

NO: F003

COUNCIL DATE: December 22, 2021

FINANCE COMMITTEE

TO: Mayor & Council

DATE: December 17, 2021

FROM: City Manager and
General Manager, Finance

FILE: 1705-05

SUBJECT: 2022 Five-Year (2022-2026) Financial Plan – Utilities and Other Self-Funded Programs

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 2022 Five-Year (2022–2026) 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

Self-funded programs, also known as utilities, 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, effective January 1, 2022. The following sections of this report discuss each of the self-funded programs separately.

2.1 2022 Water Utility Rates

The City adopted the Residential Water Metering Program over 15 years ago and now provides service to more than 72,000 metered water utility accounts. In 2021, these metered accounts were charged \$1.1433 per cubic metre of water consumed. Due to increases in the Greater Vancouver Water District (“GVWD”) water rates and the Utility’s operating and capital cost demands, an increase in the water rates is necessary for 2022.

In 2022, the GVWD water charges will increase by 4.12% resulting in an increase in the GVWD bulk water charges of \$0.0334 per cubic metre. An increase of \$0.0096 per cubic metre, which represents a 2.90% increase over the City’s prior year portion of water charges, is also required to support the Utility’s operating, maintenance costs and capital programs.

Based on these changes, it is recommended for 2022 that the water utility metered rate be increased from \$1.1433 per cubic metre to \$1.1863 per cubic metre, which represents a combined

change in GVWD and the City's portion of water charges of \$0.0430 per cubic metre. This recommendation will equate to a total increase of \$15.48 per year for the average metered single-family dwelling that consumes 360 cubic metres of water per year; and \$86.00 per year for an average business that consumes 2,000 cubic metres of water per year and that has a 50 mm water connection.

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 reflect the proposed rate increase of \$0.0430 per cubic metre. The consumption by non-metered residential customers is estimated to be 800 cubic metres per year. A residential flat rate customer will see a \$34.40 per year increase.

The GVWD bulk water rates are projected to increase an average of 10.00% per year for each of the remaining four years of the Five-Year Plan. Proposed 2022 Water rate changes and their annual impact on average residential and commercial customers are summarized in Tables 1 and 2.

Table 1 – Proposed Water Rate Changes

	GVWD Rate (per m³)	City of Surrey Rate (per m³)	Total Metered Rate (per m³)
2021	\$0.8110	\$0.3323	\$1.1433
Increase per m ³ of water	\$0.0334 (4.12%)	\$0.0096 (2.90%)	\$0.0430 (3.76%)
2022 (proposed)	\$0.8444	\$0.3419	\$1.1863
% of Total Rate	71%	29%	100%

Table 2 - Annual Impact on Water Customers

Customer Type	Average Water Consumption (m³)	Annual Impact of GVWD Increase	Annual Impact of City Increase	Overall Annual Impact
Metered Single Family	360	\$12.02	\$3.46	\$15.48
Metered Commercial	2,000	\$66.80	\$19.20	\$86.00
Non-metered Residential	800	\$26.72	\$7.68	\$34.40

2.2 2022 Sewer Utility Rates

The City provides service to more than 69,000 metered sewer utility accounts. In 2021, metered utility customers were charged \$1.3659 per cubic metre of sewer discharge. Due to increases in the Greater Vancouver Sewerage and Drainage District's ("GVS&DD") sewerage rates and the Utility's operating and capital cost demands, an increase in the sewer rates is necessary for 2022. Actual sewer usage is calculated as being 82% of the volume of water that is consumed by the metered water customers or estimated for the non-metered residential customers.

In 2022, the GVS&DD sewer charges will increase by 6.88% resulting in an increase in GVS&DD sewer charges of \$0.0737 per cubic metre of discharge volume. An increase of \$0.0086 per

cubic metre of discharge volume, which represents a 2.90% increase over the City's prior year portion of sewer charges, is also required to support the Utility's operating, maintenance costs and capital programs.

Based on these changes, it is recommended for 2022 that the sewer utility metered rate be increased from \$1.3659 to \$1.4482 per cubic metre of discharge volume, which represents a combined change in GVS&DD and the City's portion of sewer charges of \$0.0823 per cubic metre of discharge volume. This recommendation will equate to a total increase of \$24.30 per year for the 'average metered single family dwelling' that discharges 295.2 cubic metres (82% of 360 cubic metres of average water consumed) of sewage per year; and \$134.97 per year for a business that discharges 1,640 cubic metres (82% of 2,000 cubic metres of average water consumed) of sewage per year.

The sewer utility rate for non-metered customers will be increased based on the 'average' discharge of a non-metered customer of 656 cubic metres (82% of estimated 800 cubic metres of water consumed) and will reflect the proposed rate increase of \$0.0823 per cubic metre of discharge volume. A residential flat rate customer will see an increase of \$53.99 per year.

The GVS&DD sewer rates are projected to increase an average of 21.35% per year for each of the remaining four years of the Five-Year Plan. Proposed 2022 Sewer rate changes and their annual impact on average residential and commercial customers are summarized in Tables 3 and 4.

Table 3 – Proposed Sewer Rate Changes

	GVS&DD Rate (per m³)	City of Surrey Rate (per m³)	Total Metered Rate (per m³)
2021	\$1.0710	\$0.2949	\$1.3659
Increase per m ³ of sewage	\$0.0737 (6.88%)	\$0.0086 (2.9%)	\$0.0823 (6.03%)
2022 (proposed)	\$1.1447	\$0.3035	\$1.4482
% of Total Rate	79%	21%	100%

Table 4 - Annual Impact on Sewer Customers

Customer Type	Sewer Volume @ 82% of average water consumption (m³)	Annual Impact of GVS&DD Increase	Annual Impact of City Increase	Overall Annual Impact
Metered Single Family	295.20	\$21.76	\$2.54	\$24.30
Metered Commercial	1640	\$120.87	\$14.10	\$134.97
Non-metered Residential	656	\$48.35	\$5.64	\$53.99

2.3 2022 Drainage/Dyking/Flood Protection Utility Parcel Tax

The Drainage Parcel Tax is currently \$229 per lot for residential, recreation and agricultural properties and \$559 for commercial properties. An increase of \$6.64 per residential and agricultural property per year; and an increase of \$16.21 per commercial and industrial property per year, which represents a 2.9% increase respectively are proposed to support increased maintenance and capital costs in relation to the City's drainage infrastructure. With this proposed increase, the Drainage Parcel Tax for 2022 will be \$235.64 for residential and

agricultural properties and \$575.21 for commercial properties. The respective impact of commercial and industrial properties in relation to infrastructure is reflected in their respective rate increases, as summarized in Table 5 below. Proposed 2022 Drainage Parcel Tax changes are summarized in Table 5.

Table 5 - Proposed Drainage Rate Changes

	Residential and Agricultural	Commercial and Industrial
2021	\$229	\$559
Increase	\$6.64 (2.9%)	\$16.21 (2.9%)
2022 (Proposed)	\$235.64	\$575.21

2.4 2022 Solid Waste Utility Rates

The City provides weekly residential curbside organic waste collection with alternating bi-weekly garbage and recycling services to approximately 107,000 single-family households and 31,400 secondary suites. The City also provides 35,000 residences from apartment buildings with centralized recycling service, while approximately 50% of these households additionally receive weekly organic waste collection services. The City processes the organic waste it collects at curbside into a 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 (“LIPU”), litter pickup services, streetscape litter bin collection, and the Love Where You Live campaign.

In 2021, garbage, recycling and organics collection service rates for single and multi-family customers were \$307.00 per year, while for secondary suite customers were \$153.00 per year. In 2022, Metro Vancouver tipping fee charges will increase by 3.4% (\$4 per tonne) resulting in a tipping fee of \$121 per tonne. Metro Vancouver is projecting that the Solid Waste Tipping fee will increase by \$7 per tonne in 2023 and \$7 each of the remaining three years of the Five-Year Plan.

Due to continuation of cleanliness and beautification initiatives and an increase in the Metro Vancouver tipping fee charges, it is recommended for 2022 that a 2.9% increase be applied, resulting in an annual collection rate of \$315.90 for single family and multi-family customers and \$157.44 for secondary suite customers. The increase will support the increased Metro Vancouver tipping fee as well as waste diversion, general litter cleanup around the City and capital infrastructure for street cleaning initiatives. Staff also recommends increasing the rates for Apartment/Townhouse recycling customers by \$0.93 to \$32.93 and for Apartment/Townhouse recycling and organic customers by \$1.22 to \$43.22 for increased LIPU collection service costs.

Proposed 2022 Solid Waste rate changes are summarized in Table 6.

Table 6 - Proposed Solid Waste Rate Changes

	Single Family and Multi-family Garbage/Recycling/Organics	Secondary Suite Garbage/Recycling/Organics	Apartment/Townhouse Recycling/Organics	Apartment/Townhouse Recycling
2021	\$307.00	\$153.00	\$42.00	\$32.00
Increase	\$8.90 (2.9%)	\$4.44 (2.9%)	\$1.22 (2.9%)	\$0.93 (2.9%)
2022 (Proposed)	\$315.90	\$157.44	\$43.22	\$32.93

2.5 2022 Parking

Revenue generated from parking rates covers the on-going operating and maintenance costs as well as contribute to the debt servicing 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.

2022 Parking rates are updated per the *Surrey Fee Setting Bylaw, 2001, No. 14577* (“Bylaw 14577”).

2.6 2022 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.

In 2021, customers were charged a variable energy rate (“Charge”) of \$55.30 per megawatt-hour and a fixed capacity rate (“Levy”) of \$0.01873 per square meter of the building area per day for Class 1 customers, and a fixed capacity rate (“Levy”) of \$0.26830 per kilowatt of peak heat energy demand per day for class 2 customers.

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 recommends a 2.2% increase, as supported by an independent External Rate Review Panel. 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 \$18.16 (Charge and Levy) for a 65m² (700 square foot) residential dwelling unit that consumes an average of 6.8 MWh/year of energy. Proposed 2022 SCE Charge and Levy changes have been summarized in Tables 7 and 8.

Table 7 - Proposed SCE Rate Change (Charge)

	Class 1 & Class 2
	(\$/MWh)
2021	\$55.30
Increase	\$1.24
2022 (proposed)	\$56.54
Percent Increase	2.2%

Table 8 - Proposed SCE Rate Change (Levy)

	Class 1 (\$/m²/day)	Class 2 (\$/kW/day)
2021	\$0.01873	\$0.26830
Increase	\$0.00041	\$0.00592
2022 (proposed)	\$0.01914	\$0.27422
Percent Increase	2.2%	2.2%

2.7 Proposed 2022 Five-Year (2022–2026) 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”) and the District Energy Utility (see Appendix “VI”) has been prepared.

3.0 CONCLUSION

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

1. Approve the rate adjustments outlined in Section 2.0 of this report; and
2. Direct staff to prepare the 2022 Five-Year (2022–2026) 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.

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General Manager, Finance

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City Manager

Attachments:

Appendix “I”	2022 – 2026 Financial Plan – Water Utility
Appendix “II”	2022 – 2026 Financial Plan – Sewer Utility
Appendix “III”	2022 – 2026 Financial Plan – Drainage Utility
Appendix “IV”	2022 – 2026 Financial Plan – Solid Waste Utility
Appendix “V”	2022 – 2026 Financial Plan – Parking Utility
Appendix “VI”	2022 – 2026 Financial Plan – Surrey City Energy Utility

2022 - 2026 FINANCIAL PLAN
WATER - FINANCIAL SUMMARY
(in thousands)

REVENUE SUMMARY	2022 BUDGET	2023 PLAN	2024 PLAN	2025 PLAN	2026 PLAN
Special Assessment	\$ 201	\$ 104	\$ 110	\$ 104	\$ 109
Taxation	201	104	110	104	109
Sale of Goods and Services	88,368	92,826	100,336	109,584	119,786
Developer Contributions	2	2	2	2	2
Investment Income	128	217	311	411	512
Penalties and Interest	747	754	762	770	778
Grants, Donations and Other	520	525	530	535	540
Other Revenue	1,267	1,279	1,292	1,305	1,318
TOTAL REVENUE	\$ 89,966	\$ 94,428	\$102,051	\$111,406	\$121,727
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 71,842	\$ 76,043	\$ 83,729	\$ 92,369	\$ 102,085
TOTAL EXPENDITURE	\$ 71,842	\$ 76,043	\$ 83,729	\$ 92,369	\$102,085
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 11,299	\$ 11,699	\$ 11,144	\$ 10,677	\$ 10,563
Transfers To/(From) Operating Sources	6,825	6,686	7,178	8,360	9,079
TOTAL TRANSFERS	\$ 18,124	\$ 18,385	\$ 18,322	\$ 19,037	\$ 19,642
NET WATER	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “II”

2022 - 2026 FINANCIAL PLAN SEWER - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2022 BUDGET	2023 PLAN	2024 PLAN	2025 PLAN	2026 PLAN
Special Assessment	33	33	33	33	33
Taxation	33	33	33	33	33
Sale of Goods and Services	75,312	89,782	106,153	126,851	161,339
Investment Income	71	117	167	219	289
Penalties and Interest	678	685	692	699	706
Other Revenue	678	685	692	699	706
TOTAL REVENUE	\$ 76,094	\$ 90,617	\$107,045	\$127,802	\$162,367
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 69,126	\$ 80,193	\$ 92,322	\$ 107,184	\$ 135,729
TOTAL EXPENDITURE	\$ 69,126	\$ 80,193	\$ 92,322	\$107,184	\$135,729
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 8,210	\$ 8,004	\$ 8,591	\$ 10,653	\$ 14,125
Transfers To/(From) Operating Sources	(1,242)	2,420	6,132	9,965	12,513
TOTAL TRANSFERS	\$ 6,968	\$ 10,424	\$ 14,723	\$ 20,618	\$ 26,638
NET SEWER	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “III”

2022 - 2026 FINANCIAL PLAN DRAINAGE - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2022 BUDGET	2023 PLAN	2024 PLAN	2025 PLAN	2026 PLAN
Drainage Parcel Tax	\$ 42,937	\$ 44,496	\$ 46,114	\$ 47,793	\$ 49,537
Special Assessment	27	27	27	27	27
Taxation	<u>42,964</u>	<u>44,523</u>	<u>46,141</u>	<u>47,820</u>	<u>49,564</u>
Developer Contributions	175	175	175	175	175
Investment Income	34	84	161	279	443
Transfers from Other Governments	266	266	266	266	266
Other Revenue	160	162	164	166	168
TOTAL REVENUE	<u>\$ 43,599</u>	<u>\$ 45,210</u>	<u>\$ 46,907</u>	<u>\$ 48,706</u>	<u>\$ 50,616</u>
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 14,469	\$ 14,759	\$ 15,013	\$ 15,314	\$ 15,619
TOTAL EXPENDITURE	<u>\$ 14,469</u>	<u>\$ 14,759</u>	<u>\$ 15,013</u>	<u>\$ 15,314</u>	<u>\$ 15,619</u>
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 14,177	\$ 17,956	\$ 21,686	\$ 25,699	\$ 27,051
Transfers To/(From) Operating Sources	14,953	12,495	10,208	7,693	7,946
TOTAL TRANSFERS	<u>\$ 29,130</u>	<u>\$ 30,451</u>	<u>\$ 31,894</u>	<u>\$ 33,392</u>	<u>\$ 34,997</u>
NET DRAINAGE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Appendix “IV”

2022 - 2026 FINANCIAL PLAN SOLID WASTE - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2022 BUDGET	2023 PLAN	2024 PLAN	2025 PLAN	2026 PLAN
Sale of Goods and Services	\$ 48,183	\$ 49,849	\$ 51,585	\$ 53,386	\$ 55,254
Investment Income	27	49	62	75	89
Penalties and Interest	149	150	152	154	156
Other Revenue	149	150	152	154	156
TOTAL REVENUE	\$ 48,359	\$ 50,048	\$ 51,799	\$ 53,615	\$ 55,499
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 37,599	\$ 41,453	\$ 42,738	\$ 44,034	\$ 45,339
Debt Interest	1,724	1,675	1,623	1,569	1,513
Debt Principal	935	983	1,035	1,089	1,146
TOTAL EXPENDITURE	\$ 40,258	\$ 44,111	\$ 45,396	\$ 46,692	\$ 47,998
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 1,304	\$ (972)	\$ (620)	\$ (222)	\$ 231
Transfers To/(From) Operating Sources	6,797	6,909	7,023	7,145	7,270
TOTAL TRANSFERS	\$ 8,101	\$ 5,937	\$ 6,403	\$ 6,923	\$ 7,501
NET SOLID WASTE	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “V”

2022 - 2026 FINANCIAL PLAN PARKING AUTHORITY - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2022 BUDGET	2023 PLAN	2024 PLAN	2025 PLAN	2026 PLAN
Sale of Goods and Services	\$ 3,109	\$ 3,468	\$ 3,500	\$ 3,533	\$ 3,565
Other Revenue	72	74	76	78	80
TOTAL REVENUE	\$ 3,181	\$ 3,542	\$ 3,576	\$ 3,611	\$ 3,645
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 1,504	\$ 1,538	\$ 1,567	\$ 1,593	\$ 1,617
TOTAL EXPENDITURE	\$ 1,504	\$ 1,538	\$ 1,567	\$ 1,593	\$ 1,617
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 800	\$ 1,199	\$ 1,223	\$ 1,229	\$ 832
Transfers To/(From) Operating Sources	877	805	786	789	1,196
TOTAL TRANSFERS	\$ 1,677	\$ 2,004	\$ 2,009	\$ 2,018	\$ 2,028
NET PARKING AUTHORITY	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix “VI”

2022 - 2026 FINANCIAL PLAN SURREY CITY ENERGY - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2022 BUDGET	2023 PLAN	2024 PLAN	2025 PLAN	2026 PLAN
Sale of Goods and Services	\$ 4,973	\$ 6,658	\$ 8,221	\$ 9,722	\$ 11,583
TOTAL REVENUE	\$ 4,973	\$ 6,658	\$ 8,221	\$ 9,722	\$ 11,583
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 3,328	\$ 4,228	\$ 5,087	\$ 5,991	\$ 6,536
TOTAL EXPENDITURE	\$ 3,328	\$ 4,228	\$ 5,087	\$ 5,991	\$ 6,536
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 1,320	\$ 1,997	\$ 2,600	\$ 3,099	\$ 4,294
Transfers To/(From) Operating Sources	325	433	534	632	753
TOTAL TRANSFERS	\$ 1,645	\$ 2,430	\$ 3,134	\$ 3,731	\$ 5,047
NET SURREY CITY ENERGY	\$ -	\$ -	\$ -	\$ -	\$ -