



Metro Vancouver

Board Budget Workshop

2025 BUDGET AND 5-YEAR FINANCIAL PLAN

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Board Budget Workshop, April 17, 2024

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TODAY'S OBJECTIVES



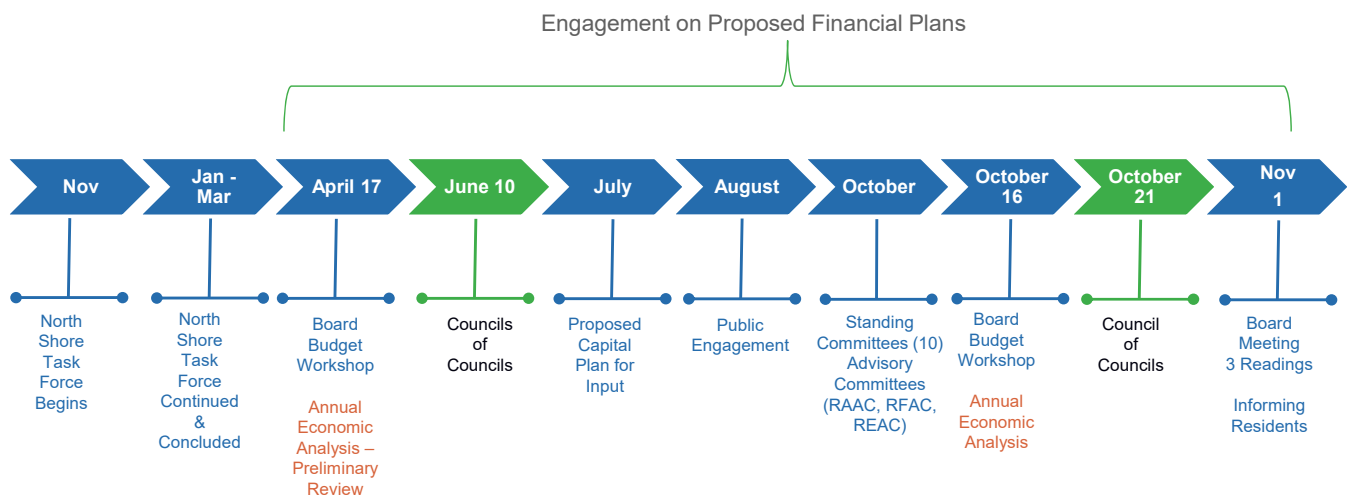
- Present process, timeline, and background information on:
 - 2025 Budget
 - 2025-2029 Financial Plan
- Seek Board direction for the preparation of the above

AGENDA



- 2025 Budget Process and Timeline
- Current Financial Planning Environment
- Prior Year’s Board Direction
- New Realities Influencing Next Budget / 5-Year Financial Plan
- 2025 Budget Approach and Strategy

2025 BUDGET CYCLE TIMELINE



STRATEGIC PRIORITIES

- Financial Sustainability and Affordability
- Climate Action
- Resilient Services and Infrastructure
- Reconciliation
- Affordable Housing

Budget Process & Timeline



COMMUNICATIONS AND ENGAGEMENT

- Website; one pager
- Video, print ad
- MetroUpdate newsletter article
- Annual news release
- Included in communications throughout the year
- Live stream Committee and Board meetings
- Public engagement
- Regional Advisory Committees

Budget Process & Timeline

Metro Vancouver Budget | 2024 Overview

Financial Plan Overview

Metro Vancouver provides services that are key to the prosperity, resilience, equity and livability of the region. These include providing drinking water, wastewater treatment, and solid waste management. Metro Vancouver also regulates air quality plans for urban growth, manages a regional parks system, provides affordable housing, and serves as a regional laborator.

Metro Vancouver embraces a culture of continuous improvement, and in 2024 led an extensive evaluation of the capital program which resulted in a reduction of \$65 million in capital cash flows required for the future. The majority of Metro Vancouver's operating and capital budgets are financed through utility fees for drinking water supply, sewerage, and solid waste management.

2024 Budget at a Glance

- \$2.6 billion: Total combined expenditures planned for 2024
- \$1,206 billion for operating
- \$1,422 billion for capital
- \$696: Approximate average household cost (Household impact*) for all regional services (a 12% increase)
- Less than previously projected 14.2% increase of \$711 for 2024
- Over four years, increase reduced to only 5% increase
- \$75: Increase in household impact over 2023 (Water \$12, Liquid Waste \$52, Solid Waste \$11, WARD \$8)
- Major projects and initiatives include: Coquitlam Water Main and Supply Projects, wastewater treatment plant upgrades (Surrey Island, North Shore, Tofino/Island, Langley, Annesley), affordable housing projects, parks separation, reconstruction
- New development cost charge rates will support a principle that growth pays for growth

Approximate average cost per household*

	Per Year	Per Month
Regional Planning	\$4	\$0.33
Air Quality Management	\$7	\$0.58
Regional Parks	\$0	\$0
Solid Waste Services	\$68	\$5.60
Drinking Water Services	\$139	\$11.75
Liquid Waste Services	\$349	\$29.08

Where the Money Comes From

Metro Vancouver is a combination of 27 municipalities, some divided into one or more First Nations that collaborate to plan for and deliver regional scale services. The revenue mix is a combination of 27 municipalities, some divided into one or more First Nations that collaborate to plan for and deliver regional scale services. Metro Vancouver also regulates air quality plans for urban growth, manages a regional parks system and provides affordable housing. The regional district is governed by a Board of Council of about 20000 from each local municipality.

Public Workshop

About the budgeting process



Current Financial Planning Environment

Current Environment

Pitt River Greenway

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GLOBAL ECONOMY: RECENT ECONOMIST UPDATES

Current Environment

- Greater uncertainty than ever
- Differences between overall path between US and Canada
- Standard of living and productivity is dropping in Canada relative to the U.S.

Key Observations

- Slowing Canadian economy
- Private businesses closing – employment dropping
- Increase in credit card debt and delinquency
- Pressure or slow consumer spending (ability and / or willingness to spend)
- Direct impact on the GDP and the overall structural deficit in Canada
- Government not bringing in much revenue to fuel the economy
- Too much debt and rising costs risk
- Immigration at unsustainable levels
- Increasing rent costs
- Starting to see price stability in some areas, but still some risk on inflation
- Canadians still paying mortgages but warning signals on debt refinancing risk

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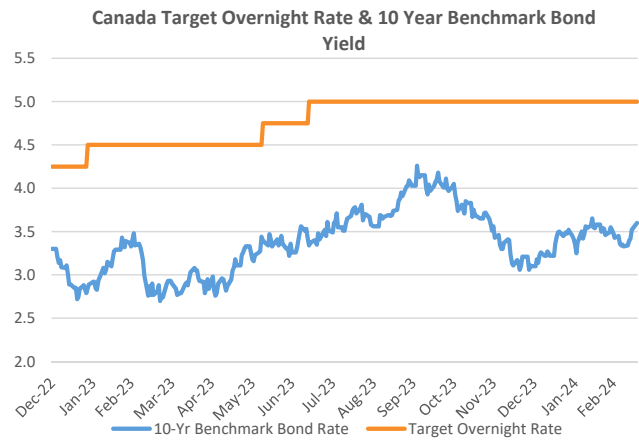
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CANADA OVERNIGHT RATE PROJECTION AND BENCHMARK BOND YIELD



Quarter	Overnight	3-month	2-year	5-year	10-year	30-year
15-Feb-24	5.00	5.02	4.23	3.66	3.52	3.38
Q1 2024	5.00	5.00	4.20	3.65	3.55	3.40
Q2 2024	4.75	4.60	4.00	3.50	3.45	3.30
Q3 2024	4.25	4.05	3.65	3.25	3.25	3.20
Q4 2024	3.75	3.45	3.25	2.95	3.00	3.05
Q1 2025	3.00	2.85	2.70	2.60	2.75	2.85
Q2 2025	2.75	2.65	2.60	2.55	2.70	2.85
Q3 2025	2.75	2.70	2.70	2.75	2.90	2.95
Q4 2025	2.75	2.70	2.80	2.90	3.05	3.10

Source: National Bank of Canada

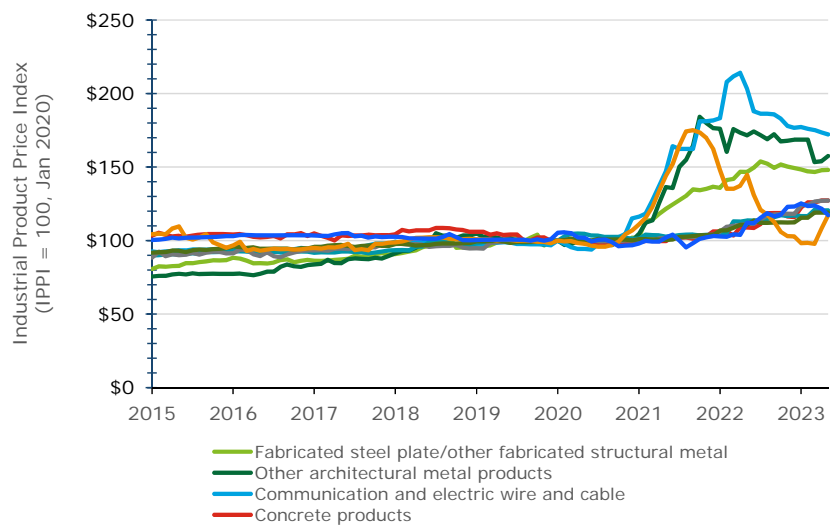


Source: Bank of Canada

MARKET CONDITIONS



- Inflation volatility
- Supply chain risks
- Scarcity of resources
- Aging infrastructure
- Long-term planning
- Growth
- Resilience / Climate



MACRO-ECONOMIC FINANCIAL RISKS

And Mitigation Measures



Financial Risk	Mitigation Strategy
Inflation (multiple sources)	<ul style="list-style-type: none"> • Review and examine project timing • Review escalation annually • Use pay as you go
Interest Rates	<ul style="list-style-type: none"> • Use short-term borrowing • Locking in long term rates when appropriate • Explore alternative investments through MFA

CHALLENGES FACING METRO VANCOUVER

And Mitigation Measures



Challenges	Mitigation Strategies
Capital Needs and Major Projects	<ul style="list-style-type: none"> • Long-term financial planning • Cost estimating framework • Procurement strategies • Working with regulators • Review timing of projects • Examine alternate revenue sources • Partnership funding • Review scope and timing of projects
Population Growth	<ul style="list-style-type: none"> • Examining impacts to infrastructure • Regular updates to DCCs • Alignment with member jurisdictions
Complexity of Work	<ul style="list-style-type: none"> • Continuous improvement • Key performance indicators

CAPITAL PROJECTS

Prior Board Direction

- ~300 capital projects
- Ranging in duration and cost
- Driven by: regulation, growth, maintenance

GREATER VANCOUVER WATER DISTRICT
CAPITAL PORTFOLIO
WATER SERVICES
2024 CAPITAL BUDGET AND 2024 - 2028 CAPITAL PLAN

GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT
CAPITAL PORTFOLIO
LIQUID WASTE SERVICES
2024 CAPITAL BUDGET AND 2024 - 2028 CAPITAL PLAN

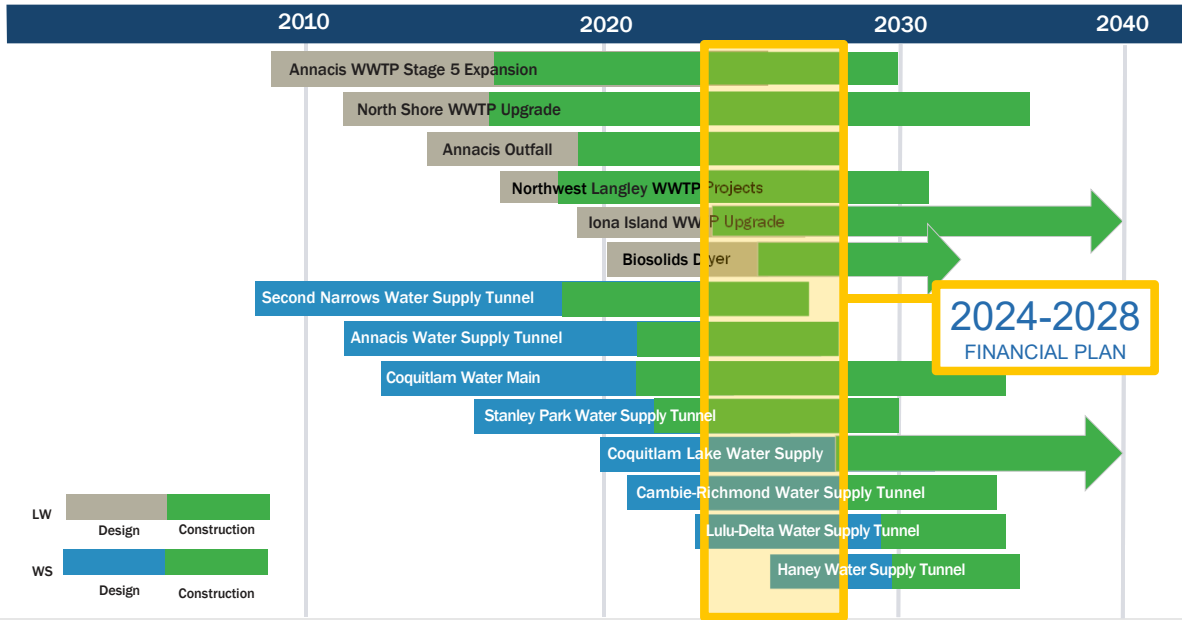
	CAPITAL BUDGET FOR APPROVAL	2024 CAPITAL	2025 CAPITAL	2026 CAPITAL	2027 CAPITAL	2028 CAPITAL	2024 TO 2028 TOTAL	ACTIVE	PRIMARY
Pump Stations									
Remission/Magpie Ridge Pump Station - Back-up Pw									
Remission/Magpie Ridge Pump Station Power Control									
Rumilly Mountain Pump Station No. 2									
Capitol Hill Pump Station No. 1									
Capitol Hill Water Pump Station - Back-up Power									
Capitol Hill Water Pump Station Regenerators (PR) Unit									
Capitol Hill WPS System Enhancement									
Grandview Pump Station Improvements									
Newton Pump Station No. 2									
Palma Hill Pump Station System Upgrade									
Westhills Pump Station - Back-up Power									
Westhills Pump Station No. 2 WPS Replacement									
Total Pump Stations									
Reservoirs									
Remission Mountain Tank No. 2 and No. 3									
Capitol Hill Reservoir Condition Assessment and Up									
Capitol Hill Energy Recovery Facility (ERF) Repairs									
Capitol Hill Energy Recovery Facility Operational Upd									
Capitol Hill Reservoir Structural Improvements									
Capitol Hill Reservoir									
Dechlorination for Reservoir Overflow and Underd									
Pharmaceutical Reservoir									
Grandview Reservoir (GR) No. 2									
Welling Tank No. 2									
Remission Reservoir No. 1 Structural Improvements									
Palma Hill Reservoir No. 3 System Upgrade									
Palma Hill Reservoir System Upgrade									
Reservoir Inlet Valve Automation									
Reservoir Sampling Station - Multi Location									
Reservoir Structural Preliminary Assessments									
Seawall Reservoir Rehabilitation									
Stanley Park Reservoir (SR) Level 2 System Upgrade									
Vanouver Heights System Redundancy Improvement									
Total Reservoirs									

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*Pages 6 and 19 of 2024-2028 Financial Plan, examples of lists of projects

MAJOR CAPITAL INFRASTRUCTURE

Current Environment





FINANCIAL PLAN TASK FORCE: RECOMMENDATION



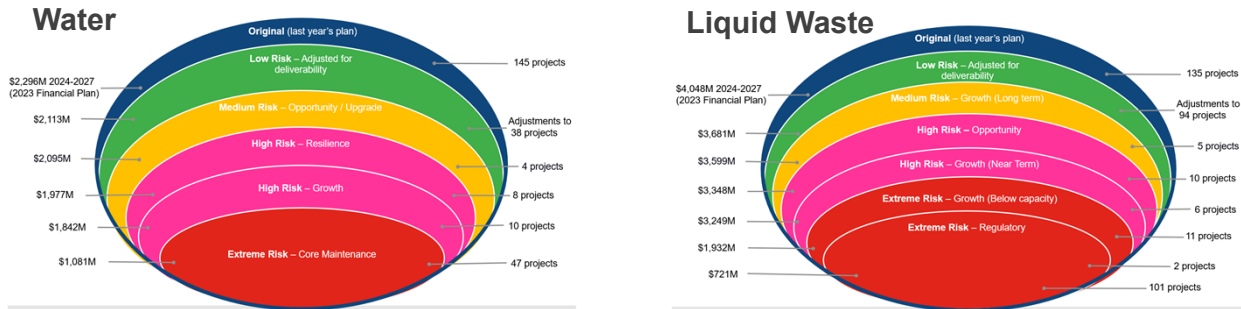
That the MVRD/MVHC/GVWD/GVS&DD Board at the April 19, 2023 Board Budget Workshop:

- a) Direct staff to proceed through the 2024 budget cycle with Household Impact (HHI) 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.

2023 TASK FORCE WORK TO REDUCE COSTS

Prior Board Direction

Identified \$650M in reductions by deferring low/medium-risk projects



Capital Adjustments	Total
Water	Reduced \$200M
Liquid Waste	Reduced \$450M
Total	Reduced \$650M

HHI RESULTS OF TASK FORCE WORK

Prior Board Direction

- Total average HHI for 2023 was \$623
- Total average HHI for 2024 was \$698

Year	Old Projection (as outlined in the 2023-2027 Financial Plan)	Task Force Target
2024	14.3%	12%
2025	14.1%	11%
2026	12.4%	5%
2027	12.1%	5%

BOARD APPROVED HOUSEHOLD IMPACTS 2024 – 2028



	2023	2024	2025	2026	2027	2028
Water District	\$177	\$189	\$203	\$214	\$219	\$223
Liquid Waste	\$297	\$349	\$406	\$443	\$479	\$514
Solid Waste	\$65	\$68	\$71	\$74	\$78	\$82
Regional District	\$84	\$92	\$94	\$82	\$78	\$77
Total Household Impact	\$623	\$698	\$774	\$813	\$854	\$896
% Change		12.0%	11.0%	5.0%	5.0%	5.0%
Prior Year Forecast		\$711	\$811	\$912	\$1,023	N/A
% Change		14.2%	14.1%	12.4%	12.1%	



New
Realities
Influencing
Next Budget

Burnaby Lake Regional Park

WHAT HAS CHANGED

Three key changes since 2024 budget process

1. Updated DCC bylaws
2. Accelerated population growth
3. North Shore Wastewater Treatment Plant Program budget needs



1. UPDATED DCC BYLAWS

- New DCCs approved by Board
 - 3 Year Phase-in starting Jan 1, 2025
 - In-stream protection for 12 months from bylaw adoption date of March 22, 2024
- Introduction of DCCs key to achieving the 5-year levy targets
- Will allow Metro Vancouver to raise \$ in subsequent budgets to support growth portion of projects
- Committed to twice annual economic impact analysis of DCCs to be done in April and October as part of the budget process





1. UPDATED DCC BYLAWS

Preliminary DCC Economic Analysis

- Actual impacts will vary across different sites, depending on dynamics of local market
- Results of initial analysis, based on full implementation of DCCs
 - Unlikely to impact high rise strata apartments
 - No impact on non-market rental
 - More analysis required on potential impacts on other housing types
 - More analysis for impacts of housing legislation
 - More analysis on expansion of affordable housing waiver

1. UPDATED DCC BYLAWS

Ongoing DCC Waiver Review

- Exploring expanded eligibility for DCC Waivers to units built by private (for-profit) developers building affordable/social housing to be transferred to a non-profit upon completion
 - Estimate that the number of units to receive a waiver would increase by 280-360 / year
 - Estimated ten year impact on DCC revenues = between \$55 million and \$70 million (\$5 - \$7 million per year)

1. UPDATED DCC BYLAWS

Other Considerations

- Jericho Reservoir Phase 2, a future growth project, planned to be paid for up front by:
 - City of Surrey (2023 \$2M, 2024 \$2M, 2025 \$2M) and
 - Township of Langley (2023 \$4M, 2024 \$4M, 2025 \$4M) prior to Water DCCs

- Needs resolution

2. ACCELERATED POPULATION GROWTH

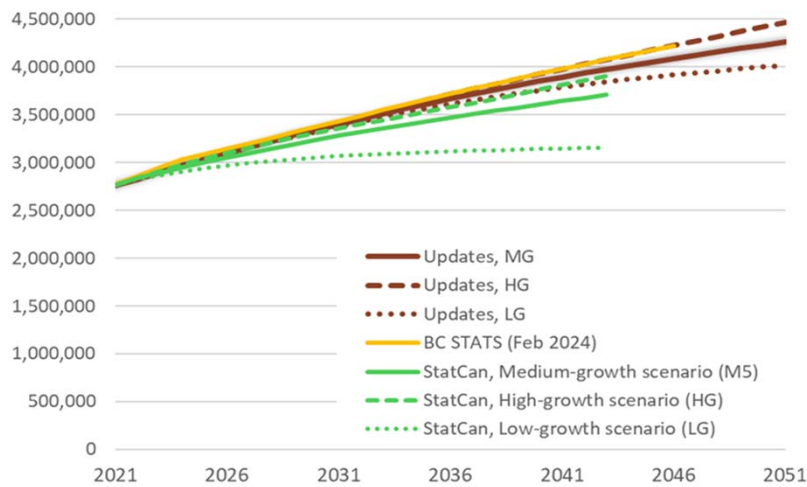


- Region growing faster than previously projected

- Metro Vancouver in the process of updating population projections to take into consideration federal and provincial policy changes

- Early analysis projects that we'll continue to grow by over 50,000 new residents a year (up from previous set of projections at 35,000)

2. ACCELERATED POPULATION GROWTH



3. NSWWTP PROGRAM BUDGET RESET



- Program required budget increase of \$2.8B (to \$3.86B total)

Sewerage Area	Incremental Household Impact (for \$2.8B)
North Shore (NSSA)	\$725
Vancouver (VSA)	\$140
Lulu Island (LIWSA)	\$70
Fraser (FSA)	\$80

*Estimate based on current cost apportionment bylaws and amortization periods for debt financing at ~4.5% interest over the term



5-YEAR FINANCIAL PLAN APPROACH AND STRATEGY

- Prior to North Shore WWTP Program budget reset, current financial plan targets of 11%, 5%, 5%, 5% were attainable without high risk capital plan changes
- Staff have modelled various scenarios to support Board discussion
- Two issues to discuss:
 - Organizational approach to 5-Year Financial Plan
 - Allocation of updated North Shore WWTP Program (\$2.8B) costs

5-YEAR FINANCIAL PLAN SCENARIOS



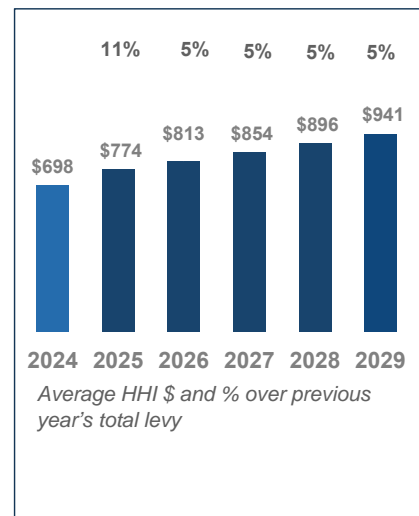
1. Adjust capital plan to maintain previous direction
2. Adjust 2025 levy to include NSWWTP Program Budget
3. Phase in levy for NSWWTP Program over three years

5-YEAR FINANCIAL PLAN SCENARIO 1



Adjust Capital Plan by \$2.3B to Maintain Previous Board Directed HHI

- Will meet Board endorsed HHI targets for 2024-2028 Financial Plan
- Subject to Government of Canada:
 - Approving an extended deadline for delivery of secondary treatment at Iona Island Wastewater Treatment Plant
 - By July 2024
- Existing 5-Year Financial Plan absorbs NSWWTP Program by:
 - Deferring projects based on current market
 - Requires deferral of projects categorized as high risk (including seismic water crossing upgrades)
 - Dramatically slow down cash flow for Iona Island Wastewater Treatment Plant Projects
- North Shore Sewerage Area levy remains disproportionately high
- **Significant risk and not recommended**

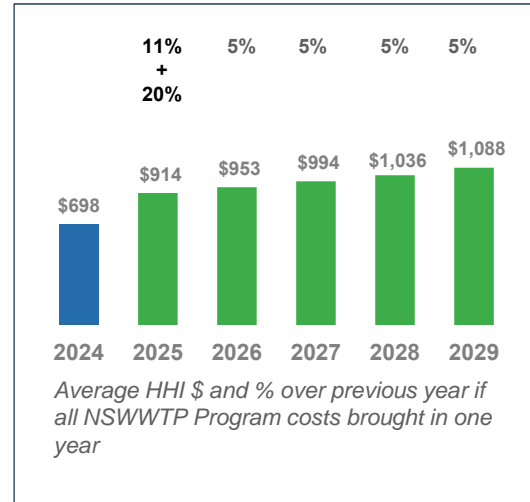


5-YEAR FINANCIAL PLAN SCENARIO 2



Adjust 2025 levy to include adjusted NSWWTW Program Budget

- Substantial impact in first year, but reaches 5% HHI target by second year
- Achieve savings of ~\$90 million in debt servicing costs by front-loading levy
- Maintains current service levels and plans

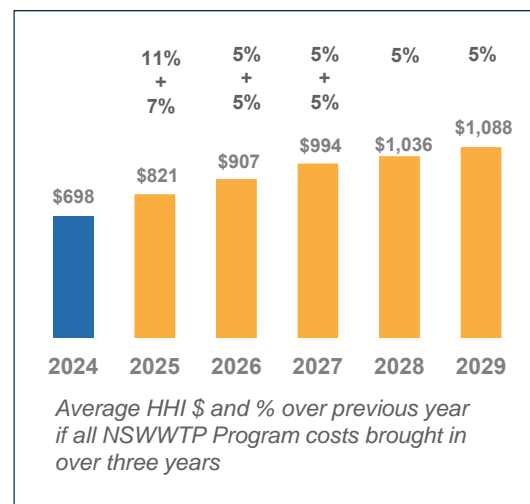


5-YEAR FINANCIAL PLAN SCENARIO 3



Phase in levy for NSWWTW Program Budget Over Three Years

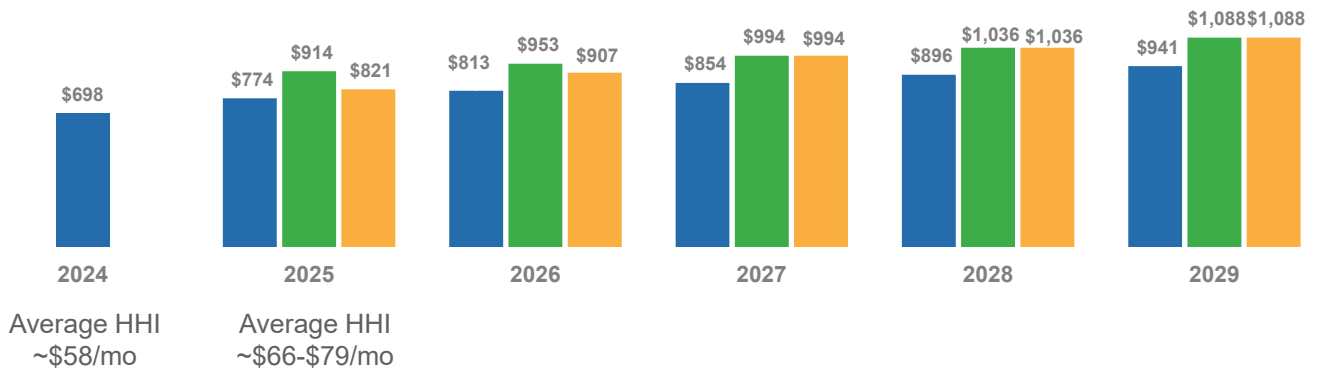
- Phases in HHI for ratepayers
- Will not meet HHI targets endorsed by the Board for the 2024-2028 Financial Plan
- Maintains current service levels and plans



FINANCIAL PLAN SCENARIOS: BY AVERAGE HHI \$

Options

- Scenario 1 **HIGH RISK, NOT RECOMMENDED**
- Scenario 2: Adjust 2025 levy to NSWWT Program
- Scenario 3: Phase in levy for NSWWT Program costs over three years



BOARD STRATEGIC PLAN

Options

- Evaluate the implications of moving to a single sewerage area over the long term (2021 Plan)
- Consider new categories of expenditures that could be allocated to members through Tier 3 cost apportioning (2024 Plan)



ALLOCATION OPTIONS



- A. Use current sewerage cost allocation
- B. Allocate household impact of NSWWTP Program (\$2.8B) equally across all sewerage areas

ALLOCATION OPTION A

Use Current Allocation Cost Allocation



- Sewerage area cost predictions as projected for NSWWTP Program HHI

	2024 Liquid Waste HHI	Incremental impact, current cost apportionment
North Shore (NSSA)	\$464	+\$725
Vancouver (VSA)	\$432	+\$140
Lulu Island (LIWSA)	\$295	+\$70
Fraser (FSA)	\$301	+\$80

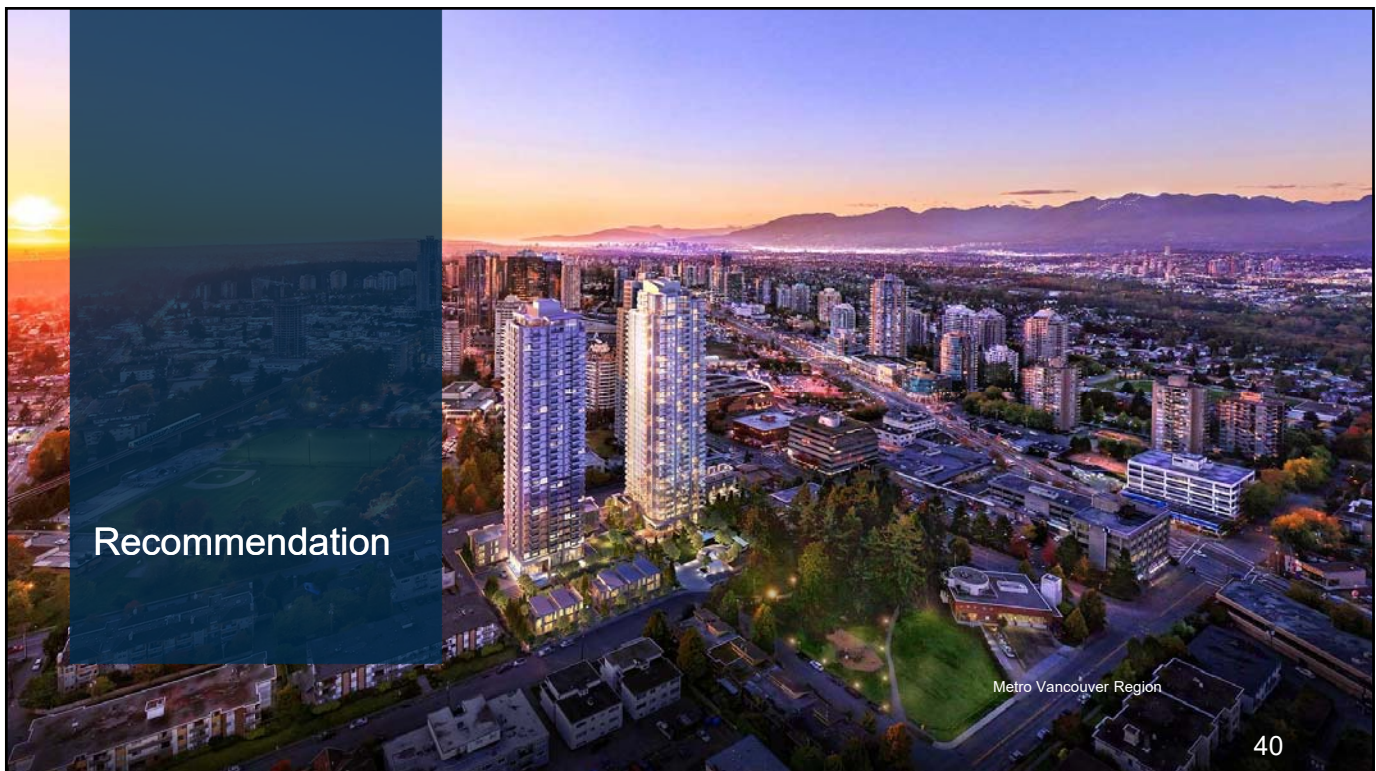


ALLOCATION OPTION B

Allocate Impact of NSWWTP Program Costs Equally Across Region

- Spread impact of additional cost of NSWWTP Program (\$2.8B) across all four sewerage areas
- Other projects keep using current Tier 1, 2, 3 model

	2024 Liquid Waste HHI	Incremental impact, regional spread of \$2.8B
North Shore (NSSA)	\$464	+\$140
Vancouver (VSA)	\$432	+\$140
Lulu Island (LIWSA)	\$295	+\$140
Fraser (FSA)	\$301	+\$140



RECOMMENDATION

That the GVWD Board direct staff to bring a report to the Finance Committee on the dissolution of the Water Supply Agreements for Phase 2 of the Jericho Reservoir between the Greater Vancouver Water District and the Township of Langley and between the Greater Vancouver Water District and the City of Surrey.

FOR CONSIDERATION

2025 levy to include NSWWTP Program updated budget + Equal HHI Across Region

That the MVRD/MVHC/GVWD/GVS&DD Board

- a) *Direct staff to bring forward an amendment to the GVS&DD Cost Apportionment Bylaw to include provisions to allocate the household impact of the \$2.8 billion cost required to complete the NSWWTP Program equally across the region; and*
- b) *Direct staff to include the total incremental household impact of the NSWWTP Program in the 2025 liquid waste levy as part of the 2025-2029 Financial Plan*

or

3-Year Phase in for NSWWTP Program updated budget + Existing Allocation

That the MVRD/MVHC/GVWD/GVS&DD Board direct staff to phase in the total incremental household impact of the NSWWTP Program over 2025, 2026, and 2027 as part of the 2025-2029 Financial Plan



First Nation Drum – Heather Place Opening



Thank You

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