

REPORT TO THE ELECTORAL AREAS COMMITTEE MEETING OF WEDNESDAY, OCTOBER 13, 2021

SUBJECT 2022 Preliminary Electoral Area Budget Review

ISSUE SUMMARY

To present the 2022 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, 2022, for provisional 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 22,000 Electoral Area residents.¹

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

The Electoral Area services delivered are established by the *Local Government Act and 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 2022 CRD Financial Plan to be presented to the CRD Board on October 27, 2021. 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 EA commissions will take place between September to November 2021 consistent with commission bylaws and handbook guidelines. Any changes from the commission reviews are included for Board approval at provisional and/or at final approval in March.

Budget Planning Overview

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

¹ 2020 CRD Regional Planning data

Service budgets include operating budgets and capital plans in addition to changes in reserve funds. A detailed discussion on 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 2022 Electoral Area Services Budgets be given provisional approval as presented, and
2. That the new initiatives identified in Appendix D for January 1, 2022, implementation be approved for expenditure.

Alternative 2

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

1. That the 2022 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, 2022, implementation be approved with specific direction on amendments.

IMPLICATIONS

Financial Implications

Tax Requisition

Table 1 summarizes the change in tax requisition from 2021 final to 2022 provisional for each EA.

Table 1: 2022 Provisional vs 2021 Final Requisition

	2022 Provisional Requisition		2021 Final Requisition		\$M Change		% Change
	\$M	\$ Per HH	\$M	\$ Per HH	\$M	\$ Per HH	Per HH
Juan de Fuca	2.5	609	2.5	599	.04	10	1.73%
Salt Spring Island	7.1	1,067	6.8	1,034	.22	34	3.25%
Southern Gulf Island	3.4	497	3.3	481	.11	16	3.25%

The requisition increase includes changes in regional, sub-regional, joint EA, services impacting each EA as a whole, and the Capital Regional Hospital District (CRHD). The requisition excludes changes in local/specified/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 through committees, Committee of the Whole, and ultimately the Board at the end of October.

The actual change in tax rates residents see on their annual bill will vary depending on the local/specified/defined service areas in which they reside and their individual 2022 property assessment values. The 2022 preliminary requisition impact shown above in Table 1 reflects the 2021 assessment values. New assessment information will be incorporated when revised data is released by BC Assessments in early February 2022 for inclusion in the final budget.

Detailed budget summaries by service area 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 change in gross expenditures for each EA in the 2022 provisional budget compared to the 2021 final budget, for EA budgets only.

Table 2: Summary of Operating Budget (in \$ millions) by EA

Electoral Area	2022 Provisional Plan \$M	2021 Financial Plan \$M*	\$M Change	% Change
Juan de Fuca	4.3	4.4	(.04)	(0.9%)
Salt Spring Island	9.8	9.4	.40	4.2%
Southern Gulf Islands	7.3	7.1	.14	2.0%
Total	21.4	20.9	0.50	2.4%

*Based on Amendment Financial Plan (Bylaw No. 4436)

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 \$ millions)

Expenditure Type	2022 Provisional Plan \$M	2021 Financial Plan \$M	\$M Change	% Change
Operations	3.42	3.43	(.01)	(0.3%)
Capital Funding	0.02	0.02	(.00)	(4.0%)
Debt Servicing	0.29	0.34	(.05)	(13.4%)
Transfer to Reserves	0.59	0.57	.02	(3.2%)
Total	4.32	4.36	(.04)	(0.9%)

The total decrease of \$0.04M in JDF is primarily due to decreases in debt servicing and operating costs. Increases in transfers to reserves were also notable, offsetting operating and debt decreases. The main drivers of the decrease in operating expenses are one-time and cyclical expenditures in 2021, funded through grant funding or reserves that will not reoccur in 2022. There is little change to capital funding expenditures. The decrease in debt servicing costs is due to lower estimated borrowing rate on behalf of Vancouver Island Regional Library (the “Library”), which has no impact on JDF requisition as the actual debt cost is fully recovered from the Library. Transfers to reserves have increased in support of lifecycle replacement estimates and capital programs. The notable changes in expenditures by service are included in Appendix A-2 (JDF).

Table 2b: Summary of SSI Operating Budget (in \$ millions)

Expenditure Type	2022 Provisional Plan \$M	2021 Financial Plan \$M	\$M Change	% Change
Operations	8.29	7.89	.40	5.1%
Capital Funding	-	-	-	-
Debt Servicing	0.70	0.79	(.09)	(11.3%)
Transfer to Reserves	0.84	0.75	.09	11.1%
Total	9.83	9.43	.40	4.2%

The total increase of \$0.40M in SSI is primarily due to increases in operating expenditures and transfers to reserves partially offset by lower debt servicing costs. The main budget drivers for the operation expenditure increase include salary and wages for the SSI Pool Service as service delivery returns to pre-pandemic levels, costs to administer and operate the new SSI Community Centre, and contract for services. The reduction in debt servicing costs is mainly due to debt retirement or debt refinancing. Transfers to reserves have increased primarily in support of lifecycle replacement estimates and capital programs. The notable changes in expenditures by service are included in Appendix B-2 (SSI).

Table 2c: Summary of SGI Operating Budget (in \$ millions)

Expenditure Type	2022 Provisional Plan \$M	2021 Financial Plan \$M	\$M Change	% Change
Operations	5.60	5.61	(.01)	(0.2%)
Capital Funding	0.02	0.02	(.00)	(8.7%)
Debt Servicing	0.90	0.75	.15	21.3%
Transfer to Reserves	0.77	0.77	(.00)	(0.4%)
Total	7.29	7.15	.14	2.0%

The total increase of \$0.14M in SGI is due primarily to increases in debt servicing costs partially offset by lower operating expenditures. The main budget drivers in the operating expenditure decrease include one-time and cyclical expenditures in 2021 funded through grant funding or reserves that will not reoccur in 2022, partially offset by inflationary increase. The increase in debt servicing costs is mainly due to \$6M of new debt for the Wastewater Treatment Plan Upgrade for Magic Lake Estates Sewer Utility. There is little change to capital funding expenditures and transfers to reserves. The notable changes in expenditures by service are included in Appendix C-2 (SGI).

Capital Budget Overview

The capital plan highlights, identifying 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	2022 Capital Plan \$M	2021 Capital Plan \$M *	\$M Change	% Change
Juan de Fuca	1.3	1.1	0.2	18.8%
Salt Spring Island	5.6	5.2	0.4	8.0%
Southern Gulf Islands	7.2	12.7	(5.5)	(43.3%)
Total	14.1	19.0	(4.9)	(16.5%)

*Based on Amendment Financial Plan (Bylaw No. 4436)

- JDF: The provisional 2022 capital plan is \$1.3 million, an increase of \$0.2 million from 2021. The increase is primarily due to new projects in 2022, including the Otter Point Ground Water Study in JDF Community Planning \$100K; the replacement of SCBA packs for Otter Point Fire Protection \$130K; and Water Tender (transport) Vehicle Replacement for East Sooke Fire Protection \$150K. The increase is offset by decreases from some major projects anticipated to be completed or substantially completed by the end of 2021, including the Port Renfrew Tennis Court Resurfacing \$(120K) and the Fire Tanker Truck Replacement for Otter Point Fire Protection \$(257K).
- SSI: The provisional 2022 capital plan is \$5.6 million, an increase of \$0.4 million from 2021. The increase is primarily due to new projects in 2022, including SSI Recreation Center Expansion \$1.2M; the Sport Field Development \$400K; Centennial Parks Upgrades \$600K. The increase is offset by decreases from some major projects anticipated to be substantially completed by the end of 2021, including North Ganges Transportation plan and Pathway Booth Canal to Vesuvius.
- SGI: The provisional 2022 capital plan is \$7.2 million, a decrease of \$5.5 million from 2021. The decrease is primarily due to changes in the timing of spending for Magic Lake Estates Wastewater Treatment Plant Upgrade, now planned over multiple years. Additional decreases in 2021 include expenditures for the Anson Road Facility in SGI Small Craft Harbour \$(970K), with construction expected to continue into 2022, and the South Galiano Fire Hall \$(600K), which is anticipated to be complete by the end of 2021.

The 2022 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 2022 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 must 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 2022 EA budget packages in Appendix A (JDF), Appendix B (SSI) and Appendix C (SGI), which include operating and capital, are provided for provisional approval. Appendix D contains the items that, as a result of business requirements, need to be implemented as early as January 1, 2022, in advance of the March final budget approval.

The provisional budget is subject to change as a result of the final 2021 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 2022 Electoral Area budgets have been delegated to the EAC by the CRD Board for review and preliminary approval. Overall, the 2022 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 2022 Electoral Area Services Budgets be given provisional approval as presented, and
2. That the new initiatives identified in Appendix D for January 1, 2022, implementation be approved for expenditure.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, 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 2022 Approvals