
To: Housing Committee

From: Heather McNell, General Manager, Regional Planning and Housing Services
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Date: June 24, 2020 Meeting Date: July 8, 2020

Subject: **Board Budget Workshop – Overview and Next Steps for Housing Services**

RECOMMENDATION

That the Housing Committee receive for information the report dated June 24, 2020, titled “Board Budget Workshop – Overview and Next Steps for Housing Services”.

EXECUTIVE SUMMARY

On June 5, 2020 a Board Budget Workshop was held with the objective to seek direction for the preparation of the 2021-2025 Financial Plan. The Board provided direction to staff to bring back adjustments to the Five Year Financial Plan that places increased emphasis on financial sustainability, provides short-term relief for households, maintains work on current goals and objectives, and allows the organization to realize new opportunities in terms of partnering on projects to meet Board objectives.

In response to this direction, staff will prepare budgets with options and alternatives to respond to the direction and address the concerns raised by the Board. A short-term action plan is being developed with detailed scrutiny being applied to all MVHC and Affordable Housing budgets and financial practices to ensure upward pressure on tenant rents is minimized, while continuing to focus on the expansion of affordable housing in the region which is a key Board priority.

PURPOSE

To provide the Housing Committee with an overview of the Board Budget Workshop held June 5, 2020, including the Board direction to staff, and the next steps and considerations for the Housing function.

BACKGROUND

On June 5, 2020 a Board Budget Workshop was held with the objective to seek direction for the preparation of the 2021-2025 Financial Plan. The workshop outlined the principles that guide the work of Metro Vancouver as an organization, the current 2020-2024 Financial Plan, the implications of the COVID-19 pandemic, the tools that can be used to make budget adjustments, and a proposed approach for the 2021-2025 Financial Plan.

Based on the input received from the Board, staff are putting together options for the 2021 Budget and Five Year Financial Plan. This report provides an overview of the workshop and discusses next steps and specific considerations for the Housing function.

BOARD BUDGET WORKSHOP - OVERVIEW

The Board Budget Workshop presentation (see Reference) outlined the principles that guide Metro Vancouver’s long-term work, the current Five Year Outlook, the implications of COVID-19, and the tools available to make budget adjustments going forward.

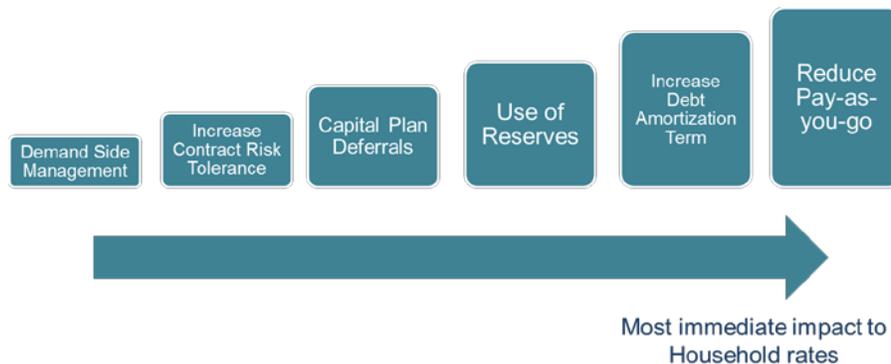
Current Five Year Outlook

The following key points were covered for the current Five Year Outlook:

- Increases to costs of operations, such as that for Water or Liquid Waste Treatment Plants, are generally consistent with inflation
- Capital Funding, through Contributions to Capital from the operating budget and debt service for the capital program consistently drives the increase in the operating budget and the household impact
- Due to the long timeframe associated with the capital program, a significant portion of the capital spend over the next five years is due to projects already underway (80% in 2021 to 66% in 2024)
- The household impact is set to increase by 6.7%-8.9%
- Utility rates are generally consistent with similar jurisdictions in Canada and the US

Toolbox

Several tools were presented that would allow for reductions in household rates, but would require tradeoffs in terms of impacting the financial strength of the organization or increasing the risk to the organization. As shown in the diagram below, changes to how the organization approaches funding capital projects would have the most immediate effect on household impact. However, careful consideration will need to be given as to the long-term implications of such changes on future household impacts.



Proposed Approach

Staff proposed leveraging the supported tools to create a short-term action plan that would lessen the upward pressure on household impact for 1-3 years. A short-term action plan would enable strategic goals and objectives to be maintained. If larger or more long-term adjustments are desired, a re-evaluation of long-term plans such as the *Metro Vancouver Housing Plan*, *Climate 2050*, or the *Liquid Waste Management Plan* would be required.

Since an annual budget is approved, this approach will allow for adjustments to be made each year as conditions change based on market changes and other factors. The use of the tools will aim to avoid making severe changes that cannot be easily corrected in the short-term.

WORKSHOP DISCUSSION

Discussion at the workshop gave Board members the opportunity to raise concerns regarding the current Five Year Financial Plan and provide input on adjustments to be made going forward.

Key themes discussed include:

- The increasing household impact and member’s ability to pay
- The importance of financial sustainability
- The “growth pays for growth” principle
- Assumptions built into capital projects, including the right sizing of projects and the amount of risk taken on by the organization
- Long-term impacts of changes to amortization of debt
- Maintaining momentum on climate action initiatives

Overall, the short-term action plan approach was supported. As requested by the Board, staff will be bringing back a set of options to address the concerns raised, including the implications of the different options.

NEXT STEPS

Staff are working on the creation of a short-term action plan that would allow the continuation of work on current goals and objectives, but would lessen the upward pressure on household impact for regional ratepayers.

Staff are exploring all viable avenues for budget adjustments, with consideration given to the following:

- Actions that can provide immediate relief while maintaining the work on the long-term vision of the Board
- Risk implications for project delays or deferrals
- The impact of changes to debt amortization on future ratepayers
- The ability of the organization to take advantage of potential stimulus funding

Housing Considerations

The Metro Vancouver Housing Corporation is funded primarily by tenant rents and doesn’t factor in the Household Impact for Metro Vancouver residents. However, the same detailed scrutiny is being applied to all of its budgets and financial practices to ensure upward pressure on tenant rents is minimized, while continuing to focus on the expansion of affordable housing in the region which is a key Board priority.

Over the summer, staff will be concentrating on budget review and program efficiencies. This will include:

- Examining funding mechanisms and opportunities for maintenance and rehabilitation of existing properties
- Reviewing maintenance and support contracts to find opportunities to combine and reduce costs

- Maximizing opportunities for leveraging the annual provisions for development and redevelopment, maintaining them at their current levels
- Undertaking further review of past spending patterns to ensure future budgets are reflective of current trends

ALTERNATIVES

This is an information report. No alternatives are presented.

FINANCIAL IMPLICATIONS

At this time, staff are evaluating the financial implications of budget adjustments to be made for MVHC and Affordable Housing in response to the direction received from the Board. Staff will be reporting back on options for the 2021 Budget and Five Year Financial Plan this fall.

CONCLUSION

On June 5, 2020 a Board Budget Workshop was held with the objective to seek direction for the preparation of the 2021-2025 Financial Plan. The Board expressed concerns regarding the increasing household impact and residents' ability to pay, assumptions built into capital projects, and being able to maintain work on the objectives of the Board. In response to the direction received, staff will be creating a set of options to address the concerns of the Board. Staff are aiming to create a short-term action plan that would reduce the household impact for regional ratepayers. Options and alternatives will aim to balance relief for households with the financial health and overall risk to the organization.

References: [Board Budget Workshop Presentation – June 5, 2020](#)

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