

TO: CITY MANAGER
FROM: DIRECTOR FINANCE
SUBJECT: WATERWORKS UTILITY RATES FOR 2004
PURPOSE: To obtain Council approval for 2004 water rates.

19 November 2003
File: W5-4

RECOMMENDATION

1. **THAT** Burnaby Waterworks Regulation Bylaw be amended to provide for the water rates contained in Schedule A, effective 2004 January 01 including the additional amendments as outlined in this report.

SUMMARY

This is the annual waterworks utility report that reviews revenues and expenditures of the utility and proposed water rates for 2004.

This report proposes a general rate increase of 6.0% for flat and metered water rates. 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 Water District (GVWD) and increases in City maintenance costs for 2004. 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 2004 March 15. To promote payment by the due date, Burnaby offers a 5% discounted rate for payment on or before 2004 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 2004 rate for a single family home is \$224.08 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 2003

Schedule A *attached* provides the estimates of expenditures and revenues for 2004 with the proposed rate increase outlined below.

EXPENDITURES

The projected cost increase in 2004 is approximately 5.3%. The additional expenditures are due mainly to an increase in the supply cost of water from the GVWD, and to ensure that the waterworks utility continues to be self-supporting in future years.

The GVWD 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 GVWD supplies water to Burnaby at 19.68 cents per cubic metre. The projected increase for 2004 is 13.5%, from 19.68 to 22.34 cents per cubic metre. The increased costs will provide for the GVWD's Drinking Water Quality Improvement Plan which includes a new filtration plant for the Capilano and Seymour Water sources.

In addition to the 2004 increase, it is estimated that the total cost of water to Burnaby will increase by more than 90% over the next nine years. The long term increases are necessary to finance the phased construction and operational costs of the new treatment facilities. Schedule B *attached* summarizes the projected increase in the cost of water to Burnaby.

The GVWD's proposed rate per cubic metre is subject to review by the GVWD Board. The review may result in a change in the total cost of water to Burnaby from the current projection.

REVENUE

It has been 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 1995 at the following rate:

1995	10.0%
1996	10.0%
1997	11.0%
1998	9.5%
1999	7.0%
2000	3.5%
2001	5.0%
2002	5.5%
2003	6.0%
2004	6.0% Proposed

This report proposes a 6.0% increase to flat and metered water rates. The proposed rates will increase the utility bill for a single family home by \$12.69 from \$211.39 to \$224.08 if payment is made by the due date. Schedule C *attached* shows current and proposed 2004 rates for Burnaby.

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

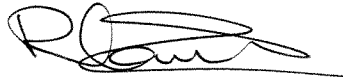
In 1994, Burnaby commenced collecting utility charges separately from property taxes. Collection of utility charges in March provides investment income that serves to decrease the amount of taxes levied. Burnaby offers a 5% discounted rate for payment on or before the due date. On a single family home the flat water rate for people who pay on or before 2004 March 15 would be \$224.08. The rate of payment after 2004 March 15 would be \$235.87.

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.

4. 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.

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



for Rick Earle
DIRECTOR FINANCE

RT:
Attach.

cc: Director Engineering
City Solicitor

WATERWORKS - OPERATING BUDGET

SCHEDULE A

	1995 Actual \$	1996 Actual \$	1997 Actual \$	1998 Actual (1) \$	1999 Actual \$	2000* Actual (1) \$	2001* Actual (1) \$	2002* Actual (1) \$	2003 Annual	2004 Projected
EXPENDITURE										
Cost of water	4,687,655	5,149,529	5,451,721	6,263,174	6,757,440	7,671,714	8,157,408	8,029,208	8,593,210	10,097,190
Transmission, distribution & pumping	2,647,934	2,461,101	2,626,996	3,098,030	3,082,624	3,162,910	3,661,679	3,566,963	3,614,520	3,758,330
Long term debt (paid down 1999)	162,575	242,464	121,148	120,045	851,012	0	0	0	0	0
Contribution to capital	2,606,000	2,650,000	3,440,000	4,088,000	4,088,000	4,768,405	4,322,000	4,322,000	4,395,000	5,396,000
Cont. to Equipment Replacement Reserve (Equip. Charge-Out)					78,925	78,584	75,623	59,336		
Discount	490,708	530,358	608,680	689,634	726,239	755,102	791,624	835,595	881,290	927,770
Contingency		191							360,000	420,000
Surplus generated	1,224,884	1,815,743	1,913,356	1,089,904	861,751	762,158	675,632	1,848,737	1,765,210	42,710
TOTAL	11,821,756	12,849,386	14,161,901	15,348,787	16,445,991	17,198,873	17,683,966	18,661,839	19,609,230	20,642,000

GROSS REVENUES/TRANSFERS

Fee increase - flat rates										
Fee increase - metered rates										
Fiat rates	6,484,015	7,206,354	8,070,389	8,899,876	9,625,516	10,022,422	10,563,668	11,254,450	11,872,000	12,720,000
Metered rates	5,031,116	5,414,262	5,697,427	6,180,174	6,567,988	6,984,358	7,108,298	7,384,289	7,712,230	7,897,000
Connection fees	306,625	202,770	365,885	246,677	240,527	183,093	0	0	0	0
Construction - Metered Charges							12,000	13,000	12,000	12,000
Construction - Flat Rate Charges		26,000	28,200	22,060	11,960	9,000	0	10,100	13,000	13,000
Draw on previous year's surplus								0	0	0
TOTAL	11,821,756	12,849,386	14,161,901	15,348,787	16,445,991	17,198,873	17,683,966	18,661,839	19,609,230	20,642,000

Operating surplus	4,773,456	6,589,199	8,502,555	9,592,459	10,454,210	11,216,368	11,892,000	13,740,737	15,505,947	15,548,657
Rate increase	10.0%	10.0%	11.0%	9.5%	7.0%	3.5%	5.00%	5.50%	6.00%	6.00%

CAPITAL EXPENDITURES

	1995 Actual	1996 Actual	1997 Actual	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Annual Budget	2004 Draft Provisional Budget
BUDGET/ACTUAL AMOUNT	2,563,820	3,377,815	2,934,416	4,999,517	4,808,981	5,114,700	4,354,550	4,305,469	4,947,375	5,633,000

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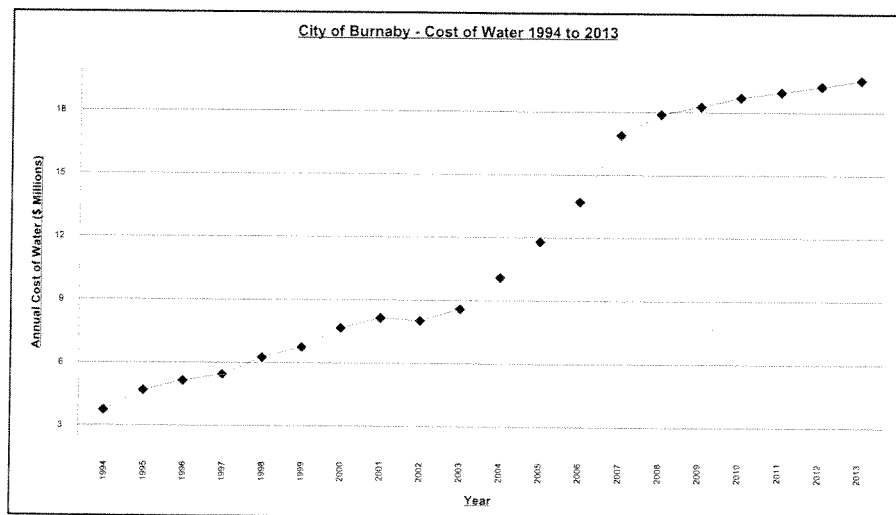
* 2000, 2001 and 2002 costs have been adjusted for errors in meter readings from October 2000 to September 2001 (credit received in 2002).

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

SCHEDULE B

Year	Rate 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 \$	%
	\$	\$	%					
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	40,805	5,150	462	9.9	
1997	0.1394	0.0269	21.3	39,108	5,452	302	5.9	
1998	0.1513	0.0119	8.5	41,362	6,258	806	14.8	
1999	0.1644	0.0131	8.7	41,104	6,757	499	8.0	
2000	0.1778	0.0134	8.2	43,148 (3)	7,672 (3)	914	13.5	
2001	0.1881	0.0103	5.8	43,366 (3)	8,157 (3)	485	6.3	
2002	0.1893	0.0012	0.6	42,415 (3)	8,029 (3)	(128)	-1.6	
2003	0.1968	0.0075	4.0	43,660	8,593	564	7.0	
2004	0.2234 (1)	0.0266	13.5	45,198	10,097	1,504	17.5	
2005	0.2569 (1)	0.0335	15.0	45,963	11,808	1,711	16.9	
2006	0.2936 (1)	0.0367	14.3	46,725	13,718	1,910	16.2	
2007	0.3558 (1)	0.0622	21.2	47,482	16,894	3,176	23.1	
2008	0.3711 (1)	0.0153	4.3	48,236	17,900	1,006	6.0	
2009	0.3723 (1)	0.0012	0.3	49,103	18,281	381	2.1	
2010	0.3744 (1)	0.0021	0.6	49,970	18,709	428	2.3	
2011	0.3729 (1)	(0.0015)	-0.4	50,837	18,957	248	1.3	
2012	0.3728 (1)	(0.0001)	-0.0	51,603	19,238	281	1.5	
2013	0.3728 (1)	0.0000	0.0	52,370	19,524	286	1.5	
Increase 1994 - 2003		0.1220	122.4			5,304	161.2	
Projected increase 2004-2013		0.1760	96.9			10,930	127.2	

- NOTES: (1) 2004 unit cost is based on GVRD draft budget, 2005-2008 unit costs are based on the draft GVRD five year target set in June of 2003, and 2009 - 2013 unit costs are based on estimates using the 2003-2012 Long Range Plan.
 (2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District. 1991 to 2002 are actual volumes, 2003 based on Annual Budget, and 2004 to 2013 are projections based on information provided by GVRD.
 (3) 2000, 2001 and 2002 volume and annual costs have been adjusted for errors in meter readings from October 2000 to September 2001.



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WATER RATES

SCHEDULE C

	2000		2001		2002		2003		PROPOSED	
	Paid by	Paid after	Paid by	Paid after	Paid by	Paid after	Paid by	Paid after	2004	2004
	Mar. 15	Mar. 15	Mar. 15	Mar. 15	Mar. 15	Mar. 15	Mar. 17	Mar. 17	Mar. 15	Mar. 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
FLAT RATES										
Detached single family	180.02	189.50	189.03	198.98	199.42	209.92	211.39	222.52	224.08	236.87
Single family within duplex	134.99	142.10	141.75	149.21	149.55	157.42	158.53	166.87	168.04	176.88
Single family within multiple	103.88	108.82	108.55	114.26	114.51	120.54	121.38	127.77	128.67	135.44
Commercial not more than 3 stores/offices										
Commercial and living quarters, 1 family	360.07	379.02	378.07	397.97	398.87	419.86	422.80	445.05	448.16	471.75
Commercial and no living quarters	180.04	189.52	189.03	198.98	199.42	209.92	211.39	222.52	224.08	236.87
CROSS CONNECTION CONTROLS **										
Per Device	24.24	25.52	25.46	26.80	25.84	27.20	26.23	27.61	26.91	28.33
Minimum Per Unit	3.03	3.19	3.18	3.35	3.23	3.40	3.28	3.45	3.36	3.54
METERED RATES										
Monthly		Non-Discout		Non-Discout		Non-Discout		Non-Discout		Non-Discout
First 300 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Next 550 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Next 1,400 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Over 12,000 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Minimum monthly	15.00	15.79	15.75	16.58	16.62	17.49	17.61	18.54	18.67	19.65
Quarterly										
First 900 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Next 1,650 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Next 4,200 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Over 36,000 cubic metres	0.478	0.503	0.502	0.528	0.529	0.557	0.560	0.590	0.594	0.625
Minimum quarterly	45.00	47.37	47.25	49.74	49.86	52.48	52.84	55.62	56.00	58.95
SPECIAL METER READING			\$25.00 per request		\$25.00 per request		\$25.00 per request		\$25.00 per request	
CONSTRUCTION WATER										
3/4" connection	\$1,000 per six months		\$1,000 per six months		\$1,000 per six months		\$1,000 per six months		\$1,000 per six months	
1" connection	\$1,650 per six months		\$1,650 per six months		\$1,650 per six months		\$1,650 per six months		\$1,650 per six months	
2" connection	\$2,500 per six months		\$2,500 per six months		\$2,500 per six months		\$2,500 per six months		\$2,500 per six months	
CONNECTION FEE										
Connection fee 19mm and less ----- COST OF CONNECTION -----										
General Rate increase	3.5%	3.5%	5.0%	5.0%	5.5%	5.5%	6.0%	6.0%	6.0%	6.0%
Cross Connection Control Rate increase **	3.5%	3.5%	5.0%	5.0%	1.5%	1.5%	1.5%	1.5%	2.6%	2.6%

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