



CITY OF VANCOUVER

A7

ADMINISTRATIVE REPORT

Report Date: November 17, 2009
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Meeting Date: December 1, 2009

TO: Vancouver City Council

FROM: General Manager of Engineering Services

SUBJECT: Annual Review of Water Rates for 2010 under the Water Works By-law and Miscellaneous Amendments

RECOMMENDATION

- A. THAT Council approve an increase of 10.0%, as detailed in this report and as set out in Appendix B, to the following fees under the Water Works By-law:
- Flat rate annual consumption fees for single family dwelling units (increase from \$379 to \$417) (Schedule "B"),
 - Other flat rate water service charges for single family dwelling unit with suite and each strata title duplex (Schedule "B"),
 - Charges for metered water service (Schedule "D"), and
 - Charges for temporary water service during construction (Schedule "F")
- B. THAT fees for other services included in the Water Works By-law be increased by 4% as follows:
- Flat rate water connection fees for single family and two family dwellings (Schedule "A") ,
 - Flat rate water connection fees for properties other than single family and two family dwellings (Schedule "A") and service pipe removal fees (Schedule "A.1"),
 - Meter service charge (Schedule "E") and fees for installation of water meters (Schedule "G").
- C. THAT the Director of Legal Services be instructed to bring forward for enactment amendments to the Water Works By-law, substantially as set out in Appendix A and B, to give effect to recommendations A and B of this report.

GENERAL MANAGER'S COMMENTS

The General Manager of Engineering Services RECOMMENDS approval of A through C.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of A through C above.

COUNCIL POLICY

Water rates for both metered and non-metered customers are specified in the Schedules of Rates and Charges included in the Water Works By-law. These schedules are updated annually by Council.

PURPOSE

The purpose of this report is to recommend increases in water charges for 2010.

BACKGROUND

The waterworks distribution system of the City of Vancouver operates as a Utility. Utility operating costs and debt charges are combined with the cost of water purchased from the Metro Vancouver supply system and are recovered through charges to system users. The Utility uses a Water Rate Stabilization Reserve to balance revenues and expenditures each year.

The cost of purchasing water from Metro Vancouver has increased annually from 12% to over 19% in the last three years, 11.9% in 2010, and an anticipated 9.7% to 17.8% in the next three years. These costs are a result of regional capital water quality initiatives - primarily the new Seymour-Capital Filtration project. The Seymour-Capital filtration plant is now complete, however, delays to the associated twin tunnel project between Capilano and Seymour reservoirs have resulted in increased construction costs and therefore continued forecasted increases in regional water rates over the next few years

DISCUSSION**1. 2010 Waterworks Operating Budget**

Table 1 summarizes the anticipated operating budget for the Water Utility for 2010. The table includes estimates of City operating and debt costs as well as the costs of purchasing water from Metro Vancouver.

**Table 1
2009 and 2010 Water Budget**

	2009 Budget	2010 Proposed Budget	Inc/(Dec)	%
<u>Expenditures</u>				
Water Purchases (GVWD)	55,733,400	61,753,500	6,020,100	10.8%
Debt Charges	18,944,700	17,647,100	(1,297,600)	-6.8%
Operating and Maintenance	10,483,559	10,754,100	207,541	2.6%
Water Rates Billing	722,034	681,700	(40,334)	-5.6%
Total Expenditures	85,883,693	90,836,400	4,960,707	5.8%
<u>Revenues</u>				
Flat Rate Revenues	31,687,400	34,934,200	3,246,800	10.2%
Metered Rate Revenues	44,450,100	47,466,700	3,016,600	6.8%
Meter Service Charges	2,724,100	2,805,800	81,700	3.0%
Flat Rate Fire Line Charges	1,722,000	2,140,000	418,000	24.0%
Other Revenues	3,000	3,000	-	0.0%
Subtotal from Revenues	80,586,600	87,349,700	6,763,100	8.4%
Transfer from/(to) Reserve	5,297,093	3,486,700		
Total Revenues	85,883,693	90,836,400	4,952,707	5.8%

Expenditures

Water purchase costs continue to be the most significant cost driver in the Water Utility. Metro Vancouver has recommended an increase in its water rate of 11.9% for 2010, however a 1% anticipated decrease in water consumption will mitigate the increase to 10.8%.

The 2010 debt charges, which arise from the waterworks capital program, are expected to be 6.8% (\$1.3 million) lower than the 2009 budget amount. The decrease in debt charges will help offset some of the water costs increase and brings the overall 2010 expenditures increase to 5.8%.

Operating, maintenance, and billing expenditures, making up about 13% of the utility budget, are estimated to increase by 2.1% overall, from the 2009 budget level based on corporate budget inflationary guidelines.

Revenues

Based on the projected water consumption and the projected cost increases, utilizing approximately \$3.5 million from the Water Rate Stabilization Reserve will allow the Water Utility to hold its water rate increase to 10.0% in 2010. This increase will bring the flat water fee for residential properties to \$417, up from \$379 in 2009. Rates for metered properties will also increase by approximately 10.0% over the 2009 levels. A five-year forecast of the Water Rate Stabilization Reserve is provided in the next section.

The annual budget increases in the Flat Fee Fire Line Charges have not kept pace with the annual increases in revenue and therefore a significant budget increase is recommended in 2010 to catch up with growth in actual revenues.

The proposed fees are included in Appendix B.

2. Water Rates Stabilization Reserve

The Water Utility uses the Water Rates Stabilization Reserve to mitigate year-over-year increases in water rates, and balance year-end differences between budgeted and actual revenues. This strategy has been particularly effective in keeping increases in the City's water rates in the 5.5% to 7.5% range during the period in which the cost of water purchased from the region has been increasing between 9.9% and 19.7% per year.

The target balance of the waterworks rate stabilization reserve has been at 7.5% of water purchase costs for many years. This level of reserve funding has been found to be adequate to protect against fluctuations in water consumption and/or unanticipated costs in any given year. Several years ago, in anticipation of the significant capital costs of the Seymour/Capilano water filtration project the City began to increase rates to build the size of the reserve. In this way the reserve was used to smooth the impact of this substantial project on our customers. The impact of the filtration project has been greater than anticipated because of the contractual difficulties and cost overruns that Metro Vancouver has experienced on the tunnelling portion of this project. As a result, rates are forecast to continue to increase by double digit percentages, as well as drawing down the reserve through 2010 to 2013. In the absence of any new substantial capital projects beyond 2013, rates should then stabilize and the reserve will return to its historical 7.5% range.

On the assumption of a 10.0% rate increase in 2010, Table 2 projects City water rate increases from 2010 through 2015. By using the Water Rates Stabilization Reserve, it is anticipated that increases to users during this period can be held at approximately 10-13% over the next three years.

Table 2
Forecast of Water Rate Stabilization Reserve

	2010	2011	2012	2013	2014
Projected GVWD Water Rate	\$0.4955	\$0.5839	\$0.6407	\$0.7093	\$0.7556
(\$ per cubic meter)					
% Increase	11.90%	17.80%	9.70%	10.70%	6.50%
Anticipated Change in City Water Rate	10.00%	13.00%	11.00%	9.00%	8.00%
Water Rate Stabilization Reserve					
Reserve Balance Beg. of Year (\$ millions)	\$16.38	\$12.92	\$9.14	\$7.36	\$6.24
Operating Surplus / (Deficit) (\$ millions)	(3.46)	(3.78)	(1.78)	(1.12)	0.86
Reserve Balance End of Year (\$ millions)	\$12.92	\$9.14	\$7.36	\$6.24	\$7.10
% of Water Purchase Costs	20.92%	12.56%	9.29%	7.15%	7.66%

Sensitivity analysis has indicated that success in achieving the result indicated above will depend on the region completing its capital program and the GVWD translating those costs to water rates as currently projected in their report, Financial Projections for 2010 to 2014. This reserve forecast will also depend on the cost of future capital works undertaken by the City and the associated cost of borrowing for capital works, as well as annual operating costs. If there are changes to these projections, City water rates will have to be adjusted appropriately to manage the reserve.

3. Connection Fees and Other Water Fees and Charges

In addition to consumption based charges, the Water Works By-law includes fees and charges for a variety of services provided by the Water Utility, including service connection fees, service removal fees, unmetered fire service fees and meter installation and service charges. These are detailed in Schedules A, A.1, C, E, G, H and I of the by-law.

It is recommended that the following fee adjustments be approved:

- 4% increase for flat rate connection fees, removal fees and flat service charges for unmetered fire service pipes. This increase is required to cover general inflationary increases in wages, equipment rental and materials. This figure is required to maintain full cost recovery for these services.
- 4% increase in meter service charge (Schedule E) and fees for installation of water meters (Schedule G) to cover general inflationary increases in wages, equipment rental and materials. This figure is required to maintain full cost recovery for these services.

4. Provincial Harmonized Sales Tax

It should be noted that fees collected under the Water Works By-law are not subject to GST and thus would not be impacted by the introduction of the Provincial Harmonized Sales Tax (HST) when it comes into effect on July 1, 2010.

The proposed fees are included in Appendix B.

CONCLUSION

Rates for water consumption and services are adjusted annually to offset cost increases in the water utility, including operating and debt charge costs and the costs of purchasing water from Metro Vancouver. Based on a review of the waterworks costs for 2010, it is recommended that water consumption based fees be increased by approximately 10.0% and service and connection fees be increased by 4%, as described in this report.

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Proposed By-Law 4848 Revisions for 2010

Proposed Amendments

Section 3A

Heading (b)

Delete "ductible" and replace with "ductile"

Water Works By-Law No. 4848
Schedules of Rates and Charges for 2010
(with comparable rates for 2009)

Recommended Fee Adjustments		
Water rate increase	10.00%	Applicable to Schedule B, D & F
SF & Two-Family Dwellings Connection Fee Increase	4.00%	Applicable to Schedule A, A.1 and C
Other Connection Fee Increase	4.00%	Applicable to Schedule A, A.1 and C
Meter Service Fee Increase	4.00%	Applicable to Schedule C, E & G

Schedule A: Flat Rate Connection Fees

<i>Service Pipe Size</i>	2009	Proposed 2010
<u>Single-Family & Two-Family Dwellings</u>		
20 mm (3/4")	\$3,377	\$3,512
25 mm (1")	\$3,513	\$3,654
40 mm (1 1/2")	\$4,051	\$4,213
50 mm (2")	\$4,051	\$4,213
<u>Other Connections</u>		
20 mm (3/4")	\$7,194	\$7,482
25 mm (1")	\$7,485	\$7,784
40 mm (1 1/2")	\$8,637	\$8,982
50 mm (2")	\$8,637	\$8,982
100 mm (4")	\$12,487	\$12,986
150 mm (6")	\$15,444	\$16,062
200 mm (8")	\$16,865	\$17,540
300 mm (12")	\$23,734	\$24,683

Schedule A.1: Removal Fees

<i>Service Pipe Size</i>	2009	Proposed 2010
20mm (3/4") to 50mm (2") inclusive	\$904	\$940
100mm (4") to 300mm (12") inclusive	\$2,711	\$2,819

Schedule B: Flat Service Charges for Residential Properties

	2009	Proposed 2010
Single dwelling unit	\$379	\$417
Single-Family with suite	\$513	\$564
For each strata title duplex	\$256	\$282

Schedule C: Flat Service Charges for Unmetered Fire Service Pipes

<i>Fire Service Pipe Size</i>	2009	Proposed 2010
50 mm (2") or smaller	\$180	\$187
75 mm (3")	\$269	\$280
100 mm (4")	\$372	\$387
150 mm (6")	\$429	\$446
200 mm (8")	\$502	\$522
250 mm (10")	\$533	\$554
300 mm (12")	\$572	\$595

Schedule D: Charges for Metered Water Service

	2009	Proposed 2010
Per unit (2831.6 Litres)	\$1.827	\$2.010

Schedule E: Meter Service Charge

The following schedule shows the meter charge based on the size and type of meter, payable on each service, in addition to water consumption charges.

<i>Per Three Month Period</i>	2009	Proposed 2010
<u><i>Services with Standard Type Meters</i></u>		
17 mm (1/2") and 20 mm (3/4")	\$25	\$26
25 mm (1")	\$30	\$31
40 mm (1 1/2")	\$42	\$44
50 mm (2")	\$58	\$60
75 mm (3")	\$131	\$136
100 mm (4")	\$159	\$165
150 mm (6")	\$206	\$214
200 mm (8")	\$319	\$332
250 mm (10")	\$391	\$407
300 mm (12")	\$465	\$484
<u><i>Services with Low Head Loss Meters / Detector Check Valves</i></u>		
100 mm (4")	\$183	\$190
150 mm (6")	\$268	\$279
200 mm (8")	\$360	\$374
250 mm (10")	\$448	\$466
300 mm (12")	\$536	\$557

Schedule F: Charges for Temporary Water Service during Construction

<i>Building Size in Square Meters of Gross Floor Area</i>	2009	Proposed 2010
Up to an including 500 sq.m	\$167	\$184
Over 500 but not exceeding 2,000	\$327	\$360
Over 2,000 but not exceeding 9,000	\$492	\$541
Over 9,000 but not exceeding 24,000	\$826	\$909
Over 24,000 but not exceeding 45,000	\$1,237	\$1,361
Over 45,000	\$1,641	\$1,805

Schedule G: Fees for Installation of Water Meters

<i>Size of Standard Meter</i>	<i>Meter on City Property</i>	2009	Proposed 2010
20 mm (3/4")		\$2,537	\$2,638
25 mm (1")		\$2,610	\$2,714
40 mm (1 1/2")		\$2,697	\$2,805
50 mm (2")		\$2,697	\$2,805
75 mm (3")		\$9,608	\$9,992
100 mm (4")		\$9,608	\$9,992
150 mm (6")		\$33,159	\$34,485
200 mm (8")		\$33,159	\$34,485
250 mm (10")		\$39,779	\$41,370
300 mm (12")		\$39,779	\$41,370

<i>Size of Standard Meter</i>	<i>Meter on Private Property</i>	2009	Proposed 2010
20 mm (3/4")		\$320	\$333
25 mm (1")		\$339	\$353
40 mm (1 1/2")		\$339	\$353
50 mm (2")		\$482	\$501
75 mm (3")		\$743	\$773
100 mm (4")		\$743	\$773
150 mm (6")		\$832	\$865
200 mm (8")		\$963	\$1,002
250 mm (10")		\$1,254	\$1,304
300 mm (12")		\$1,254	\$1,304

Schedule H: Miscellaneous Fees for Water Users

	2009	Proposed 2010
Cross Connection Control Administration Fees		
First Assembly	\$25.00	\$25.00
Additional Assembly	\$12.50	\$12.50
Charges when service pipes are shut off for more than 90 days for 15mm, 20mm or equivalent unmetered services for each month or part thereof	\$2.00	\$2.00
Extra charge for inaccessible meter reading (per month)	\$45.00	\$45.00
Annual flat rate for air conditioning units drawing more than 28.4 litres per minute (fee per year)	\$300.00	\$300.00
Special Meter Reading (per occurrence)	\$75.00	\$75.00
Customer Requested Meter Test (deposit)	\$110.00	\$110.00

Schedule I: Miscellaneous Charges

	2009	Proposed 2010
Charges for Returned Cheques	\$35.00	\$35.00
Residual Water Pressure Estimate Fee		
Original calculation	\$35.00	\$35.00
Additional copies for same location	\$10.00	\$10.00
Miscellaneous water information requests (per hour)	\$40.00	\$40.00
City Crew Call Out fee (normal working hours) (per occurrence)	\$50.00	\$50.00
City Crew Call Out fee (outside normal working hours) (per occurrence)	\$200.00	\$200.00
Frozen pipe thawing request		
Deposit	\$90.00	\$90.00
Fee to thaw frozen pipe	at cost	at cost
Water Service Shut Off or Turn On request (per occurrence)	\$50.00	\$50.00