

ITEM  
MANAGER'S REPORT NO.  
COUNCIL MEETING

2  
28  
85/04/15

RE: WATERWORKS UTILITY RATES

ACTING MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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1985 April 10  
File: W5-4

TO: MUNICIPAL MANAGER  
FROM: DIRECTOR FINANCE  
RE: WATERWORKS UTILITY RATES

RECOMMENDATIONS

1. THAT the water utility rates currently in effect remain unchanged for the balance of 1985; and
2. THAT a further report be placed before Council in the Fall of 1985 concerning the rates for 1986.

SUMMARY

It is a requirement of the Municipal Act that the waterworks utility be financially self-supporting, and with that requirement Council has called for a mid-year review in addition to the annual review of rates. This report projects the operating expenditures and revenues through 1987. This report recommends that the rates currently in effect remain unchanged for the balance of 1985.

REPORT

BACKGROUND

The annual report on 1984 November 26 reviewing the rate charges for water usage recommended that the rates remain unchanged for 1985 and that a further report to Council be presented in the Fall of 1985 concerning rates for 1986. Council, however, wanted to see in the Spring of 1985 an updated outlook for expenditures and revenues for 1985 onward to ensure that no large rate increases would be required at any one time. Council also wanted to ensure that the financing required by Burnaby for the Greater Vancouver Regional District new water main construction in South Burnaby was included in the projections. This report presents an updated outlook of expenditures, revenues, and of the operating surplus for the utility at year-end, and makes a recommendation for the balance of 1985.

CURRENT OUTLOOK

The attached revenue and expenditure statement shows a projection of the water utility financial estimates through 1987. It is based on the 1985 preliminary annual budget plus an outlook for the next two years, incorporating estimated cost and revenue escalations and the charge for water main work by the Greater Vancouver Water District in South Burnaby.

The projected operating surplus at year-end is as follows:

	Actual			
	1984	1985	1986	1987
% rate increase	Nil	Nil	Nil	Nil
Surplus at year-end	\$2,190,564	\$2,470,423	\$1,915,423	\$1,282,423

In addition to the operating surplus at the end of 1984, there were \$1,355,744 of designated capital funds in reserve for capital projects and \$204,667 statutory sinking funds in reserve for debt retirement and water capital expenditures.

Internal studies have indicated that a minimum operating surplus of about \$1 million is desirable for working capital and for smoothing out revenue and expenditure fluctuations.

Based on current projections, there is no need to adjust rates upward in 1985, nor in 1986. It may be necessary to adjust rates in 1987, depending on the updated costs and revenues and surplus.

A 5% increase in rates generates about \$150,000 in additional revenues. Therefore the amount of increases in the future and the timing thereof will have to be balanced against the amount of prior years' surplus utilization to ensure that the working capital level remains at \$1 million or more. The projections should be updated, next, in the Fall of 1985.

COMPARISON TO PRIOR PROJECTIONS

Compared to the previous projection that was presented to Council on 1984 November 26, the current projection indicates an increase in the operating surplus by the end of 1987 of about \$600,000. Most of this improvement occurs in 1985 due to lower than earlier expectations of contribution of new funds to capital construction.

Director Engineering Concurrence

The Director Engineering concurs with the projections and that no further rate increase is needed in 1985.

CONCLUSION

Based on the projected operating estimates portrayed in the attached statement, there is no need for a rate increase in 1985. These projections should be updated and reviewed in the Fall of 1985 to determine if rates should be adjusted for 1986.

It is recommended that the water utility rates currently in effect remain unchanged for the balance of 1985; and

That a further report be placed before Council in the Fall of 1985 concerning the rates for 1986.



Howard Karias  
DIRECTOR FINANCE

Attach.  
cc: Director Engineering



ITEM 2  
MANAGER'S REPORT NO. 28  
COUNCIL MEETING 85/04/15

ENGINEERING - WATERWORKS

	1983 <u>Actual</u> \$	1984 <u>Actual</u> \$	1985 <u>Annual</u> \$	1986 <u>No Increase</u> \$	1987 <u>\$</u>
<u>Expenditure</u>					
Cost of water	971,157	1,101,030	1,099,000	1,200,000	1,300,000
Transmission, distribution and pumping	1,175,282	1,139,774	1,322,360	1,400,000	1,500,000
Long term debt					
- existing	232,079	134,451	134,334	130,000	118,000
- new mains				250,000	250,000
Contribution to capital	1,100,215	221,581	397,147	850,000	850,000
Surplus generated	<u>93,148</u>	<u>605,729</u>	<u>279,859</u>		
	3,571,881	3,202,565	3,232,700	3,830,000	4,018,000
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Revenue/Transfers

Flat rates	1,847,171	1,870,001	1,888,700	1,900,000	1,950,000
Metered rates	963,341	1,023,801	1,034,000	1,050,000	1,110,000
Connection fees	175,020	183,763	185,000	200,000	200,000
Water charge to Fire					
Department	125,000	125,000	125,000	125,000	125,000
Unexpended prior year's utility surplus	<u>461,349</u>			<u>555,000</u>	<u>633,000</u>
	3,571,881	3,202,565	3,232,700	3,830,000	4,018,000
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Operating surplus -  
year-end

	1,584,835	2,190,564	2,470,423	1,915,423	1,282,423
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