



Item.....	01
Meeting.....	2009 December 07

COUNCIL REPORT

TO: CITY MANAGER **DATE:** 2009 November 30
FROM: DIRECTOR FINANCE **FILE:** 39500 01
SUBJECT: WATERWORKS UTILITY RATES FOR 2010
PURPOSE: To obtain Council approval for 2010 Water Rates

RECOMMENDATION:

1. **THAT** Burnaby Waterworks Regulation Bylaw be amended to provide for the water rates contained in Schedule A, effective 2010 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 2010.

This report proposes a general rate increase of 14.00% 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 2010 March 15. To promote payment by the due date, Burnaby offers a 5% discounted rate for payment on or before 2010 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 2010 proposed rate for a single family home is \$414.10 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

Schedule A *attached* provides the estimates of expenditures and revenues for 2010 with the proposed rate increase outlined below.

EXPENDITURES

The projected cost increase in 2010 reflects an increase in the supply cost of water from the GVWD and replacement of aging infrastructure. In addition, Burnaby's cost of water increased by 90.4% from 2004 to 2009 whereas the total water rate increase was only 62.1%. 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 43.61 cents per cubic metre (or 50.32 cents during the peak period of June to September, and 40.26 cents for the remaining months in 2009). The projected blended rate increase for 2010 is 11.9%, from 43.61 to 48.80 cents per cubic metre. The blended rate increased by 68.7% from 2006 to 2010 whereas the City's water rates increased by 54.8%. The projected GVWD cost of water accounts for 52.2% of the 2010 Waterworks operating budget. 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 2010 increase, the estimated total cost of water to Burnaby will increase by about 70.9% 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.

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 From: Director Finance
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Water charges have increased since 2000 at the following rate:

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%	
2010	14.00%	Proposed

This report proposes a 14.00% increase to flat and metered water rates. The proposed rates will increase the utility bill for a single family home by \$50.85 from \$363.25 to \$414.10 if payment is made by the due date. Schedule C *attached* shows current and proposed 2010 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 2010 March 15 would be \$414.10. The rate of payment after 2010 March 15 would be \$435.90.

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.



for Rick Earle
 DIRECTOR FINANCE

RAE: rt
 Attach.

cc: Director Engineering
 City Solicitor

WATERWORKS - OPERATING BUDGET

SCHEDULE A

	2007 Actual	2008 Actual	2009 Annual	2010		2011		2012		2013		2014		2015		2016		2017		2018		2019	
				Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
EXPENDITURE																							
Cost of water	13,675,848	15,196,071	18,271,200	20,984,500	25,376,400	28,662,400	32,687,000	35,859,400	38,780,500	41,945,800	45,371,100	49,092,400	53,106,600										
Transmission, distribution & pumping	3,940,325	4,226,579	5,006,525	5,261,661	5,416,610	5,576,120	5,740,330	5,909,370	6,083,390	6,262,540	6,446,960	6,636,810	6,832,250										
Contribution to capita	9,500,000	12,568,000	12,468,000	13,178,000	14,232,000	15,371,000	16,601,000	17,929,000	19,363,000	20,812,000	22,586,000	24,392,000	26,343,000										
Discount	1,216,313	1,363,546	1,506,860	1,770,980	2,027,770	2,321,800	2,646,850	2,885,070	3,101,450	3,334,050	3,584,110	3,852,920	4,141,890										
Contingency			984,150	790,000	900,000	990,000	1,100,000	1,190,000	1,280,000	1,380,000	1,490,000	1,600,000	1,730,000										
Surplus generated	2,796,634	2,252,347	0	0	0	0	0	0	0	0	0	0	0										
TOTAL	31,129,120	35,606,543	38,235,735	41,985,141	47,952,780	52,921,320	58,775,180	63,772,840	68,608,340	73,834,390	79,477,170	85,574,130	92,153,740										

GROSS REVENUES/TRANSFERS

Fee increase - flat rates																							
Fee increase - metered rates																							
Flat rates	17,568,187	19,833,393	22,176,000	25,859,220	29,608,810	33,902,090	38,648,380	42,126,730	45,286,230	48,682,700	52,333,900	56,258,940	60,478,360										
Metered rates	9,561,155	10,163,379	11,088,000	12,640,320	14,473,170	16,571,780	18,891,830	20,592,090	22,136,500	23,796,740	25,581,500	27,500,110	29,562,620										
Connection fees																							
Construction - Metered Charges	62,695	59,021	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000										
Construction - Flat Rate Charges	41,275	27,100	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000										
Other Miscellaneous	51,278	19,985																					
Draw on previous year's surplus	3,844,530	5,503,665	4,946,735	3,460,601	3,845,800	2,422,450	1,209,970	1,029,020	1,160,610	1,329,950	1,536,770	1,790,080	2,087,760										
TOTAL	31,129,120	35,606,543	38,235,735	41,985,141	47,952,780	52,921,320	58,775,180	63,772,840	68,608,340	73,834,390	79,477,170	85,574,130	92,153,740										

Operating surplus	12,818,821	9,567,503	5,604,918	4,528,765	1,582,965	150,515	40,545	201,525	320,915	370,965	324,195	134,115	-223,645										
Rate increase	9.25%	11.00%	12.00%	14.00%	14.50%	14.50%	14.00%	9.00%	7.50%	7.50%	7.50%	7.50%	7.50%										

Finance Department
30-Nov-09
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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						
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	0.0206	0.0553	6.3	14.6	24,491	15,369	15,196		1,529	11.2
2009	0.4026	0.5032	0.0549	0.0685	15.8	15.8	25,515	16,853	18,753		3,556	23.4
2010	0.4505	0.5631	0.0479	0.0599	11.9	11.9	25,515	16,853	20,984	*	2,232	11.9
2011	0.5290	0.6610 (1)	0.0785	0.0979	17.4	17.4	26,280	17,359	25,376		4,392	20.9
2012	0.5800	0.7250 (1)	0.0510	0.0640	9.6	9.7	27,068	17,880	28,662		3,286	12.9
2013	0.6420	0.8030 (1)	0.0620	0.0780	10.7	10.8	27,880	18,416	32,687		4,025	14.0
2014	0.6840	0.8550 (1)	0.0420	0.0520	6.5	6.5	28,716	18,968	35,859		3,172	9.7
2015	0.7180	0.8980 (1)	0.0340	0.0430	5.0	5.0	29,577	19,537	38,781		2,921	8.1
2016	0.7540	0.9430 (1)	0.0360	0.0450	5.0	5.0	30,464	20,123	41,946		3,165	8.2
2017	0.7920	0.9900 (1)	0.0380	0.0470	5.0	5.0	31,378	20,727	45,371		3,425	8.2
2018	0.8320	1.0400 (1)	0.0400	0.0500	5.1	5.1	32,319	21,349	49,092		3,721	8.2
2019	0.8740	1.0920 (1)	0.0420	0.0520	5.0	5.0	33,289	21,989	53,107		4,014	8.2
Increase 2000 - 2009			0.2382	N/A	144.9	N/A					11,995	177.5
Projected increase 2009 - 2018			0.4714	0.5888	117.1	117.0					34,354	183.2

NOTES: (1) 2011-2014 unit costs are based on GVRD's 2009 projection, 2015-2019 unit cost is based on an assumed 5% increase.
 (2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District. 2000 to 2008 are actual volumes, 2009 based on Forecasted Actual, and 2010 to 2019 are based on forecast with a 3% 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

	2008	2008	2009	2009	PROPOSED	
	Paid by Mar. 17	Paid after Mar. 17	Paid by Mar. 16	Paid after Mar. 16	2010 Paid by Mar. 15	2010 Paid after Mar. 15
	\$	\$	\$	\$	\$	\$
<u>FLAT RATES</u>						
Detached single family	324.33	341.40	363.25	382.37	414.10	435.90
Single family within duplex	243.21	256.01	272.39	286.73	310.53	326.87
Single family within multiple	186.24	196.04	208.58	219.56	237.78	250.30
Commercial not more than 3 stores/offices						
Commercial and living quarters, 1 family	648.67	682.81	726.51	764.75	828.23	871.82
Commercial and no living quarters	324.33	341.40	363.25	382.37	414.10	435.90
<u>CROSS CONNECTION CONTROLS **</u>						
Per Device	29.14	30.67	32.63	34.35	37.20	39.16
Minimum Per Unit	3.64	3.83	4.08	4.29	4.65	4.89
<u>METERED RATES</u>						
		Non-		Non-		Non-
<i>Monthly</i>		Discount		Discount		Discount
First 300 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Next 550 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Next 1,400 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Over 12,000 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Minimum monthly	27.03	28.45	30.27	31.86	34.50	36.32
<i>Quarterly</i>						
First 900 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Next 1,650 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Next 4,200 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Over 36,000 cubic metres	0.860	0.905	0.963	1.014	1.098	1.156
Minimum quarterly	81.08	85.35	90.81	95.59	103.51	108.96
<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	11.00%	11.00%	12.00%	12.00%	14.00%	14.00%
Cross Connection Control Rate increase **	0.00%	0.00%	12.00%	12.00%	14.00%	14.00%

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