

2. PROJECTED EXPENDITURES AND REVENUES

Schedule A *attached* provides the estimates of expenditures and revenues for 2009 with the proposed rate increase outlined below.

EXPENDITURES

The projected cost increase in 2009 reflects an increase in the supply cost of water from the GVWD and replacement of aging infrastructure. In addition, over the last five years, Burnaby's cost of water increased by 81.5% whereas the total water rate increase was only 53.4%. The City has been trying to achieve rate stabilization by utilizing prior years' surplus. Water rates increases will need to outpace the actual cost increase over the next few years to achieve self-sustainability of waterworks utility.

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 37.67 cents per cubic metre (or 43.47 cents during the peak period of June to September, and 34.77 cents for the remaining months in 2008). The projected blended rate increase for 2009 is 15.8%, from 37.67 to 43.61 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 2009 increase, the estimated total cost of water to Burnaby will increase by about 27% over the next four 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.

The City has committed to the goal of replacing all the asbestos cement watermains in the City, which are at the end of their useful life. Through the annual replacement program, the City has made significant progress in replacing these aging pipes. Currently there are approximately 170 km of asbestos cement pipes remaining in the system and the present replacement rate is approximately 8 km to 10 km per year, which will take another 16 to 20 years to complete the asbestos cement pipe replacement program. In addition to construction cost escalation and replacement of asbestos cement pipes, the City will need to make provisions for the replacement of aging pumping stations to meet current and future growth related demands within 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.

To: City Manager
From: Director Finance
Re: Waterworks Utility Rates for 2009
2008 November 25..... Page 3

Water charges have increased since 1999 at the following rate:

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%	
2008	11.00%	
2009	12.00%	Proposed

This report proposes a 12.00% increase to flat and metered water rates. The proposed rates will increase the utility bill for a single family home by \$38.92 from \$324.33 to \$363.25 if payment is made by the due date. Schedule C *attached* shows current and proposed 2009 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 2009 March 16 would be \$363.25. The rate of payment after 2009 March 16 would be \$382.37.

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.



 Rick Earle
DIRECTOR FINANCE

RAE: rt
Attach.

cc: Director Engineering
City Solicitor

WATERWORKS - OPERATING BUDGET

SCHEDULE A

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	Annual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
EXPENDITURE												
Cost of water	13,675,848	16,064,500	18,271,200	19,663,900	20,860,800	21,856,000	23,242,500	24,303,700	25,571,000	26,645,500	28,130,400	29,695,500
Transmission, distribution & pumping	3,940,325	5,155,820	5,169,675	5,406,780	5,654,760	5,914,110	6,185,360	6,469,050	6,765,750	7,076,060	7,400,600	7,740,020
Long term debt (paid down 1999)	0	0	0	0	0	0	0	0	0	0	0	0
Contribution to capital	9,500,000	12,568,000	12,568,000	13,825,000	15,208,000	16,729,000	18,402,000	20,242,000	22,266,000	24,493,000	26,942,000	29,636,000
Cont. to Equipment Replacement Reserve (Equip. Charge-Out)	1,216,313	1,366,130	1,506,860	1,687,680	1,890,200	2,117,030	2,371,070	2,513,340	2,664,140	2,823,980	2,993,420	3,173,030
Discount	531,395	720,000	780,000	830,000	890,000	960,000	1,020,000	1,090,000	1,160,000	1,250,000	1,340,000	1,430,000
Contingency	2,796,634	0	0	0	0	0	1,205,610	958,940	479,060	166,070	0	0
Surplus generated	31,129,120	35,686,045	38,235,735	41,363,360	44,443,760	47,506,140	52,366,540	55,507,030	58,835,950	62,364,610	66,716,420	71,584,550
TOTAL												

GROSS REVENUES/TRANSFERS

Fee increase - flat rates	17,568,187	19,501,380	22,176,000	24,837,120	27,817,570	31,155,680	34,894,360	36,988,020	39,207,300	41,559,740	44,053,320	46,696,520
Fee increase - metered rates	9,561,155	10,656,000	11,088,000	12,418,560	13,908,790	15,577,840	17,447,180	18,494,010	19,603,650	20,779,870	22,026,660	23,348,260
Metered rates	62,695	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Connection fees	41,275	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Construction - Metered Charges	51,278	5,503,665	4,946,735	4,082,680	2,692,400	747,620	0	0	0	0	0	0
Construction - Flat Rate Charges	3,844,530	35,686,045	38,235,735	41,363,360	44,443,760	47,506,140	52,366,540	55,507,030	58,835,950	62,364,610	66,716,420	71,584,550
Other Miscellaneous	12,820,159	7,848,089	3,621,354	318,674	-1,543,726	-1,401,346	764,264	2,743,204	4,312,264	5,638,334	6,276,894	6,102,124
Draw on previous year's surplus	9.25%	11.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
TOTAL												

Operating surplus	12,820,159	7,848,089	3,621,354	318,674	-1,543,726	-1,401,346	764,264	2,743,204	4,312,264	5,638,334	6,276,894	6,102,124
Rate increase	9.25%	11.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%

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

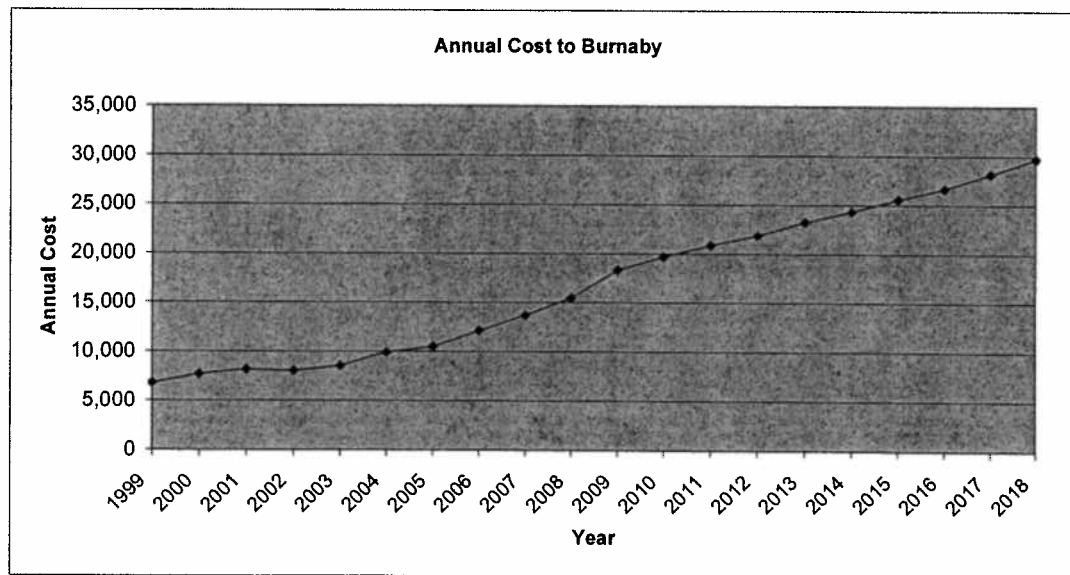
SCHEDULE B

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								
	Off-Peak	Peak	\$		%		Off-Peak	Peak	000 \$	000 \$	%
			Off-Peak	Peak	Off-Peak	Peak					
1999	0.1644	N/A	0.0131	N/A	8.7	N/A	41,104		6,757	499	8.0
2000	0.1778	N/A	0.0134	N/A	8.2	N/A	43,148	(3)	7,672	(3) 914	13.5
2001	0.1881	N/A	0.0103	N/A	5.8	N/A	43,366	(3)	8,157	(3) 485	6.3
2002	0.1893	N/A	0.0012	N/A	0.6	N/A	42,415	(3)	8,029	(3) -128	-1.6
2003	0.1968	N/A	0.0075	N/A	4.0	N/A	43,320		8,526	497	6.2
2004	0.2234	N/A	0.0266	N/A	13.5	N/A	44,320		9,901	1,375	16.1
2005	0.2502	N/A	0.0268	N/A	12.0	N/A	41,875		10,477	576	5.8
2006	0.2818	0.3044	0.0316	N/A	12.6	N/A	24,050	17,574	12,127	1,650	15.7
2007	0.3271	0.3794	0.0453	0.0750	16.1	24.6	23,112	16,097	13,667	1,540	12.7
2008	0.3477	0.4347 (1)	0.0206	0.0553	6.3	14.6	25,284	15,369	15,472	1,805	13.2
2009	0.4026	0.5032 (1)	0.0549	0.0685	15.8	15.8	25,790	15,676	18,271 ¹	2,799	18.1
2010	0.4248	0.5309 (1)	0.0222	0.0277	5.5	5.5	26,306	15,990	19,664	1,393	7.6
2011	0.4418	0.5522 (1)	0.0170	0.0213	4.0	4.0	26,832	16,310	20,861	1,197	6.1
2012	0.4538	0.5672 (1)	0.0120	0.0150	2.7	2.7	27,369	16,636	21,856	995	4.8
2013	0.4731	0.5914 (1)	0.0193	0.0242	4.3	4.3	27,916	16,969	23,243	1,387	6.3
2014	0.4850	0.6063 (1)	0.0119	0.0149	2.5	2.5	28,474	17,308	24,304	1,061	4.6
2015	0.5003	0.6254 (1)	0.0153	0.0191	3.2	3.2	29,043	17,654	25,571	1,267	5.2
2016	0.5111	0.6389 (1)	0.0108	0.0135	2.2	2.2	29,624	18,007	26,645	1,074	4.2
2017	0.5290	0.6613 (1)	0.0179	0.0224	3.5	3.5	30,216	18,367	28,130	1,485	5.6
2018	0.5475	0.6844 (1)	0.0185	0.0231	3.5	3.5	30,820	18,734	29,695	1,565	5.6
Increase 1999 - 2008			0.1833	N/A	129.8	N/A				8,715	147.2
Projected increase 2009 - 2018			0.1998	0.2497	57.5	57.4				14,223	91.9

NOTES: (1) 2009-2016 unit costs are based on GVRD's 2007 Financial Information long range projection, 2017-2018 unit cost is based on average increase from 2010 to 2016.

(2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District. 1998 to 2007 are actual volumes, 2008 based on Forecasted Actual, and 2009 to 2018 are based on 2008 forecast with a 2% volume increase allowance.

(3) 2000, 2001 and 2002 volume and annual costs have been adjusted for errors in meter readings from October 2000 to September 2001.



WATER RATES

SCHEDULE C

	2007	2007	2008	2008	PROPOSED	
	Paid by Mar. 15	Paid after Mar. 15	Paid by Mar. 17	Paid after Mar. 17	2009 Paid by Mar. 16	2009 Paid after Mar. 16
	\$	\$	\$	\$	\$	\$
<u>FLAT RATES</u>						
Detached single family	292.19	307.57	324.33	341.40	363.25	382.37
Single family within duplex	219.11	230.64	243.21	256.01	272.39	286.73
Single family within multiple	167.78	176.61	186.24	196.04	208.58	219.56
Commercial not more than 3 stores/offices						
Commercial and living quarters, 1 family	584.38	615.14	648.67	682.81	726.51	764.75
Commercial and no living quarters	292.19	307.57	324.33	341.40	363.25	382.37
<u>CROSS CONNECTION CONTROLS **</u>						
Per Device	28.57	30.07	29.14	30.67	32.63	34.35
Minimum Per Unit	3.56	3.75	3.64	3.83	4.08	4.29
<u>METERED RATES</u>						
<i>Monthly</i>		Non-Discount		Non-Discount		Non-Discount
First 300 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Next 550 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Next 1,400 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Over 12,000 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Minimum monthly	24.35	25.63	27.03	28.45	30.27	31.86
<i>Quarterly</i>						
First 900 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Next 1,650 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Next 4,200 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Over 36,000 cubic metres	0.774	0.815	0.860	0.905	0.963	1.014
Minimum quarterly	73.05	76.89	81.08	85.35	90.80	95.58
<u>SPECIAL METER READING</u>						
	\$25.00 per request		\$25.00 per request		\$25.00 per request	
<u>CONSTRUCTION WATER</u>						
3/4" connection (per six months)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
1" connection (per six months)	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00	1,650.00
2" connection (per six months)	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
<u>CONNECTION FEE</u>						
Connection fee 19mm and less	-----COST OF CONNECTION-----					
General Rate increase	9.25%	9.25%	11.00%	11.00%	12.00%	12.00%
Cross Connection Control Rate increase **	2.00%	2.00%	2.00%	2.00%	12.00%	12.00%

Finance Department
25-Nov-08
File: 39500 01