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Manager’s Report to CAC, June 14, 2011
University Endowment Lands – 2011 Budget Update – Final Budget

Background:

On March 28, 2011, the CAC reviewed a draft budget that would have resulted in a significant tax increase. It included \$710,000 for a new contribution to capital reserve. The CAC agreed with the need to begin to increase annual contributions to the capital reserve, but were concerned about the size of the tax increase.

The Administration conducted a review of the budget and priorities for 2011/2012 and reduced the proposed \$710,000 new contribution to capital reserve to \$450,000. In addition, cost savings were found in a number of other parts of the administration. The revised budget was endorsed by the CAC at its meeting on April 20, 2011.

The final budget used to determine the amount of revenue to be collected from UEL taxpayers for 2011/2012 is attached.

1. Key points about the 2011/2012 Budget:

The budget for 2011/2012 continues to reflect the ongoing strategy to modernize the operation of the UEL to meet current challenges. It acknowledges that the UEL Administration does not have the economy of scale necessary to do the work required to sustain the community at this time. The issues that confront the UEL, especially with respect to aging infrastructure require different delivery solutions. This budget begins to reflect the shift to a partnership model in which fewer UEL staff increasingly oversee the planning and implementation of plans undertaken by others rather than carrying out the work themselves.

This budget also continues to recognize that capital infrastructure will require significant expenditure over the next 20 to 30 years and a capital reserve is essential to finance the work. In 2010, UEL contracted with Urban Systems to conduct an assessment of critical municipal assets and prepare an “Asset Management Investment Plan”, including: water system, sanitary sewer system, stormwater system, combined sanitary-storm system, and roadway system. The assessment concluded that most systems would require replacement over the next 20 years at an estimated cost of \$35 million. The Plan suggests that to be sustainable, an average annual investment of \$747,000 is required for capital replacement purposes.

The Plan was presented to the Community Advisory Council at its meeting in December 2010. CAC members indicated that they understood the importance of beginning to allocate funds for this purpose now. Annual capital contributions will be required on an ongoing basis into the foreseeable future. The annual amount will depend on the evolution of the capital infrastructure and replacement plan.

In 2011/2012 no major capital projects will be undertaken. An updated 10-year capital infrastructure rehabilitation and replacement plan to guide expenditures will be prepared. Beyond 2011/2012, additional funds for expert help will be required to get work on the ground completed, given the limited capacity of the UEL administration to undertake/manage work of this scale.

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2. Highlights and/or changes in the budget are outlined below.

Staffing:

- Costs have decreased by about \$40,500, reflecting the fact that wages were frozen and changes in the staffing strategy that have either eliminated positions or deferred hiring. Total costs, including benefits and overtime will be \$1,178,055 in 2011/2012; in 2010/2011 costs were \$1,218,532.

Water and sewerage costs:

- Water costs are tied to Metro Vancouver's water pricing which has increased significantly. Water costs are recovered through revenues collected from residents and from UBC.
- Sewerage costs relate to water usage and have decreased slightly to reflect a drop in water consumption.

Operational contracts:

- Commissionaires' contract increased by \$11,000 to reflect new hourly rate and added hours for parking and some weekend enforcement at the recycling yard as part of the transition to curb-side recycling services.
- External contracts budget increased from \$35,000 to \$50,000 to reflect increased reliance on outside contractors (e.g. for major repairs); eliminating the need to hire more full time staff.
- \$50,000 allocated for ongoing work on the UEL bylaw and to cover planning consultant costs for advice on major development projects, including Block F and Regent College.
- \$10,000 for a contract with the City of Vancouver to provide curb side recycling services in Area C. Funds remain to manage the recycling yard until the curb side alternative becomes viable for Areas A and B.
- \$100,000 to continue the tree management program begun in 2009/2010.
- New \$100,000 allocation for consulting services associated with ongoing other professional services; the focus this year will be on the preparation of a new 10-year infrastructure rehabilitation and replacement program.

Capital Reserve:

- \$450,000 in new taxpayer funding has been added to capital in response to the "Asset Management Investment Plan". When combined with \$255,000 in unspent taxpayer funded revenue from 2010/2011, the total contribution to capital in 2011/2012 will be \$705,000. This will bring the total capital reserve to just over \$2,000,000 when revenue carried forward from previous years is included.
- The \$255,000 in unspent taxpayer funds is largely attributable to salary savings and a decision not to proceed with the purchase of a back hoe. The new back hoe will not be required due to a shift to the use of external contractors to undertake major works.

External Cost Recovery:

- Fire Services: In 2010/11, UEL residents' share of fire services costs increased from \$314,000 to \$380,000 (or 7%) of the total \$5,503,670 Fire Services contract between the City of Vancouver Fire and Rescue Services and the Province of British Columbia. This was stage 1 of a plan to increase UEL residents' share of the fire services budget to the cost of fire and rescue services in most Lower Mainland municipalities, including the City of Vancouver (about 10 percent of the municipality's operational budget). Based on the approved 2010/11 budget for the UEL of \$8 million minus the cost of water, \$500,000 for fire services in the UEL would have been in line with other jurisdictions. For 2011/12, the UEL share of fire service costs is \$420,000 (about 7% of the total UEL Fire Department budget of \$5,960,000).

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- Corporate Administration: Current estimate suggests Ministry spends about \$200,000 to provide services to the UEL some of which are not cost recovered. Elimination of the \$60,000 provincial grant in 2010/2011 began to recognize this. Public Service Agency and systems costs of \$55,000 directly attributable to the UEL have been included in the UEL budget for the last 3 years. The balance should be accounted for in future budgets. Given the current pressure to create a sustainable capital reserve, this initiative has been postponed.

3. Overall Impact of Budget and Taxes for 2011/2012:

- The attached "residential budget" compares 2010/2011 and 2011/2012 budgets, including both expenditures and revenues.
- Expenditure budget for 2011/2012 shows an increase of \$210,513 over 2010/2011. However, this includes capital that was carried over from previous years. When revenues, including the capital reserve from previous years plus the \$255,000 contribution to capital reserve from 2010/2011 are factored into the budget, the taxpayers' share of the budget actually decreases by about \$54,000.
- The average net taxable value of a single family dwelling in the UEL increased from \$2,839,912 in 2010 to \$3,596,707 in 2011, an increase of \$756,795 or 26%. At the same time, the assessment for the *residential vacant*, *residential other*, and *recreation/non-profit* classes decreased by about \$19,000,000. The most significant change is a \$15,000,000 reduction in value of the *residential vacant* class from \$167,301,000 in 2010 to \$152,180,000 in 2011. This means that the *single family* class bears a larger portion of the tax than last year.
- As a consequence, the \$54,000 decrease in residential taxes results in a tax increase of about 5% for the average single family home. In 2011 the municipal tax on the average single family home would be around \$4,000.00.

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Final 2011/2012 UNIVERSITY ENDOWMENT LANDS RESIDENTIAL BUDGET*					
RESIDENTIAL EXPENDITURES		2009/2010	2010-2011	2010-2011	2011-2012
		Actual	Budget	Actual	Budget
STOB			\$		
50	Total Salaries and Overtime	1,079,901	1,218,532	1,045,674	1,178,055
57	Travel	1,744	5,000	2,516	5,000
59	Centralized Management Services - (human res., internal audit, payroll, telephone, computer, accounting etc.)	14,285	37,000	68,074	0
63	Information Systems (cell phones, pagers, computer consultants etc.)	30,222	35,000	2,580	35,000
65	Office and Building Expenses -(postal, courier, stationary, cleaning)	23,896	25,000	21,889	50,000
68	Advertising and Publications	495	1,500	220	1,500
69	Materials/Supplies, Pump/Clean Lift Stn., Minor Works, Signage, Op. Permits	873,523	2,281,120	890,378	2,595,120
69	GVWD	2,986,063	3,376,900	3,029,035	3,419,300
69	GVS&DD	337,214	353,410	353,326	354,000
70	Capital Purchases (incl. deferrals), Operating Equipment and Vehicles	72,992	302,000	9,750	156,000
	Fire Service Cost	314,000	380,000	43,662	420,000
77	Transfer to new Community Advisory Council for operating costs	10,000	10,000	380,000	10,000
	Transfer to UBC for operating costs		0	10,000	0
	UNA/Community Policing/Other shared services	5,400	10,500	5,400	10,500
85	Legal Fees (legal services not provided through province)	1,607	12,000	1,633	24,000
	contingency - blocks F&K	0	0	0	0
	TOTAL EXPENSES	5,751,342	8,047,962	5,864,137	8,258,475

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RESIDENTIAL REVENUES AND TAXES	2009/2010 Actual	2010-2011 Budget	2010-2011 Actual	2011-2012 Budget
Dog Licences	1,445	1,500	1,600	1,500
Building & Plumbing Permits	80,093	60,000	60,428	60,000
Water	3,143,185	3,714,590	3,316,211	3,761,230
Crown Land	39,999	20,000	44,898	20,000
Miscellaneous	51,168	50,000	34,755	50,000
Business Licence	34,138	25,000	32,763	25,000
Permit Revenue deferred to 2010-2011	0			0
Permit and business licenses revenue carried forward from 08/09	24,029	40,000		0
Parking Meter Revenue	139,368	160,000	150,968	160,000
Revenue Capital Programs carried forward from 07/08	802,572	802,572		802,572
Revenue capital program carried forward from 08/09	615,000	615,000		615,000
Revenue programs carried forward from 09/10		50,000		50,000
Revenue programs carried forward from 10/11				255,000
Provincial 'Grant' (provincial share of administration costs)	60,000	0	0	0
Property Tax	2,277,528	2,509,300	2,509,300	2,458,173
TOTAL REVENUE	7,268,525	8,047,962	6,150,923	8,258,475

Revenue Capital Programs carry forward as of the end of fiscal 2010/2011 is just over \$1.7 million. This is unspent taxpayer funded revenue that is being collected as a reserve to cover infrastructure replacement and rehabilitation costs over the next 20 years. The UEL Asset Management Plan completed in 2011 that \$750,000 be set aside each year to fund future asset replacement. \$450,000 new capital in 11/12 will bring the capital reserve to about \$2.1 million.