

Draft 2025-2029 Financial Plan

The purpose of this document is to provide Abbotsford citizens with highlights of the 2025-2029 Financial Plan and an opportunity to express their views on the plan before the Financial Plan adoption in January 2025.

The Draft 2025-2029 Financial Plan Bylaw for the City of Abbotsford will be presented at the Council meetings scheduled to take place over two sessions on December 10 & 11, 2024 from 1:00 p.m. to 5:00 p.m. in the Matsqui Centennial Auditorium at 32315 South Fraser Way, Abbotsford, BC.

Public Feedback

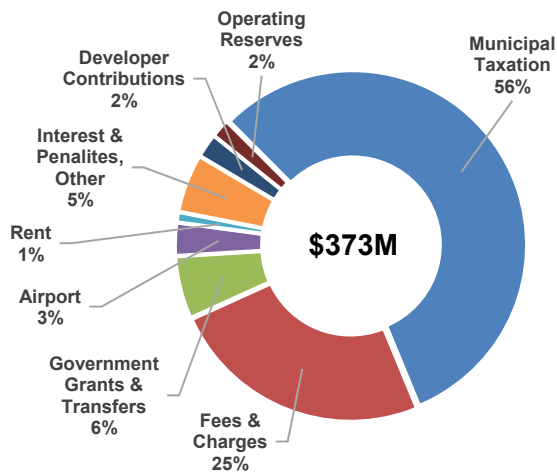
The public has the opportunity to provide comments on the Draft 2025-2029 Financial Plan Bylaw at the conclusion of each of the public meetings. Alternatively, residents can submit feedback electronically to the Finance Department at finance_info@abbotsford.ca by January 6, 2025.

Summary and Proposed Tax Revenue Increase

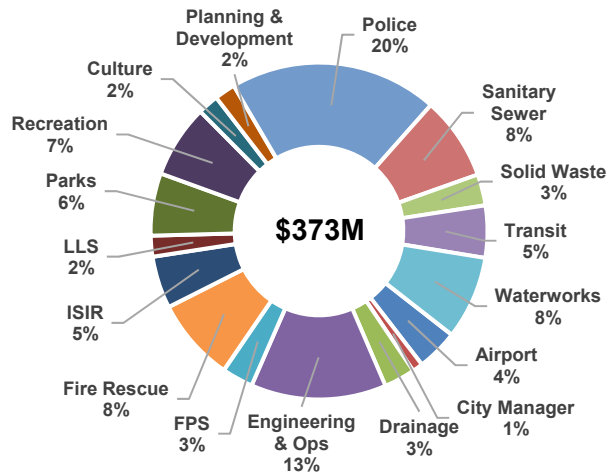
The proposed general property tax revenue increase for 2025 is 4.98% plus a 1.0% infrastructure levy for a total of 5.98%.

The proposed tax increase for 2025 continues to reflect the reality of ongoing elevated price pressures. These are most clearly seen in labour contract obligations, construction cost inflation, and emergency services contracts. These pressures are not unique to Abbotsford and have been observed across the region. Additionally impacting the budget this year is a significant investment in enhanced transit service.

Where the Money Comes From



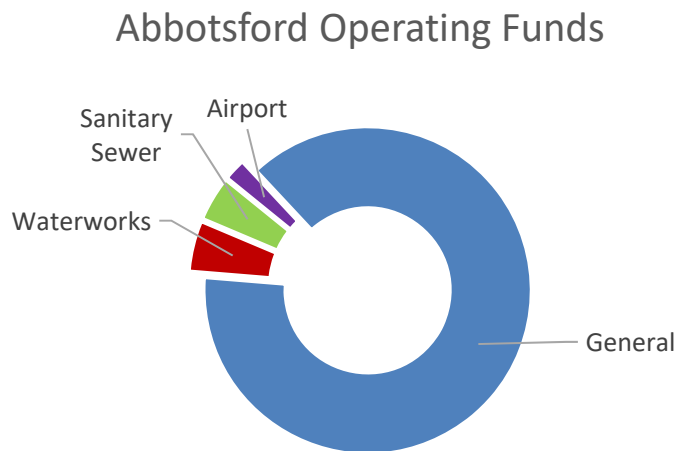
Where the Money Goes



*consolidated revenues and expenditures of all City of Abbotsford funds

The major drivers of this year's financial plan are summarized in the following sections by the four operating funds that comprise the City's financial structure:

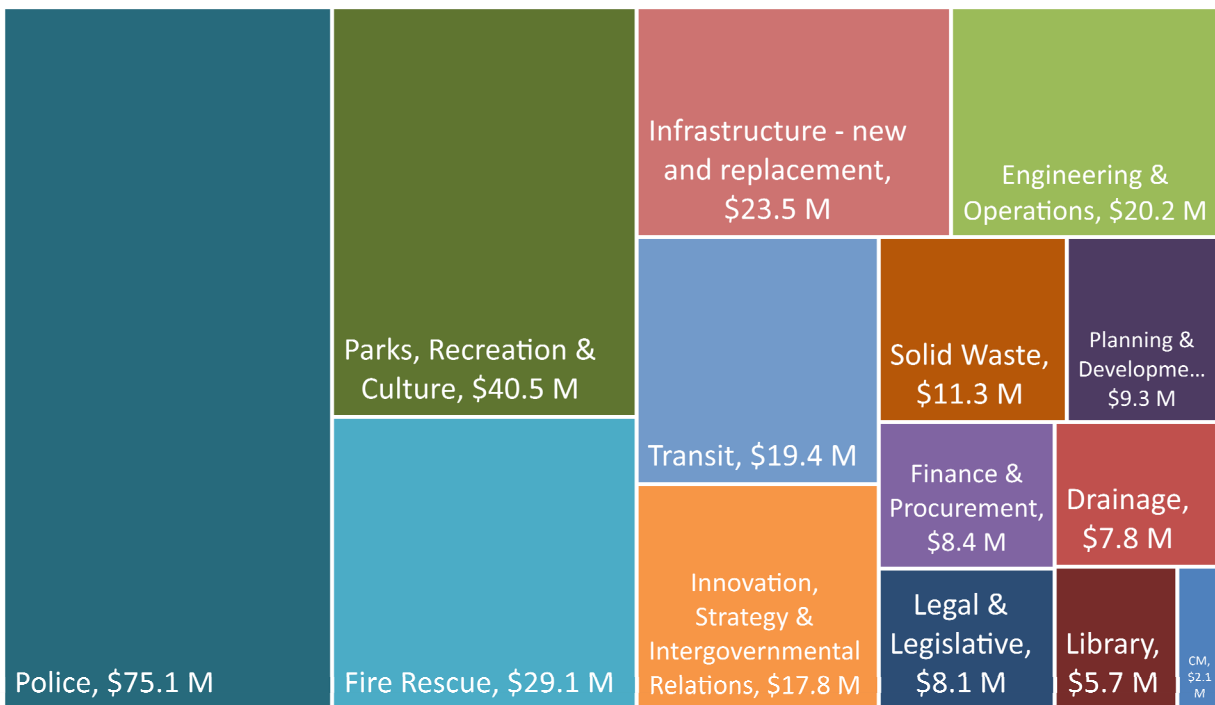
- General
- Waterworks
- Sanitary Sewer
- Airport



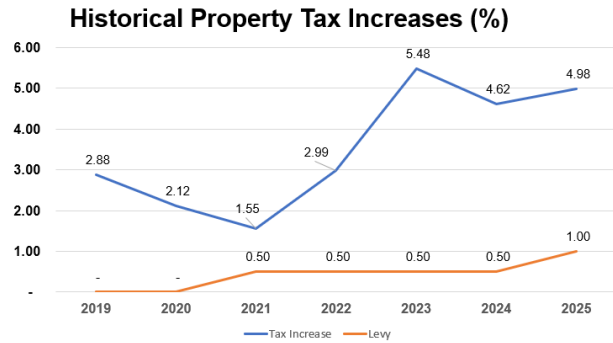
General Operating Fund

The general operating fund encompasses all functions other than waterworks, sanitary sewer, and airport. As such, it is by far the largest fund, covering all public safety services, recreation, drainage, waste, transit, and more. The following diagram provides a visual representation of the many functions and their relative proportion of the general operating fund budget.

General Operating Fund



The proposed general tax revenue increase for 2025, at 4.98%, continues to be influenced by lingering inflationary pressures that began in late 2021. Previous years had seen increases typically between 2 and 3%. In addition, there is a 1.0% levy to provide for future sustainment of the city's infrastructure.



Cost Drivers – General Fund

The tax-funded general operating fund in 2025 is proposed with a \$14.8 million increase in expenses, on approximately \$220 million of expenses in 2024. Significant expense changes included:

- Wage contracts – existing wage contracts for all employee groups expire at the end of 2024. As a result, provisions have been incorporated into the budget using reasonable assumptions given current available information.
- Police (\$5.7 million) – Police dispatch and radio equipment services (E-Comm) are again having a significant impact on the budget with an impact of \$1.2 million. New positions (8.5 full-time equivalent) add a further \$0.8 million to the budget. Police wage increases have not yet been finalized for 2025, so a provision has been made using assumed costs.
- Strategic initiatives and opportunities (\$2.0 million) – new projects and positions in the 2025 budget include approximately \$1.7 million in new positions to support growth, plus \$0.3 million in program and service level improvements.
- Infrastructure levy (\$1.9 million) – a 1% increase to property tax revenue is included in order to continue moving capital funding toward a sustainable level. This funding will support capital works in the general fund including, for example, renewal of park and recreational structures, transportation and drainage infrastructure, and municipal buildings.
- Transit (\$0.8 million) – A significant increase in transit service is incorporated in the 2025 plan, at a net tax-supported cost of \$0.8 million. Improvements include an additional 10,000 annual hours of service to the conventional bus system, and an additional 3,120 annual hours of service to the handyDART system.
- Property insurance – after multiple years of significant cost increases, the 2025 budget requires no increase from 2024. The current budget for this item is \$3.2 million. For comparison, 2020 property insurance costs were \$1.2 million.

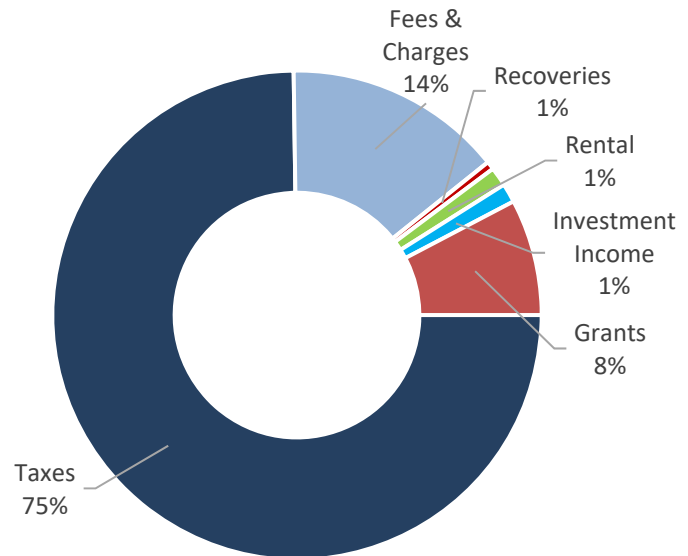
Revenue Changes – General Fund

The general fund relies primarily upon taxation to fund its many operations. Fees and charges (14%) is the most significant contributor of revenues after taxation. These revenues are tied directly to the provision of specific services and come primarily from solid waste, recreation, transit, and drainage. Grant funding (8%) is the third most significant source of funds. Approximately 40% of this grant funding is provided by the provincial government to support transit operations. Another one-third of the grant funding in the general fund is Community Works Funds that are ultimately used for infrastructure. Some of the significant operating grants include the provincial Traffic Fine Revenue Sharing program that funds public safety services, and senior government grants supporting housing and homelessness programs.

A number of changes to various revenue sources have been included in the 2025 plan that impact the requirement for taxation revenue.

- Excess 2024 revenue from non-market changes (\$1.8 million increase) – taxes from new development exceeded the 2024 budget and continue to support the budget in 2025.
- Payments in lieu of taxes (\$0.5 million increase) – these are tax-like payments by public utilities. The additional payments are being largely driven by a change in property assessment by BC Assessment for land and improvements owned by a provincial utility.
- Commercial lease revenue (\$1.0 million decrease) – budgeted lease revenue has decreased from the removal of a leased property and due to market adjustments.
- Transit fares and grants (\$2.1 million increase) – fares and provincial grants are expected to increase, in large part due to a planned service expansion.
- Transfer from operating reserves – in order to mitigate the tax increase for 2025, the operating reserve is being drawn down by \$2.0 million.

General Operating Fund - Revenue Sources

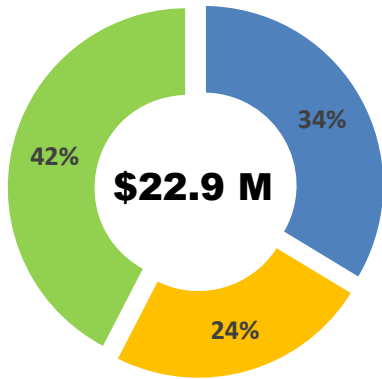


Water Operating Fund

Abbotsford’s water operating fund provides for the operation and maintenance of its various water supply sources (governed jointly with the City of Mission), the mains and equipment used to distribute water to customers, and for renewal and replacement of all the infrastructure associated with the system. Abbotsford had approximately \$74 million in water capital reserves at the end of 2023 and continues to contribute funding to infrastructure replacement due to the significant value of the assets used in the water system. The most recent long-term financial plan update estimated the 25-year water user rate funding requirement at approximately \$250 million.

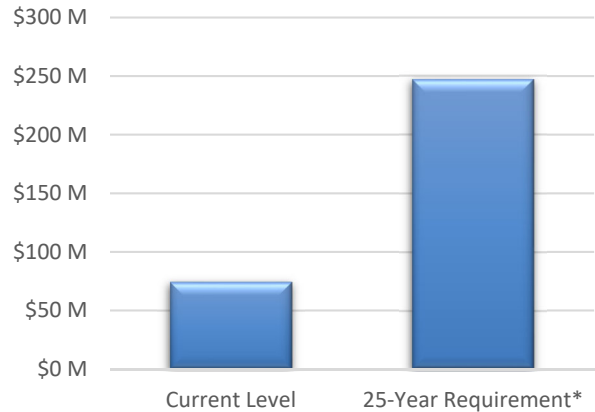
Water operating expenses are proposed to increase by \$0.4 million (2.8%) over 2024. The budget has been increased by \$107,000 to fund a new water supply operator (FTE), and an additional \$150,000 has been added to improve pro-active maintenance. Remaining increases cover inflationary increases.

Waterworks Expenditures



■ Distribution ■ Supply ■ Infrastructure Replacement

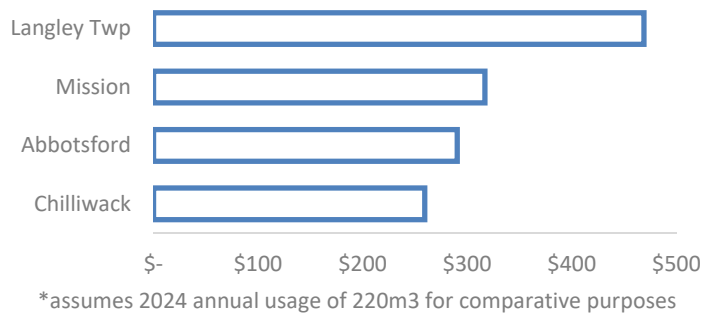
Water Capital Reserve



User rate increases starting March 1, 2025, have been included in the 2025 plan that are in line with prior years and in accordance with the long-term financial plan (2.5% rate increase).

Abbotsford water user rates have been and continue to be competitive with neighbouring cities.

Annual Residential Water Charges

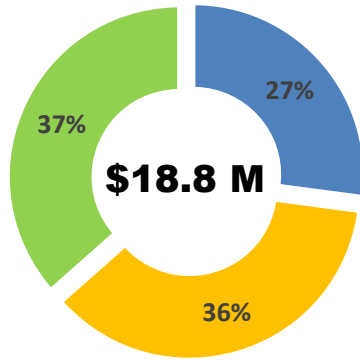


Sanitary Sewer Operating Fund

Abbotsford's sanitary sewer operating fund provides for the operation and maintenance of the sewage collection system consisting of sewer mains, pump stations, and related equipment; the treatment plant (governed jointly with the City of Mission); and for renewal and replacement of all the infrastructure associated with the system. Abbotsford had approximately \$76 million in sewer capital reserves at the end of 2023 and continues to contribute funding to infrastructure replacement due to the significant value of the assets used in the sewer system. The most recent long-term financial plan update estimated the 25-year sewer user rate funding requirement at approximately \$260 million.

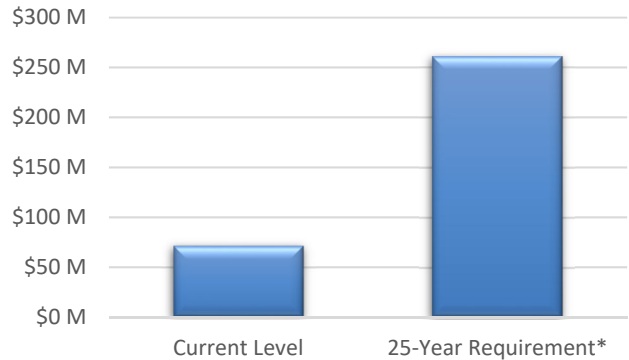
The sanitary sewer operating fund has an expense increase of \$0.3 million (2.4%) to cover inflationary increases.

Sanitary Sewer Expenditures



■ Collection ■ Treatment ■ Infrastructure Replacement

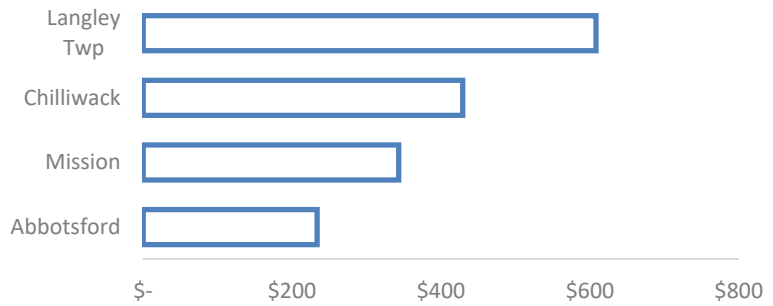
Sanitary Sewer Capital Reserve



Revenues are forecasted to increase (\$0.4 million) due to a sustained increase in volume of trucked liquid waste being accepted by the waste treatment plant. A usage rate increase starting March 1, 2025, has been included in the 2025 plan in line with prior years and in accordance with the long-term financial plan (4.0% rate increase).

Abbotsford water user rates have been and continue to be competitive with neighbouring cities.

Annual Residential Sewer Charges



*assumes 2024 annual usage of 220m3 for comparative purposes

Airport Operating Fund

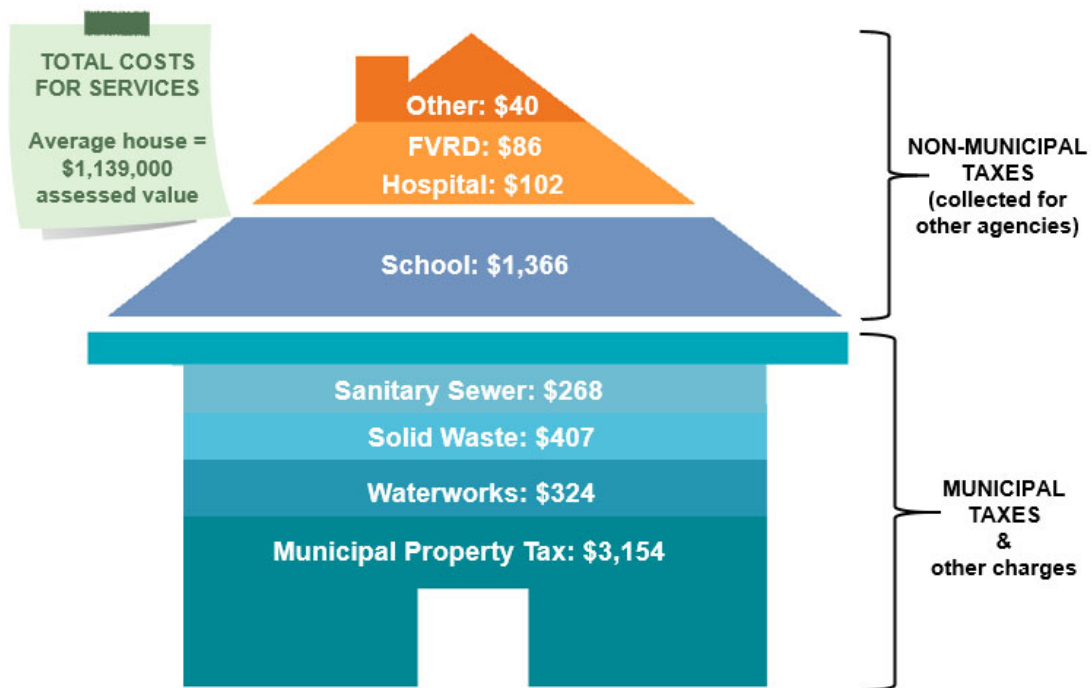
The Abbotsford Airport is funded entirely from airport fees and charges and government grants; no property tax revenue is used. The airport operating expense budget is relatively stable compared to 2024, with expenses up slightly. Revenues are forecasted to increase by approximately 10% due primarily to expected increases in passenger volume. The change in net revenue is supporting an increase in transfers to the airport capital reserve.

Capital Budget

The proposed 2025-2029 Financial Plan includes approximately \$84 million of capital expenditures in the first year of the plan. The capital funding is allocated to transportation, civic buildings, infrastructure renewal replacement, vehicle and equipment replacement, and park development. As a result of Abbotsford's current financial position, the City is able to manage and fund capital plan projects through its Capital Reserve Funds and other reserves, without having to incur debt. Major projects in 2025 include continued safety improvements to railway crossings, drainage culvert replacements, renewal of an airport runway, renewal of sewage treatment plant infrastructure, road resurfacing, intersection improvements, bike lane program, sidewalk program, neighbourhood parks, park washrooms development, park amenities, fleet upgrades, IT upgrades, water and sewer mains, etc.

Impact on a Typical House

The tax and user fee increases incorporated in the proposed 2025 Financial Plan will result in the following charges for municipal services. Non-municipal taxes are shown as well, to provide a complete picture of a typical tax notice. Actual taxes and fees will vary depending on varying usage of fee-based services.



Summary

In summary, the 2025-2029 Financial Plan is being developed in alignment with Abbotsford City Council's 2022-2026 Strategic Plan and is guided by the direction and standards established by Abbotsford City Council. The proposed plan is fiscally responsible and focused on maintaining and sustaining the City's infrastructure.