



A13

ADMINISTRATIVE REPORT

Report Date: November 23, 2010
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VanRIMS No.: 08-2000-20
Meeting Date: November 30, 2010

TO: Vancouver City Council
FROM: General Manager of Engineering Services
SUBJECT: 2011 Annual Review of Sewer Rates under the Sewer & Watercourse By-law

RECOMMENDATION

- A. THAT Council approve the 2011 sanitary sewer user rates as detailed in this report, with metered rate increased by 9.2%, annual flat fees for single dwelling units increased by 9.25% (from \$227 to \$248), and other sanitary sewer user rates as set out in Appendix A (Schedule A).
- B. THAT the 2011 public sewer connection fees included in the Sewer and Watercourse Bylaw as set out in Appendix A (Schedule A) be increased by 3.2% as follows:
 - Public sewer connection fees for one or two family dwellings,
 - Public sewer connection fees for properties other than one and two family dwellings, and
 - Sewer connection inspection fees.
- C. 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 RECOMMENDS approval of A through C above.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of A through C above.

COUNCIL POLICY

Sanitary sewer user fees and public sewer connection fees are reviewed annually by Council to establish the following year's rates.

On April 4, 2000, Council approved the implementation of user fees for sanitary sewer services to fund the operating portion of the sanitary sewer costs based on volume.

In December 2008, Council approved shifting the remainder of the sanitary sewer costs (the infrastructure costs) from general taxes to user fees. This shift was implemented over two years and was complete in 2010. Currently, only the storm sewer system costs are funded by property taxes.

PURPOSE

The purpose of this report is to recommend revised sanitary sewer fees and public sewer connection fees for 2011.

BACKGROUND

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 are projected to be \$78.46 million in 2011. Expenditures are comprised of three main components: the levy charged by the GVS&DD for treatment (60%), City debt charges (30%), and City operating and maintenance costs (10%).

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 Metro Vancouver treatment plant. The combined system therefore requires more treatment capacity and is also 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. In the meantime, a technical assessment of the system is being utilized to determine the most appropriate distribution between the storm and sanitary system costs.

In May of 2010, the GVS&DD changed their Sewer Use By-law such that they would collect BOD/TSS/Flow charges directly from all permittees in Metro Vancouver effective January 2011. In the past, the City paid a levy to GVS&DD to cover these costs and collected fees from permitted users. The proposed 2011 budget reflects this change. The City will continue to charge permittees the Industrial Waste Water fees that cover City costs.

DISCUSSION

2011 Sewer Budget and Rates

The proposed 2011 sewer operating budget is summarized in Table 1 with the 2010 budget and projections for comparative purposes.

Table 1
2010 and 2011 Sewers Operating Budget

	2010 Budget	2010 Projected Results	Proposed 2011 Budget	Inc/(Dec) from 2010 Projected	%
Expenditures					
Operating and Maintenance	7,597,840	7,520,000	7,543,936	23,936	0.32%
Sewer Debt Charges	22,191,200	22,191,200	23,948,230	1,757,030	7.92%
GVS&DD Levy (without BOD/TSS)	44,254,506	44,231,098	46,970,664	2,739,567	6.19%
Subtotal (without BOD/TSS)	74,043,546	73,942,298	78,462,830	4,520,533	6.11%
GVS&DD: BOD/TSS/Flow Charges	2,337,038	2,337,038	-	(2,337,038)	-100.00%
Total Expenditures	76,380,584	76,279,336	78,462,830	2,183,495	2.86%
Revenues					
Funded by Sewer User Fees	45,635,900	45,158,000	49,368,062	4,210,062	9.32%
Funded by General Property Taxes	27,793,442	27,773,442	29,188,173	1,414,731	5.09%
Transfer (to)/from Sewer Stabilization Reserve	1,284,242	1,537,894	(93,405)	(1,631,299)	-106.07%
Subtotal (without BOD/TSS)	74,713,584	74,469,336	78,462,830	3,993,494	5.36%
BOD/TSS/Flow Revenues	1,667,000	1,810,000	-	(1,810,000)	-100.00%
Total Revenues	76,380,584	76,279,336	78,462,830	2,183,494	2.86%
Sewer User Fees Details:					
Sewer Fees - Flat Rate	19,070,600	19,000,000	20,830,518	1,830,518	9.63%
Sewer Fees - Metered	26,440,600	26,043,000	28,370,951	2,327,951	8.94%
Industrial Waste Water Fees	607,500	575,000	660,065	85,065	14.79%
	46,118,700	45,618,000	49,861,534	4,243,534	9.30%
Less: Sewer Billing and Administration Costs	482,800	460,000	493,471	33,471	7.28%
Net Funding from Sewer User Fees	45,635,900	45,158,000	49,368,062	4,210,062	9.32%
Rates					
Flat Rates	227.00		248.00	21.00	9.25%
Metered Rates	1.46		1.60	0.14	9.25%
Industrial Waste Water Fees	0.43		0.47	0.04	9.29%

Expenditures

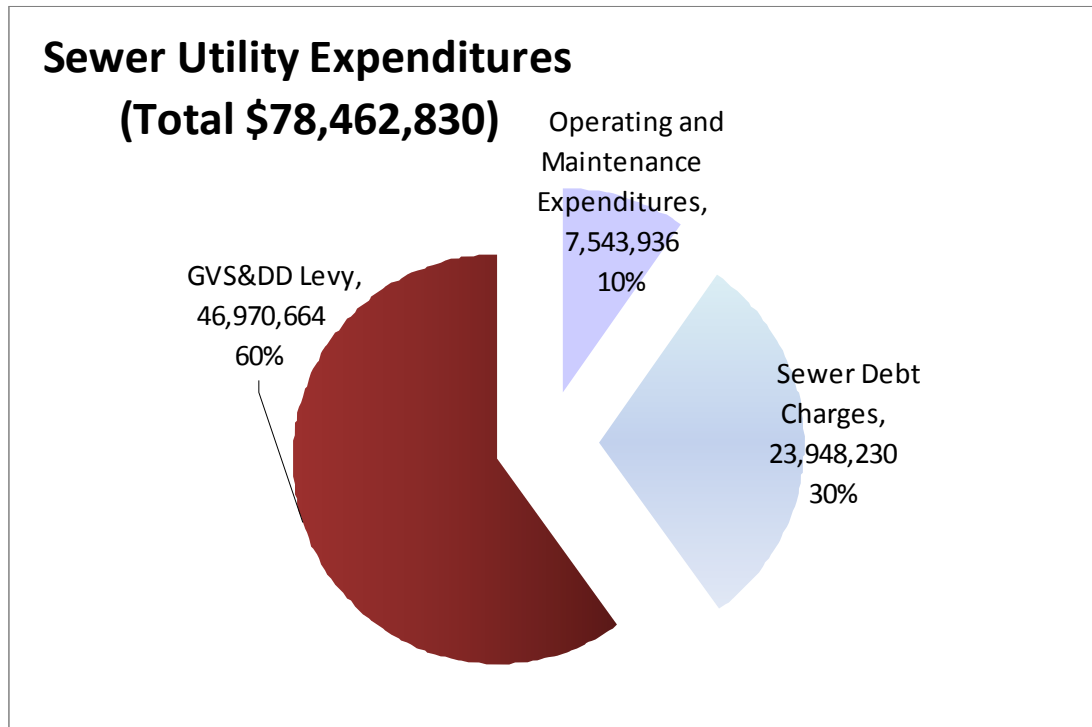
The Sewer Utility expenditures consist of three components: the Greater Vancouver Sewerage and Drainage District (GVS&DD) levy, City operating costs and debt costs associated with Sewers Capital Plan expenditures.

Metro Vancouver has approved a 6.2% increase in the GVS&DD levy. This increase is mainly due to an increase in costs as a result of aging infrastructure.

Debt charges associated with the sewers capital program are expected to increase by \$1.76M (7.92%) in 2011, due mainly to debenture issuance in 2010 and 2011, slightly offset by debt maturities in the same period.

Operating, maintenance, and billing expenditures, making up about 10% of the budget, are estimated to increase .32% from 2010.

Figure 1: 2011 Sewer Utility Expenditures Breakdown



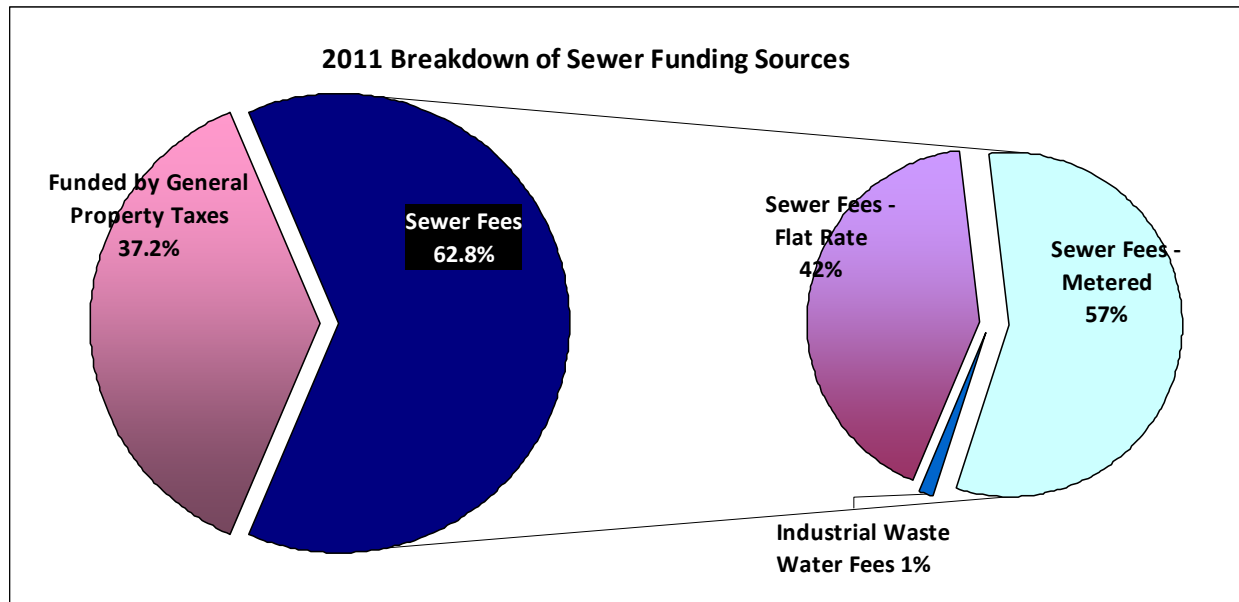
Revenues

As previously stated, the Sanitary Sewer System is funded by Sewer User Fees and the Storm Sewer System is funded by General Property Taxes. A technical assessment of the system has been developed to determine the most appropriate distribution between the storm and sanitary system costs and is reviewed annually. The current distribution based on the most recent analysis of the various system component costs is 62.8% sanitary and 37.2% storm.

The revenues in 2010 included a transfer from the Sewer Rates Stabilization Reserve (discussed in detail below). Staff are not recommending a transfer from the reserve in 2011; therefore increases in rates are higher than the overall increase in expenditures.

Figure 2 shows the breakdown of funding sources between the storm system funded by taxes, and the sanitary system funded by fees. A further breakdown shows the proportion of the types of fees that fund the sanitary sewer system.

Figure 2: Sewer Funding Sources



GVS&DD Levy & BOD/TSS/Flow Revenues Changes

In 2010, as in prior years, the GVS&DD levy included industrial charges for BOD/TSS/Flow. The City collected fees from permitted users - those industries that discharge more than 300 cubic meters of wastewater over a 30-day period - to recover those costs. In 2011, the GVS&DD is removing the BOD/TSS industrial charges from the levy in accordance with amendments their Sewer Use By-law. Metro Vancouver will collect industrial charges directly from permittees. The City will continue to charge permittees the Industrial Waste Water fees that cover City costs. In Table 1, the BOD/TSS expenditures and revenues have been shown separately to present the true comparison.

Sewer Rates Stabilization Reserve

The Sewer Utility maintains a rate stabilization reserve to mitigate the impact of fluctuating revenues and expenditures. Since metered properties' sanitary sewer fees are based on water consumption, revenues can fluctuate depending on weather. In 2009 and 2010, staff recommended the use of the rate stabilization reserve to mitigate the impact of shifting the sanitary infrastructure costs from tax-supported to utility fees by planning transfers from reserve of \$1 million and \$1.2 million respectively. Because metered revenues were less than forecast in each of those years, the actual transfers from reserve were higher than planned.

Past practice has been to achieve a balance equal to 7.5% of water purchases in the Sewer Rates Stabilization Reserve, which is \$5 million based on 2011 budgeted water purchases. The balance of the reserve is projected to be approximately \$5.19 million at the end of 2011. Due to upcoming secondary treatment costs, staff are anticipating the need to mitigate projected

GVS&DD increases in future years. It is preferable that the balance in the reserve not be further depleted in the short term.

Table 2
Sewer Rate Stabilization Reserve

Sewer Rate Stabilization Reserve				
	2008 Actual	2009 Actual	2010 Projected	2011 Proposed
Opening Balance (millions)	7.20	8.20	6.64	5.10
Transfer to /(from) Reserve (millions)	1.00	(1.56)	(1.54)	0.09
Ending Balance (millions)	8.20	6.64	5.10	5.19

Connection and Other Fees

In addition to consumption based charges, the Sewer & Watercourse By-law includes flat fees and charges for a variety of services and discharges/disposals.

It is recommended that the following fee adjustments be approved:

- 3.2% increase for flat rate connection fees. This increase is required to cover increases in wages, equipment rental and materials. This figure is required to maintain full cost recovery for these services.
- To be consistent with other rate increases for sewage discharge, a 9.2% increase in rates for specific types of discharges/disposals is proposed. These include discharge of contaminated groundwater, ship wastewater and discharges by Utilities (per manhole connected).

The proposed fees are included in Appendix A.

CONCLUSION

Rates for sewer services are adjusted annually to offset cost increases in the sewer utility, including operating and debt charge costs and the GVS&DD levy.

Based on a review of the sewer costs for 2011, it is recommended that flat and metered sewer fees be increased by approximately 9.2% and service and connection fees be increased by 3.2%, as described in this report.

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Schedule A

Part I: Sewer Connection Flat Rates

	2010	Proposed 2011
1. Public Sewer Connection, for One-Family or Two-Family Dwellings	\$7,598	\$7,841
2. Public Sewer Connection, other than One-Family or Two-Family Dwellings		
a) 4 inch/100 mm diameter	\$10,568	\$10,906
b) 6 inch/150 mm diameter	\$12,756	\$13,164
c) 8 inch/200 mm diameter	\$14,430	\$14,892
d) 10 inch/250 mm diameter	\$16,647	\$17,180
e) 12 inch/300 mm diameter	\$18,916	\$19,521
f) 15 inch/375 mm diameter	\$21,153	\$21,830
g) Greater than 15 inch/375 mm diameter pursuant to Sentence 2.7 of Sewer and Watercourse By-law	\$21,153	\$21,830
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)	\$3,943	\$4,069
5. New fitting on a single sewer pursuant to Sentence 2.7 (4)	\$1,738	\$1,794
6. Inspection of a plumbing system, subsoil drainage pipes and a building sewer	\$248	\$256

Part III: Flat Rates for Unmetered Property

	2010	Proposed 2011
Single Family Dwelling	\$227	\$248
Single Family Dwelling with Suite	\$307	\$335
Single Family Dwelling with Laneway House	\$307	\$335
Single Family Dwelling with Suite and Laneway House	\$387	\$423
Strata Duplex (per dwelling unit)	\$154	\$168
2 Services, 1 Lot	\$454	\$496
3 Services, 1 Lot	\$681	\$744
4 Services, 1 Lot	\$908	\$992
Parking Lot/Garden	\$129	\$141

Part IV: Flat Rates for Other Property or Shut Off Water Service

	2010	Proposed 2011
Other Property	\$129	\$141
Turned Off, 1 Service	\$129	\$141

Turned Off, 2 Services	\$129	\$141
Turned Off, 3 Services	\$129	\$141

Part V: Unit-Based Rates for Metered Property

	2010	Proposed 2011
Metered Property Rate	\$1.460	\$1.596
Waste Discharge Permit User Rate	\$0.4272	\$0.4669

Part VI: FLAT RATE FOR SPECIFIC TYPES OF DISCHARGES/DISPOSALS

	2010	Proposed 2011
For the discharge of contaminated groundwater pursuant to Section 7.11 (per cubic metre)	\$0.670	\$0.73
For the disposal of ship wastewater pursuant to Section 7.12 (per cubic metre)	\$0.670	\$0.73
For discharges by Utilities pursuant to Section 7.13 (per manhole connected)	\$175	\$191