

TO: CITY MANAGER

22 October 1999

FROM: DIRECTOR FINANCE

File: W5-4

SUBJECT: WATERWORKS UTILITY RATES FOR 2000

PURPOSE: To obtain Council approval for 2000 water rates.

RECOMMENDATION

1. **THAT** Burnaby Waterworks Regulation Bylaw 10319, be amended to provide for the water rates contained in Schedule A, effective 2000 January 01.

SUMMARY

This is the annual waterworks utility report that reviews revenues and expenditures of the utility and proposed water rates for 2000.

This report proposes a general rate increase of 3.5% 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 2000. 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 2000 March 15. To promote payment by the due date, Burnaby offers a 5% discounted rate for payment on or before 2000 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 1999 rate for a single family home is \$173.94 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 2000

Schedule A *attached* provides the estimates of expenditures and revenues for 2000 with the proposed rate increase outlined below.

EXPENDITURES

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 16.44 cents per cubic metre. The projected increase for 2000 is 8.2%, from 16.44 to 17.78 cents per cubic metre. Water consumption is expected to increase slightly from 39.8 million cubic metres to 40.1 million cubic metres thereby increasing Burnaby's cost of water by 9.1% from \$6.5 million to \$7.1 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 2000 increase, the GVRD estimates an increase of 62% 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 projected cost increases for transmission, distribution and pumping in 2000 is approximately 3.9%, however, annual long term debt costs of approximately \$120,000 have been eliminated.

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%
2000	3.5% Proposed

This report proposes a 3.5% increase to flat and metered water rates. The proposed rates will increase the utility bill for a single family home by \$6.08 from \$173.94 to \$180.02 if payment is made by the due date. Schedule C *attached* shows current and proposed 2000 rates for Burnaby.

3. COMPARISON WITH OTHER GVRD MUNICIPALITIES

Of the 12 municipalities that charge a flat water rate to single family home owners, Burnaby's flat water rate is currently the seventh lowest in the region (see Schedule D *attached*). Burnaby's rate would remain competitive in the region with the increase proposed for 2000.

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 2000 March 15 would be \$180.02. The rate of payment after 2000 March 15 would be \$189.50.

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	2000
	Actual	Actual	Actual	Actual	Actual	Actual	Annual	Projected
	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE								
Cost of water	3,289,273	3,746,764	4,687,655	5,149,529	5,451,721	6,263,174	6,535,665	7,131,504
Transmission, distribution & pumping	2,417,462	2,469,440	2,647,934	2,461,101	2,626,996	3,098,030	3,207,220	3,331,900
Long term debt (paid down 1999)	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	4,088,000
Discount			490,708	530,358	608,680	689,634	793,235	835,612
Contingency				191			1,420,605	1,625,220
Surplus generated	736,165	926,276	1,224,884	1,789,743	1,913,356	1,089,904		
TOTAL	9,611,725	10,015,055	11,821,756	12,823,386	14,161,901	15,348,787	16,164,770	17,012,236

GROSS REVENUES/TRANSFERS

Fee increase - flat rates	5,521,061	5,542,999	6,484,015	7,206,354	8,070,389	8,899,876	9,450,530	9,781,299
Fee increase - metered rates	3,888,789	4,160,031	5,031,116	5,414,262	5,697,427	6,180,174	6,414,240	6,930,938
Flat rates	201,875	312,025	306,625	202,770	365,885	246,677	275,000	275,000
Metered rates					28,200	22,060	25,000	25,000
Connection fees								
Construction - Flat Rate Charge								
Draw on previous year's surplus								
TOTAL	9,611,725	10,015,055	11,821,756	12,823,386	14,161,901	15,348,787	16,164,770	17,012,236

Operating surplus - year end	2,622,298	3,548,574	4,773,458	6,563,201	8,476,557	9,566,461	9,566,461	9,566,461
Rate increase	20.0%	0.0%	10.0%	10.0%	11.0%	9.5%	7.0%	3.50%

(1) 1999 Metered Revenue based on August 1998 to July 1999 water consumption

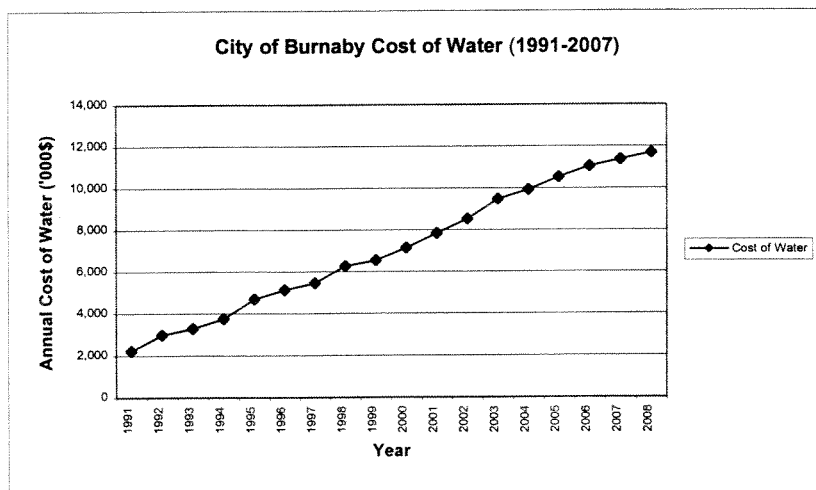
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COST OF WATER SUPPLIED TO BURNABY BY THE G.V.R.D.

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	39,225	5,452	319	6.2
1998	0.1513	0.0119	8.5	41,362	6,258	806	14.8
1999	0.1644 (1)	0.0131	8.7	39,755	6,536	278	4.4
2000	0.1778 (1)	0.0134	8.2	40,110	7,132	596	9.1
2001	0.1929 (1)	0.0151	8.5	40,556	7,823	692	9.7
2002	0.2078 (1)	0.0149	7.7	40,995	8,519	696	8.9
2003	0.2285 (1)	0.0207	10.0	41,421	9,465	946	11.1
2004	0.2368 (1)	0.0083	3.6	41,861	9,913	448	4.7
2005	0.2486 (1)	0.0118	5.0	42,297	10,515	602	6.1
2006	0.2583 (1)	0.0097	3.9	42,750	11,042	527	5.0
2007	0.2632 (1)	0.0049	1.9	43,184	11,366	324	2.9
2008	0.2677 (1)	0.0045	1.7	43,622	11,678	312	2.7
Increase 1993 - 1999						3,557	119.4
Projected increase 2000-2008						5,142	78.7

NOTES: (1) Projected unit cost increases from the Draft G.V.R.D. Long Range Plan, 2000-2008.
 (2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District.
 1990 to 1998 are actual volumes, 1999 is estimated from Annual Budget, 2000 to 2008 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		1999		PROPOSED 2000		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
FLAT RATES																	
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	180.02	189.50				
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	134.99	142.10				
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	103.38	108.82				
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	360.07	379.02				
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	180.04	189.52				
Commercial and no living quarters																	
CROSS CONNECTION CONTROLS																	
Per Device																	
Minimum Per Unit	20.00	21.05	21.90	23.05	23.05	23.05	23.05	23.05	23.05	23.05	23.05	23.05	23.05				
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	0.478	0.503				
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	0.478	0.503				
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	0.478	0.503				
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	0.478	0.503				
Minimum monthly	9.50	9.50	11.00	11.49	12.09	12.76	13.43	13.55	14.26	14.50	15.26	15.00	15.79				
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	0.478	0.503				
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	0.478	0.503				
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	0.478	0.503				
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	0.478	0.503				
Minimum quarterly	28.50	28.50	33.00	34.48	36.29	38.28	40.29	40.64	42.78	43.48	45.77	45.00	47.37				
CONNECTION FEE																	
Connection fee 19mm and less																	
Rate Increase	20%	0%	10%	10%	10%	11%	11%	9.5%	9.5%	7.0%	7.0%	3.5%	3.5%				

1999 FLAT WATER RATES COMPARISON

SCHEDULE D

	<u>1999 Rates</u>
1) North Vancouver City	139.50
2) Richmond	143.55
3) Pitt Meadows	158.00
4) Port Moody	167.20
5) New Westminster	167.43
6) Coquitlam	169.00
7) Burnaby	173.94
8) Port Coquitlam	178.40
9) Delta	196.00
10) Vancouver	244.00
11) North Vancouver District	245.00
12) West Vancouver	261.11
Average	186.93
Median	171.47

Proposed 2000 Burnaby rate	180.02
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Note: All rates shown are discounted for payment by the due date (if applicable)
Surrey no longer has a flat water rate (charges \$100 plus \$0.32 per cubic m)

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