

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE **DATE:** 2021 November 10

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER **FILE:** 36000-07
Reference: Sewer Rates

SUBJECT: 2022 SANITARY SEWER RATES

PURPOSE: To request Council approval for the 2022 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 2022 rates in Schedule C of this report, effective 2022 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 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 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 5 year period. As per prior years, the single biggest driver for budget and rate increases are the costs imposed on the City by the Metro Vancouver Regional District (MVRD) 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 anticipated annual capital spend and annual operating requirements.

All rates within the three bylaws are updated annually by the same percentage amount, barring specific rate adjustments or new rates. 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 2022. The proposed rate change for 2022 is 2.0%.

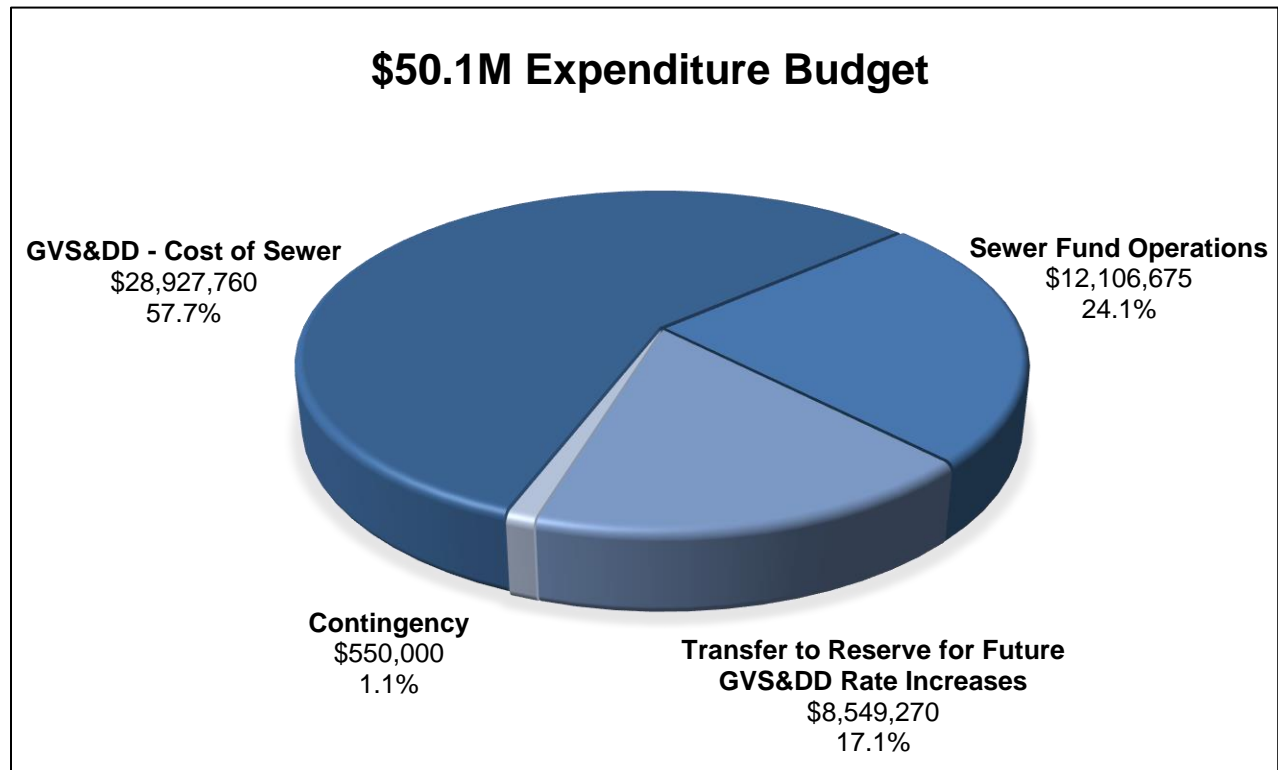
Table 1 – City of Burnaby Sanitary Sewer Rate Changes

2017	2018	2019	2020	2021	Proposed 2022
1.5%	0.0%	2.0%	2.0%	0.0%	2.0%

4.0 SANITARY SEWER FUND EXPENDITURES

Sanitary Sewer Fund expenditures for 2022 are projected at \$50.1M, an overall change of \$2.8M over 2021. As per the previous year, this expenditure increase is primarily due to increases in GVS&DD costs, partially offset by a slight reduction in the amount transferred to reserve for future GVS&DD rate increases. Schedule A outlines the City's Sanitary Sewer Fund 5 Year Operating Plan. Chart 1 summarises the 2022 Sanitary Sewer Fund operating expenditure budget:

Chart 1 – 2022 Sanitary Sewer Fund Operating Expenditure Budget



4.1 Metro Vancouver Regional District - Greater Vancouver Sewerage and Drainage District Costs

The GVS&DD levy remains the largest single item of expenditure, at 57.7% of total costs, (58.4% in 2021). Based on the finalised GVS&DD net levy increase of 4.1%, the 2022 GVS&DD levy is estimated at just under \$28.9M. It is noted that in recent years, MVRD rates are subject to large fluctuations from year to year.

Burnaby rates do not need to match those of MVRD each year, given the City's ability to draw down from reserves. However, in the long term, Burnaby rates will have to increase to double digits if the reported GVS&DD rate increases are realised, and continue each year.

Table 2 provides a comparison of previously reported annual rate increases, to those reported in the most recent MVRD 2022-26 plan document. Significant rate increases are being projected, which for 2023 and 2024 are partially the result of a lower than previously reported increases for 2022.

Table 2 – MVRD Rate Projections

Projections	2022	2023	2024	2025	2026
2021 – 2025 Plan <i>Prior Year</i>	9.4%	12.8%	12.3%	18.5%	11.5%*
2022 – 2026 Plan <i>Current Year</i>	4.1%	19.3%	17.6%	18.4%	30.1%

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

Schedule B summarizes the projected 2022 – 2026 GVS&DD increases for liquid waste services provided to Burnaby, with historical data going back to 2017. Data for 2022-2025 is based on MVRD rate predictions, with 2026 costs based on average proposed rate increases. The City's budget includes projected rate increases for liquid waste services through to 2031.

GVS&DD 2022 Major Capital Projects:

The MVRD Capital program for 2022 - 2026 is driven by a need to expand the system and address challenges posed by the growing population. This is coupled with efforts to improve wastewater discharge quality and maintenance of the aging infrastructure. The largest of the projects as set out in their five year plan are:

- North Shore Waste Water Treatment Plant Advanced Treatment Upgrade
- Northwest Langley Waste Water Treatment Plant Expansion
- Iona Island Waste Water Treatment Plant Advanced Treatment Upgrade
- Annacis Island Waste Water Treatment Plant Stage 5 Expansion and Outfall System (transitioning to Project Delivery in 2022)

4.2 Sanitary Sewer Fund Operations

The 2022 Sewer Maintenance and Operations Expenditure budget is set at \$12.1M, an increase around \$611,000 or 5.3% over 2021. The main drivers for the change include collective agreement increases, internal re-allocation of staff between business units, two additional labourer 2 positions, expenditure to fund Engineering studies and external modeling, and finally, an increase in allocation overhead.

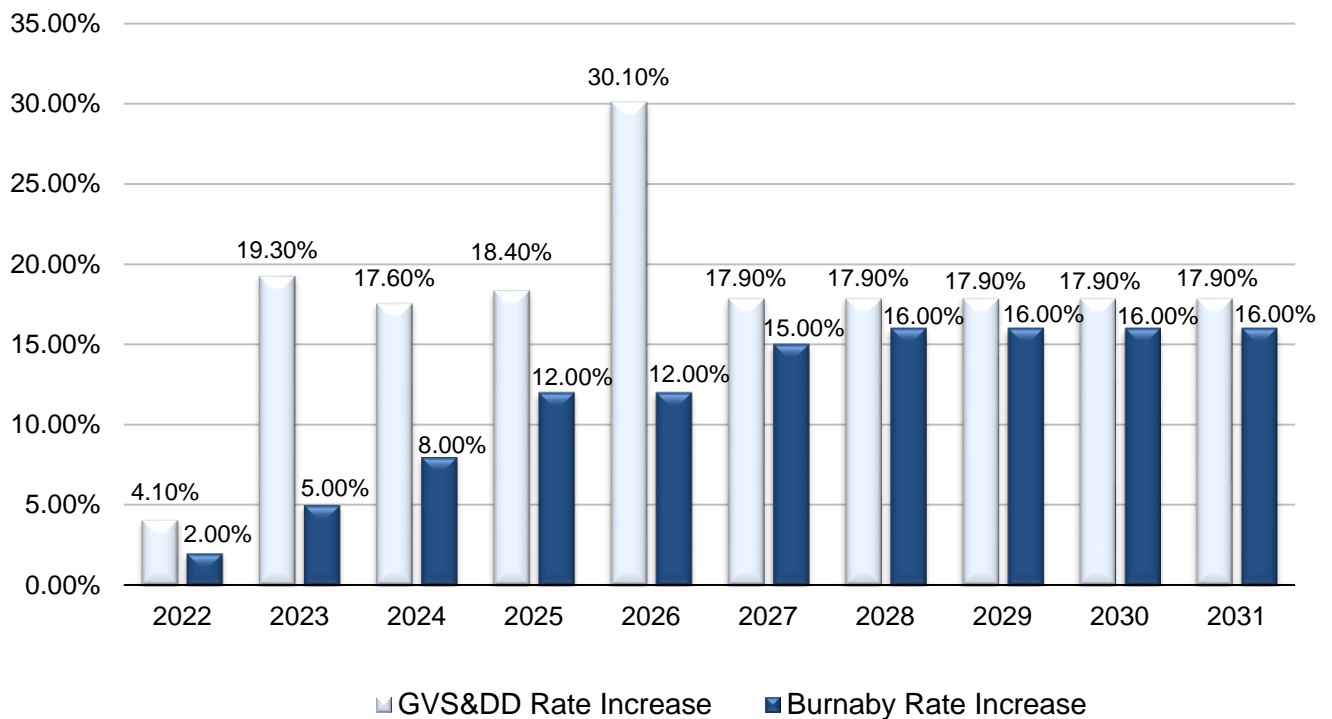
4.3 Contribution to Capital

Capital funding is reviewed annually to align reserve balances with planned expenditure over a 5 to 10 year period. As was the case for the 2021 budget cycle, the Sanitary Sewer Capital Reserve has sufficient funding, exceeding the City's target level of five years capital works funding. Based on planned annual spend and the current balance of the reserve, no transfer to capital has been allocated in 2022.

4.4 Transfer to Reserve for Future MVRD GVS&DD Increases

As per the previous budget, in order to mitigate against potential fluctuations in GVS&DD rates, a provision is set aside for future rate fluctuations as part of the 2022 budget. As noted above, GVS&DD rates are increasing significantly in double digits from 2023. Fluctuations in annual GVS&DD increases by MVRD are demonstrated in Chart 2. The chart demonstrates how, by putting funds aside now, the City is able to smooth out its rate increases, which can be seen to lag below those set by the MVRD. By tapering the rate increases, the City is limiting the immediate impact of GVS&DD rate increases. The provision for 2022 is \$8.5M.

Chart 2 – Planned MVRD GVS&DD and Burnaby Rate Increases



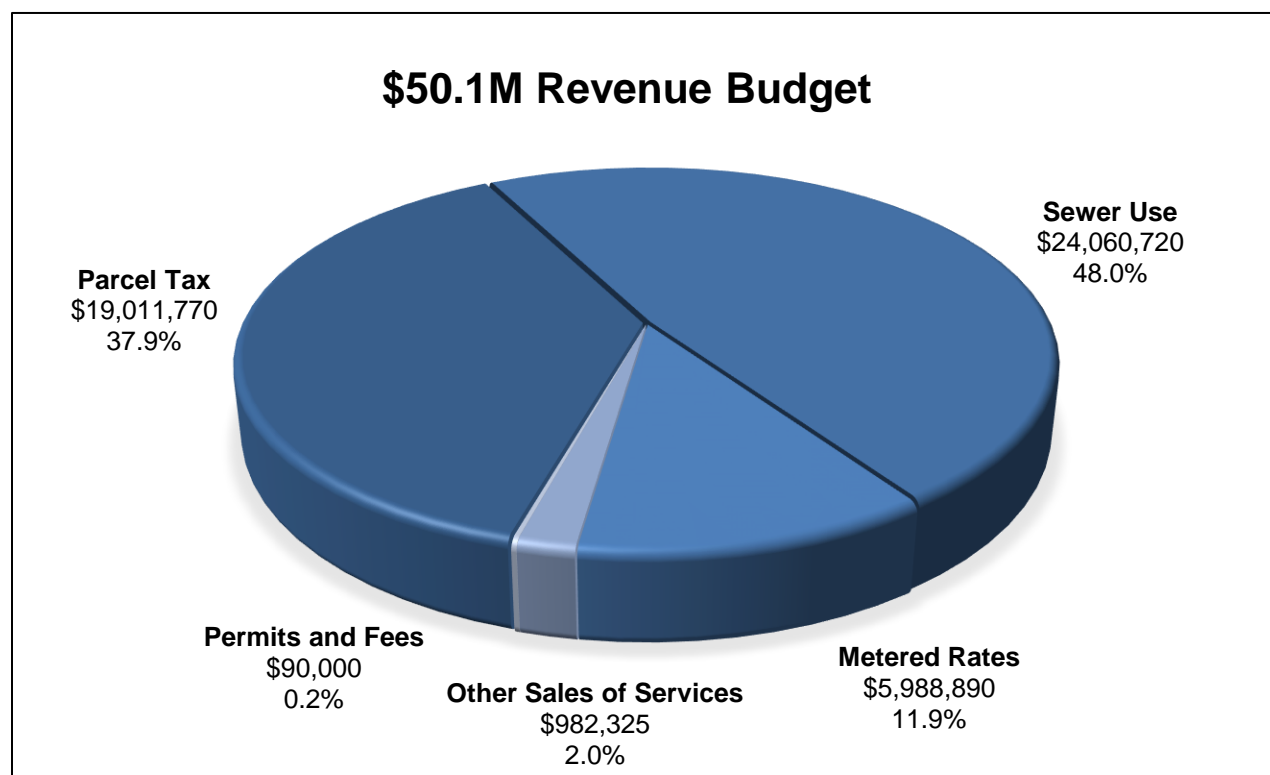
4.5 Contingency

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 SANITARY SEWER FUND REVENUES

The primary sources of revenues for 2022 are Sewer Parcel Tax, Sewer Use, and Metered Sewer revenue. A smaller percentage of revenue comes from permits and fees, private works and inspection activities. Chart 3 provides a breakdown of revenues net of discounts. There is a \$2.8M overall increase in funds being raised. The primary source being Sewer Use, which reflects continued annual growth in residential units. There is also a slight increase in 2022 over 2021 budget figures for Metered Sewer, which takes into account year to date figures, suggesting a slight recovery in consumption.

Chart 3 – 2021 Sanitary Sewer Fund Operating Revenue Budget



5.1 Sewer Parcel Tax

Owners of every parcel of land with the ability to connect to the City's sewer network are charged an annual flat Sewer Parcel Tax, which is billed with property taxes. Two or more units on a parcel (such as a Two Family Dwelling) share the Sewer Parcel Tax and also pay a Sewer Use Fee. Sewer Parcel Tax revenue is based on prior-year actuals multiplied by the recommended rate increase for 2022. As Sewer Parcel revenue is fairly stable, a percentage increase for growth is not included. Budgeted Sewer Parcel Tax revenue for 2022 stands at \$19.0M.

5.2 Sewer Use

Sewer Use revenue continues to grow each year as new properties come online. For 2022 a two percent growth factor has been incorporated into budget projections. Net revenue for 2022 is set at just over \$24.1M, which is an increase of 6.8% over 2021. 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. Following a sharp decline in metered consumption during 2020, latest 2021 figures suggest that revenues are recovering slightly. As such, Metered Sewer revenue is set at \$6.0M after discount, a 14.4% increase over 2021. This is still below pre-pandemic revenue, which on average is around \$6.5M for the years 2017-2019.

5.4 Other Sales of Services, Permits, and Fees

Around 2.0% of net revenues is comprised of other fees and permits. There is a very small increase in revenue for 2022, for a total of \$982,325. Permit fee revenue comprises a further \$90,000.

6.0 BYLAW AMENDMENT – STORM SERVICE CONNECTION FEES

Storm Service Connection Fees are contained within the Sewer Connection Bylaw 1961 Schedule A. The amount levied for Sewer Service Connection to Single and Two Family dwellings is a flat fee amount and is updated annually in line with the general increase in fees. Currently, Schedule A does not separately identify the fee for multi family, institutional, commercial and industrial properties, which are charged based on the actual cost of connection. It is proposed that these fees be separately identified in section 1 of Schedule A of the Sewer Connection Bylaw. This change is incorporated in the fees outlined in Schedule C, attached to this report.

To: Financial Management Committee
From: Deputy Chief Administrative Officer & Chief Financial Officer
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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 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 Sanitary Sewer - 5 Year Operating Budget
Schedule B – Sanitary Sewer Rates Charged by Metro Vancouver
Schedule C – 2022 Sanitary Sewer Rates*

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

2022 Sanitary Sewer - 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										
GVS&DD Cost of Sewer	21,245,845	22,476,527	23,814,530	26,629,571	27,789,080	28,927,760	34,510,820	40,584,720	48,052,310	62,516,060
Sewer Fund Operations	6,642,219	7,215,520	8,510,180	9,846,585	11,494,850	12,106,675	12,469,880	12,843,980	13,229,300	13,626,180
Infrastructure Investment	13,898,105	11,895,810	2,950,730	240,638	-	-	-	-	2,000,000	2,000,000
Transfer to Reserve for Future GVS&DD Rate Increases	-	-	8,475,530	8,305,416	7,548,205	8,549,270	5,322,632	3,351,366	648,897	-
Contingency	-	-	-	-	550,000	550,000	550,000	550,000	550,000	550,000
Surplus	1,791,334	2,827,933	1,244,390	2,551,090	-	-	-	-	-	-
TOTAL	43,577,500	44,415,790	44,995,360	47,573,300	47,382,140	50,133,705	52,853,330	57,330,070	64,480,510	78,692,240
REVENUES/TRANSFERS										
Parcel Tax	18,644,486	18,689,728	18,964,375	18,628,137	18,628,137	19,011,770	19,962,360	21,559,350	24,146,470	27,044,050
Sewer Use	18,673,081	19,155,487	19,575,451	22,402,700	22,535,160	24,060,720	25,476,690	27,763,290	31,365,720	35,435,640
Metered Rates	6,140,269	6,438,868	6,362,771	5,395,631	5,236,508	5,988,890	6,288,332	6,791,396	7,606,367	8,519,128
Other Sales of Services	5,201	13,717	18,363	1,062,956	882,330	982,325	1,031,440	1,113,960	1,247,640	1,397,350
Permits and Fees	114,466	117,986	74,396	83,875	100,000	90,000	94,500	102,060	114,300	128,020
Previous Year's Surplus Brought Forward / Transfer From Reserve	-	-	-	-	-	-	10	10	10	6,168,052
TOTAL	43,577,500	44,415,790	44,995,360	47,573,300	47,382,140	50,133,705	52,853,330	57,330,070	64,480,510	78,692,240
Rate Increase	1.50%	0.00%	2.00%	2.00%	0.00%	2.00%	5.00%	8.00%	12.00%	12.00%

Sanitary Sewer Rates Charged by Metro Vancouver

Schedule B

Year	GVS&DD Sewerage Levy	Increase From Previous Year	
		\$	%
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	28,927,761	1,138,680	4.10%
2023	34,510,819	5,583,058	19.30%
2024	40,584,723	6,073,904	17.60%
2025	48,052,312	7,467,589	18.40%
2026	62,516,058	14,463,746	30.10%
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2017 - 2022 Change	7,681,916	36.16%	
2023 - 2026 Change	28,005,239	81.15%	

Notes:

2022-2025 charges are based on Metro Vancouver estimates.

2026 changes are based on prior year actual Metro Vancouver increases.

2022 Sanitary Sewer Rates

Schedule C

	Effective January 1 2021		Effective January 1 2022	
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	Payable by Property Tax Due Date		Payable by Property Tax Due Date	
- Municipal installed	563.29		574.56	
- Subdivider installed (for installations prior to January 1 2016)	281.65		287.28	
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)	Paid by Mar. 15	Paid after Mar. 15	Paid by Mar. 15	Paid after Mar. 15
a) Strata lot (not part of a duplex)	305.11	321.17	311.21	327.59
b) Two Family dwelling unit including strata, forming part of a duplex, each unit.	140.83	148.24	143.64	151.20
c) Multiple family dwelling, including strata, (not part of a duplex) each unit. (includes tri-plex and four-plex).	305.11	321.17	311.21	327.59
d) Rental Suite in a Single Family Dwelling - Supplementary Utility Fee.	281.65	296.47	287.28	302.40
e) Rental Suite in a Two Family Dwelling - Supplementary Utility Fee.	210.71	221.80	214.93	226.24
f) Sewer Use - Exempt Properties (in lieu of Parcel Tax)	561.89	591.46	573.12	603.29
>SEWER USE, CONTAMINATED GROUNDWATER DISCHARGES (Rate applies to all consumption levels.)				
Vancouver Sewerage Area - per cubic metre	0.9231	N/A	0.9231	N/A
Fraser Sewerage Area - per cubic metre	0.9231	N/A	0.9231	N/A
>SEWER USE, METERED RATES - REGULAR CUSTOMERS	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
<u>Monthly:</u> Per Cubic Metre	0.9392	0.9886	0.9580	1.0084
<u>Quarterly:</u> Per Cubic Metre	0.9392	0.9886	0.9580	1.0084
>SEWER USE, METERED RATES - PERMITTED BOD/TSS CUSTOMERS	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
<u>Monthly:</u> Per Cubic Metre	0.4696	0.4943	0.4790	0.5042
<u>Quarterly:</u> Per Cubic Metre	0.4696	0.4943	0.4790	0.5042
>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. Fees

- a) Sewer Connection Adjustment Application
- b) Service Connection (Sanitary)
- c) Storm Service Connection - Single & Two Family
- d) Storm Service - Multi Family & ICI

2. Fees

- 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))
- e) Sanitary Inspection Chamber Box - purchase
- f) Storm Inspection Chamber Box - purchase
- g) Sewer Video Inspection - Sanitary
- h) Sewer Video Inspection - Storm

RATE INCREASE

Effective January 1 2021		Effective January 1 2022	
\$ Paid by Mar. 15	\$ Paid after Mar. 15	\$ Paid by Mar. 15	\$ Paid after Mar. 15
No discount	387.60	No discount	395.00
No discount	Actual cost	No discount	Actual cost
No discount	11,400.00	No discount	11,400.00
New 2022	New 2022	No discount	Actual cost
No discount	92.82	No discount	95.00
No discount	92.82	No discount	95.00
No discount	92.82	No discount	95.00
No discount	63.24	No discount	65.00
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	520.00	Plus GST
510.00	Plus GST	520.00	Plus GST
0.00%	0.00%	2.00%	2.00%