

**METRO VANCOUVER SPECIAL JOINT BOARD MEETING  
OF THE MVRD, MVHC, GVS&DD AND GVWD BOARDS**

**Wednesday, April 19, 2023**

**9:00 am**

**28<sup>th</sup> Floor Boardroom, 4515 Central Boulevard, Burnaby, British Columbia**

**Webstream available at <http://www.metrovancouver.org>**

Purpose: To participate in a workshop-style discussion of Metro Vancouver's budget preparations.

[Membership and Votes](#)

**A G E N D A<sup>1</sup>**

**A. ADOPTION OF THE AGENDA**

**1. April 19, 2023 Special Meeting Agenda**

That the MVRD, MVHC, GVS&DD, and GVWD Boards adopt the agenda for its special joint meeting scheduled for April 19, 2023 as circulated.

**B. REPORTS FROM COMMITTEE OR COMMISSIONER/CHIEF ADMINISTRATIVE OFFICER**

**1. BOARD BUDGET WORKSHOP BACKGROUND MATERIALS**

Designated Speaker: Jerry W. Dobrovolny, Commissioner/Chief Administrative Officer

pg. 2

**2. FINANCIAL PLAN TASK FORCE**

**2.1 Financial Plan Task Force Recommendations for the 2024-2028 Financial Plan**

pg. 21

That the MVRD/MVHC/GVS&DD/GVWD Board at the April 19 Board Budget Workshop:

- a) direct staff to proceed through the 2024 budget cycle with household impact targets as follows:
  - i. 2024 – 12%
  - ii. 2025 – 11%
  - iii. 2026 – 5%
  - iv. 2027 – 5%
- b) direct staff to prepare the 2024 – 2028 Financial Plan with the following Development Cost Charge (DCC) rate assumptions:
  - i. Liquid Waste Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan
  - ii. Water Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan; and
  - iii. Implementation of a Development Cost Charge for Regional Parks and move to a 1% assist factor within the 2024-2028 Financial Plan.

**C. ADJOURNMENT OR CONCLUSION**

That the MVRD, MVHC, GVS&DD, and GVWD Boards adjourn/conclude its special joint meeting of April 19, 2023.

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<sup>1</sup> Note: Recommendation is shown under each item, where applicable. All Directors vote unless otherwise noted.

To: Board of Directors

From: Dean Rear, General Manager/CFO, Financial Services

Date: April 14, 2023

Meeting Date: April 19, 2023

Subject: **Board Budget Workshop Background Material**

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Attached for Board consideration are background materials to support the Board Budget Workshop discussion. Included are links to the Overview of the 2023 Metro Vancouver Budget, the 2023 – 2027 Financial Plan, as well as a background paper that includes summary information on several topics which are key to the development of the Metro Vancouver Financial Plan.

**Attachments**

1. Background Paper Board Budget Workshop – April 19, 2023

**References**

1. [Overview 2023 Metro Vancouver Budget](#)
2. [2023 - 2027 Financial Plan](#)



# Background Paper

# **Board Budget Workshop**

April 19, 2023

Prepared by: Financial Planning



# Table of Contents

1.0 Introduction	4
2.0 Scale of Operations	5
2.1 Stewarding our Existing Assets	5
2.1 Investments in Critical Infrastructure	6
2.2 Services Delivered Directly to Residents	6
3.0 Strategic Improvements	7
3.1 Financial Plan Task Force	7
3.2 Long-Term Financial Planning	7
3.2 Board Financial Policies	8
4.0 Financial Planning Environment	9
4.1 Legislative Environment	9
4.2 Metro Vancouver Cost Allocation to Member Jurisdictions	9
4.3 Financial Position	10
4.4 Impacts of Inflation	11
5.0 Current Financial Plan and Impacts	13
5.1 2023–2027 Financial Plan	13
5.2 Household Impact	13
Appendix A: Summary of the 2023 Financial Plan	14
Appendix B: A Summary of the Methodology Used to Determine Household Impact (HHI)	15
Appendix C: Detailed HHI's Allowing for the Differences in Sewerage Areas	16

# 1.0 Introduction

Metro Vancouver is a federation of 21 municipalities, one electoral area, and one treaty First Nation that collaboratively plans for and delivers regional utility services, including drinking water, wastewater treatment and solid waste management. Metro Vancouver also regulates air quality, plans for urban growth, manages a regional parks system, provides affordable housing, and serves as a regional forum. The regional district is governed by a Board of Directors of elected officials from each local authority.

The governance framework under which Metro Vancouver operates consists of four separate legal entities and each with specific legislation:

- The Metro Vancouver Regional District (MVRD)
- The Greater Vancouver Water District (GWWD)
- The Greater Vancouver Sewerage and Drainage District (GVS&DD)
- Metro Vancouver Housing Corporation (MVRD)

The financial operations within Metro Vancouver are complex and must consider macroeconomic data well as its own service levels to ensure that Metro Vancouver mitigates its financial impacts on the rate payers. The balance of mitigating household impacts while providing essential services to the region is key to ensuring a sustainable, resilient, and prosperous region.

Metro Vancouver is committed to continuous improvement on transparency and reporting. In February of 2023, Metro Vancouver received for the second year the prestigious Canadian Award for Financial Reporting from the Government Finance Officers Association of the United States and Canada, recognizing the strength of its 2021 annual financial report.

This is the third year a background paper has been provided for the spring Board Budget Workshop. This background paper provides information on the variables and drivers that impact the current financial position of Metro Vancouver as well as key considerations for financial strategies and policies that Financial Services Department is examining to strengthen Metro Vancouver's financial position.

## 2.0 Scale of Operations

Metro Vancouver and its 21 member jurisdictions work collaboratively to plan for and provide vital utility and local government services to 2.8 million residents — more than half the population of BC — as well as the businesses and institutions of the region. Collaboration is fundamental to Metro Vancouver; our regional model lets our members and ratepayers benefit from economies of scale and regional expertise.

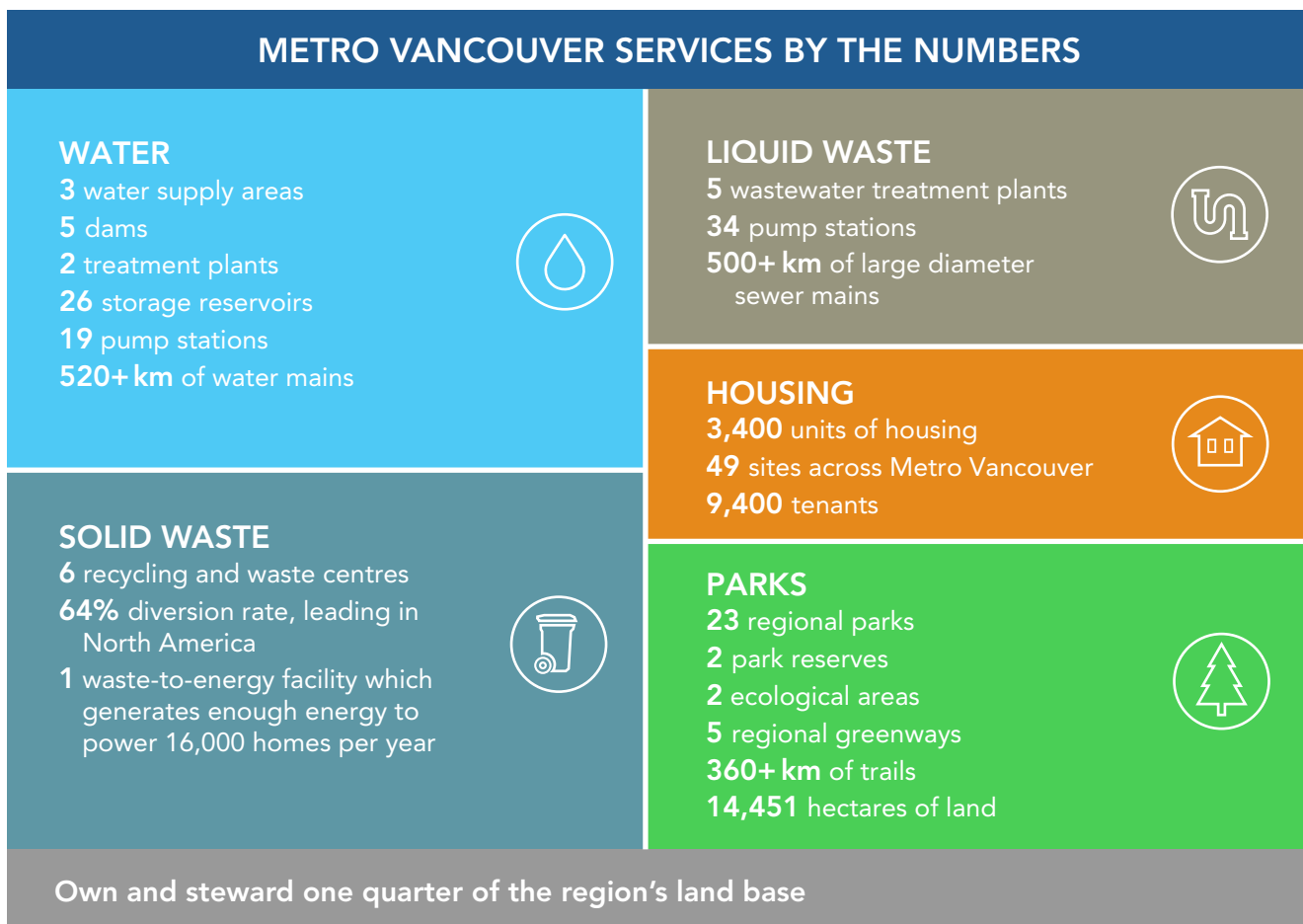
As the gateway to the Pacific, our region is home to a dynamic economy that includes the resource sector, tourism and professional services, and emerging clusters in the creative, digital, and clean tech arenas. The region represents 61 per cent of the province’s

GDP and supports about 1.3 million jobs. Through Invest Vancouver, we are working to attract strategic investment to advance shared prosperity in the region.

Metro Vancouver’s utility services operate on a vast scale. The combined annual budget is comparable to the three territories and one province.

### 2.1 Stewarding our Existing Assets

Metro Vancouver is unique in both the size and diversity of services provided. Perhaps the best way to conceptualize the scale of the stewardship responsibilities of Metro Vancouver is through the scale of Metro Vancouver assets.



Together, the replacement values of these assets would be \$30B to \$50B just to maintain current levels of service.

## 2.1 Investments in Critical Infrastructure

Over the next five years, Metro Vancouver is planning for significant investments to build, maintain, and upgrade the critical infrastructure that will support the prosperity, resilience, and livability of the region. These projects will help to mitigate the impacts of climate change and protect the environment while at the same time reducing GHGs.

Highlights include:

- Three wastewater treatment plant projects currently underway, the largest of which is the Iona Island Wastewater Treatment Plant which is being upgraded to meet regulatory requirements and protect the health and wellbeing of people, wildlife, and ecosystems. The new plant has the opportunity to restore one of the world's most important rearing habitats for juvenile salmon and will reduce greenhouse gas emissions through energy efficiency and resource recovery, while providing reliable service that's resilient to climate change and earthquakes.
- An extensive program to upgrade the major water mains that connect our source reservoirs to the communities of the region, involving over 500 kilometres of water mains. This program includes building new water supply tunnels under major marine crossings to significantly increase capacity and ensure continued water delivery after a major earthquake.
- Significant investment in the Waste-to-Energy Facility, to replace the aging infrastructure and provide for the addition of biosolids management and the alternative fuel and recyclables recovery project, which are expected to increase beneficial use of waste materials and reduce greenhouse gas emissions for the region.

## 2.2 Services Delivered Directly to Residents

The majority of services provided by Metro Vancouver are delivered to the members. Metro Vancouver provides two services directly to residents of the region:

- The regional parks system provides access to a diverse range of natural spaces while protecting sensitive ecosystems. Metro Vancouver protects and provides stewardship for more than one quarter of the region's land base, including more than 13,000 hectares of park lands and 65,000 hectares of protected water supply areas. Research shows that spending time in nature is an effective way to reduce stress and support physical and mental wellbeing, and during the COVID 19 pandemic, our parks experienced their highest-ever visitation rates, demonstrating their essential value.
- Metro Vancouver is the second largest affordable housing provider in BC, providing 3,400 units to more than 9,400 residents. Metro Vancouver aims to create at least 1,350 new units in the next decade.



## 3.0 Strategic Improvements

### 3.1 Financial Plan Task Force

In early 2023, the Financial Plan Task Force was created to reassess the 2024-2027 household impact increases of: 2024 – 14.3%, 2025 – 14.1%, 2026 – 12.4%, 2027 – 12.1% in Metro Vancouver’s five-year financial plan and to provide advice and recommendations to the Board on the revision of the five-year financial plan. The task force commenced in February and concluded at the end of March 2023.

The Financial Plan Task Force first met in mid-February. Staff provided orientation and background into the 2023-2027 Financial Plan and its main drivers. At the second task force meeting, staff presented information on assessing opportunities for amendments to the five-year financial plan, specifically on adjusting capital projections based on current market conditions and examining development cost charges (DCCs).

In March, staff put forth the following targets, which were ultimately endorsed by the task force and are recommended to the April 19 Board Budget Workshop: 2024 – 12%, 2025 – 11%, 2026 – 5%, 2027 – 5%. These targets were based on staff working through numerous scenarios assessing risks, opportunities, and the deliverability of the capital program based on current market conditions, specifically with respect to Liquid Waste Services and Water Services as those departments are the largest components of Metro Vancouver’s budgets.

In addition, a key component of reaching the targets is increasing the Liquid Waste and Water DCCs to 1% with interest within the 2024-2028 Financial Plan as well as implementing a DCC for Regional Parks and moving it to a 1% assist factor within the 2024-2028 Financial Plan.

### 3.2 Long-Term Financial Planning

Since 2017, Metro Vancouver has added five-year financial plans and multi-year capital planning into the financial planning process. These changes have been in response to Board direction to move beyond considering only annual financial impacts of Metro Vancouver’s multi-year projects. Furthermore, due to the nature of Metro Vancouver’s projects spanning beyond five years, examining the financial impacts over a longer time period is essential in providing transparency and accountability on the financial impact of Metro Vancouver services.

This need for long-term financial planning has been explored by Metro Vancouver in prior years and is included as part of the 2019-2022 Board Strategic Plan, however, resources were re-deployed due to challenges faced during the COVID-19 pandemic.

Metro Vancouver has commenced a long-term financial planning process with the intent of having a formal adoption of a long-term financial plan in the last quarter of 2023. The timeline of Metro Vancouver’s long-term financial plan is illustrated below.



Key components of long-term financial planning is a robust asset management framework and management plans, which Metro Vancouver is continually refining and updating. Within the suite of asset management, management plans and financial planning practices, Metro Vancouver produces:

- Asset management policies: Metro Vancouver has adopted six asset management policies in which maintaining assets in a state of good repair is a key priority. Asset management policies have been created for the following areas: corporate facilities and equipment, housing, liquid waste services, regional parks, solid waste services, and water services.
- Asset management strategies: strategies must be implemented to manage and renew each asset in accordance with clearly defined asset performance metrics and targets. In order to assess the asset performance metrics and targets, Metro Vancouver is continually collecting data on asset condition and will continue to monitor the condition of its assets as set out in their respective asset management policies.
- State of asset reports: These reports provide an overview of the existing asset inventory, condition, replacement value, and forecasted long-term investment needs.
- Management plans, strategic plans, and long-range plans: These plans identify how existing

assets will be prioritized for replacement, and plan for infrastructure needed in the future to meet regulatory, growth, and resiliency requirements.

- Financial plans: Metro Vancouver currently prepares annual and five-year outlook financial plans, with work underway to develop a long-term financial plan.

Metro Vancouver is continuing to refine its asset management and financial planning practices in order to address system stewardship and to enhance transparency around long-term financial impacts of that stewardship.

### 3.2 Board Financial Policies

Metro Vancouver currently works within a suite of Board approved financial policies that guide the financial framework for the organization. These policies provide guidance during the annual budget process, capital planning process, and the financial operations of the Financial Services department.

Since 2017, Metro Vancouver has made a concerted effort to formalize and establish financial policies to guide its financial planning and operations to ensure financial sustainability and effective financial management. Over this time period, Metro Vancouver has established a suite of policy frameworks described in the table below.

POLICY	PURPOSE
Financial Management Policy	Establishes the principles that will guide decision making with respect to funding long-term operating and capital expenditure for Metro Vancouver's legal entities
Operating, Statutory, and Discretionary Reserves Policy	Outlines the principles and requirements that guide the establishment, use, and management of Metro Vancouver reserves
Corporate Allocation Policy	Establishes the appropriate methodology in allocating costs incurred by centralized support services in delivering support services to all business activities of Metro Vancouver's four legal entities
Corporate Investments	Provides guidelines within which investment decisions are made on behalf of all the corporate entities to ensure safety of capital, adequate liquidity, and a reasonable rate of return

As part of the long-term financial planning process, Metro Vancouver is undertaking a review of Board-level policies, specifically the Financial Management Policy, to ensure fiscal sustainability for the organization over the long-term.

# 4.0 Financial Planning Environment

At Metro Vancouver, financial planning is a year-round activity. While it culminates with the approval of the budget in the fall, the process commences formally again in December starting with the review of the capital plan and rolls into the spring with a review of programs and development of budgets. With a culture of continuous improvement, departments evaluate alternatives to improve service delivery or find more effective and efficient ways to complete projects.

Financial Services is fully engaged throughout the year as there is ongoing assessment of costs and impacts to rate payers related to proposed projects and programs in order to support decision making.

## 4.1 Legislative Environment

Metro Vancouver’s financial framework is governed by several legislative statutes including the Local Government Act, the Community Charter, the Greater Vancouver Sewerage and Drainage District Act, an Act Incorporating the Greater Vancouver Water District, and the British Columbia Corporations Act.

The requirements for financial planning vary significantly within the statutes, and in some cases, are quite dated and provide little guidance. An example of this is from the Greater Vancouver Sewerage and Drainage District Act:

*“53. On or before the thirty-first day of March in each year the Corporation shall cause a detailed estimate to be prepared of the sums required to meet the total amount of all the expenditures and financial obligations that the Corporation will be required to make or meet during each year, including necessary and appropriate reserves and any deficit consequent upon the Corporation's estimate in any former year having been less than the actual amount of the expenditures and financial obligations of such year, herein called the "annual estimate."*

1956-59-53; 1994-52-17

Metro Vancouver members rely heavily on the financial planning provisions of the Community Charter and Local Government Act and works hard to align its budget deliverables, both in format through a five-year financial plan and in timing, to assist members in meeting their own requirements.

## 4.2 Metro Vancouver Cost Allocation to Member Jurisdictions

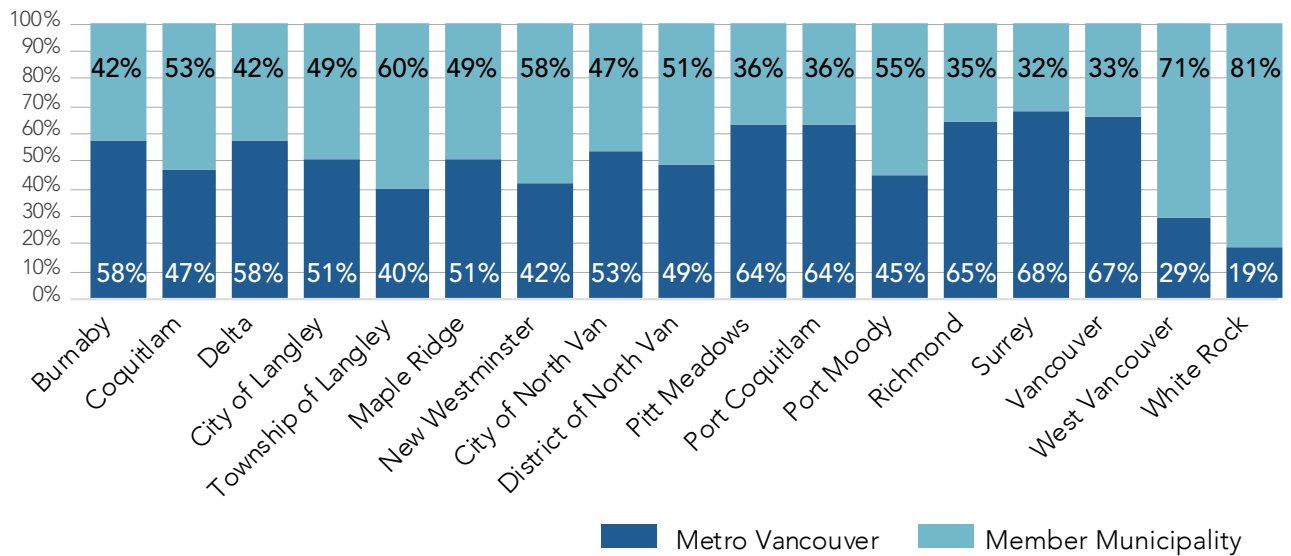
Metro Vancouver is a diverse organization that provides numerous services, however, the costs are ultimately borne by the ratepayers in the region, which is passed on through the member municipalities. A brief description of Metro Vancouver’s cost allocation is outlined in the table below.

Table 1: Cost allocations to member jurisdictions by service

METRO VANCOUVER SERVICE	COST ALLOCATION
<b>Water Services</b>	Member municipalities are charged monthly their actual consumption multiplied by the water rate (either peak or off-peak depending on the month)
<b>Liquid Waste Services</b>	Member municipalities are charged an annual liquid waste levy as per the Cost Apportionment Bylaw rules in effect.
<b>Solid Waste Services</b>	Customers are charged their actual tonnage multiplied by the applicable tipping fee as per the Tipping Fee and Solid Waste Regulation Bylaw in effect.
<b>Regional District Services</b>	Member municipalities are charged an annual tax requisition, which is allocated based on their property assessments as per BC Assessment.

The graph below illustrates the proportion of Metro Vancouver’s total water sales and total liquid waste levies as a proportion of the member municipality’s utility fees. The proportion of Metro Vancouver’s total sales and levies varies quite significantly across the region.

Chart 1: 2021 Total Metro Vancouver water and liquid waste fees as a % of total member utility revenue



### 4.3 Financial Position

Maintaining a solid financial position is critical to ensure there is ongoing capacity to continue to be able to finance infrastructure investments and ongoing programs for all of Metro Vancouver’s services.

Table 2: Metro Vancouver financial position

(IN THOUSANDS OF DOLLARS)	2018	2019	2020	2021	2022
<b>Financial Assets</b>	\$2,273,893	\$2,073,701	\$1,899,770	\$2,379,464	\$2,299,151
<b>Liabilities</b>	\$803,689	\$732,762	\$641,859	\$760,429	\$718,606
<b>Debt (Net of Sinking Funds)</b>	\$1,230,774	\$1,228,901	\$1,385,445	\$1,851,489	\$1,884,302
<b>Tangible Capital Assets (Historical Cost)</b>	\$5,097,824	\$5,740,451	\$6,539,503	\$7,172,479	\$7,796,304

Metro Vancouver maintains a strong balance sheet that indicates a solid financial base from which to provide core services with significant infrastructure and capital expenditures. This is important as we continue to navigate through a period of macroeconomic, geopolitical, and climate change uncertainty.

Illustrated in the table below are select financial measures compared with similar organizations.

Table 3: Financial performance measures

			METRO VANCOUVER	
Measure	Explanation	Industry Average	2022	2021
Debt Servicing Ratio	What percent of the organization's income is utilized to service debt payments. (Lower is better).	13%	19.6%	17.1%
Interest Ratio	What percent of the organization's income is used for interest payments. (Lower is better).	4%	6.4%	6.0%
Municipal Property Tax and Levies/Total Revenue	What percent of the organization's revenue is comprised of property tax and levies. (Lower is better).	34%	37.5%	36.4%
Current Ratio	A measure of the organization's ability to pay its current liabilities. (Higher is better).	2.1	2.7	3.2
Operating Reserves/ Total Revenue	A measure of the organization's ability to manage unforeseen events, and overall financial health. (Needs to be balanced and stable).	13%	14.5%	11.6%

### 4.4 Impacts of Inflation

Inflation started to increase in late 2021 through 2022 and 2023. In February 2023, the Metro Vancouver region's consumer price index (CPI) was 5.9% higher than in February 2022. In addition, Canada's consumer price index (CPI) was 5.2% higher than in February 2022. Canada's inflation rate has not been above 5% since the 1990s, which illustrates the unique economic circumstances Canada and Metro Vancouver is facing.

The rising inflation has an impact on Metro Vancouver's operations from increases in input costs related to utility operations with respect to treatment plants as well as impacts on wages and benefits and collective agreements.

In response to rising inflation, Central Banks have been increasing interest rates to curb the rising prices. Since March 2022, the target overnight has increased several times from 0.25% to 4.50%.

A survey of forecasts from Canadian banks anticipates the Bank of Canada maintaining its overnight target rate throughout 2023 and reducing to the range of 2.50% to 3.00% by the end of 2024.

Table 4: Bank of Canada overnight target rate outlook

SOURCE	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
TD Economics	4.50	4.50	4.50	4.50	4.00	3.50	3.00	2.50
CIBC Capital Markets	4.50	4.50	4.50	4.50	4.00	3.50	3.25	3.00
RBC Economics	4.50	4.50	4.50	4.50	4.00	3.50	3.25	3.00

The increases in interest rates has a major impact on Metro Vancouver’s finances as we undertake significant borrowing to fund the substantial capital program. A minor interest rate hike can add significant costs to the capital projects and increase the burden on households. The increasing interest rate exposure Metro Vancouver faces is an area that Financial Services will continue to monitor and will take actions and strategies to minimize the financial impact on the region.

The table below illustrates the current consumer price index in Canada. While not all of this basket of goods is of material consequence to Metro Vancouver, it

provides an illustrative example of cost pressures in various areas of the economy and indicates the inflationary basket of goods versus the deflationary basket of goods. Of note for Metro Vancouver is the increases related to gasoline which impacts the prices of nearly all goods, including construction materials, and the cost increases associated with new homes, as we embark on an ambitious housing development program by the Metro Vancouver Housing Corporation.

Table 5: Inflation and deflation in Canada

Canada - Consumer price index (y/y% change: as of February 2023)			
Deflationary		Inflationary	
Passenger vehicle registration fees	-30.0%	Margarine	34.3%
Child care services	-27.5%	Dry or fresh pasta	29.1%
Purchase of digital media	-18.7%	Fuel oil and other fuels	24.3%
Child care and housekeeping services	-14.2%	Mortgage interest cost	23.9%
Home entertainment equipment, parts and services	-9.3%	Pasta products	23.1%
Multipurpose digital devices	-8.7%	Flour and flour-based mixes	22.9%
Video equipment	-8.4%	Soup	22.5%
Digital computing equipment	-6.5%	Lettuce	20.2%
Computer equipment, software, and supplies	-4.9%	Butter	19.7%
Audio equipment	-4.8%	Traveller accommodation	19.6%
<b>Overall CPI: 5.2%</b>			

Source: Statistics Canada

Going forward, Metro Vancouver staff will continue to monitor emerging macro-economic challenges and formulate strategies to mitigate the impacts of the ever changing environment to the greatest degree possible.

# 5.0 Current Financial Plan and Impacts

## 5.1 2023–2027 Financial Plan

The current financial plan was approved by the Board on October 28, 2022 and is summarized in Appendix A with the full document. For 2023, the combined expenditures planned is \$2.3 billion.

The focus for the development of the 2023 budget was to continue the short term action plan for relief on the households as the organization continued to adapt to the challenges of a global pandemic.

For 2023 the average household impact increased by \$26 for a total of \$620. This represented a 4.5% increase over the prior year.

Ongoing uncertainty requires that Metro Vancouver continuously evaluate and adapt until the challenges and conditions become clearer, while working to support the region to emerge from the pandemic stronger.

## 5.2 Household Impact

The key measure Metro Vancouver uses when assessing financial ramifications of the services it provides is the household impact (HHI) for Water Services, Liquid Waste Services, Solid Waste Services, and Regional District Services. The Metro Vancouver Housing Corporation (MVHC) is excluded from the household impact assessment as its revenues are recovered primarily through rents and subsidies and not on the tax requisitions or rates.

Household impact is primarily used for year-to-year comparisons of the financial plans and as a communication tool to explain the budget impacts. They are not intended to approximate what one might see on their tax or rate bill from a member municipality.

Table 6: Regional HHI’s from the 2023–2027 Financial Plan

	2023	2024	2025	2026	2027
<b>Water District</b>	\$177	\$191	\$215	\$240	\$270
<b>Liquid Waste</b>	295	360	432	503	579
<b>Solid Waste</b>	65	68	71	74	78
<b>Regional District</b>	83	90	91	93	94
<b>Total</b>	<b>\$620</b>	<b>\$709</b>	<b>\$809</b>	<b>\$910</b>	<b>\$1,021</b>
<b>HHI % Change</b>		14.3%	14.1%	12.4%	12.1%
<b>Financial Plan Task Force Recommended HHI % Change</b>		12%	11%	5%	5%

A summary of the methodology used to determine HHI is included in [Appendix B](#).

Detailed HHI’s allowing for the differences in sewerage areas are shown in [Appendix C](#).

# Appendix A: Summary of the 2023 Financial Plan

## 2023-2027 OPERATING BUDGET

	2023	2024	2025	2026	2027
<b>Operations</b>	\$592,161,425	\$639,228,179	\$664,683,098	\$694,067,728	\$715,163,717
<b>Debt Service</b>	\$215,916,338	\$266,924,031	\$359,399,479	\$462,301,213	\$588,497,355
<b>Contribution to Capital</b>	\$273,715,116	\$314,604,459	\$363,125,717	\$410,761,107	\$457,969,223
<b>Total</b>	<b>\$1,081,792,879</b>	<b>\$1,220,756,669</b>	<b>\$1,387,208,294</b>	<b>\$1,567,130,048</b>	<b>\$1,761,630,295</b>
<b>% Change</b>	5.5%	12.8%	13.6%	13.0%	12.4%

## 2023-2027 CAPITAL PLAN

	2023	2024	2025	2026	2027
<b>Water</b>	\$399,935,000	\$502,920,000	\$513,350,000	\$602,535,000	\$677,545,000
<b>Liquid Waste</b>	\$681,745,000	\$688,406,000	\$934,460,000	\$1,117,389,000	\$1,308,127,000
<b>Solid Waste</b>	\$42,850,000	\$46,950,000	\$62,050,000	\$60,100,000	\$32,500,000
<b>Housing</b>	\$62,200,000	\$129,200,000	\$121,270,000	\$47,600,000	\$26,700,000
<b>Regional Parks</b>	\$59,770,000	\$33,180,000	\$24,450,000	\$20,405,000	\$32,030,000
<b>Total</b>	<b>\$1,246,500,000</b>	<b>\$1,400,656,000</b>	<b>\$1,655,580,000</b>	<b>\$1,848,029,000</b>	<b>\$2,076,902,000</b>



# Appendix B: A Summary of the Methodology Used to Determine Household Impact (HHI)

There are a number of inputs that go into the household impact calculations which are summarized in the table below:

INPUTS	DESCRIPTION
<b>Operating Budgets</b>	Revenue required through the annual budgets
<b>Residential Occurrences</b>	BC Assessment' current year number of occurrences in the residential class
<b>Population and Dwelling Unit Growth</b>	BC Stats and Metro Vancouver's Regional Planning Department's population and dwelling unit projections
<b>Household Flow and Consumption</b>	Estimated regional household water consumption and solid waste flows

Further to the inputs for the household impacts the following table summarizes how the household impacts are calculated by service.

<p><b>Water Services</b></p> <ul style="list-style-type: none"> <li>• Use the water sales in the Financial Plan</li> <li>• Derive the blended water rate by dividing total water sales by total estimated regional water consumption (total water sales/total water consumption)</li> <li>• Household impact is calculated by multiplying the blended water rate by the estimated water consumption by household (water rate * household water consumption)</li> </ul>	<p><b>Solid Waste Services</b></p> <ul style="list-style-type: none"> <li>• Estimate the blended tipping fee</li> <li>• Estimate the household disposal rate by multiplying total waste flow projections by projected household proportion of waste and dividing by the total number of households</li> <li>• Household impact is calculated by multiplying the blended tipping fee by the household disposal rate</li> </ul>
<p><b>Liquid Waste Services</b></p> <ul style="list-style-type: none"> <li>• Use the liquid waste levy in the Financial Plan</li> <li>• Estimate the residential portion of the levy and divide by the projected number of residential occurrences by sewerage area (residential levy portion/number of residential occurrences)</li> </ul>	<p><b>Regional Services</b></p> <ul style="list-style-type: none"> <li>• Use the MVRD requisition in the Financial Plan</li> <li>• Household impact is calculated by using the residential portion of the MVRD requisition and dividing by the residential occurrences</li> </ul>

# Appendix C: Detailed HHI's Allowing for the Differences in Sewerage Areas

	2022 FINAL	2023 BUDGET	% CHANGE	2024 BUDGET	% CHANGE	2025 BUDGET	% CHANGE	2026 BUDGET	% CHANGE	2027 BUDGET	% CHANGE
<b>Vancouver Sewerage Area</b>											
Water Services	\$175	\$177	1.4%	\$191	8.1%	\$215	12.3%	\$240	11.6%	\$270	12.6%
Liquid Waste Services	333	345	3.5%	420	21.8%	521	24.1%	609	16.9%	674	10.6%
Solid Waste Services	63	65	3.8%	68	4.4%	71	4.5%	74	4.3%	78	4.8%
MVRD Services	76	83	9.2%	90	8.7%	91	1.1%	93	2.0%	94	0.6%
<b>Total Household Impact</b>	<b>\$647</b>	<b>\$670</b>	<b>3.6%</b>	<b>\$769</b>	<b>14.8%</b>	<b>\$898</b>	<b>16.8%</b>	<b>\$1,016</b>	<b>13.1%</b>	<b>\$1,116</b>	<b>9.7%</b>
<b>North Shore Sewerage Area</b>											
Water Services	\$175	\$177	1.4%	\$191	8.1%	\$215	12.3%	\$240	11.6%	\$270	12.6%
Liquid Waste Services	381	427	12.0%	494	15.7%	655	32.6%	759	15.9%	826	8.9%
Solid Waste Services	63	65	3.8%	68	4.4%	71	4.5%	74	4.3%	78	4.8%
MVRD Services	76	83	9.2%	90	8.7%	91	1.1%	93	2.0%	94	0.6%
<b>Total Household Impact</b>	<b>\$695</b>	<b>\$752</b>	<b>8.3%</b>	<b>\$843</b>	<b>12.2%</b>	<b>\$1,032</b>	<b>22.3%</b>	<b>\$1,166</b>	<b>13.0%</b>	<b>\$1,268</b>	<b>8.7%</b>
<b>Lulu Island West Sewerage Area</b>											
Water Services	\$175	\$177	1.4%	\$191	8.1%	\$215	12.3%	\$240	11.6%	\$270	12.6%
Liquid Waste Services	256	274	7.2%	308	12.5%	382	24.0%	428	12.0%	467	9.2%
Solid Waste Services	63	65	3.8%	68	4.4%	71	4.5%	74	4.3%	78	4.8%
MVRD Services	76	83	9.2%	90	8.7%	91	1.1%	93	2.0%	94	0.6%
<b>Total Household Impact</b>	<b>\$570</b>	<b>\$599</b>	<b>5.3%</b>	<b>\$657</b>	<b>9.8%</b>	<b>\$759</b>	<b>15.5%</b>	<b>\$835</b>	<b>10.0%</b>	<b>\$909</b>	<b>8.8%</b>
<b>Fraser Sewerage Area</b>											
Water Services	\$175	\$177	1.4%	\$191	8.1%	\$215	12.3%	\$240	11.6%	\$270	12.6%
Liquid Waste Services	244	256	5.1%	321	25.0%	368	14.8%	431	17.0%	518	20.4%
Solid Waste Services	63	65	3.8%	68	4.4%	71	4.5%	74	4.3%	78	4.8%
MVRD Services	76	83	9.2%	90	8.7%	91	1.1%	93	2.0%	94	0.6%
<b>Total Household Impact</b>	<b>\$558</b>	<b>\$581</b>	<b>4.4%</b>	<b>\$670</b>	<b>15.2%</b>	<b>\$745</b>	<b>11.2%</b>	<b>\$838</b>	<b>12.4%</b>	<b>\$960</b>	<b>14.6%</b>
<b>Metro Vancouver Average</b>											
Water Services	\$175	\$183	\$177	\$201	\$191	\$221	\$215	\$244	\$240	N/A	\$270
Liquid Waste Services	280	321	295	374	360	445	432	540	503	N/A	579
Solid Waste Services	63	65	65	68	68	71	71	74	74	N/A	78
MVRD Services	76	84	83	88	90	89	91	91	93	N/A	94
<b>Total Household Impact</b>	<b>\$594</b>	<b>\$653</b>	<b>\$620</b>	<b>\$731</b>	<b>\$709</b>	<b>\$826</b>	<b>\$809</b>	<b>\$949</b>	<b>\$910</b>	<b>N/A</b>	<b>\$1,021</b>
<b>% Change Total</b>			<b>4.5%</b>		<b>14.3%</b>		<b>14.1%</b>		<b>12.4%</b>		<b>12.1%</b>





To: Financial Plan Task Force

From: Jerry W. Dobrowolny, Commissioner/Chief Administrative Officer

Date: March 15, 2023 Meeting Date: March 22, 2023

Subject: **Financial Plan Task Force Recommendations for the 2024-2028 Financial Plan**

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### **RECOMMENDATION**

That the MVRD/MVHC/GVWD/GVS&DD Board at the April 19 Board Budget Workshop:

- a) direct staff to proceed through the 2024 budget cycle with household impact targets as follows:
  - i. 2024 – 12%
  - ii. 2025 – 11%
  - iii. 2026 – 5%
  - iv. 2027 – 5%
- b) direct staff to prepare the 2024 – 2028 Financial Plan with the following Development Cost Charge (DCC) rate assumptions:
  - i. Liquid Waste Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan
  - ii. Water Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan; and
  - iii. Implementation of a Development Cost Charge for Regional Parks and move to a 1% assist factor within the 2024-2028 Financial Plan.

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### **EXECUTIVE SUMMARY**

At the February 23, 2023 Financial Plan Task Force Meeting, staff were directed to assess the capital program and return to the Task Force with recommendations for targets for household impact for the next four years of the Financial Plan. Staff worked through a number of scenarios assessing risks, opportunities and deliverability by adjusting capital projections based on current market conditions and timing, as well as required increases to development cost charges (DCCs) and adding a Regional Parks DCC to formulate targets for 2024-2027. Based on the outcomes of the scenarios, staff are presenting the following household impact targets for the Task Force's consideration:

- 2024 – 12%
- 2025 – 11%
- 2026 – 5%
- 2027 – 5%

It is expected that these targets are supportable in that they can be accommodated without exceeding a Medium level of risk which includes up to \$650 million in adjustments within the capital program and without cancelling capital projects that have already been awarded. It is important to note that the risks associated with core regional utilities services are different than municipal services due to the size, scope and impact of services provided.

If accepted, these targets would be recommended by the Financial Plan Task Force to the Metro Vancouver Regional District (MVRD), Metro Vancouver Housing Corporation (MVHC), Greater Vancouver Water District (GVWD) and the Greater Vancouver Sewerage and Drainage District (GVS&DD) Board for direction at the April 19 Board Budget Workshop, and would inform the development of the 2024 budget and 2024-2028 Financial Plan to be considered in October 2023.

**PURPOSE**

To provide potential targets to the Financial Plan Task Force on the household impact of the 2024-2028 Financial Plan, which would then be forwarded to the MVRD/MVHC/GVWD/GVS&DD Board for direction at the April 19 Board Budget Workshop.

**BACKGROUND**

The Financial Plan Task Force was struck to reassess the 2024-2027 household impact of Metro Vancouver’s 5-year financial plan, and to provide advice and recommendations to the Board on the revision of the 5-year financial plan. The household impact increases in the current 5-year financial plan for 2024 – 2027 are 14.3%, 14.1%, 12.4% and 12.1%.

The Financial Plan Task Force first met on February 16 where staff provided orientation and background into the 2023-2027 Financial Plan and its main drivers. At the second Task Force meeting on February 23, staff presented information on assessing opportunities for amendments to the 5-year financial plan, specifically on adjusting capital projections based on current market conditions and examining development cost charges (DCCs).

Since the February 23 meeting, staff have worked through numerous scenarios assessing risks, opportunities and the deliverability of the capital program based on current market conditions, specifically with respect to Liquid Waste Services and Water Services as those departments are the largest components of Metro Vancouver’s budgets.

**Building Potential Targets for the 5-Year Financial Plan**

There are a number of factors to consider in assessing the risk profile of amending the capital program to lower the household impact of the five-year Financial Plan. The risks are categorized and assessed in the following table:

Level of Risk	Water Utility	Liquid Waste Utility
Low Risk	Adjustments to project scheduling for deliverability and market conditions.	Adjustments to project scheduling for deliverability and market conditions.
Medium Risk	Adjustments to some upgrade and opportunity projects, including Online Chlorine and pH Analyzers and Second Narrows crossing 1 & 2 (Burrard Inlet Crossing Removal). Additional market adjustments.	Adjustments to some growth and maintenance projects, including Iona Island WWTP Outfall Refurbishment, Rosemary Heights Pressure Sewer Capacity Expansion. Additional market adjustments.
High Risk	Significant reductions in resilience and growth programs which will result in deferrals of some projects, including Cambie-Richmond Water Supply Tunnel, Westburnco Pump Station Back-Up Power and Cape Horn Pump Station No. 3.	Significant reductions to opportunity and growth projects which will result in deferrals of some projects, including Northwest Langley WWTP Expansion, Biosolids Dryer.
Extreme Risk	Significant deferrals of core maintenance and cancellation of recently awarded construction contracts for Kennedy Newton Main – Phase 3 South Section and Back-up Power for Capilano Raw Water Pump Station, as well as not advancing Coquitlam Main No. 4 South Section construction (approval in progress).	Significant deferrals of regulatory upgrades and core maintenance and cancellation of some planned and projects currently under contract, including Iona Island WWTP Upgrade and North Shore WWTP Upgrade.

Although there are common categories of risks among the utilities, the adjustments that can be made within the level of risk categories vary. For both utilities, there is a relatively lower risk for adjustments made to respond to current market conditions and deliverability. Risk increases as deferral of projects to respond to growth, resilience, regulatory upgrades and opportunities is considered.

As an example, for the Water Utility, the resilience program is integral to meeting the utility’s objectives laid out in the Board Strategic Plan to minimize time to recover from a major event, and to ensure the provision of drinking water after a seismic event or severe weather events due to climate change. In contrast, for the Liquid Waste Utility, higher risk is associated with the deferral of projects that ensure service levels keep up with growth in the region and that ensure the utility is positioned to manage larger volumes of biosolids, often with positive financial and environmental business cases. A key driver of risk for Liquid Waste Utility are the regulatory upgrades required at the region’s wastewater treatment plants.

For both utilities, accommodating growth and continuing core maintenance projects to ensure assets are in a state of good repair are a key focus for their capital programs. Deferral of these types of projects is considered high risk and is not recommended. The High risk level compromises the utilities’ ability to meet the Board Strategic Plan including maintaining capacity to meet future

needs and building for resilience. It is important to note that the risks profile associated with core regional utilities services are different than municipal services due to the size, scope and impact of services provided.

In examining the risk profile and the impacts of increasing the DCC rates, staff have modelled that the household impact targets of 12%, 11%, 5% and 5% from 2024 -2027 can be achieved while not moving beyond a Medium level of risk, which includes \$650 million in adjustments to the capital program. However, meeting these targets also requires a commitment to actively and quickly implement increases to DCCs, specifically moving Water DCCs and Liquid Waste DCCs to a 1% assist factor with interest and implementing a Regional Parks DCC and increasing it to a 1% assist factor within the next four years. Although these would be substantial increases to the DCC rates over the next four years, they support the Board's commitment to ensuring that growth pays for growth.

If supported by the Task Force, these targets would be considered by the Board at the April Board Budget Workshop and incorporated into the 2024 Budget and 2024-2028 Financial Plan process. Staff would take direction from the Board to work towards these targets over the next six months.

#### **ALTERNATIVES**

1. That the MVRD/MVHC/GVWD/GVS&DD Board at the April 19 Board Budget Workshop:
  - a) direct staff to proceed through the 2024 budget cycle with household impact targets as follows:
    - i. 2024 – 12%
    - ii. 2025 – 11%
    - iii. 2026 – 5%
    - iv. 2027 – 5%
  - b) direct staff to prepare the 2024 – 2028 Financial Plan with the following Development Cost Charge rate assumptions:
    - i. Liquid Waste Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan
    - ii. Water Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan; and
    - iii. Implementation of a Development Cost Charge for Regional Parks and move to a 1% assist factor within the 2024-2028 Financial Plan.
2. Financial Plan Task Force receive for information the report dated March 15, 2023 titled “Financial Plan Task Force Recommendation for the 2024-2028 Financial Plan” and provide alternate direction.

#### **FINANCIAL IMPLICATIONS**

Should the Financial Plan Task Force endorse Alternative 1, the household impact targets will be forwarded to the MVRD/MVHC/GVWD/GVS&DD Board for direction at the April 19 Board Budget Workshop and will guide the 2024-2028 Financial Plan. This approach means making adjustments to the capital program as well as moving to increase DCC rates to a 1% assist factor with interest for Water and Liquid Waste as well as introducing a new DCC for Regional Parks and moving it to a 1%



assist factor within the 5-year financial plan to support Metro Vancouver achieving the recommended targets.

**CONCLUSION**

The Financial Plan Task Force was established to provide advice and recommendations to the Board, as required on the revision of the 5-year financial plan with the intent to reduce the household impacts. Water Utility and Liquid Waste Utility have examined their capital plans to assess risks, opportunities and deliverability of their capital program resulting in \$650 million in capital adjustments. Staff have also examined the impacts of increasing the DCC rates for Water and Liquid Waste as well as introducing a new Regional Parks DCC. The risks profile associated with core regional utilities services are different than municipal services due to the size, scope and impact of services provided. Staff recommend Alternative 1.