
TO: CITY MANAGER **DATE:** 2006 November 22
FROM: DIRECTOR FINANCE **FILE:** 39500 01
SUBJECT: WATERWORKS UTILITY RATES FOR 2007
PURPOSE: To obtain Council approval for 2007 Water Rates

RECOMMENDATION

1. **THAT** Burnaby Waterworks Regulation Bylaw be amended to provide for the water rates contained in Schedule A, effective 2007 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 2007.

This report proposes a general rate increase of 9.25% 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 for the replacement of aging infrastructure. 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 2007 March 15. To promote payment by the due date, Burnaby offers a 5% discounted rate for payment on or before 2007 March 15.

The Director Engineering concurs with the recommendation in this report.

REPORT

1. INTRODUCTION

Residential users are charged a flat annual rate for water. The 2007 proposed rate for a single family home is \$292.19 if paid by the due date. This charge is levied separately from property taxes and is due mid March of each year. 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 2007

Schedule A *attached* provides the estimates of expenditures and revenues for 2007 with the proposed rate increase outlined below.

EXPENDITURES

The projected cost increase in 2007 is approximately 16.18%. The additional expenditures are due to an increase in the supply cost of water from the GVWD, to replace aging infrastructure, 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 a blended rate of 29.08 cents per cubic metre (or 30.44 cents during the peak period of June to September, and 28.18 cents for the remaining months in the year). The projected increase for 2007 is 18.47%, from 29.08 to 34.45 cents per cubic metre. The increased costs will provide for the GVWD's Drinking Water Quality Improvement Plan which includes continued construction of a new filtration plant for the Capilano and Seymour Water sources.

In addition to the 2007 increase, it is estimated that the total cost of water to Burnaby will increase by about 40% over the next five 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.

Many of the City's infrastructures were built in the 1950's and 1960's and need to be replaced over the next 10 years. The replacement of this infrastructure is costly and contributes to the overall water rate increase.

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 1996 at the following rate:

1996	10.0%	
1997	11.0%	
1998	9.50%	
1999	7.00%	
2000	3.50%	
2001	5.00%	
2002	5.50%	
2003	6.00%	
2004	6.00%	
2005	9.25%	
2006	9.25%	
2007	9.25%	Proposed

This report proposes a 9.25% increase to flat and metered water rates. The proposed rates will increase the utility bill for a single family home by \$24.74 from \$267.45 to \$292.19 if payment is made by the due date. Schedule C *attached* shows current and proposed 2007 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 2007 March 15 would be \$292.19. The rate of payment after 2007 March 15 would be \$307.57.

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.


Rick Earle
DIRECTOR FINANCE

RAE:ch
Attach.

cc: Director Engineering
City Solicitor

WATERWORKS - OPERATING BUDGET

SCHEDULE A

	1996 Actual \$	1997 Actual \$	1998 Actual \$	1999 Actual \$	2000* Actual (1) \$	2001* Actual (1)	2002* Actual (1)	2003 Actual	2004 Actual	2005 Actual	2006 Annual	2007 Projected
EXPENDITURE												
Cost of water	5,149,529	5,451,721	6,263,174	6,757,440	7,671,714	8,157,408	8,029,208	8,526,217	9,901,028	10,477,041	12,771,000	14,943,720
Transmission, distribution & pumping	2,461,101	2,626,996	3,098,030	3,082,624	3,162,910	3,661,679	3,566,963	3,781,707	4,425,362	3,815,257	4,368,160	4,443,490
Long term debt (paid down 1999)	242,464	121,148	120,045	851,012								
Contribution to capital	2,650,000	3,440,000	4,088,000	4,088,000	4,768,405	4,322,000	4,322,000	4,395,000	5,414,000	7,516,000	9,020,000	9,500,000
Cont. to Equipment Replacement Reserve (Equip. Charge-Out)				78,925	78,584	75,623	59,336					
Discount	530,358	608,680	689,634	726,239	755,102	791,624	835,595	881,735	798,076	1,002,074	1,098,680	1,200,300
Contingency	191										448,790	450,000
Surplus generated	1,815,743	1,913,356	1,089,904	861,751	762,158	675,632	1,848,737	2,056,079	69,034	1,321,978	0	0
TOTAL	12,849,386	14,161,901	15,348,787	16,445,991	17,198,873	17,683,966	18,661,839	19,640,738	20,607,500	24,132,350	27,706,630	30,537,510

GROSS REVENUES/TRANSFERS

Fee increase - flat rates												
Fee increase - metered rates												
Flat rates	7,206,354	8,070,389	8,899,876	9,625,516	10,022,422	10,563,668	11,254,450	12,015,676	12,824,028	14,167,190	15,386,770	16,810,050
Metered rates	5,414,262	5,697,427	6,180,174	6,567,988	6,984,358	7,108,298	7,384,289	7,579,562	7,710,722	8,096,570	9,023,290	9,857,940
Connection fees	202,770	365,885	246,677	240,527	183,093							
Construction - Metered Charges						12,000	13,000	13,000	28,450	39,050	12,000	12,000
Construction - Flat Rate Charges	26,000	28,200	22,060	11,960	9,000		10,100	32,500	44,300	60,200	13,000	13,000
Draw on previous year's surplus										1,769,340	3,271,570	3,844,520
TOTAL	12,849,386	14,161,901	15,348,787	16,445,991	17,198,873	17,683,966	18,661,839	19,640,738	20,607,500	24,132,350	27,706,630	30,537,510

Operating surplus	6,589,199	8,502,555	9,592,459	10,454,210	11,216,368	11,892,000	13,740,737	15,796,816	15,865,850	15,418,488	12,146,918	8,302,398
Rate increase	10.0%	11.0%	9.5%	7.0%	3.5%	5.00%	5.50%	6.00%	6.00%	9.25%	9.25%	9.25%

CAPITAL EXPENDITURES

	1996 Actual	1997 Actual	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Annual Budget	2007 Draft Provisional Budget
BUDGET/ACTUAL AMOUNT	3,377,815	2,934,416	4,999,517	4,808,981	5,114,700	4,354,550	4,305,469	4,947,375	5,178,000	7,459,875	11,263,500	15,000,000

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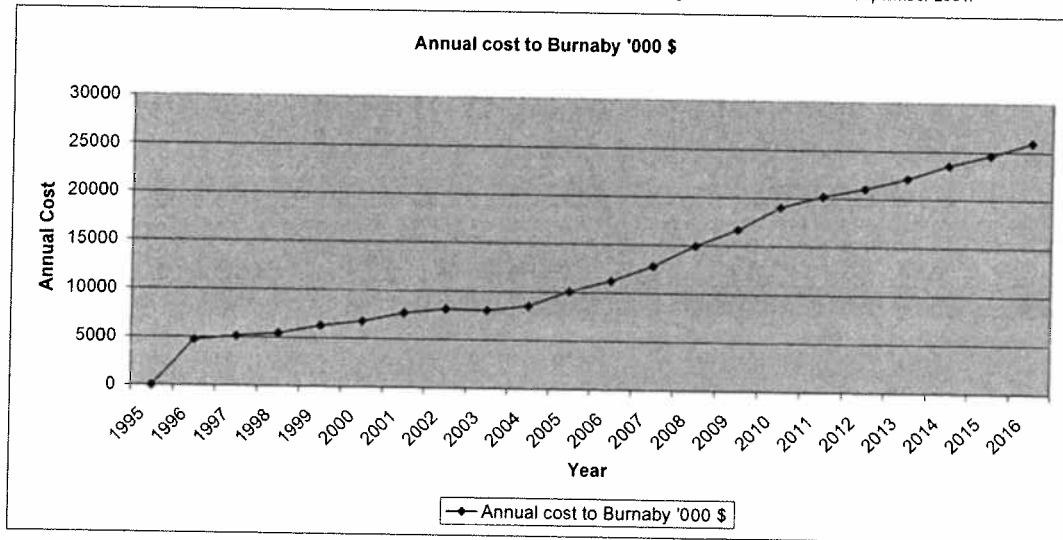
* 2000, 2001 and 2002 costs have been adjusted for errors in meter readings from October 2000 to September 2001 (credit received in 2002).

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

SCHEDULE B

Year	Rate Per Cubic Meter			Total volume (2) purchased '000 M ³	Annual cost to Burnaby		Increase in total cost of water to Burnaby from previous year	
	Cost/M ³	Increase from previous year			'000 \$	'000 \$	'000 \$	%
	\$	\$	%					
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	914	13.5	
2001	0.1881	0.0103	5.8	43,366	(3) 8,157	485	6.3	
2002	0.1893	0.0012	0.6	42,415	(3) 8,029	-128	-1.6	
2003	0.1968	0.0075	4.0	43,320	8,526	497	6.2	
2004	0.2234	0.0266	13.5	45,198	10,097	1,571	18.4	
2005	0.2502 (1)	0.0268	12.0	44,779	11,204	1,107	11.0	
2006	0.2908 (1)	0.0406	16.2	43,917	12,771	1,567	14.0	
2007	0.3445 (1)	0.0537	18.5	43,378	14,944	2,173	17.0	
2008	0.3830 (1)	0.0385	11.2	43,496	16,659	1,715	11.5	
2009	0.4361 (1)	0.0531	13.9	43,586	19,008	2,349	14.1	
2010	0.4602 (1)	0.0241	5.5	43,922	20,213	1,205	6.3	
2011	0.4786 (1)	0.0184	4.0	43,981	21,049	836	4.1	
2012	0.4916 (1)	0.0130	2.7	45,066	22,154	1,105	5.3	
2013	0.5125 (1)	0.0209	4.3	45,905	23,526	1,372	6.2	
2014	0.5254 (1)	0.0129	2.5	46,867	24,624	1,098	4.7	
2015	0.5420 (1)	0.0166	3.2	47,829	25,923	1,299	5.3	
2016	0.5537 (1)	0.0117	2.2	48,925	27,090	1,166	4.5	
Increase 1996 - 2005		0.1670	117.8			7,457	139.0	
Projected increase 2006-2016		0.3035	90.4			15,886	112.1	

NOTES: (1) 2007-2016 unit costs are based on the draft GVRD long range projection in October of 2006.
 (2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District. 1991 to 2005 are actual volumes, 2006 is based on Annual Budget, and 2007 to 2016 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

	2003	2003	2004	2004	2005	2005	2006	2006	PROPOSED	
	Paid by Mar. 17	Paid after Mar. 17	Paid by Mar. 15	Paid after Mar. 15	Paid by Mar. 15	Paid after Mar. 15	Paid by Mar. 15	Paid after Mar. 15	2007 Paid by Mar. 15	2007 Paid after Mar. 15
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
FLAT RATES										
Detached single family	211.39	222.52	224.08	235.87	244.81	257.69	267.45	281.53	292.19	307.57
Single family within duplex	158.53	166.87	168.04	176.88	183.58	193.24	200.55	211.11	219.11	230.64
Single family within multiple	121.38	127.77	128.67	135.44	140.57	147.97	153.58	161.66	167.78	176.61
Commercial not more than 3 stores/offices										
Commercial and living quarters, 1 family	422.80	445.05	448.16	471.75	489.62	515.39	534.91	563.06	584.38	615.14
Commercial and no living quarters	211.39	222.52	224.08	235.87	244.81	257.69	267.45	281.53	292.19	307.57
CROSS CONNECTION CONTROLS **										
Per Device	26.23	27.61	26.91	28.33	27.45	28.90	28.01	29.48	28.57	30.07
Minimum Per Unit	3.28	3.45	3.36	3.54	3.43	3.61	3.50	3.68	3.56	3.75
METERED RATES										
		Non-Discout		Non-Discout		Non-Discout		Non-Discout		Non-Discout
Monthly										
First 300 cubic metres	0.560	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Next 550 cubic metres	0.560	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Next 1,400 cubic metres	0.560	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Over 12,000 cubic metres	0.560	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Minimum monthly	17.61	18.54	18.67	19.65	20.40	21.47	22.29	23.46	24.35	25.63
Quarterly										
First 900 cubic metres	0.580	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Next 1,650 cubic metres	0.580	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Next 4,200 cubic metres	0.580	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Over 36,000 cubic metres	0.580	0.590	0.594	0.625	0.649	0.683	0.709	0.746	0.774	0.815
Minimum quarterly	52.84	55.62	56.00	58.95	61.19	64.41	66.86	70.38	73.05	76.89
SPECIAL METER READING										
	\$25.00 per request		\$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	6.00%	6.00%	6.00%	6.00%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%
Cross Connection Control Rate increase **	1.5%	1.5%	2.6%	2.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

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