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REPORT TO REGIONAL PARKS COMMITTEE MEETING OF WEDNESDAY, SEPTEMBER 25, 2024

SUBJECT **Regional Parks Service – 2025 Operating and Capital Budget**

ISSUE SUMMARY

To provide an overview of the draft 2025 Regional Parks service budget, including 2024 year-end budget projections and budget highlights.

BACKGROUND

The Capital Regional District (CRD) has provided a service for the provision and maintenance of regional parks and regional trails since its incorporation in 1966. As of 2024, there are 33 regional parks and 4 regional trails in the system, comprising over 13,300 hectares of parkland, nearly 100 kms of regional trails and over 375 kms of trails within regional parks. Visitation to regional parks and regional trails has increased by 40% since 2014. In 2023, regional trails received over 3.9 million visits and regional parks received over 4.9 million visits.

Funding for the service is primarily through property tax requisition. In 2024, tax requisition funded \$17.98 million towards the total annual operating budget of \$19.68 million. The CRD Board has endorsed the appropriateness of the property tax requisition as the primary revenue source for operating costs and continues to seek ways to relieve affordability pressure for taxpayers.

Non-tax revenue provides a small portion of the funding stream for regional parks and trails. Non-tax revenue is generated through the fees and permit provisions. Other sources of non-tax revenue may include donations, facility rentals or lease agreements, bylaw infraction fines and external grant funding. In 2023, non-tax revenue comprised approximately 4% of the annual budget for regional parks and trails. Additionally, grant funding and partnerships enhance the overall budget but are dependent on available opportunities and successful applications.

The draft 2025 Regional Parks and Trails service budget has been prepared for consideration by the Regional Parks Committee. The Committee will make budget recommendations to the CRD Board through the Committee of the Whole on October 30, 2024. The draft 2025 budget reflects the operating costs of regional parks and trails. The budget summary is attached as Appendix A.

The operating budget will continue to be refined over the next few years:

- Regional Parks and Trails Strategic Plan 2022-2032 implementation costs will continue to be identified.
- Land acquisition debt servicing requirements will be refined.
- Maintenance management and asset management programs will provide more accurate information on regional trails operating and capital costs in anticipation of these active transportation corridors being managed through a regional transportation service.
- Regional trestle renewal and trails widening and lighting project implementation and debt servicing estimates will be refined.
- Equipment replacement funding to meet decarbonization priorities will be refined.

2024 Year End Financial Projections

There is an estimated one-time favourable variance of \$202,601 for Regional Parks 2024 operating budget. This variance will be moved to the Capital Reserve and Equipment Replacement Fund at year end. The net variance is primarily a result of:

- Reduced salary costs due to challenges filling vacant and new positions.
- Salary surplus offset by unfunded pressures related to vehicle fuel and maintenance costs, software licenses, legal fees, grit disposal and staff training.

Details can be found in Appendix A (page 4) under the 2024 Estimated Actual column.

Regarding 2024 capital expenditures as outlined in the CRD Board-approved 2024-2028 Capital Plan, a total of 26 projects were planned for 2024, with a total budget of \$13.6 million. It is estimated that \$0.79 million will be carried forward into 2025. Funding for the 2024 capital projects has been provided through a combination of debt, reserve, grant, equipment replacement and existing capital funds. Projects have focused on addressing the replacement needs of aging critical infrastructure and addressing increased service delivery requirements, including amenities for new park staff positions and expanding park land base. Major capital projects have included the construction of the Mayne Island Regional Trail, EV charge stations, the expansion of the Aylard Farm parking lot and Regional Trestle Renewals and Trail Widening and Lighting.

2025 Operating Budget

Regional Parks 2025 expenditures are \$21.2 million, which is a 7.88% increase over 2024. Expenditures are broken down by operating costs, capital/reserve transfers and debt servicing.

Operating Costs

Regional Parks 2025 operations budget is \$15.7 million, which is a 4.97% increase over the 2024 budget. The overall increase is split between core, ongoing and one-time expenditures.

The 2025 core operating budget for Regional Parks is \$15.5 million, which is a 4.01% increase over 2024. This reflects non-discretionary increases such as negotiated staff wages/salaries and corporate support services, as well as inflationary increases to maintain a consistent level of service year over year. Other budget realignment and adjustments have been made to better reflect historical trends and evolving services.

Ongoing and one-time items make up 0.96% of the overall budget and a 4.97% year-over-year increase in operating costs.

Details of the ongoing/one-time expenditures are as follows:

Ongoing:

- \$12,000 – ROGC property taxes

One-Time:

- \$10,812 – SharePoint migration costs
- \$60,000 – Species at Risk Program (grant funded)

Capital/Reserve Transfers

Total capital/reserve transfers are \$4.23 million in 2025, which is an 18.11% increase over 2024.

Direct capital funding in 2025 is \$0.28 million. This is a direct transfer into the Capital Fund to support small annual infrastructure maintenance projects. The total transfers to reserves consist of transfers to the Operating Reserve Fund, Equipment Replacement Fund (ERF) and Capital Reserve Fund. The 2025 transfer to reserve budgets is \$3.9 million. The increase over the 2024 transfers includes ongoing and one-time supplementary amounts.

Ongoing and one-time items make up 11.87% of the total 18.11% increase in the transfer to capital/reserve funds.

Ongoing:

- \$175,000 – Increase to annual ERF transfer to support decarbonization of vehicle and equipment fleet. Additional increases have been planned in future years to support full fleet decarbonization.

One-time:

- \$250,000 – Transfer to Capital Reserve Fund for critical infrastructure upgrades at the Royal Oak property.

Debt Servicing

Total debt charges are \$1.33 million in 2025, which is a 13.78% increase over 2024. Current debt servicing costs relate to borrowing under *Loan Authorization Bylaw No. 4142* for funding to complete the E&N Rail Trail – Humpback Connector. The authorized \$6.1 million in borrowing was issued under four separate loan issues, which are all set to expire between April 2031 and April 2033. Annual interest and principal payments under this bylaw are \$0.57 million. The total 2025 budgeted debt servicing costs include the above-mentioned interest and principal payments, as well as an additional \$0.58 million of debt servicing costs associated with *Loan Authorization Bylaw No. 4506* for land acquisition and \$0.18 million of debt servicing costs associated with *Loan Authorization Bylaw No. 4588* for funding the Regional Trestle Renewal, Trails Widening and Lighting Project.

Table 1: 2025 Year over Year Budget Comparison

Expenditure Type	2024 Financial Plan	2025 Financial Plan	Change	% Change
Operating	14,937,478	15,680,300	742,822	4.97%
Transfer to Capital/Reserves	3,581,231	4,229,641	648,410	18.11%
Debt Servicing	1,165,637	1,326,257	160,620	13.78%
Total	\$ 19,684,346	\$ 21,236,198	\$ 1,551,852	7.88%

Details can be found in Appendix A – Operating Budget

2025 Capital Budget

The estimated replacement value for all built infrastructure in regional parks and regional trails over the current lifespan is estimated at \$120,000,000 (2023 valuations). Regional trails infrastructure comprises over 33% of this total (approximately \$40 million), while the replacement value of dam infrastructure represents approximately 45% of the total replacement value for

regional parks. These estimates were based on estimated condition assessments, appraisals and valuation of existing built assets. It is important to note that inflation, along with the fluctuating costs and availability of materials, will continue to impact the estimated replacement value of built infrastructure in the coming years.

The capital budget for the 2025–2029 period is set at \$89M. This budget primarily focuses on the Regional Trestle Renewal, Trails Widening, and Lighting Project, as well as potential land acquisitions. The breakdown of capital program expenditures is as follows:

- Regional Trails Trestles and Surfaces Projects - \$57M
- Potential Land Acquisition - \$10M
- Regional Parks - \$7M
- Dam Projects - \$5M
- Vehicle and Equipment Replacement - \$6M
- HQ/Service Yard Improvements - \$4M

The capital budget for 2025 is \$16.7M, which includes a preliminary amount of \$0.79 million carried forward from 2024. The focus for 2025 is on meeting dam safety regulatory requirements and addressing the replacement needs of aging infrastructure. Key projects include repairs to the E&N and Galloping Goose regional trail bridges, replacement to the Sitting Lady Falls footbridge at Witty’s Lagoon Regional Park, upgrading electrical capacity and HVAC systems at the Mill Hill worksite and undertaking shoreline restoration efforts at Coles Bay to improve service delivery and meet future demand.

Table 2: 2025 Capital Expenditures

Expenditure Type	2025	% of Total
Buildings	600,000	3.6%
Equipment	88,400	0.5%
Land	2,000,000	12.0%
Engineered Structures	12,665,000	76.0%
Vehicles	1,310,000	7.9%
Total	\$ 16,663,400	100%

Capital Funding

There are two primary elements to the capital program funding. These are reserve funds established through annual operating contributions and debt servicing costs associated with long-term capital infrastructure and land acquisition financing. The 2025 capital program is funded by \$9.7 million in new debt, \$5.7 million in reserve funds (ERF and Capital Reserve), \$0.5 million in grants and \$0.79 million of capital funds on hand, carried forward from 2024.

Table 3: 2025 Capital Funding

Source of Funds	2025	% of Total
Capital Funds on Hand	786,000	4.7%
Debenture Debt (New Debt Only)	9,650,000	57.9%
Equipment Replacement Fund	1,398,400	8.4%
Grants	500,000	3.0%
Reserve Fund	4,329,000	26.0%
Total	\$ 16,663,400	100%

Appendix A (pages 13-15) provides a detailed breakdown of the capital expenditures and source of funds.

Reserve Funding

There are currently five reserve funds established by bylaw for this service. Reserves serve a multitude of purposes, including stabilizing revenue requirements and funding capital renewal and replacement.

The five reserve funds are:

1. Legacy Reserve – *Bylaw No. 4103*
2. Operating Reserve – *Bylaw No. 4145*
3. Equipment Replacement Reserve – *Bylaw No. 945*
4. Capital Reserve – *Bylaw No. 2313* (includes Land Acquisition Levy and Infrastructure)
5. Land Acquisition Reserve – *Bylaw No. 1831*

The Legacy Reserve fund was established by *Bylaw No. 4103* for money received for specific purposes through bequests, charitable donations or otherwise given.

The Operating Reserve fund was established by *Bylaw No. 4145* to enable CRD services to set aside operating funds to cover cyclical expenditures, unforeseen operating expenses, special one-time operating projects, as well as to mitigate fluctuations in revenue. Currently, transfers to the Operating Reserve fund are being used for cyclical expenditures such as visitor surveys and mountain bike trail assessments.

The Equipment Replacement Reserve fund was established by *Bylaw No. 945* to enable CRD services to set aside operating funds to cover the replacement costs of vehicles, machinery and equipment. The 2025 ERF contributions are set at \$0.73 million, which is an increase of \$0.3 million over the 2024 annual transfer. This increase is required to maintain the level of funding needed to replace critical vehicles and equipment, as scheduled, as well as support decarbonization of the fleet. The portion of the increase related to decarbonization is \$0.175275 million.

The Capital Reserve fund was established by *Bylaw No. 2313* for the purpose of setting aside funds to cover expenditures required for new capital infrastructure and for the renewal or replacement of existing infrastructure. The 2025 Capital Reserve contributions are set at \$3.2 million, which is an increase of \$0.33 million over 2024. Of this increase, \$0.25 million is a one-time transfer for upgrades to critical infrastructure at the Royal Oak property. Planned 2025 capital expenditures funded by this reserve total \$4.33 million. The annual transfers currently do not meet the funding requirements needed to maintain and replace the aging infrastructure held by Regional Parks. The Capital Reserve fund balance includes \$1.5 million of restricted funds

relating to the Land Acquisition Levy.

The Land Acquisition Reserve fund was established by *Bylaw No. 1831*. It is a statutorily required reserve fund where funds received from the sale of designated park land is placed until it can be used for the purpose of purchasing land for regional park purposes.

Details of reserve fund balances and planned expenditures can be found in Appendix A (pages 29-36).

2025 Budget Context

The following tables provide a more detailed breakdown of the total 2025 Regional Parks operating expenditures and revenues. Salaries and wages make up most of the annual operating budget, coming in at approximately 47% of the total 2025 operating expenditures. Other key drivers are internal allocations for corporate services, consultant/contract for services, reserve transfers and debt servicing. Requisition is the main revenue source for Regional Parks, funding approximately 91.4% of the total operating costs.

The totals are also summarized in Appendix A (page 4), along with the 2024 year-end estimated actuals and the 2026-2029 future projections.

Table 4: 2025 Operating Expenditures

Operating Budget Component	2025	% of Total
Salaries and Wages	10,022,995	47.2%
Internal Allocations	1,657,009	7.8%
Insurance Costs	91,460	0.4%
Consultant and Contract for Services	1,120,616	5.3%
Vehicles and Equipment	664,310	3.1%
Park Maintenance and Repairs	546,416	2.6%
Utilities and Disposal Costs	241,553	1.1%
Operating Supplies	592,614	2.8%
Legal/Licenses/Survey Costs	66,743	0.3%
Telecommunications and Training	182,275	0.9%
Operating Cost - Other	494,309	2.3%
Capital/ Reserve Transfers	4,229,641	19.9%
Debt Servicing	1,326,257	6.2%
Total	\$ 21,236,198	100%

Table 5: 2025 Revenue

Operating Budget Component	2025	% of Total
Internal Recoveries	77,539	0.4%
Parking Fees	277,050	1.3%
Camping Fees	236,900	1.1%
Permits/Interpretive Programs	57,900	0.3%
Rental Fees	106,090	0.5%
Mt McDonald Tower License Fees	157,616	0.7%
Interest/Other Fees	127,350	0.6%
PILT/GILT	778,747	3.7%
Municipal Requisition	19,417,006	91.4%
Total	\$ 21,236,198	100%

Requisition

The 2025 requisition is \$19.4 million, which is an 8.0% increase over 2024. Increases to the core budget account for 2.56% of the overall increase while ongoing and one-time items account for 5.44%.

ALTERNATIVES

Alternative 1

The Regional Parks Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

That Appendix A, Operating & Capital Budget – Regional Parks Service be approved as presented and form the basis of the Provisional 2025-2029 Financial Plan.

Alternative 2

The Regional Parks Committee recommends the Committee of the Whole recommends to the Capital Regional District Board:

That Appendix A, Operating & Capital Budget – Regional Parks Service be approved as amended and form the basis of the Final 2025-2029 Financial Plan.

IMPLICATIONS

Financial Implications

The CRD’s Regional Parks Division’s financial plan seeks to meet the service demands of a parks and trails system that is growing in size, use and complexity.

Key drivers of proposed budget increases include inflation, non-discretionary salary and wage increases, decarbonization of fleet and equipment, securement of new parklands, and debt servicing for land acquisitions and major capital investments such as the Trestle Renewal and Trails Widening and Lighting Project.

The Trestle Renewal and Trails Widening and Lighting project has been included in the five-year capital plan and the debt servicing costs have been included in the five-year operating budget. The 2025 debt servicing for the project is estimated at \$180,000.

An ongoing increase of \$175,000 to the Equipment Replacement Fund is proposed to offset the increased costs to purchase electric vehicles and equipment, in support of the CRD's decarbonization efforts. The initial capital costs associated with an electrified fleet should be offset in future years by a reduction in annual fuel consumption costs.

A one-time transfer to the Capital Reserves Fund of \$250,000 is proposed to support critical infrastructure upgrades identified on the Royal Oak Golf Course property.

First Nations Implications

CRD staff will continue to work closely with all First Nations whose areas of interest overlap with regional parks and trails in implementing the Regional Parks and Trails Strategic Plan 2022-2032.

The Regional Parks and Trails Strategic Plan 2022–2032 focuses on strengthening government-to-government relationships and understanding between the CRD and First Nations in the region.

Through the latter half of 2022, engagement on the Interim Strategic Plan took place with First Nations in the region. The CRD is committed to maintaining an open dialogue with First Nations to confirm that Indigenous cultural values and cultural uses are respected and that the priorities and actions remain relevant and meaningful.

Alignment with Board & Corporate Priorities

The 2023-2026 CRD Corporate Plan highlights the initiatives the CRD needs to deliver over the Board's four-year term to address the region's most important needs. The Corporate Plan identifies a number of initiatives under various priorities that fall under the Regional Parks and Trails mandate. In addition to these initiatives, other Board-approved plans such as the Regional Parks and Trails Strategic Plan 2022-2023 provide additional direction for the Operating and Capital budget.

CONCLUSION

The draft 2025 Regional Parks Service budget has been prepared for consideration by the Regional Parks Committee. The Committee will make budget recommendations to the Capital Regional District (CRD) Board through the Committee of the Whole. The draft 2025 budget reflects the acceleration of the Regional Trails Widening and Lighting Project and associated critical asset replacement project with the project funds being secured by way of debt. The budget will continue to be refined over the next two to three years as staff continue to develop partnerships, pursue grant opportunities and explore options to generate non-tax revenue to reduce loan and debt servicing amounts.

RECOMMENDATION

The Regional Parks Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

That Appendix A, Operating & Capital Budget – Regional Parks Service be approved as presented and form the basis of the Provisional 2025-2029 Financial Plan.

Submitted by:	Mike MacIntyre, Senior Manager, Regional Parks
Concurrence	Russ Smith, Acting General Manager, Parks, Recreation & Environmental Services
Concurrence	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
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ATTACHMENT:

Appendix A: Capital Regional District 2025 Budget – Regional Parks