



Finance Committee Meeting Date: April 15, 2010

To: Finance Committee

From: Phil Trotsuk, Financial Planning and Operations Manager,
Finance & Administration Department

Date: March 30, 2010

Subject: **2009 Financial Results Year-End**

Recommendation:

That the Board receive the report titled “2009 Financial Results Year-End” dated March 30, 2010 for information.

1. PURPOSE

To present the Board with the financial results for the 2009 fiscal year for all Districts as well as the Housing Corporation.

2. CONTEXT

The financial results for 2009 show an overall consolidated surplus position of \$22.2 million, net of an \$11.3 million deficit in Solid Waste. The attachment contains more details of the 2009 results by district/function.

The deficit in Solid Waste is primarily the result of lower revenues, due to significantly lower waste flows in the system than anticipated. This deficit will be funded from operating reserves.

On the revenue side most functions were close to budget. However, within Solid Waste, revenues were lower than expected, likely due to the slowing of the economy. Permit fee revenues in Air Quality were lower than anticipated due to improvements in air emissions. In the Water District, water sales exceeded forecast for the first time in recent years, likely due to the warmer, dryer than expected weather through much of 2009.

Overall, capital work proceeded slower than forecast, most notably the tunneling portion of the Seymour-Capilano Filtration Project and some of the Solid Waste Management Plan initiatives, pending the finalization of the plan. The projects that were completed during the year, however, were on budget.

The 2009 surpluses in Water and Liquid Waste allow us to increase our contribution to capital more than anticipated in the 2009 budget and to further pay off debt or reduce capital borrowing, reducing financing costs in current and subsequent years.

3. ALTERNATIVES

Not applicable.

4. CONCLUSION

This is the last report in a series of three on 2009 financial performance. Interim reports are sent to the Finance Committee with the final report to the Board.

Overall the financial results for 2009 were positive, with the financial position of the Districts remaining strong.

ATTACHMENT

Greater Vancouver Districts 2009 Financial Performance For Year Ended December 31, 2009



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Greater Vancouver Districts Overview

Overall, the Districts and Housing Corporation are in a surplus position of \$22.2 million for the 2009 fiscal year. The overall surplus is mainly due to the deferral and delays of some projects in both Water and Liquid Waste along with the deferral of some operating costs related to water treatment. The resulting surplus was despite a significant shortfall in Solid Waste revenues.

The projected results for 2009, by district, are as follows:

Surplus/(Deficit) \$ Millions

	Revenues	Operating Expenditures	Debt Service Costs	Total
Regional District	\$ 0.3	\$ 1.8	\$ -	\$ 2.1
Water District	2.0	10.9	8.9	21.8
Sewerage & Drainage				
➤ Liquid Waste	(0.4)	5.8	3.9	9.3
➤ Solid Waste	(16.1)	2.0	2.8	(11.3)
MV Housing Corporation	(0.3)	0.5	0.1	0.3
	\$ (14.5)	\$ 21.0	\$ 15.7	\$22.2

The operating surplus in the Regional District can be mainly attributed to savings resulting from deferred project costs in General Government and Strategic Planning as well as labour savings in Labour Relations and Strategic Planning.

The Water District's surplus is largely the result of lower than budgeted debt charges due to delays in capital spending compared to budget, delays in some maintenance related operating projects and water treatment cost savings.

The Liquid Waste surplus for 2009 is primarily due to savings in debt service costs and delays in some maintenance related operating projects.

The Solid Waste deficit is due primarily to lower than expected waste flows in the system.

The Housing Corporation has net income in excess of budget primarily due to operating cost savings.

In addition to the above surpluses, corporate programs have a surplus for 2009 of approximately \$1.8 million. The change in scope of some building renovation and construction projects, staff vacancies and savings in some communication and consultation initiatives, have contributed to the surplus.

The summary of 2009 Capital Expenditures is as follows:

**Capital Expenditures
\$ Millions**

	2009 Budget	2009 Actual	Variance
Parks	\$ 11.6	\$ 5.2	\$ 6.4
Water District	257.1	142.4	114.7
Liquid Waste	96.7	27.5	69.2
Solid Waste	63.6	1.7	61.9
Housing	9.8	7.6	2.2
	\$438.8	\$184.4	\$254.4

A significant program delay in the water district was the twin tunneling project, which was halted in 2008. Although a new contract for tunnel completion is now in place, actual tunneling by the new contractor did not resume until summer 2009. The positive variance in Liquid Waste is due to a number of factors including project delays, scope changes, limited resources and competitive construction costs.



**Greater Vancouver Districts
Statement of Surplus (Deficit)
For the year ended December 31, 2009**

	Year End			
	Annual* Budget	Year End Actuals	Year End Variance	% Variance to Budget
DISTRICT / CORPORATION				
Regional District				
Revenue	\$ 50,318,772	\$ 50,609,176	\$ 290,404	0.6%
Expenditure	50,318,772	48,478,795	1,839,977	3.7%
Surplus (Deficit)	-	2,130,381	2,130,381	-
Water District				
Revenue	179,778,869	181,800,612	2,021,743	1.1%
Expenditure	179,778,869	159,992,696	19,786,173	11.0%
Surplus (Deficit)	-	21,807,916	21,807,916	-
Sewerage and Drainage District				
Liquid Waste				
Revenue	173,342,693	172,915,738	(426,955)	(0.2%)
Expenditure	173,342,693	163,671,296	9,671,397	5.6%
Surplus (Deficit)	-	9,244,442	9,244,442	-
Solid Waste				
Revenue	104,169,895	88,064,457	(16,105,438)	(15.5%)
Expenditure	104,169,895	99,365,851	4,804,044	4.6%
Surplus (Deficit)	-	(11,301,394)	(11,301,394)	-
MV Housing Corporation				
Revenue	36,028,800	35,721,328	(307,472)	(0.9%)
Expenditure	35,746,832	35,099,832	647,000	1.8%
Surplus (Deficit)	281,968	621,496	339,528	-
Consolidated Surplus (Deficit)	\$ 281,968	\$ 22,502,841	\$ 22,220,873	-

* 2009 Budget includes reserve and surplus carry-forward applications as approved by the Board.



Greater Vancouver Districts
Regional Function's Surplus (Deficit)
For the year ended December 31, 2009

	Year End			% Variance to Budget
	Annual* Budget	Year End Actuals	Year End Variance	
FUNCTION				
911 Emergency Telephone				
Revenue	\$ 3,625,644	\$ 3,492,644	\$ (133,000)	(3.7%)
Expenditure	3,625,644	3,492,641	133,003	3.7%
Surplus (Deficit)	-	3	3	0.0%
Air Quality				
Revenue	5,544,948	5,326,690	(218,258)	(3.9%)
Expenditure	5,544,948	5,431,110	113,838	2.1%
Surplus (Deficit)	-	(104,420)	(104,420)	-1.9%
General Government				
Revenue	5,216,412	5,432,478	216,066	4.1%
Expenditure	5,216,412	4,554,765	661,647	12.7%
Surplus (Deficit)	-	877,713	877,713	16.8%
Labour Relations				
Revenue	2,597,189	2,599,443	2,254	0.1%
Expenditure	2,597,189	2,008,892	588,297	22.7%
Surplus (Deficit)	-	590,551	590,551	22.7%
Regional GPS				
Revenue	563,919	573,484	9,565	1.7%
Expenditure	563,919	483,757	80,162	14.2%
Surplus (Deficit)	-	89,727	89,727	15.9%
Regional Parks				
Revenue	29,391,400	29,556,000	164,600	0.6%
Expenditure	29,391,400	29,310,584	80,816	0.3%
Surplus (Deficit)	-	245,416	245,416	0.8%
Strategic Planning				
Revenue	2,672,684	2,958,825	286,141	10.7%
Expenditure	2,672,684	2,659,339	13,345	0.5%
Surplus (Deficit)	-	299,486	299,486	11.2%
West Nile Virus				
Revenue	111,622	111,622	-	0.0%
Expenditure	111,622	75,612	36,010	32.3%
Surplus (Deficit)	-	36,010	36,010	32.3%
Electoral Area				
Revenue	396,931	350,467	(46,464)	(11.7%)
Expenditure	396,931	264,972	131,959	33.2%
Surplus (Deficit)	-	85,495	85,495	21.5%
Sasamat Volunteer Fire Dept.				
Revenue	198,023	207,523	9,500	4.8%
Expenditure	198,023	197,123	900	0.5%
Surplus (Deficit)	-	10,400	10,400	5.3%
Regional Surplus (Deficit)	-	\$ 2,130,381	\$ 2,130,381	-

* 2009 Budget includes reserve and surplus carry-forward applications as approved by the Board.

Greater Vancouver Districts 2009 Financial Performance District Summaries

Greater Vancouver Regional District

The Regional District had an overall surplus of approximately \$2.1 million for the 2009 fiscal year. This surplus is mainly due to project delays in General Government and Strategic Planning programs along with staff savings in Labour Relations and Strategic Planning.

❖ **911 Emergency Telephone**

E911 is on budget for 2009. Requirements for an equipment upgrade were less than anticipated. Since this upgrade was to be funded from reserve, the lower required funding resulted in a corresponding offset in revenues.

❖ **Air Quality**

Air Quality is in a deficit position of \$104,000 at year end. This deficit is primarily due to a shortfall in expected permit fee revenue. Permit fees are tied to air emissions. Improvements in emissions as well as the decline in the economy, particularly the wood industry has resulted in this shortfall.

❖ **General Government**

General Government is in a surplus position of approximately \$877,000 at the end of the year, due to fewer than budgeted special Board meetings along with the postponing of some projects until 2010 in the Regional Emergency Management and Regional Cultural Strategy programs as work plans are being finalized.

❖ **Labour Relations**

Labour Relations is in a surplus position of \$590,000 for 2009 due to some staff vacancies and lower than expected spending on member service related projects.

❖ **Regional Global Positioning System**

GPS has a surplus of approximately \$89,000 as a result of lower than anticipated contract costs.

❖ **Regional Parks**

Regional Parks is in a surplus position of approximately \$245,000 at the end of the 2009 fiscal year. This is primarily due to savings in labour support costs along with some unexpected sundry and filming revenue.

❖ **Strategic Planning**

Strategic Planning is in a surplus position of close to \$300,000 for the year due to some staff vacancies and the deferral of Ecological Health Plan workshops.

❖ **West Nile Virus**

West Nile Virus program has a surplus of approximately \$36,000 as a result of less spraying being required this year than anticipated in the budget.

❖ **Electoral Area**

The Electoral Areas are in a surplus position of \$85,000 for 2009 due primarily to labour savings resulting from the use of part-time staff.

❖ **Sasamat Volunteer Fire Department**

Sasamat Volunteer Fire Department is essentially on budget for 2009.

Greater Vancouver Water District

The Water District is in a surplus position of approximately \$21.8 million for the 2009 fiscal year.

Water District revenues, overall, have exceeded expectation by approximately \$2.0 million for the year. Water consumption proved to be 0.76% above budget and 2.89% higher than 2008. This can be attributed to the warmer and dryer than expected weather throughout much of the year.

Water District expenditures for 2009 are \$19.8 million below budget due primarily to lower debt service costs (\$8.9 million) resulting from financing terms on long term borrowing being favourable to budget and slower than anticipated capital spending particularly with regard to the Seymour-Capilano Filtration Project (SCFP) Tunnels. Delays in the commissioning and start-up of the Seymour Capilano Filtration Plant have resulted in operating cost savings (\$3.9 million). Deferment of commissioning activities into 2010 resulted in the deferral of purchases of materials, supplies and chemicals. Budget savings of \$3.6 million resulted from the deferral of some planned maintenance and engineering projects due to a reassessment of priorities, resource availability and operational constraints. An additional \$3.4 million in cost savings relates to staff vacancies, planned projects coming in under budget, miscellaneous operating cost savings and the operating contingency not being required during the year.

Greater Vancouver Sewerage and Drainage District

❖ **Liquid Waste**

Liquid Waste operations for 2009 resulted in a surplus of approximately \$9.3 million primarily due to savings or deferral of some operating costs and savings in debt service costs. The surplus can be split as follows: FSA - \$4.5 million, LIWSA - \$2.6 million, VSA - \$0.4 million, NSSA - \$1.5 million and Drainage \$0.3 million.

Total revenue is \$0.4 million under budget. This is due primarily to less than anticipated reserves funding being required in 2009 as some expenditures have been delayed until 2010. This shortfall in revenue is offset by a corresponding reduction in expenditures, therefore there is no impact on the bottom line.

Debt service costs are approximately \$3.9 million under budget resulting from delays in some capital projects due to resource availability and operational constraints.

Total operating expenditures are under budget by close to \$5.8 million for the year. The Residuals Management program is below budget by \$3.3 million due to the delay in the removal of the stockpiled Iona Biosolids, as well as a reduced requirement for long haul disposal of the grit and screenings. Wastewater Collections has a surplus of about \$1.9 million due primarily to less than anticipated work being done on the Gilbert Trunk Sewer Project which is currently under review in terms of a longer term solution. Budget savings of \$1.5 million resulted from the deferral of some planned maintenance and engineering projects, \$600,000 due to delays in some security enhancements to be completed in 2010 and the remaining \$1.0 million relates to staff vacancies, miscellaneous operating cost savings and the operating contingency not being required during the year. These cost savings were somewhat offset by the negotiated payment of \$2.5 million for back rent on the Lions Gate Wastewater Treatment Plant. This payment was funded from reserves and thus has no impact on the bottom line.

❖ **Solid Waste**

The Solid Waste function is in an overall deficit position of \$11.3 million for 2009. The decline in Metro Vancouver's waste flows is the main contributor to this deficit. This decline is consistent with current economic conditions and the objectives of the Board's Zero Waste Challenge and related initiatives.

Revenues for 2009 have fallen short of expectation by approximately \$16.1 million of which \$13.5 million is the result of a decrease in tipping fee revenue and \$2.6 million is the result of a decrease in other external revenues.

Total overall expenditures in 2009 are under budget by \$4.8 million. Cost savings of \$10.5 million is due to lower processing costs resulting from the decrease in waste flows and \$2.8 million savings in reduced debt costs. These savings are partially offset by \$4.1 million in higher than expected contract inflation and disposal costs, an additional \$1.7 million in unanticipated current Vancouver landfill closure costs and an additional \$2.7 million year-end provision for future landfill closure requirements.

The 2009 deficit will be funded from reserves. It is planned to replenish these reserves to their Board required minimum level over the next two years.

Metro Vancouver Housing Corporation

The Metro Vancouver Housing Corporation (MVHC) achieved an actual net surplus of \$621,000 for 2009, \$340,000 higher than budget. Overall revenues were about \$307,000 lower than budgeted due to increased pressure on subsidy assistance and lower than expected external subsidy revenues. To compensate, tight fiscal control over expenditures was implemented late in the year to meet budgeted surplus projections. However, anticipated year end costs for utilities, snow removal, and corporate charges were also not realized, increasing the year end budget surplus for expenditures to \$647,000.

For 2009, the MVHC budgeted water ingress repairs of \$5 million and capital replacement expenditures of \$4.8 million for a total capital budget \$9.8 million. A total of \$7.6 million was spent to December 31, 2009, resulting in a budget surplus of \$2.2 million.

In the Capital Replacement Program, roof replacements and envelope projects were in progress but not completed as expected by the end of the year, resulting in a \$600,000 budget surplus.

In the Water Ingress Program, repairs to properties are completed according to urgency and priority. In 2009, \$2.4 million was spent to complete Greystone Village, a three year, \$6.1 million dollar project and \$1 million was spent at Kingston Gardens, where 19 units previously closed due to water damage were fixed and put back in service again. Planned work on Hugh Bird and Guildford Glen was postponed to 2010, resulting in a \$1.6 million dollar budget surplus. These projects were tendered and awarded in 2009 and are currently underway.

Expenditures are funded from reserves and, therefore have no impact on the operating surplus.

Corporate Programs

Overall, Corporate Programs are in a surplus position of approximately \$1.8 million for 2009 due largely to the deferral of building renovation and construction projects, staff vacancies and the delay in some communication and consultation initiatives.

❖ **Chief Administrative Officer**

The CAO's Office has a surplus of \$35,000 due to lower support costs.

❖ **Corporate Relations**

Corporate Relations is in a surplus position of approximately \$400,000 due mainly to staff vacancies for part of the year and delays in the waste management programs and corresponding communication activities.

❖ **Human Resources**

The Human Resources department has a surplus of close to \$132,000 for 2009. This surplus was the result of a staff vacancy and some miscellaneous program cost savings.

❖ **Finance and Administration**

The Finance and Administration department is in a surplus position of approximately \$308,000 for 2009 primarily the result of labour savings.

❖ **Information Technology**

Information Technology is essentially on budget for fiscal 2009.

❖ **Other Corporate Services**

Other Corporate Services consists of a variety of programs which include Building Operations, Corporate Library, Corporate Records, Information Centre, Public Consultation and Community Relations, Outreach Education, In House Legal and Self-Insurance.

For 2009, Other Corporate Services are in a surplus position of approximately \$940,000. This surplus is primarily related to cost savings at head office and the new office building due to scope changes related to renovation and construction projects along with lower than anticipated maintenance costs and savings in legal fees due to less use of external legal services.

Greater Vancouver Districts Financial Indicators

These ratios are intended to help indicate the Greater Vancouver District's financial ability to continue to provide services to the region on a sustainable basis. This involves evaluating a number of factors, including the ongoing ability to ensure revenues meet expenditures, ability to meet debt obligations, and the flexibility to address unexpected contingencies. Forecast ratios can help to identify potential financial problems in advance.

1) Municipal Property Tax and Levies / Total Revenue

This ratio is a measure of the diversification of revenues. A high ratio indicates a reliance on property tax related levies / fees. A low ratio illustrates a greater range of revenues which is seen as beneficial. However, other revenue streams may not be sustainable or fluctuate more than tax requisitions.

	2006 Actual		2007 Actual		2008 Actual		2009 Budget		2009 Actual	
<u>Total Property tax/levies</u>	\$173,509,345	38.3%	\$181,422,031	37.8%	\$189,898,996	38.4%	\$198,475,322	36.5%	\$198,456,052	37.5%
<u>Total Revenue**</u>	\$452,881,285		\$479,594,860		\$494,933,894		\$543,639,031		\$529,111,311	

The GVRD has a reasonably well diversified revenue base. Some revenue streams are subject to fluctuations during the year. In particular, Solid Waste User Fees fall short of budget for 2009.

2) Current Ratio

This is one measure of liquidity – the ability of the local government to meet current obligations through existing current assets. A high ratio indicates a greater ability to respond to and meet budgeted and unexpected expenditures.

	2006 Actual		2007 Actual		2008 Actual		2009 Actual	
<u>Current assets</u>	\$500,912,037	3.2 to 1	\$415,271,356	2.7 to 1	\$419,177,983	3.0 to 1	\$466,557,475	3.3 to 1
<u>Current liabilities</u>	\$154,539,066		\$152,412,826		\$140,860,801		\$139,485,645	

At year-end the Greater Vancouver Districts are in a strong position to pay its current obligations.

** 2009 Budget includes reserve and surplus carry-forward applications as approved by the Board.

Financial Indicators (continued)

3) i) Debt Service Costs/ Total Revenue

This is the percentage of revenue committed to payment of interest and principal on temporary and long-term debt for the regional, sewer, solid waste and water operations. A high percentage indicates greater use of revenues for the repayment of debt, and less ability to adjust to unplanned events and changing circumstances.

	2006 Actual		2007 Actual		2008 Actual		2009 Budget		2009 Actual	
<u>Debt Service Costs</u>	<u>\$123,206,919</u>	27.2%	<u>\$130,963,502</u>	27.3%	<u>\$130,520,023</u>	26.4%	<u>\$153,617,572</u>	28.3%	<u>\$139,594,218</u>	26.4%
Total Revenue**	\$452,881,285		\$479,594,860		\$494,933,894		\$543,639,031		\$529,111,311	

3) ii) Interest Costs/ Total Revenue

This is the percentage of revenue committed to payment of interest on temporary and long-term debt for the regional, sewer, solid waste and water operations. A high percentage indicates greater use of revenues for servicing interest on outstanding debt, and less ability to adjust to unplanned events and changing circumstances.

	2006 Actual		2007 Actual		2008 Actual		2009 Budget		2009 Actual	
<u>Interest Costs</u>	<u>\$64,666,569</u>	14.3%	<u>\$67,536,647</u>	14.1%	<u>\$66,442,009</u>	13.4%	<u>\$83,775,060</u>	15.4%	<u>\$71,438,934</u>	13.5%
Total Revenue**	\$452,881,285		\$479,594,860		\$494,933,894		\$543,639,031		\$529,111,311	

Both debt service costs and interest costs as a percentage of revenue is down compared to budget indicating that less of our revenue is required to service outstanding debt (principal and interest) and more is available to fund current projects.

** 2009 Budget includes reserve and surplus carry-forward applications as approved by the Board.

Financial Indicators (continued)

4) Operating Reserves/ Total Revenues

Reserve levels are an indicator of financial strength since they provide the ability to meet unforeseen expenditures or revenue losses.

	2006 Actual		2007 Actual		2008 Actual		2009 Budget		2009 Actual	
<u>Operating Reserves</u>	\$57,531,437	12.7%	\$51,371,649	10.7%	\$65,349,084	13.2%	\$36,583,782	6.7%	\$34,398,057	6.5%
<u>Total Revenue**</u>	\$452,881,285		\$479,594,860		\$494,933,894		\$543,639,031		\$529,111,311	

Operating reserves are down from the prior year and budget due to the Solid Waste deficit, along with the continued application of excess reserves to avoid debt. Overall, the level of operating reserves appears adequate to meet potential unexpected contingencies.

5) Total Municipal Taxes, Water, Sewer and Solid Waste Charges / Per Capita

This indicator is a representation of the per capita cost impact of the regions tax payer supported services. These costs are passed on to the tax payer through our member municipalities. The 2009 population is assumed to increase at a rate of 1.5% over 2008.

	2006 Actual		2007 Actual		2008 Actual		2009 Budget		2009 Actual	
		Per Capita		Per Capita		Per Capita		Per Capita		Per Capita
<u>Total Tax Revenue ***</u>	\$367,229,493	\$167	\$396,252,949	\$177	\$411,960,926	\$181	\$456,916,062	\$197	\$445,735,412	\$192
<u>Total Population ****</u>	2,199,121		2,237,559		2,271,224		2,318,526		2,318,526	

This increase in per capita cost is consistent with our budget increases in the cost of regional services, particularly water treatment and regional parks. The decrease in 2009 over budget is the result of the shortfall Solid Waste User Fees.

** 2009 Budget includes reserve and surplus carry-forward applications as approved by the Board.

*** Total Tax Revenue defined as Regional District tax requisition, Water Sales, Sewer & Drainage Levy and Solid Waste User Fees.

**** Based on Population Section, BC Stats, Ministry of Labour & Citizens' Services, Government of British Columbia, February 2009.

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