

TO: MAYOR & COUNCILLORS
FROM: DIRECTOR FINANCE - REVENUE SERVICES
SUBJECT: **2025 SANITARY SEWER UTILITY RATES AND RELATED BYLAW AMENDMENTS**

PURPOSE: To seek Council approval for the proposed 2025 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 “2025 Sanitary Sewer Utility Rates and Related Bylaw Amendments” dated November 4, 2024, effective January 1, 2025, be approved; and;

THAT the City Solicitor be authorized to bring forward bylaw amendments, effective January 1, 2025, to:

- a) replace Schedule C7 (A) of the Burnaby Consolidated Fees and Charges Bylaw Bylaw, and
- b) replace Schedule C7 (B) of the Burnaby Consolidated Fees and Charges Bylaw Bylaw.

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 (2025-2029). This report is also intended to highlight any key capital projects underway and to provide supporting justification for any required rate change. The rates proposed in this report would be effective January 1, 2025. Adoption of final GVS/DD Sewer rates was set for November 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 spending. Due to the timing of Metro Vancouver budgets, utility rate changes must wait until Metro Vancouver budgets are finalized usually late in October. For 2025 board budget approval has been slightly delayed, therefore at the time of printing this report, GVS/DD rate increases are not final and may be subject to change.

Utility rates are set out in the Burnaby Consolidated Fees and Charges Bylaw. Notices for Flat Annual Utility rates are issued in late January and are payable at a discount of 5% on or before March 15 (barring if said date falls on a weekend / holiday, at which point the due date will be the following Monday. For 2025, the due date will be Monday March 17, 2025.

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, with a second five percent penalty added in September.

3.0 GENERAL INFORMATION

3.1 RATE INCREASE

The annual Greater Vancouver Sewage and Drainage District (GVS&DD) Levy now makes up over 80% of the annual City of Burnaby Sanitary Sewer Budget. (71% in 2024). City of Burnaby budgets and rates are therefore significantly impacted by fluctuations in the levy imposed by the GVS/DD. Given the substantial and unprecedented increase in the GVS/DD levy for 2025 (**49.84%**), the City of Burnaby is required to set the City’s rate increase at **20.00%**. Future City of Burnaby rate changes follow the pattern of GVS/DD levy changes, but in all cases continue to be kept below GVS/DD rate increases.

Table 1 – Past Burnaby Rate Increases

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

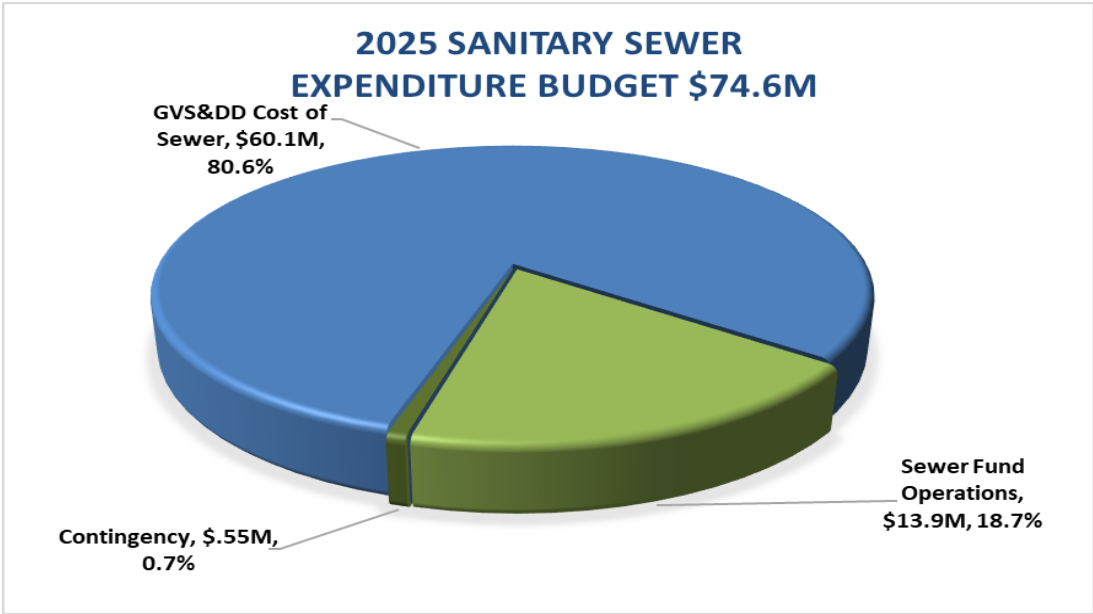
Table 2 – Proposed Burnaby Rate Increases

2025	2026	2027	2028	2029
20.0%	4.5%	6.5%	7.0%	7.0%

3.2 SANITARY SEWER UTILITY EXPENDITURES

Despite a planned 2025 reduction in City of Burnaby operational costs (-\$400k), Sanitary Sewer Fund expenditures for 2025 are projected at \$74.6M, a change of approximately \$18.2M from 2024 (32% increase). With zero additional funding to the capital reserve planned for 2025, 100% of the increase in the overall budget is tied to the GVS/DD levy. It is the case however that City of Burnaby reserves allow the City to cushion rate payers from the full extent of the increase being imposed on the City. Attachment 1 outlines the City’s Sanitary Sewer Fund – Five Year Operating Plan. A breakdown of 2025 expenditure is set out in Chart 1.

Chart 1 – Sanitary Sewer Utility Operating Expenditure Budget



3.2.1 Metro Vancouver Regional District (MVRD) – Greater Vancouver Sewerage and Drainage District (GVS/DD) Levy

The proposed GVS/DD levy for 2025 is set to increase from \$40.1M in 2024 to \$60.1M in 2025. An increase of 49.84%. Attachment 2 summarizes the projected GVS/DD Levy increases for the next five years. Table 3 shows the current five-year rates compared to those projected by the GVS/DD last year. The GVS/DD levy has increased by over 125% from 2020 to 2025.

Table 3 – GVSDD Levy increase Projections

Projections	2025	2026	2027	2028	2029
2024 – 2028 Plan	13.10%	8.20%	6.50%	7.90%	N/A
2025 – 2029 Plan (Current Plan)	49.84%	4.80%	6.70%	9.10%	7.90%

3.2.2 GVS/DD Major Sewer Capital Projects:

GVS/DD capital projects form a significant portion of annual expenditure and are the primary reason why GVS/DD rates have increased significantly for 2025. The new North Shore Wastewater Treatment Plant Program (NSWTPP) is the most significant of the capital works (\$3.86BN). The Metro Vancouver Board has approved a cost allocation and phasing framework for the recent \$2.8BN increase to the NSWTPP budget. The plan will result in 2025 household impacts of around \$582 for the Vancouver Sewerage Area, and \$391 for the Fraser Sewerage Area¹. Burnaby currently falls within these two areas and as such the GVS/DD levy is a blended charge.

As at the time of this report, City of Burnaby staff are working with Metro Vancouver to obtain further information pertaining to the percentage of the 2025 levy that is made up of costs pertaining to the NSWTPP, and how all costs are split between operating and capital.

Most significant GVS/DD Capital Projects:

- North Shore WWTP Secondary Upgrade - treatment plant construction
- Iona Island Wastewater Treatment Plant – design and construction
- Northwest Langley Wastewater Treatment - Expansion
- AIWWTP Stage 5 Expansion - Increasing the size of the plant and its ability to treat more wastewater

3.2.3 Sanitary Sewer Fund Operations

The City’s Sewer Maintenance and Operations Expenditure budget is set at \$13.9M, a reduction of around \$400K from 2024. Key items include:

Compensation: \$146K reduction in budget compared to 2024. This decrease is primarily the result of an internal staffing transfer, whereby an Engineering Information Clerk was transferred from Sanitary Sewer to Water, plus other compensation adjustments.

Contracting Services: \$470K reduction compared to 2024. This is based on a zero-based budget re-evaluation of the operations budget, in which there was a \$450K reduction in sanitary sewer mainline grouting, \$280K reduction in sanitary sewer services grouting, and \$50K savings in Liquid Waste Management Plan Initiatives. This was offset by \$310K primarily due to increases in:

- sewer manhole monitoring \$115K,
- CCTV inspections \$150K,
- AI Autocading \$60K

Allocation Overhead: \$90K increase compared to 2024. This relates to increases for updated vehicle & equipment allocation to Sanitary Sewer.

¹ Source - Metro Vancouver Regional District, Regional administrators advisory committee - 2025 – 2029 Financial Plan Overview

3.2.4 Contribution to Capital

For 2025, it is recommended that no funds need be contributed to the capital reserve from the Sanitary Sewer Operating reserve. Where possible, the intent is to retain sufficient capital funds to cover five years of the capital plan. Total capital spend for the next five years is set out below:

Table 4 – Five Year Capital Plan

Sewer	2025	2026	2027	2028	2029
Capital Reserve	\$6.3M	\$5.3M	\$6.6M	\$6.9M	\$0.8M
Sewer DCC Reserve Fund*			\$8.5M	\$8.9M	\$2.9M
Total	\$6.3M	\$5.3M	\$15.1M	\$15.8M	\$3.7M

**Developer and City funded*

The primary city Sanitary Sewer projects in 2025 are as follows:

- Inlet Pipe Replacement-Big Bend Pump Station – \$2.5M
- Metro Van Central Park Watermain Works – \$600K
- Metro Van Westridge Forcemain - \$600K
- Sanitary Pump Station Upgrades – \$375K
- Storm Network Expansion Program - Phase 2 - \$275K

3.2.5 Transfer to Reserve for Future MVRD GVS&DD Increases

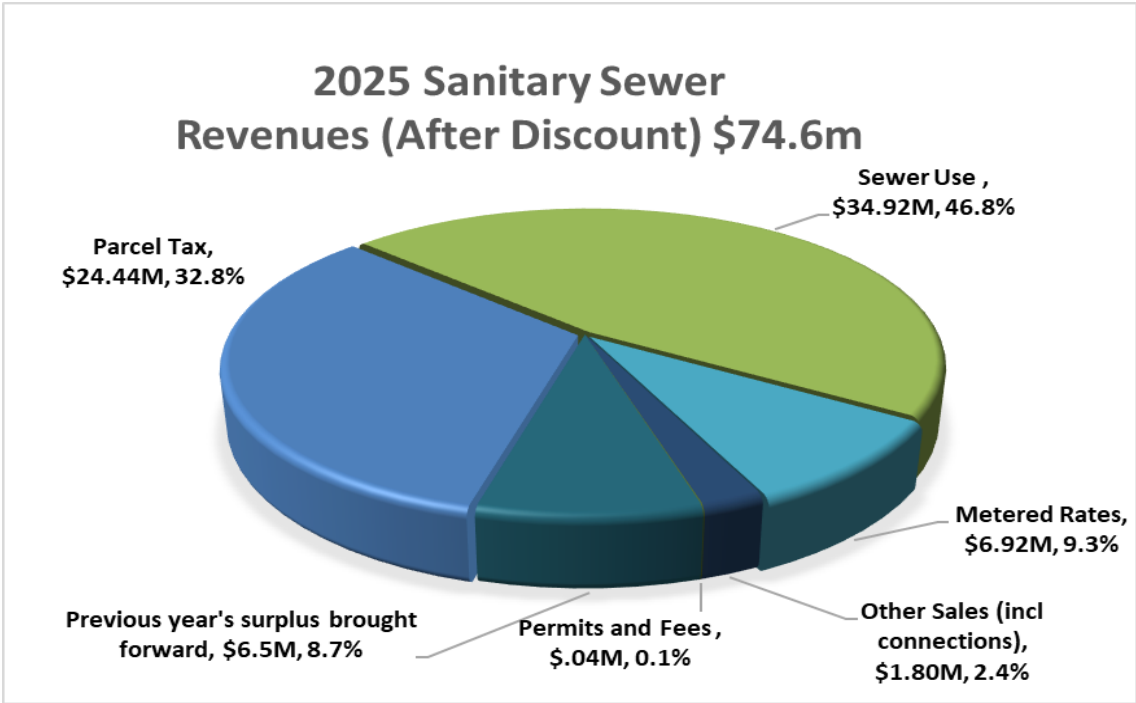
Given the significant increase in the Metro GVS/DD charge for 2025, no provision is being assigned for future rate increases. In order to mitigate upward pressure on rates, funds previously set aside through this provision are now being drawn upon in 2025. See 3.3.5 below.

3.2.6 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 \$74.6M, 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. The total increase in revenue for 2025, including the draw down of operating funds, is \$18.2M, or 32%.



3.3.1 Sewer Parcel Tax - Schedule C7 (B)

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. Revenue from Sewer Parcel Tax is static from year to year and is budgeted at \$24.4M for 2025 (\$20.3M 2024).

3.3.2 Sewer Use - Schedule C7 (A)

Sewer Use revenue continues to grow each year as new properties come online (around four percent growth in billable units in 2024). Estimates for 2025 reflect a prudent two percent growth factor in line with waterworks utility estimates. 2025 Sewer Use revenue after discounts is budgeted at \$34.9M (\$28.5M in 2024).

3.3.3 Metered Rates - Schedule C7 (A)

Rates for Metered Sewer customers increase at the same percentage as annual flat charges. Revenue is variable and for the most part is tied to water consumption. The budgeted revenue estimate for 2025 is \$6.9M, (\$6.3M in 2024). At this time, no provision is made for growth.

3.3.4 Other Sales of Services, Permits, and Fees

Around 2.5% 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 2024 year-end forecast data, the overall budget for this category has been set at \$1.8M. (\$1.3M in 2024).

3.3.5 Previous year's surplus brought forward

The operating reserve is now being drawn down over the next five years to offset the bulk of levy increases from the GVS/DD. This means that for 2025, funds of \$6.5M will be used to ensure user fees do not have to rise in line with the GVS/DD levy. Over the next five years, a total of \$29.2M will be used from the operating reserve to offset GVS/DD levy increases, while ensuring that City of Burnaby future rate increase fall below those of Metro Vancouver, and that the city maintains sufficient operating funds to cover existing commitments. It is through prior year planning that the city has set aside additional funding for just such a major GVS/DD rate increase.

3.4 RESERVE BALANCES

3.4.1 OPERATING

The balance of the operating reserve allows the City of Burnaby to set rates that shield customers from the full extent of GVS/DD levy increases. As noted in **Section 3.3.5**, prior year allocation of funds within the operating reserve means that a 20% rate increase is possible for 2025 without driving the reserve balance below minimal operating requirements. Staff have examined other options for 2025 and have determined that this approach is the most sustainable in the long term. Keeping in mind a target retention of funds in the range of 5% - 10% of annual operating expenditure, staff can confirm that there is sufficiency of funds for the duration of the five-year budget. It is estimated that the reserve balance will be in the region of \$43.9M in 2029, down from \$73.2M at the end of 2024.

3.4.2 CAPITAL

The capital reserve can currently fund the entire five-year capital plan. Current estimates are that the reserve balance will be drawn down gradually over time, taking it from \$82M at the end of 2024 to around \$59.6M in 2029.

3.5 FEE REVISIONS – SCHEDULE C7 (A)

3.5.1 METER PURCHASE AND INSTALLATION

The exception of the following two fees, all other fees and charges within Schedule C7 (A) – Sewer Charge Bylaw, and Schedule C7 (B) – Sewer Parcel Tax Bylaw, are set to increase by the stated rate increase, which is 20% for 2025. The following two fees will increase in line with the city’s benchmark inflationary rate for 2025, which is 3.45% (rounded).

Meter Purchase and Installation	2024	2025
- Sanitary MR Box and drop off	\$550	\$570
- Storm MR Box and drop off	\$550	\$570

3.5.2 BOD/TSS Permitted Customers

On May 21, 2010, the Greater Vancouver Sewerage and Drainage District (GVS&DD) amended the GVS&DD Sewer Use Bylaw No. 299 to allow Metro Vancouver to bill “permitted customers” directly for the costs to convey and treat wastewater. Prior to this date, Metro Vancouver would calculate these charges on an annual basis and incorporate them into each municipality’s sewer levy. In 2011, Metro Vancouver began billing these customers directly. As a result, municipalities were requested to no longer charge these customers for the portion of the annual sewer budget that represented the GVS&DD Levy, on the basis that the charge to municipalities are now excluded the portion of expenses attributed to said customers.

In 2011, the City of Burnaby aligned the charges for permitted customers to the percentage of the annual operating budget representing just City of Burnaby expenses (just over 47%). Over the years City of Burnaby utility rates for permitted customers have increased at the same percentage as the rest of the utility but were not readjusted to reflect the decreasing portion of costs which reflect just Burnaby’s share. With increases in the GVS&DD, Burnaby’s costs have now dropped below the original allocation.

For 2025, City of Burnaby expenditure makes up around just 20% of the annual budget. A re-setting of the BOD/TSS Permitted Customer metered rates is therefore required. There are currently 22 permitted customers with past revenues of around \$675K pa. The rate adjusted will result in a revenue reduction of around \$372K over 2024.

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

Where applicable, changes to rates and billing methodology are communicated to customers through the Annual Utility Notice Brochure and Monthly / Quarterly metered bills.

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

ATTACHMENTS

- Attachment 1 – Sanitary Sewer - 5 Year Operating Budget
- Attachment 2 – Sanitary Sewer Annual Charges by GVS/DD
- Attachment 3 – Proposed Schedules C7 (A) and C7 (B)

REPORT CONTRIBUTORS

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

- Wilson Kwan, Director Budgets & Reporting
- Dakshin Gunawardana, Senior Manager – Engineering Business Operations
- May Leung, City Solicitor
- May Phang, General Manager Engineering