

TO: CITY MANAGER
FROM: DIRECTOR FINANCE
SUBJECT: WATERWORKS UTILITY RATES FOR 1999
PURPOSE: To obtain Council approval for 1999 water rates.

16 November 1998
File: W5-4

RECOMMENDATION

1. **THAT** Burnaby Waterworks Regulation Bylaw 10319, be amended to provide for the water rates contained in Schedule A, effective 1999 January 01.

SUMMARY

This is the annual waterworks utility report that reviews revenues and expenditures of the utility and proposes water rates for 1999.

This report proposes a general rate increase of 7% for flat and metered water rates revenue. The general rate increase is required to offset the increase in the cost of water to pay for Burnaby's share of the water quality upgrades being constructed by the Greater Vancouver Regional District and, to a lesser degree, the increase in City maintenance costs for 1999. 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 1999 March 15. To promote payment by the due date, Burnaby offers a 5% discounted rate for payment on or before 1999 March 15.

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 1998 rate for a single family home is \$162.55 if paid by the due date. This charge is levied separately from property taxes and is due mid March of each year. Staff review 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 1999

Schedule A *attached* provides the estimates of expenditures and revenues for 1999 with the proposed rate increase outlined below.

EXPENDITURES

Expenditures for 1999 are expected to increase by 4% from \$13.4 million in 1998 to \$14 million in 1999. 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 15.13 cents per cubic metre. The projected increase for 1999 is 8.7%, from 15.13 to 16.44 cents per cubic metre. Water consumption is expected to decrease slightly from 40.0 million cubic metres to 39.8 million cubic metres thereby increasing Burnaby's cost of water by 8.1% from \$6.0 million to \$6.5 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 water treatment facilities for the Capilano, Seymour, and Coquitlam systems and secondary disinfection stations at GVRD distribution 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 1999 increase, the GVRD estimates an increase of 124% in the total cost of water to Burnaby over the next eight years. The long term increases are necessary to finance the phased construction of the new treatment facilities which are due for completion in 2025. 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 2%. The projected cost increases for transmission, distribution and pumping in 1999 is approximately \$66,730 which includes provision for material and labour cost escalation.

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. Water charges have increased since 1993 at the following rate:

1993	20.0%
1994	0.0%
1995	10.0%
1996	10.0%
1997	11.0%
1998	9.5%
1999	7.0% Proposed

This report proposes a 7% increase to flat and metered water rates. The proposed rates will increase the utility bill for a single family home by \$11.39 from \$162.55 to \$173.94 if payment is made by the due date. Schedule C *attached* shows current and proposed 1999 rates for Burnaby.

3. COMPARISON WITH OTHER GVRD MUNICIPALITIES

Burnaby's flat water rate is currently the third lowest in the region (see Schedule D *attached*). Burnaby's rate would remain among the lowest in the region with the increase proposed for 1999.

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 1999 March 15 would be \$173.94. The rate of payment after 1999 March 15 would be \$183.09.

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 and *InfoBurnaby*. Metered users will be notified by letter.

6. **DIRECTOR ENGINEERING CONCURRENCE**

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



Rick Earle
DIRECTOR FINANCE

AK:
Attach.

cc: Director Engineering
City Solicitor

WATERWORKS - OPERATING BUDGET

SCHEDULE A

	1993	1994	1995	1996	1997	1998	1999
	Actual	Actual	Actual	Actual	Actual	Forecast	Projected
\$	\$	\$	\$	\$	\$	\$	\$
<u>EXPENDITURE</u>							
Cost of water	3,289,273	3,746,764	4,687,655	5,149,529	5,451,721	6,048,060	6,535,663
Transmission, distribution & pumping	2,417,462	2,469,440	2,647,934	2,461,101	2,626,996	3,144,680	3,211,410
Long term debt	162,575	162,575	162,575	242,464	121,148	120,045	120,045
Contribution to capital	3,006,250	2,710,000	2,608,000	2,650,000	3,440,000	4,088,000	4,088,000
Discount			490,708	530,358	608,680	772,657	793,238
Contingency				191		350,000	350,000
Surplus generated	736,165	926,276	1,224,884	1,789,743	1,913,356	1,229,703	1,041,411
TOTAL	9,611,725	10,015,055	11,821,756	12,823,386	14,161,901	15,753,145	16,139,768

GROSS REVENUES/TRANSFERS

Fee increase - flat rates	5,521,061	5,542,999	6,484,015	7,206,354	8,070,389	8,832,270	9,450,529
Fee increase - metered rates	3,888,789	4,160,031	5,031,116	5,414,262	5,697,427	6,620,875	6,414,239
Flat rates	201,875	312,025	306,625	202,770	365,885	275,000	275,000
Metered rates					28,200	25,000	
Connection fees							
Construction - Flat Rate Charge			0	0	0	0	0
Draw on previous year's surplus							
TOTAL	9,611,725	10,015,055	11,821,756	12,823,386	14,161,901	15,753,145	16,139,768
Operating surplus - year end	2,622,298	3,548,574	4,773,458	6,563,201	8,476,557	9,706,260	10,747,671
Rate increase	20.0%	0.0%	10.0%	10.0%	11.0%	9.5%	7.0%

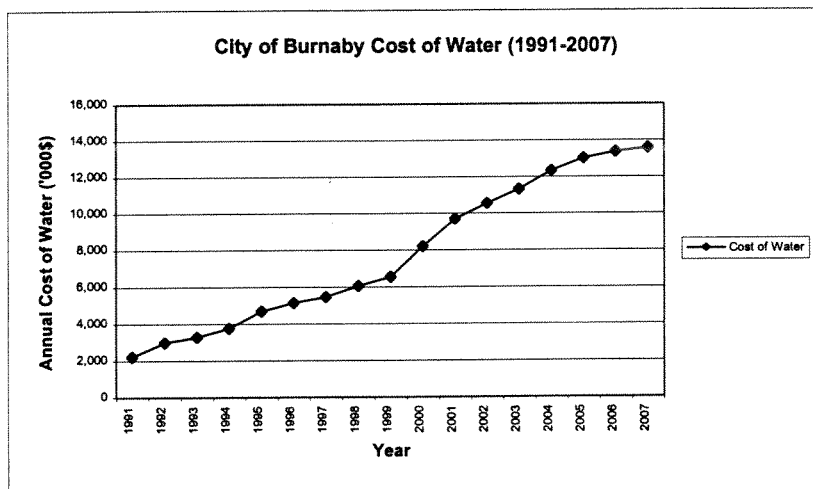
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COST OF WATER SUPPLIED TO BURNABY BY THE G.V.R.D.

SCHEDULE B

Year	Cost Per Cubic Meter			Total volume (2) purchased '000 m3	Annual cost to Burnaby '000 \$	Increase in total cost of water to Burnaby from previous year			
	Cost/M3 \$	Increase from previous year \$	%			'000 \$	%		
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	39,108	5,452	319	6.2		
1998	0.1513	0.0119	8.5	39,974	6,048	596	10.9		
1999	0.1644 (1)	0.0131	8.7	39,755	6,536	488	8.1		
2000	0.2039 (1)	0.0395	24.0	40,210	8,199	1,663	25.4		
2001	0.2382 (1)	0.0343	16.8	40,647	9,682	1,483	18.1		
2002	0.2566 (1)	0.0184	7.7	41,088	10,543	861	8.9		
2003	0.2723 (1)	0.0157	6.1	41,533	11,309	766	7.3		
2004	0.2937 (1)	0.0214	7.9	41,980	12,330	1,020	9.0		
2005	0.3067 (1)	0.0130	4.4	42,429	13,013	683	5.5		
2006	0.3119 (1)	0.0052	1.7	42,871	13,372	359	2.8		
2007	0.3136 (1)	0.0017	0.5	43,317	13,584	213	1.6		
Increase 1992 - 1998						0.1098	174.1	3,836	173.5
Projected increase 1998-2007						0.1623	107.3	7,536	124.6

NOTES: (1) Projected unit cost increases from the Draft G.V.R.D. Long Range Plan, 1999-2007.
 (2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District.
 1990 to 1997 are actual volumes, 1998 is estimated from Provisional Budget, 1999 to 2007 are projected from consumption increases in the Draft GVRD Long Range Plan



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WATER RATES

SCHEDULE C

	1993		1994		1995		1996		1997		1998		PROPOSED 1999	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Detached single family	111.00	111.00	128.00	133.75	140.79	148.45	156.26	162.55	171.11	173.94	183.09	173.94	183.09	
Single family within duplex	83.50	83.50	96.70	100.31	105.59	111.32	117.18	121.89	128.31	130.43	137.29	130.43	137.29	
Single family within multiple	63.50	63.50	73.50	76.79	80.83	85.25	89.74	93.35	98.26	99.88	105.14	99.88	105.14	
Commercial not more than 3 stores/offices	222.00	222.00	257.00	267.50	281.58	296.92	312.55	325.13	342.24	347.89	366.20	347.89	366.20	
Commercial and living quarters, 1 family	111.00	111.00	128.00	133.75	140.79	148.47	156.28	162.57	171.13	173.95	183.11	173.95	183.11	
Commercial and no living quarters														
CROSS CONNECTION CONTROLS														
Per Device						20.00	21.05	21.90	23.05	23.43	24.66	23.43	24.66	
Minimum Per Unit						2.50	2.63	2.74	2.88	2.93	3.08	2.93	3.08	
METERED RATES														
Monthly														
First 300 cubic metres	0.338	0.338	0.392	0.409	0.431	0.454	0.478	0.431	0.454	0.462	0.486	0.462	0.486	
Next 550 cubic metres	0.242	0.266	0.329	0.344	0.362	0.382	0.402	0.431	0.454	0.462	0.486	0.462	0.486	
Next 1,400 cubic metres	0.242	0.266	0.329	0.344	0.362	0.382	0.402	0.431	0.454	0.462	0.486	0.462	0.486	
Over 12,000 cubic metres	0.242	0.266	0.329	0.344	0.362	0.382	0.402	0.431	0.454	0.462	0.486	0.462	0.486	
Minimum monthly	9.50	9.50	11.00	11.49	12.09	12.76	13.43	13.55	14.26	14.50	15.26	14.50	15.26	
Quarterly														
First 900 cubic metres	0.338	0.338	0.392	0.409	0.431	0.454	0.478	0.431	0.454	0.462	0.486	0.462	0.486	
Next 1,650 cubic metres	0.242	0.266	0.329	0.344	0.362	0.382	0.402	0.431	0.454	0.462	0.486	0.462	0.486	
Next 4,200 cubic metres	0.242	0.266	0.329	0.344	0.362	0.382	0.402	0.431	0.454	0.462	0.486	0.462	0.486	
Over 36,000 cubic metres	0.242	0.266	0.329	0.344	0.362	0.382	0.402	0.431	0.454	0.462	0.486	0.462	0.486	
Minimum quarterly	28.50	28.50	33.00	34.48	36.29	38.28	40.29	40.64	42.78	43.48	45.77	43.48	45.77	

CONNECTION FEE ————— **COST OF CONNECTION**

Connection fee 19mm and less	20%	0%	10%	10%	10%	11%	11%	9.5%	9.5%	7.0%	7.0%
Rate Increase											

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1998 FLAT WATER RATES COMPARISON

SCHEDULE D

	<u>1998 Rates</u>	<u>Expected 1999 Rate Changes (Where Available)</u>
North Vancouver City	135.00	Expect 3% to 5% increase
Port Moody	159.60	No increase expected
Burnaby	162.55	Propose a 7% increase
Coquitlam	163.00	Expect 2% increase
New Westminster	167.20	No information available
Richmond	170.10	No increase expected
Port Coquitlam	178.00	Expect approximately 3% increase
Surrey	179.00	Expect 3.4% increase
North Vancouver District	180.00	Minor change to the rates - exact percentage unavailable
Delta	192.00	Expect 2.6% increase
West Vancouver	211.50	No increase expected
Vancouver	231.00	Expect 7% increase
	Average	
	177.41	
	Median	
	174.05	
	Proposed 1999 Burnaby rate	173.94

Note: All rates shown are discounted for payment by the due date (if applicable)

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