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**REPORT TO COMMITTEE OF THE WHOLE
MEETING OF WEDNESDAY, OCTOBER 27, 2021**

SUBJECT **Capital Regional District 2022 Financial Plan Provisional Approval**

ISSUE SUMMARY

This report presents the Capital Regional District (CRD) 2022 Financial Plan for review and provisional approval.

BACKGROUND

Annually, the CRD must develop a five year financial plan inclusive of both revenue and expenditures for operating and capital budgets. The financial plan is developed in alignment with legislation, and upon approval, provides authority for the operations of the CRD. Final budget approval is required before March 31 of each year.

A preliminary budget (the provisional financial plan) is developed prior to final approval to allow service participants and local rate payers to comment on and make recommendations to programming, funding requirements, and initiatives to execute the corporate plan. The provisional financial plan also forms the foundation of materials used in public consultation to engage with municipalities, electoral areas, and the public. Additionally, a provisional budget is required for continuance of capital projects and operating initiatives that either overlap through or start at the beginning of the calendar year. Finally, the provisional budget is required to amend annual fees and charges bylaws in various services.

The provisional financial plan will be subject to changes as a result of final year-end adjustments, revised assessment information, and any other amendments from commissions, committees, or the Board prior to final approval. It should also be noted that both the Capital Region Housing Corporation and Capital Regional Hospital District execute their respective financial planning processes concurrently with the CRD.

Planning and Approval Process

The 2022 planning process marks the fourth and final year of the 2019-2022 service planning cycle. The planning cycle is designed to ensure alignment and implementation of Board strategic priorities during the election term. The 2019-2022 Corporate Plan was prepared in 2019 to integrate both Board strategic priorities and organizational needs. The service planning process for 2022 aims to build on progress made since 2019 and address outstanding objectives identified in the corporate plan.

As in prior years, the Service and Financial Planning Guidelines were presented through committee and approved by the Board in May. The guidelines support financial management strategies related to revenue, reserves and debt management. The guidelines directed staff to maintain core service levels, incorporate initiatives in support of the corporate plan, and factor in adjustments for inflation and market cost escalations, all while minimizing financial impacts. Refer to Appendix A for the Service and Financial Planning Guidelines report and 2022 planning timeline with milestones and activities.

In September, the Executive Leadership Team (ELT) met over multiple days to review individual service plans, initiative business cases (IBCs) and financial implications, in alignment with the corporate plan and approved financial planning guidelines. ELT has prioritized initiatives in consideration of fiscal challenges, organizational change capacity, and workforce pressures. Through a systematic decision making process, a number of initiatives have been deferred, phased, mitigated and scaled down as much as possible while still maintaining services and meeting corporate plan objectives. The identified resource implications for prioritized initiatives and changes to service levels have been presented to various commissions and committees throughout the fall. These reports are consolidated for the Committee of the Whole on October 27, 2021.

Review and recommendation for approval of all regional and sub-regional budgets are made by the Committee of the Whole. Approval of all electoral-area-exclusive, and local service commission budgets, are made by the Electoral Areas Committee (EAC). The EAC recommended approval of electoral area budgets on October 13, 2021. Appendix I includes the EAC budget Review Package. Appendix N includes regional and sub-regional delegated commission and standing committee budget review packages.

2022 Financial Plan Overview

The Financial Plan has been developed based on resources required for delivery of core services, the impact of new initiatives, proposed capital programs, current economic conditions and other cost pressures such as inflation and contractual agreements. The Plan includes operating and capital budgets in addition to changes in reserve funds.

Various pressures influence both the total budget and cost apportionment to participants. Drivers such as inflation and interest rate changes have a direct, and sometimes significant impact on the overall budget. Other impacts, including benefit rates, materials and supplies, and utilities such as electricity, natural gas and fuel, also influence the cost of service delivery. In addition, the majority of services are cost apportioned on an assessment basis. Historical growth trends have been positive on an aggregate regional basis, but difficult to forecast on a participant basis.

Service level drivers are a product of community needs, Board priorities, and regulatory requirements. The prioritized initiatives to support these demands are highlighted in the service plan report and resulting financial plan. The CRD is an essential service and nearly all operations continue throughout the duration of the pandemic, including implementation of incremental health order measures addressing health and safety.

Major initiatives affecting the organization across multiple services are addressed through service planning to coordinate an organizational response. This year, the results have focused impacts to the community needs of Accountability, Parks & Natural Resource Protection, Water & Wastewater, Landfill & Recycling, and others.

In the community need of Parks & Natural Resource Protection, a service review of the Regional Parks service daylights challenges in maintaining basic service delivery. Pressures on operating and maintenance to the parks system have been steadily compounding over a number of years while the size and complexity also grow. To address appropriate resourcing to effectively manage the parks ecosystem and meet the expected service levels implies resource requirements beyond the approved financial guidelines. Implications are detailed later in the report and appendices.

Regional Trends and Observations

National and local indicators including unemployment and inflation show signs of economic recovery as communities continue to adapt and respond to COVID-19 Provincial Health Authority Protocols. In August 2021, the greater Victoria consumer price index (CPI) measured 3.2% which equaled pre-pandemic levels and is up from the 0.1% measured in August 2020¹. In BC, the cost of food and groceries are up 2.5%, while the cost of shelter also increased for both homeowners (+7.0%) and renters (+0.8%) year over year. While the cost of electricity increased 1.2%, both piped gas and fuel and oil rose sharply at 14.5% and 30.9% respectively².

As of August 2021 the unemployment rate in greater Victoria was 4.2%, significantly lower than pandemic highs of 10.3%. Compared with the provincial and national rate of 6.2% and 7.1%, labour shortages and challenges are impacting all sectors across the region. Victoria continues to have one of the lowest unemployment rates, ahead of Kelowna 5.7%, Abbotsford-Mission 5.9% and Vancouver 7.2%³.

The construction sector continues to impact the local economy. The quantity of dwellings in building permits are up 60% year over year while the value through the first eight months are approximately \$1.4 billion an increase of 33% over the same period in 2020⁴. A lagging indicator to permits, housing starts, are higher through the first eight months by 29.5% than the same period last year. Assuming this trend continues through year end, the total starts are estimated to be 3,750 versus 2,970 in 2020⁵.

Housing affordability continues to be a challenge in the region with the benchmark value of a single family home increasing from \$889,800 to \$1,089,400 or 22.4% in August 2021. Prices are expected to continue rising with less than half the number of listings compared to a year ago (1,120 versus 2,584 in August 2020)⁶. As a result, assessment values are expected to increase significantly along with taxable folios as construction activity continued throughout 2021. While an increase in the number of property tax folios does not impact cost apportionment, requisition recovery will be distributed over more households in municipalities and electoral areas.

Population growth continues to drive the regional economy as well as the need for investments in infrastructure and an increase in service delivery. Since 2011, the population of the CRD has increased 15% from 2011-2020, or 1.3% in the last year.⁷ The population growth in the region continues to outpace Metro Vancouver and the Province as a whole.

ALTERNATIVES

Alternative 1

The Committee of the Whole recommends to the Capital Regional District Board:

1. That the Capital Regional District 2022 Financial Plan be given provisional approval as presented;

¹ At: <https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpidata.pdf>

² At: https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_highlights.pdf

³ At: <https://www.saanichnews.com/news/greater-victorias-unemployment-rate-continues-to-drop/>

⁴ CRD Regional Planning Statistics

⁵ At: <https://www.vrba.ca/news/new-housing-missing-middle-in-many-crd-municipalities/>

⁶ At: https://www.vreb.org/media/attachments/view/doc/stats_release_2021_08/pdf/stats_release_2021_08.pdf

⁷ At: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates>

2. That the new initiatives and capital identified in Appendix H for January 1, 2022, implementation be approved for expenditure;
3. That the 2022 Service Plans be approved as presented; and
4. That the Staff Establishment Chart as attached in Appendix M be approved.

Alternative 2

The Committee of the Whole recommends to the Capital Regional District Board:

1. That the Capital Regional District 2022 Financial Plan be given provisional approval with specific directions on amendments;
2. That the new initiatives and capital identified in Appendix H for January 1, 2022, implementation be approved with specific directions on amendments;
3. That the 2022 Service Plans be approved with specific directions on amendments; and
4. That the Staff Establishment Chart as attached in Appendix M be approved with specific directions on amendments.

IMPLICATIONS

Budget Overview

On a consolidated basis, the combined 2022 financial plans of the CRD, CRHD, and CRHC total \$611 million; \$371 million in operating, and \$240 million in capital, as summarized below.

Table 1 - Consolidated Financials (in \$ millions)

Entities	2022 Operating Budget \$	2022 Capital Budget \$	Total \$
Capital Regional District (CRD)	309.2	168.8	478.0
Capital Regional Hospital District (CRHD)	33.8	21.4	55.2
Capital Region Housing Corporation (CRHC)	27.7	50.2	77.9
Total	\$370.7	\$240.4	611.1

The 2022 CRD financial plan includes operating revenues and expenditures of \$309.2 million, an increase of \$12.3 million or 4.1% compared to the 2021 plan, as summarized below.

Table 2 – Summary of CRD Operating Budget (in \$ millions)

Expenditure Type	2022 Financial Plan \$	2021 Financial Plan \$ ¹	\$ Change	% Change
Operations	221.2	209.0	12.2	5.8%
Debt Servicing	40.9	40.0	0.9	2.3%
Capital Funding	23.2	21.5	1.7	7.9%
Transfers to Reserves	23.9	26.4	(2.5)	(9.5%)
Total	\$309.2	\$296.9	\$12.3	4.1%

¹ Based on amended Financial Plan (Bylaw No. 4436)

The total increase of \$12.3 million is due primarily to increases in operating expenditures and capital funding which are partially offset by reduced transfers to reserves. The detailed budgets by service are included in Appendix G and changes in service budgets is highlighted in Appendix K. The following table explains the year over year changes to the operating budget by cost driver:

Table 3 – CRD Incremental Operating Budget Drivers (in \$ millions)

Cost Driver	Total \$	% of Total Change
Corporate Plan Priorities (Initiative Business Cases)	\$8.4	2.8%
Annualization of 2021 Initiatives	\$0.9	0.3%
Inflation & Core Service Delivery	\$3.0	1.0%
Total Change	\$12.3	4.1%
<i>Climate Action Initiatives (subject to bylaw amendment)</i>	<i>+\$0.9</i>	<i>+0.3%</i>

The increase in expenditures of \$12.3 million or 4.1% is primarily driven by outstanding corporate plan priorities identified in the corporate plan. The increase of \$8.4 million or 2.8% is directly related to 2022 initiatives and the increase of \$0.9 million or 0.3% is directly related to the annualization of 2021 initiatives. To mitigate inflationary and core service adjustments, staff have reviewed and rebalanced ongoing service delivery, including adjustments to annual capital and reserve funding levels. As a result, inflation and core service delivery equates to an increase of \$3 million or 1.0%, below the benchmark CPI inflation rate of 2.0%. A detailed listing of initiatives is included in Appendix L.

Three climate action initiatives totaling \$0.9 million or 0.3% have been excluded from the provisional budget but were forwarded through service planning. Inclusion of these initiatives is subject to an amendment to increase the maximum allowable requisition of service establishment Bylaw No. 3510. Amendments will be presented to the Board for approval on October 27, 2021. If approved, the impacts will be incorporated into the final budget approval in March.

With the approval of the corporate plan, the annual service planning process identifies initiatives to deliver each objective with resourcing implications. Each initiative is evaluated and integrated into existing operations with an aim to optimize and minimize impacts. Appendix L summarizes prioritized initiatives. The following table captures resourcing impacts to deliver these initiatives grouped by community need. Additionally, the proposed 2022 Staff Establishment chart is included as Appendix M.

Table 4 – Summary of Incremental Resourcing for Initiatives by Community Need (FTEs)

Community Need (target outcome)	Ongoing	Term	Total
Parks & Natural Resource Protection (additional land acquisitions and increased access to parks and recreational trails)	26.00	-	26.00
Accountability (being leaders in organizational performance, transparency and service delivery)	20.00	-	20.00
Affordable Housing (that residents have access to affordable housing that enhances community well-being)	5.27	2.00	7.27
Recreation (residents having access to appropriate and affordable recreation opportunities)	3.09	-	3.09
Landfill & Recycling (minimizing waste disposal and maximizing waste diversion)	2.55	-	2.55
Water (ensuring a sustainable and resilient water supply)	2.08	-	2.08
First Nations Reconciliation (strong relationships based on trust and mutual respect, partnerships and working together on shared goals)	1.05	-	1.05
Transportation (that residents have access to convenient, green and affordable multi-modal transportation)	1.05	-	1.05
Climate Action and Adaption (reduced GHG emissions, triple bottom-line solutions and progress on adaptation)	1.00	(1.00)	1.00
Planning & Development (keeping approved plans current and monitoring for effectiveness)	0.52	-	0.52
Wastewater (efficient and effective management of the region's wastewater)	0.05	2.00	2.05
Protective Services (effective regional co-operation in protecting public safety and preparing for, responding to, and recovering from emergencies)	0.05	-	0.05
Net Total	62.7	3.0	65.7
<i>Climate Action Initiatives (subject to bylaw amendment)</i>	<i>+1.0</i>	<i>+1.0</i>	<i>+2.0</i>

Operating Revenue

Sources of funding vary by service, including sale of services (inclusive of various fees and charges), requisition to member municipalities and electoral areas, recovery from other departments, reserve transfers, grants, and other revenue. The following table outlines the year over year change in revenue by source, where appendix B provides an operating budget infographic.

Table 5 – Operating Budget Funding (in \$ millions)

Sources of Revenue	2022 Financial Plan \$	2021 Financial Plan \$ ¹	\$ Change	% Change
Sale of services	145.8	138.5	7.3	5.3%
Requisitions	76.9	73.6	3.3	4.5%
Allocation to other services	47.3	44.7	2.6	5.8%
Municipal Debt	15.4	15.0	0.4	2.7%
Rentals and other revenue	7.8	7.3	0.5	6.8%
Grants	4.7	6.4	(1.7)	(26.6%)
Surplus	6.6	9.0	(2.4)	(26.7%)
Transfer from reserve	4.7	2.4	2.3	95.8%
Total	\$309.2	\$296.9	\$12.3	4.1%

¹ Based on amended Financial Plan (Bylaw No. 4436)

Of the total \$12.3 million increase in 2022 revenue, over half or \$7.3 million is raised through incremental sales of services. This is primarily driven by:

- \$1.8 million in Juan de Fuca Water Distribution, due to a combination of increased water consumption and water rate adjustments.
- \$1.7 million in Panorama Recreation, due to increased fee revenue compared to the prior year where COVID-19 impacted programming. 2022 plans for near pre-pandemic programming.
- \$1.6 million in Regional Water Supply, due to a combination of increased water consumption and water rate adjustments.
- \$0.6 million in Landfill and Composting revenue driven by forecasted volume growth.

Allocations to other services increased by \$2.6 million driven by:

- \$1.0 million in recoveries to Legislative and General Administration largely due to prioritized initiative business cases in support of the corporate plan.
- \$0.6 million in Wastewater operations driven by annualized costs of staffing approved in 2021.
- \$0.3 million for temporary office rental space to accommodate reconfiguration of the Fisgard building.
- \$0.4 million in lab and technical support provided by Environmental Protection to multiple services but primarily in wastewater treatment monitoring.

Grants decreased by \$1.7 million primarily as a result of the COVID-19 Safe Restart Grant that was received in 2021 as a one-time amount.

Surplus decreased by \$2.4 million driven by:

- \$1.0 million for Core Area Wastewater, due to a one-time carryforward in the prior year.
- \$1.0 million reduction for Environmental Resource Management where surplus is redirected as a cash contribution to the Renewable Natural Gas project.

Transfer from reserve increased by \$2.3 million driven by:

- \$1.1 million transfer to Legislative & General Government for prioritized initiative business cases in support of the corporate plan. These transfers help mitigate impacts to requisition.
- \$0.8 million transfer to Regional Planning Services for programming of the transportation data collection, modelling and priority implementation

Requisition

Revenue raised through requisition totals an estimated \$76.9 million (excluding municipal debt), an increase of 4.5% from 2021. Electoral area requisition accounts for \$15.0 million or 20% of the \$76.9 million CRD total. The impact to each municipality and electoral area will vary depending on the sub regional and local services they participate in, in addition to changes in cost apportionment, inclusive of assessment and population growth. Table 6 summarizes the change in requisition from 2021 categorized by regional, sub-regional, and electoral areas.

Table 6 – Requisition by Service Category (in \$ millions)

Description	2022 Requisition	2021 Requisition	\$ Change	% Change	% of Total Change
Regional	32.4	29.9	2.5	8.4%	3.4%
Sub Regional	29.5	29.4	0.1	0.3%	0.1%
Electoral Areas	15.0	14.3	0.7	4.9%	1.0%
Total	\$76.9	\$73.6	\$3.3	4.5%	4.5%

The primary drivers in regional requisition are funding for initiatives to meet outstanding board and corporate plan objectives.

- Regional: \$1.9 million largely related to funding initiatives within Legislative and General Administration and associated support for several organization-wide initiatives. A net impact of \$0.5 million relates to the Regional Parks service review, largely offset by the impact of financing strategy on land acquisition
- Sub Regional: \$0.2 million for SEAPARC directly related to the return of more recreational programming.
- Electoral Areas (EA): for additional details see appendices I-1 through I-5. The EAC recommended approval their respective budgets on October 13, 2021.

Table 7 – Requisition Drivers (in \$ millions)

Requisition Drivers	\$ Total	% of Total Change
Incremental Impact of Corporate Plan Priorities (IBCs)	5.7	7.7%
Annualization of 2021 Initiatives	0.3	0.3%
Core Service Delivery & Inflation	1.3	1.8%
Regional Parks - Land Acquisition	(3.9)	(5.3)%
Total Change	\$3.3	4.5%
<i>Climate Action Initiatives (subject to bylaw amendment)</i>	<i>+\$0.9</i>	<i>+1.3%</i>

Of the total \$3.3 million or 4.5% increase in requisition, the main driver is for IBCs delivering outstanding corporate plan initiatives totaling \$5.7 million or 7.7%. Annualization of 2021 initiatives is \$0.3 million or 0.3%, while inflation and core service adjustments net to a total of \$1.3 million or 1.8%. Offsetting increases to requisition is a decrease of (\$3.9) million or (5.3%) through the implementation of a financing model for future park land acquisitions, as outlined in a report presented to Parks Committee September 22, 2021. The report and appendices are included in Appendix J.

Upon approval of amendments to Bylaw No. 3510, the total requisition would be further increased by \$0.9 million or 1.3%.

Appendix D (the Financial Plan and Municipal/EA Summaries) shows a high level summary of the overall 2022 budget, including gross expenditures and revenue sources, in addition to the 2021 budget for comparison. The preliminary impact to member municipalities and electoral areas is estimated in the schedules attached to Appendix D and are based on current BC Assessment information. Updated assessment data will not be available until the new year.

Capital Budget

The 2022 Capital Plan overview is shown in Appendix C and the list of projects over \$500,000 in Appendix E. Detailed capital plans by service are included in Appendix G. Capital budgets are developed through the service planning and budget processes and consider:

- status of 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 commissions, committees, or local service areas

The proposed 2022 capital plan is \$168.8 million, a decrease of \$117.2 million or (41%) from 2021. The change in investment is primarily the result of reaching substantial completion of Core Area Wastewater Treatment Program (CAWTP) construction in 2021, and revised timing of Regional Housing First Program (RHFP) capital expenditures in 2021 through 2023. Table 7 summarizes the capital plan by department.

Table 8 –Capital Plan by Service Type (in \$ millions)

Department	2022 Capital Plan \$	2021 Capital Plan \$ ¹	\$ Change	% Change
Wastewater	45.4	143.6	(98.2)	(68.4%)
Drinking Water	68.7	53.7	15.0	27.9%
Planning & Development ²	0.9	33.8	(33.0)	(97.4%)
Protective Services	1.7	3.3	(1.5)	(46.6%)
Regional Parks	11.9	20.4	(8.5)	(41.9%)
Solid Waste	20.8	12.4	8.4	67.6%
Recreation & Culture	13.4	12.7	0.7	5.3%
General Gov & Other	5.9	6.0	(0.1)	(1.6%)
Total	\$168.8	\$286.0	(\$117.2)	(41.0%)

¹ Based on amended Capital Plan (Bylaw No. 4436)

² Includes the Land, Banking and Housing Service

Note: Excludes Capital Region Housing Corporation and Capital Regional Hospital District expenditures

Capital plan highlights include:

- Within Wastewater, \$36.5 million planned for the Core Area Wastewater service including remaining investments in CAWTP, various pump station renewal projects including Marigold electrical and building upgrades, and a number of meter, gravity sewer and manhole renewal projects including the Bowker sewer rehabilitation project. There is an additional \$3.1 million planned asset replacements in the Saanich Peninsula Wastewater service for trunk sewer relining and concrete tank repairs.

- Within Drinking Water, infrastructure projects totalling \$27.8 million in the Regional Water Supply service focus on remediation, replacement, and upgrades to vulnerable sections of Supply Main 4, Butchart Dam, and replacement of the UV System. Additionally, there is \$34.5 million for the Juan de Fuca Water Distribution service with significant projects targeted at replacement of aged pipe sections and updates at Rocky Point. There is an additional \$4.4 million in the Saanich Peninsula Water Supply service for system upgrades and expansion, and Keating Cross Road water main.
- Within Solid Waste, investments total \$20.8 million for projects including Landfill Gas Utilization, and aggregate production.
- Within Recreation & Culture, there is \$5.0 million planned for Panorama Recreation, which includes \$2.5 million for the Heat Recovery Plant project. The Royal Theatre and McPherson Playhouse services combine for \$4.1 million in various capital replacements.
- Parks infrastructure investments of \$11.9 million include continued work on E&N Trail Phases 3 & 4, land acquisition, and development of the Mayne Island Regional Trail.

Capital projects are typically funded by annual contributions from operating, grants, reserves and/or by long term debt. Grant funding can have a significant impact on the implementation and timing of the plan. Results are communicated throughout the year.

Capital Funding

The funding profile in 2022 has a reduced proportion from grants, moving from 37% to 13%. The higher ratio in 2021 was skewed by milestone grant distributions related to CAWTP. 2022 planned grant revenue and donations and third party contributions account for nearly one fifth of all capital funding. The remainder of the capital plan is funded from operating and WIP (27%), Debt (21%) and Reserves (34%). The funding profile for 2022 shows a return to a more diversified and sustainable funding model for capital investment. Staff continue to be proactive in leveraging senior government funding, internal capacity to deliver projects and programs, and enabling business transformation by continuously improving operations through prioritized capital investment. See Appendix C for the capital budget overview.

Table 9 – Capital Plan Funding Profile (in \$ millions)

Funding Sources	2022 Capital Plan \$	% of Total Funding	2021 Capital Plan \$ ¹	% of Total Funding
Operating & WIP	45.1	27%	52.2	18%
Grants	22.3	13%	104.8	37%
Debenture Debt	34.7	21%	49.2	17%
Reserve Funding	57.5	34%	50.7	18%
Donations & 3rd Party	9.2	5%	29.1	10%
Total	\$168.8	100%	\$286.0	100%

¹ Based on amended Capital Plan (Bylaw No. 4436)

Reserves

Reserves reflect the funds retained by the organization to fund future capital and operating activities. The CRD currently manages over 70 individual capital reserves. Reserve schedules are included in Appendix G by service where applicable.

The reserve schedules provide detailed information on the proposed activity for the next five years, in alignment with operating budgets and capital expenditures. The schedules assist in evaluating transfers to reserves from the current operating budget, and the impact of prior year surpluses and deficits. The following tables provide a summary on forecasted reserve activity:

Table 10a – Estimated Operating Reserves Activity (in \$ millions)

Reserve Activity	2022 Financial Plan \$	2021 Forecast \$
Opening Reserve Balance	57.4	54.2
Transfers from Operating	1.6	7.1
Interest Income	0.4	0.6
Transfers Out	(19.0)	(4.6)
Closing Reserve Balance	\$40.4	\$57.4

Consolidated operating reserves as of January 1, 2021, were \$54.2 million. Net budgeted transfers, interest income, and funding of operating costs result in a forecasted balance of \$57.4 million at the end of 2021 and \$40.4 million at the end of 2022. The increase in the transfers out are a result of funding the Renewable Natural Gas (RNG) project and other landfill capital. Operating reserve balances forecasted for year-end 2022 include Solid Waste with \$25.3 million, Core Area Wastewater with \$5.9 million, Regional Growth Strategy with \$1.5 million, Regional Planning with \$1.2 million, and Liquid Waste Management Plan (L.W.M.P.) with \$0.9 million.

Table 10b – Estimated Capital Reserve Activity (in \$ millions)

Capital Reserve Activity	2022 Financial Plan \$	2021 Forecast \$
Opening balance	57.4	78.0 ¹
Transfers from operating	22.3	28.5
Interest income	1.1	1.6
Transfers out (Capital Plan)	(43.2)	(50.7) ²
Ending balance	\$37.6	\$57.4

¹ Revised based on 2020 Audited Financial Statements

² 2021 revised for amended Capital Plan (Bylaw No. 4436).

\$43.2 million will be transferred out based on capital plans. This is primarily driven by:

- \$9.7 million in Juan de Fuca Water Distribution, largely related to funding DCC projects for installation of supply mains and pump stations.
- \$4.4 million in Saanich Peninsula Water Supply mainly due to upgrades and expansion of vulnerable sections of the Saanich Peninsula Water System, Keating Cross Road water main project in partnership with the Ministry of Transportation and Infrastructure, and the Hamsterly pump station backup power generator.
- \$3.2 million in Regional Parks related to repairs to Galloping Goose Regional Trail bridges, designing/connecting Regional Parks HQ to municipal sewer, purchase and installation of an office trailer, constructing washrooms at Hamsterly Beach, and various (20) other projects.
- \$3.1 million in Saanich Peninsula Wastewater primarily for Saanich Peninsula Wastewater Treatment Plant (SPWWTP) concrete tank repairs and relining trunk sewer pipes.
- \$3.1 million in Environmental Resource Management related to continued aggregate production and routine capital replacements.

- \$2.3 million in Core Area Wastewater Treatment Program largely related to the Gorge siphon inlet chamber upgrade, the boundary odor control replacement, and the Lang Cove upgrades.
- \$2.3 million in McPherson Playhouse mainly due to the repair of the east elevation wall.

The CRD manages its level of reserves relative to the capacity for debt financing and current requisition levels within each service. This practice is formalized through the Capital Reserve Guidelines approved by the Board on July 14, 2021. Based on a high-level review of other regional districts, the CRD's consolidated reserve balance is comparatively low and a reflection of a financing vs saving philosophy. Organizationally, debt servicing capacity is considered to be adequate to support the capital plan. As debt retirements mature, there is opportunity to direct funding capacity to reserves and shift towards future funding of investment from reserves.

Advance Approvals

Advance approval is requested in specific situations where the commencement of work before March 2022 is considered necessary to address operational needs for meeting service 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 a negative impact on service delivery timing. Items identified as necessary activities to begin in advance of the March 31 final approval are listed in Appendix H.

SUMMARY

The attached 2022 budget package in Appendix G, which includes operating and capital, is provided for preliminary approval. Appendix H contains items that, as a result of business requirements, need to be implemented as early as January 1 in advance of the March 31 approval.

The provisional budget is subject to change as a result of final 2021 surplus/deficits, receipt of revised assessment and any adjustments recommended by the respective Commissions and the Electoral Area directors and the Board prior to final approval of the Financial Plan bylaw by March 31, as outlined in the *Local Government Act*.

The Electoral Areas Committee (EAC) reviewed and provided preliminary approval of the 2022 Electoral Area-only budgets on October 13, 2021. The regional and sub regional budgets, once approved by the Committee of the Whole, together with the EAC budgets, will be presented to the CRD Board for preliminary approval.

CONCLUSION

The Capital Regional District 2022 Financial Plan has been prepared and presented for preliminary approval. The Financial Plan will be subject to change as a result of the final 2021 surplus/deficits, revised assessment information and any directed amendments prior to final approval by the Board as part of the Financial Plan bylaw by March 31, 2022.

RECOMMENDATION

The Committee of the Whole recommends to the Capital Regional District Board:

1. That the Capital Regional District 2022 Financial Plan be given provisional approval as presented;
2. That the new initiatives and capital identified in Appendix H for January 1, 2022, implementation be approved for expenditure;
3. That the 2022 Service Plans be approved as presented; and
4. That the Staff Establishment Chart as attached in Appendix M be approved.

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)

- Presentation: 2022 Capital Regional District Provisional Budget
- Appendix A: CRD Budget Planning Process and Financial Planning Guidelines Report
- Appendix B: CRD 2022 Operating Budget Overview
- Appendix C: CRD 2022 Capital Budget Overview
- Appendix D: CRD 2022 Preliminary Financial Plan Summary
- Appendix E: CRD 2022 Major Capital Projects
- Appendix F: CRD 2022 Financial Indicators
- Appendix G: Budget Review Package (Parts A, B and C)
- Appendix H: January Approvals
- Appendix I: Electoral Areas Committee Budget Packages (Parts 1 thru 5)
- Appendix J: Regional Parks Land Acquisition and Infrastructure Financing Strategy
- Appendix K: Service Budget Highlights
- Appendix L: Initiative Business Cases – 2022 Budget Impact
- Appendix M: CRD Staff Establishment
- Appendix N: Other Committee/Commission Budget Packages (Parts 1 thru 5)