
TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2017 November 15

FROM: DIRECTOR FINANCE

FILE: 36000-07
Reference: Sewer Rates

SUBJECT: 2018 SANITARY SEWER RATES

PURPOSE: To request Council approve for a 0% increase to the 2018 Sanitary Sewer rates and the bylaw revisions contained herein.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994, and the Burnaby Sewer Charge Bylaw 1961, to reflect the 2018 rates contained in Schedule C of this report, and the bylaw amendments outlined in Section 4 of this report, effective 2018 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.

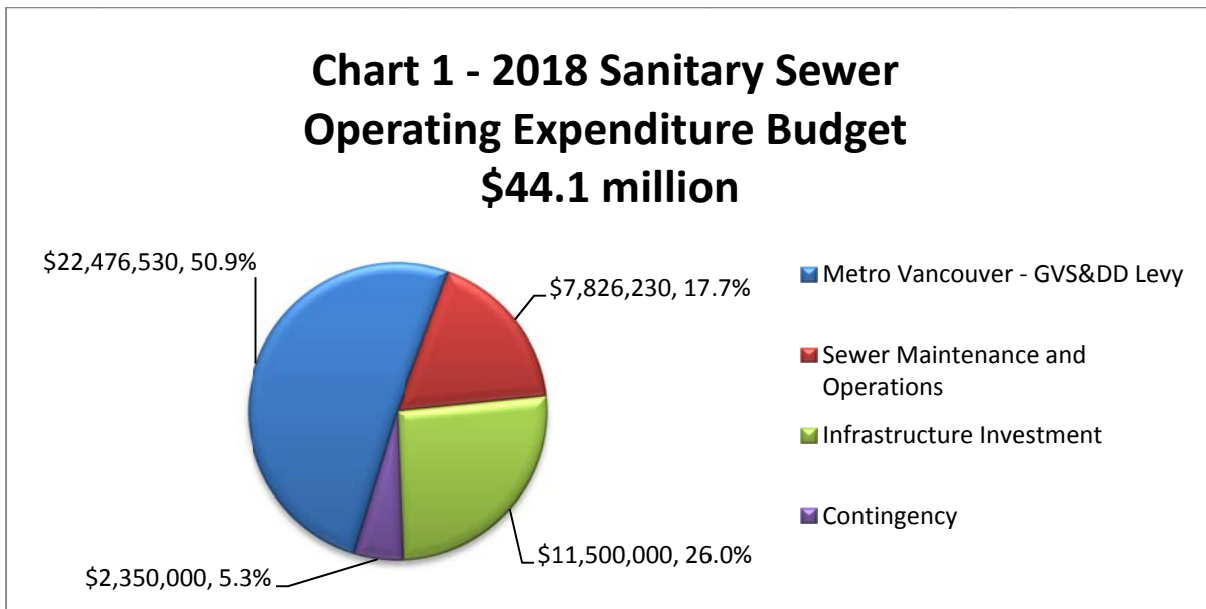
Table 1 provides rate increase information over the past 5 years and the proposed 2018 rate change.

Table 1 – Rate Increases

2013	2014	2015	2016	2017	Proposed 2018
6.0%	5.5%	3.0%	1.5%	1.0%	0.0%

2.0 SANITARY SEWER FUND EXPENDITURES

The Sanitary Sewer Fund expenditures for 2018 are projected at \$44.1 million, an increase of \$1.0 million over 2017. 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. Schedule A (attached) outlines the City's Sanitary Sewer 5 year Operating Plan. The 2018 Sanitary Sewer operating expenditures budget is summarized in Chart 1.



2.1 Metro Vancouver Costs

The Greater Vancouver Sewerage and Drainage District (GVS&DD) 2018 levy for liquid waste is \$22.4 million, up \$1.2 million or 5.79% over 2017. The GVS&DD levy makes up nearly 51% of total City of Burnaby Sanitary Sewer operating costs. The GVS&DD levy includes debt servicing costs as well as contributions to new initiatives and continued operations. Listed below are some illustrative examples of projects planned for 2018 – 2022.

2018

- Annacis Wastewater Treatment Plant Stage 5 Expansion
- Infrastructure Management Policy Development
- Iona Wastewater Treatment Plant Digester Upgrade Construction

2019 – 2022 Highlights

- North Shore Wastewater Treatment Plant Construction
- Annacis Wastewater Treatment Plant Stage 5 Expansion
- Sapperton Pump Station Construction

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Table 2 – Planned GVS&DD Increases

GVS&DD 2018-2022 Plan ¹	2018	2019	2020	2021	2022
Increase for Burnaby	5.8%	13.7%	10.4%	9.8%	5.7%
Total GVS&DD budget	\$265	\$299	\$339	\$384	\$418
Household impact	\$201	\$218	\$231	\$250	\$266
% Change on household	7.0%	8.1%	6.1%	8.3%	6.2%
Planned City of Burnaby % change	0.0%	2.0%	2.0%	2.5%	2.75%

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. At \$7.8 million, City Sewer Maintenance and Operations costs are set to increase by \$249,000, or 3.3% over 2017.

Included within City Sewer Maintenance and Operations costs is a request for additional staffing support for the City's Supervisory Control and Data Acquisition (SCADA) system, which is currently undergoing a major upgrade, including communications, control systems and electrical infrastructure. Support is required for day to day activities, current and future upgrade work, system maintenance and strategic planning to keep the system up to date and functioning to its full potential. Insufficient support for the system poses a risk to continued operations during periods of sickness, vacation and other scheduled leave.

2.3 Contingency Request

A contingency amount of \$2.35 million has been built into the budget to help further offset the substantial external cost increases being imposed onto the City in future years and to accommodate for any unforeseen costs that may arise during the year.

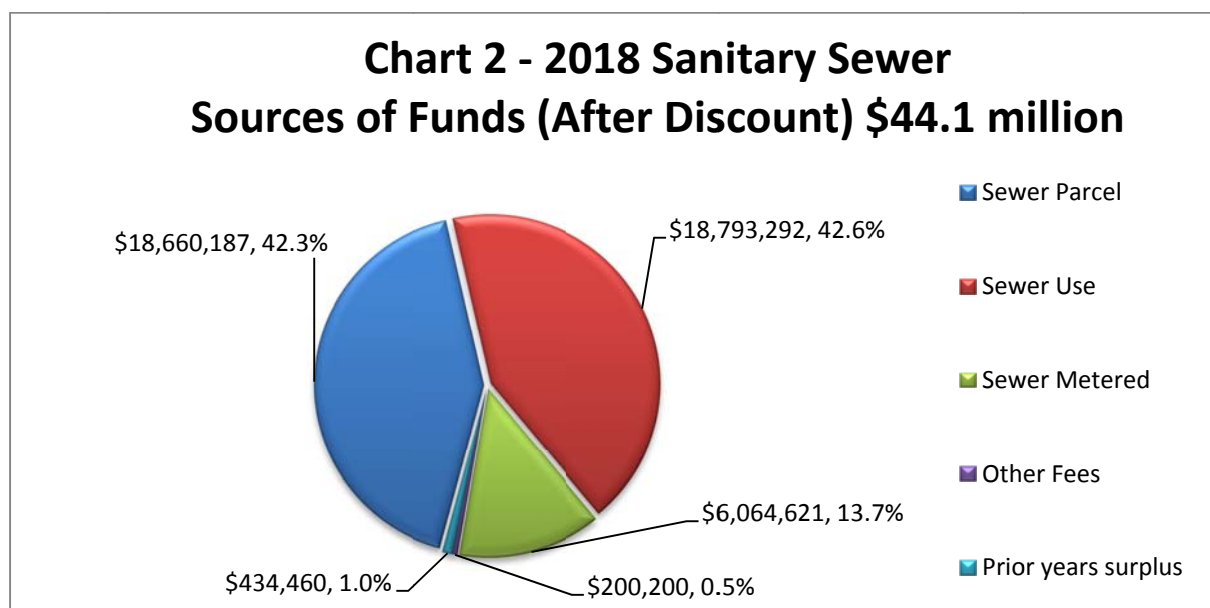
2.4 Infrastructure Investment

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. The investment allocation for 2018 is set at \$11.5 million.

¹ Metro Vancouver 2018-2022 Financial Plan, Regional Finance Advisory Committee – October 5 2017

3.0 SOURCES OF FUNDS

The primary sources of funds for 2018 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.



3.1 Sewer Parcel

Owners of every 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 2018. Rates are subject to a 5% discount. Annual increases are applied to the non-discounted rate, which is then reflected in the budget.

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 2018. Incorporated into 2018 and future annual figures is revenue from the Secondary Suite program, which commenced in 2017. It is anticipated that additional user fees will continue to be charged on an annual basis indefinitely for applicable Single Family Dwellings with a secondary suite.

Without additional secondary suite fee revenue (at approximately \$1.4 million per annum before discount for 2018), the Sanitary Sewer rates would have to increase by around 4.1% in order to fund the Sanitary Sewer Utility, assuming no change in projected expenditures.

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3.3 Metered Sewer

Around 2,000 commercial, industrial and institutional customers are billed on a monthly and quarterly basis through the metered water and sewer program. This revenue stream accounts for just under 14% of total revenues. Projections are based on past actual consumption levels, which over a ten year period are on a gradual decline. This decline is due in part to greater conservation efforts and the replacement of poorly functioning meters. Despite the annual drop in consumption levels, forecast revenues are estimated to be on par with 2017 figures, reflecting current year positive variance forecasts.

In late 2016 staff undertook a review of the existing declining Metered Sewer rate structure, with an emphasis on coming up with a revised structure that would provide for a more equitable distribution of charges. Staff proposed a new flat rate be implemented across all current consumption levels, thus removing the current incentive for higher usage. Given the potential impact of the recommended change upon some customers, a notice period of one year has been followed, whereby the high consumption account holders have been advised of the pending 2018 rate change with each billing cycle. Global notifications will be sent out to all customers in the final quarter of 2017; however, all those likely to see an increase in charges have been notified.

The proposed change is structured to be revenue neutral overall, however individual consumers with consumption levels greater than 4,900m³ per quarter will experience an increase. Around eighty accounts will incur some form of increased cost from the change. For a very small number of accounts (around five) increases may be as high as 30-35% given 2016 volumes. All other customers will experience either zero impact, or a reduction in costs, again with a very small number of accounts experiencing double digit reductions. For 2018 a flat rate of 0.950 (before discount) is recommended, which will return annual revenues in line with those under a declining rate structure.

3.4 Other Fees and Permits

This revenue stream includes permits and inspection revenue, and totals \$200,000 for 2018. Changes in other fees are as follows:

- ***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. City of Burnaby rate increases for these customers are in line with the general rate increase for all Sanitary Sewer fees.

- ***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 early payment.

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- ***Sewer Permit – Sanitary***

Collected by the Building Department under Schedule A of the Burnaby Sewer Connection Bylaw 1961, these fees reside within City Operating funds. It has been identified that all staff time and resources employed to administer services related to these fees is actually undertaken solely within the Sanitary Sewer Utility. As such annual reoccurring revenue of \$40,000 is being reallocated from the Building Department to the Sanitary Sewer Utility commencing in 2018. Appropriate offsetting amendments have been made to City Operating budgets.

3.5 Prior Years Surplus

Prior year surplus is being used to fund continuing operations and offset large Metro Vancouver rate increases.

4.0 BYLAW AMENDMENTS

4.1 Secondary Suites – Charges during Construction

In line with amendments proposed for the Burnaby Waterworks Regulation Bylaw 1953, as part of the 2018 Utility budget for waterworks, it is proposed that amendments are also made to Section 4 of the Burnaby Sewer Charge Bylaw 1961. The amendment would allow for a one year grace period on the construction of a Single Family Dwelling with a Suite, during which time only basic Sanitary Sewer charges would apply, which in the case of a Single Family Dwelling would be the Sewer Parcel charge.

The additional Secondary Suite charge as set out under Schedule C, item (d) of this report, would only apply after a one year period from the date upon which a Building Permit is issued. This approach will provide general relief to the property owner during construction, and capture those properties that fail to complete Final Inspection and/or Issuance of an Occupancy Permit. It is recommended that this change is applied prospectively. The metered water rates will continue to apply to any water used during the construction period.

5.0 SUMMARY

Sanitary sewer rates are based on a user pay principle and structured to fund delivery and management of the sanitary sewer system. For 2018 it is recommended that rates remain at 2017 levels.

A flat rate Metered Sewer structure is being implemented from 2018 January 01. This structure will be revenue neutral and provide for a more equitable charging framework.

As outlined in Section 4.1, a 12 month billing grace period is being proposed for the charging of additional user fees on Single Family Dwellings with a Secondary Suite undergoing

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

6.0 RECOMMENDATION

It is recommended that Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994, and the Burnaby Sewer Charge Bylaw 1961 to reflect the 2018 rates found in Schedule C, and the bylaw amendments as outlined in Section 4 of this report, effective 2018 January 01.

Once approved by Council, a general notice informing users of the 2018 rates will be placed in a local newspaper and made available on the City's website. Metered users will be notified by letter.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:RR /mlm

*Attachments: Schedule A – 2018 Sanitary Sewer – 5 year Operating Budget
Schedule B – Sanitary Sewer Rates Charged by Metro Vancouver (GVS&DD)
Schedule C – Sanitary Sewer Rates*

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

2018 SANITARY SEWER - 5 YEAR OPERATING BUDGET**Schedule A**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Actual	Annual	Annual	Projected	Projected	Projected	Projected
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE										
Metro Van - GVS&DD Levy	17,677,601	18,321,782	18,988,769	19,730,775	21,245,800	22,476,530	25,555,815	28,213,619	30,978,554	32,744,332
City Sewer Maintenance and Operations	5,942,604	6,026,890	6,045,780	6,728,040	7,576,260	7,826,230	8,139,300	8,464,900	8,803,500	9,155,600
Infrastructure Investment	11,570,300	12,708,960	11,556,700	12,000,000	13,825,820	11,500,000	10,500,000	10,500,000	10,500,000	10,500,000
Contingency	-	-	-	-	500,000	2,350,000	1,500,000	500,000	500,000	500,000
Surplus	1,217,515	1,545,483	3,734,559	3,030,495	-	-	-	-	-	-
TOTAL	36,408,020	38,603,115	40,325,808	41,489,310	43,147,880	44,152,760	45,695,110	47,678,520	50,782,050	52,899,930
REVENUES/TRANSFERS										
Parcel Tax	17,484,314	18,474,768	19,041,277	19,336,660	19,478,100	19,567,960	19,986,600	20,493,870	21,117,020	21,812,190
Sewer Use (consolidated - includes suites)	14,870,673	15,888,801	16,967,940	17,624,339	19,228,920	19,707,540	20,691,800	21,725,220	22,922,060	24,243,820
Metered Rates	5,748,341	6,043,805	6,208,340	6,296,687	6,364,480	6,359,650	6,499,500	6,642,430	6,821,780	7,023,060
Discounts: Flat and Metered	(1,775,010)	(1,869,779)	(1,962,952)	(2,007,297)	(2,093,620)	(2,117,050)	(2,188,620)	(2,266,730)	(2,359,480)	(2,462,380)
Other Sales of Services	8,895	11,674	36,824	38,157	100,000	28,900	29,500	30,100	30,900	31,700
Permits and Fees	70,808	53,845	34,380	200,760	70,000	171,300	174,700	178,200	182,700	187,700
Previous year's surplus brought forward	-	-	-	-	-	434,460	501,630	875,430	2,067,070	2,063,840
TOTAL	36,408,020	38,603,115	40,325,808	41,489,310	43,147,880	44,152,760	45,695,110	47,678,520	50,782,050	52,899,930
Tax Payer Rate Increase	6.00%	5.50%	3.00%	1.50%	1.00%	0.00%	2.00%	2.00%	2.50%	2.75%

Finance Department
November 2017

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>	
	\$	\$	%
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	22,476,530	1,230,685	5.8%
2019	25,555,815	3,079,285	13.7%
2020	28,213,619	2,657,805	10.4%
2021	30,978,554	2,764,935	9.8%
2022	32,744,332	1,765,778	5.7%
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2013 - 2017 Change	3,568,244	20.2%	
2018 - 2022 Change	10,267,802	45.7%	
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Notes:

2019-2022 charges are based on GVRD annual projected increases based on their 5 year plan for Liquid Waste Services.

Finance Department
November 2017

**Finance Department
November 2017**
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
- 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
(New 2018 Flat Rate Structure)**
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
(New 2018 Flat Rate Structure)**
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 2017 Jan 01 Paid by Mar. 15	Effective 2017 Jan 01 Paid after Mar. 15	Effective 2018 Jan 01 Paid by Mar. 15	Effective 2018 Jan 01 Paid after Mar. 15
541.42	569.91	541.42	569.91
270.71	284.96	270.71	284.96
293.27	308.70	293.27	308.70
135.36	142.48	135.36	142.48
293.27	308.70	293.27	308.70
270.71	284.96	270.71	284.96
270.71	284.96	270.71	284.96
m3		m3	
1.208	No Discount	0.905	No Discount
1.208	No Discount	0.905	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
1.208	1.272	0.905	0.950
0.993	1.045	0.905	0.950
0.769	0.810	0.905	0.950
0.662	0.697	0.905	0.950
1.208	1.272	0.905	0.950
0.993	1.045	0.905	0.950
0.769	0.810	0.905	0.950
0.662	0.697	0.905	0.950
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
0.624	0.657	0.453	0.475
0.516	0.543	0.453	0.475
0.399	0.420	0.453	0.475
0.341	0.359	0.453	0.475
0.624	0.657	0.453	0.475
0.516	0.543	0.453	0.475
0.399	0.420	0.453	0.475
0.341	0.359	0.453	0.475
1.0%	1.0%	0.0%	0.0%