

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2019 November 14

FROM: DIRECTOR FINANCE

FILE: 36000-07
Reference: Sewer Rates

SUBJECT: 2020 SANITARY SEWER RATES

PURPOSE: To request Council approval for a 2% increase to the 2020 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 2020 rates contained in Schedule C of this report, and the bylaw amendments outlined in Section 6 of this report, effective 2020 January 01.

REPORT

1.0 INTRODUCTION

The Sanitary Sewer Fund is financially self-sustaining and debt free. Rate changes do not impact what is collected for general property taxes; however, Sewer Parcel Tax is billed with Property Taxes in May. As such, any increase in Sanitary Sewer Fund rates would therefore influence the total amount billed on the Tax Notice. Sanitary Sewer Fund rates are reviewed annually and adjustments are made to provide funding for required sewer 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.

Payment for annual Sanitary Sewer Fund charges are due by March 15th (or next business day if the due date falls on a weekend). To promote payment by the due date, Burnaby offers discounted rates for payments received on or before the due date. Metered Sanitary Sewer customers are offered the same incentive for payments made within 30 days of the billing date.

2.0 POLICY SECTION

Goal:

- A Dynamic Community:
 - Economic opportunity -
Foster an environment that attracts new and supports existing jobs, businesses and industries
 - City facilities and infrastructure –
Build and maintain infrastructure that meets the needs of our growing community
- A Thriving Organization
 - Financial viability –
Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

3.0 BACKGROUND

The annual budget process for the Sanitary Sewer Fund takes into account projected revenues and expenditures, plus sustainability of the operating and capital reserves over a 5 year period. As per prior years, the single biggest driver for budget and rate increases are the costs imposed on the City by Metro Vancouver for distribution and processing, in the form of the Greater Vancouver Sewage and Drainage District (GVS&DD) Levy. Other key components include the city's planned capital program and annual operating requirements.

All rates within each of the three bylaws are increased each year by the same percentage amount. Rate increases are communicated to customers in the form of the Annual Utility Brochure, and Metered Water and Sewer Customer Information Bulletins, which are sent out in the new-year with Utility Notices. Table 1 provides rate increase information over the past 5 years and the proposed rate for 2020:

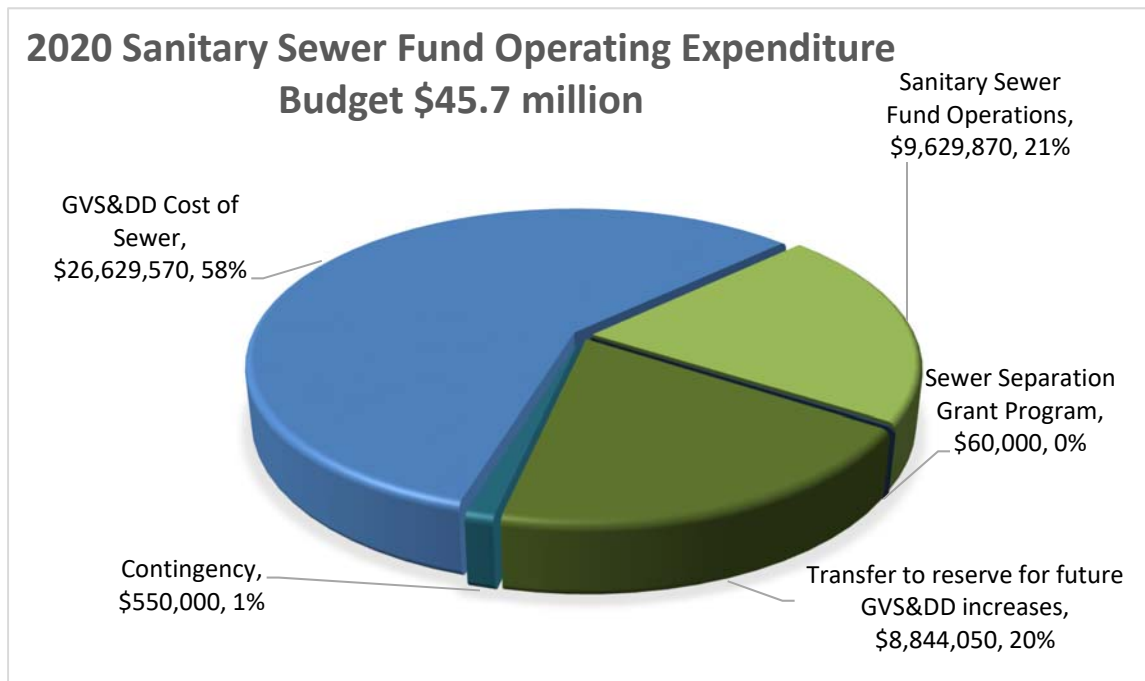
Table 1 - Rate Increases

2015	2016	2017	2018	2019	Proposed 2020
3.0%	1.5%	1.5%	0.0%	2.0%	2.0%

4.0 SANITARY SEWER FUND EXPENDITURES

Sanitary Sewer Fund expenditures for 2020 are projected at \$45.7m, an overall change of \$620k from 2019. The increase in overall expenditure is mainly the result of an increase in GVS&DD costs. There is no contribution to capital budgeted for 2020. Schedule A outlines the City's Sanitary Sewer Fund 5 year Operating Plan. Chart 1 below summarises the 2020 Sanitary Sewer Fund operating expenditure budget:

Chart 1 – 2020 Sanitary Sewer Fund Operating Expenditure Budget



4.1 Metro Vancouver - Greater Vancouver Sewerage and Drainage District (GVS&DD) Costs

The GVS&DD 2020 levy for liquid waste in Burnaby is \$26.6m. In addition to the charge for liquid waste, the MVRD imposes non-utility charges for Engineering Roads and Drainage, which for 2020 are set at \$905k, a reduction of 7% from 2019. The net increase for the Sanitary Sewer Fund GVS&DD cost is 11.8% (see Schedule B). MVRD uses BC Statistics population data over a five year period to calculate annual growth and the impact this has on the levy. The GVS&DD levy makes up over 58% of total City of Burnaby Sanitary Sewer Fund operating costs.

The following are examples of current and planned major GVS&DD initiatives supported by 2020 rate increases:

2020 Major Capital Projects

- North Shore Waste Water Treatment Plant (WWTP) Upgrade
- Annacis WWTP Stage 5 Expansion
- Northwest Langley WWTP
- Iona WWTP Upgrade
- Burnaby Lake Interceptor
- Gilbert/Brighthouse Trunk Sewer Twinning
- Annacis WWTP Secondary Clarifier Corrosion Repair

4.2 Sanitary Sewer Fund Operations

It is proposed that the 2020 Sewer Maintenance and Operations Expenditure budget remains similar to the prior year at \$9.6 million which is optimal for supporting the City's two main sewer components: sanitary liquid waste and storm water systems.

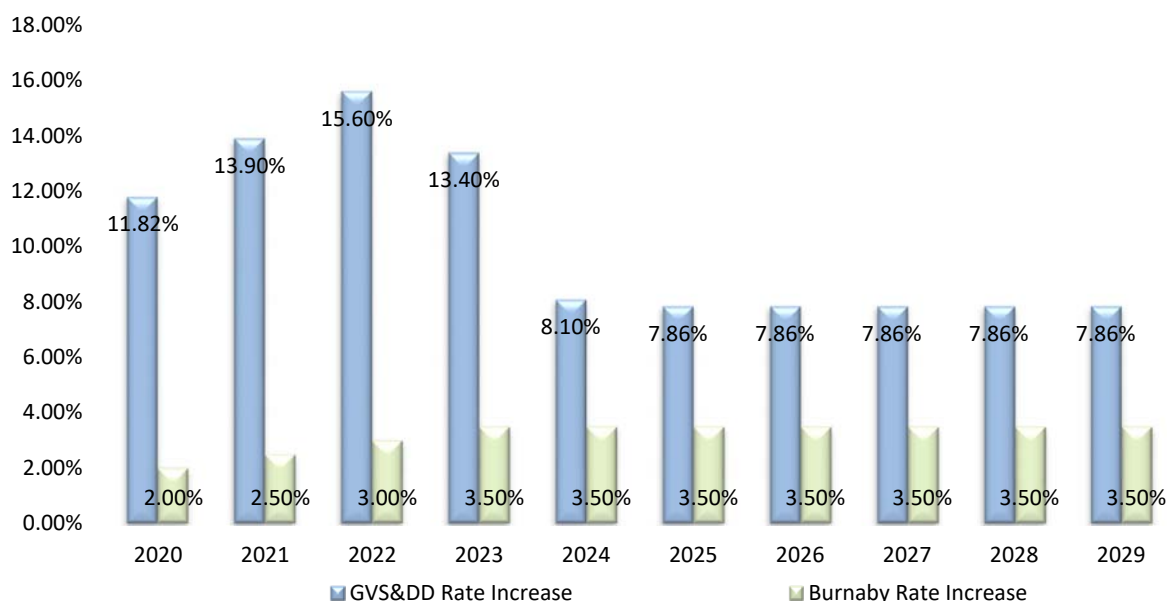
4.3 Sewer Separation Grant Program

A provision of \$60,000 has been made to implement the new grant program to support private-side sewer separation as approved by Council earlier this year.

4.4 Transfer to Reserve for Future GVS&DD Increases

A provision of \$8.8m for future rate increases is budgeted for 2020 in order to mitigate fluctuations in rates. Through the use of reserves held by the City, Burnaby has the ability to offset the immediate impact of GVS&DD rate increases. Hence planned future City of Burnaby increases will be lower than those imposed on the City by GVS&DD, as illustrated in Chart 2.

Chart 2 - Planned GVS&DD Increases vs Burnaby Increases



4.5 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.

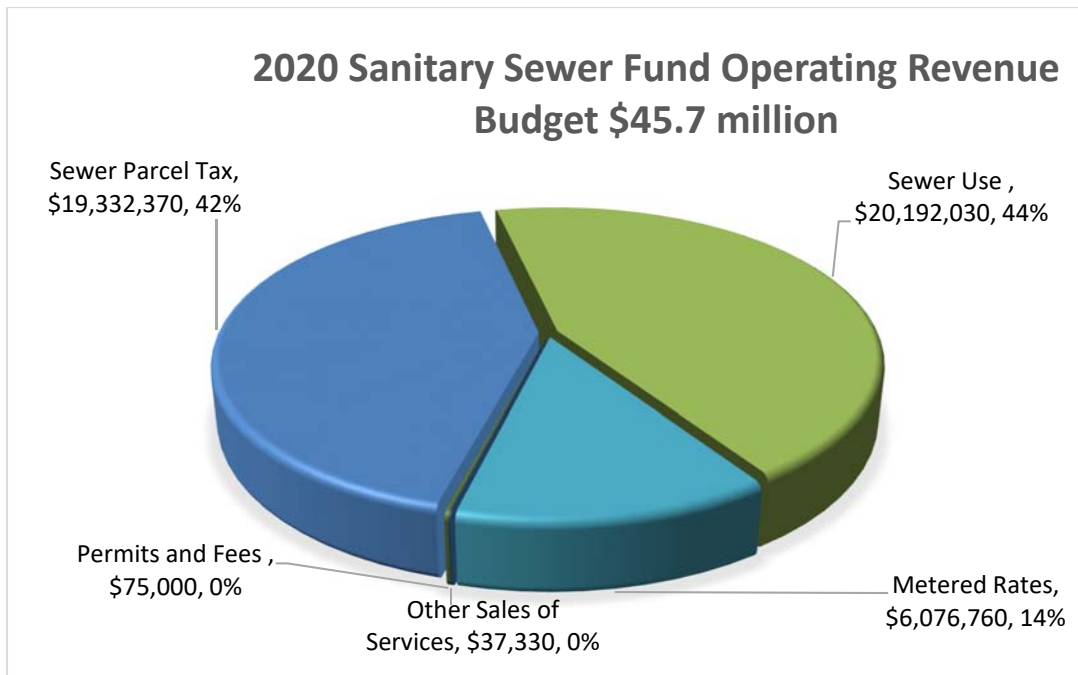
4.6 Contribution to Capital

The City's policy of funding ongoing replacement and the development of new capital infrastructure annually has provided assurance that funding is available to sustain the capital program without the need for external debt financing. Funding is reviewed annually to determine changes to requirements. As it currently stands, the capital reserve has sufficient funding, exceeding the city's target level of five years capital works funding. While the capital plan for 2020 is \$5.7m, staff are recommending a contribution to capital of zero for 2020 through to 2024, thus enabling utilization of existing reserves and allowing for stable rate increases.

5.0 SANITARY SEWER FUND REVENUES

The primary sources of revenues for 2020 are Sewer Parcel Tax, Sewer Use and Metered Sewer revenue. A small percentage of revenue comes from permits, fees, and other sales of service. Chart 3 provides a breakdown of revenues net of discounts. Aligning revenues with expenditures, there is a \$620k overall increase in funds being raised. The primary source being Sewer Use, which is charged to all non metered properties that are not a Single Family Dwelling.

Chart 3 – 2020 Sanitary Sewer Fund Operating Revenue Budget



5.1 Sewer Parcel Tax

Owners of every parcel of land with access to the City's sewer network pay an annual flat Sewer Parcel Tax. Two or more units on a parcel (such as a strata apartment or Two Family Dwelling) 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 2020. Revenues for Sewer Parcel Tax remain fairly stable year over year, typically increasing by the annual rate.

5.2 Sewer Use

Sewer Use Fees are paid by all owners of multi-family, commercial, and industrial properties, including duplex, strata and non-stratified units. Sewer Use revenue continues to grow each year as new properties come online. For 2020 there is an estimated \$641k increase over 2019, based on prior year actuals and 1% growth estimate for 2020.

5.3 Metered Rates

Rates for metered sewer customers increase at the same percentage as flat rates. The City has seen a recent decline in metered consumption, and as such revenues for 2020 are predicted to decline slightly. A reduction of \$131k has been budgeted for 2020.

5.4 Permits and Fees and Other Sales of Services

There is an estimated reduction in revenue from permits, fees, and other sales of approximately \$163k. This income stream includes fees from sanitary sewer video inspections, permits and adjustment applications.

6.0 BYLAW AMENDMENTS

6.1 Sewer Charge Bylaw 1961 - Sections 4A (3 and 4) – April 2019 declaration

These sections of the bylaw can now be repealed as they are no longer applicable in 2020.

6.2 Sewer Charge Bylaw 1961 - Sections 4A – Schedule “C”

Under Section 291 of the Community Charter many exempt properties, including Provincial and Crown corporations are required to pay the city a Grant in Lieu of taxation. With transition of Sewer Parcel Tax charges to the Tax Notice, several such bodies are now hesitant in paying a separate Sewer Parcel Tax charge to the city.

It is proposed that Sewer Parcel Tax charges are removed from the accounts of such exempt / crown / provincial bodies, and that a new fee be established at a rate equal to the Sewer Parcel Tax that will be levied as a Sewer Use fee with Utilities in February. The new fee would be included in Schedule C of the bylaw as follows:

- Sewer Use - Exempt Properties (in lieu of Parcel Tax)

A provision will be added to Section 4A that require these types of properties to pay the new "Sewer Use - Exempt Properties" fee as set out in Schedule C of the bylaw.

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From: Director Finance
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7.0 RECOMMENDATION

It is recommended 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 2020 rates contained in Schedule C of this report, and the bylaw amendments outlined in Section 6 of this report, effective 2020 January 01.



Noreen Kassam, CPA CGA
DIRECTOR FINANCE

NK/RR:md

Attachments: Schedule A – 2020 Sanitary Sewer - 5 Year Operating Budget
Schedule B – Sanitary Sewer Rates Charged by Metro Vancouver
Schedule C – Sanitary Sewer Rates

Copied to: City Manager
Director Engineering
City Solicitor
City Clerk

2020 SANITARY SEWER - 5 YEAR OPERATING BUDGET**Schedule A**

Finance Department November 2019	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Annual	2020 Budget	2021 Projected	2022 Projected	2023 Projected	2024 Projected
	\$	\$	\$		\$	\$	\$	\$	\$	\$
EXPENDITURE										
GVS&DD Cost of Sewer	18,988,769	19,730,775	21,245,845	22,476,527	23,814,534	26,629,570	30,331,080	35,062,730	39,761,140	42,981,790
Sewer Fund Operations	6,045,780	6,728,040	6,642,219	7,215,520	9,845,680	9,629,870	9,918,770	10,216,330	10,522,820	10,838,500
Infrastructure Investment	11,556,700	12,000,000	13,898,105	11,895,810	9,230,790	-	-	-	-	-
Sewer Separation Grant Program						60,000	60,000	60,000	60,000	60,000
Transfer to reserve for future GVS&DD increases					1,652,000	8,844,050	6,687,940	3,584,550	829,770	-
Contingency	0			-	550,000	550,000	550,000	550,000	550,000	550,000
Surplus	3,734,559	3,030,495	1,791,334	2,827,933	-	0	0	0	0	0
TOTAL	40,325,808	41,489,310	43,577,500	44,415,790	45,093,000	45,713,490	47,547,790	49,473,610	51,723,730	54,430,290
REVENUES/TRANSFERS										
Parcel Tax	19,041,277	18,436,673	18,644,486	18,689,728	19,059,073	19,332,370	19,815,680	20,410,160	21,124,510	21,863,860
Sewer Use	16,967,940	16,805,319	18,673,081	19,155,487	19,550,293	20,192,030	20,926,330	21,795,740	22,813,710	23,882,180
Metered Rates	6,208,340	6,008,397	6,140,269	6,438,868	6,208,438	6,076,760	6,233,830	6,427,300	6,660,040	6,902,220
Other Sales of Services	36,824	38,157	5,201	13,717	-	37,330	38,450	39,600	40,790	42,010
Permits and Fees	34,380	200,760	114,466	117,986	275,200	75,000	77,250	79,570	81,960	84,420
Previous year's surplus brought forward	-	-	-	-	-	0	456,250	721,240	1,002,720	1,655,600
TOTAL	40,325,808	41,489,310	43,577,500	44,415,790	45,093,000	45,713,490	47,547,790	49,473,610	51,723,730	54,430,290
Tax Payer Rate Increase	3.00%	1.50%	1.50%	0.00%	2.00%	2.00%	2.50%	3.00%	3.50%	3.50%

SCHEDULE B

SANITARY SEWER RATES CHARGED BY METRO VANCOUVER

<u>YEAR</u>	<u>GVS&DD SEWERAGE LEVY</u>	<u>INCREASE FROM PREVIOUS YEAR</u>	
	\$	\$	%
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	26,629,571	2,815,037	11.82%
2021	30,331,081	3,701,510	13.90%
2022	35,062,730	4,731,649	15.60%
2023	39,761,136	4,698,406	13.40%
2024	42,981,788	3,220,652	8.10%
<hr/>			
2015 - 2020 Change	7,640,802	40.24%	
2021 - 2024 Change	12,650,707	41.71%	

Notes:

2021-2024 charges are based on Metro Vancouver estimates.

**Finance Department
November 2019**

SCHEDULE C

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.

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.

- 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. (includes tri-plex and four-plex).
- d) Rental Suite in a Single Family Dwelling - Supplementary Utility Fee.
- e) Rental Suite in a Two Family Dwelling - Supplementary Utility Fee.
- f) Sewer Use - Exempt Properties (in lieu of Parcel Tax)

(Rate applies to all consumption levels.)

Vancouver Sewerage Area - per cubic metre

Fraser Sewerage Area - per cubic metre

Monthly:

Per Cubic Metre

Quarterly:

Per Cubic Metre

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.

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

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 January 1 2019		Effective January 1 2020	
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