

CRD 2021 Consolidated Budget Overview

BUDGET PLANNING PROCESS



Every four years, the Board sets the strategic priorities, policy and direction that guide the activities of the organization. Board members, other elected officials and, in some cases, First Nations and ratepayers sit on various committees and commissions that receive public input.



Public input happens throughout the planning cycle, through customer satisfaction surveys, financial plan consulting, user statistics, advisory body reports and other public engagement activities. This input drives the Board's strategic priorities.

**REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, MAY 13, 2020**

SUBJECT 2021 Service and Financial Planning Guidelines

ISSUE SUMMARY

This report outlines the service and financial planning process for 2021 including key budget drivers for consideration.

BACKGROUND

The Capital Regional District (CRD) 2021 service and financial planning processes have begun. Board Priorities, Corporate Initiatives, and Core Service Delivery form the foundation of the 2021–2025 five-year financial plan. Appendix A highlights the overall planning process while Appendix B is more prescriptive with a timeline.

In the 2021 planning cycle, service plans will continue to take the form of Initiative Business Cases (IBCs) that will propose operational responses to Board Priorities and the Corporate Plan, including related initiatives. The IBCs will convey the human resource, financial, organizational and strategic impacts associated with delivering each initiative over the plan period.

As staff prepare and evaluate IBCs throughout the summer, the Executive Leadership Team (ELT) will consider and make recommendations through committees to the Board. Impacts, along with an overview of financial implications and budget recommendations, will be summarized and presented at the Committee of the Whole meeting scheduled for October 28, 2020.

As in prior years, to proactively influence service and financial planning, this report explores financial plan guidelines along with key trends, assumptions and drivers to be used in the planning process.

ALTERNATIVES

Alternative 1

That the Capital Regional District Board approve the financial plan guidelines as presented 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

Financial Implications

Alignment of the financial plan with strategic priorities supports efficient and effective service delivery. Prudent financial management of surpluses, reserves, debt levels, and rigor over spending levels enables the organization to optimize revenue requirements and minimize

requisition increases. Guidelines on core service levels, new initiatives, adjustments for inflation and market cost escalations are essential management implications for the 2021 budget year.

Financial Guidelines

The financial guidelines are the policies and assumptions by which CRD Board and CRD staff determine the most appropriate allocation of resources by initiative.

The financial guidelines are based on the following:

1. Financial Management Strategies
2. Economic Conditions
3. Base Service Levels and Infrastructure Funding
4. Board Input

1) Financial Management Strategies

Financial management strategies ensure critical financial objectives are integrated into organizational decision making and operations. The following outlines the financial management strategies that will guide financial planning:

- Optimize fees for service revenues and stabilize tax rates to fund operations, maintenance, growth and asset utilization.
- Limit transfers to/from operating reserves, transferring only to fund one-time projects or to stabilize revenue requirements.
- Levels of transfers to/from capital reserves supported through development of life cycle funding requirements.
- One-time variances resulting in surplus transferred to reserve in order to fund future capital liabilities or reduce future revenue requirements, and only applied to reduce tax rates in rare circumstances where the offset is sustainable and stable.

2) Economic Conditions

With the COVID-19 outbreak having been declared a pandemic by the World Health Organization in March there has been a significant economic and social impact locally and internationally. These factors, along with the unknown length of the current event, generate a higher level of uncertainty over future cash flows, service level impacts and financial planning.

To support appropriate levels of due diligence in the planning process, continuous monitoring of economic and social conditions will continue and, as is the case in prudent financial planning, conservative drivers and assumptions will form the basis of the plan. The focus will remain on maintaining essential services at a price and level reflective of board strategy and the local economic conditions.

3) Base Service Levels and Infrastructure Funding

The CRD Board's 2019–2022 strategic priorities formed the basis for the Corporate Plan. These priorities are foundational to each service's work plans. The rolling five-year financial plan (this year is 2021–2025) will reflect updated assumptions in timing, scope and cost estimates. The

budget will also include core inflation and cost escalation reflected in market conditions, and related funding.

Key Drivers

The most significant costs to service delivery are salary and benefits, debt servicing, materials and equipment. Changes in these expenditures can be influenced by uncontrollable economic conditions such as unemployment rates, supply and demand, tax changes, and contractual agreements.

Infrastructure

The CRD's financial management strategy is to target optimal levels of reserve, debt funding and grant funding to minimize infrastructure lifecycle costs. The corporate asset management policy and strategy for the organization have been endorsed by the Board. These documents are well aligned with other strategic documents; specifically, to the Corporate Plan, climate action strategy and the risk management policy. The priority action from the asset management strategy is to develop Sustainable Service Delivery Plans (previously called asset management plans) and, as they are compiled, to integrate risk assessments, as well as climate adaption, which will ultimately further inform financial management practices in the future.

4) Board Input

The 2021 financial planning process is based on the corporate planning cycle and will reflect direction from Commissions, Committees and the Board, inclusive of feedback received in the last planning cycle. The public will again be invited to engage throughout the planning process with a communications and public input strategy similar to the 2020 planning process. There are also ongoing opportunities for public input directly through individual service activities at the Committee and Commission level.

Alignment of the financial plan with strategic priorities and financial management strategies supports efficient and effective service delivery. Prudent financial management of surpluses, reserves, debt levels, and rigor over spending levels enables the organization to optimize revenue requirements and minimize requisition increases. The guidelines to maintain core service levels and incorporate new initiatives from the Strategic and Corporate Plans adjustments for inflation and market cost escalations, as detailed in this report for the 2021 budget, looks to minimize financial implications for the 2021 budget year.

CONCLUSION

Services will build work plans and five-year financial plans to plan for and carry out the identified priorities. Assumptions for inflation, market cost escalation, salary contract rates, benefit rates and utility rates will also be taken into account when developing the financial plans.

RECOMMENDATION

That the Capital Regional District Board approve the financial plan guidelines as presented and that staff be directed to prepare the draft financial plan review based on the timeline presented.

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ATTACHMENT(S)

Appendix A: CRD Corporate Planning Framework
Appendix B: 2021 CRD Financial Planning Timetable