



## REPORT TO ELECTORAL AREAS COMMITTEE MEETING OF MONDAY, OCTOBER 28, 2024

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**SUBJECT**    2025 Preliminary Electoral Area Budget Review

### **ISSUE SUMMARY**

To present 2025 Electoral Area (EA) Budgets for recommended approval to the Capital Regional District Board.

### **BACKGROUND**

The Capital Regional District (CRD) provides a range of regional, sub-regional and local services. Regional services are provided to the entire region, sub-regional services to groups of participating Municipalities and EAs, and local services to single Municipalities, an EA or to groups of residents within a defined service area. The CRD provides services to approximately 23,300 EA residents.<sup>1</sup>

Budgets for review are specific to services in the Juan de Fuca (JDF) EA, the Salt Spring Island (SSI) EA, and the Southern Gulf Islands (SGI) EA. EA services are established through the *Local Government Act and Service Establishment Bylaws* and are guided by the Board Strategic and Corporate Plans.

### **Budget Approval Process**

Through the Electoral Areas Committee (EAC) Terms of Reference, review and recommendation for approval of EA service budgets, is delegated to the EAC with an exception that fourteen (14) SSI services were delegated to SSI Local Community Commission (LCC).

In 2023, the SSI LCC was established. The LCC delegated authority includes review and recommendation of select SSI service budgets to the CRD Board directly.

On September 12, 2024, the LCC met to review preliminary budgets. Budget direction was provided at the meeting and these impacts have been incorporated into the preliminary SSI budgets presented in this report.

All EA budgets will be included in the preliminary 2025 CRD Financial Plan to be presented on October 30, 2024 to the Committee of the Whole. As in previous years and in alignment with the Commission Handbook Guidelines, where applicable, review and approval of local EA commission budgets will take place annually through the fall. Budget changes following commission review will be forwarded to the Board and considered at final budget approval in March 2025.

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<sup>1</sup> 2021 Census Data

## **Service Planning and Budget Development**

The CRD Board approved the 2023-2026 Board Priorities and CRD Corporate Plan in 2023. The plan includes a number of community needs with outcome statements for staff to advance through the four-year election term. The service planning process is designed to ensure alignment and implementation of strategic objectives during the term. Any initiatives and/or changes to service levels will be advanced through the annual service and financial planning cycle.

As part of the planning process, the Executive Leadership Team (ELT) has met multiple times over recent months to review service plans, initiative business cases, and financial implications in alignment with the corporate plan and Board approved financial planning guidelines. ELT has prioritized initiatives in consideration of fiscal constraints, organizational capacity and workforce pressures.

Budget development is based on resources required for delivery of core services, impacts of new initiatives, proposed capital expenditures and other cost pressures such as inflation and contractual agreements. Service budgets include operating and capital plans in addition to any changes in reserve funds. A summary of the changes to budgets for Joint EA Services and each EA is included in this report and supported by Appendix A (Joint EA), Appendix B (JDF), Appendix C (SSI) and Appendix D (SGI).

## **ALTERNATIVES**

### *Alternative 1*

The Electoral Areas Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

1. That the 2025 Electoral Area Services Budgets be given provisional approval as presented; and
2. That the new initiatives for January 1, 2025 implementation identified in Appendix E, be approved for expenditure.

### *Alternative 2*

The Electoral Areas Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

1. That the 2025 Electoral Area Services Budgets be given provisional approval with specific direction on amendments; and
2. That the new initiatives for January 1, 2025 implementation identified in Appendix E, be approved with specific direction on amendments.

## **IMPLICATIONS**

### *Financial Implications*

### **Joint Electoral Area Services Overview**

Joint Electoral Area Services provide services to the three unincorporated areas within the CRD: JDF EA, SSI EA and SGI EA.

Table 1 summarizes the change in tax requisition, operating budget, and capital plan from 2024 final budget to 2025 provisional budget.

**Table 1: Summary of Joint Electoral Area Services 2025 Provisional vs 2024 Final (in \$ millions)**

|                         | 2025 Provisional Plan \$M | 2024 Financial Plan \$M | \$M Change | % Change |
|-------------------------|---------------------------|-------------------------|------------|----------|
| <b>Requisition</b>      | 1.28                      | 0.90                    | 0.38       | 42.6%    |
| <b>Operating Budget</b> | 3.91                      | 3.34                    | 0.57       | 17.0%    |
| <b>Capital Plan</b>     | 0.09                      | 0.19                    | (0.10)     | -53.1%   |

The requisition for joint EA services is cost apportioned to each EA on the basis of converted assessments. Detailed requisition summary by service before cost apportionment is included in Appendix A-1.

The provisional 2025 operating budget is \$3.91 million, an increase of \$0.57 million or 17.0% from 2024. One primary driver of this increase is the establishment of a new Joint EA Administration Service through IBC 16e-5.1 Electoral Area Services Department Oversight. Additionally, a large Fire Smart grant was received by the EA Emergency Program service for one-time program contribution costs. Other increases in operating expenses are primarily related to inflationary adjustments, contractual agreements and reserve transfers in support of capital programs. The Operating Budget Overview summary of changes by service and by expenditure type is included in Appendix A-2.

The provisional 2025 capital plan is \$0.09 million, a decrease of (\$0.10) million or (53.1%). The reduction in capital spending in 2025 is primarily due to the completion of furniture and shelving replacement and partial procurement of a vehicle replacement by the Building Inspection Service in 2024. The 2025 Capital Plan Summary overview is included in Appendix A-3.

The detailed budget packages for joint EA services are included in Appendix A-4.

**Requisition Overview by EA**

Table 2 summarizes the change in tax requisition from 2024 final to 2025 provisional for each EA.

**Table 2: 2025 Provisional vs 2024 Final Requisition**

|            | 2025 Provisional Requisition |           | 2024 Final Requisition |           | \$ Change |           | % Change |
|------------|------------------------------|-----------|------------------------|-----------|-----------|-----------|----------|
|            | \$M                          | \$ Per HH | \$M                    | \$ Per HH | \$M       | \$ Per HH | Per HH   |
| <b>JDF</b> | 3.15                         | 775.25    | 2.85                   | 702.73    | 0.30      | 72.52     | 10.3%    |
| <b>SSI</b> | 9.22                         | 1,399.72  | 8.15                   | 1,237.73  | 1.07      | 161.99    | 13.1%    |
| <b>SJI</b> | 4.17                         | 613.79    | 3.87                   | 569.34    | 0.30      | 44.46     | 7.8%     |

Requisition increases are inclusive of all regional, sub-regional, joint EA and individual EA services in addition to the Capital Regional Hospital District (CRHD). However, Table 2 excludes changes in specified and defined area services within each EA. It should also be noted that regional and sub-regional service budgets may change as service plans and budgets are deliberated at Committee of the Whole and the Board on October 30, 2024.

The actual tax rates impact to EA residents will vary depending on the specified and defined service areas in which they reside in addition to their individual 2025 property assessment values. The 2025 preliminary requisition impact shown in Table 2 (above) reflects the 2024 assessment values from BC Assessments. New assessment information will be incorporated in the final budget when revised data is released by BC Assessments in early February 2025.

Detailed Requisition summaries by service area are included in Appendix B-1 (JDF), Appendix C-1 (SSI), and Appendix D-1 (SGI).

**Operating Budget Overview by EA**

Table 3 summarizes the change in gross expenditures for each EA in the 2025 provisional budget compared to the 2024 final budget, for individual EA budgets only (excludes Regional, Sub-Regional, Joint EA and CRHD services).

**Table 3: Summary of Operating Budget (in \$ millions) by EA**

|              | 2025 Provisional Plan \$M | 2024 Financial Plan \$M* | \$M Change  | % Change    |
|--------------|---------------------------|--------------------------|-------------|-------------|
| <b>JDF</b>   | 5.83                      | 5.28                     | 0.55        | 10.3%       |
| <b>SSI</b>   | 12.22                     | 11.53                    | 0.69        | 6.0%        |
| <b>SGI</b>   | 9.75                      | 8.93                     | 0.82        | 9.1%        |
| <b>Total</b> | <b>27.80</b>              | <b>25.74</b>             | <b>2.06</b> | <b>8.0%</b> |

\*Based on Amendment Financial Plan (Bylaw No. 4644)

- **JDF:** The provisional 2025 operating budget is \$5.83 million, an increase of \$0.55 million or 10.3% from 2024. The primary driver of this increase is due to an increase in salaries and wages, including additional auxiliary staff, in the JDF EA Planning Service and Port Renfrew Refuse Disposal Service. Fire Protection services had increases in staffing costs, honorariums, and potential service level increases. Transfer to reserves have increased in multiple services in support of asset management plans and capital programs. Other minor increases in operating expenses are primarily related to inflationary adjustments.
- **SSI:** The provisional 2025 operating budget is \$12.22 million, an increase of \$0.69 million or 6.0% from 2024, inclusive of fourteen services delegated to LCC. The primary driver of this increase is due to an increase in salaries and wages, in the SSI Administration Service and SSI Pool and Park Land Service. Additional pressures are related to addition of a temporary maintenance facility for the SSI Pool and Park Land Service, increased contributions through the SSI Public Library service and a higher municipal obligation to SSI Community Transit. Transfers to reserves have increased in support of asset management plans and capital programs. Increases have been partially offset by discontinued one-time expenses from 2024.  
  
 IBC16b-1.3 SSI Administration Staffing was proposed by staff to add a regular full-time position under the SSI Administration Budget in 2025. This initiative is aiming to meet the increased service level demand and provide the needed support for LCC. LCC was consulted on this initiative per the SSI EA Director’s request and recommended proceeding with the initiative. The SSI EA Director, who has the delegated authority over SSI Administration Service budget, has directed staff to remove this IBC from consideration for 2025 provisional budget.

- SGI: The provisional 2025 operating budget is \$9.75 million, an increase of \$0.82 million or 9.1% from 2024. The primary driver of this increase is the one-time Last-mile Connectivity and Economic Diversification Project grant awarded to the SGI Economic Development Service. Transfer to reserves have increased in multiple services in support of asset management plans and capital programs. Other minor increases in operating expense are due to inflationary adjustments.

The Operating Budget Overview summary of changes by service, and by expenditure type are included in Appendix B-2 (JDF), Appendix C-2 (SSI) and Appendix D-2 (SGI).

**Capital Budget Overview by EA**

Capital plans are developed through a process of reviewing:

- Projects in progress
- Condition of existing assets and infrastructure
- Regulatory, environmental, risk, health and safety
- New or renewal initiatives prioritized by communities

The following table summarizes the capital plan by EA.

**Table 4 - Summary of Capital Plan by Electoral Area (in \$ millions)**

|               | 2025 Capital Plan \$M | 2024 Capital Plan \$M* | \$M Change    | % Change      |
|---------------|-----------------------|------------------------|---------------|---------------|
| <b>JDF EA</b> | 2.08                  | 2.64                   | (0.56)        | -21.2%        |
| <b>SSI EA</b> | 8.50                  | 7.66                   | 0.84          | 11.0%         |
| <b>SGI EA</b> | 4.71                  | 7.33                   | (2.62)        | -35.8%        |
| <b>Total</b>  | <b>15.29</b>          | <b>17.63</b>           | <b>(2.34)</b> | <b>-13.3%</b> |

\*Based on Amendment Financial Plan (Bylaw No. 4644)

- JDF: The provisional 2025 capital plan is \$2.08 million, a decrease of (\$0.56) million or (21.2%). Although there are some new projects planned in 2025, such as the *Otter Point Community Hall Development* in JDF EA Community Recreation and the *Consolidated JDF Official Community Plan Review* in JDF Planning, the capital reduction is primarily due to completion or partial completion of projects in 2024, such as the *Master Plan Studies* in Port Renfrew Water/Sewer, a *Truck Replacement* in JDF EA Parks and a *Squad Car Replacement* in East Sooke Fire Protection.
- SSI: The provisional 2025 capital plan is \$8.50 million, an increase of \$0.84 million or 11.0%. This increase is mainly due to new capital projects required to maintain or expand service levels or new capital added to existing projects in 2025, such as *Collection System Renewal* and the *Wastewater Treatment Plant Upgrades* in the Maliview Sewer service, *Design and Construction of Rainbow Road Pathway* in the SSI Community Transportation, and *Repair Works* as a result of inspection performed at the SSI Fernwood Dock. Part of the increases in capital are offset by projects completing in 2024, such as the *Centennial Parks Upgrades* in SSI Community Parks, or deferral of projects to the years beyond 2025, such as deferral of the *Electrical and Instrumentation Replacement of Wastewater Treatment Plant* from 2024 to 2026 in Ganges Sewer.

- SGI: The provisional 2025 capital plan is \$4.71 million, a decrease of (\$2.62) million or (35.8%). The reduction in capital spending in 2025 is primarily due to substantive completion of the *Magic Lakes Estates Wastewater Treatment Plant Upgrades* and completion of the *Firetruck Replacement* in South Galiano Fire Protection in 2024. Reductions in capital are offset by new projects in 2025, such as the *New Ground water well assessment* in Lyall Harbour Water, and/or 2025 budget increase in existing projects, such as the *Schooner Way Trail Development* in Pender Parks and the *Dam Improvement and Safety Review* in Lyall Harbour Water.

The 2025 Capital Plan Summary overview by service are included in Appendix B-3 (JDF), Appendix C-3 (SSI) and Appendix D-3 (SGI). Capital plan highlights for capital projects over \$100,000 for each EA, are summarized in Appendix B-4 (JDF), Appendix C-4 (SSI) and Appendix D-4 (SGI).

Capital projects are typically funded by annual contributions from operating, grants, reserves and/or long-term debt. Grant funding can have a significant impact on the implementation of the plan as program intakes and results are unknown during the planning process. When changes in funding occurs, financial plan amendments are prepared and presented for approval.

### **Advanced Approvals**

Advanced approval is requested in situations where the commencement or continuity of work before March 2025 is required to address operational needs. These are often related to items that have regulatory compliance implications, grant deadlines and capital projects for which tenders must be issued and where a delay can have negative impacts on service delivery. Items identified as required activities in advance of final budget approval are listed in Appendix E.

### **Summary**

The attached 2025 EA budget packages in Appendix A (Joint EA), Appendix B (JDF), Appendix C (SSI) and Appendix D (SGI), which include operating and capital, are provided for provisional approval. Appendix E contains items that, because of business requirements, require early approval in advance of final budget approval in March.

The provisional budget is subject to change as a result of the final 2024 surplus/deficits, receipt of revised assessment and any adjustments recommended by respective commissions prior to final approval of the financial plan in March 2025.

### **CONCLUSION**

The EA service budgets have been delegated to the EAC by the CRD Board for review and provisional approval. Overall, the 2025 EA preliminary budgets have been prepared in alignment with service plans and direction received by the respective EA director.

**RECOMMENDATION**

The Electoral Areas Committee recommends the Committee of the Whole recommend to the Capital Regional District Board:

1. That the 2025 Electoral Area Services Budgets be given provisional approval as presented; and
2. That the new initiatives for January 1, 2025 implementation identified in Appendix E, be approved for expenditure.

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|---------------|---|
| Submitted by: | Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO          |
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**ATTACHMENTS**

- Appendix A: 2025 Preliminary Electoral Area Budget Review – Joint EA Services
- Appendix B: 2025 Preliminary Electoral Area Budget Review – JDF
- Appendix C: 2025 Preliminary Electoral Area Budget Review – SSI
- Appendix D: 2025 Preliminary Electoral Area Budget Review – SGI
- Appendix E: 2025 Preliminary Electoral Area Budget Review - January 2025 Approvals