

FINANCIAL MANAGEMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: 2016 SANITARY SEWER RATES

RECOMMENDATION:

1. THAT Council approve the amendment of the Burnaby Sewer Parcel Tax Bylaw 1994, and the Burnaby Sewer Charge Bylaw 1961, to reflect the 2016 rates found in Schedule C and the Bylaw amendments as outlined in Section 4.0 of this report, effective 2016 January 01.

REPORT

The Financial Management Committee, at its meeting held on 2015 November 16, received and adopted the attached report seeking Council's approval for a 1.5% increase to the 2016 Sanitary Sewer rates.

Respectfully submitted,

Councillor D. Johnston
Chair

Councillor C. Jordan
Vice Chair

Councillor P. McDonell
Member

Copied to:	City Manager Director Finance Director Engineering Director Planning & Building City Solicitor
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TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT
COMMITTEE

DATE: 2015 November 12

FROM: DIRECTOR FINANCE

FILE: 36000-07
Reference: Sewer Rates

SUBJECT: 2016 SANITARY SEWER RATES

PURPOSE: To obtain Council approval for a 1.5% increase to the 2016 Sanitary Sewer rates.

RECOMMENDATION:

1. **THAT** Financial Management Committee recommend Council approve the amendment of the Burnaby Sewer Parcel Tax Bylaw 1994, and the Burnaby Sewer Charge Bylaw 1961, to reflect the 2016 rates found in Schedule C and the Bylaw amendments as outlined in Section 4.0 in this report, effective 2016 January 01.

REPORT

1.0 BACKGROUND

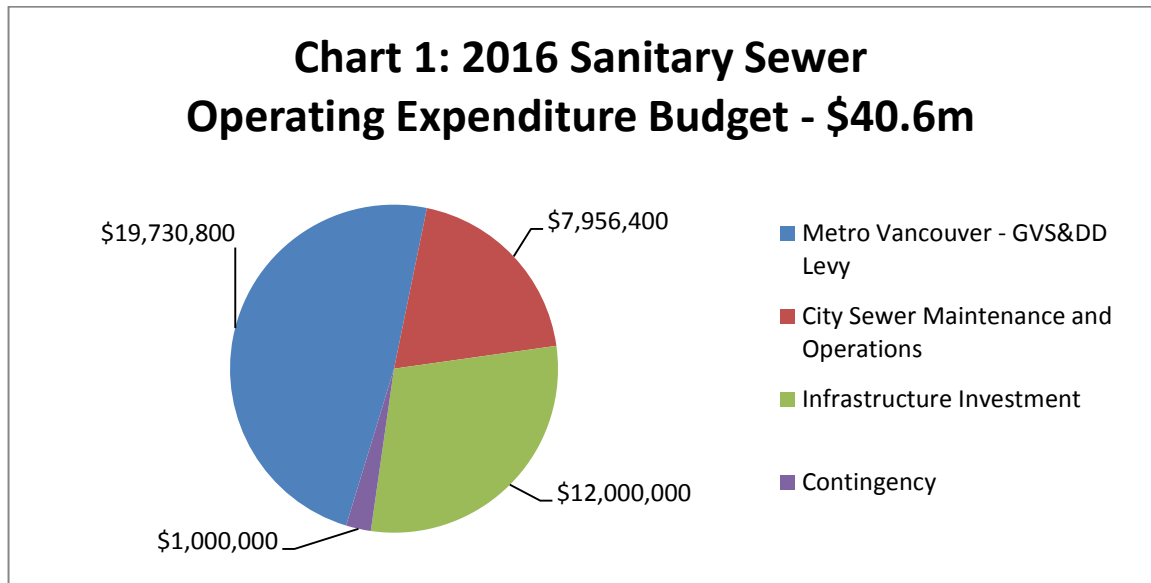
The Sanitary Sewer Fund is financially self-sustaining and therefore rate changes do not impact property taxes. Sanitary Sewer rates are reviewed annually and adjustments are made to provide funding for required operating and capital works through the adoption of amendments to the Burnaby Sewer System Parcel Tax Bylaw 1994 and the Burnaby Sewer Charge Bylaw 1961.

Annual Sanitary Sewer charges are due by March 15th each year. To promote payment by the due date, Burnaby offers a 5% discount for payments received on or before March 15th of a given year. Metered Sanitary Sewer users are offered the same 5% discount for payments made within 30 days of the billing date on the metered bill.

2.0 SANITARY SEWER FUND EXPENDITURES

The Sanitary Sewer Fund expenditures for 2016 are projected at \$40.6m, an increase of \$1.6m over 2015. The cost of the sewer system includes funding of infrastructure replacement and enhancement, sanitary treatment provided by Metro Vancouver and ongoing operating costs associated with maintaining the system.

The 2016 expenditure budget is summarized in Chart 1. Schedule A (attached) provides the City's Sanitary Sewer 5-year Operating Budget.



Metro Vancouver Costs

Greater Vancouver Sewerage and Drainage District (GVS&DD) 2016 levy of \$21m is distributed between the Sanitary Sewer Fund (\$19.7m) and the General Revenue Fund – Engineering Roads and Drainage (\$1.2m). The Roads and Drainage portion represents a 13.75% Metro Vancouver increase for the operating budget over 2015.

The charge of \$19.7m to Sanitary Sewer represents 49% of operating cost, which is consistent with 2015, and equates to a 3.91% increase over 2015. Schedule B (attached) summarizes the projected 2017– 2020 levies which are based on an estimated annual increase of 5%.

City Sewer Maintenance and Operations

The primary mandate of the City's Sanitary Sewer program is to protect public health, the environment and property from contamination and flooding. The City sanitary sewer system has two main components, the sanitary (liquid waste) and storm water systems. The sanitary system collects wastewater from homes and businesses, while the storm water system handles surface run off from private and public property.

The total increase in City Sewer maintenance and operations costs for 2016 is approximately \$371k. A separate contingency for unanticipated operating or supply costs is included in the overall budget.

Infrastructure Investment

One of the City's strategic priorities is to complete the sewer separation program. This program is designed to eliminate combined sewer overflows as required under provincial legislation and detailed in the region's Liquid Waste Management Plan (LWMP). The work being done to maintain and renew Burnaby's infrastructure investment protects the public and the environment by reducing contamination risks. The Engineering Department plans include gradual expansion of the sewer separation program to existing residential housing to meet the regulatory requirement of eliminating combined sanitary and sewer systems.

The total capital plan for 2016 is \$11.98m. Average capital expenditure for the next five years is approximately \$11.6m. The annual contribution to the capital reserve provides funding for the replacement of aging infrastructure and net new services. The planned five year capital replacement and infrastructure investment is \$58m.

3.0 2016 RATE SETTING

Sanitary Sewer rates are based on a user pay principle and structured to fund the cost of delivery and the management of the sanitary sewer system. They also fund continued separation of the sanitary and storm sewer combined systems. The primary sources of funds for 2016 are: Sewer Parcel, Sewer Use and Metered Sewer revenue. A small percentage of revenue comes in the form of other permits and fees.

Chart 2 provides a breakdown of funding sources net of discounts.

For 2016 staff are recommending a sanitary sewer rate increase of 1.5%. This rate increase is reflected in Schedule C (attached). Rate increases for 2016 and the previous five years are set out below:

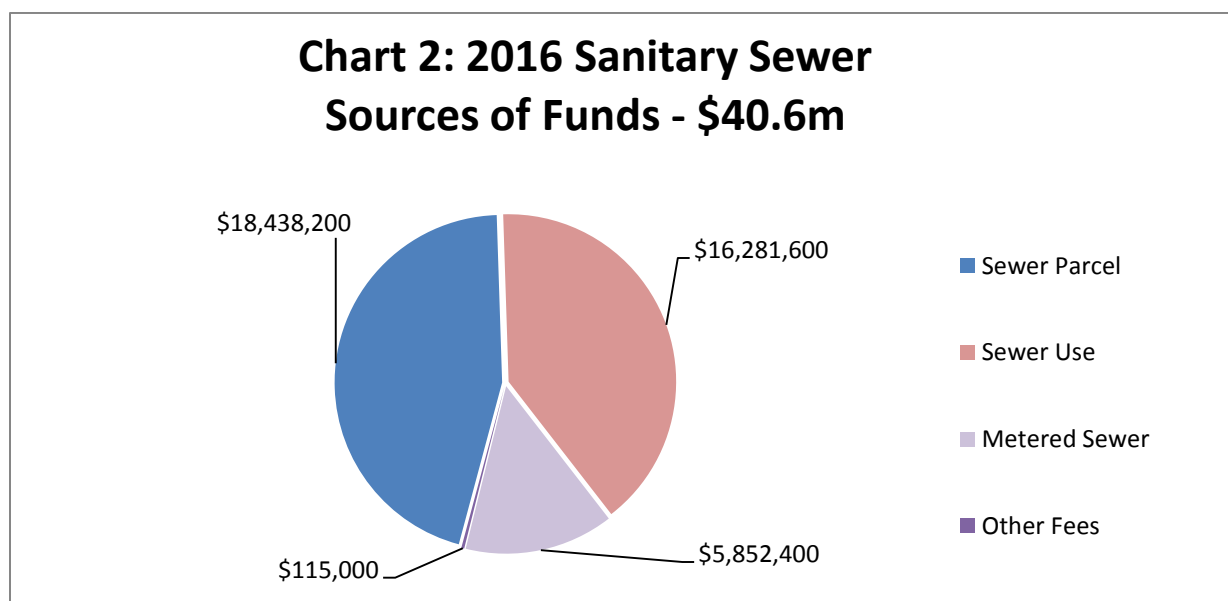


Table 2 – Rate Increases

2011	2012	2013	2014	2015	2016
7.5%	6.0%	6.0%	5.5%	3.0%	1.5%

Sewer Parcel and Sewer Use fees

Sewer Parcel and Sewer Use fees will increase by 1.5 % in 2016. Owners of every real parcel with access to the City's sewer network pay a flat Sewer Parcel Tax. Residential units in multiple family dwellings (strata apartment or complex dwelling units) share the Sewer Parcel Tax and also pay a Sewer Use Fee.

The rate increase for 2016 for a single family home is \$7.93 The sanitary sewer bill will be \$536.06 if payment is made on or before the due date of 2016 March 15. The charge for a single family home after the due date will increase by 5% to \$564.27 Schedule C (attached) provides the rates for 2016. Bylaw changes for Sewer Parcel Taxes are proposed in Section 4.0 of this report.

Secondary Suites

Suites in single family dwellings incur an additional Sewer Use charge equivalent to 50 percent of the Sewer Parcel paid for the Single Family Dwelling. This charge also applies to grandfathered in-law suites and grandfathered suites in Two Family Dwelling units.

Metered Sewer Rates

Rates increase in line with the general increase for Sanitary Sewer. An analysis of metered customer consumption has identified that annual consumption levels have been decreasing for a number of years, and more recently by a compounded annual rate of 1.61% since 2005.

BOD/ TSS Permitted Customer Fees

Biochemical oxygen demand (BOD) and total suspended solids (TSS) are two of the main cost drivers of the sewer and drainage system. The GVS&DD introduced a pricing mechanism based on the quantity of BOD/TSS that is being discharged into the sewer system by individual industrial customers with an applicable discharge permit. Metro Vancouver directly charges these Permitted Customers for their BOD/TSS discharge and the City directly bills these customers for the cost of City services.

Since 2013, the rates charged for City services have been increased in accordance with the general rate increase for all Sanitary Sewer Fees. This ensures that Permitted Customers share the same percentage increase in rates as other customers. The 2016 rates are found in Schedule C (attached).

4.0 BYLAW AMENDMENTS

Burnaby Sewer Charge Bylaw 1961 - Schedule D, Contaminated Groundwater Charges

Contaminated groundwater charges are intended to recover the costs of handling contaminated groundwater from site remediation projects. As per GVS&DD guidelines, groundwater is subject to numerous conditions, including the capacity of both municipal and regional sanitary sewer systems. Following a further review of the City's charges, it has been determined the rates applied by the City are too low. To ensure the recovery of both the City's portion of costs and those incurred by the GVS&DD, the 2016 rates are based on the standard first tier metered sewer rates for Burnaby, without any discount for additional volumes. Discounts for payment by March 15 are not applicable.

Rates are therefore set as:

Vancouver Sewerage Area	1.196 per cubic metre
Fraser Sewerage Area	1.196 per cubic metre

Burnaby Sewer Charge Bylaw 1961 - Schedule C

Schedule C sets out the Sewer Use (Charge) rates for Strata Lot, Multi Family, Two Family properties and Suites. To provide clarity to staff and residents, the wording of the rate structure has been revised. The following now applies:

- a) Strata lot (not part of a duplex)
- b) Two family dwelling unit including strata, forming part of a duplex, each unit.
- c) Multiple family dwelling, including strata, (not part of a duplex) each unit.
- d) Secondary suite, or grandfathered in-law suite, in a single family dwelling.
- e) Grandfathered in-law suite in a two family dwelling

Burnaby Sewer Parcel Tax Bylaw 1994 – Section 3 and Section 4 (B), 50% discount

The Burnaby Sewer Parcel Tax Bylaw 1994 currently contains provision for a 50% discount “for twenty years including the year of construction where the present or former owner or present occupier constructed any portion of the sewerage system of the City that serves that parcel”.

It is felt that this discount is no longer relevant now that growth in the construction of multi-family stratified units is exceeding Single Family Home construction. As such, the Sewer Parcel is often split across multiple units, and in reality it is the Sewer Use fee that makes up the bulk of Sanitary Sewer charges for such properties. In 2015 forty Sewer Parcels were added to the roll. Of these, seven received the developer 50% discount.

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From: Director Finance
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It is proposed that from 2016 January 01 this discount is abolished for new developments, Section 3 of the bylaw is revised and Section 4 (B) is repealed.

5.0 RECOMMENDATION

The budget as set out in Schedule A reflects a Sanitary Sewer rate increase of 1.5%, with total revenue of \$40.6m for 2016 after the estimated 5% discount for flat and metered rates. Once approved by Council a public notice will be placed in a local newspaper and Info Burnaby.

It is recommended Financial Management Committee recommend Council approve the amendment of the Burnaby Sewer Parcel Tax Bylaw 1994, and the Burnaby Sewer Charge Bylaw 1961, to reflect the 2016 rates found in Schedule C and the Bylaw amendments as outlined in Section 4.0 in this report, effective 2016 January 01.

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



Denise Jorgenson
DIRECTOR FINANCE

DJ:RR /ml

Attachments: Schedule A – 5 Year Operating Budget
Schedule B – Metro Vancouver (GVS&DD) Sanitary Sewer Charges
Schedule C – Sanitary Sewer Rates

Copied to: City Manager
Director Engineering
Director Planning and Building
City Solicitor
City Clerk

2016 SANITARY SEWER - 5 YEAR OPERATING BUDGET**SCHEDULE A**

	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Annual	2016 Annual	2017 Projected	2018 Projected	2019 Projected	2020 Projected
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE										
Metro Vancouver - GVS&DD Levy	16,038,814	17,251,310	17,677,601	18,321,782	18,988,770	19,730,800	20,717,300	21,753,200	22,841,000	23,983,000
City Sewer Maintenance and Operations	5,410,049	5,636,033	5,942,604	6,026,890	7,585,780	7,956,400	8,195,100	8,441,000	8,694,200	8,955,000
Infrastructure Investment	11,150,000	11,320,000	11,570,300	12,708,960	11,939,720	12,000,000	11,530,000	11,030,000	11,850,000	11,700,000
Contingency	-	-	-	-	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Surplus	-	-	1,217,515	1,545,483	-	-	-	-	-	-
TOTAL	32,598,865	34,207,345	36,408,020	38,603,115	39,014,270	40,687,200	41,442,400	42,224,200	44,385,200	45,638,000
REVENUES/ TRANSFERS										
Parcel Tax	15,553,364	16,487,721	17,484,314	18,474,768	19,059,480	19,326,900	19,713,440	20,073,780	20,575,620	21,141,450
Flat rates - Sewer Use	12,666,455	13,667,094	14,870,673	15,888,801	15,993,800	17,066,400	17,302,790	17,601,560	18,059,200	18,573,890
Metered Rates	5,343,079	5,318,791	5,748,341	6,043,805	5,764,810	6,134,500	6,257,190	6,413,600	6,573,960	6,754,740
Discounts Flat and Metered	-1,515,350	-1,599,595	-1,775,010	-1,869,779	-1,860,520	-1,955,600	-1,948,320	-1,985,040	-2,035,460	-2,092,240
Other Sales of Services	74,493	15,211	8,895	11,674	13,400	65,000	66,300	68,000	69,700	71,600
Permits and Fees	67,462	50,402	70,808	53,845	43,300	50,000	51,000	52,300	53,600	55,100
Previous Year's Surplus Brought Forward	409,360	267,719	-	-	-	-	-	-	1,088,580	1,133,460
TOTAL	32,598,865	34,207,345	36,408,020	38,603,115	39,014,270	40,687,200	41,442,400	42,224,200	44,385,200	45,638,000
Rate Increase	7.5%	6.00%	6.00%	5.50%	3.00%	1.50%	2.00%	2.50%	2.50%	2.75%

SCHEDULE B**SANITARY SEWER RATES CHARGED BY METRO VANCOUVER (GVS&DD)**

<u>YEAR</u>	<u>GVS&DD SEWERAGE LEVY</u>	<u>INCREASE FROM PREVIOUS YEAR</u>	
	\$	\$	%
2011	16,038,814	379,355	2.40%
2012	17,251,310	1,212,496	7.55%
2013	17,677,601	426,291	2.47%
2014	18,306,440	628,839	3.55%
2015	18,988,769	682,329	3.72%
2016	19,730,775	742,006	3.91%
2017	20,717,314	1,196,292	5.00%
2018	21,753,179	1,373,742	5.00%
2019	22,840,838	1,125,412	5.00%
2020	23,982,880	1,181,683	5.00%
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2011 - 2015 Change	2,949,955	18%	
2016 - 2020 Change	4,252,105	22%	

Notes:

2017-2020 charges are based on an estimated 5% increase per year.

Finance Department
November 2015

SANITARY SEWER RATES

SCHEDULE C

Finance Department
November 2015

Sewer Parcel

Every owner of every real parcel capable of being drained

- Municipal installed
- subdivider installed (for installations prior to January 1 2016)

Sewer Use (Charge)

- a) Strata lot (not part of a duplex)
- b) Two Family dwelling unit including strata, forming part of a duplex, each unit.
- c) Multiple family dwelling, including strata, (not part of a duplex) each unit.
- d) Secondary suite, or Grandfathered In- law suite, in a Single Family Dwelling.
- e) Grandfathered In-Law Suite in a two family Dwelling

Contaminated Groundwater Discharges

(Rate applies to all consumption levels.)

Vancouver Sewerage Area
Fraser Sewerage Area

Sewer Charge - metered rates

Regular Metered Customers

Monthly:

	First	288 cubic metres
	Next	300 cubic metres
	Next	850 cubic metres
Excess		

Quarterly:

	First	864 cubic metres
	Next	900 cubic metres
	Next	2,550 cubic metres
Excess		

Metered Customer Exemption:

Customer receive a reduction equivalent to the Parcel tax paid or portion, not exceeding 1/12 or 1/4 for monthly and quarterly accounts respectively. The exemption is not to exceed monthly or quarterly calculated meter

Permitted BOD/TSS Customers

Monthly:

	First	288 cubic metres
	Next	300 cubic metres
	Next	850 cubic metres
Excess		

Quarterly:

	First	864 cubic metres
	Next	900 cubic metres
	Next	2,550 cubic metres
Excess		

RATE INCREASE

Effective Jan 1 2015 Paid by Mar. 15 \$	Effective Jan 1 2015 Paid after Mar. 15 \$	Effective Jan 1 2016 Paid by Mar. 15 \$	Effective Jan 1 2016 Paid after Mar. 15 \$
528.13	555.93	536.06	564.27
264.07	277.97	268.03	282.14
286.06	301.12	290.36	305.64
132.04	138.99	134.02	141.07
286.06	301.12	290.36	305.64
264.07	277.97	268.04	282.14
D above	D above	268.04	282.14
m3		m3	
0.317	No Discount	1.196	No Discount
0.419	No Discount	1.196	No Discount
Paid within 30 days of billing date	Paid 31 or more after billing date	Paid within 30 days of billing date	Paid 31 or more after billing date
1.178	1.240	1.196	1.259
0.969	1.020	0.983	1.035
0.750	0.790	0.762	0.802
0.646	0.680	0.655	0.690
1.178	1.240	1.196	1.259
0.969	1.020	0.983	1.035
0.750	0.790	0.762	0.802
0.646	0.680	0.655	0.690
Paid within 30 days of billing date	Paid 31 or more after billing date	Paid within 30 days of billing date	Paid 31 or more after billing date
0.608	0.640	0.617	0.650
0.503	0.530	0.511	0.538
0.389	0.410	0.395	0.416
0.332	0.350	0.337	0.355
0.608	0.640	0.617	0.650
0.503	0.530	0.511	0.538
0.389	0.410	0.395	0.416
0.332	0.350	0.337	0.355
3.00%	3.00%	1.50%	1.50%