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**REPORT TO THE CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, MARCH 25, 2014**

SUBJECT: BYLAW NO. 4016 – 2015 – 2019 FINANCIAL PLAN, 2015

ISSUE

The purpose of this report is to request approval of Bylaw No. 4016 the Capital Regional District (CRD) five-year financial plan for the years 2015-2019 and the Juan de Fuca Water Distribution Development Cost Charge capital expenditure plan for the years 2020-2024.

BACKGROUND

The CRD provides a range of key services to over 371,000 people in the region (per 2013 BC Stats Estimate), businesses and visitors. Regional services are provided to all residents, sub-regional services are provided to residents of participating municipalities and electoral areas; and local services are provided to individual municipalities, electoral areas or to groups of residents within local service areas.

Annually the CRD must develop a financial plan representing the operating and capital expenditure plans for the next five years. The financial plan is developed to ensure consistency and alignment with the legislative authority of the various CRD services which, upon approval, provide the expenditure authority for the operations of the CRD.

The CRD Financial Plan consists of more than 200 individual service budgets funding delivery of regional, sub-regional and local services. Financial Plan revenues are derived from fees and charges, service and operating agreements, grants, and taxes. Expenditures are determined through a variety of processes and agreements, some of which the Board controls directly, and others are delegated and/or are recommended locally by participants or local service commissions.

The 2015 Financial Plan received preliminary approval by the Board in October 2014 and reflects planning guidelines set out by the Board in the three year planning cycle (2013-2015). Service plans, integrating three year planning cycle direction, support the work plan, resource requirements for the upcoming year and the expenditure levels in the 2015 Financial Plan. The service plan summaries were approved by various standing committees and commissions.

As delegated by the Board, Electoral Area budgets, including capital plans, user fees and charges through local services areas have been reviewed and recommended for approval by the respective commissions.

Under *Section 815 of the Local Government Act*, the Board must approve the 2015-2019 Financial Plan and the Juan De Fuca Water Distribution Development Cost Charges Capital Expenditure Plan. The final 2015 Financial Plan includes all final adjustments such as the final surplus/deficits and payments in lieu of taxes. It also reflects all changes recommended by the committees and commissions during the budget review process.

The attached Bylaw No. 4016 (Appendix A) cited as “2015 to 2019 Financial Plan, 2015” inclusive of Schedules A, B and C presents the operating and capital plans for the years 2015 to 2019 for the Board’s consideration and adoption.

The 2015 Financial Plan Summary is also attached (Appendix B) and includes the following:

- Schedule B – 2015 Financial Plan by service
- Schedule B – Comparative – 2015 Financial Plan versus 2014 Financial Plan
- Individual municipal and electoral area requisition summaries 2015

ALTERNATIVES

- 1) That Bylaw No. 4016, cited as “2015 to 2019 Finance Plan, 2015”, be introduced and read a first time and second time, read a third time and adopted.
- 2) That Bylaw No. 4016 be cited as “2015 to 2019 Finance Plan, 2015” be amended and introduced and read a first time and second time, read a third time and adopted.

FINANCIAL IMPLICATIONS

Expenditures

The overall CRD operating expenditure budget, not including hospital district (\$30 M) and housing (\$14 M) for 2015 totals \$203 million (M). The cost levels are consistent with the original guidelines set in the three year planning cycle and reflect changes in primary cost drivers such as inflation adjustments (Including fuel and utilities), salaries and benefit adjustments and service level changes.

Expenditure Type	2015 Financial Plan \$
Operations	142 M
Debt Servicing	25 M
Capital Funding	36 M
Total	\$203 M

Requisition

Key 2015 requisition driver increases by percent are as follows:

Regional	
Land Banking & Housing	1.56%
Regional Parks	0.69%
Legislative & General	0.26%
Regional Growth Strategy	0.12%
Sub-regional and Local	
Trunk Sewers debt/Liquid Waste Management	2.31%
Electoral Areas	0.89%

The total requisition for 2015 is \$56.9 M. The requisition required for local services delivered to Electoral Areas makes up \$12.4 M of the total \$56 M. Details on the requisition impact to each community can be found in the attached 2015 Financial Plan Summaries attached to this report.

Description	2015 Requisition	2014 Requisition	\$ Change
Total Electoral Areas Only	12.42 M	11.85 M	570 K
Regional /Sub regional	44.5 M	41.4 M	3.1 M
Total CRD	\$56.92 M	\$53.2 M	\$3.67 M

Increases in the requisition funding level support:

- Trunk sewer capital and debt servicing
- Land Banking and Housing for land acquisitions¹

¹ *Requisition increase in Land, Banking and Housing offset by a decrease in the Capital Regional Hospital District requisition

- Resources to support operations for the opening of the Sea to Sea Regional Park,
- Continued support staff in the Regional Sustainability Strategy
- Additional funding to support increased service areas utilization of the CRD's Enterprise Resource Planning (ERP) system,

It is important to note that the actual impact to the municipalities and electoral areas varies based on the services they receive through the CRD. The impact may also vary as a result of proportionately different changes in the cost-sharing basis (i.e. assessment). Please see attached schedule Individual municipal and electoral area requisition summaries 2015 for detailed information. Of the total 2015 requisition increase, approximately 50% relates to costs associated with increased requisition to fund trunk sewers and liquid waste management for the Core Area participants. This requisition along with trunk sewer operating and debt costs are collected either via requisition or a service fee, as chosen by each participant.

Electoral Area Budgets

The Electoral Area 2015 budget continues to follow the same direction as was set out in the overall three year plan. Notable budget drivers relating to individual Electoral Area requisitions include the following:

Juan de Fuca (JDF):

- Increase in Grant in aid and contributions to the Emergency CREST service.

Salt Spring Island (SSI):

- Increase in Transit and Transportation, Administration, Public Library and Parks and Recreation service budgets.

Southern Gulf Islands (SGI):

- Increase in Pender Parks, Pender Fire, South Galiano Fire Protection, SGI Libraries and Galiano Health Centre.

Please note for all the three Electoral areas contributions to feasibility funding have been removed completely.

Capital

For 2015 the CRD will invest approximately \$131 million in capital. This includes investments in areas such as Water Utilities, Parks & Recreation and local services.

Capital Plan	2015
Buildings	2.9 M
Equipment	7 M
Land	11.6 M
Engineered Structures	108.5 M
Vehicles	1.3 M
Total	\$131.3 M

Highlights of the 2015 Capital Plan

Service Area Description	\$
Debt/Capital - LWMP Core Treatment Facilities (incl. Seaterra)	75.2 M
Land Banking and Housing	9.5 M
Regional Parks	7.8 M
JDF Water Distribution	7.4 M
Regional Water Supply	6.4 M
JDF Water Distribution (DCC)	5.7 M
Environmental Resource Management	3 M
Panorama Recreation	1.7 M
Millstream Site Remediation	1.6 M
Ganges Sewer Utility (SSI)	1.3 M
Health Facilities - VIHA	1.2 M
SSI Septage / Composting	1.1 M
Electoral Area - Community Works Projects	1 M
SEAPARC - Facilities and Recreation	0.96 M
Community Transportation (SSI)	0.8 M
Magic Lake Sewer Utility (Pender)	0.79 M
Saanich Peninsula Wastewater	0.73 M

Capital projects are funded by annual contributions from operating transfers, grants, reserves or by debt financing. The following table provides the summary of funding sources supporting the capital plan for 2015:

Capital Funding		
Grants	58.4 M	44%
Reserves and Operating	45.3 M	35%
Debt	18.9 M	14%
Donations/Third Party	8.7 M	7%
Total	131.1 M	100%

The five year capital plan also reflects a focus on critical utility infrastructure investment. The five year plan sees a total of \$934 M invested into capital. 2016 marks the beginning of a new planning cycle for the Board and Staff and emphasis will be placed on assessing the state of existing infrastructure, reviewing asset funding levels and reporting on asset health. Review work has already begun on asset management activities and reserve policies and will be integrated into the 2016 planning cycle.

Reserves

Reserves reflect the funds retained by an organization to fund future capital and operating activities. The CRD currently manages over 70 individual capital reserves. A complete schedule of reserves can be found in annual CRD financial statements. The following table provides high level information on the projected 2015 Reserve Activity:

Forecasted 2015 Reserve Activity	
Opening Reserves	70.3 M
Transfers to/from Operating	35.6 M ¹
Estimated Interest Income	1.6 M ²
2015 Capital Expenditure Plan	(41 M)
Ending	\$66 M

¹ includes \$15 million for the Core Area Liquid Waste Management

² interest calculation based on a one year time horizon

Reserve bylaws and policies are currently under review to provide for improved administration of reserve bylaws. Future financial planning will include new budget tables showing annual and projected reserve activity which assists in evaluating proposed transfers to reserves from current operating budget, and the impact of prior year surpluses and deficits.

Workforce Considerations

A copy of the CRD Staff Establishment Chart is attached as Appendix C for information. Additional staff resources were approved to support operations and ongoing service delivery. The CRD has made a number of significant grant applications for the 2015 Financial Plan period. Should these applications be successful staff will report to the Board with required budget and staffing amendments.

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 2015 to 2019. The 2015 was preliminary approved by the Board in October 2014.

The 2014 Financial Plan has been prepared to accommodate the Board’s prior decisions, the strategic priorities, and the increasing demand for services. Staff recommends approving the 2015-2019 Financial Plan bylaw as presented.

RECOMMENDATION

That Bylaw No. 4016, “2015 to 2019 Financial Plan, 2015” be introduced and read a first time and second time, read a third time and adopted.

Submitted By:	Rajat Sharma, MBA, CPA, CMA, Senior Manager, Financial Services
Concurrence:	Diana E. Lokken, CPA, CMA, General Manager, Finance and Technology
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

Attachments: Appendix A: Bylaw No. 4016
Appendix B: 2015 Financial Plan Summary
Appendix C: Staff Establishment Chart