

TO: CITY MANAGER
FROM: DIRECTOR FINANCE
SUBJECT: WATERWORKS UTILITY RATES FOR 1998
PURPOSE: To obtain Council approval for 1998 water rates.

1997 November 17
File: W5-4

RECOMMENDATION:

1. THAT Burnaby Waterworks Regulation Bylaw 10319, be amended to provide for the water rates contained in Schedule A, effective 1998 January 01.

SUMMARY

This is the annual waterworks utility report that reviews revenues and expenditures of the utility and proposes water rates for 1998.

This report proposes a general rate increase of 9.5% for flat rates and metered water revenue (including the elimination of the remaining volume discounted rate). The general rate increase is required to offset the increase in the cost of water proposed by the Greater Vancouver Regional District and, to a lesser degree, the increase in City maintenance costs and Contribution to Capital for 1998. The proposed rate adjustments will ensure that the water utility continues to be financially self sustaining.

Utility charges are collected separately from property taxes and will be due 1998 March 16. To promote payment by the due date, Burnaby offers a 5% discounted rate for payment on or before 1998 March 16.

The Director Engineering concurs with the recommendation in this report. Appearing elsewhere on the Council agenda is the subject bylaw.

REPORT

1. INTRODUCTION

Residential users are charged a flat annual rate for water. The 1997 rate for a single family home is \$148.45 if paid by the due date. This charge is levied separately from property taxes and is due mid March of each year. Large volume water users are metered and have been charged on an incremental scale for each cubic metre of water used. The scale provides a high volume discount rate to Burnaby's larger volume water users. Staff reviews water rates annually to reflect changes in revenue and expenditures and to ensure the waterworks utility continues to be financially self supporting.

2. PROJECTED EXPENDITURES AND REVENUES FOR 1998

EXPENDITURES

Expenditures for 1998 are expected to increase by 14% from \$12.9 million in 1997 to \$14.7 million in 1998. The water utility cost increases are attributed to:

A. GVRD Cost of Water

The GVRD supplies water to Burnaby and other communities in the region. Burnaby pays for this water on the basis of volume (cubic metres) used. Currently the GVRD supplies water to Burnaby at 13.94 cents per cubic metre. The projected increase for 1998 is 12.2%, from 13.94 to 15.64 cents per cubic metre. Water consumption is expected to increase from 39.5 million metres³ to 40 million metres³ thereby increasing Burnaby's cost of water by 13.7% from \$5.5 million to \$6.2 million.

The increased costs will provide for the GVRD's Drinking Water Quality Improvement Plan, which involves construction of new facilities to meet Federal and Provincial water quality guidelines. The total cost of building the new facilities will be approximately \$1 billion including staged construction of a filtration plant for the Seymour system, ozonation facilities at the Capilano and Coquitlam systems, and secondary disinfection stations around the region. The GVRD's proposed rate per cubic metre is subject to review by the GVRD Board. The review may result in a change in the total cost of water to Burnaby from the current projection.

In addition to the 1998 increase, the GVRD estimates an increase of 169% in the total cost of water to Burnaby over the next nine years. The long term increases are necessary to finance the phased construction of the new water quality improvement facilities. Schedule B *attached* summarizes the projected increase in the cost of water to Burnaby.

B. Transmission, Distribution, and Pumping and Contribution to Capital

The cost of operating and maintaining the city's water utility system is expected to increase by 13%. The projected cost increases for transmission, distribution and pumping in 1998 is approximately \$123,000 which includes provision for material and labour cost escalation. In addition, an increase of \$720,000 in Contribution to Capital for renewal of aging infrastructure is proposed in 1998.

REVENUE

It is Council's objective that the waterworks utility be financially self sustaining. This is accomplished on a user pay basis. Water rates are reviewed annually and rate increases are, where necessary, recommended to Council. The rates increased by 20% in 1992 and 1993, 0% in 1994, 10% in 1995 and 1996, and 11% in 1997. This report proposes a 9.5% rate increase for flat water rates. The proposed rates will increase the utility bill for a single family home by \$14.10 from \$148.45 to \$162.55 if payment is made by the due date. Schedule A *attached* shows current and proposed 1998 rates for Burnaby.

A. Metered Water Rates

Metered rates are charged to commercial and industrial users. These users are charged according to their monthly or quarterly consumption. Consumers are charged on a two increment rate scale which provides a discounted rate for high volume use. Burnaby has been phasing out the incremental scale, and has removed three of the original five increments since 1989. This report proposes to phase out the last incremental scale and establish one metered water rate. Though a 9.5% meter revenue increase is projected, due to the elimination of discounted rates, charges for high volume water users will increase at a higher rate. Large volume users will have their water charges increase by an average 12.6% while the low volume users will have their charges decrease by an average 5.5%. Schedule C and D *attached* estimate the potential impact of eliminating the incremental rate on monthly and quarterly accounts.

Schedule E *attached* provides the estimates of expenditures and revenues for 1998 with the proposed rates.

3. COMPARISON WITH OTHER GVRD MUNICIPALITIES

Burnaby's flat water rate is currently the second lowest in the region (see Schedule F *attached*). Burnaby's rate would remain among the lowest in the region with the increase proposed for 1998.

4. INCENTIVE FOR ON TIME PAYMENT OF FLAT AND METERED RATES

In 1994, Burnaby commenced collecting utility charges separately from property taxes. Collection of utility charges in March provides investment income that serves to decrease the amount of taxes levied. Burnaby offers a 5% discounted rate for payment on or before the due date. On a single family home the flat water rate for people who pay on or before 1998 March 16 would be \$162.55. The rate of payment after 1998 March 16 would be \$171.11.

Burnaby offers metered water users a discounted rate on payments made within 30 days of the billing date on the metered water bill. The discounted rate for metered users is also 5% less than the non discounted rate.

5. 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. In addition, staff are producing a brochure to be inserted with utility bills. The brochure will provide information on the cost and other aspects of ongoing and proposed GVRD sewer and water infrastructure programs which have an impact on Burnaby taxpayers.

6. DIRECTOR ENGINEERING CONCURRENCE

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


for: Rick Earle
DIRECTOR FINANCE

AK:
Attach.

cc: Director Engineering
City Solicitor

WATER RATES

SCHEDULE A

	1990		1991		1992		1993		1994		1995		1996		1997		1998		
	\$		\$		\$		\$		\$		\$		\$		\$		\$		
<u>Flat Rates</u>																			
Detached single family	61.65		77.00		92.50		111.00		111.00		128.00		133.75		148.45		156.26		171.11
Single family within duplex	46.25		57.80		69.40		83.50		83.50		96.70		100.31		111.32		117.18		128.31
Single family within multiple	35.25		44.00		52.80		63.50		63.50		73.50		76.79		85.25		89.74		98.26
Commercial not more than 3 stores/offices																			
Commercial and living quarters, 1	123.3		154.15		185		222.00		222.00		257.00		267.50		296.92		312.55		342.24
Commercial and no living quarter	61.65		77		92.5		111.00		111.00		128.00		133.75		148.47		156.28		171.13
<u>Cross Connection Controls</u>																			
Per Device																			
Minimum Per Unit																			
<u>Metered Rates</u>																			
<u>Monthly</u>																			
First 300 cubic meters	0.188		0.235		0.282		0.338		0.338		0.392		0.409		0.454		0.478		0.454
Next 550 cubic meters	0.134		0.168		0.202		0.242		0.266		0.329		0.344		0.382		0.402		0.454
Next 1,400 cubic meters	0.104		0.130		0.179		0.242		0.266		0.329		0.344		0.382		0.402		0.454
Over 12,000 cubic meters	0.088		0.130		0.179		0.242		0.266		0.329		0.344		0.382		0.402		0.454
Minimum monthly	5.20		6.50		7.80		9.50		9.50		11.00		11.49		12.76		13.43		14.259
<u>Quarterly</u>																			
First 900 cubic meters	0.188		0.235		0.282		0.338		0.338		0.392		0.409		0.454		0.478		0.454
Next 1,650 cubic meters	0.134		0.168		0.202		0.242		0.266		0.329		0.344		0.382		0.402		0.454
Next 4,200 cubic meters	0.104		0.130		0.179		0.242		0.266		0.329		0.344		0.382		0.402		0.454
Over 36,000 cubic meters	0.088		0.130		0.179		0.242		0.266		0.329		0.344		0.382		0.402		0.454
Minimum quarterly	15.60		19.50		23.40		28.50		28.50		33.00		34.48		38.28		40.29		42.778
Connection fee 19mm and less																			

COST OF CONNECTION

	5%	25%	20%	20%	0%	10%	10%	10%	11%	9.5%	9.5%	
Rate increase												

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

SCHEDULE B

Year	COST PER CUBIC METER			Total volume (2) purchased (1000's cubic meters) '000 m ³	Annual cost to Burnaby '000 \$	Increase in total cost of water to Burnaby from previous year	
	\$	Increase from previous year \$	%			'000 \$	%
1990	0.0485	0.0040	9.0	41,587	2,017	204	11.2
1991	0.0552	0.0067	13.8	40,067	2,212	195	9.7
1992	0.0780	0.0228	41.3	38,182	2,978	767	34.7
1993	0.0885	0.0105	13.5	37,167	3,289	311	10.4
1994	0.0969	0.0084	9.5	38,666	3,747	457	13.9
1995	0.1149	0.0180	18.6	40,798	4,688	941	25.1
1996	0.1262	0.0113	9.8	40,669	5,132	445	9.5
1997	0.1394	0.0269	21.3	39,455	5,500	368	7.2
1998	0.1564 (1)	0.0170	12.2	39,974	6,252	752	13.7
1999	0.1863 (1)	0.0299	19.1	40,514	7,548	1,296	20.7
2000	0.2400 (1)	0.0537	28.8	41,033	9,848	2,300	30.5
2001	0.2862 (1)	0.0462	19.3	41,552	11,892	2,044	20.8
2002	0.3113 (1)	0.0251	8.8	42,070	13,096	1,204	10.1
2003	0.3182 (1)	0.0069	2.2	42,589	13,552	455	3.5
2004	0.3152 (1)	(0.0030)	-0.9	43,108	13,588	36	0.3
2005	0.3240 (1)	0.0088	2.8	43,626	14,135	547	4.0
2006	0.3342 (1)	0.0102	3.1	44,196	14,770	635	4.5
Increase 1992 - 1997		0.0979	152.5			3,288	148.7
Projected increase 1998-2006		0.1948	139.7			9,270	168.5

- NOTES:
- (1) Projected unit cost increases from the Draft G.V.R.D. Long Range Plan, 1997-2006.
 - (2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District. 1990 to 1996 are actual volumes, 1997 is estimated from provisional budget, 1998 to 2005 are projected from consumption increases in the GVRD Long Range Plan, 2006 estimated using average 1998-2005 annual increase

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ESTIMATED IMPACT OF 1998 METERED WATER RATES

SCHEDULE C

<u>HIGH VOLUME USERS</u>	<u>Total Water Consumption</u> <u>'96/11 to '97/10</u> (cubic meters)	<u>Estimated Annual</u> <u>Water Charge</u> (Incl. Discount) <u>1997</u>	<u>Estimated Annual</u> <u>Water Charge</u> (Incl. Discount) <u>1998</u>	<u>Impact of</u> <u>Proposed Rate</u> <u>Increase and</u> <u>Adjustment</u>	<u>Change</u>
		\$	\$	\$	%
CHEVRON CANADA LTD. (Penzance St. Refinery)	1,614,249	616,902	695,741	61,190	12.8%
SIMON FRASER UNIVERSITY	802,090	306,658	345,701	30,208	12.7%
PAPERBOARD INDUSTRIES CORP.	979,020	374,245	421,958	38,992	12.7%
FRASER VALLEY MILK PRODUCERS ASSOC.	746,679	285,491	321,819	28,763	12.7%
MONTENAY INC.	386,840	148,032	166,728	15,211	12.6%
B. C. I. T.	327,115	125,217	140,987	2,105	12.6%
SHELL CANADA	343,010	131,289	147,837	13,137	12.6%
CAMBRIDGE WESTERN LEASEHOLDS LTD.	242,755	92,992	104,627	11,230	12.5%
CHEVRON CANADA LTD. (Eton St. Refinery)	221,285	84,790	95,374	8,406	12.5%
MANUFACTURERS LIFE ASSURANCE CO. LTD.	232,265	88,984	100,106	8,848	12.5%
DAIRY LAND	132,630	50,924	57,164	5,625	12.3%
CLARION VILLA HOTEL	118,205	45,414	50,946	4,272	12.2%
CIRCUIT GRAPHICS LTD.	151,430	58,105	65,266	5,832	12.3%
LOUGHEED MALL	155,635	59,712	67,079	5,743	12.3%
BURNABY HOSPITAL	160,070	61,406	68,990	5,885	12.4%
CANADIAN LINEN SUPPLY	142,605	54,734	61,463	5,240	12.3%
CENTRAL WESTERN HOLDINGS LTD.	144,802	55,574	62,410	5,353	12.3%
NABOB FOODS LTD.	123,870	47,578	53,388	4,351	12.2%
SUMMIT LOGISTICS	46,165	17,894	19,897	1,805	11.2%
LOUGHEED VILLAGE HOLDINGS LTD.	127,783	49,072	55,074	4,747	12.2%
B. C. TELEPHONE CO.	95,975	36,922	41,365	3,446	12.0%
BRENTWOOD MALL	103,422	39,766	44,575	3,625	12.1%
BINGHAM INTERNATIONAL INC.	44,112	17,110	19,012	1,409	11.1%
FOREST LAWN DEVELOPMENT LTD.	128,800	49,461	55,513	4,285	12.2%
	7,570,812	2,898,271	3,263,020	279,708	12.6%

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METER WATER REVENUE ANALYSIS

SCHEDULE D

Monthly/Quarterly Accounts	1996 Metered Consumption			1997		1998		Impact of Rate Changes			
	No. Accts	Total Consumption (cu.m)	Volume Per Acct (cu.m)	Revenue Per Acct \$	Total Revenue \$	Revenue Per Acct \$	Total Revenue \$	Per Acct \$	%	Total \$	%
Monthly Accounts											
80% Consumption	15	7,728,033	515,202	207,385	3,110,773	233,707	3,505,606	26,322	12.7%	394,833	12.7%
20% Consumption	30	1,971,473	65,716	26,691	800,740	29,810	894,304	3,119	11.7%	93,563	11.7%
Quarterly Accounts											
UNDER 3600 CU. METER											
80% Consumption	541	913,021	1,688	807	436,424	766	414,166	(41)	-5.1%	(22,258)	-5.1%
20% Consumption**	777	228,748	294	161	125,236	171	132,954	10	6.2%	7,718	6.2%
REST OF QTRLY CONSUMP	320	3689953	11,531	4,909	1,570,913	5,231	1,673,844	322	6.6%	102,931	6.6%
TOTAL	1,683	14,531,228	594,431	239,953	6,044,087	269,685	6,620,874	29,731	12.4%	576,787	9.5%

** Note: At 294 cubic meters, total annual charge is equivalent single family flat water rate (minimum charge).
1997 minimum charge was incorrectly set and therefore, total increase is less than 9.5%

Burnaby Finance Dept.
10-Nov-97

WATERWORKS - OPERATING BUDGET

SCHEDULE E

EXPENDITURE	1992 Actual \$	1993 Actual \$	1994 Actual \$	1995 Actual	1996 Actual	1997 Recast	1998 Provisional
Cost of water	2,978,363	3,289,273	3,746,764	4,687,655	5,149,529	5,500,000	6,251,993
Transmission, distribution & pumping	2,329,551	2,417,462	2,469,440	2,647,934	2,461,101	2,931,960	3,054,680
Long term debt	74,861	162,575	162,575	162,575	242,464	121,150	120,045
Contribution to capital	2,253,000	3,006,250	2,710,000	2,608,000	2,650,000	3,440,000	4,160,000
Discount				490,708	530,358	602,465	772,657
Contingency					191	350,000	350,000
Surplus generated	776,189	736,165	926,276	1,224,884	1,789,743	1,538,420	1,018,769
TOTAL	8,411,964	9,611,725	10,015,055	11,821,756	12,823,386	14,483,995	15,728,144

GROSS REVENUES/TRANSFERS

Flat rates	4,530,437	5,521,061	5,542,999	6,484,015	7,206,354	8,066,000	8,832,270
Metered rates	3,262,330	3,888,789	4,160,031	5,031,116	5,414,262	6,142,995	6,620,874
Connection fees	281,679	201,875	312,025	306,625	202,770	275,000	275,000
Draw on previous year's surplus	337,518			0	0	0	0
TOTAL	8,411,964	9,611,725	10,015,055	11,821,756	12,823,386	14,483,995	15,728,144
Operating surplus - year end	1,886,133	2,622,298	3,548,574	4,773,458	6,563,201	8,101,621	9,120,390
Rate increase	20%	20%	0%	10%	10.00%	11.00%	9.50%

1997 FLAT WATER RATES COMPARISON

SCHEDULE F

North Vancouver City	146.00
Burnaby	148.45
Port Moody	160.00
Richmond	160.00
Coquitlam	161.00
New Westminister	162.65
Surrey	175.00
Delta	184.00
Port Coquitlam	179.82
West Vancouver	201.00
Vancouver	218.00
North Vancouver District	255.56
Average	179.29
Median	168.83
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Proposed 1998 Burnaby rate	162.55
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Note: All rates shown are discounted for payment by the due date (if applicable)

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