
January 30, 2026

The Honourable Peter Bethlenfalvy
Minister of Finance
c/o Communications Services Branch
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, Ontario
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RE: 2026 Pre-Budget Consultations

Dear Minister Bethlenfalvy,

Waterloo is a dynamic and diverse city of over 160,000 residents. Known for innovation, collaboration, and a strong commitment to sustainability, our community thrives because government, business, and local organizations work together to address challenges and build a future-ready city.

We continue to work with the provincial government to ensure that municipal needs are prioritized. Waterloo City Council remains committed to strong fiscal management, inclusivity, and environmental stewardship as we invest in services that matter most to residents.

As economic and political conditions evolve, we are exploring innovative approaches to deliver value and maintain quality services our residents expect. With that in mind, the City of Waterloo is pleased to submit the following requests for Ontario's 2026 Budget:

- 1. Waterloo Region's New Hospital**
- 2. Sustainable infrastructure funding & a new fiscal funding arrangement**
- 3. The Future of Development Charges**
- 4. Updating the Building Faster Fund**
- 5. Support for post-secondary education**

With these areas of interest in mind, the City of Waterloo will continue to support our residents in making our community an outstanding place to live, work, play, and learn.

1. Waterloo Region's new hospital

Request: Approve Stage 1.3 of planning, allocate Phase 1 (1A and 1B) in the 2026 Budget and Infrastructure Ontario's multi-year plan, set a clear implementation date and continue to support Waterloo Region's new acute care hospital and the required budgetary actions in your spring 2026 Ontario Budget.

The Region of Waterloo is one of Canada's fastest growing communities, projected to reach one million residents by 2050. As a core part of the Toronto–Waterloo Innovation Corridor, Canada's largest and most diverse urban economic zone, we are a significant driver of Ontario's and Canada's GDP. To ensure this growth is sustainable, our healthcare infrastructure must keep pace.

We recognize the fiscal pressures including cost escalation, competitive tendering, and the need for balanced local share plans. In response, the City of Waterloo, together with our seven regional and municipal partners, continues to work with the hospital to develop a realistic and achievable Local Share Plan. We understand that delivering this generational project requires a strong partnership with the province.

The Waterloo Regional Health Network (WRHN) has a solution-oriented redevelopment plan that directly addresses these challenges. This project will serve as a flagship example of the province's strategic and innovative approach to advancing hospital construction particularly in a difficult economic and construction climate.

This isn't just a healthcare project. It is a massive economic stimulus. Inclusion in the upcoming budget would enable the creation of more than **18,800 construction jobs** and generate **\$4.7 billion in GDP** over the next decade.

Continued and timely provincial support is essential. Specifically, we ask the province to **approve Stage 1.3 of planning, allocate Phase 1 (1A and 1B) in the 2026 Budget and Infrastructure Ontario's multi-year plan, and set a clear implementation date.**

Additionally, we are awaiting a response from MEDJT regarding our application for provincial funding to augment both the City's contribution and the hospital auxiliary corporation's funding. We are looking forward to hearing from the ministry on the outcome.

Provincial partnership is critical to bringing this project to completion and ensuring timely access to the high-quality care our growing community urgently needs, now and into the future.

2. **Sustainable infrastructure funding & a new fiscal funding arrangement**

Request: Provide reliable and consistent funding opportunities for municipal infrastructure projects, and work with municipalities on a complete fiscal review of municipal financing structures.

Ontario municipalities are facing unprecedented financial pressures, including rapid housing growth, a deepening homelessness crisis, aging infrastructure, and the need to build climate resilience, but lack access to adequate and modern financial tools to properly address them. These challenges are driving property tax increases across the province.

In Waterloo alone, recent provincial planning changes added 1.7% to our annual budget, nearly \$2 million each year. At the same time, municipalities continue to cover the rising costs for core services such as fire protection, recreation, libraries, community services, snow clearing, and water infrastructure, many of which are intensified by provincial downloading in areas like housing and homelessness that municipalities are forced to fund and to manage.

Municipal budgets have also absorbed the loss of the Automated Speed Enforcement (ASE) revenue, creating both an immediate funding gap and long-term pressure to pay for alternative speeding countermeasures. Speeding remains one of the top concerns for residents, and the province must support municipalities with a dedicated funding stream to address road safety while compensating for the loss of ASE revenue.

Municipalities cannot meet these growing responsibilities alone. We urge the province to conduct a comprehensive review of Ontario's outdated municipal funding model and establish predictable and non-competitive provincial infrastructure funding that municipalities can rely on. Stable, sustainable funding is essential for long-term planning and for delivering the essential services residents depend on.

3. **The Future of Development Charges**

Request: Properly fund municipalities if development charges are reduced in any capacity.

Development charges remain a critical and necessary revenue source for growth-related infrastructure such as roads, transit, water systems, and more. Legislative changes under Bill 17, combined with emerging federal proposals to further reduce development charges, are creating significant uncertainty for municipal fiscal planning at a time when municipalities are already under severe financial pressure.

Bill 60 adds further ambiguity. The new water and wastewater public corporation option as outlined in the legislation would not be classified as local boards under the Development Charges Act, meaning they could not levy development charges directly. Further, it is unclear whether lower-tier municipalities could collect charges on their behalf.

If corporations instead recover growth-related capital costs through customer rates, it is uncertain whether only new users or all users would pay. This could potentially increase costs for existing customers and further undermine the “growth pays for growth” principle.

While municipal service corporations might be helpful in some areas on the province, municipalities are best positioned to understand the unique needs, growth patterns, and infrastructure pressures of their communities and are therefore best suited to govern services. **We request that any changes to how water and wastewater services are managed be completely voluntary.**

Municipal budgets do not have capacity to absorb further revenue losses. If development charge revenues are reduced without full replacement, municipalities will be forced to make difficult choices like cutting services, delaying critical infrastructure needed to support housing, or further increasing property taxes. None of these outcomes support affordability, economic growth or housing construction.

If development charges are reduced as a policy objective, robust and reliable provincial funding must be put in place to fully offset the losses and ensure municipalities are made whole. Predictable replacement funding is essential to maintain infrastructure delivery, support housing development, and protect already strained municipal finances.

4. Updating the Building Faster Fund

Request: Update the Building Faster Fund by shifting performance measures from housing starts - a target outside of municipal control - to **site plan approvals**, which municipalities directly manage.

The Building Faster Fund has been instrumental in supporting housing development across Ontario, and we are grateful to the province for the funding Waterloo has received. It is making a real impact on our ability to plan for and support the housing needs of our community.

The first iteration of the program revealed challenges, including inconsistent data, unclear timelines, and tracking issues. As the first round wraps up, now is the time to

meaningfully work with municipalities to improve the program structure and ensure that proper data metrics and collection are clearly outlined in the next iteration. While the incentive-based approach may resonate with developers, the program's primary purpose is to fund municipalities. Metrics should reflect municipal responsibilities and jurisdiction.

For future rounds, we recommend shifting performance measures from housing starts, a target that is outside municipal control, to **site plan approvals**, which municipalities directly manage.

This adjustment would create a more accurate and actionable framework, enabling municipalities to drive development while meeting provincial housing targets. Aligning program metrics with municipal levers will strengthen accountability and accelerate results.

We also request the province undertake a broader review of the provincial housing targets considering evolving economic conditions. Economic uncertainty stemming from market volatility, high interest rates, and constrained access to capital has made it increasingly difficult for developers to build consistently and at scale. Recognizing these external pressures and reassessing the targets accordingly would support a more realistic and achievable outcome while still encouraging building. **Specifically, we request a recalibration of the 2025 fiscal year performance targets to reflect current market conditions by allowing eligibility where performance reaches 50% of assigned housing targets, in place of the existing 80% requirement.**

5. Support for Post-Secondary Institutions

Request: End the tuition freeze and provide additional operating and capital funding to Ontario's universities.

Waterloo is the proud home to three post-secondary institutions—Wilfrid Laurier University, the University of Waterloo and Conestoga College which are all in the heart of our community.

As you know, Ontario's universities are struggling financially. With the 10% tuition cut in 2019 and the four-year tuition freeze, universities continue towards an untenable future.

Declining operating grants per full-time students since 2006 and the tuition freeze have diminished Ontario's capacity to train and retain the STEAM graduates our labour markets demand. The cost to the province of attracting a highly educated workforce in the future will far exceed the cost of training and retaining one now.

Ontario will not successfully transition and transform our economy as is needed without the graduates, research and innovations which are created in our post-secondary system.

Universities across the province have taken cost control measures but there is little margin left to address further efficiencies through salary and benefits. The status quo will negatively impact student support and quality of education.

Waterloo, and other municipalities cannot lose the economic support our post-secondary institutions provide. Renewed revenue streams and support from the province are needed to ensure that our post-secondary institutions can continue to educate the next generation of our workforce.

To help universities close the gap and achieve financial stability, the City of Waterloo requests that the province:

- End the tuition freeze,
- Provide one-time funding support to address the current funding gap and
- Increase their base funding and tuition annually with inflation.

The City of Waterloo recognizes that the Province of Ontario, similar to our municipality, faces a number of challenges in setting budget priorities reflective of the needs of all Ontarians. While we appreciate the complexities in establishing a budget reflective of all needs, the proposed requests will be of significant impact not only to the residents of the City of Waterloo, but also to our Region and ultimately the Province of Ontario.

We welcome the continued collaborative approach the City of Waterloo has with the Province of Ontario. Thank you for the opportunity to provide input on the upcoming 2026 Ontario budget.

Sincerely,

A handwritten signature in black ink that reads "Dorothy McCabe". The signature is written in a cursive, flowing style.

Dorothy McCabe
Mayor of Waterloo

cc: The Hon. Rob Flack, Minister of Municipal Affairs and Housing
The Hon. Todd McCarthy, Acting Minister of Infrastructure

The Hon. Nolan Quinn, Minister of Colleges, Universities, Research Excellence and Security

The Hon. Mike Harris, Minister of Natural Resources

MPP Matt Rae, Perth-Wellington, Parliamentary Assistant to the Minister of Municipal Affairs and Housing

MPP Catherine Fife, Waterloo