



INFORMATION ONLY COUNCIL REPORT

To: Mayor and Council

Date: June 10, 2025

From: Ron Bowles, Chief Administrative Officer

File No: 3710-01

Subject: **Rose Valley Water Treatment Plant – Financial Reconciliation and Parcel Tax Process**

Prepared by: Lisa Siavashi, Financial Services Manager/Deputy Chief Financial Officer
Mark Panneton, Director of Legislative & Legal Services/Corporate Officer

Reviewed by: Warren Everton, Director of Finance/Chief Financial Officer

RECOMMENDATION:

THAT Council direct staff to include a second intake period in the Rose Valley Local Area Service Parcel Tax Bylaw to accommodate parcel owners who prefer the option to pay the parcel tax levy as an upfront, one-time payment.

INFORMATION SUMMARY

The purpose of this report is to respond to Council's request for additional information regarding the Rose Valley Water Treatment Plant, including a financial reconciliation and an overview of the upcoming parcel tax process.

STRATEGIC AREA(S) OF FOCUS

Invest in Infrastructure – We will invest in building, improving and maintaining infrastructure to meet the needs of, and to provide a high quality of life for, current and future generations.

BACKGROUND

Borrowing for the Rose Valley Water Treatment Plant was authorized via an Alternative Approval process in October 2020. The Rose Valley Water Treatment Plant is now operational, and staff are working through the commissioning process. As part of the commissioning process, staff continue their efforts to improve water quality and will continue to report results to Council and the public on a quarterly basis.

On April 25, 2025 staff sent a letter to parcel owners in the Rose Valley Local Area Service regarding payment options for the parcel tax levy. The parcel tax levy, which was approved via an Alternative Approval Process on October 13, 2020, could be paid in one of two ways:

- Transfer from quarterly utility bills to annual installments as a parcel tax over 25 years; or
- As an upfront, one-time payment.

The letter prompted questions and comments from affected residents. In response, Council, at the May 27, 2025 regular meeting, passed the following resolution:

THAT Council direct staff to prepare public reports regarding the Rose Valley Water System, as follows:

- 1) *Rose Valley Water Treatment Plant funding reconciliation;*
- 2) *Second intake potential and related legislative process;*
- 3) *An independent review of the Water Utility Master Plan; and*
- 4) *The aeration project, including how the work can be completed in 2025.*

This staff report has been prepared in response to the first and second parts of Council's resolution.

ANALYSIS

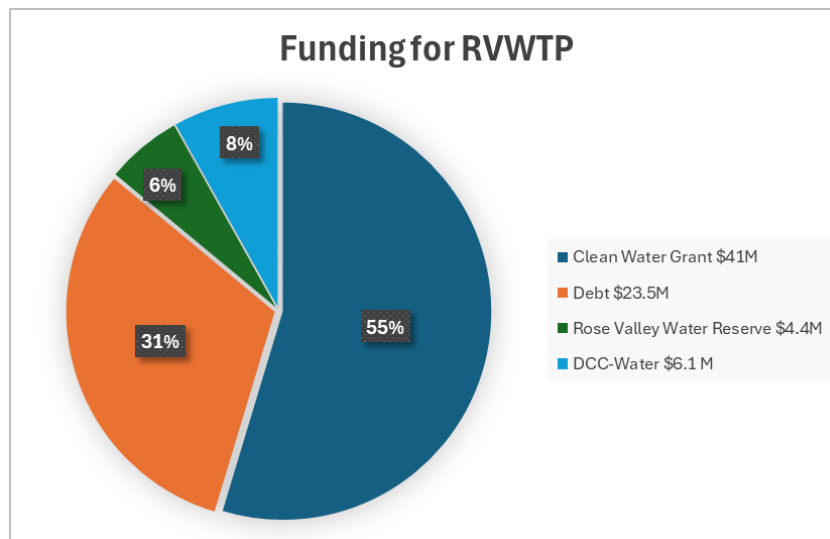
Rose Valley Water Treatment Plant Funding Reconciliation

The Rose Valley Water Treatment Plant was originally approved in the 2017 budget, with the transmission mains in the 10-year capital plan for 2022. At this time a portion of the water flat rate user fee was allocated towards this project to build reserves to fund the plant and transmission mains. Once the long-term debt was drawn, this amount would be removed from the quarterly utility bill and moved over to a parcel tax on the annual property tax bill (see Attachment 1 – Billing Example).

Rose Valley	2020	2021	2022	2023	2024	2025	2026
Consumption Fee	\$ 200	\$ 223	\$ 226	\$ 231	\$ 240	\$ 245	\$ 248
Capital & Fixed Cost Contribution	\$ 181	\$ 202	\$ 210	\$ 225	\$ 235	\$ 253	\$ 253
Debt Payment	\$ 116	\$ 129	\$ 150	\$ 150	\$ 150	\$ 150	\$ -
Operating Flat Fee	\$ 317	\$ 353	\$ 353	\$ 403	\$ 420	\$ 457	\$ 480
Projected Average Annual Cost	\$ 815	\$ 907	\$ 939	\$ 1,010	\$ 1,045	\$ 1,105	\$ 981
Moved to Property Taxes							\$ 181
							\$ 1,162

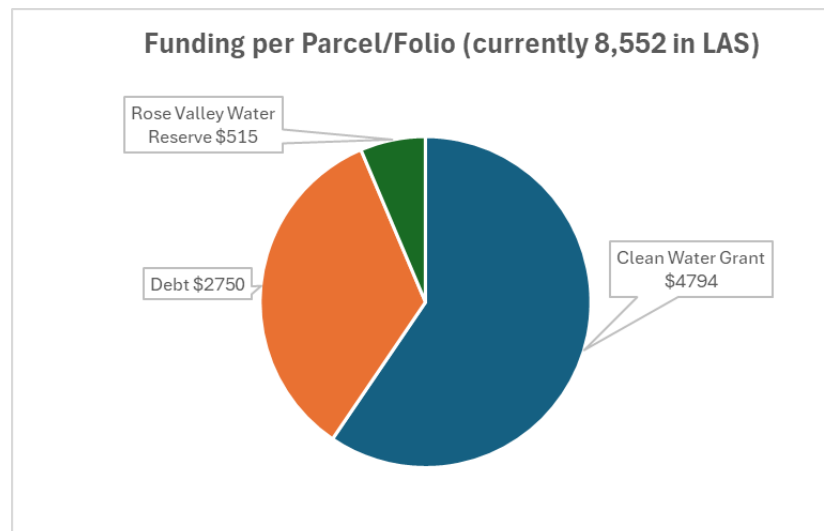
*Note: 2018 was \$77 allocated to the plant and 2019 was \$103

As the design and development progressed and the balance in the reserves and Development Cost Charges (DCCs) was analyzed, it was determined that \$23.5 million was needed through financing to fill the gap to fund the \$75 million project. The reserve balance at the end of 2018 was only \$1.38 million, and so these allocated amounts from the water flat rate user fee were needed to build the reserve balance to the \$4.4 million budgeted to assist with funding the project – considering that during this time, other capital projects would have been occurring in the Rose Valley area as well.



In August/September of 2020, staff started the Alternate Approval Process to ask the affected Rose Valley Water Local Area Service parcels to approve moving forward with the debt to fund the project. The estimate given for the maximum amount of one lump sum payment was \$2,815 over 8,267 folios present in the area at that time. If the parcel owner decided to choose annual installments in the form of a parcel tax payment instead, the estimated amount for the parcel tax was given as \$150 at an interest rate of 2.9%. This amount was to be removed in quarterly installments of \$37.50 from the water flat rate user fee on utility bills.

Short-term borrowing was used through the construction of the plant and now must be transferred over to long-term borrowing. The options remain the same for the owners - to finance through a parcel tax over the next 25 years starting in 2026 or make a lump sum payment (now \$2750 due to additional folios in the local service area). Borrowing is done through the Municipal Finance Authority, which currently is now using an interest rate of 4.04%. This has resulted in an increase to the parcel tax for 2026 by \$31 to \$181. This interest rate will remain for 10-years and then will be refinance based on interest rates at the time of renewal. Each year the parcel tax will be reconciled to account for any new construction that occurred within the local area service.



*Note: does not include DCCs as these amounts are collected by developers/builders at time of construction

Legislative Process and Second Intake

Staff have conducted a review of applicable legislation and determined that a second intake would be permissible in conjunction with Council's consideration of the Parcel Tax Bylaw. Staff recommend that Council include a second intake period in the Rose Valley Local Area Service Parcel Tax Bylaw to accommodate parcel owners who prefer the option to pay the parcel tax levy as an upfront, one-time payment.

The legislative process and anticipated dates associated with Council consideration of the Parcel Tax Bylaw are as follows:

1) Parcel Tax Roll Review Panel Meeting (August 26, 2025)

A meeting of the Parcel Tax Roll Review Panel (the "Panel") is required. The Panel must meet to consider any complaints about the roll and to authenticate it. A person may make a complaint to the review panel regarding an error or omission that pertains to:

- A name or address on the roll;
- The inclusion of a parcel on the roll;
- The taxable area or frontage of a parcel on the roll; or
- A tax exemption being improperly allowed or disallowed on the roll.

All properties subject to the Parcel Tax Bylaw will receive a notice prior to the Panel's meeting (to be mailed to each parcel on or around August 1, 2025).

2) Council Consideration of Parcel Tax Bylaw Readings (September 9, 2025)

After the Parcel Tax Roll is confirmed (step 1; above), staff will prepare and bring forward the Parcel Tax Bylaw and an accompanying report for Council's consideration at the September 9, 2025 regular Council meeting. The Parcel Tax Bylaw could be written in such a way as to offer a second intake opportunity for the owner(s) of affected parcels to make the lump sum payment of \$2750, and staff are seeking Council direction on this matter. Council may consider giving first, second, and third reading to the Parcel Tax Bylaw at that meeting.

3) Council Consideration of Parcel Tax Bylaw Adoption (September 16, 2025)

After the Parcel Tax Bylaw has received first, second, and third reading (step 2, above), staff will bring forward the Parcel Tax Bylaw to the September 16, 2025 regular meeting. Council may consider adoption of the Parcel Tax Bylaw at that meeting.

4) Second Intake Opportunity for Optional Lump Sum Payments (September 17-30, 2025)

Once the Parcel Tax Bylaw has been adopted (step 3, above), and if Council directs staff to proceed with a second intake period, staff will offer a second intake for the owner(s) of affected parcels who may wish to take the lump sum payment option in accordance with the dates for the second intake opportunity established

in the Parcel Tax Bylaw. Staff anticipate that the second intake opportunity will be offered from September 17-30, 2025.

FINANCIAL IMPLICATIONS

Residents will need to consider which of the two payment options make the most sense for them – either payment via an annual parcel tax for a 25-year period, or a single, lump sum payment of \$2750. There are no financial implications for the City of West Kelowna (the “City”). The City is prepared to accommodate both options and each resident is encouraged to do whichever option is best for them.

For most residents in the Rose Valley Water Local Area Service, it will make financial sense to do nothing. Their quarterly water utility bill will be reduced, and that amount will be transferred to their annual property taxes beginning in 2026 in the form of a parcel tax. If residents believe that they will live in their home for the next 25 years, then they have the option to avoid interest costs by making the lump sum payment of \$2750. However, it is expected that most residents will not reside in their homes for the next 25 years – in that case, the parcel tax would be passed on to any future owner(s) when residents sell their property.

COUNCIL REPORT / RESOLUTION HISTORY

Date	Report Topic / Resolution	Resolution No.
May 27, 2025	THAT Council direct staff to prepare public reports regarding the Rose Valley Water System, as follows: 1) Rose Valley Water Treatment Plant funding reconciliation; 2) Second intake potential and related legislative process; 3) An independent review of the Water Utility Master Plan; and 4) The aeration project, including how the work can be completed in 2025.	C127/25
October 13, 2020	THAT Council receive for information, the Certificate of Insufficiency for City of West Kelowna Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020 and City of West Kelowna Rose Valley Water Treatment Plant Loan Authorization Bylaw No. 281, 2020; and THAT Council adopt the “City of West Kelowna Rose Valley Water Treatment Plant Local Area Service Establishment Bylaw No. 280, 2020”; and THAT Council adopt the “City of West Kelowna Rose Valley Water Treatment Plant Loan Authorization Bylaw No. 281, 2020”.	C258/20

PowerPoint: Yes ☐ No ☐

Attachments:

Appendix 1 – Billing Example