

NO: F003

COUNCIL DATE: November 30, 2020

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **November 16, 2020**

FROM: **City Manager and
General Manager, Finance**

FILE: **1705-05**

SUBJECT: **2021 Five-Year (2021-2025) Financial Plan – Utilities and Other Self-Funded Programs**

1.0 RECOMMENDATION

It is recommended that the Finance Committee recommend Council:

1. Approve the rate adjustments outlined in Section 2.0 of this report; and
2. Direct staff to prepare the 2021 Five-Year (2021–2025) Financial Plan for each of the Water, Sewer, Drainage, Solid Waste, Parking, and District Energy self-funded programs respectively, incorporating the recommendations as contained in this report.

2.0 DISCUSSION

Self-funded programs, also known as utilities, follow the “user pay” approach that the City has applied consistently in the current and previous years’ budgets. Introducing the Financial Plan for these programs allows the City to propose the necessary rate adjustments, effective January 1, 2021. The following sections of this report discuss each of the self-funded programs separately.

2.1 2021 Water Utility Rates

The City adopted the Residential Water Metering Program over 15 years ago and now provides service to more than 76,000 metered water utility accounts. In 2020, these metered accounts were charged \$1.1065 per cubic metre of water consumed. Due to increases in the Greater Vancouver Water District (“GVWD”) water rates and the Utility’s operating and capital cost demands, an increase in the water rates is necessary for 2021.

In 2021, the GVWD water charges will increase by 3.50% resulting in an increase in the GVWD bulk water charges of \$0.0274 per cubic metre. An increase of \$0.0094 per cubic metre, which represents a 2.9% increase over the City’s prior year portion of water charges, is also required to support the Utility’s operating, maintenance costs and capital programs.

Based on these changes, it is recommended for 2021 that the water utility metered rate be increased from \$1.1065 per cubic metre to \$1.1433 per cubic metre, which represents a combined

change in GVWD and the City's portion of water charges of \$0.0368 per cubic metre. This recommendation will equate to a total increase of \$13.24 per year for the average metered single family dwelling that consumes 360 cubic metres of water per year; and \$73.60 per year for an average business that consumes 2,000 cubic metres of water per year and that has a 50 mm water connection.

The non-metered or flat water rate (i.e. the rate charged to customers that do not have a water meter) will be increased based on the 'average' consumption of water by non-metered accounts and will reflect the proposed rate increase of \$0.0368 per cubic metre. The consumption by non-metered residential customers is estimated to be 800 cubic metres per year. A residential flat rate customer will see a \$29.44 per year increase.

The GVWD bulk water rates are projected to increase an average of 7.8% per year for each of the remaining four years of the Five-Year Plan. Proposed 2021 Water rate changes and their annual impact on average residential and commercial customers are summarized in Tables 1 and 2.

Table 1 – Proposed Water Rate Changes

	GVWD Rate (per m³)	City of Surrey Rate (per m³)	Total Metered Rate (per m³)
2020	\$0.7836	\$0.3229	\$1.1065
Increase per m ³ of water	\$0.0274 (3.5%)	\$0.0094 (2.9%)	\$0.0368 (3.3%)
2021 (proposed)	\$0.8110	\$0.3323	\$1.1433
% of Total Rate	71%	29%	100%

Table 2 - Annual Impact on Water Customers

Customer Type	Average Water Consumption (m³)	Annual Impact of GVWD Increase	Annual Impact of City Increase	Overall Annual Impact
Metered Single Family	360	\$9.86	\$3.38	\$13.24
Metered Commercial	2,000	\$54.80	\$18.80	\$73.60
Non-metered Residential	800	\$21.92	\$7.52	\$29.44

2.2 2021 Sewer Utility Rates

The City provides service to more than 68,000 metered sewer utility accounts. In 2020, metered utility customers were charged \$1.2989 per cubic metre of sewer discharge. Due to increases in the Greater Vancouver Sewerage and Drainage District's ("GVS&DD") sewerage rates and the Utility's operating and capital cost demands, an increase in the sewer rates is necessary for 2021. Actual sewer usage is calculated as being 80% of the volume of water that is consumed by the metered water customers or estimated for the non-metered residential customers.

In 2021, the GVS&DD sewer charges will increase by 5.8% resulting in an increase in GVS&DD sewer charges of \$0.0587 per cubic metre of discharge volume. An increase of \$0.0083 per

cubic metre of discharge volume, which represents a 2.9% increase over the City's prior year portion of sewer charges, is also required to support the Utility's operating, maintenance costs and capital programs.

Based on these changes, it is recommended for 2021 that the sewer utility metered rate be increased from \$1.2989 to \$1.3659 per cubic metre of discharge volume, which represents a combined change in GVS&DD and the City's portion of sewer charges of \$0.0670 per cubic metre of discharge volume. This recommendation will equate to a total increase of \$19.30 per year for the 'average metered single family dwelling' that discharges 288 cubic metres (80% of 360 cubic metres of average water consumed) of sewage per year; and \$107.20 per year for a business that discharges 1,600 cubic metres (80% of 2,000 cubic metres of average water consumed) of sewage per year.

The sewer utility rate for non-metered customers will be increased based on the 'average' discharge of a non-metered customer of 640 cubic metres (80% of estimated 800 cubic metres of water consumed) and will reflect the proposed rate increase of \$0.0670 per cubic metre of discharge volume. A residential flat rate customer will see an increase of \$42.88 per year.

The GVS&DD sewer rates are projected to increase an average of 13.3% per year for each of the remaining four years of the Five-Year Plan. Proposed 2021 Sewer rate changes and their annual impact on average residential and commercial customers are summarized in Tables 3 and 4.

Table 3 – Proposed Sewer Rate Changes

	GVS&DD Rate (per m³)	City of Surrey Rate (per m³)	Total Metered Rate (per m³)
2020	\$1.0123	\$0.2866	\$1.2989
Increase per m ³ of sewage	\$0.0587 (5.8%)	\$0.0083 (2.9%)	\$0.0670 (5.2%)
2021 (proposed)	\$1.0710	\$0.2949	\$1.3659
% of Total Rate	78%	22%	100%

Table 4 - Annual Impact on Sewer Customers

Customer Type	Sewer Volume @ 80% of average water consumption (m³)	Annual Impact of GVS&DD Increase	Annual Impact of City Increase	Overall Annual Impact
Metered Single Family	288	\$16.91	\$2.39	\$19.30
Metered Commercial	1600	\$93.92	\$13.28	\$107.20
Non-metered Residential	640	\$37.57	\$5.31	\$42.88

2.3 2021 Drainage/Dyking/Flood Protection Utility Parcel Tax

The Drainage Parcel Tax is currently \$227 per lot for residential, recreation and agricultural properties and \$509 for commercial properties. An increase of \$2 per residential and agricultural property per year; and an increase of \$50 per commercial and industrial property per year are proposed to support increased maintenance and capital costs in relation to the City's drainage infrastructure. With this proposed increase, the Drainage Parcel Tax for 2021

will be \$229 for residential and agricultural properties and \$559 for commercial properties. The respective impact of commercial and industrial properties in relation to infrastructure is reflected in their respective rate increases, as summarized in Table 5 below. Proposed 2021 Drainage Parcel Tax changes are summarized in Table 5.

Table 5 - Proposed Drainage Rate Changes

	Residential and Agricultural	Commercial and Industrial
2020	\$227	\$509
Increase	\$2	\$50
2021 (Proposed)	\$229	\$559

2.4 2021 Solid Waste Utility Rates

The City provides weekly residential curbside organic waste collection with alternating bi-weekly garbage and recycling services to approximately 106,500 single-family households and 31,000 secondary suites. The City also provides 35,000 residences from apartment buildings with centralized recycling service, while approximately 50% of these households additionally receive weekly organic waste collection services. The City processes the organic waste it collects at curbside into a renewable natural gas at its biofuel facility.

The Solid Waste Utility also provides street sanitation services to ensure the cleanliness and beautification of the City. These services include illegal dumping collection, large item pickup program (“LIPU”), litter pickup services, Pop-Up Junk events and streetscape litter bin collection. In 2019, the City launched the Love Where You Live Campaign, to support, enhance and heighten focus towards litter clean-up, illegal dumping clean-up and graffiti removal. This initiative proved to be beneficial towards cleaning and beautifying neighbourhoods, public streets, parks, and properties. To continue with the progress that has been made to date, in 2021 the City will continue to implement and advance its cleanup initiatives and infrastructure; education; waste diversion programs; drop-off events, reuse/repair events; and enhance enforcement efforts by deploying new surveillance technologies.

In 2020, garbage, recycling and organics collection service rates for single and multi-family customers were \$298 per year, while for secondary suite customers were \$145 per year. In 2021, Metro Vancouver tipping fee charges will increase by 3.5% (\$4 per tonne) resulting in a tipping fee of \$117 per tonne. Metro Vancouver is projecting that the Solid Waste Tipping fee will increase by \$4 per tonne in 2022 and \$7 each of the remaining three years of the Five-Year Plan.

Due to continuation of cleanliness and beautification initiatives and an increase in the Metro Vancouver tipping fee charges, it is recommended for 2021 that a 2.9% increase be applied, resulting in an annual collection rate of \$307 for single family and multi-family customers and \$153 for secondary suite customers. The increase will support the increased Metro Vancouver tipping fee as well as waste diversion, general litter cleanup around the City and capital infrastructure for street cleaning initiatives. Staff also recommends increasing the rates for Apartment/Townhouse recycling customers by \$1 to \$32 and for Apartment/Townhouse recycling and organic customers by \$1 to \$42 for increased LIPU collection service costs.

Proposed 2021 Solid Waste rate changes are summarized in Table 6.

Table 6 - Proposed Solid Waste Rate Changes

	Single Family and Multi-family Garbage/Recycling/Organics	Secondary Suite Garbage/Recycling/Organics	Apartment/Townhouse Recycling/Organics	Apartment/Townhouse Recycling
2020	\$298	\$149	\$41	\$31
Increase	\$9 (2.9%)	\$4 (2.9%)	\$1 (2.9%)	\$1 (2.9%)
2021 (Proposed)	\$307	\$153	\$42	\$32

2.5 2021 Parking

Revenue generated from parking rates covers the on-going operating and maintenance costs as well as contribute to the debt servicing costs of the Surrey Parking Authority. Parking Meter rates vary throughout the city and are set based on market demand and may vary by time of day.

2021 Parking rates are updated per the *Surrey Fee Setting Bylaw, 2001, No. 14577* (Bylaw 14577).

2.6 2021 District Energy

District Energy, known as Surrey City Energy (“SCE”), is the City-owned district energy system that supplies residential, commercial and institutional buildings in City Centre with heat and hot water.

In 2020, customers were charged a variable energy rate (“Charge”) of \$55.31 per megawatt-hour and a fixed capacity rate (“Levy”) of \$0.0187 per square meter of the building area per day for Class 1 customers, and a fixed capacity rate (“Levy”) of \$0.2683 per kilowatt of peak heat energy demand per day for class 2 customers.

Class 1 customers are residential and mixed-use buildings where the non-residential portion of the building does not exceed 20% of the building area. Class 2 customers are any building where the non-residential portion of the building exceeds 20% of the building area.

Staff recommends that 2021 rates be held constant with the 2020 rates. This recommendation follows a similar approach as the proposed 2021 rate for BC Hydro which is a key benchmark for SCE rates and is forecasted to decrease by 0.8% in 2021 followed by an increase of 3.5 % in 2022. A modest increase to rates will be required in 2022 to enable the Utility to recover its long-term capital and operating costs from foregoing a slight increase in 2020 while providing stable and competitive energy rates for its customers. This recommendation is also recommended and supported by the independent External Rate Review Panel.

Table 7 - Proposed SCE Rate Change (Charge)

	Class 1 & Class 2
	(\$/MWh)
2020	\$55.31
Increase	\$0.00
2021 (proposed)	\$55.31
Percent Increase	0%

Table 8 - Proposed SCE Rate Change (Levy)

	Class 1 (\$/m²/day)	Class 2 (\$/kW/day)
2020	\$0.0187	\$0.2683
Increase	\$0.0000	\$0.0000
2021 (proposed)	\$0.0187	\$0.2683
Percent Increase	0%	0%

2.7 Proposed 2021 Five-Year (2021–2025) Financial Plans

Based on the above discussed adjustments, a draft Five-Year Financial Plan for each of the Water Utility (see Appendix “I”), the Sewer Utility (see Appendix “II”), the Drainage Utility (see Appendix “III”), the Solid Waste Utility (see Appendix “IV”), the Parking Utility (see Appendix “V”) and the District Energy Utility (see Appendix “VI”) has been prepared.

3.0 CONCLUSION

Based on the above discussion, it is recommended that the Finance Committee recommend Council to:

1. Approve the rate adjustments outlined in Section 2.0 of this report; and
2. Direct staff to prepare the 2021 Five-Year (2021–2025) Financial Plan for each of the Water, Sewer, Drainage, Solid Waste, Parking, and District Energy self-funded programs, respectively, incorporating the recommendations as contained in this report.

Kam Grewal, CPA, CMA
General Manager, Finance

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City Manager

Attachments:

Appendix “I”	2021 – 2025 Financial Plan – Water Utility
Appendix “II”	2021 – 2025 Financial Plan – Sewer Utility
Appendix “III”	2021– 2025 Financial Plan – Drainage Utility
Appendix “IV”	2021 – 2025 Financial Plan – Solid Waste Utility
Appendix “V”	2021 – 2025 Financial Plan – Parking Utility
Appendix “VI”	2021 – 2025 Financial Plan – Surrey City Energy Utility

Appendix "I"

2021 - 2025 FINANCIAL PLAN WATER - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2021 BUDGET	2022 PLAN	2023 PLAN	2024 PLAN	2025 PLAN
Special Assessment	\$ 189	\$ 201	\$ 104	\$ 110	\$ 104
Taxation	189	201	104	110	104
Sale of Goods and Services	85,238	89,294	94,502	101,095	109,678
Developer Contributions	2	2	2	2	2
Investment Income	257	439	478	514	551
Penalties and Interest	845	886	938	1,003	1,089
Grants, Donations and Other	346	353	360	367	374
Other Revenue	1,191	1,239	1,298	1,370	1,463
TOTAL REVENUE	\$ 86,877	\$ 91,175	\$ 96,384	\$ 103,091	\$ 111,798
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 68,052	\$ 71,586	\$ 76,017	\$ 82,298	\$ 90,420
TOTAL EXPENDITURE	\$ 68,052	\$ 71,586	\$ 76,017	\$ 82,298	\$ 90,420
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 12,688	\$ 13,162	\$ 13,617	\$ 13,616	\$ 13,079
Transfers To/(From) Operating Sources	6,137	6,427	6,750	7,177	8,299
TOTAL TRANSFERS	\$ 18,825	\$ 19,589	\$ 20,367	\$ 20,793	\$ 21,378
NET WATER	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix "II"

2021 - 2025 FINANCIAL PLAN SEWER - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2021 BUDGET	2022 PLAN	2023 PLAN	2024 PLAN	2025 PLAN
Special Assessment	\$ 35	\$ 36	\$ 37	\$ 39	\$ 40
Taxation	35	36	37	39	40
Sale of Goods and Services	67,560	73,285	81,841	91,854	106,898
Investment Income	129	211	211	211	211
Penalties and Interest	507	550	614	689	802
Other Revenue	507	550	614	689	802
TOTAL REVENUE	\$ 68,231	\$ 74,082	\$ 82,703	\$ 92,793	\$ 107,951
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 65,303	\$ 70,521	\$ 78,289	\$ 86,504	\$ 100,241
TOTAL EXPENDITURE	\$ 65,303	\$ 70,521	\$ 78,289	\$ 86,504	\$ 100,241
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 6,440	\$ 6,998	\$ 7,361	\$ 7,447	\$ 7,642
Transfers To/(From) Operating Sources	(3,512)	(3,437)	(2,947)	(1,158)	68
TOTAL TRANSFERS	\$ 2,928	\$ 3,561	\$ 4,414	\$ 6,289	\$ 7,710
NET SEWER	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “III”

2021 - 2025 FINANCIAL PLAN DRAINAGE - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2021 BUDGET	2022 PLAN	2023 PLAN	2024 PLAN	2025 PLAN
Drainage Parcel Tax	\$ 42,013	\$ 43,203	\$ 44,348	\$ 45,525	\$ 46,733
Special Assessment	27	27	27	27	27
Taxation	42,040	43,230	44,375	45,552	46,760
Developer Contributions	234	234	234	234	234
Investment Income	56	140	191	224	259
Other Revenue	150	153	156	159	162
TOTAL REVENUE	\$ 42,480	\$ 43,757	\$ 44,956	\$ 46,169	\$ 47,415
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 13,515	\$ 13,779	\$ 14,049	\$ 14,324	\$ 14,738
TOTAL EXPENDITURE	\$ 13,515	\$ 13,779	\$ 14,049	\$ 14,324	\$ 14,738
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 12,989	\$ 13,345	\$ 14,127	\$ 15,661	\$ 17,706
Transfers To/(From) Operating Sources	15,976	16,633	16,780	16,184	14,971
TOTAL TRANSFERS	\$ 28,965	\$ 29,978	\$ 30,907	\$ 31,845	\$ 32,677
NET DRAINAGE	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “IV”

2021 - 2025 FINANCIAL PLAN SOLID WASTE - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2021 BUDGET	2022 PLAN	2023 PLAN	2024 PLAN	2025 PLAN
Sale of Goods and Services	\$ 46,946	\$ 48,541	\$ 50,181	\$ 51,867	\$ 53,600
Investment Income	54	110	141	180	226
Penalties and Interest	149	152	155	158	161
Other Revenue	149	152	155	158	161
TOTAL REVENUE	\$ 47,149	\$ 48,803	\$ 50,477	\$ 52,205	\$ 53,987
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 34,410	\$ 35,015	\$ 35,713	\$ 36,425	\$ 37,151
Debt Interest	1,770	1,724	1,675	1,623	1,569
Debt Principal	888	935	983	1,035	1,089
TOTAL EXPENDITURE	\$ 37,068	\$ 37,674	\$ 38,371	\$ 39,083	\$ 39,809
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 3,344	\$ 4,309	\$ 5,178	\$ 6,086	\$ 7,026
Transfers To/(From) Operating Sources	6,737	6,820	6,928	7,036	7,152
TOTAL TRANSFERS	\$ 10,081	\$ 11,129	\$ 12,106	\$ 13,122	\$ 14,178
NET SOLID WASTE	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “V”

2021 - 2025 FINANCIAL PLAN PARKING AUTHORITY - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2021 BUDGET	2022 PLAN	2023 PLAN	2024 PLAN	2025 PLAN
Sale of Goods and Services	\$ 3,126	\$ 3,375	\$ 3,403	\$ 3,433	\$ 3,462
Other Revenue	1,091	1,277	1,369	1,468	1,573
TOTAL REVENUE	\$ 4,217	\$ 4,652	\$ 4,772	\$ 4,901	\$ 5,035
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 1,480	\$ 1,516	\$ 1,526	\$ 1,534	\$ 1,543
TOTAL EXPENDITURE	\$ 1,480	\$ 1,516	\$ 1,526	\$ 1,534	\$ 1,543
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 1,456	\$ 2,090	\$ 2,192	\$ 2,325	\$ 2,442
Transfers To/(From) Operating Sources	1,281	1,046	1,054	1,042	1,050
TOTAL TRANSFERS	\$ 2,737	\$ 3,136	\$ 3,246	\$ 3,367	\$ 3,492
NET PARKING AUTHORITY	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “VI”

2021 - 2025 FINANCIAL PLAN SURREY CITY ENERGY - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2021 BUDGET	2022 PLAN	2023 PLAN	2024 PLAN	2025 PLAN
Sale of Goods and Services	\$ 3,437	\$ 5,007	\$ 6,594	\$ 8,426	\$ 10,345
TOTAL REVENUE	\$ 3,437	\$ 5,007	\$ 6,594	\$ 8,426	\$ 10,345
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 2,455	\$ 3,718	\$ 4,379	\$ 5,047	\$ 5,697
TOTAL EXPENDITURE	\$ 2,455	\$ 3,718	\$ 4,379	\$ 5,047	\$ 5,697
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 759	\$ 964	\$ 1,786	\$ 2,831	\$ 3,976
Transfers To/(From) Operating Sources	223	325	429	548	672
TOTAL TRANSFERS	\$ 982	\$ 1,289	\$ 2,215	\$ 3,379	\$ 4,648
NET SURREY CITY ENERGY	\$ -	\$ -	\$ -	\$ -	\$ -