

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE **DATE:** 2020 November 10

FROM: DIRECTOR FINANCE **FILE:** 36000-07
Reference: Sewer Rates

SUBJECT: 2021 SANITARY SEWER FUND RATES

PURPOSE: To request Council approval for the 2021 Sanitary Sewer Fund Rates.

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 2021 rates in Schedule C of this report, effective 2021 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 operating and capital sewer programs 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.

The due date for Sanitary Sewer Fund charges is March 15 (or the 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. Metered customers are assigned either a monthly or a quarterly account, based on volume.

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 five-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 Regional District (MVRD) for distribution and processing, in the form of the Greater Vancouver Sewerage and Drainage District (GVS&DD) Levy. Other key components include the City's anticipated annual capital spend and annual operating requirements.

All rates within each of the three bylaws are changed each year by the same percentage amount. Rate changes 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 the Utility Notice. Table 1 provides rate change information over the past five years and the proposed rate change for 2021.

Table 1 – City of Burnaby Sanitary Sewer Fund Rate Changes

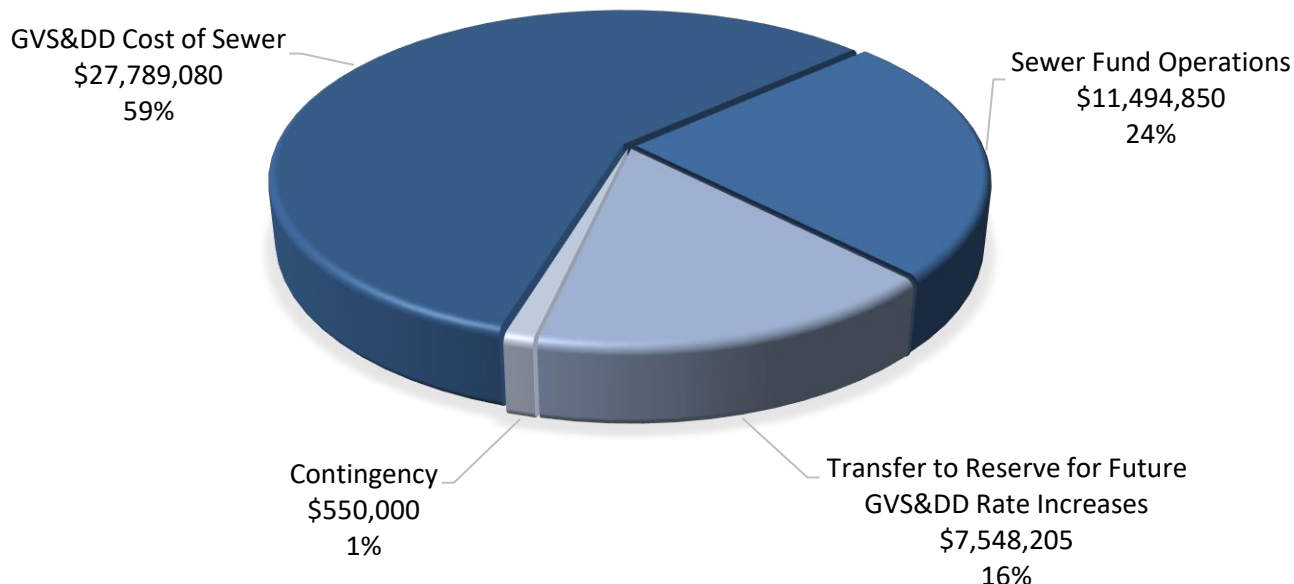
2016	2017	2018	2019	2020	Proposed 2021
1.5%	1.5%	0.0%	2.0%	2.0%	0.0%

4.0 SANITARY SEWER FUND EXPENDITURES

Sanitary Sewer Fund expenditures for 2021 are projected at \$47.4M, an overall change of \$1.08M over 2020. The increase in overall expenditure is mainly the result of an increase in GVS&DD costs, offset by a reduction in the amount transferred to reserve for future GVS&DD rate increase. Schedule A outlines the City's Sanitary Sewer Fund 5 Year Operating Plan. Chart 1 summarises the 2021 Sanitary Sewer Fund operating expenditure budget.

Chart 1 – 2021 Sanitary Sewer Fund Operating Expenditure Budget

\$47.4M Expenditure Budget



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

The GVS&DD costs form the largest percentage of the overall expenditure for 2021, at 59% of total expenditure, up from 57.5% in 2020. The Burnaby GVS&DD cost is \$27.8M, an increase of 4.35% over 2020. This is a reduction on prior 2021 estimates, which put the 2021 rate increase at 13.90%, and reflects efforts underway by GVS&DD to provide short-term relief to households during the COVID-19 pandemic.

Significant GVS&DD rate increases previously forecast have been pushed out to 2022 and beyond, with 2025 seeing a high of 18.5% as shown in Table 2.

Table 2 – GVS&DD Rate Projections

GVS&DD Rates	2021	2022	2023	2024	2025
Previous (as noted in 2019)	13.90%	15.60%	13.40%	8.10%	7.86%
Current	4.35%	9.40%	12.80%	12.30%	18.50%

MVRD have reported that the overall annual Liquid Waste Services Budget is expected to rise by over \$42M annually, with increases in capital spend of \$37M per year forming the bulk of increased expenditure.¹

GVS&DD 2021 Major Capital Projects include:

- Annacis Island Wastewater Treatment Plant Stage 5 Expansion & Outfall System
- Northwest Langley Wastewater Treatment Projects
- Burnaby Lake North Interceptor
- South Surrey Interceptor Twinning

Planned capital spend increases significantly over the next five years, from \$270M in 2021 to \$469M in 2025, with the Northwest Langley Wastewater Treatment Project making up the bulk of the expenditure.

In addition to the charge for liquid waste, MVRD imposes non-utility charges for Engineering Roads and Drainage, which for 2021 are set at \$953,000, an increase of 5.3% over 2020.

Schedule B summarizes the projected 2021 – 2025 GVS&DD increases for liquid waste services provided to Burnaby, with historical data going back to 2016. Data for 2022-2025 is based on MVRD rate predictions. The City of Burnaby's budget includes projected rate increases for liquid waste services from 2026 to 2030 based on average GVS&DD rate increases from 2021 – 2025.

4.2 Sanitary Sewer Fund Operations

The City's sanitary sewer operating program has two main components: sanitary liquid waste and storm water programs. The sanitary liquid waste program collects waste water from homes and businesses, while the storm water program handles surface run off from private and public property. The 2021 Sanitary Sewer Fund Operations expenditure budget is set at \$11.5M, an increase of 11.9% over 2020. The main drivers for the change are increases in compensation, materials and third party service connection works. Third party service connection works of \$855,000 is offset by matching revenue.

¹ MVRD 2021 - 2025 Financial Plan – Liquid Waste Services, Meeting Date: October 15, 2020

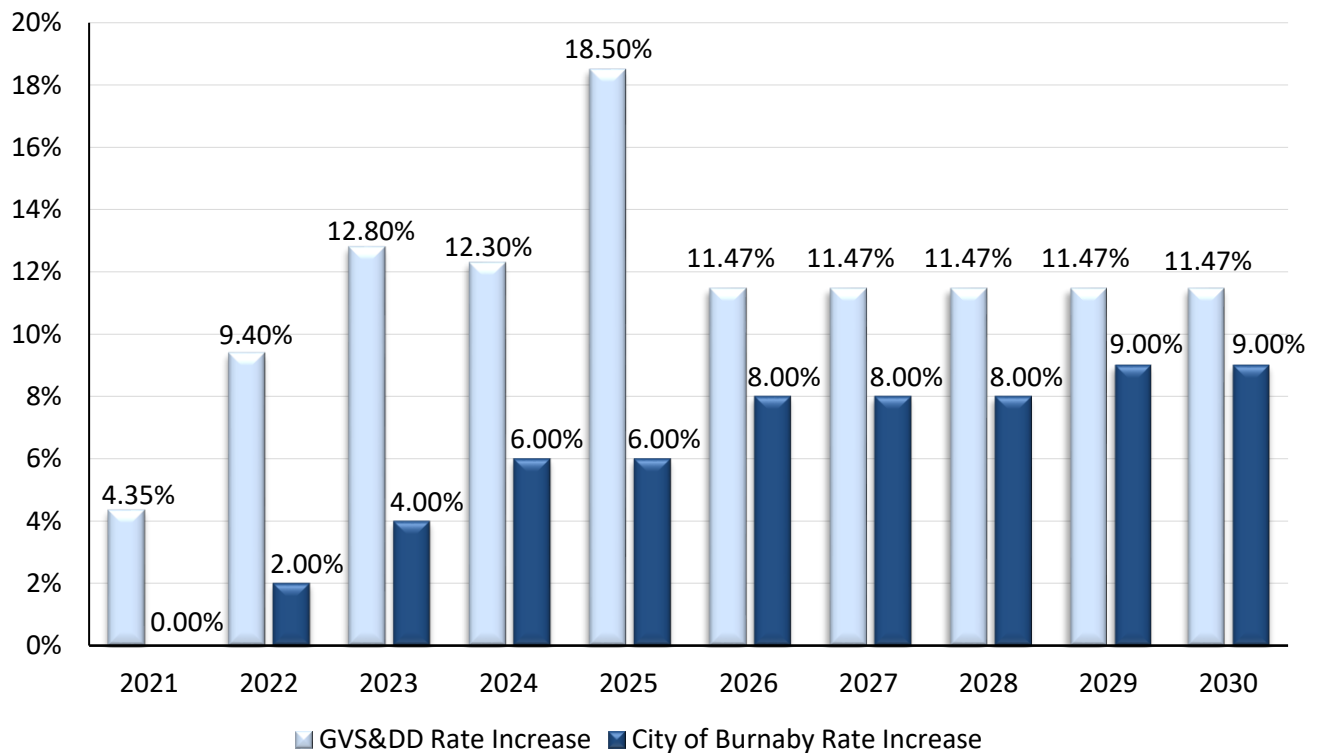
4.3 Contribution to Capital

The City's pay-as-you-go financing policy of funding ongoing replacement work 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. Based on average annual spend and the current balance of the reserve, no transfer to capital has been budgeted in 2021.

4.4 Transfer to Reserve for Future GVS&DD Increases

To mitigate any fluctuations in GVS&DD rate changes, a provision of \$7.5M is budgeted for 2021 for future rate increases. Through use of reserve funds held by the City, Burnaby has the ability to offset the immediate impact of GVS&DD rate increases. Going into the longer term view, planned future City of Burnaby rate increases are consistent when compared to those from GVS&DD. GVS&DD rate increases from 2026 - 2030 are based on the average increase for the current five year budget cycle. Chart 2 illustrates how Burnaby's rate will remain lower than changes imposed by GVS&DD.

Chart 2 – Planned GVS&DD Increases vs City of Burnaby Increases



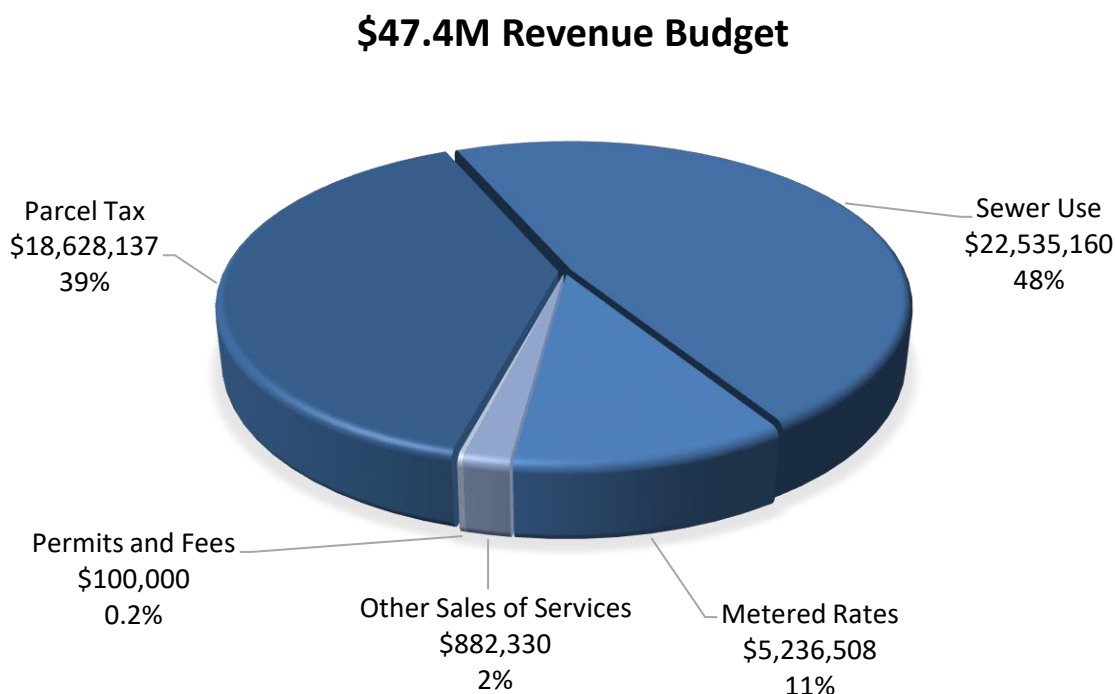
4.5 Contingency

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

5.0 SANITARY SEWER FUND REVENUES

The primary sources of revenues for 2021 are Sewer Parcel Taxes, Sewer Use and Metered Sewer revenues. A smaller percentage of revenue comes from other permits and fees, which includes third party works for service connections. Chart 3 provides a breakdown of revenues net of discounts. Aligning revenues with expenditures, there is a \$1.08M overall increase in funds being raised. The largest source of Sewer Fund revenues are those from Sewer Use, which is charged to all non-metered properties that are not a Single Family Dwelling. Increases in Sewer Use revenue offset anticipated declines in Sewer Parcel Taxes and Metered Sewer revenues.

Chart 3 – 2021 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 2021. As a result, revenues for Sewer Parcel Tax have been adjusted based on 2020 figures.

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5.2 Sewer Use

Sewer Use revenue continues to grow each year as new properties come online. Projections for 2021 have been increased by \$2.3M to \$22.5M to reflect 2020 actuals, whereby the City levied around an additional 3000 sewer use charges, plus anticipated growth in new charges, set at 1% per year. Sewer Use Fees are paid by all owners of multi-family, commercial, and industrial properties, including duplex, townhouse, apartment, strata and non-stratified units.

5.3 Metered Rates


Rates for metered sewer customers increase at the same percentage as flat rates. The City has seen a sharp decline in metered consumption during 2020 with revenues falling by over 22%. A reduced annual figure of \$5.2M (after discounts) has therefore been allocated for 2021 metered sewer revenue, as future consumption remains uncertain during the COVID-19 pandemic. 2022 and later figures are based on a resumption of prior year consumption using 2017-2019 actuals adjusted for annual future rate increases.

5.4 Permits and Fees and Other Sales of Services

Minor adjustments have been made to permits, fees and other sales of services, to reflect projected 2020 year end actuals.

6.0 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 2021 rates and due date contained in Schedule C of this report, effective 2021 January 01.



Noreen Kassam, CPA CGA
DIRECTOR FINANCE

NK:RR / md

Attachments: Schedule A – Sanitary Sewer Fund - 5 Year Operating Budget
Schedule B – Sanitary Sewer Fund Rates Charged by GVS&DD
Schedule C – Sanitary Sewer Fund Rates

Copied to: City Manager
Director Engineering
City Solicitor
Acting City Clerk

2021 SANITARY SEWER FUND - 5 YEAR OPERATING BUDGET**Schedule A**

	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Plan	2021 Budget	2022 Projected	2023 Projected	2024 Projected	2025 Projected
	\$	\$		\$	\$	\$	\$	\$	\$	\$
EXPENDITURE										
GVS&DD Cost of Sewer	19,730,775	21,245,845	22,476,527	23,814,530	26,629,571	27,789,080	30,401,250	34,292,620	38,510,610	45,635,070
Sanitary Sewer Fund Operations	6,728,040	6,642,219	7,215,520	8,510,180	10,270,337	11,494,850	11,724,750	11,724,750	11,959,250	11,959,250
Contribution to Capital	12,000,000	13,898,105	11,895,810	2,950,730	-	-	1,000,000	1,000,000	1,000,000	1,000,000
Transfer to Reserve for Future GVS&DD Rate Increases	-	-	-	8,475,530	8,844,050	7,548,205	5,913,740	4,231,053	3,120,709	-
Contingency	-	-	-	-	550,000	550,000	550,000	550,000	550,000	550,000
Surplus	3,030,495	1,791,334	2,827,933	1,244,390	-	-	-	-	-	-
TOTAL	41,489,310	43,577,500	44,415,790	44,995,360	46,293,960	47,382,140	49,589,740	51,798,420	55,140,570	59,144,320
REVENUES/TRANSFERS										
Parcel Tax	18,436,673	18,644,486	18,689,728	18,964,375	19,332,370	18,628,137	19,000,700	19,760,730	20,946,370	22,203,150
Sewer Use	16,805,319	18,673,081	19,155,487	19,575,451	20,192,027	22,535,160	23,205,390	24,359,730	26,058,740	27,876,300
Metered Rates	6,008,397	6,140,269	6,438,868	6,362,771	6,076,764	5,236,508	6,380,670	6,635,893	7,034,049	7,456,093
Other Sales of Services	38,157	5,201	13,717	18,363	37,330	882,330	899,980	935,980	992,140	1,051,670
Permits and Fees	200,760	114,466	117,986	74,396	75,000	100,000	103,000	106,090	109,270	112,550
Transfer From Reserve	-	-	-	-	580,470	-	-	-	-	444,557
TOTAL	41,489,310	43,577,500	44,415,790	44,995,360	46,293,960	47,382,140	49,589,740	51,798,420	55,140,570	59,144,320
Tax Payer Rate Increase	1.50%	1.50%	0.00%	2.00%	2.00%	0.00%	2.00%	4.00%	6.00%	6.00%

SCHEDULE B

SANITARY SEWER FUND RATES CHARGED BY GREATER VANCOUVER SEWAGE AND DRAINAGE DISTRICT (GVS&DD)

YEAR	GVS&DD SEWERAGE LEVY	INCREASE FROM PREVIOUS YEAR	
	\$	\$	%
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	27,789,081	1,159,510	4.35%
2022	30,401,255	2,612,174	9.40%
2023	34,292,615	3,891,361	12.80%
2024	38,510,607	4,217,992	12.30%
2025	45,635,069	7,124,462	18.50%
<hr/>			
2016 - 2021 Change	8,058,260	40.84%	
2022 - 2025 Change	15,233,815	50.11%	

Note:

2022-2025 charges are based on GVS&DD estimates.

SANITARY SEWER FUND RATES
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.

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. (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)

>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.

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

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

RATE INCREASE

Effective January 1 2020		Effective January 1 2021	
\$	\$	\$	\$
Payable by Property Tax Due Date		Payable by Property Tax Due Date	
563.29		563.29	
281.65		281.65	
\$	\$	\$	\$
Paid by	Paid after	Paid by	Paid after
Mar. 16	Mar. 16	Mar. 15	Mar. 15
305.11	321.17	305.11	321.17
140.83	148.24	140.83	148.24
305.11	321.17	305.11	321.17
281.65	296.47	281.65	296.47
211.24	221.80	210.71	221.80
563.29	591.46	561.89	591.46
0.9231	N/A	0.9231	N/A
0.9231	N/A	0.9231	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
0.9416	0.9886	0.9392	0.9886
0.9416	0.9886	0.9392	0.9886
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
0.4708	0.4943	0.4696	0.4943
0.4708	0.4943	0.4696	0.4943
\$	\$	\$	\$
Paid by	Paid after	Paid by	Paid after
Mar. 16	Mar. 16	Mar. 15	Mar. 15
No discount	387.60	No discount	387.60
No discount	Actual cost	No discount	Actual cost
No discount	92.82	No discount	92.82
No discount	92.82	No discount	92.82
No discount	92.82	No discount	92.82
No discount	63.24	No discount	63.24
As per agreed cost of purchase		As per agreed cost of purchase	
As per agreed cost of purchase		As per agreed cost of purchase	
510.00	Plus GST	510.00	Plus GST
510.00	Plus GST	510.00	Plus GST
2.00%	2.00%	0.00%	0.00%