

2017 CRD Financial Plan

Presentation to CRD Committee of the Whole

Wednesday November 30, 2016

Agenda & Executive Summary

CRD

1. Planning Framework and Process
2. Operating and Capital Budget
 - i. Consolidated View
 - ii. CRD View
4. Sources of Revenue
5. Financial Health of Organization
6. Departmental Budget Overviews



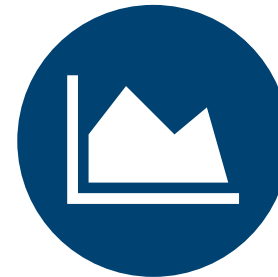
Investing in the Future

Less than 1/3 of capital investment is funded through debt



Managing the cost of Debt

Approximately 13% of revenue is planned for long-term debt payments



Operating Efficiencies

Overall CRD operating expenditures budgeting a \$300k decrease



Diversifying Revenue Streams

Almost 1/2 of revenue source comes from sale of services while just over 1/4 from requisition

Planning Framework



BOARD PRIORITIES | Strategic priorities, policy and direction that guide the activities of the organization



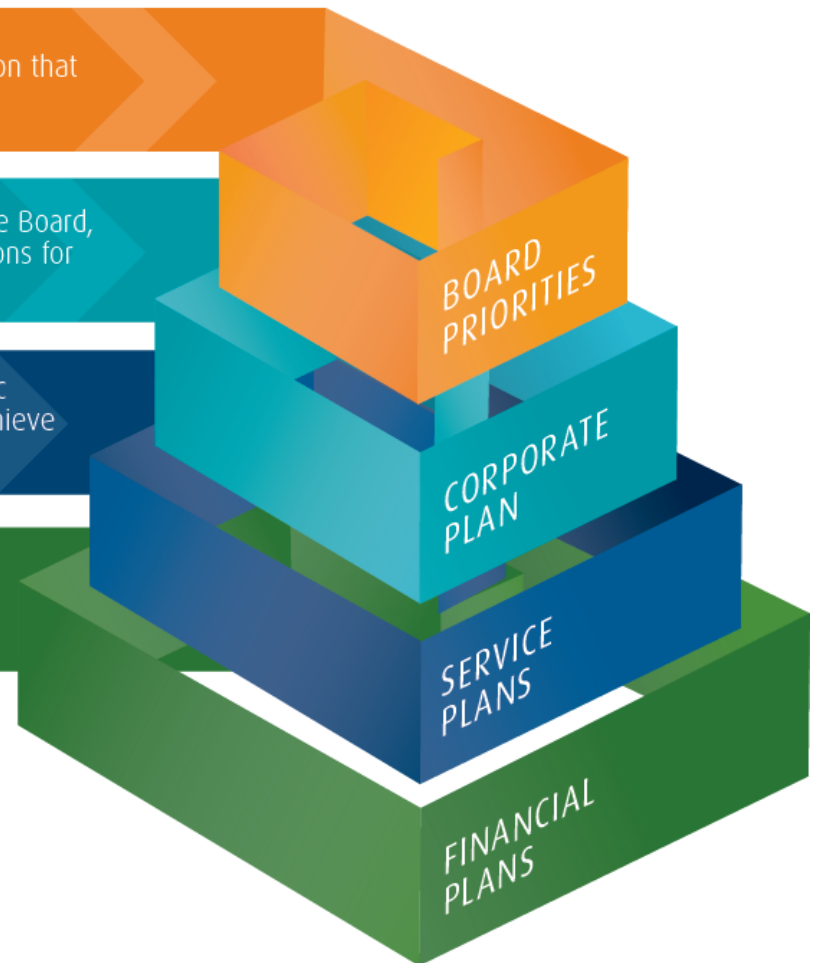
CORPORATE PLAN | Outlines the corporate response to the Board, corporate and core service priorities, highlighting implications for service delivery



SERVICE PLANS | Describe service levels, including specific actions, targets and non-financial resources required to achieve Board and corporately identified priorities



FINANCIAL PLANS | Specify the financial resources required to achieve identified service levels and capital investment requirements



Statutory

- Legislative authority for expenditures
- Operating & Capital Budgets – 5 Years
- Approved by March 31

Provisional

- Approved prior to December 31
- Authority to expend – commencing Jan 1
- Adjusted before March 31
- No legislative requirement

Service Plans

- Defines Service Levels & Drive Financial Plans
- Approved by Committees/Commissions
- Provides info on work-plans, initiatives, resources

Approvals

- Regional/Sub Regional – Committee of the Whole (COW)
- Electoral Areas – Electoral Area Service Committee (EASC)
- Final Approval – CRD Board

2017 Operating Budget



Capital Regional District
\$221.0M



Capital Regional Hospital District
\$31.4M



Capital Region Housing Corporation
\$15.1M

Total

\$267.5M

2017 Capital Budget



Capital Regional District
\$132.7M



Capital Regional Hospital District
\$31.4M



Capital Region Housing Corporation
\$3.5M

Total

\$167.6M

2017 CRD Budget

Operating Budget (8% year-over-year increase)

Expenditure Type	2017 Financial Plan \$	2016 Financial Plan \$	\$ Change
Operations	129.7	130.0	(0.3)
Debt Servicing	38.5	37.9	0.6
Capital Funding	41.1	24.9	16.2
Transfer to Reserves	11.7	11.9	(0.2)
Total	\$221.0	\$204.7	\$16.3

Capital Budget (27% year-over-year increase)

Expenditure Type	2017 Financial Plan \$	2016 Financial Plan \$	\$ Change
Buildings	21.4	2.6	18.8
Equipment	8.3	7.1	1.1
Land	2.9	3.5	(0.7)
Engineered Structures	54.6	46.2	8.4
CALWM Treatment Prg	43.6	43.6	-
Vehicles	2.0	1.5	0.5
Total	\$132.7	\$104.5	\$28.1

Cost Drivers

Interest Rates
Utility Costs
Inflation



Service Level Changes
New Initiatives
Staffing Levels & Wages

Initiatives

1 E&N Rail Trail

- Phase 3&4
- \$6.1 million

2 CALWM Program

- \$5 million requisition increase
- \$43.6 million capital

3 911 Call Centre

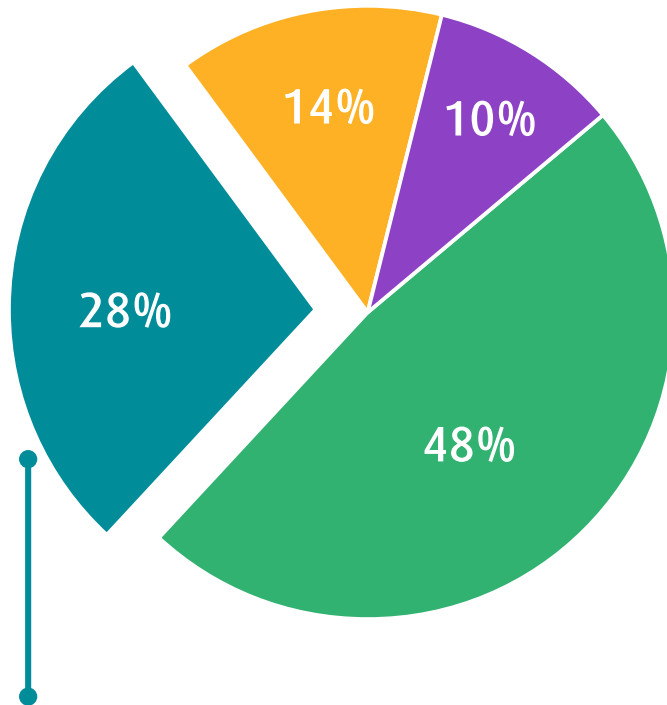
- Unified
- \$16.0 million

4 Infrastructure

- \$10 million landfill gas utilization
- \$25 million drinking water projects

A central teal box labeled 'Projects' with four arrows pointing towards it from the four initiative boxes.

2017 Revenue Sources



Sale of Services	106.2
Requisition	61.2
Allocation to other services	31.1
Other	22.5
Total	\$221.0

Requisition (5% year-over-year increase)

Description	2017 Financial Plan \$	2016 Financial Plan \$	\$ Change
Total Electoral Areas Only	13.0	12.8	0.2
Regional / Sub Regional	48.2	45.5	2.7
Total	\$61.2	\$58.3	\$2.9

Investing in the future

Debt funds **31%** of capital investment

Investment in capital is **4X** the rate of depreciation

Managing debt servicing

Debt servicing costs are **13%** of revenue

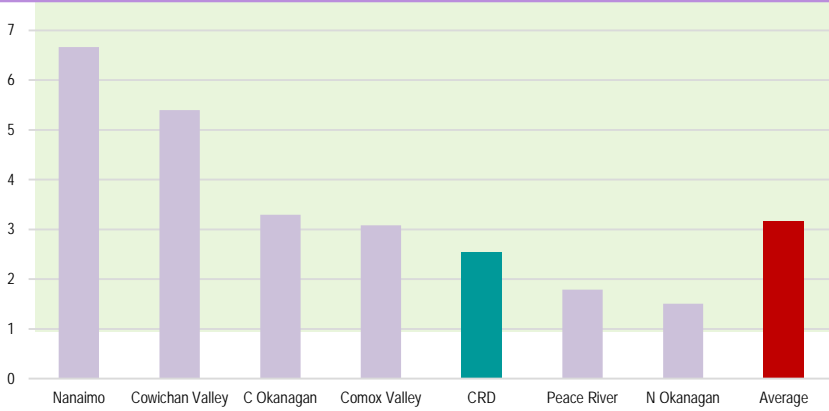
Reserve Oversight

Reserve transfers make up **5%** of the operating budget

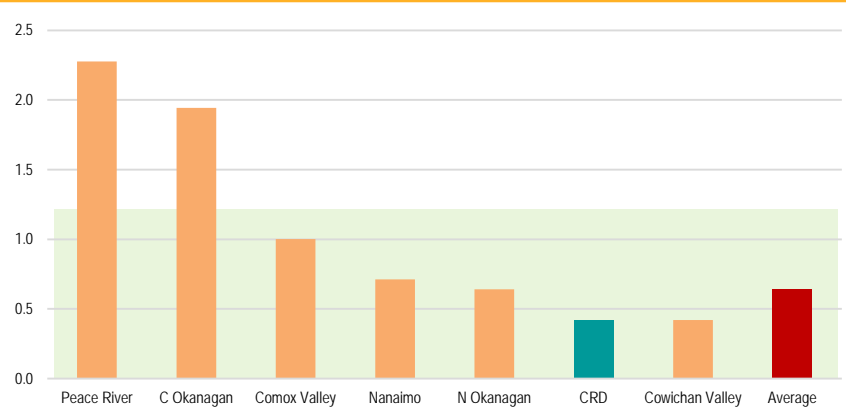
Reserve transfers make up **1%** of the depreciated value of assets

Financial Ratios

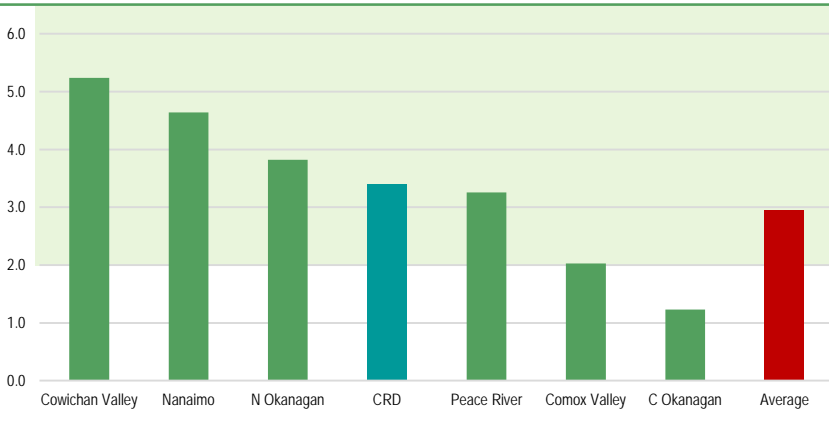
Quick Ratio: Measure of short-term liquidity or the ability to pay immediate financial obligations (greater than 1 is ideal)



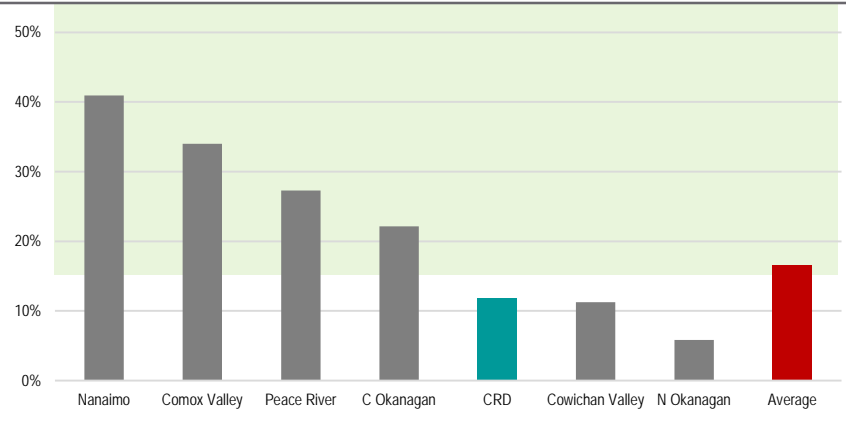
Debt-to-Equity Ratio: Measure of financial leverage, or using debt to increase value (essential public service utilities average 1.2)¹



Interest Coverage Ratio: Measures how easily a company can pay interest on outstanding debt (greater than 2 is ideal)



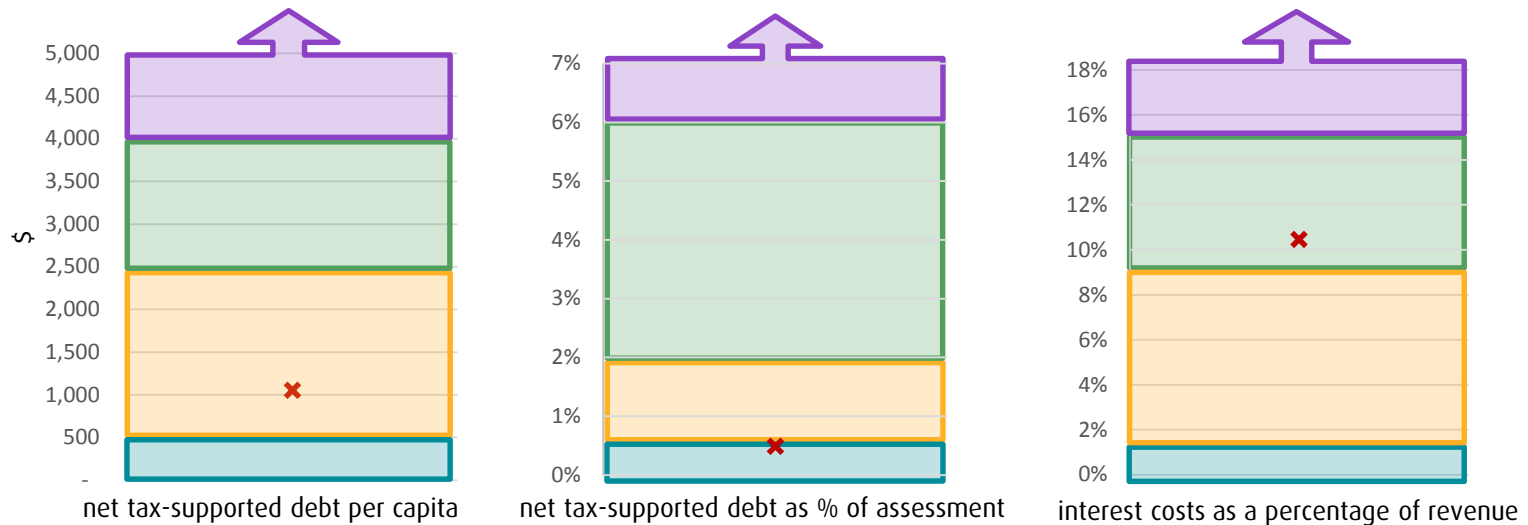
Capital Reserve Health: Measure of ability to finance long-term investment projects, also acts as buffer during financial hardship



Industry Benchmarking



DBRS is the largest rating agency in Canada and fourth largest in the world. Using the rating methodology for municipal government, CRD results are shown below.



AAA	AA	A	BBB
The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.	The capacity for the payment of financial obligations is considered high. Differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events.	The capacity for the payment of financial obligations is substantial. May be vulnerable to future events, but considered manageable.	Adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

2) Executive Services (funded through requisition)

\$000's

%

2.1) Board Expenditures (PDF pg 8, Print pg 2)

\$56

6%

- Key drivers: board initiative's, legal costs

2.2) CAO & Legislative Services (PDF pg 14, Print pg 8)

\$83

6%

- Key drivers: staffing transition and adjustments

2.3) Human Resources (PDF pg 14, Print pg 14)

\$81

6%

- Key drivers: GVLRA, staffing adjustments

3.1) Finance (funded through requisition) (PDF pg 38, Print pg 2)

\$000's

%

- Key drivers: Staff transitions and adjustments

\$139

4%

4) Technology and Initiatives (funded through internal recoveries)	\$000's	%
4.1) Information Systems / GIS / Geospatial (PDF pg 78, Print pg 2) <ul style="list-style-type: none"> Key drivers: salaries and wages 	\$128	3%
4.2) Facilities and Risk (PDF pg 93, Print pg 17) <ul style="list-style-type: none"> Key drivers: staffing transition and adjustments, operating costs 	\$111	5%
4.3) Corporate Satellite Facilities (PDF pg 102, Print pg 26) <ul style="list-style-type: none"> Key drivers: increase in leases and operating other 	\$6	3%
4.5) Health Facilities VIHA (PDF pg 109, Print pg 33) <ul style="list-style-type: none"> Key drivers: increase in repairs and maintenance 	\$87	5%
4.6) Real Estate Services (PDF pg 115, Print pg 39) <ul style="list-style-type: none"> Key drivers: salaries and wages 	\$34	8%

5.1) Regional Parks (funded through requisition, grants, & user fees) (PDF pg 130, Print pg 3)

\$000's

%

- Key drivers: E&N trail development, continue opening Sea to Sea Green Blue Belt, Sooke river park, ongoing operations

\$504

4%

5.2) Recreation Centres (funded through user fees, and requisition)

\$000's

%

SeaParc (PDF pg 170, Print pg 43)

\$130

4%

- Key drivers: salaries & wages, operating costs (related to new golf course)

6) Environmental Services (funded through tipping & user fees, internal recovery, and requisition)

\$

%

6.2) Environmental Resource Management (PDF pg 218, Print pg 10)

\$10M

72%

- Key drivers: project for land fill gas utilization

6.3) Environmental Protection (PDF pg 238, Print pg 30)

\$106k

3%

- Key drivers: salaries and wages

6) Environmental Services, continued	\$	%
6.3.5) Stormwater Quality – Peninsula (PDF pg 256, Print pg 48)	\$32k	42%
<ul style="list-style-type: none"> Key drivers: service enhancement as requested by commission 		
6.3.6) Stormwater Source Control – Peninsula (PDF pg 262, Print pg 54)	\$14k	40%
<ul style="list-style-type: none"> Key drivers: service enhancement as requested by commission 		
6.3.7) Stormwater Quality – Sooke (PDF pg 267, Print pg 59)	(\$4k)	(11%)
<ul style="list-style-type: none"> Key drivers: reduction in operating expenditures 		
6.3.8) Regional Sewerage Disposal (PDF pg 271, Print pg 63)	(\$14k)	(4%)
<ul style="list-style-type: none"> Key drivers: reduction in operating costs 		
6.5.1) Environmental Engineering (PDF pg 293, Print pg 85)	(\$207k)	(9%)
<ul style="list-style-type: none"> Key drivers: reduction in salaries and wages and other operating 		
EASC 1.532) Stormwater Quality – JDF (EASC pkg PDF 192, Print pg 136)	(\$31k)	(100%)
<ul style="list-style-type: none"> Key drivers: as requested by EA Director 		

7) Planning & Protective Services (funded through requisition and levies)	\$000's	%
7.2.1) Health & Capital Planning Strategies (PDF pg 313, Print pg 7) <ul style="list-style-type: none"> Key drivers: operating cost increases, offset by Vancouver Island Health Authority (VHIA) grant 	\$14	2%
7.3.1) Land Banking & Housing (PDF pg 322, Print pg 16) <ul style="list-style-type: none"> Key drivers: increased HPS grant revenue 	(\$27)	(2%)
7.5.1) Corporate Emergency (PDF pg 338, Print pg 32) <ul style="list-style-type: none"> Key drivers: reduction in allocations 	(\$20)	(11%)
7.5.4) 911 Emergency Service (PDF pg 353, Print pg 47) <ul style="list-style-type: none"> Key drivers: proposed unified 911 call answer centre debt servicing, offset by tenant lease in the building 	\$120	7%
7.5.7) Fire Dispatch Services (PDF pg 364, Print pg 58) <ul style="list-style-type: none"> Key drivers: increase in contract for services 	\$49	10%

8) Integrated Water Services (funded through water rate)

\$000's

%

8.1.1) Regional Water Supply (PDF pg 407, Print pg 33)

\$1,174

4%

- Key drivers: increased demand, higher agricultural rate funding, transfers to reserves, salaries and wages, continued investment in capital assets

8.1.2) JDF Water Distribution (PDF pg 431, Print pg 57)

\$539

4%

- Key drivers: increased demand resulting in high bulk water purchases and sales, continued investment in capital assets

Revenue is generated from the sale of water through the water rate. 2017 water rates for regional water, JDF water will remain stable at 2016 rates and the Saanich Peninsula bulk water rate will increase by 0.4%