

**REPORT TO THE FINANCE COMMITTEE  
MEETING OF WEDNESDAY, MAY 07, 2025**

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**SUBJECT     2026 Service and Financial Planning Guidelines**

**ISSUE SUMMARY**

This report provides guidelines for annual service and financial planning and highlights key budget considerations.

**BACKGROUND**

The Capital Regional District (CRD) has commenced its 2026 service and financial planning processes. Board priorities, corporate plan initiatives and core service delivery form the foundation of the 2026 to 2030 Five-Year Financial Plan. Appendix A outlines the overall corporate planning process, while Appendix B provides details about the timeline specific to the planning cycle.

The 2026 cycle outlines the fourth and final year of the CRD Board-approved 2023 to 2026 CRD Corporate Plan, as well as plans for future years. The Corporate Plan specifies initiatives intended to enhance service delivery in alignment with Board priorities. It also includes initiatives that address core service mandates, regulatory requirements and the need to keep pace with population growth while maintaining service levels.

During this budget cycle, staff will incorporate the outcomes of CRD Evolves 2024-2025 into core budgets. This corporate organizational plan intends to address duplication, centralization and scaling of existing services while improving efficiency and capacity. Cross-functional teams began implementation in January 2025, with further changes planned for July 2025.

The organization is addressing several challenges impacting its operating environment as it plans for 2026 and beyond. Following the recommendations from the Chief Administrative Officer at the March 12, 2025 Board meeting, the Executive Leadership Team (ELT) has adopted a two-step strategy for service planning for 2026:

1. A pause on staffing requests for 2026
2. A re-assessment of initiatives previously identified for 2026, including those with multi-year requirements, those driven by CRD Evolves, or those identified by each general manager as essential to their department's frontline services

The ELT evaluates all proposed initiatives during the spring and develops a recommended package of work for Board approval in the fall. The impacts of these initiatives will be summarized and presented with the 2026 service plans, known as Community Need Summaries. The provisional budget will be presented at the Committee of the Whole meeting scheduled for October 29, 2025. Similar to previous years, this report suggests planning guidelines considering various trends, assumptions and factors influencing the organization.

## **ALTERNATIVES**

### *Alternative 1*

The Finance Committee recommends to the Capital Regional District Board:  
That the service and financial planning guidelines be approved, and that staff be directed to prepare the draft financial plan review based on the timeline presented.

### *Alternative 2*

That this report be referred back to staff for additional information.

## **IMPLICATIONS**

### *Alignment with Board & Corporate Priorities*

The guidelines are the policies, practices and assumptions by which the Board and staff allocate resources to implement the Corporate Plan. These guidelines are periodically reviewed and adjusted based on current economic trends and financial health targets for the organization. Aligning the financial plan with strategic priorities and financial management strategies ensures service delivery is efficient and effective. The 2026 financial planning process will incorporate feedback from various commissions, committees and the Board.

In 2026, staff will prioritize programs and initiatives that:

- Align with Board priorities or Corporate Plan initiatives;
- Implement capital commitments and investments; and/or
- Ensure the maintenance of core service levels following regulatory changes or address safety risks to customers, communities, or staff; and
- Do not affect the Staff Establishment Chart, unless otherwise directed by the Board or a standing committee or commission.

### *Financial Implications*

## **Financial Planning Guidelines**

The financial planning guidelines provide recommendations to the organization regarding management practices related to surpluses, reserves, debt and cost containment measures. These guidelines aim to optimize revenue needs and minimize requisition increases. The guidelines are influenced by the analysis of areas such as economic conditions, core service levels, infrastructure investment and financial management strategies.

## **Economic Conditions**

The financial plan relies on ongoing analysis and monitoring by staff of economic drivers and assumptions, with a focus on understanding their impact on both service delivery and financial performance. Highlights of key interrelated economic indicators in this report include interest, inflation and unemployment rates and population growth.

The Canadian economy grew by 0.6% in the fourth quarter of 2024, following a 0.5% increase in the third quarter<sup>1</sup>. Preliminary data showing 0.4% growth in January 2025 suggesting the year began on a stronger footing<sup>2</sup>. However, historic data has become less relevant in light of escalating trade risks, both realized and anticipated, which have weighed on consumer confidence heading into March 2025. In response to heightened economic uncertainty and the potential resurgence of inflationary pressures, the Bank of Canada reduced its overnight rate to 2.75% in March 2025.

British Columbia's (BC) economy showed moderate growth entering 2025 significant risks persist, notably from heightened global trade tensions, including current and potential United States (US) tariffs. While BC's real gross domestic product (GDP) growth is projected to accelerate modestly to 1.8% in 2025 and further to 1.9% in both 2026 and 2027, uncertainties arising from restrictive trade policies continue to weigh on growth expectations in the near term<sup>3</sup>. Inflation trends through February 2025 remained moderate. The recently approved BC budget assumes provincial inflation will ease to 2.2% in 2025, down from 2.6% reported in 2024. It further projects inflation to decline to 2.1% in 2026 and 2.0% in 2027, reflecting expectations of continued economic stabilization<sup>4</sup>.

Greater Victoria reported an average annual inflation rate of 2.4%, with provincial and Vancouver rates slightly higher at 2.6% and 2.5%, respectively. Nationally, the national rate was modestly lower at 2.3%<sup>5</sup>.

As of March 2025, the Greater Victoria unemployment rate was 3.6%, well below the provincial, national and Vancouver rates of 6.0%, 6.6% and 6.7% rates, respectively<sup>6</sup>. Tangentially related, the cumulative impact of labour cost escalation in Greater Victoria has been influenced by various drivers including housing, transportation and other collective bargaining agreements.

Since 2011, Greater Victoria has experienced a 25% increase in population, including a 1.6% annual growth in 2024<sup>7</sup>. This population growth continues to intensify pressure on CRD services, compounding regional challenges while driving increased demand for CRD services.

In response to these economic conditions and in alignment with historical planning guidelines, the ELT has set the 2026 target inflation rate for service and financial planning at 1.8%, consistent with the Royal Bank of Canada forecast. This rate will serve as the benchmark for the consolidated requisition increase per household, excluding municipal debt.

As shown in Appendix D, the five-year consolidated requisition forecast includes multi-year projects, programs and initiatives already underway. The budget increase for 2026 is not directly correlated with the target inflation rate for service and financial planning of 1.8%. A number of in-flight activities including annualization of initiatives introduced in prior years, the implementation of new services and increasing debt obligations for existing capital commitments will result in a budget increase in 2026 higher than the target inflation rate.

<sup>1</sup> Statistics Canada: <https://www150.statcan.gc.ca/n1/daily-quotidien/250228/dq250228a-eng.htm>

<sup>2</sup> RBC Economics: <https://thoughtleadership.rbc.com/canadian-gdp/>

<sup>3</sup> BC Budget – Economic Outlook (page 13): [https://www.bcbudget.gov.bc.ca/2025/pdf/2025\\_Budget\\_and\\_Fiscal\\_Plan.pdf](https://www.bcbudget.gov.bc.ca/2025/pdf/2025_Budget_and_Fiscal_Plan.pdf)

<sup>4</sup> BC Budget (page 84): [https://www.bcbudget.gov.bc.ca/2025/pdf/2025\\_Budget\\_and\\_Fiscal\\_Plan.pdf](https://www.bcbudget.gov.bc.ca/2025/pdf/2025_Budget_and_Fiscal_Plan.pdf)

<sup>5</sup> BC Stats CPI report at: [https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi\\_highlights.pdf](https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_highlights.pdf)

<sup>6</sup> Statistics Canada Table 14-10-0459-01 "Labour force characteristics by census metropolitan area, three-month moving average, seasonally adjusted": <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410045901>

<sup>7</sup> BC Population Estimates: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates>

The CRD continues to manage rising cost pressures through continuous improvement, service optimization and disciplined financial stewardship. Strategic use of tools such as revenue diversification, asset leveraging and reserve management supports the organization's ability to meet annual budget targets. The CRD polices on operating and capital reserves help monitor funding status and inform debt capacity, particularly in an environment of ongoing interest rate uncertainty.

### **Financial Capacity**

The CRD's organizational capacity is linked to both current and projected financial capacity. Following established CRD financial management strategies, capacity is regularly evaluated to inform target-setting and manage upper financial limits. As growth continues to affect service delivery, financial forecasting provides critical visibility into associated impacts—enabling proactive mitigation and reduction of financial risk.

Given the complexity and variability of factors influencing revenue projections, sensitivity analysis is used to estimate approximately the financial capacity in future years. The 2026 requisition increase is forecasted to be 6%, with a potential range from 5% to 11%. The range is influenced by past commitments and Board approvals, including a loan authorization in the Land Banking & Housing service, the establishment of new regional services such as Transportation and Foodlands, capital cost-sharing commitments for health infrastructure through the Hospital District, and previously approved loan authorization bylaws.

Debt management is an essential part of our financial strategy, ensuring that borrowing decisions align with both operational demands and long-term asset needs. Regular assessments of overall debt levels, alongside available borrowing capacity under current loan authorization bylaws, position the organization to respond effectively to evolving financial and service delivery pressures.

### **Core Service Levels**

The CRD Board's 2023-2026 strategic priorities form the basis of the Corporate Plan and service plans. The five-year financial plan will adjust timing, scope and cost estimates.

Service delivery costs include capital and operating expenses like salaries, benefits, debt servicing, materials and equipment. These expenses are influenced by economic conditions such as unemployment rates, US tariffs, supply and demand and contractual agreements.

Growth in core services over the past five years has been driven by community needs outlined in the Corporate Plan. On April 30, 2025, the CRD Board met to review service delivery and evaluate its efficacy as organizational priorities continue to evolve.

### **Financial Management Strategies**

Financial management strategies incorporate essential financial objectives into organizational decision-making and operations. Appendix C summarizes the existing financial management strategies outlined for corporate planning.

## **Infrastructure Funding**

There are plans in place or under development across the CRD, reflecting a long-term view for asset investments and levels of service. The 2019 Board-approved Corporate Asset Management Strategy and Policy set activities required in planning and managing infrastructure assets of the organization.

Initiatives include development and completion of:

- Sustainable Service Delivery (asset management) plans to maintain and replace existing assets in the short, medium and long-term
- Operationalizing asset management practices into day-to-day asset lifecycle activities
- Financial guidelines aimed at optimizing reserves and borrowing capacity, while lowering current costs and diversifying revenue

## **Public Engagement**

As in prior years, public engagement on the financial plan is considered an integral part of the process. The CRD continually seeks to improve on this process by developing a plan reflective of community desired methods of engagement. Ongoing opportunities for public input through committee, commission and Board meetings will be available throughout the year.

## **CONCLUSION**

Board priorities, Corporate Plan initiatives and core service delivery form the foundation of the 2026 to 2030 Five-Year Financial Plan. To proactively influence the planning process, this report recommends planning guidelines in the context of observed trends, assumptions and drivers impacting the organization. The guidelines are the policies and assumptions by which the Board and staff determine the most appropriate allocation of resources to deliver the Corporate Plan.

## **RECOMMENDATION**

The Finance Committee recommends to the Capital Regional District Board:  
That the service and financial planning guidelines be approved, and that staff be directed to prepare the draft financial plan review based on the timeline presented.

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## **ATTACHMENTS**

- Appendix A: Corporate Planning Framework
- Appendix B: Financial Planning Timetable-Service and Financial Planning Guidelines
- Appendix C: Financial Management Strategies
- Appendix D: Consolidated Five-Year Requisition Forecast