

NO: F022

COUNCIL DATE: December 6, 2010

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **November 30th, 2010**

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

FILE: **1705-05**

SUBJECT: **2011 Five Year (2011-2015) Financial Plan - Utilities**

1.0 RECOMMENDATION

It is recommended that the Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 2.0 of this report; and
- b) Direct staff to prepare the 2011 Five-Year (2011 – 2015) Financial Plan for each of the Water Utility, the Sewer/Drainage Utility, the Solid Waste Utility and the Road and Traffic Safety Levy incorporating these recommendations.

2.0 DISCUSSION

The utility rate structure recommended for 2011 is consistent with the “user pay” approach that Council has applied consistently in previous budgets.

2.1 2011 Water Utility Rates

The City adopted the Residential Metering Program over ten years ago and now provides service to more than 50,000 metered utility accounts. In 2010, these accounts were charged \$0.745 per cubic meter of water consumed. Due to increases in the GVWD water rates, an increase in the water utility rate is necessary for 2011.

In 2011 the GVWD bulk water rate will increase by \$0.0693 per cubic meter to \$0.5648 per cubic meter. This equates to an increase for the ‘average metered single family residence’ of approximately \$2.31 per month or \$27.72 per year. As a result of the City’s financial planning related to the water utility, the City is able to buffer the impact of the GVWD rate increase and only requires an increase of \$0.03 per cubic meter to meet both the operational needs of the utility as well as the GVWD water rate increase.

It is recommended that the water utility rate be increased from \$0.745 per cubic meter to \$0.775 per cubic meter for 2011. This equates to a total increase of \$1.00 per month or \$12 per year for the ‘average metered single family residence’ and \$5.00 per month or \$60 per year for a business consuming 2,000 cubic meters of water per year. All of the increased costs relate directly to increased water rates being charged by the Region over which the City has little control.

The flat water rate (i.e., the rate charged to customers that do not have a water meter) will be increased based on the 'average' non-metered consumption of 745 m³ and the per cubic meter rate of \$0.775. Every "flat rate" customer may choose at any time to have a meter installed and thus move from a "flat rate" charge, to paying for water on an actual usage basis. All businesses in the City are metered.

The GVWD bulk water increases for the remaining years of the Five-Year Plan are projected to increase in the range of \$0.042 to \$0.086 per cubic metre per year.

2.2 2011 Sewer Utility Rates

In 2010, metered utility customers were charged \$0.63 per cubic meter of sewer discharge. Due to increases in the GVS&DD sewer rates and the City's operating costs for the utility, sewer rate increases are necessary for 2011.

In 2011 the GVS&DD sewer rate will increase by \$0.0411 per cubic meter to an estimated rate of \$0.3209. This equates to an increase for the 'average metered single family residence' of approximately \$1.10 per month or \$13.15 per year.

An additional increase of \$0.0465 per cubic meter is proposed to cover City-related operating cost increases of about \$0.025 per cubic metre and a catch up on prior years' GVS&DD rate increases that were phased in by Surrey to mitigate the annual fee impact that Surrey property owners would otherwise have experienced. This equates to an increase for the 'average metered single family residence' of approximately \$1.24 per month or \$14.85 per year.

It is recommended that the sewer utility rate be increased for 2011 from \$0.63 per cubic meter of discharge volume to \$0.7175 per cubic meter of discharge. This equates to a total increase of \$2.33 per month or \$28.00 per year for the 'average metered single family residence' and \$11.67 per month or \$140 per year for a business that discharges 1,600 cubic meters of sewage per year.

The sewer utility rate for non-metered customers will be increased based on the 'average' non-metered discharge of 596 m³ and the per cubic meter rate of \$0.7175. Any "flat rate" customer may choose at any time to have a meter installed and move from a "flat rate" charge to paying on an "actual usage" basis. All businesses in the City are metered.

The GVS&DD sewer rate increases for the remaining four years of the Five Year Plan are projected to be in the range of \$0.03 to \$0.04 cents per cubic meter per year.

2.3 2011 Drainage Parcel Tax

The Drainage Parcel Tax is currently \$161 per lot. This rate will allow for a satisfactory program of drainage works to be implemented in 2011. It is recommended that the Drainage Parcel Tax remain at \$161 per lot for 2011.

2.4 2011 Solid Waste Rates

In 2011, it is recommended that the solid waste rate be increased by \$25 from \$241 to \$266 for a single family residence. The GVRD is increasing the tipping fee from \$82 per tonne in 2010 to \$97 per tonne in 2011. This GVRD increase is responsible for \$15 of the proposed solid waste rate increase. The remaining \$10 is related to inflationary and other increases related to the current waste disposal contract.

The GVRD is projecting that the solid waste tipping fee will increase by \$11 per tonne in 2012, \$13 per tonne in 2013, \$32 per tonne in 2014 and \$29 per tonne in 2015. This will result in further increases each year to the solid waste rate that the City must charge its solid waste rate payers. The City does not collect solid waste from businesses in the City and therefore does not charge businesses for solid waste collection.

2.5 2011 Road and Traffic Safety Levy

A Road and Traffic Safety Levy was established as part of the 2008 Budget process to address the need for increased maintenance of local and collector roads throughout the City and to provide additional funding for road safety features and improvements such as traffic calming, crosswalks, sidewalks, etc. The levy is based on the assessed value of individual properties in each Property Class.

It is recommended that the Road and Traffic Safety Levy be increased in 2011 such that the average single-family dwelling will pay an additional \$13 per year and a business with an assessed value of \$1.0 million will pay \$69. The levy will be distributed based on the assessed value and Assessment Class of each property in the City.

The use of this Levy has now been expanded to support the City's portion of road and traffic needs beyond the level of local and collector roads. The 2011 Five Year (2011 – 2015) Financial Plan therefore, includes further increases to the Road and Traffic Safety Levy to ensure funding is available to meet the City's transportation objectives over time.

2.6 Proposed 2011 – 2015 Financial Plan

Based on the above rate increases, a draft Five-Year Financial Plan for each of the Water Utility (see Appendix A), Sewer/Drainage Utility (see Appendix B), Solid Waste Utility (see Appendix C) and the Road and Traffic Safety Levy (see Appendix D) has been prepared.

3.0 SUMMARY

Based on the above discussion, to complete the 2011 Five-Year (2011 – 2015) Financial Plan, it is recommended that the Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 2.0 of this report; and
- b) Direct staff to prepare the 2011 Five-Year (2011 – 2015) Financial Plan for each of the Water Utility, Sewer/Drainage Utility, Solid Waste Utility and Road and Traffic Safety Levy incorporating these recommendations.

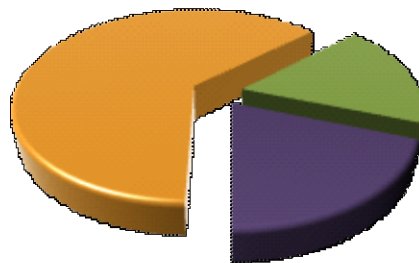
Murray Dinwoodie
City Manager

Vivienne Wilke, CGA
General Manager,
Finance & Technology

**2011 - 2015 FINANCIAL PLAN
WATER - FINANCIAL SUMMARY**
(in thousands)

REVENUE SUMMARY	2010 BUDGET	2011 BUDGET	2012 PLAN	2013 PLAN	2014 PLAN	2015 PLAN
Taxation	\$ 137	\$ 122	\$ 106	\$ 89	\$ 131	\$ 75
Investment Income	2,880	2,750	2,729	2,820	2,685	2,727
Penalties and Interest	307	545	597	650	693	737
	<u>3,187</u>	<u>3,295</u>	<u>3,326</u>	<u>3,470</u>	<u>3,378</u>	<u>3,464</u>
Departmental Revenues	51,532	55,114	60,322	65,633	69,969	74,290
	<u>\$ 54,856</u>	<u>\$ 58,531</u>	<u>\$ 63,754</u>	<u>\$ 69,192</u>	<u>\$ 73,478</u>	<u>\$ 77,829</u>
EXPENDITURE SUMMARY						
Departmental Expenditures	\$ 48,206	\$ 49,585	\$ 55,495	\$ 61,057	\$ 65,185	\$ 69,344
Intrst Alloc'd to Approp. Surp.	\$ 616	\$ 543	\$ 509	\$ 508	\$ 471	\$ 461
Contribution to Capital	11,037	10,386	10,469	11,181	11,181	11,181
Net Tsf To/(Frm) Surp/Resrv	(5,003)	(1,983)	(2,719)	(3,554)	(3,359)	(3,157)
	<u>\$ 54,856</u>	<u>\$ 58,531</u>	<u>\$ 63,754</u>	<u>\$ 69,192</u>	<u>\$ 73,478</u>	<u>\$ 77,829</u>

Water Fund Expenditures



■ Water Operations
19.7%

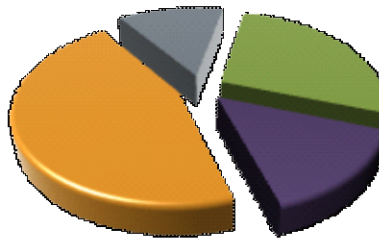
■ GVRD Water
Purchases 63%

■ Capital 17.3%

2011 - 2015 FINANCIAL PLAN
SEWER & DRAINAGE - FINANCIAL SUMMARY
(in thousands)

REVENUE SUMMARY	2010 BUDGET	2011 BUDGET	2012 PLAN	2013 PLAN	2014 PLAN	2015 PLAN
Taxation	\$ 25,699	\$ 25,231	\$ 26,163	\$ 27,137	\$ 28,375	\$ 29,174
Investment Income	2,060	2,000	1,827	1,970	2,024	2,317
Penalties and Interest on Taxes	293	298	318	339	362	386
	<u>2,353</u>	<u>2,298</u>	<u>2,145</u>	<u>2,309</u>	<u>2,386</u>	<u>2,703</u>
Departmental Revenues	32,819	34,181	37,467	40,653	44,107	48,070
	<u>\$ 60,871</u>	<u>\$ 61,710</u>	<u>\$ 65,775</u>	<u>\$ 70,099</u>	<u>\$ 74,868</u>	<u>\$ 79,947</u>
EXPENDITURE SUMMARY						
Departmental Expenditures	\$ 42,724	\$ 44,218	\$ 46,534	\$ 48,826	\$ 51,079	\$ 53,441
Interest Alloc'd to Approp. Surp	\$ 452	\$ 124	\$ 128	\$ 142	\$ 147	\$ 163
Contribution to Capital	18,399	16,790	17,123	18,034	18,034	18,034
Net Tsf To/(Frm) Surp/Resrv	(704)	578	1,990	3,097	5,608	8,309
	<u>\$ 60,871</u>	<u>\$ 61,710</u>	<u>\$ 65,775</u>	<u>\$ 70,099</u>	<u>\$ 74,868</u>	<u>\$ 79,947</u>

Sewer & Drainage Expenditures

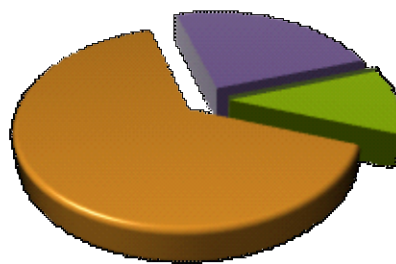


- Sewer Operation
14.8%
- GVS&DD Charges
45.1%
- Drainage
Operations 12.8%
- Capital 27.4%

**2011 - 2015 FINANCIAL PLAN
SOLID WASTE - FINANCIAL SUMMARY**
(in thousands)

REVENUE SUMMARY	2010 BUDGET	2011 BUDGET	2012 PLAN	2013 PLAN	2014 PLAN	2015 PLAN
Penalties and Interest	\$ 85	\$ 85	\$ 60	\$ 65	\$ 65	\$ 70
Departmental Revenues	25,031	28,906	32,270	35,740	40,142	44,349
	\$ 25,116	\$ 28,991	\$ 32,330	\$ 35,805	\$ 40,207	\$ 44,419
EXPENDITURE SUMMARY						
Departmental Expenditures	\$ 23,201	\$ 25,835	\$ 30,818	\$ 32,225	\$ 35,017	\$ 37,717
Contrib'n To General Op	\$ 1,516	\$ 1,516	\$ 1,516	\$ 1,516	\$ 1,516	\$ 1,516
Net Tsf To/(Frm) Surp/Resrv	399	1,640	(4)	2,064	3,674	5,186
	\$ 25,116	\$ 28,991	\$ 32,330	\$ 35,805	\$ 40,207	\$ 44,419

Solid Waste Expenditures



Collection 65.0%

GVRD Disposal 24.2%

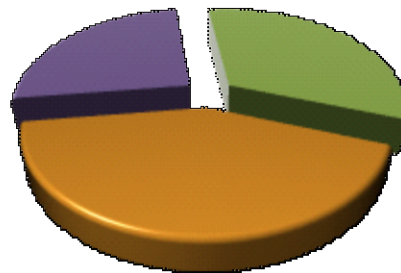
Other 10.9%



**2011 - 2015 FINANCIAL PLAN
ROADS & TRAFFIC - FINANCIAL SUMMARY**
(in thousands)

REVENUE SUMMARY	2010 BUDGET	2011 BUDGET	2012 PLAN	2013 PLAN	2014 PLAN	2015 PLAN
Taxation	\$ 5,584	\$ 8,198	\$ 10,115	\$ 12,103	\$ 14,170	\$ 16,323
Departmental Revenues	252	857	1,057	1,264	1,479	1,703
	\$ 5,836	\$ 9,055	\$ 11,172	\$ 13,367	\$ 15,649	\$ 18,026
EXPENDITURE SUMMARY						
Departmental Expenditures	\$ 16,881	\$ 18,014	\$ 18,222	\$ 18,431	\$ 18,642	\$ 18,878
Contribution to Capital	\$ 6,177	\$ 8,517	\$ 8,400	\$ 8,415	\$ 10,182	\$ 12,998
Contrib'n from General Op.	(15,076)	(16,400)	(16,600)	(16,800)	(17,000)	(17,200)
Transfer to/frm Own Source	(2,146)	(1,076)	1,150	3,321	3,825	3,350
	\$ 5,836	\$ 9,055	\$ 11,172	\$ 13,367	\$ 15,649	\$ 18,026

Roads & Traffic Safety Expenditures



- Roads 41.8%
- Traffic 24.9%
- Capital 32.1%