

ITEM Suppl 11
MANAGER'S REPORT NO. 69
COUNCIL MEETING 91/11/25

1991 NOVEMBER 22
File: W5-4

TO: MUNICIPAL MANAGER

FROM: DIRECTOR FINANCE

SUBJECT: WATERWORKS UTILITY RATES FOR 1992

PURPOSE: To obtain Council approval for 1992 water rates.

=====

RECOMMENDATION

1. THAT Burnaby Waterworks Regulation Bylaw, No. 3325, be amended to provide for the water rates contained in Schedule A, effective 1992 January 01.

SUMMARY

This is the annual waterworks utility report which reviews revenues and expenditures of the waterworks utility and proposes water rates for 1992.

This report proposes:

- a general rate increase of 20%, and;
 - to continue phasing out the high volume discount for metered water users by reducing the last incremental discount on the sliding scale by half.
- The general rate increase is required to:
- offset the increase in the cost of water proposed by the Greater Vancouver Regional District; and
 - provide funds to replace and maintain aging water mains.

The Greater Vancouver Regional District has proposed a rate of 7.8 cents per cubic meter in their 1992 provisional budget. This is a 37% increase over the 1991 rate which will result in a \$1 million increase in water costs to Burnaby in 1992.

If approved, the annual water rate for a single family home in 1992 would increase by \$15.50, from \$77.00 to \$92.50. With this increase, Burnaby's rate will remain among the lowest in the region.

Reduction of the discount in the last increment continues the phased removal of the discount to large volume users approved by Council in 1989, and is expected to increase water rates for approximately 200 of Burnaby's largest metered users by 1% to 17%, depending on the volume of water used. In addition, the proposed general rate increase of 20% would apply to all metered water users.

Schedule A attached shows the current and proposed water rates for flat and metered water users. The proposed rate adjustments would ensure that the water utility continues to be financially self-supporting.

The Director Engineering concurs with the recommendation in this report.

REPORT

1. INTRODUCTION

Water rates are reviewed and adjusted annually to reflect changes in revenues and expenditures and to ensure that the waterworks utility continues to be financially self-supporting.

Two approaches are used to set water charges in Burnaby. Residential and small commercial users are not metered, due to the high cost of meter reading, installation and maintenance, and are charged a flat annual rate for water. The 1991 rate for a single family home is \$77.00. This charge is levied as part of the property tax bill and is due at the beginning of July each year. Large volume water users are metered, and charged for each cubic meter of water used on a sliding scale. The sliding scale provides a high volume discount rate to Burnaby's larger volume users. Schedule A attached shows the current water rates for Burnaby.

2. PHASING OUT THE METERED SLIDING SCALE DISCOUNT

A review of the metered water sliding rate scale was completed in 1989 and showed that large industrial and institutional water users are paying less than their share of water costs. For 1990, Council decided to begin phasing out this high volume discount, and removed the fifth increment on the scale. This policy continued in 1991 with the removal of the fourth increment. Consistent with this position, it is proposed that the discount in the third increment be reduced by half in 1992.

The reduction of the last incremental discount will affect only those metered water users who consume over 850 cubic meters of water per month. Burnaby has in excess of 2,100 metered water users. Based on 1988 consumption figures, this would affect approximately 200 of Burnaby's largest water users, increasing individual water charges from 1% to 17%, depending on the volume of water used. Schedule B attached lists the largest volume consumers and shows the effects of the proposed rate change.

The reduced discount in the last increment will generate approximately \$275,000 in water revenue in 1992. This estimated revenue, along with revenue generated from the general rate increase of 20%, will be sufficient to keep the water utility self-sustaining.

3. PROJECTED REVENUES AND EXPENDITURES FOR 1992

It is Council's objective that the waterworks utility be financially self-supporting. Revenues and expenditures are reviewed and water rates adjusted annually. There was a 25% increase in rates in 1991, 5% increase in 1990 and 10% increases in 1989, 1988 and 1987.

A general rate increase of 20% is proposed for 1992. Schedule C attached provides the estimates of expenditures and revenues for 1992, with the proposed rate increase and the last incremental discount for metered users reduced by half.

The rate increases are required to offset anticipated increases in expenditures in 1992. The two primary reasons for the increase are the projected cost of water from the G.V.R.D. and the need to provide sufficient funds to maintain and replace Burnaby's aging water mains.

a) G.V.R.D. LONG RANGE PLAN

Water is supplied to Burnaby and other communities in the G.V.R.D. by the Greater Vancouver Water District (G.V.W.D). Burnaby pays for this water on the basis of volume (cubic meters) used. The G.V.W.D. projects that the unit cost of water to Burnaby will increase by 36.6%. Currently the G.V.W.D. supplies water to Burnaby at 5.71 cents per cubic meter. This is projected to increase to 7.80 cents per cubic meter in 1992.

In addition to the 1992 increase, the G.V.R.D. estimates a 131% increase in the cost of water over the next five years. Schedule D attached summarizes the projected increases in the cost of water to Burnaby.

The increases are required by the G.V.W.D. in order to bring the regional system up to the emerging Federal and Provincial water quality standards.

ITEM Suppl 11
MANAGER'S REPORT NO. 69
COUNCIL MEETING 91/11/25

b) REPLACEMENT OF AGING WATER MAINS

Burnaby's water distribution system is aging and there is a growing need to replace the older water mains at a faster rate than has been done over the past few years.

The Engineering Department advises that water mains have a life expectancy of 40 to 50 years, and that preliminary analysis indicates that 15% of Burnaby's water mains are over 40 years old and an additional 45% are over 30 years old. This suggests that 60% of Burnaby's water distribution system may need replacing over the next 20 years.

As an interim step, contributions to capital for replacement of water mains increased by \$1.4 million in 1991, and a further \$90,000 increase is proposed for 1992.

Transmission, distribution and pumping costs are projected to increase by 8% in 1992. This increase is needed for a higher level of work on hydrant maintenance. Long term debt charges will decrease in 1992.

In addition, the \$125,000 annual water charge to the Fire Department has been eliminated. These charges will now be absorbed by the utility as they are for other Municipal departments.

The proposed rate would increase the property tax bill for single family homes by \$15.50 in 1992. This will increase the municipal portion of the tax bill on the median home by approximately 1.9% at 1991 rates.

4. COMPARISON WITH OTHER G.V.R.D. MUNICIPALITIES

Burnaby's flat water rates are currently among the lowest in the region. (See Schedule E attached). With the 1992 proposed 20% rate increase, Burnaby's rate would remain less than average.

Burnaby's metered water rates are currently among the lowest in the region. With the 20% rate increase and the removal of half of the last discount from the sliding scale, Burnaby's 1992 metered rates would move above the regional average. Schedule F attached outlines the metered rates for other communities in the region and Schedule G attached compares metered water costs for given quantities of water.

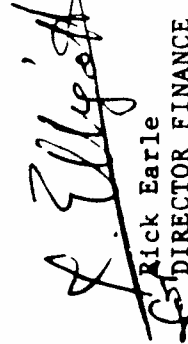
5. PUBLIC NOTICE

Once approved by Council, we would notify all metered water users of the adjustment of the last increment in the metered water rate schedule, effective 1992 January 01. In addition, a general notice will be placed in local newspapers to ensure all taxpayers are informed of the rate increase.

6. DIRECTOR ENGINEERING CONCURRENCE

The Director Engineering concurs with the recommendation contained in this report.

DE:vm
Attach.



Rick Earle
DIRECTOR FINANCE

cc: Director Administrative and Community Services
Director Engineering
Municipal Solicitor
Municipal Clerk

ITEM Suppl 11
 MANAGER'S REPORT NO. 69
 COUNCIL MEETING 91/11/25

CUSTOMER NAME	Total Water Consumption 1988	Estimated Annual Water Charge 1991	Impact of Adjusting (1) Last Increment Increase	Impact of 20% rate Increase	Combined Impact of Proposed Rates Increase	Item No.
SHELL CANADA	1,957,358	255,085	44,395	51,017	95,412	37
CHEVRON CANADA LTD.	1,294,379	168,898	29,279	33,780	63,059	37
SIMON FRASER UNIVERSITY	897,480	117,301	20,230	23,460	43,690	37
FRASER VALLEY MILK PRODUCERS ASSOC.	833,155	108,939	18,763	21,788	40,551	37
PAPERBOARD IND. CORP.	683,432	89,475	15,350	17,895	33,245	37
MONTENAY INC.	475,615	62,459	10,611	12,492	23,103	37
WEISER INC.	352,302	46,428	7,800	9,286	17,086	37
ROYAL CITY FOODS LTD.	303,977	40,146	6,698	8,029	14,727	37
BURNABY HOSPITAL	182,564	24,362	3,930	4,872	8,802	36
FOREST LAWN DEVELOPMENT LTD.	167,940	22,417	3,620	4,483	8,103	36
FOREMOST FOODS LTD.	158,328	21,211	3,376	4,242	7,620	36
MCDONALDS CONSOLIDATED LTD.	150,933	20,250	3,209	4,050	7,259	36
B.C.I.T.	144,059	19,356	3,052	3,871	6,923	36
TRILEA CENTRES INC.	144,031	19,353	3,051	3,871	6,922	36
B.C. TELEPHONE CO.	132,141	17,807	2,781	3,561	6,342	36
SHERATON VILLA INN	107,936	14,660	2,228	2,932	5,160	35
DAIRYLAND	105,311	14,319	2,168	2,864	5,032	35
OCEAN VIEW DEVELOPMENT CO.	103,815	14,037	2,176	2,807	4,983	35
NABOB FOODS LTD.	99,935	13,620	2,046	2,724	4,770	35
CENTRAL WESTERN HOLDINGS LTD.	98,672	13,456	2,017	2,691	4,708	35
MT. SEYMOUR PET FOOD CANNERS LTD.	98,528	13,437	2,014	2,687	4,701	35
FREIGHTLINER OF CANADA LTD.	95,202	13,005	1,938	2,601	4,539	35
B.C. BUILDING CORP.	89,219	12,227	1,802	2,445	4,247	35
TRILEA CENTRES INC. YORKDALE PLACE	84,920	11,668	1,703	2,334	4,037	35
B.C. BUILDING CORP.	84,114	11,564	1,685	2,313	3,998	35
CIRCUIT GRAPHICS LTD.	77,647	10,723	1,537	2,145	3,682	34

NOTE: (1) An additional 175 moderate volume users will be affected by the adjustment of the last increment.

Finance Department
 1991 November 22
 File: W5-4

ESTIMATED ANNUAL IMPACT OF PROPOSED 1992 WATER RATES
 FOR BURNABY'S LARGEST METERED WATER USERS



ENGINEERING - WATERWORKS
OPERATING COSTS

	1987	1988	1989	1990	1991	1992
EXPENDITURE	Actual	Actual	Actual	Actual	Annual	Provisional
Cost of water	1,290,567	1,643,145	1,813,198	2,016,981	2,468,226	3,472,807
Transmission, distribution and pumping	1,436,955	1,590,032	1,713,452	1,840,083	1,957,388	2,111,972
Long term debt	268,151	266,790	232,200	229,356	235,033	228,529
Contribution to capital	1,207,407	1,462,626	1,328,415	752,465	2,159,149	2,248,000
Contingency	150,619	(76,367)	91,842	488,793	395,602	130,000
Surplus generated	150,619	(76,367)	91,842	488,793	395,602	276,911
TOTAL	4,353,699	4,886,226	5,179,107	5,327,678	7,215,398	8,302,307
REVENUES/TRANSFERS						
Fee increase - flat rates	2,252,731	2,500,091	2,782,553	2,954,932	3,798,210	759,642
Fee increase - metered rates	1,354,142	1,485,458	1,657,859	1,877,449	2,506,807	3,912,156
Flat rates	241,089	329,885	354,855	245,905	260,660	272,390
Metered rates	125,000	125,000	125,000	125,000	125,000	2,582,011
Water charge to Fire Department	380,737	445,792	258,840	124,392	524,721	776,107
Draw on previous year's surplus	380,737	445,792	258,840	124,392	524,721	776,107
TOTAL	4,353,699	4,886,226	5,179,107	5,327,678	7,215,398	8,302,307
Rate Increase	10%	10%	10%	5%	25%	20%

 Finance Department
 1991 November 22
 File: W5-4

ITEM	Suppl	11
MANAGER'S REPORT NO. 69		
COUNCIL MEETING 91/11/25		

COST OF WATER SUPPLIED TO BURNABY BY THE GREATER VANCOUVER WATER DISTRICT

Year	COST PER CUBIC METER		Total volume (4) cubic meters	Annual Cost to Burnaby	Increase in total cost of water to Burnaby from previous year
	Increase from previous year %	\$			
1987	0.0373	0.0025	34,599 651	1,290,567	45,155
1988	0.0409	0.0036	40,174,694	1,643,145	352,578
1989	0.0445	0.0036	40,746,022	1,813,198	170,053
1990	0.0485	0.0040	41,587,237	2,016,981	203,783
1991	0.0571 (1)	0.0086	43,226,375	2,468,226	451,245
1992	0.0780 (2)	0.0209	44,523,166	3,472,807	1,004,581
1993	10.7 (3)		45,858,861	3,026,685	488,291
1994	10.6 (3)		47,234,627	3,448,128	551,553
1995	11.0 (3)		48,651,666	3,940,785	644,753
1996	7.4 (3)		50,111,216	4,359,676	548,213
<hr/>					
Increase 1987 - 1991					
	64.1		200,333,980	9,232,117	1,222,814
<hr/>					
Projected Increase 1992-1996					
	99.4		236,379,535	22,809,574	3,237,390
<hr/>					
					131.2

NOTES: (1) Estimated unit cost from the 1991 annual operating budget.
 (2) G.V.R.D.'s estimated unit cost for 1992 from their 1992 provisional budget.
 (3) Based on percentage increases in the G.V.R.D. Long Range Plan, 1991-1997.
 (4) Total volume of water purchased by Burnaby from the Greater Vancouver Water District 1987 to 1990 are actual volumes, 1991 is estimated, and 1992 to 1996 are projected.

ITEM Suppl 11
 MANAGER'S REPORT NO. 69
 COUNCIL MEETING 91/11/25

ITEM	Suppl	11
MANAGER'S REPORT NO. 69		
COUNCIL MEETING 91/11/25		

138

1991 FLAT WATER RATES IN G.V.R.D. MUNICIPALITIES

	Flat Rate Single Family Dwelling \$
City of New Westminster	66.00
Corporation of Delta	71.00
District of Burnaby	77.00
City of Port Moody	83.00
District of Coquitlam	88.00
District of Surrey	95.00
City of North Vancouver	95.00
City of Richmond	99.35
City of Vancouver	116.00
District of West Vancouver	144.00
District of North Vancouver	147.28
AVERAGE	98.33
MEDIAN	95.00
<hr/>	
Proposed 1992 Burnaby rate	92.50
<hr/>	

COMPARISON OF 1991 METERED WATER RATES FOR G.V.R.D. MUNICIPALITIES
 ADJUSTED TO CONFORM WITH BURNABY'S MONTHLY SLIDING RATE SCHEDULE

Municipality	Minimum monthly charge	First 300	Next 550	Next 1,400	Next 12,000	Over 14,250
New Westminster	\$ 5.14	\$ 0.144	\$ 0.087	\$ 0.077	\$ 0.077	\$ 0.077
Burnaby	6.50	0.235	0.168	0.130	0.130	0.130
Port Moody	20.60	0.204	0.191	0.168	0.156	0.148
Delta	6.00	0.249	0.195	0.145	0.135	0.109
North Vancouver City	8.73 (1)	0.259	0.205	0.153	0.108	0.108
Vancouver	10.21 (1)	0.258	0.210	0.163	0.146	0.146
Surrey	16.53 (1)	0.238	0.149	0.126	0.120	0.120
North Vancouver District	10.24	0.224	0.224	0.224	0.224	0.224
Richmond	9.17	0.320	0.243	0.183	0.165	0.152
Coquitlam	9.67	0.283	0.233	0.233	0.214	0.173
West Vancouver	12.61 (1)	0.423	0.370	0.370	0.370	0.370
MEDIAN	9.67	0.249	0.205	0.163	0.146	0.146
AVERAGE	10.49	0.258	0.207	0.179	0.168	0.160
Burnaby - proposed 1992 rates	7.80	0.282	0.202	0.179	0.179	0.179

NOTE: (1) The minimum monthly charge includes a 19mm (or equivalent) meter rental fee.

ITEM 11
 Suppl 69
 MANAGER'S REPORT NO.
 COUNCIL MEETING 91/11/25



CHARGE FOR GIVEN QUANTITIES OF WATER IN G.V.R.D. MUNICIPALITIES - 1991

Monthly dollar charge for given cubic meters					
Municipality	300	850	2,250	14,250	28,500
New Westminster	\$ 43	\$ 91	\$ 199	\$ 1,123	\$ 2,220
Burnaby	71	163	345	1,905	3,757
Port Moody	61	166	401	2,273	4,382
Delta	75	182	385	2,005	3,558
North Vancouver City	78	190	405	1,701	3,240
Vancouver	77	193	421	2,173	4,254
Surrey	71	153	330	1,770	3,480
North Vancouver District	67	190	504	3,192	6,384
Richmond	96	230	486	2,466	4,632
Cogitlam	85	213	539	3,107	5,573
West Vancouver	127	330	848	5,288	10,561
Median	75	190	405	2,173	4,254
Average	77	191	442	2,455	4,731
Burnaby - 1992	85	196	447	2,595	5,146

ITEM 11
 Suppl 11
 MANAGER'S REPORT NO. 69
 COUNCIL MEETING 91/11/25