

**REPORT TO THE CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, MARCH 26, 2014**

SUBJECT **BYLAW NO. 3949 - 2014 – 2018 FINANCIAL PLAN**

ISSUE

The purpose of this report is to request approval of Bylaw No. 3949 to adopt the Capital Regional District (CRD) five-year financial plan for the years 2014 – 2018 and the Juan de Fuca Water Distribution Development Cost Charge capital expenditure plan for the years 2019 – 2023.

BACKGROUND

The CRD provides a range of key services to over 360,000 people in the region (per 2011 census). 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 comprises more than 200 individual service budgets for delivery of regional, sub-regional and local services. It includes both operating and capital costs. Budget 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 CRD is now into the second year of its three year planning cycle (2013-2015). The 2014 Financial Plan received preliminary approval by the Board in November 2013. The 2014 Financial Plan was prepared based on the development of service plan summaries for each service area which support the work plan and resource requirements for the upcoming year. The service plan summaries were approved by various standing committees and commissions. For local services the respective commissions review and recommend their budgets, including capital plans, user fees and charges through electoral area services committee.

The 2014 Financial Plan is now ready for final approval by bylaw as required under *Section 815 of the Local Government Act*. The final 2014 Financial Plan includes all final adjustments such as the final surplus/deficits and payments in lieu of taxes. It also reflects all changes made by the committees and commissions during the budget review process.

The attached Bylaw No. 3949 cited as "2014 to 2018 Financial Plan, 2014" inclusive of Schedules A, B and C presents the operating and capital plans for the years 2014 to 2018 for the Board's consideration and adoption.

The 2014 Financial Plan Summary is also attached and includes the following:

- Schedule A – Three Year Requisition Summary 2013-2015
- Schedule A-1 – Three Year Expenditure Budget Summary 2013-2015
- Schedule B – Changes in 2014 Requisition from Prior Year 2014 Plan
- Schedule B-1 – Changes in 2014 Requisition from 2013 Requisition
- Schedule C – 2014 Financial Plan by service
- Schedule C-1 Comparative – 2014 Financial Plan versus 2013 Financial Plan
- Individual municipal and electoral area requisition summaries 2014
- Seaterra Program Financial Plan

ALTERNATIVES

- 1) That Bylaw No. 3949, cited as "2014 to 2018 Finance Plan, 2014", be introduced and read a first time and second time, read a third time and adopted.
- 2) That Bylaw No. 3949 cited as "2014 to 2018 Finance Plan, 2014" be introduced and read a first time and second time, read a third time and adopted as amended by the Board.

FINANCIAL IMPLICATIONS

The overall CRD operating expenditure budget, not including hospital district (\$28.8 million) housing (\$14.8 million), and municipal owned debt (\$12.9 million) for 2014 is \$192 million. The following is the 2014 operating budget expenditure summary:

| | |
|-----------------|----------------------|
| Operations | \$137 million |
| Debt Servicing | \$ 25 million |
| Capital Funding | \$ 30 million |
| Total | \$192 million |

The 2014 CRD capital plan provides for a total of \$130.2 million of capital projects. Capital projects may be funded by annual contributions from operating, grants, reserves or by debt financing. The following table provides a capital budget summary for 2014: Please refer to Schedule B 2014 Capital Expenditure Plan for a summary of capital expenditures by service areas.

| Funding provided by: | In millions | Notes |
|-------------------------------------------|----------------|-------------------------------------------|
| Long term debt financing | \$ 7.1 | Primarily for water supply & distribution |
| Seatterra proponent financing | \$ 4.6 | For bio-solids resource recovery centre |
| Short term financing (Seatterra) | \$25.8 | Grants and annual contributions |
| Capital funds on hand (mainly prior debt) | \$23.0 | Funding received in prior years |
| Reserves: Equipment Replacement | \$ 3.6 | Funded by annual operating contributions |
| Reserves: Capital | \$13.1 | Funded by annual operating contributions |
| Grants | \$52.5 | Federal Gas tax and Seatterra funding |
| Other | \$ 0.5 | Donations and third party contributions |
| Total Capital | \$130.2 | |

From a requisition standpoint the following are the key drivers for the change in requisition:

| Regional: | | |
|----------------------------------|--------|-------------------------------------------------------------------|
| Parks Land Acquisition | 0.84% | • Increase in annual levy by \$2 to \$20 per household |
| Island Corridor Foundation grant | -0.58% | • Phasing of the planned second year \$600,000 grant over 2 years |
| Deer Management Strategy | -0.29% | • Single supplementary in 2013 only |
| Core Operating | 1.17% | • Support ongoing operations |
| Sub-regional: | | |
| Seatterra Program | 2.59% | • Phased increase in muni contribution towards construction costs |
| Saanich Peninsula | -0.84% | • Reduction in debt charges for Peninsula Water and Wastewater |
| Electoral Areas | 0.84% | • Electoral Area new building & service increase impacts |

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 2014 for detailed information.

The primary driver for the increase for Core Area Municipalities is related to the recovery of Seatterra program costs via requisition. These and trunk sewer operating and debt charge costs are collected either via requisition or a service fee, as chosen by the municipality. The service fee permits municipal funding through methods other than municipal-wide property value tax.

The other driver is the parks land acquisition levy increase. The levy is based on an average per household levy of \$20. The levy increased from the preliminary budget estimate as a result of 2014 assessment changes.

The final 2014 Financial Plan also reflects a change in the Island Corridor Foundation (ICF) funding over the preliminary 2014 Financial Plan, which included the second half of the \$600,000 funding commitment to ICF. The final Financial Plan phases this contribution over two years, with \$300,000 included in 2014 and the balance in 2015. Monies will be advanced pending conclusion of the train service agreement which appears to be within reach. If the train service agreement is not reached, the CRD can re-evaluate and repurpose requisitioned funds for other regional priorities. The phasing of funding results in a slight decrease to the overall requisition.

Electoral Area requirements have been decreased by \$254,000 from the preliminary 2014 Financial Plan through expenditure reductions and increased year end surpluses.

Minor reductions in requisitions for other services result primarily from finalizing year end surplus/deficits and inclusion of final payment-in-lieu of taxes.

The overall core operating cost for the CRD has been limited to 1.17%. The 2014 Financial Plan has been developed diligently to accommodate labour cost increases, rising utility costs and other relative assessment increases and or decreases.

The requisition distribution is based on 2014 completed assessments and will be adjusted to reflect the revised 2014 assessments when they are available at the end of March.

CONCLUSION

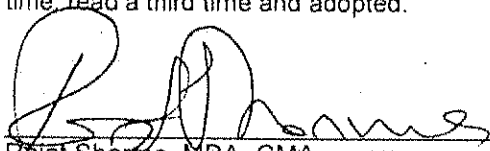
The CRD is required to annually adopt a five year financial plan bylaw by March 31. The attached bylaw and supporting schedules summarize the CRD Financial Plan for 2014 to 2018.

The CRD continues to diligently control its core operating costs. A significant component of the Financial Plan relates to the increase in requisition to Seaterra.

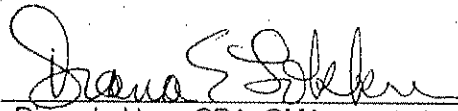
The 2014 Financial Plan has been prepared to accommodate the Board's prior decisions, the strategic priorities, growth in capital and the increasing demand for services. Staff recommends approving the 2014 Financial Plan bylaw as presented.

RECOMMENDATION

That Bylaw No. 3949, "2014 to 2018 Financial Plan, 2014" be introduced and read a first time and second time, read a third time and adopted.



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