

To: Board of Directors

From: Carol Mason, Commissioner/Chief Administrative Officer
Phil Trotsuk, Chief Financial Officer

Date: October 9, 2018 Meeting Date: October 17, 2018

Subject: **2019 – 2023 Financial Plan – Metro Vancouver Districts and Housing Corporation**

RECOMMENDATION

That the Board endorse the 2019 Budget and 2019 -2023 Financial Plan for the Metro Vancouver Districts and Housing Corporation, as presented, and direct staff to prepare the necessary budget information to be presented at the October 26, 2018 Metro Vancouver Districts and Housing Corporation Board meetings for consideration.

PURPOSE

To present the 2019 Budget and 2019 - 2023 Financial Plan for the Metro Vancouver Districts and Housing Corporation for consideration.

BACKGROUND

The 2019 – 2023 Financial Plan for the Metro Vancouver Regional District (MVRD), Greater Vancouver Water District (GVWD), Greater Vancouver Sewerage and Drainage District (GVS&DD) and Metro Vancouver Housing Corporation (MVHC) has been guided by the direction provided in the *Board Strategic Plan* and prepared in accordance with Board policy. The 2019 – 2023 Financial Plan represents a key step forward towards ensuring financial sustainability for the region. The details of the Financial Plan are included in Attachment 1.

During the month of October, the 2019 – 2023 Financial Plans for Metro Vancouver’s four legal entities were presented to the following nine Board Standing Committees for the individual functions that fall under the oversight of those Committees:

- Aboriginal Relations*
- Climate Action
- Electoral Area
- Finance and Intergovernment
- Housing
- Regional Parks
- Regional Planning
- Utilities
- Zero Waste

*Quorum was not attained for this meeting

The Metro Vancouver Standing Committees were presented with individual reports covering the 2019 Budget and 2019 - 2023 Financial Plans for each function including program highlights and financial plan highlights (see [Reference](#)). The reports included financial information for multiple years as well as a “What’s Happening” summary page that described the key activities projected over the five year period of the financial plan. Each Committee reviewed and endorsed their individual

financial plans and provided comments and direction where appropriate for consideration by the Board at the October 17, 2018 Board Budget Workshop.

The 2019 Budget and 2018 – 2023 Financial Plans reflect consistency and alignment with the legislative authority of the individual Districts and functions and support the vision and mission as articulated in the *Board Strategic Plan* and corresponding Regional Management Plans. The plan is also in accordance with applicable Board policies. Upon Board endorsement of the overall Five Year Financial Plan, this document will guide the direction of future annual budgets and long-term financial plans as well as provide key information to member local governments on future capital projects, anticipated expenditures and funding projections.

This report is being brought forward to present the overall 2019 – 2023 Financial Plan for Metro Vancouver Districts and Housing Corporation (representing the four legal entities –MVRD, GVWD, GVS&DD, MVHC) for consideration and to forward to the Board meeting on October 26, 2016 for approval.

2019 BUDGET AND FIVE YEAR FINANCIAL PLAN

The budget for this cycle and the five year financial plans are built upon four themes that guide the development of Metro Vancouver’s long term plans and budgets:

- Addressing Regional Growth
- System Stewardship
- Environmental Protection and Climate Action
- Opportunities for Innovation and Enhanced Services

Annual Work Plans are developed for most Metro Vancouver functions. The 2019 Annual Work Plans for each functional area are included with the reports that were presented to individual standing committees.

The *2019 -2023 Metro Vancouver Financial Plan* (Attachment 1) provides the financial details of the 2019 Budget and 2019 – 2023 Financial Plan including financial information by sub-region for the GVS&DD sewerage areas. The attachment also shows the impact of the plan on the cost to the average regional household by those sub-regions to assist member local governments in anticipating the financial impact of Metro Vancouver services to their communities.

FINANCIAL PLAN HIGHLIGHTS

GVWD - WATER

The GVWD comprises 18 member municipalities, one electoral area and one treaty First Nation within Metro Vancouver, serving a population of approximately 2.5 million. Drinking water is collected from three protected mountain watersheds covering an area of approximately 60,000 hectares. The system itself comprises six mountain storage lakes, five dams, two major water treatment facilities, over 500 km of large diameter transmission mains, 26 storage reservoirs, 19 pump stations and 8 rechlorination stations. The system treats and distributes an average of 1.0 billion litres of water per day.

The GVWD 2019 – 2023 Financial Plan for the next five years is summarized below:

WATER SERVICES FIVE YEAR FINANCIAL PLAN OVERVIEW							
\$ Millions	2018	2019	2020	2021	2022	2023	5 Year Ave
Water Sales	\$269.8	\$286.9	\$321.1	\$357.7	\$402.0	\$451.3	
% Change		6.3%	12.0%	11.4%	12.4%	12.3%	10.9%
Total Expenditures	\$272.9	\$289.1	\$323.2	\$359.5	\$403.7	\$453.0	
% Change		6.0%	11.8%	11.2%	12.3%	12.2%	10.7%
Blended Water Rate (m3)	\$0.6990	\$0.7395	\$0.8200	\$0.9100	\$1.0166	\$1.1351	
% Change		5.8%	10.9%	11.0%	11.7%	11.6%	10.2%
Total Capital Expenditures	\$206.1	\$231.4	\$395.7	\$440.9	\$486.0	\$477.2	\$406.2
Household Impact (\$)	\$165	\$172	\$189	\$207	\$229	\$253	
% Change		4.5%	10.0%	9.5%	10.5%	10.5%	9.0%

Operating Budget Highlights

The Water Services operating budget is separated into operating programs and funding required to support the expanding capital program (debt service and contribution to capital). It is proposed to increase by \$16.2 million in 2019 for a total budget of \$289.1 million (Attachment 1). This increase can be attributed to increasing capital costs, debt service and contribution to capital, to support infrastructure investments required to meet service requirements, growth demands and resilience upgrades. The 2019 increase represents a cost of \$7 to the average regional household for a total cost of \$172 for the year.

The 2019 operating budget includes the following key actions:

- Continue to collaborate with GVWD members to implement the new Region-wide Guide for Enforcement of Metro Vancouver's Drinking Water Conservation Plan.
- Secure water licence(s) for the additional water allocation from the Coquitlam source as per the Coquitlam Water Use Plan.
- Commence development of a Facility Master Plan that aligns with the long-term water supply strategy outlined in the Comprehensive Regional Water System Plan.
- Commence the development of an updated Drinking Water Management Plan.
- Complete Patton Creek drainage erosion control works in the Seymour Watershed.
- Complete fisheries habitat studies downstream of the Cleveland Dam associated with the approved Joint Water Use Plan for the Capilano and Seymour Watersheds.
- Complete asset condition assessment on Seymour Main No. 2 between Seymour Falls Dam and the Seymour Capilano Filtration Plant.
- Increase remote on-line water quality monitoring to improve real-time water quality data collection and analyses.

In 2019, Water Services is proposing to add 5 full-time permanent positions. A Senior Project Engineer to assist in the development and implementation of a joint utility environmental management system, a Records Clerk to support increasing requirements for physical and electronic records

maintenance, a Senior Project Engineer in Engineering and Construction to support electrical and instrumentation projects including backup power and an Engineering Technician II supporting coordinated dam safety actions at the Cleveland and Seymour Falls dams. A temporary Project Engineer position in Interagency Projects and Quality Control is proposed to be converted to full time to coordinate Metro Vancouver involvement in joint infrastructure projects.

Over the next five years, the Water Services budget is expected to increase an average of \$36.0 million per year. Of this overall increase, funding related to the expanding capital program (debt servicing and contribution to the capital) is increasing \$33.3 million on average over the next five years with operating programs increasing, on average, by \$2.8 million per year (approximately the rate of inflation). Over the five year plan, the cost to the average regional household for Metro Vancouver Water is increasing \$88 to a cost of \$253 representing an average increase of \$17.60 per year.

Capital Budget Highlights

The Water Services capital budget for 2019 is \$231.4 million (Attachment 3). The capital program is funded by long-term debt, contributions from the operating budget, and some external (interagency) contributions.

Highlights of capital projects planned or ongoing for 2019 include the following:

- Complete Coquitlam Intake No. 2 Project Definition Report;
- Continue design of Coquitlam Main No. 4 (Central, South and Cape Horn Sections);
- Continue construction of Second Narrows Water Supply Tunnel;
- Continue detailed design of Annacis Water Supply Tunnel;
- Continue construction of Mackay Creek Debris Flow Mitigation project;
- Continue design of Kennedy-Newton Main;
- Continue design of Annacis Main No. 5 (South);
- Complete construction of South Delta Main No. 1 Replacement (Phases 3 and 4);
- Complete design of Capilano Raw Water Pump Station Backup Power;
- Continue design of Capilano Main No. 5 (Stanley Park Section);
- Commence construction of Fleetwood Reservoir;
- Continue construction of Jericho Reservoir;
- Commence construction of Port Mann Main No. 2 (South);
- Commence construction of Whalley Main; and
- Commence construction of Douglas Road Main No. 2 (Still Creek Section).

The capital expenditure budget for 2019 - 2023 totals \$2.03 billion, an average of \$406.2 million per year. The largest 10 projects (all but one over \$50 million) make up approximately 60% of the capital spending over the next 5 years. There are an additional 124 projects on the plan. Seven of these ten projects also represent the most significant expenditure drivers beyond the term of the plan.

Capital program increases over the next five years are largely driven by system expansion to meet the needs of a growing population, upgrades to improve system resiliency and maintenance of aging infrastructure. The following seven projects are the largest projects included in the five year plan:

- Coquitlam Intake No. 2, Tunnel and Treatment - \$2.3B (Completion: 2035);

- Second Narrows Crossing (Tunnel) - \$469M (Completion: 2025);
- Annacis Main No. 5 (Marine Crossing) - \$448M (Completion: 2026);
- Coquitlam Main No. 4 (Central Section) - \$200M (Completion: 2026);
- Coquitlam Main No. 4 (South Section) - \$154M (Completion: 2025);
- Kennedy Newton Main - \$142M (Completion: 2024); and
- Capilano Main No. 5 (South Shaft to Lost Lagoon) - \$139M (Completion: 2025).

GVS&DD – LIQUID WASTE

The Liquid waste function of the GVS&DD comprises 17 member municipalities and one electoral area within Metro Vancouver, serving a population of approximately 2.5 million. The wastewater collection and treatment system consists of over 530 kilometers of trunk sewers, 33 pump stations and 5 treatment plants that convey and treat an average of 1.2 billion litres of wastewater per day. The urban drainage function comprises the Still Creek/Brunette, Port Moody/Coquitlam and UBC Drainage Areas.

The Liquid Waste 2019 – 2023 Financial Plan for the next five years is summarized below:

LIQUID WASTE SERVICES FIVE YEAR FINANCIAL PLAN OVERVIEW							
\$ Millions	2018	2019	2020	2021	2022	2023	5 Year Ave
Sewer Levy	\$232.1	\$255.8	\$281.8	\$315.5	\$353.7	\$376.1	
% Change		10.2%	10.2%	12.0%	12.1%	6.3%	10.2%
Total Expenditures	\$266.9	\$308.6	\$342.0	\$390.5	\$445.5	\$482.4	
% Change		15.6%	10.8%	14.2%	14.1%	8.3%	12.6%
Total Capital Expenditures	\$354.9	\$564.9	\$873.1	\$718.6	\$492.7	\$521.9	\$634.2
Household Impact (\$)	\$231	\$250	\$271	\$298	\$328	\$343	
% Change		8.2%	8.2%	10.0%	10.2%	4.5%	8.2%

The Sewer Levy and household impact by sewerage areas (SA) is as follows:

\$ Millions	2018	2019	2020	2021	2022	2023	5 Year Ave
Vancouver SA - Levy	\$73.4	\$79.6	\$84.4	\$87.2	\$91.5	\$93.8	5.0%
Household Impact (\$)	\$274	\$293	\$307	\$314	\$325	\$329	3.7%
North Shore SA - Levy	\$22.0	\$23.0	\$28.0	\$35.6	\$44.6	\$47.7	17.2%
Household Impact (\$)	\$292	\$304	\$366	\$460	\$571	\$605	16.0%
Lulu Island SA - Levy	\$19.9	\$21.4	\$25.4	\$30.5	\$34.5	\$35.9	12.7%
Household Impact (\$)	\$205	\$214	\$249	\$293	\$326	\$333	10.4%
Fraser SA - Levy	\$114.0	\$129.5	\$141.5	\$159.7	\$180.4	\$196.0	11.5%
Household Impact (\$)	\$205	\$226	\$243	\$268	\$296	\$315	9.0%
Drainage Areas – Levy (**)	\$2.8	\$2.2	\$2.5	\$2.5	\$26	\$2.6	7.3%

(**) Household impact is not calculated for drainage areas

Operating Budget Highlights

The Liquid Waste Services operating budget is separated into operating programs and funding required to support the expanding capital program (debt service and contribution to capital). It is proposed to increase by \$41.7 million in 2019 for a total budget of \$308.6 million (Attachment 1). A significant portion of the increase can be attributed to increased debt servicing costs of \$28.7 million from the accelerating capital program, and increased annual contributions to capital of \$3.95 million to support infrastructure investments required to meet service requirements and growth demands. Increasing the annual contribution to capital is a planned strategy which will reduce the future impact of debt servicing costs on ratepayers. The 2019 increase represents an overall cost of \$19 to the average regional household for a total cost of \$250 for the year.

The 2019 operating budget includes the following key actions:

- Continuation of the decommissioning of the Iona Island WWTP biosolids stockpile. Acceleration of the grit dump decommissioning, increased disposal volumes due to weed seed contamination and shortage of beneficial use sites and delays in the decommissioning of the sludge lagoons are driving cost increases for 2019. The decommissioning of the biosolids stockpile will be completed by 2023.
- Complete the Project Definition Report for the Iona Island WWTP Secondary upgrade, including development of the indicative design for the new plant.
- Commence preparation for the commissioning and eventual takeover of operation of the North Shore WWTP. The 2019 budget includes a request for certified wastewater treatment plant operators to initiate the training of existing and new staff on the operation of the new secondary treatment processes.
- Update the Biosolids Management Strategy, identifying an action plan to manage future increases in biosolids generation resulting from growth and secondary treatment plant upgrades.
- Accelerated development of an updated hydraulic model for Vancouver Sewerage Area to support City of Vancouver planning for significant growth in Oakridge and other communities and to integrate combined sewer separation actions with these plans.
- Increased monitoring of Burrard Inlet to fulfill Metro Vancouver's responsibilities in the implementation of the Tsleil-Waututh Nation Burrard Inlet Action Plan.
- Increase enforcement, compliance support and outreach for new regulations being introduced in 2019 for hospitals, recently implemented regulations for fermentation operations and existing regulations for grease management in the food sector. Identification and pursuit of unauthorized discharges will reduce system maintenance and treatment costs, and reduce risks to workers, biosolids quality and the environment.

In 2019, Liquid Waste Services proposes the addition of 5 new full-time staff positions. Three Wastewater Treatment Plant Operators will join the existing operations team at the new North Shore WWTP and receive training on the operation of advanced secondary treatment processes at the new plant. A Digital Control Software Specialist is proposed to respond to demands for automation of the WWTPs as additional treatment process units are added through plant upgrades and expansions, ensuring that operational staffing needs are optimized. A Senior Project Engineer is also being proposed to develop, apply and maintain hydrodynamic and effluent transport models for receiving water bodies, reducing costs and reliance on contracted resources in meeting regulatory reporting requirements and enabling expanded use of these models in optimizing environmental monitoring activities.

Over the next five years, the Liquid Waste budget is expected to increase an average of \$43.1 million per year. Of this overall increase, funding related to the expanding capital program (debt servicing and contribution to the capital) is increasing \$39.1 million on average over the next five years while the operating programs are increasing, on average, by \$4.0 million per year (approximately the rate of inflation). Over the five year plan, the cost to the average regional household, for the collection and treatment of Liquid Waste, is increasing \$112 to a cost of \$343 representing an average increase of \$22.40 per year.

Capital Budget Highlights

The Liquid Waste Services capital budget for 2019 is \$564.9 million (Attachment 1). The capital program is funded by long-term debt, contributions from the operating budget, and some external contributions such as the grants from the Federal and Provincial governments for the North Shore Wastewater Treatment Plant (NSWWTP).

Highlights of capital projects planned or ongoing for 2019 include the following:

- Commence detailed design for the Northwest Langley Wastewater Treatment Plant expansion and commence ground improvements;
- Continue construction of the North Shore WWTP and commence construction of the Conveyance Project;
- Substantially complete construction of the Annacis Island WWTP Cogeneration Back-Up Power Project;
- Substantially complete construction of the Sapperton Pump Station;
- Continue construction of the Annacis Island WWTP Stage 5 expansion;
- Commence construction of the Annacis Island WWTP Outfall System;
- Continue construction of the last section of the twinning of the South Surrey Interceptor; and
- Commence construction on the Gilbert/Brighthouse Trunk Pressure Sewer Twinning.

Capital program increases over the next five years are largely driven by federally mandated upgrades to the two primary WWTPs, system expansion to meet the needs of a growing population and maintenance of aging infrastructure. The capital expenditures budgeted for 2019 - 2023 total \$3.17 billion, an average of \$634.2 million per year. The largest 8 projects (each over \$60 million) make up approximately 75% of the capital spending over the next 5 years. There are an additional 122 projects on the plan. Six of these eight projects also represent the most significant drivers of the plan: the two mandated upgrades to secondary treatment and new infrastructure that is responding to growth that has already occurred and is continuing in the South East area of the Fraser Sewerage Area. The following eight projects are the largest projects included in the five year plan:

- Iona Secondary Treatment Upgrade - \$1.9B (Completion: 2032)
- Northwest Langley WWTP and Golden Ears Projects - \$1.3B (Completion: 2027)
- Annacis Stage 5 Expansion and Outfall System - \$1.1B (Completion: 2027)
- North Shore WWTP Secondary Upgrade and Conveyance - \$778M (Completion: 2023)
- Gilbert/Brighthouse Trunk Pressure Sewer Twinning - \$183M (Completion: 2026)
- Burnaby Lake North Interceptor - \$165M (Completion: 2023)
- AIWWTP Secondary Clarifier Corrosion Repair - \$90M (Completion: 2024)
- IWWTP Biosolids Dewatering Facility - \$61M (Completion: 2022)

GVS&DD – SOLID WASTE

The Solid Waste function comprises 17 member municipalities and one electoral area within Metro Vancouver, serving a population of approximately 2.5 million under the Greater Vancouver Sewerage and Drainage District. Metro Vancouver services provided to the region include regional solid waste planning, facilities for waste transfer, waste-to-energy and disposal and the regional coordination of public recycling services and education.

The Solid Waste 2018 – 2022 Financial Plan for the next five years is summarized below:

SOLID WASTE SERVICES FIVE YEAR FINANCIAL PLAN OVERVIEW							
\$ Millions	2018	2019	2020	2021	2022	2023	5 Year Ave
Tipping Fee Revenue	\$93.5	\$98.4	\$103.2	\$108.8	\$114.3	\$119.9	
% Change		5.3%	4.9%	5.4%	5.1%	4.9%	5.1%
Total Expenditures	\$101.6	\$107.2	\$112.5	\$118.7	\$124.5	\$130.1	
% Change		5.5%	5.0%	5.5%	4.9%	4.5%	5.0%
Total Capital Expenditures	\$31.1	\$89.2	\$57.4	\$33.8	\$26.5	\$3.9	\$42.2
Household Impact (\$)	\$56	\$57	\$58	\$61	\$63	\$65	
% Change		1.1%	2.4%	3.9%	3.6%	3.6%	2.9%
Tipping Fees:							
Up to 1 tonne	\$137	\$142	\$147	\$154	\$161	\$168	
1 to 9 tonnes	\$115	\$120	\$125	\$132	\$139	\$146	
Over 9 tonnes	\$82	\$90	\$99	\$106	\$113	\$120	
Municipal	\$103	\$108	\$113	\$120	\$127	\$134	

Operating Budget Highlights

The Solid Waste Services operating budget is separated into operating programs and funding required to support the expanding capital program (debt service and contribution to capital). It is proposed to increase by \$5.6 million in 2019 for a total budget of \$107.2 million (Attachment 1). The two primary drivers of increased expenditures are increased landfill operating costs and increased debt servicing costs through implementation of various capital projects primarily related to transfer station development and upgrades to the Waste-to-Energy Facility. The 2019 increase represents an overall cost of \$1 to the average regional household for a total cost of \$56 for the year.

The 2019 operating budget includes the following key actions:

- Operate non-ferrous metal recovery system commissioned in fall 2018;
- Continue biosolids management research and design;
- Continue implementation of new solid waste regulatory framework;
- Monitor implementation of Expanded Polystyrene Disposal Ban;
- Review options for adding best practices into solid waste licensing for organics processing facilities;
- Support programs for textiles, single-use items, seasonal wastes, food wastes, illegal dumping, and the Zero Waste Conference;

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- Support the National Zero Waste Council including work on implementing the Circular Economy and Zero Plastics Waste;
 - Support national solid waste benchmarking and applied waste research;
 - Conduct market sounding and assess potential for development of new local construction and demolition processing capacity;
 - Update regional waste composition monitoring;
 - Track and manage waste flows;
 - Update transfer stations customer service survey;
 - Continue with replacement Coquitlam Transfer Station construction;
 - Continue Surrey Recycling and Waste Drop-Off Facility development including beginning construction; and
 - Inform, educate and engage the public in decision-making on applicable solid waste initiatives.

There are no new full-time staff positions proposed for 2019.

Over the next five years, the Solid Waste budget is expected to increase an average of \$5.7 million per year. Of this overall increase, funding related to the expanding capital program (debt servicing and contribution to the capital) is increasing \$3.7 million on average over the next five years while the operating programs which are increasing, on average, by \$2.0 million roughly the rate of inflation. Over the five year plan, the cost to the average regional household, for the disposal of Solid Waste, is increasing \$9 to a cost of \$65 representing an average increase of \$1.80 per year.

While tipping fees are proposed to increase annually over 2019 to 2023, the impact on the average regional household is expected to increase at a slower rate as the waste generated by the average household continues to trend downward.

Capital Budget Highlights

The proposed Solid Waste Services capital budget for 2019 is \$89.2 million (Attachment 1). The capital program is funded by long-term debt and contribution to capital from the annual operating budget as available.

Highlights of capital projects planned or ongoing for 2019 include the following:

- Coquitlam Transfer Station replacement and Coquitlam Landfill Closure;
- Surrey Recycling and Waste Drop-off Facility;
- refuse crane at the Waste-to-Energy Facility; and
- second pass super heater replacement at the Waste-to-Energy Facility.

The capital program over the next five years is largely driven by the need to replace and build new transfer stations and upgrades to the Waste-to-Energy Facility. The capital expenditure budget for 2019 - 2023 totals \$210.8 million, an average of \$42.2 million per year. The largest four projects (each over \$10 million) make up approximately 78% of the capital spending over the next five years, with an additional 19 projects on the plan making up the balance. Key projects are:

- Coquitlam Transfer Station replacement - \$63.0M (\$70.2M total project) (Completion: 2020);

- Surrey Recycling and Waste Drop-off Facility - \$42.3M (Completion: 2021);
- Waste-to-Energy Facility infrastructure allowance - \$10.8M (\$12.8M total project) (Completion: 2023); and
- Waste-to-Energy Facility acid gas reduction project - \$45.6M (\$47.0M total project) (Completion: 2022).

MVHC – HOUSING

The MVHC owns and operates 49 housing sites that provide 3,400 units of affordable rental housing for low to moderate income households across the region. MVHC maintains existing assets, redevelops housing complexes, manages tenants and builds communities within the housing portfolio and surrounding neighborhoods. The Housing Corporation is supported by revenues generated from unit rentals and does not form part of the overall MVRD tax requisition.

The MVHC 2018 – 2022 Financial Plan for the next five years is summarized below:

MVHC FIVE YEAR FINANCIAL PLAN OVERVIEW							
\$ Millions	2018	2019	2020	2021	2022	2023	5 Year Ave
Housing Rents	\$38.8	\$39.3	\$40.7	\$42.1	\$43.2	\$44.2	
% Change		1.2%	3.7%	3.4%	2.5%	2.5%	2.6%
Total Expenditures	\$50.7	\$51.3	\$52.7	\$55.6	\$58.7	\$59.9	
% Change		1.0%	2.9%	5.4%	5.7%	2.0%	3.4%
Capital Replacement	\$8.7	\$10.0	\$10.0	\$11.5	\$13.6	\$14.0	\$11.8
Housing Development	\$20.0	\$21.3	\$19.3	\$0.8	\$ -	\$ -	

Operating Budget Highlights

The MVHC operating budget is separated into operating programs and funding required to support the housing infrastructure (debt service and contribution from reserve). It is proposed to increase by \$532,456 in 2019 for a total budget of \$51.3 million (Attachment 1). This increase can be attributed to increasing operational costs and capital maintenance expenditures to keep infrastructure in a state of good repair.

The 2019 operating budget includes the following key actions:

- Establish grants and partnerships for new development;
- Reduce building energy consumption through:
 - Mechanical System upgrades
 - Building Envelope upgrades
 - Tenant education initiatives
- Continue to develop, document and implement the asset management strategy;
- Identify potential redevelopment sites using asset management plan; and
- Develop programs to support tenants in life skills development

There are no new full-time staff positions proposed for 2019.

Over the next five years, the MVHC budget is expected to increase an average of \$1.8 million per year. Of this overall increase, funding related to the expanding capital maintenance program is increasing \$285,513 on average over the next five years while the operating programs are increasing, on average, by \$482,600 per year (approximately the rate of inflation).

Capital Budget Highlights

The MVHC capital budget for 2019 is \$21.3 million (Attachment 1). The capital program is funded by mortgage financing, reserve funding, and some contributions from external agencies. The capital projects planned and ongoing for 2019 are the redevelopment of Heather Place - Building A and Kingston Gardens - Phase I.

The capital expenditure budget for 2019 - 2023 totals \$41.4 million with both Heather Place - Building A and Kingston Gardens - Phase I slated for completion in 2020 and 2021, respectively.

MVRD – REGIONAL DISTRICT

The MVRD budget and financial plan presented includes twelve regional district functions of which ten services are apportioned to all MVRD members through the tax requisition and two services which are apportioned to either a single jurisdiction (Electoral Area A) or to two municipalities (Belcarra and Anmore – Sasamat Fire Protection Service). The MVRD functions are also funded through a variety of other sources including permit revenues and user fees. The twelve regional district functions are as follows:

- | | |
|----------------------------------|------------------------------------|
| Affordable Housing | Regional Emergency Management |
| Air Quality | Regional Global Positioning System |
| E911 Emergency Telephone Service | Regional Parks |
| Electoral Area Service | Regional Planning |
| General Government | Regional Prosperity |
| Labour Relations | Sasamat Fire Protection Service |

The Regional Prosperity function is being presented as a service with a separate budget for 2019. In previous years, expenditures for this service were included under General Government function as the service was under development as a feasibility initiative. The implementation of the new service will be conditional upon receiving partner funding from other levels of government and includes the potential of private sector funding for specific projects.

The MVRD 2019 – 2023 Financial Plan for the next five years is summarized below:

REGIONAL DISTRICT SERVICES FIVE YEAR FINANCIAL PLAN OVERVIEW							
\$ Millions	2018	2019	2020	2021	2022	2023	5 Year Ave
Tax requisition	\$58.8	\$61.2	\$63.5	\$66.1	\$68.5	\$71.4	
% Change		4.1%	3.8%	4.1%	3.6%	4.2%	3.9%
Total Expenditures	\$73.8	\$75.2	\$77.1	\$79.6	\$82.1	\$85.0	
% Change		1.9%	2.5%	3.3%	3.1%	3.5%	2.9%
Total Capital Expenditures	\$12.1	\$15.9	\$13.7	\$16.7	\$17.4	\$15.2	\$15.8

Household Impact (\$)	\$54	\$55	\$56	\$58	\$59	\$61	
% Change		2.6%	2.3%	2.6%	2.1%	2.7%	2.5%

Operating Budget Highlights

In 2019, total expenditures for the Regional District Service Areas are proposed to increase \$1.4 million for total expenditures of \$75.2 million (Attachment 1). The increase is primarily due to the inflationary impact of operating the Regional Park system (57% of the MVRD tax requisition), additional consulting and contract delivered initiatives in Regional Planning, and additional costs associated with zero waste collaboration initiatives under the General Government function. The increased costs for the zero waste initiatives are somewhat offset by some additional third party revenues. The 2019 increase in regional services represents an overall MVRD cost of \$1 to the average regional household for a total cost of \$55 for the year.

The 2019 Regional District Service Area operating budgets includes the following key actions:

- Continue implementation of the Climate 2050 Strategy and related climate programs;
- Development of new air quality bylaws and regulations towards the goals of protection of human health and environment;
- Development of Long Range Growth scenarios;
- Development of the Regional Industrial Land Strategy;
- Metro 2040 reviews – Industrial and Mixed Employment Policy, Urban Centres and FTDA Policy, Environment and Climate Change Policy and Agricultural Policy;
- Development of models and capital investment scenarios to effectively maintain Regional Parks assets;
- Regional Park Asset Management Policy;
- Opportunities for collaboration with First Nations in Regional Parks;
- Enhanced Zero Waste Communications;
- Continue development of national and provincial data sources to ensure accurate and reliable labour relations data is available to members;
- Complete Regional Prosperity feasibility initiative.

In Air Quality, the financial plan for 2019 proposes to convert an existing full-time temporary Special and Community Events Coordinator to regular full-time to meet the ongoing need for community outreach and communication activities. In addition, Regulation and Enforcement is proposing a temporary full-time Project Engineer to focus on work related to air quality permits, including additional work expected in 2019 in regulating cannabis cultivation facilities.

Over the five year plan, the projected expenditures for Regional District services collectively is projecting to increase from \$73.8 million in 2018 to \$85.0 million in 2023, an average increase of \$2.2 million. Over the five year plan, the cost to the average regional household, for all Regional District Service is increasing \$7 to a cost of \$61 representing an average increase of \$1.40 per year.

Capital Budget Highlights

The Regional District capital budget for 2019 is \$15.9 million (Attachment 1) primarily representing expenditures in Regional Parks. The Regional Parks capital program is a “pay-as-you-go” program funded by reserves. The capital expenditures can be categorized as follows: \$7.6 million for potential Park Land acquisition, \$5.1 million for capital replacement and development and \$3.2 million for capital maintenance.

Highlights of capital projects planned for 2019 include the following:

- Colony Farm – Sheep Paddocks Trail;
- Crippen Park – New service yard;
- Aldergrove Park – Management Plan implementation;
- Capilano Park – New service yard;
- Colony Farm – Service yard building;
- Belcarra Park – South picnic area and septic system.

The Regional Parks capital program over the next five years totals \$78.9 million: \$37.9 million for land acquisition, \$23.7 million for capital replacement and development and \$17.3 million for capital maintenance. Regional Parks infrastructure is beginning to age and requires an increasing investment. As a result, the five year financial plan includes increasing contributions to the Capital Infrastructure Reserve to ensure sufficient funding is available for the required capital works. The primary projected capital investment projects include:

- Belcarra Park – South picnic area and cabins;
- Widgeon Marsh – Management Plan implementation;
- Burns Bog – Boardwalk replacement;
- Crippen Park – Davies Orchard Cabins; and
- Pacific Spirit Park – Service yard replacement.

CENTRALIZED SUPPORT PROGRAM

The Centralized Support Program includes the following support services: Corporate Services, External Relations, Financial Services, Human Resources and Board and Legislative Services. These departments support all activities within the Metro Vancouver Districts and the Housing Corporation and costs are allocated to the various Districts and functions according to the Board's *Corporate Allocation Policy*.

The 2019 – 2023 Financial Plan for the Centralized Support Program for the next five years is summarized below:

CENTRALIZED SUPPORT PROGRAM FIVE YEAR FINANCIAL PLAN OVERVIEW							
\$ Millions	2018	2019	2020	2021	2022	2023	5 Year Ave
Allocated to Functions	\$ 59.7	\$ 58.8	\$ 60.2	\$ 61.0	\$ 62.0	\$ 62.8	
% Change		(1.5%)	2.4%	1.2%	1.6%	1.3%	1.0%
Corporate Services	\$ 43.5	\$ 44.5	\$ 41.5	\$ 41.6	\$ 41.9	\$ 42.1	
External Relations	6.0	6.1	6.3	6.4	6.5	6.6	
Financial Services	11.9	12.1	12.5	12.7	13.1	13.3	
Human Resources	4.9	5.5	5.5	5.5	5.7	5.7	
Legal and Legislative	4.2	4.6	4.7	4.8	4.9	5.0	
	\$ 70.5	\$ 72.8	\$ 70.5	\$ 71.0	\$ 72.0	\$ 72.7	
% Change		3.2%	(3.1%)	0.7%	1.4%	1.0%	0.6%

Operating Budget Highlights

In 2019, the Centralized Support Program expenditures are increasing \$2.3 million for total expenditures of \$72.8 million (Attachment 1). This increase is primarily due to labour inflationary

adjustments, a proposed new position in Aboriginal Relations, the addition of temporary resources in Information Management and the transfer of a position from Solid Waste to Human Resources.

In 2019, the allocation of centralized support program costs is declining by \$925,128 (1.5%). This decline is the result of higher third-party lease returns at head office and an increase in reserve funding for projects meeting the criteria for funding in accordance with the *Board Operating, Statutory and Discretionary Reserves Policy*.

The Aboriginal Relations program within Legal and Legislative Services is proposing the addition of one new program manager position to meet the increasing responsibilities and complexities related to communication and engagement with local First Nations.

Over the five years of the plan, the Centralized Support Program expenditures are increasing from \$70.5 million in 2018 to \$72.7 million in 2023 an average increase of \$440,000 per year. The 2019 - 2023 Financial Plan details for the Centralized Support Program are included Attachment 2.

Centralized Support Services support the organization and focus on processes, systems and procedures which enhance the business activities of all Metro Vancouver service areas. Some of those enhancements include the following:

- Upgrade the Financial Management System including enhancements pertaining to expense tracking and procurement.
- Coordinate the completion of the initial Metro Vancouver 30 Year Financial Plan focused on managing funding requirements through the implementation of financial policy.
- Continue the development of a formalized asset management process building on the approved policies for Liquid Waste and Housing.
- Review and update job classifications and generate job descriptions for the Teamsters positions.
- Implementation of a Talent Management Strategy for internal and external candidates.
- Implement enhancements to the corporate-wide document management system.

CONSISTENCY WITH THE 2018 -2022 FINANCIAL PLAN

The updated five year financial plan has been developed to be consistent with the *2018 – 2022 Metro Vancouver Financial Plan* for all four legal entities. In 2019 the impact on the average regional household is increasing by \$1 from the prior year projection for an average regional household cost of \$534 (2018 projection: \$533).

For the years 2020, 2021 and 2022 the household impact is projected to increase by an additional \$95 compared to the previous five year projection. The budget drivers for this increase are as follows: \$40 is within Liquid Waste for increased capital investment, \$36 is within Water Services for increased pay-as-you-go funding to align with the proposed *Board Financial Management Policy*, \$17 is within Solid Waste in tipping fee projections to support capital projects, and \$2 is within the Regional District for the anticipated launch of the Regional Prosperity function.

ALTERNATIVES

1. That the Board endorse the 2019 Budget and 2019 -2023 Financial Plan for the Metro Vancouver Districts and Housing Corporation, as presented, and direct staff to prepare the necessary budget

information to be presented at the October 26, 2018 Metro Vancouver Districts and Housing Corporation Board meetings for consideration.

2. That the Board make recommendations to amend the 2019 Budget and 2019 -2023 Financial Plan for the Metro Vancouver Districts and Housing Corporation, as presented, and endorse the 2019 Budget and 2019 -2023 Financial Plan for the Metro Vancouver Districts and Housing Corporation as amended.

FINANCIAL IMPLICATIONS

If the Board endorses the 2019 Budget and 2019 – 2023 Financial Plan for the Metro Vancouver Districts and Housing Corporation as presented under alternative one, the cost to the average regional household (\$1.227 million assessed value) will increase by \$28 in 2019 for a total impact of \$534 for all Metro Vancouver services. Over the next five years of the financial plan, the cost to the average regional household will increase from \$506 in 2018 to \$722 in 2023, an average annual increase of \$43. Of the projected \$216 increase to the average household cost over the next five years, \$194 is associated with infrastructure investments in Water, Liquid Waste and Solid Waste.

Under alternative two, the Board may wish to consider recommending amendments to the financial plan to reflect program priorities. Any proposed changes could require an update to the revenues required to fund the priorities in the plan.

SUMMARY / CONCLUSION

During the first two weeks of October, the 2019 Budget and 2019 – 2023 Financial Plans for Metro Vancouver’s legal entities and functions were presented to the following nine Board Standing Committees for the individual functions that fall under the oversight of those Committees:

- Aboriginal Relations*
- Climate Action
- Electoral Area
- Finance and Intergovernment
- Housing
- Regional Parks
- Regional Planning
- Utilities
- Zero Waste

*Quorum was not attained for this meeting

The Metro Vancouver Standing Committees were presented with individual reports covering the 2019 Budget and 2019 - 2023 Financial Plans for each function including program highlights, financial plan highlights, financial information for multiple years as well as a “What’s Happening” summary page that described the key activities projected over the five year period of the financial plan. With the exception of the Aboriginal Relations Committee, each Committee reviewed and endorsed their individual financial plans and provided comments and direction where appropriate for consideration by the Board at the October 17, 2018 Board Budget Workshop.

Within this report, the 2019 Budget and 2019 – 2023 Financial Plan for the Metro Vancouver Districts and Housing Corporation have been consolidated for Board consideration and present the overall financial forecast for Metro Vancouver over the next five years. The proposed Financial Plan includes significant capital investment that will be required if Metro Vancouver and its member jurisdictions are to meet the growing demands of the Metro Vancouver region over the coming years. For 2019, the plan represents a \$28 increase to the cost of the average regional household (\$1.227 million

assessed value) for a total cost of \$534. Over the five year period, the cost to the average regional household will increase an average of \$43. Household impact is also presented by sub-region (using GVS&DD sewer areas as sub-regions) to assist member local governments in anticipating the financial impact of Metro Vancouver services to their individual communities. The cost to the average household is projected to increase from \$506 to \$722 over the next five years.

With Board endorsement, the *2019 – 2023 Metro Vancouver Financial Plan* will form part of a 30 Year Financial Plan, currently under development, to ensure a sustainable financial foundation in the years ahead.

Staff recommend endorsing the 2019 Budget and 2019 – 2023 Financial Plan as presented under alternative one.

Attachments:

1. 2019 – 2023 Financial Plan