

Staff Memorandum



To: Mayor A. Nuttall and Members of Council

Subject and Ward(s): County of Simcoe Budget

Date: November 26, 2025

Department Head Approval: C. Smith, Interim Director of Finance

Executive Management Approval: J. Schmidt, General Manager of Community and Corporate Services

CAO Approval: M. Prowse, Chief Administrative Officer

The purpose of this Memorandum is to provide Members of Council with a comparison of the 2025 and 2026 budget requests from the County of Simcoe under the current and the new/proposed Municipal Services Management Agreement (MSMA). In addition, it is to provide an explanation of how the City currently accounts for the County's annual capital requests.

Current MSMA proposes a 12.1% increase in the County's 2026 budget request

Based on the current MSMA, the County's budget request for Barrie proposes an increase of 12.1% or \$4.8M from 2025 to 2026, as summarized below:

| | 2025 | 2026 | Change (\$) | Change (%) |
|-------------------------------|-----------------|-----------------|----------------|---------------|
| Operating | \$26,872 | \$27,522 | \$650 | 2.4% |
| Capital | \$12,381 | \$14,221 | \$1,840 | 14.9% |
| Sub-Total | \$39,253 | \$41,743 | \$2,490 | 6.3% |
| Asset Management Contribution | \$0 | \$2,267 | \$2,267 | - |
| Total | \$39,253 | \$44,010 | \$4,757 | 12.1% |

New/Proposed MSMA requests a 4.4% increase in the County's 2026 budget

Based on the new/proposed MSMA, the County's budget request for Barrie recommends an increase of 4.4% or \$1.5M from 2025 to 2026, as summarized below:

| | 2025 | 2026 | Change (\$) | Change (%) |
|-------------------------------|-----------------|-----------------|----------------|---------------|
| Operating | \$31,345 | \$30,202 | (\$1,143) | (3.6%) |
| Capital* | \$2,139 | \$2,494 | \$355 | 16.6% |
| Sub-Total | \$33,484 | \$32,696 | (\$788) | (2.4%) |
| Asset Management Contribution | \$0 | \$2,267 | \$2,267 | - |
| Total | \$33,484 | \$34,963 | \$1,479 | 4.4% |

* 2025 number is an estimate from Barrie staff

Current MSMA amortizes capital over 10 years, City contributes through County Capital Reserve

The main difference between the current MSMA and the new/proposed MSMA is how the County accounts for their capital requests. Under the current MSMA, the County of Simcoe amortizes their capital projects over 10 years and seeks reimbursement from the City for their portion. Rather than simply reimbursing the County for their annual capital requests, the City contributes to a Capital Reserve (Simcoe County Capital Reserve), which funds all County of Simcoe capital requirements.

City contribution to the County Capital Reserve is lower than County request

Under the current MSMA, the capital request from the County is estimated to be almost \$20 million annually over the next 5 years, however the contribution to the County Reserve that the City pays is budgeted to be \$8.25 million in 2026 and is planned to reach \$14 million in 2030. Appendix A shows the position of the County of Simcoe Capital Reserve.

The new/proposed MSMA lowers capital costs but increases operating costs

The new/proposed MSMA considers spreading the payment of the capital contributions over the lifetime of the asset, in some cases up to 40 years. This has the advantage of allowing residents to pay their 'fair share' i.e. pay for what they are using, instead of paying more up front.

Offsetting this, the operating budget will now include a contribution for asset management (2026: \$2.2 million) as well as a contribution for the carrying cost of interest (2026: \$1.879 million) on outstanding debt. These two costs will increase the annual operating budget under the new MSMA.

To summarize, the current MSMA results in higher annual capital charges but avoids the additional interest costs associated with long-term financing. The new/proposed MSMA has higher operating costs, but lower annual capital contributions and provides a more predictable, lifecycle-based approach, but increases total costs over time due to interest.

Appendix:

Appendix A – Capital contributions and County of Simcoe Reserve

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File #:

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APPENDIX "A"

CITY OF BARRIE Capital contributions and County of Simcoe Reserve

From page 39 of the City's 2026 Budget Binder:

According to the County's Long-Range Financial Plan, the City's annual payments to the County are expected to peak at \$23.5 million in 2030 before gradually declining in subsequent years. The City uses this reserve to make these required payments to the County. Currently, this reserve does not have sufficient funds to cover all projected payments, so additional funding will be needed to address this shortfall and ensure the City can meet its future financial commitments to the County

From page 40 of the City's 2026 Budget Binder:

| County of Simcoe Capital Reserve | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Beginning Balance | \$ 3,510,207 | \$ (8,274,260) | \$ (14,511,168) | \$ (19,186,423) | \$ (25,985,926) |
| Draws: Carryforward & Previously Approved | \$ (8,545,378) | \$ - | \$ - | \$ - | \$ - |
| Draws: New Request | \$ (16,489,089) | \$ (798,721) | \$ (822,682) | \$ (847,363) | \$ (847,363) |
| Draws: Forecast | \$ - | \$ (15,188,188) | \$ (15,102,572) | \$ (18,702,140) | \$ (22,677,117) |
| Contributions: 2026 Business Plan | \$ 13,250,000 | \$ 9,750,000 | \$ 11,250,000 | \$ 12,750,000 | \$ 14,000,000 |
| Uncommitted / (Overcommitted) Reserve Balance | \$ (8,274,260) | \$ (14,511,168) | \$ (19,186,423) | \$ (25,985,926) | \$ (35,510,406) |