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REPORT TO ELECTORAL AREAS COMMITTEE MEETING OF WEDNESDAY, FEBRUARY 10, 2021

SUBJECT **Review of Separation of Building Inspection Services for Each Electoral Area**

ISSUE SUMMARY

At the April 10, 2019 Electoral Areas Committee (EAC) meeting staff were directed to provide a report on separating by Electoral Area the Building Inspection services and implications, both financially and operationally, and advise on required bylaw amendments and operational impacts.

BACKGROUND

The three Electoral Areas (EAs), Juan de Fuca (JdF), Salt Spring Island (SSI) and the Southern Gulf Islands (SGI) are served by the Capital Regional District (CRD) with respect to building inspection services. CRD Building Inspection's four offices are located within each of the three EAs (JdF, SSI, Pender Island and an office at the CRD building in Victoria). Within the four offices building inspectors and administrative staff perform the functions of issuing and managing permits, performing building inspections and serving the public. The Fisgard office is the headquarters (HQ) and provides supervision and management to all offices, although it also provides direct service delivery to a portion of JdF as well as some of the Gulf Islands. This is done to ensure that building construction complies with the BC Building Code, the CRD Building Bylaw and related standards, as addressed in the *Building Act*.

At the request of the EA directors, staff have reviewed the proposal of separating the three EAs both financially and operationally. The current operation involves a considerable amount of travel time and cost in order to deliver the service to all parts of the EAs including the smaller remote islands as well as some remote parts of the western side of the JdF. Although the three offices are located within each of the three EAs there is some staff travel from Victoria to serve some of the islands. The Pender Island office has a resident Building Inspector that also travels to Mayne Island on a regular basis. As well, some of building inspectors serve more than one area on a regular basis and therefore, their time and costs are not specific to a single EA.

Bylaw No. 1750 in 1989 provided the CRD with the authority to deliver Building Inspection service to the EAs. Should the three EAs separate their operations new establishing bylaws and legal and legislative changes must be carried out to ensure compliance with provincial requirements.

ALTERNATIVES

Alternative 1

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the Building Inspection service to the three Electoral Areas remain as a single shared service with a single budget.

Alternative 2

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the Building Inspection service be separated into three separate services with three separate budgets and a prescribed shared internal allocation to ensure effective management and corporate and financial administration.

IMPLICATIONS

Operational Implications

As the EA offices are separated by considerable distances and bodies of water, travel time and cost have a major impact on service delivery.

Work performed by the Manager and Senior Administrative Coordinator covers all three EAs and the legislative and regulatory requirements for the operation of the building inspection service requires significant oversight by the Chief Building Official (Manager) and specialized administrative oversight for statutory notifications, orders, notices and record keeping processes. Currently in order to provide consistent service delivery, leave coverage and address fluctuations in activity, Building Officials are not exclusively assigned to each of the three electoral areas. While the building officials are stationed out of the individual offices and perform the majority of their work for an electoral area, they remain flexible to cover requirements in the other electoral areas and shift their schedules to accommodate requests for service. Work demands can change from week to week and year to year affecting staffing allocations. Monitoring of staff time and expenses to individual EA budgets will become much more challenging with separate services.

It is also important, especially in times of staff shortages, that each EA maintains a high level of Building Inspection service to the communities as new regulations in effect February 28 of this year legally restrict a building inspector to making decisions only on project types that he or she is qualified for. There are three certification levels for building inspectors and two for plumbing inspectors. Not all CRD inspectors are fully qualified for all buildings. In order to address this individual inspector's expertise and abilities will need to be shared throughout the three EAs. To maintain a consistent level of service careful staff planning, training and financial agreements must be in place within the three EAs and costs between services will require additional tracking. Due to the challenges of managing inspectors' qualification levels and application to appropriate projects increasing administration and costs, separation is not recommended.

Legal Implications

The legal process of the separation of the three EAs would be as follows:

- EAC would decide by majority vote to recommend to the Board to split the building inspection services;
- The CRD Board would endorse this approach and instruct staff to draft the appropriate bylaws.
- Following this, three new service establishment bylaws would be drafted, one for each EA. These bylaws must, among other things, indicate the method of cost recovery.
- CRD would remain with a single Building Bylaw, which would be modified to ensure its applications to all areas and consistency for CRD staff and builders as well as ensure that the approach to legislative and regulatory compliance is consistently administered, given the CRD's corporate responsibilities and liabilities.
- On drafting of the three service establishment bylaws, the CRD Board would need to approve three readings of each of the service establishment bylaws. Each EA director would need to consent in writing to the creation of the relevant EA's service.
- Ministerial approval is then required. Ministerial review will closely examine the manner or formula for requisition share to ensure fairness to all, and may require splitting of the service to go to a different elector approval process, though this is unlikely.
- After Ministerial approval, the CRD Board would adopt each service bylaw with a coming in-force date and bring in changes to the Building Bylaw with the same in-force date. Three reserve funds would be created to serve each of the three EAs.

This process could take up to 8 months as Ministerial review alone can take 8-12 weeks. New services must meet the approval deadline of April 10 of each year and based on this timeline the deadline for 2021 cannot be met. CRD's legal services staff have discussed this service arrangement with the Governance branch of the Ministry, who confirm such an approach is available to the CRD.

Careful thought must be given to the effect of transitioning between two service systems as there will be legal, administrative and financial implications. Files and permits that bridge between the current system and a revised system with separate EAs must be appropriately handled. For this situation it would be recommended that the existing Service Establishment Bylaw 1750 be left in place for two to three years to address legal matters related to the previous system that may arise.

Financial Implications

Currently, the Building Inspection Service is a three EAs joint service with a single service budget. All service costs are mainly recovered by building permit fees and tax requisition. The tax requisition is cost apportioned by converted assessment among the three EAs.

If this single Building Inspection service is to be separated by each EA through individual service establishment bylaws, the current single budget will need to be split into four separate budgets: one for each of the three EAs and one for the HQ overhead administrative budget. The HQ budget would include administrative costs applicable to all three EAs and would be fully recovered by allocating the HQ cost into the individual EA budgets. The budget for each individual EA would be developed and administered separately and would include only the EA specific operating costs and a share of the HQ total costs. The total costs for each EA would then be recovered through building permit fees and tax requisition from each of the respective EAs.

Historically, the single Building Inspection service budget has included the costs and revenues for the entire service without segregating these costs separately between EA and HQ. In order to simulate the financial implications of separating the service by EA, staff have developed the proposed budget structure (Table 2) to track the costs and revenue separately for each EA and HQ using the 2021 budget forecast for analytical purposes only.

Table 1 below provides the requisition apportionment summary under the current single budget model for 2021 budget forecast.

Table 1 – Requisition Summary – Current Single Budget

Electoral Area	2021 Converted Assessments(\$)	% of Apportionment	Requisition(\$)
Salt Spring Island (SSI)	501,294,566	44.61%	195,150
Southern Gulf Island (SGI)	364,128,798	32.41%	141,752
Juan de Fuca (JdF)	258,183,066	22.98%	100,508
Total	1,123,606,430	100%	437,410

Table 2 below provides the simulation of the requisition requirement for each EA under the proposed separate budget structure of each EA and HQ for 2021 budget forecast. Since the HQ costs are applicable to all three EAs in delivering the Building Inspection service, the total costs would be fully recovered by allocating the costs into individual EA budgets based on converted assessment in alignment with the majority of the CRD services for cost apportionment methodology. Staff did analyze other cost apportionment structures that looked at an equal division among the EAs as well as by number of permits in each EA, however the use of the converted assessment structure had the least impact.

Table 2 – Requisition Simulation – Proposed Separate Budgets of EAs and HQ

Electoral Area	EA Specific Cost(\$)	Net HQ Cost Allocation(\$)*	Total Cost(\$)	EA Specific Fee Revenue(\$)	Requisition(\$)	Total Revenue (\$)
SSI	385,421	198,674	584,095	398,554	185,541	584,095
SGI	344,229	144,312	488,541	362,794	125,747	488,541
JDF	318,372	102,323	420,695	294,574	126,122	420,695
Total	1,048,022	445,309	1,493,331	1,055,922	437,410	1,493,331

*Cost apportioned by converted assessment, refer to Table 1 for %. Fee revenue split based on historical actuals.

Table 3 below provides the comparison of the requisition requirement between the current single budget model and proposed three separate EA budgets using 2021 budget forecast. The requisition does not include a projection of the additional legal, administrative and financial implications.

Table 3 – Requisition Comparison Proposed Separate EA Budgets vs Single Budget

Electoral Area	Requisition Single Budget*	Requisition Separate EA Budgets**	Increase/(Decrease)
SSI	195,150	185,541	(9,609)
SGI	141,752	125,747	(16,005)
JDF	100,508	126,122	25,614
Total	437,410	437,410	0

*Requisition detail from Table 1

**Requisition detail from Table 2

The above analysis indicates that the separate EA budgets model will allow the three EAs to be financially independent. The requisition requirement, however, for each EA will be highly dependent upon the EA specific permit revenue and costs and will likely change and fluctuate year to year due to the changes in the economy, building industry and specific development activity within each EA. To attempt to mitigate the requisition fluctuation, separate operating reserve funds can be created through bylaw for each EA and the service surplus can be held in the respective EA operating reserve fund. Three additional Equipment Replacement funds should also be created to support the vehicle and equipment replacement needs for each respective EA.

Due to the fact that administrating three additional EA budgets with separate operating reserve funds and Equipment Replacement funds will result in increased demands on staff capacity on an ongoing basis staff are not recommending separation. Future additional resources will be required. The benefits of having a single service are that any fluctuations year to year in one EA can be offset within the combined portfolio.

CONCLUSION

Staff have been asked by the EAC to report on the option of creating separate Building Inspection services for each of the three EAs in order to create increased financial and operational independence.

Costs associated with service delivery in the three EAs reflects the geographical location of the offices and areas to be served. Some resources, including staff and equipment, are shared within the overall operation and therefore managing this will become very challenging in order to maintain consistent and equitable services throughout and to ensure appropriate costing.

Legislative processes including the creation of new establishment bylaws would need to be followed to legally complete the separation. This process would take several months or more to complete.

It is likely that additional staff time and resources will be necessary to manage the three separate operations, particularly four budgets instead of one. Budget fluctuations within each separate EA are expected from year to year. The benefits of having a single service are that any fluctuations year to year in one EA can be offset within the combined portfolio.

Due to the challenges, operationally and financially, of separating the three services staff recommend the operation remain as status quo.

RECOMMENDATION

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the Building Inspection service to the three Electoral Areas remain as a single shared service with a single budget.

Submitted by:	Mike Taylor, RBO, Manager and Chief Building Inspector, Building Inspection
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer