous grant recipients—Blue Coast Primary Care – Recruitment & Retention (formerly the Sarnia Lambton Taskforce on Healthcare Worker Recruitment), Lambton Farm Safety, and the Sarnia Historical Society—allowing them continued eligibility for funding under the new policy, contingent on formal application.

A Public Notice outlining the 2026 Municipal Grant application process was posted to the City’s website, with a submission deadline of August 31, 2025.

Comments

Staff have reviewed the submitted applications in accordance with the Council-approved *Municipal Grants Policy*. A summary of application eligibility and funding requests is provided in the attached Municipal Grants – Eligibility/Ineligibility Criteria chart.

The 2026 Draft Operating Budget includes a total of \$80,200 allocated for Municipal Grants, which incorporates two multi-year grant commitments approved during the 2023 Budget Deliberations:

- **Blue Coast Primary Care – Recruitment & Retention:** \$80,000
- **Lambton Farm Safety:** \$200

However, in a letter dated August 18, 2025, staff were advised that Blue Coast Primary Care will cease operations effective August 31, 2025. As a result, the \$80,000 previously committed to this organization can now be reallocated without increasing the overall tax levy.

An application for the same amount has been received from the Sarnia-Lambton Ontario Health Team / Bluewater Health, which proposes to assume the physician recruitment and retention responsibilities previously managed by Blue Coast Primary Care.

As per the *Municipal Grants Policy*, any increases to this budget will only be made through an approved motion of Council on Budget Deliberation Day. Staff is also seeking Council's direction on how to proceed with future grant requirements for these applicants.

Consultation

No consultation was required in the writing of this report.

Financial Implications

The current draft 2026 Operating Budget includes \$80,200 for Municipal Grants. If Council approves grants in excess of this amount, any additional funding would result in an increase to the 2026 Operating Budget and the general tax levy.

Per the Municipal Grants Policy, any increase to the total grant funding must be approved by motion of Council during Budget Deliberation Day.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Michelle Leung, Financial Analyst and reviewed by Kristen McGill, City Treasurer.

Attachments:

1. 2026 Municipal Grants – Eligibility/Ineligibility Criteria
2. Notice of Dissolution

2026 Municipal Grants - Eligibility/Ineligibility Criteria

Summary:

Organization	Lambton Farm Safety	Sarnia-Lambton Ontario Health Team / Bluewater Health	Junior Achievement South Western Ontario	Arthritis Society Canada
Project Name	Lambton Farm Safety	Physician Recruitment & Retention Strategy	Path to Possibility	Arthritis Talks Series
Project about	Volunteer organization that strives to spread knowledge of how to keep farms, workplaces, and homes safer.	Recruit new physicians to the City of Sarnia and build long-term physician capacity.	Immerse approximately 200 high school students in Sarnia Lambton in an impactful day of career exploration.	Is a monthly webinar workshop that delivers the latest solutions and research innovations directly from experts to peoples homes.
Grant Amount Requested (\$)	200	80,000	5,000	5,000
Previous Grant Recipient	Yes	No	No	No
Eligible Organization	Yes	Yes	Yes	Yes
Funding Eligibility	No	No	No	No
Project Eligibility	Yes	No	No	No
Notes	"Grandfathered" committee_May 28, 2018 council meeting Approved by council with a 4-year commitment 2023-2026 on January 10, 2023 budget deliberations.	Organization is a government entity. Funding is for salaries, not capital. Funding is 100% of the budget provided	Project is not accessible to general public which is required per policy. Budget includes operating costs, not eligible per policy	Budget information did not include budgeted revenues or prior year actuals of the project. Project is nationwide. Funds would not directly contribute to a local not-for-profit organization.

Details:

	Policy *	Lambton Farm Safety	Sarnia-Lambton Ontario Health Team / Bluewater Health	Junior Achievement South Western Ontario	Arthritis Society Canada
Eligible Organization					
A not-for-profit incorporated organization?	Yes	Yes	Yes	Yes	Yes
CRA Registration No.		N/A	Not Provided	10755 4263 RR0001	10807 1671 RR0003
Governed by a community-based volunteer Board of Directors?	Yes	Yes	Yes	Yes	Yes
Extend services to the general public of the City of Sarnia?	Yes	Yes	Yes	Yes	Yes
Funding Eligibility					
Individuals	No	No	No	No	No
Other levels of government?	No	No	Yes	No	No
Organizations with political affiliations?	No	No	No	No	No
Organizations that provide grants to others?	No	No	No	No	Yes
Organizations whose activities or outcomes are consistent with the City of Sarnia's values or goals?	Yes	Yes	Yes	Yes	Yes
Project Eligibility					
Be accessible to everyone	Yes	"Grandfathered" committee	Yes	No	Yes
Have a budget separate from the organization's operating budget	Yes		Yes	Yes	No
Benefit the citizens of the City of Sarnia	Yes		Yes	Yes	Yes
Include significant volunteer involvement	Yes		No	Yes	Yes
Have a specific benefit and outcome that pro-actively contributes to the priorities identified in the City of Sarnia's Strategic Plan	Yes		Yes	Yes	Yes
Be sustainable beyond the support of the municipal grant	Yes		No	Yes	Yes
More than 50% of the budget of the project	No		Yes	No	No
*Expected response as per the Municipal Grant Policy approved by Council on May 28, 2018					



August 18, 2025

Dear Sarnia City Council,

After 24 years of dedicated service supporting the recruitment and retention of physicians across Lambton County, and specifically to the City of Sarnia, *Blue Coast Primary Care – Recruitment and Retention* will be officially closing its doors as of August 31, 2025.

This difficult decision comes after considerable evaluation and discussion among community stakeholders, funders, and program leadership. As healthcare needs continue to evolve and regional structures shift, it has become increasingly clear that the current model is no longer sustainable in its existing form.

Since its inception, Blue Coast Primary Care has played a vital role in attracting and supporting family physicians to serve the residents of Sarnia Lambton. The organization has proudly supported over 56 new physicians in establishing community practices across Sarnia Lambton; 5 of which will be announced prior to the end of August 2025 and all of which will be practicing within central Sarnia.

Blue Coast Primary Care wishes to thank the City of Sarnia for your longtime funding commitment to our program and for acknowledging the importance and impact our work offers the residents of Sarnia. Your commitment has ensured continuity of care for many years.

Blue Coast Primary Care has begun to wind down operations, ensuring that outstanding commitments are fulfilled and that knowledge and resources are transferred to local stakeholders wherever possible.

While this marks the end of a formal recruitment and retention office, the need to attract and support physicians to the City of Sarnia remains. We encourage ongoing dialogue, innovation, and collaboration with our healthcare partners to build on the legacy of Blue Coast Primary Care and continue the critical work of primary healthcare recruitment.

Should you have any questions, please contact Blue Coast Board Chair, Don Burnard at donaldburnard76@gmail.com.

Regards,

Blue Coast Primary Care – Recruitment and Retention Board of Directors

Cc: Carly Cox, Physician Recruiter

**CORPORATE SERVICES DIVISION
OPEN SESSION REPORT**

TO: Mayor and members of Council

FROM: Kristen McGill, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: November 25, 2025

SUBJECT: Debt Analysis 2025

Recommendation

For Council's Information

Background

Sarnia City Council has implemented a series of strategic initiatives to significantly reduce the City's outstanding debt and improve long-term financial sustainability. Key initiatives include:

- **Capital Financing and Debt Management Policy (October 28, 2019)**
Established to ensure long-term financial flexibility and minimize the cost of borrowing.
- **Capital Investment Strategy (March 2, 2020)**
Enabled the early repayment of seven outstanding loans, freeing up operating budget capacity to grow capital reserves for asset management.
- **Amended Capital Budget and Finance Policy (June 22, 2020)**
Further strengthened the City's financial framework and budgeting practices.
- **Debt-Free Capital Budgets**
For the past five years, Council has approved Capital Budgets without incurring any new debt.
- **Optimized Use of Grant Programs**
The City has actively leveraged provincial and federal grants, reducing reliance on debt by securing non-debt sources for cost-sharing requirements.

Comments

The following comments, attached reports, and charts will provide an update on the City's current debt position.

ANALYSIS OF FUTURE DEBT REPAYMENTS (CHART A)

The City is projected to retire \$81,000 in outstanding bank loan debt in 2026, following \$944,000 in repayments during 2025.

Total debt servicing costs (principal and interest) are forecasted as follows:

- **2025:** \$978,000
- **2026:** \$83,000

By the end of 2025, future debt servicing requirements are expected to be approximately \$0.1 million.

LONG-TERM DEBT POSITION (CHART B)

Chart B provides a detailed view of the City's long-term debt:

- **End of 2025:** Projected outstanding long-term debt of \$0.1 million.
- **End of 2026:** Projected to be \$0, with only a \$15,000 remaining obligation on a long-term capital lease.

As debt is retired, the principal and interest payments previously allocated for debt servicing are redirected to capital reserves. This approach supports future capital investment and reduces the need for new borrowing.

Notably, in the 2026 budget, savings from retired debt have been used to offset a tax levy increase.

Consultation

No consultation was required in the preparation of this report.

Financial Implications

Outlined within the body of this report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Michelle Leung, Financial Analyst and reviewed by Kristen McGill, City Treasurer.

Attachments:

1. Chart A - Analysis of Future Debt Payments of Existing Debt 2025-2036
2. Chart B - Long-Term Debt Position

(in millions of dollars)

Chart B - Long-Term Debt Position						
Year	End of Year	(1) Long-Term Debt Outstanding		(2) Debt Approved But Not Yet Issued		(1) + (2) Total Approved
		Description	Amount	Description	Amount	Balance
	End of 2017	Balance	12.9	Balance	5.0	17.9
2018		Issued	1.9	Issued	(1.9)	
		Retired	(2.7)	Approved for 2018		
	End of 2018	Balance	12.1	Balance	3.1	15.2
2019		Issued	2.9	Issued	(2.0)	
		Retired	(2.6)	Reserved	(0.2)	
				Pending	(0.9)	
	End of 2019	Balance	12.4	Approved for 2019		
				Balance	0.0	12.4
2020		Issued		Issued		
		Retired	(1.4)	Approved		
		Repayments	(6.2) ¹			
	End of 2020	Balance	4.8	Balance		4.8
2021		Issued		Issued		
		Retired	(1.0)	Approved		
	End of 2021	Balance	3.8	Balance		3.8
2022		Issued		Issued		
		Retired	(1.0)	Approved		
	End of 2022	Balance	2.8	Balance		2.8
2023		Issued		Issued		
		Retired	(0.9)	Approved		
	End of 2023	Balance	1.9	Balance		1.9
2024		Issued		Issued		
		Retired	(0.9)	Approved		
	End of 2024	Balance	1.0	Balance		1.0
2025		Issued		Issued		
		Retired	(0.9)	Approved		
	End of 2025	Balance	0.1	Balance		0.1
2026		Issued		Issued		
		Retired	(0.1)	Approved		
	End of 2026	Balance	0.0	Balance		0.0

¹. In March 2020, Council approved the early repayment of a few CIBC bank loans in the amount of \$6.2 millions.

CORPORATE SERVICES DIVISION
OPEN SESSION REPORT

TO: Mayor and members of Council

FROM: Kristen McGill, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: November 25, 2025

SUBJECT: Debt Limits – December 31, 2025

Recommendation

For Council's Information

Background

In accordance with Ontario Regulation 403/02 under the *Municipal Act, 2001*, municipalities are subject to an annual limit on long-term debt and financial obligations. This limit caps the amount a municipality may spend annually on principal and interest payments without requiring approval from the Ontario Municipal Board.

The debt and financial obligation limit is based on data from the municipality's annual Financial Information Return (FIR). The municipal treasurer is responsible for updating this limit to reflect any long-term debt or financial obligations assumed or discharged since the original calculation date.

To streamline decision-making, Council has previously directed that this limit be updated and reported periodically, rather than recalculated for each new long-term debt proposal.

Comments

Attached is the updated calculation of the City's Annual Debt and Financial Obligation Limit as of December 31, 2025. This update is based on the City's 2024 FIR and adjusted to reflect any new or discharged long-term obligations since January 1, 2025. Only debt authorized by municipal by-law is included.

The City may occasionally request Council's approval for temporary internal borrowings from Reserve Funds to address unexpected operational or capital needs. These borrowings include defined repayment terms but are not included in the official debt capacity calculation.

As of this report, the City does not have any capital projects with approved debt financing that have not yet been permanently financed. However, debt financing may be required in 2026 if new capital project requests are adopted without sufficient funding available in the City's current 10-Year Reserve Plan.

The revised Annual Repayment Limit (ARL) for the City as of December 31, 2025, is calculated at \$40.3 million. Using a 10-year amortization period and a 5 per cent interest rate, this equates to a debt capacity of approximately \$311.3 million. This is an increase from the 2024 ARL of \$35.5 million (reported by Ministry of Affairs), which represented a debt capacity of about \$274.3 million.

Over a five-year period, the City's debt capacity (revised calculations) has increased significantly — from \$229.7 million in 2020 to \$311.3 million in 2025.

For 2025, the City is forecasting total debt repayments (principal and interest) of \$1 million, compared to the revised ARL of \$40.3 million. The total debt outstanding by the end of 2026 is projected to be \$81,000, well below the current debt capacity.

Consultation

No consultation was required in the preparation of this report.

Financial Implications

As outlined in the report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Michelle Leung, Financial Analyst and reviewed by Kristen McGill, City Treasurer.

Attachments:

1. Calculation of Annual Debt and Financial Obligation Limit - December 31, 2025
2. Annual Debt Repayment and Capacity Limit (2020 - 2025)
3. Determination of Annual Debt Repayment Limit - 2025

The Corporation of the City of Sarnia

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