

NO: **F050**

COUNCIL DATE: **December 15, 2014**

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **December 10, 2014**

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

FILE: **1705-05**

SUBJECT: **2015 Five Year (2015-2019) 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 2015 Five-Year (2015–2019) 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 2015 Water Utility Rates

The City adopted the Residential Water Metering Program over ten years ago and now provides service to more than 60,000 metered utility accounts. Approximately 68% of all single family dwellings and all commercial customers in the City are now serviced with water meters. In 2014, these metered accounts were charged \$0.8708 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 2015.

In 2015, the GVWD bulk water charge will increase by \$0.0107 per cubic metre to \$0.6403 per cubic metre. This equates to an increase for the ‘average metered single family residence’ of approximately \$0.36 per month or \$4.28 per year. An increase of \$0.0135 per cubic metre is also required to support the City’s general operating, maintenance costs and capital program.

Based on the above, it is recommended for 2015 that the water utility rate be increased from \$0.8708 per cubic metre to \$0.8950 per cubic metre. This recommendation will equate to a total increase of \$0.81 per month or \$9.68 per year for the 'average metered single family residence' and \$4.03 per month or \$48.40 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 and will reflect the proposed rate of \$0.8950 per cubic metre. The average consumption by non-metered accounts is 800 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 \$0.029 to \$0.044 per cubic metre per year.

2.2 2015 Sewer Utility Rates

In 2014, metered utility customers were charged \$0.8688 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 2015.

In 2015 the GVS&DD sewer charges will increase by 3.4%. It is expected that this will impact the 'average metered single family residence' in the City of Surrey by approximately \$0.50 per month or \$5.98 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 \$0.50 per month or \$6.00 per year.

As such, it is recommended that the sewer utility rate be increased for 2015 from \$0.8688 per cubic metre of discharge volume to \$0.90625 per cubic metre of discharge volume. This equates to a total increase of \$1.00 per month or \$11.98 per year for the 'average metered single family residence' and \$4.99 per month or \$59.92 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 640 m³ and the per cubic metre rate of \$0.90625. 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 6.5% and 7.5% per year for each of the remaining four years of the Five Year Plan.

2.3 2015 Drainage/Dyking/Flood Protection Utility Parcel Tax

The Drainage Parcel Tax is currently \$201 per lot. An increase of \$12.00 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 2015 will be \$213 for residential and agricultural properties and \$259 for commercial property.

2.4 2015 Solid Waste Utility Rates

The GVRD Solid Waste Tipping fee is currently \$108 per tonne and will increase by \$1.00 per metric tonne in 2015. With the implementation of the City's last solid waste collection contract, which included a new organics waste collection component, and the introduction of the multi-material recycling program throughout the province, the City's solid waste collection rates will not need to increase for 2015. The solid waste rate is proposed to remain at \$283 per single family residence in 2015.

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 2015 Parking

Revenue generated from parking rates will cover the on-going operating and maintenance costs of the below-ground parkade located at City Hall as well as contribute to the debt financing costs.

The parking rates will remain unchanged for 2015 at \$75.00 per month for general staff parking, \$130 per month for reserved staff parking and \$1.50 per hour for public use.

2.6 2015 District Energy

In December 2013 Council adopted the recommendations of Corporate Report No. R246: District Energy System Utility - Policy on Utility Rate Setting and Regulation, that authorized the principles and a related methodology to regulate the rates and the rate structure that will be used by Surrey City Energy (SCE), the City's district energy utility. In 2015 the first two customers will begin receiving service from this utility.

In July 2014, Council approved the establishment of a third-party Expert External Rate Review Panel to assist staff and Council in the oversight of SCE's rates and rate structure. The Panel has conducted a full review of the long-term financial plan, rate structure and 2015 rates and has provided a letter of endorsement in support of the 2015 rates.

The 2015 rates consist of an energy charge of \$48/MWh of energy consumed. In addition, daily demand charges of \$0.017/m²/day and \$0.233/kW/day will be applied to Class 1 and Class 2 customers, respectively.

2.7 2015 Road and Traffic Safety Utility Levy

A Road and Traffic Safety Levy was established in 2008 to ensure that a stable, sustainable funding source was available to meet the growing traffic and safety needs of the City. This levy addresses the maintenance of roads throughout the City as well as traffic calming measures, crosswalks, sidewalks and measure to reduce congestion throughout the City. This utility is supported by a levy that is based on the assessed value of individual properties in each Property Class.

To meet the on-going needs of the utility, the Road and Traffic Safety Levy is proposed to be increased in 2015 such that, the average single-family dwelling will pay an additional \$15.56 per year and an average business will pay an additional \$68.16 per year. These increases are in line with the projections that were included in the 2014–2018 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.

2.8 Proposed 2015–2019 Financial Plans

Based on the above discussed adjustments, a draft Five-Year Financial Plan for each of the Water Utility (see Appendix I), the Sewer Utility (see Appendix II), the Drainage Utility (see Appendix III), the Solid Waste Utility (see Appendix IV), the Parking Utility (see Appendix V), the District Energy Utility (see Appendix VI) and the Road and Traffic Safety Utility (see Appendix VII) 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 2015 Five-Year (2015–2019) 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.

Vince Lalonde, P.Eng
City Manager

Vivienne Wilke, CGA
General Manager,
Finance & Technology

Attachments:

Appendix "I": 2015 – 2019 Financial Plan – Water Utility
Appendix "II": 2015 – 2019 Financial Plan – Sewer Utility
Appendix "III": 2015 – 2019 Financial Plan – Drainage Utility
Appendix "IV": 2015 – 2019 Financial Plan – Solid Waste Utility
Appendix "V": 2015 – 2019 Financial Plan – Parking Utility
Appendix "VI": 2015 – 2019 Financial Plan – District Energy Utility
Appendix "VII": 2015 – 2019 Financial Plan – Roads & Traffic Safety Utility

**2015 - 2019 FINANCIAL PLAN
WATER - FINANCIAL SUMMARY**
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2015 BUDGET</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>	<u>2018 PLAN</u>	<u>2019 PLAN</u>
Taxation	\$ 119	\$ 103	\$ 77	\$ 84	\$ 63
	<u>119</u>	<u>103</u>	<u>77</u>	<u>84</u>	<u>63</u>
Investment Income	1,006	909	837	758	710
Penalties and Interest	657	712	771	835	896
	<u>1,663</u>	<u>1,621</u>	<u>1,608</u>	<u>1,593</u>	<u>1,606</u>
Departmental Revenues	66,410	71,946	77,897	84,282	90,446
	<u>\$ 68,192</u>	<u>\$ 73,670</u>	<u>\$ 79,582</u>	<u>\$ 85,959</u>	<u>\$ 92,115</u>
 <u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 61,999	\$ 65,410	\$ 69,058	\$ 72,938	\$ 77,058
	<u>\$ 61,999</u>	<u>\$ 65,410</u>	<u>\$ 69,058</u>	<u>\$ 72,938</u>	<u>\$ 77,058</u>
Interest Alloc'd to Approp. Surp	\$ 333	\$ 236	\$ 164	\$ 85	\$ 38
Contrib'n to General Operating	4,233	4,237	4,227	4,202	4,160
Contrib'n to Capital	8,556	8,541	11,347	11,347	11,347
Net Tsf To/(Frm) Surp/Resrv	(6,929)	(4,754)	(5,214)	(2,613)	(488)
	<u>\$ 6,193</u>	<u>\$ 8,260</u>	<u>\$ 10,524</u>	<u>\$ 13,021</u>	<u>\$ 15,057</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**2015 - 2019 FINANCIAL PLAN
SEWER - FINANCIAL SUMMARY**
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2015 BUDGET</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>	<u>2018 PLAN</u>	<u>2019 PLAN</u>
Taxation	\$ 2,441	\$ 1,937	\$ 1,448	\$ 959	\$ 486
	<u>2,441</u>	<u>1,937</u>	<u>1,448</u>	<u>959</u>	<u>486</u>
Investment Income	652	633	652	736	853
Penalties and Interest	225	243	265	290	315
	<u>877</u>	<u>876</u>	<u>917</u>	<u>1,026</u>	<u>1,168</u>
Departmental Revenues	44,947	48,597	52,933	57,894	62,955
	<u>\$ 48,265</u>	<u>\$ 51,410</u>	<u>\$ 55,298</u>	<u>\$ 59,879</u>	<u>\$ 64,609</u>
<u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 43,965	\$ 46,763	\$ 50,127	\$ 53,783	\$ 57,761
	<u>\$ 43,965</u>	<u>\$ 46,763</u>	<u>\$ 50,127</u>	<u>\$ 53,783</u>	<u>\$ 57,761</u>
Interest Alloc'd to Approp. Surp	\$ 188	\$ 168	\$ 187	\$ 272	\$ 388
Contrib'n to General Operating	2,132	2,169	2,204	2,237	2,268
Contrib'n to Capital	5,021	5,042	5,928	5,928	5,928
Net Tsf To/(Frm) Surp/Resrv	(3,041)	(2,732)	(3,148)	(2,341)	(1,736)
	<u>\$ 4,300</u>	<u>\$ 4,647</u>	<u>\$ 5,171</u>	<u>\$ 6,096</u>	<u>\$ 6,848</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**2015 - 2019 FINANCIAL PLAN
DRAINAGE - FINANCIAL SUMMARY**
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2015 BUDGET</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>	<u>2018 PLAN</u>	<u>2019 PLAN</u>
Taxation	\$ 33,413	\$ 35,512	\$ 37,702	\$ 39,986	\$ 42,333
	<u>33,413</u>	<u>35,512</u>	<u>37,702</u>	<u>39,986</u>	<u>42,333</u>
Investment Income	-	-	-	-	-
Penalties and Interest	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Departmental Revenues	117	117	117	117	117
	<u>\$ 33,530</u>	<u>\$ 35,629</u>	<u>\$ 37,819</u>	<u>\$ 40,103</u>	<u>\$ 42,450</u>
<u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 15,021	\$ 15,202	\$ 13,839	\$ 14,027	\$ 14,219
	<u>\$ 15,021</u>	<u>\$ 15,202</u>	<u>\$ 13,839</u>	<u>\$ 14,027</u>	<u>\$ 14,219</u>
Interst Alloc'd to Approp. Surp	\$ -	\$ -	\$ -	\$ -	\$ -
Contrib'n to General Operating	1,631	1,631	1,704	1,807	1,915
Contrib'n to Capital	11,178	10,081	7,740	7,845	7,947
Net Tsf To/(Frm) Surp/Resrv	5,700	8,715	14,536	16,424	18,369
	<u>\$ 18,509</u>	<u>\$ 20,427</u>	<u>\$ 23,980</u>	<u>\$ 26,076</u>	<u>\$ 28,231</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2015 - 2019 FINANCIAL PLAN
SOLID WASTE - FINANCIAL SUMMARY
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2015 BUDGET</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>	<u>2018 PLAN</u>	<u>2019 PLAN</u>
Penalties and Interest	\$ 205	\$ 205	\$ 210	\$ 210	\$ 215
Departmental Revenues	39,000	40,463	42,192	43,955	45,807
	<u>\$ 39,205</u>	<u>\$ 40,668</u>	<u>\$ 42,402</u>	<u>\$ 44,165</u>	<u>\$ 46,022</u>
 <u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 30,173	\$ 30,791	\$ 31,426	\$ 32,072	\$ 32,736
	<u>\$ 30,173</u>	<u>\$ 30,791</u>	<u>\$ 31,426</u>	<u>\$ 32,072</u>	<u>\$ 32,736</u>
Interest Allocated to Approp. Surplus	11	45	92	154	268
Contrib'n To General Op	1,937	1,937	1,937	1,937	1,937
Contrib'n To Capital	-	-	-	-	-
Net Tsf To/(Frm) Surp/Resrv	7,084	7,895	8,947	10,002	11,081
	<u>\$ 9,032</u>	<u>\$ 9,877</u>	<u>\$ 10,976</u>	<u>\$ 12,093</u>	<u>\$ 13,286</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**2015 - 2019 FINANCIAL PLAN
PARKING AUTHORITY - FINANCIAL SUMMARY**

(in thousands)

REVENUE SUMMARY	2015 BUDGET	2016 PLAN	2017 PLAN	2018 PLAN	2019 PLAN
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
Investment Income	-	-	-	-	-
Penalties and Interest	-	-	-	-	-
	-	-	-	-	-
Departmental Revenues	584	762	788	856	911
	\$ 584	\$ 762	\$ 788	\$ 856	\$ 911
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 349	\$ 355	\$ 374	\$ 377	\$ 394
	\$ 349	\$ 355	\$ 374	\$ 377	\$ 394
Interest Alloc'd to Approp. Surp	\$ 14	\$ 35	\$ 55	\$ 74	\$ 93
Contrib'n to General Operating	258	266	273	281	289
Contrib'n to Capital	-	-	-	-	-
Net Tsf To/(Frm) Surp/Resrv	(37)	106	86	124	135
	\$ 235	\$ 407	\$ 414	\$ 479	\$ 517
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -

**2015 - 2019 FINANCIAL PLAN
SURREY CITY ENERGY - FINANCIAL SUMMARY**

(in thousands)

REVENUE SUMMARY	2015 BUDGET	2016 PLAN	2017 PLAN	2018 PLAN	2019 PLAN
Taxation	\$ 121	\$ 488	\$ 1,962	\$ 4,230	\$ 5,262
	121	488	1,962	4,230	5,262
Investment Income	-	-	-	-	-
Penalties and Interest	-	-	-	-	-
Departmental Revenues	-	-	-	-	-
	\$ 121	\$ 488	\$ 1,962	\$ 4,230	\$ 5,262
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 590	\$ 1,075	\$ 2,134	\$ 3,452	\$ 3,981
	\$ 590	\$ 1,075	\$ 2,134	\$ 3,452	\$ 3,981
Interest Alloc'd to Approp. Surp	\$ (26)	\$ 48	\$ 290	\$ 578	\$ 712
Contrib'n to General Operating	26	31	46	68	80
Contrib'n to Capital	3,948	14,001	16,309	6,273	1,932
Net Tsf To/(Frm) Surp/Resrv	(4,417)	(14,667)	(16,817)	(6,141)	(1,443)
	\$ (469)	\$ (587)	\$ (172)	\$ 778	\$ 1,281
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix VII

2015 - 2019 FINANCIAL PLAN
ROADS & TRAFFIC - FINANCIAL SUMMARY
(in thousands)

<u>REVENUE SUMMARY</u>	2015 BUDGET	2016 PLAN	2017 PLAN	2018 PLAN	2019 PLAN
Taxation	\$ 19,236	\$ 22,448	\$ 25,872	\$ 29,519	\$ 33,403
Departmental Revenues	3,858	3,892	3,927	3,961	3,997
	<u>\$ 23,094</u>	<u>\$ 26,340</u>	<u>\$ 29,799</u>	<u>\$ 33,480</u>	<u>\$ 37,400</u>
 <u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 34,080	\$ 34,670	\$ 35,271	\$ 35,883	\$ 36,507
	<u>\$ 34,080</u>	<u>\$ 34,670</u>	<u>\$ 35,271</u>	<u>\$ 35,883</u>	<u>\$ 36,507</u>
Interest Allocated to Approp. Surplus	-	-	-	-	-
Contrib'n to Capital	\$ 18,720	\$ 18,828	\$ 22,630	\$ 22,439	\$ 22,414
Contrib'n from General Operating	(13,081)	(12,443)	(11,129)	(9,612)	(8,305)
Net Tsf To/(Frm) Surp/Resrv	(16,625)	(14,715)	(16,973)	(15,230)	(13,216)
	<u>\$ (10,986)</u>	<u>\$ (8,330)</u>	<u>\$ (5,472)</u>	<u>\$ (2,403)</u>	<u>\$ 893</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>