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COUNCIL DATE: **January 29, 2024**

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## FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **January 12, 2024**

FROM: **City Manager and  
General Manager, Finance**

FILE: **1705-05**

SUBJECT: **2024 Five-Year (2024-2028) Financial Plan – Utilities and Other Self-Funded Programs**

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### 1.0 RECOMMENDATION

It is recommended that the Finance Committee recommend Council:

1. Approve the rate adjustments outlined in Section 2.0 of this report; and
2. Direct staff to prepare the 2024 Five-Year (2024–2028) 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

Utilities and Self-Funded Programs follow the “user pay” approach that the City has applied consistently in the current and previous years’ budgets. Introducing the Financial Plan for these programs allows the City to propose the necessary rate adjustments for the upcoming budget year. The following sections of this report discuss the Utilities and Self-Funded Programs separately.

#### 2.1 2024 Water Utility Rates

The City adopted the Residential Water Metering Program over 15 years ago and now provides service to more than 73,000 metered water utility accounts. In 2023, these metered accounts were charged \$1.2239 per cubic metre of water consumed. In 2024, the primary budget drivers include a 7.6% Greater Vancouver Water District (“GVWD”) water rate increase. The GVWD bulk water purchase accounts for 67% of the City’s total annual water utility expenditure budget (Figure 1). Due to increases in the GVWD water rates and the Utility’s operating and capital cost demands, an increase in the water rates for 2024 is necessary.

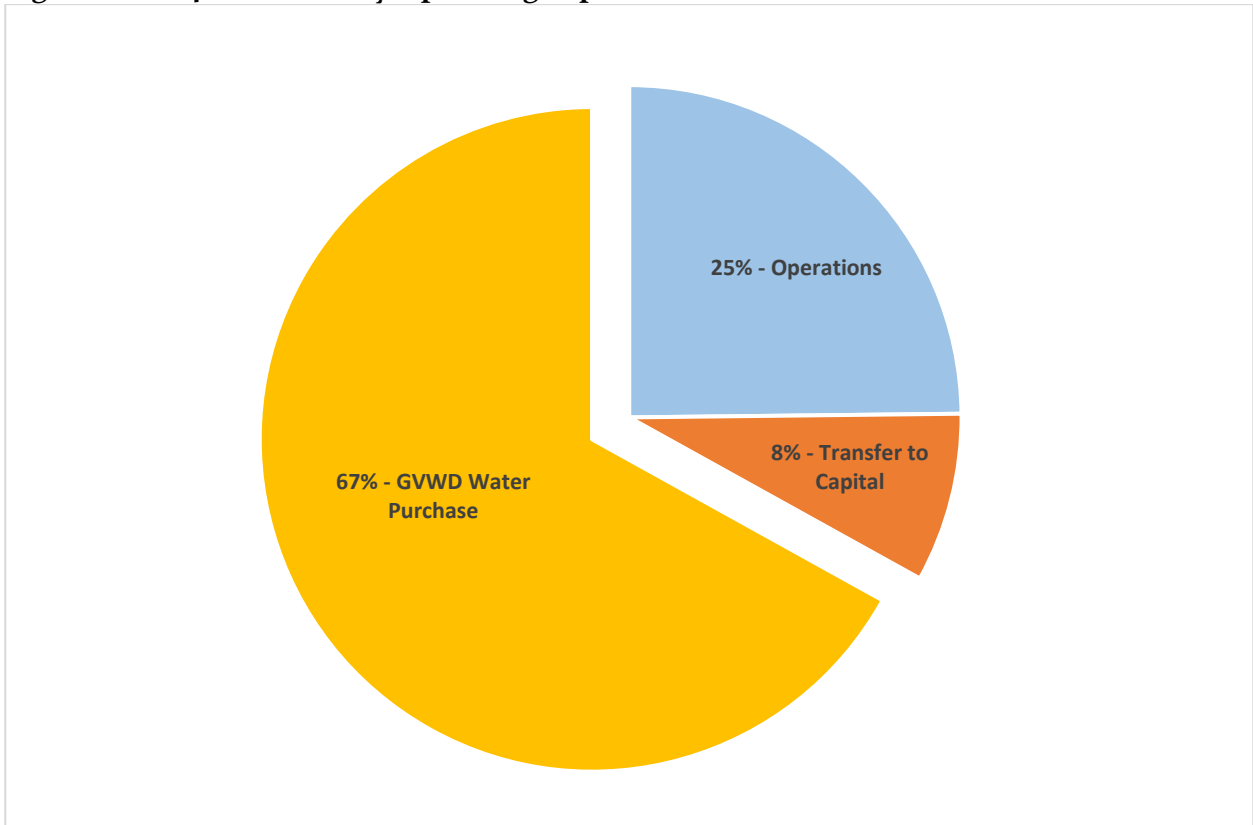
Based on these changes, it is recommended for 2024 that the water utility metered rate per cubic metre of water consumed be increased by \$0.0465 per cubic metre or 3.8% over 2023 (Table 1).

In addition to the metered rate, metered water accounts also pay a water meter base charge. The water meter base charge is required to support the cost of meter maintenance, meter reading, and future meter replacement. The water meter base charge is based on the diameter of the installed water meter. Due to increased water metering program related costs, it is recommended for 2024 that a \$3 increase to the water meter base charge for the average residential and commercial metered properties be applied.

The non-metered or 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 also reflect the proposed rate increase of \$0.0465 per cubic metre or a 3.8% increase over 2023 (Table 1).

A summary of the annual impact on water customers is shown in Table 2. The GVWD bulk water rates are projected to increase an average of 5.37% per year for each of the remaining four years of the Five-Year Plan. Future GVWD rate increases are subject to change, based on the GVWD funding requirements in future years.

**Figure 1 – 2024 Water Utility Operating Expenditures**



**Table 1 – Proposed Water Rate Changes**

	Metered Rate (per m <sup>3</sup> )
2023	\$1.2239
Increase per m <sup>3</sup> of water	\$0.0465
<b>2024 (proposed)</b>	<b>\$1.2704</b>

**Table 2 - Annual Impact of Consumption Based Rate Increase on Water Customers**

Customer Type	Average Water Consumption (m <sup>3</sup> )	Annual Impact of Rate Increase
Metered Single Family	360	\$16.74
Metered Commercial	2,000	\$93.00
Non-metered Residential	800	\$37.20

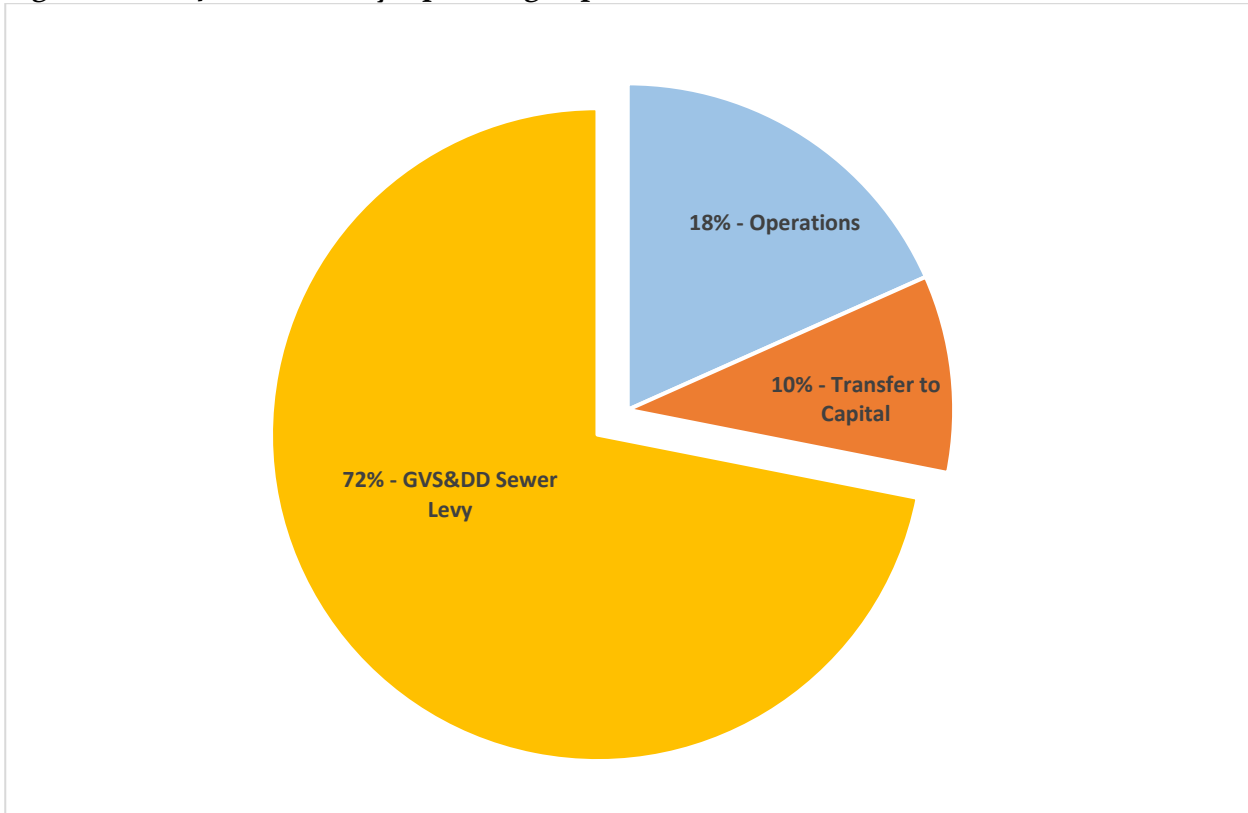
## 2.2 2024 Sewer Utility Rates

The City provides service to more than 71,000 metered sewer utility accounts. In 2023, metered utility customers were charged \$1.5520 per cubic metre of sewer discharge. In 2024, the primary budget drivers include a 17.5% Greater Vancouver Sewerage and Drainage District (“GVS&DD”) sewerage rate increase. The GVS&DD sewer charge accounts for 72% of the City’s total annual sewer utility expenditure budget (Figure 2). Due to increases in the GVS&DD sewerage rates and the Utility’s operating and capital cost demands, an increase in the sewer rates is necessary for 2024.

Based on these changes, it is recommended for 2024 that the sewer utility metered rate be increased by \$0.2257 per cubic metre of discharge volume or a 14.5% increase over 2023 (Table 3). The sewer utility rate for non-metered customers will be increased based on the ‘average’ discharge of non-metered accounts and will also reflect the proposed rate increase of \$0.2257 per cubic metre of discharge volume or a 14.5% increase over 2023 (Table 3).

Actual sewer discharge volume is calculated as being 86% of the volume of water that is consumed by the metered water customers or estimated for the non-metered residential customers.

A summary of the annual impact on sewer customers is shown in Table 4. The GVS&DD sewer rates are projected to increase an average of 8.93% per year for each of the remaining four years of the Five-Year Plan. Future GVS&DD rate increases are subject to change, based on the GVS&DD funding requirements in future years.

**Figure 2 – 2024 Sewer Utility Operating Expenditures****Table 3 – Proposed Sewer Rate Changes**

	Metered Rate (per m <sup>3</sup> )
2023	\$1.5520
Increase per m <sup>3</sup> of sewage	\$0.2257
2024 (proposed)	\$1.7777

**Table 4 - Annual Impact of Consumption Based Rate Increase on Sewer Customers**

Customer Type	Sewer Volume @ 86% of Average Water Consumption (m <sup>3</sup> )	Annual Impact of Rate Increase
Metered Single Family	309.6	\$69.88
Metered Commercial	1,720	\$388.20
Non-metered Residential	688	\$155.28

### 2.3 2024 Drainage/Dyking/Flood Protection Utility Parcel Tax

The Drainage utility designs and constructs drainage infrastructure to manage the City's stormwater runoff and flood control systems. The Drainage utility also supports environmental works related to stream corridors, water quality, contaminated sites, terrestrial habitat, and biodiversity. An increase of 1.5% is recommended for all property classes to support increased maintenance and capital costs in relation to the City's drainage infrastructure. A summary of the annual impact on drainage customers is shown in Table 5.

**Table 5 - Proposed Drainage Rate Changes**

	<b>Residential and Agricultural</b>	<b>Commercial and Industrial</b>
2023	\$242.47	\$591.89
Increase	\$3.53	\$9.11
<b>2024 (proposed)</b>	<b>\$246.00</b>	<b>\$601.00</b>

#### 2.4 2024 Solid Waste Utility Rates

The City provides weekly residential curbside organic waste collection with alternating bi-weekly garbage and recycling services to approximately 107,900 single-family households and 34,000 secondary suites. The City also provides services to 35,200 customers from apartment buildings with centralized recycling service, while approximately 50% of these households additionally receive weekly organic waste collection services. The City processes all the organic waste it collects at curbside into renewable natural gas at its biofuel facility.

The Solid Waste Utility also provides street sanitation services to ensure the cleanliness and beautification of the City. These services include illegal dumping collection, large item pickup program, litter pickup services, streetscape litter bin collection and several clean up campaigns, including the “Our City” campaign.

In 2024, Metro Vancouver tipping fee charges will increase by 5.5% (\$7 per tonne) resulting in a tipping fee of \$134 per tonne. Metro Vancouver is projecting that the Solid Waste Tipping fee will increase by \$7 per tonne annually from 2025-2026 and \$8 from 2027-2028.

Due to cost increases resulting from increased Metro Vancouver tipping fee charges, and the Utility’s operating costs associated with waste collection, litter cleanup, street cleaning and beautification initiatives, it is recommended for 2024 that a 1.0% rate increase be applied. A summary of the annual impact on solid waste customers is shown in Table 6.

**Table 6 - Proposed Solid Waste Rate Changes**

	<b>Single Family and Multi-family Garbage, Recycling, Organics</b>	<b>Secondary Suite Garbage, Recycling, Organics</b>	<b>Apartment/Townhouse Recycling/Organics</b>	<b>Apartment/Townhouse Recycling</b>
2023	\$333.59	\$166.26	\$45.64	\$34.77
Increase	\$3.41	\$1.74	\$0.36	\$0.23
<b>2024 (proposed)</b>	<b>\$337.00</b>	<b>\$168.00</b>	<b>\$46.00</b>	<b>\$35.00</b>

#### 2.5 2024 Parking

Revenue generated from parking rates covers the capital, on-going operating and maintenance costs of the Surrey Parking Authority. Parking meter rates vary throughout the city and are set based on market demand and may vary by time of day. The City annually reviews parking fees throughout Surrey and adjusts rates to maintain fairness and consistency throughout the City. As a result of this year’s review, parking fees are recommended to be adjusted at the

Green Timbers and Surrey Nature Centre parking lots. The recommended changes removes monthly unreserved parking and introduces hourly and daily parking rates as identified in *Schedule M of the Surrey Fee Setting Bylaw, 2021, No. 14577* (“Bylaw 14577”).

In addition, *Bylaw 14577* includes electric vehicle (“EV”) charging rates which are intended to recover operating costs and encourage EV turnover to increase utilization. The City has 56 Level 2 and three Level 3 public EV charging ports at various City recreational and operational facilities across the City and 25 Level 2 ports for City fleet and 14 Level 2 ports for City staff vehicles. Upon review of the utilization of the City’s charging network, no change in the electric vehicle charging rates is recommended for 2024.

## 2.6 2024 District Energy

District Energy, known as Surrey City Energy (“SCE”), is the City-owned district energy system that supplies residential, commercial, and institutional buildings in City Centre with heat and hot water.

Class 1 customers are residential and mixed-use buildings where the non-residential portion of the building does not exceed 20% of the building area. Class 2 customers are any building where the non-residential portion of the building exceeds 20% of the building area.

Staff recommend a 1.43% increase, as supported by an independent External Rate Review Panel and noted in Tables 7 and 8. This increase enables the Utility to recover its capital and operating costs, while providing stable and competitive energy rates for its customers. This rate increase would result in an annual cost increase of \$12.22 (Charge and Levy) for a 65m<sup>2</sup> (700 square foot) residential dwelling unit that consumes an average of 6.8 MWh/year of energy.

**Table 7 - Proposed SCE Rate Change (Charge)**

	<b>Class 1 &amp; Class 2</b>
	<b>(\$/MWh)</b>
2023	\$57.35
Increase	\$0.82
<b>2024 (proposed)</b>	<b>\$58.17</b>
Percent Increase	1.43%

**Table 8 - Proposed SCE Rate Change (Levy)**

	<b>Class 1 (\$/m<sup>2</sup>/day)</b>	<b>Class 2</b>
		<b>(\$/kW/day)</b>
2023	\$0.01941	\$0.27815
Increase	\$0.00028	\$0.00398
<b>2024 (proposed)</b>	<b>\$0.01969</b>	<b>\$0.28213</b>
Percent Increase	1.43%	1.43%

## 2.7 Proposed 2024 Five-Year (2024–2028) Financial Plans

Based on the above discussed adjustments, a draft Five-Year Financial Plan for each of the Water Utility (Appendix “I”), the Sewer Utility (Appendix “II”), the Drainage Utility (Appendix “III”), the Solid Waste Utility (Appendix “IV”), the Parking Utility (Appendix “V”) and the District Energy Utility (Appendix “VI”) has been prepared.

### 3.0 CONCLUSION

Based on the above discussion, it is recommended that the Finance Committee recommend Council:

1. Approve the rate adjustments outlined in Section 2.0 of this report; and
2. Direct staff to prepare the 2024 Five-Year (2024–2028) 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.

Kam Grewal, CPA, CMA  
General Manager, Finance

Robert Costanzo  
City Manager

#### Attachments:

Appendix “I”	2024 – 2028 Financial Plan – Water Utility
Appendix “II”	2024 – 2028 Financial Plan – Sewer Utility
Appendix “III”	2024 – 2028 Financial Plan – Drainage Utility
Appendix “IV”	2024 – 2028 Financial Plan – Solid Waste Utility
Appendix “V”	2024 – 2028 Financial Plan – Parking Utility
Appendix “VI”	2024 – 2028 Financial Plan – Surrey City Energy Utility

## Appendix “I”

### 2024 - 2028 FINANCIAL PLAN WATER - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2024 BUDGET	2025 PLAN	2026 PLAN	2027 PLAN	2028 PLAN
Special Assessment	\$ 110	\$ 104	\$ 109	\$ 115	\$ 67
Taxation	110	104	109	115	67
Sale of Goods and Services	95,350	100,511	105,356	111,240	118,310
Developer Contributions	-	-	-	-	-
Investment Income	1,828	1,496	1,043	680	385
Penalties and Interest	762	770	778	786	794
Grants, Donations and Other	530	535	540	545	550
Other Revenue	1,292	1,305	1,318	1,331	1,344
<b>TOTAL REVENUE</b>	<b>\$ 98,580</b>	<b>\$ 103,416</b>	<b>\$ 107,826</b>	<b>\$ 113,366</b>	<b>\$ 120,106</b>
<b>EXPENDITURE SUMMARY</b>					
Salaries and Benefits	1,859	1,897	1,935	1,974	2,014
Operating Costs	71,500	78,177	83,723	87,358	90,537
Internal Services Used	12,848	13,101	13,359	13,622	13,889
Internal Services Recovered	(1,253)	(1,267)	(1,281)	(1,295)	(1,309)
External Recoveries	(2,849)	(2,907)	(2,967)	(3,028)	(3,089)
<b>TOTAL EXPENDITURE</b>	<b>\$ 82,105</b>	<b>\$ 89,001</b>	<b>\$ 94,769</b>	<b>\$ 98,631</b>	<b>\$ 102,042</b>
<b>TRANSFERS SUMMARY</b>					
Transfers To/(From) Capital Sources	\$ 8,113	\$ 5,886	\$ 4,357	\$ 5,861	\$ 9,013
Transfers To/(From) Operating Sources	8,362	8,529	8,700	8,874	9,051
<b>TOTAL TRANSFERS</b>	<b>\$ 16,475</b>	<b>\$ 14,415</b>	<b>\$ 13,057</b>	<b>\$ 14,735</b>	<b>\$ 18,064</b>
<b>NET WATER</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



## Appendix "II"

### 2024 - 2028 FINANCIAL PLAN SEWER - FINANCIAL SUMMARY *(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2024 BUDGET</b>	<b>2025 PLAN</b>	<b>2026 PLAN</b>	<b>2027 PLAN</b>	<b>2028 PLAN</b>
Special Assessment	33	34	36	37	39
Taxation	33	34	36	37	39
Sale of Goods and Services	98,183	112,406	121,905	130,254	140,935
Investment Income	797	678	544	413	255
Penalties and Interest	768	776	784	792	800
Other Revenue	768	776	784	792	800
<b>TOTAL REVENUE</b>	<b>\$ 99,781</b>	<b>\$ 113,894</b>	<b>\$ 123,269</b>	<b>\$ 131,496</b>	<b>\$ 142,029</b>
<b>EXPENDITURE SUMMARY</b>					
Salaries and Benefits	994	1,014	1,034	1,055	1,076
Operating Costs	79,409	88,961	95,770	101,635	109,184
Internal Services Used	12,644	12,897	13,155	13,417	13,685
Internal Services Recovered	(7,017)	(7,158)	(7,301)	(7,447)	(7,595)
External Recoveries	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>\$ 86,030</b>	<b>\$ 95,714</b>	<b>\$ 102,658</b>	<b>\$ 108,660</b>	<b>\$ 116,350</b>
<b>TRANSFERS SUMMARY</b>					
Transfers To/(From) Capital Sources	\$ 9,761	\$ 9,897	\$ 11,817	\$ 13,866	\$ 16,530
Transfers To/(From) Operating Sources	3,990	8,283	8,794	8,970	9,149
<b>TOTAL TRANSFERS</b>	<b>\$ 13,751</b>	<b>\$ 18,180</b>	<b>\$ 20,611</b>	<b>\$ 22,836</b>	<b>\$ 25,679</b>
<b>NET SEWER</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Appendix “III”

### 2024 - 2028 FINANCIAL PLAN DRAINAGE - FINANCIAL SUMMARY *(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2024 BUDGET</b>	<b>2025 PLAN</b>	<b>2026 PLAN</b>	<b>2027 PLAN</b>	<b>2028 PLAN</b>
Drainage Parcel Tax	\$ 46,425	\$ 47,255	\$ 48,101	\$ 48,965	\$ 49,844
Special Assessment	27	28	29	30	31
Taxation	<b>46,452</b>	47,283	48,130	48,995	49,875
Sale of Goods and Services	20	20	20	20	20
Developer Contributions	182	182	182	182	182
Investment Income	824	800	661	317	214
Transfers from Other Governments	94	4	4	4	4
Other Revenue	329	332	335	338	341
<b>TOTAL REVENUE</b>	<b>\$ 47,901</b>	<b>\$ 48,621</b>	<b>\$ 49,332</b>	<b>\$ 49,856</b>	<b>\$ 50,636</b>
<b>EXPENDITURE SUMMARY</b>					
Salaries and Benefits	2,339	2,386	2,434	2,483	2,533
Operating Costs	7,241	7,386	7,534	7,684	7,838
Internal Services Used	6,313	6,396	6,523	6,653	6,786
Internal Services Recovered	(388)	(396)	(404)	(412)	(420)
External Recoveries	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>\$ 15,505</b>	<b>\$ 15,772</b>	<b>\$ 16,087</b>	<b>\$ 16,408</b>	<b>\$ 16,737</b>
<b>TRANSFERS SUMMARY</b>					
Transfers To/(From) Capital Sources	\$ 23,306	\$ 27,791	\$ 28,431	\$ 28,537	\$ 28,890
Transfers To/(From) Operating Sources	9,090	5,058	4,814	4,911	5,009
<b>TOTAL TRANSFERS</b>	<b>\$ 32,396</b>	<b>\$ 32,849</b>	<b>\$ 33,245</b>	<b>\$ 33,448</b>	<b>\$ 33,899</b>
<b>NET DRAINAGE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Appendix “IV”

### 2024 - 2028 FINANCIAL PLAN SOLID WASTE - FINANCIAL SUMMARY *(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2024 BUDGET</b>	<b>2025 PLAN</b>	<b>2026 PLAN</b>	<b>2027 PLAN</b>	<b>2028 PLAN</b>
Sale of Goods and Services	\$ 52,715	\$ 54,145	\$ 55,617	\$ 57,133	\$ 58,694
Investment Income	370	287	228	168	98
Penalties and Interest	176	178	180	182	184
Grants, Donations and Other	-	-	-	-	-
Other Revenue	176	178	180	182	184
<b>TOTAL REVENUE</b>	<b>\$ 53,261</b>	<b>\$ 54,610</b>	<b>\$ 56,025</b>	<b>\$ 57,483</b>	<b>\$ 58,976</b>
<b>EXPENDITURE SUMMARY</b>					
Operating Costs	36,867	37,756	38,801	39,677	41,054
Internal Services Used	5,626	5,757	5,913	6,060	6,248
Internal Services Recovered	(143)	(145)	(148)	(151)	(156)
External Recoveries	-	-	-	-	-
Debt Interest	1,623	1,569	1,513	1,453	1,390
Debt Principal	1,035	1,089	1,146	1,205	1,268
<b>TOTAL EXPENDITURE</b>	<b>\$ 45,008</b>	<b>\$ 46,026</b>	<b>\$ 47,225</b>	<b>\$ 48,244</b>	<b>\$ 49,804</b>
<b>TRANSFERS SUMMARY</b>					
Transfers To/(From) Capital Sources	\$ 298	\$ 530	\$ 645	\$ 981	\$ 809
Transfers To/(From) Operating Sources	7,955	8,054	8,155	8,258	8,363
<b>TOTAL TRANSFERS</b>	<b>\$ 8,253</b>	<b>\$ 8,584</b>	<b>\$ 8,800</b>	<b>\$ 9,239</b>	<b>\$ 9,172</b>
<b>NET SOLID WASTE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Appendix “V”

### 2024 - 2028 FINANCIAL PLAN PARKING AUTHORITY - FINANCIAL SUMMARY *(in thousands)*

<b>REVENUE SUMMARY</b>	<b>2024 BUDGET</b>	<b>2025 PLAN</b>	<b>2026 PLAN</b>	<b>2027 PLAN</b>	<b>2028 PLAN</b>
Sale of Goods and Services	\$ 2,459	\$ 2,509	\$ 2,559	\$ 2,610	\$ 2,661
Other Revenue	72	74	76	78	80
<b>TOTAL REVENUE</b>	<b>\$ 2,531</b>	<b>\$ 2,583</b>	<b>\$ 2,635</b>	<b>\$ 2,688</b>	<b>\$ 2,741</b>
<b>EXPENDITURE SUMMARY</b>					
Salaries and Benefits	860	877	895	913	931
Operating Costs	675	684	693	702	711
Internal Services Used	56	57	58	59	60
Internal Services Recovered	(83)	(85)	(87)	(89)	(91)
External Recoveries	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>\$ 1,508</b>	<b>\$ 1,533</b>	<b>\$ 1,559</b>	<b>\$ 1,585</b>	<b>\$ 1,611</b>
<b>TRANSFERS SUMMARY</b>					
Transfers To/(From) Capital Sources	\$ 705	\$ 729	\$ 187	\$ (575)	\$ (551)
Transfers To/(From) Operating Sources	318	321	889	1,678	1,681
<b>TOTAL TRANSFERS</b>	<b>\$ 1,023</b>	<b>\$ 1,050</b>	<b>\$ 1,076</b>	<b>\$ 1,103</b>	<b>\$ 1,130</b>
<b>NET PARKING AUTHORITY</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Appendix “VI”

### 2024 - 2028 FINANCIAL PLAN SURREY CITY ENERGY - FINANCIAL SUMMARY *(in thousands)*

	2024 BUDGET	2025 PLAN	2026 PLAN	2027 PLAN	2028 PLAN
<b>REVENUE SUMMARY</b>					
Sale of Goods and Services	\$ 8,043	\$ 10,581	\$ 12,920	\$ 15,046	\$ 17,300
Other Revenue	40	40	40	40	40
<b>TOTAL REVENUE</b>	<b>\$ 8,083</b>	<b>\$ 10,621</b>	<b>\$ 12,960</b>	<b>\$ 15,086</b>	<b>\$ 17,340</b>
<b>EXPENDITURE SUMMARY</b>					
Salaries and Benefits	987	1,006	1,026	1,046	1,067
Operating Costs	4,390	5,612	6,164	7,263	8,358
Internal Services Used	-	-	-	-	-
Internal Services Recovered	(100)	(102)	(104)	(106)	(108)
External Recoveries	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>\$ 5,277</b>	<b>\$ 6,516</b>	<b>\$ 7,086</b>	<b>\$ 8,203</b>	<b>\$ 9,317</b>
<b>TRANSFERS SUMMARY</b>					
Transfers To/(From) Capital Sources	\$ 2,283	\$ 3,572	\$ 5,330	\$ 6,328	\$ 7,457
Transfers To/(From) Operating Sources	523	533	544	555	566
<b>TOTAL TRANSFERS</b>	<b>\$ 2,806</b>	<b>\$ 4,105</b>	<b>\$ 5,874</b>	<b>\$ 6,883</b>	<b>\$ 8,023</b>
<b>NET SURREY CITY ENERGY</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>