

NO: F040

COUNCIL DATE: **November 25, 2013**

FINANCE COMMITTEE

TO: **Mayor & Council** DATE: **November 15, 2013**

FROM: **City Manager and
General Manager, Finance & Technology** FILE: **1705-05**

SUBJECT: **2014 Five Year (2014-2018) Financial Plan – Utilities and Other Self-Funded
Programs**

1.0 RECOMMENDATION

It is recommended that the Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 2.0 of this report; and
- b) Direct staff to prepare the 2014 Five-Year (2014 – 2018) Financial Plan for each of the Water, Sewer, Drainage, Solid Waste, Parking, District Energy and Road and Traffic Safety self-funded programs, respectively, incorporating the recommendations as contained in this report.

2.0 DISCUSSION

Self-funded programs, also known as utilities, follow the “user pay” approach that the City has applied consistently in previous budgets. The following sections of this report discuss each of the self-funded programs separately.

2.1 **2014 Water Utility Rates**

The City adopted the Residential Water Metering Program over ten years ago and now provides service to more than 57,000 metered utility accounts, which represents approximately 65% of all single family dwelling utility accounts in the City. In 2013, these metered accounts were charged \$0.8224 per cubic metre of water consumed. Due to increases in the GVWD water rates and system operating cost increases, an increase in the water rate is necessary for 2014.

In 2014, the GVWD bulk water charge will increase by \$0.0242 per cubic metre to \$0.6296 per cubic metre. This equates to an increase for the ‘average metered single family residence’ of approximately \$0.81 per month or \$9.68 per year. An equivalent increase of \$0.0242 per cubic metre is also required for the City’s general operating and maintenance costs.

Based on the above, it is recommended for 2014 that the water utility rate be increased from \$0.8224 per cubic metre to \$0.8708 per cubic metre. This recommendation will equate to a total increase of \$1.61 per month or \$19.36 per year for the 'average metered single family residence' and \$8.07 per month or \$96.80 per year for a business that consumes 2,000 cubic metres of water per year and that has a 50 mm water connection.

The 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 multiplied by the proposed rate of \$0.8708 per cubic metre. The average consumption by non-metered accounts is 775 m³ per year. Any "flat rate" (non-metered) customer may choose at any time to have a meter installed at their property and thus move from a "flat rate" charge to paying for water on an "actual usage" basis. All business properties in the City have water meters and therefore pay based on actual usage.

The GVWD bulk water rate for the remaining years of the Five-Year Plan is projected to increase in the range of \$0.040 to \$0.065 per cubic metre per year.

2.2 2014 Sewer Utility Rates

In 2013, metered utility customers were charged \$0.8086 per cubic metre of sewer discharge. Due to increases in the GVS&DD sewerage rates as well as increases in the City's capital and operating costs, an increase in the sewer rate is necessary for 2014.

In 2014 the GVS&DD sewer charges will increase by 3.3%. It is expected that this will impact the 'average metered single family residence' in the City of Surrey by approximately \$0.80 per month or \$9.60 per year.

An additional increase to the rate is proposed to support capital projects contained in the City's 10-Year Servicing Plan and for City-related sewer operating and maintenance cost increases. These increases for the 'average metered single family residence' will amount to approximately \$0.81 per month or \$9.66 per year.

As such, it is recommended that the sewer utility rate be increased for 2014 from \$0.8086 per cubic metre of discharge volume to \$0.8688 per cubic metre of discharge volume. This equates to a total increase of \$1.61 per month or \$19.26 per year for the 'average metered single family residence' and \$8.03 per month or \$96.32 per year for a business that discharges 1,600 cubic metres of sewage per year.

The sewer utility rate for non-metered customers will be increased based on the 'average' discharge of a non-metered residence of 620 m³ and the per cubic metre rate of \$0.8688. Any "flat rate" customer may choose at any time to have a water meter installed and move from paying "flat rate" sewer charges to paying based on the actual usage. Actual usage is calculated as being 80% of the volume of water that is consumed by the residence as registered on the water meter. All business properties in the City have water meters.

The GVS&DD sewer rates are projected to increase between 4.0% and 6.5% per year for each of the remaining four years of the Five Year Plan.

2.3 2014 Drainage/Dyking/Flood Protection Utility Parcel Tax

The Drainage Parcel Tax is currently \$188 per lot. An increase of \$13.00 per lot is proposed to support increased maintenance and capital costs in relation to the City's drainage infrastructure. This Utility also includes dyking and flood control, which becomes more critical as the City continues to evaluate and address the impacts of global warming. With this proposed increase, the Drainage Parcel Tax for 2014 will be \$201 for a residential property and \$224 for commercial property.

The Drainage Parcel Tax also supports flood control for agricultural properties, which is \$123 per lot. This reduced rate was introduced to help off-set the additional burden that agricultural properties incur through special drainage area levies that include the Erickson Drainage Area, the Colebrook Drainage Area, the Halls Prairie Drainage Area and the Burrows Ditch Drainage Area. These special drainage areas were introduced long before the drainage parcel tax was introduced and have become quite costly to administer. In addition, the agricultural rate reduction also reflected the contribution properties made in dyking taxes to the Surrey Dyking District before it ended its operations at the end of last year, which responsibilities were subsequently assumed by the City. Staff is recommending that the agricultural parcel rate be aligned with the residential rate and that the special area drainage levies be repealed. While the impact of this change will be close to cost neutral on agricultural properties, it will reduce the administrative costs associated with these special area levies and in some cases, will actually reduce the cost burden on the agricultural properties.

2.4 2014 Solid Waste Utility Rates

The GVRD Solid Waste Tipping fee is currently \$107 per tonne and will increase by \$1.00 per metric tonne in 2014. To meet the demands on the City's solid waste collection contract, which includes the new organic waste collection component, the City is proposing that the solid waste collection rates be increased by \$2.00 per year, of which \$1.00 is attributed to the tipping fee increase by the GVRD. The current solid waste rate is \$281 per single family residence and staff is recommending that the rate increase to \$283 per single family residence in 2014.

The GVRD is projecting that the Solid Waste Tipping fee will increase between \$1 per tonne and \$5 per tonne in each of the remaining four years of the Five Year Plan. These increases will result in further increases each year to the solid waste rate that the City must charge its solid waste rate payers. The City does not collect solid waste from businesses in the City and therefore does not charge businesses for solid waste collection.

2.5 2014 Parking Rates

With the opening of the new City Hall, a City-owned parking structure, a below-ground parkade, will become operational. Revenue generated from parking rates will cover part of the on-going operating and maintenance costs of this facility as well as contribute to the debt financing costs.

The parkade will be managed by Concord Parking, who will ensure that the structure is clean and safe and who will be responsible for monitoring the parking area for parking violations. Once the parkade becomes fully operational, the proposed parking rates will be \$75.00 per month for general staff parking, \$130 per month for reserved staff parking and \$1.50 per hour for the public use.

2.6 2014 District Energy

The new City Hall will be provided with heating and cooling by the City's first district energy (DE) system. The City Hall DE system will capture energy in the ground by utilizing a vertical, closed-loop geexchange system that uses heat pumps to extract or discharge heat from/to the ground under the parkade. The DE system will increase energy security by reducing reliance on external energy sources. It will also result in reduced GHG emissions in comparison to some conventional sources of energy and potentially be available to connect to future DE system expansions.

While the DE system will become operational in 2014, revenues are not expected to be generated until 2015, when it is expected that private developments will begin to be connected to the system. The rate structure for the DE system is being finalized. Staff will be forwarding a report to Council in the next few weeks with a recommendation regarding the rate structure.

2.7 2014 Road and Traffic Safety Utility Levy

A Road and Traffic Safety Levy was established as part of the 2008 financial planning process to address the need for increased maintenance of local and collector roads throughout the City and to provide additional funding for road safety features and improvements such as traffic calming, crosswalks, sidewalks, etc. The Roads and Traffic Safety Levy was further expanded to include the maintenance and capital costs associated with arterial roads throughout the City, to address identified on-going road maintenance needs related to inclement weather conditions and to support the Wire Theft Abatement Program, which includes replacing the current copper street light wiring with aluminium wire and a number of other education and enforcement-related measures. This utility is supported by a levy that is based on the assessed value of individual properties in each Property Class. It also receives one third of the revenues generated through the Secondary Suite fee.

To meet the on-going needs of the utility, the Road and Traffic Safety Levy is proposed to be increased in 2014 such that, the average single-family dwelling will pay an additional \$15.31 per year and an average business will pay an additional \$69.88 per year. These increases are in line with the projections that were included in the 2013 – 2017 Five Year Financial Plan.

Similar adjustments to the Road and Traffic Safety Levy are incorporated for each remaining year in the proposed Five Year Plan to ensure adequate funding is available to meet the City's transportation needs over time. Once the Roads and Traffic Utility is fully funded on a sustainable basis, the portion of the Secondary Suite fee being dedicated to the Roads and Traffic Safety Utility will be re-directed to other Capital infrastructure needs.

2.8 Proposed 2014 – 2018 Financial Plans

Based on the above discussed adjustments, a draft Five-Year Financial Plan for each of the Water Utility (see Appendix A), the Sewer Utility (see Appendix B), the Drainage Utility (see Appendix C), the Solid Waste Utility (see Appendix D), the Parking Utility (see Appendix E), the District Energy Utility (see Appendix F) and the Road and Traffic Safety Utility (see Appendix G) has been prepared.

3.0 SUMMARY

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

- a) Approve the recommendations outlined in Section 2.0 of this report; and
- b) Direct staff to prepare the 2014 Five-Year (2014 – 2018) Financial Plan for each of the Water, Sewer, Drainage, Solid Waste, Parking, District Energy and Road and Traffic Safety self-funded programs, respectively, incorporating the recommendations as contained in this report.

Murray Dinwoodie
City Manager

Vivienne Wilke, CGA
General Manager,
Finance & Technology

Attachments:

- Appendix “A”: 2014 – 2018 Financial Plan – Water Utility
- Appendix “B”: 2014 – 2018 Financial Plan – Sewer Utility
- Appendix “C”: 2014 – 2018 Financial Plan – Drainage Utility
- Appendix “D”: 2014 – 2018 Financial Plan – Solid Waste Utility
- Appendix “E”: 2014 – 2018 Financial Plan – Parking Utility
- Appendix “F”: 2014 – 2018 Financial Plan – District Energy Utility
- Appendix “G”: 2014 – 2018 Financial Plan – Roads & Traffic Safety Utility

**2014 - 2018 FINANCIAL PLAN
WATER - FINANCIAL SUMMARY**

(in thousands)

REVENUE SUMMARY	2014 BUDGET	2015 PLAN	2016 PLAN	2017 PLAN	2018 PLAN
Taxation	\$ 125	\$ 68	\$ 52	\$ 27	\$ 13
	125	68	52	27	13
Investment Income	1,157	1,197	1,104	1,022	877
Penalties and Interest	642	716	784	861	951
	1,799	1,913	1,888	1,883	1,828
Departmental Revenues	64,951	72,296	79,173	86,940	95,907
	\$ 66,875	\$ 74,277	\$ 81,113	\$ 88,850	\$ 97,748
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 60,776	\$ 66,821	\$ 71,927	\$ 81,207	\$ 87,781
	\$ 60,776	\$ 66,821	\$ 71,927	\$ 81,207	\$ 87,781
Interest Alloc'd to Approp. Surp	\$ 512	\$ 400	\$ 306	\$ 224	\$ 80
Contrib'n to General Operating	3,722	3,868	4,020	4,178	4,342
Contrib'n to Capital	8,481	8,438	9,137	11,573	11,573
Net Tsf To/(Frm) Surp/Resrv	(6,616)	(5,250)	(4,277)	(8,332)	(6,028)
	\$ 6,099	\$ 7,456	\$ 9,186	\$ 7,643	\$ 9,967
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -

**2014 - 2018 FINANCIAL PLAN
SEWER - FINANCIAL SUMMARY**

(in thousands)

REVENUE SUMMARY	2014 BUDGET	2015 PLAN	2016 PLAN	2017 PLAN	2018 PLAN
Taxation	\$ 2,919	\$ 2,916	\$ 2,882	\$ 2,866	\$ 2,552
	<u>2,919</u>	<u>2,916</u>	<u>2,882</u>	<u>2,866</u>	<u>2,552</u>
Investment Income	891	783	757	746	885
Penalties and Interest	218	233	249	269	291
	<u>1,109</u>	<u>1,016</u>	<u>1,006</u>	<u>1,015</u>	<u>1,176</u>
Departmental Revenues	43,517	46,456	49,820	53,826	58,035
	<u>\$ 47,545</u>	<u>\$ 50,388</u>	<u>\$ 53,708</u>	<u>\$ 57,707</u>	<u>\$ 61,763</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 42,771	\$ 45,355	\$ 47,942	\$ 51,050	\$ 54,571
	<u>\$ 42,771</u>	<u>\$ 45,355</u>	<u>\$ 47,942</u>	<u>\$ 51,050</u>	<u>\$ 54,571</u>
Interest Alloc'd to Approp. Surp	\$ 282	\$ 225	\$ 200	\$ 188	\$ 327
Contrib'n to General Operating	1,702	1,777	1,855	1,937	2,023
Contrib'n to Capital	5,045	4,961	5,764	5,831	5,831
Net Tsf To/(Frm) Surp/Resrv	(2,255)	(1,930)	(2,053)	(1,299)	(989)
	<u>\$ 4,774</u>	<u>\$ 5,033</u>	<u>\$ 5,766</u>	<u>\$ 6,657</u>	<u>\$ 7,192</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>				

**2014 - 2018 FINANCIAL PLAN
DRAINAGE - FINANCIAL SUMMARY**
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2014 BUDGET</u>	<u>2015 PLAN</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>	<u>2018 PLAN</u>
Taxation	<u>\$ 29,419</u>	<u>\$ 31,677</u>	<u>\$ 34,031</u>	<u>\$ 36,470</u>	<u>\$ 39,271</u>
	29,419	31,677	34,031	36,470	39,271
Investment Income	-	-	-	-	-
Penalties and Interest	-	-	-	-	-
	-	-	-	-	-
Departmental Revenues	117	117	117	117	117
	<u>\$ 29,536</u>	<u>\$ 31,794</u>	<u>\$ 34,148</u>	<u>\$ 36,587</u>	<u>\$ 39,388</u>
<u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	<u>\$ 14,631</u>	<u>\$ 14,978</u>	<u>\$ 15,338</u>	<u>\$ 14,165</u>	<u>\$ 14,554</u>
	<u>\$ 14,631</u>	<u>\$ 14,978</u>	<u>\$ 15,338</u>	<u>\$ 14,165</u>	<u>\$ 14,554</u>
Interst Alloc'd to Approp. Surp	\$ -	\$ -	\$ -	\$ -	\$ -
Contrib'n to General Operating	1,831	1,911	1,996	2,085	2,179
Contrib'n to Capital	11,808	11,715	12,453	6,536	6,536
Net Tsf To/(Frm) Surp/Resrv	<u>1,266</u>	<u>3,190</u>	<u>4,361</u>	<u>13,801</u>	<u>16,119</u>
	<u>\$ 14,905</u>	<u>\$ 16,816</u>	<u>\$ 18,810</u>	<u>\$ 22,422</u>	<u>\$ 24,834</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**2014 - 2018 FINANCIAL PLAN
SOLID WASTE - FINANCIAL SUMMARY**

(in thousands)

REVENUE SUMMARY	2014 BUDGET	2015 PLAN	2016 PLAN	2017 PLAN	2018 PLAN
Penalties and Interest	\$ 100	\$ 105	\$ 105	\$ 110	\$ 110
Departmental Revenues	33,221	35,136	38,966	40,521	42,127
	\$ 33,321	\$ 35,241	\$ 39,071	\$ 40,631	\$ 42,237
 EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 27,992	\$ 26,920	\$ 27,458	\$ 28,005	\$ 28,567
	\$ 27,992	\$ 26,920	\$ 27,458	\$ 28,005	\$ 28,567
Interest Allocated to Approp. Surplus	64	38	44	16	1
Contrib'n To General Op	3,435	3,468	3,501	3,535	3,570
Contrib'n To Capital	-	-	-	-	-
Net Tsf To/(Frm) Surp/Resrv	1,830	4,815	8,068	9,075	10,099
	\$ 5,329	\$ 8,321	\$ 11,613	\$ 12,626	\$ 13,670
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	\$ -				

2014 - 2018 FINANCIAL PLAN
PARKING AUTHORITY - FINANCIAL SUMMARY
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2014 BUDGET</u>	<u>2015 PLAN</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>	<u>2018 PLAN</u>
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
Investment Income	-	-	-	-	-
Penalties and Interest	-	-	-	-	-
	-	-	-	-	-
Departmental Revenues	811	828	844	861	878
	<u>\$ 811</u>	<u>\$ 828</u>	<u>\$ 844</u>	<u>\$ 861</u>	<u>\$ 878</u>
<u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 421	\$ 392	\$ 399	\$ 406	\$ 413
	<u>\$ 421</u>	<u>\$ 392</u>	<u>\$ 399</u>	<u>\$ 406</u>	<u>\$ 413</u>
Interest Alloc'd to Approp. Surp	\$ -	\$ 14	\$ 28	\$ 42	\$ 57
Contrib'n to General Operating	218	228	236	247	256
Contrib'n to Capital	-	-	-	-	-
Net Tsf To/(Frm) Surp/Resrv	172	194	181	166	152
	<u>\$ 390</u>	<u>\$ 436</u>	<u>\$ 445</u>	<u>\$ 455</u>	<u>\$ 465</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2014 - 2018 FINANCIAL PLAN
SURREY CITY ENERGY - FINANCIAL SUMMARY

(in thousands)

<u>REVENUE SUMMARY</u>	2014 BUDGET	2015 PLAN	2016 PLAN	2017 PLAN	2018 PLAN
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
Investment Income	-	-	-	-	-
Penalties and Interest	-	-	-	-	-
	-	-	-	-	-
Departmental Revenues	-	405	1,098	2,633	3,835
	<u>\$ -</u>	<u>\$ 405</u>	<u>\$ 1,098</u>	<u>\$ 2,633</u>	<u>\$ 3,835</u>
<u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 425	\$ 773	\$ 1,727	\$ 2,718	\$ 3,410
	<u>\$ 425</u>	<u>\$ 773</u>	<u>\$ 1,727</u>	<u>\$ 2,718</u>	<u>\$ 3,410</u>
Interest Alloc'd to Approp. Surp	\$ 77	\$ 131	\$ 197	\$ 485	\$ 558
Contrib'n to General Operating	26	26	26	26	26
Contrib'n to Capital	-	-	-	-	-
Net Tsf To/(Frm) Surp/Resrv	(528)	(525)	(852)	(596)	(159)
	<u>\$ (425)</u>	<u>\$ (368)</u>	<u>\$ (629)</u>	<u>\$ (85)</u>	<u>\$ 425</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>				

**2014 - 2018 FINANCIAL PLAN
ROADS & TRAFFIC - FINANCIAL SUMMARY**

(in thousands)

<u>REVENUE SUMMARY</u>	2014 BUDGET	2015 PLAN	2016 PLAN	2017 PLAN	2018 PLAN
Taxation	\$ 14,569	\$ 17,454	\$ 20,521	\$ 23,781	\$ 27,244
Departmental Revenues	1,165	1,192	1,224	1,256	1,287
	<u>\$ 15,734</u>	<u>\$ 18,646</u>	<u>\$ 21,745</u>	<u>\$ 25,037</u>	<u>\$ 28,531</u>
<u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 31,480	\$ 32,803	\$ 34,140	\$ 37,157	\$ 37,791
	<u>\$ 31,480</u>	<u>\$ 32,803</u>	<u>\$ 34,140</u>	<u>\$ 37,157</u>	<u>\$ 37,791</u>
Interest Allocated to Approp. Surplus	-	80	143	197	379
Contrib'n to Capital	\$ 10,845	\$ 10,905	\$ 12,344	\$ 21,465	\$ 21,441
Contrib'n from General Operating	(15,252)	(15,184)	(15,112)	(15,035)	(14,951)
Contrib'n from Secondary Suites	(3,910)	(4,267)	(4,463)	(4,707)	(5,107)
Net Tsf To/(Frm) Surp/Resrv	(7,429)	(5,691)	(5,307)	(14,040)	(11,022)
	<u>\$(15,746)</u>	<u>\$(14,157)</u>	<u>\$(12,395)</u>	<u>\$(12,120)</u>	<u>\$(9,260)</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>