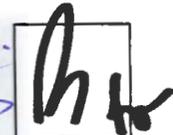


COUNCIL AGENDA/INFORMATION

<input type="checkbox"/> In-Camera	Date: _____	Item # _____
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<input type="checkbox"/> Agenda Addendum	Date: _____	Item # _____

 Dept. Manager	 Director	 Municipal Manager
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The Corporation of the District of North Vancouver
REPORT TO COUNCIL

November 21, 2013
File: 05.1700

AUTHOR: Lorn Carter, P.Eng., Manager, Utilities

**SUBJECT: SEWER AND DRAINAGE USER CHARGES AND SEWER CONNECTION FEES –
2014 - BYLAW 8021**

RECOMMENDATION

THAT "Sewer Bylaw 6656, 1994, Amendment Bylaw 8021, 2013 (Amendment 22)" is given FIRST, SECOND, and THIRD Reading.

REASON FOR REPORT:

The sewer and drainage user charges and the sewer connection fees charged by the District of North Vancouver are specified in Bylaw 6656, the Sewer Bylaw. The current rates were established in 2012 under Bylaw 7972. This report provides information and recommendations regarding the proposed charges for 2014.

SUMMARY:

Through a cooperative effort between Finance, Utilities, and a specialist consultant (FCS), the Sewer and Drainage Utility completed a rate setting evaluation exercise in 2012. The results of that exercise were the basis for setting the 2014 rate and allocation of the burden.

Calculations for the proposed 2014 sewer user charges and fees have included consideration of the following significant factors:

- a) Increased Metro Vancouver collection/treatment charge
- b) Increased capital projects
- c) Increase in operations and maintenance
- d) Increase in sewer reserve funds contribution

The proposed 2014 annual sewer and drainage charge for a single-family residence is \$547, an increase of \$26 over the 2013 charge.

BACKGROUND:

The Sewer and Drainage Utility provides sewerage and drainage collection for the District of North Vancouver. User charges are the main source of funds for the Utility. The revenue from the user charges must be sufficient to cover the annual operating costs of the Utility, to provide funds for capital works, and to create and maintain accumulated reserve funds at an acceptable level.

EXISTING POLICY:

The Sewer Utility operates as a self-sufficient financial entity. The rate setting exercise identified a need to accumulate a reserve balance substantially higher than Utilities traditionally held. As a result, a recommended multi-year reserve contribution has started this year in order to build the accumulated reserve to a balance more in keeping with prudent best practices. The District finances the Sewer and Drainage Utility on a “pay as you go” basis rather than through debt financing.

Flat Rate Connection Fees

Streets will be proposing a Bylaw amendment that will cause applicants for permits, of \$200k and higher value, to be required to replace their entire curb frontage. As part of this work could have been done by Utilities during a likely connection replacement, the estimated additional cost related to the curb replacement for these scenarios has been removed from our proposed 2014 flat rates for new connections.

Minor Sewer Bylaw wording changes are proposed to clarify billing start and end dates for premises connected or disconnected mid-year.

ANALYSIS:

Appendix A, “Sewer and Drainage Utility, 2014 – 2018 Draft Financial Plan”, provides a summary comparison of revenue and expenditures over the next five years for the Sewer and Drainage Utility.

The four major areas of expenditure within the Sewer and Drainage Utility are: 1. Metro charges for sewage conveyance and treatment; 2. District Capital Programs; 3. District Operations & Maintenance; and 4. Contribution to Sewer reserves.

Metro Vancouver (Metro) Charges

Metro Facilities and Operations charges are levied to the North Shore municipalities for conveyance and treatment of sewage. The charges are comprised of operating/administration costs and capital debt charges.

The construction of a new secondary sewage treatment plant for the North Shore will likely result in significant Metro sewage levy increases. The Provincially approved 2010 Integrated Liquid Waste and Resource Management Plan (ILWRMP) mandates the new treatment plant to be constructed by 2020. Metro is assuming senior government funding of 2/3. There is on-going discussion regarding the regional allocation of the municipal portion of the funding.

Although Metro has presented an updated financial plan, showing increases of 6% for years 2014 to 2018 there is still considerable uncertainty regarding rates to North Shore Sewerage Area residents in later years (past 2015). Impacts on the 2014 user charges will be discussed in the “Financial Impacts” section of this report.

In 2014, Metro charges (\$8.93M) are increased by \$556k, compared to 2013. However, by 2018, Metro charges are projected to increase by a total of \$3M over 2013 charges. The Metro charges for 2014 will comprise approximately 46% of overall DNV Sewer and Drainage Utility expenditures.

District Capital Programs

Capital program expenditures (\$6.14M) comprise approximately 31.8% of overall Sewer and Drainage Utility expenditures, and include planned replacement and upgrading programs for:

- Sanitary Sewer Mainline and Lateral Replacement/Rehabilitation Program
- Sewage Lift Station Upgrading Program
- Storm Sewer Replacement and Upgrading

- Storm sewer inspection program
- Watercourse Program

For 2014 it is proposed that capital funding be increased by \$107k. This increase is mainly due to a reduction of available DCC funds. New DCC Bylaw rates took effect November 1, 2013 and are expected to increase capital funding from this source over time.

District Operations & Maintenance

Administration and Operations & Maintenance expenditures (\$2.26M) comprise approximately 11.7 % of overall Sewer and Drainage Utility expenditures, and include activities and programs for:

- Sanitary sewer main and service cleaning and maintenance
- Sewage lift station inspections, maintenance and repairs
- Storm sewer main and service cleaning and maintenance
- Ditch and creek cleaning and brushing, drainage inlet and culvert cleaning and maintenance

Sewer maintenance expenditures are predicted to increase in 2013 by \$94k (4.3%) due to inflationary drivers (1.75%) such as labour, fuel and materials and some increase in sewer lateral maintenance (\$40k) related to aging infrastructure.

Contribution to Reserves

The rate setting exercise completed in 2012 indicated that industry best practices required reserve balances to be set at a minimum of \$5.5M - \$6.1M. Currently, our sewer reserves are about \$1.9M. The difference is planned to be made up over the next 7 to 9 years including this year as \$303k is shown as contribution to reserves.

FCS recommended shifts and adjustments

Through the 2012 rate setting exercise, a number of on-going changes to the current Bylaw charges will continue. Their impacts are incorporated in the 2014 Utility Bylaw.

Secondary Suites

The 2013 rate for charging secondary suite owners is still too high based on estimated water consumption and there being no additional impact related to infiltration/inflow or storm water system requirements. A 0% rate increase (vs 5%) in 2014 will gradually provide more equity for this class and allow the 10 year study target to be met on a more gradual basis.

Metered Sewer - Eliminate the Declining Block Rate

Final year of the 2013 strategy to eliminate the declining block rate that in effect rewards residents/businesses that discharge higher volumes of sewage into our system. A flat block rate, with a system charge, similar to the Waterworks Bylaw was put in place in 2013 but was capped at the 2012 plus a maximum of 20%. This cap is removed in 2014.

Taxation has sent out educational letters in 2010, 2011, and 2012 due to the impact for several large multi-family buildings,. An additional letter will be sent to impacted customers informing them of the pending 2014 change.

Rest Home Charge Realignment

The charge of rest homes on flat rate billing (of which the DNV has 2), is still significantly too low based on system demand. Due to the substantial increase in rates recommended (430%) by the FCS study, a multi-year program is being used to bring the group in line with the

recommended rate and the per bed rate increases 26%. We have sent a letter to these customers with an offer to meet to encourage them to install flow metering in 2014 or face substantially higher flat rate charges in future years.

Timing/Approval Process:

To apply the proposed rate increase to the metered charges for the full year in 2014, it is necessary for Council to approve user charges and adopt an amending the proposed bylaw prior to January 1, 2014.

Concurrence:

This report has been reviewed by the Finance Department and the Engineering Services Department.

Financial Impacts:

By 2018, Metro charges are projected to increase by a total of 36% over 2013 charges. For 2014, Metro charges will increase by 6.6% over 2013 charges. As mentioned previously, the construction of a new secondary sewage treatment plant for the North Shore will likely result in significant future Metro sewage levy increases. Financial impacts from the new plant are not yet fully factored into Metro Vancouver rates and therefore are not fully reflected in this report.

The budget forecast predicts that for 2014 the annual sewer and drainage charge for a single-family residence needs to be increased by \$26 (5%) over the 2013 charge in order to pass on increases related to Metro charges, DNV capital program costs, DNV maintenance costs, and contributions to reserves. Based on pending Metro increases and an apparent underfunded sewer infrastructure replacement, the charges for 2014 -2018 may need to be increased by an average of \$29 per year.

Reserve Funds

In 2013, reserves were low (\$1.9M) compared to the minimum target of \$5.5-\$6.1M. To bring the sewer utility to an acceptable reserve level, annual contributions of \$390k over 9 years is required; this year's contribution is \$303k. The reserves are to address working capital, rate stabilization, capital contingency, and system reinvestment funding requirements.

Liability/Risk:

If the user charges are not amended the Utility will be forced to run an operating deficit and/or suffer service level reductions and/or deplete the accumulated sewer reserve. If the capital programs for sewer main replacement/rehabilitation, sewage lift station upgrading, and renewal, infiltration/inflow reduction program, upgrading and installation of drainage works are not continued, the District will be exposed to an increasing risk of damage to District property and an increasing liability for private property damage, environmental damage, and service interruption.

Social Policy Implications:

Sewage and drainage collection and disposal are fundamental services which a community requires in order to ensure a high standard of public health and safety.

Environmental Impact:

The budget expenditures include operating and capital funds for planned maintenance and capital upgrading of facilities. Through planned maintenance and capital upgrading, the Utility protects its infrastructure and minimizes the chance of sewage spills into the environment.

Public Input:

Council provides an opportunity for public input through the bylaw adoption and budget process.

Conclusion:

By approving the revised sewer and drainage user charges and maintaining a prudent level of sewer reserve funds, Council will ensure that sufficient funding will be available to the Sewer and Drainage Utility to continue to be financially self-sufficient.

We are incorporating the financial impact of changes to a proposed Streets Bylaw into our flat rate sewer connection charges.

Proposed Sewer Bylaw wording changes will clarify the billing start and end dates for premises connected or disconnected mid-year.

Council's continued support of the FCS Study based recommended Bylaw changes will promote equity for charges based on water use, better align water user sectors with industry standards, eliminate the declining block rate, and will allow rest homes to be gradually brought into an appropriate billing rate.

An increase to the 2013 rate structure is required in order to pass on increases needed for Metro charges increases, capital investment increases, additional reserve contributions, and to provide adequate levels of maintenance. Adequate funding levels are required in order to provide programs necessary to maintain a high standard of public health while minimizing the risk of damage to property and the environment.

Lorn Carter, P.Eng.,
Manager, Utilities

REVIEWED WITH:	REVIEWED WITH:	REVIEWED WITH:	REVIEWED WITH:
<input type="checkbox"/> Communications	<input checked="" type="checkbox"/> Finance <i>NAD</i>	External Agencies:	Advisory Committees:
<input type="checkbox"/> Env. Protection	<input type="checkbox"/> Fire Services	<input type="checkbox"/> Recreation Commission	<input type="checkbox"/> _____
<input type="checkbox"/> Human Resources	<input checked="" type="checkbox"/> Legislative Services <i>JAG</i>	<input type="checkbox"/> Library Board	<input type="checkbox"/> _____
<input type="checkbox"/> Eng. Trans/Public Works	<input type="checkbox"/> Land	<input type="checkbox"/> Health Dept.	<input type="checkbox"/> _____
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<input type="checkbox"/> Eng. Parks	<input type="checkbox"/> Community Planning	<input type="checkbox"/> Other: _____	
<input type="checkbox"/> Eng. Utilities			

(000's)	Final	Final	Final	Draft	PLAN			
	Budget	Budget	Budget	Budget	2015	2016	2017	2018
	2011	2012	2013	2014				
Revenues								
Flat Rate	10,078	11,694	13,175	14,100	14,799	15,533	16,303	17,112
Metered Rate	3,491	4,039	4,159	4,229	4,559	4,912	5,288	5,689
Connection Charges	719	822	1,214	938	961	986	1,015	1,044
Other Revenues	41	36	100	59	61	62	63	64
Contribution from Surplus	605	-	-	-	-	-	-	-
Total Revenues	14,934	16,591	18,648	19,326	20,380	21,493	22,669	23,909
Expenses								
Administration	365	402	429	437	446	455	468	481
Operations & Maintenance								
Sewer Maintenance	1,078	1,094	1,116	1,191	1,222	1,256	1,295	1,335
Drainage Maintenance	515	622	616	627	642	657	676	695
Connections	719	822	1,214	938	961	986	1,015	1,044
GVS&DD Charges (Metro Vancouver)	8,094	8,708	8,374	8,929	9,368	9,924	10,611	11,396
Contribution to General Operating Fund	728	739	750	764	779	795	811	827
Contribution to Sewer Capital Fund	3,435	4,153	6,030	6,137	6,945	7,063	7,067	7,454
Contribution to Surplus	-	50	119	303	17	357	726	677
Total Expenses	14,934	16,591	18,648	19,326	20,380	21,493	22,669	23,909
SINGLE FAMILY RESIDENTIAL FLAT RATE	\$ 398	\$ 461	\$ 521	\$ 547	\$ 574	\$ 603	\$ 633	\$ 665

The Corporation of the District of North Vancouver

Bylaw 8021

A bylaw to amend the Sewer Bylaw 6656 (1994)

The Council for The Corporation of the District of North Vancouver enacts as follows:

1. Citation

This bylaw may be cited as "Sewer Bylaw 6656, 1994, Amendment Bylaw 8021, 2013 (Amendment 22)".

2. Amendments

2.1 Sewer Bylaw 6656, 1994, is amended as follows:

- a. By adding the following to the end of Section 16:

"The annual sewer and drainage user charges payable in respect of the said connection will be reduced by a pro-rated amount reflecting the period that the sewer/storm connection is capped."

- b. Attachment 4, *Schedule of Installation Charges*, is deleted in its entirety and replaced with a new Attachment 4, *Schedule of Installation Charges*, as shown in Schedule 1 of this Bylaw; and,
- c. Attachment 5, *Sanitary Sewer and Drainage Charges and Fees*, is deleted in its entirety and replaced with a new Attachment 5, *Sanitary Sewer and Drainage Charges and Fees*, as shown in Schedule 2 of this Bylaw.

3. Effective Date

The effective date of this bylaw is January 1, 2014.

READ a first time this the

READ a second time this the

READ a third time this the

ADOPTED this the

Mayor

Municipal Clerk

Certified a true copy

Municipal Clerk

Schedule 1 to Bylaw 8021

ATTACHMENT 4

SCHEDULE OF INSTALLATION CHARGES		
1. Capping fees:		
• Storm		\$1,071.00
• Sanitary		\$1,071.00
2. Cast Iron Inspection Chamber Covers (each):		\$180.00
3. Base Sewer Connection Charges consists of a service connection installation to main charge plus a service connection length charge.		
Service Connection Installation to Main Charge	0 - 2.0m DEEP	OVER 2.0m - 3.0m DEEP
1st Connection	\$2,100	\$2,700
2nd Connection	\$1,100	\$1,100
3rd Connection	\$1,100	\$1,100
Service Connection Length Charges	0 - 2.0m DEEP	OVER 2.0m - 3.0m DEEP
1st Connection	\$380/ meter	\$590/ meter
2nd Connection	\$190/ meter	\$230/ meter
3rd Connection	\$190/ meter	\$230/ meter
Manhole	\$5,516	\$527/ meter
4. Utility crossing charge (for any crossing/crossings required when laying the connection underneath other pipes or ducts):		\$575.00
5. Installation charges for storm or sanitary sewer connections:		
a) The "first connection" shall be the longest connection.		
b) "Second" connection, "third" connection, and "additional" connection rates shall only apply when these connections are installed in the same trench (standard width) as the "first" connection.		
c) Connection charges shall be based on the greater of the depths measured between the ground surface at the property line or the ground surface at the main and the design depth of the connection at those two locations.		
d) The charges for connections greater than 3 metres in depth (if deemed acceptable) or 300mm in diameter shall be estimated and charged on a site specific basis.		

e)	The location of the connection at the sewer main shall be at a point along the main no further than the midpoint of the lot adjacent to the lot being connected. This location shall be determined by the intersection of the sewer main and a line drawn perpendicular to the adjacent lot line at its midpoint.
f)	The cost to replace any existing legal pin disturbed due to its proximity to the new connection shall be borne by the applicant.
g)	The cost for any rock work requiring blasting, drilling or splitting shall be in addition to the charges calculated in this schedule.
h)	BC Hydro charges for any work related to the connection installation shall be in addition to the charges calculated in this schedule.
i)	The cost to connect to a concrete encased sewer pipe shall be in addition to the charges calculated in this schedule.
j)	The cost of DNV staff required to complete an engineering design for a sewer connection shall be in addition to the charges calculated in this schedule.
k)	Charges will be applied based on the year of construction.

Example 1 (Connection less than 2m deep, 10m long)

1st Connection less than 2m deep, 10m long = 2100 + (10x380) + 575 =	\$6,475
2nd Connection, less than 2m deep, 10m long = 1100 + (10 x190) + 575 =	\$3,575
3rd Connection, less than 2m deep, 7m long = 1100 + (7x190) + 575 =	\$3,005
TOTAL	\$13,055

Example 2 (Connection greater than 2m deep, 10m long)

1st Connection greater than 2m deep, 10m long = 2700 + (10x590) + 575 =	\$9,175
2nd Connection, greater than 2m deep, 10m long = 1100 + (10x230) + 575 =	\$3,975
3rd Connection, greater than 2m deep, 7m long = 1100 + (7x230) + 575 =	\$3,285
TOTAL	\$16,435

Schedule 2 to Bylaw 8021

ATTACHMENT 5

SANITARY SEWER AND DRAINAGE CHARGES AND FEES

UNMETERED WATER SUPPLY

1. Where the water supply to a property is unmetered, an annual charge is imposed on the owner or occupier of the real property for the maintenance of the sanitary sewer and storm drainage systems according to the class of user as follows. All flat rate annual charges are due and payable at the same time and in the same manner as the general rates and taxes. If Secondary Suite charges are billed separately, they are due and payable within 30 days of invoice date.

The annual charge for premises serviced for less than one year shall be paid on a pro-rated basis to the date of capping subject to Section 16 or from the date of connection to the last date in December. The date of connection shall be determined as follows:

- for premises where a new sanitary sewer inspection chamber has been installed, the date of connection is the date on which District forces pull the inspection chamber plug
- for all other premises, the date of connection is the date of the final plumbing inspection for the first dwelling unit; for phased developments, the date of connection for each phase is the date of the final plumbing inspection for the first dwelling unit in that phase

Any property owner who is about to remove a Secondary Suite shall give written notice of same to the Chief Bylaw Officer; the user charge therefore will be for the period ending December 31st of the year in which the Secondary Suite is removed.

Any property owner who installs a Secondary Suite will be charged the applicable user charge from January 1st of the following year.

All charges are for the calendar year.

SEWER AND DRAINAGE USER CHARGES	
SEWER AND DRAINAGE USER CHARGES & FEES - ANNUAL CHARGE	
A. FLAT RATE CHARGES	
USER	ANNUAL CHARGE
Single Family Residence	\$547.00
Row House/ Duplex	\$455.00
Secondary Suite	\$258.00
Multi-family	\$455.00

Rest Home per bedroom	\$130.00
Retail, office or service commercial premise	\$547.00
• With living quarters, an additional	\$455.00
Church	\$547.00

METERED PROPERTIES

2. Where the water supply to a property is metered, or where the sewage discharge from a property is metered or otherwise measured under a GVS&DD Waste Discharge Permit, a charge, which is due and payable on or before the 20th day of the month in which the account is rendered, is imposed on the owner or occupier of the real property for the maintenance of the sanitary sewer and storm drainage systems according to the quantity of water delivered to the property or the quantity of sewage discharged from the property as follows:

MONTHLY SEWER AND DRAINAGE CHARGES FOR METERED PROPERTIES	
First 1,000 cu.ft used or part thereof	\$55.15
All in excess of 1,000 cu.ft used – per 100 cu.ft	\$5.65

QUARTERLY SEWER AND DRAINAGE CHARGES FOR METERED PROPERTIES	
First 3,000 cu.ft used or part thereof	\$165.45
All in excess of 3,000 cu.ft used – per 100 cu.ft	\$5.65

REDUCTION IN CHARGE

3. Where the water supply to a property is metered and a user of the sanitary sewer system can establish that less than 80% of the water delivered by the water utility to the property is discharged into the sanitary sewer system, the Treasurer shall reduce the charge in proportion to the amount of water which is not discharged into the sewer system as follows:

- water discharged to the sanitary sewer is less than 80 per cent down to 65 percent - 25 percent reduction in sewer charge
- water discharged to the sanitary sewer is less than 65 per cent down to 35 percent - 50 percent reduction in sewer charge
- water discharged to the sanitary sewer is less than 35 percent - 75 percent reduction in sewer charge

INDUSTRIAL BOD/TSS CHARGES

4. Where the discharge to sanitary sewer from a property is regulated under a GVS&DD Waste Discharge Permit, the total annual charge will be based on the following table :

GVS&DD WASTE DISCHARGE PERMITEE SEWER CHARGES	
MONTHLY METERED PROPERTIES	
First 1,000 cu.ft used or part thereof	\$55.15
All in excess of 1,000 cu.ft used – per 100 cu.ft	\$3.04
QUARTERLY METERED PROPERTIES	
First 3,000 cu.ft used or part thereof	\$165.45
All in excess of 3,000 cu.ft. used – per 100 cu.ft.	\$3.04

CHARGE FOR CONTAMINATED GROUNDWATER DISCHARGE TO SEWER

5. \$0.402 per cubic metre