



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: November 16, 2004
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TO: Standing Committee on City Services and Budgets

FROM: General Manager of Engineering Services and General Manager of Corporate Services

SUBJECT: Establishment of 2005 Sewer Rates

RECOMMENDATION

- A. THAT the 2005 sanitary sewer user fees be set as per Appendix 1.
- B. THAT the 2005 public sewer connection fees be set as per Appendix 2.
- C. THAT 2005 Biochemical Oxygen Demand/Total Suspended Solids / Flow (BOD/TSS/Flow) rates payable by waste discharge permit users ("permitted industrial users") be set as per Appendix 3.
- D. THAT the Director of Legal Services be instructed to bring forward for enactment such amendments to the Sewer and Watercourse By-law as are required to implement Recommendations A, B and C of this Report as well as the "housekeeping" amendment referred to below, and that all such amendments be effective January 1, 2005.

GENERAL MANAGER'S COMMENTS

The General Manager of Engineering Services and General Manager of Corporate Services RECOMMEND approval of A, B, C and D.

COUNCIL POLICY

Sanitary sewer user fees, Sewer BOD/TSS/Flow charges for Permitted Industries and public sewer connection fees are reviewed annually by Council to establish the following year's rates.

Council policy is that fees for services are to be set at cost recovery level or at market level in circumstances where City Services compete with the private sector.

PURPOSE

The purpose of this report is to recommend revised sanitary sewer user fees, Sewer BOD/TSS/Flow rates and public sewer connection fees for 2005, and to recommend approval of changing the establishment of Sewer BOD/TSS/Flow rates at the beginning of each year, instead of mid year.

BACKGROUND

The City sewer system has two main components: the sanitary system collects wastewater from homes and business, while the storm system handles surface run off from properties in the City. The system delivers sanitary liquid waste to the treatment facilities operated by the Greater Vancouver Sewerage and Drainage District (GVS&DD).

The City recovers the costs of sewer system services, including regional treatment costs, through two vehicles. Costs of the sanitary sewer system have been recovered through Sewer Utility user fees since July 1, 2000, using water consumption as the proxy for consumption. Currently, about 48% of sewer system costs are recovered on this basis, either in the form of flat fees (residential properties) or metered fees (properties with water meters). The balance of the system costs, comprising infrastructure costs of sanitary sewer system and the entire storm sewer component are more closely related to lot size and system maintenance rather than consumption, and Council currently has not extended user fees to these costs. As a result, the balance of the system costs, about 52%, are recovered through the general purposes tax levy. However, a report on moving recovery of the balance of the sewer system costs from property tax levy to sewer fees will be presented to Council next spring.

DISCUSSION

1. 2004 Sewer Utility Status

It is projected that the Sewer Utility will have a surplus in 2004 of \$300,000, or 0.9% of total revenues. This surplus is attributed to higher metered sewer revenues due to higher than expected water usage (\$225,000), higher than expected BOD/TSS/Flow revenues (\$45,000), and an increase to the number of flat rated dwelling units due to growth (\$30,000). In accordance with past practice, the surplus will be transferred to the Sewer Stabilization Reserve which currently has a balance of \$3.8 million.

2. 2005 Sewer Budget and Rates

Table 1 - 2005 Operating Budget Projection

Description	2004 Budget	2005 Forecast	Increase (decrease)	% Change
(A) COSTS				
(I) GVS&DD Levies	\$36,755,500	\$36,460,000	(\$295,500)	(0.8%)
<i>City Debt Servicing Costs</i>	\$20,911,500	\$21,367,600	\$456,100	2.2%
<i>City Operating costs</i>	\$6,224,500	\$6,475,400	\$250,900	4.0%
(II) Total City Costs	\$27,136,000	\$27,843,000	\$707,000	2.6%
Total Sewer Costs (I) + (II)	\$63,891,500	\$64,303,000	\$411,500	0.6%
(B) REVENUES				
<u>Sewer Costs recovered from:</u>				
(a) BOD/TSS/Flow Charge	\$1,240,000	\$1,270,000	\$30,000	2.4%
(b) Billable Sewer Fees	\$30,367,200	\$30,658,700	\$291,500	1.0%
(c) Transfer to Sewer Reserve	(\$11,600)	(\$77,000)	(\$65,400)	Note 1
(d) General Tax Levies	\$32,295,900	\$32,451,300	\$155,400	0.5%
Total Cost Recovery	\$63,891,500	\$64,303,000	\$411,500	0.6%

Note 1: Transfer excess sewer fees due to rounding of flat rates up to the nearest dollar to Sewer Reserve

(A) COSTS

The City's sewer costs consist of two major cost components: GVS&DD levies and City costs. The preliminary bill from the GVS&DD indicates that their levies for Vancouver will decrease by 0.8% in 2005. 2005 City operating costs are based on projected inflation and other adjustments in maintenance budgets, and projected debt service costs related to capital program. Adjustments in maintenance budgets are attributed to an increase in funding of \$74,000 to cover an increased frequency for ditch cleaning in the Southlands area and to fund \$78,400 for an inspector position in the Environmental Protection Branch currently funded by the property taxes within Community Services. This position was allocated to the former office of the Environment (which has now been replaced by the Sustainability Office) mainly provides services to the Sewer Utility. Staff will be reporting back to Council on the cost of the Sustainability Office for the 2005 Operating Budget, which will be offset by the savings associated with transferring this position to the Utility. Overall, City sewer costs are anticipated to increase by 2.6%.

The combined GVS&DD levy and City sewer cost increases result in a projected 0.6% increase over 2004 budget levels.

(B) REVENUES

Based on the 2005 operating budget summarized above and on other factors that affect sewer user fees, including BOD/TSS/Flow treatment costs, overall and metered water consumption, and the projected number of residential dwelling units over which costs are allocated, key 2005 sewer fees are shown in Table 2 below. A full listing of 2005 sewer fees is detailed in Appendix 1.

Table 2 - 2005 Sewer Rates

Description	2004 Rates	2005 Rates	Inc (Dec)	% Change
<u>Metered rate per unit:</u>	\$0.955	\$0.963	\$0.008	0.8%
<u>Non metered (flat) rate:</u>				
Single Family Dwelling	\$157	\$158	\$1	0.6%
Extra Unit	\$55	\$56	\$1	1.8%
Duplex (each unit)	\$106	\$107	\$1	0.9%
Vacant Lot	\$89	\$90	\$1	1.1%

The higher percentage increase in some the non metered (flat) rates compared to the metered rate is mainly due to the rounding of flat rates up to the nearest dollar.

3. Sewer BOD/TSS/Flow Rates for 2005

BOD/TSS/Flow rates have been in the past, reviewed and established by Council in mid-year. To make budgeting and accounting of these fees easier for industry as well as the City, it is recommended that the rates be set along with all other sewer fees at year end for the next calendar year.

Based on projected treatment costs for BOD/TSS/Flow at the Iona Treatment Plant, GVS&DD staff have calculated Sewer BOD/TSS/Flow unit rates for 2005 as detailed in Appendix 3. Staff estimate that based on the proposed unit rates and industrial wastewater discharges and loadings, \$1.27 million will be recovered from permitted industrial users in 2005. This represents a 2.4% increase from 2004 budget.

4. Public Sewer Connection Rates for 2005

Connections to the City's sewer system (public sewer connections) are provided by the City through a cost-recovery program. Under the City Building By-law, new developments are required to pay for the renewal of the sewer and water connections servicing their property. Fees for this program are adjusted annually to reflect costs required to provide the services. Staff estimates that an increase of 2% will be required in 2005 to cover general inflation of items such as wages, materials and equipment rental costs.

5. "House Keeping" Amendment to the Sewer and Watercourse By-law

Staff propose an amendment be made to Part II: Special Defined Terms for Sewer Utility Rates to read "unit means 2,831.6 litres" instead of "unit means 2,832 litres". This change will ensure a higher level of accuracy in conversion of consumption for billing purposes and ensures that this definition in the Sewer and Watercourse By-law is consistent with the similar definition in the Water Works By-law.

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APPENDIX 1

2005 SEWER RATES

<i>Description*</i>	<i>2004 Rates</i>	<i>Recommended Rates - 2005</i>
<u><i>Metered Rates:</i></u>		
<i>a. Waste Discharge Permit User Rate</i>	<i>\$0.08464 / unit</i>	<i>\$0.08657 / unit</i>
<i>b. Metered Property Rate</i>	<i>\$0.955 / unit</i>	<i>\$0.963 / unit</i>
<u><i>Non Metered (flat rate):</i></u>		
<i>Single Family Dwelling</i>	<i>\$157</i>	<i>\$158</i>
<i>Single Family with suite</i>	<i>\$212</i>	<i>\$214</i>
<i>Duplex (per dwelling unit)</i>	<i>\$106</i>	<i>\$107</i>
<i>2 Services, 1 Lot</i>	<i>\$314</i>	<i>\$316</i>
<i>3 Services, 1 Lot</i>	<i>\$471</i>	<i>\$474</i>
<i>4 Services, 1 Lot</i>	<i>\$628</i>	<i>\$632</i>
<i>Parking Lot/ Garden</i>	<i>\$89</i>	<i>\$90</i>
<i>Vacant lot</i>	<i>\$89</i>	<i>\$90</i>
<i>Turned Off, 1 Service</i>	<i>\$89</i>	<i>\$90</i>
<i>Turned Off, 2 Services</i>	<i>\$89</i>	<i>\$90</i>
<i>Turned Off, 3 Services</i>	<i>\$89</i>	<i>\$90</i>

* As defined in the City's Sewer and Watercourse By-law No. 8093, and as set out in the table in Schedule "A", Parts "III", "IV" and "V".

APPENDIX 2

2005 SEWER CONNECTION RATES

<i>Description*</i>	<i>2004 Fee</i>	<i>Recommended Fee - 2005</i>
<i>Public Sewer Connection for One-Family or Two-Family Dwellings</i>	<i>\$5,468</i>	<i>\$5,578</i>
<i>Public Sewer Connection for other than One-Family and Two-Family Dwellings:</i>		
<i>4 inch/100 mm diameter</i>	<i>\$7,144</i>	<i>\$7,287</i>
<i>6 inch/150 mm diameter</i>	<i>\$8,622</i>	<i>\$8,794</i>
<i>8 inch/200 mm diameter</i>	<i>\$9,753</i>	<i>\$9,948</i>
<i>10 inch/250 mm diameter</i>	<i>\$11,253</i>	<i>\$11,478</i>
<i>12 inch/300 mm diameter</i>	<i>\$12,786</i>	<i>\$13,041</i>
<i>15 inch/375 mm diameter</i>	<i>\$14,297</i>	<i>\$14,583</i>
<i>Connections greater than 15 inch/375 mm diameter plus variable costs pursuant to Section 2.7(2) of Sewer and Watercourse By-law</i>	<i>\$14,297</i>	<i>\$14,583</i>
<i>New Fittings on a Twin Sewer</i>	<i>\$2,664</i>	<i>\$2,718</i>
<i>New Fittings on a Single Sewer</i>	<i>\$1,174</i>	<i>\$1,198</i>
<i>Inspection Fee for Connection to a Public Sewer</i>	<i>\$185</i>	<i>\$189</i>

* As defined in the City's Sewer and Watercourse By-law No. 8093, and as set out in the table in Schedule "A", Part "I" of the By-law.

APPENDIX 3

2005 SEWER BOD/TSS/FLOW RATES

Description*	2004 Rates	2005 Rates	Increase (decrease)
I) Usage-Based Rate:			
BOD Load Rate (per kilogram of BOD Load)	\$0.033	\$0.032	(\$0.001)
TSS Load Rate (per kilogram of TSS Load)	\$0.338	\$0.316	(\$0.022)
Flow Load Rate (per cubic metre of Flow)	\$0.036	\$0.037	\$0.001
II) GVS&DD Sewage Facility - Capacity Utilization Rate:			
BOD Load Rate (per Average BOD Load/Operating Day/per year)	\$3.368	\$3.640	\$0.272
TSS Load Rate (per Average TSS Load/Operating Day/per year)	\$24.443	\$26.417	\$1.974
Flow Load Rate (per Average Flow/Operating Day/per year)	\$31.187	\$31.414	\$0.227

* As defined in the City's Sewer and Watercourse By-law No. 8093, and as set out in the table "B", Part "II" of the By-law.