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**REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, MARCH 24, 2021**

SUBJECT **Bylaw No. 4409: 2021 to 2025 Financial Plan Bylaw, 2021**

ISSUE SUMMARY

This report summarizes final updates to the 2021 budget and requests approval of Bylaw No. 4409 regarding the Capital Regional District (CRD) five-year Financial Plan for the years 2021–2025.

BACKGROUND

Section 374 of the *Local Government Act* requires the CRD to develop and approve a five year Financial Plan by March 31 each year. On October 28, 2020, the CRD Board approved 2021 Service Plans, the 2021 Staff Establishment Chart and the Provisional 2021-2025 Financial Plan. Before final approval, financial plans are amended based on year-end results, payments in lieu of taxes, revised assessment information, and other committee or commission directed changes.

Financial Plan revenues are derived from fees and charges, service and operating agreements, grants, and taxes. Expenditures are determined through a variety of processes, many of which the CRD Board controls directly. Other processes include delegated authority or those recommended by commissions. All approved recommendations are incorporated into service plans, operating plans and capital expenditure plans for approval by the Board.

The CRD Financial Plan consists of more than 200 budgets funding the delivery of regional, sub-regional and local services to over 400,000 residents, businesses and visitors throughout the region. Various trends and variables impact the Financial Plan including, but not limited to, economic conditions, population growth, demographics, climate change, and regulatory or legislative amendments. The Financial Plan aims to balance these factors in alignment with the Board approved strategic, corporate, and service plans.

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4409, “2021 to 2025 Financial Plan Bylaw, 2021”, be introduced, read a first, second and third time; and
2. That Bylaw No. 4409 be adopted.
3. That the amended Staff Establishment Chart as attached in Appendix G be approved.

Alternative 2

1. That Bylaw No. 4409, “2021 to 2025 Financial Plan Bylaw, 2021”, be introduced, read a first time and second time.
2. That Bylaw No. 4409 be amended as directed.
3. That Bylaw No. 4409 be read a third time.
4. That Bylaw No. 4409 be adopted.
5. That the amended Staff Establishment Chart as attached in Appendix G be approved.

IMPLICATIONS

Governance Implications

Public Consultation

Section 375 of the *Local Government Act* requires consultation on the Financial Plan before adoption. In support of the diverse services and governance structures at the CRD, the engagement process employs a variety of means to solicit feedback from regional, sub regional and local rate payers.

Many CRD services are governed through commissions or committees which are composed of elected officials and in many cases volunteer local rate payers. With commission and committees providing oversight and direction to services, public input is received leading up to the preparation of budgets through these bodies during service plan reviews at the individual service level. This process includes a significant amount of work undertaken by many commissioners who volunteer their services in the Southern Gulf Islands, Salt Spring Island, and Juan de Fuca electoral areas. For regional services the Board has oversight over the budget process through standing committees.

Commissions and committees receive input in the form of user statistics, customer feedback, surveys, advisory body reports, operational reports, presentations, and correspondence. The CRD also conducts public consultations for major regional initiatives such as the preparation of a new solid waste management plan. The review of budgets takes place in meetings open to the public, with meeting details advertised in local newspapers and on the CRD website leading up to the meeting dates. Appendix K provides a summary of communications activities related to the final budget.

To supplement these processes, the CRD also makes budget materials publicly available on the website with a public feedback form following provisional budget and ahead of final budget review by the Board. These materials and infographics are designed to increase understanding of the CRD's financial position and performance, and the CRD features the opportunity to participate on its home page, social media channels and media materials.

Public feedback on the 2021-2025 Five Year Financial Plan Bylaw concluded on January 31 and feedback received has been shared through the Board correspondence portal. All public feedback is considered and incorporated in alignment with corporate and strategic planning for Board approval and integrated into service planning where applicable.

Legislative Implications

Financial Plan Bylaw

The Financial Plan Bylaw includes operating and capital expenditures, reserve transfers, and revenue requirements from 2021-2025. Bylaw No. 4409, cited as "2021 to 2025 Financial Plan Bylaw, 2021", including Schedules A and B, reflect approved service plans and any adjustments since provisional approval. The bylaw and schedules are included in Appendix M.

As in previous years, there will be an additional adjustment made prior to billing, limited to final amendments by BC Assessment after March 31. There are no expected material changes as a result of this information.

As approved by the Board, review and recommendation of all electoral area-only service budgets was delegated to the Electoral Areas Committee (EAC), including the review of budgets of local service commissions. The Electoral Area Committee recommended approval of the all electoral area-only budgets on March 10, 2021.

Economic Implications

Trends and Assumptions

Many local and national key performance indicators continue to reflect the impact of COVID-19 on the economy. While there are signals of moderation and slowing in construction and housing starts, demand and utilization of CRD services remain strong. Key indicators include:

- As of January 2021, the Consumer Price Index (CPI) for greater Victoria was 1.4%, compared to Vancouver at 1.0% and British Columbia at 1.1%; significantly higher than National CPI of 1.0%.
- At the end of 2020, Victoria's unemployment rate was 5.8%, down from 10.3% in August, but still higher than 3.5% at the beginning of the year. British Columbia's unemployment rate and the national rate were 7.2% and 8.8% respectively compared to 4.5%, 5.5% pre COVID-19.¹
- Population growth continues to drive the regional economy as well as the need for investments in infrastructure and increases in service delivery. Since 2011, the population of the CRD has grown 15%, or 1.3% in the last year.² The rate of growth continues to outpace Metro Vancouver and the Province, both with 1.1% in 2020.³
- The value of building permit activity through 2020 ended higher than forecast by \$200 million at \$1.4 billion.⁴ Housing starts, generally regarded to more closely indicate construction activity, improved in the second half of 2020 but were lower by (8.3%) from the prior year.⁵
- The local real estate market showed increased sales of single family homes, up 43.9% from the same month in 2020 and decreased number of listings by (38.0%), suggesting development activity may accelerate to meet demand.⁶
- In February 2021, the Victoria Real Estate Board reported 863 properties sold, 57.2% more than the same period last year and an increase from 2020. The average price of a single family home is now \$948,200, an increase of 9.0%.⁷

1 At: <https://www.workbc.ca/labour-market-industry/b-c-s-economy/labour-market-snapshots.aspx?month=December&year=2020>
At: <https://www150.statcan.gc.ca/n1/daily-quotidien/210108/dq210108a-eng.htm>

2 At: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates>
Table name: pop_municipal_subprov_areas_2011_2020

3 At: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates>
Table name: pop_municipal_subprov_areas_2011_2020

4 CRD Regional Planning Statistics

5 At: <https://www150.statcan.gc.ca/n1/en/type/data?MM=1#tables> Table: Canada Mortgage and Housing Corporation, housing starts, under construction and completions in selected census metropolitan areas, annual 1, 2, 3

6 At: <https://www.vreb.org/pdf/VREBNewsReleaseAndSummary.pdf>

7 At: <https://www.vreb.org/pdf/VREBNewsReleaseAndSummary.pdf>

- Through 2020, population growth and economic activity continued to drive demand on CRD services and utilization. Regional park visitors increased by 25%, landfill tipping tonnage grew by 2.8%, and water consumption rose by 2%.

Assessment and Growth

With the majority of CRD services cost apportioned on an assessment basis, assessment values and folios are primary factors impacting estimates on costs per average household. Historical trends in assessments growth have been positive on an aggregate regional basis, but difficult to forecast on a participant basis. Through 2020, the region experienced an increase of \$561 million or 3.8% in converted assessments while folios grew by 1,823 or 1.3%.⁸ The change in assessments varies by municipality and electoral area. The Financial Plan presentation includes several charts and tables comparing the changes across the region.

Financial Implications

Budget Overview

The 2021 CRD Financial Plan includes \$296.1 million in operating expenditures, an increase of \$15.8 million or 5.6%, and \$284.2 million in capital investment, a decrease of \$115.4 million or 28.9% over 2020.

Table 1: 2020 CRD Budget – Change from prior year

Budget Type (\$M)	2021 Final	2020 Final*	\$ Change	% Change
Operating	296.1	280.3	15.8	5.6%
Capital	284.2	399.6	(115.4)	(28.9%)
Total	580.3	679.9	(99.6)	(14.6%)

* 2020 Final as amended by Bylaw No. 4396, 2020-2024 Financial Plan Bylaw, 2020, Amendment Bylaw No. 5, 2020

Appendix A provides additional tables summarizing 2021 year over year changes in operating and capital expenditures, requisition, and reserves. The total impact of the operating and capital budget on the 2021 Financial Plan Summaries, along with 2021 Individual Municipal and Electoral Area Requisitions, is included in Appendix J.

Updates Following Provisional Budget Approval

The final budget reflects amendments to the Provisional Financial Plan approved in October with year-end results, BC Assessment information, and additional committee, commission, and staff recommended initiatives. This report focuses on changes since Provisional Budget approval; as such, Tables 2 through 5 compare and summarize the 2021 Final to the Provisional budget. Appendix B and D provide an overview of the 2021 operating and capital budgets.

Operating Expenses

Since provisional approval, the operating budget increased \$2.8 million or 1.0%. The following table summarizes changes by type of expense:

⁸ BC Assessment 2021 Tax Roll

Table 2: Changes in Operating Expenses

Expenditure Type (\$M)	2021 Final	2021 Prelim	\$ Change	% Change
Operations	208.2	205.5	2.7	1.3%
Debt Servicing	40.0	40.0	0.0	0.0%
Capital Funding	21.5	21.2	0.3	1.4%
Transfer to Reserves	26.4	26.6	-0.2	-0.8%
Total	\$296.1	\$293.3	\$2.8	1.0%
<i>Incremental Recommendations</i>	<i>+\$0.2</i>		<i>+\$0.2</i>	<i>+0.1%</i>

The \$2.7 million change in operations is a result of various service budgets being updated to reflect carry forward and deferral of 2020 work programs into 2021, one-time regional support via the BC Safe Restart Grant, and updated cost implications, as listed in Appendix C.

The net \$0.1 million increase in capital funding and transfers to reserve are a result of year end balancing of surplus carryforward and payment-in-lieu (PILT) revenue adjustments. The adjustments fund current and future capital. Of note is the reinstated transfer to reserve for Panorama Recreation Center funded through surplus carry forward.

The incremental recommendation is to include \$0.2 million in additional operating expenses within the Feasibility Studies Service to begin the process of establishing a Regional Arts Facilities Service, as approved by the CRD Board on March 10, 2021.

Operating Revenue

As a result of changes to the operating expenses shown in Table 2, revenue requirements need to be balanced and these are summarized in Table 3 below.

Table 3: Changes in Operating Revenue

Revenue Type (\$M)	2021 Final	2021 Prelim	\$ Change	% Change
Sale of Services	138.3	138.0	0.3	0.2%
Internal Allocations	44.5	44.6	-0.1	-0.2%
Rentals and other Revenue	7.4	7.5	-0.1	-1.3%
Surplus Carryforward	9.0	7.4	1.6	21.6%
Grants and PILT	5.9	4.5	1.4	31.1%
Transfer from Reserves	2.4	1.9	0.5	26.3%
Subtotal	207.5	203.9	3.6	1.8%
Requisition*	88.6	89.4	-0.8	-0.9%
Total	296.1	293.3	2.8	1.0%
<i>Incremental Requisition</i>	<i>+\$0.2</i>		<i>+\$0.2</i>	<i>+0.1%</i>

* Total requisitions includes municipal debt payments of \$15.0 million.

The Surplus Carryforward increase of \$1.6 million from provisional approval is driven by a timing change on a Regional Housing Trust Fund grant for the Croftonbrook Housing Project, Core Area

Wastewater debt refinancing, and incremental revenue from Panorama Recreation as a result of adjusted programming in late 2020.

An increase in grants and PILT funding of \$1.4 million is driven by \$1.3 million related to the COVID-19 Safe Restart Grant for Local Governments.

The increase of \$0.5 million in transfers from reserve is due to a number of projects and programs such as studies and review projects carried forward from 2020 for completion of work in 2021.

A comprehensive list of changes in operating revenue by driver is included in Appendix C. As in previous years, surplus carryforward estimates were included in the provisional budget as a forecast in each service and are revised for final budget with actual 2020 year end results.

Payments-in-Lieu (PILT)

PILT are monies recovered from tax exempt parcels owned by federal, provincial and crown agencies within the region. Under legislation, the amount of tax is determined by class and rate if the properties were taxable. However, the amount of PILT can vary as the requirement to pay is discretionary to the Minister, Lieutenant Governor, and heads of Crown Corporations.

Monies collected in each municipality are processed by the CRD and returned through credit to each of the services the municipalities participate in. These payments are a regular source of funding and are meant to compensate the municipality's share of annual costs for CRD services. The historical approach through the provisional budget is to plan prior year actuals, as current year PILT information is not available at the time. Revisions for final budget include the actual PILT distributed. For 2021, the PILT received was higher than the Provisional budget, totaling \$3.6 million or an increase of \$0.1 million. Appendix C includes a summary of PILT revenue by member municipality.

Capital Investment

Table 4 summarizes changes to the capital budget of the Financial Plan by community need.

Table 4: Changes in Capital Investment

Investment Type (\$M)	2021 Final	2021 Prelim	\$ Change	% Change
Wastewater	144.3	47.8	96.5	201.9%
Water	53.7	56.0	-2.3	-4.1%
Affordable Housing	32.7	32.7	0.0	0.0%
Parks & Natural Resource Protect.	21.7	20.7	1.0	4.8%
Recreation, Arts & Culture, Health	8.6	7.4	1.2	16.2%
Landfill & Recycling	11.0	11.1	-0.1	-0.9%
Protective Services & Transport.	6.0	4.5	1.5	33.3%
Accountability	3.6	1.9	1.7	89.5%
Climate Action & Adaptation	2.6	2.6	0.0	0.0%
Total	\$284.2	\$184.7	\$99.5	53.9%

Changes to capital investment since provisional budget approval relate largely to the Core Area Wastewater Treatment Project (CAWTP). The CAWTP increase is a result of unspent capital in

2020 being carried forward into 2021. Additional details and explanations for all capital change drivers are included in Appendix F.

Capital Funding

As a result of changes to capital investment, shown in Table 4, revenue requirements need to be balanced and this is summarized in Table 5 below.

Table 5: Changes in Capital Investment Funding

Investment Funding Source (\$M)	2021 Final	2021 Prelim	\$ Change	% Change
Current Operating and WIP	52.2	47.4	4.8	10.1%
Grants	104.1	13.0	91.1	700.8%
Debenture Debt	49.2	46.2	3.0	6.5%
Donations & Third Party Funding	28.9	29.6	-0.7	-2.4%
Reserve Funding	49.8	48.5	1.3	2.7%
Total	\$284.2	\$184.7	\$99.5	53.9%

The change in grant funding is primarily driven by an \$88 million increase related to completion timing of CAWTP. These funds were planned to be received in 2020, but have been deferred to 2021. The final 2021 budget includes CAWTP grant contributions from P3 Canada, the Federation of Canadian Municipalities and the remaining grant contribution from the Province of BC.

The current 2021-2025 capital plan totals \$780 million and continues to reflect a focus on critical utility infrastructure while incorporating significant investment in affordable housing. As in previous years, any changes to the capital plan will be managed through budget amendments with the approval of the Board. A summary of capital investment is included in Appendix D and a complete list of capital projects greater than \$0.5 million is included in Appendix E.

Staff Establishment Chart

The Staff Establishment Chart (SEC) is attached as Appendix G, detailing Full-Time Equivalent (FTE) employees included in each department and division budget within the CRD. While the overall total 2021 FTE's has not changed since the provisional approval, 1.0 FTE is requested to be converted from a fixed term duration ending in Q1 of 2022 to a permanent ongoing position within the Regional Housing division.

Table 7 – Summary of Changes to Staff Establishment Chart

Department & Division	Change in FTEs since Preliminary Approval
Planning & Protective Services	
Regional Housing (Ongoing)	1.00
Regional Housing (Fixed Duration)	(1.00)
Total	-

Financial Indicators & Reserve Forecasts

Consolidated summaries of operating and capital reserve activity can be found in Appendix H.

The financial indicators relate directly to the CRD and services provided to the communities in which the CRD operates. These indicators provide a measurement of financial capacity including debt servicing relative to revenue and planned capital expenditures, capital investment relative to depreciation, and transfers to reserves relative to the net book value of assets and operating expenditures. A summary of the financial indicators is included in Appendix I.

CONCLUSION

The CRD Board must adopt a five year Financial Plan bylaw each year by March 31. The attached bylaw and supporting schedules summarize the CRD Financial Plan for the years 2021 through 2025. The 2021 budget was preliminarily approved by the Board on October 28, 2020.

The 2021-2025 Financial Plan has been prepared in alignment with Board decisions and committee direction. Staff recommends approving the 2021-2025 Financial Plan bylaw as presented.

RECOMMENDATION

1. That Bylaw No. 4409, “2021 to 2025 Financial Plan Bylaw, 2021”, be introduced, read a first, second and third time; and
2. That Bylaw No. 4409 be adopted.
3. That the amended Staff Establishment Chart as attached in Appendix G be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Stephen Henderson, A/General Manager, Corporate Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

- Presentation: Capital Regional District 2021 Final Budget
- Appendix A: CRD 2021 Final vs. 2020 Final Budgets
- Appendix B: CRD 2021 Operating Budget Overview
- Appendix C: Drivers for Changes in Operating Budget
- Appendix D: CRD 2021 Capital Budget Overview
- Appendix E: CRD 2021 Major Capital Projects > \$500,000
- Appendix F: Drivers for Changes in Capital Budget
- Appendix G: CRD 2021 Staff Establishment Chart
- Appendix H: CRD Changes in Operating and Capital Reserve Forecasts
- Appendix I: CRD 2021 Financial Indicators
- Appendix J: CRD 2021 Financial Plan Summaries and Individual Municipality and Electoral Area Requisitions
- Appendix K: Public Input
- Appendix L: CRD 2021 Operating Cost Summary by Service
- Appendix M: Bylaw No. 4409, “2021 to 2025 Financial Plan Bylaw, 2021”, inclusive of Schedules A and B