

Date: Tuesday, February 25, 2025

To: Elizabeth Tracy, Chief Administrative Officer

From: Thomas Sikora, Manager of Finance

Subject: 2025 Budget Session – Operating Budget, Reserves

PURPOSE

The purpose of this report is to present to the Committee of the Whole an updated 2025 budget including tax implications for review, comment, and direction. This session will focus on budgets for the following four key areas:

1. Operating
2. Reserves
3. RCMP Reserves
4. Capital

BACKGROUND

This is the fourth session of this budget cycle. The drafts presented today incorporate previous direction from the Committee of the Whole and include scenarios for decision. The 2024 year-end and the audit are still in progress, so figures remain preliminary and unaudited and are subject to change.

The five year financial plan, final tax and utility rate options, and reserve funding recommendations will be presented for finalization at the next budget session.

DISCUSSION & COMMENTS

The 2025 budget, developed with department managers, was designed to align with Council's strategic plan. As discussed in previous sessions, there is significant pressure to maintain existing service levels as defined in the operational excellence strategic priority and an overall inability to sustain continued low tax rates while maintaining aging and additional infrastructure; keeping up with rapid community growth and developing reserves to support this plan.

In alignment with the four key areas, staff have provided tax implications in each of the following categories:

1. Operating Budget
2. Reserves
3. RCMP Reserves
4. Capital

1) Operating Budget

The 2025 operating budget (**Appendix A**) has been developed to align with Council's strategic priorities and incorporates key operational considerations, including:

- Maintaining service levels amid inflationary pressures and rising costs
- Addressing aging infrastructure and ensuring long-term sustainability
- Mitigating development volatility by adjusting revenue assumptions and accounting for lower non-market change (NMC)
- Reducing reliance on one-time grant funding to sustain operations

Upcoming budget pressures include:

- **Inflation & provincial mandates:** Increased costs related to housing, accessibility and regulatory initiatives downloaded from higher levels of government
- **Capital asset additions:** Recently added, grant funded infrastructure projects requiring increased long-term operational and maintenance costs
- **Volatile development revenue:** A \$176,164 shortfall is anticipated in 2024, with continued market uncertainty in 2025
- **RCMP transition:** Costs will rise significantly once the Village surpasses 5,000 residents (date uncertain), requiring consideration of funding options including proactive reserve contributions
- **Recreation services transition:** Full responsibility for recreation services transfers to the Village in 2026, increasing local tax requirements but offsetting SLRD collections. In 2019 the Village entered into an agreement with the Squamish-Lillooet Regional District (SLRD) to operate and manage the recreation service with the intent to fully transition the service to the Village. The transition will be completed and in effect as of January 1, 2026. As a result, the tax requisition formula for the collection of the funding to support the service will change. Village taxpayers will see an increase on their property tax notices; however, they will also see a decrease in the amount collected by the Village on behalf of the SLRD.
- **End of COVID-19 grant subsidies:** Operational expenses previously covered by grant funding will now shift to taxation.
- **Labour:** Staffing increases in 2025, including a Public Works labourer and fire inspector, are necessary to maintain service levels. Updates to the labour plan will be required to keep pace with maintaining new and aging infrastructure.
 - Unsustainable recruitment and turnover related expenses trends have moved in a favorable direction (17% turnover in 2024), (15% turnover in 2023), after years of excess turnover (35%, 25% in prior two years).
 - Training expenses have stabilized and in many instances are offset by grant funds.
 - Incremental budget pressure for recruitment and contractor related expenses has reduced for the third year in a row.
 - Financial impact of union agreement renegotiation for expired contract.

- **Transit Expansion and contract:** Additional 1,500 BC Transit service hours in 2025 and new operating contract fully reflected in 2025, partially offset by grant funding and a \$50,000 contribution from Resort Municipality of Whistler
- **Non-Market Change (NMC) decline (Appendix B):** The 2025 NMC value is \$28,188, significantly lower than previous years (\$137,421 in 2024, \$163,629 in 2023), limiting assessment-based revenue growth.
- **Airport maintenance:** Airport maintenance budget increased to reflect updated assessment, following crack sealing grant funded project in 2024

Assumptions and changes have been made to the most recent draft budget to the mitigate impact of cost pressures, including:

- Revised building permits forecast: updated to reflect \$375k increase expected in Q1
- Revised airport maintenance options, schedule and grant assumptions
- Reduced IT hardware expense - below recommendations of IT provider
- Updated penalty assumptions
- Consolidation of sign project scope
- Reduction of Council benefits
- Reduction of Council travel expenses

Tax Implications of the Operating Budget

The proposed operating budget tax increase (before additional reserve contributions or changes in Council prioritization) is \$ 270,000.

Appendix C presents tax implications for the average homeowner and property classes based on the completed tax roll without any reserve or RCMP reserve increases, where a one percentage tax increase is equal to \$27,575 in 2025.

On January 21, 2025, the Committee of the Whole requested that staff bring back additional options for consideration. These are outlined below, with the option to remove items (tax savings) or add items (tax increase) as follows:

Options that would result in tax increases:

Add (+)	Tax Implication	Rate Impact	Alternative
Airport Crack Sealing	\$ 50,000	1.8%	Defer to 2026 or Grant Fund
Admin Office Ramp Overhaul	\$ 20,000	0.7%	Defer to 2026 or Grant Fund with Accessibility
Wildlife Safety Officer	\$ 45,000	1.6%	Consider at a later date
West Coast Environmental Law- Funding Class Action Assessment Expenses	\$ 3,000	0.1%	Decline Participation or Advocacy
Council Benefits Package	\$ 17,295	0.6%	Consider in 2026 -align with new Council term
S2S Recommended Hardware	\$ 22,000	0.8%	Defer to 2026
Council Chambers IT Retro	\$ 15,000	0.5%	Defer to 2026 or Grant Fund
Aster St Paving	\$ 100,000	3.6%	Defer to 2026 or run to failure
Bridge Engineering Inspections	\$ 18,000	0.7%	Aging Infrastructure requires inspection, could defer
Parks Picnic Tables	\$ 15,000	0.5%	Plan for future budgets

Options that would result in tax savings:

Remove (-)	Tax Implication	Rate Impact	Alternative
Airport Maintenance	\$ (15,399)	-0.6%	Defer to 2026
PAWS Septic Repairs	\$ (20,000)	-0.7%	Defer (assumes VOP share is 50%)
Porta-Potties	\$ (8,000)	-0.3%	Remove from multiple sites
Independent Compensation Review	\$ (15,000)	-0.5%	Internal review
Barn Painting	\$ (10,000)	-0.4%	Could defer to 2026, with increased deterioration and expense if further postponed
IT Security	\$ (50,000)	-1.8%	Risk of exposure/losing insurance vulnerability

Financial Planning

Continued budgetary pressures have been discussed and include development revenue volatility, historical reliance on multiple grant streams to support operations in lieu of tax increases, implications of reduced surplus carryforward to support operations, increasing pressure on operating expenses including impacts of high rates of inflation, and increasing carbon tax rates. Because of these pressures and others noted earlier in this report, maintaining low tax rates is unsustainable. Deferring needed increases results in a depletion of reserves and ultimately a requirement to significantly increase future taxes and subsequent budgets.

The proposed operating tax increase scenario will allow for continuation of service levels that align with Council’s strategic plan, generally maintaining service levels across operations and maintenance throughout the Village of Pemberton, although there is forecast pressure in future years resulting from increased servicing and maintenance of the growing asset base. The proposed financial plan endeavours to balance tax increases while maintaining a reasonable debt level.

2) Reserves

The budget prioritizes long-term asset management and financial sustainability through targeted reserve contributions. Council has been presented with guidance over years around asset and reserve replacement funding gaps, with recommendations to target increasing reserve contributions. These have been presented in many ways in prior years, with recent recommendations being to increase reserve contributions by \$200,000 in the 2024 budget. As increases have not fully adopted by Council, the forecast shortfall is widening over time.

At the January 21, 2025 Committee of the Whole meeting, staff presented the following recommendations:

- Targeted increases of at least an average of \$54/yr to general capital reserves, for 15 years, to maintain service levels based on 2022 evaluation of end-of-life assets (before accounting for additions).
- Targeted increases of at least an average of \$24/yr to sewer reserves, for 15 years, to maintain service levels based on 2022 evaluation of end-of-life assets (before accounting for additions).

Staff received direction to provide scenarios for the Committee’s consideration at this meeting. Staff recommend, at a minimum, that the Committee consider the following scenarios in 2025 to bolster reserve balances **(Appendix D)**:

General Reserves

- Contributions remain below recommended levels; long-term planning requires significant and gradual annual increases.

General Reserve Scenarios	Scenario 1) \$78/yr	Scenario 2) \$61/yr	Scenario 3) \$54/yr
Additional Contribution	\$ 144,300	\$ 112,850	\$ 99,900
Tax Implication	5.2%	4.1%	3.6%

Sewer Reserves

- An annual funding gap for sewer reserves is identified, before considering future demand borne of growth and capacity requirements (significant potential increases in 5 to 10 year capital plans).

Sewer Reserve Scenarios	Scenario 1) \$24/yr	Scenario 2) \$20/yr	Scenario 3) \$16/yr
Additional Contribution	\$ 44,400	\$ 37,000	\$ 29,600
Sewer Rate Implication	3.6%	3.0%	2.4%

Water Reserves

- Significant additional water infrastructure (water treatment plant) will be under construction in 2025/2026, and it is therefore also recommended to increase reserve contributions.

Water Reserve Scenarios	Scenario 1) \$24/yr	Scenario 2) \$20/yr	Scenario 3) \$16/yr
Additional Contribution	\$ 44,400	\$ 37,000	\$ 29,600
Water Rate Implication	3.4%	2.9%	2.3%

Reserves balances are presented in **Appendix D** for review. Continuing to fund reserves is imperative to the Village of Pemberton’s asset management, especially with the demands of aging infrastructure.

As a reminder, before any recommended additions, the following contributions have been allocated on an annual basis, contributing to the reserve balances noted in **Appendix D**:

- Capital: \$125,000
- Water: \$340,000
- Sewer: \$240,000

At the Committee of the Whole meeting on January 31, 2023, Village consultants, YourCity, presented an asset replacement financial strategy with a strong recommendation to transition from a practice of “let’s keep taxes low” to “let’s keep assets healthy (while considering affordability)” and with specific recommendations to increase property taxes for the general capital and sewer funds by 2.4% and 2.3% respectively on average each year, for 15 years. Annual water contributions were considered adequate at current levels based on existing infrastructure (absent growth assumptions, as this report considered asset replacement only, not new assets or operations and maintenance). The recommendations were incorporated into the 2024 budget and 2024-2027 5 year consolidated budget.

3) RCMP Reserves

Staff have not yet been able to secure complete budgetary estimates for policing costs from the Province or from the RCMP. As such, the Committee will see revised financial estimates as the budget develops and we receive new information.

Proactive planning for growth:

- Mayor and Council have been highly proactive in preparing for the financial and operational implications of surpassing 5,000 in population, which will shift policing costs to the municipality.
- The Village has been engaging with provincial and RCMP contacts to ensure a smooth transition and minimize financial impacts on taxpayers.

Understanding the legislative framework:

- Under the *Police Act*, municipalities with a population of over 5,000 residents assume responsibility for policing costs within municipal boundaries.
- Pemberton will transition from zero police funding responsibility to paying 70% of policing costs, with the remaining 30% covered by the federal government.
- The financial impact of this shift is significant and must be incorporated into long-term budget planning to avoid sudden tax spikes.

Key challenges in budgeting & transition:

- Determining the exact number of officers needed is complex as no clear formula exists and service delivery models differ by region.
- RCMP and provincial contacts are not readily accessible through a structured process. Staff have engaged with available resources to gather the best estimates possible.
- Definitive staffing numbers may not be available in time for the 2025 budget cycle, requiring Council to consider multiple scenarios.

Uncertainty regarding police staffing needs:

- There is no set formula for the number of officers needed, making budgeting challenging.
- RCMP officials recommend discussing staffing with the Detachment Commander as Provincial RCMP cannot yet provide cost estimates.

Regional considerations & responsibility scope:

- Once Pemberton reaches a population of 5,000, it will be responsible for policing within its municipal boundaries — not for the surrounding Squamish-Lillooet Regional District (SLRD) or unincorporated areas.
- The Pemberton RCMP operates under a regional detachment model, meaning service delivery and resource allocation must be discussed with the Detachment Commander to ensure proper coverage and cost distribution.
- The Village will be responsible for policing provincial roadways within its boundaries, including responding to traffic-related incidents. BC Highway Patrol may provide proactive patrols on some provincial routes outside Pemberton.

Financial & timing considerations:

- Once a census population exceeds 5,000, a municipality must begin paying for policing services. Precise timing will be confirmed with RCMP resources.
- Other BC municipalities, including Gibsons and Fernie, have faced this transition. Pemberton is reviewing their experiences to anticipate cost impacts.
- Council has directed staff to explore mechanisms to smooth the financial transition, such as annual phased-in reserve contributions.
- The shift in policing costs could lead to significant abrupt tax increases if not carefully planned.
- Absorbing tax implications completely upon transition is an option.
- Council is considering annual reserve contributions to ease the transition.

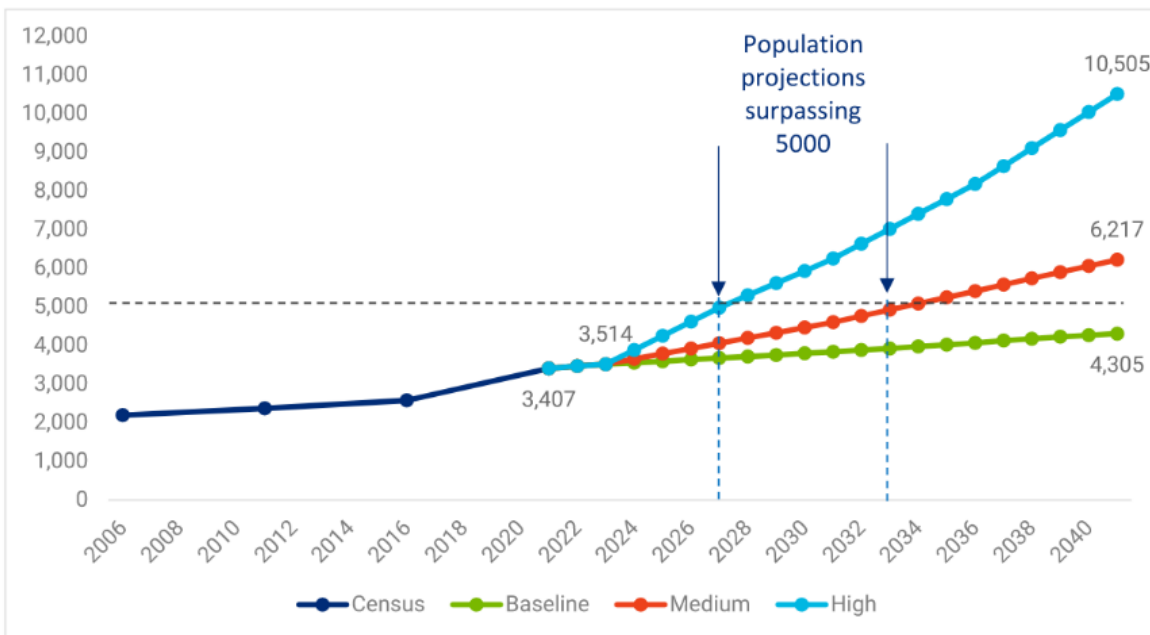
Next Steps:

- The Village will continue working with the RCMP and with provincial officials and will consult with other municipalities that have gone through the transition.

- Further discussions with the Detachment Commander are needed to refine budget assumptions.
- Council and staff remain focused on ensuring a smooth transition while maintaining fiscal responsibility.
- Staff is updating the budget with new assumptions, incorporating the latest available information on officer numbers, cost per officer, and projected timelines.
- Continued advocacy with provincial and federal partners is essential to secure funding support, including support for capital projects.
- Continued advocacy with provincial and federal partners is helpful to demonstrate the impact of the transition on small community budgets, with options for highlighting alternative funding recommendations or thresholds

The Village of Pemberton Housing Needs Report 2023 edition provides a projection of population growth:

Figure 37. Historical and Projected Population, Pemberton, 2006 to 2041.



The Committee asked staff to present additional scenarios which consider a longer transition to full responsibility for policing costs. If the Committee recommends adding reserves, these could be in the form of contributions to general or dedicated (restricted) reserves. Staff recommend general reserves due to their flexibility and because of general underfunding of reserves noted in section 2.

Below are five scenarios for consideration:

RCMP BUDGET FOR VILLAGE OF PEMBERTON AT 5000 POPULATION				
<i>Village of Pemberton Budget Scenarios (Annual) in 2025 \$CAD</i>				
Scenario	Scenario 1) 2032, 6 Officers	Scenario 2) 2032, 5 Officers	Scenario 3) 2035, 6 Officers	Scenario 4) 2035, 5 Officers
Cost Per Officer	\$ 248,000	\$ 248,000	\$ 248,000	\$ 248,000
Number of Officers	6.0	5.0	6.0	5.0
Shared Costs (Integrated Teams)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Capital Costs	\$ -	\$ -	\$ -	\$ -
Revenue Share	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Year at 5000 popluation (Projected)	2032	2032	2035	2035
Total Contract Cost	\$ 1,558,000	\$ 1,310,000	\$ 1,558,000	\$ 1,310,000
Net Cost (70%)	\$ 1,090,600	\$ 917,000	\$ 1,090,600	\$ 917,000
Village of Pemberton Share	\$ 1,090,600	\$ 917,000	\$ 1,090,600	\$ 917,000
Partner Share	\$ -	\$ -	\$ -	\$ -
Years to build reserve	7	7	10	10
Annual reserve contribution target	\$ 155,800	\$ 131,000	\$ 109,060	\$ 91,700
Cost Per Taxpayer	\$ 84.22	\$ 70.81	\$ 58.95	\$ 49.57
Tax Implication	5.7%	4.8%	4.0%	3.3%

Scenario 5: No contribution to additional dedicated RCMP reserves in 2025, which carries 0% additional tax burden in 2025. Re-evaluation of the position again next budget cycle.

4) Capital

The capital plan (**Appendix E**) is presented for the Committee’s review, including prioritizing projects based on funding source and availability, asset condition, and strategic objectives.

The following comments provide background information and context:

- Water source and sewer priorities and condition assessments are influencing urgent and imminent major infrastructure investments.

- Provincial Housing Accelerator Fund (HAF) grants are incorporated into funding assumptions, across both Development Services Contractors & Consultants budgets as well as the 5 year capital plan, in compliance with the signed HAF agreement.
- Aging infrastructure and fleet replacement needs are increasing across the organization, notably in Fire Services, requiring either capital funding or contingency planning for potential asset failures. Potential implications of additional tariffs may create the highest exposure in future fire apparatus orders in the 5 year capital plan.
- Spel'kúmtn Community Forest funding assumptions: staff are seeking the Committee's feedback

COMMUNICATIONS

Residents have been invited to participate in the budget process through attendance at the Budget Open House on March 4, 2025, at 4:30pm and by submitting their questions to the Village at budget@pemberton.ca. The Village has not received direct feedback or questions via email, aside from two resolved requests.

Budget information has been included in the Village's eNEWS, on the Village Website and Facebook page, and updates have been features in the Pique Newsmagazine.

LEGAL CONSIDERATIONS

The development and review of the annual budget meets with the requirements set out in legislation.

BUDGET & STAFFING

The development of the annual budget is a component of the day-to-day operations of the Finance Department and has been incorporated into the annual work plan.

INTERDEPARTMENTAL IMPACT

The budget was created in collaboration with department managers.

COMMUNITY CLIMATE ACTION PLAN

Initiatives of the Community Climate Action are incorporated in departmental budgets and work plans.

STRATEGIC PRIORITIES

The budget has been designed to align with the following strategic priorities:
Plan and manage growth;
Be prepared;
Protect our environment;
Cultivate trust; and
Operate with excellence.

IMPACT ON THE REGION

Development of the 2025 draft budget has no immediate impact on the region or neighboring jurisdictions. Of note, both Recreation and Fire and Rescue draft budgets will be presented to and reviewed with the Squamish-Lillooet Regional District at the Pemberton Valley Utilities and Services Committee and Fire Committee Meetings.

ALTERNATIVE OPTIONS

There are no alternative options for consideration.

RECOMMENDATIONS

THAT the Committee of the Whole provides feedback to staff with respect to any changes to the 2025 draft budget and direction for the proposed tax increases in operating budget and reserves.

ATTACHMENTS:

Appendix A: 2025 Operational Budget

Appendix B: Pemberton NMC Roll Comparison by Jurisdiction and Property Class

Appendix C: Tax implications for average property owners - *This document will be provided before the February 25th Committee of the Whole meeting.

Appendix D: Reserve Balances

Appendix E: Capital Budget

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