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## REPORT TO CAPITAL REGIONAL DISTRICT BOARD MEETING OF WEDNESDAY, MARCH 13, 2024

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**SUBJECT**     **Bylaw No. 4603: 2024 to 2028 Financial Plan Bylaw, 2024**

### **ISSUE SUMMARY**

This report summarizes updates to the 2024 budget since provisional approval and presents Bylaw No. 4603: 2024 to 2028 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 25, 2023, the CRD Board approved the 2024 Service Plans, the 2024 Staff Establishment Chart (SEC) and the Provisional 2024 to 2028 Financial Plan. A provisional approval of the financial plan is required by the organization to advance annual fees and charges bylaws, obtain amended expenditure authority from January through April, ensure initiation of capital projects in the new year and provides continued operating continuity through final approval. Additionally, prior to advancing the Financial Plan bylaw, plans are updated based on year-end results, payments in lieu of taxes (PILT), revised assessment information for cost sharing and include committee or commission directed changes.

Through their respective Boards, the Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC) have separate provisional and final budget requirements. As detailed in the *Hospital District Act*, a CRHD final 10-year capital and provisional operating plan is required before the end of the calendar year while the final operating budget must be approved by March 31. For CRHC, the final annual financial plan must be approved before the end of the calendar year as required by BC Housing.

CRD 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 budget recommendations are incorporated into service plans, operating plans and capital expenditure plans for final 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 452,000 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 service and financial planning guidelines, the strategic priorities and the corporate plan.

## Planning and Approval Process

The 2024 service planning process marked the first year of implementation of the 2023 to 2026 CRD Corporate Plan. The corporate plan was developed by staff in early 2023, following the adoption of the 2023 to 2026 Board Priorities on March 8, 2023.

The service planning cycle is designed to ensure alignment and implementation of Board and corporate objectives identified and prioritized at the beginning of the Board term. Any changes to service levels and financial plans are brought forward in the annual service and financial planning cycle.

## Regional Trends and Observations

The Canadian economy faced stagnation in the second quarter of 2023, with early indications pointing towards a flat gross domestic product for July and a contraction in August. This slowdown is attributed to muted economic demand and a reduced pace of inflation. Despite these challenges, the Bank of Canada opted to maintain the overnight policy rate steady at 5.00% in December 2023<sup>1</sup>.

The rate through report publishing remains at 5.00%, up from the pandemic low of 0.25%. This decision reflects the bank's efforts to address inflationary pressures and economic overheating. Professional economists cite a range of predicted initial interest rate cuts in Canada from as early as April to as late as September.

Regional population growth has consistently exceeded provincial rates. In 2023, seven municipalities in the CRD exceeded the provincial average municipal population growth rate of 3.0%<sup>2</sup>. Since 2011, cumulative growth surpassed 24% with rates accelerating through 2023. Population growth was 3.3% in 2023, exceeding the previous high since 2011 of 2.4% in 2022.

The average annual inflation for the Greater Victoria region was 3.4% in January 2024, 3.6% nationally, 3.7% provincially and 4.0% for Vancouver<sup>3</sup>. The Greater Victoria unemployment rate climbed to 4.5% but remained below the provincial, national and Vancouver rates of 5.4%, 5.7% and 5.8% respectively<sup>4</sup>.

In January 2024, the benchmark home price in the region was reported at \$1,244,000, a 1.6% increase from the previous January's measure of \$1,224,000<sup>5</sup>. Active listings have surged to 2,140 in January 2024, marking a significant 23.1% increase compared to the 1,739 active listings recorded in January 2023. With continued population growth, pressure on housing affordability in the region is expected to persist.

Following a mid-year slowdown in the value of construction permits, the latter half of 2023 returned to historic highs. Although the total number of permits issued for the year decreased by (21%) to 3,101, there was a smaller (6%) decline in permit values. This trend suggests a market transition

<sup>1</sup> Bank of Canada Policy Interest Rate at: <https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/>

<sup>2</sup> BC Population Estimates at: <https://www2.gov.bc.ca/gov/content/data/statistics/people-population/community/population/population-estimates>

<sup>3</sup> BC Stats CPI report at: [https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi\\_highlights.pdf](https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_highlights.pdf)

<sup>4</sup> Table 14-10-0380-01 Labour force characteristics, three-month moving average, seasonally adjusted: [Labour force characteristics, three-month moving average, seasonally adjusted \(statcan.gc.ca\)](https://www2.gov.bc.ca/assets/gov/data/statistics/economy/labour-force/labour-force-characteristics-three-month-moving-average-seasonally-adjusted)

<sup>5</sup> Victoria Real Estate Board at: [stats\\_release\\_2024\\_01.pdf \(vreb.org\)](https://www.vreb.org/stats_release_2024_01.pdf)

towards fewer high-value projects. Permits in 2023 totaled \$2.1 billion<sup>6</sup>. Regional housing starts increased by 4% to 4,992 for the calendar year 2023 compared to 2022<sup>7</sup>. However, as housing starts typically lag behind building permit issuance, this uptick may be temporary, suggesting a potential slowdown in 2024.

With population growth accelerating through 2023, population is expected to continue to be a significant economic driver locally, pushing demand for housing, jobs and CRD services higher into 2024.

## **ALTERNATIVES**

### *Alternative 1*

1. That Bylaw No. 4603, “2024 to 2028 Financial Plan Bylaw, 2024”, be introduced and read a first, second and third time; and
2. That Bylaw No. 4603 be adopted.
3. That the Staff Establishment Chart as attached in Appendix G be approved.

### *Alternative 2*

1. That staff amend Bylaw No. 4603, “2024 to 2028 Financial Plan Bylaw, 2024 as directed.

## **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 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 commissions and committees providing oversight and direction to services through public meetings, input is received leading up to the preparation of budgets through the annual planning process.

To supplement these processes, the CRD also makes budget materials publicly available on the website and has recently implemented a new digital engagement platform to capture feedback. Timing of input follows provisional budget through final budget review.

In addition, and new for 2024, residents were invited to an online public information session to learn how the Regional District develops budgets, makes decisions and delivers services. The presentation included an overview of the 2024 provisional budgeted taxes, rates and consolidated budget figures as well as key capital projects planned.

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<sup>6</sup> CRD Regional Planning Population Data

<sup>7</sup> CMHC Monthly Housing Starts Data Tables at: <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data/monthly-housing-starts-construction-data-tables>

Public feedback on the 2024 to 2028 Five-Year Financial Plan Bylaw was concluded on February 28 and then 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.

Appendix K provides a summary of consultation activities and feedback received to date regarding the final budget.

### *Legislative Implications*

#### **Financial Plan Bylaw**

The Financial Plan bylaw includes operating and capital expenditures, reserve transfers and revenue requirements from 2024 to 2028. Bylaw No. 4603, cited as “2024 to 2028 Financial Plan Bylaw, 2024”, including Schedules A and B, reflect approved service plans and any adjustments since provisional approval. The bylaw and schedules are included in Appendix L.

As in previous years, final BC Assessment data up to March 31 will be incorporated into the plan. The adjustments are typically not material changes.

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 EAC will review and recommend approval of all electoral area-only budgets on March 13, 2024. Appendix O includes the report and appendices for reference.

Although the financial plan bylaw covers a five-year period, the annual service and financial planning process enables regular amendments. While staff are guided by the Board approved Corporate Plan, there are annual intervention points including the initiative progress reporting, Board check-in on priorities and the Service and Financial Planning Guidelines. The processes includes annual approvals of Service Plans and the five-year financial plan bylaw, effectively creating a rolling budget.

### *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 2023, the region experienced a modest increase in converted assessments of \$175 million or 0.8%, while residential folios grew by 1,481 or 1.0%.<sup>8</sup> The change in assessments varied more significantly by municipality and electoral area for this period, with swings by participant from (3.6%) to 2.9%.

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<sup>8</sup> BC Assessment 2024 Tax Roll

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

*Financial Implications*

**Budget Overview**

The 2024 CRD Financial Plan includes \$368.2 million in operating expenditures, an increase of \$24.2 million or 7.0%, and \$261.1 million in capital investment, an increase of \$33.8 million or 14.9.% from 2023.

**Table 1: 2024 CRD Budget – Change from Prior Year**

Budget Type (\$M)	2024 Final	2023 Final*	\$ Change	% Change
Operating	368.2	344.0	24.2	7.0%
Capital	261.1	227.3	33.8	14.9%
<b>Total</b>	<b>\$629.3</b>	<b>\$571.3</b>	<b>\$58.0</b>	<b>10.2%</b>

\*2023 final amounts as shown in Bylaw 4589

Appendix A provides additional tables summarizing 2024 year over year changes in operating and capital expenditures, requisition and reserves. The total impact of the operating and capital budget on the 2024 Financial Plan Summaries, along with 2024 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 2024 Final to the Provisional budget. Appendix B and Appendix D provide an overview of the 2024 operating and capital budgets.

**Operating Expenses**

Since provisional approval, the operating budget increased \$5.9 million or 1.6%. Table 2 summarizes changes by type of expense:

**Table 2: Changes in Operating Expenses**

Expenditure Type (\$M)	2024 Final	2024 Prelim	\$ Change	% Change
Operations	270.2	265.9	4.3	1.6%
Debt Servicing	39.9	37.7	2.2	5.8%
Capital Funding	32.7	32.6	0.1	0.3%
Transfer to Reserves	25.4	26.1	-0.7	-2.7%
<b>Total</b>	<b>\$368.2</b>	<b>\$362.3</b>	<b>\$5.9</b>	<b>1.6%</b>

The \$4.3 million change in operations is primarily due to:

- \$1.5 million in carryforward of corporate initiatives including the Electronic Documents and Records Management System, Enterprise Project Document Management System, Enterprise Asset Management, feasibility studies on centralized procurement, centralized project management, and various First Nations initiatives.
- \$0.3 million from Board-directed initiatives at provisional; a one-time contribution to the Alliance to End Homelessness, and an ongoing contribution to the Aboriginal Coalition to End Homelessness.
- \$0.3 million for operational costs associated with the Board approved Royal Oak Golf Course acquisition.
- \$0.3 million in additional staffing costs directed by select commissions for Fire Protection services in the electoral areas.
- \$0.2 million adjustment in the Climate Action and Adaption service for community engagement, programming and policy development as per Board direction.

The \$2.2 million increase in debt servicing largely a result of new issuances, including \$12 million by the District of Saanich, and a number of municipal debt issuances refinanced at higher market rates.

Details on all major operating budget changes are listed in Appendix C, with Appendix M providing a listing of operating cost types by service and Appendix Q providing detailed operating budgets by service.

### **Operating Revenue**

As a result of changes to the operating expenses shown in Table 2, revenue sources are revised accordingly and are summarized in Table 3.

**Table 3: Changes in Operating Revenue**

Revenue Type (\$M)	2024 Final	2024 Prelim	\$ Change	% Change
Sale of Services	172.6	172.9	-0.3	-0.2%
Requisition	88.5	87.0	1.5	1.7%
Internal Allocations	57.7	57.5	0.2	0.5%
Municipal Debt	18.1	16.6	1.5	9.0%
Transfer from Reserves	10.0	7.8	2.2	28.2%
Rentals and other Revenue	8.2	8.2	0.0	0.0%
Grants and PILT	6.6	6.4	0.2	3.1%
Surplus Carryforward	6.5	5.9	0.6	10.2%
<b>Total</b>	<b>368.2</b>	<b>362.3</b>	<b>5.9</b>	<b>1.6%</b>

The increase of \$1.5 million in requisition is primarily related to:

- \$0.5 million to fund one-time and ongoing costs in relation to preparing and operating the newly acquired Royal Oak Golf Course through the Regional Parks service, including debt servicing costs for the property.
- \$0.4 million increase due to changes in revenue by requisition vs invoice by agreement in the core area service as a result of sewer flow adjustments.
- \$0.3 million to fund the one-time contribution to the Alliance to End Homelessness and the ongoing contribution for Aboriginal Coalition to End Homelessness.
- \$0.3 million for additional staffing costs in Fire Protection services in the electoral areas.

The increase of \$1.5 million in municipal debt is primarily driven by a \$12 million new issue for the District of Saanich and rate renewals for Victoria and View Royal.

The increase of \$2.2 million in transfers from reserve is being utilized to fund many of the expenses identified in Table 2. This includes utilization of operating reserves to fund 2023 initiatives carried over into 2024.

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 2023 year-end results.

### **Payments-In-Lieu of Taxes**

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 offset the municipality's share of annual costs for CRD services. The historical approach, through provisional budget, is to plan prior year actuals since current year

PILT information is not available until after provisional approval. Revisions for final budget include the actual PILT distributed. For 2024, the PILT received was higher than provisional budget. 2024 PILT totaled \$3.9 million or an increase of \$0.1 million from the prior year. Appendix C includes a summary of PILT revenue by member municipality.

**Capital Investment**

Table 4 summarizes changes to the capital budget by community need.

**Table 4: Changes in Capital Investment**

Investment Type (\$M)	2024 Final	2024 Prelim	\$ Change	% Change
Water	100.5	96	4.5	4.7%
Solid Waste & Recycling	53.6	39.1	14.5	37.1%
Wastewater	46.0	50.4	(4.4)	(8.7%)
Regional Parks	15.9	10.8	5.1	47.2%
Housing & Health	15.1	14.5	0.6	4.1%
Arts & Recreation	13.0	12.0	1.0	8.3%
Business Systems & Processes	8.4	5.4	3.0	50.0%
Safety & Emergency Management	1.8	1.2	0.6	50.0%
Transportation	1.5	1.3	0.2	15.4%
Local Government	1.4	1.2	0.2	16.7%
Climate Action	2.8	2.4	0.4	16.7%
People / Planning / First Nations	1.1	1.1	0.0	(3.8%)
<b>Total</b>	<b>\$261.1</b>	<b>\$235.4</b>	<b>\$25.7</b>	<b>10.9%</b>

The \$4.5 million increase in Water capital investment includes:

- \$3.7 million carryforward and timing adjustments across multiple projects within Regional Water Supply, Juan de Fuca (JDF) Water Distribution and Saanich Peninsula Water Supply.
- \$1.0 million updated estimates for the Cecelia Meter Replacement within Regional Water.
- \$0.9 million updated estimates for Mount Tolmie tank capital refurbishment within Regional Water.
- \$(1.1) million in deferred work on water main No.3 and No.4 from 2024 to 2025, to allow prioritization of Mount Tolmie tank refurbishment.

The \$14.5 million increase in Solid Waste and Recycling includes deferrals of capital work deferred to 2024 for Cell 4 Liner, the Landfill Gas Utilization project, Aggregate Production, Contractor Workshop relocation and construction of the Gas Flare, Candlestick and Landfill Gas Blowers Project.

The (\$4.4) million decrease in Wastewater is largely due to deferrals to 2025 for multiple projects including the Manhole Repair and Replacement project, Western Trunk Grit Chamber Repairs for



Core Area Wastewater and Wastewater treatment Plant Upgrades for Maliview Estates Sewer and Ganges Sewer Utility.

The \$5.1 million increase in Regional Parks includes:

- \$1.1 for development of the Schooner Way Trail added for Pender Island Community Parks, contingent on the receipt of Federal and Provincial grants and community donations.
- \$1.0 million advancing grant spending from 2025 to 2024 for construction of the Selkirk trestle and section 1 of the Regional Trestle renewal.
- \$0.3 million additional donation funding for increased scope of the Ball Field Redevelopment project for Salt Spring Island (SSI).
- \$1.7 million carryforward across multiple projects within Regional Parks and related services.

The \$3.0 million increase in Business Systems and Processes includes the advancing of work from 2025 to 2024 for the SAP system migration project, and the addition of construction costs for additional space at the Field Operations Centre and carry forward of renovation work the Fisgard offices.

Additional details for all major capital investment changes are listed in Appendix F.

### Capital Funding

As a result of changes to capital investment shown in Table 4, capital funding sources are also revised and summarized in Table 5 below.

**Table 5: Changes in Capital Investment Funding**

Investment Funding Source (\$M)	2024 Final	2024 Prelim	\$ Change	% Change
Current Operating and WIP	87.2	65.6	21.6	33.0%
Debenture Debt	84.4	85.3	(0.9)	(1.1%)
Reserve Funding	61.9	57.4	4.5	7.8%
Grants	21.0	21.2	(0.2)	(0.9%)
Donations & Third-Party Funding	6.6	5.9	0.7	11.9%
<b>Total</b>	<b>\$261.1</b>	<b>\$235.4</b>	<b>\$25.7</b>	<b>10.9%</b>

The change in Current Operating and work in progress (WIP) are related to a variety of projects including

- \$7.3 million for the Landfill Gas Utilization, Gas Flares and Blower projects being carried forward into 2024.
- \$7.2 million for Cell 4 liner, aggregate production and workshop relocation at the Hartland Landfill being carried forward to 2024.
- \$4.4 million in carryforward for Regional Water, JDF Water Distribution and Saanich Peninsula Water Supply.
- The balance is related to capital funding changes over 21 services.

The change in debenture debt is largely related to deferral of timing from 2024 to 2025 for the Core Area Wastewater Manhole repairs and replacement project and the Western Trunk Grit Chamber repairs.

Change in Reserve Funding are primarily due to:

- \$1.5 million in vehicle replacements for Regional Parks and JDF Water Distribution carried forward from 2024.
- \$0.8 million related to the construction of the Field Operations Centre.
- \$0.2 million as a portion of the Schooner Way Trail development on Pender Island.
- \$0.2 million carryforward as a portion of the Matheson Creek Bridge replacement.
- The balance is related to projects less than \$0.25 million over 32 services.

The change in donations and third-party funding is largely related to planned donations for redeveloping Hydro Field into a baseball park on SSI, and the development of the Schooner Way Trail on Pender Island.

Additional details for all major capital changes are included in Appendix F.

A total \$763 million in capital investment is planned in the 2024 to 2028 Capital Plan. The plan reflects continued commitment to address critical infrastructure while also progressing Board Strategic Priorities with key investments in emission reducing projects such as the Landfill Gas Utilization facility at the Hartland Landfill and affordable housing projects.

As in previous years, changes to the capital plan are 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 are included in Appendix E and a complete list of capital projects by service is included in Appendix N.

### **Staff Establishment Chart**

The SEC is attached as Appendix G, detailing Full-Time Equivalent (FTE) employees included in each department and division. The SEC remains unchanged from the provisional approval and all FTE's are reflected in the financial plan.

### **Financial Indicators and Reserve Forecasts**

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 resulted in Board approved guidelines in 2022. 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. Consolidated summaries of operating and capital reserve activity can be found in Appendix H.

**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 2024 to 2028. The 2024 budget was preliminarily approved by the Board on October 25, 2023. The 2024 to 2028 Financial Plan has been prepared in alignment with Board decisions and committee direction. Staff recommends approving the 2024 to 2028 Financial Plan bylaw as presented.

**RECOMMENDATION**

1. That Bylaw No. 4603, “2024 to 2028 Financial Plan Bylaw, 2024”, be introduced and read a first, second and third time; and
2. That Bylaw No. 4603 be adopted.
3. That the Staff Establishment Chart as attached in Appendix G be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
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**ATTACHMENTS**

- Presentation: Capital Regional District 2024 to 2028 Final Budget
- Appendix A: CRD 2024 Final vs. 2023 Final Budgets
- Appendix B: CRD 2024 Operating Budget Overview
- Appendix C: Drivers for Changes in Operating Budget
- Appendix D: CRD 2024 Capital Budget Overview
- Appendix E: CRD 2024 Major Capital Projects > \$500,000
- Appendix F: Drivers for Changes in Capital Investment
- Appendix G: CRD 2024 Staff Establishment Chart
- Appendix H: CRD Changes in Operating and Capital Reserve Forecasts
- Appendix I: CRD 2024 Financial Indicators
- Appendix J: CRD 2024 Financial Plan Summaries and Individual Municipality and Electoral Area Requisitions
- Appendix K: Public Input
- Appendix L: Bylaw No. 4603, “2024 to 2028 Financial Plan Bylaw, 2024”, inclusive of Schedule A and Schedule B
- Appendix M: CRD 2024 Operating Cost Summary by Service
- Appendix N: CRD 2024 to 2028 Capital Project Listing by Service
- Appendix O: Electoral Areas Committee Final Budget Report
- Appendix P: Requisition by Participant – Impact of Assessed Values
- Appendix Q: Final Budget Review Package (Parts A, B and C)