

**REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, MARCH 16, 2022**

SUBJECT **Bylaw No. 4481: 2022 to 2026 Financial Plan Bylaw, 2022**

ISSUE SUMMARY

This report summarizes updates to the 2022 budget since provisional approval and presents Bylaw No. 4481, 2022 to 2026 Financial Plan to the Capital Regional District (CRD) Board.

BACKGROUND

Section 374 of the *Local Government Act* requires that the CRD develop and approve a five year Financial Plan by March 31 each year. On October 27, 2021, the CRD Board approved 2022 Service Plans, the 2022 Staff Establishment Chart and the Provisional 2022-2026 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 432,000 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.

Trends and Assumptions

Demand for CRD services remains strong as population growth continues to stimulate high levels of construction activity. Various indicators signal strength within the region and province when compared to the rest of Canada. Key metrics include:

- As of January 2022, the Consumer Price Index (CPI) for Greater Victoria was 2.5%, compared to Vancouver at 2.7% and British Columbia at 2.8%, strong signs of recovery when compared to the 2021 rates of 1.4%, 1.0% and 1.1% respectively.¹
- In January 2022, BC Stats reported Victoria's unemployment rate was 3.9%, down from 5.2% in January 2021, where the region added 9,200 jobs over the period.² The province and national unemployment rate as of January 2022 was 5.1% and 6.5% respectively.³

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

2 At: <https://www.bccpa.ca/news-events/latest-news/2022/february-2022/greater-victoria-starts-2022-off-with-low-unemployment-but-high-job-vacancies/#:~:text=Greater%20Victoria%20starts%202022%20off%20with%20low%20unemployment%2C,Work%2C%20which%20highlights%20employment%20conditions%20across%20the%20province.>

3 At: https://www2.gov.bc.ca/assets/gov/data/statistics/employment-labour-market/lfs_highlights.pdf

- 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 18%, or 1.4% in the last year.⁴ Provincially, 3 out of the top 4 growing municipalities were in the CRD, (1) Langford 6.5% population growth, (2) Sooke with 4.0%, and (4) North Saanich (3.5%).⁵
- Building permit activity in 2021 was \$2.0 billion, a 37% increase from prior year.⁶ Housing starts in Greater Victoria set a new record in 2021 with 4,809 new homes, a 50% increase compared to 2020.⁷
- Through 2021, population growth, economic activity and other external and growth factors continued to drive demand on CRD services and utilization. Regional park visitors increased by 20-25% annually since 2019, landfill tipping tonnage grew by 8.3%, and water consumption rose by 6.3%.
- In January 2022, the Victoria Real Estate Board reported the average price of a single family home reached a record \$1,161,500, an increase of 24.6% from the prior year.⁸ Additionally, real estate listings decreased by (43.7%) compared to the same month in 2021.⁹

ALTERNATIVES

Alternative 1

1. That Bylaw No. 4481, “2022 to 2026 Financial Plan Bylaw, 2022”, be introduced and read a first, second and third time; and
2. That Bylaw No. 4481 be adopted.
3. That the amended Staff Establishment Chart as attached in Appendix G be approved.

Alternative 2

1. That Bylaw No. 4481, “2022 to 2026 Financial Plan Bylaw, 2022”, be introduced and read a first and second time; and
2. That Bylaw No. 4481 be amended as directed.
3. That Bylaw No. 4481 be read a third time.
4. That Bylaw No. 4481 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

4 At: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates?keyword=regional&keyword=district&keyword=population>

5 At: https://www2.gov.bc.ca/assets/gov/data/statistics/people-population-community/population/pop_subprovincial_population_highlights.pdf

6 CRD Regional Planning Statistics

7 At: <https://www.vreb.ca/news/housing-starts-set-new-record-in-greater-victoria/>

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

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

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 oversees 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. In alignment with legislation, review of all CRD 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. Appendix K provides a summary of consultation 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. 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 other media materials.

Public feedback on the 2022-2026 Five Year Financial Plan Bylaw concluded on January 31 and feedback received has been shared through the Board correspondence portal. 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 2022-2026. Bylaw No. 4481, cited as "2022 to 2026 Financial Plan Bylaw, 2022", including Schedules A and B, reflect approved service plans and any adjustments since provisional approval. The bylaw and schedules are included in Appendix N.

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 all electoral area-only budgets on March 9, 2022. Appendix O includes the report and appendices for reference.

Economic Implications

Assessment and Growth

The majority of CRD services are cost apportioned on assessments where property values and folios are primary factors impacting estimates on costs per average household.

Through 2021, the region experienced a significant increase in converted assessments of \$3.3 billion or 21.6%, while residential folios grew by 1,713 or 1.2%.¹⁰ The change in assessments varies by municipality and electoral area.

When assessments increase more than the regional average, the % of costs apportioned to that area increases. Increases in assessed values also impacts the theoretical calculation of an 'Average Residential Household'. Additionally, when the change in assessed values outpaces the rate of change in folios in an area the average cost per household also increases. All participants experienced a higher rate of change in assessed values than folios. Appendix P contains a listing of the impact on requisition driven by the change in assessed values for each participating area.

Financial Implications

Budget Overview

The 2022 CRD Financial Plan includes \$312.7 million in operating expenditures, an increase of \$15.8 million or 5.3%, and \$181.1 million in capital investment, a decrease of (\$105.1) million or (36.7%) from 2021.

Table 1: 2022 CRD Budget – Change from prior year

Budget Type (\$M)	2022 Final	2021 Final*	\$ Change	% Change
Operating	312.7	296.9	15.8	5.3%
Capital	181.1	286.2	-105.1	-36.7%
Total	493.8	583.1	-89.3	-15.3%

* 2021 Final amounts as shown in Bylaw 4456

Appendix A provides additional tables summarizing 2022 year over year changes in operating and capital expenditures, requisition, and reserves. The total impact of the operating and capital budget on the 2022 Financial Plan Summaries, along with 2022 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 2022 Final to the Provisional budget. Appendix B and D provide an overview of the 2022 operating and capital budgets.

¹⁰ BC Assessment 2022Tax Roll

Operating Expenses

Since provisional approval, the operating budget increased \$3.5 million or 1.1%. The following table summarizes changes by type of expense:

Table 2: Changes in Operating Expenses

Expenditure Type (\$M)	2022 Final	2022 Prelim	\$ Change	% Change
Operations	224.6	221.2	3.4	1.5%
Debt Servicing	40.9	40.9	0.0	0.0%
Transfer to Reserves	24.0	23.9	0.1	0.4%
Capital Funding	23.2	23.2	0.0	0.0%
Total	\$312.7	\$309.2	\$3.5	1.1%

The \$3.4 million change in operations are related to the Climate Action Strategy initiatives which received bylaw adoption following provisional budget approval, timing differences on the Drennan and Sooke Housing Project (grants through the Regional Housing Trust Fund), establishment of the new Pender Island Health Care service, and various service budgets being updated to reflect carry forward of 2021 work programs into 2022.

The \$0.1 million increase in transfers to reserve is a result of year end balancing of surplus carryforward and payment-in-lieu (PILT) revenue adjustments. The adjustments fund current and future capital. Details on all major operating budget changes are listed in Appendix C.

Operating Revenue

As a result of changes to the operating expenses shown in Table 2, revenue requirements require rebalancing; they are summarized in Table 3.

Table 3: Changes in Operating Revenue

Revenue Type (\$M)	2022 Final	2022 Prelim	\$ Change	% Change
Sale of Services	145.8	145.8	0.0	0.0%
Internal Allocations	47.2	47.3	-0.1	-0.2%
Surplus Carryforward	8.0	6.6	1.4	21.2%
Rentals and other Revenue	7.8	7.8	0.0	0.0%
Transfer from Reserves	5.4	4.7	0.7	14.9%
Grants and PILT	5.1	4.7	0.4	8.5%
Subtotal	219.3	216.9	2.4	1.1%
Requisition*	93.4	92.3	1.1	1.2%
Total	312.7	309.2	3.5	1.1%

* Total requisition includes municipal debt payments of \$15.3 million.

The Surplus Carryforward increase of \$1.4 million from provisional approval is driven by a timing change on the Regional Housing Trust Fund grant for the Drennan and Sooke Housing Project and change in timing for completion of Environmental Engineering initiatives for HQ study and implementation of the densification plan into 2022.

The increase of \$0.7 million in transfers from reserve is due to updates to the Human Resources Information System project cost, the addition of an additional ILEAD Leadership Program cohort, and funding for committed work deferred from 2021 for completion in 2022.

An increase in grants and PILT funding of \$0.4 million is driven by increased transfers in 2022, as discussed further below.

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 2021 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 2022, the PILT received was higher than the Provisional budget, totaling \$4.0 million or an increase of \$0.4 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)	2022 Final	2022 Prelim	\$ Change	% Change
Water	72.4	68.7	3.7	5.4%
Wastewater	47.7	46.5	1.2	2.6%
Landfill & Recycling	20.7	18.3	2.4	13.1%
Parks & Natural Resource Protection	14.1	12.5	1.6	12.8%
Recreation	6.6	5.1	1.5	29.4%
Transportation	4.6	3.9	0.7	17.9%
Arts & Culture	4.2	4.2	0.0	0.0%
Accountability	3.5	3.3	0.2	6.1%
Climate Action & Adaptation	2.6	2.6	0.0	0.0%
Protective Services, Planning & Development	2.6	2.1	0.5	23.8%
Health	2.1	1.6	0.5	31.3%
Total	\$181.1	\$168.8	\$12.3	7.3%

The \$3.7 million change in capital investment for Water includes updated cost estimates for the DCC Skirt Mountain Improvements and Asbestos Pipe replacement projects in Juan De Fuca Water Distribution. The \$2.4 million increase in Landfill & Recycling includes timing revisions for capital work deferred from 2021 to 2022 for Aggregate Production at the Hartland Landfill, and the RFP tender process on the Landfill Gas Utilization project. Additional details and explanations for all 2022 major capital project changes 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)	2022 Final	2022 Prelim	\$ Change	% Change
Current Operating and WIP	48.0	45.1	2.9	6.4%
Grants	23.2	22.3	0.9	4.0%
Debenture Debt	35.5	34.7	0.8	2.3%
Donations & Third Party Funding	10.2	9.2	1.0	10.9%
Reserve Funding	64.2	57.5	6.7	11.7%
Total	\$181.1	\$168.8	\$12.3	7.3%

The change in current operating and WIP funding is primarily due to the updated costs to the Goldstream Asbestos Cement Replacement and the Sun River Reservoir Replacement projects within the Juan de Fuca Water Distribution service, and the PHU Roof Replacement project in the Health Facilities – VIHA service. The change in reserve funding is related to a variety of projects, including revised costing for the DCC Skirt Mountain Improvements in Juan de Fuca Water Distribution, Aggregate Production for Hartland, and capital works on Landfill Gas Utilization being carried forward into 2022. Additional details and explanations for all capital change drivers are included Appendix F.

The current 2022-2026 capital plan totals \$690 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, projects greater than \$0.5 million is included in Appendix E and a complete list of capital projects by service is included in Appendix M.

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. Since provisional approval, 2022 FTEs have increased by 1.0 ongoing and 1.0 fixed duration. These FTEs are related to Climate Action Strategy initiatives where IBC 5a-1.3, 1.4 and 1.6 and were not included as the service bylaw was awaiting approval. The amended bylaw received municipal consent and was adopted by the CRD Board February 9, 2022 and is now reflected in the final plan.

Financial Indicators & Reserve Forecasts

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

Reserves are a mechanism for leveraging annual revenue in support of sustainable service delivery. A review of capital reserve health for the CRD was completed in 2021 and resulted in Board approved guidelines. The guidelines define the relationship between leverage and savings and are now incorporated into financial planning across all CRD services.

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 2022 through 2026. The 2022 budget was preliminarily approved by the Board on October 27, 2021. The 2022-2026 Financial Plan has been prepared in alignment with Board decisions and committee direction. Staff recommends approving the 2022-2026 Financial Plan bylaw as presented.

RECOMMENDATION

1. That Bylaw No. 4481, “2022 to 2026 Financial Plan Bylaw, 2022”, be introduced and read a first, second and third time; and
2. That Bylaw No. 4481 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:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Presentation: Capital Regional District 2022 Final Budget
Appendix A: CRD 2022 Final vs. 2021 Final Budgets
Appendix B: CRD 2022 Operating Budget Overview
Appendix C: Drivers for Changes in Operating Budget
Appendix D: CRD 2022 Capital Budget Overview
Appendix E: CRD 2022 Major Capital Projects > \$500,000
Appendix F: Drivers for Changes in Capital Budget
Appendix G: CRD 2022 Staff Establishment Chart
Appendix H: CRD Changes in Operating and Capital Reserve Forecasts
Appendix I: CRD 2022 Financial Indicators
Appendix J: CRD 2022 Financial Plan Summaries and Individual Municipality and Electoral Area Requisitions

- Appendix K: Public Input
- Appendix L: CRD 2022 Operating Cost Summary by Service
- Appendix M: CRD 2022 – 2026 Capital Project Listing by Service
- Appendix N: Bylaw No. 4481, “2022 to 2026 Financial Plan Bylaw, 2022”, inclusive of Schedules A and B
- Appendix O: Electoral Areas Committee Final Budget Report
- Appendix P: Requisition By Participant – Impact of Assessed Values