

THE CORPORATION OF THE DISTRICT OF BURNABY

30 June 1966.

POLICY/PLANNING REPORT NO. 9, 1966.

Chairman and Members,
POLICY/PLANNING COMMITTEE.

Gentlemen:

Re: Sewer Utility Operations.

Council, at its meeting on the annual budget, asked that a review be made of Sewer Utility Operations.

In 1960 a vote of the electorate was obtained on the cancelling of sewer rates in special districts and permission for Council to borrow \$7,000,000. for sewerage and drainage purposes. The plan envisioned charging all costs relative to sanitary sewers, including the sanitary portion of Greater Vancouver Sewerage and Drainage District costs, as a special charge to users, except that the cost of unused capacity of the system would be a charge to the general mill rate. The operation would be like a self-liquidating utility. This vote failed.

In 1961 the by-laws were re-submitted to the ratepayers and were approved. However, the plan was changed as follows:

1. The costs of the Greater Vancouver Sewerage and Drainage District applicable to sanitary sewers would continue to be borne by the general mill rate.
2. The municipality would borrow from time to time over a period not to exceed five years from 1 July 1960, sums not to exceed seven million dollars for the construction of sanitary, combined and storm sewers (allocated roughly, \$5,000,000. sanitary, \$500,000. being municipal share of sanitary systems in subdivisions and \$1,500,000. for storm sewers) such money to be borrowed over twenty to twenty-five years, and as a charge to the general mill rate.
3. The Sewer Utility would repay the municipality for the capital advanced per paragraph 2 for sanitary sewers together with debt for sanitary sewer purposes outstanding at 31 December 1960, with interest at the rate of 5% per annum over a term of forty years.
4. The Sewer Utility would from its rates take care of the costs of administration, maintenance and operation of the Utility.
5. Because of the forty year repayment feature, the monies required from the Utility for repayment to the municipality for capital advances during the first few years of operation, would be small in size, and could result in a relatively low flat rate sewer charge with the opposite effect on mill rate levy for sewer purposes.

As a consequence, it was determined that the flat rate charge would be set at \$21.00 and maintained at that rate for as long a period as possible. This would enable the Utility to accelerate its payments to the municipality in the earlier years, thereby reducing the sum owed by the Utility and requiring less money from the municipality through the mill rate levy.

6. The flat rate of \$21.00 per annum would be charged as a frontage tax to all properties abutting a sewer, whether or not such a property was actually making use of the sewer.
7. A rental would be charged all properties discharging more than a stated minimum of sewage, such rental being based upon the reading of a water meter serving such property.

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8. There would be no charge for a sanitary or combined sewer connection, irrespective of size.
9. Properties in Brentwood Park and Sullivan Heights, served by sewers installed by a contractor, at the expense of the owner, would be relieved of the capital repayment portion of the annual rate for a period of twenty years from the date of the installation of the sewer. Thereafter the regular rate would apply. They would be charged with the costs of maintenance and operation which at that time were calculated to be \$2.75 per property per annum.

The forty year plan of repayment was suggested by the Department of Municipal Affairs. The theory was that the Corporation would borrow for sewer purposes on the credit of the municipality, repay over twenty or twenty-five years, re-lend to the sewer system and be repaid over forty years.

Subsequently, the Municipal Act was amended to permit the borrowing of monies for sewer construction purposes without the approval of ratepayers, if the sewer system was a self-liquidating enterprise.

Burnaby applied for a certificate of self-liquidation, but the Department found in face of the new legislation it could not recognize the forty year repayment feature.

Under the circumstances, budgets and financial reports from 1964 onwards have not shown repayment of debt charges on a forty year term, but have shown revenue in excess of maintenance and operation costs as a contribution to general revenue to reduce the annual debt charges for sanitary sewer purposes.

Subsequent to the refusal of the certificate of self-liquidation, a special Act of the Legislature (1964) was obtained to permit the further borrowing of \$6,000,000. for sewerage and drainage purposes in much the same manner as if the system were self-liquidating.

Attached is a table showing the financial affairs of the sanitary sewer system from its inception to 1966 and forecast for 1967. It makes no allowance for the clerical costs of costing, assessment and tax collection work. This work forms part of the duties of many people. However, it can be costed out. It should not total more than \$5,000. per annum.

The calculation of the cost per property for maintenance was made as follows. From the total cost was subtracted the portion of metered rates derived by apportioning the meter rates revenue between maintenance and debt costs. The resulting balance was divided by the total number of properties served.

The calculation of the debt cost per property was made by subtracting from the total debt the portion relative to metered accounts as derived above, and dividing by the number of services charged \$21.00 per annum.

In other words, for the purposes of this report the current metered rates are used without change for the purposes of calculation. Should it be desired to raise both frontage taxes and metered rates proportionately, a calculation can be made. The table shows the forecasted frontage rate in 1967 as \$40.30 or 92% greater than the \$21.00 charge currently in effect. If both frontage rates and metered rates are to be increased

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proportionately, the percentage increase would be 72%. The \$21.00 charge would then be increased to \$36.00. The \$3.00 maintenance charge to properties served by sub-dividers would remain.

During the same period the following sums were paid to the Greater Vancouver Sewerage and Drainage District for sanitary and storm sewers:

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Total	\$375,717.	\$407,564.	\$514,255.	\$561,313.	\$ 579,773.	\$594,978.

Approx. Sanitary Sewer Proportion 76% \$278,030. \$302,000. \$380,000. \$415,000. \$ 429,000. \$440,000.

representing in mills of taxation	1.48	1.39	1.72	1.84	2.00	2.00
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At the 1966 level, ignoring metered and special (\$3.00) rates, it is costing \$18.36 per property for Greater Vancouver Sewerage and Drainage District trunk service. In other words, if metered rates remain at current levels, the frontage rate, if raised to \$59.00 per property, would take care of all sanitary sewer costs. Or, if both metered and frontage rates are increased proportionately, the frontage rate would be \$51.00 per property.

Respectfully submitted,



H. W. Balfour,
 MUNICIPAL MANAGER.

HB:eb
 Attach.