

SUNSHINE COAST REGIONAL DISTRICT STAFF REPORT

TO: Finance Committee (Pre-Budget) - October 28-29, 2024

AUTHOR: Kyle Doyle, Manager, Asset Management

SUBJECT: 2025 CAPITAL PLANNING UPDATE

RECOMMENDATION(S)

- (1) **THAT** the report titled 2025 Capital Planning Update be received for information;
 - (2) **AND THAT** capital expenditures for the Parks Service [650] of up to \$210,000 be included in the 2025 Budget funded through Capital Reserves;
 - (3) **AND THAT** capital expenditures for the Roberts Creek Volunteer Fire Department [212] of up to \$47,500 be included in the 2025 Budget funded through Capital Reserves;
 - (4) **AND THAT** capital expenditures for the Halfmoon Bay Volunteer Fire Department [216] of up to \$148,300 be included in the 2025 Budget funded through Capital Reserves;
 - (5) **AND THAT** capital expenditures for the Egmont Volunteer Fire Department [218] of up to \$109,100 be included in the 2025 Budget funded through Capital Reserves;
 - (6) **AND FURTHER THAT** the 2025-2029 Draft Financial Plan be amended accordingly.
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BACKGROUND

The Sunshine Coast Regional District (SCRD) manages more than \$900 million worth of tangible capital assets that facilitate the delivery of services to the community. As a part of the obligation to provide responsible stewardship of these assets it is essential that the SCRD understands the full lifecycle costs associated with these assets and ensures that there is sufficient funding allocated to their renewal.

Capital planning attempts to forecast funding requirements related to renewing or replacing service-critical components and equipment in the future. The Asset Management division leads this effort, while each department validates the details, identifies needed replacements, and estimates costs to ensure service continuity. This process is intended to result in the development of long-term Capital Plans that are adopted by the SCRD Board to establish a consistent annual funding level that is sufficient for each services projected needs.

The services provided by the SCRD are delivered to defined Local Service Areas. The Local Government Act restricts the recovery of costs for each service to the participants of that service only. This limitation exacerbates the need for proactive financial planning to maintain the

sustainability of a service. Without proactive financial planning these services will become unaffordable for residents in the future.

The purpose of this report is to provide a summary of the 2025 Capital Plan review process. Specific details for services that have experienced a notable change to their projected long-term financial sustainability can be found in subsequent reports on this agenda.

DISCUSSION

Existing capital plans are reviewed annually to ensure that previously approved funding (and a 2% annual increase) continues to be appropriate and sufficient. This review process considers changes to both the external and internal factors that influence these capital plans. External factors include the rate of inflation for goods and services, the cost of borrowing, the interest earned on reserve holdings, and observed costs of similar projects that were recently completed. Internal factors include the condition of assets, changes to the provision of services, staff capacity to conduct work, and consideration for other SCRD initiatives that may impact service delivery.

Inflation

Over the last several years there has been significant volatility in the cost of goods and services largely due to impacts from the Covid-19 Pandemic. The last year has seen some inflation metrics trending towards historical norms which suggest less volatility may be experienced going forward. SCRD Capital Plans currently assume 3% annual inflation when projecting future costs of goods and services. While this has served as a suitable rate for many goods and services, Figure 1 below illustrates how the Construction Cost Index and Equipment Price Index have undergone more significant increases since 2010.

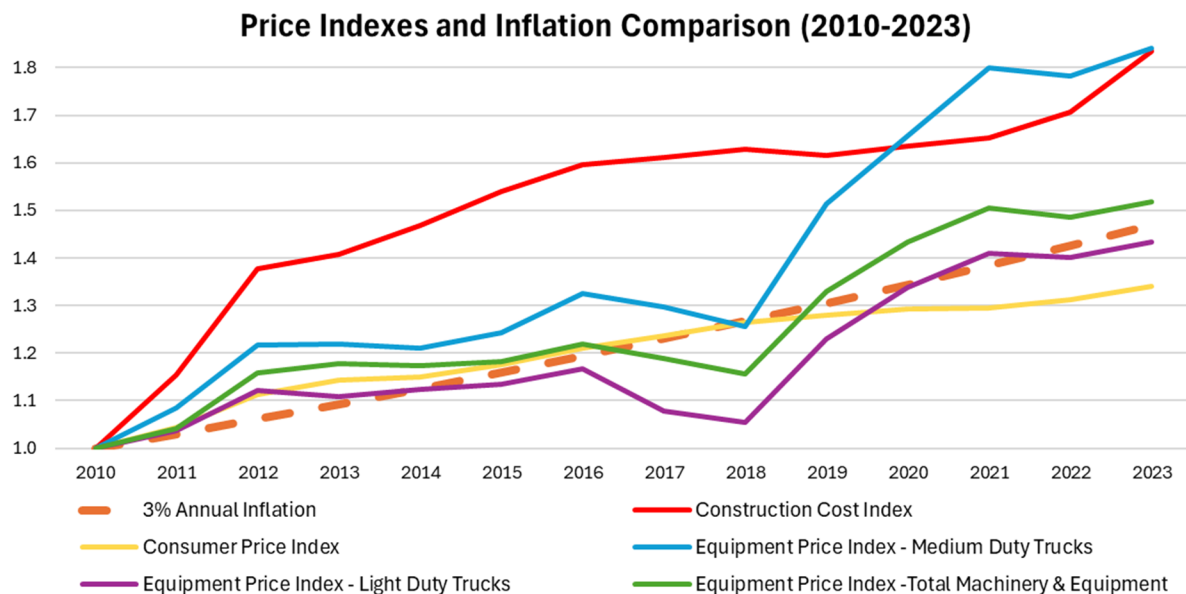


Figure 1: Price Index Comparison

Timely Cost Estimates

Determining accurate costs of replacing existing assets is a fundamental component of capital planning. There are four primary sources used for cost estimates; original acquisition cost, replacement valuations (provided by contracted third-parties such as insurance appraisals or

building condition assessment consultants), quotes or invoices from suppliers, and experienced-staff estimates. Significant effort has been made to account for uncertainty by adding a contingency specific to the source.

During the annual review of Capital Plans it was noted that more than 50% of all cost estimates for SCRCD facilities are greater than 5 years old. As Figure 1 above illustrates, the age of an estimate is correlated with increased uncertainty and as such additional contingency is required. Processes to efficiently update cost estimates are being explored.

Water Services Capital Planning

A draft capital plan has been developed for the Regional, North Pender, and South Pender Water Services. Departmental review of the Asset Registry has not been completed; inventory, replacement timing, and costing of most assets and components still require validation by the Utility Department.

Parks Capital Planning

The interim capital plan for Parks Department assets was initially adopted during the 2023 Budget Process. The Capital Plan for Parks has not been substantially updated this year. Progress continues to be made by departmental staff on strategic planning and service level expectations which will help to determine asset criticality and the development of comprehensive capital renewal funding requirements for the Parks service.

It is recommended that capital expenditures for the Parks Service [650] of up to \$210,000 be included in the 2025 Budget funded through Capital Reserves.

Protective Services Capital Planning

Updates to the Roberts Creek, Halfmoon Bay, and Egmont Volunteer Fire Departments (VFD) capital plans indicate the previously determined funding projections will be sufficient for the 20-year capital plan horizons. The Roberts Creek VFD capital plan projects a slight funding shortfall near the end of the 20-year capital plan (between 2042-2044). This will be monitored going forward and a funding adjustment will be requested if the shortfall persists.

It is recommended that capital expenditures for the Roberts Creek Volunteer Fire Department [212] of up to \$47,500 be included in the 2025 Budget funded through Capital Reserves.

It is recommended that capital expenditures for the Halfmoon Bay Volunteer Fire Department [216] of up to \$148,300 be included in the 2025 Budget funded through Capital Reserves.

It is recommended that capital expenditures for the Egmont Volunteer Fire Department [218] of up to \$109,100 be included in the 2025 Budget funded through Capital Reserves.

Wastewater Services Capital Planning

During the 2023 budget process many wastewater services adopted five-year frontage fee schedules through 2027. Woodcreek, Langdale, and Sakinaw Ridge Wastewater Services were

not among the services that adopted five-year frontage fee schedules and continue to be reviewed on an annual basis.

Woodcreek and Langdale continue to undergo significant capital projects that will inform long-term capital funding requirements upon their completion. Sakinaw Ridge remains to be an underdeveloped Local Service, with fewer than 1/3 of participating parcels having been developed to date. Frontage Fees have subsidized operational expenses for this service for the past several years. A review of Sakinaw's operational expenses has been completed and has informed a proposed base-budget adjustment which is anticipated to be presented later in the budget process.

Frontage Fee adjustments for all these services will be presented during the Fees and Charges portion of the Budget process later this month.

Ports Capital Planning

Progress in capital planning efforts for the ports function has been delayed due to the attrition of key staff assigned to the effort. Given the successful recruitment of staff early in 2025, it is anticipated that capital plans could be completed in time for the 2026 budget process.

The work completed to date will provide sufficient background information to inform future decisions around the New Brighton Feasibility Study.

Other SCRD Facilities

Capital Planning for other SCRD Facilities is underway. These include the Gibsons Public Library, the Sechelt Landfill, and the Administration Building on Field Road. It is anticipated that these will be presented during the 2026 Budget Process.

Organizational and Intergovernmental Implications

Capital Planning is a key aspect of responsible stewardship of community assets and can help to ensure that the responsibility of the Regional District to sustainably plan for renewal is met.

Granting agencies often indicate preference for Local Governments that demonstrate asset stewardship when evaluating grant applications.

Financial Implications

Establishing a sustainable level of funding will mitigate future rate increases and allow for the provision of a consistent level of service at a more consistent, predictable cost.

Communications Strategy

There is ongoing communication and engagement throughout the year on the various services.

STRATEGIC PLAN AND RELATED POLICIES

Capital Planning is related with the 2023-27 Strategic Plan's Lenses of Service Delivery Excellence and Governance Excellence, and the following SCRD Board Policies: Financial

Sustainability Policy; Financial Planning Policy, Asset Management Policy, and Debt Management Policy.

CONCLUSION

Capital Plans are long-term models that predict future financial environments based on many different factors (cost estimates, contingencies, inflation, savings interest, borrowing costs, etc.).

Each year an annual review is conducted to ensure that the variable factors in SCRD Capital Plans are as accurate as possible, resulting in year-to-year variations in the outputs (funding requirements) articulated by the Capital Plan for each service.

An individual report will be brought for the Board to consider during the budget process when a substantial change to a services' projected financial sustainability is observed.

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| Reviewed by: | | | |
| Manager | | Finance | |
| GM | | Legislative | |
| CAO/CFO | X – T. Perreault | Other | |