2027 Utility Capital Plan Options

November 19, 2026

CITY OF MISSION

Water Capital – Motion from Nov. 17th

1. That the recommendation for the 2027 water utility budget overview be deferred until the November 19, 2026 Special Council meeting; and

2. That staff report back on options regarding debt and their impact on utility rates, the impacts of reducing the potential water capital fund tax increase of 9.69%, including if any capital projects can be deferred to a future date and a list of other projects that could be considered as part of the Building Strong Fund.

Sewer Capital – Motion from Nov. 17th

1. That the recommendation for the 2027 sewer utility budget overview be deferred until November 19, 2026 Special Council meeting; and

2. That staff report back on the impacts of reducing the potential sewer capital fund tax increase of 4.42%, including alternative options for Council to consider.

Drainage Capital – Motion from Nov. 18th

1. That the recommendation for the 2027 drainage utility budget overview be deferred until the November 19, 2026 Special Council meeting

2. That staff report back on the impacts of reducing the potential drainage capital fund tax increase of 2.41%, including alternative options for Council to consider.

Capital projects

- Replacement of existing capital assets
- Upgrades or construction of new capital asset.

Capital projects

- Replacement of existing capital assets
  - assets are determined to be at the end of their useful life
  - most at risk for failure
  - assets that fail typically cost more to repair than those replaced prior to a failure
  - failure of an asset can cause other significant collateral damage to other nearby assets, the environment and private property
  - Debt not recommended

Capital projects

- Upgrades or construction of new capital asset
  - financing new assets with debt can be a viable strategy
  - allows a new asset to be constructed sooner
  - Fairer to ratepayers

Water Capital Financing Options

Replacement of existing capital assets

The total replacement value of the assets in the water utility is estimated to be approximately $478 million.

$131 million of these assets will already be up to 25 years past their design life and are recommended to be replaced.

Replacement of existing capital assets

The current capital plan – average of approximately $2.6 million annually over the next five years.

This is equal to replacing 2% of the assets already deemed past their useful life.

At current spending levels it will take 50 years to complete the maintenance of the current inventory of over-age assets.

Replacement of existing capital assets

The $2.6 million average annual cost represents 0.54% of the replacement cost of all the assets in the water utility.

It will take over 180 years to replace or maintain the entire inventory.

Staff do not recommend reducing the annual budget identified for the maintenance of the existing water assets.

New capital assets

- The Ruskin Water System Improvements ($750,000 in 2027 and $5 million in 2029)
- The Water Main renewal at London & CPKC Railway ($1.2 million in 2027)
- Gap Water Services project
  - ✓$18 million total
  - ✓$10.8 million from DCC reserves

Proposal for Debt

- Council could consider incurring debt for:
  - ❖the Ruskin Water System Improvement project
  - ❖the Gap Water Services project.

Annual debt servicing costs on a $1 million borrowing with a 20-year repayment term at 4.42% is $79,199.

Ruskin Water System Improvement project

- $5 million debt
- The annual debt servicing cost will be $395,995
- 4.47% increase in the water levies will be required to = $28.67 for flat rate customers

This option is recommended

Gap Water Services

- $10.8 million debt
- The annual debt servicing cost will be $857,976
- 10.11% increase in the water levies will be required = $64.84 for flat rate customers

This option is not recommended

Gap Water Services

- Unknown factors:
  - The actual placement of the services
  - The final design of the services
  - The conditions of the Contribution Agreement with the Federal Government
  - The development activity in the City and the DCC revenue to be collected
  - The possibility of having developers front-end the costs of the projects

Recommendation

1. That the proposed 2027 budget increase for funding for water capital be reduced by $400,000 to $421,761.

2. That the 2027 – 2031 Water Capital Plan show the Ruskin Water System Improvement project expenses scheduled for 2029 being funded from long-term debt.

3. That the 2027 water flat rate levy and the water metered levies be increased by 7.53%.

As presented on November 17th

Water Operating Utility 2027 Budget Drivers

	2027 Budget Impact	Flat-Rate User Fee Increase	Average Metered Customer*	Rate Increase to Fund
Funding for capital	$821,761	$62.16	$40.02	9.69%
Inflationary	262,159	19.83	12.77	3.09%
SCADA IT Security (Prior Year Spending Package)	52,566	3.98	2.56	0.62%
Admin Fee Recovery	(11,037)	(0.83)	(0.54)	(0.13%)
Revenue	(17,063)	(1.29)	(0.83)	(0.20%)
Regional Water	(69,936)	(5.29)	(3.41)	(0.82%)
Current Proposal	**$1,038,450**	**$78.56**	**$50.57**	**12.24%**

** based on an annual consumption of 255 cubic meters*

Water Operating Utility 2027 Budget Drivers - Amended

	2027 Budget Impact	Flat-Rate User Fee Increase	Average Metered Customer*	Rate Increase to Fund
Funding for capital	$421,761	$31.91	$20.54	4.97%
Inflationary	262,159	19.83	12.77	3.09%
SCADA IT Security (Prior Year Spending Package)	52,566	3.98	2.56	0.62%
Admin Fee Recovery	(11,037)	(0.83)	(0.54)	(0.13%)
Revenue	(17,063)	(1.29)	(0.83)	(0.20%)
Regional Water	(69,936)	(5.29)	(3.41)	(0.82%)
Current Proposal	**$638,450**	**$48.30**	**$31.09**	**7.53%**

** based on an annual consumption of 255 cubic meters*

As presented on Nov 17th

Water Capital Reserve Balances at the end of each year					
Reserve	**2027**	**2028**	**2029**	**2030**	**2031**
Water Capital Reserve	11,778,306	8,219,041	4,141,176	5,654,489	7,599,282
Local Water DCC Reserve	4,524,617	4,904,650	(3,486,604)	(3,423,037)	(4,499,418)
Regional Water DCC Reserve	6,069,872	(6,091,725)	(6,309,930)	(6,411,709)	(6,486,802)

As proposed on Nov 19th

Water Capital Reserve Balances at the end of each year					
Reserve	**2027**	**2028**	**2029**	**2030**	**2031**
Water Capital Reserve	11,370,906	7,368,489	7,903,209	9,086,141	10,685,287
Local Water DCC Reserve	4,524,617	4,904,650	(3,486,604)	(3,825,467)	(5,317,357)
Regional Water DCC Reserve	6,069,872	(6,091,725)	(6,309,930)	(6,411,709)	(6,486,802)

Recommendation

1. That the proposed 2027 budget increase for funding for water capital be reduced by $400,000 to $421,761.

2. That the 2027 – 2031 Water Capital Plan show the Ruskin Water System Improvement project expenses scheduled for 2029 being funded from long-term debt.

3. That the 2027 water flat rate levy and the water metered levies be increased by 7.53%.

Sewer Capital Financing Options

Replacement of existing capital assets

The total replacement value of the assets in the sewer utility is estimated to be approximately $403 million.

$32 million of these assets are already past their design life and are recommended to be replaced.

Replacement of existing capital assets

The current capital plan – average of approximately $2.3 million annually over the next five years.

This is equal to replacing 7% of the assets already deemed past their useful life.

At current spending levels it will take 14 years to complete the maintenance of the current inventory of over-age assets.

Replacement of existing capital assets

The $2.3 million average annual cost represents 0.6% of the replacement cost of all the assets in the sewer utility.

It will take 175 years to replace or maintain the entire inventory.

Staff do not recommend reducing the annual budget identified for the maintenance of the existing sewer assets.

Significant Sewer Budget Items

- $390,000 increase in the 2027 budget for capital funding

- Gap Sewer Services project
  - $20 million total
  - $12 million from DCC reserves
  - Debt servicing costs for $12 million = $871,189

Recommendation

1. That the proposed $390,000 increase in the 2027 budget for funding for sewer capital be reduced to $0.

2. That the 2027 sewer flat rate levy and the sewer metered levies be increased by 8.96%.

As presented on November 17th

Sewer Operating Utility 2027 Budget Drivers

	2027 Budget Impact	Flat-Rate User Fee Increase	Average Metered Customer*	Rate Increase to Fund
Future JAMES Upgrades (funding for capital)	$529,642	$47.20	$30.29	6.00%
Funding for capital	390,000	34.75	22.31	4.42%
Inflationary	270,868	24.14	15.49	3.07%
Regional Sewer	89,977	8.02	5.15	1.02%
Admin Fee Recovery	(32,394)	(2.89)	(1.85)	(0.37%)
Revenue changes	(67,000)	(5.97)	(3.83)	(0.76%)
Current Proposal	**$1,181,093**	**$105.25**	**$67.56**	**13.38%**

** based on an annual consumption of 255 cubic meters*

Sewer Operating Utility 2027 Budget Drivers - Amended

	2027 Budget Impact	Flat-Rate User Fee Increase	Average Metered Customer*	Rate Increase to Fund
Future JAMES Upgrades (funding for capital)	$529,642	$47.20	$30.29	6.00%
Funding for capital	0	0.00	0.00	0%
Inflationary	270,868	24.14	15.49	3.07%
Regional Sewer	89,977	8.02	5.15	1.02%
Admin Fee Recovery	(32,394)	(2.89)	(1.85)	(0.37%)
Revenue changes	(67,000)	(5.97)	(3.83)	(0.76%)
Current Proposal	**$791,093**	**$70.49**	**$45.25**	**8.96%**

** based on an annual consumption of 255 cubic meters*

As presented on Nov 17th

Sewer Capital Reserve Balances at the end of each year					
Reserve	2027	2028	2029	2030	2031
Sewer Capital Reserve	11,692,549	9,605,402	12,204,520	15,892,731	13,241,681
Local Sewer DCC Reserve	1,223,876	(535,188)	(15,932,958)	(18,262,926)	(20,363,724)
Regional Sewer DCC Reserve	8,095,965	9,616,058	10,386,804	11,159,156	12,006,185

As proposed on Nov 19th

Sewer Capital Reserve Balances at the end of each year					
Reserve	2027	2028	2029	2030	2031
Sewer Capital Reserve	11,295,334	8,795,979	10,967,431	14,219,099	11,117,318
Local Sewer DCC Reserve	1,223,876	(535,188)	(15,932,958)	(18,262,926)	(20,363,724)
Regional Sewer DCC Reserve	8,095,965	9,616,058	10,386,804	11,159,156	12,006,185

Recommendation

1. That the proposed $390,000 increase in the 2027 budget for funding for sewer capital be reduced to $0.

2. That the 2027 sewer flat rate levy and the sewer metered levies be increased by 8.96%.

Drainage Financing Options

Replacement of existing capital assets

The total replacement value of the assets in the drainage utility is estimated to be approximately $623 million.

$34 million of these assets are already past their design life and are recommended to be replaced.

Replacement of existing capital assets

The current capital plan – average of approximately $1.6 million annually over the next five years.

This is equal to replacing 5% of the assets already deemed past their useful life.

At current spending levels it will take 20 years to complete the maintenance of the current inventory of over-age assets.

Replacement of existing capital assets

The $1.6 million average annual cost represents 0.26% of the replacement cost of all the assets in the drainage utility.

It will take 389 years to replace or maintain the entire inventory.

Staff do not recommend reducing the annual budget identified for the maintenance of the existing drainage assets.

Significant Drainage Budget Items

- $100,000 increase in the 2027 budget for capital funding

- Gap Drainage Services project
  - $11.5 million total
  - $6.9 million from DCC reserves

Recommendation

1. That the proposed $100,000 increase in the 2027 budget for funding for drainage capital be reduced to $0.

2. That the 2027 drainage ad valorem tax increase be increased by 5.18%.

As presented on November 18th

2027 Drainage Utility Operating Budget

	Budget Dollars	Dollar Impact *	Potential Tax Impact
Inflationary & contractual increases	$130,695	$6.97	3.15%
Funding for capital	100,000	5.33	2.41%
Administrative cost recovery	31,625	1.68	0.76%
Operating costs from new capital projects	30,449	1.62	0.73%
Setup transfer to IT reserve	25,853	1.37	0.62%
Equipment updates	23,029	1.22	0.55%
Revenue increases	(26,275)	(1.39)	(0.63%)
Current Proposal	**$315,376**	**$16.80**	**7.59%**

2027 Drainage Utility Operating Budget - Amended

	Budget Dollars	Dollar Impact *	Potential Tax Impact
Inflationary & contractual increases	$130,695	$6.97	3.15%
Funding for capital	0	0.00	0%
Administrative cost recovery	31,625	1.68	0.76%
Operating costs from new capital projects	30,449	1.62	0.73%
Setup transfer to IT reserve	25,853	1.37	0.62%
Equipment updates	23,029	1.22	0.55%
Revenue increases	(26,275)	(1.39)	(0.63%)
Current Proposal	**$215,376**	**$11.47**	**5.18%**

As presented on Nov 17th

Drainage Capital Reserve Balances at the end of each year					
Reserve	**2027**	**2028**	**2029**	**2030**	**2031**
Drainage Capital Reserve	5,044,287	4,232,041	5,301,329	6,332,729	6,998,062
Drainage DCC Reserve	1,548,790	3,153,909	(2,130,002)	(2,098,625)	(1,364,482)

As proposed on Nov 19th

Drainage Capital Reserve Balances at the end of each year					
Reserve	**2027**	**2028**	**2029**	**2030**	**2031**
Drainage Capital Reserve	4,942,437	4,024,496	4,984,127	5,903,593	6,453,354
Drainage DCC Reserve	1,548,790	3,153,909	(2,130,002)	(2,098,625)	(1,364,482)

Recommendation

1. That the proposed $100,000 increase in the 2027 budget for funding for drainage capital be reduced to $0.

2. That the 2027 drainage ad valorem tax increase be increased by 5.18%.

THANK YOU

Questions?