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REPORT TO THE CAPITAL REGIONAL DISTRICT BOARD MEETING OF WEDNESDAY, APRIL 10, 2024

SUBJECT **CAO Quarterly Progress Report No. 1, 2024**

ISSUE SUMMARY

To provide the Board with a quarterly update on Corporate Activities and Initiatives, progress made on the 2023-2026 Board and Corporate Priorities, Capital and Operating Budget Variances, and Human Resources and Corporate Safety statistics up to March 31, 2024.

BACKGROUND

In February 2023, the Board approved the *CRD Board Strategic Priorities 2023-2026* (the “*Board Priorities*”) that identifies five strategic priorities with 16 initiatives to be advanced over the four-year term. The Board Priorities Dashboard tracks progress on the Board and Corporate strategic priorities and will be presented quarterly to the Board. Core service priorities are prepared and reviewed annually in departmental Service Plans in alignment with Board and Corporate Priorities, with corresponding KPIs and other service information that is approved by the Board. The Capital Regional District (CRD), Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC) Financial Plans are reviewed and approved annually, and staff have developed a quarterly variance report to highlight differences between budget and actual expenditures on operating budgets and capital projects over \$500,000. An update on non-confidential human resources matters, including labour relations and workforce trends is also included in this report.

DISCUSSION

Corporate Activities and Initiatives

Appendix A highlights corporate activities and initiatives in the last quarter and a number of photographs have been included to present announcements and events that occurred in this quarter.

On January 16, 2024, paa?ciid?atx (Pacheedaht) First Nation and the CRD signed a Memorandum of Understanding (MOU) formalizing their government-to-government relationship. By outlining priority topics for collaboration and principles for working together, this MOU will directly support the creation of new processes for respectful and reciprocal government-to-government decision-making.

This year’s Lunar New Year celebrations began on February 10, 2024. Based on the Chinese zodiac, 2024 is the Year of the Dragon which symbolizes power, nobility, honour, luck and success. The CRD was very fortunate to have permission to share the original artwork of Bonnie Lu, who is the daughter of Lia Xu, Manager, Local Services and Corporate Grants with the CRD. Bonnie’s artwork was used in our corporate acknowledgement of Lunar New Year.

On January 17, 2024, the CRD held its first Provisional Budget Virtual Information Session inviting members of the public to an online information session about the 2024 Provisional Financial Plan. This session provided an opportunity to learn how the regional district develops budgets, makes decisions, and delivers services with consideration of community needs and impact on taxpayers. The presentation included an overview of the 2024 taxes, rates, and consolidated budget figures as well as key capital projects planned, and there was an opportunity for questions and answers.

On February 16, 2024, the federal and provincial governments, alongside the CRD and Songhees Nation announced nearly \$24 million to help create 66 below-market homes at 1502 Admirals Road, located on Songhees Nation Land. This project is the result of a partnership between the Songhees Nation, the Province, through BC Housing, the federal government, through the Canada Mortgage and Housing Corporation (CMHC) and the Capital Region Housing Corporation. The homes will be operated by M'akola Housing Society with an expected completion date in early 2025.

March 1 marked the annual recognition of National Employee Appreciation Day. To celebrate this day, we encouraged employees to take a moment to reflect on their personal achievements, strengths, and the contributions they make to the CRD. We thank them for their steadfast commitment to our region and the important work that they do. CRD employees are the backbone of our success, and we recognize that we are successful due to their dedication.

On March 21, 2024, the CRD honoured employees with 20, 25, 30 and 35 years of service at the annual Career Service Recognition event. This year 18 employees were recognized and on behalf of the CRD, we extend our congratulations and gratitude to all of these employees who have achieved these significant milestones, for their ongoing dedication and the invaluable contributions they make.

Regional Water Supply Commission members gathered for a photo at their Commission meeting in March to celebrate World Water Day. World Water Day is held annually on March 22 as a means of focusing attention on the importance of freshwater and advocating for the sustainable management of freshwater resources. It is also a day to celebrate Water Operators and Water Professionals for their dedication and tireless work in keeping water flowing and ensuring communities have a safe and clean drinking water supply.

The CRD has won the three GFOA US & Canada awards referred to as the Triple Crown. The Distinguished Budget Presentation Award, Achievement of Excellence in Financial Reporting, and the Popular Annual Financial Reporting Award. The Distinguished Budget Presentation Award recognizes local government budget documents of the highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting. The Achievement for Excellence in Financial Reporting encourages local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure. Finally, the Popular Annual Financial Reporting Award encourages local governments to extract information from their comprehensive annual financial reports to produce high quality and popular annual reports designed to be readily accessible and easily understandable to the general public.

Board Priorities and Corporate Plan Initiatives

In April 2023, the CRD Board approved the CRD 2023 – 2026 Corporate Plan (the Corporate Plan) that identifies 134 initiatives to be advanced over the four-year term. Progress on the Board Priorities and Corporate Plan initiatives from January 2023 to date is reflected in Progress Report Q1, 2024, as Appendix B. The “Comments” section provides a summary of completed actions as well as any issues or problems that have arisen that may impact progress on the priority. The “Next Steps” section identifies future planned actions and associated timing. Attached as Appendix C is the Board Priorities Dashboard Summary of Completed Actions.

Board Advocacy

On August 9, 2023, staff brought forward a report to the CRD Board with the updated CRD Advocacy Strategy, which was approved, attached as Appendix D, to form the basis for individual advocacy initiatives. An Advocacy Dashboard based on the Board's Strategic Priorities for 2023 - 2026 has been prepared which tracks the ongoing advocacy work being done by the CRD Board, partners, and staff.

Progress on advocacy is reflected in the Advocacy Dashboard Progress Report Q1, 2024 as Appendix E.

Operating Variance Financial Report – Q4, 2023

The Financial Operating Variance Report details the quarterly operating variance through to the fourth quarter. The financial variance report lags by one quarter to allow time for financial reconciliation prior to reporting. The report compares year-to-date results against the annual budget for services with expenditures greater than \$1.5 million. These services constitute approximately 86% of the consolidated financial plans for the CRD, CRHD, and CRHC.

The amount of budget expended through the quarter will vary from service to service based on planned expenditures, seasonality, and transaction timing. For example, while services funded by requisition await their third quarter funding, utility and distribution services receive sales revenue spread more evenly throughout the year, subject to seasonality.

The quarterly Financial Operating Variance Report (Appendix F) highlights expense and revenue while outlining treatment of surplus or deficits at year end.

Revenue and expenses throughout 2023, as a percentage of planned budget, is largely in line with the same period and timeframe as 2022 for both revenue and expenses.

Capital Regional District

In summary, the forecast shows the majority of service budgets are generally in line with the annual budgets. Many of these budgets provide essential services to our communities such as delivery of water, wastewater management, and solid waste.

Variances are forecasted in the Regional Housing Trust Fund due to timing of grant funding requests, and for Core Area Wastewater Operations due to savings on utilities, chemicals, and repairs and maintenance, as well as for Legislative and General services related to staff vacancies.

Higher than budgeted revenue has also contributed to favourable forecast variances for a select number of services, including Environmental Resource Management which is forecasting higher solid waste revenue due to refuse and biosolids volumes in 2023.

Recreation Centres at Panorama, SEAPARC and Salt Spring Island are continuing to experience higher demand for their programs and facilities, which continues to grow since the pandemic. This impacts both increased operational costs and increased revenues across these recreation services.

All of the 2023 year-end budget information was reported with the 2024 final budget package.

Capital Regional Hospital District

The report highlights minor savings resulting from the deferral of feasibility studies to 2024, and lower debt costs due to timing of spending on Island Health capital projects. Otherwise, the CRHD operations continued as planned.

Capital Region Housing Corporation

The actuals for CRHC are presented by portfolio and reflects the realized cost savings and revenue variances for the 2023 year.

Specific details on CRD, CRHD and CRHC expense and revenue forecasts are outlined in Appendix F.

Capital Variance Financial Report – Q4, 2023

The Capital Variance Financial Report (Appendix G) highlights variances on actual expenditures from the quarterly and annual capital budgets for all entities (CRD, CRHD and CRHC). The report covers all capital projects with a budget greater than \$0.5 million.

The Capital Plan is budgeted quarterly, reflecting the scope and schedule of initiatives. Forecasts are also updated quarterly, enhancing the accuracy and detail of project updates as the year progresses and tenders are finalized. As quarters progress through the year and tenders complete, the expectation is that activities and accuracy will increase.

Capital Regional District

Capital expenditures on projects greater than \$0.5 million totaled \$13.6 million in the fourth quarter, 49% below forecasted costs of \$26.6 million. The \$12.9 million variance can be largely attributed to:

- A delay in the Cell 4 liner installation at the Hartland Landfill, accounting for \$2.9 million;
- A delay in the 2023 phase of the Gas Utilization project at the Hartland Landfill, amounting to \$2.8 million;
- Delayed timing of construction of Gas Flare and Landfill Gas Blowers for Hartland Landfill, at \$1.7 million;
- Timing of completion for the Goldstream Pipe Replacement project in the Juan de Fuca Water Distribution service, now expected for the first quarter 2024, contributing \$0.8 million;
- Timing of weather-dependant construction for the Mayne Island Demonstration Trail, where completion is now expected for the third quarter 2024, contributing \$0.8 million.

Other variance contributors include design delays for the Contractor Workshop Relocation, contractor progress delays for the Aggregate Production for Internal Use and delays and timing adjustments for vehicle acquisitions within the Regional Water Supply, Juan de Fuca Water Distribution and Regional Parks services.

Capital Regional Hospital District

No expenditures were recorded for hospital district projects surpassing \$0.5 million in the third quarter. The capital contribution to the Regional Housing First Program was deferred to 2024.

Capital Region Housing Corporation

Capital expenditures on projects greater than \$0.5 million totaled \$9.9 million in the fourth quarter, a 27% shortfall from the \$13.6 million forecast. The primary reason for this variance was the construction draw timing for the Michigan Housing redevelopment. Additionally, excavation and foundation work for the Caledonia redevelopment occurred in the third quarter, pushing construction costs into future periods. Completion of the Caledonia redevelopment is forecast for 2025.

Human Resources Trends and Corporate Safety

Appendix H provides an analysis of current and emerging trends in workforce composition, turnover, promotions, absenteeism and occupational health and safety. The CRD continuously monitors human resource organizational health, and proactively modifies and adapts its Human Resource and Corporate Safety programs and systems where trends may show challenges arising.

The CRD continues to experience increased pressures associated with economic conditions, a highly competitive labour market, and a steady number of retirements, trends that have continued into 2024. Local governments are becoming increasingly more complex as our role and responsibilities continue to evolve, and this continues to place more demand to secure more specialized labour. The CRD continues its significant efforts in engaging work strategies and organizational development initiatives, workforce planning, and impactful talent acquisition and outreach strategies, including work to modernize the work environment through our Alternative Work Options (AWO) program (earned time off and/or compressed work week alternatives), hybrid work from home, and workplace flexibility initiatives, all which were introduced and enhanced in mid-2023.

The AWO program builds upon our flexibility initiatives:

- providing employees with greater flexibility and work life balance, which in turn supports the retention of our employees and ensures the CRD is a competitive employer who takes into consideration employee circumstances including diversity, equity and inclusion, employee engagement, satisfaction, health and wellness;
- ensuring organizational and business needs are being met and are effective and efficient; and
- contributing to the CRD's climate action goals regarding sustainability including the reduction of CO2 emissions by decreasing work related travel.

Since implementation, 68% of eligible CRD employees have elected to participate in our workplace flexibility and AWO program. 67.5% of participants have been engaged in earned time off or compressed work week schedules; 24.7% in hybrid work from home arrangements; and 7.7% in other flexibility programs. A number of these AWO arrangements – approximately 20% - also involve variations in work schedules, including alternate start and end times or workdays, or other flexibility measures to balance work and personal circumstances.

Our AWO and workplace flexibility initiatives have had a positive impact in our employee engagement, retention, and recruitment initiatives. In 2023, the CRD experienced a 34% reduction in sick leave usage and a 37% reduction in employee turnover over the previous 2022 calendar year. We are seeing similar trends for 2024 and will keep monitoring further to evaluate the impact our program has on employee and workplace health. In addition, our hybrid work from home arrangements have had a direct and positive impact on our CRD Regional transportation goal of reducing congestion in the morning and afternoon peak periods by upwards of 9,300 trips since

program implementation, based on regional census journey calculations. We will continue to monitor our program on a regular basis to ensure our core targets are being met and maintained.

The CRD's proactive and positive focus on workplace health and safety remains a top of priority, and the CRD's comprehensive occupational health and safety (OHS) strategy, which is aligned with OHS best practice standards, meets or exceeds requirements of the WorkSafeBC approved municipal Certificate of Recognition (CoR) program. The CRD continues to experience a positive (merit) situation with WorkSafeBC which, when combined with our CoR program is resulting in a 43% better-than-industry Employer Rating Assessment and 43% premium reduction over industry base rates.

Corporate Strategies

For the past several years, organizational development has been guided by the 2017 CRD Organizational Development Plan (ODP) which was prepared to ensure the organization as a whole was engaged, responsive, adaptive, and aligned with corporate priorities and our service delivery mandates. The ODP outlined a number of goals and actions based on input from a multitude of internal sources that were largely achieved over subsequent years.

Looking ahead, organizational development will be guided in a more focused but complementary way, through specific strategic plans prepared in each of the key organizational support divisions including, People, Safety and Culture; Corporate Communications and Engagement; Finance; and Technology and Digital Transformation. Each of the divisional strategic plans will set out a set of strategic priorities and specific initiatives and actions that will be implemented to support the priorities and anticipated needs of the division and the organization. The strategic priorities and initiatives and actions have been informed by the Corporate Plan and other corporate strategies and plans, as well as division specific situational analysis, service reviews, guiding principles, and trend scan. Although most of the initiatives and actions will be supported and delivered with existing divisional capacity, any new resources required to support implementation will be identified through the annual budget cycles. All of the plans align with and support the implementation of the Corporate Plan and will be reviewed annually and updated on a four-year cycle (2024-2027). Progress reporting will occur through the CAO Quarterly Reports to the CRD Board.

The first two divisional strategic plans have been completed:

A comprehensive People, Safety and Culture Strategic Plan has been developed and is attached as Appendix I. Aligning with the Corporate Plan and Board Strategic Priorities, significant efforts and actions will be placed on enhancing efforts around our people and culture. Included in the Plan are robust strategies and outcomes around: Equity, Diversity, Inclusion and Accessibility; Organizational Capacity; Talent Excellence; Employee Experience and Recognition; Talent Acquisition; and People, Safety and Culture Excellence. These activities ensure the organization is supported in this key service area, and the CRD remains competitive and is an employer of choice in the competitive market.

The Corporate Communications and Engagement Strategic Plan also aligns with the Corporate Plan and Board Strategic Priorities. The Corporate Communications Division supports the Board, Executive Leadership Team and the organization by providing strategic advice and support to ensure information is communicated internally and externally appropriately through various channels. This is accomplished through the development and application of guidelines, tools, and initiatives that foster engagement and provide the public and employees with access to accurate, timely and consistent information. The Corporate Communications and Engagement Strategic Plan is attached as Appendix J.

CONCLUSION

The CAO Quarterly Progress Report No. 1 - 2024 provides the Board with a quarterly update on Corporate Activities and Initiatives, progress made on the 2023-2026 Board and Corporate Priorities, Capital and Operating Budget Variances, and Human Resources and Corporate Safety statistics up to March 31, 2024.

RECOMMENDATION

There is no recommendation. This report is for information only.

Submitted by:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer
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ATTACHMENT(S)

- Appendix A: Photographs of Corporate Activities and Initiatives
- Appendix B: Board Priorities Dashboard Progress Q1, 2024
- Appendix C: Board Priorities Dashboard – Summary of Completed Actions
- Appendix D: Staff Report: Capital Regional District Advocacy Strategy
- Appendix E: Advocacy Dashboard Progress Q1, 2024
- Appendix F: Operating Variance Financial Report Q4, 2023
- Appendix G: Capital Variance Financial Report Q4, 2023
- Appendix H: Human Resources Trends and Corporate Safety
- Appendix I: People Safety and Culture Strategic Plan
- Appendix J: Corporate Communications and Engagement Strategic Plan