



COUNCIL REPORT

To: Mayor and Council

Date: March 12, 2024

From: Ron Mattiussi, Interim CAO

Subject: **Utility Fee Amendments Bylaw No. 0028.81, 2024**

Report Prepared By: Lisa Siavashi, Financial Services Manager / Deputy CFO and
Warren Everton, Director of Finance / CFO

RECOMMENDATION to Consider and Resolve:

THAT City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.81, 2024 be given first, second and third reading.

STRATEGIC AREA(S) OF FOCUS

Financial planning and rate setting are integral components in achieving the objectives of Council's Strategic Priorities: Invest in Infrastructure, Pursue Economic Growth and Prosperity, Strengthen Our Community and Foster Safety and Well-Being. Careful management of the City's revenues, expenses, capital and reserves ensures a healthy and progressive community.

EXECUTIVE SUMMARY

The City has been on a trend of increasing water rates in anticipation of the Rose Valley Water Treatment Plant coming online as well as for upgrades to the Powers Creek Treatment Plant and broader system. 2024 will be the first full year of operation for the new Rose Valley facility, and as expected the City will start to accumulate actual operating data to compare to budget.

Over the last number of years staff annually reviewed anticipated costs for the operations of new water plant and recommended a phased in fee structure. For 2024, the operating flat rate is slightly lower than previously forecasted, with an increase to \$420 from \$403 per year. The overall increase for the Rose Valley system in 2024 is 3.2% or an estimated \$8 per quarter for a single-family residence.

Powers Creek water rates are proposed to increase 4.5% or an estimated \$11.25 per quarter for a single-family residence. This increase is mostly needed to cover increased reserve transfers, contract obligations, and utility and insurance costs.

For 2024 the proposed increase for the sewer rates is 2% or \$2.02 per quarter for a single-family residence. This small increase is due to a relatively static budget for 2024 apart from the required contractual increases and transfers to reserve.

Solid Waste service costs for 2024 require an increase of 5.4% or \$2.39 per quarter for the standard bins due to an 8% increase in costs from our contract provider. The City of West Kelowna participates in this contract together with the City of Kelowna, the Regional District of Central Okanagan, District of Lake Country, and the District of Peachland.

BACKGROUND

Operations, maintenance and capital improvements to support the cost of the water utilities are reviewed to ensure a system that meets all Canadian Drinking Water Quality Guidelines and Interior Health water quality requirements for West Kelowna utility customers. Adjustments are required to account for these factors as we meet the growth demands of the community and capital costs to maintain the City's utility systems.

Sewer Rates (Schedule 7)

Sewer rates were adjusted for the first time in 2022 and then again in 2023 to catch up after being unadjusted since 2017. Staff have worked hard to keep operating expense increases minimal for 2024 as most of the line items saw no increase over 2023. Contractual obligations and reserve transfers are the only increases affecting this budget this year thus the recommended increase is at 2% or \$2.02 per quarter for a single-family residence.

The Regional District of Central Okanagan operates the wastewater treatment plant, their lift stations, and the main collector line in West Kelowna. Their overall budget increase for 2024 was minimal as well for this service at 0.1%. Their budget documents noted costs reductions in several operational areas, partially offset by increases in transfers to reserves based on their completed asset management report.

Water Rates (Schedule 8)

For 2024 Finance has reviewed costs and future needs of each water system and produced schedules for Powers Creek and Rose Valley systems. Total costs are similar between the two systems since there are several common operating cost drivers between them, but differences arise since each is at a different stage of its useful life with divergent capital and operating needs expected going forward.

The average rate increase for 2024 is 3.2% (\$8 per quarter / \$32 per year) for Rose Valley water customers and 4.5% (\$11.25 per quarter / \$45 per year) for Powers Creek water users. Rates are lower than what was projected in 2023 as operating budgets for most items have remained similar to 2023 and the number of connections has risen by 4.3%. Increases in transfers to reserve, contract obligations, utilities and insurance costs, have necessitated the proposed increase.

Garbage Rates (Schedule 9)

Solid Waste service costs were reduced in 2022 and again in 2023 after repayment of internal loans for equipment and bins was completed. For 2024 an increase of 5.4% or \$2.39 per quarter for standard bins is necessary due to an 8% increase in costs from our contract provider. The City of West Kelowna holds this contract together with the City of Kelowna, the Regional District of Central Okanagan, District of Lake Country, and the District of Peachland. Contract negotiations happened in the fall of 2023 which were required to extend the contract to 2026 when transitions are expected with recycling collection. Representatives from each of the local governments took part in these negotiations and ultimately agreed to the increased amount. It was noted that the amended pricing still appeared to be lower than per unit pricing for similar services in other Okanagan communities.

FINANCIAL IMPLICATIONS

The proposed sewer and water rates are designed to meet the financial needs of the City for 2024 and are reviewed as part of our annual budget process and amended as required.

Any delay or deferment of the water rate increases for 2024 would adversely affect expected revenues in both systems. For Powers Creek it would create a deficit of approximately \$280,000, funds needed to cover operating costs and to fund reserves for much needed capital replacements. For Rose Valley, deferring an increase would underfund the system by approximately \$266,000 which is needed to cover the first full year of operating expenses.

Deferring a sewer rate increases for 2024 would reduce expected revenues for the sewer fund by approximately \$126,000 annually. Foregoing these funds would require a reduction in spending thus jeopardizing maintenance of sewer infrastructure and leading to larger rate increases in the future.

Increases in the garbage rates are necessary to cover expected contract costs. Delaying an increase in the garbage rates would reduce expected revenues by approximately \$114,000 and would cause a strain on the rest of the operating budget.

Staff will continue to review the timing of capital requests and operating needs year over year as well as prepare a new rate schedule for Council to review in 2025.

The combined financial implications for the average residential customer are as follows:

	Powers Creek	Rose Valley
Sewer	\$ 2.02	\$ 2.02
Water	\$ 11.25	\$ 8.00
Garbage	\$ 2.39	\$ 2.39
Total Quarterly Utility Increase	\$ 15.66	\$ 12.41
Total Annual Utility Increase	\$ 62.64	\$ 49.64

Alternate Recommendation to Consider and Resolve:

THAT Council direct staff to amend the bylaw under consideration.

REVIEWED BY

Corinne Boback, Legislative Services Manager / Corporate Officer

Trevor Seibel, Deputy CAO

APPROVED FOR THE AGENDA BY

Ron Mattiussi, Interim CAO

PowerPoint: Yes ☒ No ☐

Attachments:

1. Bylaw Amendment No. 0028.81
2. Annual Water Rates 2020-2024