

ITEM	7
MANAGER'S REPORT NO.	70
COUNCIL MEETING	93/11/29

TO: CITY MANAGER

FROM: DIRECTOR FINANCE

SUBJECT: WATERWORKS UTILITY RATES FOR 1994

PURPOSE: To obtain Council approval for 1994 water rates.

1993 NOVEMBER 22
File: W5-4

RECOMMENDATION

1. **THAT** Burnaby Waterworks Regulation Bylaw No. 3325 be amended to provide for the water rates contained in Schedule A, effective 1994 January 01.

SUMMARY

This is the annual waterworks utility report which reviews revenues and expenditures of the waterworks utility and proposes water rates for 1994.

This report proposes:

- . no general rate increase
- . to continue phasing out the high volume discount for metered water users by reducing the remaining incremental discount on the sliding rate scale by 25%.

The sliding rate scale adjustment would offset the increase in the cost of water proposed by the Greater Vancouver Regional District.

The proposed rate adjustments will ensure that the water utility continues to be financially self supporting. No increase is proposed for 1994 partly because Burnaby residents through their conservation efforts have used less water than expected in recent years and therefore our "regional" water costs were lower than anticipated. This is reflected in a rate that would not otherwise be possible.

The Director Engineering concurs with the recommendation in this report.

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REPORT

1. INTRODUCTION

Water rates are reviewed 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 installation, maintenance, and meter reading and are charged a flat annual rate for water. The 1993 rate for a single family home is \$111.00. Starting in 1994 this charge will be levied separately from property taxes and will be due at the beginning of March 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 water 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 were paying less than their share of water costs. Council approved phasing out this high volume discount and between 1990 and 1993 has removed three of the increments. This has left a two step scale.

Consistent with the policy of gradually removing the high volume discount, staff propose to reduce the remaining increment by 25% in 1994. This will affect approximately one third of Burnaby's 1,600 metered water users (those who consume more than 300 cubic meters of water per month). Individual water charges for these users will increase from 1% to 10%, depending on the volume of water used. Schedule B attached lists the largest volume consumers and shows the affect of the proposed increment adjustment.

3. PROJECTED REVENUES AND EXPENDITURES FOR 1994

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 20% increase in rates in 1993 and 1992, 25% increase in 1991, 5% increase in 1990, and 10% increase in 1989.

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No general rate increase is proposed for 1994. Schedule C attached provides the estimates of expenditures and revenues for 1994 with the proposed rate. The increase in the cost of water from the G.V.R.D. would be offset by increased revenue from the reduction of the remaining increment on the metered water sliding rate schedule.

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). Currently the G.V.W.D supplies water to Burnaby at 8.85 cents per cubic meter. This is projected to increase 12.3% to 9.94 cents per cubic meter in 1994.

The G.V.W.D. rate increase is attributable to several factors including inflation, new debt charges for capital projects, new programs for the Drinking Water Quality Improvement Plan, watershed studies, loss of revenue from watershed logging and loss of Provincial revenue sharing grants.

The G.V.W.D.'s proposed rate per cubic meter is subject to review by the G.V.R.D. Board. The review may result in a reduction in the total cost of water to Burnaby from the current projection.

In addition to the 1994 increase, the G.V.R.D. estimates a 109% 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 proposed rate is lower than had been anticipated due in part to Burnaby residents using less water than expected. These conservation efforts have lowered the increased cost of buying water from the G.V.R.D. and offset the need for a rate increase in 1994.

With the proposed rate there would be no increase to the utility bill for single family homes in 1994.

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). Burnaby's rate would remain less than average.

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With the adjustment to the sliding rate schedule Burnaby's 1994 metered rates will continue to be 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. SEPARATE BILLING FOR FLAT WATER CHARGES

Separate billing for flat rate water and sewer (utility) charges will commence in March 1994. Separate billing for flat water charges will cost approximately \$12,500 for bills, mailing and staffing. Investment income from flat rate water revenue collected in March instead of July will be approximately \$91,500. Therefore \$79,000 in revenue after expenses will be generated from separate billing. This is the equivalent of a 1% rate increase which would otherwise be recovered from all users.

6. PUBLIC NOTICE

Once approved by Council, we will notify all metered water users of the adjustment to the metered water rate schedule, effective 1994 January 01. In addition, a general notice will be placed in local newspapers to ensure all taxpayers are informed of the 1994 rates.

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


Rick Earle
DIRECTOR FINANCE

DE:vm
Attach.

cc: Director Administrative & Community Services
Director Engineering
City Solicitor
City Clerk

WATER RATES

	1989	1990	1991	1992	1993	Proposed 1994
	\$	\$	\$	\$	\$	\$
<u>Flat Rates</u>						
Detached single family	58.70	61.65	77.00	92.50	111.00	111.00
Single family within duplex	44.05	46.25	57.80	69.40	83.50	83.50
Single family within multiple	33.55	35.25	44.00	52.80	63.50	63.50
Commercial not more than 3 stores/offices						
Commercial and living quarters, 1 family	117.40	123.30	154.15	185.00	222.00	222.00
Commercial and no living quarters	58.70	61.65	77.00	92.50	111.00	111.00
<u>Metered Rates</u>						
<u>Monthly</u>						
First 300 cubic meters	0.179	0.188	0.235	0.282	0.338	0.338
Next 550 cubic meters	0.128	0.134	0.168	0.202	0.242	0.266
Next 1,400 cubic meters	0.099	0.104	0.130	0.179	0.242	0.266
Next 12,000 cubic meters	0.084	0.088	0.130	0.179	0.242	0.266
Over 14,250 cubic meters	0.076	0.088	0.130	0.179	0.242	0.266
Minimum monthly	4.95	5.20	6.50	7.80	9.50	9.50
<u>Quarterly</u>						
First 900 cubic meters	0.179	0.188	0.235	0.282	0.338	0.338
Next 1,650 cubic meters	0.128	0.134	0.168	0.202	0.242	0.266
Next 4,200 cubic meters	0.099	0.104	0.130	0.179	0.242	0.266
Next 36,000 cubic meters	0.084	0.088	0.130	0.179	0.242	0.266
Over 42,750 cubic meters	0.076	0.088	0.130	0.179	0.242	0.266
Minimum quarterly	14.85	15.60	19.50	23.40	28.50	28.50
Connection fee 19mm and less	Cost of Connection	Cost of Connection	Cost of Connection	Cost of Connection	Cost of Connection	Cost of Connection
	10%	5%	25%	20%	20%	0%

Rate increase



ESTIMATED ANNUAL IMPACT OF PROPOSED 1994 WATER RATES
FOR BURNABY'S LARGEST METERED WATER USERS

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CUSTOMER NAME	Total Water Consumption 1992 (cubic meters)	Estimated Annual Water Charge 1993 \$	Impact of Increment Adjustment Increase \$	Impact of Increment Adjustment Increase %
CHEVRON CANADA LTD.	1,764,455	428,049	41,555	9.7
SHELL CANADA	1,760,558	427,105	41,463	9.7
SIMON FRASER UNIVERSITY	887,360	215,442	20,855	9.7
PAPERBOARD INDUSTRIES CORP.	824,000	200,083	19,360	9.7
FRASER VALLEY MILK PRODUCERS ASSOC.	740,558	179,857	17,391	9.7
MONTENAY INC.	357,750	87,064	8,357	9.6
MCDONALDS CONSOLIDATED LTD.	345,636	84,128	8,071	9.6
WEISER INC.	338,076	82,295	7,892	9.6
B. C. I. T.	297,907	72,558	6,944	9.6
CHEVRON CANADA LTD.	295,014	71,857	6,876	9.6
ROYAL CITY FOODS LTD.	269,910	65,772	6,283	9.6
CAMBRIDGE WESTERN LEASEHOLDS LTD.	256,363	62,488	5,964	9.5
DAIRY LAND	221,608	54,063	5,144	9.5
NABOB FOODS LTD.	217,520	53,072	5,047	9.5
FOREMOST FOODS LTD.	210,902	51,468	4,891	9.5
MANUFACTURERS LIFE ASSURANCE CO. LTD.	199,289	48,653	4,617	9.5
BURNABY HOSPITAL	188,507	46,040	4,362	9.5
TRILEA CENTRES INC.	143,765	35,194	3,306	9.4
B. C. TELEPHONE CO.	135,086	33,090	3,102	9.4
CIRCUIT GRAPHICS LTD.	120,145	29,469	2,749	9.3
LUCERNE FOODS LTD. MILK PROCESSING	114,991	28,219	2,627	9.3
CENTRAL WESTERN HOLDINGS LTD.	112,611	27,643	2,571	9.3
BURNABY VILLA INN	107,997	26,524	2,462	9.3
T & K CONSTRUCTION LTD.	96,250	23,677	2,185	9.2
COLUMBIAN 4 RINKS LTD.	89,010	21,922	2,014	9.2
FOREST LAWN DEVELOPMENT LTD.	86,476	21,307	1,954	9.2

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Schedule B



OPERATING BUDGET

EXPENDITURE	1989 Actual \$	1990 Actual \$	1991 Actual \$	1992 Actual \$	1993 Recast \$	Draft 1994 Provisional \$
Cost of water	1,813,198	2,016,981	2,211,684	2,978,363	3,628,500	4,075,400
Transmission, distribution and pumping	1,713,452	1,840,083	1,939,023	2,329,551	2,428,790	2,399,440
Long term debt	232,200	229,356	150,333	74,861	162,575	162,575
Contribution to capital	1,328,415	752,465	2,219,149	2,253,000	2,938,000	2,710,000
Contingency					130,000	130,000
Surplus generated	91,842	488,793	535,556	776,189	148,006	242,783
TOTAL	5,179,107	5,327,678	7,055,745	8,411,964	9,435,871	9,720,198

REVENUES/TRANSFERS

Fee increase – flat rates	2,782,553	2,954,932	3,731,799	4,530,437	5,486,866	5,486,866
Fee increase – metered rates	1,657,859	1,877,449	2,398,685	3,262,330	3,671,419	3,955,746
Flat rates	354,855	245,905	267,291	281,679	277,586	277,586
Metered rates	125,000	125,000	125,000	0	0	0
Connection fees	258,840	124,392	532,970	337,518		
Water charge to fire department						
Draw on previous year's surplus						
TOTAL	5,179,107	5,327,678	7,055,745	8,411,964	9,435,871	9,720,198
Operating surplus – year end	1,080,475	1,444,876	1,447,462	1,886,133	2,034,139	2,276,922
Rate increase	10%	5%	25%	20%	20%	0%

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

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COST PER CUBIC METER

Year	COST PER CUBIC METER		Total volume (4) purchased cubic meters	Annual cost to Burnaby \$	Increase in total cost of water to Burnaby from previous year	
	\$	%			\$	%
1989	0.0445	0.0036	40,746,022	1,813,198	170,053	10.3
1990	0.0485	0.0040	41,587,237	2,016,981	203,783	11.2
1991	0.0552	0.0067	40,066,739	2,211,684	194,703	9.7
1992	0.0780	0.0228	38,182,000	2,978,364	766,680	34.7
1993	0.0885 (1)	0.0105	41,000,000	3,628,500	650,136	21.8
1994	0.0994 (2)	0.0109	41,000,000	4,075,400	446,900	12.3
1995			41,477,768	4,823,864	748,464	18.4
1996			42,340,432	5,711,914	888,049	18.4
1997			43,329,480	6,651,463	939,549	16.4
1998			44,803,956	7,569,144	917,681	13.8
Increase 1989 - 1993		0.0476	201,581,999	12,648,727	1,985,355	120.8
Projected increase 1994 - 1998		0.0875	212,951,637	28,831,785	3,940,644	108.6

NOTES: (1) Unit cost from the 1993 annual operating budget.

(2) G.V.R.D.'s projected unit cost for 1994.

(3) Projected unit cost increases from the G.V.R.D. Long Range Plan, 1993-2000.

(4) Total volume of water purchased by Burnaby from the Greater Vancouver Water District. 1989 to 1992 are actual volumes, 1993 is estimated, and 1994 to 1998 are projected.

Burnaby Finance Department
1993 November 18
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Schedule E

1993 FLAT WATER RATES IN G.V.R.D. MUNICIPALITIES

New Westminster (2)	101.60
Port Moody (1)	103.50
Coquitlam	108.00
North Vancouver	110.00
Burnaby	111.00
Surrey	112.00
Delta	116.00
Richmond (2)	129.00
Vancouver	148.00
West Vancouver (2)	148.00
North Vancouver (2)	158.76
Average	122.35
Median	112.00
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Proposed 1994 Burnaby rate	111.00
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Notes: (1) Port Moody offers a 5% discount for early payment. Rate shown is not discounted.
(2) Rates shown include a discount for payment by the due date.

COMPARISON OF 1993 METERED WATER RATES FOR G.V.R.D. MUNICIPALITIES
ADJUSTED TO CONFORM WITH BURNABY'S MONTHLY SLIDING RATE SCHEDULE

Municipality	Minimum monthly charge	Charge per cubic meter at each increment				
		First 300	Next 550	Next 1,400	Next 12,000	Over 14,250
New Westminster	\$7.91	\$0.279	\$0.200	\$0.139	\$0.119	\$0.119
Burnaby	9.50	0.338	0.242	0.242	0.242	0.242
Port Moody	26.00	0.272	0.251	0.222	0.205	0.190
Delta	10.00	0.314	0.261	0.244	0.244	0.244
North Vancouver City	10.09 (1)	0.299	0.237	0.177	0.125	0.125
Vancouver	15.58 (1)	0.286	0.247	0.228	0.223	0.223
Surrey	15.20 (1)	0.406	0.196	0.155	0.145	0.145
North Vancouver District	14.75	0.268	0.268	0.268	0.268	0.268
Richmond	11.85	0.385	0.319	0.258	0.217	0.200
Coquitlam	10.33	0.284	0.230	0.230	0.224	0.208
West Vancouver	11.23 (1)	0.488	0.500	0.500	0.500	0.500
Median	11.23	0.299	0.247	0.230	0.223	0.208
Average	12.95	0.329	0.268	0.242	0.228	0.224
Burnaby -- Proposed 1994	9.50	0.338	0.266	0.266	0.266	0.266

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



CHARGE FOR GIVEN QUANTITIES OF WATER IN G.V.R.D. MUNICIPALITIES - 1993

Municipality	Monthly dollar charge for given cubic meters				
	500	1,000	2,500	5,000	10,000
New Westminster	\$124	\$228	\$432	\$729	\$1,324
Burnaby	150	295	658	1,263	2,473
Port Moody	132	275	604	1,116	2,141
Delta	146	299	665	1,275	2,495
North Vancouver City	137	264	517	829	1,454
Vancouver	135	279	619	1,177	2,292
Surrey	161	268	498	861	1,586
North Vancouver District	134	295	697	1,367	2,707
Richmond	179	355	732	1,275	2,360
Coquitlam	131	269	613	1,173	2,293
West Vancouver	246	546	1,296	2,546	5,046
Median	137	279	619	1,177	2,293
Average	152	307	666	1,237	2,379
Burnaby - Proposed 1994	155	314	713	1,378	2,708

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