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**REPORT TO THE CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, SEPTEMBER 13, 2023**

SUBJECT Bylaw No. 4570: 2023 to 2027 Financial Plan Bylaw, 2023, Amendment No. 2, 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 Bylaw No. 4537, “2023 to 2027 Financial Plan Bylaw, 2023,” on March 29, 2023, and subsequently approved Bylaw No. 4558, “2023 to 2027 Financial Plan Bylaw, Amendment Bylaw No. 1, 2023” on July 12, 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 required amendments to the five-year 2023-2027 Financial Plan since the last amendment.

SERVICE	DESCRIPTION	BUDGET	FUNDING	NET IMPACT	COMMITTEE / COMMISSION APPROVAL
Environmental Resource Management	Hartland North Scale Software and Hardware Installation	Capital	Capital Funds on Hand	\$400,000	CRD Board 12-Jul-2023
	Hartland Beneficial Use Processing Area Project	Capital	Capital Funds on Hand	\$300,000	
	Hartland Biosolids Mixing Area Project	Capital	Capital Funds on Hand	\$200,000	
Regional Parks	Potential Land Acquisition	Capital	Capital Reserve / Debt	\$5,000,000	CRD Board 07-Jun-2023
	Mayne Island Regional Trail	Capital	Capital Reserve Fund / Grant	\$900,000	Regional Parks Committee 24-May-2023

SERVICE	DESCRIPTION	BUDGET	FUNDING	NET IMPACT	COMMITTEE / COMMISSION APPROVAL
Regional Parks	Lochside Trail Paving	Capital	Capital Funds on Hand / Donation	\$232,000	Regional Parks Committee 24-May-2023
	Elk Lake Oxygenation Project	Capital	Capital Reserve Fund	\$150,000	Staff Recommended
Salt Spring Island Transportation	Merchant Mews Pathway design Project	Capital	Capital Reserve Fund	\$16,400	CRD Board 09-Aug-2023
Debt-Core Area Wastewater Capital	Early Payout as per Financing Strategy	Operating	Debt Reserve Fund	\$4,341,430	CRD Board 09-January-2019

The proposed Financial Plan amendment Bylaw No. 4570 incorporates these changes, and is attached as Appendix A, inclusive of an updated Schedule A and Schedule B.

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4570, “2023 to 2027 Financial Plan Bylaw, 2023, Amendment Bylaw No. 2, 2023”, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4570 be adopted.

Alternative 2

That Bylaw No. 4570 be deferred pending further analysis by Capital Regional District staff.

IMPLICATIONS

Financial Implications

Environmental Resource Management

On July 12, 2023, the CRD Board approved three changes to the Environmental Resource Management (ERM) service and capital plan.

To accommodate the implementation of the updated Hartland Landfill tipping fee bylaw, \$300,000 is required to establish a Diversion Centre to accept and process mandatory recyclable materials and maximize solid waste diversion. There is currently no area available for accepting and processing mandatory recyclable materials. The Diversion Centre will be established at Phase 1 of the landfill, which will require the relocation of soil, aggregates and various gas wells/pipes. This project is funded from capital funds on hand.

A new capital project is required to provide a Biosolids Mixing Area at a cost of \$200,000, to support the CRD's short-term contingency plan for managing biosolids. This short-term management of biosolids requires mixing of the biosolids with one or more elements, such as sand and wood chips, to meet the design specifications. This will be funded from capital funds on hand.

An increase in budget is required from \$200,000 to \$600,000 for the ERM New Scale Software. The original estimate for the project was prepared in 2020 and was based on assumptions that hardware requirements would be minimal. Inflationary pressures as well as the development of the detailed design have resulted in additional costs of up to \$400,000. This work will ensure the Hartland North Scale will be fully operational. This project is funded from the capital funds on hand.

Regional Parks

On June 7, 2023, the CRD Board approved increasing funding for potential land acquisitions. Parkland acquisition is highly dependent on ability to secure desirable parcels as identified in Land Acquisition Strategy. The annual capital budget was set at \$5,000,000 per year as a base level, allowing the Board to pursue land acquisition opportunities as they arise. With this amendment, the CRD Board is now able to pursue new parkland acquisitions up to a total of \$10,000,000 in 2023. These acquisitions would be funded by utilizing existing reserve money for land acquisition and securing debenture debt.

On May 24, 2023, the Regional Parks Committee endorsed additional funding for the Mayne Island Regional Trail, and Lochside Trail Paving projects. The CRD received a BC Active Transportation grant of \$500,000 in February 2023 for the continued work on the Mayne Island Regional trail. This funding along with an additional \$400,000 capital reserve funding is required to complete the unforeseen increased excavation of materials, to achieve the safe grading of the trail and the installation of retaining walls in certain areas.

On June 2, 2023, the CRD received a donation from The Emerald Foundation through the Victoria Foundation of \$150,000 to be used to continue the paving of the Lochside Trail from Mills Road to Beacon Avenue in Sidney. This phase is part of a long-term project to improve the surfacing and safety of the Lochside Trail.

Staff have identified an additional \$150,000 is required to fund cost overruns on the Elk Lake Oxygenation Project. These increased costs relate to labour market delays and inflationary pressures for the Oxygenator System. Completion of the overall project is still planned for 2023. This increase will be funded from the capital reserve.

Salt Spring Island Transportation

On August 9, 2023, the CRD board approved a \$16,400 increase, from \$20,000 to \$36,400, for the design and project management costs of Merchant Mews Pathway project. This will be funded by the capital reserve fund.

This project was initiated in 2022, and a local not-for-profit organization, Island Pathways Society (IPS) was contracted to investigate, design and construct the pathway. The additional funding is required to provide ongoing CRD project management support to IPS in completion of the design

and allow re-submission of the application to the Ministry of Transportation and Infrastructure (MOTI) for a Permit to Construct and License of Occupation.

Debt-Core Area Wastewater

Outstanding debt borrowed under Bylaw No. 3887 on March 27, 2013, for works related to the Core Area Wastewater Treatment Plant (CAWTP) is due for repayment as specified in the CAWTP Financing Strategy approved by the CRD Board on January 9, 2019. The first debt issue of \$6.1 million, was issued in September 2013 with a 25-year repayment term. This issue is now eligible for early payout, 10 years after the date of issue. As planned, the Core Area Wastewater Treatment Service Debt Repayment Reserve Fund will be used to fund this debt retirement.

This strategy minimized annual debt servicing and interest costs during the initial 10-year term and mitigates the risk of interest rate fluctuations upon refinancing. Staff now recommend an amendment to the financial plan for 2023. This amendment is to transfer the remaining outstanding balance of \$4.3M from reserve, to be paid to Municipal Finance Authority in September 2023.

CONCLUSION

In compliance with the *Local Government Act*, the proposed amending Bylaw No. 4570 authorizes the changes required to Bylaw No. 4537, “2023 to 2027 Financial Plan Bylaw, 2023,” which the CRD Board approved on March 29, 2023 and subsequently amended on July 12, 2023.

RECOMMENDATION

1. That Bylaw No 4570, “2023 to 2027 Financial Plan Bylaw, 2023, Amendment Bylaw No. 2, 2023”, be introduced and read a first, second, and third time; and
2. That Bylaw No. 4570 be adopted.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
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ATTACHMENT

Appendix A: Bylaw No. 4570, “2023 to 2027 Financial Plan Bylaw, 2023, Amendment Bylaw No. 2, 2023” with Schedule A and Schedule B