

2015 BUDGET IN BRIEF

METRO VANCOUVER

October 2014

metrovancouver
SERVICES AND SOLUTIONS FOR **A LIVABLE REGION**



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2015 BUDGET IN BRIEF

METRO VANCOUVER

TABLE OF CONTENTS

INTRODUCTION

2015 BUDGET

General Overview	2-3
Financial Overview	4-7

SUPPLEMENTARY INFORMATION

Where the Money Comes From	8
Where We Spend the Money	9
Capital Expenditures	10
Greater Vancouver Water District	11-12
Greater Vancouver Sewerage & Drainage District	
Liquid Waste	13-14
Solid Waste.....	15-16
Metro Vancouver Housing Corporation	17
Greater Vancouver Regional District	18-19
Corporate Services	20

2015 BUDGET IN BRIEF

METRO VANCOUVER

General Overview

Meeting the Challenges

The draft budget for 2015 has overall expenditures of \$657.1 million. This is an increase of \$3.4 million (0.5%) over 2014 expenditures. The increase can be attributed as follows:

1. Operating costs	\$5.7 million	(+1.4%)
2. Debt Service	\$(3.9) million	(-3.0%)
3. Debt avoidance –Contribution to Capital	\$1.6 million	(+1.4%)

It is estimated that the increased cost to an average household in the Region will be only \$5 for the year (1.2%).

The 2015 budget reflects the priorities of the four regional entities: Greater Vancouver Water District; Greater Vancouver Sewerage & Drainage District; Greater Vancouver Regional District and Metro Vancouver Housing Corporation (“Metro Vancouver”) as the political body as established in the 2014 Board Strategic Plan:

- Provide core utility services (water, sewerage and drainage, and solid waste management) to members.
- Provide regional parks and affordable housing directly to residents;
- Carry out planning and regulatory responsibilities related to the three utilities as well as air quality, regional growth and regional parks;
- Serve as the main political forum for discussion of significant community issues at the regional level.

The 2015 priorities presented here are consistent with the Metro Vancouver objective of creating our future in a livable region.

Highlights for 2015 Include:

Greater Vancouver Water District (GVWD)

- Commencement of filtration of Capilano source.
- Commissioning of Barnston/Maple Ridge Pump Station
- Continued work on Port Mann, Second Narrows and Annacis Water Supply Tunnels
- Development of additional supply capacity from Coquitlam Reservoir
- Continued reduction of future long-term debt related costs
- Sustainability initiatives, such as water conservation and energy recovery opportunities
- Continued focus on Asset Management
- Seismic upgrades to ensure that water is available as an essential service in event of a major disaster

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Sewerage & Drainage District (GVS&DD)

Liquid Waste

- Continuation with Liquid Waste and Resource Management Plan Implementation
- Develop long term strategies for biosolids management
- Continued reduction of future long-term debt-related costs
- Continued planning and design for secondary treatment upgrades
- Continued work on Annacis Island Wastewater Treatment Plant Stage V Expansion
- Continuing focus on Asset Management
- Resource recovery such as heat recovery from sewers, plant effluent and other sources
- Increased research on treatment processes aimed at improving efficiencies and delaying capital expenditures
- Complete seismic mitigation plan for Liquid Waste facilities

Solid Waste

- Solid Waste Management Plan Implementation
- New Waste-to-Energy Capacity
- Waste contract management
- Managing waste flows within the system

Metro Vancouver Housing Corporation (MVHC)

- Maintenance of aging wood structures
- Continue work on Heather Place redevelopment opportunity
- Focus on tenant community support
- Regional Affordable Housing Strategy Updates

Greater Vancouver Regional District (GVRD)

- 2014 Regional Parks Service Review – implementation of priority initiatives
- Maintenance of existing Regional Parks Infrastructure
- Air Quality Policy Development and Implementation (Climate Change Initiatives)
- Greenhouse Gas Reduction Programs
- Regional Growth Strategy Implementation

Corporate Programs

- Enhanced Communication
- Collaborative governance
- Enhance long-term planning process
- National Zero Waste Council

2015 BUDGET IN BRIEF

METRO VANCOUVER

Financial Overview

2015 budgeted expenditures are \$657.1 million (up 0.5%) for the Metro Vancouver Districts. The budget represents a \$427 cost to the average regional household: up \$5 from 2014 levels.

The operating budget of the Metro Vancouver Districts is paid for by six main sources:

- Water Sales
- Sewer Levy
- Solid Waste Tipping Fee
- Tax Requisitions
- Housing Rents
- External Revenues, Reserves and Other

These revenue sources support four separate legal entities: the Greater Vancouver Regional District (GVRD) is funded primarily through tax requisitions, the Greater Vancouver Sewerage & Drainage District (GVS&DD) through a sewer levy for liquid waste and user fees for the solid waste function, the Greater Vancouver Water District (GVWD) through the sale of water to participating member municipalities, and the Metro Vancouver Housing Corporation (MVHC) through property rentals.

Greater Vancouver Water District

- The impact to the average household is an increase of \$3, for a total cost of \$154. The average household water consumption levels have been on the decline in recent years.
- The water rates will increase by 1.7% to \$0.5816 per cubic metre (Off Peak Season: October – May) and \$0.7270 per cubic metre (Peak Season: June – September) over those for 2014. The summer (Peak) price is 1.25 times the price during the remainder of the year (Off Peak). This is consistent with the Drinking Water Management Plan.
- Expenditures will increase by 2.1% to \$247.3 million.
- The total capital expenditures will be \$190.0 million, including expenditures for the *Drinking Water Treatment Program* of \$3.3 million along with infrastructure projects related to growth in the region (\$57.5 million), system maintenance projects (\$19.0 million), risk management projects (\$86.3 million), infrastructure upgrade projects (\$20.8 million) and sustainability opportunity related projects (\$3.1 million).
- \$52.3 million in capital projects will be funded on a ‘pay as you go’ basis through the water rate plus a further \$16.3 million through excess operating reserves (total \$68.6 million).

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Sewerage and Drainage District

Liquid Waste

- There is a 1.9% increase in the impact on the average household with the cost increasing \$3 to \$176.
- Expenditures will increase by 2.1% to \$210.8 million.
- \$55.8 million of sewerage capital projects will be funded on a 'pay as you go' basis through the levy plus a further \$3.9 million through excess operating reserves (total of \$59.7 million) thereby avoiding the need for long-term debt financing.
- Total capital expenditures will be \$92.1 million, including funding for:
 - new sewers, pump stations and treatment plant expansion to handle growth (\$41.8 million)
 - system maintenance (\$22.5 million)
 - risk management and upgrade of infrastructure (\$25.2 million).
 - sustainability opportunity related projects (\$2.6 million)

Solid Waste

- The solid waste tipping fee is increasing \$1 to \$109 per tonne for 2015. This represents a \$1 decrease to the average household for a total cost of \$57 due to continuing decreases in the amount of waste generated by single family homes in particular.
- Expenditures will decrease by 8.3% to \$93.6 million. Disposal handling unit costs are increasing due to increases in contracted inflation with our third party contractors as well as other disposal requirements. While the unit costs are increasing, the total amount of waste in the system is projected to decrease compared to 2014 budget projections. As a result of the decreasing economies of scale due to the decrease in system waste flows, the tipping fee is forced upward.
- In 2015, with a tipping fee of \$109, overall revenues generated will result in a projected shortfall of \$4.5 million due to a lower than expected volume of waste. It is expected that some waste will bypass the regional system and be delivered to the City of Abbotsford by commercial disposal companies. As Metro Vancouver has little ability to reduce short-term expenditures due to contractual requirements for system facilities' operations, the revenue shortfall will be funded from existing operating reserves.
- Capital Expenditures projected to be \$37.1 million primarily for projects at the District's existing Waste-to-Energy-Facility (\$11.7 million), upgrades to the Transfer Station System (\$9.7 million), New Waste-to-Energy (\$7.0 million), Landfills (\$7.7 million) and Other (\$1.0 million).
- Wastech Operations capital expenditures are projected to be \$5.0 million.

2015 BUDGET IN BRIEF

METRO VANCOUVER

Metro Vancouver Housing Corporation

- Expenditures for 2015 will increase by 2.5% to \$39.9 million.
- The MVHC generates the majority of its revenues through property rentals, and the Housing Corporation's operations are not funded by the GVRD tax requisitions.
- Capital expenditures for 2015 are \$9.5 million which will be funded from reserves. Included in this amount are \$6.7 million for capital replacement and \$2.8 million for development.

Greater Vancouver Regional District

- The costs for Regional District functions are primarily recovered through property taxes.
- The total cost of programs on an average property tax bill is approximately \$40.00 (rounded) essentially the same as 2014 after accounting for growth.
- The Regional District's overall expenditures have increased by \$1.4 million, or 2.2% to \$65.5 million for 2015.
- The GVRD property tax rate increased by 2.0% for 2015 which, after accounting for population growth, represents a 0.5% increase to the average regional household.

The following functions comprise the main activities of the Regional District:

Air Quality

- Expenditures have increased 9.9% to \$8.3 million as a result of an increase in resources for enhanced regulation and enforcement and strategies for other regional environmental impacts.

E911 Emergency Telephone Service

- Expenditures are up over 2014 by 2.2% to \$4.0 million reflecting the inflation increase in the EComm service agreement.

General Government

- Expenditures have decreased 5.5% to \$13.2 million.
- The decrease in expenditures is due primarily to reduced external contributions which, for 2015, are being included within their impacted functional areas. Contribution agreements have been approved separately by the Board for each benefiting organization specifying the terms and conditions of the annual contribution.

Labour Relations

- Expenditures have increased 3.5% to \$2.2 million for 2015. This is the second year of the Region's new Autonomy Model for service delivery within this function.

2015 BUDGET IN BRIEF

METRO VANCOUVER

Regional Global Positioning System

- Total expenditures have increased over 2014 by 85.4% to \$0.8 million. While expenditures are increasing, user fees are not impacted due to the one-time contribution from reserves for phase one of system enhancements.

Regional Parks

- Parks expenditures continue to account for more than half of the GVRD budget and have increased 1.9% over 2014 to \$33.3 million. This is driven primarily by inflationary impacts to operations, maintenance and other parks service delivery costs.

Regional Planning

- Expenditures have increased by \$0.1 million or 5.0% from 2014, to a total of \$2.9 million. Increases primarily represent additive funds for legal costs and environmental initiatives.

Regional District Services (includes Electoral Area Services and Sasamat Volunteer Fire Department)

- Other expenditures are up 25.5% over 2014 to \$0.7 million due to additional resources required to support the Electoral Areas function.

Corporate Programs

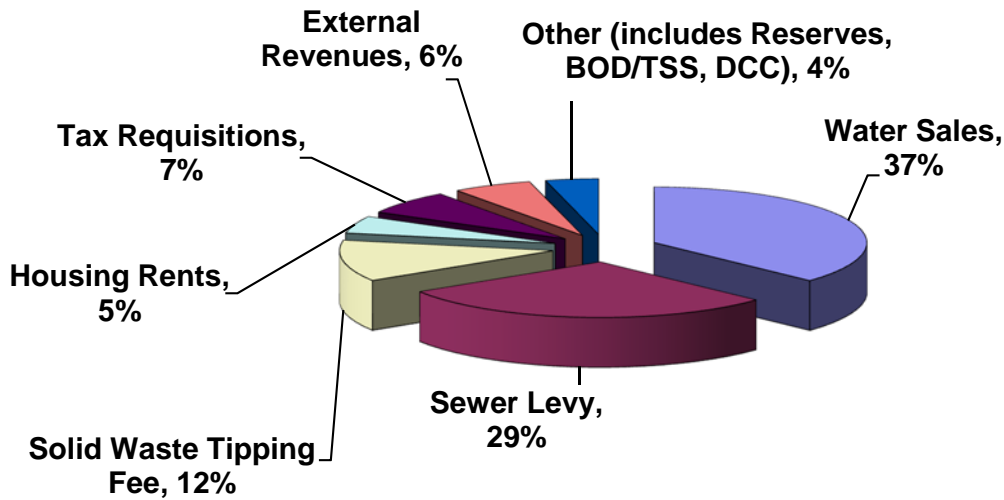
- Corporate programs that support the four Metro Vancouver entities (GVRD, GVS&DD, GVWD and MVHC) are allocated on a proportional basis.
- Corporate Program costs include the costs of Corporate Planning, Corporate Services, External Relations, Financial Services, Human Resources, and Legal and Legislative Services.
- Overall corporate program expenditures have decreased by 10.7% to \$50.9 million as a result of the completion of large capital projects and IT initiatives in 2014.

2015 BUDGET IN BRIEF

METRO VANCOUVER

WHERE THE MONEY COMES FROM

(Millions of Dollars)



Water Sales	\$243.8
Sewer Levy	192.3
Solid Waste Tipping Fee	75.8
Housing Rents	34.7
Tax Requisitions	47.2
External Revenues	39.0
Other (includes Reserves, BOD/TSS, DCC)	24.3
	\$657.1

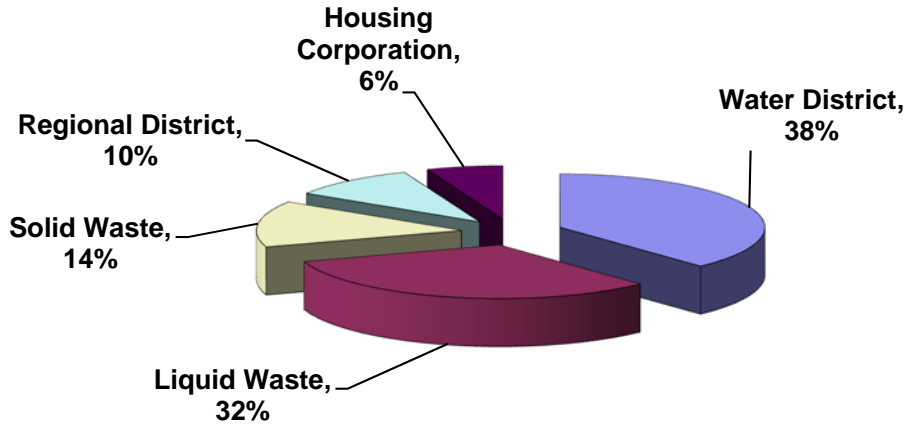
The Metro Vancouver Districts comprise four legal entities and are governed by separate legislation. The budgets of the Districts are presented as distinct functions and include program budgets that present both operating and capital expenditures and projected revenue sources.

By legislation, Metro Vancouver Districts are required to operate balanced budgets and any deficit must be repaid immediately in the following year. All expenditures must be included in the annual budget adopted by the Board.

2015 BUDGET IN BRIEF

METRO VANCOUVER

WHERE WE SPEND THE MONEY



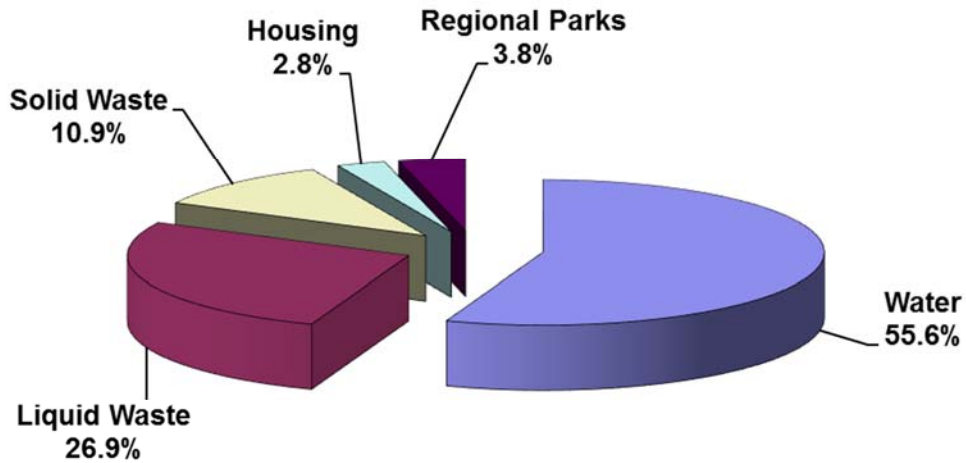
Total Expenditures \$657.1

	Water District	Sewerage & Drainage		MVHC	Regional District	Total
		Liquid Waste	Solid Waste			
2014 Budget	\$242.1	\$206.5	\$102.1	\$38.9	\$64.1	\$653.7
Change in Operations	4.9	3.8	(5.4)	0.9	1.5	5.7
Change in Debt	(4.0)	0.7	(0.6)	0.1	(0.1)	(3.9)
Contribution to Capital	4.3	(0.2)	(2.5)	0.0	0.0	1.6
2015 Budget	\$247.3	\$210.8	\$93.6	\$39.9	\$65.5	\$657.1
% Change Budget	2.1%	2.1%	(8.3%)	2.5%	2.0%	0.5%

2015 BUDGET IN BRIEF

METRO VANCOUVER

**Capital Expenditures
2015 Budget Summary
(\$ Millions)**

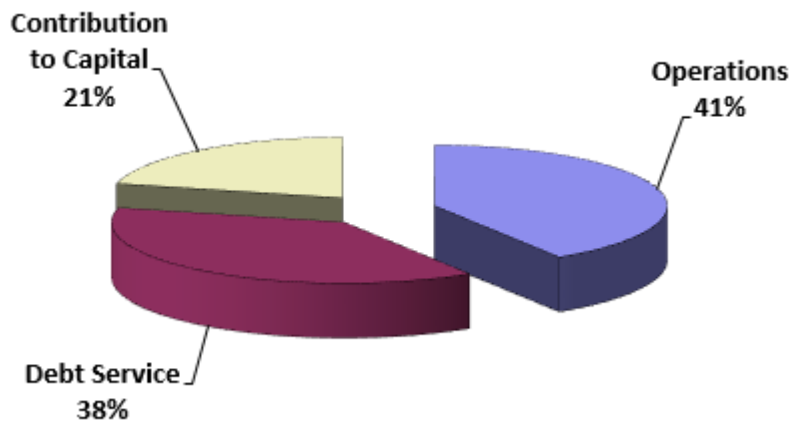


	<u>2013 Budget</u>	<u>2014 Budget</u>	<u>2015 Budget</u>
Water	\$ 153.2	\$ 189.3	\$190.0
Liquid Waste	78.6	84.9	92.1
Solid Waste	15.7	17.7	37.1
Housing	5.4	8.0	9.5
Regional Parks	12.7	13.5	13.1
	<u>\$ 265.6</u>	<u>\$ 313.4</u>	<u>\$341.8</u>

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Water District 2015 Budget Summary (\$ Millions)



	<u>2014</u> <u>Budget</u>	<u>2015</u> <u>Budget</u>	<u>Change</u>	<u>% Change</u>
Operations	\$ 96.4	\$ 101.4	\$5.0	5.0%
Debt Service	97.7	93.6	(4.1)	(4.1%)
Contribution to Capital	48.0	52.3	4.3	9.1%
Total Expenditures	\$ 242.1	\$ 247.3	\$ 5.2	2.1%

Highlights

- \$190.0M Capital Works
 - Growth \$57.5M
 - Maintenance \$19.0M
 - Upgrade \$20.8M
 - Risk Management \$86.3M
 - Drinking Water Treatment \$3.3M
 - Opportunity \$3.1M
- Growth in the Region
- Aging Infrastructure
- More 'pay-as-you-go'
- Seismic Upgrades

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Water District Impact on Water Sales Revenue (\$ Millions)

	<u>2014 Budget</u>	<u>2015 Budget</u>	<u>Change</u>	<u>% Change</u>
Water Sales	\$ 236.1	\$ 243.8	\$ 7.7	3.3%
Other Revenue	<u>6.0</u>	<u>3.5</u>	<u>(2.5)</u>	<u>(58.3%)</u>
Total	<u>\$ 242.1</u>	<u>\$ 247.3</u>	<u>\$ 5.2</u>	2.1%
Water Rates (\$ per cubic metre)				
Peak Season *	<u>\$ 0.7155</u>	<u>\$0.7270</u>	<u>\$0.1150</u>	
Water Rates (\$ per cubic metre)				
Off Peak Season **	<u>\$ 0.5724</u>	<u>\$0.5816</u>	<u>\$0.0092</u>	
Consumption (cubic metres)	<u>373,921,000</u>	<u>380,000,000</u>	<u>6,079,000</u>	

* June to September

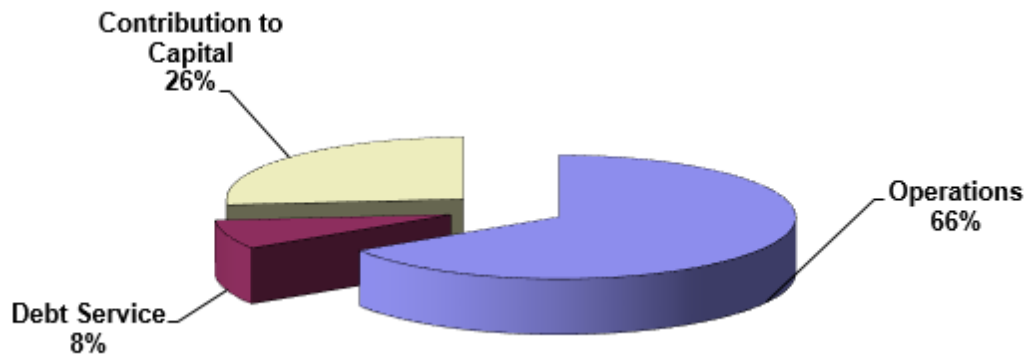
** October to May

- Impact to the average household: \$3 (2.0%) to \$154 assuming the average household is estimated to use 241 m³

2015 BUDGET IN BRIEF

METRO VANCOUVER

**Greater Vancouver Sewerage & Drainage District
Liquid Waste
2015 Budget Summary
(\$ Millions)**



	<u>2014 Budget</u>	<u>2015 Budget</u>	<u>Change</u>	<u>% Change</u>
Operations	\$ 135.0	\$138.9	\$3.9	2.9%
Debt Service	15.4	16.1	0.7	4.5%
Contribution to Capital	56.1	55.8	(0.3)	(0.4%)
Total Expenditures	\$ 206.5	\$210.8	\$4.3	2.1%

Highlights

- \$92.1M Capital Works
 - Growth \$41.8M
 - System Maintenance \$22.5M
 - Upgrade / Risk Management \$25.2M
 - Opportunity \$2.6M
- More 'Pay As You Go'
- Aging Infrastructure
- Liquid Waste Management Plan Implementation

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Sewerage & Drainage District
Liquid Waste
Impact on the GVS&DD Levy
(\$ Millions)

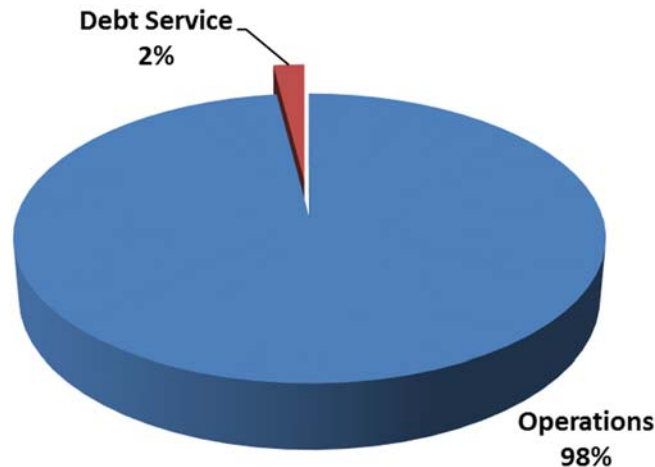
	<u>2014</u> <u>Budget</u>	<u>2015</u> <u>Budget</u>	<u>Change</u>	<u>% Change</u>
GVS&DD Levy	\$ 185.9	\$192.3	\$ 6.4	3.4%
Other Revenue	<u>20.6</u>	<u>18.5</u>	<u>(2.1)</u>	<u>(10.0%)</u>
Total	<u><u>\$ 206.5</u></u>	<u><u>\$ 210.8</u></u>	<u><u>\$ 4.3</u></u>	2.1%

- Impact to the average household: \$3 (1.7%) to \$176 after reflecting assumed population growth of 1.5% based on average population growth experience.

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Sewerage & Drainage District
 Solid Waste
 2015 Budget Summary
 (\$ Millions)



	<u>2014</u> <u>Budget</u>	<u>2015</u> <u>Budget</u>	<u>Change</u>	<u>% Change</u>
Operations	\$ 97.6	\$92.2	\$ (5.4)	(5.5%)
Debt Service	2.0	1.4	(0.6)	(30.2%)
Contribution to Capital	2.5	0.0	(2.5)	(100.0%)
Total Expenditures	\$ 102.1	\$ 93.6	\$ (8.5)	(8.3%)

Highlights

- \$37.1M Capital Works
 - Existing Waste-to-Energy Facility \$11.7M
 - Landfills and Transfer Stations \$17.4M
 - Solid Waste Management Plan Initiatives \$7.0M
 - Opportunity \$1.0M
- Solid Waste Management Plan Implementation

2015 BUDGET IN BRIEF

METRO VANCOUVER

**Greater Vancouver Sewerage & Drainage District
Solid Waste
Impact on Solid Waste Tipping Fee Revenue
(\$ Millions)**

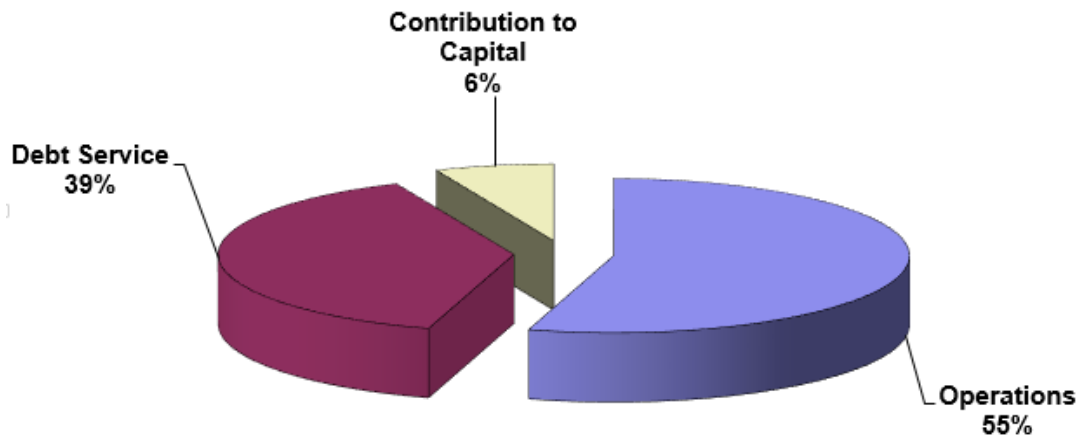
	<u>2014 Budget</u>	<u>2015 Budget</u>	<u>Change</u>	<u>% Change</u>
Tipping Fee Revenue	\$ 89.2	\$ 75.8	\$ (13.4)	(15.0%)
Other Revenues	<u>12.9</u>	<u>17.8</u>	<u>4.9</u>	<u>38.2%</u>
	<u>\$ 102.1</u>	<u>\$ 93.6</u>	<u>\$ (8.5)</u>	<u>(8.3%)</u>
Tipping Fee (\$ per tonne)	<u>\$ 108</u>	<u>\$ 109</u>	<u>\$ 1</u>	<u>0.9%</u>
General Tonnage (metric tonnes**) <u></u>	<u>690,000</u>	<u>580,000</u>	<u>(110,000)</u>	<u>(15.9%)</u>

- ** equals Metro Vancouver disposal tonnes (Metro Vancouver tonnage less resource recovery)
- Impact to the average household: Down \$1 to \$57 assuming average household produces approximately 52% of a metric tonne of trash.

2015 BUDGET IN BRIEF

METRO VANCOUVER

Metro Vancouver Housing Corporation 2015 Budget Summary (\$ Millions)



	<u>2014 Budget</u>	<u>2015 Budget</u>	<u>Change</u>	<u>% Change</u>
Operations	\$ 20.9	\$ 21.8	\$ 0.9	4.3%
Debt Service	15.4	15.5	0.1	0.4%
Contribution to Capital	2.6	2.6	0.0	0.4%
Total Expenditures	<u>\$ 38.9</u>	<u>\$ 39.9</u>	<u>\$ 1.0</u>	2.5%

Highlights

- \$9.5M Capital Works
 - Replacement \$6.7M
 - Development \$2.8M

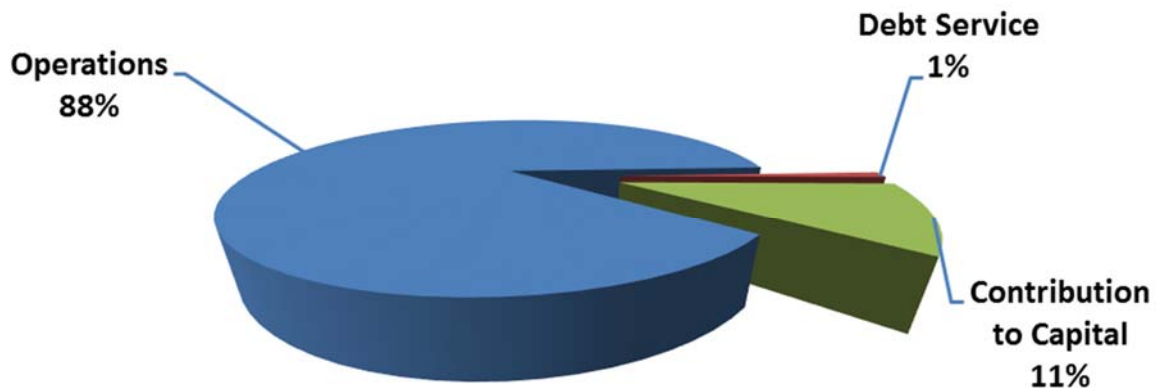
Impact on Housing Rent Revenue (\$ Millions)

	<u>2014 Budget</u>	<u>2015 Budget</u>	<u>Change</u>	<u>% Change</u>
Housing Rents	\$ 33.8	\$ 34.7	\$0.9	2.7%
Other Revenue	5.1	5.2	0.1	1.4%
Total	<u>\$ 38.9</u>	<u>\$ 39.9</u>	<u>\$ 1.0</u>	2.5%

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Regional District 2015 Budget Summary (\$ Millions)



	2014 <u>Budget</u>	2015 <u>Budget</u>	<u>Change</u>	<u>% Change</u>
Operations	\$ 56.5	\$ 58.0	\$ 1.5	2.7%
Debt Service	0.3	0.2	(0.1)	(5.1%)
Contribution to Capital	7.3	7.3	0.0	0.0%
Total Expenditures	\$ 64.1	\$ 65.5	\$ 1.4	2.2%

	2014 <u>Budget</u>	2015 <u>Budget</u>	<u>Change</u>	<u>% Change</u>
<u>GVRD-Expenditures</u>				
Air Quality	\$ 7.6	\$ 8.3	\$ 0.7	9.9%
E911 Emergency Telephone	4.0	4.0	0.0	2.2%
General Government	13.9	13.2	(0.3)	(5.5%)
Labour Relations	2.1	2.2	0.1	3.5%
Regional GPS	0.4	0.8	0.4	85.4%
Regional Parks	32.7	33.4	0.7	1.9%
Regional Planning	2.8	2.9	0.1	5.0%
Regional District Services*	0.6	0.7	0.1	25.5%
Total	\$ 64.1	\$ 65.5	\$ 1.4	2.2%

*(includes Electoral Area Services and Sasamat Volunteer Fire Department)

2015 BUDGET IN BRIEF

METRO VANCOUVER

Greater Vancouver Regional District Impact on GVRD Tax Requisitions (\$ Millions)

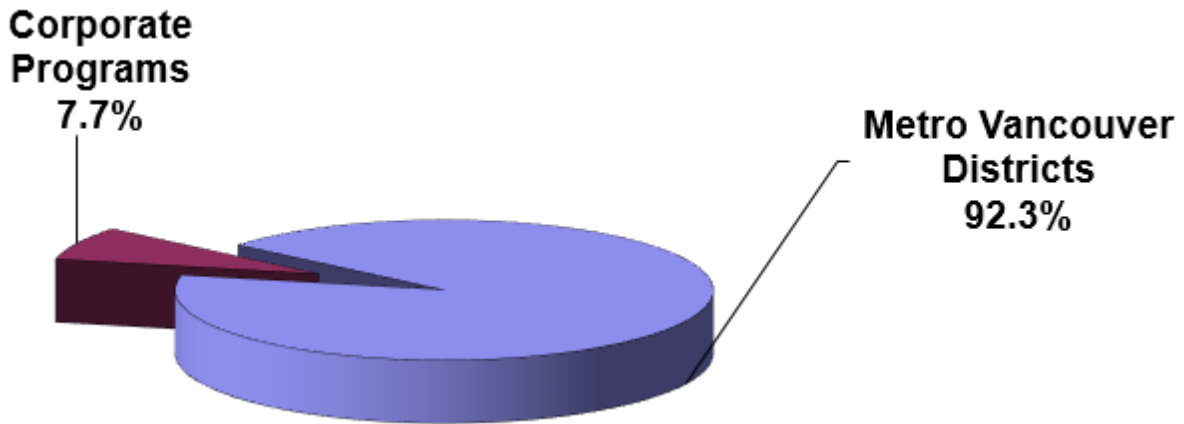
	<u>2014</u> <u>Budget</u>	<u>2015</u> <u>Budget</u>	<u>Change</u>	<u>% Change</u>
GVRD Tax Requisitions	\$ 46.3	\$ 47.2	\$ 0.9	2.0%
Other Revenue	<u>17.8</u>	<u>18.3</u>	<u>0.5</u>	2.7%
Total	<u><u>\$ 64.1</u></u>	<u><u>\$ 65.5</u></u>	<u><u>\$ 1.4</u></u>	2.2%

- Increase in Tax Requisitions includes 1.5% for estimated population growth
- Impact to the average household: Essentially unchanged at \$40 (rounded) up slightly from 2014 (0.5%) after reflecting assumed population growth of 1.5% based on average population growth experience.

2015 BUDGET IN BRIEF

METRO VANCOUVER

**Corporate Services
2015 Budget Summary
(\$ Millions)**



	<u>2013 Budget</u>	<u>2014 Budget</u>	<u>2015 Budget</u>	<u>2014-2015 Change</u>	<u>2014-2015 % Change</u>
Total Expenditures	<u>\$54.5</u>	<u>\$57.0</u>	<u>\$50.9</u>	\$ (6.1)	(10.7%)
Corporate Programs as a % of Total District Budget	8.5%	8.7%	7.7%		