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## REPORT TO THE CAPITAL REGIONAL DISTRICT BOARD MEETING OF WEDNESDAY, APRIL 08, 2026

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**SUBJECT**    2027 Service and Financial Planning Guidelines

### **ISSUE SUMMARY**

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

### **BACKGROUND**

The Capital Regional District (CRD) has commenced its 2027 service and financial planning processes. Board priorities and core service delivery requirements typically form the foundation of the 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.

In late 2026 the CRD will enter a period of transition as strategic priorities are established for the 2027 to 2030 Board term. Service level activity in the first year of the term ensures organizational continuity through the development of the 2027 to 2030 Corporate Plan and continued implementation of strategic initiatives that span Board terms. Given the transition year, staff aim to limit Initiative Business Cases (IBCs) to support approved initiatives and critical programs.

The organization is addressing several challenges impacting its operating environment as it plans for 2027 and beyond. Similar to the approach deployed in 2025 and 2026, the Executive Leadership Team (ELT) will prioritize all planned work for 2027 and will only bring forward staff resourcing requests to advance critical deliverables and newly established services. A critical need, in this context, is defined as initiatives required to meet legal, safety or risk management obligations and initiatives where postponements or cancellation would result in significant service disruption or other negative impacts.

IBCs will be reprioritized or rescope, with ELT determining which of these are included in the 2027 to 2031 financial plan. This ELT review will be completed in early spring and will develop a recommended package of work for Board approval in the early fall. As in prior years, this report recommends planning guidelines in the context of observed trends, assumptions and drivers impacting the organization.

The 2027 planning cycle will be accelerated to present the service plans and provisional budget at the Committee of the Whole meeting scheduled for September 23, 2026, ahead of the general election on October 17, 2026. This results in service and financial planning processes beginning earlier and the overall planning timeline contracted.

## **ALTERNATIVES**

### *Alternative 1*

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 organizational financial policies, practices and assumptions guide the Board and staff in allocating resources to implement the Corporate Plan. These 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 2027 financial planning process will incorporate feedback from various commissions, committees and the Board.

In 2027, staff will prioritize programs and initiatives that:

- Align with and, in some cases, continue to advance the 2023-2026 Board priorities or Corporate Plan initiatives;
- Implement capital commitments and investments;
- Ensure the maintenance of core service levels following regulatory changes or address safety risks to customers, communities or staff; and
- Have been explicitly directed to proceed by the Board or a commission or standing committee.

### *Financial Implications*

## **Financial Planning Guidelines**

The financial planning guidelines are centered around the CRD's consolidated requisition forecast, which is influenced by past Board approvals but also include recommended inflation rate adjustments and consideration of other economic factors. The organization's financial management policies and practices related to surpluses, reserves, debt and cost containment measures also guide the service and financial plan development and are intended to support service sustainability, optimize revenue needs and minimize requisition increases. They are informed by analysis of economic conditions, core service levels, infrastructure investment and financial management strategies.

## **Economic Conditions**

External economic conditions continue to shape the CRD's financial planning and service delivery. Factors such as inflation, interest rates, population growth and labour market dynamics directly influence borrowing costs, capital project delivery and long-term sustainability.

Highlights of key interrelated economic indicators in this report include interest, inflation and unemployment rates and population growth.

### **Inflation and Interest Rates**

Inflation and interest rates continue to be key drivers of budget pressure. The Bank of Canada reduced its overnight rate from 3.25% at the start of 2025 to 2.25% by year-end and maintained that level in January 2026<sup>1</sup>. The CRD continues to work with the Municipal Finance Authority of British Columbia (BC) to monitor indicative borrowing rates and adjust long-term planning assumptions accordingly.

Inflation has remained close to target. For 2025 overall, BC's annual Consumer Price Index (CPI) averaged 2.1%, the lowest annual increase since 2020<sup>2</sup>. Looking ahead, the province forecasts Canadian CPI growth of 2.2% in 2026 and 2.1% in 2027<sup>3</sup>, while BC CPI is forecast at 2.1% in 2026, and 2.0% in 2027. The Bank of Canada similarly expects inflation to remain near 2% through 2027, with upward and downward pressures expected to broadly offset each other<sup>4</sup>.

### **Population Growth and Service Demand**

Greater Victoria's population has grown materially over the past decade, although annual growth slowed in 2025<sup>5</sup>. This is consistent with provincial budget commentary that lower federal immigration targets are reducing net inflows of temporary residents and moderating population growth<sup>6</sup>.

Population growth continues to place pressure on infrastructure and core services, including transportation, water, wastewater, solid waste management and housing, increasing fiscal pressure on both capital programs and operating budgets. Balancing service expansion with affordability, sustainability and infrastructure capacity remains a central focus of the CRD's planning framework.

### **Labour Market Conditions**

Labour market conditions have softened modestly but remain relatively tight in the Victoria area by historical standards. As of February 2026, the unemployment rate was 4.5% in Victoria, compared with 6.7% nationally, 6.2% in both BC and Vancouver<sup>7</sup>.

Employers may continue to face wage pressures and recruitment challenges in professional fields such as finance and accounting, information technology and engineering as well as skilled trades.

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<sup>1</sup>Bank of Canada, policy rate announcement / press release, Jan. 28, 2026: <https://www.bankofcanada.ca/2026/01/fad-press-release-2026-01-28/>

<sup>2</sup> Province of British Columbia, Budget and Fiscal Plan 2026/27 to 2028/29, p. 95

<sup>3</sup> Province of British Columbia, Budget and Fiscal Plan 2026/27 to 2028/29, Table 3.6.4, p. 116

<sup>4</sup> Bank of Canada, Monetary Policy Report (January 28, 2026): <https://www.bankofcanada.ca/publications/mpr/mpr-2026-01-28/canadian-outlook/>

<sup>5</sup>BC Population Estimates: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates>

<sup>6</sup> BC Stats, Municipal Population Estimates, 2025: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates>; and BC Budget 2026 / BC Stats population outlook (including 2025-2026 slowdown assumptions), page 9: [https://www.bcbudget.gov.bc.ca/2026/pdf/2026\\_Budget\\_and\\_Fiscal\\_Plan.pdf](https://www.bcbudget.gov.bc.ca/2026/pdf/2026_Budget_and_Fiscal_Plan.pdf)

<sup>7</sup> Statistics Canada, Table: 14-10-0459-01: <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410045901>

These constraints can affect recruitment and retention, lengthen project timelines and reduce delivery efficiency.

### Housing and Development Trends

Housing affordability remains constrained across the region. In February 2026, the benchmark price for a single-family home in the core of the CRD was \$1.3 million<sup>8</sup>. Persistently high land and construction costs continue to pressure households and increase demand for CRD services and infrastructure.

The Canadian Mortgage and Housing Corporation reports that housing starts in Greater Victoria remained high, totaling 4,859 in 2025 versus 4,185 in 2024<sup>9</sup>, indicating firm near-term construction activity.

Within CRD, building permit activity in 2025 was relatively stable. Total permit values were \$2.01 billion, up 2% from \$1.97 billion in 2024, while permit volumes declined 7% to 2,589 from 2,775<sup>10</sup>. Residential projects accounted for the largest share and non-residential trends were mixed, with commercial values largely unchanged, industrial higher and institutional lower than in 2024.

Overall, the total CRD development in 2025 remained substantial. However, if lower permit volumes persist, future housing supply growth, parts of the development pipeline and related development-related revenues could moderate over time.

### Impacts on the 2027 Budget

Based on economic indicators reported by the Bank of Canada and the Province at the beginning of 2026, the 2027 CRD budget will include a 2.1% base inflation rate adjustment, aligned with the province's 2027 inflation forecast<sup>11</sup>. Recent collective bargaining and compensation review outcomes will also impact the CRD budget in 2027. It is important to note that inflation assumptions may change based on evolving economic conditions. Updated information and any resulting adjustments will be included with the Provisional Budget to be presented in September.

The consolidated requisition forecast includes multi-year projects, programs and initiatives already underway. 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, are expected to contribute to a 2027 budget increase above the base inflation rate. Appendix D summarizes some key decisions during the 2023 to 2026 Board term and associated 2027 to 2030 implications.

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<sup>8</sup> Victoria Real Estate Board, January 2026 report. In the report, “Core” is a specific sub-region made up of 7 VREB districts: Victoria, Victoria West, Oak Bay, Esquimalt, View Royal, Saanich East, and Saanich West: <https://www.vreb.org/pdf/VREBNewsReleaseFull.pdf>

<sup>9</sup> Monthly Housing Starts and Other Construction Data Tables (December 2025-Table 2): <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data/monthly-housing-starts-construction-data-tables>

<sup>10</sup> At: <https://www.crd.bc.ca/about/data/regional-information/monthly-permit-reporting-tool>

<sup>11</sup> Province of British Columbia, Budget and Fiscal Plan 2026/27 to 2028/29, p. 96

## **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 2027 consolidated requisition increase for CRD and Capital Regional Hospital District (excluding municipal debt) is forecast at 8.9%, with a potential range from 7.3% to 15.7%. The range is influenced by past commitments and Board approvals, including a loan authorization in the Land Banking and Housing Service, the establishment of new regional services such as the Regional Transportation Service and the Performing Arts Facilities Service, capital cost-sharing commitments for health infrastructure through the Hospital District and previously approved loan authorization bylaws. Any direction to decrease the requisition will potentially result in deferral or cancelation of previously approved initiatives or decreases in services levels.

Debt management is an essential part of the 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 to 2026 strategic priorities form the basis of the existing Corporate Plan and service plans until the new Board determines its strategic priorities and establishes the 2027 to 2030 Corporate Plan. The five-year financial plan assumes maintaining service level continuity, with adjustments for 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, tariffs, supply and demand as well as contractual agreements.

## **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 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 and core service delivery requirements will form the foundation of the 2027 to 2031 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 organization’s financial management policies and practices related to surpluses, reserves, debt and cost containment measures also guide the service and financial plan development and are intended to support service sustainability, optimize revenue needs and minimize requisition increases.

**RECOMMENDATION**

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.

Submitted by:	Varinia Somosan, CPA, CGA, Senior Manager, Financial Services & Deputy Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENTS**

- Appendix A: Corporate Planning Framework
- Appendix B: Financial Planning Timetable Service and Financial Planning Guidelines
- Appendix C: Financial Management Strategies
- Appendix D: 2027 Anticipated Requisition Impacts