



COUNCIL REPORT
Financial Services
For the March 10, 2020 Council Meeting

DATE: March 2, 2020
TO: Paul Gipps, CAO
FROM: Lisa Siavashi, Financial Services Manager
RE: Water Rates Bylaw No. 0028.66, 2020

RECOMMENDED MOTION:

THAT Council give first, second and third reading to “City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66, 2020” (Schedule 8).

RATIONALE:

Council provided direction to staff on ten key decision points during two different water rates workshop sessions on October 10th & 24th, 2017. Those directions led to the presentation and adoption (November 2017) of 1) a service area merger bylaw, 2) a service area renaming bylaw and 3) a revised water rates schedule, with staged increases over a 4 year period. As we move forward towards one water system with the planning and construction of our Rose Valley Water Treatment Plant and ancillary infrastructure, the proposed 2020 water rates in the attached bylaw serve to move us towards the one-rate principle while contributing much-needed additional revenue to fund our water utility.

BACKGROUND:

The 2019 water rates approved by Council marked the second step of water rate increases in a 4-year phase-in plan that would see us move to having the same level of service for all of our citizens.

In 2020, the next phase of that plan will see the following accomplished:

1. An average rate increase of 13% for Rose Valley water customers and 5.52% for Powers Creek water users,

Increases to the water rates will help to fund: the construction of the Rose Valley Water Treatment Plant; upgrades to the general water infrastructure, including PRV assessments and water main replacements.

2. Re-structuring of the agricultural billing methodology to implement a quarterly flat-rate and consumption-based model for all agricultural customers.

The metered charges for agriculture are tier based as follows: \$0.03 per cubic meter up to 7,491 cubic meters/hectare/year and \$0.10 per cubic meter for all remaining consumption. As this allowance is for annual consumption, the metered charges would be billed to customers on their fourth quarter bill. The quarterly flat-rate would continue to be billed on the quarterly invoices.

Communication about the change in the agricultural billing methodology was originally sent to customers in January 2018. This letter informed customers that in order to continue receiving agricultural rates, they were required to obtain “farm class” status from BC Assessment by the end of 2019. This information was also relayed to the public during the Water Rate Open houses that were held in 2018. Further to this, a reminder letter was sent December 13, 2019 noting these changes. Ultimately, once the 2020 rates are adopted, a letter will be sent out informing those customers that have obtained/retained their farm class that metered charges will be billed annually along with an estimate of the annual charges based on their 2019 consumption. In the meantime, they are more than welcome to make estimated installment payments if they like. Approximately 41 customers did not obtain farm class and will be billed residential rates starting January 1st, 2020. These customers will also be sent a letter informing them of the changes to their account.

COUNCIL REPORT/RESOLUTION HISTORY:

Date	Report Topic/Resolution	Resolution No.
Oct 10, 2017	THAT Council support recommendation 1b (including identical rates for all water systems phased in over 4 years)	C440/17
Oct 10, 2017	THAT Council support recommendation 2b consolidate Lakeview, Sunnyside and West Kelowna Estates water system bylaws into one service area while keeping Westbank and Pritchard water systems separate with one rate structure)	C441/17
Oct 10, 2017	THAT decision point number 4 be referred back to staff for further information	C443/17
Oct 10, 2017	THAT Council support recommendation 4a (identified as West Kelowna Water System)	C444/17
Oct 10, 2017	THAT Council support recommendation 5a (a residential rate using a fixed flat rate and a variable (volumetric) element)	C445/17
Oct 24, 2017	THAT Council direct staff that no additional funds be collected at this time towards a future water treatment plant for Powers Creek and Rose Valley effective January 1, 2018	C467/17
Oct 24, 2017	THAT Council support the staff recommendation 6a (including that all 1” ICI & MF meters be charged that same flat rate component as a single-family dwelling	C468/17
Oct 24, 2017	THAT Council support the staff recommendation 7a (eliminate individualized non-conforming ICI rates and include these accounts in the rates applicable to all other ICU accounts	C469/17

Oct 24, 2017	THAT Council support staff's recommendation 8a (BC Assessment's "Farm Class" to be used as a requirement to qualify for "agricultural water rates"; agricultural water rates to be structured to include a per acre flat charge with a tiered consumption model; property owners to be given a two-year window to obtain "Farm Status" from BC Assessment)	C470/17
Oct 24, 2017	THAT Council support staff's recommendation 9a (one consistent rate for unimproved parcels within a water service area and that the level of contribution be equal to 0.25 of a SFD fixed charge)	C471/17
Oct 24, 2017	THAT Council support staff's recommendation 10a (to continue the current rate structure with the exception of setting the application fee to \$35.00 across the board)	C473/17
Nov 14, 2017	THAT Council give first, second and third reading to City of West Kelowna Rose Valley Water System Merger Bylaw No. 0239, 2017; and THAT Council give first, second and third reading to City of West Kelowna Local Area Water Service Establishment (Westbank Irrigation District) Amendment Bylaw No. 0080.08, 2017; and THAT Council give first, second and third reading to City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.53, 2017.	C513/17
Nov 28, 2017	THAT Council adopt City of West Kelowna Rose Valley Water System Merger Bylaw No. 0239, 2017; and THAT Council adopt City of West Kelowna Local Area Water Service Establishment (Westbank Irrigation District) Amendment Bylaw No. 0080.08, 2017"; and THAT Council adopt "City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.53, 2017".	C535/17

FINANCIAL IMPLICATIONS:

The proposed water rates are designed to meet the financial needs of the City in 2020 and will continue to be reviewed as part of our annual budget process each year and amended as required. This includes amounts to be transferred to water reserves to help fund the different capital expenditures as authorized in the 10 year Capital Plan.

The quarterly flat agricultural rates produced approximately \$130,000 of revenue for 2019. For 2020 we expect this amount to drop by \$30,000, however this is also due to 41 customers now being charged residential rates as opposed to agricultural rates. The agricultural rates are also part of the annual budget review process and will be analyzed accordingly.

ALTERNATE MOTIONS(S):

THAT Council direct staff to amend the bylaw under consideration.

REVIEWED AND APPROVED BY:

Warren Everton, Director of Finance/CFO
Tracey Batten, Deputy CAO/Corporate Officer
Paul Gipps, CAO

Powerpoint: Yes No

Attachments:

1. Amended Fees and Charges Bylaw No. 0028.66, 2020 and Schedule 8
2. Correspondence to agricultural customers January 2018
3. Correspondence to agricultural customers December 2019