

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 10

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 39500-07
Reference: Water Rates

SUBJECT: 2022 WATERWORKS UTILITY RATES

PURPOSE: To request Council approval for the 2022 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 2022 rates in Schedule C of this report, effective 2022 January 01.

REPORT

1.0 INTRODUCTION

The Waterworks Utility is financially self-sustaining and debt free. As such, there is no impact on demands for property taxation, from input cost increases. 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 the 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

All rates within the Burnaby Waterworks Regulation Bylaw 1953 are approved by Council on an annual basis. As per prior years, the single biggest driver for the budget and rate changes are the costs imposed upon the City by the Great Vancouver Water District (GVWD) for the delivery of water to Burnaby. City of Burnaby rates changes therefore take into account projected GVWD increases, revenues and expenditures, plus the sustainability of the operating and capital reserves over a 5 year period. Other key components include the City's planned capital program and annual operating requirements.

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 early in the new year with Utility Notices. Table 1 provides rate change information over the past 5 years and the proposed rate for 2022. The proposed rate increase for 2022 is 2.0%.

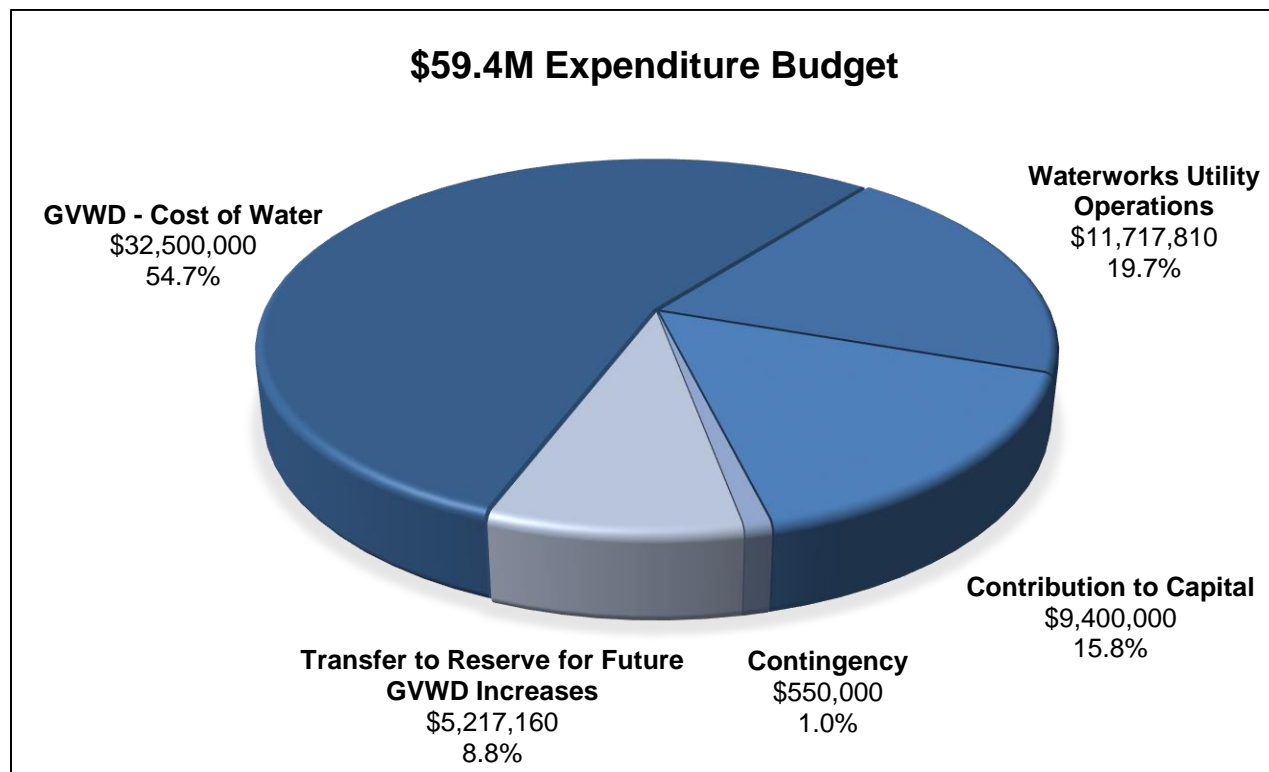
Table 1 – City of Burnaby Waterworks Utility Rate Changes

2017	2018	2019	2020	2021	Proposed 2022
1.0%	1.0%	2.0%	1.0%	0.0%	2.0%

4.0 WATERWORKS UTILITY EXPENDITURES

Waterworks Utility expenditures for 2022 are projected at \$59.4M, an overall change of approximately \$3.3M from 2021. The change in overall expenditure is mainly the result of an increase in the provision for future GVWD increases to partially shield customers from fluctuations in GVWD rates, which vary significantly year to year. Schedule A outlines the City's Waterworks Utility 5 Year Operating Plan. Chart 1 summarises the 2022 Waterworks Utility operating expenditure budget:

Chart 1 – 2022 Waterworks Utility Operating 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 2022, at 54.7% of total expenditure. The GVWD is responsible for acquiring and maintaining the water supply, 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 the upgrading of facilities to meet safety and environmental standards.

Schedule B summarizes the projected 2022 – 2026 GVWD increases in the cost of water services provided to Burnaby, with historical data going back to 2017. Consumption estimates for 2022 are based on recent City of Burnaby consumption, while figures for 2023 and beyond are based on GVWD projected volume figures. The City's budget includes projected rate increases for the cost of water from 2027 to 2031, based on the average of prior year planned rate increases. The blended average 2022 rate increase for the GVWD is 4.1%, which when combined with estimated consumption, equals an overall cost increase of 2.8%.

For the second year in a row, Peak Rates are increasing and Off-Peak rates remain at 2020 levels. The real increase in Peak Rates is 8.6%

- Peak = 1.0371 per cubic metre (June to September)
- Off-Peak = 0.7119 per cubic metre

The differential rates between Peak and Off-Peak are intended to incentivize conservation efforts in the region and reduce long term pressures on the capital budget.

Table 2 shows the current five year rates compared to the projected rates provided in 2020.

Table 2 – GVWD Rate Projections

Projections	2022	2023	2024	2025	2026
2021 – 2025 Plan <i>Prior Year</i>	5.2%	6.4%	8.9%	10.8%	6.9%*
2022 – 2026 Plan <i>Current Year</i>	4.1%	6.1%	10.7%	11.7%	11.5%

*City of Burnaby estimate based on Metro Vancouver planned increases.

GVWD 2022 Major Capital Projects:

GVWD capital program expenditures over the next five years are required to expand the system to meet the needs of a growing population, to improve system resiliency, and to maintain aging infrastructure. Highlights of capital projects planned or ongoing for 2022, include the following:

- Continue construction of Central Park Main No. 2 Phase 1;
- Continue construction of Douglas Road Main No. 2 (Still Creek Section);
- Continue construction of Capilano Raw Water Pump Station back-up power;
- Continue construction of Pebble Hill Reservoir Units 1 & 2 Seismic Upgrade;
- Continue detailed design of Seymour Main No. 5 North;
- Continue construction of Fleetwood Reservoir;
- Continue construction of Kennedy-Newton Main; and,
- Continue detailed design of Cape Horn Pump Station 3.

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 water mains and connections throughout the City. Planned 2022 operational expenditures are \$11.7M, which represents an increase of 9.4% over 2021. The bulk of the increase relates to collective agreement increases, internal staff reorganization between business units, contracting and consulting services, and third party water connections.

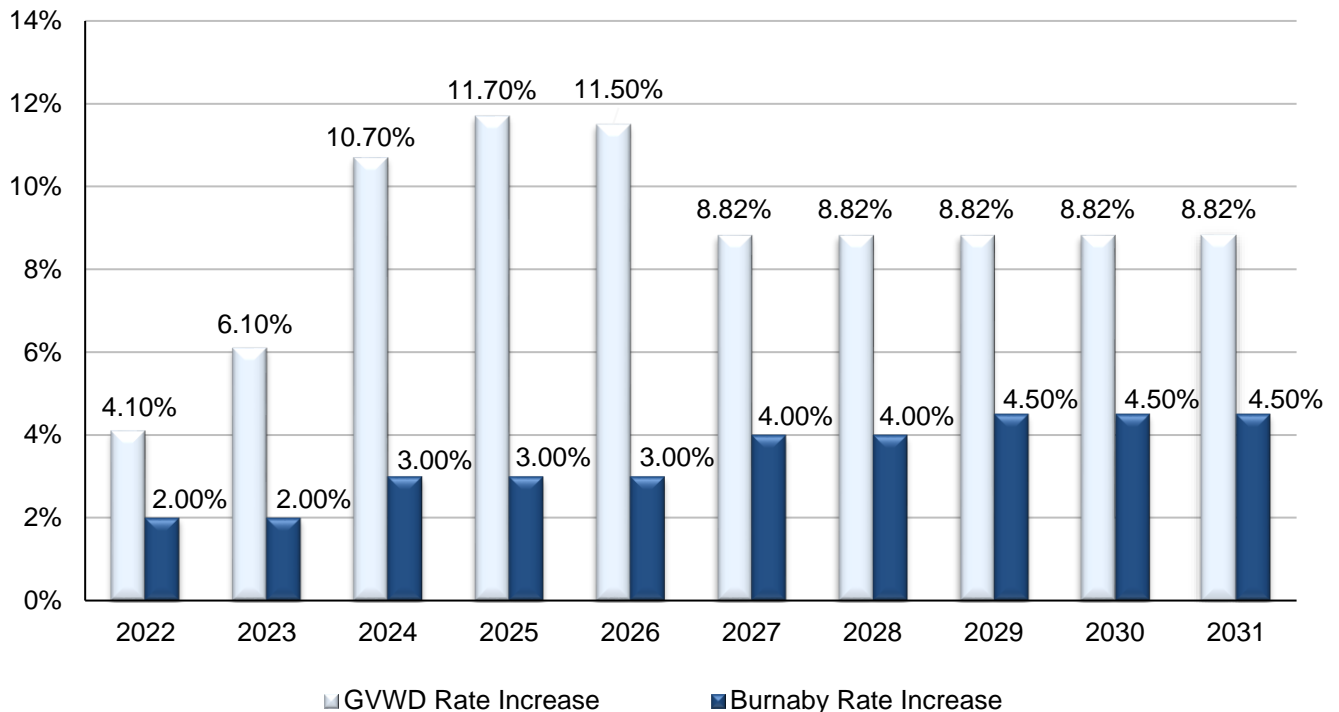
4.3 Contribution to Capital

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. Currently, the capital reserve has sufficient funding to meet the City's target level of five year capital expenditure requirements. Staff recommend a 2022 contribution to capital of \$9.4M, which is less than the proposed capital plan, at \$10.9M. This is intended to gradually reduce the balance of the reserve over time.

4.4 Transfer to Reserve for Future GVWD Increases

The provision of \$5.2M for future rate increases (up from \$2.2M in 2021) helps to mitigate fluctuations in GVWD 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 and Burnaby Rate Increases



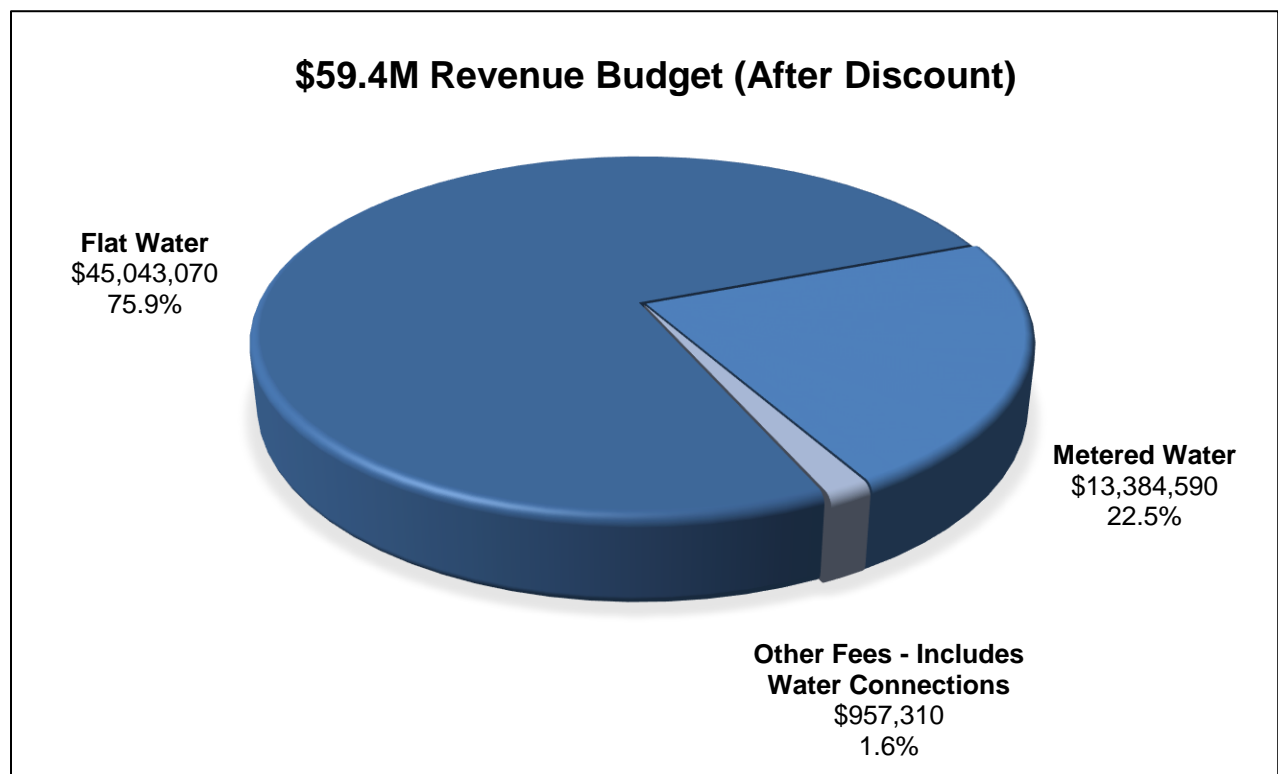
4.5 Contingency

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

Total annual revenue for the Waterworks Utility is estimated at \$59.4M, after applicable customer discounts which is 5.0% for on time payments. The primary revenue source for 2022 is Flat Water, at \$45.0M (2021 - \$42.8M), with Metered Water contributing over \$13.3M (2021 - \$12.6M). Chart 3 provides a breakdown of revenues net of discounts. There is an estimated additional \$3.3M in net revenues for 2022, reflecting continued growth in housing units and an expectation of metered water revenue recovering slightly in 2022.

Chart 3 – 2022 Waterworks Utility Operating Revenue Budget



5.1 Flat Water

The \$45M budget for Flat Water in 2022, which makes up approximately 75.9% of all revenues, is based on prior year actuals and a 1.0% growth factor. The City continues to see strong growth in new residential units, resulting in additional water utility charges.

In 2021, there was an additional 3,190 Strata Apartment/Townhouse and 379 Suite accounts being charged. It is expected that the City will continue to realize a similar growth in housing units in 2022.

5.2 Metered Water

The City has around 2,600 active water meters for commercial customers, which accounts for 22.5% of total revenues (net of discounts). Following a significant drop in revenue during 2020 as a result of the pandemic, 2021 revenues are starting to trend slightly up, but are expected to still fall short of pre pandemic levels. Metered water revenues for 2022 are therefore based on 2019 and 2020 average actuals, at a modest \$13.4M, which is still around \$2.0M lower than pre pandemic levels.

5.3 Other Fees

Other Fee revenues in 2022 include construction water charges, water permits, water turn-On and turn-off requests and water connection revenue. Water connection revenue is the biggest revenue driver of these fees, which, prior to 2020 was reported outside of the Utility. Water connection services are performed by City crews and invoiced directly to customers.

6.0 BYLAW AMENDMENTS

6.1 Water Permit

Staff have identified a duplication of the Watering Permit Fee within the Burnaby Waterworks Regulation Bylaw 1953. The rate for a Watering Permit is listed in Schedule A of the bylaw, which conflicts with the rate set out in section 3.1 of Schedule B. In order to remove the duplication and conflict, it is proposed that section 3.1 of Schedule B be amended to reference the fee in Schedule A and the latter part of section 3.1 be amended to read as follows:

upon application by the person, operator or owner and, except for a person referred to in section 3.1(b), payment of the fee set out in Schedule "A".

The above amendment will allow the fee to be adjusted, as necessary, during the annual review of fees under the bylaw.

6.2 Water Meter Box Fee

Currently collected under the "Water Connection" fee, this defined fee is being added to Schedule A of the bylaw to provide transparency, and assist in the avoidance of fee confusion. This proposed fee is being set at \$1,500. Currently, staff are collecting \$850, and an increase is required to ensure that a greater portion of costs related to this service are properly recovered.

It is proposed that Schedule A is updated to incorporate the revised fee.

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From: Deputy Chief Administrative Officer & Chief Financial Officer
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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 Waterworks Regulation Bylaw 1953, to reflect the 2022 rates in Schedule C of this report, effective 2022 January 01.



Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER

NK:RR/md

Attachments: Schedule A – 2022 Waterworks Utility - 5 Year Operating Budget
Schedule B – Cost of Water Supplied to Burnaby by the Greater Vancouver Water District
Schedule C – 2022 Waterworks Utility Rates

Copied to: Chief Administrative Officer
Director Corporate Services
Director Engineering
City Solicitor
City Clerk

2022 Waterworks Utility - 5 Year Operating Budget

Schedule A

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Annual	2022 Budget	2023 Projected	2024 Projected	2025 Projected	2026 Projected
	\$	\$	\$		\$	\$	\$	\$	\$	\$
EXPENDITURE										
GVWD - Cost of Water	26,983,020	27,842,870	28,680,347	29,940,937	31,605,014	32,500,000	34,510,000	38,754,270	43,295,780	48,398,880
Waterworks Utility Operations	6,822,740	6,933,230	8,469,790	8,505,601	10,715,510	11,717,810	12,069,340	12,431,420	12,804,360	13,188,490
Contribution to Capital	21,131,130	18,809,700	9,190,812	4,135,402	11,000,000	9,400,000	9,000,000	8,000,000	6,000,000	6,000,000
Transfer to Reserve for Future GVWD Increases	-	-	3,415,800	7,727,930	2,232,750	5,217,160	6,945,390	5,740,680	5,287,090	2,354,820
Special Project - One Time Request	-	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	550,000	550,000	550,000	550,000	550,000	550,000
Surplus	-	1,834,040	7,202,700	6,824,190	-	-	-	-	-	-
TOTAL	54,936,890	55,419,840	56,959,449	57,134,060	56,103,270	59,384,970	63,074,730	65,476,370	67,937,230	70,492,190
GROSS REVENUES/TRANSFERS										
Flat rates (Net of Discounts)	39,153,707	39,729,876	40,586,050	42,578,447	42,822,980	45,043,070	46,399,940	48,266,330	50,207,830	52,227,470
Metered Rates (Net of Discounts)	15,552,029	15,257,777	15,488,440	13,290,680	12,664,080	13,384,590	15,690,940	16,161,670	16,646,520	17,145,910
Construction - Metered Charges	3,412	-	55,949	82,711	64,820	80,000	81,600	84,050	86,570	89,170
Construction - Flat Rate Charges	32,800	109,300	33,252	27,506	26,390	100,000	102,000	105,060	108,210	111,460
Permits and Fees	22,714	22,140	33,737	34,017	35,000	31,690	32,320	33,290	34,290	35,320
Other / Recovery General	22,732	300,748	55,796	4,338	-	5,620	5,730	5,900	6,080	6,260
Water Connections (new 2020)	-	-	706,227	1,116,364	490,000	740,000	762,200	785,070	808,620	832,880
Previous Year's Surplus Brought Forward	-	-	-	-	-	-	-	35,000	39,110	43,720
TOTAL	54,936,890	55,419,840	56,959,450	57,134,060	56,103,270	59,384,970	63,074,730	65,476,370	67,937,230	70,492,190
Rate Increase	1.00%	1.00%	2.00%	1.00%	0.00%	2.00%	2.00%	3.00%	3.00%	3.00%

Cost of Water Supplied to Burnaby by the Greater Vancouver Water District

Schedule B

	Cost/m ³		Increase Over Prior Year				Volumes m ³			Change in Volume	Annual Cost to Burnaby Including Adjustments	Increase in Total Cost of Water to Burnaby	
	Off-Peak	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak	Peak	Total m ³	%	000 \$	000 \$	%
			\$	\$	%	%							
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	5.4%
2018 Actual	0.6350	0.7938	0.0237	0.0297	3.88	3.89	23,528	16,330	39,858	-0.28	27,843	860	3.2%
2019 Actual	0.6719	0.8399	0.0369	0.0461	5.81	5.81	23,380	15,433	38,814	-2.62	28,680	837	3.0%
2020 Actual	0.7119	0.8899	0.0400	0.0500	5.95	5.95	23,186	16,207	39,393	1.49	29,941	1,261	4.4%
2021 Budget	0.7119	0.9546	0.0000	0.0647	0.00	7.27	23,677	15,451	39,128	-0.67	31,605	1,664	5.6%
2022 Budget	0.7119	1.0371	0.0000	0.0825	0.00	8.64	23,736	15,046	38,782	-0.88	32,500	895	2.8%
2023 Estimate	0.7553	1.1004	0.0434	0.0633	6.10	6.10	22,830	15,693	38,523	-0.67	34,510	2,010	6.2%
2024 Estimate	0.8361	1.2181	0.0808	0.1177	10.70	10.70	23,158	15,919	39,077	1.44	38,754	4,244	12.3%
2025 Estimate	0.9340	1.3606	0.0978	0.1425	11.70	11.70	23,162	15,922	39,083	0.02	43,296	4,542	11.7%
2026 Estimate	1.0414	1.5171	0.1074	0.1565	11.50	11.50	23,221	15,962	39,184	0.26	48,399	5,103	11.8%
Increase 2017 - 2021			0.1193	0.2139	16.46	24.93						6,019	17.13
Projected Increase 2022 - 2026			0.3295	0.5625	46.28	46.28						16,794	48.92

Notes:

2017-2020 volumes are based on actuals up to December 31 2020.

2021 volumes and costs are as per the budget for 2021.

2022 volumes are based on the City of Burnaby average volume for the prior two years, using current year actual consumption to date. Rates are as per GVWD.

2023 - 2026 rates are based on GVWD projected rate increases, and volumes are based on GVWD projected increases.

2022 Waterworks Utility Rates
Schedule C

	Effective Jan 1 2021 Paid by Mar. 15	Effective Jan 1 2021 Paid after Mar. 15	Effective Jan 1 2022 Paid by Mar. 15	Effective Jan 1 2022 Paid after Mar. 15
FLAT RATES	\$	\$	\$	\$
Detached Single Family Dwelling	595.65	627.00	607.56	639.54
Twin Family Dwelling (non stratified - entire property)	893.48	940.50	911.34	959.31
Two Family Dwelling, including strata, forming part of a duplex Per Unit	446.69	470.20	455.62	479.60
Multiple Family Dwelling, including strata, not part of a duplex Per Unit: (includes Tri-Plex and Four-Plex)	342.00	360.00	348.84	367.20
Rented Suite in a Single Family Dwelling - Supplementary Utility Fee	297.83	313.50	303.78	319.77
Rented Suite in a Two Family Dwelling - Supplementary Utility Fee	223.35	235.10	227.81	239.80
Commercial - not more than 3 stores / offices:				
Commercial and living quarters, 1 family	1191.30	1,254.00	1215.13	1,279.08
Commercial and no living quarters	595.65	627.00	607.56	639.54
Miscellaneous Structure - Rate per unit	59.38	62.50	60.56	63.75
City Facility – Unit Charge	59.38	62.50	60.56	63.75
Cross Connection Controls				
Per Device	53.58	56.40	54.65	57.53
Minimum Per Unit	6.75	7.10	6.88	7.24
METERED RATES	Paid within 30 days of billing date	Paid 31 or more days after billing date	Paid within 30 days of billing date	Paid 31 or more days after billing date
Monthly				
Per cubic metres	1.587	1.670	1.618	1.703
Minimum monthly	49.647	52.260	50.640	53.305
Quarterly				
Per cubic metres	1.587	1.670	1.618	1.703
Minimum quarterly	148.913	156.750	151.891	159.885
Water Connection	As per agreed cost of connection		As per agreed cost of connection	
Water Tie In	As per agreed cost of connection		As per agreed cost of connection	
Water Transfers	As per agreed cost of connection		As per agreed cost of connection	
Meter Purchase and Installation				
Water Meter 5/8" to 10"	Actual cost		Actual cost	
Water Meter 5/8" installation	No discount	353.50	No discount	360.60
Water Meter 3/4" installation	No discount	454.50	No discount	463.60
Water Meter 1" installation	No discount	656.50	No discount	669.60
Water Meter 1.5" installation	No discount	1,111.00	No discount	1,133.20
Water Meter 2" installation	No discount	1,262.50	No discount	1,287.80
Water Meter 3" installation	No discount	2,121.00	No discount	2,163.40
Water Meter 4" installation	No discount	2,626.00	No discount	2,678.50
Water Meter 6" installation	No discount	5,050.00	No discount	5,151.00
Water Meter 8" installation	No discount	6,565.00	No discount	6,696.30
Water Meter 10" installation	No discount	7,575.00	No discount	7,726.50

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

Water Meter Box Fee

CONSTRUCTION FLAT WATER ANNUAL CHARGE

19 mm Connection

25 mm Connection

50 mm Connection

CONSTRUCTION OTHER

Construction Meter Deposit 2019 (Previously connection charge)

Construction meter Usage Charge

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

II. Fire Hydrant

Permit (Inspection fee)

Water use per day

Damage deposit (refundable)

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

IV. Service Disconnection

At Property Line

At Main

V. Special Meter Reading**VI. Watering Permit *****General Rate Increase****Note:**

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

	Effective Jan 1 2021 Paid by Mar. 15	Effective Jan 1 2021 Paid after Mar. 15	Effective Jan 1 2022 Paid by Mar. 15	Effective Jan 1 2022 Paid after Mar. 15
	\$	\$	\$	\$
No discount		180.00	No discount	183.60
	Actual cost		Actual cost	
No discount		5,050.00	No discount	5,151.00
No discount		6,570.00	No discount	6,701.40
No discount		7,580.00	No discount	7,731.60
New 2022		New 2022	No discount	1,500.00
No discount		1,440.00	No discount	1,468.80
No discount		3,710.00	No discount	3,784.20
No discount		11,230.00	No discount	11,454.60
No discount		5,150.00	No discount	5,253.00
	As per Metered rates		As per Metered rates	
No discount		60.00	No discount	61.20
No discount		160.00	No discount	163.20
No discount		160.00	No discount	163.20
No discount		30.00	No discount	30.60
No discount		550.00	No discount	561.00
No discount		130.00	No discount	132.60
No discount		250.00	No discount	255.00
No discount		365.00	No discount	372.30
No discount		3,610.00	No discount	3,682.20
No discount		90.00	No discount	91.80
No discount		60.00	No discount	61.20
	0.00%	0.00%	2.00%	2.00%