

TO: MAYOR & COUNCIL

FROM: DEPUTY CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER AND GENERAL MANAGER ENGINEERING

SUBJECT: **2024 SANITARY SEWER UTILITY RATES AND RELATED BYLAW AMENDMENTS**

PURPOSE: To seek Council approval for the proposed 2024 Sanitary Sewer Utility rates contained within the Consolidated Fees and Charges Bylaw

RECOMMENDATION

THAT the proposed Sanitary Sewer Utility Rates, as outlined in Attachment 3 of the report titled “2024 Sanitary Sewer Utility Rates and Related Bylaw Amendments” dated November 6, 2023, effective January 1, 2024, be approved; and,

THAT the City Solicitor be authorized to bring forward bylaw amendments, effective January 1, 2024, to:

- a) replace Schedule C7 (A) of the Burnaby Consolidated Fees and Charges Bylaw Amendment Bylaw No. 2; and
- b) replace Schedule C7 (B) of the Burnaby Consolidated Fees and Charges Bylaw Amendment Bylaw No. 2.

CHIEF ADMINISTRATIVE OFFICER’S COMMENTS

I concur with the recommendation of the Deputy Chief Administrative Officer and Chief Financial Officer and the General Manager Engineering

EXECUTIVE SUMMARY

The purpose of this report is to provide Council with an overview of the five-year operating budget for the Sanitary Sewer Utility. This report is also intended to highlight any key capital projects underway and to provide supporting justification for any required rate change. It is the intent that Council will use the information as outlined in this report in order to approve the recommended Sanitary Sewer Utility budget for 2024 and related bylaw changes that are effective for January 1, 2024.

1.0 POLICY SECTION

Application of Sanitary Sewer utility fees and Parcel Taxes are regulated under the Burnaby Sewer Charge Bylaw 1961 and Sewer Parcel Tax Bylaw 1994. The related fees and charges levied are contained within the Burnaby Consolidated Fees and Charges Bylaw. Fees and Charges are set pursuant to Part 7 of the Community Charter.

2.0 BACKGROUND

Sanitary Sewer Utility Rates are reviewed annually with consideration of planned operating and capital spend. Due to the timing of Metro Vancouver budgets, utility rate changes must wait until Metro Vancouver budgets are finalized in late October. Utility rates are set out in the Burnaby Consolidated Fees and Charges Bylaw. Notices for Annual Utility rates are issued in late January and are payable at a discount of 5% on or before March 15. Invoices for Metered customers are issued either monthly or quarterly depending on consumption and are payable within 30 days of the billing date. Sewer Parcel Tax charges are levied annually to all properties for which a municipal service is available and billed with property taxes in late May. A five percent penalty is applied to outstanding Sewer Parcel Taxes in July and a second penalty added in September.

3.0 GENERAL INFORMATION

3.1 RATE INCREASE

The annual Greater Vancouver Sewage and Drainage District (GVS&DD) Levy makes up over 71% of annual City of Burnaby Sanitary Sewer expenditure. City of Burnaby budgets and rates are significantly impacted by fluctuations in the levy imposed by the GVS/DD. Changes in utility rates are communicated to Burnaby customers through the annual Utility Brochure, while metered account holders receive information bulletins, which are sent out early in the new year. Table 1 provides rate change information over the past 5 years. The rate increase proposed for 2024 is 5.0%.

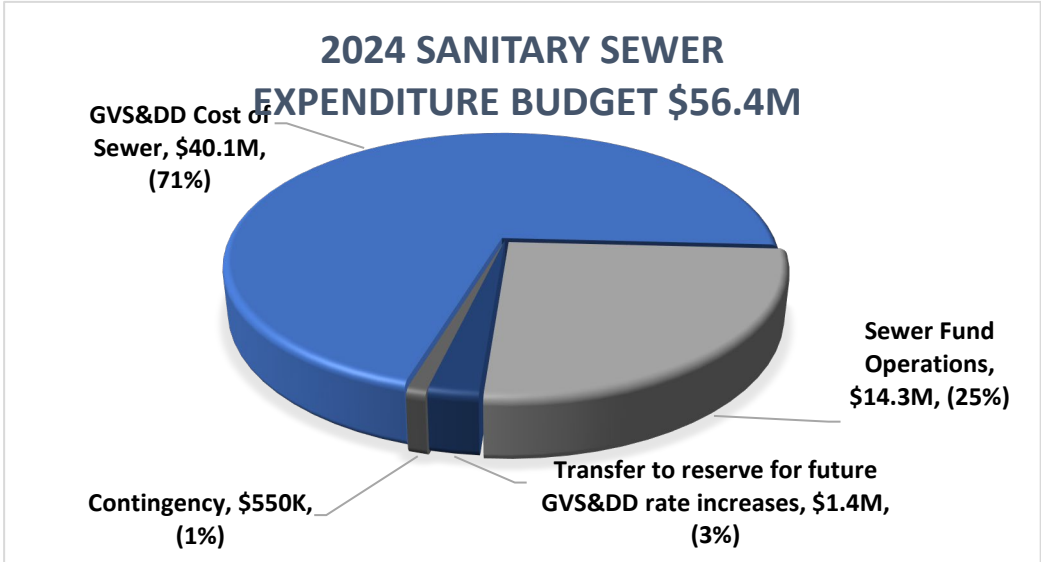
Table 1 – Burnaby Rate Increases

2019	2020	2021	2022	2023	Proposed 2024
2.0%	2.0%	0.0%	2.0%	2.0%	5.0%

3.2 SANITARY SEWER UTILITY EXPENDITURES

Sanitary Sewer Fund expenditures for 2024 are projected at \$56.4M, an overall change of approximately \$3.2M from 2023. Attachment 1 outlines the City’s Sanitary Sewer Fund – Five Year Operating Plan. See Chart 1 for further information.

Chart 1 – Sanitary Sewer Fund Operating Expenditure Budget



3.2.1 Metro Vancouver Regional District (MVRD) – Greater Vancouver Sewerage and Drainage District Costs

Attachment 2 summarizes the projected GVSDD Levy increases for the next five years. Given that the GVS/DD Levy makes up such a high proportion of the annual budget, (\$40.1M, or 71%), GVS/DD levy adjustments have a significant impact on municipal expenditure and rates. Table 2 shows the current five-year rates compared to those projected last year. A realignment of capital project work, coupled with additional funding through new and revised Development Cost Charges has allowed Metro Vancouver to lower future levy increases from 2025-2028. This in turn has allowed the City of Burnaby to set lower than expected current and future rate increase.

Table 2 – GVSDD Levy increase Projections

Projections	2024	2025	2026	2027	2028
2023 – 2027 Plan	28.20%	17.10%	19.20%	22.7%	N/A
2024 – 2028 Plan (Current Plan)	28.91%	13.10%	8.20%	6.50%	7.90%

3.2.3 GVS/DDD Major Sewer Capital Projects:

GVS/DD capital projects form a significant portion of annual expenditure, driving annual levy increases. Continued investment in infrastructure is required to ensure resources are aligned with regional growth estimates and to maintain aging infrastructure. The total Metro Vancouver capital plan for 2024 is around \$1.4 Billion, of which Sanitary Sewer spend is \$781M. The top five projects for Sanitary Sewer in 2024 are set out in table 3 below:

Table 3 – Top Five GVS/DD Capital Projects:

Sanitary Sewer (Top Five Projects)	Driver	2024	2025	2026	2027	2028
North Shore WWTP Secondary Upgrade, Conveyance and Decom	Upgrade	\$187.8M	\$63.9M	\$14.6M	\$6.6M	\$0.0M
Iona Island Wastewater Treatment Plant	Upgrade	\$109.2M	\$232.0M	\$218.3M	\$289.3M	\$723.8M
Northwest Langley Wastewater Treatment	Growth	\$78.8M	\$102.4M	\$228.3M	\$453.1M	\$587.8M
AIWWTP Stage 5 Expansion	Growth	\$62.8M	\$65.0M	\$80.0M	\$75.0M	\$91.0M
Gilbert/Brighthouse Trunk Pressure Sewer	Maintenance	\$38.1M	\$29.0M	\$9.6M	\$0.6M	\$2.4M

3.2.4 Sanitary Sewer Fund Operations

The city's Sewer Maintenance and Operations Expenditure budget is set at \$14.3M, an increase around \$1.5M or 11.65% over 2023. Key items include:

- Compensation increases of \$817K, due primarily due to salary adjustments and CUPE collective agreements.
- Increase in General Engineering salary allocations of approximately \$288K to support the operations of Sanitary Sewer. This includes salary allocations from management, infrastructure planning, GIS, security, dispatch, and shops.
- Increase in vehicle related expenditures of \$181K primarily due to inflationary increase to the cost of fuel, maintenance.
- Further expenditure items of around \$207K, including materials and supplies, office and computer expenses, and additional allocations, offset by small reductions in consulting and lower rental and lease expenses.

3.2.5 Contribution to Capital

As per the last two years, the Sanitary Sewer Capital Reserve Fund is in a strong position, with available funds exceeding the City's target (*reserve can fund five years average planned spend*). Based on proposed capital expenditure for 2024 of \$5.4M, and the current balance of the reserve, no transfer to capital has been allocated in 2024. Partial funding starts again in 2029, reflecting a significant increase in planned expenditure from 2026. Partial funding allows for a gradual balancing of the reserve in line with target levels by 2033.

3.2.6 Transfer to Reserve for Future MVRD GVS&DD Increases

In 2022 MVRD presented significant double digit GVS&DD rate increases for 2024 and beyond. The approved budget for 2024 aligns roughly with those prior estimates, while future year estimates have fallen slightly, but are still high. A small provision is put aside in 2024 of \$1.4M in order to stabilize rates and provide a cushioning for future GVS/DD increases on rate payers. No further provisions are set out from 2025 onwards as city operating reserves are drawn down annually to help offset what are now lower than previously expected GVS/DD increases.

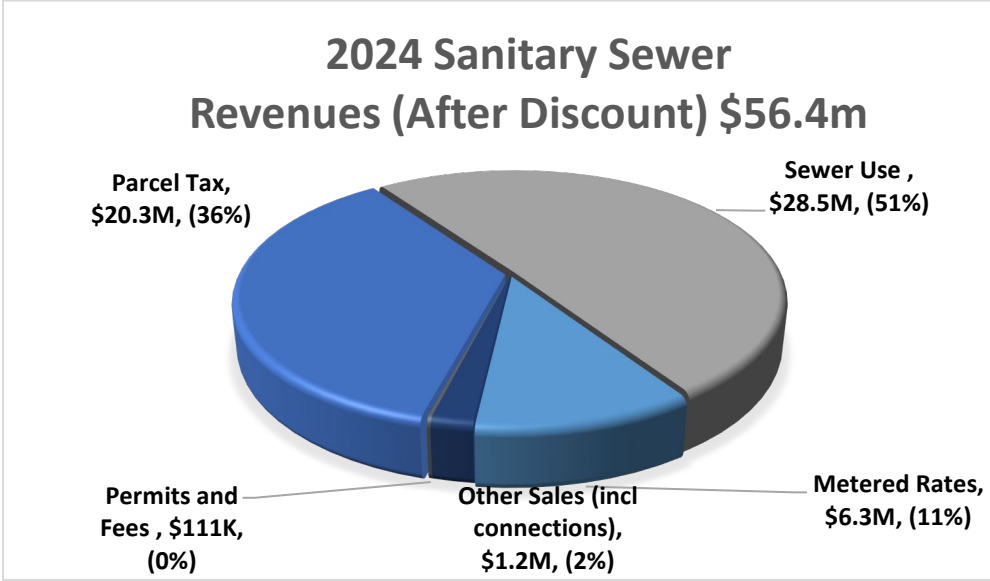
3.2.7 Contingency

A contingency amount, consistent with that of prior years of \$550K has been built into the budget to accommodate for any unforeseen costs that may arise during the year. To date the City of Burnaby has not needed to use this provision.

3.3 SANITARY SEWER FUND REVENUES

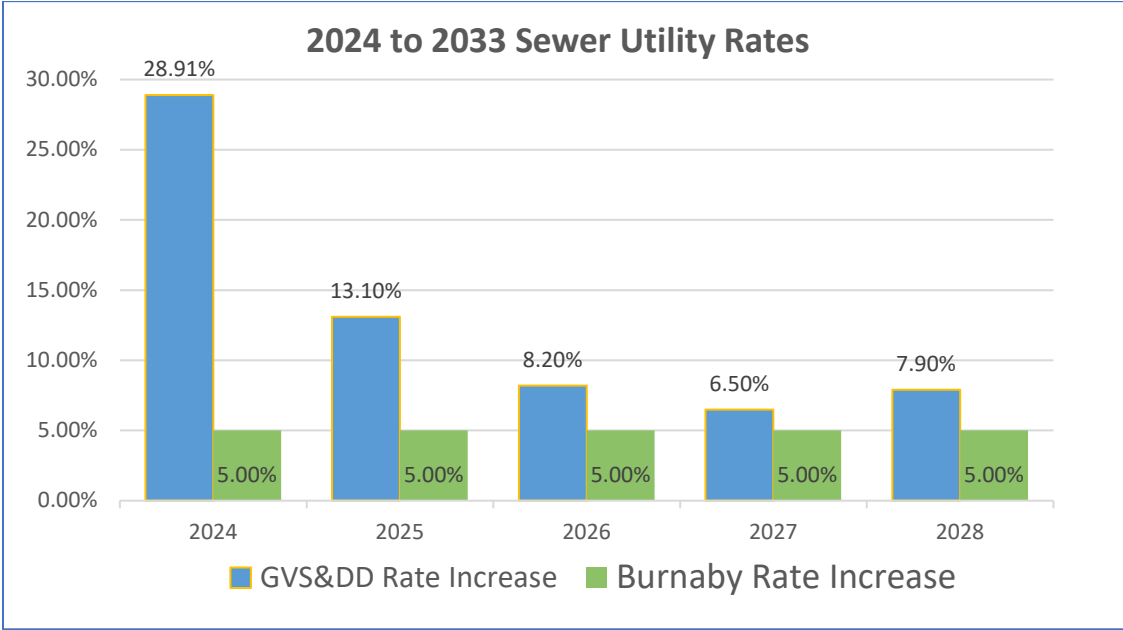
Total annual revenue for the Sewer Utility is estimated at \$56.4M, after applicable customer discounts. The three main sources of revenues are Sewer Use, Sewer Parcel Tax, and Metered Sewer revenue. Chart 2 provides a breakdown of revenues net of discounts. There is a \$3.2M or 6% overall increase in revenues being raised.

Chart 2 – Sanitary Sewer Fund Operating Revenue Budget



Continued growth in applied charges (over 4% growth experienced in 2023), together with healthy operating and capital reserve balances, allows the city to establish substantially lower rates than the GVS&DD for the years 2024– 2028. This is illustrated in chart 3.

Chart 3 – Planned Rate Increases



3.3.1 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 charge plus pay a Sewer Use Fee. Sewer Parcel Tax revenue for 2024 is estimated at \$20.3M. Note - there is no annual growth for this revenue stream as revenue tend to only fluctuate with rate changes.

3.3.2 Sewer Use

Sewer Use revenue continues to grow each year as new properties come online. Figures for 2024 reflect a 4.0% growth factor, representing ongoing activation of new billable units in 2023. Sewer Use now makes up the largest revenue stream, at \$28.5M or 51% (\$25.6M in 2023).

3.3.3 Metered Rates

Rates for Metered Sewer customers increase at the same percentage as annual flat charges. In line with metered water revenue, metered revenue is not showing signs of returning to pre 2020 levels. As such, we are estimating a slight revenue decline for 23024 and beyond. The budgeted revenue estimate for 2024 is \$6.3M or 11%. (\$6.6M in 2023).

3.3.4 Other Sales of Services, Permits, and Fees

Around 2.2% of annual revenues is comprised of other sales, permits and fees combined. The primary element in this category being revenue from sewer connections. Based on 2023 year-end forecast data, the overall budget for this category has been set at \$1.3M. (\$1.5M in 2023).

3.4 FEE REVISIONS

3.4.1 Laneway Homes

As of September 18, 2023, the city is accepting applications for laneway homes as part of Phase 1a of the Housing Choices Program. It is recommended that the annual utility charge for a Laneway Home is set at an amount equivalent to that of the Supplementary Utility Fee for a rented suite in a Single Family Dwelling. Unlike suites under the Supplementary Utility Fee program, the charge will apply to Laneway Homes whether the unit is rented or not. Schedule C7 (A) – Sewer Charge Bylaw of the Burnaby Consolidated Fees and Charges bylaw will be updated to reflect this charge. The proposed annual rate for 2024 is \$324.00 (or discounted to \$307.80 if paid by March 15, 2024).

3.4.2 Suites In Semi Detached Homes

For Semi Detached Homes (also referred to as Twin / Two Family Dwellings (TFD) or Duplexes), properties have been restricted to just one suite for the entire property. Under Phase 1a of the Housing Choices Program, eligible lots may have up to 4 units: two semi-detached units, each with one secondary suite per unit. The city currently applies annual charges based on one rented suite in a TFD, regardless of there being additional rented suites. This process will now change, effective January 1, 2024, such that annual Supplementary Utility Fee will be applied to each suite that is rented. The property owner will be required to submit a Supplementary Utility Fee Declaration indicating the status for each suite in the Two Family Dwelling.

3.4.3 Meters

For certain installations the city will supply and deliver meter boxes to a customer, who then installs the box themselves. The Consolidated Fees and Charges Bylaw does not currently reflect this provision. Section C7 (A) will be updated as follows:

- **Meter box and drop off** **\$550**

3.5 BYLAW AMENDMENTS

Schedule C7 (A) is to be updated for minor wording changes as pertaining to BOD/TSS Permitted Customer rates, and shall read as follows:

- **BOD/TSS Permitted Customer Monthly Rates**
 - Per cubic metre
- **BOD/TSS Permitted Customer Quarterly Rates**
 - Per cubic metre

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

Not applicable

5.0 FINANCIAL CONSIDERATIONS

The budget projection and rate changes as set out in this report have been incorporated into the 5-year operating plan for the Sanitary Sewer Utility.

Respectfully submitted,

Richard Rowley, Director Finance - Revenue Services
For

Noreen Kassam, Deputy Chief Administrative Officer and Chief Financial Officer and
Jozsef Dioszeghy, General Manager Engineering

ATTACHMENTS

- Attachment 1 – Sanitary Sewer - 5 Year Operating Budget
- Attachment 2 – Sanitary Sewer Annual Charges by MVRD
- Attachment 3 – Proposed Schedules C7 (A) and C7 (B) effective Jan. 1, 2024

REPORT CONTRIBUTORS

This report was prepared by: Richard Rowley, Director Finance - Revenue Services,
and reviewed by:

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