



REPORT TO THE ELECTORAL AREAS COMMITTEE MEETING OF WEDNESDAY, OCTOBER 14, 2020

SUBJECT **2021 Preliminary Electoral Area Budget Review**

ISSUE SUMMARY

To present the 2021 Electoral Area budgets and obtain recommendation from the Electoral Areas Committee (EAC) to forward the budgets, along with the list of initiatives for implementation as of January 1, 2021, for preliminary approval, to the Capital Regional District Board (Board).

BACKGROUND

The Capital Regional District (CRD) provides a range of regional, sub-regional, and local services to the community. Regional services are provided to the entire region, sub-regional services are provided to groups of participating Municipalities, First Nations and Electoral Areas, and Local Services are provided to individual Municipalities, Electoral Areas or to groups of residents within local service areas. It is estimated that the CRD currently provides services to over 22,000 Electoral Area residents (2019 estimate provided by CRD Regional Planning).

Budgets herein presented for review are only for Electoral Area (EA) services: Juan de Fuca EA (JDF), Salt Spring Island EA (SSI) and Southern Gulf Islands EA (SGI).

The Electoral Area services delivered are guided by the *Local Government Act*, service establishment bylaws, the Board strategic plan, and corporate service plans.

Budget Approval Process

Under the budget direction provided by the Board, review and recommendation for approval of all Electoral Area service budgets, including local services commission budgets, is delegated to the EAC. These budgets will be included in the preliminary 2021 CRD Financial Plan to be presented to the CRD Board on October 28, 2020. Also on this date, regional and sub-regional budgets will be presented for all participants to review and approve.

Review and approval of the budgets by the CRD Commissions will take place between October and November, 2020.

Budget Planning Overview

The budgets have been prepared by CRD Staff with input and approval from the commissions and committees where applicable. The development of the budgets are based on the resources required for delivery of the core services, the impact of new initiatives, proposed capital programs, and other cost pressures such as inflation and contractual agreements.

The service budgets include operating budgets and capital plans in addition to changes in reserve funds. A detailed discussion on the main budget drivers for each EA is included in Appendices A–C.

ALTERNATIVES

Alternative 1

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

1. That the 2021 Electoral Area Only Services Budgets be given provisional approval as presented, and
2. That the new initiatives identified in Appendix D for January 1, 2021, implementation be approved for expenditure.

Alternative 2

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

1. That the 2021 Electoral Area Services Budgets be given provisional approval with specific direction on amendments; and
2. That the new initiatives identified in Appendix D for January 1, 2021, implementation be approved with specific direction on amendments.

IMPLICATIONS

Financial Implications

Tax Requisition

Table 1 summarizes the total increase in the 2021 preliminary tax requisition over 2020 final requisition for each EA.

Table 1: 2021 Preliminary vs 2020 Final Requisition

	2021 Provisional Requisition		2020 Final Requisition		\$ Change		% Change
	(\$000)	\$ Per HH	(\$000)	\$ Per HH	(\$000)	\$ Per HH	Per HH
Juan de Fuca	2,431	570	2,427	569	4	0.97	0.17%
Salt Spring Island	6,838	1,025	6,773	1,015	65	9.86	0.97%
Southern Gulf Island	3,207	468	3,130	457	77	11.24	2.46%

The requisition increase includes the changes in regional, sub-regional, Joint EA, individual EA services and Capital Regional Hospital District (CRHD) assessments, but it excludes the changes in the local/specified/defined area services versus the EA as a whole, as only participants in each service are impacted.

The actual change in the tax rates resident will see on their annual bill will vary depending on the other local/specified/defined areas service in which they participate and their individual 2021 assessment values. The 2021 preliminary requisition impact shown above in Table 1 reflects the 2020 assessment values; new assessment information will be updated when assessment data is released in early February and will be updated for final budget deliberations.

Detailed requisition summaries by service areas for each EA are included in Appendix A-1 (JDF), Appendix B-1 (SSI), and Appendix C-1 (SGI).

Operating Budget Overview–Gross Expenditure

Table 2 summarizes the increase in total operating expenditures for each EA in the 2021 preliminary budget compared to the 2020 final budget, for EA budgets only.

Table 2: Summary of Operating Budget (in \$ 000's) by EA

Electoral Area	2021 Financial Plan \$	2020 Financial Plan \$*	\$ Change	% Change
Juan de Fuca	4,863	4,823	40	0.8%
Salt Spring Island	10,089	9,721	368	3.8%
Southern Gulf Islands	7,563	7,416	147	2.0%
Total	22,515	21,960	555	2.5%

*Based on Amendment Financial Plan (Bylaw No. 4366)

The increase in overall expenditures is primarily attributable to core service delivery, contractual agreements and inflationary pressure. Staff have reviewed and rebalanced the ongoing service delivery to mitigate inflationary impacts.

The following tables show the year over year changes by expenditure type for each EA for EA budgets only (excluding Regional, Sub-regional and CRHD services)

Table 2a: Summary of JDF Operating Budget (in \$ 000's)

Expenditure Type	2021 Financial Plan \$	2020 Financial Plan \$	\$ Change	% Change
Operations	3,937	3,854	83	2.2%
Capital Funding	26	26	0	0.0%
Debt Servicing	336	336	0	0.0%
Transfer to Reserves	564	607	(43)	(7.1%)
Total	4,863	4,823	40	0.8%

The total increase of \$40 thousand in JDF is due primarily to increases in operation expenditures with the transfers to reserves offsetting the increases. The main budget drivers in operation expenditure increase include salary and wages, contract for services and program development. There are no changes to capital funding initiatives and debt serving cost. Operating budget highlights for JDF services is in Appendix A-2 (JDF).

Table 2b: Summary of SSI Operating Budget (in \$ 000's)

Expenditure Type	2021 Financial Plan \$	2020 Financial Plan \$	\$ Change	% Change
Operations	8,534	8,064	470	5.8%
Capital Funding	3	43	(40)	(93.0%)
Debt Servicing	788	1,014	(226)	(22.3%)
Transfer to Reserves	764	600	164	27.3%
Total	10,089	9,721	368	3.8%

The total increase of \$368 thousand in SSI is due primarily to increases in operation expenditures and transfers to reserves. The main budget drivers in operation expenditure increase include salary and wages, contact for services and maintenance and repairs. Transfers to fund capital initiatives and debt servicing offset increases. The reduction of debt servicing cost is mainly due to debt retirement (SSI Pool Service) and lower debt refinancing rate (SSI Liquid Waste Service). Operating budget highlights for SSI services is in Appendix B-2 (SSI).

Table 2c: Summary of SGI Operating Budget (in \$ 000's)

Expenditure Type	2021 Financial Plan \$	2020 Financial Plan \$	\$ Change	% Change
Operations	5,978	5,870	108	1.8%
Capital Funding	18	31	(13)	(41.9%)
Debt Servicing	755	755	0	0.0%
Transfer to Reserves	812	760	52	6.8%
Total	7,563	7,416	147	2.0%

The total increase of \$147 thousand in SGI is due primarily to increases in operation expenditures and transfer to reserves. The main budget drivers in operation expenditure increase include salary and wages, contact for services, grant-in aid funding and program development. Transfers to fund capital initiatives offsets the increases. There is no change for debt servicing cost in SGI. Operating budget highlights for SGI services is in Appendix C-2 (SGI).

Capital Budget Overview

The capital plan highlights for major capital projects over \$100,000 for each EA are shown in Appendix A-3 (JDF), Appendix B-3 (SSI) and Appendix C-3 (SGI).

Capital plans are developed through a process of reviewing:

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

The following Table 3 summarizes the capital plan by Electoral Area.

Table 3 - Summary of Capital Plan by Electoral Area (in \$ millions)

Electoral Area	2021 Capital Plan \$	2020 Capital Plan \$ *	\$ Change	% Change
Juan de Fuca	0.6	1.1	(0.5)	(45.5%)
Salt Spring Island	5.0	6.3	(1.3)	(20.6%)
Southern Gulf Islands	8.2	10.9	(2.7)	(24.8%)
Total	13.8	18.3	(4.5)	(24.6%)

*Based on Amendment Financial Plan (Bylaw No. 4366)

- JDF: The provisional 2021 capital plan is \$0.6 million, a decrease of \$0.5 million from 2020. The decrease is primarily due to substantial completion of expenditures planned in 2020 for Otter Point Fire service including the Fire Hall Expansion project (\$165K) and fire truck replacement (\$400K)
- SSI: The provisional 2021 capital plan is \$5 million, a decrease of \$1.3 million from 2020. The decrease is primarily due to the decrease in the SSI transportation function as the major project of North Ganges Transportation Plan (\$2M) is anticipated to be substantially completed by the end of 2020. This decrease is offset by some increases in capital expenditures planned in 2021 for multiple water and sewer services.
- SGI: The provisional 2021 capital plan is \$8.2 million, a decrease of \$2.7 million from 2020. The decrease is primarily due to expenditures in 2020, including land donation to Pender Island Parks (\$516K), and Fire Truck replacement in Pender Island Fire service (695K). The decrease is also driven by lower capital expenditures related to the South Galiano Fire Hall project as the peak construction period was in 2020, and Gardom Pond Dam Remediation project as the project will be completed in 2020.

The 2021 Capital Plan Summary overview for each EA is shown in Appendix A-4 (JDF), Appendix B-4 (SSI) and Appendix C-4 (SGI).

Capital projects are typically funded by annual contributions from operating, grant, reserves and/or long term debt. Grant funding can have a significant impact on the implementation of the plan as grant application results are unknown.

Advanced Approvals

Advanced approval is requested in specific situations where the commencement of work before March 2021 is considered necessary to address operational needs for meeting work plans or efficiency of work plans. These are often related to items that have regulatory compliance implications, grant deadlines and capital projects for which tenders have to be issued and where a delay in commencement of work can have negative impact on service delivery timing and effectiveness. Items identified as necessary activities to begin in advance of the March deadline are listed in Appendix D.

SUMMARY

The attached 2021 EA budget packages in Appendix A (JDF), Appendix B (SSI) and Appendix C (SGI), which include operating and capital, are provided for preliminary approval. Appendix D contains the items that, as a result of business requirements, need to be implemented as early as January 1, 2021, in advance of the March final budget approval.

The provisional budget is subject to change as a result of the final 2020 surplus/deficits, receipt of revised assessment and any adjustments recommended by the respective Commissions and the Electoral Area directors prior to final approval of the Financial Plan Bylaw by March 31, as outlined in the *Local Government Act*.

CONCLUSION

The 2021 Electoral Area budgets have been delegated to the EAC by the CRD Board for review and preliminary approval.

Overall, the 2021 Electoral Area preliminary budget has been prepared based on the service plans and provide ongoing CRD services that respond to the varying needs of the three Electoral Area communities.

RECOMMENDATION

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

1. That the 2021 Electoral Area Only Services Budgets be given provisional approval as presented, and
2. That the new initiatives identified in Appendix D for January 1, 2021, implementation be approved for expenditure.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Budget Packages – Juan de Fuca
Appendix B: Budget Packages – Salt Spring Island
Appendix C: Budget Packages – Southern Gulf Islands
Appendix D: January 2021 Approvals



Capital Regional District

625 Fisgard St.,
Victoria, BC V8W 1R7

Master

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**Agenda
Section:**

In Control: Electoral Areas
Committee

File Created: 09/08/2020

Short Title:

Final Action: 10/14/2020

Title: 2021 Preliminary Electoral Area Budget Review

Internal Notes:

Agenda Date: 10/14/2020

Sponsors:

Agenda Number: 6.2.

Attachments: Staff Report: 2021 Preliminary EA Budget Review,
Appendix A: Juan de Fuca EA Budget Pkg, Appendix
B: Salt Spring Island EA Budget Pkg, Appendix C:
Southern Gulf Islands EA Budget Pkg, Appendix D:
January 2021 Approvals

Enactment Date:

Bylaw Number:

Hearing Date:

Effective Date:

Recommendation:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Electoral Areas Committee	10/14/2020	recommended for approval				Pass

Action Text: MOVED by Director Howe, SECONDED by Director Holman,
The Electoral Areas Committee recommends to the Capital Regional District Board:
That the 2021 Electoral Area Only Services Budgets be given provisional approval as presented. CARRIED
MOVED by Director Holman, SECONDED by Director Howe,
The Electoral Areas Committee recommends to the Capital Regional District Board:
That the new initiatives identified in Appendix D for January 1, 2021, implementation be approved for
expenditure.
MOVED by Director Howe, SECONDED by Director Holman,
That the wording "Grants, " be added before the word "...Reserves", on the 1.238B SSI Transportation line,
in the Funding Source column.
CARRIED
MOVED by Director Holman, SECONDED by Director Howe,
The Electoral Areas Committee recommends to the Capital Regional District Board:
That the new initiatives identified in Appendix D for January 1, 2021, implementation be approved for
expenditure as amended.
CARRIED