

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2016 November 01

FROM: DIRECTOR FINANCE

FILE: 36000-07
Reference: Sewer Rates

SUBJECT: 2017 SANITARY SEWER RATES

PURPOSE: To obtain Council approval for a 2% increase to the 2017 Sanitary Sewer rates.

RECOMMENDATION:

1. **THAT** Financial Management Committee recommend Council approve the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994, and the Burnaby Sewer Charge Bylaw 1961, to reflect the 2017 rates found in Schedule C, effective 2017 January 01.

REPORT**1.0 BACKGROUND**

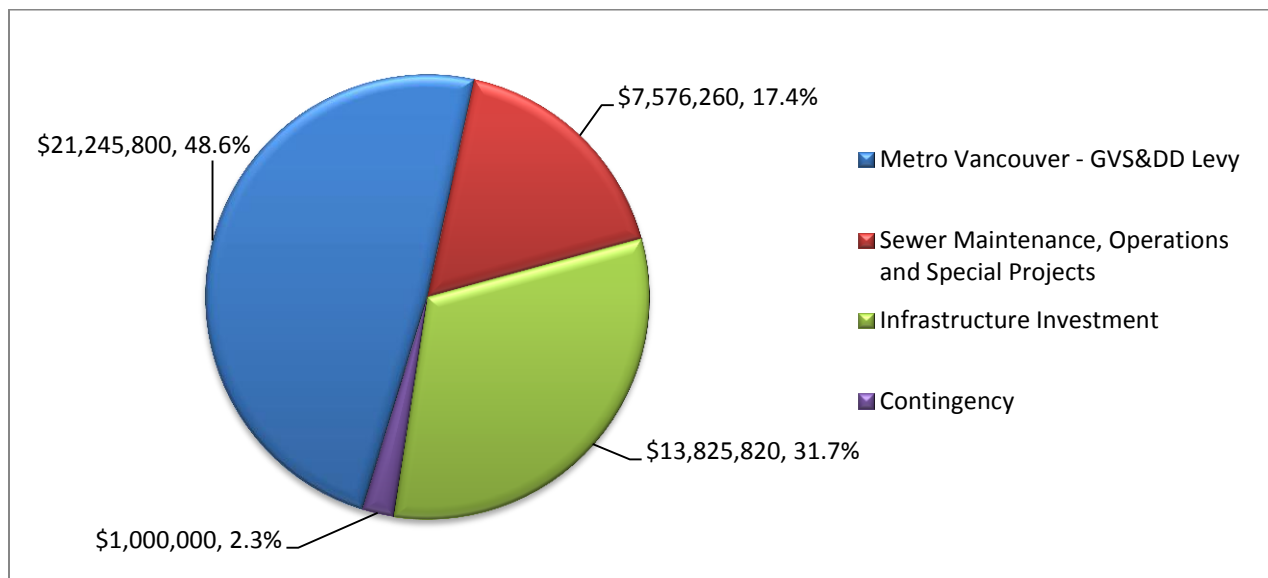
The Sanitary Sewer Fund is financially self-sustaining and debt free. Rate changes do not impact property taxes. Sanitary Sewer rates are reviewed annually and adjustments are made to provide funding for required operating and capital works through the adoption of amendments to the Burnaby Sewer System 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 2017 are projected at \$43.6m, an increase of \$2.96m over 2016. 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 2017 expenditure budget is summarized in Chart 1. Schedule A (attached) provides the City's Sanitary Sewer 5 year Operating Plan.

Chart 1 – 2017 Sanitary Sewer Operating Expenditure Budget – \$43.6m



2.1 Metro Vancouver Costs

The Metro Vancouver – Greater Vancouver Sewerage and Drainage District (GVS&DD) 2017 levy is \$22.5m, up 7.34% over 2016. The levy is distributed between the Sanitary Sewer Fund (\$21.2m) and the General Revenue Fund – Engineering Roads and Drainage (\$1.25m). The GVS&DD levy of \$21.2m to Sanitary Sewer represents a 7.7% increase over 2016 and makes up over 48% of total City of Burnaby Sanitary Sewer operating costs.

Metro Vancouver cost increases include an increased capital program, higher debt servicing costs, electricity, natural gas and water cost escalation, increasing bio-solid transportation costs, and enhanced environmental monitoring programs. Schedule B to this report summarizes the projected 2017 – 2021 GVS&DD levies. Projections for 2018 – 2021 are based on an estimated annual Metro Vancouver increase of 5%.

2.2 Sewer Maintenance and Operations

The City's Sanitary Sewer system has two main components: sanitary liquid waste and storm water systems. The sanitary liquid waste system collects waste water from homes and businesses, while the storm water system handles surface run off from private and public property. For 2017 there is a reduction in City sewer maintenance and operations costs of over \$500k. This is due to resources sharing their work time between operating assignments and capital infrastructure works. The budget includes the addition of one full time staff to support crews to perform additional work and inspections in the evening hours. Included in operations are two special projects totalling \$125k for:

- \$75k is needed to provide additional building inspections as part of the Secondary Suite program being implemented in early 2017

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- \$50k for work in the Pumps and Control Division. This work will include the development of a comprehensive preventive maintenance plan and standard operating procedures for improving efficiencies utilizing the new Electrical Services team in the Engineering Department.

2.3 Infrastructure Investment

Infrastructure investment contributes both in the short and longer term to the quality and safety of the City's sanitary sewer system. This investment provides financing for the replacement of aging infrastructure and new services. The City's policy of funding ongoing replacement and the development of new capital infrastructure annually continues to ensure a stable and sustainable capital program without the need for external debt financing. Funding is reviewed annually to determine changes to requirements.

For 2017 the Capital Budget is \$13.8m, an increase of \$1.8m over the previous year. The total five year Sanitary Sewer Capital Plan investment is approximately \$69m.

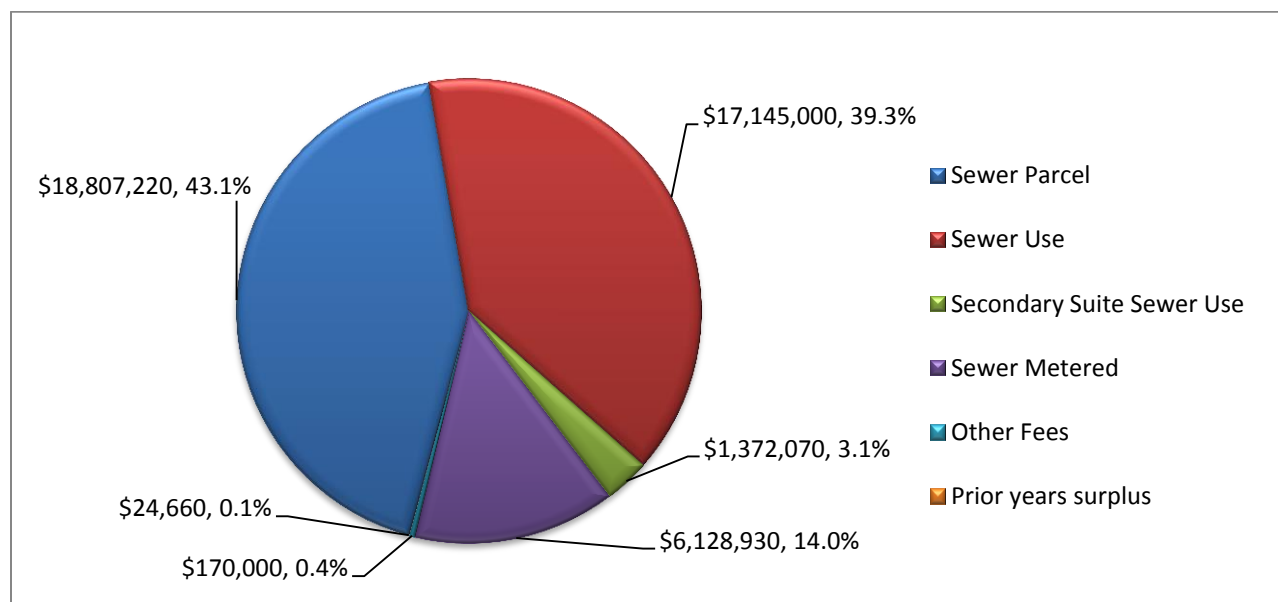
2.4 Operating Contingency

An operating contingency for unanticipated operating or supply costs or any unexpected revenue shortfalls is included in the overall budget.

3.0 SOURCES OF FUNDS

The primary sources of funds for 2017 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.

Chart 2 – 2017 Sanitary Sewer Sources of Funds (After Discount) – \$43.6m



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3.1 Sewer Parcel

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. Sewer Parcel Tax revenue estimates are based on prior-year actuals multiplied by the recommended rate increase for 2017.

3.2 Sewer Use

Sewer Use Fees are paid by all owners of multi-family properties including duplex, strata and non-stratified units. Budget estimates are based on prior year actuals, a 1% growth factor and the proposed rate increase for 2017.

3.3 Secondary Suite Program

In 2014, City Council adopted a comprehensive program to permit secondary suites in single-family homes. All property owners with a secondary suite are subject to a supplementary utility charge based on 50% of the Single Family Dwelling rate for water and sanitary sewer services. In addition to charging for newly constructed properties with a secondary suite, in 2016 July the City provided advance notice of additional usage fees for 2017, using the City's inventory of properties listed as potentially having a suite. With this notice instructions were provided on how property owners could update the City's records should their property not include a secondary suite.

It is expected that the number of properties with a secondary suite will fluctuate through the transition process in 2017 therefore current budget estimates are based on an approximate figure of five thousand units. This equates to additional sanitary sewer revenue of \$1.43m (\$1.37m after discounts) and is shown as a separate line item in the budget.

3.4 Metered Sewer

Around 2,000 customers are billed via metering. This revenue accounts for 14% of total revenues. Projections are based on past actual consumption levels, which are on a gradual decline. This decline is due in part to greater water conservation and the replacement of poorly functioning meters. Despite the annual drop in consumption levels, forecast revenues are estimated to be approximately \$6.1m after applicable discounts (an increase of 4.7%).

3.5 Other Fees

This revenue stream includes permits and inspection revenue.

3.6 Prior Years Surplus

To reduce the impact of cost increases on rates a small amount of funding is provided from the Sanitary Sewer Operating Fund.

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4.0 RATES

4.1 Recommended Increase

Sanitary sewer rates are based on a user pay principle and structured to fund delivery and management of the sanitary sewer system. Rates also fund special projects such as continued separation of the sanitary and storm sewer combined systems. For 2017 a rate increase of 2% is recommended. This increase is reflected in Schedule C (attached). Rate increases for 2017 and the previous five years are set out below in Table 1:

Table 1 – Rate Increases

2012	2013	2014	2015	2016	2017
6.0%	6.0%	5.5%	3.0%	1.5%	2.0%

4.2 Impact on Households

Each real parcel with access to the City's sewer network is liable for a flat Sewer Parcel Tax. Residential units in multiple family dwellings (strata apartment, duplex or complex dwelling units) share the Sewer Parcel Tax and also pay a Sewer Use Fee. Rates are subject to a 5% discount. Annual increases are applied to the non-discounted rate, which is then reflected in the budget. The implications for single family dwellings and strata / multi-family properties are set out in Table 2 below:

Table 2 – Household Impact

	2016 (\$)	2017 (\$)	Change (\$)	% Change
Single Family Dwelling Increase				
Paid by Due Date	536.06	546.78	10.72	2.00%
Paid after Due Date	564.27	575.55	11.28	2.00%
Multiple Family Dwelling*				
Paid by Due Date	290.36	296.16	5.80	2.00%
Paid after Due Date	305.64	311.75	6.11	2.00%

* excluding duplexes

4.3 Metered Sewer Rates – Proposed Flat Metered Rate Structure

Staff have undertaken a review of the current rate structure for metered sanitary sewer services and recommend that the rate structure be changed effective 2018 January. It is proposed that a flat rate be used at all levels of consumption in place of the current declining rate structure. Using a flat rate structure will result in customers with lower consumption levels paying less than customers with higher levels of consumption.

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The proposed change is structured to be revenue neutral overall, however individual consumers with consumption levels greater than 4,940m³ per quarter will experience an increase. For some increase may be as high as a 31% given 2016 volumes. At this time a flat rate of 0.95 per cubic metre is the estimated flat rate that would result in an overall revenue neutral result.

Given the potential impact of the recommended change a notice period of one year is proposed before implementation of this change. The rate of 0.95 per cubic metre will therefore be subject to review when the 2018 budget is presented to Council in 2017 November. Staff will provide notice of the proposed 2018 rate change now to customers with projected annual increases in excess of \$350 as part of the regular 2017 billing cycle to provide customers an opportunity to prepare for the rate structure change.

4.4 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. 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. Following revision of the process in 2012, City of Burnaby rate increases are in line with the general rate increase for all Sanitary Sewer fees.

4.5 Contaminated Groundwater Charges

Contaminated groundwater charges are intended to recover the costs of handling contaminated groundwater from site remediation projects. Rates are based on the standard first tier metered sewer rates for Burnaby, without any discount for additional volumes or early payment.

5.0 EXECUTIVE SUMMARY

The budget as set out in Schedule A reflects the Sanitary Sewer rate increase of 2%, with total revenue of \$43.6m for 2017.

There is a decrease in Burnaby maintenance and operating costs for 2017 as operating resources are being assigned to work on capital investment projects. Overall operating budgeted expenditures are up by \$2.9m or 7.28%. The key contributing factors are a 7.68% increase in GVS&DD costs by Metro Vancouver and an increase in infrastructure investment by the City. Increased costs are offset by the proposed rate increase of 2% and new Secondary Suite Sewer Use fee revenues of \$1.37m (after discount).

The City continues to meet the long term goal of providing sustainable capital investment funding for the Sanitary Sewer infrastructure while remaining debt-free.

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6.0 RECOMMENDATION

It is recommended that Financial Management Committee recommend Council approve the City Solicitor to make changes to the Burnaby Sewer Parcel Tax Bylaw 1994, and the Burnaby Sewer Charge Bylaw 1961 to reflect the 2017 rates found in Schedule C, effective 2017 January 01. The Director Engineering concurs with the recommendations contained in this report.



Denise Jorgenson

DIRECTOR FINANCE

DJ:RR/ew

Attachments: *Schedule A – City’s Sanitary Sewer 5 Year Operating Plan*
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

SCHEDULE A

2017 SANITARY SEWER - 5 YEAR OPERATING PLAN

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Annual	Projected	Projected	Projected	Projected	Projected
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE										
Metro Van - GVS&DD Levy	17,251,310	17,677,601	18,321,782	18,988,769	19,730,775	21,245,800	22,308,100	23,424,000	24,595,000	25,824,500
City Sewer Maintenance and Operations	5,636,033	5,942,604	6,026,890	6,045,780	7,956,380	7,576,260	7,800,100	8,034,100	8,275,100	8,523,400
Infrastructure Investment	11,320,000	11,570,300	12,708,960	11,556,700	12,000,000	13,825,820	13,825,820	13,825,820	13,825,820	13,825,820
Contingency	-	-	-	0	1,000,000	1,000,000	500,000	500,000	500,000	500,000
Surplus		1,217,515	1,545,483	3,734,559	-	-	-	-	-	-
TOTAL	34,207,345	36,408,020	38,603,115	40,325,808	40,687,155	43,647,880	44,434,020	45,783,920	47,195,920	48,673,720
REVENUES/TRANSFERS										
Parcel Tax	16,487,721	17,484,314	18,474,768	19,041,277	19,326,900	19,723,390	20,019,860	20,495,240	20,995,680	21,520,570
Flat Rates - Secondary Suite Sewer Use		-	-	-	-	1,438,910	1,467,690	1,504,380	1,541,990	1,580,540
- Sewer Use (all other)	13,667,094	14,870,673	15,888,801	16,967,940	17,066,400	17,980,210	18,357,790	18,835,090	19,324,800	19,827,240
Metered Rates	5,318,791	5,748,341	6,043,805	6,208,340	6,134,500	6,427,490	6,556,040	6,719,940	6,887,940	7,060,140
Discounts: Flat and Metered	(1,599,595)	(1,775,010)	(1,869,779)	(1,962,952)	(1,955,600)	(2,116,780)	(2,141,240)	(2,194,460)	(2,249,640)	(2,306,770)
Other Sales of Services	15,211	8,895	11,674	36,824	64,955	100,000	102,000	104,600	107,200	109,900
Permits and Fees	50,402	70,808	53,845	34,380	50,000	70,000	71,400	73,200	75,000	76,900
Previous year's surplus brought forward	267,719	-	-	-	-	24,660	480	245,930	512,950	805,200
TOTAL	34,207,345	36,408,020	38,603,115	40,325,808	40,687,155	43,647,880	44,434,020	45,783,920	47,195,920	48,673,720
Rate Increase	6.00%	6.00%	5.50%	3.00%	1.50%	2.00%	2.00%	2.50%	2.50%	2.50%

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

<u>Year</u>	<u>GVS&DD</u> <u>Sewerage Levy</u>	<u>Increase from</u> <u>Previous Year</u>	
	\$	\$	%
2012	17,251,310	1,212,496	7.6%
2013	17,677,601	426,291	2.5%
2014	18,306,440	628,839	3.6%
2015	18,988,769	682,329	3.7%
2016	19,730,821	742,052	3.9%
2017	21,245,845	1,515,024	7.7%
2018	22,308,137	1,062,292	5.0%
2019	23,423,544	1,115,407	5.0%
2020	24,594,721	1,171,177	5.0%
2021	25,824,457	1,229,736	5.0%
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2012 - 2016 Change	2,479,511	14%	
2017 - 2021 Change	4,578,612	22%	
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Notes:

2018-2021 charges are based on an estimated 5% increase per year.

SANITARY SEWER RATES

SCHEDULE C

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 In- law suite, in a Single Family Dwelling.
- e) 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:

Customers 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 charges.

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	

BOD/TSS

BOD/TSS Charge for permitted industry is to be determined by the GVS&DD.

RATE INCREASE

Effective Jan 1 2016 Paid by Mar. 15	Effective Jan 1 2016 Paid after Mar. 15	Effective Jan 1 2017 Paid by Mar. 15	Effective Jan 1 2017 Paid after Mar. 15
536.06	564.27	546.78	575.55
268.03	282.14	273.39	287.78
290.36	305.64	296.17	311.75
134.02	141.07	136.70	143.89
290.36	305.64	296.16	311.75
268.04	282.14	273.39	287.78
268.04	282.14	273.39	287.78
m3		m3	
1.20	No Discount	1.220	No Discount
1.20	No Discount	1.220	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
1.196	1.259	1.220	1.284
0.983	1.035	1.003	1.056
0.762	0.802	0.777	0.818
0.655	0.690	0.669	0.704
1.196	1.259	1.220	1.284
0.983	1.035	1.003	1.056
0.762	0.802	0.777	0.818
0.655	0.690	0.669	0.704
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
0.617	0.650	0.630	0.663
0.511	0.538	0.522	0.549
0.395	0.416	0.403	0.424
0.337	0.355	0.344	0.362
0.617	0.650	0.630	0.663
0.511	0.538	0.522	0.549
0.395	0.416	0.403	0.424
0.337	0.355	0.344	0.362
1.50%	1.50%	2.00%	2.00%