

NO: **Foo3**

COUNCIL DATE: **January 16, 2012**

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## FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **January 6<sup>th</sup>, 2012**

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

FILE: **1705-05**

SUBJECT: **2012 Five Year (2012-2016) Financial Plan - Utilities**

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### 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 2012 Five-Year (2012 – 2016) Financial Plan for each of the Water Utility, the Sewer/Drainage Utility, the Solid Waste Utility and the Road and Traffic Safety Utility incorporating these recommendations.

### 2.0 DISCUSSION

The utility rate structure recommended for 2012 is consistent with the “user pay” approach that Council has applied consistently in previous budgets.

#### 2.1 2012 Water Utility Rates

The City adopted the Residential Water Metering Program over ten years ago and now provides service to more than 55,000 metered utility accounts, which represents approximately 60% of all single family dwelling utility accounts. In 2011, these accounts were charged \$0.775 per cubic meter of water consumed. Due to increases in the GVWD water rates, an increase in the water rate is necessary for 2012.

In 2012, the GVWD bulk water charge will increase by \$0.0332 per cubic meter to \$0.5980 per cubic meter. This equates to an increase for the ‘average metered single family residence’ of approximately \$1.11 per month or \$13.28 per year. An additional increase of \$0.0068 per cubic meter is also required for City-related operating costs. This equates to an increase for the ‘average metered single family residence’ of approximately \$0.23 per month or \$2.72 per year.

It is recommended that the water utility rate be increased from \$0.775 per cubic meter to \$0.815 per cubic meter for 2012. This equates to a total increase of \$1.33 per month or \$16 per year for the ‘average metered single family residence’ and \$6.67 per month or \$80 per year for a business consuming 2,000 cubic meters of water per year.

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 725 m<sup>3</sup> and the per cubic meter rate of \$0.815. 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 have water meters.

The GVWD bulk water rate for the remaining years of the Five-Year Plan is projected to increase in the range of \$0.044 to \$0.111 per cubic meter per year.

## **2.2 2012 Sewer Utility Rates**

In 2011, metered utility customers were charged \$0.7175 per cubic meter of sewer discharge. Due to increases in the GVS&DD sewer rates as well as the City's capital and operating costs for the utility, sewer rate increases are necessary for 2012.

In 2012 the GVS&DD sewer charges will increase by 6.25%, of which, 1.5% is attributed to new growth. This equates to an increase for the 'average metered single family residence' of approximately \$0.69 per month or \$8.26 per year.

An additional increase is proposed to support capital projects contained in the City's updated 10-Year Servicing Plan and for City-related sewer operating cost increases. These increases for the 'average metered single family residence' will amount to approximately \$0.38 per month or \$4.54 per year.

As such, it is recommended that the sewer utility rate be increased for 2012 from \$0.7175 per cubic meter of discharge volume to \$0.7575 per cubic meter of discharge. This equates to a total increase of \$1.07 per month or \$12.80 per year for the 'average metered single family residence' and \$5.33 per month or \$64 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 580 m<sup>3</sup> and the per cubic meter rate of \$0.7575. Any "flat rate" customer may choose at any time to have a water meter installed and move from a sewer "flat rate" fee to paying on an "actual usage" basis based on 80% of water consumption. All businesses in the City have meters.

The GVS&DD sewer rates are projected to increase by approximately 7.0% per year for the remaining four years of the Five Year Plan.

## **2.3 2012 Drainage Utility Parcel Tax**

The Drainage Parcel Tax is currently \$161 per lot. An increase of \$5.00 is proposed to support increased maintenance and capital costs in relation to the City's drainage infrastructure. This proposed increase will result in the Drainage Parcel Tax being \$166 per lot for 2012.

#### **2.4 2012 Solid Waste Utility Rates**

The GVRD is proposing to increase the tipping fee payable at its Transfer Stations from \$97 per tonne of waste in 2011 to \$107 per tonne in 2012. This increase in the GVRD tipping fee requires a \$7.50 per year increase in the City's waste utility rate per single family household in Surrey. In addition, staff is recommending a further solid waste utility rate increase of \$7.50 per household to cover increases in the waste collection contract costs for 2012 and to establish a reserve to assist in implementing new sustainable waste disposal processes for the City over the next few years such as a organics biofuel processing facility and any necessary land acquisition in support of new sustainable processes for the utility, including "CNG". On this basis, it is recommended that the solid waste rate be increased by \$15 from \$266 to \$281 per single family residence.

The GVRD is projecting that the solid waste tipping fee will increase between \$14 per tonne and \$32 per tonne in each of the remaining four years of the Five Year Plan. 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 2012 Road and Traffic Safety Utility 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 proposed that the Road and Traffic Safety Levy be expanded this year to assist in covering the maintenance and capital costs associated with arterial roads throughout the City and to address identified on-going road maintenance needs related to inclement weather conditions.

On this basis, it is recommended that the Road and Traffic Safety Levy be increased in 2012 such that the average single-family dwelling will pay an additional \$13.50 per year and a business with an assessed value of \$1.0 million will pay \$67. The levy will be distributed based on the assessed value and Assessment Class of each property in the City.

The 2012 Five Year (2012 – 2016) Financial Plan includes further similar increases to the Road and Traffic Safety Levy in each year of the proposed Five Year Plan to ensure adequate funding is available to meet the City's transportation objectives over time.

#### **2.6 Proposed 2012 – 2016 Financial Plans**

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 Utility (see Appendix D) has been prepared.

**3.0 SUMMARY**

Based on the above discussion 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 2012 Five-Year (2012 – 2016) Financial Plan for each of the Water Utility, Sewer/Drainage Utility, Solid Waste Utility and Road and Traffic Safety Utility incorporating these recommendations.

Murray Dinwoodie  
City Manager

Vivienne Wilke, CGA  
General Manager,  
Finance & Technology

**Attachments:**

- Appendix “A”: 2012 – 2016 Financial Plan – Water
- Appendix “B”: 2012 – 2016 Financial Plan – Sewer & Drainage
- Appendix “C”: 2012 – 2016 Financial Plan – Solid Waste
- Appendix “D”: 2012 – 2016 Financial Plan – Roads & Traffic

**2012 - 2016 FINANCIAL PLAN**  
**WATER - FINANCIAL SUMMARY**  
*(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2012 BUDGET</b>	<b>2013 PLAN</b>	<b>2014 PLAN</b>	<b>2015 PLAN</b>	<b>2016 PLAN</b>
Taxation	\$ 97	\$ 80	\$ 123	\$ 67	\$ 51
Investment Income	<b>2,489</b>	2,052	1,982	1,882	1,790
Penalties and Interest	<b>568</b>	645	703	761	814
	<b>3,057</b>	2,697	2,685	2,643	2,604
Departmental Revenues	<b>57,453</b>	65,127	70,997	76,753	82,041
	<b>\$ 60,607</b>	<b>\$ 67,904</b>	<b>\$ 73,805</b>	<b>\$ 79,463</b>	<b>\$ 84,696</b>
<b>EXPENDITURE SUMMARY</b>					
Departmental Expenditures	\$ 52,472	\$ 61,637	\$ 66,617	\$ 71,770	\$ 77,103
Intrst Alloc'd to Approp. Surp	<b>1,074</b>	853	805	683	552
Contribution to Capital	<b>11,335</b>	11,535	11,873	11,873	11,873
Net Tsf To/(Frm) Surp/Resrv	<b>(4,274)</b>	(6,121)	(5,490)	(4,863)	(4,832)
	<b>\$ 60,607</b>	<b>\$ 67,904</b>	<b>\$ 73,805</b>	<b>\$ 79,463</b>	<b>\$ 84,696</b>

**2012 - 2016 FINANCIAL PLAN**  
**SEWER & DRAINAGE - FINANCIAL SUMMARY**  
*(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2012 BUDGET</b>	<b>2013 PLAN</b>	<b>2014 PLAN</b>	<b>2015 PLAN</b>	<b>2016 PLAN</b>
Taxation	\$ 24,990	\$ 26,295	\$ 27,628	\$ 29,400	\$ 31,208
Investment Income	1,433	1,376	1,379	1,360	1,393
Penalties and Interest	313	331	351	375	402
	<b>1,746</b>	<b>1,707</b>	<b>1,730</b>	<b>1,735</b>	<b>1,795</b>
Departmental Revenues	<b>37,314</b>	39,702	42,316	45,474	49,160
	<b>\$ 64,050</b>	<b>\$ 67,704</b>	<b>\$ 71,674</b>	<b>\$ 76,609</b>	<b>\$ 82,163</b>
<b>EXPENDITURE SUMMARY</b>					
Departmental Expenditures	<b>46,723</b>	\$ 49,452	\$ 52,196	\$ 55,105	\$ 58,188
Interst Alloc'd to Approp. Surp	286	\$ 57	\$ 108	\$ 229	\$ 448
Contribution to Capital	<b>21,015</b>	19,482	20,383	20,402	20,921
Net Tsf To/(Frm) Surp/Resrv	<b>(3,974)</b>	(1,287)	(1,013)	873	2,606
	<b>\$ 64,050</b>	<b>\$ 67,704</b>	<b>\$ 71,674</b>	<b>\$ 76,609</b>	<b>\$ 82,163</b>

**2012 - 2016 FINANCIAL PLAN**  
**SOLID WASTE - FINANCIAL SUMMARY**  
*(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2012 BUDGET</b>	<b>2013 PLAN</b>	<b>2014 PLAN</b>	<b>2015 PLAN</b>	<b>2016 PLAN</b>
Penalties and Interest	\$ 85	\$ 65	\$ 65	\$ 70	\$ 70
Departmental Revenues	<b>31,814</b>	\$ 33,775	\$ 36,196	\$ 39,286	\$ 41,888
	<b>\$ 31,899</b>	<b>\$ 33,840</b>	<b>\$ 36,261</b>	<b>\$ 39,356</b>	<b>\$ 41,958</b>
<b>EXPENDITURE SUMMARY</b>					
Departmental Expenditures	\$ 26,514	\$ 30,053	\$ 32,786	\$ 35,160	\$ 37,314
Debt Principal Repaid	-	2,442	2,513	2,584	2,657
Contrib'n To General Op	<b>1,949</b>	1,816	1,716	1,616	1,516
Contrib'n To Capital	<b>3,000</b>	-	3,000	-	-
Net Tsf To/(Frm) Surp/Resrv	<b>436</b>	(471)	(3,754)	(4)	471
	<b>\$ 31,899</b>	<b>\$ 33,840</b>	<b>\$ 36,261</b>	<b>\$ 39,356</b>	<b>\$ 41,958</b>

**2012 - 2016 FINANCIAL PLAN**  
**ROADS & TRAFFIC - FINANCIAL SUMMARY**  
*(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2012 BUDGET</b>	<b>2013 PLAN</b>	<b>2014 PLAN</b>	<b>2015 PLAN</b>	<b>2016 PLAN</b>
Taxation	<b>\$ 10,584</b>	\$ 14,198	\$ 18,062	\$ 22,153	\$ 26,513
Departmental Revenues	<b>728</b>	963	967	960	950
	<b>\$ 11,312</b>	<b>\$ 15,161</b>	<b>\$ 19,029</b>	<b>\$ 23,113</b>	<b>\$ 27,463</b>
<b>EXPENDITURE SUMMARY</b>					
Departmental Expenditures	<b>\$ 26,258</b>	\$ 26,974	\$ 27,519	\$ 28,243	\$ 28,814
Debt Repayment	-	-	-	804	830
Contribution to Capital	<b>6,010</b>	6,411	7,524	10,489	15,508
Contrib'n frm General Op	<b>(15,864)</b>	(15,864)	(15,864)	(15,864)	(15,864)
Transfer to/from Own Source	<b>(5,092)</b>	(2,360)	(150)	(559)	(1,825)
	<b>\$ 11,312</b>	<b>\$ 15,161</b>	<b>\$ 19,029</b>	<b>\$ 23,113</b>	<b>\$ 27,463</b>