

ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21

TO: CITY MANAGER
FROM: DIRECTOR FINANCE
SUBJECT: WATERWORKS UTILITY RATES FOR 1995
PURPOSE: To obtain Council approval for 1995 water rates.

1994 NOVEMBER 17
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 1995 January 01.

SUMMARY

This is the annual waterworks utility report which reviews revenues and expenditures of the utility and proposes water rates for 1995.

This report proposes:

- . a rate increase of 10% on payments received by the utility due date of 1995 March 15.
- . 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 rate increase is required to offset the increase in the cost of water proposed by the Greater Vancouver Water District and the increase in City infrastructure renewal program costs for 1995.

Utility charges will be collected separately from property taxes and will be due 1995 March 15. To promote payment by the due date, the rate charged for payment on or before 1995 March 15 will be 5% less than the rate charged for payment after 1995 March 15.

The proposed rate adjustments will ensure that the water utility continues to be financially self sustaining. If approved, the annual flat water rate for a single family home in 1995 would increase by \$11.00, from \$111.00 to \$122.00 if payment is made by the utility due date.

The Director Engineering concurs with the recommendation in this report.

REPORT

ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21

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 1994 rate for a single family home is \$111.00. This charge is levied separately from property taxes and is due on March 15th 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 1994 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 1995. 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 up to 17.6%, depending on the volume of water used. Schedule B attached lists the largest volume consumers and shows the affect of the proposed 10% rate increase and increment adjustment.

3. PROJECTED REVENUES AND EXPENDITURES FOR 1995

It is Council's objective that the waterworks utility be financially self sustaining. Revenues and expenditures are reviewed and water rates adjusted annually if necessary. There was no increase in rates in 1994, a 20% increase in 1993 and 1992, a 25% increase in 1991, and a 5% increase in 1990.

A 10% rate increase is proposed for 1995 on payments received by the utility due date. Schedule C attached provides the estimates of expenditures and revenues for 1995 with the proposed rate. The increase in the cost of water from the G.V.W.D. would be offset by increased revenue from the rate increase and the reduction to the remaining increment on the metered water sliding rate schedule.

ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21

The 10% rate increase is also required to offset anticipated increases in the cost of purchasing water from the G.V.W.D. and the City's infrastructure renewal program.

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 9.69 cents per cubic meter. This is projected to increase 18.6% to 11.49 cents per cubic meter in 1995.

The G.V.W.D. rate increase is caused by 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 change in the total cost of water to Burnaby from the current projection.

In addition to the 1995 increase, the G.V.R.D. estimates a 225% increase in the cost of water to Burnaby over the next five years. Schedule D attached summarizes the projected increases in the cost of water to Burnaby.

In 1995 the City is proposing to accelerate the infrastructure renewal program to replace aging asbestos cement and cast iron watermains. The replacement program would allow the City to improve the reliability of the water conveyance system and to minimize damage to property caused by watermain breaks.

With the proposed rate the utility bill for a single family home would increase by \$11.00, from \$111.00 to \$122.00 for payments received by the utility due date in 1995. This represents a tax increase of less than 1% on Burnaby's median single family home.

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

Burnaby's flat water rate is currently the lowest in the region (see Schedule E attached). Burnaby's rate would remain less than average with the increase proposed for 1995.

With the adjustment to the sliding rate schedule Burnaby's 1995 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. INCENTIVE FOR ON TIME PAYMENT OF FLAT AND METERED RATES

In 1994 Burnaby collected utility charges separately from property taxes. The due date was 1994 March 15. Since separate billing for utilities was a new program in 1994 and potentially confusing to taxpayers, no penalties were levied for late payment of utility charges.

ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21

Collection of utility charges in March 1994 provided investment income equivalent to a rate increase of approximately 1% which would otherwise have been collected from taxpayers. For this reason, separate billing for utilities will continue in 1995.

To promote payment by the due date, the rate charged for payment on or before 1995 March 15 will be 5% less than the rate charged for payment after March 15. On a single family home the flat water rate for payment received on or before 1995 March 15 would be \$122.00. The rate for payment after 1995 March 15 would be \$128.00.

For metered users a discounted rate would be charged on payments made within 30 days of the billing date on the metered water bill. The discounted rate for metered users would also be 5% less than the non discounted rate.

6. PUBLIC NOTICE

Once approved by Council, a general notice informing users of the rate increase will be placed in a local newspaper. Metered users will be notified by letter.

7. DIRECTOR ENGINEERING CONCURRENCE

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

	Proposed rates 1995				
	1990	1991	1992	1993	1994
<u>Flat Rates</u>	\$	\$	\$	\$	\$
Detached single family	61.65	77.00	92.50	111.00	122.00
Single family within duplex	46.25	57.80	69.40	83.50	91.85
Single family within multiple	35.25	44.00	52.80	63.50	69.85
Commercial not more than 3 stores/offices					
Commercial and living quarters, 1 family	123.30	154.15	185.00	222.00	244.20
Commercial and no living quarters	61.65	77.00	92.50	111.00	122.00

Metered Rates

Monthly

	1990	1991	1992	1993	1994	Discount	Non-Discount
First 300 cubic meters	0.188	0.235	0.282	0.338	0.338	0.372	0.392
Next 550 cubic meters	0.134	0.168	0.202	0.242	0.266	0.313	0.329
Next 1,400 cubic meters	0.104	0.130	0.179	0.242	0.266	0.313	0.329
Over 12,000 cubic meters	0.088	0.130	0.179	0.242	0.266	0.313	0.329
Minimum monthly	5.20	6.50	7.80	9.50	9.50	10.50	11.00

Quarterly

	1990	1991	1992	1993	1994	Discount	Non-Discount
First 900 cubic meters	0.188	0.235	0.282	0.338	0.338	0.372	0.392
Next 1,650 cubic meters	0.134	0.168	0.202	0.242	0.266	0.313	0.329
Next 4,200 cubic meters	0.104	0.130	0.179	0.242	0.266	0.313	0.329
Over 36,000 cubic meters	0.088	0.130	0.179	0.242	0.266	0.313	0.329
Minimum quarterly	15.60	19.50	23.40	28.50	28.50	10.50	11.00

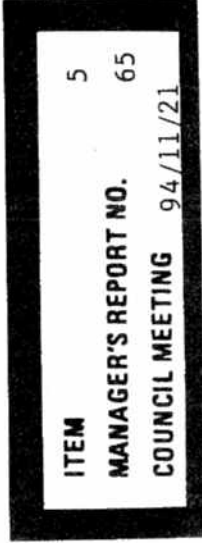
Connection fee 19mm and less

	1990	1991	1992	1993	1994	Cost of Connection	Cost of Connection
	5%	25%	20%	20%	0%		

Rate increase

10%

Finance Department
1994 November 16
File: W5-4





117

ESTIMATED IMPACT OF 1995 METERED WATER RATES
ON LARGE VOLUME USERS

CUSTOMER NAME	Total Water Consumption '93/09 to '94/09 (cubic meters)	Estimated Annual Water Charge 1994 \$	Impact of Eliminating 25% of Volume Discount Increase \$	Impact of Eliminating 25% of Volume Discount Increase %	Impact of 10% rate Increase \$	Combined Impact of Proposed Rates Increase \$	Combined Impact of Proposed Rates Increase %
CHEVRON CANADA LTD. (Penzance St. Refinery)	1,811,393	482,090	36,880	7.6	48,209	85,089	17.6
SIMON FRASER UNIVERSITY	1,057,370	281,520	21,498	7.6	28,152	49,650	17.6
PAPERBOARD INDUSTRIES CORP.	904,310	240,806	18,375	7.6	24,081	42,456	17.6
FRASER VALLEY MILK PRODUCERS ASSOC.	831,330	221,393	16,886	7.6	22,139	39,026	17.6
MONTENAY INC.	379,521	101,212	7,670	7.6	10,121	17,791	17.6
SHELL CANADA	360,065	96,036	7,273	7.6	9,604	16,876	17.6
B. C. I. T.	352,693	94,076	7,122	7.6	9,408	16,530	17.6
CHEVRON CANADA LTD. (Eton St. Refinery)	318,973	85,106	6,434	7.6	8,511	14,945	17.6
CAMBRIDGE WESTERN LEASEHOLDS LTD.	257,007	68,623	5,170	7.5	6,862	12,033	17.5
DAIRY LAND	223,109	59,606	4,479	7.5	5,961	10,439	17.5
MCDONALDS CONSOLIDATED LTD.	217,276	58,055	4,360	7.5	5,805	10,165	17.5
MANUFACTURERS LIFE ASSURANCE CO. LTD.	215,240	57,513	4,318	7.5	5,751	10,069	17.5
NABOB FOODS LTD.	212,371	56,750	4,260	7.5	5,675	9,935	17.5
BURNABY HOSPITAL	180,060	48,162	3,601	7.5	4,816	8,417	17.5
LOUGHEED MALL	150,330	40,247	2,994	7.4	4,025	7,019	17.4
B. C. TELEPHONE CO.	146,461	39,218	2,915	7.4	3,922	6,837	17.4
LOUGHEED VILLAGE HOLDINGS LTD.	127,099	34,068	2,520	7.4	3,407	5,927	17.4
BURNABY VILLA INN	123,570	33,129	2,448	7.4	3,313	5,761	17.4
WEISER INC.	119,336	32,003	2,362	7.4	3,200	5,562	17.4
422129 B.C. LTD.	118,455	31,768	2,344	7.4	3,177	5,521	17.4
VIAM CONSTRUCTION CO. LTD.	117,115	31,412	2,316	7.4	3,141	5,458	17.4
J.D. SWEID & CO. LTD.	116,124	31,148	2,296	7.4	3,115	5,411	17.4
FOREMOST FOODS LTD.	110,395	29,624	2,179	7.4	2,962	5,142	17.4
CENTRAL WESTERN HOLDINGS LTD.	107,140	28,758	2,113	7.3	2,876	4,989	17.3
LUCERNE FOODS MILK PROCESSING LTD	97,880	26,295	1,924	7.3	2,630	4,554	17.3

Schedule B

ITEM 5
MANAGER'S REPORT NO. 65
COUNCIL MEETING 94/11/21



**WATERWORKS
OPERATING BUDGET**

EXPENDITURE	1990 Actual \$	1991 Actual \$	1992 Actual \$	1993 Actual \$	1994 Recast \$	Draft 1995 Provisional
Cost of water	2,016,981	2,211,684	2,978,363	3,289,273	3,853,435	4,710,900
Transmission, distribution and pumping	1,840,083	1,939,023	2,329,551	2,417,462	2,526,280	2,611,330
Long term debt	229,356	150,333	74,861	162,575	162,575	162,580
Contribution to capital	752,465	2,219,149	2,253,000	3,006,250	2,710,000	3,414,000
Contingency					130,000	130,000
Surplus generated	488,793	535,556	776,189	736,165	692,960	285,800
TOTAL	5,327,678	7,055,745	8,411,964	9,611,725	10,075,250	11,314,610

REVENUES/TRANSFERS

Flat rates	2,954,932	3,731,799	4,530,437	5,521,061	5,542,000	6,096,200
Metered rates	1,877,449	2,398,685	3,262,330	3,888,789	4,255,665	4,940,825
Connection fees	245,905	267,291	281,679	201,875	277,585	277,585
Draw on previous year's surplus	124,392	532,970	337,518			0
TOTAL	5,327,678	7,055,745	8,411,964	9,611,725	10,075,250	11,314,610

Operating surplus -- year end	1,444,876	1,447,462	1,886,133	2,622,298	3,315,258	3,601,058
Rate increase	5%	25%	20%	20%	0%	10%
Flat water rate -- Single family dwelling	61.65	77.00	92.50	111.00	111.00	122.00

Finance Department
1994 November 16
File: W5-4

ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21



COST OF WATER SUPPLIED TO BURNABY BY THE G.V.R.D.

COST PER CUBIC METER

Year	Increase from previous year		Total volume (4) purchased cubic meters	Annual cost to Burnaby \$	Increase in total cost of water to Burnaby from previous year	
	\$	%			\$	%
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	0.0105	37,166,926	3,289,273	310,909	10.4
1994	0.0969 (1)	0.0084	39,767,131	3,853,435	564,162	17.2
1995	0.1149 (2)	0.0180	41,000,000	4,710,900	857,465	22.3
1996			41,477,765	5,819,330	1,108,430	23.5
1997			42,340,428	8,696,724	2,877,393	49.4
1998			43,329,475	11,412,984	2,716,260	31.2
1999			44,803,946	12,527,183	1,114,200	9.8
Increase 1990 - 1994		0.0524			2,040,237	112.5
Projected increase 1995-1999		0.1827			8,673,748	225.1

- NOTES: (1) Unit cost from the 1994 GVRD final budget.
 (2) G.V.R.D.'s projected unit cost for 1995.
 (3) Projected unit cost increases from the G.V.R.D. Long Range Plan, 1994-2004.
 (4) Total volume of water purchased by Burnaby from the Greater Vancouver Water District. 1990 to 1993 are actual volumes, 1994 is estimated, and 1995 to 1999 are projected.

ITEM 5
 MANAGER'S REPORT NO. 65
 COUNCIL MEETING 94/11/21



ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21

Schedule E

1994 FLAT WATER RATES IN G.V.R.D. MUNICIPALITIES

Burnaby	111.00
Port Moody	114.95
North Vancouver City	115.50
New Westminister	117.80
Surrey	120.00
Coquitlam	124.00
Delta	127.00
Richmond	140.00
Vancouver	161.00
West Vancouver	163.00
North Vancouver District	170.00
Average	133.11
Median	124.00
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Proposed 1995 Burnaby rate	122.00
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Note: All rates shown are discounted for payment by the due date (if applicable)

Burnaby Finance Department
1994 November 16
File: W5-4



COMPARISON OF 1994 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	\$11.13 (1)	\$0.308	\$0.219	\$0.153	\$0.131	\$0.131
Burnaby	9.50	0.338	0.266	0.266	0.266	0.266
Port Moody	28.00	0.283	0.261	0.231	0.212	0.197
Delta	11.00	0.346	0.346	0.302	0.300	0.300
North Vancouver City	10.58 (1)	0.314	0.249	0.186	0.131	0.131
Vancouver	18.13 (1)	0.293	0.273	0.263	0.261	0.261
Surrey	16.28 (1)	0.367	0.209	0.171	0.159	0.159
North Vancouver District	15.78	0.287	0.287	0.287	0.287	0.287
Richmond	12.96	0.367	0.329	0.301	0.362	0.250
Coquitlam	10.83	0.370	0.266	0.250	0.250	0.250
West Vancouver	11.23 (1)	0.410	0.420	0.420	0.420	0.420
Median	11.23	0.338	0.266	0.263	0.261	0.250
Average	14.13	0.335	0.284	0.257	0.253	0.241
Burnaby - Proposed 1995	10.50	0.372	0.313	0.313	0.313	0.313

Schedule F

ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21

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 - 1994

Municipality	Monthly dollar charge for given cubic meters				
	500	1,000	2,500	5,000	10,000
New Westminster	\$136	\$251	\$475	\$803	\$1,458
Burnaby	155	314	713	1,378	2,708
Port Moody	137	286	628	1,158	2,218
Delta	173	370	822	1,572	3,072
North Vancouver City	144	278	543	870	1,525
Vancouver	143	304	698	1,350	2,655
Surrey	152	268	521	919	1,714
North Vancouver District	144	316	746	1,464	2,899
Richmond	176	366	833	1,738	3,548
Coquitlam	164	320	695	1,320	2,570
West Vancouver	207	459	1,089	2,139	4,239
Median	152	314	698	1,350	2,655
Average	157	321	706	1,337	2,601
Burnaby - Proposed 1995	174	362	832	1,614	3,179

Schedule G

ITEM	5
MANAGER'S REPORT NO.	65
COUNCIL MEETING	94/11/21

