

REPORT

Electric Utility, Engineering and Finance

To: Mayor Johnstone and Members of Council
Date: November 25, 2024

From: Marc Rutishauser
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File:

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Item #: 2024-669

Subject: Budget 2025: Proposed 2025 Utility Budgets and Rates

RECOMMENDATION

1. **THAT** the 2025 Utility Rates for the Electric, Water and Solid Waste Utilities be approved;
 2. **THAT** direction be provided to staff on which of the three Sewer Rates scenarios to use for 2025;
 3. **THAT** the Utility Fund 2025 – 2029 Capital Plans and the 2025 Utility Fund and Climate Action Team Service Enhancement Requests in Attachment #1 to #5 be approved; and
 4. **THAT** staff prepare the necessary bylaws to amend the City's utility rates for 2025 as outlined in this report.
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PURPOSE

The purpose of this report is to provide Council with detailed information on the 2025 Proposed Utility Fund Budgets. This report also provides the proposed 2025 Utility rate increases for the Electric, Water, Sewer and Solid Waste Utilities and Five Year Financial Plans (2025 – 2029).

The expectation is that Council will provide staff with feedback at the November 25th Utility Budget Workshop that will set the direction for staff to prepare the necessary bylaws to amend the City's 2025 Utility Rates which will be in effect as of January 1, 2025.

EXECUTIVE SUMMARY

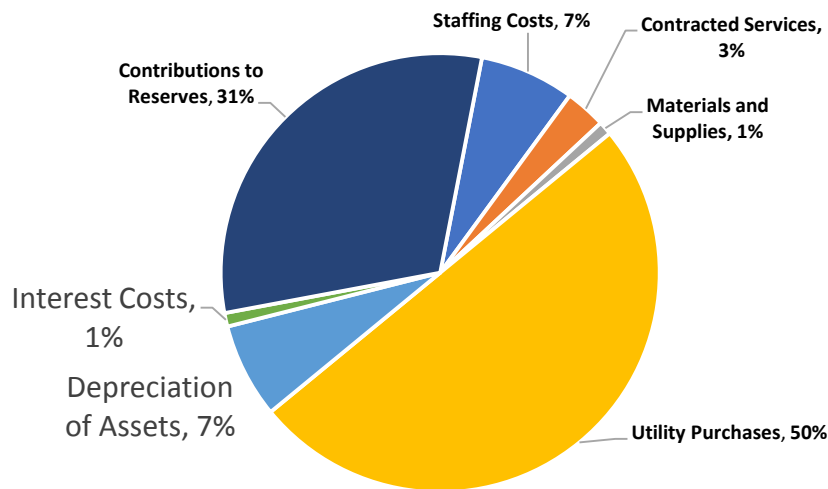
The City owns, operates and maintains four utilities: Electrical Distribution, Water Distribution, Sewerage and Drainage, and Solid Waste.

- Total revenue across all utilities and sources is \$135.6M, of which 92% is derived from utility rates.
- Total operating expenses of \$93.1M
- Total proposed 2025 capital expenditures for all utilities is \$61.5M and \$293.7M over the 2025 – 2029 Proposed Capital Plan.

2025 BUDGET VALUES

Metro Vancouver levies largely drive the Water, Sewer, and Solid Waste **Operating Expenses**, whereas the cost of electricity purchases from BC Hydro largely drives the Electrical Operating Costs. These Metro Vancouver and BC Hydro expenses form Utility Purchases. The balance of the operating expenses comes from salaries, supplies and materials, contracted services, debt servicing, amortization and ongoing contributions to utility reserves. The distribution of these expenses is exhibited below:

2025 OPERATING EXPENSES - UTILITY FUNDS % PERCENTAGE OF TOTAL REVENUE



The **Capital Expenses** to replace, upgrade, or enhance the City's aging infrastructure is largely funded from reserves and is delivered through contracted services. The utility reserves are maintained with annual contributions from the operating budgets and fund the asset renewal and replacements/major upgrades.

In 2025, the estimated contribution to **Utility Reserves is approximately 31% of the proposed utility revenue**. Contribution to reserves declines from 34% last year, primarily due to the impact of higher Utility Purchase cost, particularly for the Sewer Utility. The Reserve Policy threshold is to maintain a minimum balance of 5.0% - 10.0% of Current Replacement Value (CRV) of assets to support the replacement of aging infrastructure and mitigate against any risks, such as beyond-inflationary increases or for any major unforeseen system failure.

The 2025 Proposed Utility Rate Increases are, at large, consistent with the previous Five Year Financial Plan increases, with the notable exception of Sewer due to the cost overrun on Metro Vancouver's North Shore Wastewater Treatment Plant project. As a result, there is an **overall increase of 8.9%¹ year over year, as compared to 6.0% year over year in 2024**. Individually, the current rate plan prioritizes utility rate increases toward Funds requiring growth or where inflationary and capital replacement needs are substantial (i.e. Electric and Sewer), while maintaining rate increases in other Funds (i.e. Water and Solid Waste) in the interim to balance affordability concerns. The 8.9% increase represents a **\$356** annual increase in the average household's utility bill.

¹ Using Scenario #1 for Sewer Rates

The following table summarizes the proposed Electric, Water, Sewer and Solid Waste Utility user rate adjustments effective January 1, 2025, compared to 2024:

Average Single Family Household	Electric	Water	Sewer	Solid Waste	Blended Rate
	Based on 1,000 KWH	net of 5% discount	net of 5% discount	net of 5% discount	
Current 2024	\$ 1,677	\$ 784	\$ 1,127	\$ 391	\$ 3,981
Proposed 2025 \$ Increase	\$ 59	\$ 47	\$ 203	\$ 47	\$ 356
New Proposed 2025 Annual Cost	\$ 1,735	\$ 831	\$ 1,330	\$ 438	\$ 4,337
2025 % Rate Increase	3.5%	6.0%	18.0%	12.0%	8.9%

*Sewer Rate Cost based on Scenario #1

BACKGROUND

The 2024 Utility Budget and Rate Increases were approved by Council in November 2023 followed by adoption of the 2024 – 2028 Five Year Financial Plan Bylaw in March 2024.

As is the City's practice, if additions or changes to the Plan are required throughout the year, staff actively search for ways to cover costs within the existing plan. This is to mitigate against the expansion of the Plan and the need for an amendment. In cases where no such offsets are available, staff will request an amendment to the Five Year Financial Plan Bylaw (i.e. to increase the total Plan amount) to prevent any delays or disruptions to major projects already underway.

As part of the City's commitment to flexibility and transparency, the Finance Department reports to Council on a quarterly basis and seeks Council approval for any adjustments where budgets would need to be reset or varied from the original budget targets throughout the year. A quarterly monitoring and reporting process is recognized as a best practice and acknowledges that changes happen over the course of any given fiscal year. Accordingly, this approach allows for:

- Reporting out on the quarter results so that Council is well informed on accomplishments or project deferrals due to economic or internal factors;
- Consultation on needed changes to the Approved Multi-Year Budget which, therefore, incorporates Council's feedback on project adjustments or new projects in a timely manner;
- Increased transparency and robust financial oversight which supports a more seamless transition into the next annual budget setting and Five Year Financial Plan update; and
- Allows Council time to set and reset based on changing priorities or community needs and emergencies.

BUDGET 2025 TIMELINES

The table below outlines the key dates for the 2025 Budgeting process. Staff aim to present the Draft 2025 – 2029 Five Year Financial Plan to Council in early 2025. The Financial Plan includes

the City's annual Consolidated Operating and Capital Budgets and associated Utility and Property Tax Rates increases.

Date	Description
25-Nov-2024	Proposed 2025 Utility Operating and Capital Budgets and Rates Setting
2-Dec-2024	2025 Utility Rates Bylaw for Three Readings
2-Dec-2024	2025 - 2029 General Fund Capital Plan and Funding Strategy
2-Dec-2024	2025 General Fund Service Enhancements, Funding Strategy and Property Tax Rates Setting
9-Dec-2024	Refined 2025 General Fund Operating and Capital Budgets and Five Year Capital Plan
16-Dec-2024	2025 Utility Rates Bylaw for Adoption
January 2025	2025 - 2029 Five Year Financial Plan for Adoption

FINANCIAL SUSTAINABILITY PRINCIPLES

The 2025 proposed Utility Fund Operating and Capital Budgets are guided by Financial Sustainability Principles that align with the City's core values when building ***a vibrant, compassionate, resilient city where everyone can thrive*** and ensures the City's budget is:

- **Sustainable** - Maintain assets in a state of good repair through reasonable tax /rate increases, and without disruptions to services; living within our means;
- **Adaptable** - The ability to change debt levels or leverage reserves; ability to ramp up or down on spending;
- **Stable** - Predictability of the City's Sustainable Revenue Sources, and less reliance on external or third party funding; and
- **Accountable** - Fiscally prudent and responsible; the ability to ensure that the City's financial decisions are in the best interest of all.

Budget 2025 Public Survey

Reflecting Council's Community Belonging and Connecting strategic priority, the first step the City has taken in the development of the 2025 budget, is to commission Ipsos, a professional public opinion research company, to conduct a survey for Budget 2025. Letters were mailed to 10,000 randomly selected residential addresses and all available New Westminster-based business addresses with an invitation to provide input on important community City services and priorities for investment. Residents and businesses that did not receive a letter also had the opportunity to participate in the survey via an online portal on the City's website. The survey began in mid-August and was concluded on September 2, 2024. The City received 899 responses from residents and 28 responses from business owners/operators.

Listed below is a summary of the survey results:

- Perceptions of the overall quality of life in New Westminster today are positive, with nearly nine-in-ten rating as "very good" or "good".

- Perceptions of the City's performance on Council's five strategic priorities are mixed. The priority scoring the highest is Community Belonging and Connecting, followed by Asset Management and Infrastructure. The overall lowest scores goes to Homes and Housing Options for community members.
- Residents are largely satisfied (combined "very/somewhat satisfied") with the delivery of specific City services. Services receiving the overall highest satisfaction ratings are fire and rescue services, clean water supply and wastewater treatment services, library services, and electrical services. The least satisfactory services overall are connecting vulnerable residents to services and support (e.g. unhoused, seniors, newcomers), road maintenance, traffic calming and traffic management.
- On an unprompted basis, nearly half of residents identify social issues as the most important issue facing the community. Transportation sits in second. Crime/public safety, municipal government services, and the economy round out the top five important local issues.
- Perceptions of value for money are positive, with nearly four-in-five saying they receive good value for money they pay for the utility services they receive from the City. Overall residents prefer tax increases to service reductions. Of the nearly two-thirds opting for a tax increase, just less than half say they would prefer a "tax increase in line with inflation – to sustain current service levels".
- For capital investment, residents have mixed opinions on the City borrowing funds to deal with the backlog of capital replacement and upgrade on a more frequent basis. Overall opposition slightly outweighs support, but neither option secures a majority.

[2025 Budget Public Survey Responses from Residents and Business](#) were presented to Council on October 28, 2024. Input from the community has been considered in the development of the proposed 2025 Utility Operating and Capital Budgets and Utility Rates Increases.

Across the projects included in the Draft Capital Plan, input from community members through the City's public survey is a key component of how individual projects are developed/selected. This commitment to engagement is woven into our capital planning approach, and the associated costs of project-based engagement are considered within the budgets of projects that necessitate extensive community involvement. By embedding engagement funding within project budgets, we underscore our dedication to transparency, inclusivity, and collaboration with our community members throughout the capital planning and implementation phases.

Reconciliation Lens and Capital Priorities

City Council strategic priorities are people-centered with a focus on relationship, belonging, and well-being for all. These principles have always motivated Indigenous ways of life, so by committing to reconciliation and Indigenous engagement, the City will better learn from

Indigenous people how to exemplify those qualities while also learning how to make reparations for past harms.

Principles of reconciliation are integrated into capital project delivery. Indigenous capacity funding for capital projects is designed to empower Indigenous communities by providing financial resources to build expertise and increase their involvement in the planning and execution of infrastructure and development projects. This funding aims to foster self-sufficiency, enabling communities to manage projects that address their specific needs while aligning with cultural and environmental values. Support can include training, project management assistance, and technical expertise, facilitating Indigenous participation in areas like housing, energy, transportation, and public facilities.

As part of the West End Sewer Separation project, the City is actively learning and building relationships with the people whose lands we are on. The City hired an archaeological consultant, Kleanza Consulting Ltd., to conduct preliminary field reconnaissance (PFR), and an Archaeological Overview Assessment (AOA) for the project. This required close consultation and engagement with the xʷməθkʷəyəm, Kwantlen First Nation, Kʷikʷəłəm, Stó:lō Nation, and səliłwətał, who have their own heritage permitting systems.

2025 - 2029 FINANCIAL PLAN OVERVIEW & PROPOSED FIVE YEAR UTILITY RATES

The Current 2024 – 2028 Five Year Financial Plan includes Utility Rates increases as follows:

- Electrical Rates Increase 3.3% in 2024 and 3.5% per year thereafter
- Water Rates Increase 6.0% per year over the five year planned period
- Sewer Rates Increase 8.0% per year over the five year planned period
- Solid Waste Rate Increase 12.0% per year between 2024 - 2026 and 8.0% per year thereafter

The 2024 - 2028 Five-Year Financial Plan includes **funding assumptions** to support some of the City's major initiatives, including Advanced Metering Infrastructure, a new Substation, a possible District Energy System, Glass Recycling Program, Climate related initiatives along with ongoing sewer separation program, routine replacement of major Sewer & Water Systems and City's Fleet & Equipment.

2025 OPERATING BUDGET OUTLOOK: PROPOSED RATES

Proposed 2025 - 2029 Financial Plan forecasts the following Annual Rates:

- Electrical Rates increase 3.5% per year over the five year planned period
- Water Rates remain at 6.0% per year over the five year planned period
- Sewer Rates increase to 18.0% for 2025 and 8.0% per year thereafter (based on Scenario #1)
- Solid Waste Rates remain at 12.0% per year for 2 years followed by 8.0% per year thereafter

The budgets in the draft 2025 – 2029 Five-Year Financial Plan are projections based on best estimates of future events that may materially affect the City such as changes in fees charged by Metro Vancouver and BC Hydro and annual wage increments. The Plan includes **funding assumptions** to support some of the City's major initiatives, including: Advanced Metering Infrastructure (AMI), voltage conversion, a new Substation, N-1 supply at Queensborough, a possible District Energy System, and many other net new Climate related initiatives along with ongoing sewer separation program, routine replacement of major Sewer & Water Systems and the City's Fleet & Equipment.

The planned Rates take into consideration these spending assumptions, along with balancing the need to maintain minimum reserve levels to ensure fiscal prudence and sustainability over the long term. The following sections detail key considerations, financial projections, operating expense enhancements or increases, and capital projects for each utility.

1. Electrical Utility

The majority of the Electrical Department's operations are deemed essential. To this end, the department is striving to maintain appropriate service levels for all New Westminster residents, businesses and institutions while at the same time maintaining the health and safety of our front line staff.

2025 "Proposed" Electrical Utility Rate is 3.5%

Electric Utility	2025	2026	2027	2028	2029
Revenues	68.08	70.29	83.39	81.99	81.67
Operating Expenses	50.95	51.71	53.56	55.19	60.61
Capital*	27.39	11.04	33.57	24.30	81.14
Reserves	22.36	25.30	29.39	35.97	27.09
Rate Increase	3.5%	3.5%	3.5%	3.5%	3.5%
Reserves / Replacement Value	3.7%	4.2%	4.9%	6.0%	4.5%

*Capital subject to accounting review and adjustment;

2025 Budget Outlook Considerations

With respect to the 2025 Electrical Operating and Capital Budget, Council should consider the following as they review staff presentations:

- Projected 2025 Increase in Cost of Power Purchases \$1.8M
- Fixed Cost & Salary Increases of \$0.4M
- New Operating Expense Service Enhancement Requests \$0.2M
- Climate levy at a rate of 3.5% of Electrical billings
- Proposed Capital Spending of \$27.4M

A majority of the proposed 2025 Capital spending are multi-year projects that have been previously initiated and are underway including AMI (\$5.1M), New Service Connections (3.0M) and Land Purchases (\$9.8M).

On November 5, 2024, staff met with the Utility Commission to discuss BC Hydro's projections for rates over the next few years which includes a 16.8% increase on Demand Charges (peaking) and 2.2% increase in Energy Charges (consumption) in 2025 followed by a subsequent increase of 8.5% in Demand and 5.5% decline in Energy in the following year 2026. Thereafter, an assumed inflation rate of 3% per annum is assumed on Demand and no increase is assumed on Energy. This approach is a departure from BC Hydro's historical practice of providing a general rate increase. Starting this year, BC Hydro provided specific increases to Demand and Energy. Staff presented an initial view of capital investments that are likely to be needed to expand capacity to meet growing demand for electricity, both in terms of growing demand from existing ratepayers as well as new development. Staff also presented additional operating expenses related to Advanced Metering Infrastructure (AMI) and substation maintenance.

Staff will further articulate demand, capacity and capital investment needs, and explore pricing and funding mechanisms to meet these needs throughout 2025 with the completion of the 10 Year Forecast study as well as a 50-Year Planning study and will continue to recalibrate rates in the future based on feedback from these studies. In the meantime, staff recommend prudence in the need to increase rates to build financial capacity to fund initial capital projects to meet growing electricity demand and growth. Here are some of the reasons that support the recommendation and will be presented to Council in greater detail at the November 25th workshop:

- Rate Stability & Predictability: avoid fluctuations in electrical bills to residents and businesses
- Resilient & Adaptable: manage through uncertainty around commodities prices, climate risk, changing economy
- Maintain Healthy Reserves for regular/routine renewal & replacement of existing assets
- Maintaining Level of Services & complying with Measurement Canada Requirements
- Maintain Reasonable Debt Servicing Levels
- Addressing Growth Related Funding Requirements - Long Range Infrastructure Planning

The Utility Commission supported a sustainable and predictable rate of 3.5%/year in order to build financial capacity to fund capital projects to increase electricity supply, including a new substation in the downtown area to begin construction by 2029; gradual investment in infrastructure in anticipation of an eventual voltage conversion program and to offset projected BC Hydro rate increases to the cost of power. A 3.5% rate increase, is aligned with the City's Reserve Management Policy that recommends maintaining a reserve balance of 5.0% to 10.0% of Electrical Fund assets Current Replacement Value (CRV). The Reserve to CRV ratio decreases to 4.6% by 2029 mainly due to significant capital investments projected.

Historically, the Electric Utility has had abundant capacity in order to service the demand of the City. However, it is now faced with the challenge of meeting the electrical needs of our customers in a landscape of greater demand for electrification, increasing low carbon energy mandates, electric mobility, electric space heating systems, addressing a housing crisis with mandated municipal housing targets, alleviating extreme heat impact on habitability of existing

residential buildings, and increasing climate resilience with adaptation; all while advocating for sustainable clean energy and conservation. Many of these challenges are also being faced by BC Hydro.

As such, there will be growing emphasis on long-term planning and capital investment in order to meet these growing demands in the future. Two significant projects which have been included in the 5-year capital plan are the RO3 substation as well as the N-1 supply for Queensborough substation. The RO3 substation will provide the City with new electrical capacity at a strategic location while the N-1 supply at Queensborough substation will provide full redundancy on both supply lines from B.C. Hydro, increasing system reliability and adding additional supply capacity to ensure the substation's capacity can be fully utilized.

2. Climate Action Team

The Climate Action division operating budget is funded by the Climate Levy. The net remaining funds from the levy are transferred to the Climate Action Reserve Fund, as part of the City's general reserve, and is used to fund projects and initiatives which advance the City towards meeting its climate action targets. These projects and initiatives are identified through the City's climate action plans and are qualified through the use of a Climate Action Decision Making Framework.

As identified in the August 28, 2023, and September 11, 2023 Council reports on climate action work plan acceleration and resulting financial implications, respectively, both the size and structure of the Climate Action Team (CAT) required augmentation in order to achieve the City's emission reduction targets. The September 11, 2023 Council report outlined a 2 year staffing plan (4 new positions in 2024 and 3 new positions in 2025) to meet the work plan delivery objectives that were approved by Council.

Through 2024, the CAT successfully completed recruitment of the approved resource service enhancement. As the CAT is continuing to identify alignments and efficiencies with the Electric Services Division within the new departmental structure, in 2025, the CAT is proposing to advance only one of the three proposed resource service enhancements as part of the 2025 budget. The CAT will continue to assess the opportunities for additional shared resources with the Electrical Services Division and identifying emerging shared departmental work plan priorities through 2025. The deferred service enhancements will be reviewed for consideration in 2026, based on the departmental assessment noted above.

2025 Budget Outlook Considerations

With respect to the 2025 Climate Action Team Operating Budget, Council should consider the following:

- Projected 2025 Climate Levy collection of \$2.1M which represent a 3.5% levy on Electric rate revenue
- 2025 Fixed Cost & Salary Increases related to climate action team of \$0.2M

- 2025 New Operating Expense Service Enhancement "Requests" \$0.1M mainly comprising of a staffing increase

Climate Action	Budget Projections (\$ in millions)				
	2025	2026	2027	2028	2029
Receipts Climate Action Levy	2.10	2.17	2.25	2.33	2.41
Operating Expense - Climate Action	1.39	1.47	1.53	1.59	1.68
Transfer to Climate Action Reserve Fund	0.71	0.70	0.72	0.74	0.73

Since the Climate Action Reserve is part of the City’s General Fund, the capital spend from the Climate Action Team sits within the General Fund Capital Plan, outside of the electric utility capital budget.

The Climate Action Team proposed 2025 Operating budget ensures ongoing delivery of climate action policy, regulatory reporting and community program delivery, such as the flagship technical support and incentive program Energy Save New West.

3. Water Distribution Utility

Potable drinking water is purchased from Metro Vancouver and delivered through the City's water distribution system, which includes 270 kilometres of watermains, to residents and businesses in the City.

Staff provide support on routine ongoing operations and maintenance of the water distribution system and the repair of broken water mains, new service connections, and the capital replacement program. Given recent market conditions, supply chain challenges, and escalating construction costs, we anticipate increased strain on City resources, including staff and budgets, which could result in a reduced water main replacement rate, and higher operations and maintenance costs.

2025 "Proposed" Water Utility Rate is 6.0%

Water Utility	Budget Projections (\$ in millions)				
	2025	2026	2027	2028	2029
Revenues	18.91	19.88	21.00	21.83	23.13
Operating Expenses	12.12	13.08	13.58	14.17	14.65
Capital*	12.35	8.73	7.42	7.67	7.17
Reserves	21.04	19.55	20.01	20.59	22.60
Rate Increase	6.0%	6.0%	6.0%	6.0%	6.0%
Reserves / Replacement Value	4.9%	4.4%	4.5%	4.6%	5.0%

*Capital subject to accounting review and adjustment

2025 Budget Outlook Considerations

With respect to the 2025 Water Operating and Capital Budget, Council should consider the following as they review staff presentations:

- Projected 2025 Increase in Metro Vancouver Water Levies \$1.2M
- 2025 Fixed Cost & Salary Increases of \$0.04M
- 2025 Proposed Capital Spending of \$12.3M

In October 2024, Metro Vancouver proposed the annual water rate increases for bulk water purchases, for 2025 to 2029 to be 7.2%, 6.5%, 3.0%, 2.4% and 1.3%, respectively. A significant portion of the Metro Vancouver rate increase is related to the regional capital program (reservoir upgrades, transmission mains, marine crossings, etc.).

Metro Vancouver is revising their regional Development Cost Charge (DCC) program to actively reduce potential costs to residents and embrace the principle of 'growth-pays-for-growth' by shifting growth costs to development. Metro Vancouver proposes to decrease their 'assist factor' to 1% over a multi-year period. The assist factor is the portion of growth projects funded by non-growth-related sources, such as sewage levies and water sales. Metro Vancouver first implemented Water DCC's in April 2023 and currently has an assist factor of 50%. Over the next few years, this assist factor will be reduced to 1%. For the City of New Westminster, a decrease in the Metro Vancouver assist factor means a reduction in the projected Metro Vancouver levy increase. Previous Metro Vancouver water increases from 2024-2028 were 7.6%, 8.9%, 6.4%, 3.5%, and 2.7%; now, 2025-2029 are projected to be 7.2%, 6.5%, 3.0%, 2.4% and 1.3% as Metro Vancouver continues to guide downward as it did last year.

While the Metro Vancouver rate increases are lower, they are still relatively high. There is a risk that if Metro Vancouver cannot collect the DCCs as projected, they may transfer the shortfall back to municipalities. Recognizing this and other risks, it is prudent for the water utility to continue to shore up its reserve levels to mitigate against any future risks. Metro Vancouver levies make up 76% of the 2024 Operating Expenses and, therefore, still significantly impact the Utility's financial position. Maintaining the proposed rate of 6% will provide continued relief to residents while allowing the City to build reserves and avoid any major fluctuations in future costs owing to Metro Vancouver's ability to collect DCCs.

The Water Utility's 2025 Proposed Capital budget of \$12.3M primarily provides for replacements of end-of-life city water mains, associated trench restoration, new additions to meet future population growth and the replacement of equipment and service vehicles. Notable projects in the 2025 capital budget include:

- Watermain Replacement Program
- West-End Watermain Replacement Program (2023-2027)
- Water Trench Restoration
- Water Conservation Program
- Water Cross Connection Control

By 2029 the Water Reserves are set to align with the City's Reserve Policy, which recommends maintaining a reserve balance of 5.0% to 10.0% of Water Fund assets' Current Replacement Value (CRV) in order to support the replacement of the aging infrastructure and to mitigate against any risk such as beyond inflationary increases, volatility in utility purchase costs, or for any major unforeseen seismic event.

4. Solid Waste Utility

In 2024, solid waste services were delivered in a manner consistent with previous years, including weekly organics collection, and bi-weekly recycling and garbage collection for about 8,400 single-family properties and 25,000 multi-family homes. Curbside garbage, organics, recycling and multi-family garbage collection is conducted by City staff with the use of City-owned or rented equipment. Multi-family residential organics and recycling is contracted to a third party.

In addition to routine collection services, Engineering staff support the ongoing efforts in the cleanliness of our streets, parks and open spaces through the collection of litter and emptying and maintenance of our street receptacles, removal of illegal dumping and with the Special Pick up Service provided to residents.

2025 "Proposed" Solid Waste Utility Rate is 12.0%

Solid Waste Utility	Budget Projections (\$ in millions)				
	2025	2026	2027	2028	2029
Revenues	7.67	8.65	9.27	9.94	10.66
Operating Expenses	5.12	4.97	5.22	5.47	5.73
Capital*	2.42	1.18	0.75	0.22	0.35
Reserves	2.51	4.63	7.64	11.67	16.09
Rate Increase	12.0%	12.0%	8.0%	8.0%	8.0%

*Capital subject to accounting review and adjustment

2025 Budget Outlook Considerations

With respect to the 2025 Solid Waste Utility Operating and Capital Budget, Council should consider the following as they review staff presentations:

- Cumulative projected 2025 Increase in Tipping Fees \$0.1M
- 2025 Fixed Cost & Salary Increases of \$0.1M
- 2025 Proposed Capital Spending of \$2.4M

Revenues generated through solid waste user rates are used to operate and maintain these services. The standard Solid Waste user rates in 2025 are projected to increase by approximately \$47 for an average single-family household to pay for increasing operating and capital costs primarily related to tipping fees paid to Metro Vancouver's Greater Vancouver Solid Waste Services (and other organizations depending on the waste stream) for the disposal of garbage, recyclables and organic waste; as well as to maintain the Utility's fleet of collection

vehicles; and to build capital reserves that can meet future vehicle replacements that have experienced significant increases in price in recent years.

Solid Waste Utility revenues also include a financial contribution from Recycle BC for collecting approved residential recyclables through the City's curbside and multi-family recycling programs. The incentive rates from the Recycle BC contract were set in 2019 and will remain static until 2029.

The Solid Waste Utility capital budget provides for the replacement of the Utility's automated garbage/recycling packers and the replacement of garbage/recycling/yard and food scraps carts and disposal bins. Increasing vehicle costs and procurement delays are posing significant challenges to the Solid Waste fleet. The cost of collection vehicles has doubled recently, necessitating increases in the vehicle reserves. Currently, a two-year trial is being conducted, which sees the utility rent collection vehicles supplant end-of-life assets. This is an attempt to mitigate short-term budget and procurement challenges, which are causing negative financial consequences and staff hours strain on the maintenance of end-of-life assets.

Investment in garbage and recycling vehicles increased in the last 5 years, and the proposed 5 year plan is setting the rates to replenish the existing reserve, provide provision for the replacement of the vehicle fleet, and to responsibly build up reserves for the upcoming replacements and tipping fee increases, primarily for organic waste processing.

5. Sewer and Drainage Utility

The City owns 160 km of combined sewer mains and 90 km of storm sewers, 40km of sanitary mains, 39 pump stations and numerous open drainage ditches, which collect and convey sanitary sewage and storm runoff throughout the city. The Engineering Operations Division is responsible for the routine ongoing operation and maintenance of the system, including responding to infrastructure failure and other issues.

Engineering staff support the ongoing efforts to separate combined sewers. The Capital program includes a commitment, in support of the regional liquid waste management plan, to separate all combined sewers in the City by the year 2075. The City is currently on track to achieve that goal. In addition, similar to the water distribution system, it is necessary to replace aging sewer mains, and improve pump stations and other sewer and drainage infrastructure to ensure that the system remains in a state of good repair.

2025 “Proposed” Sewer and Drainage Utility Rate

Scenario #1 - 18% in 2025 and 8% per year thereafter

Sewer Utility	Budget Projections (\$ in millions)				
	2025	2026	2027	2028	2029
Revenues	40.94	41.68	44.41	46.09	49.61
Operating Expenses	24.94	26.04	27.62	29.74	31.88
Capital*	19.32	10.45	10.69	12.32	15.21
Reserves	39.54	46.31	54.16	60.03	64.62
Rate Increase	18.0%	8.0%	8.0%	8.0%	8.0%
Reserves / Replacement Value	4.1%	4.9%	5.7%	6.3%	6.8%

*Capital subject to accounting review and adjustment

Metro Vancouver has increased their municipal levies by approximately \$5.4M (38.5%) from \$13.9M in 2024 to \$19.3M in 2025 to compensate for significant cost overrun of the North Shore Wastewater Treatment Plant project. Staff’s recommendation is to introduce a one-time elevated sewer utility rate increase in 2025 to line up with the drastic increase in Metro Vancouver’s sewer levies and then maintain last year’s recommended 8.0% per year increase in subsequent years to maintain a target reserve ratios of 6.3% by 2028, which was originally projected in the previous 2024 – 2028 five year plan.

The 18% increase in 2025 represents a **\$203** increase in the average household's sewer utility bill.

Scenario #2 - 8% per year over the five year planned period

Sewer Utility	Budget Projections (\$ in millions)				
	2025	2026	2027	2028	2029
Revenues	37.90	38.40	40.87	42.26	45.47
Operating Expenses	24.94	26.04	27.62	29.74	31.88
Capital*	19.32	10.45	10.69	12.32	15.21
Reserves	36.51	40.00	44.30	46.35	46.80
Rate Increase	8.0%	8.0%	8.0%	8.0%	8.0%
Reserves / Replacement Value	3.8%	4.2%	4.6%	4.9%	4.9%

*Capital subject to accounting review and adjustment

As presented last year, the sewer utility needs to build its reserve position to appropriately account for the increase replacement value of sewer assets identified in the Sewer Asset Management Plan. If the sewer utility maintains its current 8% per year rate increase established last year, in spite of Metro Vancouver’s 38.5% increase, then the sewer reserve position target of 6.3% by 2028 set last year would be reduced to 4.9%. This represents a material decrease of \$13.6M in previous year’s projected 2028 sewer reserves balance and will delay the City’s target to meet the Reserve to asset CRV ratio of 5.0% to 10.0% beyond 2029.

The 8% increase in 2025 represents a **\$90** increase in the average household's sewer utility bill.

Scenario #3 – 10% per year over the five year planned period

Sewer Utility	Budget Projections (\$ in millions)				
	2025	2026	2027	2028	2029
Revenues	38.51	39.73	43.03	45.41	49.76
Operating Expenses	24.94	26.04	27.62	29.74	31.88
Capital*	19.32	10.45	10.69	12.32	15.21
Reserves	37.11	41.93	48.40	53.59	58.33
Rate Increase	10.0%	10.0%	10.0%	10.0%	10.0%
Reserves / Replacement Value	3.9%	4.4%	5.1%	5.6%	6.1%

*Capital subject to accounting review and adjustment

This scenario provides stable and predictable rates to New Westminster residents and businesses while absorbing and spreading out the impact of the North Shore Wastewater Treatment Plant project cost overrun. Rate users would be impacted by the effects of the cost overrun over a 5 year period. Although this scenario reduces previous year's projected 2028 reserve balance by \$6.3M, the City's policy of reserve to asset CRV ratio of 5.0% – 10.0% will be achieved by 2027.

The 10% increase in 2025 represents a **\$113** increase in the average household's sewer utility bill.

2025 Budget Outlook Considerations

With respect to the 2025 Sewerage and Drainage Utility Operating and Capital Budget, Council should consider the following:

- 2025 Increase in Metro Vancouver Sewer Levies \$5.4M, of which \$4.3M is due to the impact of the North Shore Wastewater Treatment Plant project
- Fixed Cost & Salary Increases of \$0.1M
- 2025 New Service Enhancement Requests of \$0.1M
- Proposed Capital Spending of \$19.3M
- \$10.5M combined federal and provincial funding for West End Sewer Separation

In October 2024, Metro Vancouver proposed the annual sewer rate increases to operate and maintain the sanitary and storm drainage collection system, as well as for floodplain protection, for 2025 to 2029 to be 38.5% (7.5% baseline; 31.0% due to North Shore Wastewater Treatment Plant), 4.8%, 6.7%, 9.1% and 7.9% respectively.

Metro Vancouver has embarked on a multi-year major capital program to upgrade a number of regional sewage treatment facilities which is a key driver for the increasing regional sewerage levies. Similar to the water utility, Metro Vancouver is revising their regional DCC program to actively reduce potential costs to residents and embrace the principle of 'growth-pays-for-growth' by shifting growth costs to development by decreasing the assist factor to 1%.

Metro Vancouver's liquid waste DCCs have been in place since 1997 and currently have an assist factor of 17.5%. Previously projected MV sewer increases from 2024-2028 were 16.6%,

13.1%, 8.2%, 6.5%, and 7.9%; now, 2025-2029 are projected to be 38.5%, 4.8%, 6.7%, 9.1% and 7.9%. There is a significant increase in 2025 due to the North Shore Wastewater Treatment Plant project.

Metro Vancouver continues to guide rate increases lower in outlying years though they are still relatively high – especially for sewers. There is a risk that if Metro Vancouver cannot collect the DCCs as projected, they may transfer the shortfall back to municipalities. Recognizing this and other risks, it is prudent for the sewer utility to maintain rates at 8.0% per year after 2025 to continue to shore up its reserve levels to mitigate against any future risks owing to Metro Vancouver's ability to collect DCCs and other unforeseen factors as proven this year.

Metro Vancouver levies make up 78% of the 2025 Operating Expenses and, therefore, significantly impact rates. In addition to funding operating costs, the sewer utility rate funds the Sewer and Drainage Utility's capital budget, which primarily provides for the rehabilitation and replacement of existing sewers, the sewer separation program (a legislative commitment under the Metro Vancouver's Integrated Liquid Waste and Resource Management Plan (ILWRMP)), installation of new storm sewers, associated trench restoration, drainage and floodplain protection works, replacement of pump stations, equipment and service vehicles. The City's asset management plan guides the development of the capital program.

The City's Sewer and Drainage Asset Management Plan was updated in 2023 and presented to Council in April 2023 indicating that the Sewer and Drainage Asset condition is 34% poor & very poor, while the current replacement value is \$918M.

Inflation in the cost of construction and the update in the Current Replacement Value (CRV) of sewer assets through the Sewer Asset Management Plan necessitates the need for rates to increase to 8% per annum.

Notable projects included in the 2025 capital budget include:

- Sewer Separation Program
- West End Sewer Separation Program (2023-2027)
- SCADA network upgrade
- Integrated Storm Water Management Plan (ISWMP) program
- Flood Management (dyking)
- Drainage Program
- Pump station upgrade
- Sewer Rehabilitation Program

As noted above, the City Sewer Utility covers a wide spectrum of services. The volume and complexity of work involved and rate increases from Metro Vancouver are placing significant financial pressure on the Utility. Under Scenario #1 & #3, the Sewer Reserves to assets CRV ratio is aligned with the City's Reserve Policy while Scenario #2 will push this target beyond 2029. It is important to note that a healthy Reserve to assets CRV ratio is crucial to support the replacement of aging infrastructure and to mitigate against any risk such as beyond inflationary increases, volatility in utility purchase costs, or for any major unforeseen seismic event.

2025 Summary

Collectively the increase across all utility funds is 8.9%, using Scenario #1 for Sewer rates, which is an increase from last year’s 6.0% year over year rate. The significant increase is due to increased sewer levies owing to the North Shore Wastewater Treatment Plant project. The current rate plan continues to prioritize utility rate increases toward funds requiring growth or where inflationary and capital replacement needs are substantial (i.e. Electric and Sewer), while maintaining rates in other Funds (i.e. Water and Solid Waste) in the interim to balance affordability concerns. The 8.9% increase represents a \$356 increase in the utility bill of the average household.

Impact to Residence: Recommended Sewer Rates Scenario #1 - 18% in 2025 and 8%/year thereafter

Average Single Family Household	Electric	Water	Sewer	Solid Waste	Blended Rate
	Based on 1,000 KWH	net of 5% discount	net of 5% discount	net of 5% discount	
Current 2024	\$ 1,677	\$ 784	\$ 1,127	\$ 391	\$ 3,981
Proposed 2025 \$ Increase	\$ 59	\$ 47	\$ 203	\$ 47	\$ 356
New Proposed 2024 Annual Cost	\$ 1,735	\$ 831	\$ 1,330	\$ 438	\$ 4,337
2025 % Rate Increase	3.5%	6.0%	18.0%	12.0%	8.9%

Impact to Residence: Sewer Rates Scenario #2 - 8% per year over the five year planned period

Average Single Family Household	Electric	Water	Sewer	Solid Waste	Blended Rate
	Based on 1,000 KWH	net of 5% discount	net of 5% discount	net of 5% discount	
Current 2024	\$ 1,677	\$ 784	\$ 1,127	\$ 391	\$ 3,981
Proposed 2025 \$ Increase	\$ 59	\$ 47	\$ 90	\$ 47	\$ 243
New Proposed 2024 Annual Cost	\$ 1,735	\$ 831	\$ 1,218	\$ 438	\$ 4,224
2025 % Rate Increase	3.5%	6.0%	8.0%	12.0%	6.1%

Impact to Residence: Sewer Rates Scenario #3 - 10% per year over the five year planned period

Average Single Family Household	Electric	Water	Sewer	Solid Waste	Blended Rate
	Based on 1,000 KWH	net of 5% discount	net of 5% discount	net of 5% discount	
Current 2024	\$ 1,677	\$ 784	\$ 1,127	\$ 391	\$ 3,981
Proposed 2025 \$ Increase	\$ 59	\$ 47	\$ 113	\$ 47	\$ 265
New Proposed 2024 Annual Cost	\$ 1,735	\$ 831	\$ 1,240	\$ 438	\$ 4,247
2025 % Rate Increase	3.5%	6.0%	10.0%	12.0%	6.7%

INTERDEPARTMENT LIASON

The Energy and Climate Action, Engineering and Finance Departments have collaboratively prepared the draft Five-Year Financial Plan (2025 - 2029) for the Utility Funds including the proposed 2025 Utility Rates.

OPTIONS

There are five options for Council's consideration; they are:

Option 1 - THAT the 2025 Utility Rates for the Electric, Water and Solid Waste Utilities be approved;

Option 2 – THAT direction be provided to staff on which of the three Sewer Rates scenarios to use for 2025;

Option 3 - THAT the Utility Fund 2025 – 2029 Capital Plans and the 2025 Utility Fund and Climate Action Team Service Enhancement Requests in Attachment #1 - #5 be approved;

Option 4 – THAT staff prepare the necessary bylaws to amend the City's utility rates for 2025 as outlined in this report;

Option 5 - THAT Council provides further direction.

Staff recommend Options 1, 2, 3 and 4

CONCLUSION

Staff has completed the City's draft 2025 - 2029 Financial Plan for the Utility Funds. This Plan incorporates both the operating and capital budgets for each of the Utilities. The Plan reflects adjustments in utility rates necessary to maintain and operate the utilities over the next five years.

Provided that Council agrees with the proposed 2025 Utility Rates for the Electric, Water, Sewer and Solid Waste Utilities, staff will bring forward for Council's consideration at the next regular Council meeting, the necessary bylaws to amend the City's Utility Rates for 2025 and will bring the 2025 – 2029 Consolidated Five Year Financial Plan to Council in January 2025.

ATTACHMENTS

Attachment 1 - Electrical Utility Fund Draft 2025 - 2029 Financial Plan, Capital Plan and 2025 Service Enhancement Requests

Attachment 2 - Water Utility Fund Draft 2025 - 2029 Financial Plan, Capital Plan and 2025 Service Enhancement Requests

Attachment 3 - Sewerage and Drainage Utility Fund Draft 2025 - 2029 Financial Plan, Capital Plan and 2025 Service Enhancement Requests

Attachment 4 - Solid Waste Utility Fund Draft 2025 - 2029 Financial Plan, Capital Plan and 2025 Service Enhancement Requests

Attachment 5 – Climate Action Team 2025 Service Enhancement Requests

APPROVALS

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