

**REPORT TO ELECTORAL AREAS COMMITTEE
MEETING OF WEDNESDAY, SEPTEMBER 21, 2022**

SUBJECT **2023 Preliminary Electoral Area Budget Review**

ISSUE SUMMARY

To present the 2023 Electoral Area budgets and obtain recommendation from the Electoral Areas Committee (EAC) to forward, along with initiatives for implementation as of January 1, 2023, to the Capital Regional District Board (Board) for provisional plan approval.

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 single Municipalities, Electoral Areas or to groups of residents within local service areas. The CRD provides services to approximately 23,300 Electoral Area residents.¹

Budgets for review are specific to Electoral Area (EA) services in the Juan de Fuca EA (JDF), the Salt Spring Island EA (SSI), and the Southern Gulf Islands EA (SGI). EA 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 budget direction provided by the Board, review and recommendation for approval of all EA service budgets, including local service commission budgets, is delegated to the EAC. These budgets will be included in the preliminary 2023 CRD Financial Plan to be presented to the CRD Board on September 21, 2022. 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 local EA commissions will take place between September and November 2022 consistent with commission bylaws and handbook guidelines. Changes from commission reviews will be considered by the Board for final budget approval in March 2023.

Service Planning and Budget Development

The 2022 service planning process marked the fourth and final year of the four-year strategic and corporate planning cycle. The planning cycle is designed to ensure alignment and implementation of strategic objectives during the election term. A new corporate plan will be prepared to incorporate new and revised priorities following local government elections this fall. Any changes to service levels and financial plans to be brought forward in the annual planning cycle.

¹ 2021 Census Data

As part of the planning process, the Executive Leadership Team (ELT) has met multiple times over recent months to review individual service plans, initiative business cases (IBCs), and financial implications in alignment with the corporate plan and Board approved financial planning guidelines. ELT has prioritized initiatives in consideration of fiscal constraints, organizational capacity, and workforce pressures.

Budget development is based on resources required for delivery of core services, impacts of new initiatives through service planning, proposed capital programming, and other cost pressures such as inflation and contractual agreements. Service budgets include operating and capital plans in addition to any changes in reserve funds. A detailed discussion of main budget drivers for each EA is included in this report supported by Appendices A, B, and C.

ALTERNATIVES

Alternative 1

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

1. That the 2023 Electoral Area Services Budgets be given provisional approval as presented; and
2. That the new initiatives identified in Appendix D for January 1, 2023, implementation be approved for expenditure.

Alternative 2

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

1. That the 2023 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, 2023, implementation be approved with specific direction on amendments.

IMPLICATIONS

Financial Implications

Requisition

Table 1 summarizes the change in tax requisition from 2022 final to 2023 provisional for each EA.

Table 1: 2023 Provisional vs 2022 Final Requisition

	2023 Provisional Requisition		2022 Final Requisition		\$M Change		% Change
	\$M	\$ Per HH	\$M	\$ Per HH	\$M	\$ Per HH	Per HH
Juan de Fuca	2.66	682	2.58	663	0.08	18.71	2.8%
Salt Spring Island	7.49	1,140	7.23	1,101	0.26	38.81	3.5%
Southern Gulf Island	3.64	536	3.57	525	0.07	10.65	2.0%

Requisition increases are inclusive of all regional, sub-regional, and EA services in addition to the Capital Regional Hospital District (CRHD). However, Table 1 excludes changes in specified and 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 at Committee of the Whole and the Board at the end of September.

The actual tax rates impact to EA residents will vary depending on the specified and defined service areas in which they reside in addition to their individual 2023 property assessment values. The 2023 preliminary requisition impact shown in Table 1 (above) reflects the 2022 assessment values from BC Assessments. New assessment information will be incorporated in the final budget when revised data is released by BC Assessments in early February 2023.

Detailed Requisition summaries by service area are included in Appendix A-1 (JDF), Appendix B-1 (SSI), and Appendix C-1 (SGI).

Operating Budget Overview

Table 2 summarizes the change in expenditures for each EA in the 2023 provisional budget compared to the 2022 final budget, for individual EA budgets only (excludes Regional, Sub-regional and CRHD services).

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

	2023 Provisional Plan \$M	2022 Financial Plan \$M*	\$M Change	% Change
Juan de Fuca	4.63	4.38	0.25	5.8%
Salt Spring Island	10.28	9.86	0.42	4.3%
Southern Gulf Island	7.90	7.75	0.15	2.0%
Total	22.81	21.99	0.82	3.7%

*Based on Amendment Financial Plan (Bylaw No. 4498)

- JDF: The Provisional 2023 operating budget is \$ 4.63 million, an increase of \$0.25 million or 5.8% from 2022. The primary driver of this increase is new debt servicing costs on behalf of the Vancouver Island Regional Library (the “Library”), which has no impact on the JDF requisition as the actual cost is fully recovered from the Library. The minor increase in operating expenses is due to inflationary adjustments partially offset by discontinued one-time expenses from 2022. Transfer to reserves have increased in support of lifecycle replacement estimates and capital programs.
- SSI: The provisional 2023 operating budget is \$10.28 million, an increase of \$0.42 million or 4.3% from 2022. The increase in operating expenditure is primarily due to the annualization contract costs for Economic Development Coordinator and the SSI Community Centre, the higher BC Transit costs and one-time cyclical maintenance costs (ORF-funded) for local utility services. Transfer to reserves have increased primarily in support of lifecycle replacement estimates and capital programs. The minor increase in debt servicing costs is primarily due to the new debt for the Maliview Estates Sewer System upgrade project.
- SGI: The provisional 2023 operating budget is \$7.9 million, an increase of \$0.15 million or 2% from 2022. The primary driver of this increase is new debt servicing costs for major capital projects for South Galiano Fire and Magic Lake Estates Wastewater services. The minor

increase in operating expenses is due to inflationary adjustments partially offset by discontinued one-time expenses from 2022. The minor decrease in transfer to reserves is to lessen the new debt servicing costs pressure while still in alignment with reserves planning principle and guidelines.

The Operating Budget Overview summary of notable changes by service and by expenditure type are included in Appendix A-2 (JDF), Appendix B-2 (SSI) and Appendix C-2 (SGI).

Capital Budget Overview

Capital plan highlights including capital projects over \$100,000 for each EA, are summarized in Appendix A-3 (JDF), Appendix B-3 (SSI), and Appendix C-3 (SGI).

Capital plans are developed through a process of reviewing:

- projects in progress
- condition of existing assets and infrastructure
- regulatory, environmental, risk, health and safety
- new or renewal initiatives prioritized by communities

The following table summarizes the capital plan by Electoral Area.

Table 3 - Summary of Capital Plan by Electoral Area (in \$ millions)

	2023 Capital Plan \$M	2022 Capital Plan \$M*	\$M Change	% Change
Juan de Fuca	2.22	1.24	0.98	79.4%
Salt Spring Island	6.22	6.66	(0.44)	-6.7%
Southern Gulf Island	7.69	8.09	(0.40)	-5.0%
Total	16.13	15.99	0.14	0.8%

*Based on Amendment Financial Plan (Bylaw No. 4498)

- JDF: Provisional 2023 capital plan is \$2.22 million, an increase of \$0.98 million or 79.4% from 2022. The increase is primarily due to new projects including a firetruck replacement for Willis Point Fire Protection \$650k, East Sooke Fire Protection \$300k, and playground equipment for JDF EA Parks in Port Renfrew \$160k. There is an additional \$100k for Port Renfrew Water to design a supply system replacement. Increases in capital are offset by projects completing by the end of 2022, including Self-contained Breathing Apparatus (SCBA) packs \$(130k) for Otter Point Fire.
- SSI: Provisional 2023 capital plan is \$6.22 million, a decrease of \$0.44 million or 6.7% from 2022. New projects in 2023 include upgrades to the Maliview Estates Sewer Treatment Plant \$2 million, and the design and replacement of pool electrical in the SSI Park Land & Recreation service \$250k. Increases in capital are offset by projects completing by the end of 2022, including upgrades to Centennial Park \$(600k) and the Recreation Centre expansion project \$(1.2 million) in the SSI Community Parks service; and purchases of parkland \$(850k) in the SSI Park Land & Recreation service in 2022.
- SGI: Provisional 2023 capital plan is \$7.69 million, a decrease of \$0.40 million or 5.0% from 2022. Capital spending will increase \$757k in 2023 for Magic Lakes Estates Wastewater Treatment Plant Upgrade project. Increases in capital are offset by projects completing by the

end of 2022, including a mini pumper for Pender Fire \$(400k); Money Lake Dam seismic reinforcement for Lyall Harbour Water \$(390k); and the design and construction of adjustable intakes \$(200k), and process pipe replacement \$(200k) for Magic Lake Estates Water.

The 2023 Capital Plan Summary overview are included in Appendix A-4 (JDF), Appendix B-4 (SSI) and Appendix C-4 (SGI).

Capital projects are typically funded by annual contributions from operating, grants, reserves and/or long-term debt. Grant funding can have a significant impact on the implementation of the plan as program intakes and results are unknown during the planning process. When changes in funding occurs, Financial Plan Amendments are prepared and presented for approval to proceed.

Advanced Approvals

Advanced approval is requested in situations where the commencement or continuity of work before March 2023 is required to address operational needs. 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 can have negative impacts on service delivery. Items identified as required activities to begin in advance of the March final budget are listed in Appendix D.

Summary

The attached 2023 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 items that, as a result of business requirements, need early approval in advance of the March final budget.

The provisional budget is subject to change as a result of the final 2022 surplus/deficits, receipt of revised assessment and any adjustments recommended by the respective Commissions and Electoral Area directors prior to final approval of the Financial Plan bylaw by March 31.

CONCLUSION

The 2023 Electoral Area budgets have been delegated to the EAC by the CRD Board for review and provisional approval. Overall, the 2023 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 the Committee of the Whole recommend to the Capital Regional District Board:

1. That the 2023 Electoral Area Services Budgets be given provisional approval as presented; and
2. That the new initiatives identified in Appendix D for January 1, 2023, implementation be approved for expenditure.

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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 2023 Approvals