

ITEM 3
MANAGER'S REPORT NO. 28
COUNCIL MEETING 85/04/15

RE: SANITARY SEWER SYSTEM RATES

ACTING MUNICIPAL MANAGER'S RECOMMENDATION:

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

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1985 April 10
File: S19-3

TO: MUNICIPAL MANAGER
FROM: DIRECTOR FINANCE
RE: SANITARY SEWER SYSTEM RATES

RECOMMENDATIONS

1. THAT the sewerage charge 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 Council's objective that the sanitary sewer system be financially self-supporting, and with that philosophy 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.

BACKGROUND

The annual report on 1984 November 26 reviewing the charge rates for sanitary sewer 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 necessary to be implemented at any one time. This report presents an updated projection of expenditures, revenues and of the operating surplus for the sewer system 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 sanitary sewer financial situation through 1987. It is based on the 1985 preliminary annual budget, plus an outlook for the next two years incorporating estimated cost and revenue and escalations. The Greater Vancouver Sewerage & Drainage District levy reflects operating costs of the Iona Island proposed long outfall to take treated effluent to deep water in the Strait of Georgia.

The projected operating surplus at year-end is as follows: 108

	Actual 1984	1985	1986	1987
% rate increase	Nil	Nil	Nil	Nil
Surplus at year-end	\$2,303,891	\$2,656,774	\$2,211,774	\$1,136,774

In addition to the operating surplus at the end of 1984, there were \$170,712 of designated capital funds in reserve and \$592,677 of borrowed funds on hand, both for sanitary sewer 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 \$250,000 in additional revenues. Therefore the amount of increases in the future and 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 \$800,000. The major portion of this improvement is due to lower than the previously estimated 1985 provisional charges from the G.V.S. & D.D. and increased revenues from metered customers in 1984 and 1985.

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 sewerage charge 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 Karris
DIRECTOR FINANCE

Attach.
cc: Director Engineering

ENGINEERING - SANITARY SEWER

	1983	1984	1985	No Increase	
	Actual \$	Actual \$	Annual \$	1986 \$	1987 \$
<u>Expenditure</u>					
Sewer maintenance	529,813	472,817	593,338	650,000	700,000
Long term debt	1,244,169	1,224,767	1,272,875	1,230,000	1,160,000
Contribution to capital	100,000	14,203		100,000	200,000
Greater Vancouver Sewerage & Drainage District levy	3,157,005	3,345,064	3,482,427	4,100,000	4,600,000
Surplus generated	622,594	717,330	352,883		
	5,653,581	5,774,181	5,701,523	6,080,000	6,660,000

Revenue/Transfers

Parcel tax	2,561,191	2,570,917	2,585,000	2,600,000	2,600,000
User charges - flat	1,103,515	1,141,347	1,142,000	1,150,000	1,150,000
- metered	1,055,123	1,189,946	1,191,500	1,200,000	1,200,000
Permit fees	3,606	2,987	3,500	4,000	4,000
S.G.A. Restaurants Mountain Ltd.	5,242	5,242	5,242	6,000	6,000
Sewerage Facilities Assistance grant	924,904	863,742	774,281	675,000	625,000
Prior year's surplus				445,000	1,075,000
	5,653,581	5,774,181	5,701,523	6,080,000	6,660,000

Operating surplus -
year-end

1,586,561 2,303,891 2,656,774 2,211,774 1,136,774

Rate Increase

10%

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