

Introduction

This is a preliminary look at the City of Merritt financial plan for 2025 – 2029. It continues along the path charted in 2024 to balance the operating budget by 2025, while beginning to save for critical water and sewer infrastructure. This presentation is inclusive of savings targeted at reducing the tax increase in 2025 as well as level of service direction from Council, which combined reduce the preliminary base 2025 tax increase to 8%.

Recovery and Housing operations are not currently included as they are funded with provincial grant money and do not impact the source and use of funds for core municipal services. Non-cash expenses such as amortization will be included in the final financial plan bylaw, but are not included at this time. The debt payments and parcel tax revenue related to Exit 286 will be integrated into the financial plan when decisions on commuting the debt are made by the property owners. The financial plan will also be adjusted in Q1 2025 for work completed through December 2024 for projects in progress as well as any agreements signed impacting expenditures.

This presentation will walk through the operating and capital budgets across the City operations using an integrated source and use of funds view. At the conclusion of the presentation, Council will decide to proceed with scheduling public engagement or will provide staff direction on changes for a follow-up presentation. The financial plan and tax rate bylaw must be adopted before May 15, 2025, per section 197 of the Community Charter.

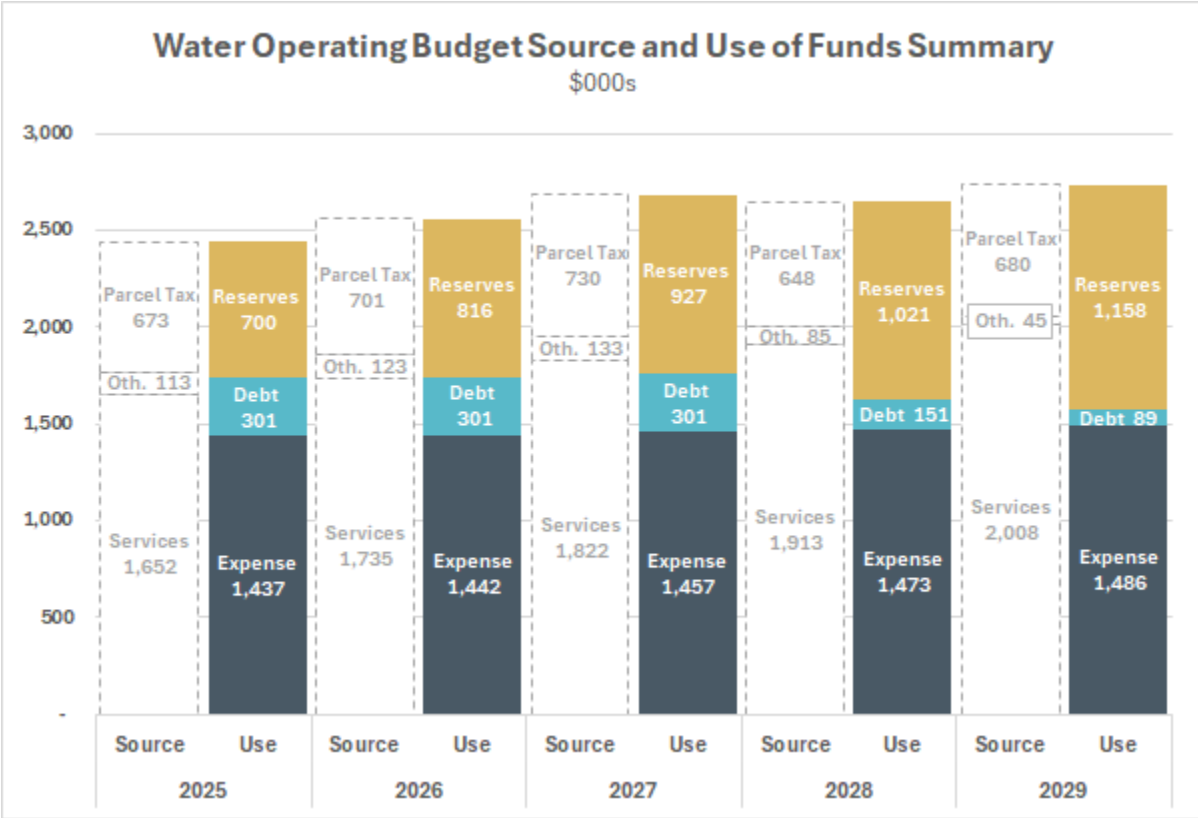
Public Works, Engineering, Planning & Development

Water

Operating

The Water Operating Budget is balanced across the financial plan. The Grandview Heights and Active Mountain debt will be paid by the end of 2027. Related impacts visible in 2028 include lower local area parcel tax and other revenues (actuarial adjustments on debt). Operating expenses are down 3% from the '24 budget across 2025 – 2028. This primarily reflects savings targeted at reducing the tax rate partially offset by inflationary factors and minor operational scope changes.

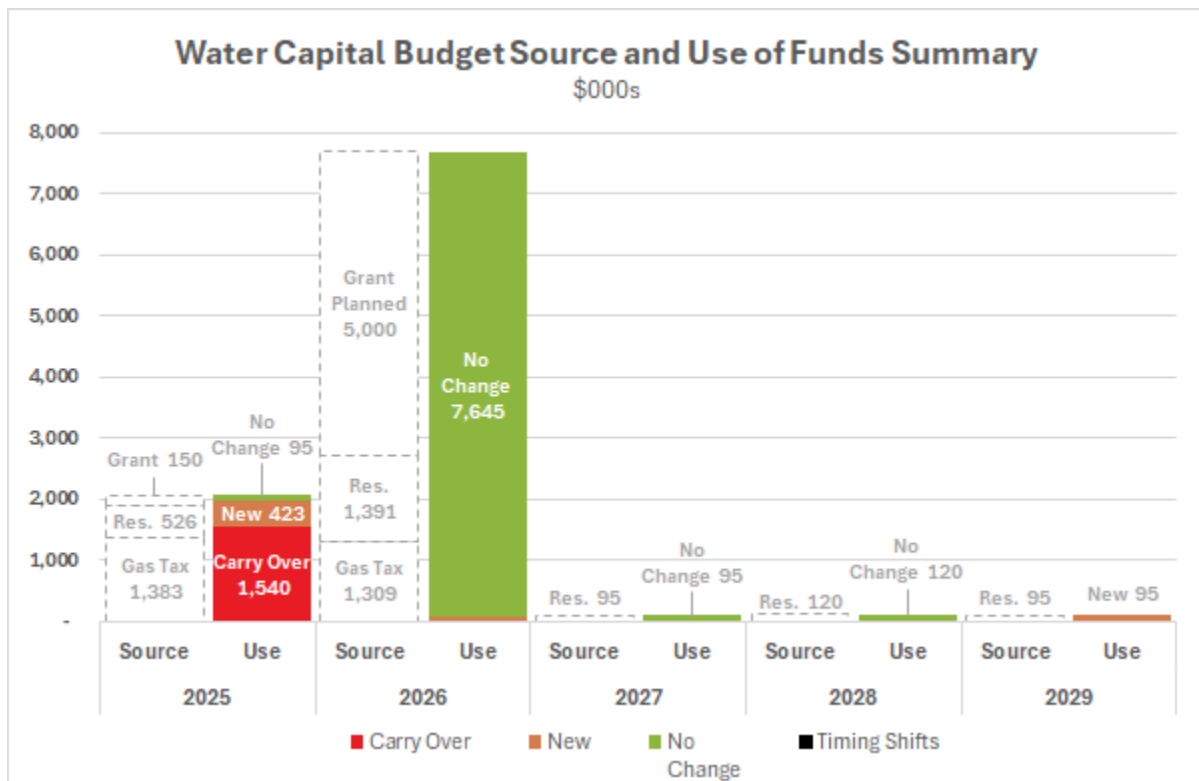
The biggest risk to the water operating plan relates to the funding of the Kengard well upgrades. The current funding plan assumes a \$5M successful grant application. If the application is not successful, a long-term debt issue may be required which will increase debt payments in the Water Operating Budget.



Capital

The Water Capital Budget relies heavily on the Gas Tax Reserve in the near term. Savings for water reserves started in 2024, however they are not sufficient to cover 2025 – 2026 capital. The grant team was successful in securing a \$150,000 grant for the preliminary planning and design for the Kengard well upgrades. This reduces the 2025 draw from the Gas Tax Reserve.

Carry over capital primarily relates to the pipe bridge replacement and Kengard well design. The project design consultant has started work on the pipe bridge replacement project, with tender and construction expected through 2025. The RFP for consulting services for the Kengard well design is in progress. Compared to the prior year financial plan, savings average \$34K per year across 2025 – 2028 – primarily related to annual operational capital (valves, model maintenance, reservoir inspections, etc.).



New capital requests include three projects in 2025 for \$423K, two projects in 2026 for \$56K, and the introduction of 2029 capital into the financial plan. Capital requests are summarized in the following table and characterized thereafter.

Year	Project	Estimate
2025	Voght Park UV and Electrical Room Separation	\$200,000
2025	Quilchena Alley Water Main Replacement	\$190,000
2025	Chlorine Pumps End-of-life Replacement	\$33,000
2026	Thorpe Water Main Looping Design and Construction	\$45,000
2026	Bulk Water Meter / Backflow	\$10,500
2029	Operational Capital (Hydrants, Valves, Model Maintenance)	\$95,000
2025 – 2029 Financial Plan		\$573,500

Voght Park UV & Electrical Room Separation

The Voght Park well failure in July 2024 was a result of a gasketed joint in the water main system letting go. This sprayed high pressure water all over the electrical equipment and the UV disinfection control panels. The use of these pumps was suspended until the disinfection equipment was repaired. It is recommended to separate the electrical and UV disinfection controls from the water piping to reduce the risk of future equipment damage.

Quilchena Alley Water Main Replacement & Loop Design & Construction (Charters to Blair)

The alley between Blair and Charters has a dead-end galvanized water main that services the houses fronting on Quilchena. This water main has been repaired three times in the last couple of years. As a dead end main, service to the six properties is disrupted every time repairs are required. The line is rusted and could have further leaks that are not visible at the surface. This project is to upgrade the existing main and loop it to a new connection on Blair that will allow water to feed from both ends, which will reduce impacts to residents.

Chlorine Pumps End-of-Life (EOL) Replacement

The chlorine pumps have reached end-of-life and have become obsolete. Replacement pumps are required at all pumphouses in the City.

Thorpe Water Main Looping Design and Construction

This is a small project to extend the water main about 50 meters on Sunset Street to loop the existing water main from Thorpe towards Miller Court. This project will create water supply security to the surrounding neighbourhood (Hilton / Cowan Way) by creating looping. In the event of a water break or during required service interruptions, this allows for supply from another direction to reduce the number of impacted properties.

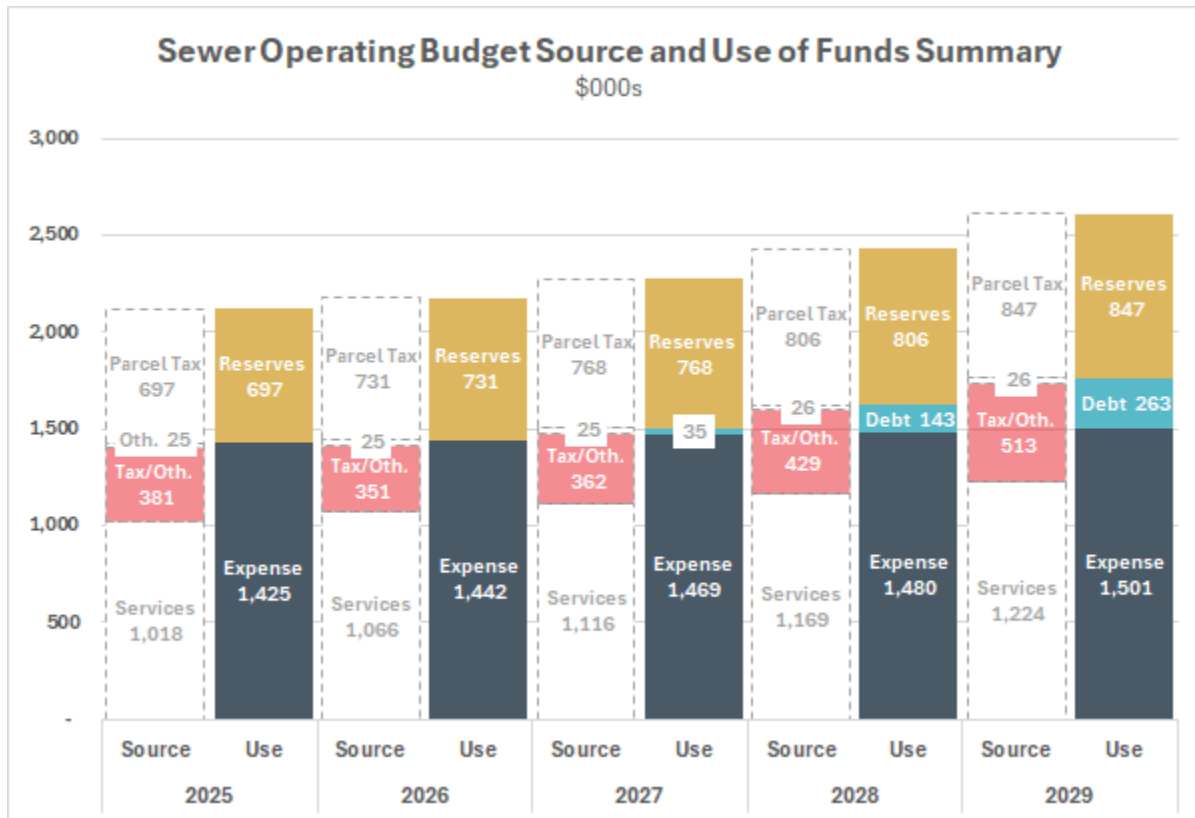
Bulk Water Meter / Backflow

This tool will allow staff to safely meter water from hydrants during testing or for times when the truck fill is inoperable and will enable use of a hydrant to replace the truck fill in the event of a service disruption allowing the water to be metered for full billing of usage.

Sewer

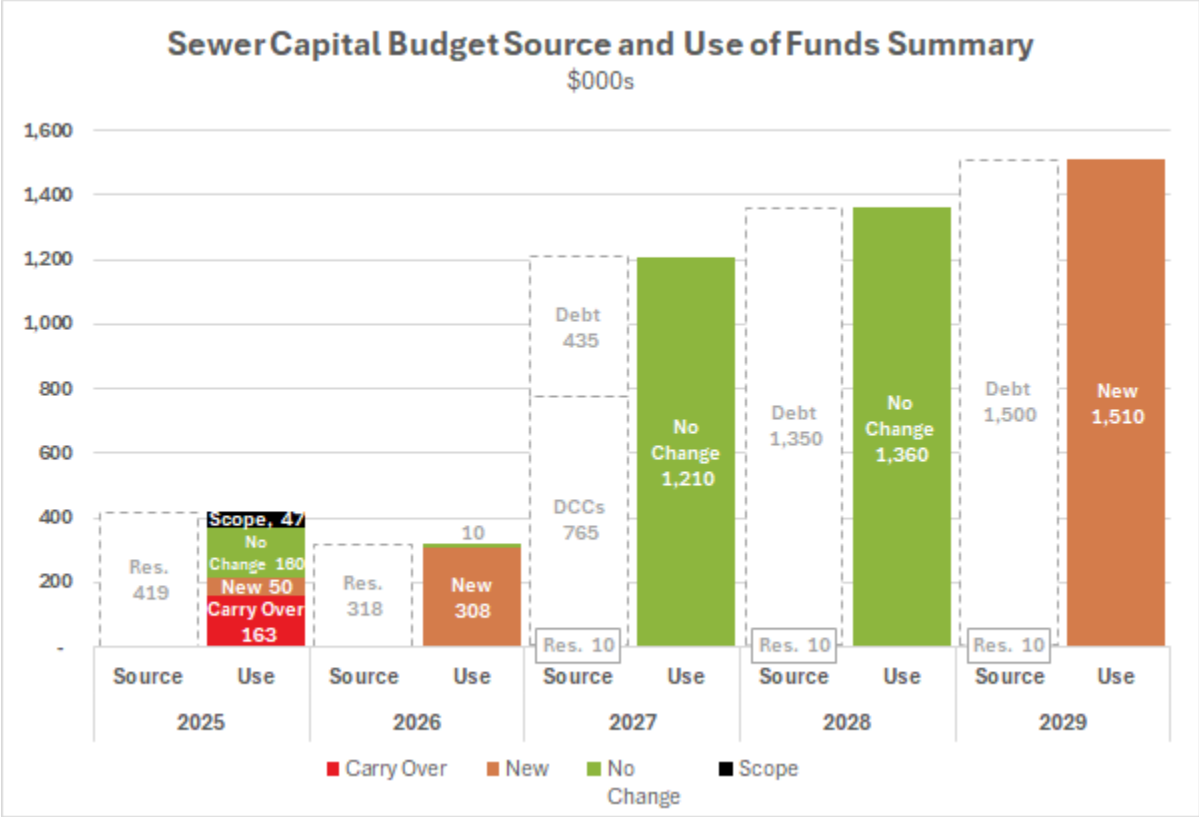
Operating

The Sewer Operating Budget is not balanced across the financial plan requiring general taxation funds to balance. Increasing sale of services revenue is required to improve the financial position of the sewer fund. The financial plan prioritizes saving for the Waste Water Treatment Plant (WWTP). To that end, to fund the most critical sections of the East Merritt Utility Corridor project, debt issues are required across 2027 – 2029. Operating expenses are up 1% from the '24 budget across 2025 – 2028, primarily related to inflationary impacts on material and supplies for the compost site and contracted services.



Capital

The Sewer Capital Budget relies heavily on unrestricted reserves in the near term to prioritize restricted saving for the WWTP. Carry over capital relates to the compost facility and lab equipment for the WWTP. The topographic site survey for the compost facility was completed in 2024. The preliminary design and costing were prepared for the road and water supply to the compost facility for Council consideration in the 2025 budgeting process prior to tendering. Savings compared to the prior year financial plan average \$12K per year across 2025 – 2028, and primarily relate to annual operational capital for model maintenance.



New capital requests include one new project and a scope change in both 2025 and 2026 for \$97K and \$308K, respectively. Capital requests for 2029 have been introduced into the financial plan. Capital requests are summarized in the following table and characterized thereafter.

Year	Project	Estimate
2025	WWTP Implementation Strategy	\$50,000
2025	Compost Facility Scope	\$46,555
2026	Second Avenue Siphon Repair	\$65,000
2026	Compost Facility Scope	\$242,885
2029	East Merritt Utility Corridor – Clapperton (Orme to Douglas)	\$1,500,000
2029	Annual operational capital for model maintenance	\$10,000
2025 – 2029 Financial Plan		\$1,914,440

WWTP

The necessary design work for both the Kengard well and the WWTP is going out for a joint RFP. This will support future grant applications for water and sewer infrastructure.

Compost Facility

The project will upgrade the existing steep and narrow access trail for safety. The road is used by City staff and contractors to access the compost and pipeline sites. During adverse weather the road becomes unsafe. This project will lessen the grade, provide a better surface, and increase safety barriers to reduce instances of vehicles slipping off the road.

The compost facility requires additional site servicing. This includes installation of hydrants for fire control and prevention. The new service will also connect the site office to water supply allowing for the installation of a safety shower.

Second Avenue Siphon Repair

The Second Avenue siphon has a blockage in the 4" section of the pipe. Multiple unsuccessful attempts have been made to clear the blockage. This project will open and extract the blockage.

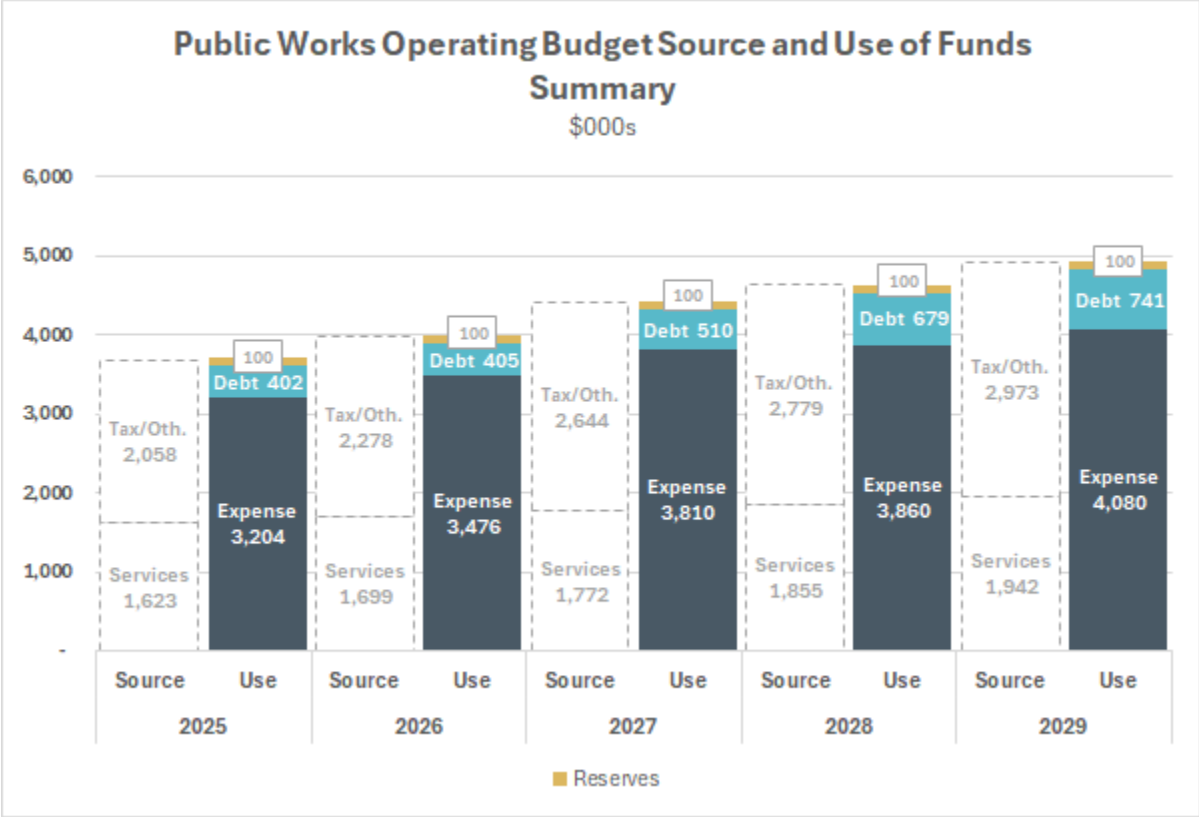
Public Works

Operating

Public Works generates sale of services revenue from the collection of solid waste, the airport, and the cemetery. The balance is funded from general taxation and operating grants. Operating costs increase through the financial plan primarily due to wages, inflationary factors (tipping fees, fuel, parts, etc.), and timing of costs deferred out of 2025 and 2026 to manage near term tax rates. There are three level of service changes proposed in the plan compared to the prior year:

1. Converting the Mechanic Apprentice into a Certified Mechanic role when the apprenticeship period expires mid-2025.
2. Adding +1 FTE in 2027 to support new City infrastructure and park space, the collection of solid waste, and City-owned properties.
3. Adding the mosquito program back to the financial plan for 2025+. The previous financial plan assumed the program would transfer to the TNRD requisition.

Debt payments in the operating cost profile increase through the financial plan as financing over five-year terms is layered in for fleet and equipment capital. In the 2024 budgeting process, the transportation infrastructure capital for roads, sidewalks, etc. was reduced to \$100K per year. Council may wish to evaluate this funding level / level of service as part of asset management conversations in 2025.



Capital

The Public Works capital plan is funded using a mix of reserves, grants (received), grants (planned), and debt for equipment purchases. The carry over capital in 2025 is primarily driven by:

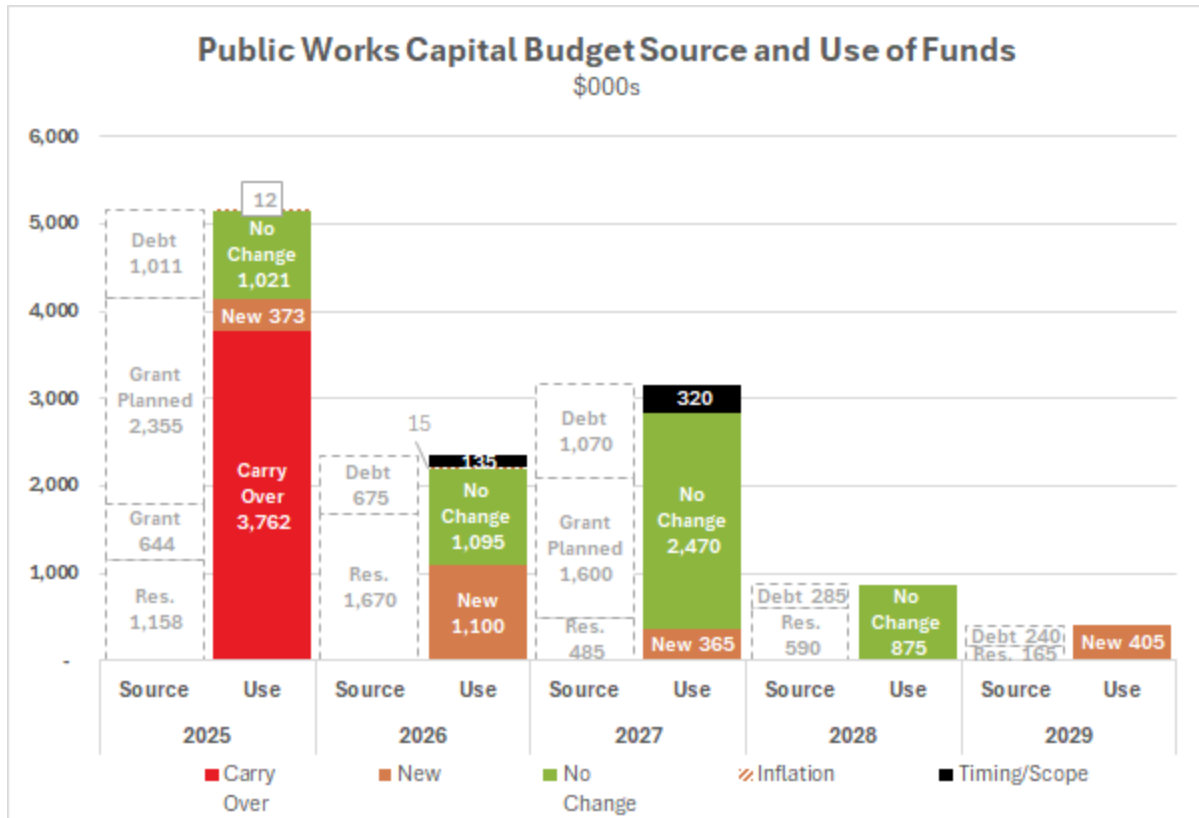
1. Airport runway project is grant-contingent. A grant application was denied in 2024. A new application will be submitted when the grant reopens [\$2.4M]
2. Fortis delays impacted commencement of Phase 2 of the West Merritt Active Transportation project [\$0.7M]
3. The residential solid waste truck was ordered in 2024 and has not been delivered [\$0.4M]

Four smaller operational projects totalling \$0.1M also carry over into 2025: Upgrading the Voght/Gordon intersection to camera detection [\$60K], pickleball court surface remediation design [\$16K], garage electrical service upgrade [\$15K], and the shop security camera upgrade [\$11K]. Budget is also being carried for the Airport fencing and lot grading projects [\$100K] while waiting for final invoices.

Two capital projects have shifted timing compared to the prior year plan:

1. The design work for the Voght/Nicola intersection turning and bypass lane northbound has been completed. Construction is now premised in 2026 while waiting for MOTI approval.
2. Freightliner purchase deferred to 2027 to manage near term capital and debt payments. Public Works management continues to monitor repair bills and risk of total failure.

Capital savings compared to the prior year financial plan total \$320K including completion of the base work for the columbarium in 2024, the removal of two projects from scope (Central Park Trail and Erosion Design and the Spirit Square Alley Concept), and the strategy to use LGCAP funds to electrify the fleet to remove two pickup requests from the capital plan.



New capital requests include four new projects totalling \$1.8M, three operational projects for \$23K, and the inclusion of 2029 capital into the financial plan. Capital requests are summarized in the following table and characterized thereafter.

Year	Project	Estimate
2025	Juniper Erosion Repairs	\$350,000
2025	Operational projects:	
	1. Sea can electrical hookup	\$9,500
	2. Sander stand	\$8,000
	3. Brine storage tank	\$5,500
2026	Airport Road Overlay	\$600,000
2026	Houston Overlay Bridge to Midday Valley Rd	\$500,000
2027	River Ranch Rd Mill, Inlay, Lane Channelization	\$365,000
2029	Municipal Tractor	\$240,000
2029	Asphalt/Sidewalks/Bridges	\$100,000
2029	Air Photo and Lidar Update	\$40,000
2029	Dike Maintenance	\$20,000
2029	Storm Sewer Model Maintenance	\$5,000
2025 – 2029 Financial Plan		\$2,243,000

1838 Juniper

This project will repair severe erosion on a storm sewer outfall from the subdivision and lands above. The erosion damage is threatening the adjacent properties on Juniper and has created issues for the golf course. Project activities include connecting underground piping to the existing outfall, earthworks to stabilize the existing gorge area, and restoring the surface swale. A similar system has been completed off the Parker Drive corner that also impacts the golf course. This system will pick up the outfall from the Parker pipe that collects subdivision runoff and move the outfall past the golf course to the Central Park ditch.

Sea Can Electrical Hookup Replacements

This project will replace the electrical hookups for the sea cans at the Public Works yard. The sea cans were removed because of the dike construction. Public Works was required to disconnect the power and move the sea cans with operational dollars and staff labor as the dike project funding would not accommodate the relocation of the sea cans. Now that the sea cans have been relocated, the power connections need to be reinstated in the new locations.

Sander Stand

Currently, two staff with equipment take an hour to change the sander box to allow the truck to haul snow when required. This will make the removal of the sanding unit a one person 20-minute offload job.

Brine Storage Tanks

To reduce trips back to the shop for reloading while performing brining activities, a new tank, sized to use the entire load capacity of the truck will increase operational efficiency.

Airport Road Overlay

Between the Co-op and the Airport, Airport Rd. takes a significant amount of heavy-duty truck traffic. Most of the road use is for access to the septage and truck fill sites. The road is showing signs of surface and subsurface failures. This project will excavate and deep patch the subsurface and utility settlement failure areas, overlay the surface to add structure, and restore the travelling surface.

Houston Overlay Bridge to Midday Valley Rd

Houston Street between the Bridge and Midday Valley Road takes a significant amount of heavy-duty truck traffic. It is showing signs of surface and subsurface failures. This project will excavate and deep patch the subsurface failure areas, overlay the surface to add structure, and restore the travelling surface.

River Ranch Road Mill, Inlay, and Lane Channelization

A 2024 study identified several safety improvements required for this area. The asphalt is also showing its age. This project is scoped to rehabilitate asphalt and complete safety improvements that include line painting, a pathway connection from the Voght multi-use pathway to the sidewalk on Irvine Avenue, lane channelization, and turning radius improvements for westbound trucks from Forksdale Avenue north onto River Ranch Road. This will maintain the pavement life for ~15 years before further safety improvements and capital work are required.

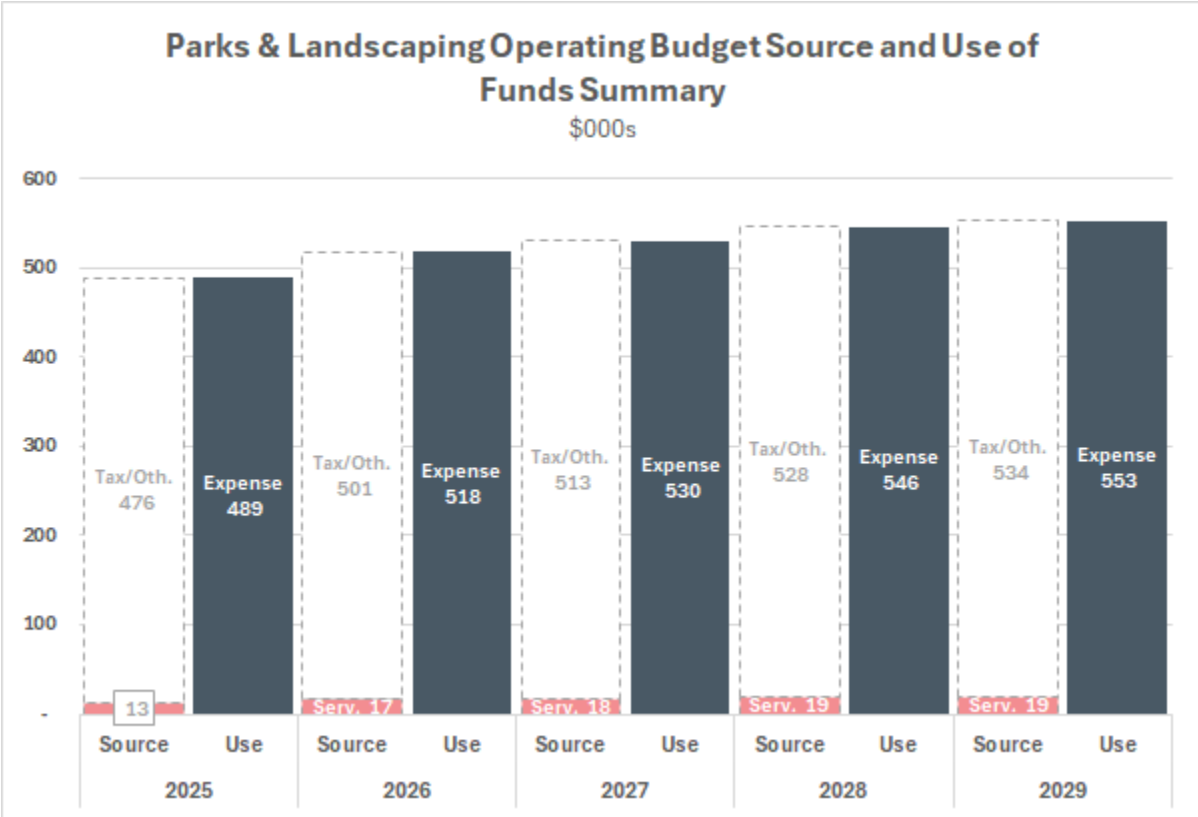
2029 Municipal Tractor

This is an end-of-life replacement for the existing small municipal “Tool Cat”. A similar unit was purchased in 2023 for use on the pathways, sidewalks, and small park areas. Due to extended service requirements of the new developments and capital pathway projects, two units are required to maintain the required level of service.

Parks & Landscaping

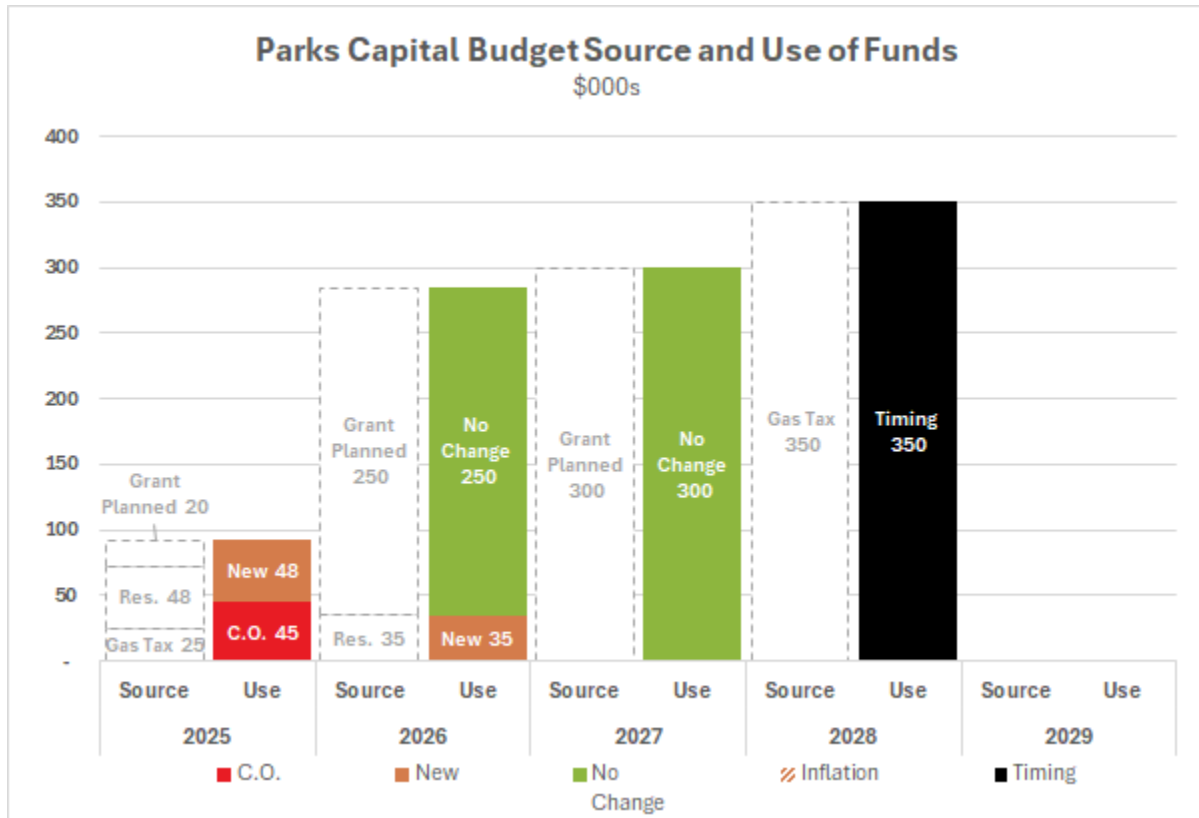
Operating

The Parks Operating Budget includes a modest increase in sale of services revenue from field use and parking lot rentals to 2.7% of total operating expenditures. In 2025, Central Park costs will be tracked separately from the other parks and landscaping costs. This is to support establishing an appropriate balance between cost recovery from user fees and funding from general taxation.



Capital

The Parks Capital Budget primarily consists of Gas Tax-funded approved projects and grant contingent projects (Fairley Park playground and Central/Rotary rubber surface replacements). Smaller operational projects, if approved, will be funded out of unrestricted reserves. Carry over capital relates to designing replacements for both the Rotary Park Spray Park and the Fairley Park playground. Spray Park construction shifts to 2028.



Four new operational projects are proposed that will be offset by removing the Central Park ball diamond and hill side trail design projects and the concrete pads for picnic tables from the financial plan. New capital requests are summarized in the following table and characterized thereafter.

Year	Project	Estimate
2025	Irrigation Clocks Upgrade	\$32,500
2025	Lions Park Bathroom Renovation	\$15,000
2026	Lions Park Pathway Connections and Bathroom Apron	\$20,000
2026	Rotary Park Bathroom Renovation	\$15,000
2025 – 2029 Financial Plan		\$82,500

Irrigation Clocks Upgrade

An irrigation clocks upgrade is proposed for 2025. The irrigation clocks have reached end-of-life and have become obsolete.

Lions Park Pathway Connection / Bathroom Apron

The Lions Park Pathway Connection / Bathroom Apron is proposed for 2026. This project will provide hard surfacing to transition from the Voght sidewalk down to the washroom in the park. This will increase accessibility and reduce maintenance compared to the existing gravel surface.

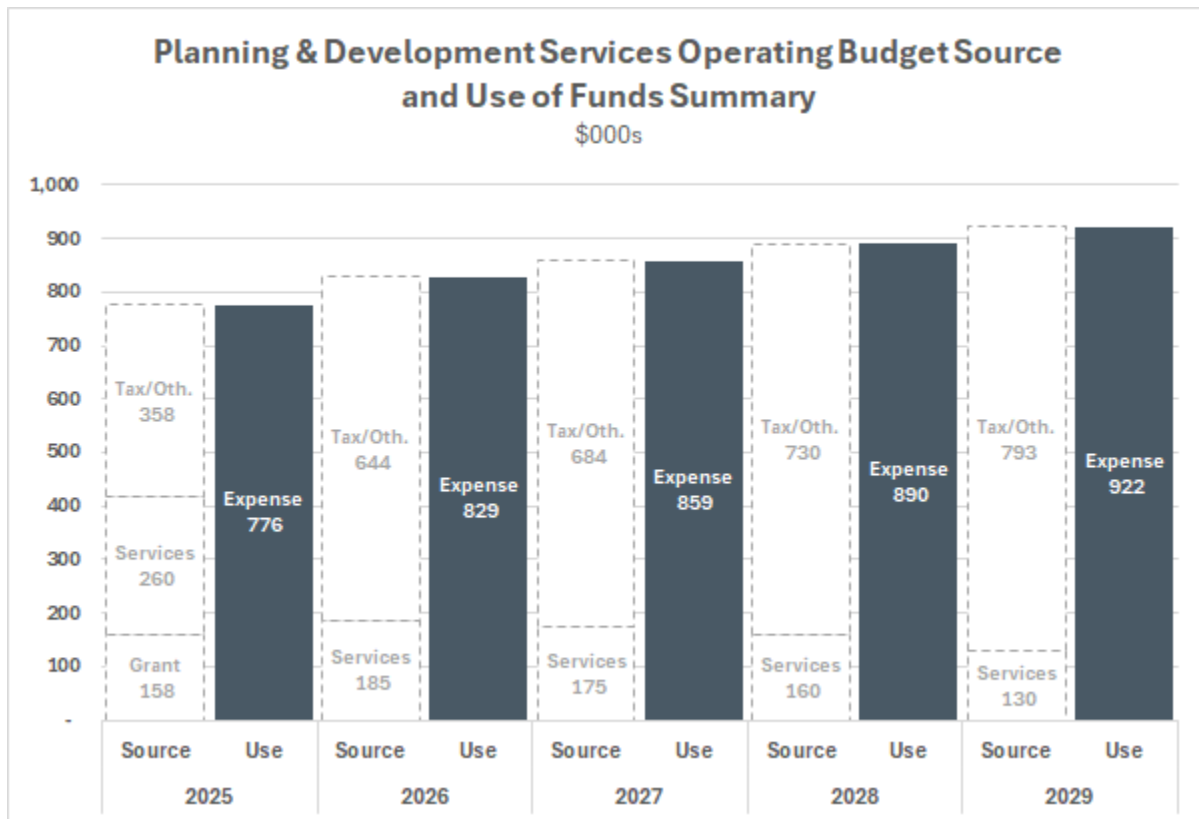
Park Bathroom Renovations

The Lions Memorial Park bathroom requires a renovation due to years of damage. This is an opportunity to upgrade the bathroom to increase safety and comfort. The plan in 2026 is to do the same with the Rotary Park bathroom.

Planning & Development Services

Operating

Planning and Development Services generates sale of services revenue primarily from building, development, and plumbing permits. Residual operating costs are funded from general taxation. In 2025, grant funds reduce the draw from taxation revenues.

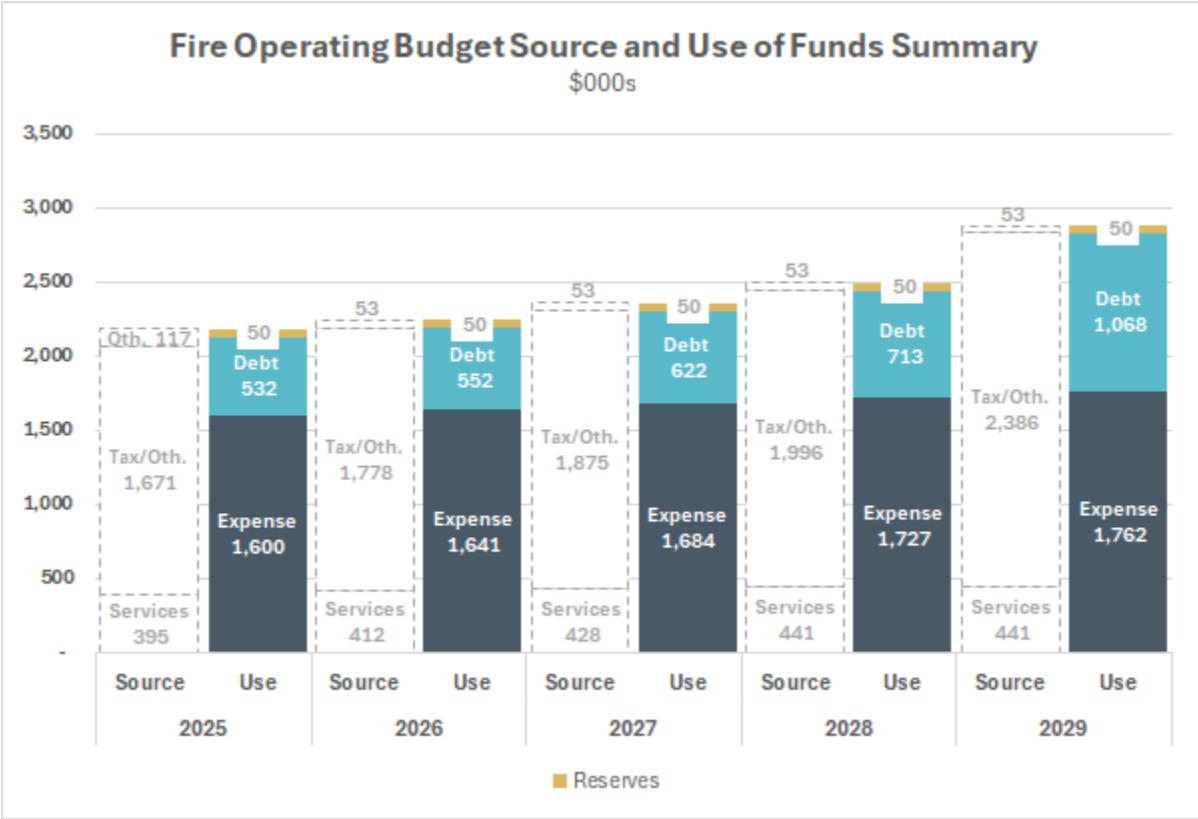


Fire Department

Operating

The Fire Department generates sale of services revenue from providing services to the TNRD, provincial deployments, and other fees. An assumption for continued FireSmart funding toward wages of \$50K is maintained across the financial plan. Other revenue also includes \$3K from small confined fire permit fees. The \$64K net revenue from provincial deployments in 2024 was reserved for use in 2025 to fund Paid-on-call (POC) costs.

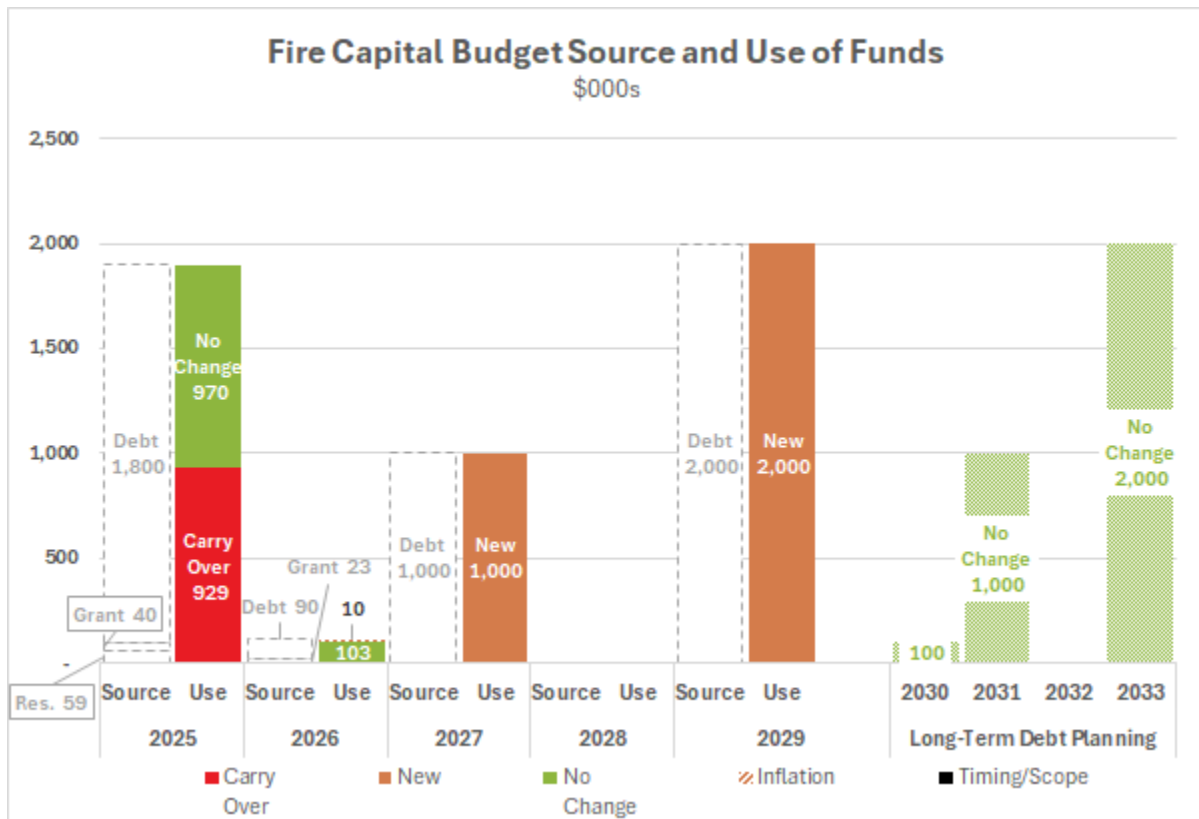
Operating expenses are up an average of 4.5% from the prior plan driven by POC costs with a partial offset from removing the contingency on MobileCAD costs. As of October 2024, calls are up 22%. Debt payments in the operating cost profile increase through the financial plan as financing for Command 1 and the Ladder Truck are layered in. This is partially offset by payments for the 2021 Freightliner Pump Truck ending in 2026 and the Wildland Truck ending in 2028. The contribution to reserves for self-contained breathing apparatus was set at \$50K/year in the prior year plan [\$0.5M replacement cost].



Capital

In the prior year plan, Engine 2 was split between 2024 and 2025. Both the chassis and truck payments are now anticipated in 2025. Financing will be completed when the chassis payment is due. Carry over capital also includes the signalization project with MOTI. The City portion [\$29K] will be funded out of the Fire Reserve. There is no change to the hydraulic extraction tools planned for 2025. However, the funding strategy has been updated to include a grant

stream that has been identified that may cover up to \$40K of the \$70K cost with the balance funded by the Fire Reserve. The capital scope of replacing Command 1 and purchasing the hydraulic extraction tools in 2026 is unchanged. An inflationary adjustment of \$10K has been premised for Command 1. For the \$23K in hydraulic extraction tools, a grant application will be submitted prior to using the Fire Reserve. In the 2024 Budget Presentation, the ladder truck was premised in 2029 just outside of the five-year financial plan window. The chassis has been pulled forward to 2027 given current industry lead times. The remaining capital cost remains in 2029. There are no changes in the long-term debt planning window through 2033 with Command 2 premised in 2030, the heavy rescue truck in 2031, and a placeholder for a truck at a new station in 2033.



The ladder truck enters the financial plan bylaw window as a capital request with the chassis payment anticipated as early as 2027 for truck delivery in 2029.

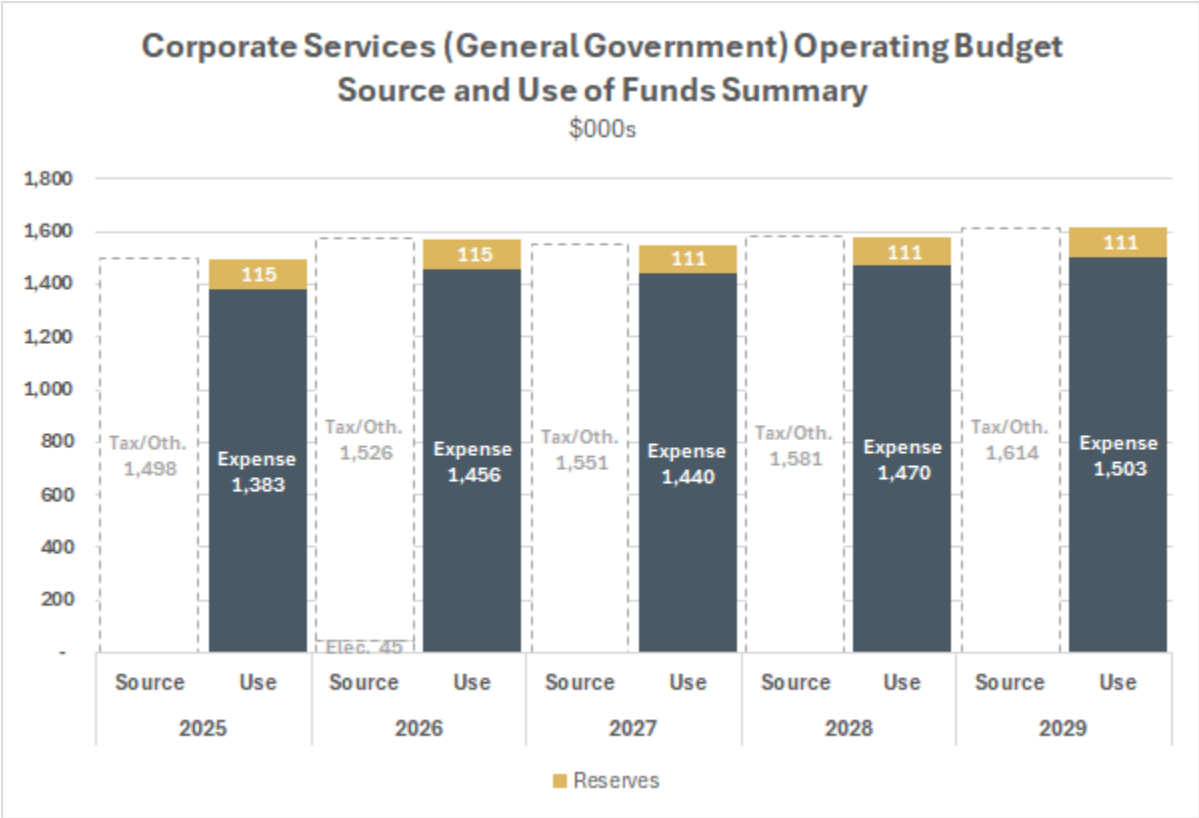
Year	Project	Estimate
2027	Ladder truck chassis	\$1,000,000
2029	Ladder truck delivery	\$2,000,000
2025 – 2029 Financial Plan		\$3,000,000

Corporate Services

Operating – General Government

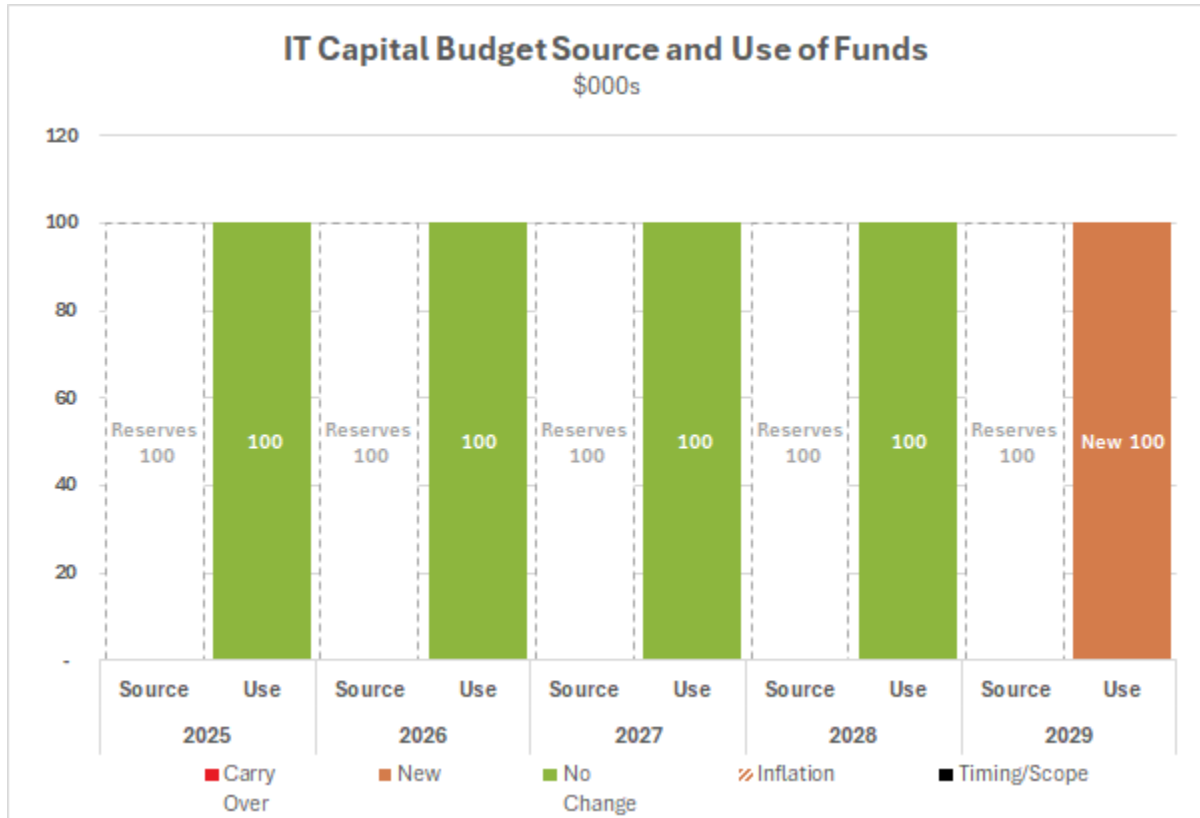
The General Government portion of the Corporate Services portfolio includes Council, the Corporate Officer’s office, communications and engagement, IT, and elections.

Operating costs increase slightly in 2026 for the municipal election. In the prior year plan, a reserve was created to smooth out the funding between elections. The 2026 election is being saved for over three years. The 2030 election will be saved for over four years so a small decrease in reserve contributions is visible in 2027. Most of the annual reserve contributions [\$100K] is for IT capital. The IT financial plan is based on operating with one full-time onsite support and using contracted services to supplement. IT software charges have been adjusted for inflationary impacts [\$40K] compared to the prior year plan.



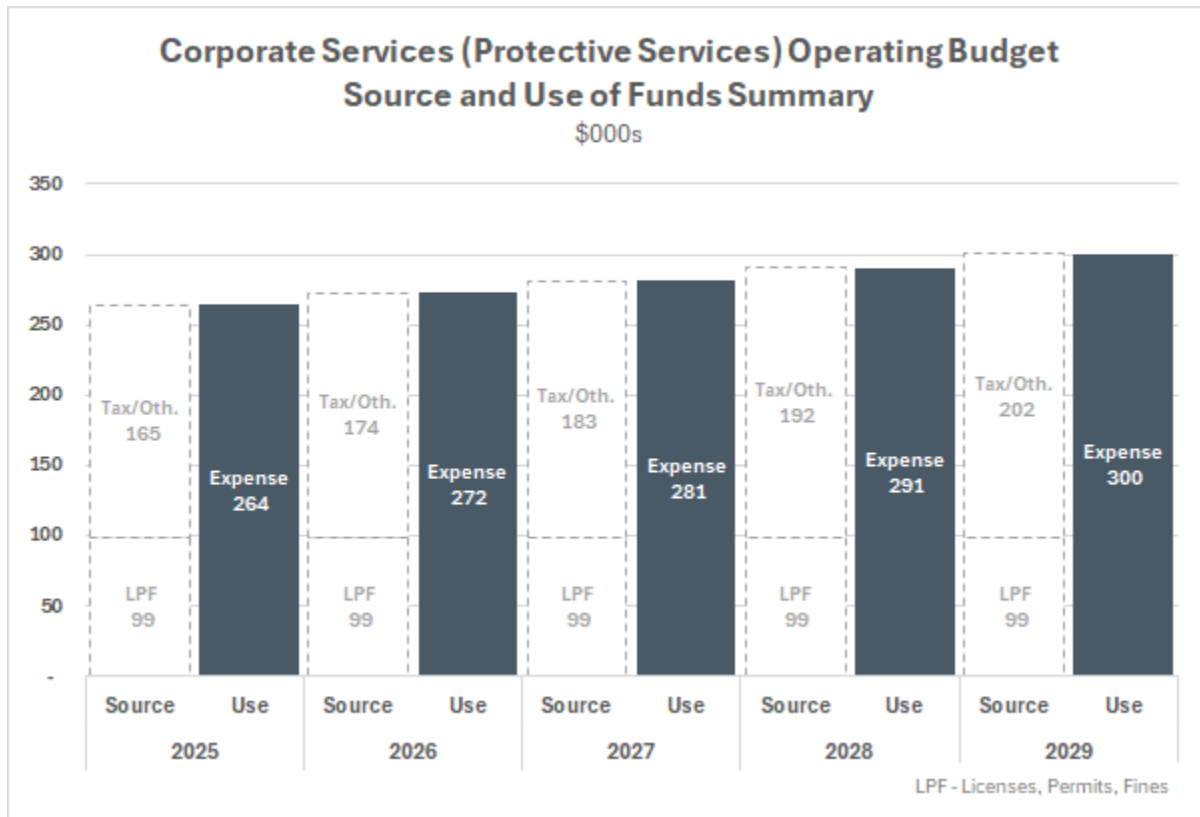
Capital – General Government

The IT operational capital budget is funded out of reserves. In the prior year plan, \$12K was added for the Fire Department Toughbook purchases. The Corporate Officer has been able to absorb the Toughbook cost within the main budget through various scrutinizing actions. The capital budget has been reduced back down to \$100K/year.



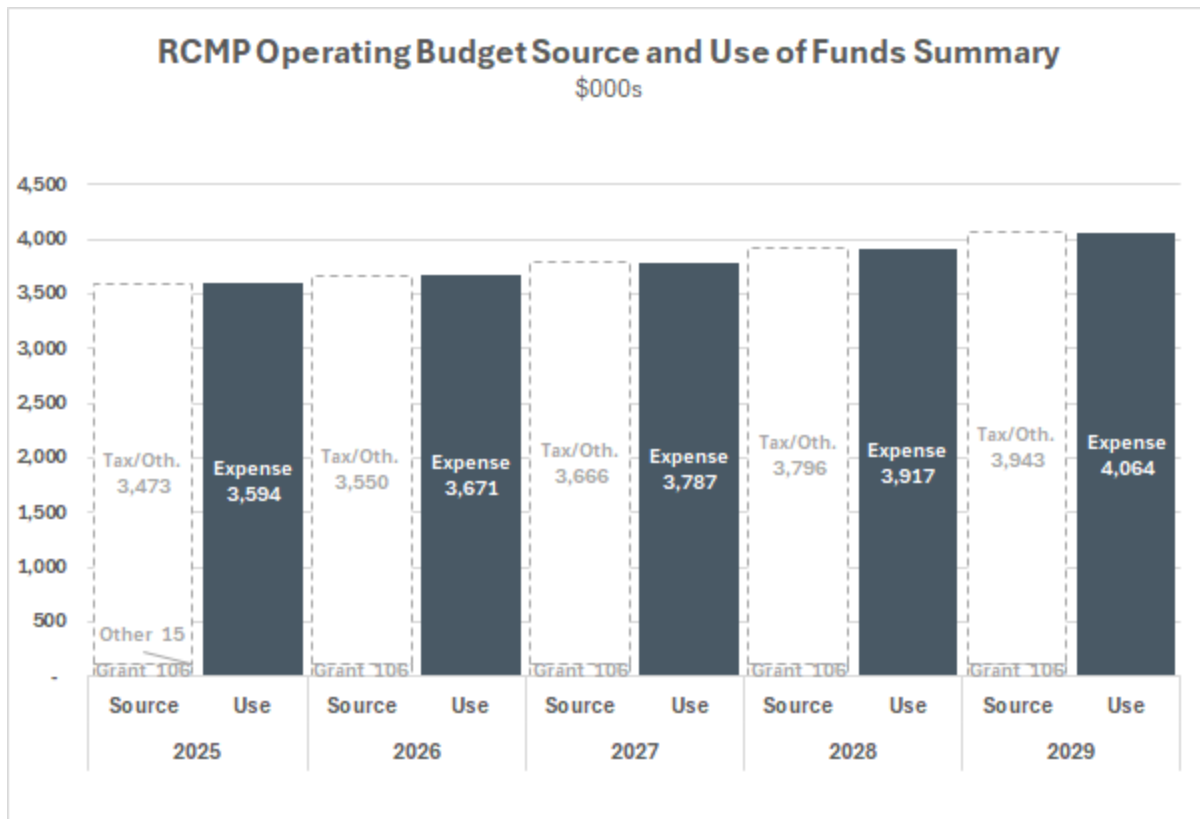
Operating – Protective Services

The Protective Services portion of the Corporate Services portfolio includes bylaw, animal control, unsightly premises, and the CPO. The operating plan is funded through a combination of license, permit, and fine revenues from business and dog licenses and general taxation. There is one level of service change in the financial plan; to add a budget [\$15K] for encampments and other community cleanup costs that cannot be recovered on taxes (towing trailers, etc.).



Operating – RCMP

The RCMP service consists of the City-share of the detachment costs, City staff working at the detachment, and victim services. This is predominantly funded out of general taxation revenues. The City receives traffic fine revenue sharing transfers from the Province as well as an estimated \$15K in other revenues from services such as criminal record checks. The financial plan is based on a 15 FTE contract strength level of service.



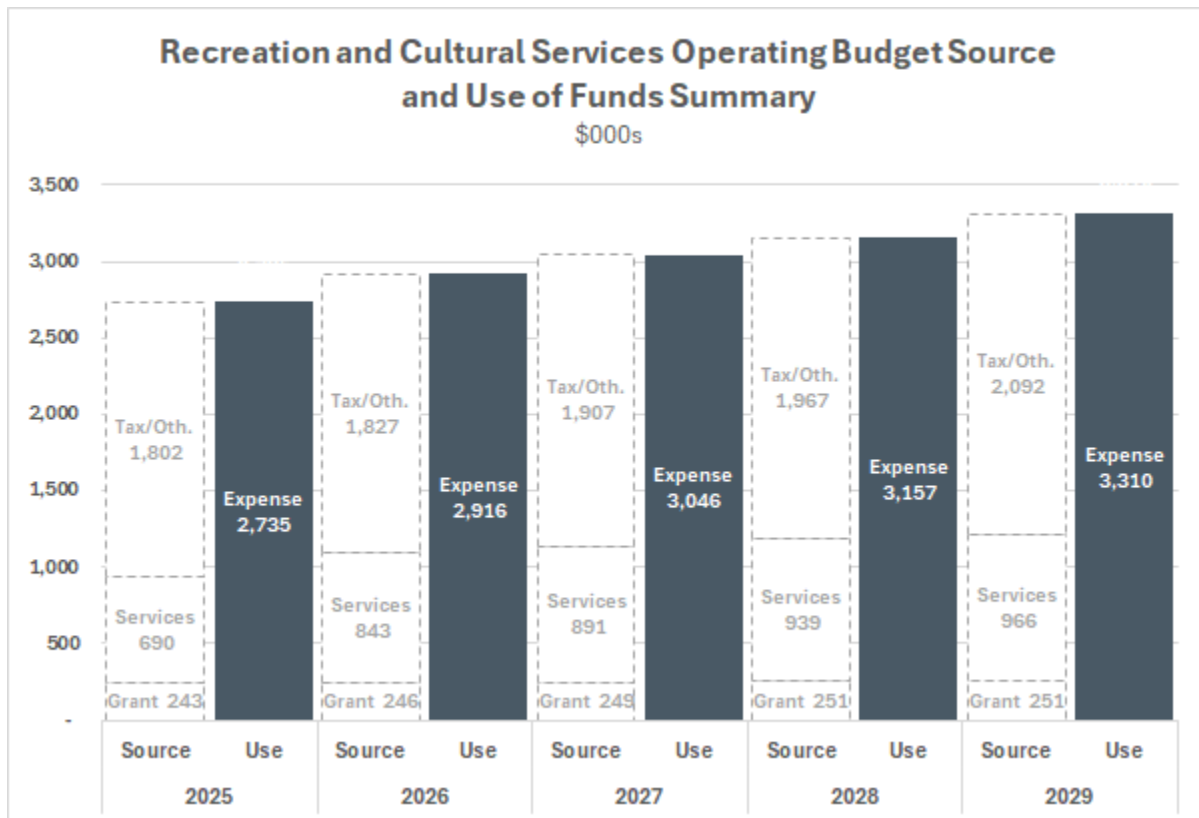
Community Services

Recreation and Cultural Services

Operating

Recreation and Cultural Services operations are funded from a combination of user fees, TNRD grants, and general taxation. Sale of services revenue increases across the financial plan with the resumption of operations at Claybanks RV Park in 2025 and ramp up across 2026 – 2029 following dike construction in 2025. Revenue from Claybanks and the inclusion in the budget of a payment, in lieu of taxes, for an airport property drives higher sales of service revenue than the prior year plan.

Operating costs increase through the financial plan primarily due to wages, inflation, and the ramp up of operations at Claybanks. Operating costs are down compared to the prior plan primarily due to direction for a level of service change for the NVAC to operate six days per week. The release of all contingencies for City facilities also contributes directionally. These are partially offset by the inclusion of Claybanks operating costs within the financial plan.



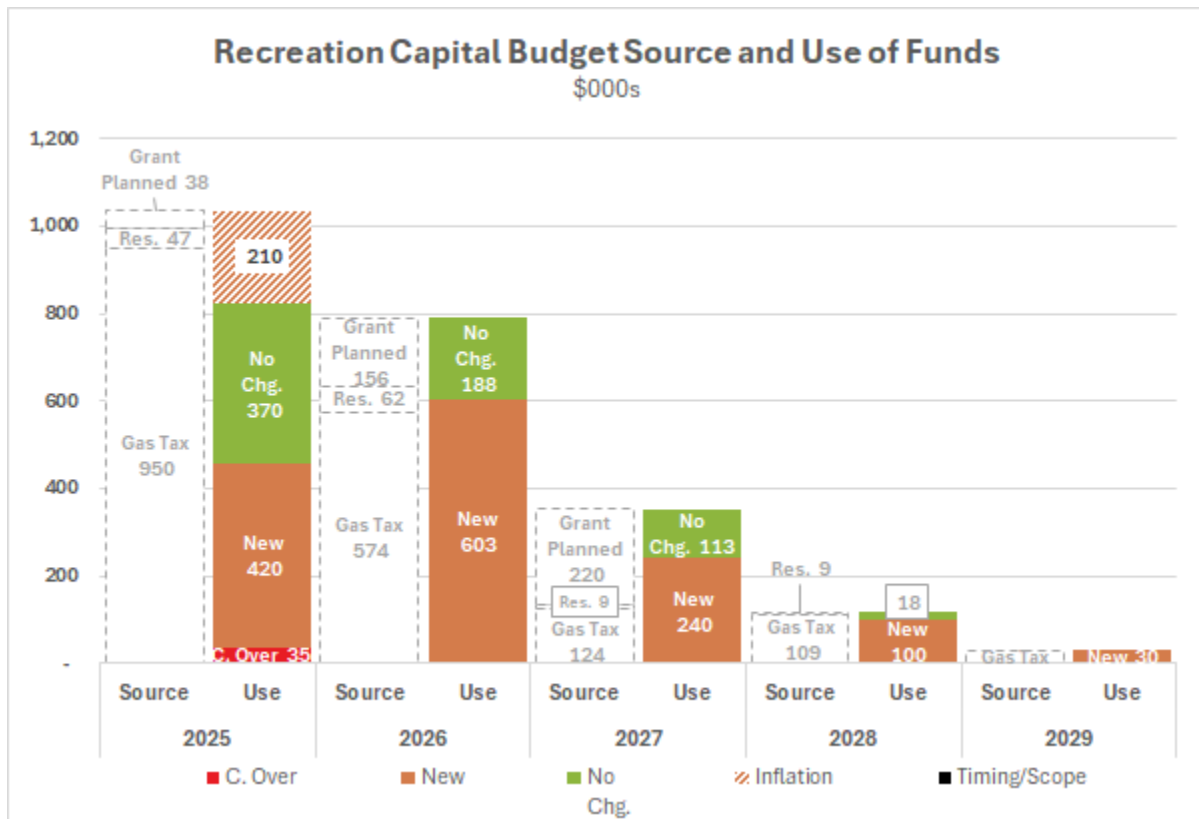
Capital

The Recreation Capital Budget relies heavily on the Gas Tax and grant funding in the near term as no recurring funding mechanisms for recreation facilities have been established. Carry over capital of \$35K relates to the NVAC mechanical room design work that started in 2024. The engineering report was received on November 4, 2024. The Class D estimate of the project is

\$545K. This is higher than the \$300K estimate in the prior year plan. Six projects assigned grant contingency in the prior year plan are proposed in the current plan for funding and will appear as “new” capital.

Year	Grant Contingent Projects in 2024 Budget	Prior Year Est.
2025	NVAC Pool Shower Tiles and Valve Replacement	\$99,000
2025	NVAC Slide Replacement	\$58,000
2025	NVAC Sound System	\$24,000
2025	NVAC Viewing Deck Tile Floor	\$16,000
2026	NVMA Mezzanine Flooring Replacement	\$60,000
2026	NVMA HVAC #2 (if no grant in 2025)	\$38,000

For the NVAC projects in 2025, the required extended shutdown for the mechanical room construction provides an opportunity to execute projects that will improve the customer experience when the facility reopens.



The new capital request in 2025 primarily relates to capitalizing on the extended shutdown to complete all near term NVAC projects. New capital requests are summarized in the following table and characterized thereafter.

Year	Project	Estimate
2025	NVAC Shower Tiles and Valve Replacement	\$99,000
2025	NVAC Pool Deck Resinous Floor Resurface and Repair	\$92,000
2025	NVAC Slide Replacement	\$58,000
2025	NVAC Shower Boiler and Mixing Valve Replacement	\$55,000
2025	NVAC Sound System	\$32,000
2025	NVAC Viewing Deck Tile Floor	\$16,000
2025	NVAC Safety Glass and Building Cameras	\$15,000
2025	NVAC Guard Room AED	\$5,000
2025	Civic Centre Safety Glass and Cameras	\$14,500
2025	NVMA Relief Valve Replacement	\$13,500
2025	NVMA Arena Chiller Half Life Inspection	\$11,000
2025	NVMA Cameras	\$9,000
2026	NVMA Electric Ice Resurfer Grant funding/matching strategies will be pursued prior to using reserves	\$200,000
2026	Curling Rink Chiller Replacement	\$180,000
2026	Civic Centre Flooring	\$125,000
2026	NVMA Mezzanine Flooring	\$60,000
2026	NVMA HVAC #2 Appears as grant contingent in 2025. If no grant funding stream successful, funding required in 2026.	\$38,000
2027	NVAC Repaint Roof Beams (Grant Contingent)	\$125,000
2027	Civic Centre Flooring	\$115,000
2028	Civic Centre Flooring	\$100,000
2029	Civic Centre Flooring	\$30,000
2025 – 2029 Financial Plan		\$1,393,000

Opportunity to Complete Projects During Extended Shutdown for Mechanical Room Upgrade

Funding Strategy Request for Grant Contingent Projects from 2024 Budget and Two New Projects

1. Pool shower tiles and valve replacements
2. Pool slide replacement
3. Sound system
4. Viewing deck tile floor replacement
5. Pool deck resinous floor resurface and repair
6. Shower boiler and mixing valve, and piping replacement

The first four projects were assigned grant contingency in the 2024 budget. With the extended pool closure for mechanical room repairs, there is an opportunity to complete all near-term projects at the NVAC. Projects five and six were not considered in the prior year plan. They have been identified as projects that should be done during the shutdown as the shower boiler is nearing its end-of-life and our resinous floor has developed cracks that need to be repaired.

Community Services Safety Projects

Quotes have been received for the following safety improvements in City facilities:

Facility Details

Facility	Scope	Capital Request
NVMA	Nine camera system	\$9,000
NVAC	Safety glass and speakers in glass	\$6,500
	Eight camera system	\$8,500
	Guard Room AED Replacement	\$5,000
MCC	Safety glass and speakers in glass	\$6,500
	Seven camera system	\$8,000
Total		\$43,500

Relief Valve Replacement

NVMA ammonia relief valves are on a five-year replacement cycle. The next replacement is scheduled for 2025.

Arena Chiller Half Life Inspection

The life expectancy of an ammonia chiller is 20 years, and they are required to have a half-life inspection done by a qualified technician. The half-life inspection is scheduled for 2025. Any deficiencies found will have to be remedied and corrected.

Electric Ice Resurfacer

The City operates a 2015 propane-powered ice resurfacer, to build, maintain, and remove ice in NVMA. Historically, the City has replaced the ice resurfacer every ten years, and kept the replaced unit for emergencies, extra loads, and servicing windows. Replacing the existing unit with an electric ice resurfacer will have significant benefits:

1. Zero tailpipe emissions (air pollutants) operating in an enclosed environment
2. Reduced propane usage and costs

Curling Rink Chiller Replacement

The Curling Rink ammonia chiller was installed in 2005. In 2016, the half-life inspection and necessary repairs were completed. At the recommendation of the Director of Community Services, the replacement has been scheduled for March-June 2026.

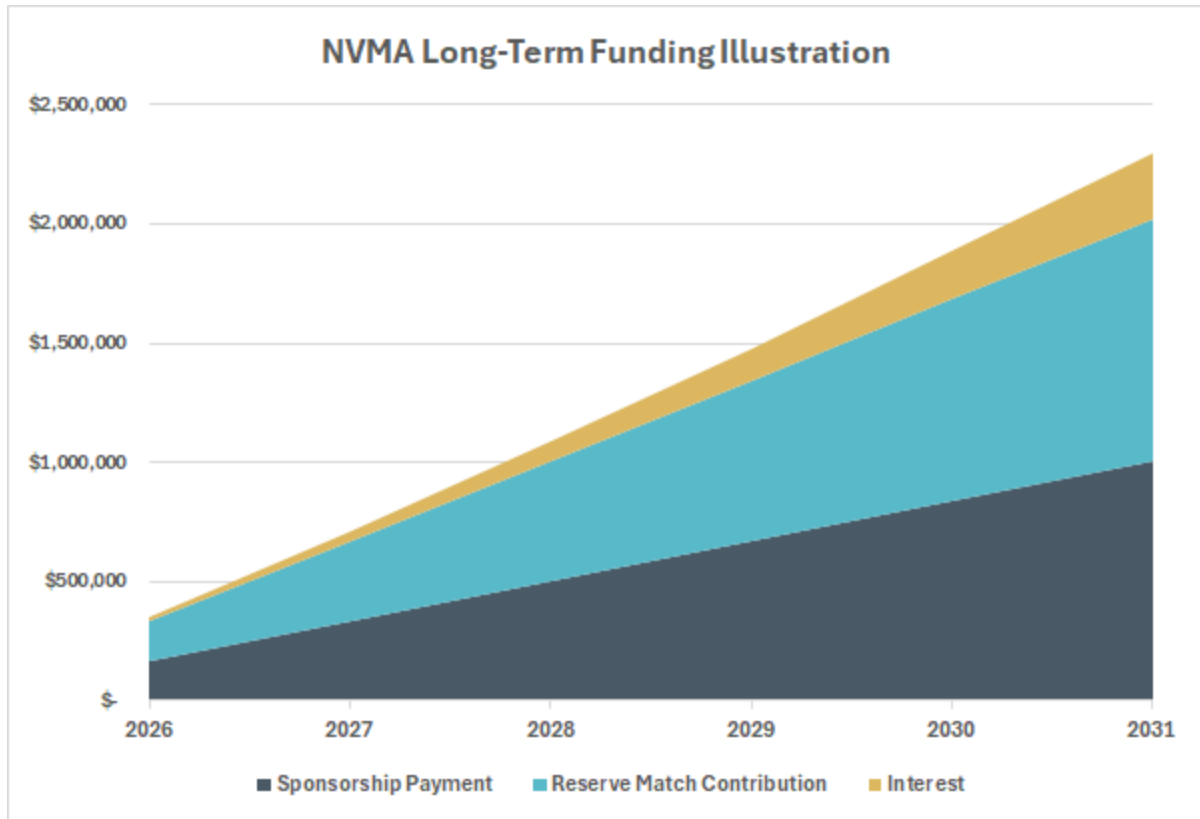
Civic Centre Flooring

The replacement of the Civic Centre flooring is proposed in phases across 2026 – 2029.

Year	Phase	Capital Request
2026	Auditorium	\$125,000
2027	Foyer and Bathrooms	\$115,000
2028	Meeting Rooms and Office Spaces	\$100,000
2029	Kitchen	\$30,000
	Total	\$370,000

Long-Term Planning for NVMA Capital

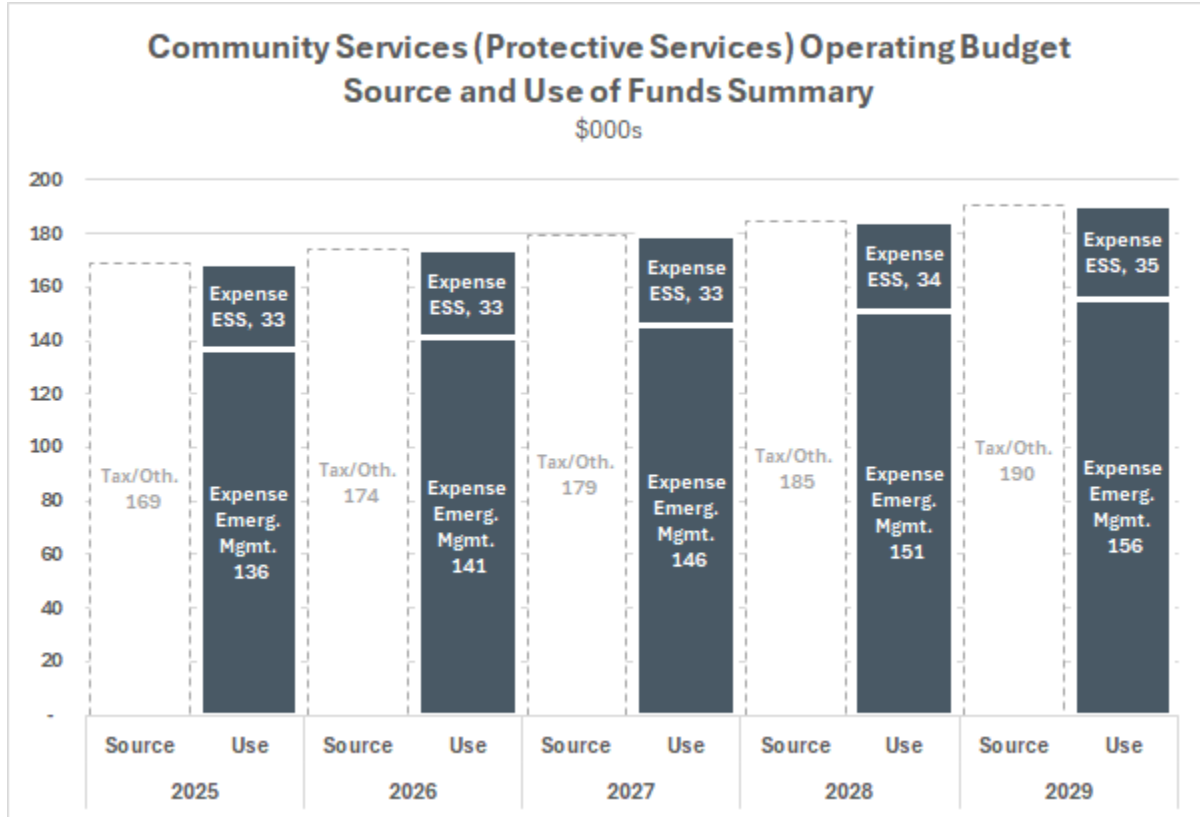
The current brine line system and concrete floor under the ice are anticipated to be removed and replaced in 2031. The estimated cost of this was \$2.3M in the previous budgeting cycle. A funding strategy has not yet been built into the financial plan. A possible solution may be to pursue a sponsorship agreement for the NVMA in which an annual sponsorship is matched by Council with a reserve contribution. For example, if a sponsorship arrangement started in 2026 with an annual payment of \$170,000, with \$170,000 in annual matching, the required \$2.3M would be generated in six years as illustrated in the following graph.



Protective Services

Operating

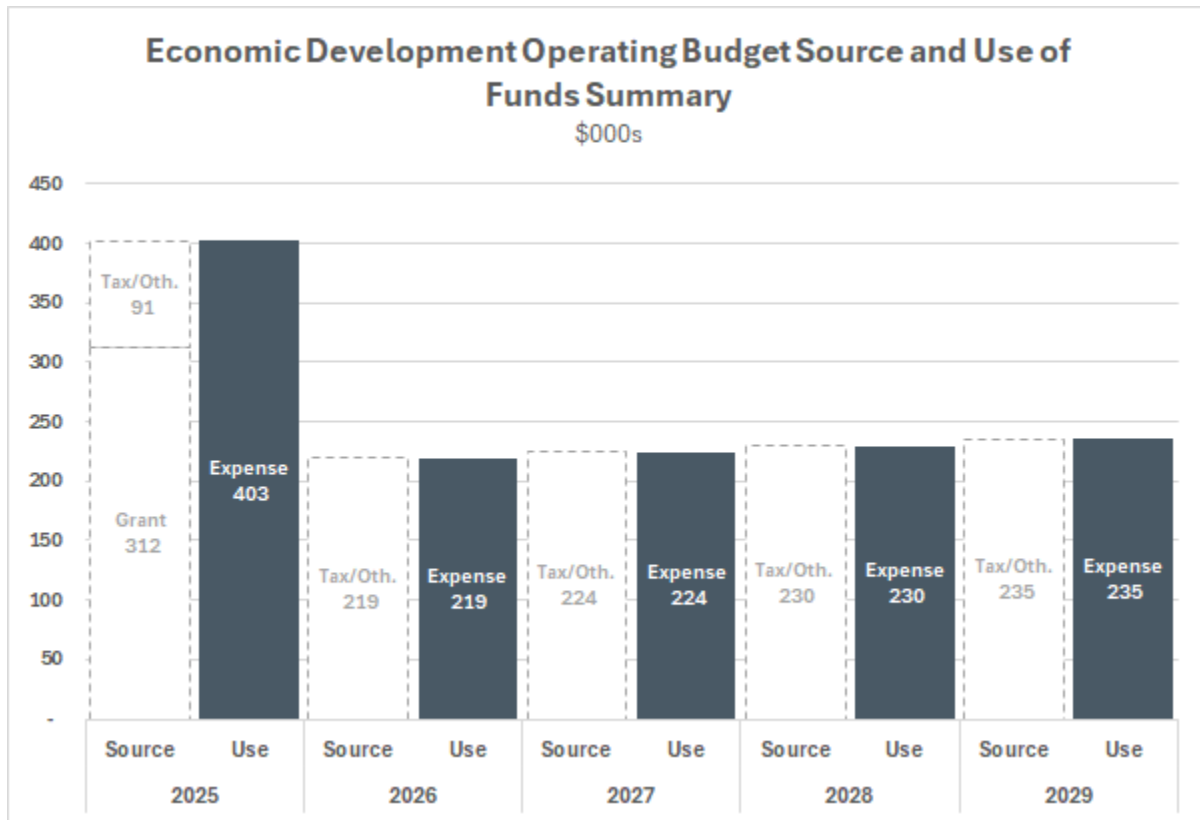
The Protective Services area within Community Services consists of emergency management and ESS operations. Recurring expenditures (wages, honorariums, ESS phones, etc.) are funded out of general taxation. As projects are identified, grant applications are submitted.



Development Services

Operating

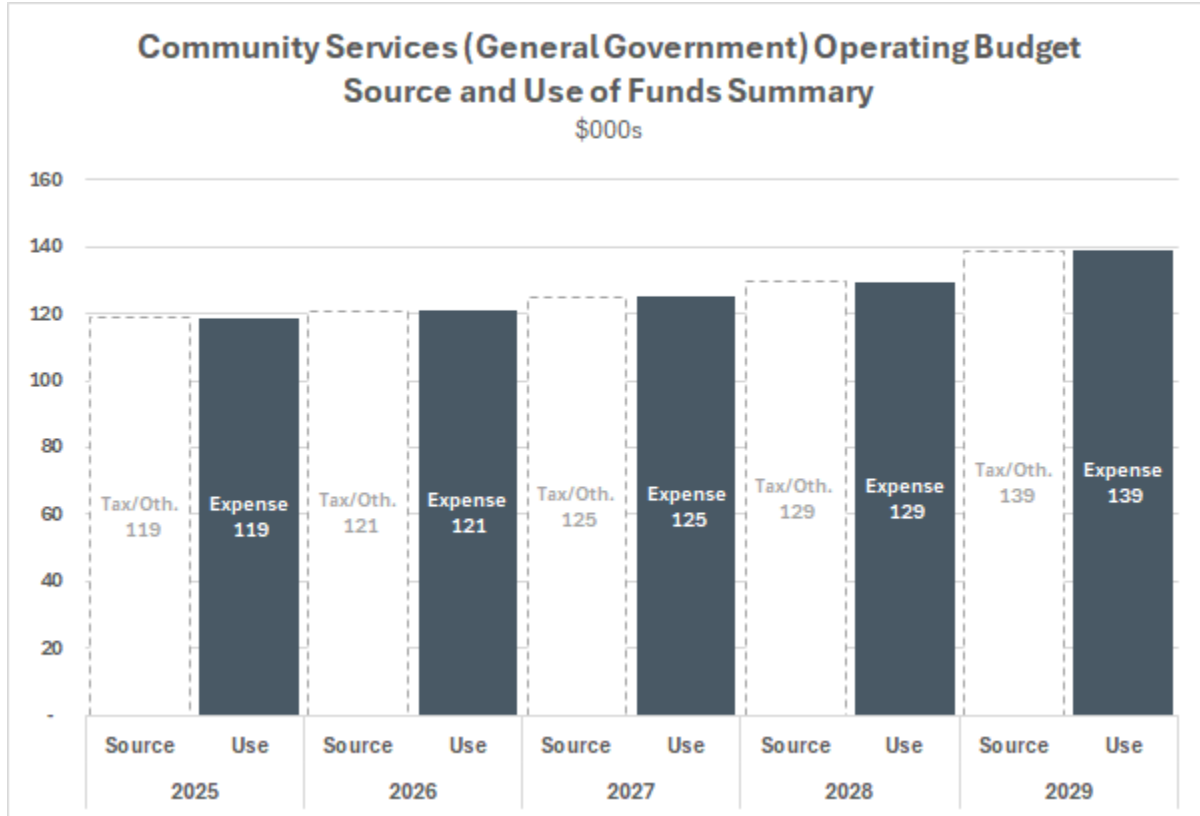
In 2025, the Economic Development level of service will focus on grant-funded projects, employing consultants as needed, with project management supported collaboratively across various staff. Recurring expenditures funded out of general taxation are premised to continue in 2025 including the Baillie House, advertising, and Arts Council funding. A level of service change back to having a EcDev FTE is premised in 2026 when the grant funded projects are complete.



General Government

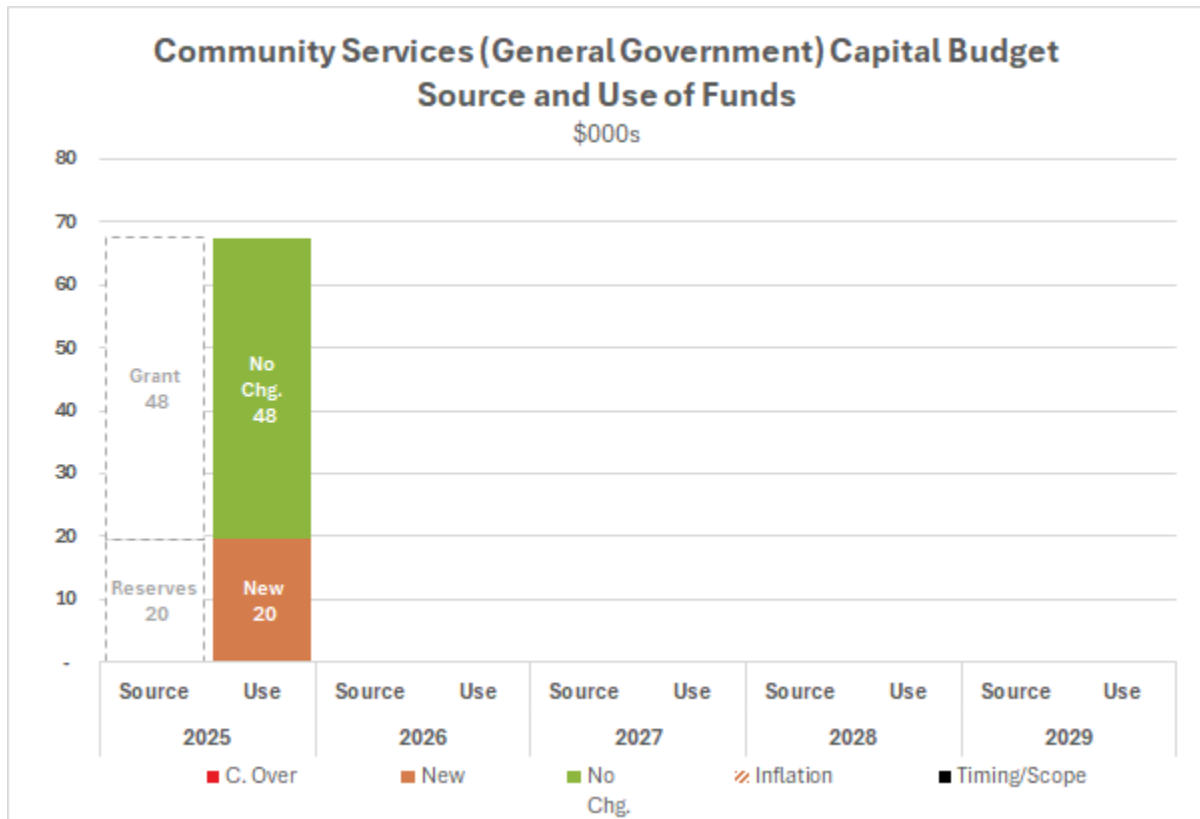
Operating

The General Government area of Community Services is the operations of the City Hall building (property insurance, natural gas/electricity, cleaning, elevator inspections, etc.).



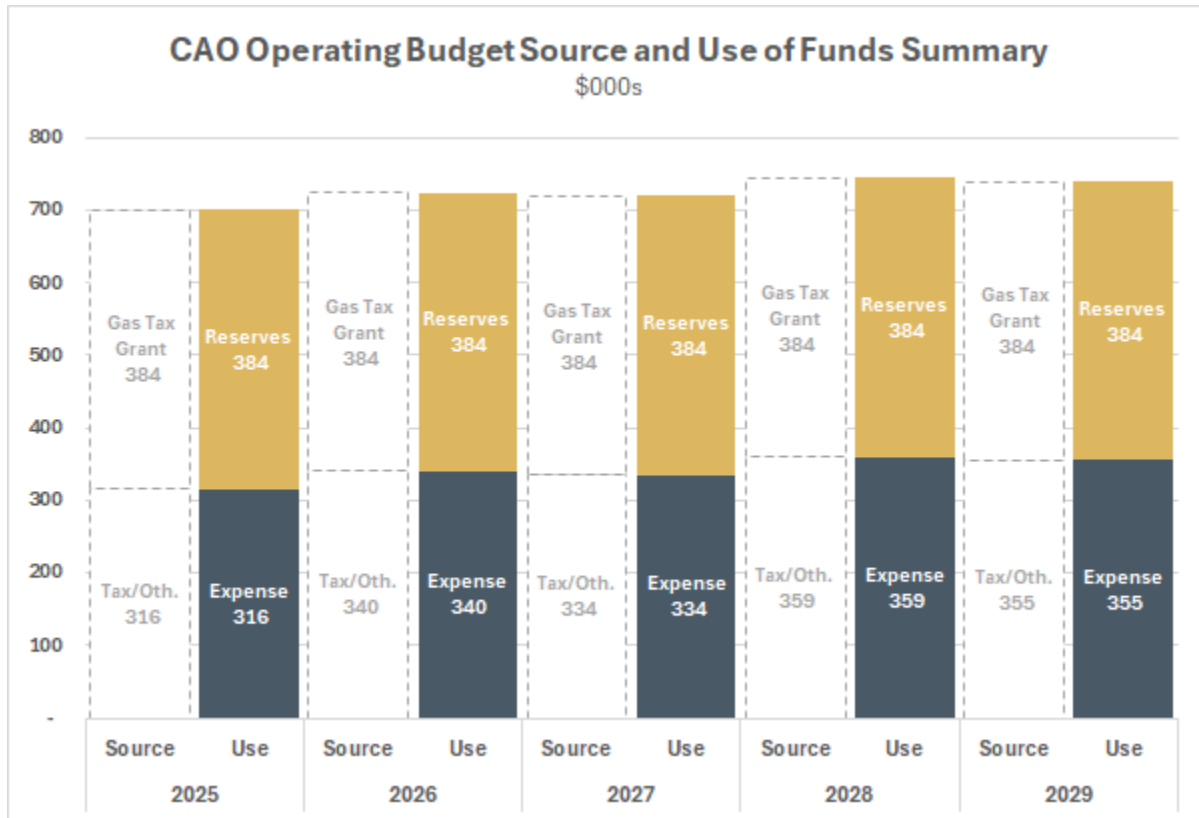
Capital

The City Hall LGCAP-funded lighting retrofit project continues in the current year plan for 2025. Preliminary quotes suggest the cost may be less than what was budgeted last year. This will allow unused funding to be deployed to other projects. There is \$19.5K in new projects related to safety and security premised in the 2025 budget – \$11K for safety glass with speakers and \$8.5K for building cameras. Approval in principle would allow this work to be completed over the 2024 holiday building closure.



CAO

The CAO budget includes the CAO, legal fees for general government administration, and employee recognition. There is variability in the expense profile as reductions were made to the employee recognition budget to consider some costs every two years instead of annually.

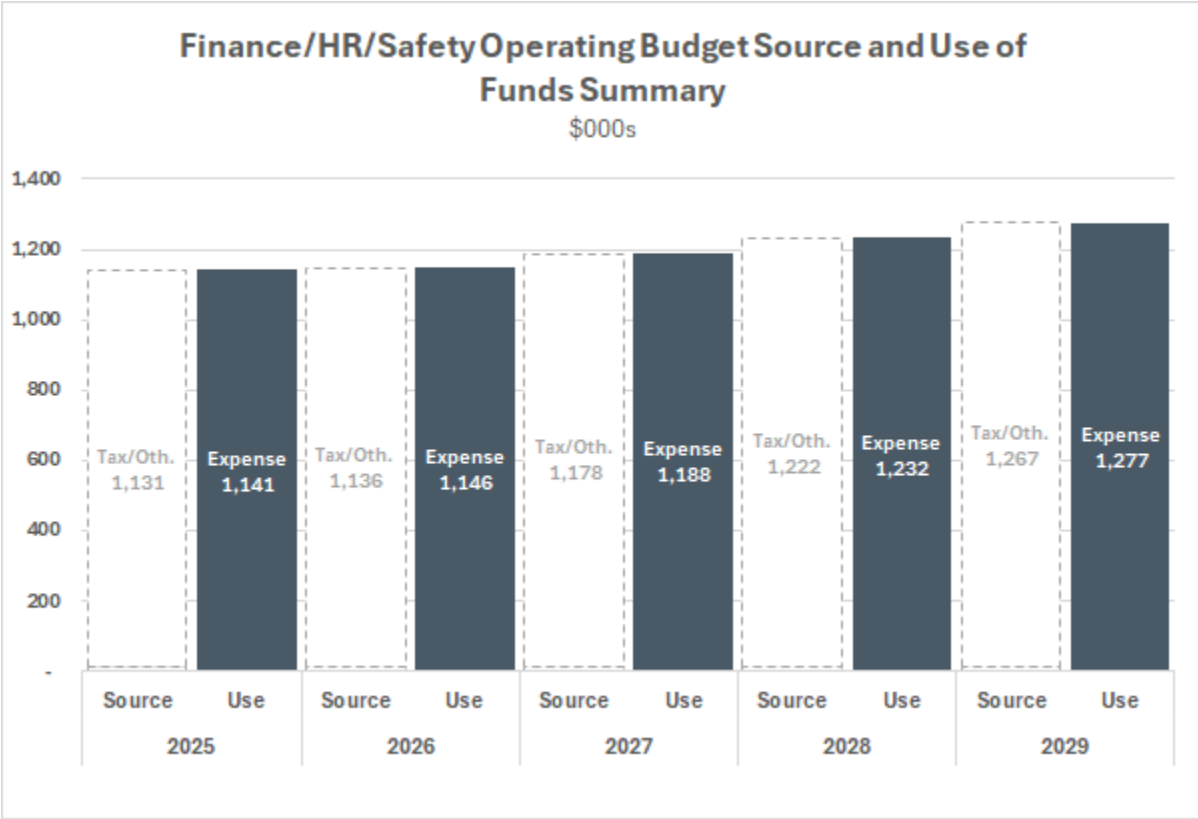


CFO

Finance, HR & Safety

In the 2024 budgeting process, a director position was eliminated and contracted services was reduced by \$30K. In 2024, management have focused on rightsizing the HR function with costs down a further 5% from the prior year plan.

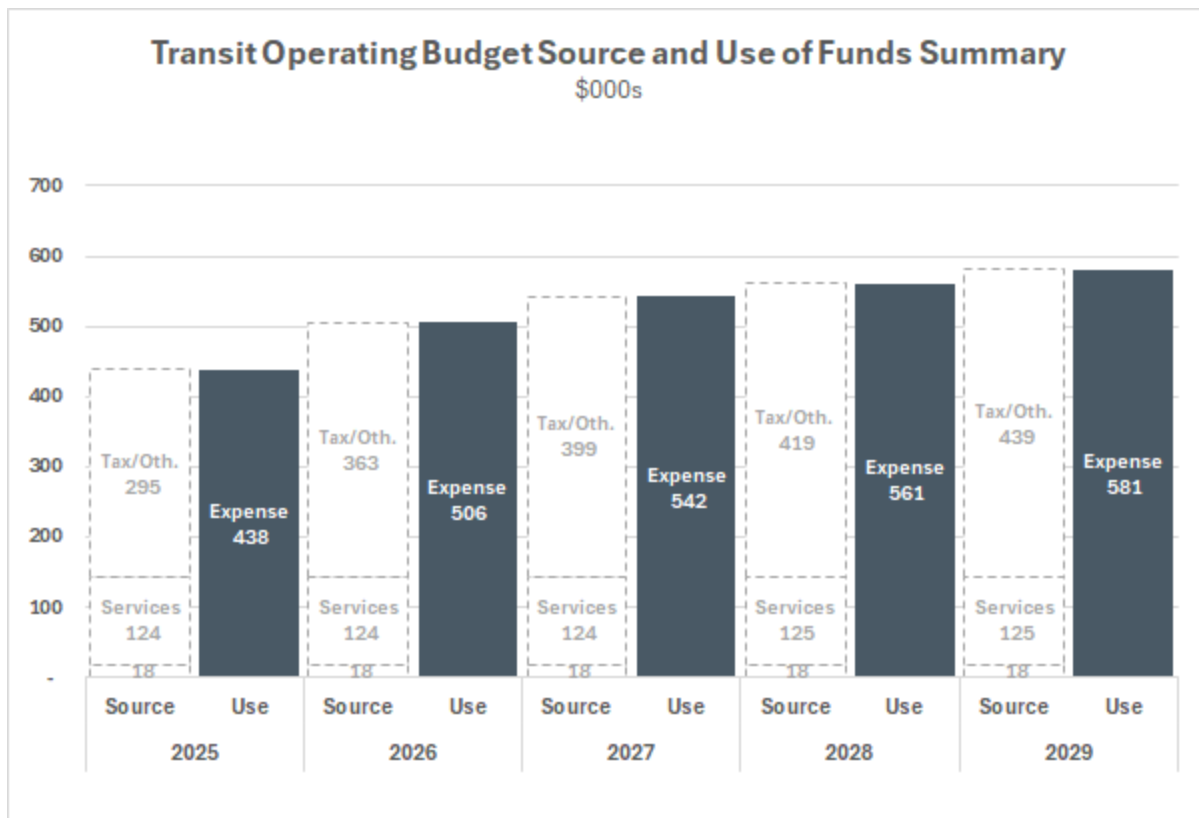
Key risks to the plan include recruitment costs and tax sale related expenditures. The province deferred implementation of new tax sale rules to 2025. There is a risk of significant costs related to registered mail, process servers, and substituted service through the courts.



Transit

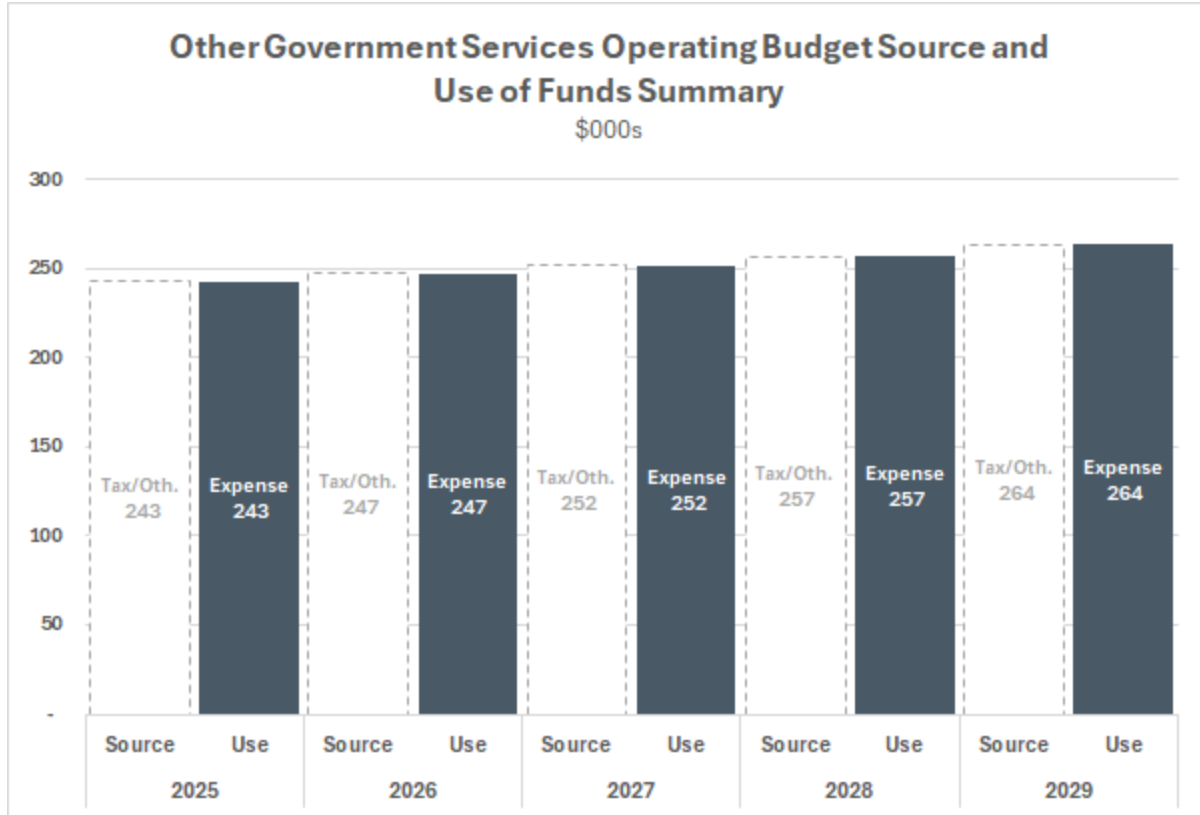
Transit operating expenses are funded by a combination of fares/sale of services, regional grants from the TNRD [\$10K] and LNIB [\$8K], and property taxes. The financial plan currently assumes a fare increase. Options will be presented to Council by BC Transit during Committee of the Whole on January 7, 2025. The mix of fare revenue and property taxes will be adjusted to align with subsequent Council decisions.

The transit levy increase will not follow the general municipal increase during the financial plan, reflecting the higher cost of maintaining existing service levels. Transit levy funding will increase by over 90% between 2024 – 2029. Any service level changes that are proposed in the BC Transit long-term plan would be incremental to this. Council may consider advocacy on provincial transit funding in shortlisting for the 2025 UBCM conference.



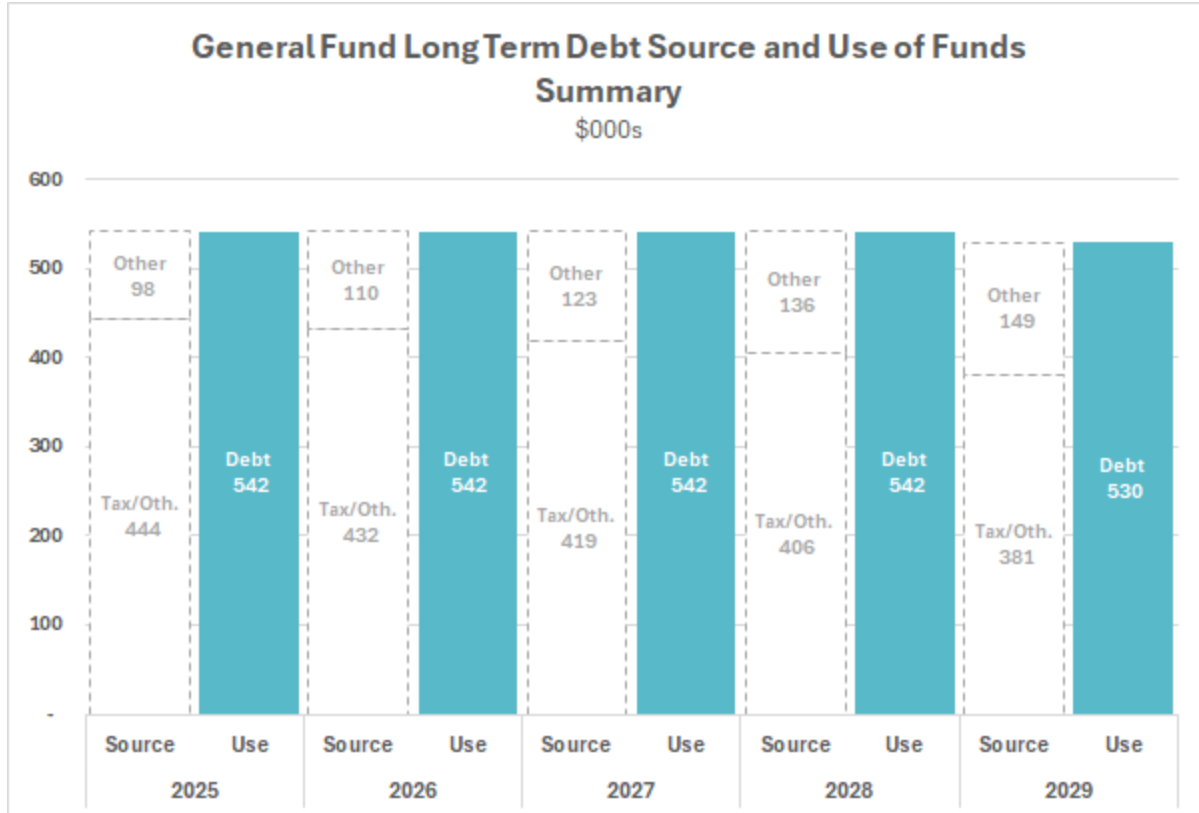
Other Government Services

Other Government Services within General Government includes liability insurance for the City and associated deductible costs, telephone costs, lease payments for photo copiers, postage and courier costs, bank fees, etc.



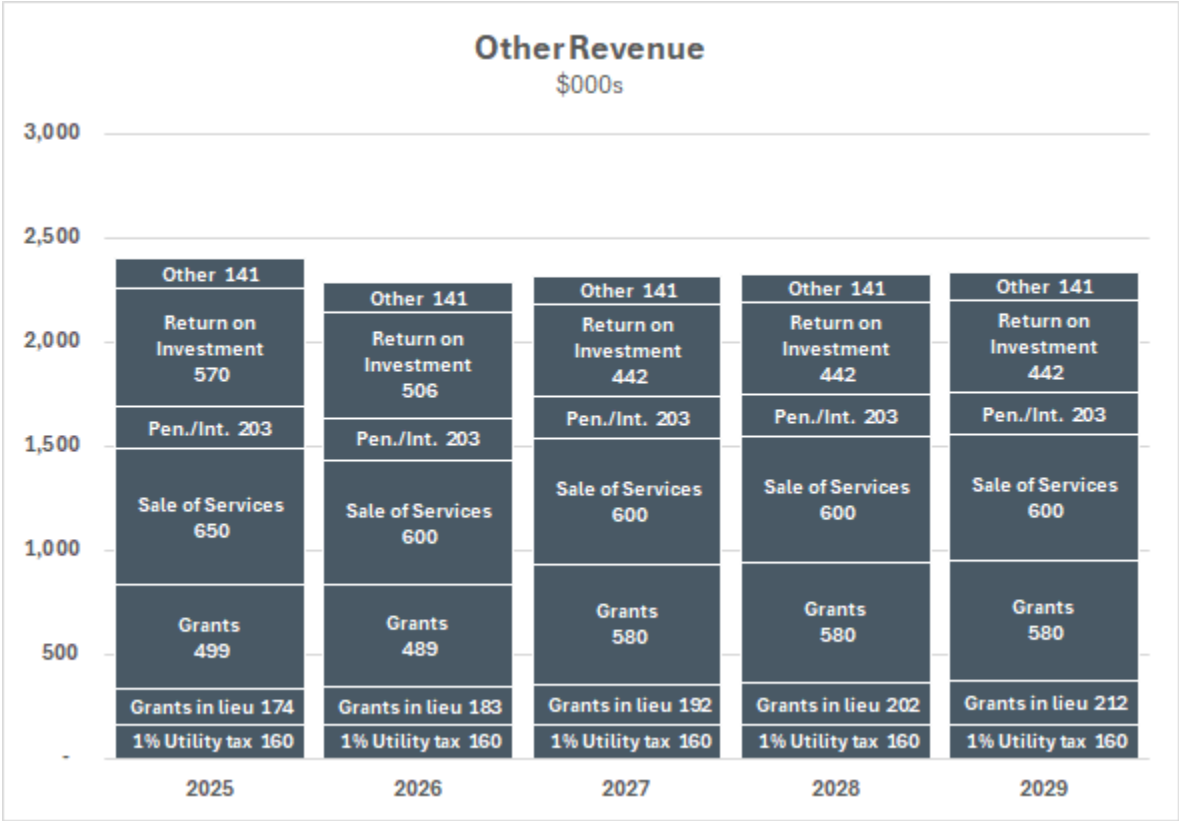
General Fund Long Term Debt

The City currently has long-term debt in both the general and water funds. The actuarial adjustment on debt is recognized as other revenue. Debt payments decrease slightly in 2029 as the final payment is made on Issue 105 for the Middlesboro Bridge.

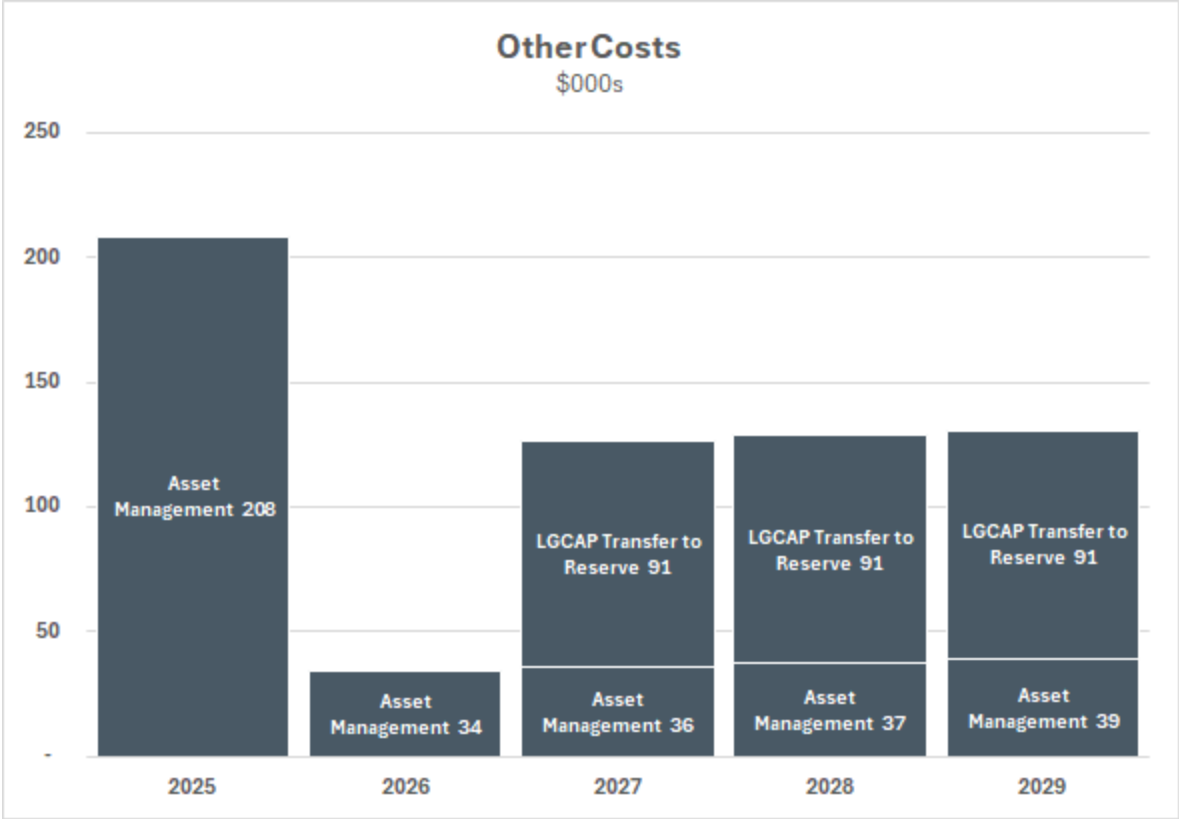


Other Revenues, Costs, and Capital

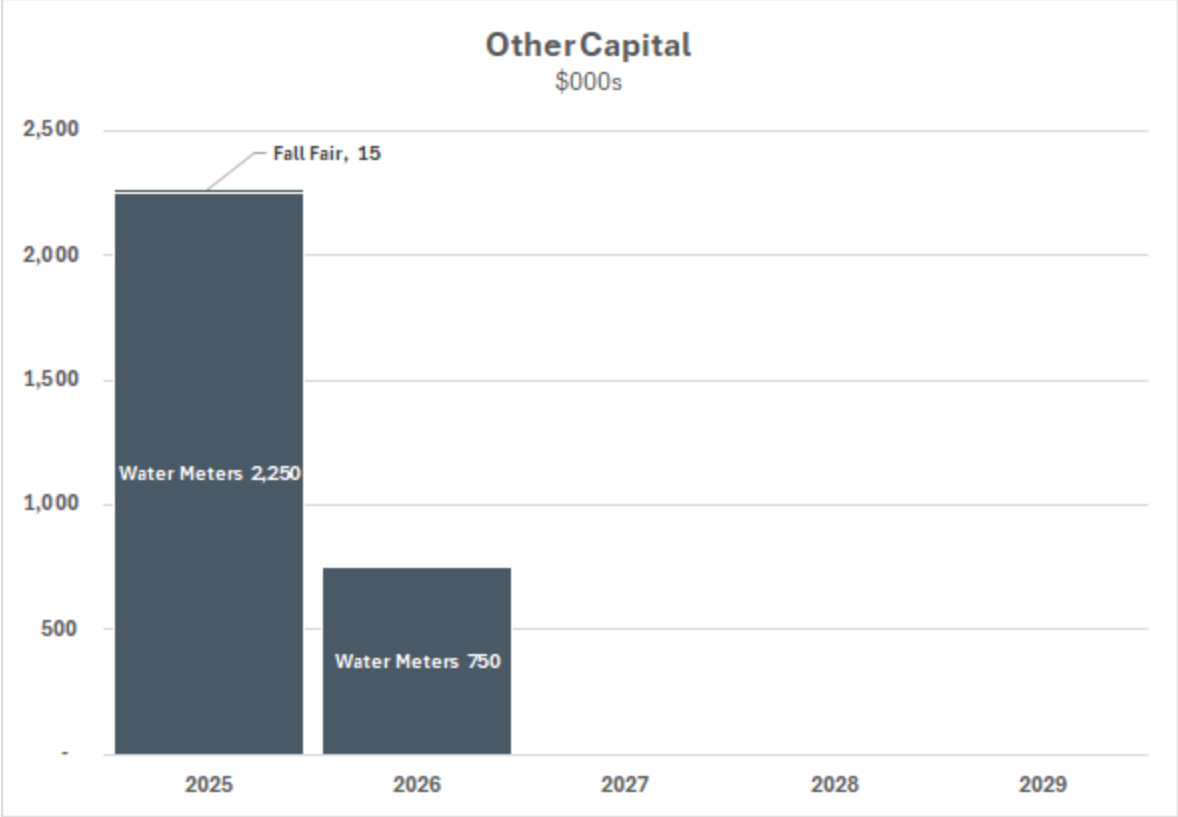
Other revenues are pooled with taxation revenues to fund municipal operations. Grant revenue decreases between 2025 and 2026. 2025 includes a \$10,000 grant for asset management infrastructure planning, that was secured in 2024, to assess part of our underground water and sewer infrastructure. Grant revenue increases in 2027 with the premised return of LGCAP funding (three years' worth of funding [2024-2026] was received in a lump sum in 2024). The administration fee revenue for housing operations is premised in 2025. This will be reevaluated as corporate structure decisions are made for future housing and development scope. Return on investment revenues are premised to decline as interest rates decline and reserves are used to fund the near-term capital program. The \$141K other revenue is the FortisBC operating fee payment.



Other costs include the asset management program and the transfer of the premised LGCAP funding into reserves starting again in 2027.



Other capital includes the Universal Water Metering Program (grant funded) and a provision for utility costs for the Fall Fair washrooms (reserve funded). Water meter service providers may be able to execute the entire scope within 2025 however a P50 view suggests phasing 75% in 2025 and 25% in 2026.



Consolidated Views

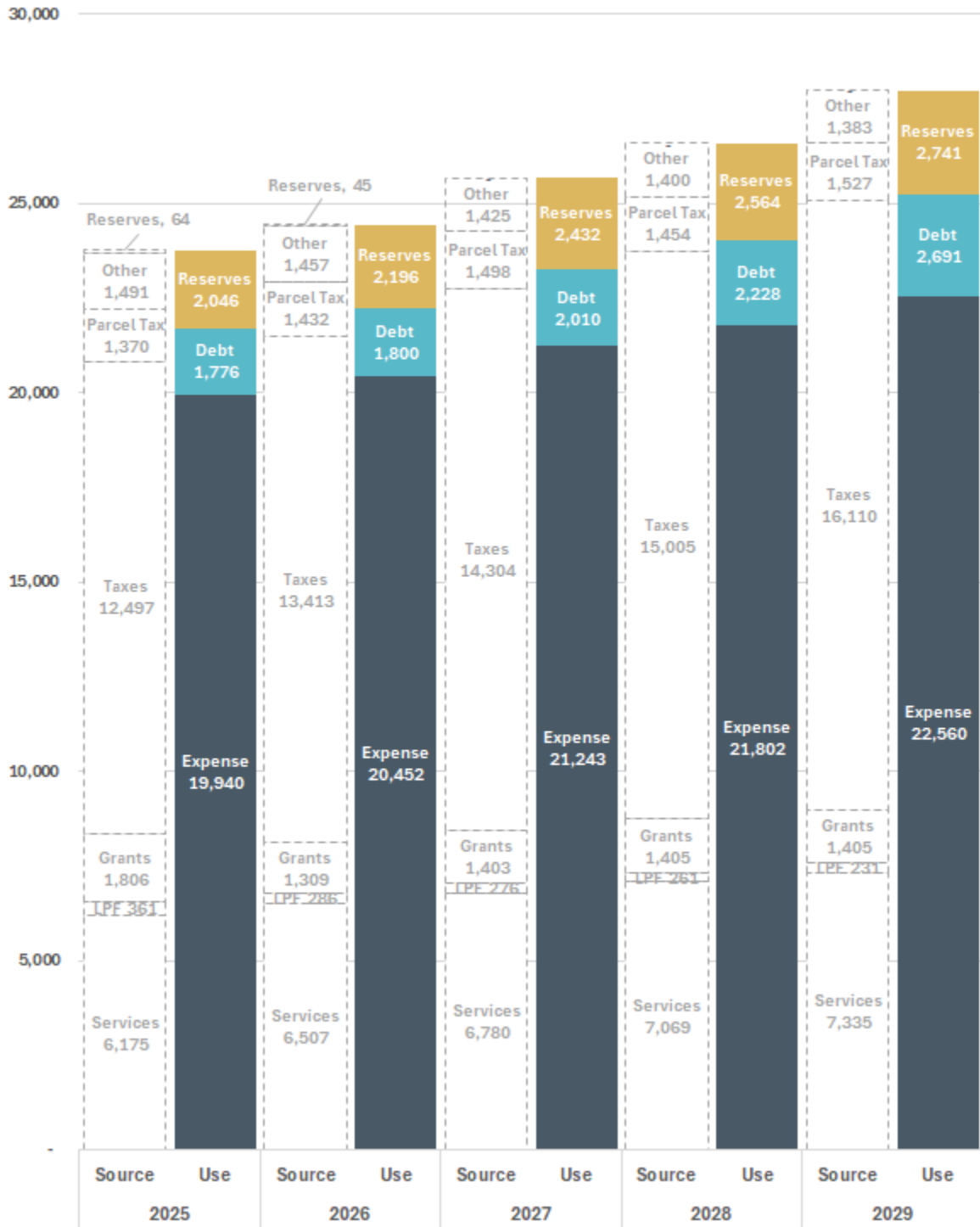
Operating

There are two occurrences of reserves as a source of funds within the operational budget. The net revenues from the 2024 provincial wildfire deployments were reserved for use in 2025. Secondly, the election reserve created in 2024 will fund the 2026 municipal election costs.

Grants step down between 2025 and 2026 primarily reflecting the absences of the economic development funding, the planning grant, and the asset management grants. Grants increase in 2027 with the expected resumption of LGCAP funding. Parcel taxes step down between 2027 and 2028 as long-term water debt is paid and the local area service parcel taxes are removed. Within other revenues, actuarial adjustments on debt decline over the financial plan as issues become fully paid.

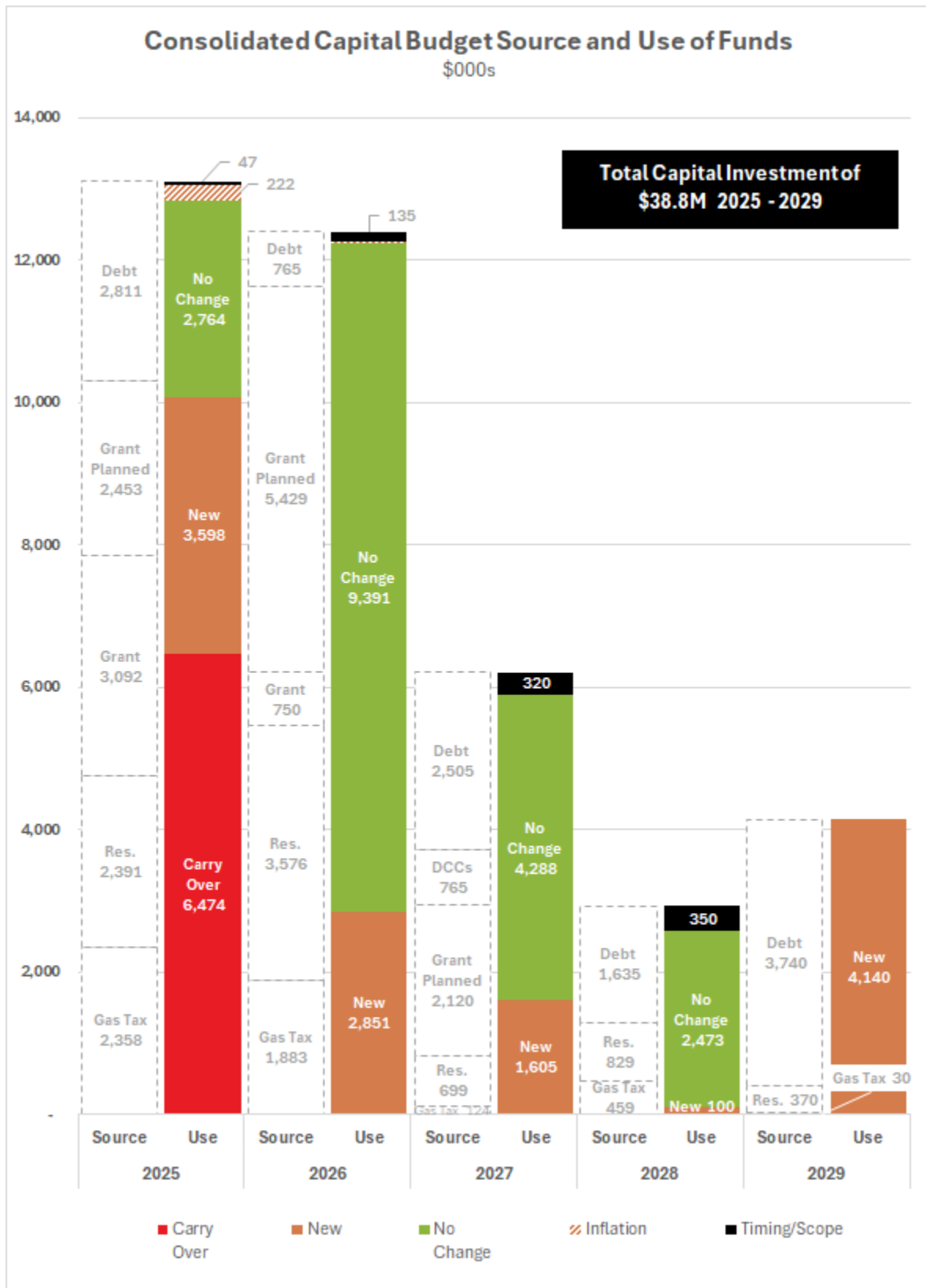
Consolidated Operating Budget Source and Use of Funds Summary

\$000s



LPF = Licenses, Permits, Fines

Capital



Conclusion: Top 5 Key Messages

1

Delivering on Balancing the Operational Budget by 2025

During the 2024 budgeting cycle, a path was charted to balance the operational budget within two years, by the end of 2025, while simultaneously beginning to save restricted reserves for water and sewer infrastructure. The draft 2025 – 2029 financial plan delivers on the commitment of a balanced operational budget by 2025.

Starting in 2024, the general parcel tax was transferred directly into restricted reserves for both water and sewer. Near term implications across 2025 – 2026 include the drawing down of gas tax reserves to fund water infrastructure projects, such as the pipe bridge replacement and Kengard well design and construction. Increasing sale of service revenue, particularly in the sewer fund, will be required.

2

2025 Tax Increases: Municipal ↓ Transit ↑ from Prior Plan

In the prior financial plan, back-to-back 12% increases were premised through 2025 for the municipal tax levy. Through a combination of operational and service level changes, the municipal tax increase for 2025 is currently at 8%.

To source a lower 2025 municipal tax increase, the following level of service changes are included in the plan:

- RCMP**
 - 15 FTE Contract Strength
- NVAC**
 - Pool to operate six days per week
- EcDev**
 - Defer hiring Economic Development Manager.
 - Focus on grant funded projects for 2025

These level of service changes are partially offset by the inclusion of the annual mosquito program within the municipal tax levy, adding +1 FTE in Public Works in 2027, and including budget for encampments and other community cleanup costs.

The CUPE collective bargaining agreement for unionized employees expires at the end of December 2024. The 2025 municipal tax increase may be revised pending the outcome of the bargaining sessions.

3

The transit levy increase will not follow the general municipal increase during the financial plan, reflecting the higher cost of maintaining existing service levels. A Committee of the Whole meeting is scheduled for January 7, 2025, during which BC Transit will present Council options on fare increases. This decision will focus on the user. Fare options, at best, will see the cost recovery percentage maintained at current levels in the near term given the cost trajectory. Council may elect to focus on advocacy with the Province. Staff suggest a decentralized *Small Community Grant* equivalent focused on transit funding for municipalities with populations under 19,000.

Significant Investment in Community

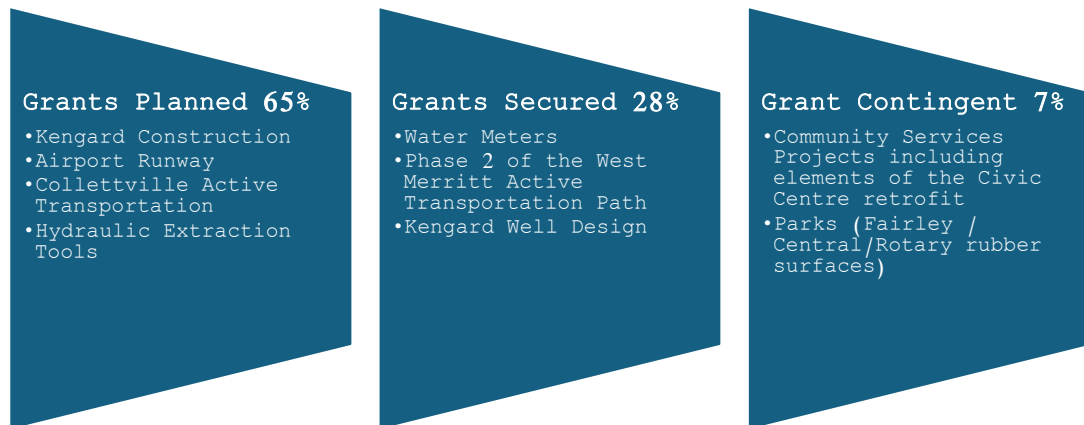
The City of Merritt will invest up to \$38.8M in capital projects over the next five years across transportation services, water infrastructure, protective services, the East Merritt sewer infrastructure corridor, water meters, and community services facilities. A portion of this investment is contingent on grant funding. Flood recovery and mitigation projects are not included in this total. Highlights include:

2025	2026	2027+
<ul style="list-style-type: none"> •Fire Engine 2 •Water Meters •NVAC Projects •Pipe Bridge Replacement •W. Merritt Path Phase 2 •Kengard Design •Juniper Erosion •Voght Park Electrical Room Separation 	<ul style="list-style-type: none"> •Kengard Construction •Road Overlay Projects (Airport Rd / Houston) •Water Meters Continued •Residential Solid Waste Truck •Curling Rink Chiller Replacement •Electric Ice Resurfacer 	<ul style="list-style-type: none"> •East Merritt Corridor (sewer) •Fire Ladder Truck •River Ranch Rd Mill, Inlay, Lane Chanelization •Rotary Park Spray Park Replacement •Cemetery Expansion •Civic Centre Flooring

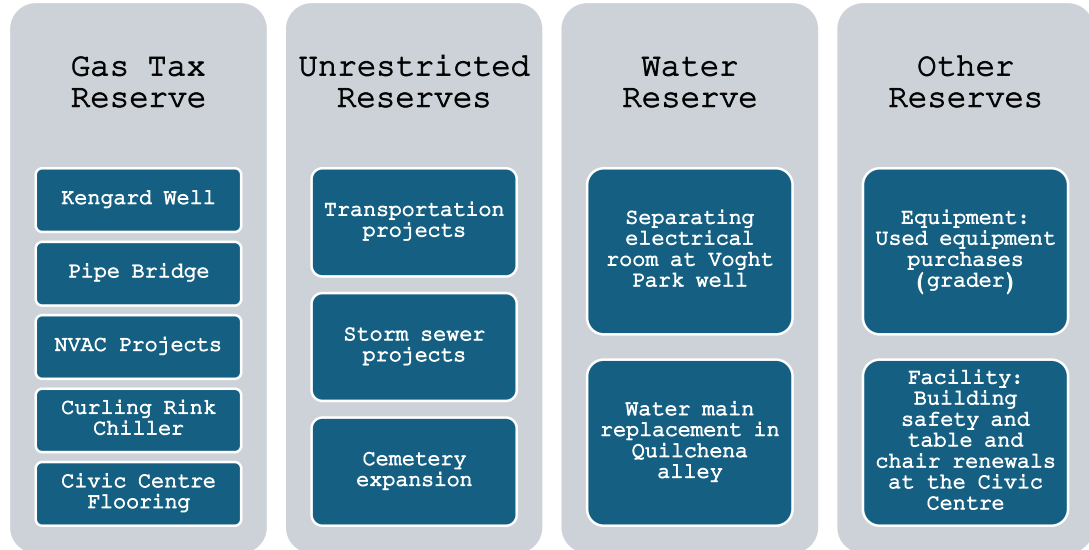
4

Capital Funding Strategies and Future Debt Priorities

The capital investment is funded by planned and secured grants and grant contingency [36%], reserves [35%], and debt issues and equipment financing [30%].



The financial plan will draw down the Gas Tax Reserve through 2026 and begin building it back up starting in 2027. Unrestricted, water, equipment, and facility reserves will also be used to fund the capital investment in the financial plan.



Given the City's current reserve position, equipment financing over five years will be accessed to fund all eligible equipment for Public Works and the Fire Department. Contributions to the sewer reserve starting in 2024 are reserved exclusively for the Waste Water Treatment Plant (WWTP). To fund the East Merritt Corridor sewer infrastructure, debt issues will be required.

To pursue grant funding opportunities for the WWTP, matching funds through a combination of reserves and long-term debt will be required. The Municipal Liabilities Regulation sets the liability servicing limit at 25% of select municipal revenues. To that end, the WWTP, and required fire trucks, are the only priorities for future debt beyond the term of the financial plan.

5 Risks and Opportunities

The biggest risk in the financial plan is the funding of the Kengard well. Construction costs are premised to be funded by a combination of reserves and grant funds. If the grant application is not successful, a debt issue may be required.

The City's current reserve position dictates the inclusion of projects and funding strategy within the financial plan. There are opportunities to improve future financial position and funding optionality. Three focus areas have been identified.

Improving Future Financial Position and Funding Optionality		
Transportation savings plan aligned to asset management level of service	Savings plan to renew and upgrade City parks	Pursuit of sponsorship opportunities for city facilities and defined savings plans