

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2020 November 10

FROM: DIRECTOR FINANCE

FILE: 39500-07
Reference: Water Rates

SUBJECT: 2021 WATERWORKS UTILITY RATES

PURPOSE: To request Council approval for the 2021 Waterworks Utility rates.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Waterworks Regulation Bylaw 1953 to reflect the 2021 rates in Schedule C of this report, effective 2021 January 01.

REPORT

1.0 INTRODUCTION

The Waterworks Utility is financially self-sustaining and debt free. Rate changes for the utility do not impact what is collected through general property taxes. Rates are reviewed annually to ensure there is sufficient funding available for the respective annual operating and capital programs. Upon Council approval of the subsequent year's annual rate, the Burnaby Waterworks Regulation Bylaw 1953 is amended and adopted by Council prior to the end of the current year.

Waterworks Utility charges are payable on or before March 15 (or next business day if the due date falls on a weekend). To promote payment by the due date, the City of Burnaby offers discounted rates for payments received on or before the due date. Metered Water customers are offered the same incentive for payments made within 30 days of the billing date, both monthly and quarterly.

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 Waterworks Utility takes into account projected revenues and expenditures, plus the sustainability of the operating and capital reserves over a five-year period. As per prior years, the single biggest driver for budget and rate changes are the costs imposed on the City by the Greater Vancouver Water District (GVWD) for the delivery of water to Burnaby. Other key components include the City's planned capital program and annual operating requirements.

All rates within the bylaw are adjusted each year by the Council approved rate change. Rate changes are communicated to customers in the form of the Annual Utility Brochure, and Metered Water and Sewer Customer Information Bulletin, which are sent out early 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 Waterworks Utility Rate Changes

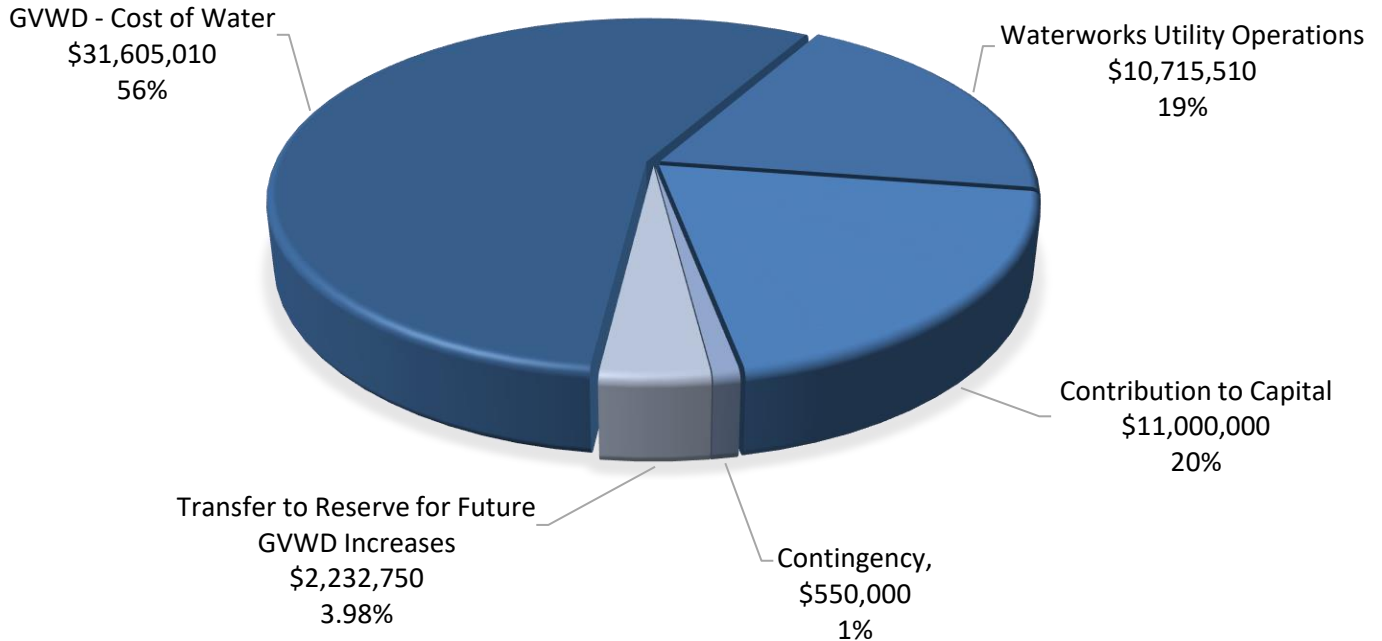
2016	2017	2018	2019	2020	Proposed 2021
2.0%	1.0%	1.0%	2.0%	1.0%	0.0%

4.0 WATERWORKS UTILITY EXPENDITURES

Waterworks Utility expenditures for 2021 are projected at \$56.1M, an overall reduction of approximately \$1.3M from 2020. The decrease in overall expenditure is mainly the result of a reduced provision for future GVWD cost increases. Schedule A outlines the City's Waterworks Utility 5 Year Operating Plan. Chart 1 summarises the 2021 Waterworks Utility operating expenditure budget.

Chart 1 – 2021 Waterworks Utility Operating Expenditure Budget

\$56.1M Expenditure Budget



4.1 Metro Vancouver Greater Vancouver Water District (GVWD) Costs

The GVWD cost of water continues to form the largest percentage of the overall expenditure for 2021, at 56% of total expenditure, up from 54% in 2020. The GVWD is responsible for acquiring and maintaining the water supply by treating it to ensure its quality and delivering it to the City. The GVWD also provides ongoing capital work for the treatment of water, including upgrading facilities to meet safety and environmental standards.

GVWD Major Capital Projects:

- Annacis Main No. 5
- Kennedy Newton Main
- Fleetwood Reservoir
- Hellings Tank No. 2
- Coquitlam Main No. 4
- Capilano Main No. 5

For 2021, the City has budgeted water consumption of 39.1 million cubic metres (2020 – 39.4 million cubic meters), amounting to costs of \$31.6M (2020 - \$30.9M). This is based on prior year consumption and 2020 actual billing data to September 2020, which shows a reduction in metered water usage as well as taking into account an increase in costs by GVWD for Off Peak rates.

Schedule B summarizes the projected 2021-2025 GVWD increases in the cost of water services provided to Burnaby, with historical data going back to 2016. Consumption estimates for the same period are based on GVWD projected volume figures. The City of Burnaby's budget includes projected rate increases for the cost of water from 2026 to 2030 based on average GVWD rate increases from 2021-2025. The 2021 GVWD rates are as follows:

- Peak (June to September) - \$0.9546 per cubic metre @ 15.4 million cubic metres.
- Off Peak– \$0.7119 per cubic metre @ 23.7 million cubic metres.

It is noted that the GVWD increased Peak rates by 7.27%, while leaving Off Peak rates at 2020 levels. Through targeting just Peak rates, the GVWD states that a sustained reduction in peak summer water use across the region will allow for the deferral of a number of growth-related projects as current assessments indicate that the new infrastructure will only be needed if summertime demand for water continues to increase.¹ The blended average 2021 rate increase for the GVWD is 3.50%.

As a result, the GVWD has reduced water costs for 2021-2025 from previously projected rate increases in order to provide some financial relief during the pandemic. GVWD is also looking to extend debt servicing requirements through the deferral of capital projects and implement other cost saving measures in order to lower previously projected rate increases. Table 2 shows the current five year rates compared to the projected rates provided in 2019.

Table 2 – GVWD Rate Projections

GVWD Rates	2021	2022	2023	2024	2025
Previous (as noted in 2019)	6.10%	8.80%	9.90%	10.10%	8.17%
Current	3.50%	5.20%	6.40%	8.90%	10.80%

4.2 Waterworks Utility Operations

The City's Engineering Department, Water Services Division, provides high quality drinking water to homes and businesses, as well as water supply for fire suppression. This division manages the installation and maintenance of over 700km of watermain and connections throughout the City. Planned 2021 operational expenditures are \$10.0M, which represents an increase of 9.23% over 2020. The main drivers for the change are increases in compensation and third party service connection works. Third party service connection works of \$450,000 is offset by matching revenue.

¹ GVWD 2021 Budget and 2021 - 2025 Financial Plan

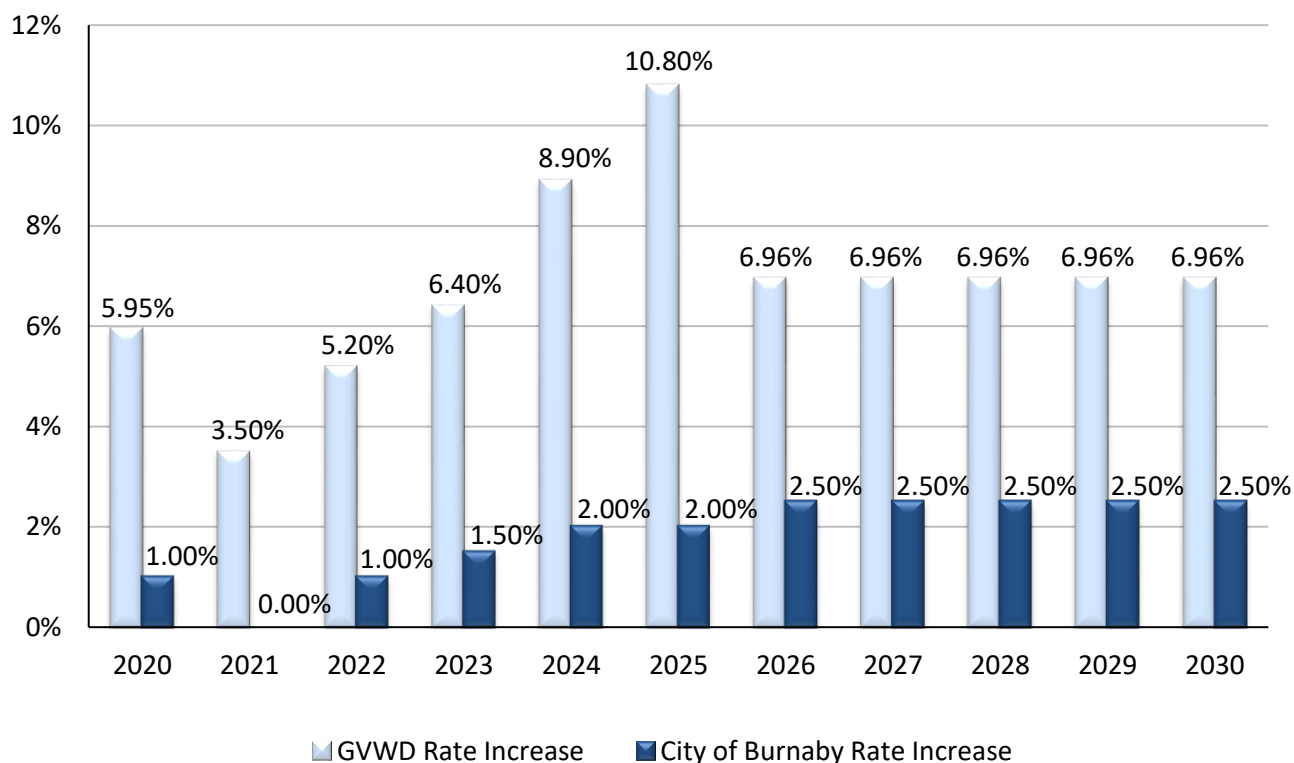
4.3 Contribution to Capital

The City's pay-as-you-go financing 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. Currently, the capital reserve has sufficient funding to meet the city's target level of five year capital expenditure requirements. Staff are recommending that the contribution to capital for 2021 be set at \$11.0M. This is less than the proposed capital plan, at \$12.5M, but is more aligned with prior year actual average spend.

4.4 Transfer to Reserve for Future GVWD Increases

The provision of \$2.2M for future rate increases (down from \$7.7M in 2020) helps to mitigate fluctuations in rates. Through the use of reserves held by the City, Burnaby has the ability to offset the immediate impact of rate increases by the GVWD. Hence, planned future City of Burnaby increases will be lower than those imposed upon the City by GVWD, as illustrated in Chart 2.

Chart 2 – Planned GVWD Increases vs City of Burnaby Increases



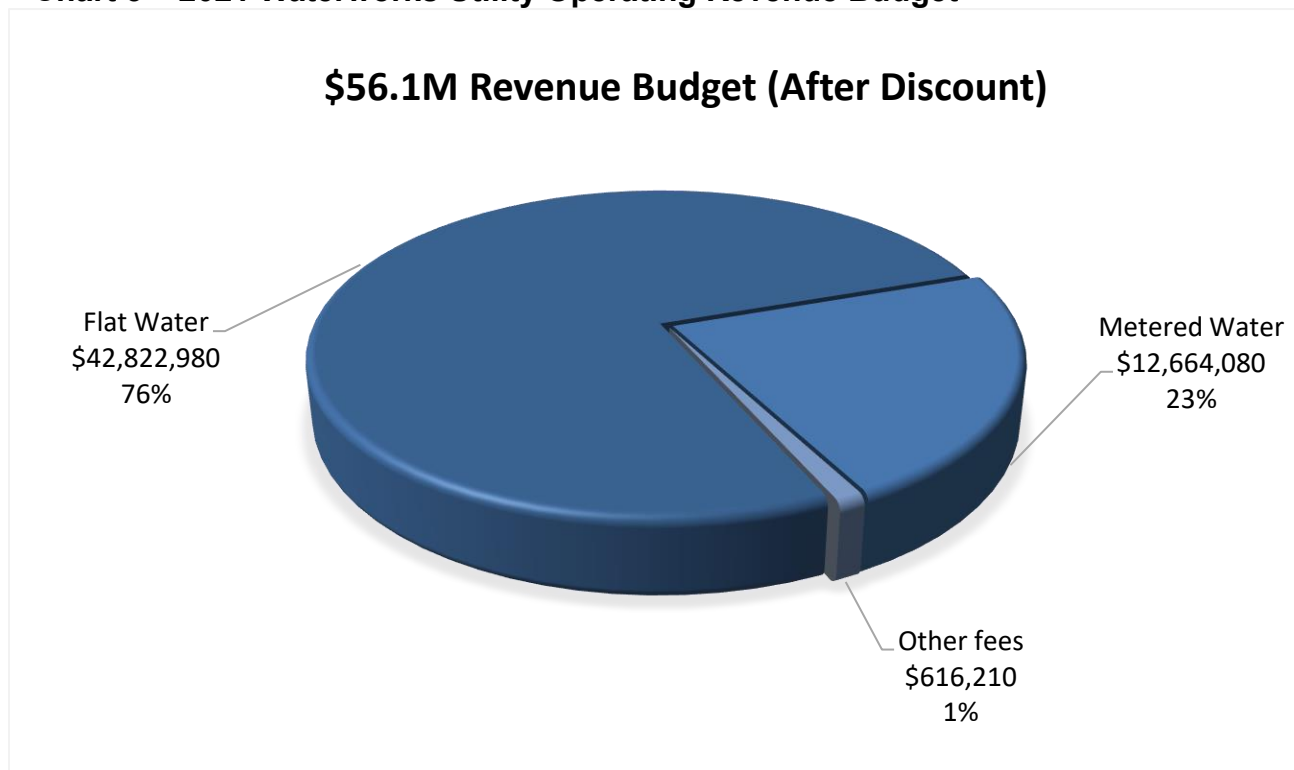
4.5 Contingency

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 WATERWORKS UTILITY REVENUES

The primary revenue source for 2021 is Flat Water charges, at \$42.8M (2020 - \$41.4M), with Metered Water contributing over \$12.6M (2020 - \$15.4M). A small percentage of revenue comes in the form of other permits and fees, which has been increased in 2021 to reflect the reallocation of third party order revenue for service connections, previously allocated to general operating. Chart 3 provides a breakdown of revenues after discounts. Aligning revenues with expenditures, there is a \$1.3M reduction in funds being raised.

Chart 3 – 2021 Waterworks Utility Operating Revenue Budget



5.1 Flat Water

The \$42.8M budget for Flat Water in 2021, which makes up approximately 76% of all revenues, is based on higher than anticipated 2020 actual revenues received to date and estimated growth.

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5.2 Metered Water

Approximately 2,800 customers are metered, which accounts for 22% of total revenues after discounts. With significant reductions in both metered water and sewer consumption in 2020, the budget for metered water revenue reflects what is expected to be a continued slump in consumption in 2021 due to the COVID-19 pandemic. At \$12.6M after discounts, the 2021 budget is 18.23% lower than in 2020. Metered water revenues for 2022 and beyond are expected to return to normal levels on the assumption that the pandemic will be less of an impact. Therefore, metered water revenues for 2022 are based on 2019 actuals, adjusted for proposed annual rate changes.

5.3 Other Fees

Other revenues in 2021 include construction charges, permits, special meter readings and testing fees. These fees have been adjusted to align with those from other neighboring municipalities.

6.0 RECOMMENDATION

It is recommended that Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Waterworks Regulation Bylaw 1953 to reflect the 2021 rates contained in Schedule C of this report, effective 2021 January 01.



Noreen Kassam, CPA CGA
DIRECTOR FINANCE

NK:RR / md

Attachments: Schedule A – 2021 Waterworks Utility - Five Year Operating Budget
Schedule B – Cost of Water Supplied to Burnaby by GVWD
Schedule C – 2021 Waterworks Utility Rates

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

2021 WATERWORKS UTILITY - FIVE 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										
GVWD - Cost of Water	25,865,340	26,983,020	27,842,870	28,680,347	30,928,380	31,605,010	33,230,000	35,580,000	39,067,260	43,389,940
Waterworks Utility Operations	6,203,020	6,822,740	6,933,230	7,472,900	9,810,470	10,715,510	10,929,820	11,148,420	11,371,390	11,598,820
Contribution to Capital	16,002,500	21,131,130	18,809,700	14,895,813	8,478,860	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Transfer to Reserve for Future GVWD	-	-	-	3,415,800	7,727,930	2,232,750	4,650,620	3,430,500	1,410,660	-
Special Project - One Time Request	-	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	500,000	550,000	500,000	500,000	500,000	500,000
Surplus	4,122,980	-	1,834,040	1,686,930	-	-	-	-	-	-
TOTAL	52,193,840	54,936,890	55,419,840	56,151,790	57,445,640	56,103,270	60,310,440	61,658,920	63,349,310	66,488,760
GROSS REVENUES/TRANSFERS										
Flat rates (Net of Discounts)	36,965,274	39,153,707	39,729,876	40,586,050	41,452,630	42,822,980	44,105,630	45,211,040	46,572,470	47,974,950
Metered Rates (Net of Discounts)	15,172,485	15,552,029	15,257,777	15,488,440	15,486,790	12,664,080	15,582,440	15,816,180	16,132,500	16,455,150
Construction - Metered Charges	15,280	3,412	-	55,949	31,440	64,820	65,470	66,450	67,780	69,140
Construction - Flat Rate Charges	200	32,800	109,300	33,252	43,230	26,390	26,650	27,050	27,590	28,140
Permits and Fees	11,131	22,714	22,140	33,737	30,540	35,000	35,350	35,880	36,600	37,330
Other Sales of Services	29473.39	22,732	300,748	-45,642	30,000	490,000	494,900	502,320	512,370	522,620
Previous Year's Surplus Brought Forward	-	149,500	-	-	371,010	-	-	-	-	1,401,430
TOTAL	52,193,840	54,936,890	55,419,840	56,151,790	57,445,640	56,103,270	60,310,440	61,658,920	63,349,310	66,488,760
Rate Increase	2.00%	1.00%	1.00%	2.00%	1.00%	0.00%	1.00%	1.50%	2.00%	2.00%

COST OF WATER SUPPLIED TO BURNABY BY THE GREATER VANCOUVER WATER DISTRICT

SCHEDULE B

Year	Cost/m ³		Increase over the previous year				Volumes m ³			Change In volume	Annual cost to Burnaby	Increase in the Total Cost of Water to Burnaby	
	Off-Peak	Peak	\$		%		Off-Peak	Peak	Total m ³	%	000 \$	000 \$	%
			Off-Peak	Peak	Off-Peak	Peak							
2016 Actual	0.5926	0.7407	0.0110	0.0137	1.89	1.88	24,028	15,696	39,724	-2.53	25,865	-294	-1.12
2017 Actual	0.6113	0.7641	0.0187	0.0234	3.16	3.16	23,270	16,700	39,970	0.62	26,983	1,397	5.40
2018 Actual	0.6350	0.7938	0.0237	0.0297	3.88	3.89	23,528	16,330	39,858	-0.28	27,843	681	2.52
2019 Actual	0.6719	0.8399	0.0369	0.0461	5.81	5.81	23,380	15,433	38,814	-2.62	28,680	1,249	4.49
2020 Plan	0.7119	0.8899	0.0400	0.0500	5.95	5.95	23,186	16,207	39,393	1.49	30,928	2,248	7.84
2021 Budget	0.7119	0.9546	0.0000	0.0647	0.00	7.27	22,885	15,806	38,691	-1.78	31,605	677	2.19
2022 Estimate	0.7489	1.0042	0.0370	0.0496	5.20	5.20	23,038	15,912	38,950	0.67	33,230	1,625	5.14
2023 Estimate	0.7968	1.0685	0.0479	0.0643	6.40	6.40	23,179	16,009	39,188	0.61	35,580	2,350	7.07
2024 Estimate	0.8678	1.1636	0.0709	0.0951	8.90	8.90	23,373	16,143	39,517	0.84	39,067	3,487	9.80
2025 Estimate	0.9615	1.2893	0.0937	0.1257	10.80	10.80	23,429	16,182	39,611	0.24	43,390	4,323	11.06
Increase 2016 - 2020			0.1303	0.1629	20.13	20.14						5,282	19.57
Projected increase 2021 - 2025			0.2496	0.3994	35.06	35.06						12,462	37.29

Notes:

2016-2019 volumes are based on actuals up to December 31 2019.

2020 volumes and costs are as per the budget for 2020.

2021 volumes are based on the City of Burnaby average volume for the prior three years, using 2020 actual consumption to date. Rates are as per GVWD.

2022 - 2025 rates are based on GVWD projected rate increases, and volumes are based on GVWD projected increases.

SCHEDULE C
2021 WATERWORKS UTILITY RATES

	Effective Jan 1 2020 Paid by Mar. 16	Effective Jan 1 2020 Paid after Mar. 16	Effective Jan 1 2021 Paid by Mar. 15	Effective Jan 1 2021 Paid after Mar. 15
Note - full payment of the amount specified is required by the due date in order to receive the lower rate, where applicable.				
<u>FLAT RATES</u>	\$	\$	\$	\$
Detached Single Family Dwelling	595.63	626.98	595.65	627.00
Twin Family Dwelling (non stratified - entire property)	893.45	940.47	893.48	940.50
Two Family Dwelling, including strata, forming part of a duplex- Per Unit	446.73	470.24	446.69	470.20
Multiple Family Dwelling, including strata, not part of a duplex - Per Unit: (includes Tri-Plex and Four-Plex)	342.01	360.01	342.00	360.00
Rented Suite in a Single Family Dwelling - Supplementary Utility Fee.	297.83	313.49	297.83	313.50
Rented Suite in a Two Family Dwelling - Supplementary Utility Fee.	223.37	235.12	223.35	235.10
Commercial - not more than 3 stores / offices:				
Commercial and living quarters, 1 family	1191.27	1,253.96	1191.30	1,254.00
Commercial and no living quarters	595.63	626.98	595.65	627.00
<u>Miscellaneous Structure - Rate per unit</u>	59.55	62.53	59.38	62.50
<u>City Facility – Unit Charge</u>	59.55	62.53	59.38	62.50
<u>Cross Connection Controls</u>				
Per Device	53.54	56.35	53.58	56.40
Minimum Per Unit	6.74	7.08	6.75	7.10
<u>METERED RATES</u>	Paid within 30	Paid 31 or	Paid within 30	Paid 31 or
Monthly				
Per cubic metres	1.590	1.6700	1.587	1.670
Minimum monthly	49.65	52.26	49.647	52.260
Quarterly				
Per cubic metres	1.590	1.6700	1.587	1.670
Minimum quarterly	148.94	156.75	148.913	156.750
<u>Water connection</u>	As per agreed cost of connection		As per agreed cost of connection	
<u>Water tie in</u>	As per agreed cost of connection		As per agreed cost of connection	
<u>Water transfers</u>	As per agreed cost of connection		As per agreed cost of connection	
<u>Meter Purchase and Installation</u>				
Water Meter 5/8" to 10"	Actual cost		Actual cost	
Water Meter 5/8" installation	No discount	353.50	No discount	353.50
Water Meter 3/4" installation	No discount	454.50	No discount	454.50
Water Meter 1" installation	No discount	656.50	No discount	656.50
Water Meter 1.5" installation	No discount	1,111.00	No discount	1,111.00
Water Meter 2" installation	No discount	1,262.50	No discount	1,262.50
Water Meter 3" installation	No discount	2,121.00	No discount	2,121.00
Water Meter 4" installation	No discount	2,626.00	No discount	2,626.00
Water Meter 6" installation	No discount	5,050.00	No discount	5,050.00
Water Meter 8" installation	No discount	6,565.00	No discount	6,565.00
Water Meter 10" installation	No discount	7,575.00	No discount	7,575.00

OTHER INSTALLATION / DEVICE FEES

Nelson box purchase and installation for driveway MR6
Fireline meter purchase - 6" to 10"
6" Fireline Installation
8" Fireline Installation
10" Fireline Installation

No discount	176.75
Actual cost	
No discount	5,050.00
No discount	6,565.00
No discount	7,575.00

No discount	180.00
Actual cost	
No discount	5,050.00
No discount	6,570.00
No discount	7,580.00

CONSTRUCTION FLAT WATER ANNUAL CHARGE

19 mm Connection
25 mm Connection
50 mm Connection

No discount	1,442.28
No discount	3,708.72
No discount	11,229.18

No discount	1,440.00
No discount	3,710.00
No discount	11,230.00

CONSTRUCTION OTHER

Construction Meter Deposit 2019 (Previously connection charge)
Construction meter Usage Charge

No discount	5,151.00
As per Metered rates	

No discount	5,150.00
As per Metered rates	

MISCELLANEOUS CHARGES**I. Water Turn-on / Turn-off request (per occurrence)**

Regular hours: 7am to 11 pm Monday to Friday except statutory holidays
After hours: 11pm to 7am Mon - to Fri, weekends and statutory holidays

No discount	55.63
No discount	164.83

No discount	60.00
No discount	160.00

II. Fire Hydrant

Permit (Inspection fee)
Water use per day
Damage deposit (refundable)

No discount	164.83
No discount	27.82
No discount	547.04

No discount	160.00
No discount	30.00
No discount	550.00

III. Meter Test or retest

16 mm, 19 mm, 25 mm, 32 mm, 38 mm or 50 mm meters
76 mm, 102 mm, 152 mm or meters over 152 mm

No discount	126.71
No discount	246.22

No discount	130.00
No discount	250.00

IV. Service Disconnection

At Property Line
At Main

No discount	360.57
No discount	3,605.70

No discount	365.00
No discount	3,610.00

V. Special Meter Reading

No discount	82.42
No discount	50.50

No discount	90.00
No discount	60.00

VI. Watering Permit

General Rate Increase

1.00%	1.00%
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0.00%	0.00%
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