

To: Chief Administrative Officer **Date:** June 16, 2025
From: Scott Ross, Manager of Financial Planning & Analysis
Subject: **Preliminary 2026 Budget Status**

Recommendation(s)

This report is to provide Council with preliminary budget information that might influence the 2026 budget discussions. No staff recommendation accompanies this report.

Purpose

The purpose of this report is to provide Council with updates on known inflationary or other factors that could potentially have a major influence on the 2026 budget discussions.

Background

Prior to the first budget meeting with Council in October, staff will spend several months preparing budget requests. This preparation will include:

- Preparing the 2026 budget with known impacts (potential wage increases, increases from contractual obligations, increases in inflationary costs to maintain current service levels, etc.);
- Having each Supervisor and Manager review their area of responsibility to identify factors that could have an impact on the budget (i.e. demand for services, changes in legislation or regulatory requirements, and updated revenue projections);
- Having each Department Director, along with Finance, review each program/project budget request with the respective supervisor/manager; and
- Having the Senior Management team, along with Finance, review each operational unit's budget with their respective Director, including spending package requests.

Departments will be reviewing the programs and service levels provided in 2025 and determining the costs required to deliver the same levels of service in 2026.

Discussion and Analysis

Departments have started the budgeting process by reviewing the cost for each service provided and determining the budget required to provide the same levels of service to the community as provided in 2025. Efficiencies may be identified to deliver the service for a reduced cost which can then be redirected to other programs and services experiencing budget pressures or be used to reduce the department's overall 2026 budget request.

Unless directed to by Council, changes in service levels are not usually considered by City staff.

General Operating Fund

As a result of the 2024 CPI increase (2.4% Canada, 2.6% Vancouver, all items, per Statistics Canada) many suppliers continue to increase their prices.

This increase in the cost of goods continues to put pressure on a department's budgets and is compounded by growth requiring additional resources to maintain current service levels.

The departments will perform a line-by-line review of their budgets and will review fees and charges to provide the services. This being stated, there are several items already impacting the 2026 budget. The current status shows an increase of over \$3.4 million which represents a 6.76% potential increase to property tax rates. Please note, it is still early in the budget season so this number will likely change as more information is gathered over the coming months during the budget compilation process.

Table 1: Summary Status of 2026 General Operating Budget

		Budget Dollars	Potential Tax Impact	Dollar Impact *
Asset Renewal Levy				
Increase funding for general capital asset renewal		\$504,891	1.00%	\$27.21
	Subtotal	\$504,891	1.00%	\$27.21
Inflation and Contractual Increases				
Impacts from Previous Years' Decisions & Inflation		\$392,607	0.78%	\$21.16
Impacts from Wages, Salary & Benefits		1,591,529	3.15%	85.78
Contractual, Policy and Regulated Obligations		917,510	1.82%	49.45
	Subtotal	\$2,901,646	5.75%	\$156.40
Growth Related Increases				
New construction/development revenue estimate (NCR)		(750,000)	(1.49%)	(40.43)
Revenue (Increases) or Decreases		(55,878)	(0.11%)	(3.01)
Prioritized Spending Packages TBD Funded by NCR		805,878	1.60%	43.44
	Subtotal	\$0	0.00%	\$0.00
Expansionary Service Increases				
Youth Voice Committee		5,000	0.01%	0.27
	Subtotal	\$5,000	0.01%	\$0.27
	Total	\$3,411,537	6.76%	\$183.88

** Using average home value of \$1,133,024 (2025)*

Attachment A provides a list of anticipated changes to the budget due to increased asset (infrastructure) renewal spending, inflation and contractual obligations, growth, and expansion of services.

Asset (infrastructure) renewal; impacts from previous Council decisions and inflation; wages, salaries, and benefits; maintenance of existing service levels; all factor into budget deliberations and are summarized below:

- Increasing the transfer to the capital reserve to pay for infrastructure renewal will cost \$504,891. The levy increase for asset renewal was approved by Council to be implemented each year from 2023 to 2027 to increase the funds available for the repair, refurbishment and repair of the City's capital assets. During the 2025 budget discussion, Council chose not to increase the amount for capital expenditure in 2025 and directed staff to add the increase to 2028. The impact in 2026 is proposed to be a 1.0% property tax increase.
- Impacts from previous decisions and inflationary increases are currently estimated at \$392,607, primarily due to increased fleet maintenance costs. The estimated impact is a 0.78% property tax increase.

- Increases to wages, salary and benefits for CUPE, IAFF, exempt staff, and Council are currently estimated at \$1,591,529. This is to cover collective agreement wage increases, service step increases, job reclass of positions, and CPI increases under Council policies. Please note this is a preliminary estimate as CUPE negotiations have not yet begun. The estimated impact is a 3.15% property tax increase.
- To maintain existing service levels, there are several contractual, policy and regulatory obligations impacting the City's 2026 budget. The known impacts to date are estimated at \$917,510 with the largest impact being the RCMP contract and IHIT program with a combined total of \$764,045.
- At this time it is estimated that growth from new development will provide an additional \$750,000 of new property tax revenue for 2026. This estimate is based on the revenue increases from prior years and not a reflection of actual construction in the past year. The actual 2025 property tax revenue from new construction is \$55,878 over the estimate used for budgeting purposes. This has been added to the growth-related revenue projection for 2026. The Senior Management team will prioritize the growth-related resource requirements throughout the organization and provide a recommendation to Council as to how to best allocate the new construction revenue based on the growth funds available. Table 2: Priority Spending Based on Growth Funds Available shown below illustrates the concept.

Table 2: Priority Spending Based on Growth Funds Available

Spending Package	Amount	Cumulative Total	Growth Funds Available			
			\$ 700,000	\$ 900,000	\$ 1,000,000	\$ 1,200,000
			Include (Y/N)	Include (Y/N)	Include (Y/N)	Include (Y/N)
Priority #1	\$ 135,000	\$ 135,000	Yes	Yes	Yes	Yes
Priority #2	110,000	245,000	Yes	Yes	Yes	Yes
Priority #3	395,000	640,000	Yes	Yes	Yes	Yes
Priority #4	50,000	690,000	Yes	Yes	Yes	Yes
Priority #6	75,000	945,000	No	No	Yes	Yes
Priority #7	120,000	1,065,000	No	No	No	Yes
Priority #8	130,000	1,195,000	No	No	No	Yes

There are still many budget impacts being monitored. **Attachment B** lists the known issues being watched that could have an impact on the 2026 budget. Any additional information gathered will be reported in the Fall.

For the 2026 budget, a 1% increase in property taxes will generate \$504,891 in property tax revenue. Based on an average home in Mission, with a 2025 assessed value, of \$1,133,024, a 1% increase in property taxes will increase the owners 2026 municipal tax levy by approximately \$27.

While it is early to predict the annual Vancouver CPI for 2025, the current CPI is trending at 2.2%. The City has contracts where an annual increase is based on the Vancouver CPI average.

Capital Plans

A detailed review of the entire capital program will be conducted.

Table 3 shows the summary of the capital component of the final amended financial plan* spending compared to the actuals for the past three years:

Table 3: Capital Program Budget vs Actual History

Year	Final Amended Budget	Actual Expenditures	Unused budget carried forward to next year	% of capital plan completed
2024	\$93,764,638	\$31,221,482	\$31,317,592	33.3%
2023	\$65,613,967	\$18,523,912	\$44,442,659	28.2%
2022	\$53,955,520	\$22,209,997	\$31,362,126	41.2%

*Excluding the regional water and sewer capital programs as Mission does not have direct control over delays or deferrals.

For various reasons, several budgeted capital projects are not getting completed as planned. The two main reasons appear to be insufficient budgets and insufficient internal resources to complete the work.

Some budget estimates were prepared several years ago and since then, there has been significant cost increases for contractors and materials. Construction costs have increased much more than standard CPI. Consequently, tenders and requests for proposals being received are much higher than originally anticipated. As a result, some projects are being delayed until additional funds can be secured, or other projects are being deferred to free up funds.

Another issue resulting in capital project delays is insufficient internal resources to support the processes. The lack of personnel resources in Purchasing to facilitate the RFP, coordinate the tender process and internal project management personnel to coordinate the work are two issues identified. These support roles are required whether the actual work is being done by internal staff or by contract.

Further, a lack of communications personnel necessary to keep the general public informed about the capital activities of the City has also been noted.

To address these issues, capital planning will include:

- Determination if the budgets are sufficient based on current market prices;
- Ensuring departments have sufficient resources to complete the work; and
- Ensuring the budget estimates include administrative costs for purchasing, project management, and communications.

Due to the limited resources available for capital projects, increasing the estimated budgets will likely mean less work will be planned for each year but, it is anticipated that a higher percentage of the work will be completed.

The capital asset maintenance program will be reviewed where prioritization of projects deemed most necessary to complete will determine whether projects need to be deferred, modified (such as consideration of a change in scope), or cancelled, if necessary, based on available funds. The results of this detailed review will be reported back to Council in the.

Utility Funds, Fleet Operations & Forestry

A detailed review of the utility funds (Water, Sewer, Drainage, and Solid Waste), fleet, and forestry operations are currently underway. Like the general operating fund, some impacts known include:

- Increases in wages and salaries;
- Operating costs related to new capital acquisitions;
- Increased equipment costs on existing equipment; and
- CPI increases built into contracts.

Operating budget information from the regional water and sewer operations will not be known until Fall.

Solid Waste Fund

In the Solid Waste operation, in addition to the above noted budget impacts, the new curbside collection contract for garbage, recycling and green waste will come into effect July 1, 2025. As expected, the cost of this service has increased significantly. By automating the waste, recycling, and green waste collection process, the cost increase was reduced but will still result in an increase to the curb-side collection levy. The budget will also need to consider the purchase of new carts to support this change in service delivery.

Forestry

Timber markets are somewhat uncertain at present due to potential softwood tariffs levied by the United States. Nevertheless, the local buyer demand for timber is expected to remain robust as the City enters 2026. Forestry actively monitors markets and releases timber sales to take advantage of improving markets and low stumpage costs. This may create differences between estimates made during budget preparation and what happens months later.

As in previous years, during extreme wildfire risk seasons, harvesting activities may be reduced or suspended altogether depending on current conditions and related risk to the tree farm and surrounding community.

Drainage Fund

For Drainage operations, in addition to the above noted budget impacts, Council approved phasing in an increase of the transfer to the Drainage Capital Reserve. An annual increase of \$250,000 was supported until the total transfer can fund the drainage capital maintenance program. This increase represents a 6.65% increase to the drainage levy.

The actual 2025 drainage levy revenue from new construction was \$42,350 over the 2025 estimate used for budgeting purposes. This will be added to the \$50,000 estimate for 2026 from new development expected to occur in 2025.

The current status of the drainage fund budget shows an increased revenue requirement of \$236,452 which represents a 6.29% increase to the drainage levy. This is the equivalent of a 0.47% property tax increase.

A 1% increase to the drainage levy would impact the average assessed home in Mission by an estimated \$2.02 and would generate approximately \$37,570 in total revenue.

Financial Implications

There are no financial implications directly associated with this report. Reports prepared for budget discussions starting in the Fall will provide detailed information of any financial implications.

Communication

The Community Budget Consultation document will be available prior to the community budget consultation meeting to inform stakeholders about the proposed budget in advance. An opportunity for public input through the City's website will be made available at the same time, with the results being reported to Council at a Freestanding Committee of the Whole meeting.

The Freestanding Committee of the Whole – Corporate Administration and Finance - Budget meetings will be held in the Council Chambers, are open to the public, and will be webcast. These budget meetings will be advertised in the Mission City Record, as well as on the City's website.

There is an opportunity to comment or ask questions about the budget on the City's website.

Summary and Conclusion

The current budget status shows an increase of over \$3.4 million which represents a 6.76% increase to the property tax levy. There are still many unknown budget impacts being watched which could change the property tax levy impact.

Similarly, the utility funds are experiencing the same inflationary pressures. The Solid Waste operation has additional budget impacts from increase costs for curb-side collection of garbage, recycling, and green waste. For the Drainage operation, Council previously supported an annual increase of \$250,000 to the transfer to the Drainage Capital Reserve which will impact the drainage levy.

Report Prepared by: Scott Ross, Manager of Financial Planning & Analysis
Reviewed by: Doug Stewart, Director of Finance
Approved for Inclusion: Barclay Pitkethly, Deputy Chief Administrative Officer

Attachment(s)

Attachment A: 2026 General Operating Fund Budget Summary to Date
Attachment B: 2026 Potential Budget Impacts
Attachment C: 2026 Drainage Utility Budget Summary to Date