
CORPORATE ALLOCATION

Effective Date: July 28, 2017

Approved By: MVRD Board

Policy No. FN-015

PURPOSE

To provide a framework for establishing the appropriate allocation of costs incurred by centralized support services in delivering support services to all business activities of Metro Vancouver's four legal entities.

DEFINITIONS

"Centralized Support Services" are services delivered by centralized departments to support all four Metro Vancouver legal entities and regional district functions through the following: Corporate Planning, Corporate Services, External Relations, Financial Services, Human Resources, and Legal and Legislative Services;

"Net Centralized Support Costs" means expenditures incurred by centralized support services that are net of any costs allocated directly to a legal entity or function and any revenues generated by the centralized support service; and

"Metro Vancouver Service" refers to a service provided by one of the four legal entities to which costs of centralized support services are allocated. The legal entities include the Metro Vancouver Housing Corporation (MVHC), Greater Vancouver Water District (GVWD), Greater Vancouver Sewerage and Drainage District (GVS&DD), which includes the legal functions of Liquid Waste and Solid Waste, and the Metro Vancouver Regional District (MVRD), which includes the statutory functions of Air Quality, Electoral Area, General Government, Labour Relations, Regional GPS, Regional Parks, Regional Planning, E911 Telephone Service, Regional Emergency Management and Sasamat Fire Protection Service.

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The *Local Government Act* requires that all costs incurred by a regional district in relation to a service, including the costs of administration attributable to the service, are part of the costs of that service. As such, rates, fees and charges must reflect the full cost of Metro Vancouver services to which they relate including those costs incurred by centralized support services. This Policy serves to appropriately account for all costs of providing Metro Vancouver services and matching those costs with supporting revenues.

All costs incurred by centralized support services will be allocated to the benefiting Metro Vancouver service utilizing a methodology approximating the level of service provided. The methodology for calculating corporate allocation based on an approximation of service level is provided below.

CORPORATE ALLOCATION PRINCIPLES

Every Metro Vancouver service utilizes resources of centralized support departments to some extent in the delivery of that service. The extent of centralized support may range from providing simple contract administration or Metro Vancouver Board and Committee support services, to more extensive support that includes human resources, legal, legislative, communications, financial, information technology, building operations, emergency planning and corporate safety services. The methodology for approximating the level of service provided by each these centralized support services is guided by the following principles:

- Efficient – the method and process of allocating net centralized support costs are easily administered, replicable and comprehensible
- Equitable – net centralized support costs are apportioned fairly across Metro Vancouver services and to the extent possible, upholds a user-pay approach for the level of service provided
- Consistent – net centralized support costs are allocated in a way that mitigates large fluctuations and ensures relative certainty, based on level of use
- Transparent – net centralized support costs allocated to Metro Vancouver services are clearly identified

Staffing and Business Activity Requirements

Within the guiding principles defined in this Policy is the understanding that the approximate level of service provided to a Metro Vancouver service is often measured by the impact of two primary factors: (1) number of staff or (2) level of business activity.

For example, those services with larger staff complements will require more centralized support in the areas of payroll, recruiting services, organizational support, benefit administration, IT computer support, training and head office building operations and therefore, will be allocated a higher proportion of these centralized support costs. Alternatively, services that incur significant capital expenditures and procurement activity will require more centralized support in the areas of purchasing, accounts payable, debt management, budgeting, accounts receivable, legal, business applications and corporate planning and consequently, will be allocated a higher proportion of these centralized costs.

To ensure the appropriate allocation of corporate costs, direct delivery services will be allocated a proportion of net centralized support costs based on their prior year operating budget using the parameters described above. Salaries and benefits will serve as indicators that reflect the number of staff supported while other expenditures will serve as indicators of the level of business activity.

Lower Impact Activity Requirements

Some budget items may inflate expenditures but have a lower overall impact on the requirement for centralized support services. These budget items include contributions to reserve, a portion of large

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third party operating contracts and MVHC long-term mortgages. In order to better reflect the level of service provided by the centralized support services, the calculation of apportionment costs in annual operating budgets will be adjusted for those budget items not requiring centralized support.

Specific Direct Service Activity Requirements

In cases where it can be demonstrated and quantified that a Metro Vancouver service receives a specific direct benefit from an activity, the associated costs will be allocated directly to that service. These costs typically include, but are not limited to, costs related to programs such as Metro Vancouver's pooled fleet vehicles and equipment acquisitions, external legal counsel services and contracted security services.

METRO VANCOUVER SERVICES – INTERNAL SERVICE DELIVERY

The majority of Metro Vancouver services are delivered to members through an internal direct service model. This means that Metro Vancouver staff are engaged in the direct delivery of the service, including most or all of the operating and capital activities. For these services, the proportionate allocation of net centralized support costs shall be apportioned as follows:

Greater Vancouver Water District (GVWD)

The GVWD will be allocated a proportionate share of the net centralized support costs based on its prior year's operating budget excluding centralized support cost allocation and contributions to reserve.

Greater Vancouver Sewerage and Drainage District (GVS&DD) – Liquid Waste

The Liquid Waste function will be allocated a proportionate share of the net centralized support costs based on its prior year's operating budget excluding centralized support cost allocation and contributions to reserve.

Greater Vancouver Sewerage and Drainage District (GVS&DD) – Solid Waste

The Solid Waste function will be allocated a proportionate share of the net centralized support costs based on its prior year's operating budget excluding centralized support cost allocation, 80% of large third party operating contracts and contributions to reserve. The adjustment for a portion of third party operating contracts is to reflect that they require a lower level of service compared to other business activities.

Metro Vancouver Housing Corporation (MVHC)

The MVHC will be allocated a proportionate share of the net centralized support costs based on its prior year's operating budget excluding centralized support cost allocation, contributions to reserve and 80% of annual mortgage payments.

Metro Vancouver Regional District (MVRD)

The MVRD functions of Air Quality, Electoral Area, General Government, Labour Relations, Regional GPS, Regional Parks and Regional Planning will be allocated a proportionate share of the net

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centralized support costs based on their prior year's operating budget excluding centralized support cost allocation, contributions to reserve and large one-time asset purchases.

METRO VANCOUVER SERVICES – EXTERNAL SERVICE DELIVERY

While the majority of Metro Vancouver services are provided through the internal service delivery model some regional services engage the use of an external service provider to deliver services to members through an external service delivery model. This means that Metro Vancouver staff are engaged to a lesser extent in the delivery of the service, its operating activities and its capital activities. For these services, the proportionate allocation of net centralized support costs shall be apportioned as follows:

E911 Emergency Telephone Service

E911 Emergency Telephone Service will be allocated net centralized support costs equal to 2% of its current year's operating program budget excluding contributions to reserve. This reflects the level of service associated with the administration of the E911 Telephone Service operating contract and routine finance support.

Regional Emergency Management

Regional Emergency Management will be allocated net centralized support costs equal to 5% of its current year's operating program budget excluding contributions to reserve. This reflects the level of service associated with the overall administration of the program, purchasing support and accounts payable.

Sasamat Fire Protection Service

Sasamat Volunteer Fire Service will be allocated net centralized support costs equal to 10% of its current year's operating program budget excluding contributions to reserve and large one-time asset purchases. This reflects the level of service associated with function management, fleet vehicle administration, procurement, accounts payable, payroll, budgeting and accounting.