Agenda – Executive Policy Committee – November 18, 2025

Report – Standing Policy Committee on Water, Waste and Environment – November 3, 2025

Item No. 1 2026 and 2027 Water and Sewer Volume Rates

On November 3, 2025, due to a tie vote, the Standing Policy Committee on Water, Waste and Environment submitted the matter to the Executive Policy Committee and Council without recommendation.

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DECISION MAKING HISTORY:

On November 3, 2025, due to a tie vote, the Standing Policy Committee on Water, Waste and Environment submitted the matter to the Executive Policy Committee and Council without recommendation.

ADMINISTRATIVE REPORT

Title: 2026 and 2027 Water and Sewer Volume Rates

Critical Path: Standing Policy Committee on Water, Waste and Environment – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
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EXECUTIVE SUMMARY

The Public Service recommends approval of 2026 and 2027 water and sewer volume rates. There are no recommended changes to the Council approved 2026 to 2027 daily basic rates. The water and sewer rate changes recommended in this report are influenced by:

- Addition of the NEWPCC Upgrade: Nutrient Removal Facilities (NR) project. The NR project has a Class 3 cost estimate of $1.491 billion with an approved budget of $29 million. The sewer rate model assumes 2/3 funding from other levels of government. The City's 1/3 share is primarily funded by long term debt.
- Revised funding (government and debt) applicable to NEWPCC Upgrade: Biosolids Facilities (Biosolids) project.
- Updated adjustments to the water and sewer fund operating budgets.
- Freezing the dividend paid by the Water and Sewer Utility into the General Revenue Fund at the levels approved in the 2024 to 2027 Multi-Year Budget.

The revised rates include most recent updates to the operating budget, to the date of this report. Given the funding assumptions, the proposed water and sewer volume rates are:

Water	Approved January 1, 2026	Recommended January 1, 2026	Recommended January 1, 2027
Rate (per m3)	$2.15	**$2.17**	**$2.25**
% change per year		0.9%	3.7%
Sewer	**Approved April 1, 2025**	**Recommended January 1, 2026**	**Recommended January 1, 2027**
Rate (per m3)	$4.40	**$4.53**	**$4.75**
% change per year		3.0%	4.9%
Portion allocated to EPR*	$0.60	$0.60	$0.70

*Environmental Projects Reserve

The daily base rates for 2026 to 2027 were approved by Council on January 25, 2024. The base rates will not change.

The new estimated quarterly and annual bill for a household of four is shown below. This is combined with the previously approved daily basic rates. For comparison purposes, 2025 reflects a full year of costs at the April 1, 2025, approved sewer rate.

Residential Customer Quarterly Bill (50 m3 per quarter household of four)	**2025 Approved**	**2026 Recommended**	**2027 Recommended**
Water **(recommended 2026, 2027)**	$105	**$109**	**$113**
Sewer **(recommended 2026, 2027)**	$220	**$226**	**$237**
DBC (Council approved)	$70	$71	$73
Total Quarterly Bill	$395	$406	$423
Total Annual Bill	**$1,580**	**$1,624**	**$1,692**
Annual increase - $		$44	$68
Annual increase - %		2.8%	4.2%

*Daily Basic Charge

The water and sewer rates are reviewed each year. Changes in funding assumptions will impact the financial model. The Public Service will report back to Council with any recommended changes to rates.

The Public Service continues to review cash flow requirements for all capital projects. This process includes assessments of the business case. It also includes an evaluation of risks to service levels. The process also includes challenge sessions involving departmental stakeholders. Stakeholders justify the need for the project. Then, they validate the proposed solution. Finally, they confirm that the necessary resources are expected to be available.

RECOMMENDATIONS

1. That Council approve a two-year increase to the water volume rate, based on the amount of water used in cubic metres (m3), effective January 1, 2026, and January 1, 2027.

Water	Recommended January 1, 2026	Recommended January 1, 2027
Rate (per m3)	$2.17	$2.25

2. That Council approve a two-year increase to the sewer volume rate, based on the amount of water used in cubic metres (m3), which includes an amount allocated to the Environmental Projects Reserve (EPR), effective January 1, 2026, and January 1, 2027, as follows:

Sewer	Recommended January 1, 2026	Recommended January 1, 2027
Rate (per m3)	$4.53	$4.75
Allocated to EPR (per m3)	$0.60	$0.70

3. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

REASON FOR THE REPORT

Increase in water and sewer volume rates beyond inflation or changes to the dividend require Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

The Public Service has evaluated the impact of costs related to NR capital project. The proposed sewer volume rate is based on approximately $468 million in additional long-term debt issuance over 50 years, plus an estimated financing costs of $79 million, and receiving provincial and federal government funding estimated at approximately $994 million or approximately two-thirds of the capital cost.

The Public Service has also incorporated an additional $334 million in funding from other levels of government for the Biosolids capital project. This is offset with a decrease in debt requirements of $334 million for this project.

The City of Winnipeg understands that some customers may have difficulties paying their utility bill and offers the following options to assist:

- Payment arrangements are considered if more time is needed to pay utility bills.
- The Water Leak Credit Policy provides financial help to single-family residential and non-profit customers who receive a high utility bill for water and sewer services, as a result of water leak within their house or building.
- The H2O Help to Others program provides support to low-income individuals and families who have difficulty paying their City of Winnipeg utility bill.

HISTORY/DISCUSSION

The Public Service employs industry best practices to establish water and sewer rates. The rates are designed to fund all costs of operations and capital projects related to water and sewer quality, city growth and regulatory requirements.

On September 29, 2023, Council approved an increase of $482 million, from $553 million to $1.035 billion for the Biosolids capital project.

On January 25, 2024, Council approved the 2024-2027 water and sewer rates. At that time, the Public Service identified two items would require a report back to Council for rate adjustments:

- If the City was unable to secure an increase in funding for the Biosolids project
- When the Class 3 cost estimate is complete for the NR project

On March 27, 2025, Council approved:

- that the 2025 sewer volume rate of $4.40 based on the amount of water used in cubic metres (m3), which includes an amount allocated to the Environmental Projects Reserve (EPR) of $0.60 per cubic metre, be approved effective April 1, 2025.

- that the annual dividend paid by the Water and Sewer Utility into the City of Winnipeg General Revenue Fund be capped at budgeted annual levels already approved in the 2024 to 2027 Multi-Year Budget, regardless of the additional funding committed to the projects.

- that the Winnipeg Public Service report back with recommendations on options to phase out the utility dividend payments from the Sewer and Water Utilities to the City of Winnipeg Operating Budget over a ten-year period, starting in the 2028-2031 Multi-Year Budget cycle.

1. MAJOR COMPONENTS IMPACTING 2026 AND 2027 SEWER RATES

1.1 Capital Spending and Associated Funding

The water and sewer financial plans are based on cash flows associated with The Public Service's asset management strategy and capital budget (Appendix A). Capital improvement programs are funded through a combination of debt, reserves, equity and other levels of government.

The NEWPCC Upgrade, the City's largest and most complex capital project, includes three major project components, totaling over $3 billion. Funding for Headworks Facilities has been confirmed. Funding for NR and Biosolids projects remain in active discussion with both levels of government, and projected funding contributions are included in the 2026 sewer rate model. The City also anticipates securing a 50-year debt issuance estimated at $468 million for the NR project, which has an existing authorized budget of $29 million. This capital project was referred to the 2026 budget process.

Proposed changes to the funding formula in the rate model are summarized in Table 1 below and include the following estimates:

- Biosolids: Additional $334 million government funding offset by a reduction of $334 million of debt.

- NR: Additional $994 million from other levels of government, $29 million of approved City funding plus $468 million of additional City debt . Additional associated debt financing charges estimated at $79 million will be funded from retained earnings.

Table 1 Proposed Rate Model Changes

NEWPCC Upgrade (in $millions)	Total Cost	Funding Canada	Manitoba	City Share of Costs	Funding Sources City Share Debt	Sewer Rates
Headworks/ Power Supply (HW)[1]	**$ 566**	**$ 116**	**$ 97**	**$ 353**	**$ 148**	**$ 205**
Biosolids (Bio)[1]	$ 1,035	$ 201	$ 167	$ 667	$ 491	$ 176
Proposed changes[2]	$ -	$ 166	$ 168	$ (334)	$ (334)	$ -
Bio - Revised forecast	**$ 1,035**	**$ 367**	**$ 335**	**$ 333**	**$ 157**	**$ 176**
Nutrient Removal (NR)[3]	$ 1,491	$ -	$ -	$ 1,491	$ -	$ 1,491
Proposed changes[2]	$ -	$ 497	$ 497	$ (994)	$ 468	$ (1,462)
NR - Revised forecast	**$ 1,491**	**$ 497**	**$ 497**	**$ 497**	**$ 468**	**$ 29**
Total	**$ 3,092**	**$ 980**	**$ 929**	**$ 1,183**	**$ 773**	**$ 410**

Notes:

[1] Approved funding for these projects

[2] Proposed changes included in the rate model

[3] 2025 Rate Model forecast

The modelled cash flow requirements for the NR major capital project were updated to reflect current best estimates which shift some cashflow expenditures from 2025 and 2026 to future years, mitigating sewer rate funding needs in the short term.

1.2 Long-Term Debt Issues

The 2026 sewer volume rate model incorporates additional debt funding for the NR project. Total additional expected City debt funding is estimated at $468 million. Beginning in 2026, the debt service costs are incorporated into the sewer rate model over a 50-year issue period.

With the inclusion of additional funding from other levels of government for the Biosolids project, City debt requirements for this project are expected to decrease by approximately $334 million.

1.3 Financial Stability

The working capital target provides medium-term stability, adequate liquidity to sustain operations and the ability to absorb losses in any given year when consumption falls short of anticipated levels and/or unforeseen emergency funds are required.

Industry best practices recommend utilities maintain a minimum working capital target. The Water and Waste Department follows best practices and strives for a combined water and sewer working capital target of approximately eight percent or between 30 to 60 days cash and investments on hand.

Cost increases in Provincial licence driven capital, capital transfers and retained earnings funded capital projects have resulted in the necessity to increase funding, specifically in the near term. The Public Service has lowered the projected working capital target in the peak construction periods of the Biosolids and NR projects to mitigate the impact to the Utility customer. The Public Service will continue to monitor working capital and adjust future expenditures and rates to balance stability of the utility and affordability for customers.

Rising operating costs have led to an increase in the water volume rate compared to the rate approved in the January 25, 2024, Council report. The daily basic rates remain unchanged from that approved in 2024.

1.4 Dividend

On March 27, 2025, Council approved that the annual dividend paid by the Water and Sewer Utility into the City of Winnipeg General Revenue Fund be capped at budgeted annual levels already approved in the 2024 to 2027 Multi-Year Budget, regardless of additional funding committed to projects. That change is reflected in the 2026 and 2027 rates recommended in this report. In addition, for modelling purposes, future dividends beginning 2028 have been capped at the 2027 level.

2. CUSTOMER IMPACT

For a residential household of four and 50 cubic meters of water use per quarter, the proposed water and sewer rate charge combined with the previously approved daily basic charge (DBC) results in an estimated quarterly and annual bill as shown in Table 2. For comparison purposes, 2025 reflects a full year of costs at the March 2025 approved sewer rate.

Table 2 Residential Customer Impact

Residential Customer Quarterly Bill (50 m3 per quarter household of four)	**2025 Approved**	**2026 Recommended**	**2027 Recommended**
Water **(recommended 2026, 2027)**	$105	**$109**	**$113**
Sewer **(recommended 2026, 2027)**	$220	**$226**	**$237**
DBC (Council approved)	$70	$71	$73
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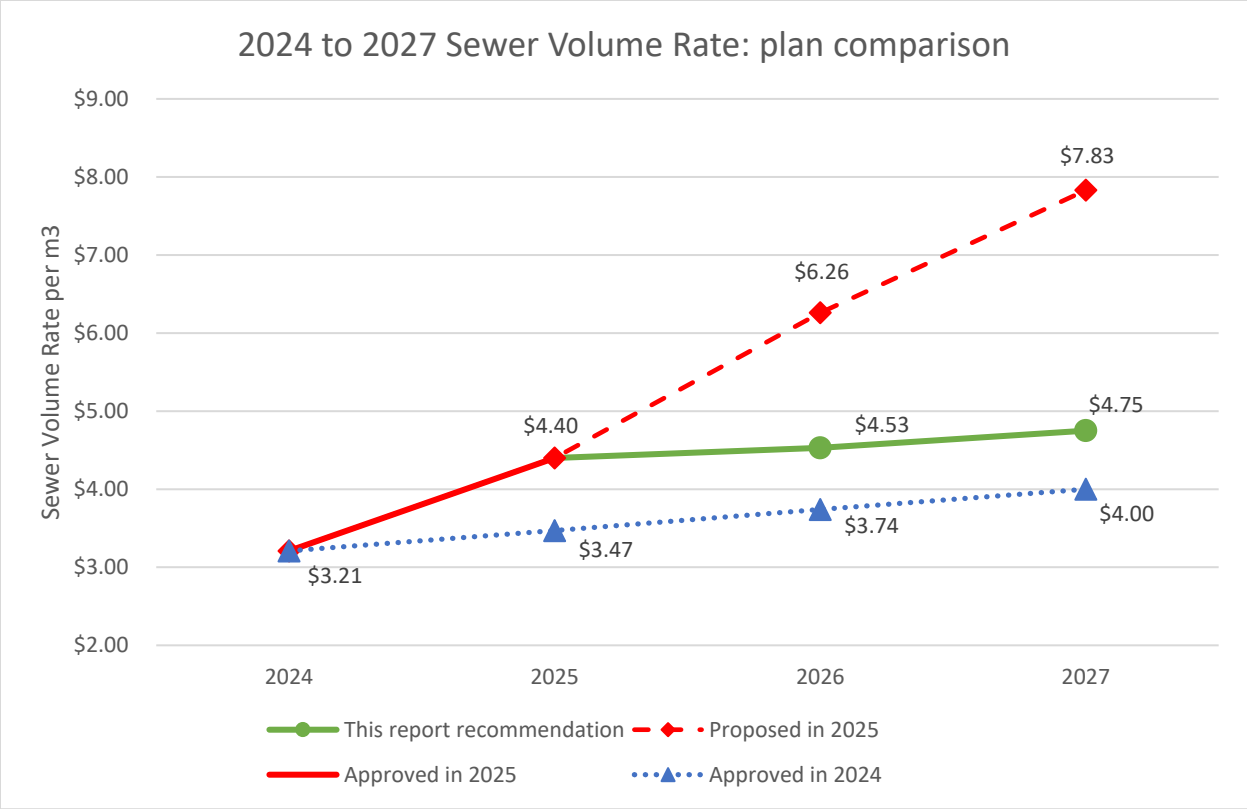
The City of Winnipeg understands that some customers may have difficulty paying their utility bill and offers the following options to assist:

- Payment arrangements are considered if more time is needed to pay utility bills.
- The Water Leak Credit Policy provides financial help to single-family residential and non-profit customers who receive a high utility bill as a result of a water leak within their house or building.
- The H2O Help to Others program provides support to low-income individuals and families who have difficulty paying their City of Winnipeg utility bill.

The sewer rate change proposed in this report is significantly less than previous rate changes presented in March 2025. A comparison of the planned 2024 to 2027 sewer volume rates approved in 2024, proposed in March 2025, and recommended in this report, is shown in the chart below.



3. RISKS

Primary risks associated with the 10-year financial projections in the 2026-2035 water and sewer rate model include:

3.1 Combined Sewer Overflow (CSO) Mitigation

The CSO Master Plan's estimated capital cost to meet the 85% capture control target is $1.15 billion in 2019 dollars. This is a class 5 planning level estimate which has an expected accuracy range of -50 percent to +100 percent. Factoring in inflation and escalation over a multi-decade program provides a wide range of potential total program capital costs. The Public Service assumes that the current $30 million annual rate of program funding, which was increased by 50% annually between 2024-2027 and will also increase by $1 million annually beginning in 2029, will be sufficient to complete the program by 2045.

3.2 Debt

The current rate model assumes secure funding for the NR project, including agreements with the provincial and federal governments, and acquiring 50-year debt issue for an estimated $468 million. Additional associated debt financing charges estimated at $79 million, will be funded from retained earnings, and subsequently capitalized once the NR project has reached substantial completion.

Should additional government funding for the NR and/or Biosolids projects not materialize or be delayed, and/or the City not be successful in securing the additional debt these costs would need to be funded by sewer volume rates alone.

3.3 New Legislation

Environmental and public health concerns are driving more stringent standards in the water and sewage industry. The Environment Act Licences for the three sewage treatment plants have required large increases in capital and operating costs. Further introduction of new, or more stringent, legislation could cause an increase in rates.

3.4 Phasing out the Dividend

There are no options to decrease the dividend in the recommended 2026 and 2027 sewer volume rates. Options to gradually phase out the dividend will be part of a separate report expected for the next multi-year budget beginning 2028. Any changes to the dividend are expected to impact the General Revenue Fund.

3.5 Cost Escalation

Cost escalation caused by inflation, supply chain issues, tariffs and market volatility may result in further increases in expenditures in multiple areas (commodities, materials, chemicals, etc.).

4. COMPETITIVENESS

Winnipeg's combined water and sewer rate remains competitive with other Canadian cities of similar size. In 2025, Winnipeg ranks third out of five cities for affordability for residential customers and second out of five cities for commercial customers. (Appendix C)

5. COMMUNICATION

Following Council approval, the Public Service will communicate the water and sewer rate changes to customers as follows:

Strategy	Timeline
MyUtility Website updated with new rates	December 2025
Message on utility bill	January 2026 to March 2026

The Public Service will communicate volume sewer rates to impacted municipalities as follows:

Strategy	Timeline
Notice to municipalities impacted by sewer volume rates	December 2025

Requested Changes

At a briefing on October 15, 2025, an earlier draft of this administrative report was reviewed by Mayor's Office staff and the following revision was requested:

- Include a chart showing a comparison of the planned 2024 to 2027 sewer volume rates, the proposed 2025 rates, and the new rates recommended in this report.

At a Reports Briefing on October 23, 2023, an earlier draft of this administrative report was reviewed by members of the Executive Policy Committee and the following revisions were requested:

- In the Executive Summary, include the definitions for "DBC" and "EPR."

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 10, 2025

Project Name:

2026 and 2027 WATER SEWER VOLUME RATE

COMMENTS:

The financial projections for water and sewer funds are contained in appendices to this report.
The proposed rate increases reflect cost of service recovery.

Lucy Szkwarek, FCPA, FCGA

Lucy Szkwarek, FCPA, FCGA
Manager Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

n/a

OURWINNIPEG POLICY ALIGNMENT

This report aligns with OurWinnipeg 2045, Policy 1.8 Accountable Revenue Generation, by generating revenue from behaviours that drive costs and/or compromise sustainable development goal outcomes. Objective: Establish and implement priority actions through evidence-informed decision-making processes.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This report aligns with Winnipeg Climate Action Plan through Strategic Opportunity 7: Community Climate Resiliency

Key Directions:
7.1 Implement opportunities to improve Winnipeg's resilience and adaptability to the effects of a changing climate.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

The report aligns with the Winnipeg Poverty Reduction Strategy, Goal 4: Community Well-Being Supports for those in Greatest Need are Increased, Initiative 4.4: Access to services for basic needs, Action 5: Explore ways to expand supports to low-income residents who experience challenges in paying for water service (i.e. H2O Help to Others program, payment plans, subsidies, collaboration with social services etc.).

SUBMITTED BY

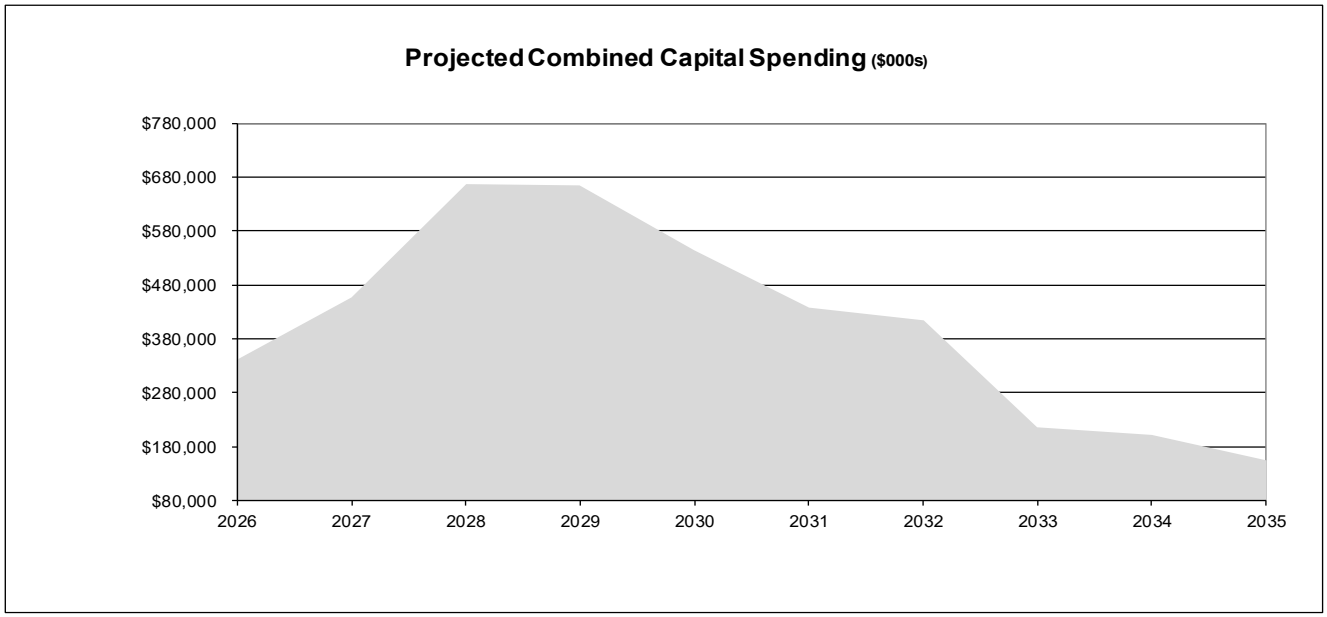
Department: Water and Waste
Division: Finance and Administration
Prepared by: Robert Isaac, CPA; Lucy Szkwarek FCPA
Date: October 10, 2025
File No.: A-014

ATTACHMENTS:

APPENDIX A Capital Spending
APPENDIX B Water Works and Sewage Disposal System Funds Financial Projections
APPENDIX C Competitiveness to Other Canadian Cities

APPENDIX A
CAPITAL SPENDING

Projected capital spending over the 10-year financial plan incorporates: water main renewals, sewer renewals, environmental projects, water meter renewals, land drainage, and retained earnings funded capital.



APPENDIX B
WATER WORKS AND SEWAGE DISPOSAL SYSTEM FUND FINANCIAL PROJECTIONS

Financial Projection 2026-2035 ($000s)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue										
Sales Revenue	454,568	474,875	491,834	501,450	505,093	508,847	496,487	503,307	510,892	519,292
Other	24,781	25,698	27,316	28,445	27,738	28,875	30,069	31,325	32,626	33,565
Total Revenue	**479,350**	**500,573**	**519,150**	**529,895**	**532,831**	**537,722**	**526,556**	**534,632**	**543,518**	**552,857**
Expenditures and Appropriations to Capital										
Operating	344,979	362,925	376,537	382,574	385,014	396,242	409,059	423,731	437,012	443,283
Utility Dividend	45,187	48,184	48,184	48,184	48,184	48,184	48,184	48,184	48,184	48,184
Appropriations to Capital	82,796	107,338	123,460	86,451	56,997	57,674	59,197	60,217	61,886	63,604
Total Expenditures and Appropriations to Capital	**472,962**	**518,447**	**548,182**	**517,209**	**490,195**	**502,100**	**516,440**	**532,132**	**547,082**	**555,071**
Surplus(Deficit)	6,388	(17,875)	(29,032)	12,686	42,637	35,622	10,116	2,500	(3,563)	(2,215)
Opening Working Capital	22,887	29,275	11,401	(17,631)	(4,945)	37,692	73,314	83,430	85,930	82,367
Ending Working Capital	29,275	11,401	(17,631)	(4,945)	37,692	73,314	83,430	85,930	82,367	80,152
Water Rate $dollars	**$2.17**	**$2.25**	**$2.31**	**$2.36**	**$2.39**	**$2.39**	**$2.39**	**$2.45**	**$2.53**	**$2.62**
Sewer Rate $dollars	**$4.53**	**$4.75**	**$4.88**	**$4.90**	**$4.94**	**$4.98**	**$5.03**	**$5.07**	**$5.12**	**$5.17**

APPENDIX C
COMPETITIVENESS TO OTHER CANADIAN CITIES

Presented below are known fees and charges applied in other cities that are included in Winnipeg's water and sewer rates. The following tables reflect estimated annual customer impacts in cities of similar size using 2025 rates and select consumption per year -- residential (200 m^3), and commercial (1,600 m^3).

