
FINANCE COMMITTEE

TO: **Mayor & Council** DATE: **November 14, 2016**

FROM: **City Manager and
General Manager, Finance & Technology** FILE: **1705-05**

SUBJECT: **2017 Five Year (2017-2021) Financial Plan – Utilities and Other Self-Funded
Programs**

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 2017 Five-Year (2017–2021) 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 previous budgets. Introducing the Financial Plan for these programs allows the City to adopt the necessary fee adjustments, effective January 1, 2017. The following sections of this report discuss each of the self-funded programs separately.

2.1 2017 Water Utility Rates

The City adopted the Residential Water Metering Program over fifteen years ago and now provides service to more than 64,300 metered utility accounts. Approximately 70% of all single family dwellings, 59% of all multi-family dwellings and all commercial and industrial customers in the City are now serviced with water meters. In 2016, these metered accounts were charged \$0.930 per cubic metre of water consumed. Due to increases in the GVWD water rates and system operating & capital cost demands, an increase in the water rate is necessary for 2017.

In 2017, the GVWD bulk water charge will increase by \$0.0206 per cubic metre to \$0.6728 per cubic metre. The ‘average metered single family residence’ now consumes approximately 360 cubic metres per year; these residents will see an approximate increase of \$0.62 per month or \$7.42 per year. An increase of \$0.0127 per cubic metre is also required to support the City’s general operating, maintenance costs and capital program, resulting in a further increase of \$0.46 per month or \$5.54 per year.

Based on the above, it is recommended for 2017 that the water utility rate be increased from \$0.930 per cubic metre to \$0.966 per cubic metre. This recommendation will equate to a total increase of \$1.08 per month or \$12.96 per year for the 'average metered single family residence' and \$6.00 per month or \$72.00 per year for a business that consumes 2,000 cubic metres of water per year and that has a 50 mm water connection.

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' consumption of water by non-metered accounts and will reflect the proposed rate of \$0.966 per cubic metre. The average consumption by non-metered accounts is 800 m³ per year. A residential flat rate customer will see a \$2.42 per month or \$29.00 per year increase. Any "flat rate" (non-metered) customer may choose at any time to have a meter installed at their property and thus move from a "flat rate" charge to paying for water on an "actual usage" basis. All business properties in the City have water meters and therefore pay based on actual usage.

The GVWD bulk water rate for the remaining years of the Five-Year Plan is projected to increase approximately 3.5% per cubic metre per year.

2.2 2017 Sewer Utility Rates

In 2016, metered utility customers were charged \$0.9371 per cubic metre of sewer discharge. Due to increases in the GVS&DD sewerage rates and system operating costs, an increase in the sewer rate is necessary for 2017.

In 2017 the GVS&DD sewer charges will increase by 9.5% inclusive of growth. It is expected that this will impact the 'average metered single family residence' in the City of Surrey by approximately \$0.79 per month or \$9.48 per year. An additional increase is also required to support the City's general operating, maintenance costs and capital program, resulting in a further increase of \$0.48 per month or \$5.73 per year.

As such, it is recommended that the sewer utility rate be increased for 2017 from \$0.9371 per cubic metre of discharge volume to \$0.9899 per cubic metre of discharge volume. This equates to a total increase of \$1.27 per month or \$15.21 per year for the 'average metered single family residence' and \$7.04 per month or \$84.48 per year for a business that discharges 1,600 cubic metres of sewage per year.

The sewer utility rate for non-metered customers will be increased based on the 'average' discharge of a non-metered residence of 640 m³ and the per cubic metre rate of \$0.9899. A residential flat rate customer will see a \$2.83 per month or \$34.00 per year increase. Any "flat rate" customer may choose at any time to have a water meter installed and move from paying "flat rate" sewer charges to paying based on the actual usage. Actual usage is calculated as being 80% of the volume of water that is consumed by the residence as registered on the water meter. All business properties in the City have water meters.

The GVS&DD sewer rates are projected to increase approximately 4.20% per year for each of the remaining four years of the Five Year Plan.

2.3 2017 Drainage/Dyking/Flood Protection Utility Parcel Tax

The Drainage Parcel Tax is currently \$216 per lot. An increase of \$5.00 per lot is proposed to support increased maintenance and capital costs in relation to the City's drainage infrastructure. This Utility also includes the dyking and flood control responsibilities of the former Surrey Dyking District and Colebrook Dyking District. With this proposed increase, the Drainage Parcel Tax for 2017 will be \$221 for residential and agricultural properties and \$359 for commercial properties.

2.4 2017 Solid Waste Utility Rates

The primary goals of the Solid Waste Utility are to achieve an 80% waste diversion from Surrey residential waste stream by 2020 and to reduce illegal dumping and related cleanup costs by 50% by 2018.

In Surrey, the cost associated with illegal dumping has increased two-fold between the years of 2005 to 2015, far outpacing population growth during the same period. The negative effects of illegal dumping are detrimental to cities as it damages the environment, creates potential public safety hazards, poses health risks to people and wildlife, conveys a negative image of communities, and impacts quality of life in general. In 2016, we successfully reduced our costs associated with illegal dumping by over 40% resulting in an annual savings of over \$400,000. This was achieved through the streamlining of our illegal dumping clean-up operations. In 2016, the City also achieved 72% waste diversion from its customers.

As a means of achieving our waste diversion and illegal dumping targets by the year 2018 and 2020 respectively, the City is developing a comprehensive work plan to be initiated in 2017 that includes: new services to high-rise customers; expanding existing services to curbside (single family) customers; increasing education of the City's existing waste collection programs; and enhancing enforcement efforts by deploying new surveillance technologies. In order to support these initiatives, the City will implement a \$4.00 rate increase, bringing the solid waste rate to \$287 per single family residence in 2017 (from \$283 in 2016).

2.5 2017 Parking

Revenue generated from parking rates will cover the on-going operating and maintenance costs of the below-ground parkade located at City Hall as well as contribute to the debt financing costs.

The parking rates will remain unchanged for 2017 at \$75.00 per month for general staff parking, \$130 per month for reserved staff parking and \$1.50 per hour for public use.

2.6 2017 Surrey District Energy

The Surrey District Energy (SDE) system currently serves 4 multi-unit high-rises and commercial buildings, with another 6 buildings expected to connect to the system in 2017 and 2018. Customer rates are based on a fixed capacity levy, and a variable energy charge. For the first 3 years of operation (2015, 2016 and 2017), the levy and the charge are set at a level which produces an effective rate that matches the BC Hydro benchmark for a typical full-service residential customer. This process was approved by Council through Corporate Report R246; 2013.

In accordance with previous commitments to set rates based on the BC Hydro benchmark for the first 3 years of operation, staff recommend that both the levy rate component and the charge rate component be increased by 3.5% for 2017. The proposed rate increase is equivalent to the planned 3.5% increase to BC Hydro's residential rate for 2017 and is necessary to ensure that SCE is able to recover its long term costs. This rate increase would result in an annual cost increase of \$26 for a 65m² (700 square foot) residential dwelling unit that consumes an average of 6.8 MWh/year of energy.

2.7 Proposed 2017–2021 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 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 2017 Five-Year (2017–2021) 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.

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Finance & Technology

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City Manager

Attachments:

Appendix "I": 2017 – 2021 Financial Plan – Water Utility
Appendix "II": 2017 – 2021 Financial Plan – Sewer Utility
Appendix "III": 2017– 2021 Financial Plan –Drainage Utility
Appendix "IV": 2017 – 2021 Financial Plan – Solid Waste Utility
Appendix "V": 2017 – 2021 Financial Plan – Parking Utility
Appendix "VI": 2017 – 2021 Financial Plan – District Energy Utility

5 YEAR WATER OPERATING FINANCIAL PLAN
2017 - 2021
(In thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Taxation	\$ 83	\$ 85	\$ 5	\$ 27	\$ 64
Investment Income	545	545	530	503	488
Penalties and Interest on Taxes	704	739	780	821	861
	<u>1,249</u>	<u>1,284</u>	<u>1,310</u>	<u>1,324</u>	<u>1,349</u>
Departmental Revenues	71,312	74,906	78,990	83,061	87,201
	<u>\$ 72,644</u>	<u>\$ 76,275</u>	<u>\$ 80,305</u>	<u>\$ 84,412</u>	<u>\$ 88,614</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 61,304	\$ 63,583	\$ 65,912	\$ 68,340	\$ 70,853
	<u>\$ 61,304</u>	<u>\$ 63,583</u>	<u>\$ 65,912</u>	<u>\$ 68,340</u>	<u>\$ 70,853</u>
Interest Allocated to Approp. Surplus	150	127	113	86	69
Contrib'n to General Operating	5,018	5,254	5,439	5,726	6,032
Contribution to Capital	8,900	8,956	12,132	12,150	12,168
Net Tsf To/(From) Surplus/Reserve	(2,728)	(1,645)	(3,291)	(1,890)	(508)
	<u>\$ 11,340</u>	<u>\$ 12,692</u>	<u>\$ 14,393</u>	<u>\$ 16,072</u>	<u>\$ 17,761</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5 YEAR SEWER OPERATING FINANCIAL PLAN
2017 - 2021
(In thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Taxation	\$ 1,438	\$ 984	\$ 476	\$ 3	\$ 2
Investment Income	419	445	456	453	461
Penalties and Interest on Taxes	252	252	264	277	291
	<u>671</u>	<u>697</u>	<u>720</u>	<u>730</u>	<u>752</u>
Departmental Revenues	47,871	50,382	52,841	55,445	58,203
	<u>\$ 49,980</u>	<u>\$ 52,063</u>	<u>\$ 54,037</u>	<u>\$ 56,178</u>	<u>\$ 58,957</u>
 EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 48,491	\$ 50,226	\$ 52,029	\$ 53,903	\$ 55,851
	<u>\$ 48,491</u>	<u>\$ 50,226</u>	<u>\$ 52,029</u>	<u>\$ 53,903</u>	<u>\$ 55,851</u>
Interest Allocated to Approp. Surplus	\$ 118	\$ 119	\$ 130	\$ 127	\$ 135
Contrib'n to General Operating	3,405	3,539	3,666	3,804	3,983
Contribution to Capital	5,852	5,847	6,374	6,392	6,424
Net Tsf To/(From) Surplus/Reserve	(7,886)	(7,668)	(8,162)	(8,048)	(7,436)
	<u>\$ 1,489</u>	<u>\$ 1,837</u>	<u>\$ 2,008</u>	<u>\$ 2,275</u>	<u>\$ 3,106</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5 YEAR DRAINAGE OPERATING FINANCIAL PLAN
2017 - 2021
(In thousands)

<u>REVENUE SUMMARY</u>	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Taxation	\$ 35,944	\$ 37,770	\$ 39,541	\$ 41,388	\$ 42,782
Departmental Revenues	187	187	187	187	187
	<u>\$ 36,386</u>	<u>\$ 38,212</u>	<u>\$ 39,983</u>	<u>\$ 41,830</u>	<u>\$ 43,224</u>
 <u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 13,423	\$ 13,609	\$ 14,269	\$ 14,462	\$ 14,659
	<u>\$ 13,423</u>	<u>\$ 13,609</u>	<u>\$ 14,269</u>	<u>\$ 14,462</u>	<u>\$ 14,659</u>
Contrib'n to General Operating	\$ 2,549	\$ 2,667	\$ 2,782	\$ 2,902	\$ 2,993
Contribution to Capital	12,031	12,561	14,899	15,071	15,254
Net Tsf To/(From) Surplus/Reserve	8,383	9,375	8,033	9,395	10,318
	<u>\$ 22,963</u>	<u>\$ 24,603</u>	<u>\$ 25,714</u>	<u>\$ 27,368</u>	<u>\$ 28,565</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5 YEAR SOLID WASTE OPERATING FINANCIAL PLAN
2017 - 2021
(In thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Penalties and Interest on Taxes	\$ 130	\$ 135	\$ 140	\$ 156	\$ 192
Departmental Revenues	41,949	43,341	44,757	46,216	47,187
	<u>\$ 42,079</u>	<u>\$ 43,476</u>	<u>\$ 44,897</u>	<u>\$ 46,372</u>	<u>\$ 47,379</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 33,620	\$ 34,293	\$ 34,979	\$ 35,680	\$ 36,394
	<u>\$ 33,620</u>	<u>\$ 34,293</u>	<u>\$ 34,979</u>	<u>\$ 35,680</u>	<u>\$ 36,394</u>
Interest Allocated to Approp. Surplus	\$ -	\$ -	\$ -	\$ -	\$ -
Contrib'n To General Op	2,761	2,904	2,924	3,005	3,070
Contribution to Capital	2,455	2,085	2,218	2,359	2,510
Net Tsf To/(From) Surplus/Reserve	3,243	4,194	4,776	5,328	5,405
	<u>\$ 8,459</u>	<u>\$ 9,183</u>	<u>\$ 9,918</u>	<u>\$ 10,692</u>	<u>\$ 10,985</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5 YEAR PARKING OPERATING FINANCIAL PLAN
2017 - 2021
(In thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Departmental Revenues	\$ 5,169	\$ 3,239	\$ 3,289	\$ 3,433	\$ 3,492
	<u>\$ 5,169</u>	<u>\$ 3,239</u>	<u>\$ 3,289</u>	<u>\$ 3,433</u>	<u>\$ 3,492</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 1,087	\$ 1,174	\$ 1,186	\$ 1,193	\$ 1,203
	<u>\$ 1,087</u>	<u>\$ 1,174</u>	<u>\$ 1,186</u>	<u>\$ 1,193</u>	<u>\$ 1,203</u>
Interest Allocated to Approp. Surplus	-	-	-	-	-
Contrib'n to General Operating	\$ 206	\$ 211	\$ 214	\$ 223	\$ 227
Net Tsf To/(From) Surplus/Reserve	3,876	1,854	1,889	2,017	2,062
	<u>\$ 4,082</u>	<u>\$ 2,065</u>	<u>\$ 2,103</u>	<u>\$ 2,240</u>	<u>\$ 2,289</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5 YEAR ENERGY OPERATING FINANCIAL PLAN
2017 - 2021
(in thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Departmental Revenues	\$ 1,276	\$ 2,333	\$ 3,205	\$ 4,310	\$ 5,706
	\$ 1,276	\$ 2,333	\$ 3,205	\$ 4,310	\$ 5,706
 EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 1,284	\$ 2,372	\$ 3,089	\$ 3,743	\$ 4,465
	\$ 1,284	\$ 2,372	\$ 3,089	\$ 3,743	\$ 4,465
Contrib'n to General Operating	83	152	208	280	371
Contribution to Capital	13,037	8,287	3,507	4,193	4,084
Net Tsf To/(From) Surplus/Reserve	(13,128)	(8,478)	(3,599)	(3,906)	(3,214)
	\$ (8)	\$ (39)	\$ 116	\$ 567	\$ 1,241
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -