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**REPORT TO THE FINANCE COMMITTEE  
MEETING OF WEDNESDAY, JULY 05, 2023**

**SUBJECT** Bylaw No. 4558: 2023 to 2027 Financial Plan Bylaw, 2023, Amendment No. 1, 2023

**ISSUE SUMMARY**

The 2023 to 2027 Financial Plan was adopted on March 29, 2023. Amendments to the Plan are required to authorize revised operating and capital expenditures.

**BACKGROUND**

The Capital Regional District (CRD) Board approved the 2023 to 2027 Financial Plan (Amended Bylaw No. 4537) on March 29, 2023. Amendments are required in accordance with Section 374(2) of the *Local Government Act* (LGA), which states that the financial plan may be amended at any time by bylaw to incorporate changes in budget, for certainty. As new information becomes available and pursuant with Section 374 of the LGA, the CRD Board may further revise the financial plan.

The following table highlights the 2023 impact of the proposed amendments to the five-year 2023-2027 Financial Plan.

SERVICE	DESCRIPTION	BUDGET	FUNDING	NET IMPACT	COMMITTEE / COMMISSION APPROVAL
Fulford Water	Increase in project budget for the installation of turbidity meter at Water Treatment Plant	Capital	Reserve Fund	\$3,500	Fulford Water Service Commission 12-Jun-2023
	Increase in project budget for the Replacement of the impellers at the Sunnyside pump station	Capital	Reserve Fund	\$4,400	
SGI Small Craft Harbour	Increase in costs and scope for the Miners Bay Revitalization Project	Capital	Grant, Donation	\$60,000	Southern Gulf Islands (SGI) Harbours Commission 21-Apr-2023

SERVICE	DESCRIPTION	BUDGET	FUNDING	NET IMPACT	COMMITTEE / COMMISSION APPROVAL
Highland / Fernwood Water	Increase in costs for the Water Intake Project	Capital	Grant, Reserve Fund	\$53,000	Fernwood and Highland Water Service Commission 6-Apr-2023
Beddis Water	Increase in costs for the Construction of Water Intake Project	Capital	Grant	\$66,000	Beddis Water Service Commission 6-Apr-2023
Regional Water Supply	Next phases of Development Cost Charge (DCC) Program development and bylaw	Capital	Capital Funds on Hand	\$250,000	Regional Water Supply Commission 27-May-2023
	Deferral of planned spending from various growth-related projects	Capital	Capital Funds on Hand	\$(250,000)	
Human Resources	Human Resource Information System (HRIS) – Success Factors customization	Capital	Capital Funds on Hand	\$268,000	Staff Recommended
Core Area Wastewater Capital	Accelerated community amenity contribution to Esquimalt regarding Core Area Wastewater Treatment Plant	Capital	Capital Funds on Hand	\$923,000	Staff Recommended
Salt Spring Island (SSI) Grant-in-Aid	Increase in Unspecified Grant -in-Aid to be allocated through Grant-in-Aid process	Operating	Donation	\$5,000	Staff Recommended
Hazardous Material Incident Response	Operational Review of Emergency Hazmat Team Program	Operating	Reserve Fund	\$50,000	Staff Recommended

<b>SERVICE</b>	<b>DESCRIPTION</b>	<b>BUDGET</b>	<b>FUNDING</b>	<b>NET IMPACT</b>	<b>COMMITTEE / COMMISSION APPROVAL</b>
Regional Emergency Program Support	Regional Tabletop Exercise	Operating	Grant	\$50,000	Staff Recommended
Core Area Wastewater Operations	Residuals Treatment Facility (RTF) Waste Sludge Disposal	Operating	Reserve Fund	\$2,121,000	Core Area Liquid Waste Management Committee 28-June-2023
	Decrease in anticipated revenue from Saanich Peninsula Wastewater (SPWW)	Operating	Reserve Fund	\$900,000	

The proposed Financial Plan amendment Bylaw No. 4558 incorporates these changes, and is attached as Appendix A, inclusive of an updated Schedule B.

**ALTERNATIVES**

*Alternative 1*

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4558, “2023 to 2027 Financial Plan Bylaw, 2023, Amendment Bylaw No. 1, 2023”, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4558 be adopted.

*Alternative 2*

That Bylaw No. 4558 be deferred pending further analysis by Capital Regional District staff.

**IMPLICATIONS**

*Financial Implications*

Fulford Water Service

On June 12, 2023, the Fulford Water Service Commission approved a \$3,500 increase, from \$4,500 to \$8,000, for the Installation of Turbidity Meter at Water Treatment Plant project, to include additional funds for the construction phase. This will be funded from Capital Reserve Fund.

Also on June 12, 2023, the commission approved a \$4,400 increase, from \$6,600 to \$11,000, for the Replacement of Impellers in the Pumps at Sunnyside Station project, to include additional funds for the construction phase. This will be funded from Capital Reserve Fund.

These projects were first included in the 2021-2025 Five-Year Capital Plan. The budget increases are due to more accurate estimates of supply and installation costs that reflect cost increases due to inflationary pressures.

#### SGI Small Craft Harbours Facilities

On April 21, 2023, the SGI Harbours Commission approved a \$60,000 increase to the Miners Bay Upgrade project, from \$30,000 to \$90,000, to include additional funds for wharfhead deck resurfacing, as well as the re-scoping of work to include the installation of new handrails, benches and a small shelter. This will be funded from Community Works Funds (\$30,000), and donations from local organizations \$(30,000).

#### Highland / Fernwood Water Service

On April 6, 2023, the Fernwood and Highland Water Service Commission approved a \$53,000 increase to the Water Intake project, from \$147,000 to \$200,000, to include additional funds for the construction of intakes and onshore piping. Cost estimates have subsequently increased due to inflationary pressure. This will be funded from Community Works Funds (\$43,000) and Capital Reserve Fund (\$10,000).

#### Beddis Water Services

On April 6, 2023, the Beddis Water Service Commission approved a \$66,000 increase to the Beddis Water Intake project, from \$172,725 to \$238,725, to include additional funds for the construction of intakes and onshore piping. Cost estimates have subsequently increased due to inflationary pressure. This will be funded from Community Works Funds.

#### Regional Water Supply Service

On May 17, 2023, the Regional Water Supply Commission approved a \$250,000 increase to the Regional Water DCC Program project, from \$200,000 to \$450,00, to proceed with the next phases of developing and implementing a Development Cost Charge program and bylaw. This increase is offset by deferring spending on several growth-related capital projects on the current Capital Plan.

#### Human Resources

As a result of increased complexity discovered during migration of existing data and system architecture, there is an increase in forecasted costs to the HRIS project. Remediating customization and addressing quality of data has increased scope and effort for both the CRD project team and vendor resources. In addition, the project timeline requires an extension of seven weeks related to key vacancies within the project team. Net of budgeted staff costs the incremental cost to the project is estimated to be \$268,000 (for a revised total project estimate of \$1,116,000). This will be funded from reserve.

#### Core Area Wastewater Capital

In accordance with the Host Community Impact Agreement for the Core Area Wastewater Treatment Plant (CAWTP) project, Esquimalt is entitled to an amenity payment to be used for

funding capital works in the Township of Esquimalt. In the 2023-2027 Capital Plan, the \$923,000 payment was originally allocated for 2024. However, the Township of Esquimalt anticipates that the project will be completed by July 2023, and the payment for the project is expected to be made in September 2023.

To align the budget with the project timeline, staff recommend a capital amendment to move this \$923,000 from the 2024 budget to the 2023 budget. As planned, this will be funded from the remaining capital funds on hand from the CAWTP project.

#### SSI Grants-in-Aid

On March 1, 2023, the SSI Grant-in-Aid service received a \$5,000 donation to be awarded to SSI grant applicants through the standard Grant-in-Aid award process.

#### Hazardous Material Incident Response

The 2023 Community Need Summary for Protective Services identified that the CRD's Emergency Hazmat Team program, established in 2008, would benefit from an operational review to ensure program effectiveness, cost efficiency and compliance with current standards. The 2023 operating budget included \$25,000 for an operational review. A request for proposal was conducted and the lowest qualified bid was approximately \$75,000. To advance this work, staff recommend a \$50,000 increase, from \$25,000 to \$75,000, to fund the operational review. This will be funded from Operating Reserve Funds.

#### Regional Emergency Program Support

On March 17, 2023, the Regional Emergency Program Partnership (REMP) received a non-application grant of \$50,000 from the Ministry of Emergency Management and Climate Readiness. The funds are to be used to develop and conduct a regional tabletop exercise with the communities within the capital region, to examine how these partners can work together to support a coordinated cross-jurisdictional evacuation in the event of a disaster of regional significance.

#### Core Area Wastewater Operations

On June 28, 2023, the Core Area Liquid Waste Management Committee recommended to the CRD Board to amend the 2023 financial plan to increase operating expenditures (this is currently subject to CRD Board approval). Current landfilling of biosolids and production of biosolids growing medium has increased disposal costs significantly to the core area wastewater service, while staff continue to explore short term biosolids management contingency options. Despite a reduction in trucking costs without shipping waste to Lafarge, costs overall have increased due to additional costs to ready waste for landfilling and to pay tipping fees.

Considering the forecast for the remainder of 2023, staff estimate a \$2,121,000 increase in expenses, from \$600,000 to \$2,721,000. These additional costs will be funded from operating reserves.

With respect to the revenues anticipated from the Saanich Peninsula Wastewater Service (SPWW) service, receiving the SPWW residual solids is not yet possible at the Residuals

Treatment Facility (RTF). The revenue shortfall of \$900,000 will be funded from operating reserve funds.

**CONCLUSION**

In compliance with the *Local Government Act*, the proposed amending Bylaw No. 4558 authorizes the changes required to the 2023 to 2027 Financial Plan Amended Bylaw No. 4537, which the CRD Board approved on March 29, 2023.

**RECOMMENDATION**

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4558, “2023 to 2027 Financial Plan Bylaw, 2023, Amendment Bylaw No. 1, 2023”, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4558 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Acting Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENT**

Appendix A: Bylaw No. 4558, with Schedule A and B