

The purpose of this document is to provide Abbotsford citizens with highlights of the 2023-2027 Financial Plan and an opportunity to express their views on the plan before the Financial Plan adoption.

The Draft 2023-2027 Financial Plan Bylaw for the City of Abbotsford will be presented at the Special Committee meetings scheduled to take place over two sessions on March 1 & 3, 2023 from 1:00 p.m. to 5:00 p.m. in the Matsqui Centennial Auditorium at 32315 South Fraser Way, Abbotsford, BC. The public has the opportunity to provide comments on the Draft 2023-2027 Financial Plan Bylaw at the conclusions of these meetings on both days. Alternatively, residents can submit feedback electronically to the Finance Department at finance-info@abbotsford.ca by March 24, 2023.

A common theme in this year's budget is the impact of rising prices. Various contracted services, property insurance, wages, fuel and more have seen significant price increases over the last year, putting pressure on municipal budgets. The 2023-2027 budget being presented reflects these challenges, as well as efforts to mitigate the required tax and fee increases.

The proposed general property tax increase for 2023 is 5.48% plus a 0.50% infrastructure levy for a total of 5.98%.

The major drivers of this year's budget are summarized in the four sections below that mirror the City's financial fund structure: General, Airport, Waterworks and Sanitary Sewer.

General Operating Fund

The tax-funded general operating fund is proposed with a \$17.3 million increase in expenses, on approximately \$205 million of expenses in 2022. Significant expense changes included:

- Budget savings (\$0.7 million) – a review of the budget identified several hundred thousand dollars' worth of available budget reductions that helped to offset some of the 2023 budget increases. Reductions were achievable in the areas of fuel (in spite of rising fuel costs), vehicle insurance, liability claims and electricity. Much of the savings in electricity (approximately \$260,000) was the result of the LED street light conversion project that was completed in 2022.
- SIO operating impacts (\$2.2 million) – new projects and positions in the 2023 budget included approximately \$1.3 million in new positions to support growth, plus \$0.9 million in program and service level improvements.
- Previously approved positions (\$0.8 million) – positions that were approved by Council after the 2022 financial plan adoption and amendment and must now be incorporated into the 2023 financial plan.
- Property insurance (\$1.3 million) – significant increases have been experienced, in part due to the aftermath of the November 2021 flood event, but also due to more general insurance price increases across the region.
- Contracts (\$2.5 million) – many increases, with the most significant including litter cleanup, landscape maintenance, outdoor pool operations and the Abbotsford Centre.
- Wage contracts – wage contract increases are expected to be higher in 2023 than in previous years, though the precise amount is unknown at this time.
- Police (\$4.6 million) - Police are receiving wage increases and are seeing increases in contracts. One significant item is a \$1.0 million increase (approximately 40%) in the costs for police dispatch services.

A number of increases to various revenue sources have been included in the 2023 plan that reduce the pressure on taxation revenue.

- Restored recreation revenue (\$2.0 million) – recreation revenue budgets had been decreased due to pandemic restrictions, but have now been restored to prior levels.
- Commercial lease revenue (\$1.9 million) – budgeted lease revenue has more than doubled from 2022 to 2023. The most significant driver of this was the new Tradex lease agreement.
- Payments in lieu of taxes (\$0.5 million) – these are tax-like payments by public utilities. The additional payments are being driven by increases in property assessments for land and improvements owned by utilities (e.g. BC Hydro).
- Gaming revenue (\$0.4 million) – this revenue has been reduced as a result of the pandemic, but has now been restored to the previous pre-pandemic level.
- Taxes and fees (\$1.2 million) – increase in taxes and fees related to City utilities (diking, drainage and irrigation, solid waste) have been increased to reflect MPI price pressures, as well as other operational requirements (e.g. solid waste).

Airport Operating Fund

The airport operating budget is relatively stable compared to 2022. Revenues increased slightly with the majority of the change in rental revenue (\$160,000). This is being driven by a combination of rent increases and added rental space. On the expense side, the parking traffic control budget is up significantly (\$60,000), as the result of increased utilization of the airport's parking lots and increasing usage of the adjacent Tradex parking space. Lastly, increased fuel prices have pushed the expense budget up by over \$200,000, but these costs are offset by increased recovery revenue.

Water Operating Fund

Property insurance increases had a significant impact on the water operating budget in 2023, with a \$230,000 increase over 2022. An increase of \$150,000 has also been included to fund the implementation of a unidirectional flushing program aimed at maintaining water quality by removing sediment from the system. Budget savings of \$80,000 were identified in fuel and electricity to offset some of the increases.

User rate increases have been included in the 2023 plan that are in line with prior years and in accordance with the long-term financial plan (2.5% rate increase).

Sanitary Sewer Operating Fund

The sanitary sewer operating fund has experienced pricing pressure in a number of areas. The contract to manage the treatment plant's biosolids waste product increased by over \$300,000 (over 40%), with fuel prices being a significant factor. Certain specialized supply items (sludge polymer) also experienced a significant increase (\$200,000, or approximately 75%). Additionally, similar to the other operating funds, property insurance increased dramatically, requiring a \$440,000 increase to the expense budget. Budget savings of \$100,000 were found, primarily in electricity, to offset some of these increases.

As for revenue, the waste disposal fee revenue budget was able to be increased by \$260,000, reflecting continued increases in volume of waste discharged at the treatment plant. A user rate increase has been included in the 2023 plan in line with prior years and in accordance with the long-term financial plan (4.0% rate increase).

Capital Budget

The proposed 2023-2027 Financial Plan includes approximately \$87 million of consolidated capital budget. The capital funding is allocated to transportation, major civic buildings, infrastructure renewal replacement, community safety and recreational facilities. As a result of Abbotsford's favourable financial position, the City is able to manage and fund capital plan projects through its Capital Reserve Funds and Reserves, without having to incur any debt. Some of major projects include airport terminal expansion, road resurfacing, new traffic signals, bike lane program, annual sidewalk program, neighbourhood parks, washrooms development, park amenities, fleet upgrades, IT upgrades, water and sewer mains, etc.

Summary

In summary, the 2023-2027 Financial Plan is being developed in alignment with Abbotsford City Council's 2022-2026 Strategic Plan and guided by the direction and standards established by Abbotsford City Council. The proposed plan is mainly driven by market conditions and fiscally responsible. It helps to maintain and sustain City's infrastructure.