

FINANCIAL MANAGEMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: 2019 SANITARY SEWER FUND RATES

RECOMMENDATION:

1. THAT Council authorize the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994, the Burnaby Sewer Charge Bylaw 1961, and the Burnaby Sewer Connection Bylaw 1961, to reflect the 2019 rates contained in Schedule C of this report, and the bylaw amendments outlined in section 4 of this report, effective 2019 January 01.

REPORT

The Financial Management Committee, at its meeting held on 2018 November 28, received and adopted the attached report seeking Council approval of a 2% increase to the 2019 Sanitary Sewer Fund Rates and the bylaw revisions, as outlined in the report. The Bylaw appears elsewhere on this Council agenda.

Respectfully submitted,

Mayor M. Hurley
Chair

Councillor S. Dhaliwal
Vice Chair

Copied to:	City Manager Director Finance Director Engineering City Solicitor
------------	--

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2018 November 19

FROM: DIRECTOR FINANCE

FILE: 36000-07
Reference: Sewer Rates

SUBJECT: 2019 SANITARY SEWER FUND RATES

PURPOSE: To request Council approval for a 2% increase to the 2019 Sanitary Sewer Fund Rates and 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, the Burnaby Sewer Charge Bylaw 1961, and the Burnaby Sewer Connection Bylaw 1961, to reflect the 2019 rates contained in Schedule C of this report, and the bylaw amendments outlined in section 4 of this report, effective 2019 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, the Burnaby Sewer Charge Bylaw 1961, and the the Burnaby Sewer Connection Bylaw 1961.

Annual Sanitary Sewer charges within the the Burnaby Sewer Charge Bylaw 1961, and the Burnaby Sewer Connection Bylaw 1961 are due by March 15th each year. To promote payment by the due date, Burnaby offers discounted rates for payments received on or before the March 15th due date. Metered Sanitary Sewer customers are offered the same incentive for payments made within 30 days of the billing date. The intent of the bylaw is not to grant a discounted rate for partial payments.

For 2019, it is proposed that the due date for rates contained within the Burnaby Sewer System Parcel Tax Bylaw 1994 is aligned with the property tax due date. Further information on this proposal is set out within Section 4 to this report.

To: Financial Management Committee

From: Director Finance

Re: 2019 Sanitary Sewer Fund Rates

2018 November 28 Page 2

Table 1 provides rate increase information over the past five years and the proposed rate for 2019.

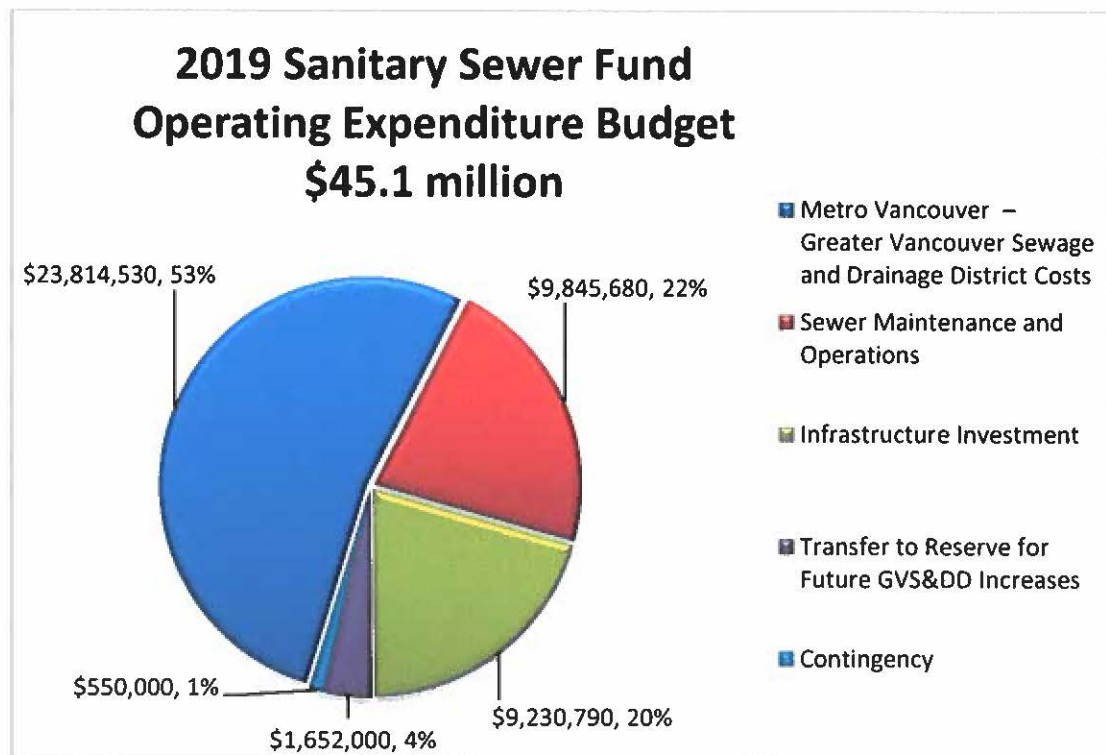
Table 1 – Rate Increases

2014	2015	2016	2017	2018	Proposed 2019
5.5%	3.0%	1.5%	1.0%	0.0%	2.0%

2.0 SANITARY SEWER FUND EXPENDITURES

The Sanitary Sewer Fund Operating Expenditure Budget for 2019 is projected at \$45.1 million, an increase of \$0.9 million over 2018. 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 Fund Five Year Operating Plan. The 2019 Sanitary Sewer Fund Operating Expenditures Budget is summarized in Chart 1 below.

Chart 1 – 2019 Sanitary Sewer Fund Operating Expenditure Budget



To: Financial Management Committee

From: Director Finance

Re: 2019 Sanitary Sewer Fund Rates

2018 November 28 Page 3

2.1 Metro Vancouver – Greater Vancouver Sewage and Drainage District Costs

The Greater Vancouver Sewerage and Drainage District (GVS&DD) 2019 levy for liquid waste in Burnaby is \$23.8 million, up \$1.3 million. In addition to the charge for liquid waste, the GVS&DD imposes non-utility charges for Engineering Roads and Drainage, which for 2019 are set at \$973,000, a reduction of 36% over the prior year. While the reported cost increase imposed by GVS&DD for municipalities within the Fraser Sewerage Area is 13.6%, the net increase (net of roads and drainage costs) for the Sanitary Sewer budget is 5.95%.

The GVS&DD levy makes up over 53% of the 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 of the main GVS&DD projects for 2019:

Budget Highlights/Key Actions:

- Decommissioning of the Iona Island Waste Water Treatment Plan (WWTP) biosolids stockpile
- Project definition for Iona Island WWTP secondary upgrade
- Prepare for commissioning of North Shore WWTP
- Update Biosolids Management Strategy
- Development of updated hydraulic model for VSA
- Increase monitoring of Burrard inlet with respect to Tsleil-Waututh Nation Burrard Inlet Action Plan
- Increase enforcement, compliance support and outreach for new regulations

Table 2 – Planned GVS&DD and City Increases

GVS&DD 2019 – 2023 Plan ¹	2019	2020	2021	2022	2023
Total GVS&DD FSA Operating Expenditure	\$165.9m	\$185.4m	\$216.7m	\$252.7m	\$281.7m
GVS&DD Increase for Burnaby	5.95%*	9.30%	12.80%	13.00%	8.70%
GVS&DD Capital Expenditure	\$279.2m	\$413.9m	\$436.8m	\$349.9m	\$395.1m
Household Impact	\$226	\$243	\$268	\$296	\$315
% Change on household	10.5%	7.1%	10.4%	10.6%	6.5%
Planned City of Burnaby change	2.0%	3.0%	3.0%	3.0%	3.0%

*Adjusted for lower Roads and Drainage portion.

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. The 2019 Sewer Maintenance and Operations Expenditure Budget has increased by \$2 million to \$9.8 million.

Key changes include:

- \$750,000 is related to sanitary sewer service connections activity. A provision for connections with performance issues in the past was included in the capital plan; however, after further review it was deemed that majority of this type of ongoing work is more of an operating activity. Since this is no longer classified as a capital activity the capital plan will have an offsetting reduction. Also included in this increase is a provision for four new temporary TFT positions which will be hired in order to reduce the backlog related to sanitary sewer connections work.
- \$550,000 in various operating expenditures (hired equipment, vehicle expenditures, contracted services and materials & supplies) to assist in the increase in operations and maintenance activities resulting from development throughout the City.
- \$300,000 is required to improve the City's inflow and infiltration management component of the regional Integrated Liquid Waste and Resource Management Plan (ILWRMP). These funds will be spent on continued monitoring, investigation, inspection and rehabilitation initiatives.
- \$300,000 is required due to the increase in costs associated with transporting construction materials for disposal at off site locations. These costs are incurred by the City and allocated evenly between both the Waterworks Utility and Sanitary Sewer.
- \$100,000 is due to additional compensation costs such as collective agreement increases and staff pay-step increments.

2.3 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 total allocated to infrastructure investment for 2019 is \$9.23 million. This figure aligns with planned capital spend for 2019 and ensures that capital funds held in reserve are sufficient to fund planned expenditures for the future.

2.4 Transfer to Reserve for Future GVS&DD Increases

The City is setting aside funding to the Sanitary Sewer Fund Operating Reserve from 2019 to 2023, which will help to reduce the upward pressure on GVS&DD rate increases in future years, keeping the Sanitary Sewer Fund rate increases stable.

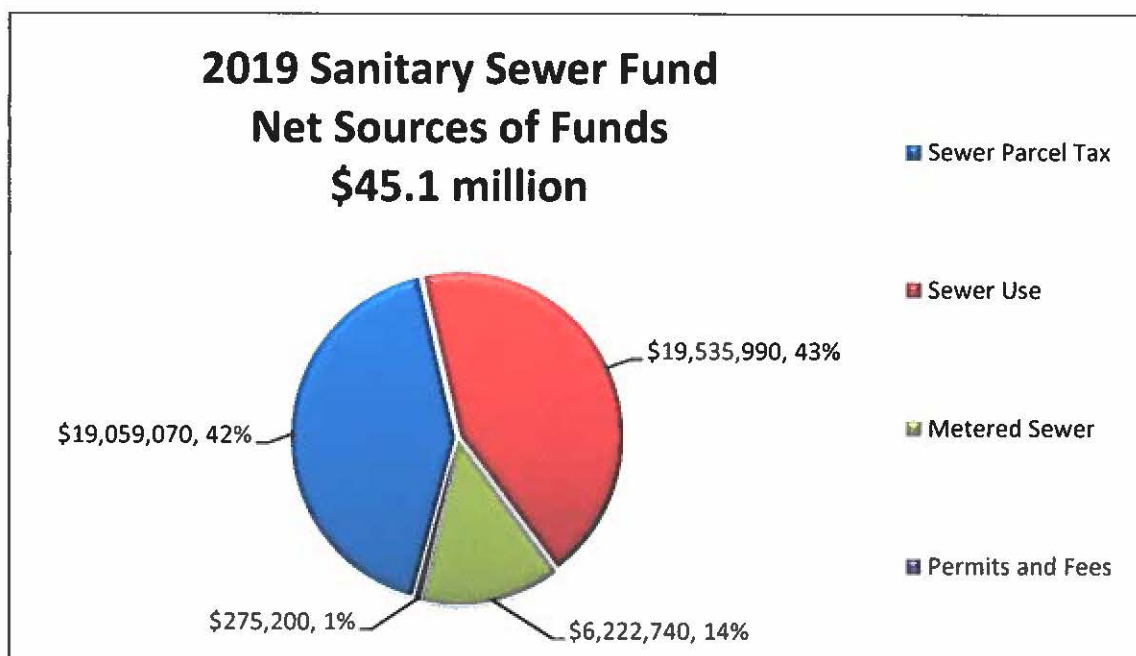
2.5 Contingency

A contingency amount of \$550,000 has been built into the budget to accommodate for any unforeseen costs that may arise during the year.

3.0 SOURCES OF FUNDS

The primary sources of funds for 2019 are Sewer Parcel Tax, 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 – 2019 Sanitary Sewer Net Sources of Funds



3.1 Sewer Parcel Tax

Owners of every parcel and of all property types with access to the City's sewer network pay an annual flat Sewer Parcel Tax. Two or more units on a parcel (such as 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 2019.

Section 4 below sets out how the City will start to collect Sewer Parcel Tax with Property Taxes in 2019. The budget has been adjusted to capture that the City will be billing Sewer Parcel Tax with Property Taxes based on the net amount for the tax. As a tax, it is therefore to be treated like

other taxes, with penalties for late payment replacing the current discount model. The change in billing methodology is structured so as not to impact the overall amounts due by a customer.

3.2 Sewer Use

Sewer Use Fees are paid by all owners of multi-family, commercial, and industrial 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 2019.

3.3 Metered Sewer

2019 rates for Metered Sewer customers increase at the same percentage as flat rates. Introduced in 2018, a single tier rate per cubic metre of sewer consumption is applied to all monthly and quarterly accounts. As such multiple tiers are no-longer shown on Schedule C to this report.

3.4 Permits and other Fees

Income from permits and other fees for 2019 is projected at \$275,200. This includes fees from sanitary sewer video inspections, permits and adjustment applications.

4.0 BYLAW AMENDMENTS

4.1 Burnaby Sewer Charge Bylaw 1961" – Section 2(3)(a) b)

New wording has is proposed for Subsections (a and b) to clarify how credits are awarded to monthly and quarterly customers. Revised *italicized* wording reads as follows:

The owner or occupier of every parcel of real property who is required to pay a charge calculated pursuant to this section shall be entitled to a deduction *based on the discounted annual charge*, determined as follows:

- (a) in the case of a monthly charge, the lesser of:
 - (i) an amount *based on* one twelfth (1/12) of the current years' *annual* sewer parcel tax levied or charged against that parcel of real property, *as set out in Schedule A of the Bylaw*; and
 - (ii) the amount of that monthly charge; or
- (b) in the case of a quarterly charge, the lesser of:
 - (i) an amount *based on* one quarter (1/4) of the current years' *annual* sewer parcel tax levied or charged against that parcel of real property, *as set out in Schedule A of the Bylaw*; and
 - (ii) the amount of that quarterly charge.

It is therefore proposed that the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Charge Bylaw 1961 for the revisions as outlined above.

4.2 Burnaby Sewer Charge Bylaw 1961" – Section 3(a) and (b), and Section 2(1)

Section 3(a) contains reference to the calculation of water charges for properties not measured through a water meter. This information does not reflect the current flat rate structure and methodology contained in the Burnaby Waterworks Regulation Bylaw 1953. It is therefore proposed that this section is struck out of the bylaw.

Section 3(b) reads: *"it is deemed that each user of the sewerage system discharges into the sewerage system 80 percent of the water delivered by the municipal water utility to his parcel of real property"*.

It is suggested that this wording is removed, and that Section 2(1) of the bylaw is updated to state that *"for metered sewer customers only, for which a separate sewerage meter has not be installed, that calculation of the sewerage system charge is based on 100% of water consumption"*.

It is therefore proposed that the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Charge Bylaw 1961, through removal of Section 3(a), removal of section 3(b), and amendment of Section 2(1).

4.3 Burnaby Sewer Parcel Tax Bylaw 1994

Sewer Parcel Tax is currently billed in February each year. While forming a key component of the Sanitary Sewer Utility, Sewer Parcel Tax can be deferred and contributes towards the total Home Owner Grant claimable on a residential property. Following a review of current legislation, business practice and vendor recommendations for the most efficient and lowest impact means of collecting this tax in the City's planned new tax system, (due to come online in 2019), it is recommended that Sewer Parcel Tax should be billed on the Tax Statement with other property taxes in May.

Schedule C to this report and Schedule A to the Burnaby Sewer Parcel Tax Bylaw 1994 have been amended to reflect that the due date for Sewer Parcel Tax now falls in line with the due date for Property Tax. This change will significantly streamline collection processes and remove the need for any custom development of new software. It will also bring City practices in line with other municipalities. Property Owners will be informed of this change as part of the Utility Notice mail out in late January / early February, with further information being made available on the City's website and also additional information will accompany the Tax Statement in May.

It is therefore proposed that the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994 to reflect the change in due date and billing process change.

5.0 RATE SCHEDULE CHANGES

The rates in Schedule C to this report for Metered - Regular and BOD/TSS customers have been reduced to one line for both monthly and quarterly consumption. This reflects the 2018 change to collapse the rate structure to one rate across all consumption levels.

To: Financial Management Committee

From: Director Finance

Re: 2019 Sanitary Sewer Fund Rates

2018 November 28..... Page 8

For convenience, Schedule C to this report now includes changes for the Burnaby Sewer Connection Bylaw 1961, which contains a number of fees which contribute towards the Sanitary Sewer Utility.

In addition of these fees within Schedule C, it is recommended that the following existing fees are consolidated within a new schedule of said bylaw:

New Schedule - Burnaby Sewer Connection Bylaw 1961

- Sanitary Inspection Chamber Box - purchase
- Storm Inspection Chamber Box - purchase
- Sewer Video Inspection - Sanitary
- Sewer Video Inspection – Storm

6.0 SUMMARY

Sanitary sewer rates are based on a user pay principle and structured to fund delivery and management of the sanitary sewer system. For 2019 it is recommended that rates increase by 2% in order to offset cost increases from GVS&DD. The Director Engineering concurs with the recommendations contained in this report.

7.0 RECOMMENDATION

It is recommended that Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Sewer Parcel Tax Bylaw 1994, the Burnaby Sewer Charge Bylaw 1961, and the Burnaby Sewer Connection Bylaw 1961, to reflect the 2019 rates contained in Schedule C of this report, and the bylaw amendments outlined in Section 4 of this report, effective 2019 January 01.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:RR:WK /ml

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
City Solicitor
City Clerk

2019 SANITARY SEWER - FIVE YEAR OPERATING BUDGET**SCHEDULE A**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Actual	Actual	Actual	Actual	Annual	Projected	Projected	Projected	Projected	Projected
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE										
Metro Vancouver – GVS&DD Costs	18,321,782	18,988,769	19,730,775	21,245,845	22,476,530	23,814,530	26,029,290	29,361,030	33,177,970	36,064,450
Sewer Maintenance and Operations	6,028,890	6,045,780	6,728,040	6,642,219	7,826,230	9,845,680	10,141,050	10,445,280	10,758,640	11,081,400
Infrastructure Investment	12,708,960	11,556,700	12,000,000	13,898,105	11,500,000	9,230,790	-	-	-	-
Transfer to Reserve for Future GVS&DD Increases	-	-	-	-	-	1,652,000	9,017,990	6,957,270	4,419,570	2,897,260
Contingency	-	-	-	-	2,350,000	550,000	550,000	550,000	550,000	550,000
Surplus	1,545,483	3,734,559	3,030,495	1,791,334	-	-	-	-	-	-
TOTAL	38,603,115	40,325,808	41,489,310	43,577,503	44,152,760	45,093,000	45,738,330	47,313,580	48,906,180	50,593,110
GROSS REVENUES/TRANSFERS										
Parcel Tax (Net of Discounts)	17,617,644	18,155,841	18,436,673	18,644,486	18,660,190	19,059,070	18,727,950	19,289,760	19,829,220	20,425,220
Sewer Use (Net of Discounts, including Secondary Suites)	15,151,743	16,178,916	16,805,319	18,673,081	18,793,290	19,535,990	20,317,490	21,130,160	21,976,210	22,854,390
Metered Rates (Net of Discounts)	5,768,208	5,919,847	6,008,397	6,140,269	6,064,620	6,222,740	6,409,430	6,601,700	6,800,030	7,003,760
Other Sales of Services	11,674	36,824	38,157	5,201	28,900	-	-	-	-	-
Permits and Fees	53,845	34,380	200,760	114,466	171,300	275,200	283,460	291,960	300,720	309,740
Transfer from Reserves	-	-	-	-	434,460	-	-	-	-	-
TOTAL	38,603,115	40,325,808	41,489,310	43,577,503	44,152,760	45,093,000	45,738,330	47,313,580	48,906,180	50,593,110
Rate Increase	5.50%	3.00%	1.50%	1.50%	0.00%	2.00%	3.00%	3.00%	3.00%	3.00%

Finance Department
November 2018

SANITARY SEWER RATES CHARGED BY METRO VANCOUVER**SCHEDULE B**

<u>YEAR</u>	<u>GVS&DD SEWERAGE LEVY</u>	<u>INCREASE FROM PREVIOUS YEAR</u>	
	\$	\$	%
2014	18,306,440	628,839	3.56%
2015	18,988,769	682,329	3.73%
2016	19,730,821	742,052	3.91%
2017	21,245,845	1,515,024	7.68%
2018	22,476,803	1,230,958	5.79%
2019	23,814,534	1,337,731	5.95%
2020	26,029,286	2,214,752	9.30%
2021	29,361,034	3,331,749	12.80%
2022	33,177,969	3,816,934	13.00%
2023	36,064,452	2,886,483	8.70%
<hr/>			
2014 - 2018 Change	4,170,363		22.78%
2019 - 2023 Change	12,249,918		51.44%

Note: 2019 - 2023 charges are based on Metro Vancouver estimates.

Finance Department
November 2018

SANITARY SEWER RATES

SCHEDULE C

From 2019, Sewer Parcel Taxes not paid in full by the due date for Property Taxes will be subject to a 5% penalty in line with other Property Taxes.

SEWER PARCEL TAX (SEWER PARCEL TAX BYLAW 1994)

Every owner of every real parcel capable of being drained

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

Full payment of the amount specified is required by the due date in order to receive the lower rate, where applicable.

SEWER USE (BURNABY SEWER CHARGE BYLAW 1961)

- 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

SEWER USE, CONTAMINATED GROUNDWATER DISCHARGES

(Rate applies to all consumption levels.)

Vancouver Sewerage Area - per cubic metre

Fraser Sewerage Area - per cubic metre

SEWER USE, METERED RATES - REGULAR CUSTOMERS

Monthly:

Per Cubic Metre

Quarterly:

Per Cubic Metre

SEWER USE, METERED RATES - PERMITTED BOD/TSS CUSTOMERS

Monthly:

Per Cubic Metre

Quarterly:

Per Cubic Metre

Metered Customer Credit:

Customers receive a credit reduction based on the "Discounted" Parcel tax charge applied to the property, based on 1/12 or 1/4 for monthly and quarterly accounts respectively, as set out in Schedule A of the Bylaw. The exemption is not to exceed monthly or quarterly calculated meter charges.

SEWER CONNECTION FEES (SEWER CONNECTION BYLAW 1961)

Schedule A- 1

- a) Sewer Connection Adjustment Application
- b) Service Connection

Schedule A- 2

- a) For each sanitary sewer connection inspection
- b) For each storm sewer connection inspection
- c) For each combined sewer connection inspection
- d) For the third & each subsequent inspection (section 15(2))

New Schedule

- Sanitary Inspection Chamber Box - purchase
- Storm Inspection Chamber Box - purchase
- Sewer Video Inspection - Sanitary
- Sewer Video Inspection - Storm

Effective 2018 January 01		Effective 2019 January 1	
\$ Paid by Mar. 15	\$ Paid after Mar. 15	\$ Payable by Property Tax Due Date	\$ Paid after Mar. 15
541.42	569.91	552.25	
270.71	284.96	276.12	
\$ Paid by Mar. 15	\$ Paid after Mar. 15	\$ Paid by Mar. 15	\$ Paid after Mar. 15
293.27	308.70	299.13	314.87
135.36	142.48	138.06	145.33
293.27	308.70	299.13	314.87
270.71	284.96	276.13	290.66
270.71	284.96	276.13	290.66
0.9050	N/A	0.9050	N/A
0.9050	N/A	0.9050	N/A
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
0.9050	0.9503	0.9231	0.9693
0.9050	0.9503	0.9231	0.9693
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
0.4525	0.4751	0.4616	0.4846
0.4525	0.4751	0.4616	0.4846
No discount	380.00	No discount	380.00
No discount	Actual cost	No discount	Actual cost
No discount	91.00	No discount	91.00
No discount	155.00	No discount	91.00
No discount	155.00	No discount	91.00
No discount	62.00	No discount	62.00
Added to bylaw for 2019		As per agreed cost of purchase	
Added to bylaw for 2019		As per agreed cost of purchase	
Added to bylaw for 2019		500 plus GST	
Added to bylaw for 2019		500 plus GST	
0.00%	0.00%	2.00%	2.00%

RATE INCREASE