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**REPORT TO REGIONAL PARKS COMMITTEE
MEETING OF WEDNESDAY, SEPTEMBER 27, 2023**

SUBJECT **Regional Parks Service – 2024 Operating and Capital Budget**

ISSUE SUMMARY

To provide an overview of the draft 2024 Regional Parks service budget, including 2023 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 incorporation in 1966. In 2022, there were 33 regional parks and 4 regional trails in the system, comprising over 13,200 hectares of parkland, 100 kms of regional trails and over 400 kms of trails within the regional parks. Visitation to regional parks and regional trails has increased by 54% since 2012. In 2022, regional trails received over 3.3 million visits and regional parks received over 4.8 million visits.

Funding for the service is primarily through property tax requisition. In 2023, tax requisition funded \$15.9 million towards the total annual operating budget of \$17.5 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 2022, non-tax revenue comprised approximately 3% of the annual budget for regional parks and trails. Additionally, grant funding and partnerships enhances the overall budget but is dependent on available opportunities and successful applications.

The draft 2024 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 25, 2023. The draft 2024 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.
- First Nations reconciliation practices and resourcing will be refined.
- Asset management planning will provide more accurate information on asset condition and replacement values of all built infrastructure, as well as 20-year financial forecasting.
- Regional trestle renewal and trails widening and lighting cost estimates will be improved.

2023 Year End Financial Projections

There is an estimated one-time net favourable variance of \$100,000 for Regional Parks 2023 operating budget. This variance will be utilized as a transfer to capital reserve at year end when the final amount is known. The net variance is primarily a result of:

- reduced salary costs due to challenges filling vacant and new positions.
- additional fee revenue as a result of the bylaw amendment passed in April 2023 to increase camping and permit fees.
- the above, offset by increased operating costs for vehicle fuel and maintenance and other one-time additional consulting and contract for services costs.

Details can be found in Appendix A under the 2023 Estimated Actual column.

With regard to 2023 capital expenditures as outlined in the CRD Board-approved 2023-2027 Capital Plan, a total of 19 projects were planned for 2023, with a total budget of \$16.1 million. Funding for the 2023 capital projects has been provided through a combination of reserve, grant, equipment replacement and existing capital funds. Projects have focused on addressing the replacement needs of aging critical infrastructure, such as repairs to the Selkirk Trestle and replacement of the Bilston Creek bridges, 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 and the construction of the Elk Lake oxygenation system.

2024 Operating Budget

2024 Regional Parks expenditures are \$19.1 million, which is an 8.93% increase over 2023. Expenditures are broken down by operations, debt servicing and capital/reserve funding costs.

Operations

Regional Parks' 2024 operations budget is \$14.7 million, which is an 8.32% increase over the 2023 budget. The overall increase is split between core, ongoing and one-time expenditures.

The 2024 core operating budget for Regional Parks is \$14.1 million, which is a 3.43% increase over 2023, which falls within the benchmark increase of 3.50%. 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 items make up 4.89% of the overall 8.32% year-over-year increase in operating costs.

Details of the \$0.7 million ongoing expenditures are as follows:

Ongoing:

- \$35,000 – IBC 4b-1.1 – Trail Closure Policy Implementation
- \$25,000 – IBC 7c-3.1 – Elk/Beaver Lake Water Quality Monitoring
- \$225,000 – IBC 7e-3.1 – Asset Management Engineered Structure Inspections
- \$300,000 – IBC 7f-101 – First Nations Strategic Priorities Initiatives
- \$35,000 – New fleet fuel/maintenance costs
- \$43,625 – Corporate Services allocation

Debt Servicing

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 \$0.6 million. The total 2024 budgeted debt servicing costs include the above-mentioned interest and principal payments, as well as an additional \$0.2 million of new debt servicing costs associated with land acquisition and the trail widening and lighting project.

Capital/Reserve Transfers

Direct capital funding in 2024 is \$0.3 million, which is a 75.68% increase over 2023. This increase relates to the annual infrastructure maintenance program.

The total transfers to reserves consist of transfers to the Operating Reserve fund, Equipment Replacement fund (ERF) and Capital Reserve fund. The 2024 transfers to reserve budget is \$3.31 million, which is a 2.77% increase over 2023. This increase includes an ongoing supplementary increase in transfers to the ERF of \$0.065 million to cover replacement costs of new fleet purchases.

Details can be found in Appendix A – Operating Budget

Table 1: 2024 Year over Year Budget Comparison

Expenditure Type	2024 Financial Plan	2023 Financial Plan	Change	% Change
Operations	14,711,478	13,581,962	1,129,516	8.32%
Debt Servicing	800,637	570,257	230,380	40.40%
Capital Funding	270,000	153,686	116,314	75.68%
Transfers to Reserves	3,311,231	3,222,103	89,128	2.77%
Total	\$ 19,093,346	\$ 17,528,008	\$ 1,565,338	8.93%

2024 Capital Budget

Capital Plan

The estimated replacement value for all built infrastructure in regional parks and regional trails over the current lifespan is estimated at \$120,750,000 (2022 valuations). Regional trails infrastructure costs make up over 40% of the asset replacement value (approximately \$48 million). These estimates were based on an estimated condition assessment and valuation of existing built assets. Inflation, cost and availability of materials will continue to influence the estimated replacement value of built infrastructure.

The capital budget for 2024 is \$9.5 million, which includes a preliminary amount of \$0.2 million, carried forward from 2023. The majority (\$8.3 million) of the capital program expenditures are for potential land acquisitions and new or renewed engineered structures.

Capital projects planned for 2024 focus on meeting dam safety regulatory requirements and addressing the replacement needs of aging infrastructure, such as repairs to the Galloping Goose

Regional Trail's Ayum Creek bridge and the Sitting Lady Falls footbridge at Witty's Lagoon Regional Park. Addressing increased service delivery requirements, through regional trail surfacing renewals and the East Sooke Aylard Farm parking lot expansion project, are represented, as are funds to accelerate the Regional Trestles Renewal, Trails Widening and Lighting project.

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 2024 capital program planned funding is \$5.9 million in new debt, \$3.4 million in reserve funds (ERF and Capital Reserve) and \$0.2 million of capital funds on hand, carried forward from 2023.

Appendix B 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 2024 ERF contributions are set at \$0.4 million. This is the anticipated level of annual funding required to assure operational needs are met by replacing critical vehicles and equipment as scheduled.

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 2024 Capital Reserve contributions are set at \$2.9 million and the planned 2024 capital expenditures funded by this reserve total \$2.6 million. The annual transfers currently do not meet the funding requirements needed to maintain and replace the aging infrastructure held by Regional Parks as identified within the CRD Capital reserve Guidelines and Asset Infrastructure Report. 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* for the purpose of acquiring land for regional parks purpose. In 2022, the CRD Board adopted a new debt model for funding land acquisitions. As a result, there are no set contributions for 2024 and the reserve fund balance has been used in its entirety to fund a portion of the 2023 land acquisition expenditures.

Details of reserve fund balances and planned expenditures can be found in Appendix C.

2024 Budget Context

The following tables summarize the total 2024 Regional Parks expenditures and revenues. The totals are also summarized in Appendix A, along with the 2023 year-end estimated actuals and the 2025-2028 future projections.

Table 2: 2024 Budgeted Expenses

Budget Component	2024 Budget	% of Total
Salaries and Wages	9,550,047	50.02%
Internal Allocations	1,599,065	8.37%
Insurance Cost	68,810	0.36%
Consultant and Contract for Services	1,186,578	6.21%
Vehicles and Equipment	557,150	2.92%
Parks Maintenance and Repairs	371,558	1.95%
Utilities & Disposal Costs	202,698	1.06%
Operating Supplies	483,749	2.53%
Legal/Licences/Surveys Cost	57,650	0.30%
Telecommunications&Training	173,659	0.91%
Operating Cost - Other	460,514	2.41%
Capital/Reserve Transfers	3,581,231	18.76%
Debt Servicing	800,637	4.19%
Total	\$ 19,093,346	100%

Table 3: 2024 Budgeted Revenue

Budget Component	2024 Budget	% of Total
Internal Recoveries	76,018	0.40%
Parking Fees	210,000	1.10%
Camping Fees	205,000	1.07%
Permits/Interpretive Programs	50,000	0.26%
Rental Fees	33,000	0.17%
Mt McDonald Tower License Fees	161,011	0.84%
Interest/Other Fees	68,080	0.36%
PILT/GILT	756,393	3.96%
Municipal Requisition	17,533,844	91.83%
Total	\$ 19,093,346	100%

Requisition

The 2024 requisition is \$17.5 million, which is a 9.91% increase over 2023.

The key drivers of the increase are as follows:

- Core operating costs inflationary increase (3.43%)
- Increased reserve/capital funding (0.47%)
- Ongoing and one-time new initiatives (6.01%)
- IBC 4b-1.1 – Trail Closure Policy Implementation
- IBC 7c-3.1 – Elk/Beaver Lake Water Quality Monitoring
- IBC 7e-3.1 – Asset Management Engineered Structure Inspections
- IBC 7f-1.1 – First Nations Strategic Priority Initiatives
- New fleet operating/replacement costs
- New debt servicing costs – land acquisition and trail widening

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 2024-2028 Financial Plan.

Alternative 2

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 amended and form the basis of the Final 2024-2028 Financial Plan.

IMPLICATIONS

Financial Implications

The CRD continues to look for ways to fund its services in a manner that relieves affordability pressure for the taxpayer. The CRD continues to progressively pursue grants and partnership opportunities. Regional Parks is also presenting a non-tax revenue generating proposal at the September 27, 2023 Regional Parks Committee meeting.

At the June 23, 2021 Regional Parks Committee meeting, staff were directed to report back to the committee as part of the service planning process, with a recommended financing option for future investments in land and major capital works that incorporate finance guidelines. The 2024 Regional Parks budget identifies a plan of debt financing of \$50 million to accelerate the Regional Trestles Renewal, Trails Widening and Lighting project over a six-year project schedule.

The 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 2024 debt servicing effect is estimated at \$20,000, being interest only on the first-year expenditures on planning and design of \$900,000 borrowed incrementally throughout the year.

Intergovernmental Implications

CRD staff will continue to work closely with all 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 2024 Regional Parks and Trails 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 2024 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 2024-2028 Financial Plan.

Submitted by:	Jeff Leahy, Senior Manager, Regional Parks
Concurrence	Larisa Hutcheson, P. Eng., General Manager, Parks & Environmental Services
Concurrence	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: Operating & Capital Budget – Regional Parks Service
- Appendix B: Five-Year Capital Expenditure Plan Summary – 2024-2028
- Appendix C: Asset and Reserve Summary Schedule