

**REPORT TO GOVERNANCE COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 04, 2023**

SUBJECT **Legislative and General Government Service - 2024 Operating and Capital Budget**

ISSUE SUMMARY

To provide an overview of the draft 2024 Legislative and General Government Service budgets, including 2023 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.

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.

This report will provide forecasted 2023 results and an overview of the 2024-2028 Financial Plan for the Legislative and General Government Service budgets.

2023 Year End Projected Results

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

The Legislative and General Government service is forecasting a one-time net favourable variance of \$1.6M for 2023. The surplus is primarily the result of labour market challenges in staffing new, turnover, and vacant positions. Staff have recommended a surplus carryforward of \$0.6 million into 2024 to offset requisition while transferring the balance to fund one-time initiatives identified in the 2024-2028 Financial Plan.

With respect to capital expenditures in 2023, a total of 37 projects were planned with combined budgets of \$4.5 million. Staff are forecasting a favourable variance of \$1.8 million driven primarily by delays in implementation of various projects including upgrades to our enterprise resource management system, implementation of an electronic records management system (EDRMS), the website redesign project, and boardroom improvements. All projects have been rescoped into 2024 where the funds have been budgeted.

2024 Operating Budget

The draft 2024 Legislative and General Government operating budget including year over year changes in expense and revenue is summarized in Appendix A. Total budgeted expenditures for 2024 are \$37.8 million, a 3.5% increase over 2023. Less than one third of operating expenditures are funded through requisition or \$12.2 million, a 6.9% increase over 2023.

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

Table 1: 2024 Year over Year Budget Comparison (\$Millions)

Budget Description	2024 Financial Plan	2023 Financial Plan	\$ Change	% Change
Revenue	1.578	1.602	(0.024)	-1.5%
Board Expenditures	1.335	1.259	0.076	5.7%
CAO & Executive Services	1.114	0.929	0.185	16.6%
Corporate Services	2.867	2.941	(0.074)	-2.6%
Human Resources	3.749	3.178	0.571	15.2%
Financial Services	8.762	8.459	0.303	3.5%
Information Technology	12.698	12.462	0.236	1.9%
First Nations	1.229	1.312	(0.083)	-6.8%
Corporate Communications	1.513	1.454	0.060	3.9%
Other*	2.942	2.926	0.016	0.5%
Total	\$37.787	\$36.521	\$1.266	3.5%

**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 O.

Below are explanations for sub-budgets with a change in expenditure exceeding guidelines of 3.5% and \$50,000, and/or functions with Initiative Business Case (IBC) cost impacts:

- **Board Expenditures:** Increase due to IBC 12b-4.1: Meeting Management Improvements and annual escalation for director remuneration rates. Staff have identified improvements required to the Fisgard boardroom to update the audio-visual equipment, increase functionality to our meeting management software to include a voting dashboard, and

redesign of the boardroom to allow for expansion and additional seats at the board table. Funds in 2024 will be required for scoping and design work. Implementation of the improvements may take place over multiple years. A proposal on the costs of improvements will be brought forward as part of 2025 service and budget planning.

- **CAO and Executive Services:** 1.0 Full-Time Equivalent (FTE) for IBC 11b-7.1: Manager of Corporate Initiatives and Administration (nine months), step increases and paygrade changes on existing staff. Beginning in Quarter 2, the position will plan and lead the implementation of corporate initiatives that are initiated by the CAO and Executive Leadership Team that do not relate directly to departmental lines of business while also developing and administering a more formal approach to corporate administration.
- **Corporate Services:** 1.0 FTE for 2024 IBC 12a-1.1: Privacy and Information Senior Analyst (nine months), offset by reduction in one-time expenditures for EDRMS. Additional capacity is required to respond to legislative changes to the *Freedom of Information and Protection of Privacy Act* which now mandates Privacy Impact Assessments be conducted for all corporate initiatives that may collect, record or disclose personal information. This position will also support managing the increase in the volume of FOI requests and developing corporate policy to increase proactive disclosure of routine records.
- **Human Resources:** 3.0 FTEs for 2024 IBC 11a-3.1: Create and Implement an Indigenous Employment Strategy, 2024 IBC 11b-1.3: Human Resources Manager and 2024 IBC 11a-1.1: Develop and Implement the Corporate Accessibility Plan (three months); and 11a-2.1 Enhance Understanding and Accountability for Equity Diversity & Inclusion (EDI) Across Decision Making Bodies (funding only).
- **Financial Services:** 1.0 FTE ongoing and 1.0 FTE term to support for various IBCs including capital project cost controllership in Regional Housing. As a support division to the organization the impact of advancing all other IBCs are impacting the ability to continue providing transactional processing, regulatory reporting, and other core support services. Other impacts on the operating budget are driven by salary and benefit increases as a result of the new collective agreement, annual step increases and cost recovery impacts related to facilities.
- **First Nations:** Reduction in one-time expenditures from 2023 for First Nations Relations initiatives for cultural training and advancing the indigenous employment strategy. The 2023 IBC 3a-1.1 Government to Government Relationship Building initiative has been reintroduced as an ongoing budget item under 2024 IBC 15a-1.1 Government to Government Relationship Building to provide continued capacity funding to support relationship building and MOU development to make progress on priority action items identified by First Nations in the region.
- **Corporate Communications:** Addition of the 2024 IBCs 12b-1.1 Build EDI Principles into Public Participation Framework and 12b-1.2 Citizen Experience Survey. Summary of IBCs 12-1.1 This initiative would replace the 2014 framework with a new policy that reflects Board and organizational commitments to EDI principles and lessons learned in recent years. The policy would be supported by a new toolkit that enables staff across the organization to effectively plan and deliver public engagement initiatives that are inclusive, gather feedback from a wider range of residents, address barriers to participation and ultimately support more inclusive representation and decision making. Research/feedback

from residents would be helpful in framing response to community needs and how organization plans communications and engagement activities, nested in those community needs. Further, survey results will provide actionable insights and baselines so that metric-based outcomes can be developed for strategic planning.

2024 Capital Budget

The proposed five-year capital plan for the Legislative and General Government Service totals \$11.2 million with \$2.3M in year 1. Table 2 summarizes the capital plan by budget within the service.

Table 2: 2024-2028 Capital Expenditure by Function (\$Millions)

Budget Description	Annual Capital Plan (2024)	Total Capital Plan (2024-2028)	% of L&G
Board Expenditures	0.765	0.911	13.75%
CAO/Corporate Services	0.015	0.073	0.27%
Human Resources	0.007	0.728	0.12%
Financial Services	0.507	0.845	9.11%
Information Technology	3.977	8.306	71.52%
First Nations	0.002	0.012	0.14%
Corporate Communications	0.278	0.297	5.01%
Other*	0.009	0.045	0.16%
Total	\$5.560	\$11.217	100%

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

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

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

Board Expenditures: New boardroom table for additional capacity, as well as boardroom technology upgrades and replacements for audio and media, for 2024.

Financial Services: Development and integration of the Enterprise Asset Management (EAM) module within the SAP Enterprise Resource Management system is planned to continue through 2024 and into 2025. Guided by the 2019 Board approved Corporate Asset Management Strategy, EAM is being developed to standardize, consolidate, and integrate asset information across functions to streamline reporting, intervention, and capital investment decision-making. With over \$3.0 billion in tangible capital assets, risk management through condition assessments and systematic intervention is a key deliverable in the asset management program.

Information Technology: Over the five-year plan, Legislative and General Government functions continue refreshing aging infrastructure to support the organization in high performing service delivery. As part of the five-year Technology Modernization Strategy, the CRD is making investments to upgrade data center infrastructure, corporate software and applications, and migrate to a digital technology culture. These investments are essential to provide critical capacity, ensuring a stable and modern platform to support the delivery across the Region's services. The modernization of this infrastructure will address years of technical debt while

addressing reliability and enhancing security. Cloud readiness and the adoption of cloud hosted services also rely on technological upgrades.

The most significant project in the five-year capital plan is the SAP migration project, which will upgrade the end-of-life SAP ECC platform to S4 HANA. Updating the 20-year-old platform seeks to support real-time data processing and reporting, streamline operations, automate processes and preparedness for cloud hosting services. The upgrade ensures reliable and secure system compliance to industry standards. This includes the deployment of a new financial model enhancing the support of critical operations and services across each department of the CRD.

Corporate Communications: The public website redesign project continues in 2024 as a strategic investment and foundational piece for the organization's communication and digital transformation plans. The timing aligns with changes in how local governments deliver information for online audiences and enables the CRD to improve the usability, accessibility and resiliency of the platform as both a transparency and customer service channel. When complete, the CRD will have a website that aligns with our goals related to accessibility, usability, transparent governance and customer service. The website will also move from an on-premise solution to a hosted cloud solution to minimize disruption and maximize availability.

ALTERNATIVES

Alternative 1

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

That Appendices A through O, the Legislative and General Government Operating and Capital Budgets be approved as presented and form the basis of the Provisional 2024-2028 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

In line with the 2024 Service and Financial Planning Guidelines approved by the CRD Board in May, prioritization has focused on mitigating cost impacts where possible while balancing essential services and initiatives. To exercise constraint and cost containment, the core inflationary expense adjustment has been kept to 3.5% for the 2024 when balancing the consolidated Legislative and General Government service. Mitigation of expenditure and inflation pressures were achieved through phased rollout of initiatives, resource optimization and removing nonvalue-added work content.

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.

Intergovernmental Implications

CRD staff will continue to work closely with all Nations whose areas of interests 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. Continued work on co-creating MOUs for First Nations in the region through the government to government relationship building initiative will ensure we continue to make progress on the Board Priority of advancing reconciliation with First Nations.

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 2024.

CONCLUSION

The proposed 2024 Legislative and General Government 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 2024 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 O, the Legislative and General Government Operating and Capital Budgets be approved as presented and form the basis of the Provisional 2024-2028 Financial Plan.

Submitted by:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer
Submitted by:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Submitted by:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Larisa Hutcheson, P. Eng., General Manager, Parks & Environmental Services
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services

ATTACHMENTS

- Appendix A: 2024 Legislative & General Consolidated Operating Budget
- Appendix B: CRD 2024 Budget Board Expenditures
- Appendix C: CRD 2024 Budget Other Legislative & General - Climate
- Appendix D: CRD 2024 Budget CAO & Executive Services
- Appendix E: CRD 2024 Budget Corporate Services
- Appendix F: CRD 2024 Budget Real Estate
- Appendix G: CRD 2024 Budget Human Resources
- Appendix H: CRD 2024 Budget Finance
- Appendix I: CRD 2024 Budget Health & Capital Planning Strategies
- Appendix J: CRD 2024 Budget Information Technology
- Appendix K: CRD 2024 Budget GM Planning & Protective Services
- Appendix L: CRD 2024 Budget Corporate Emergency
- Appendix M: CRD 2024 Budget First Nations Relations
- Appendix N: CRD 2024 Budget GM - Parks and Environmental Services
- Appendix O: CRD 2024 Budget Corporate Communications