



## City of Richmond


## Report to Committee

**To:** Finance Select Committee  
**From:** Jerry Chong  
Manager - Budgets and Accounting  
Steve McClurg  
Manager – Water Services  
**Re:** **Water Rate Stabilization**

**Date:** November 6, 2003  
**File:** 1091384

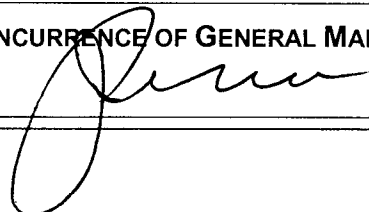
### Staff Recommendation

That the attached report on the water rate levelling fund be received for information.

  
Jerry Chong  
Manager - Budgets and Accounting  
(4064)

**FOR ORIGINATING DIVISION USE ONLY**

**CONCURRENCE OF GENERAL MANAGER**



## Staff Report

### Origin

At the Finance Select Committee meeting, on October 29, 2003 the Committee requested projections indicating over what time frame the levelling fund would be depleted in comparison to the projected GVRD increases over the next 5 years.

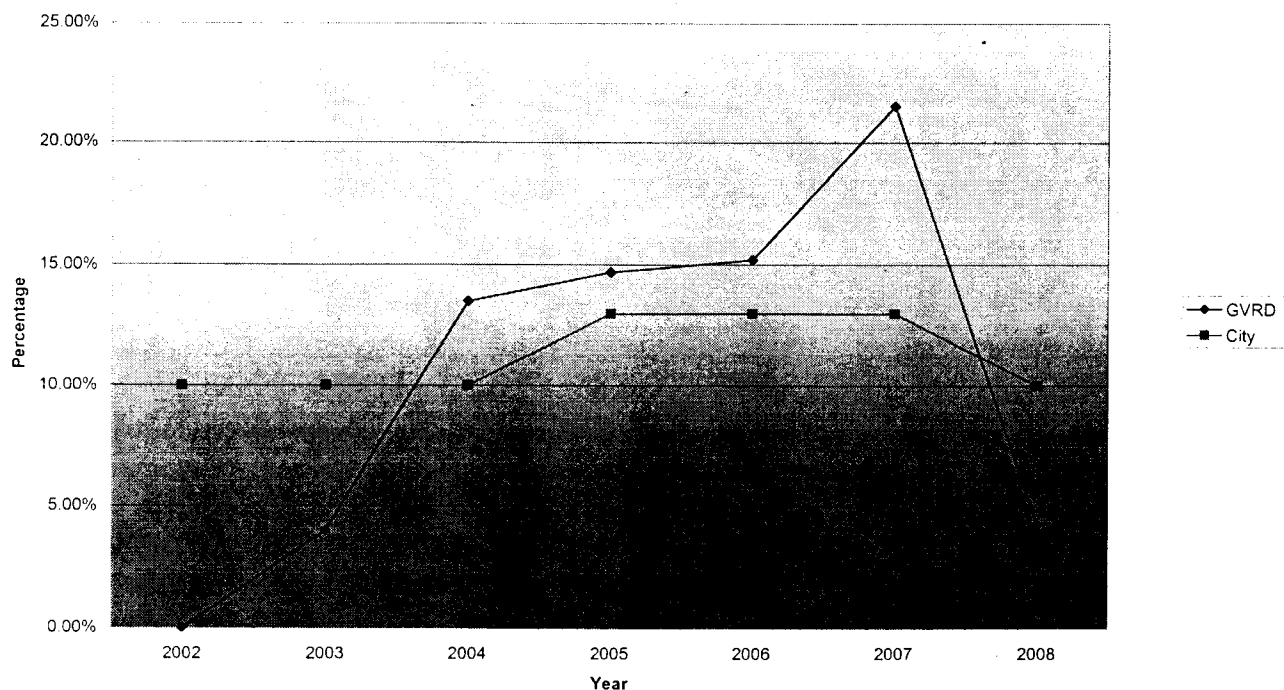
### Analysis

The tables below shows the City's Water Rate Levelling Stabilization percentage increases for each year in comparison to the historical and projected GVRD rate percentage increases recently announced in October 2003. The City commenced collecting for the increases in 2002 and estimated 10% per year in order to keep pace with the GVRD. However due to the recent increase to 65% from 2004-2007, from the original plan of 54% it is necessary for the City to increase years 2005-2007 from 10% to 13% in order to avoid any deficit.

GVRD PROJECTED INCREASE FOR WATER RATES AS OF Oct, 2003							
	2002	2003	2004	2005	2006	2007	2008
GVRD	0.00%	4.00%	13.50%	14.70%	15.20%	21.50%	4.30%
City	10.00%	10.00%	10.00%	13.00%	13.00%	13.00%	10.00%
Difference	10.00%	6.00%	-3.50%	-1.70%	-2.20%	-8.50%	-5.70%
Accumulated difference	10.00%	16.00%	12.50%	10.80%	8.60%	0.10%	5.80%

The table shows that the City has attempted to maintain a stable increase year over year for water purchases versus the GVRD increases, which tend to fluctuate significantly. The line titled "Accumulated Difference" shows that the City's Water Rate Levelling Stabilization will be sufficient to cover the projected GVRD increases year over year without significant fluctuations to the utility rates.

GVRD Increase vs Rate Stabilization

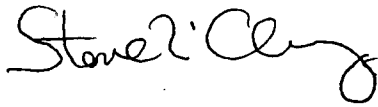


### **Financial Impact**

By increasing the City's Water Rate Levelling Stabilization amounts from 10% to 13% for years 2005-2007, there are adequate amounts to fund the projected 65% GVRD increase over the years 2004-2007.

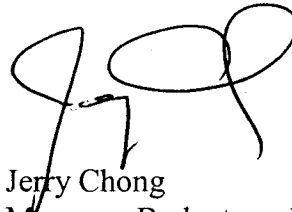
### **Conclusion**

The City's Water Rate Levelling Stabilization amounts will be sufficient in funding the increasing GVRD rates and to smooth over any large year over year increases.



Steve McClurg  
Manager, Water Services  
(1209)

SM:



Jerry Chong  
Manager, Budgets and Accounting  
(4064)

JC: