Supports Item No. 3
CS&B Committee Agenda
December 18, 2008

CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date:	December 18, 2008
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Meeting Date:	December 18, 2008

TO: Standing Committee on City Services and Budgets

FROM: General Manager of Engineering Services and General Manager of Business Planning and Services

SUBJECT: 2009 Sewer Rates and Changes to the Sanitary Sewer Utility

RECOMMENDATION

A(i) THAT Council approve the implementation of a flow-based charge that will fund all sanitary sewer infrastructure costs effective January 1, 2009, with 50% of the annual costs being distributed in the general purpose tax levy and the balance being distributed as user fees, resulting in a transfer of $5,200,000 from taxes to user fees in 2009, and THAT 100% of the costs be distributed as user fees beginning January 1, 2010.

A(ii) THAT Council approve the 2009 sanitary sewer user rates as detailed in this report, with metered rate increased by 13%, annual flat fees for single dwelling units increased by $16 (from $179 to $195), and other sanitary sewer user rates as set out in Appendix A .

B. THAT the 2009 public sewer connection fees included in the Sewer and Watercourse Bylaw as set out in Appendix A (Schedule A) be increased as follows:

- Public sewer connection fees for one or two family dwellings by 5%,
- Public sewer connection fees for properties other than one and two family dwellings by 5%, and
- Sewer connection inspection fees by 5%.

C. THAT 2009 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 A (Schedule B).

D. THAT the Director of Legal Services be instructed to bring forward for enactment all necessary amendments to the Sewer and Watercourse By-law generally in accordance with Appendix A.

GENERAL MANAGER'S COMMENTS

The General Manager of Engineering Services and the General Manager of Business Planning and Services RECOMMEND approval of A through D above.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of A through D above.

Should Council wish to continue to fund the sanitary infrastructure component to the Sewer Utility from property taxes rather than user fees, the following CONSIDERATIONS can replace A(i), A(ii) and D above.

A. THAT Council approve the 2009 sanitary sewer user rates as detailed in this report, with metered rate increased by 3%, annual flat fees for single dwelling units increased by $1 (from $179 to $180), and other sanitary sewer user rates as set out in Appendix B.

AND

D. THAT the Director of Legal Services be instructed to bring forward for enactment all necessary amendments to the Sewer and Watercourse By-law generally in accordance with Appendix B.

COUNCIL POLICY

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

On June 26, 2008, Council approved in principle the revised BOD/TSS/Flow Rates charged to Permitted Industries with implementation effective January 1, 2009.

On April 4, 2000, Council approved the implementation of user fees for sanitary sewer services effective July 1, 2000. On December 14, 2000, Council deferred implementation of the second phase of the sewer utility.

SUMMARY

For many years, the City has been working towards implementation of a full shift of sewer costs from the property tax to user fees. Prior to July 1, 2000 all of the costs related to the City's sewer system were funded from the general purposes property tax levy. On April 4, 2000, Council approved the implementation of user fees for sanitary sewer services to fund a portion of the sanitary sewer costs based on volume.

Currently, a portion of the costs for the sanitary sewer system, approximately $10.4 million per year, and all of the costs related to the storm system are funded from the general purposes property tax levy. These are the costs related to the infrastructure of the sewer systems, primarily the cost of debt associated with the Sewers Capital Plan.

This report recommends that the infrastructure costs related to the sanitary system be transferred from the property tax levy to be funded from user fees. This transfer would be a revenue-neutral change for the utility overall in that the reduction in property taxes would exactly offset the increase in user fees. The overall impact of these changes on individual property owners will depend on the assessed value of the property and, for metered users, their use of the sewer system. Single family dwellings are unmetered and thus pay flat annual fees for sewer and water. Shifting the remaining sanitary system costs to sewer fees will eliminate their dependence on assessed property values.

To mitigate the impacts for those users who experience an overall increase in cost, a phased implementation strategy is recommended.

The most important advantages of a shift from an assessment based system to a user fee based system are:

- that charging cost to users on the basis of sewage flow rather than on the basis of assessed property values brings more equity to the system and is more likely to influence the use of services, and
- that moving sanitary sewer costs from the property tax levy eliminates the shifting of costs among properties as a result of changes in the assessed value.

Although the 2000 report recommended that the storm component of the sewer system should also be shifted from the general purposes tax levy to a user-pay based system, staff are recommending that it continue to be funded from the general purposes property tax levy at this time.

The report also recommends general fee increases that incorporate the normal annual review of rates, proposed changes to the sanitary sewer system funding, and the revised rate structure for BOD/TSS/Flow fees (as approved in principle by Council in June 2008).

PURPOSE

The purpose of this report is to recommend revised sanitary sewer fees, Sewer BOD/TSS/Flow rates and public sewer connection fees for 2009 and to recommend that the entire sanitary sewer system be funded through sewer utility fees, with a two-year implementation period.

BACKGROUND

Current Sewer Utility Structure

The City sewer system has two main components, the sanitary system collects wastewater from homes and businesses, while the storm system handles surface run off from private and public property. The system delivers this liquid waste to the treatment facilities operated by the Greater Vancouver Sewerage and Drainage District (GVS&DD) and to stormwater outfalls along the City's waterfront.

The costs associated with the City's Sewer System were $71.3 million (budgeted) in 2008. Expenditures are comprised of three main components: City operating and maintenance costs, (9%), City debt charges (31%) and the levy charged by the GVS&DD for treatment (60%).

The Vancouver system was originally constructed as a combined system in which sanitary and storm flows are both collected in the same pipe system and are disposed of together through a treatment plant. The combined system is subject to overflows during heavy rainfall events. The City has recognized the disadvantages of a combined system and a long-term program to separate the components is well underway. The combined system also makes it more difficult to determine how the total sewer costs should be allocated between the two functions, but an allocation of costs has been developed based on a technical assessment of the system. This results in the sewer costs being collected from properties in three ways as summarized in Table 1.

Table 1
Summary of Sewer Utility Funding Sources

Source of Funds	Expenditure Funded	2008 Allocation
1. User Fees	Sanitary - Operating and Treatment Costs	$34.47 million
2. Special Discharge Fees for Permitted Industries (BOD/TSS/Flow Charges)	Treatment Costs	$1.25 million
3. Assessment-based Property Taxes	Sanitary Infrastructure and Storm Costs	$36.3 million
4. Sewer Rate Stabilization Reserve		($0.7) million
TOTAL		**$71.32 million**

Currently, all of the storm system costs are funded by assessment-based property taxes and only the infrastructure costs of the sanitary system are funded by taxes. The remaining portion of the sanitary system, the operating and treatment costs, are funded by user fees.

These user fees are collected in two ways; through metered rates which apply to multi-family, commercial and industrial users and through flat rates which apply to single-family residential properties which are typically unmetered.

The Transition to a User Fee Based Utility

The transition from assessment-based property tax charges for sewer services to user fees was first raised by the 1989 Municipal Taxation Commission. The Commission concluded that the city could benefit by increasing the diversity of its revenue sources and identified a self-funding Sewer Utility as the strongest option for reducing the dependence on property tax.

On September 12, 1995, Council approved the creation of a sewer utility and during 1997 the Citizen's Advisory Group on Property Taxation endorsed the underlying principles. On April 4, 2000, Council approved the introduction of the first phase of sewer user fees, specifically fees for flow-based components of the sewer system. Council also confirmed its support for the implementation of a user-pay based sewer utility that would include charges for sanitary and storm systems.

Before the implementation of sewer utility fees, sewer system costs were blended in with other City services recovered through the general property tax levy. When Council approved the implementation of sewer fees in 2000, a partial sewer utility was established and the operating costs of the sanitary sewer system were removed from general taxes. These costs, representing about 48% of the sewer system costs, have then been recovered through sewer user fees using water consumption as the proxy for sewage discharge. The remaining 52% of the sewer system costs, comprising the infrastructure costs of the sanitary sewer operation and the entire storm sewer system continue to be funded from the general tax levy.

On May 16, 2000 Council approved the creation of a Sewer Rate Stabilization Reserve. The reserve has several purposes. The reserve allows the revenues and expenditures in the Utility to be balanced each year, providing a mechanism to ensure actual results of the user fee supported portion does not impact on the Operating Budget. Any surpluses or shortfalls in revenue during a period are transferred to or from the fund. Second, the reserve provides a source of funding to assist Council to stabilize year over year changes in user fees over the long term. The current status and projections for the Reserve are provided later in this report.

BOD/TSS/Flow to Permitted Industries

In 2000 Council approved implementation of Biochemical Oxygen Demand/Total Suspended Solids/Flow charges for permitted industrial users. Permitted users are those industries that discharge more than 300 cubic meters of wastewater over a 30 day period. Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS) and flow discharged to the sewer system are the major cost drivers to build and operate sewage treatment plants. There are currently 51 companies in Vancouver that pay these charges.

At the time theses charges were implemented, Metro Vancouver developed fees that municipalities could choose to charge directly to the permitted industries. In Vancouver's case, the Metro Vancouver rates were not accurate as they did not account for the combined sewer system taking both storm and waste water to the Iona Sewage Treatment Plant. Therefore Vancouver staff developed a modified rates structure which has been used since 2000.

For several years, City staff and Metro Vancouver staff worked together to develop a more accurate rate structure that takes into account Vancouver's combined system. This structure, which was approved in principle by Council in June of 2008, results in fees that are consistent with what industries pay elsewhere in Metro Vancouver.

The new structure resulted in varying impacts on the permitted users. A written notification was sent to each permittee and they were given an opportunity to comment on the changes. Staff did not receive comments from any of the permitted industries.

Review of 2008 Sewer Budget

The GVS&DD levy and City Debt charges (related to capital works) comprise more than 91% of total expenditures of the sewer budget. The remainder of the expenditure budget is made up of operation, maintenance, and administration of the City's Sewer system. Table 2 summarizes the 2008 Sewer Operating Budget and projected year-end results.

On the expenditure side, staff are projecting an under-expenditure of $764,483 (1.1% of total sewer costs). This is attributable to a lower than anticipated interest rate on the City's debt.

Revenues are projected to be more than budgeted. Metered revenues were lower than expected in 2007 and the budget for 2008 was set in anticipation of a continuation of the lower than expected usage. While water usage in general is decreasing over time, the metered water usage did not decline in 2008.

Due to higher than budgeted revenues and lower than budgeted expenditures, the projected transfer to the Sewer Rate Stabilization Reserve has been revised to $1.5 million from $0.7 million.

Table 2
2008 Budget and Projected Year-End Results

	2008 Budget Final	2008 Projected Year-End	Over (Under)
(A) Expenditures			
Operating and Maintenance	$ 6,372,835	$ 6,436,600	$ 63,765
Sewer Debt Charges	$ 22,301,900	$ 21,467,800	$ (834,100)
GVS&DD Levy	$ 42,671,548	$ 42,677,400	$ 5,852
Total Expenditures	**$ 71,346,283**	**$ 70,581,800**	**$ (764,483)**
(B) Revenues			
BOD/TSS/Flow Revenues	$ 1,250,000	$ 1,210,000	$ (40,000)
Funded by Sewer User Fees	$ 34,469,659	$ 34,910,800	$ 441,141
Funded by General Property Taxes	$ 36,307,965	$ 35,991,600	$ (316,365)
Transfer (to)/from Sewer Stabilization Reserve	$ (681,341)	$ (1,530,600)	$ (849,259)
Total Revenues	**$ 71,346,283**	**$ 70,581,800**	**$ (764,483)**
Sewer User Fees Details:			
Sewer Fees - Flat Rate	$ 15,036,300	$ 14,861,200	$ (175,100)
Sewer Fees - Metered	$ 19,726,700	$ 20,279,900	$ 553,200
Industrial Waste Water Fees	$ 158,200	$ 142,500	$ (15,700)
	$ 34,921,200	**$ 35,283,600**	**$ 362,400**
Less: Sewer Billing and Admin Costs	$ 451,541	$ 372,800	$ (78,741)
Net Funding from Sewer User Fees	**$ 34,469,659**	**$ 34,910,800**	**$ 441,141**

DISCUSSION

Review of the First Phase of Utility Implementation

Since the implementation of Sewer Utility Fees in 2000, the City has allocated about 48% ($34.5 million in 2008 budget dollars) of the sewer system costs to the utility. The shift of these costs from general purpose taxes to a separate user fee have allowed the City to lessen the impact of increasing GVS&DD levies on the general purpose property tax rates in the past few years. Over the last 10 years, GVS&DD costs have been increasing at an average rate of 4.6%, exceeding inflation for the same period. These increases are expected to escalate over the next decade as secondary treatment upgrades are implemented for Vancouver and the North Shore.

Sanitary sewer system costs are recovered using water consumption as the proxy for sewage discharge. Most single family residences are billed a flat fee based on average consumption for these properties. All other properties are metered for water consumption and pay sewer user fees based on that consumption. Since not all of the water consumed finds its way to the sewer system, an estimate of 85% of actual water consumption is assumed in setting sewer rates. This cost recovery structure has been accepted by the general public and has been viewed as more equitable than the former assessment based system since the user fees can be related to the impact of each property on the sewer system, rather than to its assessed value. While the proxy is not a perfect indicator of each property's impact on the sewer system, it does represent significant improvement in addressing equity, and strikes a balance between equity and extra administrative complexity and cost.

Other benefits realized under the sewer utility structure are:

- The charge based on sewage flow is visible to taxpayers, and therefore helps to encourage water conservation, which in turn reduces the amount of sewage generated for treatment;

- A separate charge increases the public's awareness of which services they are receiving from the City for their tax dollars and utility fees; and

- Tax-exempt properties that previously did not pay for the sewer services are paying their share of sanitary sewer services.

Implementing the Next Phase of the Sewer Utility

In preparation for this report, staff reviewed the practices of a number of municipalities in the Lower Mainland and across North America. Sanitary sewer utilities are quite common across Canada and the United States. Many of the municipalities reviewed use water consumption as the basis for estimating sewer use.

Storm sewer utilities were less common in Canada. Of the American cities that had implemented storm fees, lot size and property characteristics such as impervious area were the most common basis for the fees.

Using water consumption to estimate sewage discharge is a widely accepted method for charging sanitary sewer fees and it is much simpler and less costly to administer than other

methods. Staff are therefore recommending that the capital costs for the sanitary sewer system should also be allocated to user fees, and that the current method of using water consumption to estimate sewer flows also be used to collect these funds. This is consistent with the practice utilized in the water utility where capital costs are recovered through user fees.

This would mean that no new fees would be introduced; rather the current flow-based fees would be increased and assessment-based taxes would be decreased. Capital costs for the storm system would continue to be funded from the general purpose tax levy for the foreseeable future.

FINANCIAL IMPLICATIONS

Calculation of the 2009 Sewer Rates – Without Utility Change: Recommendation B

In order to show the change to the 2009 rates after shifting the sanitary infrastructure costs to fees, the 2009 rates have been calculated using the same method that has been used since July 2000. This 'status quo' scenario can then be compared to the proposed fees that result if the recommended changes to the utility are implemented.

On November 27, 2007, Council directed staff to change the 2008 Sewer Budget and rates to take into account estimated savings that had occurred during the 2007 work stoppage. Table 3 shows the 2008 final budget and rates after the adjustments were made as well as the budget and rates that were proposed to Council in the original report (Council Report 0627). This information is included in order to make a fair comparison of the proposed changes as the reduction did not apply to 2008 expenditures. All percentage comparisons refer to the budget prior to the strike savings adjustment.

Overall, expenditures and revenue increased by only 2%, which has been made possible by a decrease in the sewer debt charges. Without the structural changes to the Utility recommended in this report, flat fees would actually decrease slightly ($1) in 2009 from the 2008 fees (without strike savings) and metered fees would increase by 3%, slightly more than the overall increase.

Table 3
2008 and 2009 Budgets
Status Quo

	2008 Budget Final	2008 Budget Before Strike Savings Adjustment	2009 Budget: Status Quo	% Change
(A) Expenditures				
Operating and Maintenance	6,372,835	6,487,900	7,269,100	12%
Sewer Debt Charges	22,301,900	22,301,900	21,471,400	(4%)
GVS&DD Levy	42,671,548	42,566,100	44,317,900	4%
Total Expenditures	**$71,346,283**	**$71,355,900**	**$73,058,400**	**2 %**
(B) Revenues				
BOD/TSS/Flow Revenues*	1,250,000	1,250,000	1,600,000	28%
Funded by Sewer User Fees	34,469,659	34,863,900	35,494,500	2%
Funded by General Property Taxes	36,307,965	36,314,900	37,015,500	2%
Transfer (to)/from Reserve	(681,341)	(1,072,900)	(1,051,600)	(2%)
Total Revenues	**$71,346,283**	**$71,355,900**	**$73,058,400**	**2%**
Sewer User Fees Details:				
Sewer Fees - Flat Rate	15,036,300	15,205,700	15,117,400	(1%)
Sewer Fees - Metered	19,726,700	19,947,000	20,702,600	4%
Industrial Waste Water Fees	158,200	160,000	150,100	(6%)
	34,921,200	**35,312,700**	**35,970,100**	**2%**
Less: Sewer Billing and Admin Costs	451,541	448,800	475,600	6%
Net Funding from Sewer User Fees	**$34,469,659**	**$34,863,900**	**$35,494,500**	**2%**
Rates:				
Flat Rates	$179	$181	$180	**(1 %)**
Metered Rates	$1.103	$1.115	$1.144	**3%**
Industrial Waste Water Fees	$0.10156	$0.10270	$0.10563	**3%**

2009 Rates – With Utility Changes

The proposed restructuring of Sewer Utility costs would see approximately $10.4 million of assessment based property tax charges replaced with the same amount of user fees distributed on the basis of sewer flows (consumption). In effect, the property tax levy would be reduced by $10.4 million representing a reduction of approximately 2% with this reduction distributed across all classes of property based on the current distribution of the levy. For example the residential property class currently pays approximately 48% of the tax levy so 48% of the proposed reduction would be removed from this class. In its place, user fees, including both flat fees and metered fees would be adjusted to offset the foregone property tax revenue and would be billed to individual sewer utility customers.

Although revenue-neutral, the proposed structural changes to the Sewer Utility will result in shifts among individual properties as follows:

- from properties with higher assessed values to those with lower assessed values (reflecting the impact of the tax reduction due to unburdening sanitary infrastructure costs from the general purposes levy), and
- from properties with lower sewage flows to those with higher sewage flows (based on water consumption)

Metered and unmetered properties will be affected as follows:

- for residential properties on flat rates for water consumption, the shifts will be driven by property value since each property will be charged the same flat fee for sanitary sewer use compared to the property tax charges currently based on assessed value.
- for residential and non-residential properties with water meters, the shifts will be driven by both the assessed value and water consumption.

If this proposed shift from the general purpose tax levy to fees was implemented in one year with no adjustments to mitigate the impacts, the budget and rates would be as shown in Table 4.

Table 4
Full Implementation in 2009 with No Adjustments

	2008 Budget Before Strike Savings Adjustment	2009 Full Implementation (Sanitary)	% Change
(A) Expenditures			
Operating and Maintenance	6,487,900	7,269,100	12%
Sewer Debt Charges	22,301,900	21,471,400	(4%)
GVS&DD Levy	42,566,100	44,317,900	4%
Total Expenditures	**$71,355,900**	**$73,058,400**	**2%**
(B) Revenues			
BOD/TSS/Flow Revenues	1,250,000	1,600,000	28%
Funded by Sewer User Fees	34,863,900	44,922,400	29%
Funded by General Property Taxes	36,314,900	26,582,500	(27%)
Transfer (to)/from Reserve	(1,072,900)	(46,500)	-96%
Total Revenues	**$71,355,900**	**$73,058,400**	**2%**
Sewer User Fees Details:			
Sewer Fees - Flat Rate	15,205,700	18,898,000	24%
Sewer Fees - Metered	19,947,000	25,904,800	30%
Industrial Waste Water Fees	160,000	595,200	272%
	35,312,700	**45,398,000**	**29%**
Less: Sewer Billing and Admin Costs	448,800	475,600	6%
Net Funding from Sewer User Fees	**$34,863,900**	**$44,922,400**	**29%**
Rates:			
Flat Rates	$181	$225	24%
Metered Rates	$1.115	$1.431	28%
Industrial Waste Water Fees	$0.10270	$0.41878	308%

The flat rate would increase by $44 for all single family dwellings regardless of assessed value. The tax decrease would depend on the assessed value of the home. The higher the assessed value of the dwelling is, the greater the savings. Some examples of the impact are shown in Table 5.

Table 5
Impact on Sample Residential (Class 1) Properties
with No Phasing or Adjustments

2008 Taxable Value	$ Change in Taxes	Change in Flat Rate	Overall Impact
350,000	(15.33)	44.00	28.67
500,000	(21.90)	44.00	22.1
750,000	(32.84)	44.00	11.16
900,000	(39.41)	44.00	4.59
1,250,000	(54.74)	44.00	(10.74)
2,000,000	(87.58)	44.00	(43.58)

Residential properties with meters would show the same reductions in taxes; however their overall impact would depend on their water usage.

For commercial properties, the reduction in taxes would be significantly greater. The overall impact would depend on their water usage.

The largest impact would be to the permitted industrial customers, because of the change to the Industrial Waste Water Fees. There has been a long standing under-allocation of costs to these users. The immediate impact of correcting this would be substantial, suggesting that a phased implementation strategy would be appropriate.

Phased Implementation – with Transfers from the Stabilization Reserve: Recommendation A(i) and A(ii)

While staff believe that the utility changes represent a more equitable approach to assessing sanitary sewer costs, the financial impact may be too great for some users if implemented in one year. Staff are proposing phasing the utility changes over two years and are proposing other measures to mitigate the impacts: firstly, transfers from the Sewer Rates Stabilization Reserve in 2009 and 2010 and secondly, a phased approach to modifying the Industrial Waste Water Fees. Both are discussed in more detail below.

The first measure is a transfer of $1 million from the Reserve in 2009 and $1 million in 2010. This measure would assist in stabilizing the rates to all users of the system. The Sewer Rates Stabilization Reserve was established in 2000 with the introduction of user fees. One purpose of the Reserve is to ensure that cost fluctuations do not result in excessive rate fluctuations. The Reserve currently has a balance of $7.3 million with a predicted transfer to Reserve in 2008 of an additional $1.5 million. Although there is no specific Council policy specifying a minimum balance in the Reserve, staff have managed the reserve with a target balance of 7.5% of water purchase costs – the same as the water utility and the primary uncontrolled variable in the Utility cost structure. This suggests a target balance in the reserve of approximately $4 million sufficient to mitigate future cost fluctuations.

The second measure staff recommend is to mitigate the substantial impact on the permitted industries by phasing the implementation of the changes to the Industrial Waste Water Fees over two years. This would allow time for these users to adjust to the new rates.

Table 6 shows the 2009 budget that results if half of the sanitary infrastructure costs ($5.2 million) are shifted from the general purpose tax levy to fees. This table includes the measures mentioned above.

Table 6
Phased Implementation of Sanitary Sewer Utility
(with recommended adjustments)

	2008 Budget Before Strike Savings Adjustment	2009 Phased Implementation (Sanitary)	% Change
(A) Expenditures			
Operating and Maintenance	6,487,900	7,269,100	12%
Sewer Debt Charges	22,301,900	21,471,400	(4%)
GVS&DD Levy	42,566,100	44,317,900	4%
Total Expenditures	**$71,355,900**	**$73,058,400**	**2%**
(B) Revenues			
BOD/TSS/Flow Revenues	1,250,000	1,600,000	28%
Funded by Sewer User Fees	34,863,900	38,667,900	11%
Funded by General Property Taxes	36,314,900	31,799,000	(12%)
Transfer (to)/from Reserve	(1,072,900)	991,500	(192%)
Total Revenues	**$71,355,900**	**$73,058,400**	**2%**
Sewer User Fees Details:			
Sewer Fees - Flat Rate	15,205,700	16,384,100	8%
Sewer Fees - Metered	19,947,000	22,502,600	13%
Industrial Waste Water Fees	160,000	256,800	61%
	35,312,700	**39,143,500**	**11%**
Less: Sewer Billing and Admin Costs	448,800	475,600	6%
Net Funding from Sewer User Fees	**$34,863,900**	**$38,667,900**	**11%**
Rates:			
Flat Rates	**$181**	**$195**	**8%**
Metered Rates	$1.115	$1.243	11%
Industrial Waste Water Fees	$0.10270	$0.18069	76%

The flat rate would increase by $14 for all single family dwellings regardless of assessed value. However, the impact on single family dwelling would be reduced or eliminated in the first year by the offsetting tax reductions as shown in Table 7.

Table 7
Phased Implementation
Impact on Sample Properties (2009, with Adjustments)

2008 Taxable Value	$ Change in Taxes	Change in Flat Rate*	Overall Impact
350,000	(7.67)	14.00	6.33
500,000	(10.95)	14.00	3.05
750,000	(16.42)	14.00	(2.42)
900,000,	(19.71)	14.00	(5.71)
1,250,000	(27.37)	14.00	(13.37)
2,000,000	(43.79)	14.00	(29.79)

* These figures are based on the flat rate prior to the $2 adjustment for strike savings, the actual change in the flat rate would be $16.

Impact in 2010 and 2011

Staff are recommending phased implementation which would see all of the sanitary system infrastructure costs reallocated to sewer fees after two years. Additionally, the full effect of the increase in Industrial Waste Water Fees would be realized in 2010. Staff are recommending that an additional $1 million be transferred from the Sewer Rates Stabilization Reserve in 2010. The expected increase in 2010 would be approximately $25 on the residential flat fee and there would be an additional tax reduction similar to that in 2009.

In 2011, there would be no further change in taxes, and the remaining fee increase ($5 for flat rate properties) would be implemented. No transfer from the Reserve would be anticipated in 2011.

CONCLUSION

The City has been working towards implementation of user fees for sewer services for many years. Staff are recommending a revenue-neutral reallocation that would create a full sanitary sewer utility by 2010. This is a widely accepted method reducing dependence on property tax.

Sewer fees are also a more equitable way to charge for sewer services as they are based on the use of sewer services rather than assessed property values. By utilizing a phased approach, with assistance from the Sewer Rates Stabilization Reserve, the overall impact of these changes can be mitigated.

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Sewers and Watercourse By-Law No. 8093
Schedules of Rates for 2009
(with comparable rates for 2008)

Schedule A

Part I	**Sewer Connection Flat Rates**		
		2008	**Proposed 2009**
1.	Public Sewer Connection, for One-Family or Two-Family Dwellings	$ 6,958	$ 7,306
2.	Public Sewer Connection, other than One-Family or Two-Family Dwellings		
a)	4 inch/100 mm diameter	$ 9,678	$10,162
b)	6 inch/150 mm diameter	$11,681	$12,265
c)	8 inch/200 mm diameter	$13,214	$13,875
d)	10 inch/250 mm diameter	$15,245	$16,007
e)	12 inch/300 mm diameter	$17,322	$18,188
f)	15 inch/375 mm diameter	$19,370	$20,339
g)	Greater than 15 inch/375 mm diameter pursuant to Sentence 2.7 of Sewer and Watercourse By-law	$19,370	$20,339
h)	Manhole installation in conjunction with a public sewer connection pursuant to Sentence 2.7 (3) of Sewer and Watercourse By-law	At Cost pursuant to Sentence 2.7 (3)	
3.	Where a public sewer connection will be placed more than 5 feet below the ground elevation, taken to the nearest foot and measured at the centre line of the street or lane as determined by the City Engineer, the fees payable shall be an amount equivalent to an increase of 10%, for each additional foot below 5 feet, of the fee otherwise payable by section 1 or 2 above.		
4.	New fitting on a twin sewer pursuant to Sentence 2.7 (4)	$ 3,610	$ 3,791
5.	New fitting on a single sewer pursuant to Sentence 2.7 (4)	$ 1,591	$ 1,671
6.	Inspection of a plumbing system, subsoil drainage pipes and a building sewer	$ 227	$ 238

Part III	**Flat Rates for Unmetered Property**		
		2008	**Proposed 2009**
Single Family Dwelling		$ 179	$ 195
Single Family Dwelling with Suite		$ 242	$ 264
Strata Duplex (per dwelling unit)		$ 121	$ 132
2 Services, 1 Lot		$ 258	$ 390
3 Services, 1 Lot		$ 537	$ 585
4 Services, 1 Lot		$ 716	$ 780
Parking Lot/Garden		$ 102	$ 111

Part IV	**Flat Rates for Other Property or Shut Off Water Service**	
	2008	**Proposed 2009**
Other Property	$ 102	$ 111
Turned Off, 1 Service	$ 102	$ 111
Turned Off, 2 Services	$ 102	$ 111
Turned Off, 3 Services	$ 102	$ 111
Part V		
Minimum Charge	$ 7.50	$ 8.45
Metered Property Rate	$ 1.103	$ 1.243
Waste Discharge Permit User Rate	$ 0.10156	$ 0.18069

Schedule B

Part II	**BOD/TSS/Flow Rates**	
	2008	**Proposed 2009**
A. Usage-Based Rate:		
BOD Load Rate (per kilogram of BOD Load)	$ 0.040	$ 0.047
TSS Load Rate (per kilogram of TSS Load)	$ 0.36	$ 0.394
Flow Rate (per cubic metre of Flow)	$ 0.048	$ 0.059
B. GVS&DD Sewage Facility – Capacity Utilization Rate:		
BOD Load Capacity Utilization Rate (per Average BOD Load/Operating Day/ per year)	$ 3.28	$ 43.40
TSS Load Capacity Utilization Rate (per Average TSS Load/Operating Day/ per year)	$ 23.80	$ 47.14
Flow Load Capacity Utilization Rate (per Average Flow/Operating Day/ per year)	$ 28.047	$ 18.85

Sewers and Watercourse By-Law No. 8093
Schedules of Rates for 2009
(with comparable rates for 2008)

Schedule A

Part I	**Sewer Connection Flat Rates**		
		2008	**Proposed 2009**
1.	Public Sewer Connection, for One-Family or Two-Family Dwellings	$ 6,958	$ 7,306
2.	Public Sewer Connection, other than One-Family or Two-Family Dwellings		
a)	4 inch/100 mm diameter	$ 9,678	$10,162
b)	6 inch/150 mm diameter	$11,681	$12,265
c)	8 inch/200 mm diameter	$13,214	$13,875
d)	10 inch/250 mm diameter	$15,245	$16,007
e)	12 inch/300 mm diameter	$17,322	$18,188
f)	15 inch/375 mm diameter	$19,370	$20,339
g)	Greater than 15 inch/375 mm diameter pursuant to Sentence 2.7 of Sewer and Watercourse By-law	$19,370	$20,339
h)	Manhole installation in conjunction with a public sewer connection pursuant to Sentence 2.7 (3) of Sewer and Watercourse By-law	At Cost pursuant to Sentence 2.7 (3)	
3.	Where a public sewer connection will be placed more than 5 feet below the ground elevation, taken to the nearest foot and measured at the centre line of the street or lane as determined by the City Engineer, the fees payable shall be an amount equivalent to an increase of 10%, for each additional foot below 5 feet, of the fee otherwise payable by section 1 or 2 above.		
4.	New fitting on a twin sewer pursuant to Sentence 2.7 (4)	$ 3,610	$ 3,791
5.	New fitting on a single sewer pursuant to Sentence 2.7 (4)	$ 1,591	$ 1,671
6.	Inspection of a plumbing system, subsoil drainage pipes and a building sewer	$ 227	$ 238

Part III	**Flat Rates for Unmetered Property**	
	2008	**Proposed 2009**
Single Family Dwelling	$ 179	$ 180
Single Family Dwelling with Suite	$ 242	$ 243
Strata Duplex (per dwelling unit)	$ 121	$ 122
2 Services, 1 Lot	$ 358	$ 360
3 Services, 1 Lot	$ 537	$ 540
4 Services, 1 Lot	$ 716	$ 720
Parking Lot/Garden	$ 102	$ 102

Part IV	**Flat Rates for Other Property or Shut Off Water Service**	
	2008	**Proposed 2009**
Other Property	$ 102	$ 102
Turned Off, 1 Service	$ 102	$ 102
Turned Off, 2 Services	$ 102	$ 102
Turned Off, 3 Services	$ 102	$ 102
Part V		
Minimum Charge	$ 7.50	$ 7.78
Metered Property Rate	$ 1.103	$ 1.144
Waste Discharge Permit User Rate	$ 0.10156	$ 0.10563

Schedule B

Part II	**BOD/TSS/Flow Rates**	
	2008	**Proposed 2009**
A. Usage-Based Rate:		
BOD Load Rate (per kilogram of BOD Load)	$ 0.040	$ 0.047
TSS Load Rate (per kilogram of TSS Load)	$ 0.36	$ 0.394
Flow Rate (per cubic metre of Flow)	$ 0.048	$ 0.059
B. GVS&DD Sewage Facility – Capacity Utilization Rate:		
BOD Load Capacity Utilization Rate (per Average BOD Load/Operating Day/ per year)	$ 3.28	$ 43.40
TSS Load Capacity Utilization Rate (per Average TSS Load/Operating Day/ per year)	$ 23.80	$ 47.14
Flow Load Capacity Utilization Rate (per Average Flow/Operating Day/ per year)	$ 28.047	$ 18.85