Financial Plan Task Force - On Table Item

Burnaby

Proposed Approach to Household Impact Target Reductions

FINANCIAL PLAN TASK FORCE

Jerry Dobrovolny

Commissioner/Chief Administrative Officer

Financial Plan Task Force – March 22, 2023

metrovancouver

TASK FORCE TERMS OF REFERENCE

Purpose

The Financial Plan Task Force is a standing committee of the Metro Vancouver Regional District (MVRD) Board. The Task Force provides advice and recommendations to the Board, as required on the revision of the 5-year financial plan.

Outcome

Provide recommendations to be forwarded to the Board Budget Planning Workshop scheduled for April 19

TASK FORCE MEETINGS

Review

RECOMMENDATION

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

a) direct staff to proceed through the 2024 budget cycle with household impact targets as follows:
    i. 2024 – 12%
    ii. 2025 – 11%
    iii. 2026 – 5%
    iv. 2027 – 5%

b) direct staff to prepare the 2024 – 2028 Financial Plan with the following Development Cost Charge (DCC) rate assumptions:
    i. Liquid Waste Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan
    ii. Water Development Cost Charges moving to a 1% assist factor with interest as part of the 2024-2028 Financial Plan; and
    iii. Implementation of a Development Cost Charge for Regional Parks and move to a 1% assist factor within the 2024-2028 Financial Plan.

HISTORICAL HHI FOR METRO VANCOUVER

- COVID-19 relief efforts
- Used significant financial tools to reduce impact

	2018	2019	2020	2021	2022	2023
Household Impact	**$506**	**$535**	**$560**	**$574**	**$594**	**$620**
% Change		5.8%	4.6%	2.7%	3.2%	4.5%

BENCHMARK OF COMPARABLE UTILITIES

As of 2023

	Wholesale Water Rate ($CAD / m3) (2022)	Residential Water Use (litres per person per day)	Liquid Waste (Average Household Rate for MV + Municipal)
Metro Vancouver	$0.87 (2023)	249 litres (2020)	$690 (2023)
Capital Regional District	$0.73	240 litres (2020)	$580
Waterloo	$1.13	152 litres (2019)	$615
Seattle	$1.01	190 litres (2016)	$1,210
San Francisco	$2.29	162 litres (2020)	$1,410
Portland	$3.07	174 litres (2020)	n/a

HHI CHANGE COMPARED TO CURRENT ENDORSED PLAN

- Proposed changes represent a 40% reduction in the cumulative HHI increase
- From a cumulative 53% to 33% through 2027
- ~$170 less on the 2027 HHI

Overview

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METHODOLOGY

How Staff Reviewed

- **Multi-disciplinary working group:** including water, liquid waste, and finance
- **Bottom-up approach:** evaluated risk and deliverability in detail for all water and liquid waste projects
- **Scenario identification:** Reviewed all projects at all risk levels, including risk levels not recommended by staff

RISK BALANCE – LOOKING AHEAD

Increase in lifecycle costs

- Operations expenditures for repairs and maintenance
- Costs increase due to escalation when projects are deferred

Long term impacts

- Deferring projects pushes costs to future rate payers
- As projects are delayed, risks increase
- Big infrastructure takes decades to build.

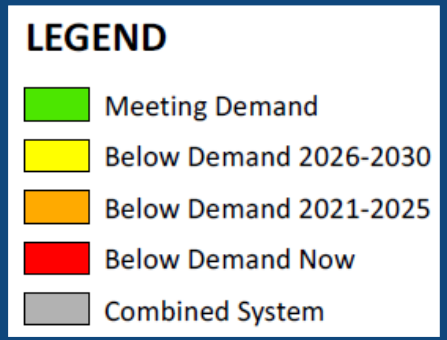
Unintentional impacts:

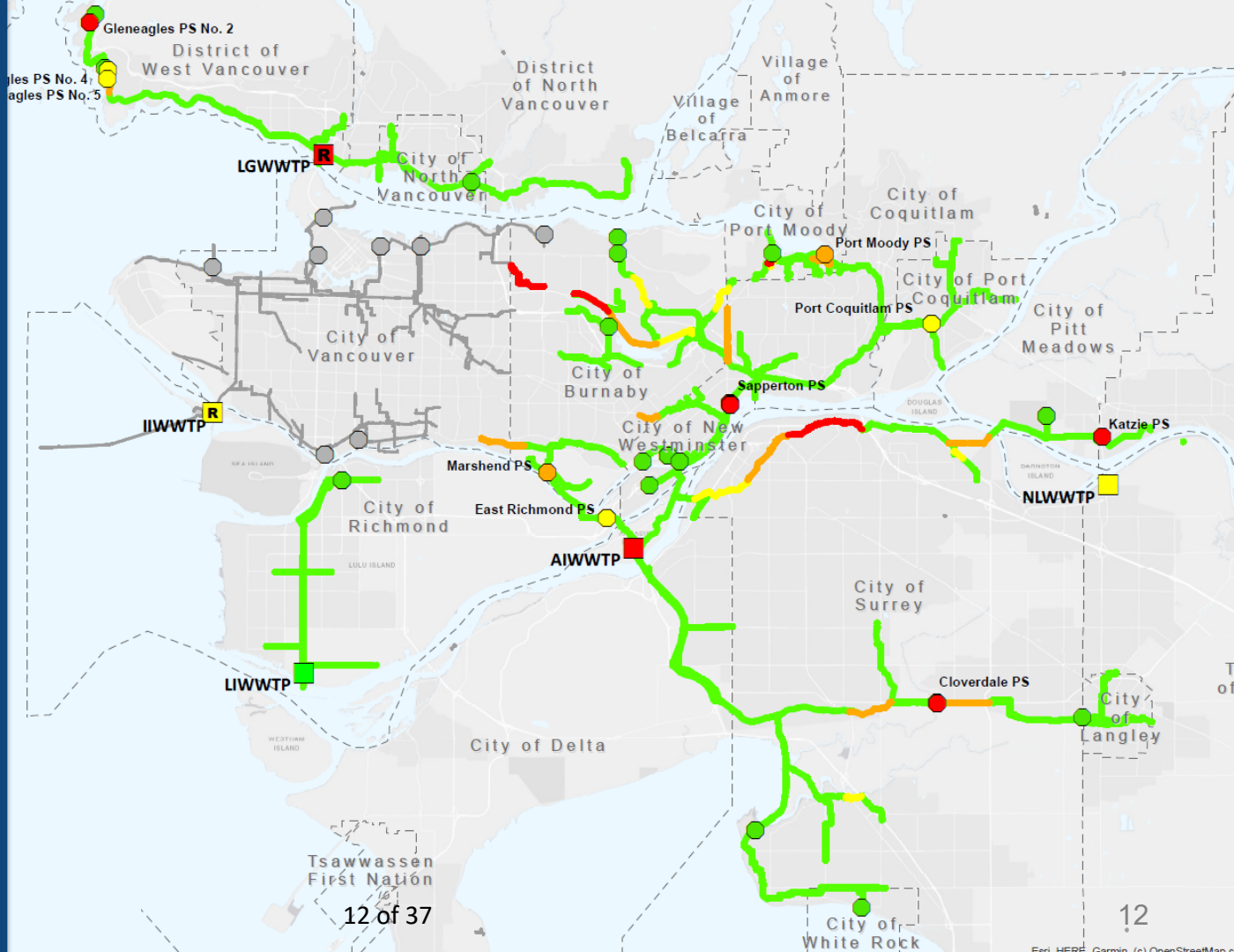
- Shifting the investment burden onto member jurisdictions

Adjustment 1: Liquid Waste Capital Program

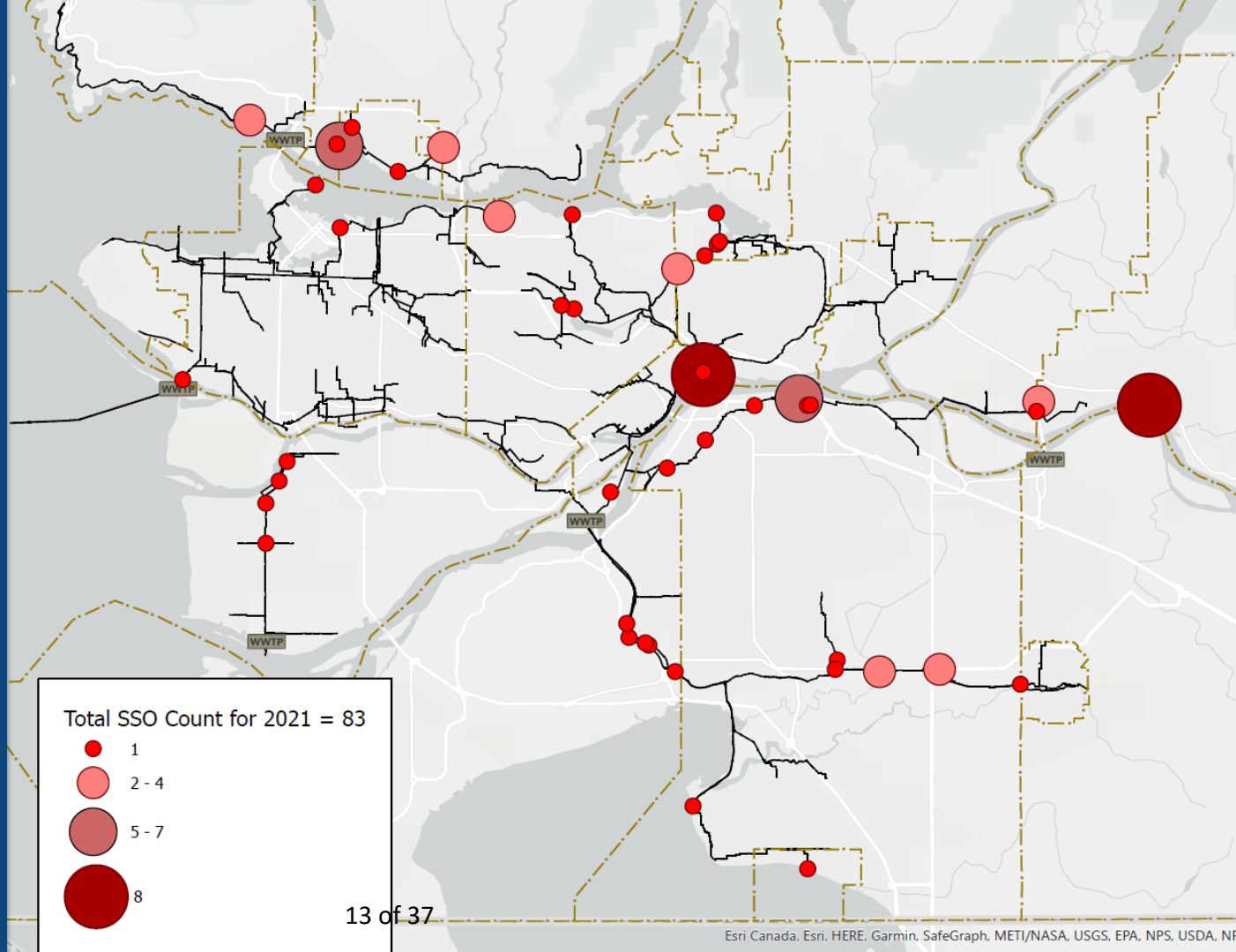
Annacis Island Wastewater Treatment Plant

SYSTEM CAPACITY





SANITARY SEWER OVERFLOWS



SCENARIOS

Liquid Waste

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Liquid Waste

$4,048M 2024-2027 (2023 Financial Plan)

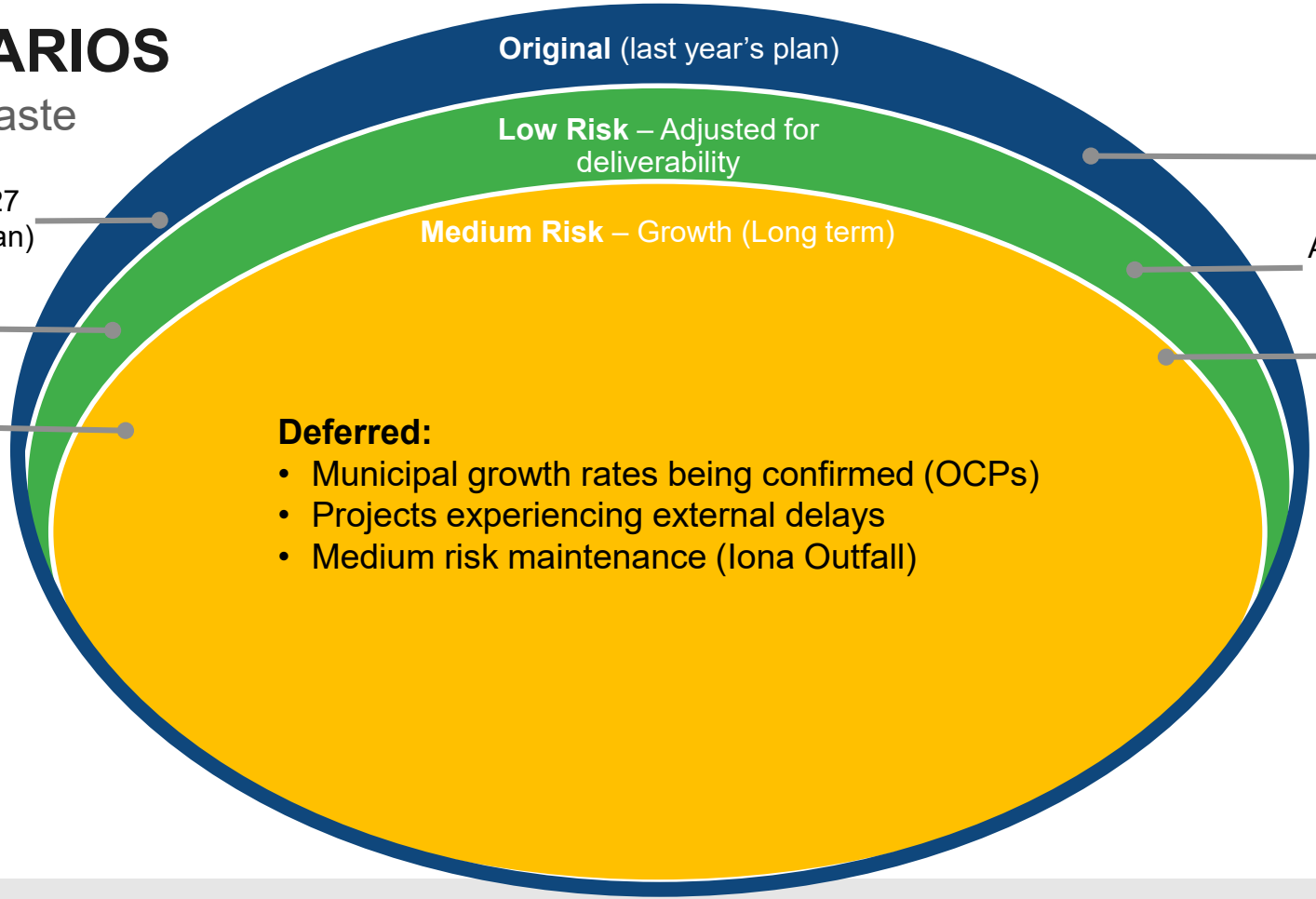
$3,681M

135 projects

Adjustments to 94 projects

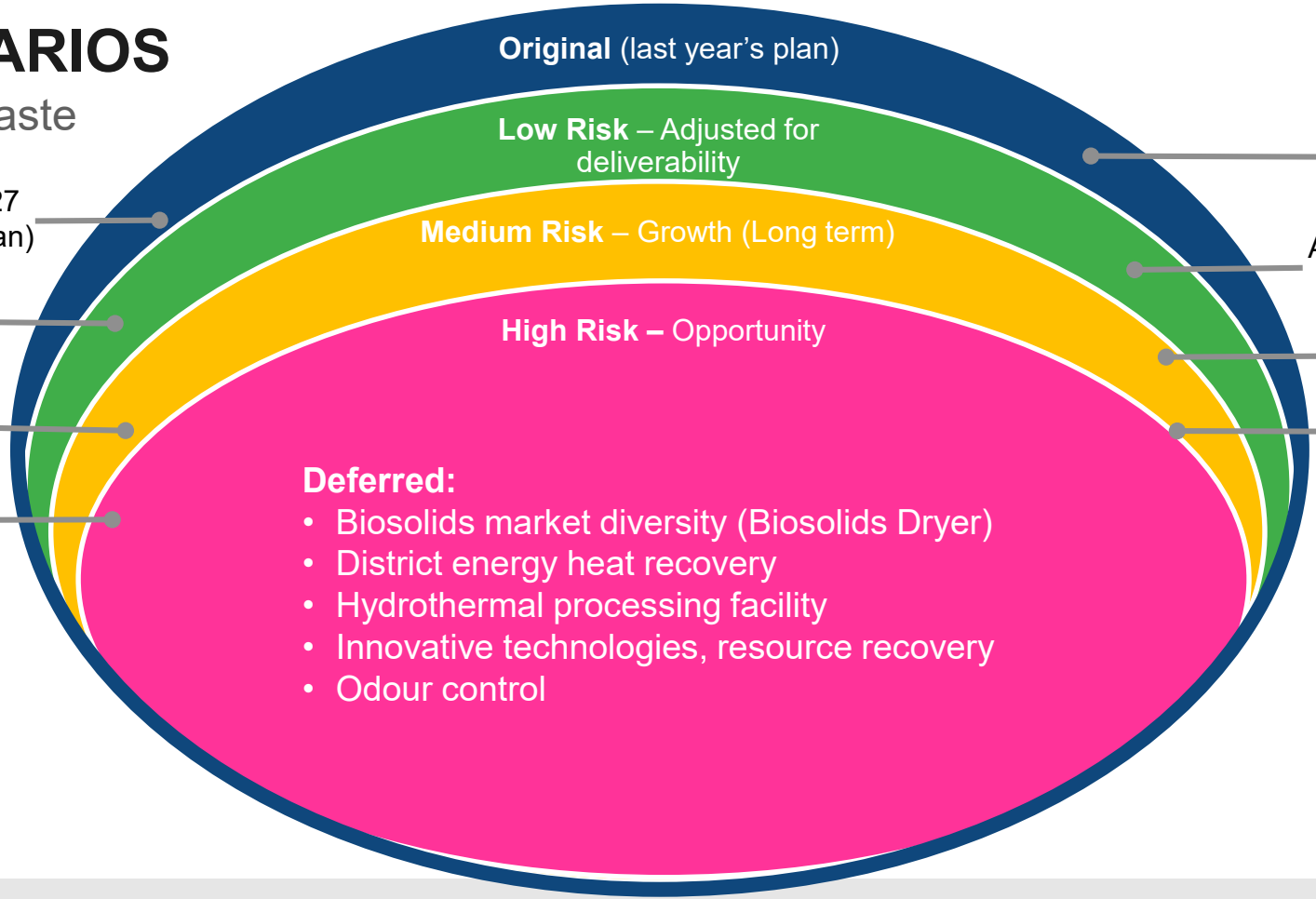
SCENARIOS

Liquid Waste



SCENARIOS

Liquid Waste



$4,048M 2024-2027 (2023 Financial Plan)

$3,681M

$3,599M

$3,348M

135 projects

Adjustments to 94 projects

5 projects

10 projects

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Liquid Waste

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Adjustments to 94 projects

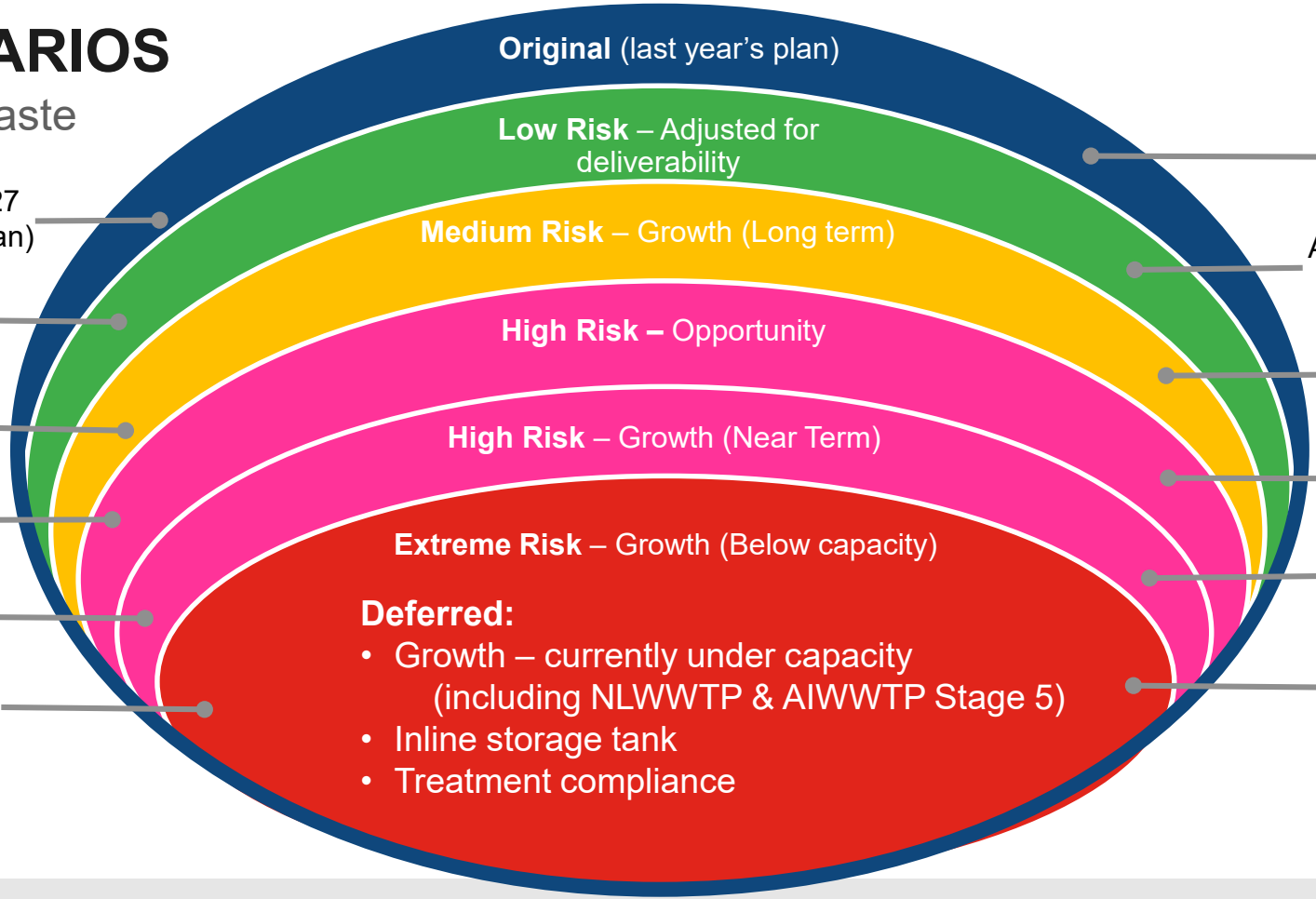
5 projects

10 projects

6 projects

SCENARIOS

Liquid Waste



$4,048M 2024-2027 (2023 Financial Plan)

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$1,932M

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5 projects

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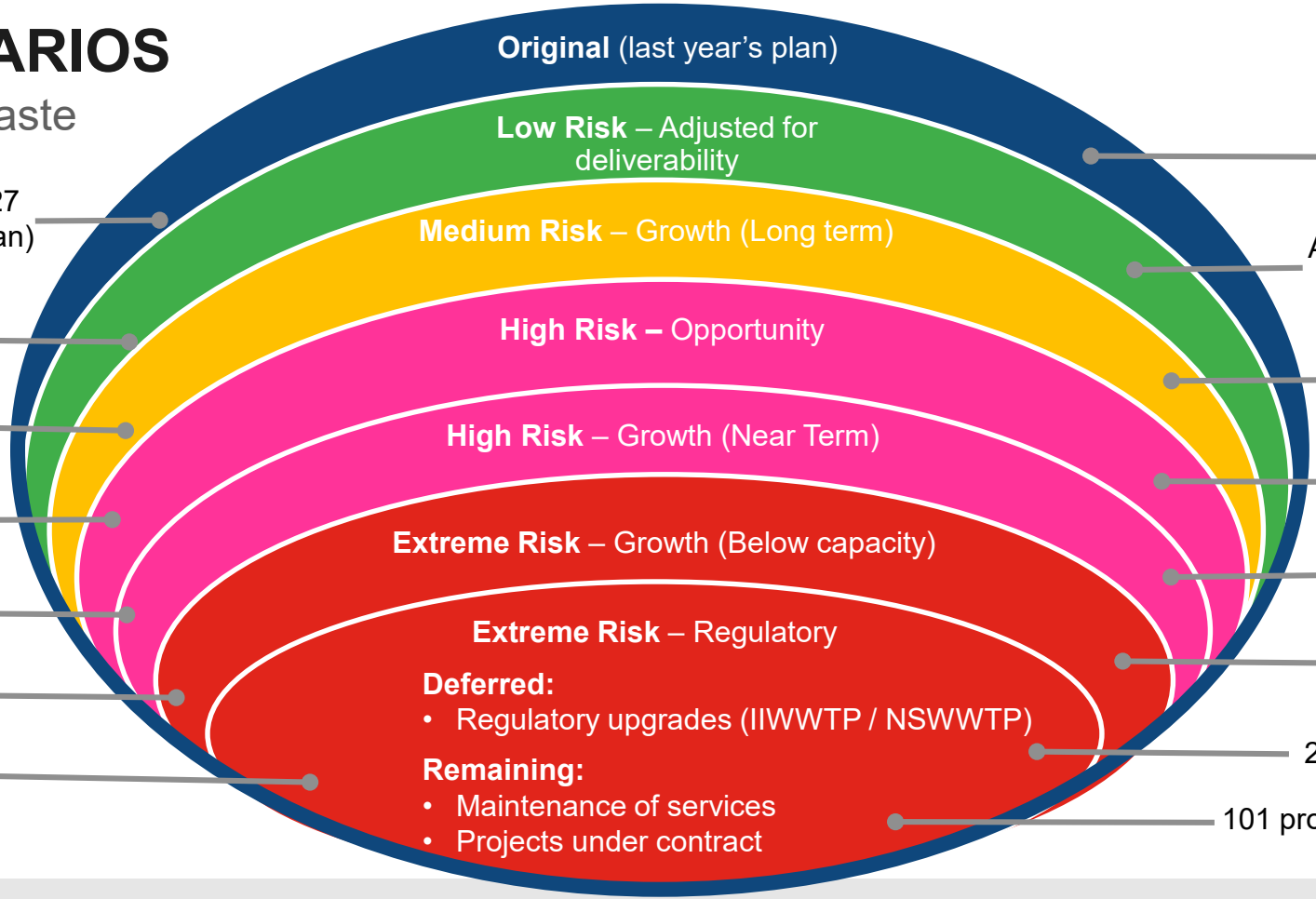
SCENARIOS

Liquid Waste



$4,048M 2024-2027 (2023 Financial Plan)

$3,681M

$3,599M

$3,348M

$3,249M

$1,932M

$721M

135 projects

Adjustments to 94 projects

5 projects

10 projects

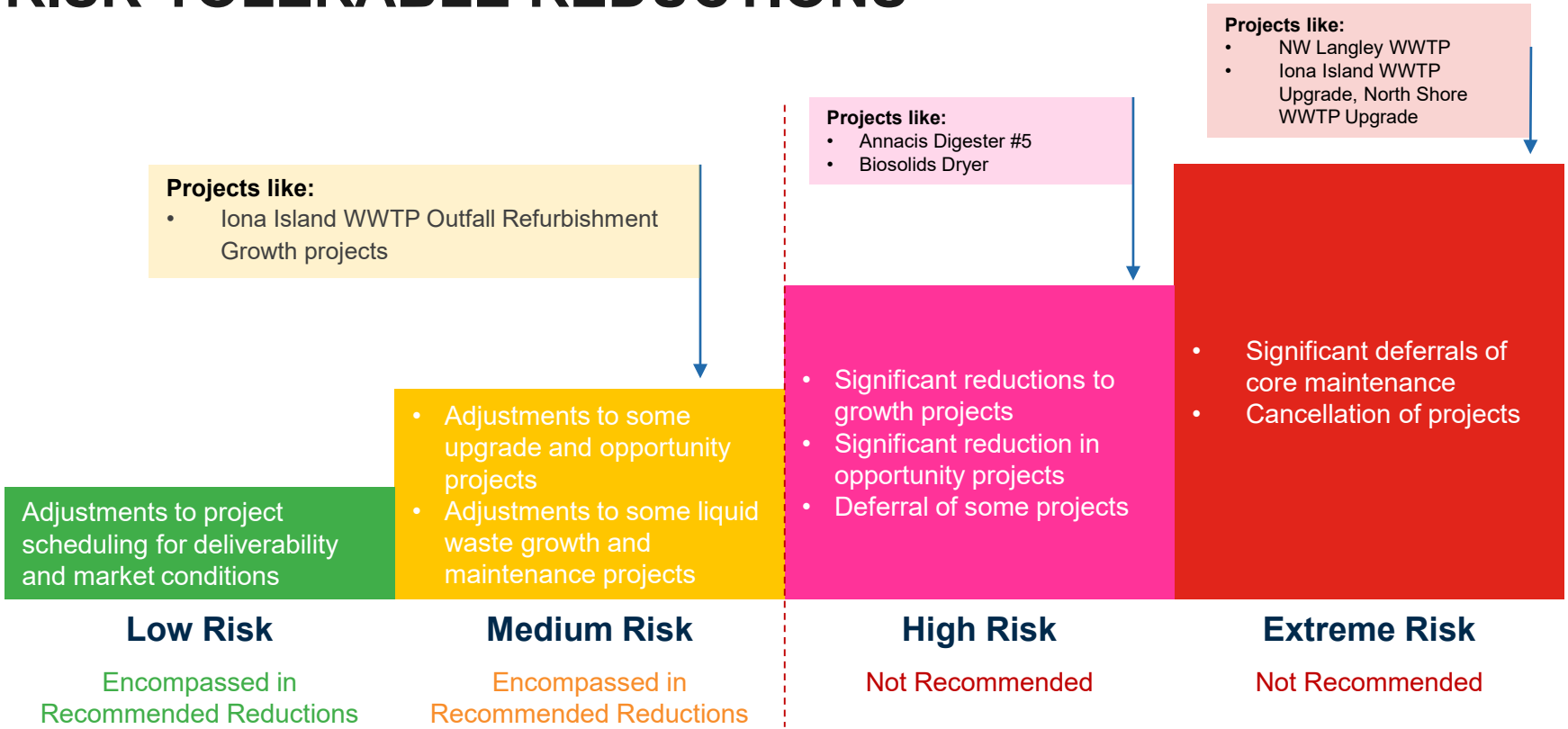
6 projects

11 projects

2 projects

101 projects

RISK-TOLERABLE REDUCTIONS



Adjustment 2: Water Capital Program

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SCENARIOS

Water

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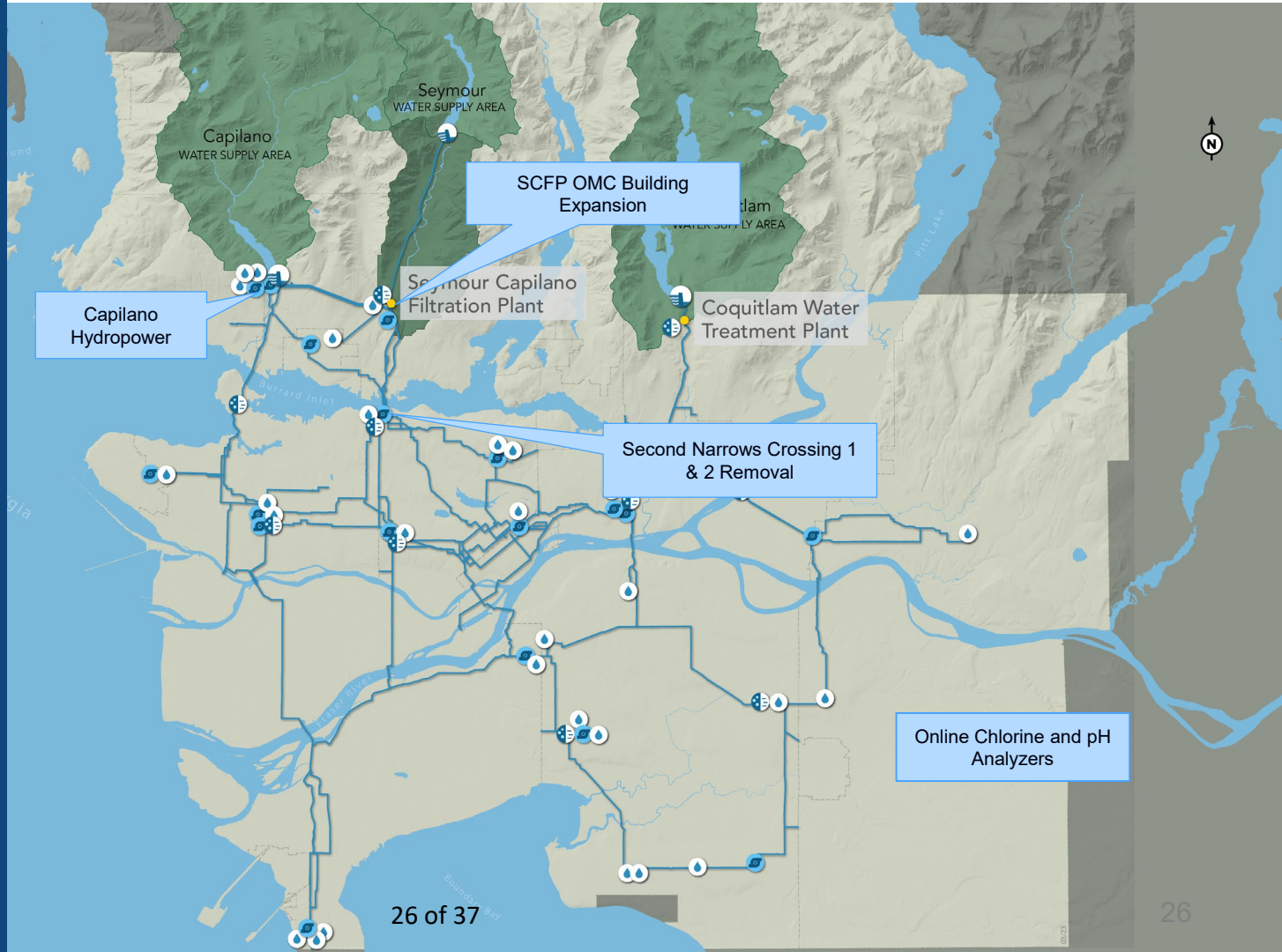
SCENARIOS

Water

Medium Risk Projects for Deferral Consideration
(Upgrade & Opportunity)

Risk:

- Impacts ability to continually improve, accommodate growing staff, and manage liability



SCENARIOS

Water

$2,296M 2024-2027 (2023 Financial Plan)

$2,113M

$2,095M

$1,977M

145 projects

Adjustments to 38 projects

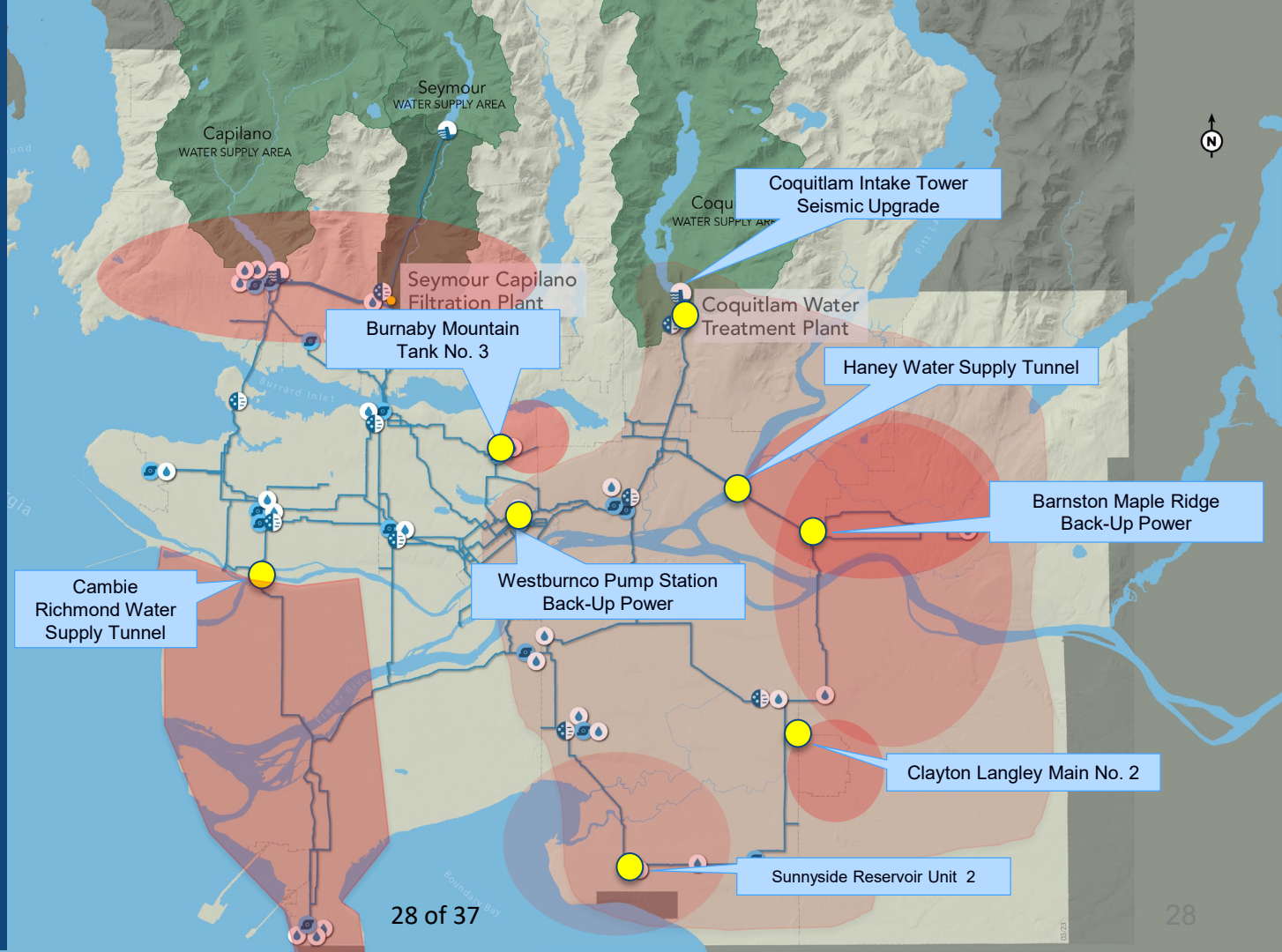
4 projects

8 projects

High Risk Projects for Deferral Consideration (Resilience)

Risk:

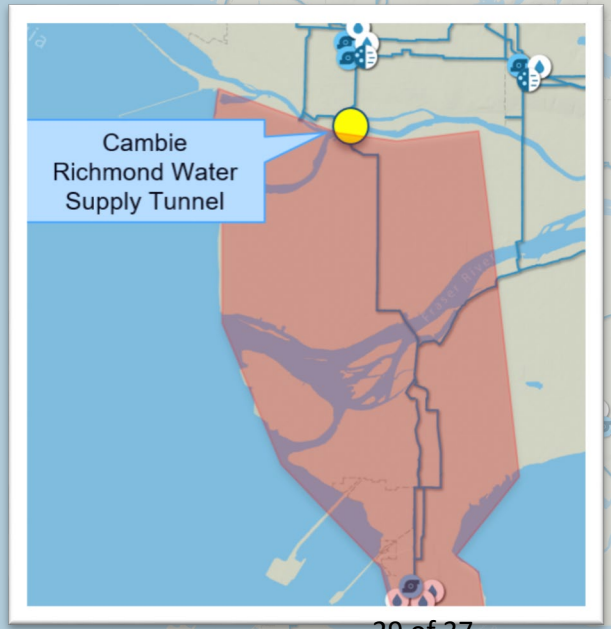
- After an earthquake it will take years to restore drinking water
- During a power outage, risk maintaining water supply pressure, particularly in summer
- Will continue to lack redundancy at certain locations, relying on aging infrastructure



Example of Resilience Risk:
Cambie-Richmond Water Supply Tunnel

Risk:

- Richmond isolated by water bodies
- No reservoirs in Richmond
- If bridges/tunnels affected, drinking water trucks might not reach area
- Could take years to repair crossing and restore full drinking water service to the area
- May not have water available to fight fires



SCENARIOS

Water

$2,296M 2024-2027 (2023 Financial Plan)

$2,113M

$2,095M

$1,977M

$1,842M

145 projects

Adjustments to 38 projects

4 projects

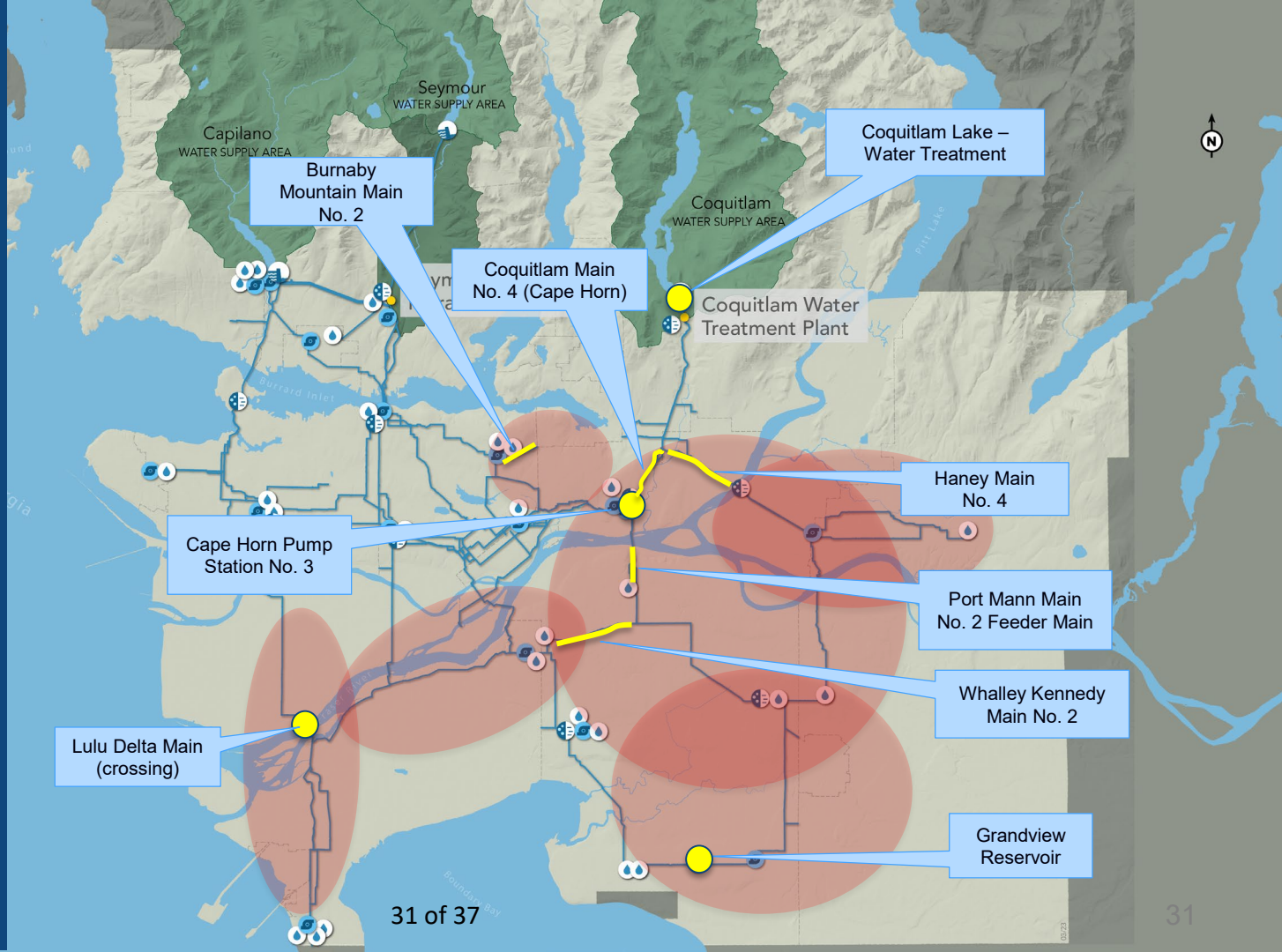
8 projects

10 projects

Higher Risk Projects for Deferral Consideration (Growth)

Risk:

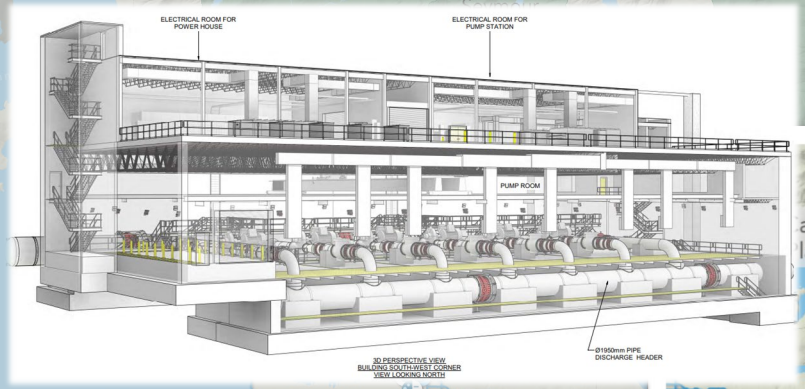
- Increased likelihood of water supply interruptions at either a member jurisdiction or regional level
- Increased likelihood of member jurisdictions not meeting fire flow requirements in their system, particularly at the system extremities
- More frequent and severe water restrictions – which has detrimental impacts on business like landscapers, pressure washers, etc

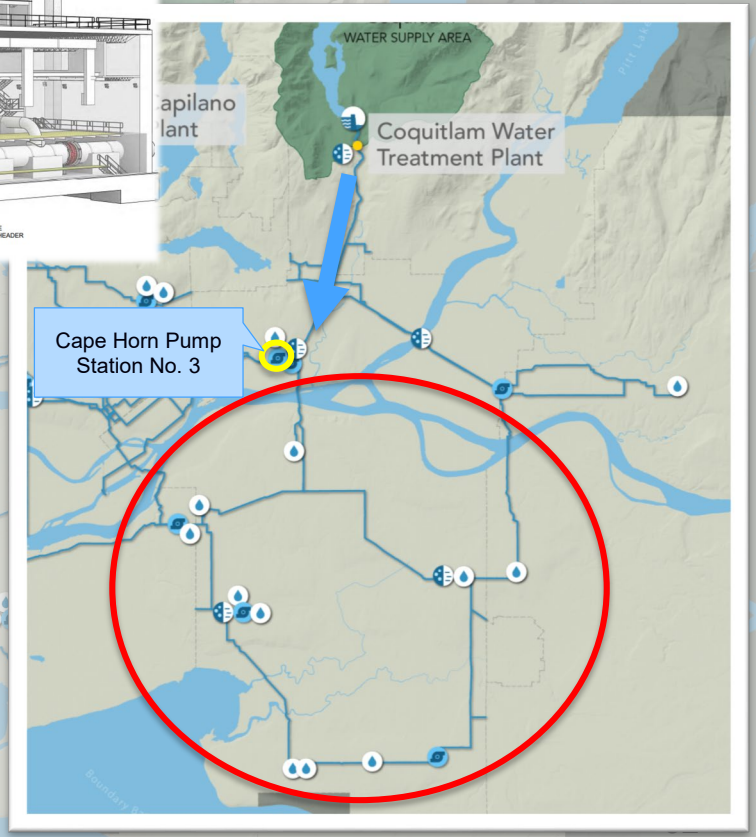


Example of Growth Risk: Cape Horn Pump Station #3

Risk:

- Will struggle to meet Surrey demands during summer in the next decade
- More frequent and severe water restrictions will be needed to offset demands





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145 projects

Adjustments to 38 projects

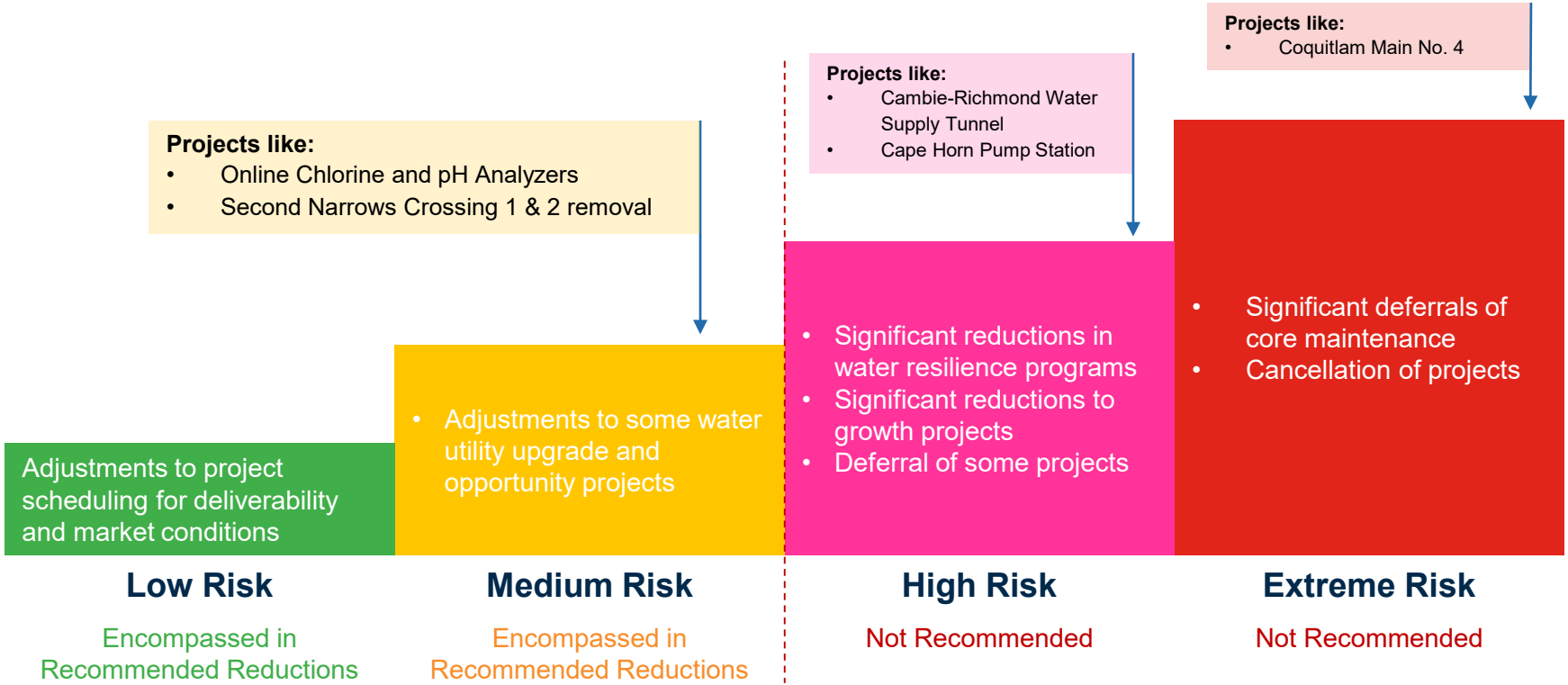
4 projects

8 projects

10 projects

47 projects

RISK-TOLERABLE REDUCTIONS



Adjustment 3: Change to DCC Approach

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ADJUSTMENT 3: CHANGE TO DCC APPROACH

↑ **Increase:** Liquid Waste DCC to 1% assist factor with interest

↑ **Increase:** Water DCC to 1% assist factor with interest

\+ **NEW:** Regional Parks DCC with 1% assist factor

Seymour Falls Dam

Questions?

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