



To: Public Works & Transportation Committee
From: Andrew Nazareth
General Manager, Business & Financial Services

Date: July 11, 2008
File: 03-0970-01/2008-Vol 01

Dave Semple
Acting General Manager, Engineering & Public Works

Re: Increase in 2008 GVS&DD Sewer Costs

Staff Recommendation

That the additional funding requirement of \$1,105,776 for 2008 GVS&DD sewer operations and maintenance costs be financed from the sewer rate stabilization fund.

for
Andrew Nazareth
General Manager, Business & Financial Services
(604-276-4095)

Dave Semple
Acting General Manager,
Engineering & Public Works
(604-233-3350)

FOR ORIGINATING DEPARTMENT USE ONLY		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/> <i>GS</i>	NO <input type="checkbox"/>
	<i>Acting</i>	<i>MR</i>
REVIEWED BY CAO	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
	<i>Mike Kalf</i>	

Staff Report

Origin

Water, sewer and solid waste/recycling rates are established annually based on regional and City costs. These rates must be established by bylaw in advance, i.e. the 2008 rates were established in December, 2007.

Actual billing for Greater Vancouver Sewerage & Drainage District (GVS&DD) operating and maintenance charges for 2008 represents a significant variance/increase from that which was identified in the sewer budget, resulting in a funding shortfall. This report seeks approval of a funding source for these unanticipated costs.

Analysis

The following represents a summary of budgeted costs vs. billed costs relating to GVS&DD operating and maintenance costs:

Operations & Maintenance (Final billing)	\$12,392,376
Operations & Maintenance (Budgeted)	<u>\$10,786,600</u>
Difference	\$ 1,605,776

The specific make-up of the billed vs. budgeted difference is explained as follows:

	Billed costs	Budgeted costs	Variance
Gilbert Road Trunk Project	\$ 590,000	\$ 500,000	(\$ 90,000)
Lulu Island Disinfection Upgrade	\$ 430,000	0	(\$ 430,000)
Lulu Island Operating Increases	\$ 480,000	0	(\$ 480,000)
Various Programs - Operating Increases	\$ 105,776	0	(\$ 105,776)
Total	\$ 1,605,776	\$ 500,000	\$ 1,105,776

These are cost increases over and above the GVS&DD's long range projection provided to Richmond staff during the preparation of the City's utility budget.

Of the variance, \$500,000 for the Gilbert Road Trunk Project was anticipated and agreed to with regional staff. This amount was identified in the 2008 sewer budget, with funding from the operating provision.

Richmond staff met with regional staff to explore opportunities to defer or otherwise address the funding variation. A resolution could not be reached due to the region's legislated responsibility which prevents them from running a deficit. Therefore, an alternative funding source must be identified for the remaining \$1,105,776. However, the process of obtaining accurate cost information on a timely basis will be discussed with the Metro Vancouver finance staff to prevent any future occurrence of such discrepancies.

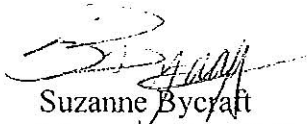
Financial Impact

The additional costs represent approximately \$22 per household. This, along with other City and regional anticipated increases, will be reflected in the 2009 sewer rates.

To address the 2008 funding shortfall, it is recommended that the required amount be funded from the sewer rate stabilization fund. This will leave a remaining balance of \$5.2 million in this fund.

Conclusion

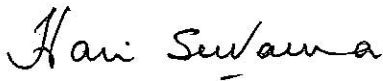
Unanticipated increases in regional charges for sewer operations and maintenance charges associated with operation of the Lulu Island Wastewater Treatment Plant have resulted in a funding shortfall in the 2008 sewer budget and rates. It is recommended the required funding be drawn from the rate stabilization fund.



Suzanne Bycraft
Manager, Fleet & Environmental Programs
(604 233-3338)



Tom Stewart, AScT.
Manager, Sewerage & Drainage
(604-233-3301)



Hari Suvarna
Manager, Budgets & Accounting
(604 276-4365)

