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REPORT TO GOVERNANCE COMMITTEE MEETING OF WEDNESDAY, OCTOBER 02, 2024

SUBJECT **Legislative and General Government, Facilities Management Services - 2025
Operating and Capital Budgets**

ISSUE SUMMARY

To provide an overview of the draft 2025 Legislative and General Government, and Facilities Management service budgets, including 2024 year-end budget projections.

BACKGROUND

The Capital Regional District (CRD) was created in 1966 as part of the British Columbia Provincial Government's initiative to provide regional decision-making on matters that transcend municipal boundaries, and to enable more effective service delivery through region-wide or shared delivery models. In addition, as the local government for electoral areas, the CRD facilitates and delivers projects and services for residents living in unincorporated areas. The CRD also owns and operates the Capital Region Housing Corporation (CRHC), the second largest non-profit housing provider in the province, and administers the Capital Regional Hospital District (CRHD) which provides capital funding for healthcare infrastructure, such as health facilities and hospital equipment.

The governance structure includes a 24-member Board of Directors which is composed of one or more elected officials from each of municipality and electoral area within CRD boundaries. Each local government and electoral area hold one director position on the Board for every 25,000 residents (or portion thereof). Each director also serves on the CRHD and CRHC Boards.

By way of legislation, costs for legislative and general government activities are included in a Legislative and General Government Service. This service includes sub-budgets for Board Expenditures, the Chief Administrative Officer (CAO) and Executive Services, Corporate Climate Action, Corporate Communications, Corporate Emergency Services, Corporate Services, Financial Services, First Nations Relations, Human Resources (HR), Information Technology (IT), and select General Managers (GMs).

The Legislative and General Government Service is primarily funded through requisition and cost recovery from CRD services, the CRHC and the CRHD. Other funding sources include transfers from reserve, grants and surplus carryforward when available. The Facilities Management Service is primarily funded through cost recovery from CRD services.

This report will provide forecasted 2024 results and an overview of the 2025-2029 Financial Plan for the Legislative and General Government and Facilities Management service budgets.

2024 Year End Projected Results

Details of each budget, including forecasted year-end results can be found in Appendices B through Q.

The Legislative and General Government service is forecasting a one-time net favourable variance of \$1.3M for 2024. The surplus is primarily the result of labour market challenges in staffing new and vacant positions. Staff have recommended a surplus carryforward of \$0.8 million into 2025 to offset requisition while transferring the balance to fund one-time initiatives identified in the 2025-2029 Financial Plan. The Facilities operating budgets are anticipated to be on budget for 2024.

With respect to capital expenditures in 2024, a total of 48 projects were planned with combined budgets of \$8.5 million. Staff are forecasting a favourable variance of \$1.9 million driven primarily due to timing of Fisgard Boardroom improvements, timing of additional office space at the Integrated Water Services (IWS) Field Office, and data centre upgrades. All projects have been rescoped into 2025 where the funds have been budgeted. For the Facilities capital expenditures, 12 projects were planned for 2024, totaling \$1.165 Million. Staff are projecting a favourable variance of \$0.15 million due to timing and favourable operations. Project delayed in 2024 have been rescoped to 2025.

2025 Operating Budget

The draft 2025 Legislative and General Government and Facilities operating budget including year over year changes in expense and revenue is summarized in Appendix A. Total budgeted expenditures for 2025 are \$48.35 million, a 9.4% increase over 2024. Less than one third of operating expenditures are funded through requisition or \$13.7 million, a 10.6% increase over 2024.

Table 1 summarizes the change in expenditures for each sub-budget within the service, providing both the \$ and % over prior year.

Table 1: 2025 Year over Year Budget Comparison (\$Millions)

Budget Description	2025 Financial Plan	2024 Financial Plan	\$ Change	% Change
Revenue	1.619	1.577	0.042	2.7%
Board Expenditures	1.412	1.421	-0.009	-0.6%
CAO & Executive Services	1.229	1.118	0.111	9.9%
Corporate Services	3.626	3.177	0.449	14.1%
HR	4.152	3.799	0.353	9.3%
Financial Services	9.339	9.088	0.251	2.8%
IT	15.393	13.385	2.008	15.0%
First Nations	1.559	1.463	0.096	6.6%
Corporate Communications	1.431	1.545	-0.114	-7.4%
GM – Electoral Areas	0.250	0.000	0.250	100.0%
Other*	3.215	3.025	0.19	6.3%
Legislative & General	\$43.23	\$39.60	\$3.63	9.2%
Facilities Budgets	5.123	4.606	0.517	11.22%
Total	\$48.35	\$44.20	\$4.14	9.4%

*Other: Includes the functions of Corporate Climate, Real Estate, Health Planning, GM Planning and Protective Services, Corporate Emergency and GM Regional Parks and Environmental Services (ES)

Impact drivers for each operating budget are detailed in bridge files in appendices B through Q.

Below are explanations for sub-budgets with a change in expenditure exceeding guidelines of 3.0% and \$50,000, and/or functions with Initiative Business Case (IBC) cost impacts:

- **Chief Administrative Officer and Executive Services:** Increase due to the cost to annualize the 1.0 Full-Time Equivalent (FTE) for the 2024 IBC 11b-7.1: Manager of Corporate Initiatives and Administration, step increases and paygrade changes on existing staff.
- **Corporate Services:** Increase is primarily due to IBC 13a-3.1, M365 Sharepoint Online Transition. Sharepoint is CRD's records repository system. The system is at the end of life and staff are migrating records to a cloud-based M365 platform. The new platform is a significantly different product which makes the data migration complex. To streamline implementation of an electronic documents and records management system (EDRMS) the migration will include re-organization and clean up of our data footprint. To facilitate the work, oversight of the migration is moving from Technology and Digital Transformation to the Information Services Division under Corporate Services. 1.0 FTE in 2025 is required to support the migration work. Additional one time costs are required for contracted support services for the migration. Other increases are attributable to the annualization of 2024 staff additions, step increases, and cost of living adjustments.
- **Human Resources:** Increase in 2025 due to 1.0 FTE in IBC 11b-1.2 Manager, Safety, 0.5 FTE Term (two years) in 13a-3.2 SAP S4/Hana Enhancements and IBC 11b-1.5 Corporate Recruitment - LinkedIn Talent Licensing (funding only); for 2026 3.0 FTEs in IBC 11b-1.4 Corporate Recruiting and IBCs 13b-3.1 Benefits, Wellness & Abilities Management, and 2.0 FTEs Term (two years) in IBC 11b-1.1 HRIS Talent Suite; for 2027 2.0 FTEs in IBC 11b-1.1 HRIS Talent Suite and IBC 11b-1.4 Corporate Recruiting.
- **Financial Services:**
 - A net increase of 2.0 FTE ongoing through IBC approvals offset by the Asset Management division transitioning from Financial Services to IWS as work content moves from planning to operations. Other impacts on the operating budget are driven by salary and benefit increases from the collective agreement, annual step increases and cost recovery impacts related to facilities.
 - 2025 IBC 13a-1.2: Manager of Procurement (1 FTE for) to deliver advice and direction on procurement inquiries, support a centralized procurement service review, and to implement CRD Evolves recommendations
 - 2025 IBC 5a-1.6: Manager Finance, Regional Housing (1 FTE) to support the CRHC Major Capital Plan and operations, and transformation of processes
 - 2025 IBC 13c-1.3: Senior Financial Advisor (1 FTE) to provide long-term financial planning, modeling, decision support, and treasury management
 - 2.0 FTEs (IBC 13d-1.1) to support all other organization wide IBCs. As a centralized support division, the impact of advancing all other initiatives and growth of the organization is consolidated in Financial Services through transactional processing, regulatory reporting, payroll and time management, payables and receivables, among other core finance functions
 - (3.0) FTEs as the Asset Management division moves from Financial Services to IWS as an early implementation of the CRD Evolves program

- **Technology and Digital Transformation:** The 2025 budget impact is predominantly driven by multi-year IBCs from 2023-2025 such as the SAP S4 upgrade, website redesign project, SharePoint M365 migration, cybersecurity investments and support of the CRD's migration to cloud-based applications and platforms.
 - 2023 IBC 15f-1.9 SAP Lifecycle Replacement – required end of life migration of ERP system from SAP ECC to SAP S/4Hana
 - 2023 IBC 15f-1.15 Digital Communications Governance and Support Services – corporate website hosting services
 - 2024 IBC 11b-1.1 HRIS Talent Suite – additional ongoing software licencing costs.
 - 2025 IBC 13a-1.3 Contracts and Procurement Modernization – research and implementation of contracts and procurement workflow, record keeping, and digital signature software solution.
 - 2025 IBC 13a-3.1 M365 SharePoint Online Transition – migrate SharePoint 2019 (soon to be retired by Microsoft) to SharePoint Online M365
 - 2025 IBC 13a-5.1 Project & Service Management Platform (0.5 FTE) – implement a unified system such as JIRA/Confluence to manage, track, report, and communicate on technology-related projects
 - 2025 IBC 13a-5.2 MyCRD and Supporting Platforms (1.0 FTE) – streamline and enhance citizen experience by providing a unified online platform
 - 2025 IBC 13a-6.2 Cybersecurity Risk Specialist (1 FTE) – onboard a skilled and experienced technical resource to enhance the CRD's cybersecurity posture
 - 2025 IBC 13a-6.3 Sr. IT Administrative Coordinator (1 FTE conversion) – improve operational efficiency by assisting with the escalating demand for financial, vendor, and contract management support
 - 2025 IBC 13d-1.2 Support Division IBC (2 FTEs) – in support of all other organization wide IBCs. As a centralized support division, the impact of advancing all other initiatives and growth of the organization is consolidated in Technology and Digital Transformation through help desk, customer and technical support, maintenance and patching, among other core technology functions
 - Other impacts include one-time organizational support activities such as IT/IWS cybersecurity remediation and Azure Landing Zone.

- **First Nations:** Reduction in one-time expenditures from 2024 for First Nations Relations initiatives for cultural training and advancing the indigenous employment strategy, offset by an increase due to annualization of a 1.0 FTE approved in 2024 in IBC 15a-1.2 Government to Government Relationship Building initiative. In 2025, 1.0 FTE to be added to support relationship building and MOU development, make progress on priority action items identified by First Nations in the region, and support new corporate reconciliation priorities such as implementation of the *Emergency Management Act* and advancement of servicing agreements.

- **GM – Electoral Areas **** (NEW) ******: 2025 IBC 16e-5.1 Electoral Area Services Department Oversight (2 FTEs) – currently, the three electoral areas operate under a decentralized administrative and operational model, resulting in varying levels of resources. Each electoral area is overseen by a distinct Senior Manager who reports to a different General Manager or the Chief Administrative Officer. To improve services in electoral areas, staff recommend forming a new Electoral Area Services department led by a General Manager. This department will consolidate existing services, with current Senior Managers in each

area reporting to the new General Manager, who will join the Executive Leadership Team. It's recommended that the new General Manager be appointed as a CRD Officer and that CRD Bylaw 3343 be updated. The Electoral Area Services department is scheduled to start in Q3, 2025 and will be led by a General Manager with one administrative support, adding two full-time employees. The department's (two new positions) funding will come from requisition: 30% from Regional Legislative and General Services, and 70% from the three Electoral Areas based on converted assessment.

- **Facilities Budgets *** (NEW) *****: New to the committee this year is Facilities Management, comprising of three service areas. The main Facilities Management service provides administration, maintenance, technical and project management to office facilities and pump stations across the region. The CRD Headquarters operates the downtown office space for the CRD, including 625 Fisgard Street, as well as leasing office space at 1675 Douglas Street and parking in downtown Victoria. Corporate Satellite Facilities provides both owned and leased space to CRD departments including the Juan de Fuca Administration Building, Millstream Bylaw office, and the Animal Shelter. All three services are primarily funded on a cost recovery basis by user departments.
 - **Facilities Management**: For the 2025 fiscal year, there were only minor modifications made to the budget resulting in an operating total of \$2,147,641 – a net decrease of 0.2% from 2024. While two staff positions were removed from the budget in a corporate restructure (Contracts Coordinator and Project Engineer), the overall reduction in the budget was partially offset by an increase to the auxiliary staff as facilities management centralization continues to increase the operational scope of the department.
 - **CRD Headquarters Building**: For the 2025 fiscal year, there were several changes to the 1.106 Operating Budget. The budget is being increased from a total of \$2,204,840 in 2024 to \$2,678,668 – a total increase of \$473,828 (21.49%), primarily driven by increased leased space at 1625 Douglas Street \$290,460, insurance costs of \$28,669 and an increase to capital reserves of \$70,000 in a phased alignment of the reserve fund with corporate best practices.
 - **Corporate Satellite Facilities**: The 2025 fiscal year operating budget is \$284,421 – an increase of \$46,704 (19.65%) over 2024. Major drivers for the budget increase are a new cleaning contract at Juan de Fuca of \$15,680, an increased Facilities Management staff service level at Juan de Fuca of \$6,415 and increased pest control service costs at the Animal Shelter of \$2,616.

2025 Capital Budget

The proposed five-year capital plan for the Legislative and General Government Service totals \$15.4 million with \$9.8M in year one. Table 2 summarizes the capital plan by budget within the service.

Table 2: 2025-2029 Capital Expenditure by Function (\$Millions)

Budget Description	Annual Capital Plan (2025)	Total Capital Plan (2025-2029)	% of L&G
Board Expenditures	0.751	0.826	7.68%
CAO/Corporate Services	0.006	0.064	0.06%
HR	0.010	1.237	0.10%
Financial Services	5.130	5.305	52.43%
IT	3.810	7.812	38.94%
First Nations	0.000	0.016	0.00%
Corporate Communications	0.072	0.095	0.74%
Other*	0.006	0.044	0.06%
Legislative & General	\$9.785	\$15.399	100%
Facilities Budgets	0.740	4.070	
Total	\$10.525	\$19.469	

*Other: Includes the functions of Corporate Climate, Real Estate, Health Planning, GM Planning and Protective Services, Corporate Emergency and GM Regional Parks, ES and Electoral Areas.

Details for each capital plan can be found in appendices B through Q.

Below are explanations for sub-budgets with capital expenditures exceeding \$0.250 million:

Board Expenditures: New tables for additional capacity (\$225,000) in the boardroom, as well as boardroom technology replacements (\$265,000) and upgrades (\$225,000) for audio and media, for 2025.

Financial Services: Budget for additional corporate office space at the IWS Field Operations Center has been captured in the Financial Service’s budget for 2025. As the development of the IWS FOC progresses and planned departmental occupation of the additional office space is finalized, it will be re-evaluated if realignment of this budget to another service is appropriate.

Information Technology and Digital Transformation: The primary focus of the five-year Capital plan includes ERP application modernization enhancements to reduce accumulated technical debt, and the adoption of new functionality to improve business processes and efficiencies. These include the continued migration of SAP ECC to S/4Hana, improvements to analytics, and upgrades to user interfaces, data centre maintenance and modernization, and alternate data centre to support business continuity/disaster recovery. Also impacting the capital plan are improvements to cybersecurity, specifically identity management, multi-factor authentication, and network segmentation.

Facilities Budgets

- **Facility Management:** The 5-year capital plan is primarily related to equipment and fleet replacement as they reach the end of their useful life.
- **CRD Headquarters Building:** The primary focus of the 5-year capital plan includes upgrades to the 625 Fisgard HVAC system to improve the energy efficiency of the system, in line with achieving the CRD’s greenhouse gas reduction and climate action goals. The

balance of the plan involves minor upgrades throughout the building and operational equipment, as equipment and components reach end-of-life or need replacement.

- Corporate Satellite Facilities: This budget has no material items at this time pending the results of the next condition assessment, the only item is a provision for emergency repairs as needed at the Juan de Fuca Building.

Insurance Fund: Rising allocations are the result of a hard global insurance market for all insurance types, primarily property premium increases, which have increased substantially over the past five years. Allocations for property insurance have historically been offset by the interest from CRD's self-insured retention of \$2-million, accruing since the late 1980s, and resulting in individual services obtaining savings over the past five years as the insurance market hardened. However, this interest can no longer keep pace with the increase in premiums and an allocation increase is required. To achieve immediate premium reductions for property, a property insurance deductible of \$1-million rather than \$200,000 has been adopted, resulting in an 18% cost savings. To review appropriate self-insurance fund levels and deductible levels, staff are in discussion with actuarial consultants.

ALTERNATIVES

Alternative 1

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

That Appendices A through Q, the Legislative and General Government, Facilities Management Services Operating and Capital Budgets be approved as presented and form the basis of the Provisional 2025-2029 Financial Plan.

Alternative 2

The Governance Committee refer the budget back to staff for additional information for the Capital Regional District Board's consideration.

IMPLICATIONS

Financial Implications

Staff continue to manage cost pressures on revenue through utilization of reserves and surplus carryforward where possible as well as refinement of cost recovery across services.

Alignment with Board and Corporate Priorities

Community Need Summaries present an overview of the operational and strategic context, services levels, initiatives and performance data for each Community Need in the CRD 2023-2026 Corporate Plan. They also provide details of the initiatives, associated staffing, timing and service levels required to advance the work in future years.

The Community Need Summaries related to the Legislative and General Government service are Advocacy, People, Open Government, First Nations, and Business Systems and Processes. These Community Need Summaries are being presented under separate reports and document

the organization’s service planning recommendations for 2025.

CONCLUSION

The proposed 2025 Legislative and General Government, and Facilities service budgets have been prepared for consideration by the Governance Committee. The Committee will make budget recommendations to the CRD Board through the Committee of the Whole. The proposed 2025 budget reflects the inclusion of many CRD Corporate Plan initiatives across a number of Legislative and General functions.

RECOMMENDATION

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

That Appendices A through Q, the Legislative and General Government, Facilities Management Services Operating and Capital Budgets be approved as presented and form the basis of the Provisional 2025-2029 Financial Plan.

Submitted by:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Submitted by:	Russ Smith, Acting General Manager, Parks, Recreation & Environmental Services
Submitted by:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Ted Robbins, B.Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: 2025 Legislative & General Consolidated Operating Budget
- Appendix B: CRD 2025 Budget Board Expenditures
- Appendix C: CRD 2025 Budget Other Legislative & General - Climate
- Appendix D: CRD 2025 Budget CAO & Executive Services
- Appendix E: CRD 2025 Budget Corporate Services
- Appendix F: CRD 2025 Budget Real Estate
- Appendix G: CRD 2025 Budget Human Resources
- Appendix H: CRD 2025 Budget Finance
- Appendix I: CRD 2025 Budget Health & Capital Planning Strategies
- Appendix J: CRD 2025 Budget Information Technology
- Appendix K: CRD 2025 Budget GM Planning & Protective Services
- Appendix L: CRD 2025 Budget Corporate Emergency
- Appendix M: CRD 2025 Budget First Nations Relations
- Appendix N: CRD 2025 Budget GM - Parks and Environmental Services
- Appendix O: CRD 2025 Budget Corporate Communications
- Appendix P: CRD 2025 Budget GM – Electoral Areas
- Appendix Q: CRD 2025 Budget – Facility Management