



STAFF REPORT

To: Regional and Corporate Services Committee

Date: 2025-02-13

From: Kelly Lownsbrough, Director of Corporate Services & CFO

Subject: FVRD 2025-2029 Financial Plan

Reviewed by: Jennifer Kinneman, Chief Administrative Officer

RECOMMENDATION

THAT the Fraser Valley Regional District Board give three readings and adoption to the bylaw cited as Fraser Valley Regional District 2025-2029 Financial Plan Bylaw No. 1769, 2025.

BACKGROUND

The FVRD manages 114 unique service areas that must be budgeted separately. These budgets have distinct purposes, unique tax bases, revenues, and expenses, as well as their own designated surplus/reserve savings balances that cannot be shared amongst other service areas. This makes it essential to manage funds effectively now and for future needs in order to be financially sustainable.

In accordance with the Local Government Act, Local Governments must annually adopt a Financial Plan that spans a five-year time horizon. FVRD prepared the 2025 - 2029 Draft Financial Plan (the "Plan"), which is included in this report for review and consideration.

DISCUSSION

This Financial Plan marks the 2nd Plan under the Asset Management Program. Investments in infrastructure are required in many service areas in order to responsibly manage assets and the related services in order to provide predictable future levels of taxation. FVRD continues to pay close attention to budgets with low levels of savings as its objective is to avoid dramatic spikes in taxation when infrastructure investments are required.

Fiscal responsibility remains at the forefront of the budget direction. The FVRD recognizes the challenging economic times and remains focused on gaining efficiencies, seeking external funding and prioritizing required spending over new initiatives. When considering new projects, staff strive to maximize all potentially eligible funding sources, such as grants, Community Works Fund ("CWF"), and Growing Communities Fund ("GCF").

Public Consultation

Transparency and public engagement are a top priority in the preparation of the budget. FVRD Board and staff received the Honourable Mention award in the Excellence in Governance category for the 2024 UBCM Community Excellence Award. The public engagement platform, Have Your Say (HYS), has been regularly updated as the Financial Plan activities progress. Staff continue to make improvements to public engagement initiatives for its Financial Plan. Service area budget details are included on the engagement platform. This year, materials were re-formatted to align within the presentation of its year-end financial statements. Also regular newsletters, a video and a glossary of key terms were new items added to the engagement platform.

Inflation

Inflation levels vary amongst sectors and remains a risk. Cost pressures are impacting all budgets, yet staff continue to look for efficiencies before requesting additional funds. While the Consumer Price Index (CPI) can serve as a useful measure of general cost inflation, it does not accurately represent the cost pressures faced by local governments. The CPI includes items such as housing and food, which do not reflect the typical basket of goods and services acquired by local governments.

Further, the CPI does not account for local governments' significant investments in capital infrastructure projects. To capture the cost increases related to capital infrastructure projects, the Stats Canada Building Construction Price Index (BCPI) has been considered. The BCPI is a quarterly series that measures changes over time in the prices that contractors charge to construct various types of new buildings. Budget preparation began last summer in order to meet the multi-stage approach to the Plan. At that time the CPI was 2.7% and BCPI was 6.8%; these rates have been utilized in the development of the budgets.

Risks

The 2025-2029 Financial Plan seeks to effectively **predict the FVRD's position** at a point in time, yet there are risks resulting from estimates used in budgets. New legislation brings about new requirements which have yet to be fully understood. This includes new Emergency and Disaster Management Act and regulations, new housing legislation as well as WorkSafe BC and Occupational Health and Safety regulations. Workforce recruitment and retention remains a risk that can have notable impacts in the workplan. FVRD manages its risks by monitoring actual spending compared to budgets and progress on workplan items, including projects. Spending not originally contemplated within the Plan is brought to the Board for approval, specifically on items greater than \$10,000, through the budget amendment process.

FVRD Assets and Budget at Risk

The FVRD strives to maintain its assets in good condition and ensure that there is adequate funding available for scheduled as well as unplanned maintenance, repair and replacement. Should a service area have a need greater than budget in a particular year, there would be a few steps taken. Depending on the urgency, a board budget amendment would come forward to authorize the spending and then if the work is absolutely required and there is no budget available, the budget will end the year in a deficit. By legislation, local governments are not permitted to carry a deficit so there

would be an increase to taxation in the immediately following year to recover all of the deficit. This Plan seeks to achieve a balanced level of funding to avoid these potentially devastating financial shockwaves by ensuring slow and predictable tax increases.

The FVRD’s Strategic Plan has included initiatives that will move the dial to ensuring the FVRD is managing risk and financial implications to best serve property owners. Progress is being made with the Capital Reserve Policy, which will soon be brought to the Board for approval. As part of its Asset Management Program, the FVRD has also progressed work in 2024 to develop an Asset Management Strategy to support the Policy.

Goal Number		Strategic Plan Item Description (Carried forward)
1 (2023)	✓	Conduct Inventory and Condition of FVRD-owned assets
2 (2023)	✓	Develop Asset Management Policy
3 (2024)	In progress	Prepare Capital Reserve Fund Policy to meet funding targets for asset replacement and renewal
4 (2025)		Develop a 10-year Capital Plan

Within its Assets and Budget at Risk, the FVRD has identified nine service areas to monitor. This listing includes service areas and budgets that are at financial risk. Each is identified with a risk ranking colour with an associated action plan. Staff are pleased to report that this listing has improved since last year’s **Financial Plan**, with two budgets removed from the listing and one downgraded to medium risk (amber) as compared to **last year’s high risk rating**. The current FVRD Assets & Budget at Risk are attached as Appendix B.

Budget Highlights

Costs associated with Operational Support services are distributed amongst the FVRD service area budgets. **This year’s** focus was to stabilize budgets, maximizing external funding sources such as GCF, limit new requests, keep up with public expectations, ensure healthy workspaces, and manage ongoing demands from ever-changing environments.

This Plan includes a new Human Resources staff position to assist with an increased workload due to non-discretionary requirements under legislation and WorkSafeBC. This position will further assist in managing risk for all FVRD locations, including 11 fire halls. The Plan also includes a new Finance position based on significant work on procurement in addition to new reporting requirements, complex external funding, as well as revised processes required through legislation.

Operational Support services are also provided to the Hospital District for which the FVRD collects a **recovery**. **The FVRD’s total Operational Support recovery levels are offset in part by this Hospital District recovery.**

In order to ensure alignment on priorities, an Electoral Area prioritization session was held in September 2024; these priorities were posted to the HYS engagement platform. The Electoral Area Directors endorsed their budgets at a public Committee of the Whole meeting in December 2024.

FVRD staff recently initiated a member municipality CFO Forum and look forward to regular and ongoing collaboration on topics of mutual interest. As with prior years, the CFOs were invited to review and comment on the regional and sub-regional budgets. The discussion was productive, and while there were a few questions, no concerns were raised. FVRD Board Directors endorsed the regional and sub-regional budgets at a public Committee of the Whole meeting in January.

The estimated impact to the average residential property in each jurisdiction for the service areas that impact properties consistently are summarized in the table below.

Estimated Impact to Average Residential Property

Jurisdiction	Regional Budgets	Sub-Regional Budgets	Electoral Area Wide Budgets	Total
Abbotsford	\$ 1.63	\$ 2.27		\$ 3.90
Chilliwack	\$ 1.40	\$ 4.22		\$ 5.62
Harrison Hot Springs	\$ 1.29	\$ 12.62		\$ 13.91
Hope	\$ 1.09	\$ 25.12		\$ 26.21
Kent	\$ 1.34	\$ 8.35		\$ 9.69
Mission	\$ 1.91	\$ 7.27		\$ 9.18
Electoral Area A	\$ 0.53	\$ 1.38	\$ 19.43	\$ 21.34
Electoral Area B	\$ 0.76	\$ 10.25	\$ 23.10	\$ 34.11
Electoral Area C	\$ 1.14	\$ 2.11	\$ 37.35	\$ 40.60
Electoral Area D	\$ 1.94	\$ 6.66	\$ 58.56	\$ 67.16
Electoral Area E	\$ 1.48	\$ 2.43	\$ 51.13	\$ 55.04
Electoral Area F	\$ 1.28	\$ 2.18	\$ 38.48	\$ 41.94
Electoral Area G	\$ 1.53	\$ 2.38	\$ 49.10	\$ 53.01
Electoral Area H	\$ 1.89	\$ 3.38	\$ 60.77	\$ 66.04

The municipal and electoral area financial summaries that were part of the January Committee of the Whole materials, are attached as Appendix C.

Consolidated Budget

Materials on the 2025-2029 Financial Plan have been presented in PowerPoint format for ease of presentation throughout the public engagement and plan development process. In order to adopt the Financial Plan bylaw, the service area financials have been consolidated. The attached FVRD 2025-2029 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 summarizes the five-year plan by service type. Appendix A provides an orientation tool to navigate should the reader wish to interpret the service area names and how they are presented in the bylaw.

COST

There are no costs directly associated with this report. Once adopted, the proposed 2025-2029 Financial Plan bylaw will become the current Plan.

CONCLUSION

The Fraser Valley Regional District manages 114 unique service area budgets. The FVRD 2025-2029 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 review, FVRD Board Committee of the Whole budget review, municipal CFO consultations, and extended public consultation. Fiscal responsibility remains at the forefront of the Plan. The FVRD recognizes the challenging economic times and remains focused on gaining efficiencies, seeking external funding and prioritizing required spending over new initiatives. The request to consider this bylaw for three readings and adoption will conclude the 2025-2029 Financial Plan development process.