



COUNCIL REPORT  
Financial Services  
For the April 7, 2020 Council Meeting

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DATE: March 31, 2020  
TO: Paul Gipps, CAO  
FROM: Lisa Siavashi, Financial Services Manager  
RE: Adoption of Water Rates Bylaw No. 0028.66, 2020

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The water rates bylaw is needed at this time of crises to ensure our systems have adequate funding to continue to supply water and to fund much needed upgrades.
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*The financial impacts of not moving ahead with the Water Rates Bylaw amendment to the City's capital plan to maintain and improve water to our residents and businesses will be significant. Delays in much needed infrastructure improvements and downstream costs will increase. Therefore, I fully support this bylaw amendment being adopted by Council.*

- Paul Gipps, CAO

**RECOMMENDED MOTION:**

**THAT** Council rescind third reading of the “City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66,2020”, and re-read a third time as amended; and, as permitted under the Province of BC Order of the Minister of Public Safety and Solicitor General (Ministerial Order No. M083);

**THAT** Council adopt the “City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66, 2020” (Schedule 8).

**RATIONALE:**

At the March 24<sup>th</sup>, 2020 regular meeting, Council asked staff to postpone the adoption of the City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66, and return with suggestions for adjustments to assist customers of West Kelowna with their utility billing during the financial hardships created by the COVID-19 pandemic.

Staff reviewed the amendments to the water rates bylaw that were part of a revised water rate schedule, as deliberated by Council, over a 4-year period, to move towards one water system. The increase in water distribution costs and projected funding of infrastructure maintenance and upgrades necessitate an increase in the water user fees collected. Foregoing these increases would cause a financial burden on the water fund as much of the maintenance is needed order to keep our water system functioning and to minimize urgent reactive repairs. Staff also noted during deliberations that neither garbage fees nor sewer fees had been increased in 2020.

Upon review of other municipalities' efforts to ease the financial burden during this crisis it was apparent that those who have made amendments did so by removing interest that would result from unpaid utility bills for the first quarter of 2020. Alternatively in the case of annual bills, they proposed to adjust the penalty that would result from unpaid utility bills throughout 2020. These municipalities also delayed the due dates, with dates ranging from June 1 to September 20, 2020, at which time the interest or penalty would be applied. The majority of these municipalities had water rate increases for 2020 that had already been adopted. Staff felt that following this model, but extending the payment due date to December 31, 2020, would create the most flexibility for CWK customers, while minimizing the water fund hardship and pressure on the water budget. Therefore, staff recommend removing the 1% per month interest charged on outstanding balances until the end of 2020. The due dates will remain in place, but customers will not be penalized if they are unable to make their full payments by these dates.

Other options that staff reviewed included:

- Delaying the planned water rate increase for 2020. This option would create a loss of approximately \$1 Million for the year or \$250,000 per quarter. While some savings are expected due to processes/maintenance that cannot be completed during the pandemic, delaying the water rate increase in 2020 would ultimately require larger rate increases in the future. The planned water rate increases for 2020 equate to a \$4/month increase for Powers Creek customers and a \$6/month increase for Rose Valley customers. If this option was adopted by council, we would still require a bylaw to change the method of billing the agricultural rates.
- Delaying the transfer to taxes process that occurs for at the end of the year for one year. Currently the bylaw includes a process where by any unpaid utility charges at the end of the year are transferred to tax arrears. Interest then accrues at rates established under Section 11(3) of the Taxation act (currently 6.95% to be reset April 1<sup>st</sup>, 2020 and then again quarterly). It was noted in the review that no other municipalities were waiving this process at this time.

#### 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 will 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. Further to this, a reminder letter was sent December 13, 2019 noting these changes. Letters have also been sent out recently 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. Approximately 41 customers that did not obtain farm class and who will be billed residential rates starting January 1<sup>st</sup>, 2020, have also been sent a letter informing them of the changes to their account.

#### COUNCIL REPORT/RESOLUTION HISTORY:

Date	Report Topic/Resolution	Resolution No.
Mar 10, 2020	THAT Council give first, second and third reading to "City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66, 2020" (Schedule 8)	
Mar 24, 2020	THAT Council postpone consideration of adoption of City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66, 2020	

#### 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.

Delaying water rates increases for 2020 would create a loss of approximately \$1 Million of revenue, or \$250,000 per quarter. This loss revenue, even with reduced expenses, would most likely create a deficit for 2020 and would also create the need to have larger increases to the water rate in the future.

#### ALTERNATE MOTIONS(S):

THAT Council re-read and adopt the "City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66, 2020" (Schedule 8) with the amendment of removing the process of transferring unpaid utility balance to property tax arrears at the end of 2020.

Or

THAT Council re-read and adopt the "City of West Kelowna Fees and Charges Amendment Bylaw No. 0028.66, 2020" (Schedule 8) with amendments as made by Council.

#### REVIEWED AND APPROVED BY:

Warren Everton, Director of Finance/CFO

Tracey Batten, Deputy CAO/Corporate Officer  
Paul Gipps, CAO

Powerpoint: Yes ☐ No ☒

Attachments: Amended Fees and Charges Bylaw. 0028.66, 2020 and Schedule 8 updated Mar 31