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## REPORT TO CAPITAL REGIONAL DISTRICT BOARD MEETING OF WEDNESDAY, APRIL 9, 2025

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**SUBJECT**     **Regional District Services and Service Review Options**

### **ISSUE SUMMARY**

This report provides background information to support the CRD Board's consideration of options for undertaking CRD service reviews.

### **BACKGROUND**

At its meeting of November 13, 2024, and during consideration of the 2025 Capital Regional District (CRD) provisional budget, the CRD Board directed staff to prepare a report providing options and detailing implications for undertaking CRD service reviews by the May Strategic Priorities Check-In meeting or earlier. In March, the Chief Administrative Officer (CAO) advised the Board that a background report would be presented at the April 2025 meeting with information relating to the direction for the Board's consideration in advance of the Committee of the Whole (COW) Strategic Priorities Check-In meeting, scheduled for April 30, 2025.

This report provides relevant information as background for the COW meeting.

The provision of services is fundamental to Regional Districts. Subject to the establishment of a service, Regional Districts in British Columbia (BC) have extensive authority to operate regional, sub-regional, or local services that the Board of Directors (Board) deems necessary for the Regional District. While some Regional District services are mandated by legislation, most services and the associated service scope are at the discretion of the Board. To establish a Regional District service, the Board must describe a proposed service in an establishing bylaw and obtain participating area approval to create and fund the service. It is crucial for the Board and the service area participants to maintain a shared vision for the service and agree on the scope, service levels, and cost of service delivery both at the time of establishment and throughout the service's lifespan. The CRD provides over 200 services and a list of CRD regional, sub-regional, and local services, including those mandated by legislation, has been provided in Appendix A.

After a service has been established, the Board can conduct a review for various reasons, which will be detailed later in the report. The Province of BC outlines three primary types of service review processes for regional districts:

**Informal Service Reviews** – Informal service reviews may be undertaken at the discretion of the Board and are separate from the review provisions outlined in the Local Government Act. These reviews can be initiated at any time, with the scope and process determined by the participating members or the Board. It should be noted that the informal review process is not designed to facilitate the withdrawal of service participants.

**Bylaw-Based Service Reviews** – The scope of the review and the review process are designed as part of the servicing establishing bylaw.

Statutory Review Process – A statutory review is a formal process used to evaluate services when the service establishment bylaw does not specify alternative review provisions. Participants who have been involved in the service for at least five years and if the service has not undergone a formal review within the past three years, may initiate a statutory review by notifying the Board, other service participants, and the Minister responsible for local government.

Reasons the Board may want to consider conducting a service review include:

- The shared vision of the participants/Board for the service changes or the needs of the residents/customers have shifted
- The scope of the service has changed and no longer aligns with the original vision
- There have been changes in service levels and/or service performance
- Alternative or more efficient methods of service delivery are available
- Local conditions have changed
- To evaluate whether a provided service is still necessary
- A review has been scheduled by prior agreement in service establishment bylaws
- To address budgetary pressures and the need for fiscal restraint; reviewing a suite of services could lead to prioritizing funding for essential services while reducing expenditures in less critical service areas

### **CRD Service Reviews – A Brief History**

The last time the CRD Board contemplated undertaking a global service review process was in 2016. At its meeting of March 2, 2016, the Governance Committee directed staff to provide a report on:

1. Potential methods for service reviews
2. How other Regional Districts undertake service reviews
3. A list of the CRD services and their functions

After evaluating several approaches, the Board instructed the CAO to enhance divisional service planning as part of the subsequent financial planning and budget process. This includes identifying potential service adjustments to realign, reallocate, or reduce service activities using a bottom-up approach, aimed at improving efficiency either internally or cross-departmentally. Over the intervening years, additional improvements to service planning have been implemented. An overview of these enhancements is provided in Appendix B.

Separately, staff or the Board have also advanced several service-specific delivery reviews over the years to assess deliverables and value. Examples include:

- Environmental Services and Water Services Service Delivery Review in 2008/2009
- Parks and Community Services/Environmental Sustainability Departmental Integration in 2013
- Bylaw and Animal Care Service Delivery Review in 2014/2015
- Facility Management Review in 2016
- Regional Parks Operational and Financial Review in 2022
- Information Technology and GIS Service Review in 2022
- Organizational Structure Review (CRD Evolves 2024-2025) initiated in 2023

During Committee meetings leading up to and including the CRD Board provisional budget meeting in October 2024, Board Directors have been discussing the volume and scale of CRD services and new initiatives, including the establishment of new CRD regional services, and associated financial impacts. Affordability and the impact on the Board's direction in support of the 2023-2026 Strategic Priorities were discussed considering the 2025-2029 financial plan. With the Finance Committee/CRD Board direction in November, it is clear that the Board is deliberating the affordability of delivering the range of CRD services while seeking to ensure the best value for money for the communities served and the region as a whole.

### **Current Service Planning Framework**

Board Priorities, Corporate Plan initiatives, approved service level plans and established core service mandates drive the work of the CRD.

At the beginning of each Board term, the Board identifies the broader needs of the region and sets the strategic course for the CRD over a four-year mandate. The Corporate Plan is then prepared which presents the work the CRD needs to deliver over the Board term to meet the region's Community Needs, and deliver on the Board's Mission, Vision and Priorities.

Then, each year, the CRD is required to create a five-year financial plan encompassing both revenue and expenditure projections for its operating and capital budgets. This plan is prepared in compliance with legislative requirements and the final budget must be approved annually before March 31. Service plans, called Community Need Summaries, are a key input for the financial plan. They are prepared by staff and reviewed by the Board annually. Each summary outlines key service information including operational trends and data, service information including budget and workforce references, and service level descriptions, initiatives, and performance measures.

Before final approval of the financial plan, a provisional budget is prepared and presented to the Board in the fall. This allows service participants and local ratepayers to provide feedback on programming, funding needs and initiatives to advance the Corporate Plan before final budget approval in March.

### **Corporate Plan Implementation and Supplementary Board Directed Initiatives**

The implementation of Corporate Plan initiatives, actions, and projects, as well as additional Board-directed initiatives have led to an increase in the overall CRD budget, total expenses, and in some cases, the CRD requisition. Other notable non-discretionary budget pressures include the annualization of approved full time equivalent staffing positions (FTEs), rising labour costs due to commitments in the collective agreement and exempt staff wage increases, increasing operational expenses including inflationary and economic changes.

Together, these costs are resulting in annual increases in the consolidated CRD requisition between 4-6% from 2025 through 2029, and total annual expenditures increases up to 11%. These increases are based on the approved five-year financial plan with no new initiatives identified beyond what has been committed and with legislative authority.

From 2025-2029 the consolidated capital plans of the CRD, CRHC and CRHD total \$1.6 billion. The consolidated operating budgets total \$478 million in 2025 and increase to \$590 million by

2029. Highlights of committed and potential capital commitments and subsequent operating impacts include:

- Regional Parks Trail Widening & Lighting Project (\$50M capital, \$4M annual debt servicing)
- Kapoor Land Acquisition (\$33M capital, \$3M annual debt servicing)
- Regional Housing First (\$40M capital, \$3M annual debt servicing)
- Land Banking & Housing Loan Authorization Bylaw (\$85M capital, \$6M annual debt servicing)
- Other potential long-term debt commitments including CRHD 10-year capital plan (\$300M capital, \$20M annual debt servicing)

Appendix C includes additional details and context on recent key service decisions with associated budget impacts.

### **Regional Service Profiles**

To assist the Board's discussions on the matter of service reviews, a catalogue of service profiles has been provided in Appendix D. The services included have a regional mandate and an annual budget of at least \$5M, collectively representing approximately 63% of the total CRD operating budget.

For each service, the following information is provided:

- An overview of the service's evolution over time, including key regulatory, policy and operational decisions
- An assessment of value, focused on how the service addresses community needs, solves problems, or provides benefits to internal or external customers
- A summary of the staff and financial resources allocated to the service
- A thorough outline of services and service levels; this includes qualitative and quantitative information summarizing the mandate, commitments, and tangible or intangible outputs provided by each service. An indicative breakdown of staff and financial resources used to deliver each service level has also been supplied

To offer a more complete view, supplementary profiles are provided where a service acts as an enabler for another service. For example, 1.310 Land Banking and Housing provides the authority for the Capital Region Housing Corporation. In addition, Legislative & General Government (L&GG) is made up of 16 divisional/departamental budgets, with five accounting for approximately 78% of the total L&GG operating budget.

### **Service Review Options to Consider**

There are several options for the Board to consider, depending on the problem it is trying to solve and the outcome it seeks to achieve. Defining the problem and desired outcome is necessary to understand who should conduct the review (staff/internal resources or consultant/external resources), how to conduct the review, and determine the role of the Board, Committees and Commissions. The timeframe for enacting changes will also be affected by the level of effort required to perform the necessary analysis. It is recommended to first gain this clarity from the Board then staff will come back with a recommended approach to implement a specific option.

The options the Board could consider are as follows:

1. Conduct a Regional Service Review

Regional services make up approximately 57% of the total CRD Operating Budget.

As previously noted, service profiles are attached to this report for services that have a regional mandate and an annual budget of at least \$5M. Collectively, these services represent approximately 63% of the total CRD operating budget (Appendix D). Generally, these services are either mandatory in nature (required by legislation) or essential to the mandate of the CRD.

The Board may choose to conduct a review of these regional services. Possible approaches include:

- a. *Service Scope and Outcomes Check-in*: the Board could conduct a review of the service profiles to determine if changes to the service vision, scope or conditions warrant adjustments. This review would focus on existing service levels (service outputs) and resources.
- b. *Performance Indicators*: the Board could establish performance indicators to evaluate services delivery and operational performance over time. These indicators could include measures to determine how well the service is delivered (qualitative), and cost-of-service measures (quantitative). This review would focus on existing and future service levels and resources over time.
- c. *Cross-Service Parameters*: the Board could identify and establish cross-service parameters. For example, the Board could set criteria for land acquisition that would apply to all services involved in land acquisition decisions, such as the Capital Region Housing Corporation, Regional Parks and Regional Water Supply. This would ensure consistent decisions across all services for all future expenditures.

Focusing on the largest share of operating expenditures means adjustments could have a substantial impact. However, since many regional services are mandated by legislation or necessary to support the functioning of the organization, proposed adjustments would need to be considered within that context. The Board should consider whether it aims to validate existing service levels and associated resources, mitigate future increases, or both, in determining its approach.

2. Conduct a Review of Select Sub-Regional or Local Services

Sub-regional and local services represent approximately 35% and 8% of the total CRD Operating Budget, respectively.

As previously noted, the list of sub-regional and local services has been attached to this report (Appendix A). These services vary considerably in terms of scope and scale, depending on the nature of the operations, the number of participant and the service mandate. Some of the services could be considered mandatory as withdrawal from the service would be complicated by governing legislation and other factors, such as the Liquid Waste Management Plans. Further, it should be acknowledged that sub-regional and local service levels are typically evaluated through

service planning and budget discussions with more direct involvement of participants and rate payers. Many of these sub-regional and local Commissions and Committees operate with varying degrees of delegated authority from the Board. The Board can accept or reject Commission or Committee recommendations when the provisional or final budgets are brought forward for approval.

The approaches available mirror those for conducting regional services reviews. The Board could conduct a review of select sub-regional or local services, with a focus on validating existing service levels and resources, on mitigating future increases, or both.

### 3. Conduct a Corporate Support Service Review

The Legislative & General Government Service represents approximately 11% of the total CRD Operating Budget. *Note, L&GG is a regional service and included in bullet 2 above.*

The CAO and Executive Leadership Team regularly evaluate the organizational structure and capacity of the CRD to identify opportunities for improved effectiveness and efficiency in resource deployment. For instance, in 2024, the Executive Leadership Team instructed staff to begin transition planning for the implementation of CRD Evolves 2024-2025, an organizational plan designed to enact impactful changes that address identified opportunities and enhance efficiency and capacity. This initiative includes consolidating areas with overlapping functions and enhancing alignment between staff involved in planning and setting service standards and those responsible for delivery. Key components of CRD Evolves encompass centralizing Corporate Communications and Engagement resources and functions, procurement, corporate capital project delivery services, and creating a new Electoral Area Services Department to centralize most electoral area service functions. Implementation commenced in January, with additional changes scheduled for July 2025.

Following CRD Evolves, departments and divisions will be undertaking business process mapping (BPM) in certain areas to update and standardize business processes based on the new organizational structure. This initiative will also allow the opportunity to identify areas where efficiency improvements can be made. The BPM work is already underway in the following areas:

- Financial Services
  - Procure to Pay
  - Internal Controls including an IC framework
- Capital Planning and Delivery
- Asset Lifecycle Management
- Inventory Management
- Preventative Maintenance Program Lifecycle Management
- Work Order Lifecycle Management
- Attendance Management

In early 2025, the CAO and Executive Leadership Team proposed a pause on new staff requests for 2026. This pause will allow the CRD to fill current vacancies and hire new positions approved by the Board for 2025. The organization will then reassess its capacity and realize the benefits of CRD Evolves 2025-2026 before determining future capacity needs.

The Board could further this work by directing staff to undertake additional corporate support service reviews (most of which are captured under the Legislative and General Government service profile in Appendix D) and identify potential improvements for key internal service areas. This may unlock further potential efficiencies opportunities and optimize resources.

#### 4. Implement Additional Fiscal Controls

The CRD has adopted financial strategies to align financial goals with organizational decisions for long-term fiscal sustainability. These include setting reserve targets, balancing debt repayment schedules, optimizing service fee revenues, stabilizing tax rates, and allocating one-time variances to future capital needs or reducing future revenue requirements. Board-approved policies and guidelines like the Asset Management Policy and Reserve Guidelines standardize financial planning at the service level while providing overall corporate direction.

As noted in the 2025 CRD provisional budget report, the CRD is experiencing several financial pressures impacting service delivery costs, including:

- Increased demand for existing services due to population growth
- Implementation of new program initiatives addressing strategic priorities affecting existing services
- Additional costs associated with new service delivery
- Rising operating and labour costs, including those resulting from collective agreements and the addition of new staff resources to support expanded service delivery
- Changing regulatory requirements
- Enhanced corporate function expectations
- Capital investment needed for replacing aging infrastructure, managing existing debt, and undertaking new debt
- Downloading of costs such as housing, healthcare infrastructure (hospital district), and reduced funding from senior government
- The need to adapt to new technology and digital transformation

Although not a service review option per se, if the Board's goal is to identify potential savings opportunities, it could choose to implement further fiscal constraints through the service and financial planning process. These measures could be applied across all CRD services, with an emphasis on mitigating future expenditure increases.

The Board could advance the following actions to implement or enhance fiscal restraint, including:

- a. *New Services and Discretionary Initiatives*: limit the number and scale of new services to ensure existing funding supports the highest priority services and implement a pause on all discretionary initiatives until financial capacity increases through debt retirements, new grant opportunities or other means.
- b. *New Revenue Sources*: direct staff to identify new revenue sources to offset future requisition and fee increases, such as development cost charges.
- c. *Budget Direction*: direct staff to reduce annual budget increases through the above measures or service level adjustments for a specified length of time.

Staff present the annual Service and Financial Planning Guidelines for Board approval in May. This directive provides guidance for the development of the yearly service plans and the provisional financial plan. The Board may take further action based on this report or establish a Board policy for a specified duration (e.g. until the conclusion of the Board term).

If this approach is pursued, it will be important for the Board to continue to consider the financial health of the organization as a foundational element of the financial plan going forward. As reported through the provisional and final budgets reviews, the CRD's financial indicators are generally favorable currently:

- The CRD is investing in new infrastructure for the future; the CRD is generally investing a sufficient amount in infrastructure compared to the level of asset depreciation each year.
- The CRD is setting aside funds in reserves for future investments and operating contingencies; in some service areas additional contributions are recommended based on funded status.
- The CRD's debt is affordable; debt servicing costs as a percentage of revenue across the service budgets is generally favourable and can be used to support lower reserve fund balances above.
- The CRD is proactively managing debt; the amount of capital investment that will be funded by debt instead of reserve funds is healthy.

**CONCLUSION**

At its meeting of November 13, 2024, and during consideration of the 2025 CRD provisional budget, the CRD Board directed staff to prepare a report to provide options and detail implications for undertaking CRD service reviews; where the report would be provided at the May (April 30) Strategic Priorities Check-In meeting or earlier. This report provides background information about CRD services as well as a broad set of options for conducting service review.

As a starting point, the Board should establish what problem it wants to solve and what outcome it hopes to achieve. The Board may also want to consider the timeframe when determining the scope of work.

**RECOMMENDATION**

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

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**ATTACHMENTS**

- Appendix A: CRD Regional, Sub-Regional, and Local Services
- Appendix B: Overview of service planning process improvements since 2013
- Appendix C: Financial Summary – Board Directed Initiatives 2022-2029
- Appendix D: CRD Regional Services Profiles