



Item01
Meeting 2010 November 22

COUNCIL REPORT

TO: CITY MANAGER **DATE:** 2010 November 15
FROM: DIRECTOR FINANCE **FILE:** 39500 01
SUBJECT: WATERWORKS UTILITY RATES FOR 2011
PURPOSE: To obtain Council approval for 2011 Water Rates

RECOMMENDATION:

1. **THAT** Burnaby Waterworks Regulation Bylaw be amended to provide for the water rates contained in Schedule A, effective 2011 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 2011.

This report proposes a general rate increase of 11.00% 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 2011 March 15. To promote payment by the due date, Burnaby offers a 5% discounted rate for payment on or before 2011 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 2011 proposed rate for a single family home is \$459.66 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 2011 with the proposed rate increase outlined below.

EXPENDITURES

The projected cost increase in 2011 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 92.4% from 2005 to 2010 whereas the total water rate increase was only 69.2%. The City has been trying to achieve rate stabilization by utilizing prior years' surplus. Water rate 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 48.80 cents per cubic metre (or 56.31 cents during the peak period of June to September, and 45.05 cents for the remaining months in 2010). The projected blended rate increase for 2011 is 14.0%, from 48.80 to 55.63 cents per cubic metre. The blended rate increased by 92.3% from 2006 to 2011 whereas the City's water rates increased by 71.9%. The projected GVWD cost of water accounts for 53.64% of the 2011 Waterworks operating budget. The increased costs will provide for the GVWD's Drinking Water Quality Improvement Plan, which includes debt repayment and operating costs of a new filtration plant for the Seymour Water source and the construction of a water tunnel between the Capilano and Seymour sources.

In addition to the 2011 increase, the rates for GVWD water supplies are projected to increase by about 37.1% 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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Water charges have increased since 2001 at the following rate:

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%	
2011	11.00%	

This report proposes a 11.00% increase to flat and metered water rates. The proposed rates will increase the utility bill for a single family home by \$45.56 from \$414.10 to \$459.66 if payment is made by the due date. Schedule C *attached* shows current and proposed 2011 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 2011 March 15 would be \$459.66. The rate of payment after 2011 March 15 would be \$483.85.

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.



Denise Jorgenson
DIRECTOR FINANCE

DJ: rt
Attach.

cc: Director Engineering
Director Planning and Building
Chief Building Inspector
City Solicitor

WATERWORKS - OPERATING BUDGET

SCHEDULE A

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Actual	Actual	Annual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE													
Metro Van. - Cost of water	15,196,071	18,232,271	20,984,500	22,824,800	24,789,000	26,984,700	28,308,000	29,485,400	31,599,400	33,657,500	35,938,600	38,361,700	41,048,200
Transmission, distribution & pumping	4,226,579	4,836,926	5,428,960	5,860,547	6,084,970	6,338,770	6,592,320	6,856,010	7,130,250	7,415,460	7,712,080	8,020,560	8,341,380
Contribution to capital & depreciation	12,568,000	12,428,000	13,178,000	13,870,000	16,000,000	17,000,000	18,000,000	18,500,000	19,610,000	20,787,000	22,034,000	23,356,000	24,757,000
Contingency			622,700	850,000	940,000	1,010,000	1,060,000	1,100,000	1,170,000	1,240,000	1,310,000	1,390,000	1,480,000
Surplus generated	2,252,347	2,049,822	0	0	0	0	0	0	0	0	0	0	0
TOTAL	34,242,997	37,547,019	40,214,160	43,405,347	47,823,970	51,333,470	53,960,320	55,951,410	59,509,650	63,099,960	66,994,680	71,128,260	75,626,580

GROSS REVENUES/TRANSFERS

Fiat rates	19,833,393	22,682,324	25,859,220	28,703,730	31,861,140	35,365,870	38,018,310	40,489,500	43,121,320	45,924,210	48,909,280	52,088,380	55,474,120
Metered rates	10,163,379	11,361,402	12,640,320	13,777,950	15,017,970	16,369,590	17,269,920	18,047,070	18,859,190	19,707,850	20,594,700	21,521,460	22,489,930
Discount	-1,363,546	-1,526,938	-1,770,980	-1,913,800	-2,111,900	-2,330,680	-2,490,730	-2,637,070	-2,792,220	-2,956,720	-3,131,150	-3,316,120	-3,512,280
Construction - Metered Charges	59,021	19,469	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	27,100	15,550	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Other Miscellaneous	19,985	48,477											
Draw on previous year's surplus	5,503,665	4,946,735	3,460,601	2,812,467	3,031,760	1,903,690	1,137,820	26,910	296,360	399,620	596,850	809,540	1,149,810
TOTAL	34,242,997	37,547,019	40,214,161	43,405,347	47,823,970	51,333,470	53,960,320	55,951,410	59,509,650	63,099,960	66,994,680	71,128,260	75,626,580

Operating surplus	9,567,503	6,670,590	3,832,689	2,995,586	903,826	10,136	-67,684	1,005,406	1,879,046	2,719,426	3,432,576	4,013,036	4,343,226
Rate increase	11.00%	12.00%	14.00%	11.00%	11.00%	11.00%	7.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
% Cost of Water over Total Cost	47.50%	51.36%	53.00%	53.64%	52.87%	53.62%	53.51%	53.77%	54.16%	54.41%	54.71%	55.01%	55.36%

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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						
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	24,275	16,811	18,232		3,036	20.0
2010	0.4505	0.5631	0.0479	0.0599	11.9	11.9	23,890	16,682	20,156		1,924	10.6
2011	0.5135	0.6419	0.0630	0.0788	14.0	14.0	23,804	16,515	22,825		2,669	13.2
2012	0.5633	0.7042 (1)	0.0498	0.0623	9.7	9.7	23,567	16,350	24,789		1,964	8.6
2013	0.6236	0.7795 (1)	0.0603	0.0753	10.7	10.7	23,175	16,078	26,985		2,196	8.9
2014	0.6641	0.8302 (1)	0.0405	0.0507	6.5	6.5	22,828	15,837	28,308		1,323	4.9
2015	0.7039	0.8800 (1)	0.0398	0.0498	6.0	6.0	22,440	15,568	29,495		1,187	4.2
2016	0.7426	0.9284 (1)	0.0387	0.0484	5.5	5.5	22,788	15,809	31,599		2,104	7.1
2017	0.7834	0.9795 (1)	0.0408	0.0511	5.5	5.5	23,007	15,961	33,657		2,058	6.5
2018	0.8265	1.0334 (1)	0.0431	0.0539	5.5	5.5	23,285	16,154	35,939		2,281	6.8
2019	0.8720	1.0902 (1)	0.0455	0.0568	5.5	5.5	23,559	16,344	38,362		2,423	6.7
2020	0.9200	1.1502 (1)	0.0480	0.0600	5.5	5.5	23,894	16,576	41,048		2,687	7.0
Increase 2001 - 2010			0.2727	N/A	153.4	N/A					12,485	162.7
Projected increase 2011 - 2020			0.4695	0.5871	104.2	104.3					20,892	103.6

- NOTES: (1) 2012-2015 unit costs are based on GVRD's 2010 projection, 2016-2020 unit cost is based on an assumed 5.5% increase.
 (2) Total volume of water purchased by Burnaby from the Greater Vancouver Water District (GVWD). 2001 to 2009 are actual volumes, 2010 based on Forecasted Actual, and 2011 to 2020 are based on 2010 forecasted actual adjusted for GVWD's percentage consumption change.
 (3) 2001 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

FLAT RATES

	2010	2010	PROPOSED	
	Paid by Mar. 15	Paid after Mar. 15	2011 Paid by Mar. 15	2011 Paid after Mar. 15
	\$	\$	\$	\$
Detached single family	414.10	435.90	459.66	483.85
Single family within duplex	310.53	326.87	344.69	362.83
Single family within multiple	237.78	250.30	263.94	277.83
Commercial not more than 3 stores/offices				
Commercial and living quarters, 1 family	828.23	871.82	919.33	967.72
Commercial and no living quarters	414.10	435.90	459.66	483.85

CROSS CONNECTION CONTROLS **

	2010	2010	2011	2011
	Paid by Mar. 15	Paid after Mar. 15	Paid by Mar. 15	Paid after Mar. 15
	\$	\$	\$	\$
Per Device	37.20	39.16	41.30	43.47
Minimum Per Unit	4.65	4.89	5.16	5.43

METERED RATES

Monthly

	2010	2010	2011	2011
		Non-Discount		Non-Discount
First 300 cubic metres	1.098	1.156	1.219	1.283
Next 550 cubic metres	1.098	1.156	1.219	1.283
Next 1,400 cubic metres	1.098	1.156	1.219	1.283
Over 12,000 cubic metres	1.098	1.156	1.219	1.283
Minimum monthly	34.50	36.32	38.30	40.32

Quarterly

	2010	2010	2011	2011
		Non-Discount		Non-Discount
First 900 cubic metres	1.098	1.156	1.219	1.283
Next 1,650 cubic metres	1.098	1.156	1.219	1.283
Next 4,200 cubic metres	1.098	1.156	1.219	1.283
Over 36,000 cubic metres	1.098	1.156	1.219	1.283
Minimum quarterly	103.51	108.96	114.90	120.95

SPECIAL METER READING

	2010	2010	2011	2011
	\$25.00 per request	\$25.00 per request	\$25.00 per request	\$25.00 per request

CONSTRUCTION WATER

	2010	2010	2011	2011
3/4" connection (per six months)	\$1,000 per six months	\$1,000 per six months	\$1,110 per six months	\$1,110 per six months
1" connection (per six months)	\$1,650 per six months	\$1,650 per six months	\$1,830 per six months	\$1,830 per six months
2" connection (per six months)	\$2,500 per six months	\$2,500 per six months	\$2,775 per six months	\$2,775 per six months

	2010	2010	2011	2011
General Rate increase	14.00%	14.00%	11.00%	11.00%

	2010	2010	2011	2011
Cross Connection Control Rate increase **	14.00%	14.00%	11.00%	11.00%

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