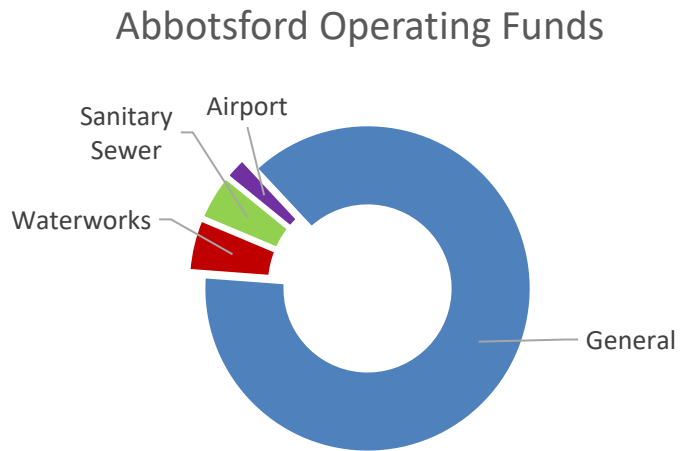


The major drivers of this year's financial plan are summarized in the following sections by the four operating funds that comprise the City's financial structure:

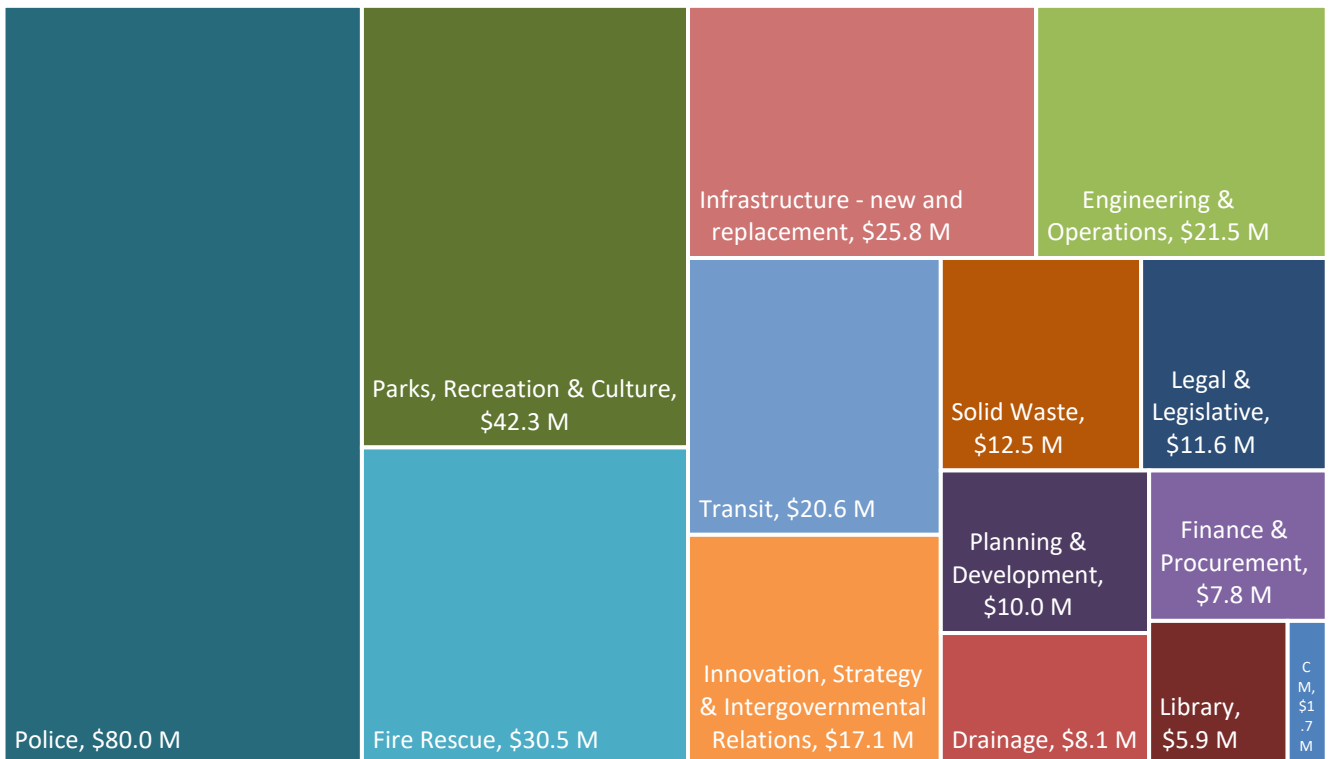
- General
- Waterworks
- Sanitary Sewer
- Airport

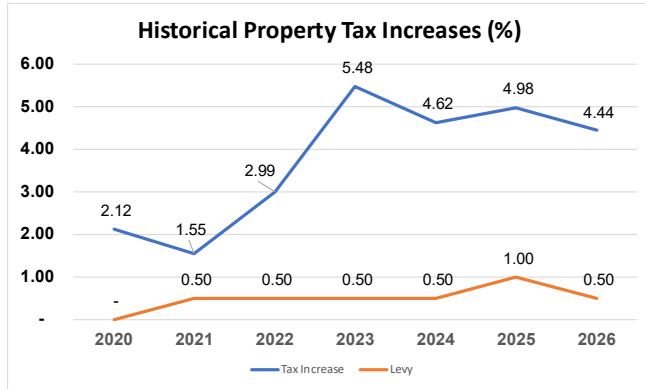


General Operating Fund

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, transportation, 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 2026, at 4.44%, continues to be influenced by lingering price pressures that began in late 2021, particularly in the area of labour contracts. Years prior to 2021 had seen increases typically between 2 and 3%. In addition, there is a 0.5% levy to provide for future sustainment of the City's infrastructure.

Cost Drivers – General Fund

The tax-funded general operating fund in 2026 is proposed with a \$14.3 million increase in expenses, on approximately \$265 million in expenditures in 2025. Significant changes included:

- Wage contracts (\$3.7 million) – Wage contracts are currently in place for all employee groups for 2026, with increases over 2025 ranging from 3.5% to 4.5%.
- Police (\$5.5 million) – New positions (5.8 full-time equivalent (FTE)) are adding \$0.8 million to the budget, though this increase is being partially offset through the elimination of a related labour contract (\$0.15 million). Police wage increases have not yet been finalized for 2026, so a provision has been made using assumed costs.
- Strategic initiatives and opportunities (\$1.1 million) – New projects and positions in the 2026 budget include approximately \$0.4 million in new positions (including two fire fighter FTEs and two roads operations FTEs), plus \$0.7 million in program and service level improvements.
- Infrastructure levy (\$1 million) – A 0.5% 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.

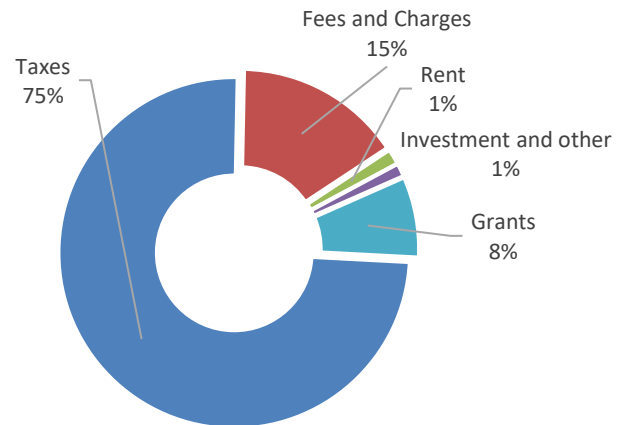
Revenue Changes – General Fund

The general fund relies primarily upon taxation to fund its many operations. Fees and charges (15%) is the most significant contributor of revenues after taxation. These revenues are tied directly to the provision of specific services and come primarily from planning and development permits, recreation, transit, solid waste, and drainage. Grant funding (8%) is the third most significant source of funds. Approximately 40% of 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 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 2026 plan that impact the requirement for taxation revenue. These include:

- Excess 2025 revenue from non-market changes (\$1.5 million increase) – Taxes from new development exceeded the 2025 budget and continue to support the budget in 2026.
- Tax penalties and interest on taxes (\$0.4 million increase) – Budgeted revenue is being adjusted to reflect increases due to property tax and interest rate levels.
- Commercial lease revenue (\$0.4 million increase) – Budgeted lease revenue has increased due to the addition of some leases and market adjustments.
- Transit fares and grants (\$1.1 million increase) – Provincial grants are planned to increase proportionately to increasing service costs and fare revenue is being updated to reflect forecasts of ridership and related fares.
- Transfer from operating reserves – To mitigate the tax increase for 2026, the operating reserve is being drawn down by \$1 million. This is in addition to a drawdown of \$0.8 million to support transit operations that is being continued from 2025.

General Operating Fund - Revenue Sources

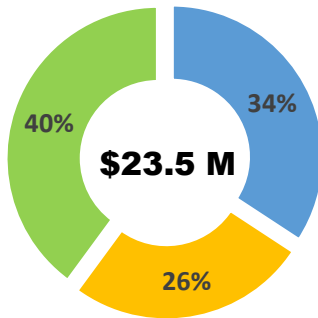


Water Operating Fund

Abbotsford's Water Operating Fund provides for the operation and maintenance of its various water supply sources (governed jointly with the City of Mission), and mains as well as equipment used to distribute water to customers, and for renewal and replacement of all the infrastructure associated with the system. Abbotsford had approximately \$75 million in water capital reserves at the end of 2024 and continues to contribute funding to infrastructure replacement due to the significant value of the assets 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 (in 2020 dollars).

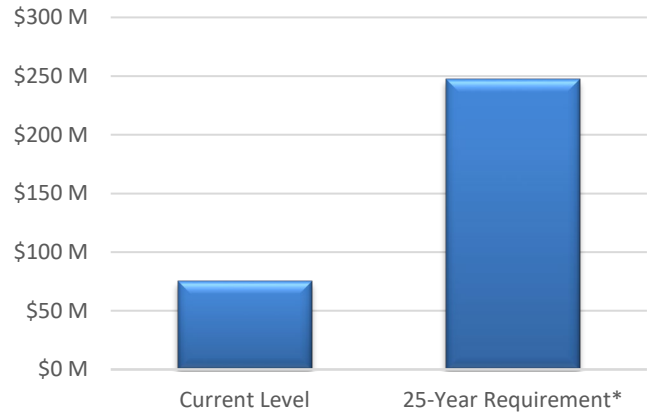
Water operating expenses are proposed to increase by \$0.8 million (5.4%) over 2025. The budget has been increased by \$170,000 to fund increased volumes of various chemical supplies to support changes in operations, \$110,000 to fund a new water distribution operator (1 FTE), and \$300,000 to fund one-time tree removal to reduce fire risk at a key water supply location. Remaining increases cover inflationary pressures, primarily in wages and benefits.

Waterworks Expenditures



■ Distribution ■ Supply ■ Infrastructure Replacement

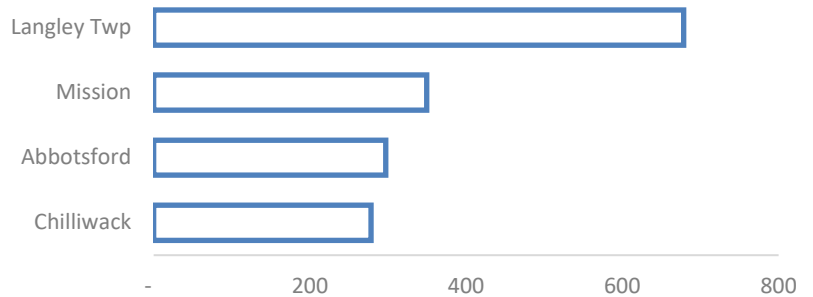
Water Capital Reserve



User rate increases starting March 1, 2026, have been included in the 2026 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



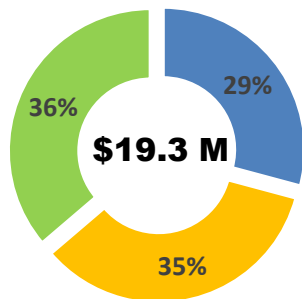
*assumes 2025 annual usage of 220m3 for comparative purposes

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 \$85 million in sewer capital reserves at the end of 2024 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 (in 2020 dollars).

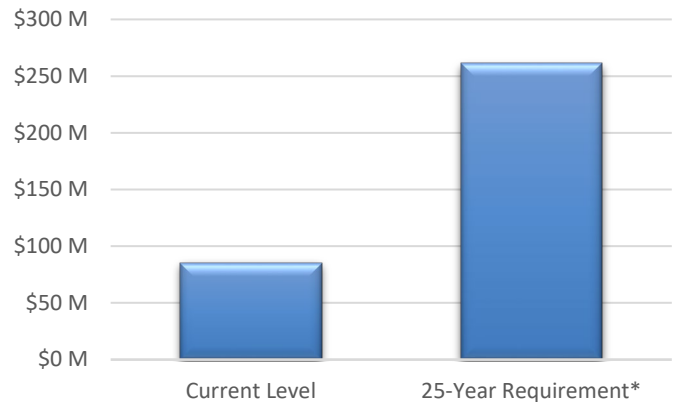
The sanitary sewer operating fund has an expense increase of \$0.3 million (2.4%) to cover a new sewer operator (1 FTE) as well as inflationary increases.

Sanitary Sewer Expenditures



■ Collection ■ Treatment ■ Infrastructure Replacement

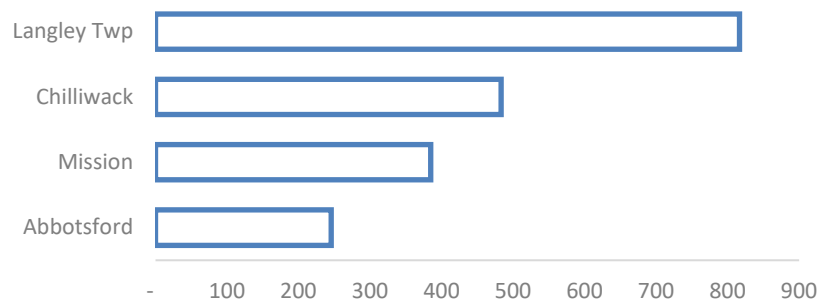
Sanitary Sewer Capital Reserve



User rate increases starting March 1, 2026, have been included in the 2026 plan and are in line with prior years and in accordance with the long-term financial plan (4% rate increase).

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

Annual Residential Sewer Charges



*assumes 2025 annual water usage of 220m3 for comparative purposes

Airport Operating Fund

The Abbotsford Airport is funded entirely by airport fees and charges and government grants; No property tax revenue is used. The airport operating expense budget is relatively stable compared to 2025, with expenses up slightly. Revenues are forecasted to decrease modestly in parking fees by approximately \$0.5 million due to changing customer behaviour shown in shorter duration of parking stays. The change in net revenue is resulting in a decrease in planned transfers to the airport capital reserve from \$3.6 million in 2025 to \$2.9 million in 2026.

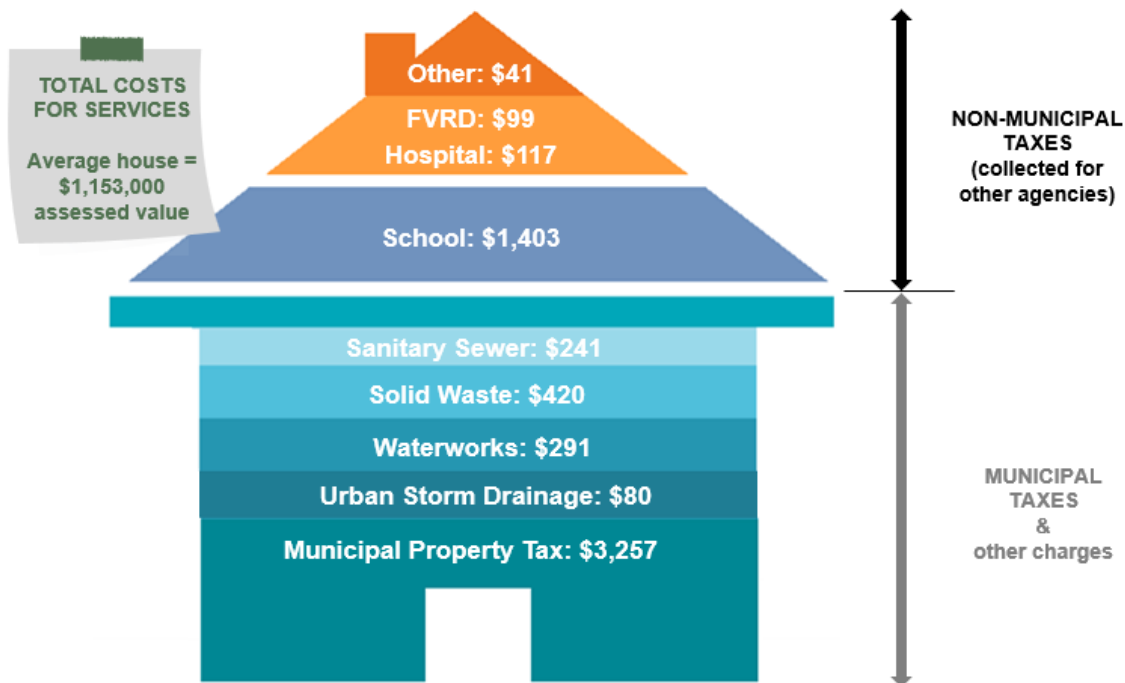
Capital Budget

The proposed 2026-2030 Financial Plan includes approximately \$211 million in 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. Debt funding may be considered in the future, pending the timing of and progress made on major Council strategic projects.

Major projects in 2026 include municipal road and utility improvements connected to the Provincial Highway 1 Widening project, particularly in the area of the Peardonville Road overpass; beginning construction of Firehall No. 6 in Downtown Abbotsford; Phase 2 of planned improvements to the Fraser Highway (contingent upon a major grant application); drainage culvert replacements; enhancements to Mill Lake Park, including ongoing widening of the lake loop; renewal of sewage treatment plant infrastructure; purchase of an aerial firefighting truck; road resurfacing, intersection improvements; bike lane program; sidewalk program; park washrooms development; park playgrounds and shelters; vehicle fleet replacements; IT upgrades; water and sewer mains; and more.

Impact on a Typical House

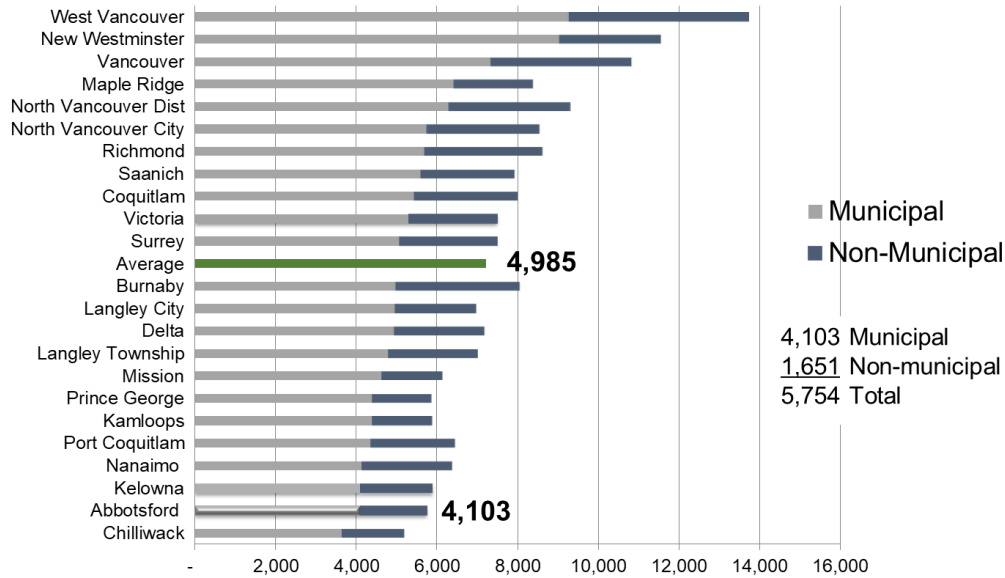
The tax and user fee increases incorporated in the proposed 2026 Financial Plan will result in the following charges for municipal services. Non-municipal taxes are shown as well, to provide a complete picture of a typical tax notice. Actual taxes and fees will vary depending on varying usage of fee-based services.



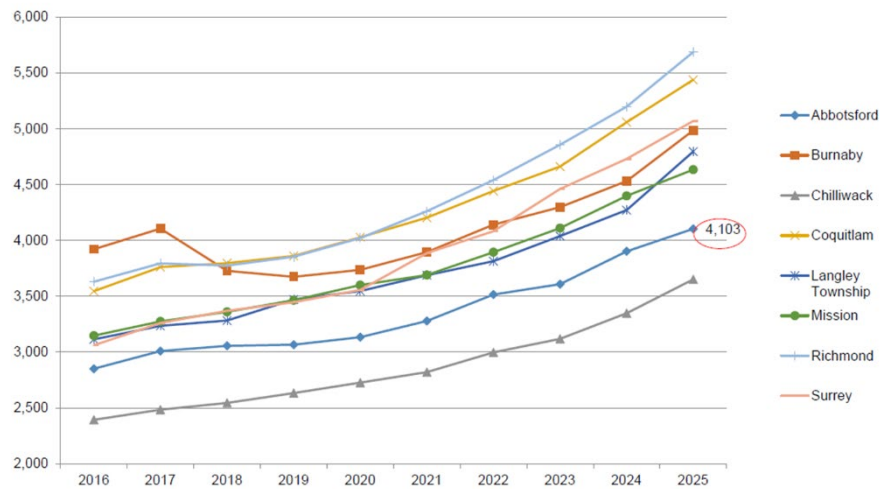
1. Estimated total taxes from all municipal sources on a typical \$1,153,000 Class 1 single family residential property in the Urban Storm Drainage boundary. Figures shown are averages; individual assessment results will vary.

Abbotsford municipal residential taxes and charges continue to be amongst the lowest in the province amongst comparable cities. The following graphs are based on data from the BC Ministry of Municipal Affairs and Housing.

Taxes and Charges on a Representative House, 2025
(Select BC Cities over 35,000 population)



Municipal Taxes and Charges on a Representative House, 2025



Summary

The 2026-2030 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, with significant investments in public safety, transportation and utilities infrastructure, parks, and more.