



City of Richmond

Report to Committee

To: Finance Committee
From: Andrew Nazareth
General Manager, Business & Financial Services

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Robert Gonzalez, P. Eng., General Manager,
Engineering & Public Works

Re: 2010 Utility Budgets and Rates

Staff Recommendation

- 1. That the 2010 Utility Expenditure Budgets, as recommended under Option 3 for each utility in the staff report dated October 30, 2009 from the General Managers of Business & Financial Services and Engineering & Public Works, be approved as the basis for establishing the 2010 Utility Rates; and
2. That staff be directed to report directly to Council with the necessary amendment bylaws to bring into effect the 2010 utility rates option recommended by Committee and the bylaw provision amendments described in the staff report for the Drainage, Dyke and Sanitary Sewer System Bylaw, Waterworks and Water Rates Bylaw, and Solid Waste and Recycling Regulation Bylaw.

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REVIEWED BY CAO YES [X] NO [ ]

## Staff Report

### Origin

This report presents the recommended 2010 utility budgets and recommended rates for Water, Sewer, Drainage and Solid Waste & Recycling. The utility rates must be established by December 31, 2009 to enable billing in 2010.

### Analysis

Key factors contributing to changes in the utility budgets in 2010 include:

- GVWD (Greater Vancouver Water District) regional water rates have increased by 12%, however, with the reduction in water consumption due to increased metering and water conservation strategies; the net increase in overall water purchase costs is 6% or \$1 million.
- Metro Vancouver solid waste disposal charges have increased from \$71 to \$82 per tonne or 15%.
- Recycling commodity marketable values have decreased and material processing costs have increased due to economic impacts.
- Investment income revenues have decreased due to the decline in interest rates.
- GVS&DD sewer operating and maintenance costs are increased by 4.4%. While Metro Vancouver eliminated the additional \$500,000 for accelerated Gilbert Road trunk sewer cleaning, the funding source for this work was from sewer provision accounts and not through utility rates, as approved by Council when the program commenced in 2008.

In addition, long-term infrastructure planning to replace aging/deteriorating municipal infrastructure will continue to impact budget and rate increases until such time as we are able to sustain the necessary level of funding required to replace infrastructure in the future. These increases will, however, impact the rates to a lesser extent than regional costs outside of the City's control. Council has adopted a staged program to increase water, sewer and drainage reserves to support infrastructure replacement. The 2010 budget figures presented represent options for infrastructure replacement increases in sewer and drainage. The water reserve capital contribution has reached a sustainable level.

Receivable income is reduced considerably in both water (22%) and sewer (49%). The demand for services is reduced given the reduction in development activity. Reducing temporary staffing levels accordingly will result in no impact to utility rates. It should be noted that the reduction in demand has been mitigated by the implementation of Integrated Work Groups to provide more efficient multiple services as opposed to single disciplines in the past.

Recognizing these competing challenges, staff have presented various budget and rate options for 2010, including discretionary and non-discretionary increases. The various options are presented for each of the utility areas in the following charts:

- Water
- Sewer
- Drainage & Dyking
- Sanitation & Recycling.

The concluding summary of proposed rates for 2010, including the 10% discount realized when residents pay within the specified timeframe, is shown on page 13.

## Water Section Chart

<b>2010 Water Budget - Options</b>				
<i>Key Budget Areas</i>	<i>2009 Base Level Budget</i>	<i>Option 1 Non-Discretionary Increases with Reduced Contribution from Rate Leveling</i>	<i>Option 2 Non-Discretionary with Reduced Contribution from Rate Leveling</i>	<i>Option 3 Non-Discretionary with Full Contribution from Rate Leveling</i>
Operating Expenditures	\$6,938,900			
• Program Costs		\$4,400	\$4,400	\$4,400
• Salary		\$246,300	\$246,300	\$246,300
• Equipment/Fuel/Power		\$17,800	\$17,800	\$17,800
• Lease Vehicles		(\$61,200)	(\$61,200)	(\$61,200)
• Damage Write offs		(\$15,000)	(\$15,000)	(\$15,000)
• Materials/Operating		(\$56,100)	(\$56,100)	(\$56,100)
Toilet Rebate Program	\$0	\$0	\$0	\$100,000
GVRD Water Purchases	\$17,694,000	\$1,048,600	\$1,048,600	\$1,048,600
Capital Infrastructure Replacement Program	\$7,550,000	\$0	\$0	\$0
Firm Price/Receivable	\$2,202,000	(\$497,600)	(\$497,600)	(\$497,600)
Residential Water Metering Program/Appropriated Surplus	\$2,000,000	\$0	\$0	\$0
Overhead Allocation	\$864,900	\$0	\$0	\$0
<b>Total 2009 Base Level Budget</b>	<b>\$37,249,800</b>			
<b>Total Incremental Increase</b>		<b>\$687,200</b>	<b>\$687,200</b>	<b>\$787,200</b>
<i>Revenues:</i>				
<i>Apply Rate Stabilization Fund</i>	<i>(\$750,000)</i>	<i>\$200,000</i>	<i>\$100,000</i>	<i>\$0</i>
<i>Investment Income</i>	<i>(\$650,000)</i>	<i>\$200,000</i>	<i>\$200,000</i>	<i>\$200,000</i>
<i>Firm Price/Receivable Income</i>	<i>(\$2,202,000)</i>	<i>\$497,600</i>	<i>\$497,600</i>	<i>\$497,600</i>
<i>Meter Rental Income</i>	<i>(\$875,000)</i>	<i>(\$80,600)</i>	<i>(\$80,600)</i>	<i>(\$80,600)</i>
<i>Miscellaneous Revenue</i>	<i>(\$19,000)</i>	<i>\$11,000</i>	<i>\$11,000</i>	<i>\$11,000</i>
<i>Provision</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$100,000)</i>
<b>Net Budget</b>	<b>\$32,753,800</b>			
<b>Net Difference over 2009 Base Level Budget</b>		<b>\$1,515,200</b>	<b>\$1,415,200</b>	<b>\$1,315,200</b>

Increases in program costs relate to public work safety response costs. Salary costs increases are due to non-discretionary salary increases stipulated in collective agreements. Equipment costs are increased associated with water meter maintenance and plant growth, as well as fuel and power cost increases. Lease vehicle and material costs are reduced in response to budget reviews and operational efficiencies. Funding for the toilet rebate program is included under Option 3 in the amount of \$100,000. This is offset by an equivalent revenue contribution from the water meter provision account, therefore, this program will have no impact on the rates.

Increases in regional charges for water purchases represent the most significant impact under all options at \$1 million or 6% above 2009 costs. Metro Vancouver projected a 12.3% increase, however, due to water conservation programs, purchases are projected to increase only 6%. This is a clear indication of the success of Richmond's various strategies designed to reduce residential water consumption.

Costs associated with receivable work are decreased as a result of current economic conditions. Similarly, revenues from receivable work are equally reduced, therefore resulting in no net overall budget impact. Investment income is reduced due to market conditions.

There are no increases proposed in Options 2 or 3 in 2010 for contribution to water capital infrastructure replacement. This is due to the fact that the annual capital contribution for water-related infrastructure replacement has reached recommended levels -- \$7.55 million. Current assessments are that the long-term infrastructure replacement demands require an annual reserve contribution of \$7.6 million. Staff will undertake further assessments to determine infrastructure replacement requirements going forward and identify any recommended changes to the annual contribution, if required.

There are reduced revenue contributions from the water rate stabilization fund included in Option 1 (reduced to \$550,000) and Option 2 (reduced to \$650,000). Option 3 includes the same level of contribution as in 2009, or \$750,000. Unlike other cities, this fund was established a number of years ago to help build a provision account to offset the significant spikes in regional water purchase costs. These increases were anticipated due to Metro Vancouver infrastructure upgrades associated with water treatment and filtration requirements.

### Regional Issues

The Regional District increases are for the drinking water treatment program. Metro rates are higher than previously anticipated due to debt service and operating costs associated with the Seymour-Capilano Filtration Plant. These include increased tunnel contract costs, updated projections of declining water consumption and increases in system maintenance and costs associated with asset management planning. Metro is intending to absorb all but the increased tunnel costs in 2010, but is proposing to accommodate these deferred costs in future years. Metro is involved with legal action to recover the additional costs associated with the new tunnel for the filtration plant, however, a resolution is not anticipated for several years.

### Impact on Water Rates

The impact of these various budget options on the water rates by customer class is as follows.

<i>2010 Water Gross Rates Options</i>				
		<i>2010 Rate Options which Include Increase Identified Below in Italics</i>		
<i>Customer Class</i>	<i>2009 Rates</i>	<i>2010 Option 1 Rate</i>	<i>2010 Option 2 Rate</i>	<i>2010 Option 3 Rate</i>
Single Family Dwelling	\$501.64	\$528.32 <i>\$26.68</i>	\$526.78 <i>\$25.14</i>	\$525.23 <i>\$23.59</i>
Townhouse	\$410.65	\$432.49 <i>\$21.84</i>	\$431.22 <i>\$20.57</i>	\$429.96 <i>\$19.31</i>
Apartment	\$264.62	\$278.69 <i>\$14.07</i>	\$277.88 <i>\$13.26</i>	\$277.06 <i>\$12.44</i>
Metered Rate (\$/m <sup>3</sup> )	\$0.8860	\$0.9331 <i>\$0.0471</i>	\$0.9304 <i>\$0.0444</i>	\$0.9277 <i>\$0.0417</i>

The rates outlined in the foregoing table are gross rates. 10% savings off the noted rates can be realized by paying utility bills within the specified time frame.

## **Advantages/Disadvantages of Various Options**

### Option 1

- Represents the minimal increase necessary to sustain operations.
- Provides for a contribution from the rate stabilization fund in the amount of \$550,000 to partially offset the impact of regional water increases, which is less than the 2009 contribution (\$750,000).

### Option 2

- Lower impact on the budget and rates charged to property owners.
- Provides for a contribution from the rate stabilization fund in the amount of \$650,000 to partially offset the impact of regional water increases, which is less than the 2009 contribution (\$750,000).

### Option 3

- Lowest impact on the budget and rates charged to owners.
- Provides for a contribution from the rate stabilization fund in the amount of \$750,000 to partially offset the impact of regional water increases, which is equal to the 2009 contribution.

## **Water Task Force**

At their May 25, 2009 meeting, Council formed a task force comprised of 5 citizens and 2 Council members to examine problems experienced by townhouse and apartment properties in taking advantage of the City's water metering program. The task force is to bring forward recommendations on how these types of properties might take advantage of metering.

A report from the task force has resulted in the following recommendations:

- Implementation of a toilet rebate program to promote low-flush toilets. This program is open to all residential properties and allows for up to 2 toilet rebates per household. Total maximum annual funding for this program is \$100,000, with funding from the water meter provision.
- A continuation of the voluntary water metering program for single-family homes.
- Funding availability to multi-family properties for voluntary metering to allow for a rebate of the actual cost of the water meter installation to a maximum of: i) \$60,000, or ii) \$500/unit, whichever is greater. Total maximum annual funding for this program is \$2 million, with funding from the water meter provision.
- Education and outreach initiatives designed to promote these initiatives.

## **Water Amending Bylaws**

In accordance with the Water Task Force recommendations and as approved by Council, the amending bylaws to be presented with the rate bylaws will include provisions for the increased funding availability for voluntary water metering at multi-family properties. The amendments will also include: increased fees for failure to return a curb stop turn-off key (increase from \$100 to \$200 each); an increase in the design plan fee (from \$500 to \$1000 to ensure full cost recovery); amalgamation of fees and schedules to streamline and clarify amounts; and provisions to specify where water meters can be located for new and existing multi-family properties.

## Sewer Section Chart

<b>2010 Sewer Budget – Options</b>				
<i>Key Budget Areas</i>	<i>2009 Base Level Budget</i>	<i>Option 1 Non-Discretionary Increases</i>	<i>Option 2 Non-Discretionary Plus Marginal Reserve Increase</i>	<i>Option 3 Non-Discretionary Plus Partial Reserve Increase</i>
Operating Expenditures	\$4,165,100			
• Power Costs		\$16,800	\$16,800	\$16,800
• Program Costs		\$4,400	\$4,400	\$4,400
• Salary		\$135,300	\$135,300	\$135,300
• Equipment/Fuel/Materials		(\$200)	(\$200)	(\$200)
• Other Expenditures		(\$13,400)	(\$13,400)	(\$13,400)
GVS&DD O&M	\$12,811,000	\$557,900	\$557,900	\$557,900
GVS&DD Trunk Main Cleaning	\$500,000	(\$500,000)	(\$500,000)	(\$500,000)
GVS&DD Debt	\$3,377,400	(\$125,360)	(\$125,360)	(\$125,360)
GVS&DD BOD/TSS Charges	\$712,900	(\$147,727)	(\$147,727)	(\$147,727)
GVS&DD Sewer DCC's	\$4,000,000	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)
Rate Stabilization Contribution	\$430,300	\$0	\$0	\$0
Capital Infrastructure Replacement Program	\$4,006,400	\$0	\$150,000	\$300,000
Firm Price/Receivable	\$1,080,000	(\$516,800)	(\$516,800)	(\$516,800)
Overhead Allocation	\$498,800	\$0	\$0	\$0
Operating Debt	\$147,800	\$3,200	\$3,200	\$3,200
<b>Total 2009 Base Level Budget</b>	<b>\$31,729,700</b>			
<b>Total Incremental Increase</b>		<b>(\$3,585,887)</b>	<b>(\$3,435,887)</b>	<b>(\$3,285,887)</b>
<i>Revenues:</i>				
<i>Debt Funding</i>	<i>(\$32,600)</i>	<i>(\$3,200)</i>	<i>(\$3,200)</i>	<i>(\$3,200)</i>
<i>Investment Income</i>	<i>(\$150,000)</i>	<i>(\$25,000)</i>	<i>(\$25,000)</i>	<i>(\$25,000)</i>
<i>Firm Price/Receivable Income</i>	<i>(\$1,080,000)</i>	<i>\$516,800</i>	<i>\$516,800</i>	<i>\$516,800</i>
<i>Property Tax Levy for DD Debt</i>	<i>(\$3,377,400)</i>	<i>\$125,360</i>	<i>\$125,360</i>	<i>\$125,360</i>
<i>GVS&amp;DD Sewer DCC Levy to Developers</i>	<i>(\$4,000,000)</i>	<i>\$3,000,000</i>	<i>\$3,000,000</i>	<i>\$3,000,000</i>
<i>Direct Levy for BOD/ TSS</i>	<i>(\$712,900)</i>	<i>\$147,727</i>	<i>\$147,727</i>	<i>\$147,727</i>
<i>Transfer from Rate Stabilization</i>	<i>(\$500,000)</i>	<i>\$500,000</i>	<i>\$500,000</i>	<i>\$500,000</i>
<b>Net Budget</b>	<b>\$21,876,800</b>			
<b>Net Difference Over 2009 Base Level Budget</b>		<b>\$675,800</b>	<b>\$825,800</b>	<b>\$975,800</b>

Increases in power costs are due to hydro increases to operate pump stations, and are outside of the City's control. Increased program costs relate to public works safety response. Salary costs increases are due to non-discretionary salary increases stipulated in collective agreements. Other expenditures are reduced as a result of a review for operational efficiencies.

Greater Vancouver Sewerage and Drainage District operations and maintenance charges are increased by \$.56 million, or 4.4%. This is higher than the Metro Vancouver projected increase of 2.5% due to the cost apportionment methodology applied in relation to liquid waste costs.

As a result of discussions with Metro Vancouver, they have reduced their operating budget by \$.6 million in 2010 associated with the Gilbert Road trunk maintenance project. This project was suspended in 2009 as a result of the high costs and operational challenges associated with managing the cleaning project. As a result of discussions with Metro Vancouver, they have reduced their operations and maintenance costs outlined above by a further \$770,000. This is a one-time reduction from the unspent portion of the 2009 costs which were applied to Richmond's 2010 levy. Metro Vancouver is currently undertaking a business case analysis to weigh the benefits of twinning the Gilbert Road trunk vs. continuing with the cleaning program. The outcomes of this business case will be evaluated during 2010. As background, in September, 2007, Council had approved the following resolution in order to accelerate cleaning of the Gilbert Road Trunk main due to concerns that the system may be compromised due to grease accumulations:

1. That a letter be written to Metro Vancouver recommending that they complete their Gilbert Road Trunk Sewer Main inspection and cleaning program by the end of 2011.
2. That the funding for an annual increase of \$500,000 to the Metro Vancouver operating expense budget from 2008 to 2011 (total \$2 million) to complete the Gilbert Road Trunk Sewer Main inspection and cleaning program by year 2011, be taken from the Sewer Rate Stabilization account.

This work will not proceed for the reasons outlined, therefore, the budget has been reduced by \$.5 million. This reduction in the sewer budget does not impact the rates since this cost was to be funded from the sewer rate stabilization account. As a result, there is a corresponding reduction in offset revenue funding from the rate stabilization account.

GVS&DD debt costs and BOD/TSS costs are decreased per information provided by Metro Vancouver. There is no net impact in the sewer rates associated with these reductions since these items are assessed directly on property taxes and via direct charges to commercial customers.

Sewer DCC costs have been reduced to correspond more closely with actual amounts. There is a corresponding reduction in revenues, therefore there is no net budget impact associated with this change. As is the case with water, receivable expenses and corresponding income is reduced in light of current economic conditions.

Option 1 costs outlined above reflect no increase to the sewer infrastructure capital program, whereas Options 2 and 3 reflect marginal (\$150,000) and partial (\$300,000) increases. Based on current assessments, long-term infrastructure replacement demands will require that the annual sewer reserve contribution be increased to \$6.1 million. The recommended increase raises the annual reserve contribution to \$4.3 million.

### **Regional Issues**

The main budget drivers impacting the projected 4.4% component increase in Metro Vancouver costs include the impacts of inflation on labour rates, and the increased costs associated with the maintenance of aging infrastructure. Additional cost increases associated with the draft Liquid Waste Management Plan are estimated to be 8% per year through 2020 for regional costs – if the draft Liquid Waste Management Plan is adopted.

### Impact on Sewer Rates

The impact of these various budget options on the sewer rates by customer class is provided in the table which follows.

<b>2010 Sewer Gross Rates Options</b>				
		<b>2010 Rate Options which Include Increase Identified Below in Italics</b>		
<b>Customer Class</b>	<b>2009 Rates</b>	<b>2010 Option 1 Rate</b>	<b>2010 Option 2 Rate</b>	<b>2010 Option 3 Rate</b>
Single Family Dwelling	\$308.39	\$336.31 <i>\$27.92</i>	\$338.55 <i>\$30.16</i>	\$340.78 <i>\$32.39</i>
Townhouse	\$282.17	\$307.71 <i>\$25.54</i>	\$309.76 <i>\$27.59</i>	\$311.81 <i>\$29.64</i>
Apartment	\$235.00	\$256.28 <i>\$21.28</i>	\$257.98 <i>\$22.98</i>	\$259.69 <i>\$24.69</i>
Metered Rate (\$/m <sup>3</sup> )	\$0.6994	\$0.7628 <i>\$0.0634</i>	\$0.7678 <i>\$0.0684</i>	\$0.7729 <i>\$0.0735</i>

The rate increase is higher on a percentage basis than that of the budget increase. This is due to lower than expected revenues from metered accounts associated with an accelerated reduction in water use. As regional and municipal sewer costs are fixed and not based on per cubic meter discharge, the base costs must be recovered from ratepayers.

The rates outlined in the foregoing table are gross rates. 10% savings can be realized by paying utility bills within the specified timeframe.

### Advantages/Disadvantages of Various Options

#### Option 1

- Represents the minimal increase necessary to sustain operations and results in the least impact to property owners.
- Does not meet City's long-term infrastructure plan to increase the capital program for replacement of aging infrastructure. Capital replacement remains fixed at \$4 million for 2009. The objective is to build the annual infrastructure replacement for sewer to \$6.1 million.

#### Option 2

- Higher impact on the budget and rates charged to property owners.
- Provides for a partial increase in the capital infrastructure program, from \$4 to \$4.15 million. This option partially meets the City's objective for increasing the degree of replacement of sewer infrastructure.

#### Option 3

- Highest impact on the budget and rates charged to owners.
- Recommended option because it meets all objectives as noted in Option 2, and partially conforms with the planned, phased increases in the long-term replacement program objective for aging infrastructure, increasing the capital program from \$4 to \$4.3 million.

### Sewer Amending Bylaws

It is recommended that a leak rate for sewer be introduced in 2010. This relates to residential or commercial water leaks for properties with water meters. The water bylaw contains provisions for a reduced rate for water use where it is demonstrated that an accidental water leak occurred. In these situations, residents are charged the water leak rate, but are not charged any amount for sewer discharge



of the leaked water. This has a negative impact on sewer revenues. It is recommended that a leak rate charge, based on 80% of the sewer metered rate, be introduced for discharge of the leaked water. The proposed amendment would include provisions to reduce or waive the sewer leak rate in those situations where some or all of the leaked water did not enter the sanitary sewer system.

The amending bylaws will also include provisions to eliminate preconstruction sewer charges for developments which are outside of the sewerage area. This is a pre-existing inconsistency that represents an unfair charge to developers. The proposed amendments will address and remove this inequity.

The sewer amending bylaws will also include provisions to increase the design plan fee (from \$500 to \$1000 to ensure full cost recovery). This change is mirrored in the water amending bylaw to ensure consistency across both utility areas.

### Drainage and Dyking Section Chart

<i>2010 Drainage and Dyking Gross Rate Options</i>				
		<i>2010 Rate Options which Include Increase Identified Below in Italics</i>		
<i>Utility Area</i>	<i>2009 Rates</i>	<i>2010 Option 1 Rate</i>	<i>2010 Option 2 Rate</i>	<i>2010 Option 3 Rate</i>
Drainage	\$78.05	\$78.05	\$83.60	\$89.20
Dyking	\$11.11	\$11.11	\$11.11	\$11.11
Total Drainage & Dyking	\$89.16	\$89.16	\$94.71	\$100.31
<i>Increase Over 2009</i>		\$0	\$5.55	\$11.15

The rates outlined in the foregoing table are gross rates. 10% savings can be realized by paying utility bills within the specified timeframe.

### Background

*Drainage* - In 2003, a drainage utility was created to begin developing a reserve fund for drainage infrastructure replacement costs. The objective is to build the fund to an anticipated annual contribution of approximately \$12 million, subject to ongoing review of the drainage infrastructure replacement requirements.

As adopted by Council in 2003, the rate started at \$11.15 and is increased an additional \$11.15 each year until such time as the \$12 million annual reserve requirement is reached -- expected to take approximately 11 more years. The rate in 2009 was \$78.05. The options presented above represent no increase under Option 1, approximately one-half of the increase under Option 2, and the full increase of \$11.15 under Option 3 per prior Council approvals. The recommended increase will result in \$5.2 million in annual reserve contributions for drainage.

*Dyking* – An annual budget amount of \$600,000 was established in 2006 to undertake structural upgrades at key locations along the dyke, which equated to an \$11.11 charge. Continued annual funding is required to facilitate continued studies and upgrades as identified through further seismic assessments of the dykes. No increase in the \$11.11 rate is proposed for 2010. This will result in revenues of approximately \$650,000 in 2010, based on total estimated properties.

## Solid Waste & Recycling Section Chart

<b>2010 Solid Waste &amp; Recycling Budget - Options</b>				
<i>Key Budget Areas</i>	<i>2009 Base Level Budget</i>	<i>Option 1 Non-Discretionary Increases</i>	<i>Option 2 Non-Discretionary Increases Plus Pesticide Mngt/ Reduction in Rate Stabilization</i>	<i>Option 3 Non-Discretionary Increases Plus Pesticide Mngt/ Further Reduction in Rate Stabilization</i>
Salaries	\$1,464,800	\$116,800	\$231,307	\$231,307
Contracts	\$3,269,600	\$16,000	\$16,000	\$16,000
Equipment/Materials/Vehicles	\$311,800	\$11,800	\$11,800	\$11,800
Metro Disposal Costs	\$1,352,800	\$209,500	\$209,500	\$209,500
Recycling Materials Processing	\$1,041,800	\$137,000	\$137,000	\$137,000
Container Rental/Collection	\$132,200	\$11,100	\$11,100	\$11,100
Operating Expenditures	\$104,500	\$15,400	\$15,400	\$15,400
Program Costs	\$157,900	\$7,300	\$7,300	\$7,300
Agreements	\$309,400	(\$149,400)	(\$149,400)	(\$149,400)
Rate Stabilization	\$652,000	\$0	(\$90,250)	(\$180,500)
<b>Total</b>	<b>\$8,796,800</b>			
Net Difference Over 2009 Base Level Budget		\$375,500	\$399,757	\$309,507

Salary costs are increased associated with negotiated wage increases.

Collection contract costs are reflective of contractual increases for the City's various tendered services as well as growth in the number of units serviced. Material costs are increased to provide the necessary supplies to service the Canada Line. Disposal costs are increased significantly associated with the regional tipping fee increase from \$71 to \$82 per tonne. Recycling materials processing are increased as a result of changing market conditions per a report to Council earlier in 2009.

Other cost increases relate to increased recycling material volumes at the Recycling Depot, as well as contractual increases. Operating expenditures reflect principally a reallocation of costs. Program cost increases relate to public work safety response. Agreement costs are reduced associated with the discontinuation of the pre-emptive West Nile Virus treatment program as approved by Council at their April 14, 2009 meeting, and in accordance with the Medical Health Officer's recommendations. Option 1 includes the same level of contribution to rate stabilization as 2009. Options 2 and 3 reflect varying levels of reduction in contribution to rate stabilization funding to partially offset the impact from the regional tipping fee increase and increased processing costs.

The increased amount outlined in Options 2 and 3 includes the staffing component associated with implementation and enforcement of the pesticide bylaw and related program elements as per Option 4 of the staff report dated April 16, 2009 and approved by Council at their April 27, 2009 meeting.

### Impact on Rates

The impact of the budget options to ratepayers is provided in the table which follows.

<b>2010 Solid Waste &amp; Recycling Gross Rates Options</b>				
		<b>2010 Rate Options which Include Increase Identified Below in Italics</b>		
<b>Customer Class</b>	<b>2009 Rates</b>	<b>2010 Option 1 Rate</b>	<b>2010 Option 2 Rate</b>	<b>2010 Option 3 Rate</b>
Single Family Dwelling	\$220.10	\$234.06 <i>\$13.96</i>	\$232.67 <i>\$12.57</i>	\$229.44 <i>\$9.34</i>
Townhouse	\$177.15	\$191.72 <i>\$14.57</i>	\$190.33 <i>\$13.18</i>	\$187.10 <i>\$9.95</i>
Apartment	\$49.64	\$52.33 <i>\$2.69</i>	\$54.16 <i>\$4.52</i>	\$54.16 <i>\$4.52</i>
Business Metered Rate (\$/m <sup>3</sup> )	\$25.97	\$25.21 <i>(\$0.76)</i>	\$27.04 <i>\$1.07</i>	\$27.04 <i>\$1.07</i>

The rates outlined in the foregoing table are gross rates. 10% savings can be realized by paying utility bills within the specified timeframe.

### Regional Issues

The increase in the regional tipping fee is higher (\$82 per tonne) than the previously projected amount of \$75 per tonne due to Metro Vancouver projecting a deficit in 2009, third party contract inflation, declining waste flows and impacts of the draft Solid Waste Management Plan.

Metro Vancouver has been in the development stages of a new Solid Waste Management Plan for some time. Richmond staff have actively participated in the process. As identified in a report to Council at their May 11, 2009 meeting, Richmond's costs associated with implementing the goals, strategies and actions outlined in the draft Solid Waste Management Plan could be up to \$1.5 million annually. The Solid Waste Management Plan is currently subject to changing dynamics related to provincial decisions on Metro's proposed interim and long-term disposal options.

## Total 2010 Utility Rate Options

The total 2010 utility billing, including the four major utility areas, is detailed in the following tables. The first table reflects the total utility rate options by customer class based on the gross rates for 2010. The second table shows the same options but the figures represent the actual amounts after the 10% savings is realized by paying utility bills within the specified time. A comparison to 2009 rates is also provided. The increases over 2009 rates for each option are shown in bracketed italics beneath the rate amount.

<b>2010 Total Annual Utility – Gross Rate Options</b>				
		<b>2010 Rate Options which Include Increase Identified Below in Italics</b>		
<i>Customer Class</i>	<i>2009 Rates</i>	<b>Total Option 1 Rate</b> <i>Non-Discretionary Increases</i>	<b>Total Option 2 Rate</b> <i>Non-Discretionary Increases Plus Variations Noted in Each Option</i>	<b>Total Option 3 Rate</b> <i>Non-Discretionary Increases Plus Variations Noted in Each Option</i>
Single-Family Dwelling	\$1,119.29	\$1,187.85 <i>\$68.56</i>	\$1,192.71 <i>\$73.42</i>	\$1,195.76 <i>\$76.47</i>
Townhouse (on City garbage service)	\$959.13	\$1,021.08 <i>\$61.95</i>	\$1,026.02 <i>\$66.89</i>	\$1,029.18 <i>\$70.05</i>
Townhouse (not on City garbage service)	\$852.70	\$908.94 <i>\$56.24</i>	\$913.98 <i>\$61.28</i>	\$917.24 <i>\$64.54</i>
Apartment	\$638.42	\$676.46 <i>\$38.04</i>	\$684.73 <i>\$46.31</i>	\$691.22 <i>\$52.80</i>
Metered Water (\$/m <sup>3</sup> )	\$0.8860	\$0.9331 <i>\$0.0471</i>	\$0.9304 <i>\$0.0444</i>	\$0.9277 <i>\$0.0417</i>
Metered Sewer (\$/m <sup>3</sup> )	\$0.6994	\$0.7628 <i>\$0.0634</i>	\$0.7678 <i>\$0.0684</i>	\$0.7729 <i>\$0.0735</i>
Business: Garbage	\$25.97	\$25.21 <i>(\$0.76)</i>	\$27.04 <i>\$1.07</i>	\$27.04 <i>\$1.07</i>
Business: Drainage & Dyking	\$89.16	\$89.16 <i>\$0</i>	\$94.71 <i>\$5.55</i>	\$100.31 <i>\$11.15</i>

The Option 3 rate is recommended to meet minimum operational requirements and to maintain a level of contribution to build infrastructure reserves for capital replacement programs.

The rate tables presented in this report reflect those rates which, if approved by Council, would be outlined in each of the Utility Rate bylaws. The bylaws provide for a 10% discount where these amounts are paid by the due date. For information purposes, staff have duplicated the above table on the following page to reflect the net rates that property owners would pay provided payment is received by the due date.


<i>Net Rates – Amounts if Payment Received by Due Date</i>				
<i>2010 Total Annual Utility – Net Rate Options</i>				
		<i>2010 Rate Options which Include Increase Identified Below in Italics</i>		
<i>Customer Class</i>	<i>2009 Rates</i>	<i>Total Option 1 Rate</i>	<i>Total Option 2 Rate</i>	<i>Total Option 3 Rate</i>
		<i>Non-Discretionary Increases</i>	<i>Non-Discretionary Increases Plus Partial Reserve Increase</i>	<i>Non-Discretionary Plus Reserve Increase Per Long-Term Plan</i>
Single-Family Dwelling	\$1,007.37	\$1,069.08 <i>\$61.70</i>	\$1,073.45 <i>\$66.08</i>	\$1,076.19 <i>\$68.82</i>
Townhouse (on City garbage service)	\$863.23	\$918.98 <i>\$55.76</i>	\$923.43 <i>\$60.20</i>	\$926.27 <i>\$63.05</i>
Townhouse (not on City garbage service)	\$767.44	\$818.05 <i>\$50.62</i>	\$822.59 <i>\$55.15</i>	\$825.52 <i>\$58.09</i>
Apartment	\$574.58	\$608.82 <i>\$34.24</i>	\$616.26 <i>\$41.68</i>	\$622.10 <i>\$47.52</i>
Metered Water (\$/m <sup>3</sup> )	\$0.7974	\$0.8398 <i>\$0.0424</i>	\$0.8374 <i>\$0.0400</i>	\$0.8349 <i>\$0.0375</i>
Metered Sewer (\$/m <sup>3</sup> )	\$0.6295	\$0.6865 <i>\$0.0571</i>	\$0.6910 <i>\$0.0616</i>	\$0.6956 <i>\$0.0662</i>
Business: Garbage	\$23.37	\$22.69 <i>(\$0.68)</i>	\$24.34 <i>\$0.96</i>	\$24.34 <i>\$0.96</i>
Business: Drainage & Dyking	\$80.24	\$80.24 <i>\$0</i>	\$85.24 <i>\$5.00</i>	\$90.28 <i>\$10.04</i>


**Financial Impact**

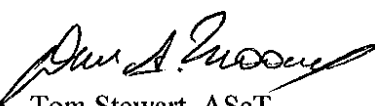
The budgetary and rate impacts associated with each option are outlined in detail in this report. In all options, the budgets and rates represent full cost recovery for each respective area.


**Conclusion**

The utility rate strategy represents a comprehensive approach to addressing current increases in regional charges for water purchases, water filtration and sewer treatment, while at the same time maintaining municipal infrastructure. Regional increases and municipal infrastructure continue to represent a significant portion of these increases in utility rates. This trend will continue for the foreseeable future as the challenges associated with addressing growth and new demands for water and sewer treatment are managed.

  
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