



CORPORATE REPORT

To: Fraser Valley Regional District Board

Date: 2023-03-23

From: Kinga Williams, Accountant and Beth Klein, Manager, Financial Operations

Subject: 2023 – 2027 Financial Plan

RECOMMENDATION

THAT the Fraser Valley Regional District Board gives three readings and adoption to the bylaw cited as Fraser Valley Regional District 2023-2027 Financial Plan Bylaw No. 1697, 2023.

BACKGROUND

The Fraser Valley Regional District (FVRD) manages approximately 120 unique service area budgets. These budgets all have distinct purposes, unique tax bases, revenues, and expenses, as well as their own designated Surplus and Reserve balances that cannot be shared amongst other service areas. This makes it essential to manage those funds effectively now and for future needs in order to be financially sustainable.

In accordance with the *Local Government Act*, Local Governments, including Regional Districts, must annually adopt a Financial Plan which must span a five-year time horizon. The FVRD has prepared the 2023-2027 Draft Financial Plan (the Plan), which is included in this report for review and consideration. The FVRD strives for transparency and accountability in this process. The timing for the Plan development was shifted this year to ensure that newly elected board members have maximized awareness of the budgets being proposed and adopted.

A thorough process was undertaken to prepare the Plan, including a detailed review of all budgets internally before presenting and reviewing with elected officials, review of assessment data as provided by BC Assessment, and identification of risks. Work on the Plan began in the summer of 2022 and was presented to Elected Officials in various stages throughout the months of November to February. In addition to those presentations, staff consulted municipal Chief Financial Officers and the Public.

Throughout the Plan development process, staff identified risks, including significant inflation rates and nine FVRD assets at risk that staff will continue to monitor as our Asset Management Program advances. One additional budget has been identified as being at-risk: Combined E911 (Primary Public Safety Answer Point), which has been revised since presented in February (Note: this budget is not funded by taxation).

DISCUSSION

The 2023–2027 Draft Financial Plan preparation and approach is no different from prior years; fiscal management and conservatism are key. Costs are always scrutinized. However, unlike prior years, we continue to make improvements to our Asset Management Program, including reasonable reserve levels for future asset replacement.

Emerging Risks

At the time of Plan development, the inflation rate was nearing seven per cent. Staff continue to focus on securing external funding to offset the tax burden on property owners. Nine FVRD assets have been identified as being at-risk, and one additional service area budget has now been added to this category: Combined E911 (Primary Public Safety Answer Point).

The Combined E911 service area is under contract with E-Comm for initial handling of 911 calls. These services are funded by a Call Answer Levy, which is currently based on landlines. This funding source has been steadily decreasing as the public switches to cellular-based phone services. While a recent announcement of Provincial funding specific to Next Generation 9-1-1 (NG9-1-1) implementation costs will reduce budgeted implementation costs for the FVRD going forward (starting in 2024), this budget is at greater risk due to less-than-expected revenues in 2022 and late advice of significant contractual cost increases from E-Comm. The Call Answer Levy is no longer a sustainable revenue source, now placing this as a budget at risk.

In terms of budget revisions, Staff have made three notable changes since the budget was reviewed at the February Committee of the Whole (these are shown in Appendix C).

1. Removed Next Generation 9-1-1 (NG9-1-1) implementation costs that had been planned and revised the budget to reflect the recently provided 2023 E-Comm 9-1-1 costs, which are higher than originally budgeted.
2. Staff revised the budgeted Call Answer Levy to reflect 2022 Actual revenues.
3. In order to balance the budget, surplus funding was required for 2023 as the Call Answer Levy continues to decline and does not meet expectations.
4. Revised the 2022 Forecast for Actuals. This forecast no longer meets budgeted levels for 2022 and will require earlier access to surplus funds.

At the current revenue levels, surplus funds for Combined E911 will be fully depleted by 2024; this was initially expected to occur in 2025. Without additional funding support (for example, expansion of the levy to include cell phones) and rising costs, the FVRD will need to urgently consider independently developing a new funding source to fund PSAP services in the amount of \$170K by 2024.

While the NG9-1-1 funding announcement also impacts the Regional Fire Dispatch budget 247, this budget was not revised as these costs were expected to begin in 2024.

Key Decision Summary

During the Plan development process, key decisions were brought forward at various stages in order to proceed to the next steps. Recommendations for all budgets were proposed, highlighting new projects or initiatives and/or tax increases greater than inflationary levels. Electoral Area directors supported recommended increases in reserve contributions for asset planning and at-risk budgets. Community Works Funds (CWF) continue to be effectively utilized for new and widely used infrastructure, many other grant applications have been proposed for 2023, and direction was received including utility fee increases. This Plan includes an additional \$50K in funding for Chilliwack Search & Rescue as well as five Regional Grants-in-Aid for a total amount of \$32,410.

Public Consultation

In addition to public Board and Committee meetings, including Committee of the Whole budget **presentations, the FVRD's engagement site, *Have Your Say FVRD***, was used to provide information to and seek input from the public.

The *Have Your Say FVRD* site provided information about the Plan development process, average impacts expected on taxes, and provided **an outlet for public feedback. As a regional district's financial structure is quite different from a municipality's, the site information** strives to explain the process so the public has a better understanding of how their taxes are calculated and what types of services they receive.

The site includes a graphical representation of the FVRD and its high-level financial impact, summary **information, timelines, a section for frequently asked questions, a timeline of the financial plan's** development process, detailed presentations for each of the budgets, as well as municipal and electoral area summaries. Members of the public were able to post comments on the site or send emails directly to the Finance Department. The FVRD used social media to draw attention to the site and invite participation.

Additionally, detailed presentations for each budget, as well as municipal and electoral area summaries, were printed and made available at reception with forms ready for members of the public to provide in-person, written feedback.

This year, public consultation began on February 17, 2023, immediately following the Committee of the Whole meeting on February 16th and concluded on March 3, 2023. The site received 107 total visits, and Staff confirm that there were four anonymous comments through the site, no direct emails, and one phone call to finance staff. There were no members of the public on the Zoom call during the **Committee of the Whole's budget presentations on February 16th**, nor at the Regional and Corporate Services Committee meeting on March 9th.

Each year the FVRD's process is evolving in efforts to meet and/or exceed the Local Government Act's requirement for public consultation of the Financial Plan. We continue to strive for transparency balanced with providing meaningful information at the right points in time. Furthermore, the FVRD

strives for the appropriate level of information to share with the Board for governance in decision-making.

Please refer to Appendix A to see the detailed questions received during public consultation and the **FVRD's comments to the questions.**

Consolidated Budget

The attached FVRD 2023-2027 Draft Financial Plan Bylaw is organized into two schedules: A and B. Schedule A summarizes the five-year plan at a consolidated level, while Schedule B provides the financial breakdown for each of the FVRD service area categories, providing a consolidated view of decisions made at various meetings.

Should the reader wish to interpret the previously reported details and how they are presented in the bylaw, Appendix B provides an orientation tool to navigate.

COST

There are no costs directly associated with this report. Once adopted, the proposed 2023–2027 Draft Financial Plan bylaw will become the current Plan.

CONCLUSION

The FVRD 2023 – 2027 Draft Financial Plan has been conservatively prepared and represents the feedback and direction received at various stages of the Plan development process, including individual Electoral Area Director budget reviews, Electoral Area Committee of the Whole budget reviews, FVRD Board Committee of the Whole budget reviews, additional one-on-one Electoral Area Director meetings, municipal CFO consultation as well as public consultation. It includes an analysis of risks, potential funding sources, and future saving requirements. The request to consider this bylaw for three readings and adoption will conclude the 2023-2027 Plan development process.

COMMENTS BY:

Kelly Lownsbrough, Director of Corporate Services/CFO: Reviewed and supported.

Jennifer Kinneman, Chief Administrative Officer: Reviewed and supported.